

WEST LAVINGTON PARISH COUNCIL

RISK MANAGEMENT POLICY

1. Introduction

West Lavington Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, assets, and community against potential losses, to minimise uncertainty in achieving its goals and objectives and to maximise opportunities to achieve its purpose. The Council is aware that some risks can never be eliminated fully so this policy is in place to provide a structured, systematic and focussed approach to managing risk.

Risk management is an integral part of the Council's management processes.

1.1 This document sets out the Council's Risk Management Policy. It describes:

- What is risk management;
- Why the Council needs a risk management policy;
- What is the Council's philosophy on risk management;
- What is the risk management process;
- How risk management is fed into the Council's other policies;
- Implementation timetable;
- Roles and responsibilities;
- Future monitoring.

1.2 The Policy objectives are to:

- Raise awareness of the need for risk management and integrate risk management into the culture of the council;
- Manage risk in accordance with best practice;
- Anticipate and respond to changing social, environmental and legislative requirements;
- Prevent loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources;
- To inform policy and operational decisions by identifying risks and their likely impact.

2. What is Risk Management?

2.1 *'Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies. Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the framework of governance together with community focus, structures and processes, standards of conduct and service delivery arrangements.'* Audit Commission, *Worth the Risk: Improving Risk Management in Local Government*, (2001: 5)

2.2 Risk management is an essential feature of good governance. An organisation that manages risk well is more likely to achieve its objectives. It is vital to recognise that risk management is not simply about health and safety, but applies to all aspects of the Council's work.

2.3 Risks can be classified into various types but it is important to recognise that for all categories the direct financial losses may have less impact than the indirect costs such as disruption to normal working or damage to confidence and reputation. The examples below are not exhaustive:

Strategic Risk - long-term adverse impacts from poor decision-making or poor implementation. Risks damage to the reputation of the Council, loss of public confidence, in a worse case scenario Government intervention.

Compliance Risk - failure to comply with legislation, laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals and the inability to enforce contracts.

Financial Risk - fraud and corruption, waste, excess demand for services, bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased precept levels/impact on Council reserves.

Operating Risk - failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, damage to property. Risk of insurance claims, higher insurance premiums, lengthy recovery processes.

2.4 Not all these risks are insurable and for some the premiums may not be cost effective. Even where insurance is available, a monetary consideration might not be an adequate recompense. The emphasis should always be on eliminating or reducing risk before costly steps to transfer risk to another party are considered.

2.5 Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. Measures to manage adverse risks are likely to help with managing positive ones.

3. **Why the Council needs a Risk Management Policy**

3.1 Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.

3.2 This Risk Management Policy will help to ensure that the Committees and Working Groups, and the Council itself, have an understanding of risk and that the Council adopts a uniform approach to identifying and prioritising risks. This should in turn lead to conscious choices as to the most appropriate method of dealing with, or 'treating', each risk.

3.3 Strategic risk management is also an integral part of the Best Value process and as such is an important element in demonstrating continuous service

improvement (although the Council is not formally categorised as a ‘Best Value Authority’, it should seek to follow the principles as good practice).

3.4 The External Audit process reviews risk management, and recommendations on the use of risk management are contained in “Governance and Accountability for Local councils – A Practitioner’s Guide”, published by NALC/SLCC.

4. **Implementing the Policy**

Risk Identification – Identifying and understanding the hazards and risks facing the Council is crucial if informed decisions are to be made about policies or service delivery methods. The risks associated with these decisions can then be effectively managed. All risks identified will be recorded in the Council’s Risk Register.

Risk Analysis – Once risks have been identified they need to be systematically and accurately assessed using proven techniques. Analysis should make full use of any available data on the potential frequency of events and their consequences. If a risk is seen to be unacceptable, then steps need to be taken to control or otherwise respond to the risk.

Risk Prioritisation - An assessment should be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored on a 4x4 matrix:

INCREASING IMPACT ↓		INCREASING LIKELIHOOD →			
		Virtually impossible to occur: 0 to 20% chance	Likely to occur: 21 to 50% chance	More likely to occur than not: 51% to 80% chance	Almost certain to occur: 81% to 100% chance
		1	2	3	4
		Very Unlikely	Unlikely	Likely	Very Likely
1	Minor				
2	Moderate				
3	Major				
4	Massive				IMMEDIATE ACTION

Risk Control - Risk control is the process of responding to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur. Typically, risk control requires the identification and implementation of revised operating procedures, usually by the Clerk, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level, (sometimes known “as low as reasonably practicable”) either through consideration at routine Council or Committee meetings, or at extraordinary meetings, or by direct intervention with immediate action.

Options for control include:

Elimination	The circumstances from which the risk arises are removed so that the risk no longer exists;
Reduction	Control measures are implemented to reduce the impact/likelihood of the risk occurring;
Transfer	The impact is passed to others e.g. by revising contractual terms;
Sharing	The risk is shared with another party;
Insuring	Insure against some or all of the consequences to mitigate financial impact;
Acceptance	Documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

Risk Monitoring - The risk management process does not finish with putting any risk control procedures in place. Their effectiveness in controlling risk must be monitored and reviewed. It is also important to assess whether the nature of any risk has changed over time.

The information generated from applying the risk management process will help to ensure that risks can be avoided or minimised in the future. It will also inform judgements on the nature and extent of insurance cover and the balance to be reached between self-insurance and external protection.

5. **How Risk Management is fed into the Council's other policies**

- 5.1 The initial identification of Risks will be achieved by the Clerk compiling a list of the risks which will be placed into a Corporate Risk Register. The register will then be examined by the Risk Management Committee, and approved or altered as required.
- 5.2 **Best Value** – The Council will build risk management procedures into the way that it operates as part of a commitment to quality and continuous service improvement. As part of any best value review process the strategic and operational risks associated with the review will be assessed.
- 5.3 **Projects and Service Changes** – projects or changes to services will include risks identification and the measures to eliminate or control risks will be documented in agenda reports/briefing papers to be considered by the Council and its committees.
- 5.4 **Partnership Working** – the Council will continue to enter into a number of partnerships with organisations from the public, private, voluntary and community sectors where necessary. Part of the process of setting up future partnerships will be to ensure that all relevant risks are identified and that appropriate control mechanisms are built into the management arrangements for the partnership.

6. **Implementation Timetable**

- 6.1 Risk Management Policy – presented to the Risk Management Committee for discussion and recommendation to the Council at their meetings on 7 October 2010;
- 6.2 The Draft Corporate Risk register to be prepared by the Clerk, and presented to the Risk Management Committee for discussion, and alteration as necessary, before recommendation to the Council for adoption at their meetings on 7 October 2010;
- 6.3 Policy to be reviewed bi-annually.

7. **Roles and Responsibilities**

- 7.1 It is important that risk management becomes embedded into the every day culture and performance management process of the Council. The roles and responsibilities set out below, are designed to ensure that risk is managed effectively across the Council and its operations, and responsibility for risk is located in the right place.
- 7.2 **Elected Members** – risk management is seen as a key part of the Elected Member’s stewardship role and there is an expectation that Elected Members will lead and monitor the approach adopted, including
 - Approval of the Risk Management Policy;
 - Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed;
 - Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.
- 7.3 **Parish Clerk/Responsible Financial Officer** – will act as the Lead Officer on Risk Management and be responsible for overseeing the implementation of the detail of the Risk Management Policy and the control mechanisms, including financial controls and insurances, providing reports to the Risk Management Committee as necessary.
- 7.4 **Internal Audit** – Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Council that the necessary financial risk management systems are in place and all significant business risks are being managed effectively.
- 7.5 Internal Audit assists the Council in identifying its financial risks and seeks to assist the Council in developing and implementing proper arrangements to manage them, including adequate and effective systems of internal control to reduce or eliminate the likelihood of errors or fraud.

- 7.6 **Risk Management Committee** – Review and future development of the Risk Management Policy and the compilation of the Risk Register will be overseen by the Risk Management Committee, as advised by the Clerk.
- 7.7 **Training** – Risk Management training will be provided to Elected Members through a variety of mediums, as necessary. The aim will be to ensure that Members have the skills necessary to identify, evaluate and control the risks associated with the services the Council provide.
- 7.8 In addition to the roles and responsibilities set out above, the Council is keen to promote an environment within which its members and other stakeholders are encouraged to report adverse incidents promptly and openly.

8. **Future Monitoring**

- 8.1 **Review of Risk Management Policy** - This Strategy will be reviewed by the Risk Management Committee on a regular basis as part of the Council's continuing review of its policy documents and Standing Orders. Recommendations for change will be reported to the Council. The date of the first review will be June 2011.

9. **Freedom of Information**

In accordance with the Freedom of Information Act 2000 copies of this document and the Risk Register are available for inspection by arrangement with the Clerk.

Next review June, 2019