WEST LAVINGTON PARISH COUNCIL

Risk Management Policy

West Lavington Parish Council recognises that it has a responsibility to manage risks effectively in order to protect <u>all</u> persons and reduce, as far as practicable the risk to <u>life</u>, <u>resource</u> and <u>reputation</u>. The Parish Council <u>will</u> promote an environment within which all persons and stakeholders are encouraged to report concerns without fear of reprisal.

1.   **Scope**. This policy document sets out the Council's Risk Management Policy, describing the:

      a.   Definition.
      b.   Purpose.
      c.   Process.
      d.   Roles and Responsibilities.
      e.   How risk management nests within Parish Council governance.

2.   **Objectives**. The Policy objectives are to:

      a.   Raise awareness of the need for risk management and integrate risk management into the culture of the council, shaping governance processes.

      b.   Manage risk in accordance with best practice.

      c.   Anticipate and respond to changing social, environmental and legislative requirements.

      d.   Prevent loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources.

      e.   To inform policy and operational decisions by identifying risks and their likely impact.

Definition

3.   Risk is the assessed probability of outcome(s) from an action or an event that could affect the organisation's ability to achieve its objectives and to successfully execute its strategies.

4.   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.

5.   Not all 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.

6.   Risk is not restricted to potential threats but can be connected with opportunities. Good risk management can facilitate proactive, rather than merely defensive responses. **It is these opportunities that should be the focus of this policy; seeking to help shape**

the direction of travel that the Parish Council takes, forecast activity and focus spending.

Purpose

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

8.   This Risk Management Policy will help to ensure that the Committees and Working Groups, and the Council itself, have an understanding of risk management and that the Council adopts a uniform approach to identifying and guarding against inappropriate action. **This should support conscious decision making**.

9.   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.

Process

10.   This is designed as a comprehensive handrail – the default mechanism for Risk Management is consultation at the Risk Management Working Group, or if time sensitive, at the regular Parish Council meeting. Anything that scores five and above on the Risk Impact Graph will be reported at every Parish Council meeting until the risk has been treated. The most complex issues will be managed in a five step process

11.   **Step one**. 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 and discussed bi-yearly in the Risk Management Working Group meeting.

12.   They can be identified at any time and by anyone. The key risks and opportunities will be presented in the annual corporate plan meeting for further consideration.

13.   **Step two**. Risk Analysis – Once risks have been identified they will be assessed at the Risk Management Working Group meeting. Analysis should make full use of any available data on the potential frequency of events and their consequences. Control and mitigation measures will then be applied to treat the individual risk. In instances where it cannot be managed, additional control measures will be applied.

14.   **Step three**. Risk Prioritisation – An assessment will be undertaken of the impact and likelihood of risks occurring, with impact and likelihood being scored on the Risk Impact Graph at Figure 1:
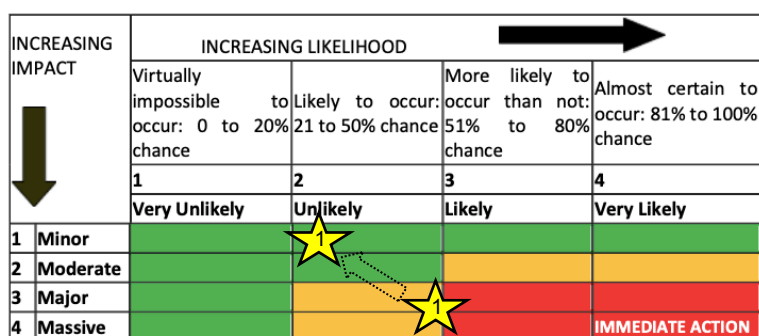

INCREASING IMPACT	INCREASING LIKELIHOOD			
	Virtually impossible to occur: 0 to 20% chance	Likely to occur: 21 to 50% chance	More likely to occur than not: 51% to 80% chance	Almost certain to occur: 81% to 100% chance
	1	2	3	4
	Very Unlikely	Unlikely	Likely	Very Likely
1 Minor				
2 Moderate				
3 Major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

Figure 1: Risk Impact Graph

15.   **Step four**. <u>Risk Control</u> – Is the process of responding to the risk. This may involve changing operating procedures, but the underlying tenet is to reduce the risk to an acceptable level, ("as low as reasonably practicable" or ("ALARP")) either through consideration at routine Council or Committee meetings, or at extraordinary meetings, or by direct intervention with immediate action. Risks will be categorised into one of the following categories:

   a.   **Transfer**. For some risks, the best response may be to transfer them. This might be done by conventional insurance or by supporting a third party to take the risk in another way. There may be an opportunity to escalate it to the County Council.

   b.   **Tolerate**. The ability to do anything about some risks may be limited, or the cost of taking any action may be disproportionate to the potential benefit gained. This course of action is common for large external risks. In these cases the response may be toleration but the risk should be tracked so managers are ready to reconsider should it start to escalate. Tolerance levels determining how much risk can be taken at each level need to be set and should inform your decisions. In this instance, the decision will be recorded in either the Risk Management Working Group meeting or added to the agenda on the routine Parish Council meeting.

   c.   **Treat**. By far the greater number of risks will belong to this category. The purpose of taking action to reduce the chance of the risk occurring is not necessarily to obviate the risk, but to contain it to an acceptable level. Risk will be passed up and down the corporate chain. High-level risks may have to pass to a higher level of responsibility to decide on an action, whereas other risks may translate into activities designed to mitigate them. Decide what criteria will result in the risk being passed up the corporate management system. In this instance, the risk will be applied to the Risk Impact Graph and then, once control measures and mitigations are applied, it will be reassessed. This risk management will be articulated by the use of a dotted arrow – example at Figure 1.

   d.   **Terminate**. Change process thus removing the risk where it is feasible to do so.

16.   **Step Five**. <u>Risk Monitoring</u> – 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.

Roles and Responsibilities

17.   **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:

   a.   Approval of the Risk Management Policy.

   b.   Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed.

   c.   Assessment of risks whilst setting the budget, including any bids for resources to tackle specific issues.

18.	**Parish Clerk / Responsible Financial Officer**. Is responsible for overseeing the control mechanisms, including financial controls and insurances, providing reports to the Risk Management Committee as necessary and ensuring the Risk Management meetings ae scheduled every quarter.

19.	**Risk Portfolio Holder**. Is the lead individual for Risk Management and is responsible for overseeing the implementation of the detail of the Risk Management Policy. The Portfolio Holder will act as the conscience and ensure that Risk Management remains at the forefront of all Parish Council decision making and activity.

20.	**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. It 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.

21.	**Risk Management Committee**. Is jointly responsible for the implementation and future review of the Risk Management Policy and the compilation of the Risk Register. The committee will assemble quarterly or on demand to conduct risk management as requested by the Chair or Portfolio Holder.

How Risk Management nests within Parish Council governance

22.	The five step Risk Management process should be treated as iterative and the Risk Register a live and ever evolving document. Led by the portfolio holder, the key risks and opportunities will be presented to Council at the monthly working group updates or at the corporate planning meeting. Risk will be managed in close consultation with the Health and Safety Policy.

23.	This will be refined over time – **gold standard looks like**:

a.	Business as usual activity within the individual working group areas.
b.	Identification of risks in accordance with Step One and Two of the risk management process.
c.	Consultation with the community on the key opportunities and risks.
d.	Deliberate decision making at the corporate plan meeting to shape annual decision making and committal of funding.

24.	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 risks associated with the review will be assessed and controlled in accordance with Step Four.

25.	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 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.

Revised Oct 10, Reviewed Mar 2024.