

Report of: The Clerk
To: The Parish Council
Date: 15 March 2021
Subject: Risk Assessment-Management

1 Introduction

The Parish Council is required to review its risk assessment/management arrangements each year and it is a requirement that the Parish Council can demonstrate that it has effective risk management processes in place.

It is a requirement that risk assessment-management is carried out at least annually and is a key element of the framework of governance. Failure to carry out risk assessments is a breach of Regulation 4 of the Accounts and Audit Regulations 2011 and would be likely to attract a qualified audit opinion by the external auditor.

2 Policy Statement

The Parish Council recognises that it has a responsibility to manage risks effectively to protect its employee, assets, liabilities and community against potential losses, to minimise uncertainty in achieving its goals and objectives and to maximise the opportunities to achieve its vision.

The Council is aware that some risks can never be eliminated fully, and it has in place a strategy that provides a structured, systematic and focused approach to managing risk.

3 Risk Management Strategy

The objectives of the Council's risk management strategy are to:

1. Integrate risk management into the culture of the Council.
2. Manage risk in accordance with best practice.
3. Anticipate and respond to changing social, environmental and legislative requirements.
4. Prevent loss, disruption, damage and injury and reduce the cost of risk, thereby maximising resources.
5. Inform policy and operational decisions by identifying risks and their likely impact.
6. Raise awareness of the need for risk management and on-going risk reduction.
7. Establishing clear roles, responsibilities and reporting lines within the Council

These objectives will be achieved by:

1. Establishing clear roles, responsibilities and reporting lines within the Council for risk management.
2. Providing opportunities for shared learning on risk management across the Council.
3. Providing risk management training and awareness sessions.
4. Incorporating risk management considerations into the Council's management processes.
5. Effective communication with, and the active involvement of, employees.
6. Monitoring arrangements on an on-going basis.

4 Definition of a Risk

A risk is concerned with a threat of a possible future event which would have a severe impact the Parish Council's ability to achieve its objectives. Risk management is the process by which risks are identified, evaluated and controlled and enables the Parish Council to avoid or minimise damaging actions or events.

The role of the Council, therefore, is to be prepared by identifying risks and then deciding on processes to accept, minimise, transfer or reduce them, or to create an alternative plan.

5 **Categorisation of Risks**

The Parish Council already has a 'risk register' which identifies potential risks which could arise. The schedule also includes how to manage each of the risks.

The following are the recommended appropriate categories, and the current risk assessment-management schedule has already been separated into these categories:

- **Compliance Risks**

This now has greater significance in view of the General Data Protection Regulation (GDPR) which came into force on 25 May 2018 and is now enshrined in the Data Protection Act 2019. The risk assessment-management schedule will need to be updated in due course to address this.

- Compliance with various statutes and secondary legislation.
- Does the Council always comply with, for example, employment law?
- Sharing of information (this relates to GDPR).

Although compliance is largely about complying with external and often imposed legislation, it can relate to compliance with the Council's organisation objectives.

- **Governance**

Examples of issues which arise under Governance are -

- Inappropriate organisation structure.
- Conflicts of interest
- Notification to public of meetings of the Council and its committees

- **Operational Risks**

The following are examples:

- Charges for the community hall lettings. Too high or too low? If not pitched at the correct level could the Parish Council lose income?
- Cleanliness of the venue. Are there health and safety issues?
- Employment contract for the Clerk.
- Fraud and misappropriation of fees. Although this might appear to be a financial risk, it is about operational procedures being robust enough to prevent theft or misuse of resources. If there are no clear procedures in place, there is a potential for fraud.

- **Reputation**

How would public perception of the Council's reputation be affected if an accident or negative event were to occur? Are there strategies in place to deal with this?

For example, if someone was injured in an activity project - The Great Get Together is a timely example. If the Council has not planned for such an event, it could result in a serious image problem which, in turn, could be fuelled by adverse publicity. The public perception of the Council would be less positive than prior to the incident.

- **Finance**

This relates to the accuracy and timeliness of financial information, but also holding the correct level of funds for projects identified in the budget. In addition, financial risks also relate to cash flow.

- Are there measures in place to protect funds for specific projects?
- Is there an effective system of monitoring cash flow against budget?
- Is the Council dependent on an income stream? (e.g. community hall income). Would the Council be at risk if a significant number of regular users ceased using the hall?

6 Analysing Risk

To decide how important the risks are and what action is needed, the risks must be analysed to determine (a) how likely they are to occur; and (b) what impact they could have. After sorting into types, the next step is putting the risks into a manageable risk plan.

It is unnecessary to develop full risk management plans for each risk, whatever its priority; however, high priority risks must have a clear plan to mitigate them. This is because their impact is so significant that if they occur they could damage the organisation.

- **Likelihood**

The Council should consider each risk in turn and decide how likely it is to occur.

Working through the risk register, the following spectrum should be used:

1. extremely unlikely
2. unlikely
3. moderately likely
4. regular occurrence
5. highly likely
6. extremely likely – frequent occurrence

- **Impact**

Having reviewed likelihood, the next stage is to consider the impact –

- What impact would this have on the Parish Council?
- If it occurred, how bad would it be?

Even if a risk has been identified as extremely unlikely (1) it might be a risk which could have a significant negative impact on the Parish Council. On the other hand, a risk which is highly likely (5) might have little impact on the Council.

- **Impact Measures**

Each risk should then be judged by likelihood and assessing the impact along a spectrum of six measures:

1. not critical
2. minor impact in some areas
3. minor impact in many areas
4. significant impact – would not affect the continued operation of the Parish Council in the short term, but might in the long term
5. significant impact in the medium term – relates to substantial operational areas
6. fundamental to continuing operations.

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The Council is then able to assess the whole risk list by how likely the risks are, first, and then judging the levels of impact second.

The final stage of risk analysis is to combine the results of the likelihood and impact assessments to prioritise risks as low, medium or high, by multiplying the result of the likelihood analysis by the result of the impact analysis, using numbers attached to measures.

The following is a matrix which was included in the main source document used by the Clerk; however, Members are encouraged to use 'common sense' if proposing use of the matrix.

This is a worked example and was cited relating to a coach crash. The coach crash was deemed to be unlikely (but not impossible).

Priority:	Low	1 to 9
	Medium	10 to 19
	High	Over 20

Likelihood/Impact	1 Extremely Unlikely	2 Unlikely	3 Moderately Likely	4 Likely	5 Highly Likely	6 Extremely Likely
1 Not critical	1	2	3	4	5	6
2 Minor impact in some areas	2	4	6	8	10	12
3 Minor impact in many areas	3	6	9	12	15	18
4 Significant impact: would not affect operations in short term but might in long term	4	8	12	16	20	24
5 Significant impact in medium term: relates to substantial operational areas	5	10	15	20	25	30
6 Fundamental to continuing operation	6	12	18	24	30	36

7 Mitigating Risks

The Council can manage the risks to make them less severe, less likely or have a smaller impact. Such actions will include:

- acceptance of the risk
No monitoring action required. The risk needs to be listed as an acceptable risk, but it demonstrates that the Council understands that there are risks which the Council accepts.

- minimising the impact of the risk

Taking precautions to minimise the impact. This is similar to 'acceptance of the risk' but requires more active measures to mitigate the risk; for example, a children's playground will have rubber or other appropriate material underneath a climbing frame to minimise the impact of a fall.

- transferring the risk

This is a simple way of managing the 'big things' and represents a delegation to the experts (insurance companies). In the coach example, there would be insurance to cover the coach breakdown. If there were also injuries to individuals, this would be covered under public liability.

- reduce the likelihood of risk

This type of mitigation requires creative preparedness and could include training, sharing information, regular monitoring the risk; for example, hospitals use posters to explain how germs are transferred and the 'Now wash your hands' signs to show how to prevent the spread of germs.

- deploy a fall-back position

This is, in effect, a Plan B. The Council can mitigate risk by having a fall-back plan which is an alternative activity so that the impact is not as significant as it might have been

8 Conclusion

The Parish Council's system of internal control incorporates risk management through Standing Orders and Financial Regulations and enables the Parish Council to respond to the various risks. The risk assessment-management schedule details known risks and Members are asked to consider –

- (a) If there are any other risks which should be included;
- (b) If the management measures identified are adequate; and
- (c) If the scoring of the risks and impact assessment is appropriate.

Carol Jones

Clerk

March 2021

Originally prepared for Annual Council on 19 May 2019,
but not submitted to that meeting.