

## MISTLEY PARISH COUNCIL

### RISK MANAGEMENT POLICY

**1. Introduction** – This document forms the Parish Council's Risk Management Strategy. It sets out:

- What risk management is.
- Why the Council needs a risk management strategy.
- The Council's view on risk management.
- The risk management process.
- Roles and responsibilities of the risk management strategy.
- Future monitoring of the risk management strategy.

**2. Objectives of the Risk Management Strategy** – These are:

- Further develop risk management and raise the profile of risk management across the Council.
- Integrate risk management into the culture of the Council.
- Embed risk management through the ownership and management of risk as part of all decision-making processes.
- Manage risk in accordance with best practice.

**3. Understanding Risk Management** – The Council should consider the following:

- Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to successfully carry out its strategies. Risk management is the process by which risks are identified, evaluated, and controlled. It is a key element of the framework with community focus, structures and processes, standards of conduct and service delivery arrangements.
- Risk management is an essential feature of good governance. A Council 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.
- 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 of normal working. The examples below are not exhaustive:
  - **Strategic Risk** – Long-term adverse impacts from poor decision-making or poor implementation. Risk damages to the reputation of the Council, loss of public confidence, and in the 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, and bad debts. Risk of additional audit investigation, objections to the accounts, reduced service delivery, dramatically increased Council Tax levels/impacts on Council reserves.
  - **Operating Risk** – The failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff, and damage to property. Risk of insurance claims, higher insurance premiums and lengthy recovery processes.
  - **Insurance** - Not all of these risks are insurable and for some the premiums may not be cost effective. Even when 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.
  - **Good Risk Management** – Risk is not restricted to potential threats but can be connected with missed 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.

**4. The Need for the Council to have a Risk Management Strategy** – This strategy is needed for the following reasons:

- Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided.
- The Risk Management Strategy will help to ensure that all Committees/service areas 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 each risk, be it elimination, reduction, transfer, or acceptance.
- Strategic risk management is also an important element in demonstrating continuous service improvement.
- There is a requirement under The Local Audit and Accountability Act 2014 and The Accounts and Audit Regulations 2015 to establish and maintain a systematic strategy, framework, and process for managing risk.

**5. Risk Management Policy Statement** – This is the Council's Policy Statement:

- Mistley Parish Council recognises that it has a responsibility to manage risks effectively in order to protect its employees, 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. Risk management is an integral part of the Council's management processes.

**6. Implementing the Strategy**

- **Risk Control** – is the process of taking action 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, but in exceptional cases more drastic action will be required to reduce the risk to an acceptable level.
- **Options for Control Include:**
  - **Elimination** – The circumstances from which the risk arises are removed so that the risk no longer exists.
  - **Reduction** – Loss control measures are implemented to reduce the impact/likelihood of risk occurring.
  - **Transfer** – The financial 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 risk to mitigate financial impact.
  - **Acceptance** – Documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk.

**7. 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.

**8. Risk Management System**

- **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.
- **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 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 using a matrix identifying the risk as Low, Medium, or High. Where a residual risk is low further action will only be taken where it is viable to do so. Medium risks will be addressed within the next 3 to 6 months. High risks will require action as soon as possible.

## 9. Roles and Responsibilities

- It is important that risk management becomes embedded into the everyday culture and performance management process of the Council. The roles and responsibilities set out below are designed to ensure that risk is managed effectively right across the Council and its operations and responsibility for risk is located in the right place. The process must be driven from the top but must involve staff throughout the Council.
- **Councillors** – Risk management is seen as a key part of the Elected/Co-opted Members role and there is an expectation that Councillors will lead and monitor the approach adopted, including:
  - Approval of the Risk Management Strategy.
  - Analysis of key risks in reports on major projects, ensuring that all future projects and services undertaken are adequately risk managed.
  - Consideration and if appropriate, endorsement of the Annual Governance Statement that assessment of risks whilst setting the budget, include any bids for resources to tackle specific issues.
- **Employees** – Will undertake their jobs within risk management guidelines ensuring that their skills and knowledge are used effectively. All employees will maintain an awareness of the impact and costs of risks and how to feed data into the formal process.

They will work to control risks or threats within their jobs, monitor progress and report on job related risks to the Parish Clerk/Chairman of the Council.

- **Parish Clerk** – Will act as the Lead Officer on Risk Management and be responsible for overseeing the implementation of the Risk Management Strategy.
- **The Parish Clerk** – Will:
  - Provide advice as to the legality of policy and service delivery choices.
  - Provide advice on the implications for service areas of the Council's corporate aims and objectives.
  - Update the Council on the implications of new or revised legislation.
  - Assist in handling any litigation claims.
  - Provide advice on any HR issues relating to strategic policy options or the risks associated with operational decisions and assist in handling cases of work-related illness or injury.
  - Advise on health and safety implications of the chosen or proposed arrangements for service delivery.
  - Assess and implement the Council's insurance requirements.
  - Assess the financial implications of strategic policy options.
  - Provide assistance and advice on budgetary planning and control.
  - Ensure that the financial system allows effective budgetary control.
  - Maintain the Council's Risk Management Strategy.
  - Effectively manage the Council's investment portfolio.
- **Role of Internal Audit**
  - Internal Audit provides an important scrutiny role by carrying out audits to provide independent assurance to the Council that the necessary risk management systems are in place and all significant business risks are being managed effectively.
  - Internal Audit assists the Council in identifying both its financial and operational risks and seeks to assist the Council in identifying both its financial and operational 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.

- Internal Audit reports and any recommendations contained within will help shape the Annual Governance Statement.
- **Finance Committee** - The Finance Committee will review and consider the future development of the Risk Management Strategy and Policy and make recommendations to the full Council at least annually.
- **Future Monitoring**
  - In addition to the roles and responsibilities set out above, the Council is keen to promote an environment within which individuals/groups are encouraged to report adverse incidents promptly and openly.

**8. Conclusions** – The adoption of a sound risk management approach should achieve many benefits for the Council. It will assist in demonstrating that the Council is committed to continuous service improvement and effective corporate governance.

*Review Body – Mistley Parish Council. Reviewed annually and normally each May at the Annual Parish Council Meeting. **Adopted 20/05/2019. Last Reviewed 20.05.24. Next Review Date May 2025.***