

Drayton Parish Council

Risk Management Policy

Policy Statement

Drayton Parish Council recognises that, in addition to its statutory duties, it has a responsibility to manage risks effectively to protect the community, its employees, councillors and assets against potential losses. Risk management is an integral part of the Council's management processes.

Overview

1. Risks are uncertain events or conditions (not just financial) that if they occur, will affect the council's ability to achieve its objectives.
2. The council generally, and members and employees individually are responsible for risk management.
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 of normal working:
 - i) **Financial Risk** – examples are fraud and corruption, waste, excess demand for services, bad debts. This presents risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased precept levels and impacts on Council reserves.
 - ii) **Operating Risk** – examples are failure to deliver services effectively, malfunctioning equipment, hazards to the public or staff and damage to property. These present risk of insurance claims, higher insurance premiums, lengthy recovery processes and damage to council's reputation.
4. Risk is not restricted to potential threats but can arise from missed opportunities. Good risk management can facilitate proactive responses. Measures to manage adverse risks are likely to help with managing positive ones.
5. Risks are unavoidable, but they need to be managed either by mitigation or controls. Insurance is a significant way of managing and reducing risks, particularly relating to property, cash and legal liability.
6. There is a requirement under Accounts and Audit Regulations 2015 Reg. 3(c) to establish a sound system of internal control which includes effective arrangements for the management of risk.

Objectives

The objectives of the council's risk management process are to:

- Identify risks
- Put in controls to minimise risk
- Integrate risk management into the processes of the Council
- Respond to changing social, environmental and legislative requirements

Risk Management Process

A. Identify and Assess Risk:

1. Risks are identified and documented
2. Once risks have been identified they are systematically and accurately assessed
3. An assessment is undertaken of a) the impact and b) the likelihood of risks occurring, with impact and likelihood being scored using a matrix
4. If a risk is seen to be unacceptable, then steps are taken to control or respond to the risk.

Scoring:

A numeric value is given to the likelihood of the risk happening (1-Unlikely, 2-Possible, 3-Highly Likely) and the severity (1-Low, 2- Moderate, 3- Severe):

How Likely	Highly likely (3)	3	6	9
	Possible (2)	2	4	6
	Unlikely (1)	1	2	3
		Low 1	Moderate 2	Severe 3
	Impact			

- Where a risk is low (Green) further action will only be taken where it is viable to do so.
- Medium risks (Amber) will be monitored, and actions taken.
- High risks (Red) will require action as soon as possible.

B. Control Risk

This process involves taking steps to reduce the likelihood of a risk event happening and/or minimising the impact of its consequences if it does occur. Options for control include:

1. **Elimination** – The conditions that give rise to the risk are removed, effectively eliminating the risk.
2. **Reduction** – Steps are taken to decrease the likelihood or impact of the risk.
3. **Transfer** – The financial burden of the risk is shifted to another party, such as through revised contractual terms
4. **Sharing** – The risk is distributed between multiple parties.
5. **Insuring** - insure against some or all the risk to mitigate financial impact
6. **Acceptance** – After a thorough assessment, the Council documents a decision to acknowledge and tolerate the risk.

C. Monitor Risk

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. 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.

The Risk Assessment Register will be formally reviewed annually at the Annual Meeting of the Parish Council.

The Clerk/RFO will maintain the Risk Assessment Register and report on any new risks or changes to existing risks at Parish Council meetings.

Responsibilities in Risk Management

Councillor Responsibilities:

- 1) To review and approve the Risk Management Policy and Risk Assessment Register.
- 2) To consider and, if appropriate, approve actions in response to risks proposed.
- 3) To oversee the management of risk by the Clerk and RFO.
- 4) To ensure that all identified risks have been considered in decision making.
- 5) To monitor the effectiveness of the Council's risk management arrangements by reviewing any risk management reports to Council.
- 6) To seek assurances that action is being taken on risk related issues identified by auditors
- 7) To report any physical risks in respect of public, staff and property to the Clerk

Clerk/RFO Responsibilities:

- 1) To manage the Council's Risk Management Policy and Risk Assessment Register.
- 2) To be responsible for managing the Council's key risks including the assessment and management of risks.
- 3) To ensure that risks are fully considered in all decision making.
- 4) To provide advice as to the legality of decisions and update the Council on the implications of new or revised legislation.
- 5) To arrange and implement the Council's insurance requirements
- 6) To advise on budgetary planning and control
- 7) To manage risk effectively in their work in accordance with the Risk Management Policy, health and safety legislation, Financial Regulations and Internal Financial Controls
- 8) To attend any risk-related training, as requested
- 9) To report any perceived new risk or failure of existing control measures to the Council

Employee/Contractor Responsibilities

- 1) To attend any risk-related training, as requested
- 2) To report any physical risks in respect of public, staff and property to the Clerk

Role of Internal Audit

- 1) To act as scrutiny, by undertaking audits to provide independent assurance that necessary risk management systems are in place.
- 2) To provide independent assurance on the way risks are managed.

Policy Version 1

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