

Aldenham Parish Council



Risk Management Strategy

July 2024

Aldenham Parish Council

1. Introduction

This document forms the Council's Risk Management Strategy. Aldenham Parish Council (APC) 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 aims and objectives and to maximise the opportunities to achieve its vision.

APC recognises that it is the responsibility of all Councillors and employees to have regard for risk in carrying out their duties. If uncontrolled, risk can result in a drain on resources that could better be directed to front line service provision, and to the meeting of the Council's objectives and community needs.

2 What is Risk Management?

'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: p5)

Risk management is an overall term for the identification, assessment and control of risk.

3.The Risk Management Process

The process of risk management is straight forward and involves a number of key steps which are outlined below:

Step 1: Identification of Risks

Each employee is responsible for their individual areas of control and will look to identify any risks. Identification will be either via a formal process of planned inspections or ad hoc requests or risks being noted through everyday working situations.

When changes to working arrangements, new initiatives, events or projects are to be undertaken officers will seek to identify any risks early in the planning process and prior to implementation.

Each risk should be described and set out on a risk assessment form. Where the risk represents a health and safety issue this procedure should also comply with the Council's Health & Safety Policy.

All risks identified must be reported to the Council Manager or Line Manager prior to recording on the risk register.

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Step 2: Evaluation of Risks

On identification of a risk the employee will assign a risk factor by reference to the risk matrix.

The risk matrix considers the likelihood of a risk materialising and the impact it would have.

RISK MATRIX

IMPACT						
High 4	4	8	12	16		
Medium High 3	3	6	9	12		
Medium Low 2	2	4	6		8	
Low 1	1	2	3		4	
LIKELIHOOD	<i>Improbable</i> 1	<i>Unlikely</i> 2	<i>Probable/Likely</i> 3	<i>Very Likely</i> 4		

According to the level of risk identified appropriate action should be taken.

If the level of risk is high it may not be possible to wait until a formal response or action has been agreed by management. The risk factor table below provides guidance in assessing appropriate action.

Risk Factor		Action
Red	12 - 16	<i>Immediate notification to line manager/CM. Where possible, take immediate remedial action.</i>
Amber	6 - 9	<i>Immediate notification to line manager/CM</i>
Yellow	3-4	<i>Notify line manager /CM</i>
Green	1 - 2	<i>Notify line manager/CM</i>

Where remedial action incurs non-budgeted costs of £5,000 or over these should be reported to Council at the earliest opportunity.

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Step 3: Mitigation of Risk

Employee should consider what controls are in place to mitigate the risk. These could include controls to reduce the likelihood of a risk occurring or to reduce the impact on the Council.

Only controls that are already in place should be considered and included on the risk assessment/notification form.

Step 4: Decide on Any Further Action to be Taken

Following evaluation there are four main control options to manage the risk:

- Terminate the risk – take a decision to discontinue the activity.
- Transfer the risk – the risk is ‘passed’ on e.g. to an insurer.
- Treat the risk – put in place additional effective controls to reduce the impact or likelihood.
- Tolerate the risk – accept the risk but continue to monitor and evaluate.

Where additional controls or management action is required these should be agreed with the line manager and details entered onto the risk assessment form.

Step 5: Allocation of Responsibility

Each risk should be allocated to a named individual who will be responsible for implementing controls and ensuring they are working. This person will also be responsible for monitoring the risk.

There is an Audit requirement under the Accounts and Audit Regulations 2003 (SI 2003/533) to establish and maintain a systematic strategy, framework and process for managing risk. Risks and their control will be collated in a Risk Register. A statement about the system of internal control and the management of risk will be included as part of the Annual Statement of Accounts.

The Risk Management Strategy and Policy Statement will be reviewed annually, and its review presented to the Finance and General Purposes Committee.

The Risk Register will be a living document to be reviewed at least annually by the Finance & General-Purpose Committee with recommendation made to the Full Council for approval.

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APPENDIX A

Risk Categories

It is likely that some risks will fall into several categories.

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 worst case scenario Government Intervention.

Compliance Risk - failure to comply with legislation, or laid down procedures or the lack of documentation to prove compliance. Risks exposure to prosecution, judicial review, employment tribunals, increased Best Value inspection, 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 Council tax 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.

These risks can be broken down further into specific areas which could impact on the achievements of the Council's long-term and day-to-day delivery of services:

Social - Those relating to the effects of changes in demographic, residential, or socio-economic trends on the Council's ability to deliver its corporate priorities;

Technological - Those associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. It would also include the consequences of internal failures on the Council's ability to deliver its objectives;

Legal - Those associated with the ability of the Council to meet legislative demands affecting breaches of legislation.

Environmental - Those relating to the environmental consequences of progressing the Council's strategic objectives in terms of energy, efficiency, pollution, recycling, emissions etc;

Partnership/contractual - Those associated with the failure of partners/contractors to deliver services to an agreed cost and specification and similarly failure of the Council to deliver services to an agreed cost and specification; compliance with procurement policies (internal/external); ensuring open and fair competition;

Human Resources - Those associated with the professional competence of staff; lack of training and development; over reliance on key personnel; ineffective project management; recruitment and selection issues;

Organisational - Those associated with the review of services and delivering continuous improvement;

Health & Safety/Physical - Those related to fire, safety, accident prevention and health & safety which pose a risk to both staff and the public; safeguarding and accounting of physical assets;

Reputational - Those associated with the changing needs of customers and the electorate; ensuring appropriate consultation; avoiding bad public and media relations.

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APPENDIX B

The 4x4 Risk Assessment Matrix explained

The colours red, amber, yellow and green reflect varying levels of overall risk with green and yellow being generally acceptable (normally subject to monitoring), amber being of cause for caution and concern and red being of significant concern.

The matrix sets out the suggested criteria for assessing the likelihood and consequences to produce an overall score.

Risk Rating is calculated by multiplying the likelihood against the consequences, e.g. taking a likelihood of 3 which is classified as Probable (do not be surprised, it will occur in given time), and multiplying this against a consequence of 2 which is classified as a Minor Injury (hazard can cause illness, injury or equipment damage but the results would not be expected to be serious), would give you an overall risk rating of 6, which is the first risk rating to be classified as a medium-high.

Multiplying the Likelihood by the Consequences allows an easy identification of the risk rating.

Suggested actions as to what to do with the Risk Rating scores.

If the Risk Rating is between

Score 1 or 2 - Low, continue with existing control, however monitor for changes

Score 3 or 4 - Medium Low, requires attention to reduce the rating and regular ongoing monitoring

Score 6, 8 or 9 - Medium High, requires immediate attention to bring the risk down to an acceptable level

Score 12 or 16 - High, Stop immediately? Risk is too high and not acceptable

Likelihood (Probability)

4. Very Likely or frequent (likely to occur, to be expected)

3. Probable/Likely e (not surprised, will occur in given time)

2. Unlikely/Possible (could occur occasional)

1. Improbable/Extremely Unlikely (extremely unlikely, though possible)