

Policy

Risk Management Policy

This Procedure is a document that sets out the Council, approved and agreed practices. Any deviation must be discussed with the originating author.

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Lead author(s):	Cllr. A Catlett		
Developed by:	Cllr. A Catlett		
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THIS IS A CONTROLLED DOCUMENT

Whilst this document may be printed, the electronic version maintained on the Billingham Parish Council website is the controlled copy. Any printed copies of this document are not controlled.

1. Document Control Sheet

Purpose of document:	This is a Parish Council strategy describing the Billingham Parish Council's approach to managing both strategic and operational risks.
Dissemination:	This policy will be disseminated to all staff and council members and be made available on the parish website
Implementation:	This document will be accessible via the parish council website and is applicable to all staff and council members.
Review:	This document will be reviewed in 2027 unless there are significant changes in legislation or practice in which case it will be reviewed earlier.
Documents replaced or superseded by this document:	
This document supports (enter Standards and Legislation):	Health and Safety at Work Act 1974 Health & Safety at Work Regulations 1992 Audit Commission, Worth the Risk: Improving Risk Management in Local Government, (2001: 5) Regulatory Reform (Fire Safety) Order 2005
Key related documents:	Health & Safety Policy PCD0011
Financial Implications:	This document has no financial implications for the Billingham Parish Council.
Key word search	Health, Safety, Risk, Management

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3. Introduction

a. Billingham Parish Council (hereafter referred to as the Council) will ensure that decisions made on behalf of the Council are taken with consideration to the effective management of risks. The Council has a legal requirement to give assurance that risks are identified and appropriately managed.

b. This policy aims to provide a supportive risk management framework that ensures:

- i. Integration of risk management into policy making, planning and decision making processes within the Council.
- ii. Risks which could have prevented strategic objectives being achieved are proactively identified, mitigated or managed to an acceptable level
- iii. Appropriate reporting arrangements and individual responsibilities are clearly identified
- iv. Compliance with legal and statutory requirements relating to health and safety risks alongside other risks incurred for employees or councillors as part of their work. (Refer to PCD011 Health and Safety Policy).

4. Definition of risk

a. Risk is the threat that an event or action will adversely affect the Council's ability to achieve its objectives and to successfully execute its strategies.

b. Risks can come under two main categories:

i. **Strategic risks** can be considered as those risks that, if realised, could fundamentally affect the way in which the Councils exists or operates. These risks will have a detrimental effect on the Council's achievement of its key business objectives. The risk realisation could lead to material failure, loss or lost opportunity (for example loss of significant sums of money), failing to comply with named Acts, experiencing a death or serious injury or failing to meet significant strategic targets.

ii. **Operational risks** can be considered as the main risks associated with the day to day workings of the Council that would increase the likelihood of the

realisation of a strategic risk. These could lead to a failure to deliver services effectively, malfunctioning equipment, hazards to service users, the general public or staff or damage to property, further leading to risk of insurance claims, higher insurance premiums or lengthy recovery processes.

d. Examples of types of risk are:

i. **Health & Safety Risk.** The Council will adhere to the requirements of the Health and Safety at Work Act 1974; the Regulatory Reform (Fire Safety) Order 2005; the Management of Health and Safety at Work Regulations 1999; and other relevant health and safety legislation and codes of practice.

ii. **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 or inability to enforce contracts.

iii. **Financial Risk.** Fraud and corruption, waste, excess demand for services or bad debts. Risk of additional audit investigation, objection to accounts, reduced service delivery, dramatically increased Council tax levels or impact on Council reserves.

5. Risk management.

a. 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: 5))

b. Not all risks are insurable and for some the premiums may not be cost-effective. Even where insurance is available, money may 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.

c. The Council will carry insurance in such amounts and in respect of such perils as will provide protection against significant losses, where insurance is required by law or contract and in other circumstances where risks are insurable and premiums cost effective

d. Risk is not restricted to potential threats but can be connected with 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.

e. Risk management will strengthen the ability of the Council to achieve its objectives and enhance the value of services provided. Risk management will help to ensure that all committees / sections within the Council 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.

6. Risk Management process

a. The first three steps of risk management are:

i. **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.

ii. **Likelihood Assessment.** The likelihood of a risk materialising is measured on a scale of 1 to 4, where 1 is low and 4 is high. More detailed definitions of each grading are as follows:

ALARM grading	Definition	Likelihood of circumstances which may lead to a crystallisation of risk	Indicator
1	Very unlikely	Less than a 10% chance of circumstances arising	Has happened rarely / never
2	Unlikely	10% to 40% chance of circumstances arising	Only likely to happen once every 3 or more years
3	Likely	40% to 75% chance of circumstances arising	Likely to happen at some point in the next 1-3 years. Circumstances occasionally encountered
4	Very likely	More than a 75% chance of circumstances arising	Regular occurrence. Circumstances frequently encountered.

iii. **Impact Assessment.** Grading of the impact is less straightforward, since there are a variety of impact types which a risk may have, for example reputation or financial. To provide guidance, a description has been provided for some of the more common impacts at para 9. It should be noted that an impact may occur in only one of these categories, and a grading does not indicate that all impacts will arise. In cases where other impact types arise, the gradings must be interpreted appropriately. This initial risk assessment should be made before any control / mitigation factors are considered.

b. **Risk classification.** With the likelihood and impact assessments made then the risks can be classified using the grid below.

IMPACT (as defined by ALARM)	4	11	12	15	16
	3	7	10	13	14
	2	3	6	8	9
	1	1	2	4	5
		1	2	3	4
		LIKELIHOOD (as defined by ALARM)			

c. The Council's risk appetite is denoted by the resultant colour coding and is explained in the risk classifications below:

Acceptable	Risks where any action to further reduce the level of risk would be inefficient, i.e. the cost in time or resource outweighs any potential impact of the risk materialising. Such risks include infrequent events with low impact. These risks are being effectively managed, and are coloured green on the scoring grid, scored as 1 – 3.
Manageable	Risks which can be reduced within a reasonable timescale, in a cost effective manner. Any mitigating actions must be monitored and recorded. Manageable risks are coloured yellow on the scoring grid, scored as 4 – 7.
Serious	Risks which have a serious impact, and detrimental effect on the achievement of objectives. Action plans should be developed to reduce the level of residual risk, and reviewed periodically. Serious risks are shown as orange on the scoring grid, scored as 8 – 11.
Very Severe	Risks which could have a potentially disastrous effect on the Council without immediate comprehensive action to reduce the level of risk. Very severe risks are those on the scoring grid coloured red, scored as 12 or more.

d. **Risk Control.** 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 could require the identification and implementation of revised operating procedures, but in exceptional cases more drastic action may be required to reduce the risk to an acceptable level.

e. There are several options to control risks:

i. **Elimination.** The circumstances from which the risk arises are ceased so that the risk no longer exists.

- ii. **Reduction.** Loss control measures are implemented to reduce the impact / likelihood of the risk occurring.
 - iii. **Transfer.** Where the financial impact is passed to others e.g. by revising contractual terms.
 - iv. **Sharing.** Sharing the risk with another party or parties.
 - v. **Insuring.** Insuring against some or all of the risk to mitigate financial impact.
 - vi. **Acceptance.** Documenting a conscious decision after assessment of areas where the Council accepts or tolerates risk a particular risk.
- f. **Risk assessment following control identification.** With identification / implementation of any control measures, the following actions need to be carried out again for the risks identified:
- i. Likelihood Assessment.
 - ii. Impact Assessment.
 - ii. Risk Classification. It is important to note that the risk has only been reduced to this new classification once any control measures have proven to be effective.
- g. **Effectiveness.** Once identified, controls have to be put in place to ensure that the control is implemented, is effective and remains effective. Control can be:
- i. **Ongoing.** Implementation of the control is complete. However, it requires to be done on e.g. a cyclical basis. It is reducing the level of risk.
 - ii. **Complete.** Implementation of the control is complete. It has reduced the level of risk.
 - iii. **In progress.** Work is in progress to implement the control. It may have begun to reduce the level of risk.
 - iv. **Planned.** There is a plan to implement the control. It cannot be viewed as reducing the risk as it may not be actioned or completed.
 - v. **Not in place.** A possible option for control. It is not yet reducing the level of risk
- h. The measures for effectiveness of control measures are:
- i. High.
 - ii. Medium.
 - iii. Low

7. Risk Reviews.

- a. Risks need to be reviewed periodically to ensure that:
 - i. Current risks remain applicable.
 - ii. There are no new risks required to be raised.
 - iii. Control measures put in place remain effective.
 - iv. Current risks remain acceptable at current classifications.

8. Risk impact Gradings

Alarm grading	Reputation	Staff	Governance	Financial	Project delivery	Service provision	Legislative / contractual	Health & Safety
1. Minor	Short term adverse local public opinion.	Damage to staff morale, minor increase in staff turnover	Some elements of governance framework ineffective	Budget base exceeded by less than 10%	Delay to project	Short term disruption to minor service	Failure to meet minor terms of contract	Minor injury, short term, sickness less than 3 days.
2. Moderate	Adverse local publicity / local public opinion	Staff dissatisfaction, increase in staff turnover	Some elements of governance framework criticised by external body	Budget base exceeded by 10% - 50%	Significant delay to high profile project, or failure to deliver target	Major element of service not provided for 1 day, minor element not provided for 1 week	Breach of minor contract; failure to meet significant contract terms	Serious injury or extensive minor injury, semi-permanent, sickness more than 3 days.
3. Serious	Persistent adverse local media coverage	Major staff dissatisfaction, short term strike action, staff turnover including key personnel	Criticism of all governance arrangements by external body	Budget base exceeded by 50% - 100%	Failure to deliver high profile target	Major element of service not provided for 1 week, longer term disruption to minor element	Breach of significant contract; element of legislative requirement not achieved.	Extensive serious injury, permanent injury or harm, long term sickness over 4 weeks.
4. Major	Persistent adverse national media coverage	Major staff dissatisfaction, long term strike action, significant key staff turnover	Ineffective governance arrangements	Budget base exceeded by over 100%	Failure to deliver several high profile targets	Longer term disruption to major service element.	Statutory requirement not achieved	Death of staff / public

9. Risk Register

Risk ID:	Risk owner:	Portfolio	Scoring			Current: High
Risk description:		Date recorded:	Current:	I	L	
			Target:			
Progress:		Anticipated completion date:	Last:			Change: New risk
			Assessor's recommendations:			
Assessor's recommendations:		Controls in place:				