

## LEVENS PARISH COUNCIL - RISK MANAGEMENT – May 2023

### 1. Background

The Risk Management Strategy aims to ensure that Levens Parish Council complies with risk management best practice<sup>1</sup> and sets out its current processes and responsibilities for risk management based on effective internal oversight and control.

1.1. The requirements can be summarised as:

- The Parish Council acknowledges responsibility for the system of internal control
- An ongoing process is in place for identifying, evaluating and managing all significant risks
- A process is in place for reviewing the effectiveness of the system of internal control

1.2. In assessing what constitutes a sound system of internal control, consideration is given to:

- The nature and extent of the risks facing the Parish Council
- The categories of risk which it regards as acceptable
- The impact of risk which it regards as acceptable
- The likelihood of the risks concerned materialising
- The Parish Council's ability to reduce the incidence and impact of the risks that do materialise.

### 2. Risk Management objectives

The objectives for managing risk across the Parish Council's sphere of activities are:

- To comply with risk management best practice;
- To ensure risks facing the Parish Council are identified and appropriately documented;
- To provide assurance to the Parish Council that risks are being adequately controlled, or identify areas for improvement;
- To ensure action is taken appropriately in relation to accepting, mitigating, avoiding and transferring risks.

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<sup>1</sup> Risk Management best practice is encapsulated in the Risk Management Standard published jointly by the major risk management organisations in the UK – The Institute of Risk Management (IRM); The Association of Insurance and Risk Managers (AIRMIC); and ALARM, The National Forum for Risk Management in the Public Sector.

### **3. Risk Management strategy**

This strategy aims to:

- Outline the roles and responsibilities for risk management.
- Identify risk management processes to ensure that all risks are appropriately identified, controlled and monitored
- Ensure appropriate levels of awareness throughout the Parish Council.

#### **3.1. Roles and responsibilities**

The Parish Council has overall responsibility for managing risk. The Parish Council Clerk ('the Clerk') has lead responsibility for risk management processes and the Parish Council Risk Register. This responsibility includes:

- Monitoring the performance of risk management processes
- Ensuring that appropriate controls are in place to manage identified risks
- Preparation of reports to the Parish Council as and when necessary.

The Risk Register monitors the identification and mitigation of risk within the Parish Council and is reviewed half-yearly. Any Councillor or the Clerk will raise items relevant to risk at any time if deemed appropriate.

#### **3.2. Identification of risks**

The Risk Management Standard states that risk identification should be approached in a methodical way to ensure that all significant activities have been identified and all the risks flowing from these activities have been defined.

The Parish Council approach to risk management is linked to five key aims:

- Aspire, Accomplish, Achieve
- Outstanding leadership and management
- Financial strength
- Inspiring and supportive culture
- Strong community and partnerships.

The structure and organisation of the Parish Council's Risk Register seeks to ensure that all significant objectives and activities have been recognised and the risks associated with each area have been identified.

### 3.3. Evaluation of risks

The Risk Management Standard states that risks should be evaluated against agreed criteria in order to make decisions about the significance of risks to the organisation.

The Parish Council uses a 5x5 matrix to assess impact and likelihood as illustrated in the diagram below. This risk matrix has been prepared as part of the Levens Parish Council Risk Assessment process. Its function is to increase the visibility of risk and assist management decision making.

Impact	<b>Catastrophic</b>	<b>5</b>	5 Monitor	10 Constant Review	15 Constant Review	20 Constant Review	25 Constant Review
	<b>Major</b>	<b>4</b>	4 Acceptable	8 Monitor	12 Constant Review	16 Constant Review	20 Constant Review
	<b>Significant</b>	<b>3</b>	3 Acceptable	6 Monitor	9 Monitor	12 Constant Review	15 Constant Review
	<b>Minor</b>	<b>2</b>	2 Acceptable	4 Acceptable	6 Monitor	8 Monitor	10 Constant Review
	<b>Negligible</b>	<b>1</b>	1 Acceptable	2 Acceptable	3 Acceptable	4 Acceptable	5 Monitor
			<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
			<b>Improbable</b>	<b>Unlikely</b>	<b>Possible</b>	<b>Likely</b>	<b>Almost Certain</b>
<b>Likelihood</b>							

3.4 The descriptors for impact and likelihood categories are as follows:

**Impact of risk occurring**

Impact	Description
<b>Catastrophic</b>	The event will cause the Parish Council to cease
<b>Major</b>	The event has serious implications and will compromise one or more of the Parish Council goals
<b>Moderate</b>	The event has the potential to compromise Parish Council goals but should be relatively straightforward to manage
<b>Minor</b>	The event will be rectified through the application of management input
<b>Negligible</b>	The event may not require managing

**Likelihood of risk occurring**

Likelihood	Description
<b>Almost Certain</b>	The chance of the event happening is >>95%
<b>Likely</b>	The chance of the event happening is around 75%
<b>Possible</b>	The chance of the event happening is around 50/50
<b>Unlikely</b>	The chance of the event happening is around 25%
<b>Improbable</b>	The chance of the event happening is <<10%

### **3.4. Risk appetite**

Risk appetite describes the Parish Council's readiness to accept risks and those risks it would seek to reduce. The Parish Council's risk threshold is the boundary delineated by the red / amber / green (RAG Status) in the risk matrix in paragraph 3.3. Above the thresholds, the Parish Council will actively seek to manage risks and will prioritise time and resources to reducing, avoiding or mitigating these risks.

### **3.5. Addressing risks**

When responding to risk, the Parish Council will seek to ensure that it is managed and does not develop into an issue where the potential threat materialises.

The Parish Council will adopt one of the 4 risk responses outlined below:

Avoid	Counter measures are put in place that will either stop a problem or threat occurring or prevent it from having an impact on the business
Transfer	The risk is transferred to a third party, for example through an insurance policy.
Mitigate	The response actions either reduce the likelihood of a risk developing, or limit the impact on the Parish Council to acceptable levels.
Accept	We accept the possibility that the event might occur, for example because the cost of the counter measures will outweigh the possible downside, or we believe there is only a remote probability of the event occurring.

## **4. Risk Reporting and Communication**

The aim of reporting risk is to provide assurance to the Parish Council, the Auditors and external stakeholders (e.g. grant funding bodies) that the Parish Council is effectively managing its risks and has a robust system of internal controls.

### **4.1. Risk Register**

The reporting mechanism will be the Parish Council's Risk Register. This will highlight the key risks facing the Parish Council. The Risk Register will be monitored by the Parish Council half-yearly or whenever circumstances require.

## **4.2 Communicating Risks**

Any significant changes in risk impact or probability, or the occurrence of an event which raises the profile of a risk will be recorded on the Risk Register as it occurs. Any new or increased risks will be evaluated and, if appropriate, recorded in the Risk Register.

The Parish Council monitors the Risk Register. The Clerk will ensure that any perceived new or increased risks or significant failure of risk management control measures are considered and reported to the Parish Council, along with a summary of actions taken.

The Clerk will endeavour to raise awareness of risk management as a part of the Parish Council's culture and seek to ensure that:

- individual members of the Parish Council are aware of their accountability for individual risks
- individuals report promptly to Parish Council any perceived new risks or failure of existing control measures.

## **4.3 Risk review and assessment**

The Clerk will provide a half-yearly assessment of the effectiveness of the Parish Council's management of risk.

The Clerk will prepare half-yearly review of risk for the Parish Council (October and April). This will enable the Parish Council to identify:

- The significant risks facing it
- The effectiveness of the risk management processes
- That the Parish Council has a risk management strategy covering risk management philosophy and responsibilities.

## **5. Areas for improvement**

Any areas identified as being in need of improvement will be discussed and agreed half-yearly or at any other time as required.

## LEVENS PARISH COUNCIL – RISK REGISTER AND ASSESSMENT

No.	Description	Consequence	Impact/ Likelihood		Rating	Mitigation
			I	L		
1	<b>Governance Inadequate</b>	Parish Council is not managed properly	4	2	Monitor	<ul style="list-style-type: none"> <li>• Clerk ensures that management is controlled and measured by adherence to:                             <ul style="list-style-type: none"> <li>○ Statutory responsibilities,</li> <li>○ Standing Orders,</li> <li>○ Financial Regulations and</li> <li>○ Risk Management</li> </ul> </li> <li>• All of which are reviewed periodically and kept up to date</li> </ul>
2	<b>Financial Management process Inadequate</b>	Parish Council is left out of funds through mis-management of finances	4	3	Constant Review	<ul style="list-style-type: none"> <li>• Financial Regulations are adhered to and reviewed annually</li> <li>• All financial transactions are brought to, approved (or otherwise) and Minuted by the Parish Council.</li> <li>• Budgets are approved and monitored.</li> <li>• Ledgers of income and expenditure are kept up to date.</li> <li>• Bank reconciliations are submitted to the Parish Council at least quarterly</li> <li>• Parish Council accounts are independently and externally audited annually according to requirements of Annual Governance and Accountability Return.</li> </ul>
3	<b>Process for receipt of Precept Inadequate</b>	Insufficient funds for Parish Council business	3	2	Monitor	<ul style="list-style-type: none"> <li>• Precept is approved based upon annual review of agreed budget, comparison with actual and projected budget for upcoming year, taking into account net reserves.</li> <li>• Submission of bid and receipt of bid reported and Minuted.</li> </ul>
4	<b>VAT</b>	Failure to maintain proper records or submit claims for refunds leads to penalties and / or financial loss	3	2	Monitor	<ul style="list-style-type: none"> <li>• VAT payments are correctly recorded and accounted for</li> <li>• VAT submissions are made in an accurate and timely fashion</li> <li>• Following Registration for VAT in 2020, VAT returns are submitted by accountants</li> </ul>

5	<b>Assets are not effectively managed</b>	Asset condition and values diminish as a result of inadequate management leading to financial loss or loss of business continuity.	2	3	Monitor	<ul style="list-style-type: none"> <li>• Asset Register is maintained and reviewed annually</li> <li>• Asset condition e.g. laptop, printer, noticeboards, benches is kept under continual review</li> <li>• Provision exists in the form of fire proof storage and back-up storage of electronic documents to mitigate impacts on loss of business continuity.</li> <li>• Appropriate insurances are in place</li> </ul>
6	<b>Insurance policies inadequate</b>	Financial loss due to inadequate cover	3	3	Monitor	<ul style="list-style-type: none"> <li>• Current and potential losses reviewed half-yearly against existing policy cover</li> <li>• Insurance providers benchmarked annually against market conditions and changed if there is a more economically advantageous product available elsewhere.</li> </ul>
7	<b>Conflicting Member interests</b>	A conflict of duty and interest is not declared leading to mal-administration, financial loss and / or penalties.	3	1	Monitor	<ul style="list-style-type: none"> <li>• Declarations of Member interests are called for at every meeting</li> </ul>
8	<b>The Levens Community Project is mis-managed</b>	Failure of a community project with potential losses of finance and reputation of the Parish Council	4	3	Constant Review	<ul style="list-style-type: none"> <li>• The Project Advisory Group meets monthly to consider and recommend management direction;</li> <li>• The Project Advisory Group makes recommendations on the basis of clear professional and technical advice</li> <li>• The Project Reports monthly to the Parish Council</li> <li>• Appropriate insurances are in place to provide cover financial, organisational and individual liabilities.</li> </ul>
9	<b>Issues Arising from Coronavirus (Covid-19)</b>	The impact of Coronavirus (Covid-19) is much reduced	1	2	Monitor	<ul style="list-style-type: none"> <li>• The Parish Council keeps Government advice under review</li> <li>• The Parish Council will aim to keep Parishioners informed of its activities by use of its webpage and, if appropriate, posting notices on the PC Noticeboard.</li> </ul>