



Bothenhampton & Walditch  
Parish Council since 1886

# **BOTHENHAMPTON & WALDITCH PARISH COUNCIL**

## **RISK MANAGEMENT POLICY AND STRATEGY**

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Adopted 8<sup>th</sup> June 2020

A handwritten signature in black ink, appearing to read 'A. Basker', is written over a light grey rectangular background.

Parish Council Chairman

## **INTRODUCTION**

### **Risk Management at Bothenhampton and Walditch Parish Council**

It is a fact that all business endeavours face uncertainty. The need to address these sources of uncertainty and to increase the likelihood of success, is not only common sense, but also good business practice.

Risk management is an integral feature of council business and is embedded into the organisational culture and procedures. To be effective, however, it must involve all levels and be applied in a continuous and consistent fashion; constantly moving forward as the council evolves.

Currently, we could benefit from a more coherent and systematic approach to risk management. In particular, we need to draw together our assessment and management of risk and relate those risks more directly to our council objectives.

If we do not have a formal process to consider risks, we may fail to achieve our objectives, experience delays and not achieved desired outcomes in a timely manner.

This document contains practical guidance and should be treated as the 'Policy and Strategy' for applying risk management at the Council. There is also an accompanying 'Risk Management Toolkit' to complement this document that will be made available during risk workshops.

This document sets out the Risk Management Framework and should help councillors to:

- Understand risk management and apply the theories and principles
- Identify potential impacts on council objectives
- Manage potential risks to ensure the best outcome for the council and its electorate
- Identify where risk management fits with existing council activities
- Understand the need for a proactive approach to risk management
- Implement the risk management process

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### **Risk Management defined**

Risk management is a process that, if undertaken effectively, provides assurances that:

- The council's objectives are more likely to be achieved
- Damaging events will not happen or are less likely to happen

The aim of risk management is not to eliminate risk altogether, but rather to manage risks as they arise and to minimise their adverse effects. Risk management is a formal business process used to identify risks across the organisation, assess their potential impacts and to provide a method for managing them to an acceptable level.

### **The Benefits of Risk Management**

It is increasingly understood that the explicit management of risks brings benefits. By taking a proactive approach to risk and risk management, we will be able to increase its efficiency and effectiveness because consideration will have been given to the council's processes and procedures and any risks highlighted will have been identified and mitigated.

The council's overall effectiveness will increase in that the risks associated with different council strategies and options will be fully analysed and better decisions will be made.

### **Roles, Responsibilities and Activities in Risk Management**

It is the responsibility of the RFO to implement any risk management mitigations.

Roles and Responsibilities within the risk process are as follows:

Role	Responsibilities and Activities
<b>RFO</b>	<ul style="list-style-type: none"> <li>• Subject matter expert for risk 'best practice' across the council;</li> <li>• Facilitates risk workshops;</li> <li>• Reviews and develops Risk Management Policy and Procedure;</li> <li>• Provides advice on risk management and associated activity;</li> <li>• Assures and co-ordinate risk management activity in line with Risk Management Policy and Toolkit;</li> <li>• Reviews the Council's Risk Register and provides relevant reports.</li> </ul>
<b>Councillors</b>	<ul style="list-style-type: none"> <li>• Focal point for the provision and co-ordination of Risk Information within the council;</li> <li>• Advises RFO when a potential risk is identified;</li> <li>• Participates fully in risk identification workshops;</li> <li>• Reviews risk management updates and risk information.</li> </ul>

## Risk Assessment – Methodology

The RFO has devised easy-to-use Probability and Impact Documents, comprising a 'probability matrix', this measures the 'likelihood' of a risk occurring in 'percentile terms' and an 'impact matrix' containing a range of quantitative and qualitative criteria that are relevant to the council.

### Risk Probability Matrix

	Probability	Risk Appetite – see below	Escalation
Very High	>80%		Full Council
High	51% - 80%		Full Council
Medium	21% - 50%		Workshop Councillors
Low	5% - 20%		Workshop Councillors
Very Low	< 5%		RFO

**Note:**

Concerns or worries assessed below 20% should be treated as Business as Usual (BAU) and escalated to a risk once the probability of occurrence increases.

### Risk Tolerance (Agreed by Councillors)

#### Very High

Exceeds our defined tolerance level and is unacceptable. The consequences of the risk materialising would have a disastrous impact on the council's reputation and service continuity. Comprehensive action is required immediately to mitigate the risk.

#### High

Exceeds our defined tolerance level. The consequences of this risk materialising would be severe but not disastrous. Some immediate action is required to mitigate the risk plus the development of an action plan, unless the risk has already been reduced so far as is reasonably practicable.

#### Medium

The consequences of this risk materialising would have a moderate impact on day-to-day service provision. Some prompt action might be required to address the risk impact, plus the development of a longer-term strategy and action plan to reduce overall exposure.

#### Low

The consequences of this risk materialising would have a minor impact. No immediate action is required, an action plan should be considered, and controls established to prevent the risk exposure increasing.

#### Very Low

It is accepted that this risk is insignificant. It would not be cost effective to deploy resource. The risk register is not used to monitor such risks and as such they are treated as business as usual.

### Risk Quantitative and Qualitative Impact Matrices

Risk Impact Matrix – recommended criteria for assessment:

- Financial – the cost of the risk should it materialise in terms of dealing with it, including an estimation of internal and external resource costs
- Reputation – the damage to the council should the risk occur
- Parishioner and Stakeholder – the effect on the electorate and other stakeholders

Note: Risk assessment relies on the cumulated 'expert' knowledge and 'learned experience' of risk workshop participants to accurately assess (using their best judgment), the probability and potential impacts of a risk should it occur. Adhering to agreed criteria will prevent bias and allow for a consistent evaluation.

### Risk Probability/Impact Diagram (RPID)

The assessment criteria used to evaluate the risk in terms of its probability of occurrence and likely impact need to be developed into a weighting system to allow for the comparison of risks in terms of importance and priority.

The number system used by the council places more of an emphasis on the 'impact' of an event, rather than on its probability. This ensures that those risks with a significant impact are scored higher than those with a minimal impact and a greater frequency of occurrence.

The Council's Risk Probability Impact Diagram (RPID) which is used to prioritise risk is shown below.

	6	11	17	22	25	
Probability	5	10	16	19	24	Risk = probability x highest impacting impact
	3	8	13	18	23	
	2	7	12	15	21	
	1	4	9	14	20	
						Impact

### Monitoring Risks

Effective risk management goes further than simply identifying a risk and updating the Risk Register. The risk will have corrective actions or existing / new controls allocated to mitigate it. The RFO will monitor the risks and risk reduction strategies on an ongoing basis.

## Methods of Managing Risks

There are four basic methods of handling risks:

- **Avoid** – eliminate the cause of the uncertainty that first triggered the risk
- **Mitigate** – target key areas or drivers in order to reduce the severity of the impact and/or the probability of occurrence. Mitigation can also be undertaken by applying a contingency budget. Mitigation aims to reduce a risk to an 'acceptable' level.
- **Transfer** – seek to place liability on a third party should the risk occur (insurance, supplier or contractor)
- **Accept** – The process of managing a risk by deciding to do nothing.

### Note:

Accepting Risks – it may be that the benefits of attempting to reduce the risk outweigh the cost of implementing mitigation actions. The risk should be continually monitored to ensure that any changes in probability are captured and appropriate action taken.

## The Risk Management Process – Risk Identification Workshop

The various steps taken during the risk identification workshop are explained in the Toolkit Guide.

### Note:

When assessing an existing risk that has already been partially mitigated, we may believe that the impact of the risk has been reduced because of the controls or actions that have been put into place. It may be that the likelihood has also reduced, for example, the likelihood of fraud occurring may be reduced if a 'Zero Tolerance' to Fraud Policy is introduced and implemented. Although the Policy itself would not reduce the risk altogether, it is highly likely to have a bearing on the probability of fraud occurring.

It is important that the initial risk assessment is carried out assuming that there are no (or minimal) control measures in place. This allows the assessment to determine the pure level of risk and this is the level of risk input into Risk Register prior to mitigation.

The 'target' risk score must be realistic when considering the 'target date', for example if you only have one month to manage a risk, the target score may not be able to be reduced to low / very low, and may remain at 'high or medium'.

Similarly, if there is no expectation of a high risk being mitigated to low or very low, perhaps because of its very high 'impact' score or because it has already occurred, then the 'target risk' projection should remain at very high or high

## Risk Summary

Councillors will be provided with a risk summary – this is a document that will list the risk its impact and the mitigating controls.

## **Risk Reviews**

The most effective way of conducting a risk review is to convene a risk review workshop.

### **Step 1 – Review of Existing Controls and Actions and agreeing future Controls and Actions**

Agree whether the existing controls and actions are working. Consider any future controls and actions. Mark the risk as mitigated if all available controls and actions have been implemented.

### **Step 2 – New Risks**

The Risk Review process will usually end with a ‘worry workshop’ focusing on any other risks that could affect the future success of the council and its services.

## **Risk Responses – Actions ‘v’ Controls**

Evidence suggests that response actions and controls are often confused.

To help remember the difference, keep the following examples in mind:

Actions – are ‘one off events’, for example:

- Ensure Code of Conduct is in place
- Ensure Councillors complete and return their Declaration forms

Controls – are ‘regular and timely events’, for example:

- Succession planning
- Reconciliation of income and expenditure to budgets

## **Frequency of Risk Reviews**

It is recommended that risks are reviewed annually. However, a risk workshop can happen at any time and councillors need only request this.

## **Closing a Risk**

There will come a point in the risk process where the risk has either:

- **Happened (became an issue)**
- **Lapsed, or**
- **Is still a risk, but is being adequately and effectively managed**

The process will be different for each scenario, and the examples below should be considered:

### **The Risk has materialised?**

If the risk has materialised then the risk should be considered an ‘issue’ and managed as such. This will change the likelihood score to 100% and it will become visibly ‘red’. This risk requires immediate action.

### **The Risk has lapsed (is no longer a risk)**

If the risk has not materialised but has passed; is no longer relevant, then the risk can be closed as 'closed – occurred/lapsed'.

### **The Risk has been adequately managed**

If the risk has been adequately and effectively managed by actions and controls then the risk can be closed as 'closed – managed'

### **Fallback Planning**

As part of the management process, consideration should be given to the development of contingency plans and fallback scenarios. These are strategies which are implemented when a risk has or is about to occur (become an issue) and would consequently have a detrimental effect on the council's objectives.

### **Lessons Learned**

While a good Risk Management process will help deliver results, it is common for it to evolve over time, therefore as things change, it is important to capture these changes and maintain a historic record and reasons for change. The RFO will retain a summary of key risks and effective controls and/or management plans.

Capturing and understanding this data aids in learning from experience and can lead to the creation of a knowledge database to be used when faced with similar risks in the future.

### **Sharing Risk Data with Partners**

It is essential that risk data is shared in a transparent and open way between our major suppliers and significant partners. The RFO can advise on this.

## Appendix A Risk Category Types with Descriptions

Category Type	Description
Political	Relating to the wider political climate generally and may include parish council strategy, its plans, aims and objectives.
Environmental	This category records the effect of risks on our immediate environment, (for example, waste and recycling).
Social	Relating to the surrounding communities and encompasses both public and worker risk including the risk of accidents and risks on activities or land use, enhanced engineered safeguards, and improved building siting or protection. May include health and safety of the general public, contractors working with us and councilors.
Technological	Relates to security of data and information, technology failures, and intellectual property that may exist.
Economic	This category includes cash flow, budgetary requirements, VAT obligations, creditor and debtor management, remuneration and other general economic management concerns.
Legal	This category includes compliance with legal requirements such as legislation, regulations, standards, codes of practice and contractual requirements. This category also extends to compliance with additional guidelines' within policies, procedures or expectations, which may be set by contracts or stakeholders.

**Note:**

The lists above are not exhaustive.

## Risk Glossary

### Introduction

A common knowledge and understanding of the risk management language is a requirement of a successful risk management system.

<i>Acceptance:</i>	A risk management strategy that indicates no mitigation is appropriate, or is unable to identify any suitable management strategy
<i>Assurance:</i>	An evaluated opinion, based on evidence gained from review, on UKHO's governance arrangements, including risk management
<i>Avoidance:</i>	A risk mitigation strategy that eliminates the cause of the uncertainty that first introduced the risk
<i>Category:</i>	A potential cause of risk. Causes may be grouped into categories such as financial, political etc. A category may include sub-categories such as Health and Safety
<i>Cause:</i>	Item or activity having a potential for a consequence
<i>Consequence:</i>	The outcome of a future occurrence expressed quantitatively or qualitatively
<i>Contingency:</i>	A margin of resource or specification in excess of the base estimate (eg: money or time available within an plan or over-specification of product characteristics. To enable the achievement of objectives in event of the impact of risk
<i>EFQME:</i>	The EFQM Excellent Model is a non-prescriptive framework for management systems promoted by EFQM (formerly known as the European Foundation for Quality Management
<i>Event:</i>	The occurrence of a circumstance or set of circumstances
<i>Exposure:</i>	The consequences, as a combination of impact and likelihood, which may be experienced if a specific risk occurs
<i>Inherent Risk:</i>	The exposure arising from a specific risk before any action has been taken to manage it. Also known as 'pure risk'
<i>Internal Control:</i>	An action taken to manage risk
<i>Mitigation:</i>	A risk mitigation strategy that targets key areas or drivers in order to reduce the severity of an impact and/or the probability of occurrence
<i>Monitor and Control:</i>	The process of tracking identified risks, monitoring residual risks, executing management plans and evaluating their effectiveness throughout the risk lifecycle
<i>Opportunity:</i>	A condition or situation favourable to the council. A positive set of circumstances which will have a positive impact on objectives
<i>Probability:</i>	An estimate of the likelihood that a particular event will occur, usually expressed on a scale of 0 to 100%. Estimates of probability are often subjective, as the combination of tasks, people and other circumstances are usually unique

<i>Optimism bias:</i>	also known as unrealistic or comparative optimism and which causes a person to believe that they are less at risk of experiencing a negative event compared to others
<i>Risk Probability Impact Diagram (RPID):</i>	A representation of a portfolio of risks plotted in two dimensions, 'probability and impact'
<i>Pure Risk:</i>	The exposure arising from a specific risk before any action has been taken to manage it.
<i>Qualitative Assessment:</i>	An assessment of risks relating to the qualities and subjective elements of the risk, those that cannot be quantified accurately (ie reputational damage)
<i>Quantitative Analysis:</i>	Modeling of numerical outcomes by combining actual or estimated values with an assumed or known relationship between values using arithmetic or statistical techniques, to determine a range of likely outcomes of a variable or to understand how variance on one or more values is likely to affect others.
<i>Residual Risk:</i>	A risk that remains after responses have been implemented
<i>Risk:</i>	The combination of the probability of an event and its consequence
<i>Risk Appetite:</i>	The amount of risk that the council is prepared to accept, tolerate or be exposed to at any point in time
<i>Risk Management:</i>	The process whereby risks are identified, understood and actions are formulated, planned and monitored
<i>Risk Management Maturity:</i>	A measure of the extent to which the council uses risk management to support decision making and the achievement of its objectives
<i>Risk Register:</i>	A system that provides for the collection, management and analysis of data gathered and used in the risk management process.
<i>Stakeholder:</i>	An individual or organisation that has an effect on, or could be affected by the activities of the council
<i>Transfer:</i>	A risk management strategy that seeks to place liability on a third party should the risk occur
<i>Trigger:</i>	A definition of the circumstances in which a risk is deemed to have occurred, or upon which fallback action will be initiated

The terms and definitions provided in this Glossary have been extracted from the following authoritative sources and define general risk management terms as well specific terms used in this Strategy:

- HM Treasury (October 2004) The Orange Book; Management of Risks – Principles and Concepts
- OGC MoR (Management of Risk) Office of Government Commerce
- IRM/AIRMIC/ALARM Risk Management Standard 2002