Risk Management - Annual Review of the Council's Risk Register and associated documents

PURPOSE OF REPORT

1. To undertake the annual review of the Council's Risk Management system and, in particular, the annual review the contents of the Risk Register and associated documents.

RECOMMENDATION

2. That the Council:-
    a. reviews and agrees the contents of the Risk Register (Appendix B) and its relationship to the Council's Aims and Objectives (see agenda item 7),
    b. reviews and agrees the contents of the HCC Highways Risk Register (Appendix C),
    c. reviews and agrees the contents of the Hannington Village Green Risk Register (Appendix E),

BACKGROUND

3. It is a requirement under the Accounts and Audit Regulations 2015 that a risk assessment must be undertaken each year, during the year and approved by the smaller authority. The Parish Council fulfils this requirement through its annual review of the Risk Register and related documents.

4. The last review was undertaken in September 2016, where the Risk Register was modified to show how the risks that had been identified were attributable to the agreed 'Aims and Objectives' of the Council (see also Agenda Item 7 'Aims and Objectives').

Guidelines for risk management

5. In July 2012, the Parish Council agreed its approach to Risk Management. The full document is attached as Appendix A. In summary, the approach was based on five steps:
Step 1. Identify and characterise risks; differentiating between strategic and operational risks.
Step 2. Assess risks; identifying their Severity; a combination of Likelihood and Impact.
Step 3. Evaluate risks; assessing the 'residual level of risk' once the controls are in place; resulting in an assessment of 'high', 'medium' or 'low'.
Step 4. Manage risks; deciding on what is the acceptable level of exposure to risk and identifying which is the best option:- Avoiding the risk, Reducing the negative effect of the risk, Accepting the risk, or Transferring the risk.
Step 5. Reporting and Monitoring

Conclusion

6. The Risk Management report concluded that an effective risk management system will tread the middle ground between:-
(a) being insufficiently thorough in identifying potential risks that the Council is vulnerable to volatility through disruption, and
(b) being overly burdensome that the Council is prevented from operating effectively, and from seizing new opportunities.

Current Risk Register… linked to the Council's Aims and Objectives

7. The current version of the Risk Register is attached at <u>Appendix B</u>.
    ACTION: Council is asked to review the contents of the Risk Register and its relationship to the Council's Aims and Objectives.

Highways Issues

8. In addition to the main Risk Register, the Council received in December 2016 a more detailed analysis of 'risks' relating to highways matters that had been referred to Hampshire County Council. This analysis is attached at <u>Appendix C.</u> There is some overlap between the content of Appendix B and the more detailed elements regarding highways that are covered in Appendix C.
    ACTION: Council is asked to review the contents of the Highways Risk Register.
    ACTION: Once the Risk Register and the 'highways register' have been agreed, the Clerk will merge the two so as to reduce confusion.

Health and Safety Policy

9. The Council adopted the Health and Safety Policy at its meeting in September 2016. A copy is attached at <u>Appendix D</u>. At the September 2016 meeting, the Council agreed:-
    i)   to adopt the Health and Safety Policy (<u>Appendix D</u>);
    ii)   to agree to the 'licence' approach for events;
    iii)   to establish its own risk assessment (RA) for the Council's asset, the village green (see paragraph 10 below and <u>Appendix E</u>; and
    iv)   to establish an H&S incident reporting procedure (**ACTION: outstanding Clerk**).

Village Green / Events

10. Where events are held on the Village Green with the permission of the Hannington Parish Council, an '*Event Management Safety Plan'* should be requested from the event organisers. A draft template for the '*Event Management Safety Plan'* had been issued to the parish clerk in advance of the September 2016 meeting. A final version of the Plan was received by the Clerk in advance of the Hannington Village Fair 2017, along with a Certificate of Insurance, and a signed copy of the Licence.
    ACTION: the Council should consider what 'lessons' , if any, were learned from the 2017 Fairthat need to be taken on board for any future Events. (See Village Green Risk Assessment <u>Appendix E</u>.)
    ACTION: once agreed this element, the Clerk will merge this element with the Risk Register to form a single document.

11. Cllrs should give particular consideration to the village green risk assessment and the previously identified health and safety problem of dog fouling, and the health and safety reports of the playground facilities at Michaels Field.

Chris Pottinger,
Clerk, Hannington Parish Council
5th September 2017

Hannington Parish Council, Approach to Risk Management

Introduction

Risk Management is an attempt to reach out into the uncertainty of the future and bring it under control, in order to achieve the objectives of an organisation, in this case Hannington Parish Council. This can be achieved through a process of identification, assessment, evaluation and treatment of risk. Once undertaken, risk management can help an organization achieve its objectives through the awareness and management of risk, including the exploitation of new opportunities in a challenging competitive environment.

The definition of risk used in *ISO Guide 73:2009 Vocabulary for Risk Management* is: "*…the effect of uncertainty on objectives..".* It is important to note that risk is not just uncertainty of future events, it is the uncertainty of the effect of specific events which could have an impact on achieving the objectives of an organisation.

What is risk management?

Risk management includes the identification and analysis of risks (negative and beneficial) to which an organisation is exposed, the assessment of potential impacts on the business, deciding what action can be taken to eliminate or reduce negative risk. Risk management is not intended to eliminate all risk.

Why have a risk management system?

It may seem that the risks to an organisation are obvious, and that other risks are of such a low impact or likelihood that a formalised management system is unnecessary. In the short term this may seem to be a viable cost saving option; however it is not a good footing to ensure the long term delivery of the Council's objectives. Dealing with each risk as and when it arises (a fire fighting approach), will be more resource intensive in the long run, and promotes an unsystematic approach to dealing with risk, taking up valuable Councillor's time.

Business Case

Some of the benefits of having an effective risk management system are set out below:

A systematic, well-informed and thorough method of decision making;
Stakeholders eg Hannington residents are likely to be reassured;
A reduced likelihood of reputation damage;
A better basis for the allocation of resources;
Greater likelihood of achieving the organisation's objectives.

Guidelines for risk management
1. Identify and characterise risks

To identify the risks, the objectives of the Council must be clearly outlined – the high level risks can then be identified.

Identification of risks can be done in-house or by the employment of external consultants. The former can be beneficial as owing to the additional knowledge of internal processes, available resources and business objectives, ownership of the process is likely to be greater. Identification of risks can be done by a full Council. In a small organisation like Hannington PC, Council members and the Clerk are ideally placed to identify both the overall strategic level risks and the operational risks of a more day to day basis.

The possible types of risk identifiable are specific to the organisation achieving its objectives. Some risks will be 'industry' specific eg problems affecting residents when they are snowed in for prolonged periods, however general areas of risks can be divided into two categories Strategic Risks and Operational Risks.

Strategic risk

These risks will affect the achievement of the Council's key objectives and in general are relatively static in nature. They are usually sub divided into four categories, but not all will be appropriate for every organisation :

Political – relating to political policy which may affect the marketplace in which the Council is operating;

Economic – relating to economic changes, such as central government cutbacks in local government funding, or the consequences of investment decisions;

Competitive – relating to the ability to deliver a competitive product or service;

Environmental – relating to the environmental consequences of progressing the objectives of the organisation (eg energy efficiency, carbon emissions, pollution, recycling, climate change).

Operational risk

These are risks likely to be faced on a day to day basis by managers. They are usually sub-divided into five categories but not all will be appropriate for every organisation: -

Financial – relating to financial planning and control, such as the performance of investments and adequacy of insurances;

Contractual – relating to contractors delivering services or products to the agreed cost and specification;

Technological – relating to the reliance on operational equipment, such as IT systems or machinery;

Human Resources – relating to staffing issues, health and safety, skill needs, management structures and disputes;

Environmental – including adverse weather that might impact service delivery or the health and safety of its residents.

Identification of risk should be approached in a methodical way to ensure all activities of the Council have been articulated as well as the risks that might affect them. In-house expertise and knowledge is essential. Whilst all areas of risks should be considered, it is not however necessary that consideration of all areas will identify a risk for each.

2. Assess risks

Once identified, risks need to be assessed as to their **Severity**. **Severit**y is identified by way of combining the **Likelihood** of an occurrence with the **Impact** of that occurrence.   For instance, there may be a high likelihood of a risk occurring, but its impact is considered to be small. Or the likelihood of an event could be considered small but its effect could be catastrophic ie the Titanic effect. Consideration should be given to more than just the financial impact on the Council and its objectives. Legal, environmental, social and moral aspects of the risks are also factors; for example, one risk can result in only a minor financial loss but also a very big reputational loss (from any negative media coverage that might follow).

3. Evaluate risks

Due to relatively simple nature of HPC operations, a formal scoring system is not being adopted. Instead we are considering what the residual (final) risk will be with both our existing controls and further enhanced controls (action) in place, scoring the resulting risk as either low, medium or high. After all control measures we would not expect or tolerate a high residual risk.

4. Manage risks

 In order to determine how to manage risks, the acceptable level of exposure to risk, or risk appetite needs to be determined. This risk appetite is subjective according to each organisation – factors which can be taken into account in deciding this are:

> Cost effectiveness – what is the cost relationship between implementing the change and
the
> expected risk reduction benefits?
> Compliance – any controls in place must comply with the law
> Stakeholders – what risk reduction measures would residents or Basingstoke and Deane
> BC, who fund the PC, expect?

The approach to managing the various risks identified will be dictated by the severity of the risk by reference to its likelihood and the potential impact of the risk, in conjunction with the risk appetite of the organisation. The strategies to manage the identified negative risk include:

> Transferring (eg: insurance cover - paying a third party to take the impact of the risk if it
occurs)
> Avoiding the risk (eg: in extremis this could be ceasing an activity in a certain area)
> Reducing the negative effect of the risk (eg: through internal controls, such as introducing
a new
> procedure to reduce errors)
> Accepting some or all of the negative impact of the risk (eg: if the cost of reducing risk is
too high,
> then the Council may decide to accept the risk and its possible impact)

5. Reporting and Monitoring

To achieve the desired outcomes, the findings of the risk management process need to be communicated effectively. This will enable the full Council to be aware of risks which fall in their area, and understand the impact the possible risks will have on themselves and other areas of the organisation.

Ongoing regular monitoring (at least annually as per our Standing Orders), usually with a developed risk register, of current and potential risks is also important, as:

> Existing controls need to be examined to determine that they are still effective in
> controlling the risk, operating in an efficient manner and cost-effective;
> Risk levels in the organisation may have changed;
> New risks may emerge

Conclusion

An effective risk management system will tread the middle ground between:-

> (a) being insufficiently thorough in identifying potential risks that the Council is vulnerable
> to volatility through disruption, and
> (b) being overly burdensome that the Council is prevented from operating effectively, and
> from seizing new opportunities.

When risk management is embedded within an organisation, it should help anticipate what could go wrong and speculate what could be an opportunity. Examining both of these aspects should improve the probability of success in delivering its key aims and objectives and meeting fully its operational responsibilities.