

# **RISK MANAGEMENT ARRANGEMENTS**

Parish councils in the UK are required to implement risk management arrangements as part of their governance framework. These arrangements ensure that risks are identified, assessed, and controlled to protect council assets, operations, and reputation. Below are the key components of risk management for parish councils:

## **Key Components of Risk Management**

### **1. Risk Identification**

- Parish councils systematically identify risks related to physical assets (e.g., buildings, equipment), finances (e.g., banking errors, loss of income), legal compliance, public safety, and councillor propriety (e.g., declarations of interest).
- Risks may also include operational risks, such as loss of key personnel or business continuity challenges.

### **2. Risk Assessment**

- Risks are evaluated based on their likelihood and potential impact, often categorized as high, medium, or low.
- Councils use tools like risk registers to document and assess risks systematically.

### **3. Risk Mitigation Strategies**

- Common methods to manage risks include:
  - **Removing the risk:** Eliminating activities that pose intolerable risks.
  - **Reducing the risk:** Implementing controls like regular inspections and maintenance.
  - **Transferring the risk:** Using insurance or outsourcing services.
  - **Accepting the risk:** For unavoidable or low-impact risks.
- Financial risks are mitigated through adherence to financial regulations, internal audits, and maintaining adequate reserves.

### **4. Roles and Responsibilities**

- The parish clerk plays a central role in implementing risk management policies, identifying significant risks, and providing timely information to the council.
- Councillors oversee risk management and ensure adherence to governance standards.

### **5. Documentation and Review**

- Councils maintain risk management policies and registers that outline identified risks, their management strategies, and review schedules.

- Risk assessments are reviewed annually or more frequently if circumstances change (e.g., new activities or audit findings).

#### 6. Internal Controls

- Internal controls include financial oversight (e.g., bank reconciliations), asset protection measures (e.g., insurance), compliance with legal requirements, and external audits to ensure effectiveness.

#### Examples of Common Risk Areas

- **Physical Assets:** Risks such as theft, vandalism, or deterioration are managed through insurance, security measures, and regular maintenance.
- **Financial Risks:** Loss of income or fraud is mitigated by fidelity insurance, division of reserves across banks, and strict financial regulations.
- **Public Safety:** Injuries in public spaces like playgrounds or village halls are addressed through liability insurance and safety inspections.
- **Legal Compliance:** Ensuring agendas, minutes, and other records comply with statutory requirements.

#### Annual Review

Parish councils conduct annual reviews to evaluate the effectiveness of their risk management systems. This includes assessing new risks for the upcoming year and making necessary adjustments to policies and procedures.

By adopting structured risk management practices tailored to their size and complexity, parish councils can safeguard their operations while ensuring accountability and compliance with governance standards.

# **How can parish councils identify and prioritize their risks**

Parish councils in the UK can identify and prioritize risks through a structured risk management process. This involves systematically examining their activities, assets, and external factors to ensure risks are appropriately managed. Below is an outline of how parish councils can achieve this:

## **Steps to Identify and Prioritize Risks**

### **1. Identify Risks**

Parish councils begin by identifying potential risks across various areas of their operations. Common categories include:

- **Physical Assets:** Risks to buildings, equipment, and IT hardware (e.g., theft, fire, or deterioration).
- **Finance:** Banking errors, loss of income, or fraud.
- **Public Safety:** Hazards in playgrounds, recreation grounds, or village halls.
- **Legal Compliance:** Failure to meet statutory requirements such as accurate minutes or burial records.
- **Reputation:** Risks that could damage the council's standing in the community.

This process often involves reviewing existing services, activities, and external environmental factors.

### **2. Assess Risks**

Once identified, risks are assessed based on two main criteria:

- **Likelihood:** The probability of the risk occurring.
- **Impact:** The potential consequences if the risk materializes (e.g., financial loss or reputational damage).

A simple scoring system (e.g., low, medium, high) can be used to evaluate these factors. For example:

Risk Score=Likelihood × Impact Risk Score=Likelihood × Impact

This helps councils prioritize risks that require immediate attention.

### **3. Document Risks**

Risks are recorded in a **risk register**, which includes:

- A description of each risk.
- Its likelihood and impact assessment.
- Existing controls or mitigation measures.
- Any additional actions required to manage the risk effectively.

#### **4. Prioritize Risks**

Using the risk scores from the assessment phase, councils focus on addressing high-priority risks first. These are typically risks with both high likelihood and significant impact. Lower-priority risks may be monitored but require less immediate action.

#### **5. Review and Update**

Risk assessments should be reviewed annually or when new projects or activities are undertaken. This ensures that emerging risks are identified and existing controls remain effective.

#### **6. Assign Responsibilities**

The parish clerk usually oversees risk management processes, ensuring that identified risks are addressed and monitored appropriately. Councillors play a role in approving strategies and ensuring compliance with governance standards.

By following these steps, parish councils can systematically identify and prioritize risks, ensuring they take proportionate measures to safeguard their operations and community interests.