

Alvanley Parish Council

Management of Risk

Risk management involves identifying, assessing, and mitigating potential risks that could impact an organization or project. Here are some key arrangements for effective risk management:

1. **Risk Identification** – Recognizing potential threats and opportunities that could affect objectives.
2. **Risk Assessment** – Evaluating the likelihood and impact of identified risks.
3. **Risk Mitigation Strategies** – Developing plans to minimize risks or their consequences.
4. **Monitoring and Reviewing** – Continuously tracking risks and adjusting strategies as needed.
5. **Stakeholder Communication** – Keeping all relevant parties informed about risks and mitigation plans.
6. **Compliance and Regulations** – Ensuring adherence to legal and industry requirements.
7. **Emergency Response Plans** – Preparing for unexpected events to ensure quick and effective action.

Risk assessment is a critical step in risk management, where potential risks are analysed to determine their likelihood and impact. Here's a detailed breakdown:

1. Risk Identification

This involves recognizing possible risks that could affect objectives. These can be financial, operational, strategic, environmental, or compliance-related.

2. Risk Analysis

Once risks are identified, they are analysed in terms of:

- **Likelihood** – How probable is it that the risk will occur?
- **Impact** – What consequences would it have if it did occur?
- **Vulnerability** – How exposed is the organization or project to the risk?

3. Risk Evaluation

After analysing risks, they are ranked based on their severity and priority. Often, businesses use a risk matrix—a tool that plots likelihood against impact—to visualize and categorize risks.

4. Risk Treatment

This step involves deciding how to respond to risks. Common strategies include:

- **Avoiding the risk** – Changing plans to eliminate the threat.
- **Reducing the risk** – Implementing controls to minimize its impact.
- **Sharing the risk** – Transferring it through insurance or partnerships.
- **Accepting the risk** – If it's within acceptable tolerance levels.

5. Monitoring and Review

Since risks evolve, continuous monitoring is essential. Periodic reassessment ensures risk management remains effective and relevant.

6. Documentation and Reporting

All findings from risk assessments should be recorded and communicated to stakeholders, enabling informed decision-making.

Specific arrangement for Financial Risk in a Parish Council:

- **Budgeting & Financial Planning** – Establish a clear financial plan with conservative estimates for income and expenses, ensuring funds are allocated appropriately.
- **Reserves & Contingency Funds** – Maintain designated reserves for unexpected financial challenges, such as legal expenses or emergency repairs.
- **Insurance & Liability Protection** – Secure insurance policies covering property, public liability, employer liability, and financial loss.
- **Internal Controls & Auditing** – Implement robust financial oversight with regular audits, transparent procurement processes, and checks on expenditure.
- **Investment & Asset Management** – Ensure responsible investment strategies that align with the council's risk appetite and legal requirements.
- **Grant & Funding Diversification** – Avoid overreliance on a single funding source by exploring grants, donations, and diverse revenue streams.
- **Fraud Prevention & Governance** – Strengthen governance policies to deter fraud or financial mismanagement.
- **Regulatory Compliance** – Stay up to date with financial regulations affecting local government bodies.