

RISK MANAGEMENT POLICY

Title	Risk Management Policy
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Date Adopted	July 2026
Version No	4
Next Review due	March 2027

Introduction

Carhampton Parish Council (the council) is required to maintain a sound system of internal control. Effective risk management is a central element of that system, underpinning the council's legal, financial and governance responsibilities. This policy sets out the council's approach to identifying, assessing and managing risk. It is read alongside the council's Risk Register, which records the specific risks identified, the controls in place to manage them, and the level of risk that remains after those controls are applied.

What is Risk Management?

Risk is the threat that an event or action will adversely affect the council's ability to achieve its objectives, implement its strategies or deliver its services to the local community.

Risk management is the structured, ongoing process by which risks are identified, evaluated, treated and monitored. The council recognises that not all risks can be eliminated, and that attempting to do so would often be disproportionate or impractical. The aim is therefore to reduce risks to an acceptable level through a combination of:

- preventive internal controls and sound financial procedures;
- clear accountability and reporting lines;
- regular monitoring and review by the council; and
- where residual financial exposure remains, the use of appropriate insurance cover.

Objectives

The objectives of this risk management policy are to:

- Integrate risk management into the culture and decision-making of the council
- Manage risk in accordance with best practice and legislative requirements
- Minimise the likelihood and impact of loss, disruption, injury or damage to people, assets and finances
- Ensure that risk assessment informs financial planning, including the level of General Reserves maintained
- Provide robust evidence to support the council's AGAR assertions

These objectives will be achieved through:

- Systematic identification and assessment of risks using a consistent methodology
- Implementation and ongoing monitoring of appropriate controls
- Maintenance of an up-to-date Risk Register, reviewed by Full Council at least annually
- Appropriate insurance cover, reviewed and renewed each year
- Training for members and officers as required

Responsibilities

Role	Responsibilities
Full Council	Retains overall responsibility for risk management. Formally adopts and reviews this policy and the Risk Register at least annually. Approves the level of General Reserves required to cover identified financial risks.
Clerk / RFO	Prepares, maintains and updates the Risk Register. Monitors the effectiveness of controls and reports significant new or changing risks to Full Council. Ensures insurance is renewed annually and remains adequate for the council's activities. Supports AGAR completion and recommends the minimum level of General Reserves at budget-setting time, informed by this register.
Members	Identify emerging risks within their areas of oversight and bring these to the attention of the Clerk for assessment and inclusion in the register. Ensure they remain familiar with the council's risk management obligations.
Auditors	Reviews the effectiveness of internal controls and risk management arrangements as part of the annual internal audit. Reports findings and recommendations to Full Council.

Risk Assessment Methodology

Each risk is assessed on two independent dimensions, both before controls are applied (Inherent Risk) and after controls are applied (Residual Risk):

- Impact the severity of the consequence if the risk event were to occur
- Likelihood — the probability that the risk event will occur

Each dimension is rated Low, Medium or High, as defined below.

Rating	Impact	Likelihood
Low	Minimal operational or financial consequence; easily managed within existing resources with no significant disruption to services.	Unlikely to occur in the foreseeable future; no prior history and no current circumstances that make it plausible.
Medium	Manageable but potentially disruptive; some financial, operational or reputational impact that would require additional effort or resources to address.	Could reasonably occur; some prior history or current circumstances make it a realistic possibility within the next few years.
High	Significant financial, legal, safety or reputational impact; could threaten the council's ability to function or expose it to substantial liability.	Likely to occur or has occurred previously; current circumstances make it probable within the next year.

Overall Risk Rating

The combination of **Impact** and **Likelihood** produces an overall risk rating, as shown in the matrix below. Assessing these dimensions separately ensures that a risk with a very serious impact but a remote likelihood is rated differently from one that is both likely and serious.

	Low Impact	Medium Impact	High Impact
High Likelihood	Medium	High	High
Medium Likelihood	Low	Medium	High
Low Likelihood	Low	Low	Medium

Prioritisation and Action

Any risk rated Medium or High after controls are applied is above the council's acceptable risk threshold and must be prioritised for further action. For each such risk, the Risk Register will record:

- the specific additional action or control required;
- the name of the person responsible for that action; and
- a target date by which the action should be completed or next reviewed.

The Clerk will report progress on all residual medium and high risks to the council at each ordinary meeting until the risk has been successfully reduced to low.

RISK REGISTER

Approved July 2026. Next review March 2027.

	Risk	Uncontrolled Risk			Controls	Controlled Risk			Ownership
		Impact	Likelihood	RAG		Impact	Likelihood	RAG	
Physical Assets	Injury to third parties	High	Medium	High	Assets checked visually monthly Play equipment inspected by external company annually Repairs carried out promptly when identified Public and Products Liability insurance (£10m) Adequate signage	Low	Low	Low	Responsible - Clerk
	Damage or deterioration of asset	Medium	High	High	Ground maintenance work carried out professionally Bus shelter cleaning carried out professionally Assets checked visually monthly and repairs carried out when required Earmarked funds for repair/replacement Property Damage insurance	Low	Low	Low	Accountable – Full Council
Banking	Inadequate controls Bank mistakes Loss Charges	High	Medium	High	All monies held in a regulated UK bank Precept paid by BACS direct to bank account Bank reconciliations reviewed by Council No petty cash float maintained Payments requested by BACS direct to bank account	Medium	Low	Low	Responsible - RFO Accountable – Full Council
Financial records	Financial irregularities Inadequate records	High	High	High	Expenditure continuously monitored and reported monthly RFO has been appointed Independent internal and external audits take place Fidelity/Crime cover (£250,000) provides cover against dishonesty or fraud by employees or councillors.	Medium	Low	Low	Responsible - RFO Accountable – Full Council
	Records are destroyed	Medium	High	High	Historical records stored at Somerset Heritage Centre Digital copies in cloud based software Paper records stored in metal fireproof filing cabinet	Medium	Low	Low	
	Records are inaccessible	High	Medium	High	Chair holds copy of passwords	Medium	Low	Low	

RISK REGISTER

	Risk	Uncontrolled Risk			Controls	Controlled Risk			Ownership
		Impact	Likelihood	RAG		Impact	Likelihood	RAG	
Income	Failure to budget	High	High	High	Income monitored against budget heads throughout the year Budget agreed by Council Precept is agreed by Council and claimed by Clerk Adequate levels of reserves are maintained Budget continuously monitored and reported monthly Independent internal and external audits take place	Medium	Low	Low	Responsible – RFO/Clerk Accountable – Full Council
	Failure to claim VAT	Medium	Low	Low	VAT payments and claims calculated by RFO	Low	Low	Low	Responsible – RFO/Clerk Accountable – Full Council
Payments	Financial irregularities	High	Medium	High	Two Member signatories for required Record of authorisers kept All payments minuted in full RFO has been appointed HMRC software utilised to calculate salary payments Independent internal and external audits take place	Medium	Low	Low	Responsible – RFO/Clerk Accountable – Full Council
Compliance	Meetings are not lawful	Medium	Low	Low	Appointment of Clerk Clerk is studying for CILCA	Low	Low	Low	Responsible – RFO/Clerk
	Data Protection	Medium	Medium	Medium	Data Protection Policy in place Record Retention Policy in place Trustees' and Management Liability Insurance held Legal Expenses Insurance held	Low	Low	Low	Accountable – Full Council
Councillors	Lack of propriety	Medium	Low	Low	All Councillors agreed to abide by Code of Conduct Code of Conduct training offered All Councillors complete Register of Interests Trustees' and Management Liability Insurance held Reputational Risks / Libel and Slander Insurance held	Medium	Low	Low	Responsible – RFO/Clerk Accountable – Full Council
	Loss of councillors	Medium	Medium	Medium	Vacancies are actively promoted	Low	Low	Low	
	Lack of skills	High	High	High	Induction and ongoing training	Low	Low	Low	

RISK REGISTER

	Risk	Uncontrolled Risk			Controls	Controlled Risk			Ownership
		Impact	Likelihood	RAG		Impact	Likelihood	RAG	
Employees & volunteers	Injury or illness to employee or authorised volunteer in the course of their duties	High	Medium	High	No volunteers currently utilised Employers' Liability insurance in place Health & Safety policy; risk assessments undertaken for relevant activities Training offered where relevant	Medium	Low	Low	Responsible – RFO/Clerk Accountable – Full Council
IT/Cyber security	Unauthorised access to council systems, data breach, or ransomware attack resulting in loss of data or financial loss	High	Medium	High	Laptop password protected Cloud software with two-factor authentication Data Protection Policy in place Record Retention Policy in place; Personal data held minimised ICO registration maintained IT Policy	Low	Low	Low	Responsible – RFO/Clerk Accountable – Full Council