SPRINGFIELD PARISH COUNCIL – FINANCIAL RISK ASSESSMENT

This policy and methodology and associated risk assessments were approved by Full Council at the meeting of 12th May 2025.

The risk assessments were undertaken by the Clerk.

The objective of Springfield Parish Council's policy on risk is for the Parish Council to agree on how to handle risk throughout the Parish Council's domain.

Basics behind risk

Risk can be broken down into:

- The likelihood of it occurring (the event)
- How easy it is to occur
- Its impact on the parish council.

This gives a risk matrix, of likelihood against impact which will identify where the worst risks lie and thus direct mitigation plans.

Likelihood

Normally the risk is determined by the likelihood of an event occurring.

Likelihood of an event occurring means the potential frequency, so Very Likely would occur very often, probably more than 10% of the time or more than 10% of the number of cases (in an admin world).

Whereas Unlikely, would be described as rare or less than 0.1% of time/cases.

Having 4 levels allows you to neatly put in greater than 10% (very likely), between 1% and 10% Quite Often or High; Possible (or moderate chance) between 0.1% and 1% and Low or Unlikely less than 0.1%.

We will also need to factor in how easy it is, or the motivation to cause the event. So Very Likely would be something that could happen without any special knowledge or skills, so for example rubbish in Fairfield might be a very likely event. Whereas to remove the entire PC's data from our systems would need detailed knowledge and specialised skills and can only be a premeditated event, so would be Unlikely.

By agreeing both the frequency in terms of time/cases and the ease of doing it you can have a constant definition of 4 likelihood levels. But if we can define them, we could have 5. Impact

Consider the impact of an event. Impacts tend to be thought of negative economic costs (e.g., damage to property or unexpected costs), legal consequences (e.g., being fined, taken to court, sued, prison!) and reputational damage (e.g., parishioners opinion of the PC is reduced, other organisations view etc.) although as a monopoly reputational damage is often hard to quantify and is often ignored by accounting management.

Again, usually there are 4 (or less) for the same reasons as above; so, the first level would be Insignificant or Small. In this case there would be no impact on the PC, negligible economic policy on classifying and handling risk loss (which can be made up) no legal consequences or a small reputational loss (again which can be made up in the short term).

Whereas level 4, Critical or Catastrophic, would be significant economic loss which cannot be fixed, serious violation of law which results in penalties or fines, total loss of reputation which can't be restored.

So, you would build up a table of the impacts of an event.

Setting the risk levels

Finally, the risk levels are set; by assigning a score to each level of likelihood and impact and building a matrix. For example, each level has a score from 1 to high, high for unlikely and critical impact and 1 for very unlikely and small impact. For 4 levels it would be 4 by 4 and a 5-level model would have numbers from 1 to 5.

Then it is a case of building the matrix by multiplying the numbers, as shown below for a 4- level model.

			Impact			
			Minor	**Major**	**Severe**	**Critical**
			1	2	3	4
Risk Event Occurrence	Unlikely (less than 0.1%)	1	1	2	3	4
	Possible (between 0.1% and 1%	2	2	4	6	6
	Quite Often (between 1% and 10%	3	3	6	9	12
	Very Likely (greater than 10% of time)	4	4	8	12	16

The higher outcomes can be coloured to indicate where the priority risks lie, so that a mitigation plan can be drawn up, usually the highest number backwards.

Description	Risk	Action/Notes	Likelihood	Impact	Risk
Business Continuity	Risk of Parish Council not being able to continue its business due to unexpected or tragic circumstances	There is a reserve in place and insurance to cover such an event – review periodically Pandemic – key staff are able to work from home to maintain core council commitments	Unlikely	Severe	
Loss of RFO	Inability to access Sage accounting and online banking through loss of passwords and lack of knowledge	Chair of Parish Council and Vice Chair hold a list of passwords in a sealed envelope. Another member of staff to be appointed to learn Edge package and online banking procedures (via Personnel Committee) Office handbook being created to cover all essential activities to provide a step-by-step guide in the event of staff absence	Unlikely	Critical	
Financial Records	Inadequate records/irregularities	The Parish Council has Financial Regulations in place which set out the requirements and checks. These are reviewed annually	Unlikely	Critical	
Book-keeping	Inaccurate or failure to maintain the Parish Council's income and expenditure records properly could lead to a loss of income, overcharging by suppliers or misappropriation of Parish Council funds	Edge accounts package used, and a back-up is taken weekly by the Clerk P&L, budget tracker and bank reconciliations presented monthly to Council An internal and external audit are carried out annually, as is a review	Possible	Major	

		of the Parish Council’s Financial Regulations			
Purchasing	Overspend on purchase	All purchases are approved in advance in accordance with Financial Regulations and noted on the budget tracker report. All invoices are processed by the Clerk and payments approved by two authorised signatories before payment is made	Possible	Major	
Precept	Adequacy of precept requirements Requirements not submitted to CCC in time Precept not received from CCC in time	Regular budget review by Full Council Precept should be considered by Council before the deadline - deadline should be ascertained from CCC asap The Clerk informs Council when the monies are received	Unlikely	Critical	
Income	Loss of income due to a decrease in usage of the Springfield Centre	Charges for the Cemetery are reviewed bi-annually and ensured to be in line with other local facilities of the same kind	Unlikely	Severe	
VAT	Non-payment/reclaiming of VAT	VAT returns are sent to HMRC at least annually	Unlikely	Major	
Budget	Overspend on services	Costs are closely monitored, and a budget tracker report is presented to Council monthly, but it is understood that the economy cannot be controlled	Possible	Major	

Bank and Banking	Bank mistakes/charges Loss of signatories	The Parish Council's Financial Regulations set out the requirements for banking, cheques and reconciliation of accounts. The Parish Council bank accounts have ??? authorised signatories so in the event of loss of one, banking can still be carried out. In the case of losing one signatory, another is to be appointed immediately	Unlikely	Severe	
Online Banking System	Theft of funds, incorrect payments, unauthorised payments	Payments are raised on the receipt of an invoice by the RFO. Payments raised via Unity Bank website using private passwords and usernames. RFO is unable to authorise payments – this must be done by 2 authorised signatories. Authorised signatories cannot raise payments. Payment date are set for the following working day after either Legal and Finance Committee or Full Council so that approval is made in advance, during council meetings. Payment date and banking reference number noted on invoice	Unlikely	Critical	
Litigation	Potential risk of legal action being taken against the Parish Council	Public Liability insurance covers general personal injury claims where the Parish Council is found to be at fault, but not spurious or	Possible	Major	

		frivolous claims – these cannot be insured against			
Data Protection	Loss of data or breach of data protection regulations	Potential financial penalty in the event of a loss of data or breach. Risk mitigate through the council's data protection policy, privacy notice (website) and registration with the ICO	Possible	Major	
Insurance	Being under-insured	A yearly review is carried out of the Parish Council's assets and needs. Employers and Employee liability insurance is also in place	Unlikely	Severe	
Fidelity Insurance	Theft of funds	Internal controls are in place so that no one person can access the Parish Council funds. Insurance coverage of £250000.	Unlikely	Critical	
Members Expenses	Overpaid expenses and tax implications	Mileage allowance is below the tax threshold. All claims for expenses must be passed by the RFO	Possible	Minor	
Reporting	Information not communicated	Budgets, profit and loss and bank reconciliations are reported to the Legal and Finance committee and to Full Council	Unlikely	Major	
Internal Audit	Review of systems and controls implemented by the Parish Council	The audit takes place annually with a verbal and written report. This should be independent and in confidence. Any recommendations received will be acted upon	Possible	Major	
Stock	Loss of stock	The Parish Council has limited stocks; these are monitored	Unlikely	Minor	

Debt	Unpaid customer invoices	Regularly monitored with action taken as necessary	Unlikely	Minor	
Charges	Payments of charges, leases and rentals are over/under paid	Rent is accounted for in the Parish Council budget and reviews are undertaken on a 5-yearly basis	Unlikely	Minor	
Salaries	Salaries paid correctly	The Parish Council authorises the appointment of all employees through a committee. Salary rates are assessed periodically by the Personnel committee. A wage company allocates the salaries, tax and NI payments which are submitted to the Inland Revenue. Wages are paid by BACS with two signatories to the payroll company who then pays the staff by BACS transfer. Employees have a contract of employment and a job description. Wages are audited annually	Unlikely	Severe	
HMRC Annual Return	Paying and accounting NI and tax of employees' salaries	The payroll company completes and submits the employers annual return to the Inland Revenue within the prescribed timeframe	Unlikely	Severe	
Pension annual return	Paying and accounting for employee and employer contributions	The payroll company completes and submits the employer's pension annual return and contributions to Essex County Council within the prescribed timeframe	Unlikely	Severe	

Employees	Loss of key personnel	A Continuity Plan is in place in case of loss of key personnel or long-term illness	Possible	Severe	
	Actions undertaken by staff	Access to relevant publications and professional indemnity insurance is in place			
Assets	Loss or damage	An annual review of the asset register is undertaken	Unlikely	Minor	
Maintenance	Poor performance of assets	Assets at risk are identified and approved maintenance plans are in place	Possible	Major	