

KIRKLEES COUNCIL

RISK MANAGEMENT

STATEMENT

November 2017

KIRKLEES COUNCIL
RISK MANAGEMENT STATEMENT
INTRODUCTION

Kirklees Council faces unprecedented challenges. Reduced funding means that we need a new approach; delivering less overall, working more effectively with partners and looking at ways of empowering individuals and communities to live independent lives.

Changes create opportunities; but also significant risks and uncertainty. By using risk management principles and practices the Council should be able to deliver outcomes more effectively. This statement is about providing the principles, techniques, advice and support for a successful organisation.

Risk is unavoidable. It is not possible to move forward and develop without taking some (acceptable) risks. Risk management is the “systematic application of principles, approach and processes to the identification, assessment and monitoring of risks.”

Risk management involves balancing the controls in place to provide sufficient protection from harm, whilst not stifling organisational development. The approach is to ensure that key risks are identified in all areas of business, are understood and proactively managed, rather than avoided. This is not to shy away from risk but instead to proactively manage it.

Whilst the council has identified and managing long term corporate strategic risk, it has been less successful in assessing those shorter term threats to the effectiveness to deliver outcomes. This new statement particularly looks to address this area of shortcoming, with emphasis on the management, rather than simply the recognition and reporting of risk.

The structures and processes in place are intended to ensure that activities connected to risks and opportunities are identified, assessed, addressed and reported in a standard way. Effective risk management is an essential feature of achieving and demonstrating sound governance.

Risk management therefore needs to be taken into the heart of the Council, and by key partners.

Chief Executive
November 2017

RISK MANAGEMENT OBJECTIVES

- Adopt a strategic approach to risk management in order to make informed decisions to achieve successful change.
- Be clear on the level of risk the council is prepared to accept on different service delivery activities and priorities.(risk appetite).
- Accept that even with good risk management and best endeavours, things can go wrong. Where this happens, look to learn to prevent it from happening again.
- Develop risk management processes to achieve the Councils core purposes, priorities and outcomes
- Develop leadership capacity and skills in identifying, understanding and managing the risks facing the Council.
- Integrate risk management into how business and services are operated.
- Support a culture of well-measured risk taking, considering the level of risk, reward, impact and cost of control measures.
- Understand and mitigate risk in partnership and outsourced activity.
- Setting risk ownership and accountabilities.

MEETING THESE OBJECTIVES

- Maintain a robust and consistent risk management approach that will:
 - Identify and effectively manage strategic, tactical, operational, programme, partnership and project risk.
 - Focus on those key risks that, because of their likelihood and impact, make them priorities.
- Consider risk as an integral part of business planning, service delivery, key decision making processes, and project and partnership governance.
- Ensure accountabilities, roles and responsibilities for managing risks are clearly defined and communicated.
- Communicate risk information effectively through a clear reporting framework.
- Achieve understanding, knowledge and expertise in risk management through training and the sharing of good practice.

This Risk Management Statement will be reviewed at least annually to take account of changing legislation, government initiatives, best practice and experience gained within the Council.

RISK MANAGEMENT APPROACH

1. Introduction

The purpose of the approach outlined in this document is to:

- Provide standard definitions to support the risk management process.
- Ensure risks are identified and assessed consistently throughout the organisation.
- Clarify roles and responsibilities for managing risk

2. Definitions

Risk can be defined as an event that, should it occur, will have an adverse effect on the Council's objectives and/or reputation.

On occasions the risk can be an "opportunity" rather than an "adversity".

Risk is the combination of the probability of an event (likelihood) and its effect (impact).

Risk management is the systematic application of principles, approach and processes to the identification, assessment and monitoring of risks. By managing risk processes effectively it should be possible to be in a better position to safeguard against potential threats and exploit potential opportunities.

Risk management is applied at all levels of service delivery and include:

Corporate Strategic Risks – Risks that could have an effect on the successful achievement of the Councils' long term core purpose, priorities and outcomes. These are risks that have a council-wide impact and cannot be managed solely at Service level because higher level support or intervention is needed.

Service Risks – Risks that could have an effect on the successful achievement of outcomes or objectives. These risks could have a significant financial, reputational or service delivery impact, which may merit their consideration and management at strategic level.

Contract/Grant Risks – Risks that could have an effect on the successful achievement of the contract's outcomes / objectives in terms of delivery, or value for money. Risks are managed through the contracting management/grants supervision process, including gaining assurances from the provider about their own approaches to risk management. They could on occasions be strategic.

Programme/Project Risks – Risks that could have an effect on the successful achievement of a programme or project outcomes / objectives in terms of service delivery, benefits realisation or engagement with stakeholders. They could on occasions be "strategic".

Partnership Risks – Risks that could have an effect on the successful achievement of the partnership’s outcomes / objectives including engagement with key stakeholders. These can be strategic or operational depending on the size and purpose of the partnership. Of particular importance is awareness of the extent to which risk from the partnership impacts on the council.

The Council has a **Risk Appetite**, this means the willingness to accept risk. There may be reasons when those charged with responsibility for a particular risk choose to make an overt alternative assessment of appetite on a specific basis. This choice will be exercised by Cabinet or Executive Team on the advice of the Risk Panel. (see part 4 below).

The standard risk appetite is illustrated by the diagram below. Typically those risk that when mitigated lie in the green or yellow zone lie within the accepted appetite. Those that are **red must be a priority for immediate management action**. The chart below shows the Corporate Risk Matrix that the Council has adopted.

		Probability				
		Rare	Unlikely	Possible	Probable	Almost certain
Impact		1	2	3	4	5
Very Significant	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

3. Approach

The intention is to achieve a comprehensive and integrated approach to risk management where:

- a consistent corporate approach is followed such that staff at all levels are clear about what risk management is intended to achieve.
- significant risks are being identified and managed effectively.
- training and guidance on risk management are easily accessible.
- it is seen as an integral part of good corporate governance.

This section details the agreed arrangements that are needed to ensure the effective management of risk across the organisation. The Council’s approach to risk management is based on best practice and involves a number of key steps as outlined below.

STAGE	APPROACH	
1	Core Purpose/ Outcomes (of activity/aspect)	Communicate & consult throughout
2	Identify Risks	
3	Assess Gross Risk Level	
4	Identify Existing Actions	
5	Assess Current Net Risk Level	
6	Risk Response & Consider Further Actions	

7	Target Net Risk Level	
8	Review and Report	

Although the processes described apply to all risks there are is a differential process to the generation of risk matrices. There will be a Corporate Strategic Risk Matrix that sets out threats that apply across the whole or many parts of the council. Service Risk Matrices will be produced. Significant risk identified through this process will be added to the Corporate Strategic Risk Matrix. See Annex 5

Stage 1: Core purpose / Outcomes

To identify risks, it is necessary to establish the context by considering

- what we are trying to achieve
- what our proposed outcomes are.

Depending on the area under review, the relevant objectives and outcomes will usually be detailed in existing documents, including the following:

- The 7 Kirklees outcomes and the Corporate Plan
- Service Plans
- Capital Plans
- Project Plans
- Partnership Agreements and Contracts

Stage 2: Identify Risks

There are different types of risks that the Council may face such as; financial loss, physical risks to people or property, failure of service delivery, damage to reputation and regulatory compliance failure.

It is important to diagnose and highlight the real risks.

This needs to be reasonably specific in the form of a description, a cause and a consequence, such as

“failure of xxx because of yyy leads to zzz”, or

“inability to xxx due to yyy results in zzz”

There may be an initial long list of possible risks, which need to be assessed for reality. The next step will help to prioritise these in order of importance.

Identified risks are recorded in the Risk Register, along with an accountable “risk owner” who is given responsibility and authority to effectively manage the risk.

Note that an event that has happened is not a “risk” as it is then a reality. The expectation is that the processes will look to identify what might happen and with what consequence. Events that happen may stimulate thoughts about possible similar or related events.

The risk management process requires each risk to be assessed twice – gross and net risk levels.

Stage 3: Assess Gross Risk Level

To ensure resources are focused on the most significant risks, the Council’s approach to risk management is to assess the risks identified in terms of both the potential likelihood and impact so that actions can be prioritised.

In identifying the gross risk ensure that:

- Informed decisions can be made about the consequences of stopping risk actions that are currently in place; and
- Resources are not wasted in over-controlling risks that are not likely to happen or would have little impact if they did occur.

(this is based on a practical assessment of the impact of “no controls” or “no additional controls” beyond those normally applicable in place).

Stage 4: Identify Existing Risk Actions

Existing actions, to help minimise the likelihood and/or impact of the risk occurring, are identified for each risk. These actions are those already in place or completed.

Stage 5: Assess Current Net Risk Level

This stage re-evaluates the risk, taking into consideration the effectiveness of the identified existing actions and the reality if the risk were to occur in the immediate future.

Net risks are prioritised by applying the same criteria and matrix used for assessing the gross risk level (Stage 3). The current net risk is assessed to ensure that:

- identified risks are prioritised in terms of their significance (it is not practical or possible to manage every risk all of the time);
- existing actions are relevant and effectively managing and/or reducing the likelihood or impact of the identified risks.

It is the risk owner’s responsibility to ensure that the agreed net risk level for each risk is an accurate reflection of the likelihood and impact measures.

Step 6: Risk Response and Further Actions

Not all risks can be managed all of the time, so having assessed and prioritised the identified risks and the management actions currently in place, it is necessary to consider if additional, cost effective action needs to be added to manage those that pose the most significant threat. This may be by one or more of the following.(see Annex 3.)

- Avoid - A decision is made not to take a risk.
- Reduce - Further additional mitigating actions are implemented to reduce the risk.
- Transfer - All or part of the risk is transferred through a contract or insurance or to a third party.
- Exploit – in some cases it might be possible when taking action to mitigate risks, to also exploit a resulting opportunity.
- Accept - A decision is taken to accept the risk.

Step 7 – Review and Report

Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact.

It is expected that work will focus on those risks that, because of their likelihood and impact, make them priorities.

Service (Directorate) level reviews will take place whenever risk arise and informally on a monthly basis. Each Quarter formal monitoring will take place.

The Executive Team will review the Corporate Strategic Risk Matrix (which includes both corporate and service/projects risks) on a quarterly basis.

Risk issues will be a feature of (strategic) performance reporting.

Significant corporate, service and project risks may feature as a part of the Annual Governance Statement (and action plan).

4. Roles and Responsibilities

To ensure risk management is effectively implemented, all Members and Officers should have a level of understanding of the Council's risk management approach and regard risk management as part of their responsibilities:

All Employees;

- a) Manage day to day risks and opportunities and report risk concerns to their line managers.
- b) Participate fully in risk control activity and learning (eg health and safety), using appropriate facilities (eg training, on line learning)

All Managers;

- a) Manage risks and opportunities effectively and report risk management concerns to their line managers.
- b) Ensure active identification, consideration and management of risk and opportunity, proactively and holistically.
- c) Participate fully in risk workshops and action planning as appropriate.
- d) Attend training and awareness sessions as appropriate.

All Members;

- a) Support and promote an effective risk management culture.
- b) Constructively review and scrutinise the risks involved in delivering the Councils' core purpose, priorities and outcomes.

Some individuals and groups have specific leadership roles or responsibilities and these are identified below:

Cabinet

- a) Oversee officer management of risk in delivering the councils core purpose, priorities and outcomes.
- b) Approve this Risk Management Statement.
- c) Consider and challenge the risks involved in making any 'key decisions'.
- d) On occasions, approve acceptance of risks out with the approved risk appetite, when referred by Executive Team.

Corporate Governance & Audit Committee

- a) Provide independent assurance to the Council on the overall adequacy of the Risk Management Statement including review of any proposed amendments.

Executive Team

- a) Champion an effective Council-wide risk management culture.
- b) Ensure Cabinet/Members receive relevant risk information.

- c) Approve acceptance of risks out with the approved risk appetite, and when appropriate refer to Cabinet.
- d) Are responsible for owning and managing corporate strategic risks.

Strategic Directors

- a) Risk-manage Service Directors in delivering the Council's core purpose, priorities and outcomes.
- b) Constructively review and challenge the risks involved in decision making.

Service Directors

- a) Responsible for the effective leadership and management of risk in their service areas to meet objectives / outcomes in line with the Council's Risk Management Statement.
- b) Maintain, and update, the risk registers within their Service Plan ensuring all key risks are identified, managed and reviewed in line with this corporate Risk Management Statement.
- c) Promptly escalate risks appropriately.
- d) Encourage staff to be open and honest in identifying risks and opportunities.
- e) Ensure the risk management process is an explicit part of all significant projects.
- f) Understand risks in partnership and outsourcing and how these may impact on the Council.
- g) Acknowledge any risk which lie outside of the normal "appetite" which have been identified as "accepted", and ensure continuous review.

Heads of Service, Service Managers and Project Managers

- a) Responsible for the effective management of risk in their area of responsibility in line with the Risk Management Statement.
- b) Identify, assess and appropriately document significant risks.
- c) Clearly identify risk ownership.
- d) Manage risks in line with corporately agreed timescales/policies.
- e) Escalate risks appropriately.

Risk Owners

- a) Ensure that appropriate resources and importance are allocated to the process.
- b) Confirm the existence and effectiveness of existing mitigating actions and ensuring that any further actions are implemented.
- c) Provide assurance (to the service or project manager) that the risks for which they are the risk owner are being effectively managed.

Risk Panel

- a) Review and challenge the content of Service and Project risk registers.
- b) Make recommendations to the Executive Team on corporate strategic risks
- c) Where appropriate escalate Service/Project risks to the Executive Team for possible inclusion on the Corporate Strategic Risk Register.
- d) Investigate areas of potential risk, and make mitigation recommendations.
- e) Provide direction and guidance to ensure that a risk based approach is taken to the development of policies and procedures.
- f) Review recommendations and amendments to the Risk Management Statement.

Head of Risk

- a) Is the guardian of the risk management process, but is not responsible for specific risks or their reporting.
- b) Designs and facilitate the implementation of the Risk Management Statement ensuring it meets the needs of the organisation.
- c) Providing support, expertise and guidance as required.
- d) Collate risk information and prepare reports as necessary.
- e) Provide assurance that risks are being effectively assessed and managed.
- f) Periodically undertake specific audits of the Council's risk management process and provide an independent objective opinion on its operation and effectiveness.
- g) Ensure that training is provided on process and culture

5. Embedding Risk Management

For risk management to be an effective and meaningful management tool, it needs to be an integral part of key management processes and day-to-day working. Risk, and risk management needs to feature in significant business processes, including;

- Corporate Decision Making – significant risks, which are associated with a policy or action to be taken, must be included in appropriate reports.
- Business/Budget Planning – decisions to balance outcomes, outputs and planned expenditure must recognise risks associated.
- Project Management – all significant projects should formally consider the risks to delivering the project outcomes before and throughout the project including benefits realisation and engagement with key stakeholders.
- Partnership Working – partnerships should establish procedures to record and monitor risks and opportunities that may impact the Council's and/or the Partnership's aims and objectives.
- Procurement – Contract Procedure Rules expect that all risks and actions associated with the purchase need to be identified and assessed, kept under review and amended as necessary during the procurement process.
- Contract Management – all significant risks associated with all stages of contract management should be identified and kept under review.
- Information Governance – an annual information risk assessment is under development to assess the level of risk and compliance with regards the use of information.
- Insurance – the Council's Insurance Team manages insurable risks and self-insurance arrangements.(and identifies uninsured and uninsurable risks)
- Health and Safety – the Council has a specific risk assessment policy to be followed in relation to health and safety risks.

6. Culture

The Council will be open in its approach to managing risks and will seek to avoid a blame culture. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

7. Training and Awareness

Having developed a robust approach and established clear roles and responsibilities and reporting lines, it is important to provide Members and officers with the knowledge and skills necessary to enable them to manage risk effectively.

Annex 1 Check List for Risk Identification

Risk Type	Sub Divisions	
Political & Governance	Change in Government policy New political arrangements Accountabilities Managing Change	Member support / approval Initiatives & new ways of working Relationships with partners
Economic	Demographics Performance of local economy Dependency on Contractors	Economic downturn Sustainable economic growth
Regulatory	Legislation Grant regimes Public interest reports	Internal policies/regulations Legal power/ judicial reviews
Financial	Overall resources Inflation general (cpi/rpi) Loss of/reduction in income/funding Supplier defaults Investment decisions System / procedure weaknesses	Budgetary pressures Increase in (specific) costs Financial management Inadequate insurance cover Affordability models Fraud
Reputation	Negative publicity	Increase in complaints
Management & Staffing	Loss of key staff, Training issues Poor communication/consultation Business continuity	Recruitment and retention Capacity issues Emergency preparedness
Assets	Property –operational land, buildings ICT – integrity, security	Property – leased/commercial Information – security, accuracy
Customers/ Citizens	Needs and expectations Safeguarding	Impact on vulnerable groups Poor quality /service reductions
Environmental	Extreme climatic events Green issues, noise, Pollution contamination,	Planning or transportation policies Waste or emissions,
Opportunities	Add value or satisfaction Raising attainment Maximising independence Developing sustainable communities	Improve vfm/reduce inefficiency Improving the lives A safer place to live

Annex 2 Measures of Likelihood and Impact

		Probability				
		Rare	Unlikely	Possible	Probable	Almost certain
Impact		1	2	3	4	5
Very Significant	5	5	10	15	20	25
Major	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5

Likelihood Measures

Probability score	1	2	3	4	5
Descriptor	Rare	Unlikely	Possible	Probable	Almost certain
Frequency <i>How often might it / does it happen</i>	This will probably never happen / recur	Not expected to happen or recur over a 3 year horizon	Might happen or recur within 3 years	Will probably happen / recur but it is not a persisting issue (2-3 years)	Very likely to happen in next year
Likelihood <i>Will it happen or not over the risk timescale</i>	Less than 5% chance (0-5%)	Around 10% chance (5%-15%)	Around 25% chance (15%-40%)	Around 60% chance (40%-80%)	Around 90% chance (80%-100%)

Impact Measures

Impact score	1	2	3	4	5
Descriptor	Insignificant	Minor	Moderate	Major	Highly significant
Health & Safety <i>Impact on the safety and wellbeing of the public and staff</i>	No ill effects.	Short-lived / minor injury or illness. Small number of work days lost.	Moderate injury / ill-effects requiring hospitalisation. Risk of prosecution from enforcement agencies.	Single fatality and/or long-term illness or multiple serious injuries.	Multiple Foreseeable long-term injury, illness or fatality
Environment / community	No effect on local infrastructure, communities or the environment.	Superficial damage to local infrastructure but little disruption caused.	Medium damage to local infrastructure causing some disruption.	Key elements of local infrastructure damaged causing major disruption.	Extensive damage to critical elements of local infrastructure causing prolonged disruption.
Service interruption ¹	Negligible. No impact on services.	Minor inconvenience to service users or staff. Short term disruption. Services quickly restored.	Noticeable service disruption affecting customers Some client dissatisfaction but services restored before any major	Major disruption to service delivery, but no/limited effect on vulnerable groups.	Massive disruption to services. Recovery difficult or even impossible.

			impacts.		
Staff	No impact on staff or service delivery.	Short-term low staffing level temporarily reduces service quality. No impact on staff morale.	Medium-term low staffing level / insufficient experienced staff to deliver quality service. Some minor staff dissatisfaction.	Late delivery of key objective / service due to lack of experienced staff. Some effect on morale.	Non-delivery of key objective / service due to lack of experienced staff. Very low staff morale.
Finance / cost <i>Impact on relevant budget</i> <i>Includes of claims/ fines.</i>	No or low financial cost. £0 - £0.25m	Losses / costs incurred £0.25m- £0.5m	Losses / costs incurred £0.5m- £0.8m	Losses / costs incurred £0.8m-£1.5m	Losses / costs incurred of more than £1.5m
Projects / Programmes <i>(Time / Cost / Quality – for Cost impacts see ‘Finance / cost’ above)</i>	Little or no schedule slippage. No threat to anticipated benefits & outcomes.	Minor delays No threat to anticipated benefits & outcomes.	Delays to project milestone but no threat to anticipated benefits & outcomes.	Significant delay to completion Major threat to achievement of one or more benefits / outcomes.	Significant issues threaten entire project. Fails to deliver benefits / outcomes.
Reputation <i>Adverse publicity</i>	No adverse publicity. Rumours.	Short term negative local media attention.	Significant negative local /regional media attention. Short-term reduction in public confidence.	Sustained negative local and/ or significant regional and national media attention Longer term reduction in public confidence.	Sustained negative national media attention Possible resignation of senior officers and / or elected members. Major loss of public confidence.
Statutory duties / inspections, Legal impact	No or minimal impact or breach of guidance / statutory duty. Minor civil litigation risk	Minor breach of statutory legislation / regulation. Reduced performance rating if unresolved. Civil litigation	Single breach in statutory duty. Challenging external recommendations / improvement not Major civil litigation and/or local public enquiry.	Several breaches in statutory duty. Enforcement action and improvement notices. Major civil litigation and/or national public enquiry Critical report. Low performance rating.	Multiple breaches in statutory duty. Prosecution. Complete systems / service change required. Severely critical report. Government intervention or criminal charges
Interventions	Addressed by operational management	Intervention by Service Manager, Project Manager or equivalent	Intervention by Head of Service or equivalent.	Intervention by Corporate Board or equivalent	Intervention by Members

Annex 3: Risk Appetite Response Categorisation

	Description
Avoid	A decision is made not to take a risk. Where the risks outweigh the possible benefits, avoid the risk by doing things differently e.g. revise strategy, revisit objectives or stop the activity.
Transfer	Transfer all or part of the risk to a third party e.g. contractor, partner, who is better able to manage the risk or through insurance. <i>Responsibility can be transferred, although accountability remains so this still needs to be monitored.</i>
Reduce	Implement further additional action(s) to reduce the risk by <ul style="list-style-type: none"> • Minimising/reducing the likelihood of an event occurring and/or • Reducing the potential impact should the risk occur Further actions are recorded in the risk register and monitored. Once they have been completed, the net risk level re-assessed.
Accept	A decision is taken to accept the risk. Management and/or the risk owner make an informed decision to accept that existing actions sufficiently reduce the likelihood and impact of a risk and there is no added value in doing more. <i>Net red risks are normally outside of the Council's risk appetite.</i>
Exploit	Whilst taking action to mitigate risks, a decision is made to exploit a resulting opportunity.

Annex 4: Reviewing and Reporting Framework

Net Risk Level and Score	Frequency of Risk Reviews (applies to all risk registers)
High (Red) 15-25	There are significant risks, which may have a serious impact on the Council and the achievement of its objectives if not managed. Immediate management action needs to be taken to reduce the level of net risk. Any net red event/project risks will be included, alongside corporate risks, in the Quarterly reports to members. As a minimum review monthly.
Medium (Yellow) 5-15	Although usually accepted, these risks may require some additional mitigating to reduce likelihood if this can be done cost effectively. Reassess to ensure conditions remain the same and existing actions are operating effectively. As a minimum review quarterly
Low (Green) 1-10	These risks are being effectively managed and any further action to reduce the risk would be inefficient in terms of time and resources. Ensure conditions remain the same and existing actions are operating effectively. As a minimum review 6-monthly

Annex 5 The Corporate Strategic Risk Matrix, Significant Risk Matrix, and Service Risk Matrices

Task	Corporate Strategic Risk Register	Event/Project Risk Register	Significant Project Risk Register
Risks identified by:	Executive Team Risk Panel	Service Directors/Heads of Service (and their management teams)	Project Team Key Stakeholders
Risks owned by:	Strategic Directors	Service Directors	Project sponsor
Risks reviewed by: (in line with above framework)	Executive Team	Risk Panel	Project Board / Risk Panel
Risks scrutinised by:	Monthly by Executive Team; Risk Panel Periodic scrutiny of individual registers by Risk Panel Senior officers and Members via Quarterly Corporate Performance Reports		
Escalation of Risks	Risks must be escalated by the Service Director to the Risk Panel before being considered by the Executive Team for inclusion in the Corporate Risk Register.		
Review of Risk Management Statement	Undertaken periodically by the Head of Risk with recommendations and amendments taken to Cabinet and Corporate Governance & Audit Committee for review and approval.		