

Kirklees Council Risk Management Framework:

Risk Management Policy

July 2024

Foreword

All organisations face risk. Those which stimulate effective and efficient risk management and strive to create an environment where risk management behaviours are embedded throughout the organisation will be in a stronger position to deliver objectives, sustain services and achieve better value for money.

Risk is unavoidable and is present in everything we do, so we should identify, assess and manage key areas of risk on a proactive basis. Risk management needs to be embedded throughout all processes, projects, and strategic decisions. This includes procurement and commissioning, and therefore this Risk Management Policy applies to our partnerships and third-party relationships.

Risk management involves balancing the controls in place to provide sufficient protection from harm, whilst ensuring the organisation can still meet its aims and objectives and take advantage of opportunities as they arise. The approach is to ensure that key risks are identified in all areas of the organisation, are understood and proactively managed, rather than avoided.

The Risk Management Policy and supporting documentation form an integrated framework that supports Kirklees Council in managing risk effectively. The structures and processes that make up our risk management framework are intended to provide assurance to all stakeholders that risk identification and management plays a key role in the delivery of our strategy and related objectives, and we understand our risk appetite. Effective risk management is an essential feature of achieving and demonstrating sound governance.

Finally, it is important to remember that 'risk' is not someone else's job, managing risk is everyone's responsibility.

Chief Executive
July 2024

Leader
July 2024

1. Introduction

Although risk management is a statutory requirement it is not simply a compliance exercise, it is intrinsically linked to effective management, making informed choices, and good corporate governance.

As the role of local government evolves, from being service providers to service commissioners and strategic partners, and the consequences of increased expectations and rising demand coupled with a challenging economic environment, increasing layers of complexity and risk are introduced. However, there are also opportunities for innovation, collaboration and transformation, embracing alternative strategies for community engagement and exploring new approaches to service delivery.

Robust risk management is about taking informed decisions in order to achieve objectives and deliver results. If effective, this will ensure the Council is better placed to both take advantage of opportunities and manage threats.

Changes to national policy and financial pressures mean that there is a need to anticipate, identify and proactively manage both risk and opportunity to maximise resources and make effective decision whilst ensuring efficiency and maintaining customer focus. This means understanding the appetite for risk.

This Risk Management Policy and supporting documentation form an integrated framework that supports the Council in the effective management of its risk. In implementing the framework, we will provide assurance to our stakeholders, partners, residents and businesses that the identification, assessment, evaluation and management of risk, plays a key role in the delivery and achievement of the Council's vision contained in its Strategic Plan, as it changes and refreshes.

Effective risk management supports the achievement of one of our key enabling outcomes: to be Efficient and Effective

We want to be a transparent, well managed and high performing council. We will focus our resources on doing the right things and doing things right, to make a difference to the outcomes of the people and places of Kirklees.

The Council has a statutory duty to implement effective risk management arrangements. The Accounts and Audit Regulations 2015 (as amended), provide at regulation 3 that a local authority must:

“Ensure that it has a sound system of internal control which includes effective arrangements for the management of risk”

Additionally, the CIPFA Code of Financial Management with which authorities have to comply has Accountability as one of its principles which includes a standard to meet the requirements of CIPFA / SOLACE Delivering Good Governance which in turn includes risk management as a facet of good governance:

“The governing bodies of public sector entities need to ensure that the entities they oversee have implemented — and can sustain — an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity’s outcomes.”

The Accounts and Audit Regulations 2015

2. Aim of the Policy

Risk management is a dynamic and ongoing activity, that should be embedded in all of the council’s operational processes and strategic decisions. The objectives of the Risk Management Policy are to:

- Adopt a strategic approach to risk management in order to make informed decisions to achieve successful change
- Integrate risk management fully into the culture of the council and into its corporate and service planning processes
- Develop the framework for identifying, assessing, controlling, reviewing and reporting and communicating risks across the council
- Consider the materiality of individual risks to ensure resources are directed appropriately
- Improve the organisational understanding of the council’s approach to risk management and the coordination of risk management activity across the council
- Recognise the interrelatedness of risks across the organisation and the tension between risks and opportunities
- Ensure that the Executive Board and relevant Assurance and Scrutiny Committees obtain regular updates on new and emerging risks that the organisation is facing, as well as updates on any changes in the risk profile of established risks
- Manage risk in accordance with best practice and ensure compliance with statutory requirements - which can include a choice to tolerate a risk and accept its potential consequence
- Develop leadership capacity and skills in identifying, understanding and managing the risks facing the council

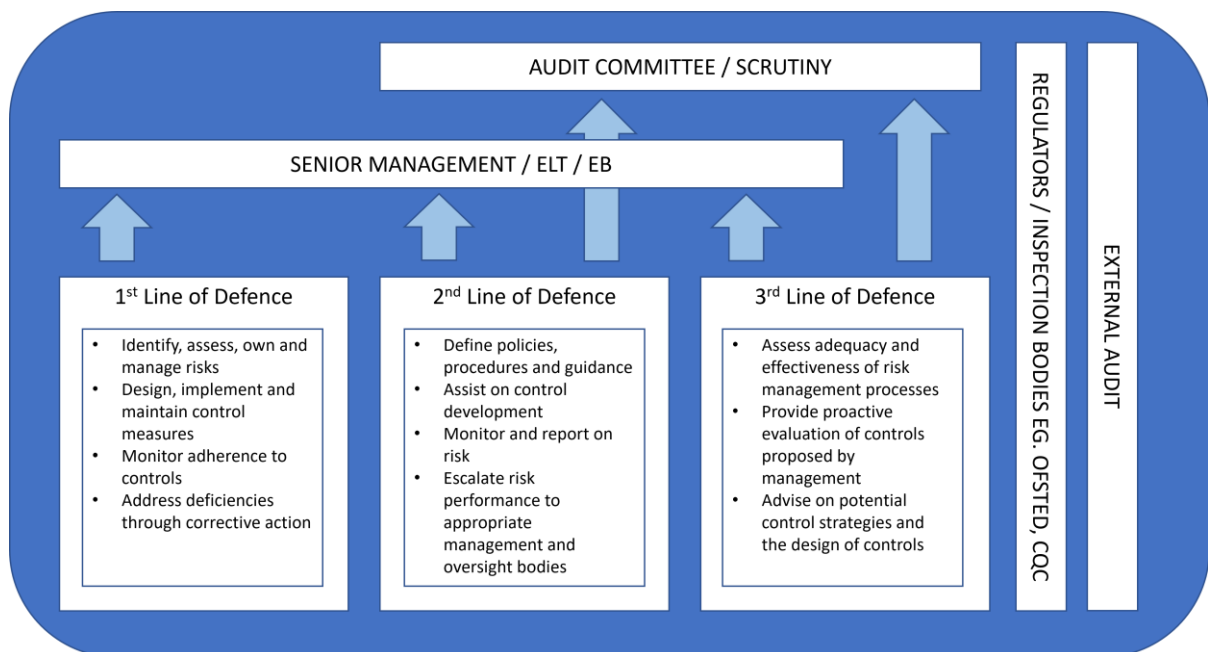
Risk management is a tool that forms part of the governance system of the organisation. When applied appropriately it can bring multiple benefits:

- Supports achievement of stated objectives and improves the likelihood of delivering its intended outcomes
- Improved decision making, based on an informed, evidence-based analysis of risks and opportunities, with robust and appropriate challenge
- Helps the council to anticipate and respond to changing social, environmental and legislative requirements.
- Better informed strategic decisions leading to increased effectiveness of transformation projects and programmes and improved efficiency of operations.

- Improved financial performance and value for money with protection of budgets from unexpected financial losses and increase our flexibility to cope with internal and external pressures and demands
- Demonstrable protection of assets, people and reputational risks
- Provides a framework for managers to demonstrate good governance, better understand service, project or partnership risk profiles and better mitigate risks

3. The Three Lines of Defence

Everyone within Kirklees Council has some responsibility for risk management. The “three lines of defence” model provides a structure for the risk management framework.



First Line of Defence - management have primary ownership, responsibility, and accountability for identifying, assessing, and managing risks. The first line ‘own’ the risks and are responsible for execution of the council’s response to those risks through executing internal controls on a day-to-day basis and for implementing corrective actions to address deficiencies.

Second line of Defence - consists of functions and activities that monitor and facilitate the implementation of effective risk management practices. They also facilitate the reporting of adequate risk related information up and down the organisation. The second line supports management by bringing expertise and monitoring alongside the first line to help ensure that risks are effectively managed.

Third Line of Defence - the internal audit function will, through a risk-based approach to its work, provide an objective evaluation of how effectively the organisation

assesses and manages its risks, including the design and operation of the first and second lines of defence.

External Assurance - sitting outside of the Council's own risk management framework and the three lines of defence are a range of other sources of assurance that support an organisation's understanding and assessment of its management of risks and its operation of controls such as external audit, Ofsted and the CQC.

4. Risk Management at Kirklees Council

The Council's approach to Risk Management is set out in three linked documents:

- Risk Management Policy
- Risk Appetite Statement
- Risk Management Strategy and Guidance

A quarterly risk report is submitted to the Executive Leadership Team and Executive Board. This comprises:

- A Principal Risk Summary, outlining changes in the risk profile of the principal risks, including key risk indicators and future outlook
- The Corporate Risk Report, highlighting any significant changes (improvements or deterioration) to existing corporate level risks
 - Identifies new risks through escalation from Directorate risk registers or corporate level horizon scanning activity
 - Suggests risks that can be removed and managed at a Directorate level
- Emerging Risk List, providing a summary of potential risks that we are aware of and maintaining a watching brief on

Service Directors are required to maintain a consolidated Directorate risk register which must be reviewed and approved by the Directorate Senior Leadership Team on a quarterly basis. It may be appropriate for large or diverse Directorates to maintain risk registers at Service level to ensure sufficient oversight of risks.

The Directorate risk register must be submitted to the corporate risk team in line with the [published timetable](#). Risks must be assessed using the [risk assessment matrix](#). Directorate risk registers must use the [approved template](#).

Programme and Project risks:

Review of, and if appropriate escalation, of risks should take place through existing project reporting routes, as agreed with the project sponsor.

It is expected that risks from strategically important projects will be included within the Directorate Risk Register to ensure adequate visibility. The Project Board should provide recommendations about risk that require inclusion in directorate reports.

Third party risks:

Risks that arise from working with suppliers, contractors, partners, or with associated parties (whether within a contractual framework or not) must be identified, recorded, managed and escalated as appropriate. Where material, it may be appropriate to record specific risks relating to third parties within directorate level risk registers.

Examples of risk could include:

- Poor performance by a third party that is impacting on service delivery
- Concerns about the ongoing financial viability of a specific third party
- Possible reputational damage to the council through association with a specific third party

4. Roles & Responsibilities

All individuals within Kirklees Council have some responsibility for risk management. To ensure risk management is effectively implemented all Members and Officers should have a level of understanding of the council's risk management framework and regard risk management as part of their responsibilities.

Officer roles	Responsibilities
All council staff	<ul style="list-style-type: none">• Consider day to day risks and opportunities and escalate risk concerns to their line manager, or through approved reporting mechanisms• Participate fully in risk control activity and learning such as mandatory training and reviews of operational procedures• Follow all relevant procedures in relation to job role
All managers, and specific Risk Owners	<ul style="list-style-type: none">• Responsibility for identifying and assessing individual risks• Overall responsibility for identifying and assessing effectiveness of control framework for each risks• Identify and track progress of required actions to ensure risk remains within tolerance• Escalate if actions are not delivered within agreed timescale
Strategic Directors, Service Directors and Heads of Service	<ul style="list-style-type: none">• Accountable for identifying the risks that exist within their area of responsibility• Determine the actions that are required to ensure risk exposure remains within appetite• Put in place governance mechanisms to undertake ongoing review of risks and assessment of controls on a regular basis• Where required, escalate risks to ensure appropriate awareness and focus• Complete regular horizon scanning activity to ensure emerging risks are identified and preparatory actions completed• Attend Scrutiny and Corporate Governance & Audit

	<p>Committee as requested to discuss specific risk items, and actions in place to address, or more broadly the processes that they have in place for risk oversight.</p>
Internal Audit	<ul style="list-style-type: none"> • Challenge and provide independent assurance on risk management processes, risk identification, evaluation and the effectiveness of controls • Consider risk intelligence when developing the Audit Annual Plan, and when completing individual audit assignments
Corporate Risk Manager	<ul style="list-style-type: none"> • Develop and manage the process for the effective monitoring of risk management across the council • Support Senior Managers to embed the Risk Management Policy and Risk Management Strategy & Guidance and drive consistency in its application • Effectively challenge Strategic Directors, Service Directors, Heads of Service and Risk Owners to further embed and improve risk management across the council • Develop guidance, tools and training to support the organisation to manage risk effectively in accordance with the risk management framework. • Provide assurance on the application and embeddedness of the approach to risk management throughout the council. • Complete required reviews of the councils' Risk Management Policy and Strategy & Guidance, consulting with key stakeholders as appropriate
Programme & Project Managers	<ul style="list-style-type: none"> • Ensure risks associated with their projects / programmes are identified, recorded and regularly reviewed as part of the project management process • Follow appropriate risk management procedures as determined by the size of the programme / project • Escalate risks related to their programme / project in line with project reporting requirements • Where appropriate, ensure projects / programmes are visible on the relevant Directorate risk registers
Contract Managers	<ul style="list-style-type: none"> • Ensure risks associated with service delivery are identified, recorded and regularly reviewed as part of formal governance meetings with the supplier / contractor • Record key risks associated with contract delivery on relevant service risk register
Partnership Managers	<ul style="list-style-type: none"> • Ensure risks associated with their partnership(s) are identified, recorded and regularly reviewed as part of formal Partnership governance meetings • Record key risks associated with partnership performance on relevant service risk register

Member roles	Responsibilities
All Members	<ul style="list-style-type: none"> • Maintain an understanding of the risk management process within the Council • Consider risk implications during decision making and policy approval • Support and promote an effective risk management culture • Constructively review and scrutinise the risks involved in delivering against the Councils priorities and outcomes • Raise risks that they have been made aware of in the course of undertaking councillor duties
Portfolio Holders	<ul style="list-style-type: none"> • Undertake a review of risks across their portfolio with the relevant Service Director(s) on a regular basis (suggested quarterly)

Governance meeting	Responsibilities
Risk Management Group	<ul style="list-style-type: none"> • Work collaboratively to ensure consistency in the application of risk management framework • Share best practice to drive improvements in risk management across the organisation • Make recommendations to the Executive Leadership Team on Key Corporate Risks
Executive Leadership Team	<ul style="list-style-type: none"> • Approve the Corporate Risk Register and supporting documents on a quarterly basis • Champion an effective Council wide risk management culture • Work collaboratively to ensure the Council risk exposure remains within appetite • Regularly review and discuss the Corporate Risk Register and associated reports • Ensure Cabinet / Members receive relevant risk information
Executive Board	<ul style="list-style-type: none"> • Review the Corporate Risk Register and supporting documents on a quarterly basis • On an annual basis, review and approve the Risk Management Policy and Risk Appetite Statements
Cabinet	<ul style="list-style-type: none"> • Consider and challenge the risks involved in making Key Decisions • On an annual basis, review and approve the Risk Management Policy and Risk Appetite Statements
Corporate Governance & Audit Committee	<ul style="list-style-type: none"> • Provide independent assurance to the Council on the overall adequacy of the approach to Risk Management including review of Risk Management Policy and Risk Appetite Statements • Approve and monitor a risk-based audit programme • Complete 'deep dive' reviews to gain assurance on the embedding and adequacy of risk management processes across the organisation

Scrutiny Committees

- Review and challenge strategic risk information that is reported to Cabinet to support decision making
- Promote the benefits of an embedded risk management process, and an open culture of challenge and review

5. Risk appetite

The Risk Appetite Statement details the extent of risk that Kirklees Council considers acceptable. The intention is to operate within the agreed risk appetite, where activity is considered to be outside of risk appetite appropriate action must be taken to resolve.

6. Risk Culture

All officers and members should strive to create an open and honest environment where the disclosure and discussion of risks is welcomed and encouraged.

It is important that there is a consistent approach to risk management, and it is the responsibility of Strategic Directors to put in place appropriate governance and oversight mechanisms so they can demonstrate how they are complying with the Risk Management Policy.

The risk management framework is designed to support informed decision making and should not be perceived or presented as a barrier to decision making or action.

It is imperative that the risk management culture is one of continuous improvement and is therefore supportive and open to ensure that mistakes or 'near misses' can be discussed and lessons learnt without consequence.

Recognising and raising a risk does not imply culpability, nor does it indicate ongoing ownership of the risk, or responsibility to resolve. All areas of the organisation have a responsibility to raise risks on behalf of the Council as a whole.

7. Risk Maturity

It is important for organisations to undertake regular review of the level of risk maturity that they are operating at, to acknowledge elements of the process that are working well and to identify further opportunities for development. This is normally a self-assessment exercise, using industry standard Risk Maturity Models.

Emerging → Engaging → Embedded

Risk maturity self-assessment should take place at 3-year intervals, as a minimum, with outcomes forming part of the Annual Governance Statement.

8. Document governance

Document owner: **Head of Internal Audit & Risk**

Approval body: **Cabinet**

Review period: **Annual review**

Document history:

Version	Comments	Date
0.1	First draft	December 2023
0.2	Head of Risk approval	January 2024
0.3	Feedback from Monitoring Officer and Strategic Director	March 2024
0.4	Feedback received from ELT	April 2024
	Corporate Governance & Audit Committee	June 2024
	Cabinet	July 2025