KIRKLEES COUNCIL

RISK MANAGEMENT STRATEGY

spring 2010

RISK MANAGEMENT STRATEGY

Executive Summary

1. In 2004 the Council launched its Risk Management Strategy. Our approach to risk has been successfully implemented and embedded across our operations. We now need to consolidate our approach, to manage risk effectively, taking advantage of opportunity as well as recognising and managing risks that we face. Successful, dynamic organisations need to take risks, but we need to be aware of those risks we are taking, understand them, and where possible act to control them.

2. "Risk" is the chance that an event or action will adversely affect our ability to successfully deliver our objectives. It is about the consequences of business decisions, such as investment in projects. Risks can have an impact on service delivery, the Council's reputation, the health, safety and welfare of employees or members of the public or on the Council's finances.

3. Risk Management involves the identification of hazards and the assessment of what will happen if the hazard causes harm. There are two elements to the risk: the probability (how likely is it to happen) and the impact (what is the effect).

4. Risk Management is about carefully identifying what might happen, and what the consequences of the event might be. If those consequences are adverse it is about identifying what change could be made to make the effect less severe.

5. Done effectively Risk Management will improve the Council's strategic and operational management, enabling the delivery of quality services and the Council's vision and objectives. It will also improve the certainty, delivery, financial control, and management of projects. Risks arise in the Councils ongoing operations (and these change over time as the dynamics of the actions of others impact on us) but are particularly prevalent in new projects.

6. The Council already has many processes and policies to control risks - such at insurance (for example against fire and liability) written rules and procedures, (e.g. Health and Safety Plans and Financial Procedure Rules). The Risk Management process is intended to identify a wider range of risks.

7. When an activity is identified as creating high risks, the Council needs to decide if it is willing to accept these risks. Occasionally it will have no choice, if it wishes an activity to continue, but usually it is possible to identify control processes which can help to mitigate or at least reduce uncertainty when a risk arises.

8. The potential risk treatments (such as wearing safety equipment when dealing with hazardous chemicals) need to be identified, assessed and implemented. There needs to be clear responsibility (on an individual) for implementation and review.

9. This Strategy describes the roles of officers and members in identifying and reporting risks. This is an important part of operational and strategic management, but compliance also demonstrates the highest standards of corporate governance.

10. The consideration of risk will form a feature of the Council's overall management and budgeting / resource allocation process. The processes of reporting on risk will be integrated into a wider performance management regime over the next couple of years.

11. Risk Management is the responsibility of everyone in the organisation - members and employees. It is important that managers take action to provide training and promote awareness amongst all employees.

12. Innovation always brings a degree of risk. Good Risk Management is about recognition and action.

Kirklees Council
Finance -Risk & Performance

Spring 2010

RISK MANAGEMENT STRATEGY

KIRKLEES COUNCIL

RISK MANAGEMENT STRATEGY

1. INTRODUCTION

1.1 Risk Management is not about being risk adverse. It is about being aware of risks and taking positive action to control or highlight them.

1.2 This strategy document:
- defines 'risk';
- identifies why it is important, and
- shows how it should be identified, analysed, controlled and monitored to bring benefits to the Council.

1.3 Pursuit of the Strategy will allow the authority to demonstrate good corporate governance, via the identification, evaluation, and management of significant risks, and the ability to respond to any changes in risk which the Council faces.

1.4 The Council's Financial Procedure Rules make the Cabinet responsible for the Council's Risk Management statements and strategy and for reviewing the effectiveness of risk management arrangements. The Director of Finance & Performance is responsible for preparing the statements and promoting them throughout the Council (FPR 1.5, 1.6).

1.5 However, risk will only be effectively managed if everyone in the organisation takes responsibility for risk awareness and reporting and taking action to control and manage risks.

2. OBJECTIVES

2.1 The efficient management of risks forms part of the Council's overall business objectives. This involves the identification and evaluation of risks and practical action to control and avoid any loss.

2.2 The Council will look to manage risk in order to:
(i) Safeguard its employees, the public and others affected by its operations.
(ii) Protect its property, cash and other tangible assets against loss.
(iii) Preserve and enhance the effectiveness of service delivery.
(iv) Maintain effective stewardship of public funds.
(v) Enhance the corporate image and reputation of the Council.

2.3 The Council recognises that Risk Management is a continuous process, requiring awareness and response from all individuals within the organisation at every level in order to minimise the possibility and impact of injury or loss.

2.4 Positive Risk Management is not about being risk adverse. Awareness may encourage, or at least enhance the taking of risk in a mature, controlled environment. This will often bring access to opportunities which could otherwise be unachievable.

3. BENEFITS OF RISK MANAGEMENT

3.1 The benefits of risk management are;

Improved strategic management
- better informed selection of strategic objectives and related targets as a result of the risk identification, analysis, control and monitoring process.
- enhanced ability to deliver against realistic and attainable objectives and targets.

Improved operational management & service delivery
- fewer interruptions to service delivery
- less time devoted to managing the results of a risk event having taken place.
- better management control as a result of risk identification, analysis and monitoring.
- a more systematic method to addressing legislative, regulatory or competitive demands.
- improved health and safety and the superior condition of property and equipment.
- improved external image.

Improved financial management
- lower financial losses due to service interruption, litigation, bad investment decisions, etc.
- better informed financial decision-making in relation to insurance, investment and option appraisal.
- improved financial control as a result of risk identification, analysis, control and monitoring.
- reductions in insurance premiums.

Improved project management
- clear evaluation of risk versus benefit.
- better control of actions to address threats and problems.

4. THE COST OF RISK

4.1 The evident cost of risk consists of such things as insurance premiums, uninsured losses met from any insurance funds, the cost of risk control measures, and direct administration costs. The average local authority has an evident cost of risk in excess of 0.65% of gross revenue (source; Association of Local Authority Risk Managers).

4.2 The hidden cost of risk is harder to evaluate, but includes damage to the reputation of the authority, the cost of management time spent dealing with events, a fall in staff morale, and the cost of employees being off work following an accident. This has been estimated at about 5% of gross revenue.*

4.3 The real costs of risk can be reduced by the implementation of risk management, although there are some forms of risk where the costs of control may exceed any risk, and where it is better to accept that risk events may occur.

(*Source; Association of Local Authority Risk Managers ;To calculate the hidden cost of risk, ALARM use a multiplier of eight times the evident cost, which they consider to be a conservative estimate.)

5. DEFINING AND RECOGNISING 'RISK'

5.1 Risk can be defined as:-

“Uncertainty of Outcome”
“The chance of exposure to the adverse consequences of future events”

Or more specifically in respect of an organisation ;-

“Risk is the threat that an event or action will adversely effect the organisation's ability to achieve its objectives and to successfully execute its strategies”.

5.2 A hazard is any event or situation which can cause harm; and risk is the chance great or small, that damage or an adverse outcome of some sort will occur as a result of a particular hazard. A hazard may generate several risks, each of which needs to be separately assessed.

5.3 Each risk has two components

Probability………………….... the chance that an event will happen (within a timescale)
and
Impact (consequence)…….. the effect or result when the event happens

5.4 Risk is generally a 'threat' to the organisation, causing damage and leading to a failure to achieve objectives. Sometimes it may present 'opportunities' to improve ways of achieving objectives whilst recognising the threatening surroundings.

5.5 It is difficult, to recognise risk. It needs judgement about how significant a risk is to the organisation. This depends on skill, knowledge, experience, and an ability to think broadly about real exposure.

5.6 Although there are many ways of categorising hazards, a typical split is between those that are strategic and those that are operational hazards . Strategic Hazards are those identified by Members and Senior Management as potentially damaging to the achievement of the Council's objectives. Operational Hazards are managed by Senior Managers who are responsible for operating and maintaining activities and services. (Examples are shown in Appendix 1)

Whilst most hazards and risks have a financial impact, it should be noted that the impact on the Council's reputation and standing may be more important than the financial cost.

6. THE IMPORTANCE OF RISK MANAGEMENT

6.1 Risk Management in the public sector is about ensuring the maintenance of services to the community

6.2 Everyone in the Council - members and officers - must acknowledge their role in risk identification and risk control.

6.3 The management of any organisation - in this case Members, principally the Cabinet, Directors, Assistant Directors and Senior Managers - have the main responsibility for identifying and responding to risks so as to maximise the likelihood of achieving the organisation's purpose.

6.4 As resources available are limited, the aim is to achieve the optimum response to risk, prioritised in accordance with the evaluation of the risks.

6.5 It is important to balance the risks that arise from different options, which can include the choice of "do nothing" Taking no action can itself sometimes be a risk.

6.6 The task of risk management is to keep exposure to risk to an acceptable level, by taking action on probability, impact, or both. Not all elements of risk are controllable.
As "risk" results from the variation of a forecast outcome, sometimes the outcome may be more positive or beneficial than was expected.

6.7 Risk taking is an inevitable consequence of innovation. The purpose of risk assessment and management is to ensure that decisions are taken with the benefit of an understanding of what could go wrong, the potential impact of the event if this happens and what measures could be used to control the risk and mitigate the effects.

6.8 Nothing in this Strategy is about stifling innovation. It is about balancing the advantages of the innovation against any risks involved, and taking action to mitigate these risks, or accepting and being aware of them.

6.9 The Council already has in place many control arrangements; the principle control processes, and examples of other controls are listed in Appendix 2.

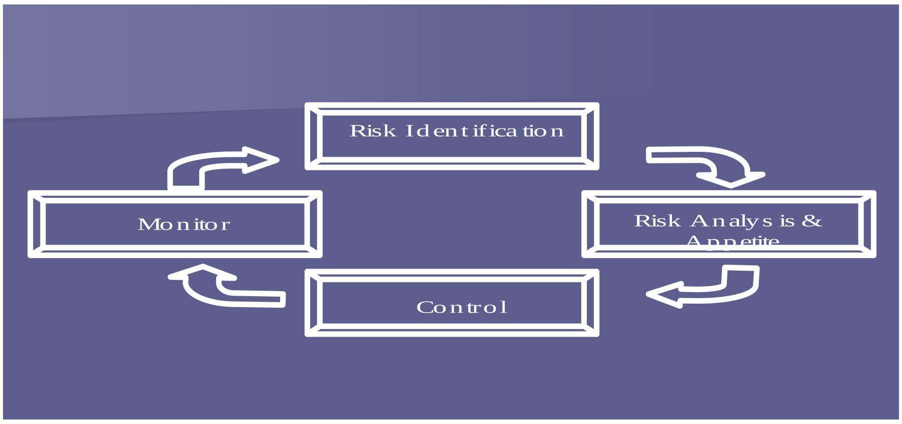
6.10 Given the size and complexity of the Council's operations, whatever management systems are in place cannot provide absolute assurance. The focus must be on understanding and managing rather than eliminating risk.

7. ANALYSIS & CONTROL OF RISK

7.1 The Strategic Risk Management cycle consists of the following elements:

- Identify the risks (the hazard, probability and impact)
- Assign ownership of risk (who in the organisation is responsible)
- Analyse the significance of risks (importance)
- Assess appetite for risk (see 9.5, 9.6)
- Identify responses to dealing with risks. (controls)
- Gain assurance about the effectiveness of control measures (review)
- Monitor risk to ensure continuing validity and effectiveness

This is shown in the diagram below:



Many control measures will already be in place. In assessing the risks below it is important that these existing controls are acknowledged, and if at any time their value or validity is affected or compromised, reassessment must take place.

7.2 The important elements for identifying risk are:-
- a consistent approach throughout the organisation .
- an established framework within which risk is to be identified and assessed

7.3 Risk identification is the responsibility of management, although suppliers and contractors, employees and trade unions, partner agencies and government may all be able to assist. In particular where significant areas of activity are delivered by contractors or in partnership with other agencies, the suppliers risk assessment of the activity needs to form an integral part of the Councils approach to risk.

7. 4 It is important that all identified risks are systematically assessed and prioritised, and documented on a risk register for each Service, held by the Director/Assistant Director responsible (and by the Director of Finance & Performance.)

7.5 To promote ownership of the risk, it is important that responsibility for each risk is delegated to one individual along with the right to implement controlling actions. (This does not change the responsibilities placed on Directors).

7.6 Risk evaluation needs to consistently compare probability and impact across the organisation to enable priorities to be established and actions set. Ensuring that this is the case is a responsibility of the Director of Finance & Performance.

7.7 Some types of risk can be subject to numerical analysis, particularly financial risks. Reputational risk is much more subjective.

8. SCORING AND PRIORITISING RISK

8.1 To prioritise risk, the probability and impact of risk events need to be determined and ranked. The following system is used for scoring and prioritising risk. The experience of managers will be very important in informing the judgements made in this subjective approach, and group assessments can ensure that a consistent perspective is achieved. Existing risk control measures should be taken into account in undertaking this risk assessment.

8.2 When using a scoring system, it is crucial that managers apply reflective and sustained deliberation over risk rather than using a “tick-the-box” mechanistic approach. It is important that due consideration is given to unintended side effects of risk management decisions.

Probability	***Score***
Low (very unlikely to happen within the next 3 years)	*1*
Fairly low (unlikely to happen in next 3 years)	*2*
Medium (may happen in next 3 years)	*3*
Fairly high (likely to happen in next 3 years)	*4*
High (almost certain to happen within the next 3 years)	*5*

Impact		***Score***
Minimal	*(small financial loss or minor injury)*	*1*
Minor	*(limited financial loss and inconvenience or, loss of service minor injury to one or more persons)*	*2*
Moderate	*(some financial loss and/or damage to reputation)*	*3*
Serious	*(large financial loss and/or damage to reputation, major injury to one or more person)*	*4*
Severe	*(unable to provide a service and/or severe impact on costs and or reputation, deaths)*	*5*

The three year time horizon reflects the timescale of the Councils medium term financial plan.

8.3 Impact is likely to necessitate reference to both the financial, personnel and reputational consequences of the event. The product of these two scores gives a fairly simple indicator of risk:

PROBABILITY X IMPACT = RISK FACTOR

Not all activities with a high risk factor will have a large financial consequence.

8.4 There will be a need for managers to compare and contrast the outcomes, as the subjective judgements that have generated these scores need to be viewed in the round. If the results appear odd to those familiar with the organisation, iterative adjustment is needed.

8.5 Risks scoring fifteen and above are the most serious. Those scoring four or less are not worthy of serious attention. Scores can be expressed in both tabular form and groupings to demonstrate risk.

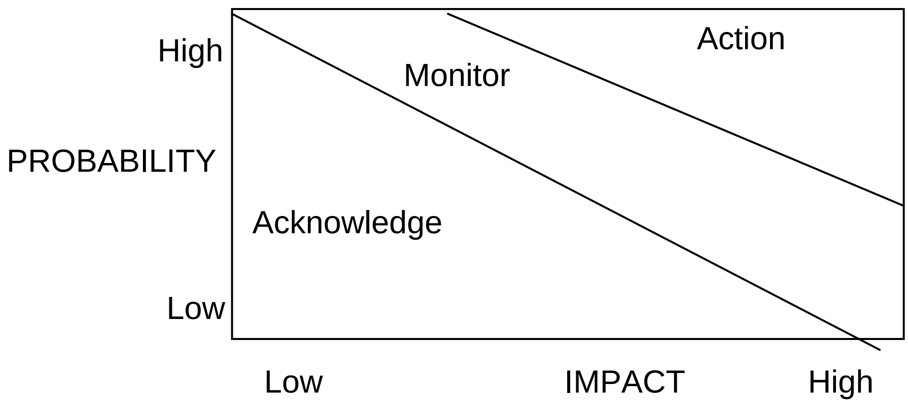
High	5	5	10	15	20	25
	4	4	8	12	16	20
PROBABILITY	3	3	6	9	12	15
	2	2	4	6	8	10
Low	1	1	2	3	4	5
		1	2	3	4	5
		Minimal		IMPACT		Severe

8.6 The actions necessary depend on the risk scores;

*20 - 25 Risk control action must be taken immediately**
*15 - 19 Risk control action must be taken as a priority**
10 - 14 Risk control action should be considered
5 - 9 Risk control action to be taken if appropriate
1 - 5 Other than in unusual circumstances, no specific new risk control is required

* *In some instances it may be appropriate to acknowledge the risk, but take no action.*

8.7 This can be expressed more generically in the format:



9. RESPONDING TO RISK

9.1 There are four responses to risk.

Treat - By far the greater number of risks will belong to this category. The purpose of treatment is to contain each risk to an acceptable level. Action taken in treating risks are known as "internal controls". An example is safety equipment provided to reduce the risk of accidents at work.

Transfer- Most typically in the form of insurance, but it could include paying a third party to take the risk in another way. For example PFI contracts include an element of risk transfer to the contractor.

Terminate- Some risks may only be treatable by termination. For example ceasing to provide a sporting activity that is resulting in a large number of customer injuries

Tolerate - Where action is not possible, very difficult, or the cost would be disproportionate to the impact – such as control of petty cash.

9.2 Certain activities are conducted by the Council because the associated risks are so great that there is no likelihood of commercial providers, or any other way in which the output or outcome, which is required for the public benefit, can be achieved.

9.3 Management action will be taken to constrain and contain the likely impact of any high risk arising within the organisation, and routine monitoring processes will often be put in place to observe and validate medium risk (those scoring 10 or more) to promote awareness if such risks become more significant.

9.4 Managers are expected to focus on reducing exposure to risk, and making informed decisions about the use of resources in addressing risk. It is accepted that taking action in some circumstances will be disproportionate to cost. However, any such conclusion needs to be properly recorded and periodically reviewed.

9.5 Risk Appetite is the amount of risk to which an organisation is prepared to be exposed before it judges action to be necessary. The tolerable extent of risk will vary according to the perceived importance of particular risks. In addition, an assessment must be made as to what resource cost it is appropriate to incur to achieve a level of control of each risk. Generally the costs of controls should be less than the financial consequence of the risk event occurring. Consideration of these factors will invariably be subjective.

9.6 The willingness or necessity to take control action must recognise that risk appetite can change over time. For example, in some years the organisation may be able to tolerate financial overspends, in other years this might have severe consequences. Again this is subjective. It depends on judgement.

9.7 After assessing the range of options for dealing with each risk, the risk matrix should be completed. This should score the risk with the current levels of control. If the risk is being recommended for toleration (i.e. no new actions) then the description should be of the risk and its potential impacts. If the proposal is to address (treat) the risk, this might consist of several actions or options for reducing risk, which should be prioritised according to risk level, risk reduction potential, and/or cost benefit. Resource constraints and other limitations may force the organisation to accept some residual risk by implementing only some options for particular risks.

9.8 When control responses have been agreed and implemented to address identified risks, the next cycle of the evaluation process will assess if the controls appear to be effective.

9.9 Once a risk has been identified, and a range of control measures agreed, these should:
- Be recorded.
- Be assigned to a named officer responsible for implementation, control and review .
- Have a review date established.

9. 10 It is important that risk management is embedded in the Council's operations. The process is a dynamic and ongoing one, and has to allow for periodic review and consequent adjustment of control responses.

Day to Day - There are inherent risks in our day-to-day operations, and these change as legislation, market factors, customer demand and other actions impact on what we are doing .

Service Developments - Service developments and changes can also have impacts on risk profiling. These may have the effect of reducing some risks, but there may be new, unexpected risks arising as a consequence of the changes

Projects; of all kinds - but in particular investments in buildings, infrastructure and computers - pose particular risks. The Kirklees Council Booklet “Framework for Successful Projects” details an approach to risk management on projects

10. RECORDING, MONITORING, AND REPORTING OF RISK

10.1 The Council's Financial Procedure Rules (at 1.5 and 1.6) make the Cabinet responsible for this strategy and for reviewing the effectiveness of risk management arrangements. The Director of Finance & Performance is responsible for preparing the strategy and promoting it.

10.2 As a part of the Service Performance Planning process, Directors and management teams will identify the risks associated with the operation of their service by completing a Service Risk Matrix (Appendix 4). They will also identify control measures necessary and appropriate for those which appear to be high risk, and where toleration or termination are the only options, draw these to the attention of the Cabinet.

10.3 During the year as part of ongoing monitoring and review by Directors/ Assistant Directors, the validity of the risks identified and controls in place will be re-evaluated on a quarterly basis (in some low risk areas every six months).

10.4 New risks arising should be added to the Service matrix immediately, drawing any with an impact score of 15 or more to the attention of the Director of Finance & Performance

10.5 Services must keep records of the changes made (e.g. reasons for addition or deletion of risks, changes to scores or control arrangements) and submit a summary of these along with updated matrices.

10.6 The Director of Finance & Performance will use the information generated corporately and at operational/service level to create a council-wide Risk Register. At its summary level the Risk Register is a public document, although the supporting information may contain commercially confidential data which will often not be appropriate for the public domain. This matrix will concentrate on those risks which are of potentially corporate impact, reputationally or financially, which score 15 or more.

10.7 In respect of every service change which is reported to Council, Cabinet or any Committee, the report will formally highlight any risks associated with the service change, (and note any reductions to risk) and proposed control measures.

10.8 In respect of every major project, and lower value projects which have a significant impact on the organisation, the approach in respect of risk management embodied in the document "Framework for Successful Projects" will be adopted, and the approved documentation completed.

10.9 Through normal performance monitoring, Directors/Assistant Directors will receive reports on risks arising or risk events occurring within their Service. EMG and Cabinet will receive information on the significant risk events that arise in Service areas. They should analyse the consequences of the risk, and ascertain if appropriate actions were taken in respect of the risk event and more importantly consider if it is necessary to amend existing practice to avoid or control any recurrence.

10.10 At least once per annum both EMG and Cabinet will formally consider the risks facing the organisation at a strategic and corporate level and identify as necessary any control measures. A director will be given responsibility for monitoring each strategic / corporate risk.

10.11 EMG acts and takes the responsibilities as the councils “Corporate Risk Management “group. Each quarter EMG will formally consider the Corporate Risk Register as a part of performance reporting. In addition to the annual reappraisal (as per 10.10 above), the Director of Finance & Performance will prepare at least once each year a formal monitoring report showing any changes to corporate risk, and controls. This report will be considered by EMG and Cabinet.

10.12 All of the Councils employees need to be aware of Risk Management issues. It is they who have operational knowledge and exposure. This includes training related to specific risk management – e.g. appropriate techniques for manual handling - but it is important for managers to promote general risk awareness amongst all staff, by training. All members also require some training in risk management and awareness. The Cabinet need to understand the Councils approach to operational and commercial risk management with one Cabinet Member taking responsibility for leadership in this regard.

11. PROCESS MONITORING

11.1 The Director of Finance & Performance will report to the Corporate Governance & Audit Committee in respect of the preparation of the Corporate Risk Matrix, and on the monitoring of Corporate and Service risks, and more generally in relation to the implementation of this strategy.

11.2 The Councils Internal Audit function will review work at corporate and service level, and this will be reflected in the annual audit plan.

11.3 The Director of Finance & Performance may make variations to this Strategy as necessary to comply with external requirements, or to achieve the overall objectives of risk awareness and control.

Finance Risk & Performance
Spring 2010

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References

Management of Risk A Strategic Overview
H M Treasury 2001
Managing Successful Projects with PRINCE2 CCTA 13th Impression 2002
Framework for Successful Projects KMC - 2004

Appendix 1 ; STRATGEGIC & OPERATIONAL HAZARD EXAMPLES
Strategic Hazards include;

Political	Wrong strategic priorities Not meeting government agenda Too slow to innovate/modernise Decisions based on incomplete or faulty information Unfulfilled promises to electorate Community planning oversights/errors Changes in political leadership, or priorities
Economic	General economic problems Regional economic problems Interest rates Treasury risk Missed business and service opportunities
Social	Failing to meet community needs Impact of demographic changes Employment challenges Lack of development Failures in partnership working Problems in delivering life-long learning Crime and disorder Terrorism
Technological	Failure of key I.T. system(s) Obsolescence of technology Security policies: prevent hacking, denial of use or corruption of data Breach of confidentiality
Legal	European law Judicial review Employment law Inadequate compliance with legislation Intervention by regulatory bodies and inspectorates (e.g. Ofsted)
Environmental	Impact of Local Agenda 21 policies Noise, contamination and pollution Impact of planning and transportation policies
Competitive	Take-over of services by government agencies Failure to demonstrate value for money Failure of bids for government funds
Customer/citizen	Lack of appropriate consultation Impact of social policies Bad public and media relations Failure in communications

Operational Hazards are managed by Senior Managers who are responsible for operating and maintaining activities and services ; examples include

Professional/Personnel	Failure to recruit/retain qualified staff Lack of training Over-reliance on key officers Inefficient/ineffective management processes Failure to implement change Lack of employee motivation/efficiency Bad management of partnership working
Financial	Failure of major project(s) Failure to prioritise, allocate appropriate budgets and monitor Inefficient/ineffective processing of documents Employee fraud/theft
Legal	Not meeting statutory duties/deadlines Breach of confidentiality/Data Protection Act Failure to comply with European directives (eg procurement) Failure to implement relevant legislation
Physical	Attacks on personnel Non-compliance with health and safety legislation Loss of assets
Contractual	Over-reliance on key suppliers/ contractors Failure of outsource provider to deliver Quality issues Non-compliance with procurement policies
Technological	Failure of big technology-related project Loss of I.T. systems affecting service delivery Breaches of security of network and data Bad management of intranets and web sites
Customer/citizen	Systems and management data not up-to -date Ineffective prediction of trends and forecasting of service need

Appendix 2 EXISTING CONTROL ARRANGEMENTS

The Council also has in place a number of processes and procedures to deliver controlled operations. For example:
. Contract Procedure Rules and Guidance Notes
. Financial Procedure Rules and Guidance Notes
. Procurement Policy and Guidance Notes
. Purchasing Policy and Guidance Notes
. Health & Safety Policy and Guidance Notes
. Recruitment & Selection Policy and Guidance Notes
. Equal Opportunities Policy
. Information Management Policy
. Anti Fraud & Corruption Strategy
. Information Security Policy

These are supported at Service level by detailed operational practices and notes. For example within Social Services there are documents such as Service Procedures Manuals .and operational procedures are designed to minimise the risk to organisational integrity, such as internal check of work and password and access controls on computer systems These procedures are supported by an internal disciplinary system to identify and take appropriate action against employees and others who transgress the organisation's expectations.

External insurance is in place for all fundamental risks which are typically insurable (e.g. fire, public and employers liability and motor vehicles), and operates insurance funds to deal with ongoing liability from its operations. It also has carried out work on Insurance Risk Management with a view to reducing its vulnerability to claim from fire, theft, etc by investment in alarms and physical security measures, and by providing housekeeping advice (e.g. refuse storage practices to reduce the risk of fire).

Many of the Council's supply contracts transfer the financial and operation risks of delivery of goods, works and services to others, although none of these transfer the Council's statutory obligations to deliver public services.

At a more strategic level these include
- clear objectives incorporated into budget and planning cycles, supported by financial and
- non financial key performance indicators
- regular budget and performance monitoring.
- internal review processes.
- Performance Management System at Service level to regularly review performance, linked to a well established revenue and capital budget monitoring system.

It is management's responsibility to maintain systems for internal control. The Corporate Governance & Audit Committee reviews the effectiveness of the systems of internal control on behalf of the Council. They do this by considering reports and information from

Management, and reports prepared independently by Internal Audit, other internal review functions and the Council External Auditors.

As a part of the formal risk process;

- a detailed assessment of strategic risks is undertaken by Cabinet and Directors as part of medium term planning, the annual budget cycle, and performance monitoring.
- a risk review is undertaken within each Service area, and an annual submission of risk assessments and proposed control measures.
- a specific requirement on Heads of Service to provide to Directors and Executive Members information about new arising risk as and when they are identified.
- a formalised process of risk management within all Projects.

Appendix 3

KIRKLEES COUNCIL

RISK MANAGEMENT

A SUMMARY GUIDE

What is Risk?

A simple definition is

"Uncertainty of Outcome"

or more specifically in respect of an organization;-

"Risk is the threat that an event or action will adversely affect the organization's ability to achieve its objectives and to successfully execute its strategies".

What is Risk Management?

It is the way that the Council identifies and studies the risks that it may face, and decides how to deal with them.

What are the elements of Risk?

We all face and assess risks everyday in life. Risk only arises when there is a hazard. As an example, when driving a car, a hazard is a sharp bend ahead and factors that might affect risk are (for example) driver skills, vehicle type, speed, ice/snow. A hazard may be low risk if the road is dry, with a skilled driver, driving an every-day car at 30mph. The risk is rather higher when it's icy, and an 18 year old is driving a powerful motorcycle at 70mph.

Risk is assessed by considering two factors; probability (how likely is the event) and impact (how severe might it be). In Kirklees we score risk on a 5 point scale for each factor, giving a maximum risk factor of 25. We are particularly interested in those risk that score 15 or more.

When do risks occur?

Just about every activity has an element of risk in it. However, things are designed to reduce the risks in their use, or controls are been built into activities to reduce the chance of things going wrong. For example fire doors and evacuation practices help to reduce the risk of injury in the event of afire.

Almost all projects face risks; and change creates risk because lots of risk controls arise from experience. The nature of projects also mean that sometimes the best projects can only come about by taking some risks.

What forms can risk take to the Council?

Risk can be physical- such as injury or damage; commercial- such as a loss of income, or a new facility not attracting as many customers as we expect; or reputational- something which results in adverse publicity. Many risk have financial consequences, as there may be costs associated with repairs, compensation of higher than expected operating charges.

Partner organizations work closely with the Council, and often deliver services on our behalf (eg Kirklees Active Leisure). The actions of partners and supplier can also affect the council financially and reputationally, and we need to be aware of the potential risk that they can create.

Risk Assessment
We assess risk by looking at what things might go wrong and then think about what we can do to control them. Sometimes we look at a risk if there are no controls in place at all; in other cases we look at an existing set of controls and then decide if we can, and should, do anything more to control the risks. We also consider if a risk also presents an opportunity; to achieve something better or different.

Addressing Risk
There are 4 ways of dealing with risk;
Treatment- for example providing safety clothing to reduce the risks of injury;
Transfer- asking someone else to take on a risk (such as insurance, or a contractor);
Terminate- deciding to not do something, because the risk is too great; or
Accept- sometimes it is necessary to accept that a risk is there, and carry on.(usually because it is an unavoidable consequence of the past, or because no commercial provider will operate a service, and only a public body like the Council can reasonably be expected to take a risk).
Sometimes the cost of introducing control of risk might exceed the likely loss that arises in an activity fails.

Management of Risk
It is part of the job of council officers to identify risks in the councils operations, and set up reasonable controls as a part of everyday activity. Risks are more likely in projects and here officers should advise Members what the risks are, and how (or if) they can be addressed.
A process of risk assessment and reporting exists, with the Council having a Corporate Risk Matrix, prepared for the Cabinet, and overseen by the Corporate Governance & Audit Committee. There are regular updates as a part of performance monitoring.
Members need to consider if they agree with the risks that officers have presented, and challenge the likely impacts and solutions.

Learning about Risk
Training on risk related matters in provided to officers and members on request. We also work with partners of the Council to ensure their risk processes align with those of the Council.

Further Information

This note, the Councils Risk Management Strategy and the Corporate Risk Matrix are the responsibility of Martin Dearnley; Assistant Director of Finance -Risk & Performance- who can be contracted on 01484 221133.

MED Spring 2010

Appendix 4 Risk Matrix

RISK ASSESSMENT MATRIX									
Service:						**Date of Assessment:**			
						Service Contact Officer:			
Ref No.	**Risk Description**	**Probability of Event**	**Impact**	**Risk Factor**	**Financial Impact £**	**Managed Response Action /Contingency**	**Responsibility**	**Review**	