

## **Appendix A**

### **Powys Council Councils Risk Appetite – To be inserted in Section 8 of the Risk Management Framework (updated December 2022)**

#### **1. Risk Appetite Definition**

1.1 In accordance to ISO31000 our risk appetite is the amount and type of risk that Powys County Council (PCC) is willing to accept before action is deemed necessary to reduce that risk.

1.2 The risk appetite definition for the Council is the amount and type of planned risk we are willing to take to meet strategic objectives and deliver services. Risk appetite can and will vary across levels of service, based on a number of factors including knowledge, understanding, and past experience. Risk appetite will change over time and can also vary between different types of risks and events.

1.3 By deciding risk appetite, the Council will more effectively prioritise risk for mitigation, better allocate resources, and demonstrate more robust decision making around project/programme initiation.

#### **2. Why define a Risk Appetite**

2.1 Not all risk is undesirable. If risk were avoided completely then organisations limit their chances of fully achieving their objectives. By deciding a risk appetite, the Council is able to more effectively mitigate, allocate resources, and demonstrate more robust decision making around project/programme initiation, ensuring that everyone understands, and is aware of the risks it is prepared to accept in the pursuit of its aims and objectives.

2.2 The Council's risk appetite should clarify the options on risks taken and those which should be avoided or reduce as a priority. By formalising a risk appetite, the Council is able to provide clear guidance to all Council employees, members and partners on the level of risk which can be accepted. It should be used to ensure consistency in, and accountability for:

- The reporting and management of risks
- The extent of governance arrangements and controls required
- Assessments of the suitability of proposals (savings, strategies, policies etc.)

2.3 The Council recognises effective risk management considers opportunities as well as threats. The risk approach is to seek the right opportunities and, where possible, minimise threats. By encouraging managed risk taking and considering all of the available options will ensure a balance approach between caution and innovation.

#### **3. Governance of Risk Appetite**

3.1 A risk appetite will change over time. It should therefore be reviewed on a regular basis and after any major significant change, to ensure it is relevant and reflect any changes in regulations or circumstances, and level of exposure the Council is willing to accept. Risk appetite can vary across different risk categories, some significantly and at times there will be difficult conflicts to manage.

For example, the Council may have a higher risk appetite in its approach to commercial partners, than it would have in the provision of frontline services.

3.2 As such it is a live document that will be regularly reviewed and modified by the Executive Management Team and approved by Cabinet alongside scrutiny, so that any changes to organisational strategies, corporate or programme objectives or its capacity to manage risk are properly reflected.

#### 4. Programme and Project Risk Appetites

4.1 Although the Council has defined their risk appetite for Programmes and Project Delivery (see below section 5.3), each programme or project should consider if a further defined approach is necessary at programme or project level to articulate risk context, ensuring that the programme understands and is aware of the risks it is prepared to accept in the pursuit of its aims and objectives.

4.2 If a defined approach is agreed, it should be reviewed regularly (review dates set by the board) and modified so that any changes to programme objectives or the capacity to manage risk are properly reflected. It should also be communicated throughout the programme to embed sound risk management and to ensure risks are properly identified and managed.

#### 5. Risk Appetite

5.1 The risk appetite has been defined following consideration of risks, issues and consequences. At each level there is a balance between risk and reward. Appetite levels vary, in some areas risk tolerance will be cautious, in others it will be willing to carry risk in the pursuit of important objectives/highest reward. The Council will always aim to operate organisational activities at the levels defined below. Where activities are projected to exceed the defined levels, this must be highlighted through appropriate governance mechanisms.

5.2 The Council uses the following definitions of risk appetite levels.

Aligning Risk Appetite to Risk Matrix	Definition
<b>Unacceptable</b>	The level of risk is completely unacceptable and will not be tolerated. Risks at this level sit above the tolerance of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk and identify the actions and controls necessary to manage the risk down to an acceptable level. If still scored above 15 report the risk to the Strategic Risk Officer and your Director. The risk will be taken to SLT then Cabinet to be considered for escalation on to the Strategic Risk Register (SRR) and steps will be taken to collectively review the risk and identify any other possible mitigation (such as controls). If escalated SLT and Cabinet will actively monitor and provide guidance on the ongoing management of risks at this level as part of the SRR process. Appropriate mitigating actions should be implemented urgently to ensure that the risk is treated to the fullest extent possible, with the objective of preventing the risk from becoming an issue.
<b>Low</b>	This level of risk needs to be considered carefully. The lower level of the range may be accepted with appropriate mitigating actions implemented immediately to treat the risk and prevent it from becoming an issue where possible. However, the higher end of the range is unacceptable, and controls should be implemented immediately. If still scored 15 or above report the risk to the Strategic Risk Officer and your Director

<b>Moderate</b>	A moderate level of risk can be accepted. Appropriate mitigating actions should be implemented immediately to either prevent the risk from becoming an issue or detect the issue and ensure that it is addressed.
<b>High</b>	A high level of risk is acceptable however appropriate mitigating actions should be implemented to identify issues that might result from these risks and address them where feasible and practical.

5.3 The table below displays the Councils definitions of risk appetite levels by organisational activity.

Organisational activities	Risk appetite range		Comment
	From	To	
Strategic Delivery	Low	Moderate	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate appetite in relation to strategic delivery risks and aims to ensure effective delivery of the Council's strategy and commitments in line with agreed timeframes.</li> <li>2. The ongoing performance reporting process and established Council governance processes will monitor strategic delivery.</li> <li>3. Executive Directors and Heads of Service are expected to establish appropriate monitoring and oversight controls to ensure that their strategic and service delivery objectives are achieved in line with the overarching Council strategy.</li> </ol>
Financial & Budget Management	Low	Low	<ol style="list-style-type: none"> <li>1. The Council has a low appetite in relation to financial risk.</li> <li>2. The Council may be prepared to accept some risk subject to: <ul style="list-style-type: none"> <li>• setting and achieving an annual balanced revenue budget in line with legislative requirements and use of reserve or other one-off funding</li> <li>• maintaining a General Fund unallocated reserves balance in line with legislative requirements.</li> </ul> </li> </ol>
Programme and Project Delivery	Low	High	<ol style="list-style-type: none"> <li>1. The Council has a low to high-risk appetite in support of Programme and Project Delivery.</li> <li>2. Executive Management Team and Heads of Service; and Project Managers are expected to design; implement; and maintain appropriate programme and project management and governance controls to manage these risks. Noting points 4.1 and 4.2 of this Risk Appetite.</li> </ol>
Health and Safety (including public safety)	Unacceptable	Unacceptable	<ol style="list-style-type: none"> <li>1. The Council will not accept any risks that could result in the Council being non-compliant with its responsibilities under H&amp;S legislation.</li> <li>2. Appetite wise the Council will comply with all relevant health and safety requirements to minimise any health and safety risks that could potentially result in loss of life or injury to citizens or employees, whilst recognising that that accidents can occur, due to unknown, or unplanned events and non-compliance by staff with its mitigation and controls.</li> </ol>

			<ol style="list-style-type: none"> <li>3. Executive Directors and Heads of Services are therefore required to ensure that Health and Safety policies; frameworks; training; and guidance are consistently and effectively applied, with incidents identified, reported, and immediately addressed.</li> <li>4. Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management that results in non-compliance and/or harm and suffering to employees, contractors, service users or the public is not acceptable.</li> </ol>
Supplier, Contractor, and Partnership Management	Low	High	<ol style="list-style-type: none"> <li>1. The Council has a low to high-risk appetite range in relation to ongoing supplier, contractor and partnership management. This appetite will vary depending on the nature of the service provided or supported by third parties and how critical it is.</li> <li>2. The Council has an established procurement process that is aligned with Public Contract regulations and our standing orders underpinned by value for money and is supported by Commercial Services. Contract management (CM) is wholly managed by services but the CM approach has been reviewed and a guidance checklist established to assist managers and services to manage key suppliers and providers. A formal training programme has also been put in place for all nominated contract managers which is currently being delivered through the on-line Civil Service Commercial College and further developments by way of a Corporate Framework for Contract Management are planned over the coming months to strengthen this aspect.</li> <li>3. Executive Directors and Heads of Services are expected to ensure that the procurement and contract management frameworks are consistently and effectively applied that issues are identified, reported, and immediately addressed. Generally, this will involve ongoing focus on high-risk contracts supporting delivery of critical services or projects.</li> </ol>
Resilience	Low	Moderate	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate risk appetite in relation to resilience.</li> <li>2. The Council has an established resilience management framework that includes resilience and contingency plans for certain scenarios. It requires the identification of critical systems, processes and services and the establishment of appropriate resilience plans.</li> <li>3. Executive Directors and Heads of Service are responsible for ensuring that this framework is consistently maintained, reviewed or tested in order that it can be effectively applied in the event of a resilience situation.</li> </ol>
Technology and Information	Low	Moderate	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate appetite in relation to technology and information risk.</li> <li>2. This risk appetite applies to the Council's processes, functions, applications and the data used to support delivery of services.</li> </ol>

			<ol style="list-style-type: none"> <li>3. The level of risk the Council will accept will vary depending on the following: Impact, criticality and the services/systems that are supported.</li> <li>4. Executive Directors and Heads of Service set and own the risk appetite and ensure ongoing compliance with technology security protocols and procedures.</li> <li>5. The Council has a range of information technology security protocols, policies, procedures and tooling.</li> <li>6. The Council works to the UK Governments National Cyber Security Centre guidance (NCSC)</li> <li>5. The Council works to the guidance of the Information Commissioner</li> </ol>
Governance and Decision Making	Low	Low	<ol style="list-style-type: none"> <li>1. The Council has a low-risk appetite in relation to governance and decision making.</li> <li>2. The Council's has established Committee and corporate structures; schemes of delegation; levels of authority; and the member-officer protocol.</li> <li>3. All officers, Head of Services, Executive Directors and elected members must work within the constitution and not knowingly take or recommend decisions or actions which breach legislation.</li> </ol>
Service Delivery (operations)	Low	High	<ol style="list-style-type: none"> <li>1. The Council has a low to high-risk appetite range in relation to the risks associated with ongoing service delivery. This will vary depending on the nature and the individual services criticality.</li> <li>2. Where an issue occurs, the Council will always strive to return to optimal service delivery as soon as possible and ensure effective ongoing engagement with service users.</li> </ol>
Regulatory and Legislative Compliance	Low	Moderate	<ol style="list-style-type: none"> <li>1. The Council will comply with applicable regulatory and legislative requirements to the fullest extent possible.</li> <li>2. No officer, Head of Service, Executive Director or elected member may knowingly take or recommend decisions or actions which breach legislation.</li> <li>3. Executive Directors and Heads of Service are expected to follow corporate procedures, policies and frameworks, implementing appropriate controls to ensure ongoing compliance, and identify; report; and resolve breaches when they occur.</li> </ol>
Reputational	Low	Moderate	<ol style="list-style-type: none"> <li>1. The Council is prepared to tolerate a low to moderate level of occasional isolated reputational damage.</li> <li>2. The Council is a large organisation delivering a wide range of complex services to the People of Powys and is likely to suffer occasional reputational damage.</li> <li>3. Executive Directors and Heads of Service are expected to implement appropriate controls to prevent significant or systemic reputational damage and identify and address issues when they occur.</li> </ol>
Legal	Unacceptable	Unacceptable	<ol style="list-style-type: none"> <li>1. The Council will not accept risks that could result in the Councils actions being classed as illegal.</li> <li>2. Executive Directors, Heads of Services and All officers are expected to adhere to the Legal framework and liaise with Legal Services.</li> </ol>

Environmental	Low	Moderate	<ol style="list-style-type: none"> <li>1. The Council will not accept any risk that could be highly detrimental to the Environmental or Nature Recovery.</li> <li>2. The Council has declared a Climate and Nature Recovery emergency.</li> </ol>
Safeguarding	Unacceptable	Low	<ol style="list-style-type: none"> <li>1. The Council has an unacceptable to low-risk appetite in relation to safeguarding.</li> <li>2. Appetite wise the Council will comply with all relevant safeguarding requirements to minimise any safeguarding risks.</li> <li>3. Executive Directors and Heads of Services are therefore required to ensure that safeguarding policies; frameworks; training; and guidance are consistently and effectively applied, with incidents identified, reported, and immediately addressed.</li> </ol>

## 6. How to use the Council’s risk appetite as part of the risk management framework

6.1 The Council’s risk appetite compliments the Risk Management Framework already in place. Please see following steps for guidance.

**Step 1.** Having defined the risk and populated JCAD using the Risk Management Matrix to set the inherent and residual risk scores (see table 1 below).

**Step 2.** Decide which organisational activity the risk falls into e.g Financial & Budget Management. Look at the risk appetite levels set by the Council (section 5.3 above) which tells you the range of tolerance the Council is willing to accept for this type of risk, using this example it is **low**.

**Step 3.** Again, looking at the Risk Appetite levels set by the Council we can see for budget management the appetite is **low** which means ‘This level of risk needs to be considered carefully. The lower level of the range may be accepted with appropriate mitigating actions implemented immediately to treat the risk and prevent it from becoming an issue where possible. However, the higher end of the range is also low, and mitigating controls should be implemented immediately so you do not go into the pink. If still scored 15 or above report the risk to the Strategic Risk Officer and your Director’.

**Table 1. Risk Matrix - Threat**

The overall risk level for threat is calculated by multiplying the value of the impact (columns) by the value of the likelihood (rows), as summarised in the following table

	Insignificant Impact (1)	Minor Impact (2)	Moderate Impact (3)	Major Impact (4)	Severe Impact (5)
Almost certain likelihood (5)	Threat level 5 (amber)	Threat level 10 (red)	Threat level 15 (pink)	Threat level 20 (pink)	Threat level 25 (pink)
Likely (4)	Threat level 4 (amber)	Threat level 8 (amber)	Threat level 12 (red)	Threat level 16 (pink)	Threat level 20 (pink)
Possibly likely (3)	Threat level 3 (green)	Threat level 6 (amber)	Threat level 8 (red)	Threat level 12 (red)	Threat level 15 (pink)
Unlikely (2)	Threat level 2 (green)	Threat level 4 (amber)	Threat level 6 (amber)	Threat level 8 (amber)	Threat level 10 (red)
Rare likelihood (1)	Threat level 1 (green)	Threat level 2 (green)	Threat level 3 (green)	Threat level 4 (amber)	Threat level 5 (amber)

