

# STRONGER — fairer — GREENER

## Powys County Council Risk Management Policy and Guidance

(UPDATE March 2023)

From risk to results, resilience and reward

*Mae'r ddogfen hon hefyd ar gael yn Gymraeg*

*If you would like this document in a different format, please contact financial services*



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## Acknowledgements

This policy and guidance has been produced by the Risk Management section of Powys County Council based on the Alarm Risk Management Toolkit.

It builds upon Alarm's Core Competencies in Public Service Risk Management (2011) and outlines the key skills, knowledge and behaviours expected on a risk practitioner.

Alarm is a membership organisation with the purpose to support risk and insurance professions, within organisations that provide or support communities and citizens. More information on Alarm can be found at: [www.alarm-uk.org](http://www.alarm-uk.org).

## Foreword

At a time when Powys County Council is facing increasing and unprecedented challenges, the effective management of risk is needed more than ever. A risk-managed approach to decision making will help us to achieve the well-being objectives in our Corporate and Strategic Equality Plan and deliver services more efficiently, using innovative and cost-effective means.

The global COVID-19 pandemic has had a dramatic effect on perceptions of risk, with new threats and concerns coming to the fore as everyone adapted to the new circumstances. Understanding the nature of these risks enables organisations like the Council to take the necessary mitigation action promptly.

The policy and guidance has been reviewed and developed to ensure that at all levels of the Council we are able to identify risks which would prevent us from achieving our objectives (including failing to take advantage of opportunities).

There is clear guidance on the terminology associated with risk management and the process itself, along with a set of practical tools and techniques to help us manage risks, deliver objectives, meet targets and maintain resilience.

We must not lose sight of the fact that risk is inextricably linked to opportunities and innovation. The Council cannot be overly risk adverse and it needs to take full advantage of opportunities for improving services, and therefore we need to be proactive in the way that we manage our risk.

As Portfolio Holder with the responsibility for this key area, I recognise having a better understanding of the importance of, and fully implementing risk management will make a huge contribution to the Council. Better identification of risks and their management will mean that better use of resources is achieved. If we use the resources available to us more efficiently and effectively whilst developing new and better ways of working, the service to our customers can only be improved.



Councillor David Thomas

**Cabinet Member for Finance and Corporate Transformation**

## 2. Introduction to Risk Management in Powys County Council

# Being Risk Aware – Not Risk Averse

**Risk management is NOT about eliminating all risks.** It is about gaining a better understanding of the nature, scale and potential effects, and then taking action to reduce or mitigate downside threats and maximise upside opportunities.

### 2.1 Purpose and use of the policy and guidance

A risk-managed approach to decision-making will help the Council achieve its objectives and deliver services more efficiently, while operating within the bounds of their willingness to take risk.

This policy / guidance provides an approach to implementing best practice management of risk across Powys County Council. It is designed to provide all the information and supporting templates required to develop, implement and maintain risk management within the Council.

Powys County Council use risk management processes and principles at **every** level of the organisation, including operational at service level, change management and improvement through programme and project management and improving performance, as well as strategic planning and decision making, working with partnerships, and third parties.

### 2.2 Who should use this toolkit?

Everyone! The information and guidance included in this toolkit will help both officers and services, as well as members and other stakeholders such as partners approach the practice of managing risk within the Council. This toolkit is for anyone working in the Council and partners working within the Councils framework who:

- Provides oversight to the management of risk process
- Has the responsibility for managing risk or contributes to it
- Has been tasked with implementing a management of risk approach across the Council and partnerships
- Has been tasked with improving management of risk across the Council or a particular activity e.g. a programme or project
- Would like to ensure the Council's current management of risk approach is aligned to best practice

### 2.3 How to use this policy / guidance

In order for risk management to be effective in Powys County Council, a phased approach is required, with each phase building on previous steps. This policy / guidance is organised according to these phases.

**Sections 3 - 6** provides definitions, outline the risk management landscape and relevant risk management standards/guidelines.

**Sections 7 - 12** are more specific to Powys County Council and contains documentation relating to:

- Risk management governance and infrastructure
- Risk management process
- Integration of risk management
- Risk management culture
- Risk management continuous improvement

The appendices provide support material that should be used at all governance levels to ensure that an effective risk management process is in place.

## 2.4 Risk management information system

In Powys County Council we use a computerised system called JCAD Core to assist in consolidating risk information. It provides tracking and management reporting capabilities to enable the Council to monitor and control its overall risk profile as well as reporting and providing risk information where needed.

## 3. Definitions and benefits

3.1 There are numerous definitions of risk and risk management however the only definitions that Powys County Council use formally, are the following ISO31000:

**Risk is defined as: Effect of uncertainty on objectives.**

**Risk management is defined as: Coordinated activities to direct and control an organisation with regards to risk.**

3.2 It is important to note that risk should not be seen as negative, there can be positive opportunities arising from risk.

3.3 To ensure consistency of understanding a glossary of key terms is provided in Appendix A.

3.4 Some of the benefits of risk management include:

- Setting the desired risk culture
- Increased ability to secure funding
- Increased effectiveness of change projects and programmes
- Enhanced political and community support
- Reputation protection and assets
- Improved operational efficiency
- Enabling risk taking in chosen areas
- Demonstration of good governance
- Achievement of the organisations' objectives
- Better delivery of intended outcomes
- Better mitigation of key risks
- Protection of budgets from unexpected financial losses

- Reduced losses from workplace accidents and illnesses
- Maximised opportunities

3.5 Successful risk management is underpinned by:

- A simple, understood process integrated with other management practices
- A supportive organisation
- Leadership
- Methods, tools and techniques
- The mandate to challenge constructively
- Stakeholders buy-in
- Committed and competent people
- Visibility of the risk manager at both strategic and operational meetings to provide assurance of an effective process for managing risk

## 4. Risk Management Landscape

4.1 Management of risks has never been more critical as local government undergo constant change from changing social, environmental, financial, political, technological and legislative landscapes.

4.2 Some of the factors behind this period of change are:

- Managing recovery and business as usual from the COVID-19 pandemic
- New service delivery models
- Maintaining organisational and financial resilience
- Partnership working with other public, private and third sector organisations to deliver outcomes and critical operations
- Changing roles and responsibilities for public service organisations
- Greater pressure for public service organisations to be creative and innovative to increase efficiencies within a limited financial envelope
- Increased opportunities for agile and remote working
- Meeting climate change targets, transitions, adaptations, and mitigations

4.3 Having successfully implemented a more structured approach to risk management, the journey continues to improve and embed. Our governance structures aim to create a risk aware culture with better foresight of risk and focus on embedding risk management processes.

## 5. Risk Management Standards

5.1 All-risk standards and guidelines that exist aim to:

- Ensure appropriate accountability for risk management
- Strengthen an organisations resilience to risk
- Account for the full range of risks faced by organisations
- Maintain quality and relevance of risk management practice
- Provide a structure to activities

Although they may differ in content and methodology.



5.2 Common characteristics exist across a number of best practice risk management standards and guidelines **and play an important part in this Risk Management document.**

### **Governance and infrastructure**

Adoption and communication of a cross Council risk management approach with executive level support, policies, standardised processes and clearly defined accountabilities. Management of risk is fundamental to planning and performance and there is a clear vision of risk appetite.

### **Risk identification, assessment and prioritisation**

Risks and opportunities are identified systematically and consistently across the Council, strategic decisions and partnerships. Risks are assessed and prioritised to focus time and resource on the critical risks. Risk assessment takes into account both qualitative and quantitative risk correlation.

### **Risk treatment and control**

Controls/mitigations are tested and action plans developed, implemented and reviewed, ensuring risk management and risk transfer decisions are informed.

### **Reporting, monitoring and communication**

There is a governance framework in place to facilitate risk reporting and monitoring at all levels of the Council. Reporting is underpinned by tools and systems. Management fully understand and monitor the risks the Council faces as well as the effectiveness and purpose of risk management. When required independent assurance found and given.

### **Culture**

A risk aware culture exists, and employees understand the benefits of risk management and have the knowledge, skills, tools and support to embed a risk management process.

### **Partners / Third Parties**

The Council has robust risk management practices in place when working with external organisations and partners.

## **6. Our Risk Management Policy Statement**

Powys County Council recognises risk management as a vital activity that underpins and forms part of our vision, values and strategic objectives, as well as providing confidence to our community. This risk management policy statement and supporting documentation form an integrated framework that enables the Council to manage risk effectively.

Risk is present in everything we do, and it is therefore our policy to identify, assess and manage the key areas of risk on a pro-active basis. The aim of our risk management approach is that it will be fit for purpose, is underpinned by the characteristics detailed in section 5.2, reflect our size and the nature of our various operations and use our skills and capabilities to the full. In doing so we provide

assurance to all stakeholders that risk identification and management plays an important part in the delivery of our strategy and related objectives.

It is important to define the level of risk exposure Cabinet considers acceptable for the Council and set a risk appetite. This will enable the Council to gain a clear picture of which risks could threaten its ability to achieve its objectives.

Risk management needs to be embedded throughout all processes, programmes, projects and strategic decisions, including procurement and contracting which will ensure partnerships and third-party relationships are fully compliant with the risk management policy of Powys County Council.

We will involve, empower, and give ownership to all of our staff in the identification and management of risk. Executive and senior management will regularly support risk management through discussion and appropriate action. This will include a thorough review and confirmation of key risks, evaluating their mitigation strategies/controls and establishing underpinning actions to be taken to reduce them to an acceptable level.

Managing risks will be an integral part of both strategic and operational planning (corporate, service, programme, project) and the day-to-day running, monitoring, development and maintaining of Powys County Council.

## 7. Risk Management Structure

**In order to ensure successful implementation, it is essential for risk management to gain endorsement and support from all levels of the Council**

7.1 In order for risk management to be embedded fully within the Council, all employees at all levels of the organisation have a responsibility for managing risk in their own work, their wider service and at a corporate level. As such the risk management structure of Powys County Council is built on and aligned with existing structures and reporting lines. Roles and responsibilities for risk management are set out as follows:

7.2. First line: Services are responsible for identifying; assessing; recording; addressing; and escalating risks associated with strategic and operational decision making and ongoing service delivery. This also includes partnerships.

Second line: Senior Leadership Team, Executive Management Team, Cabinet, Scrutiny Committees and Governance and Audit Committee are responsible for providing ongoing oversight, challenge and assurance in a 'constructive critical friend' capacity; setting and driving a positive risk culture through delivery of ongoing support and engagement across first line teams.

Third line: Independent assurance on the design and effective application of risk management and its framework is provided by Internal Audit who regularly assess the Council's level of maturity and effectiveness of its approach (the level, understanding and effectiveness of an organisation's management of risk).



7.3 The roles and responsibilities of each aspect of the risk structure are shown below:

### **Cabinet**

- Agree on the risk appetite for the Council
- Approve the risk management policy and guidance
- Approve and review the strategic risks to the Council and the controls that are in place and seek and provide assurance to stakeholders that the risks are being effectively managed
- Ensure that risk is considered as part of the decision-making process
- Constructively challenge and review the content of the Strategic Risk Register and individual portfolio areas, ensuring procedures are in place to monitor the management of risks
- Review the Council's approach to risk management and approve changes or improvements to key elements of its processes and procedures

### **Governance and Audit Committee**

- Gain assurance that risk management is being properly undertaken including governance of risk, leadership, integration of risk management into wider governance arrangements, and ownership and accountability for risks and their controls
- Oversee the risk management policy and guidance and their implementation in practice
- Oversee the integration of risk management in governance and decision-making processes
- Consider the effectiveness of internal controls and monitor the implementation of agreed actions
- Oversight of strategic risk adherence and undertake deep dives into specific service / project risk as part of their annual plan activity

### **Scrutiny Committees**

- To scrutinise strategic risks and their control actions through the strategic risk registers reports including progress reviews
- Monitor progress in addressing risk related issues reported to the committee
- To scrutinise service, project, transformation and partnership risk registers on scrutiny's request.
- Consider the effectiveness of internal controls and monitor the implementation of agreed actions

### **Internal Audit**

- Create an audit plan that is aligned to the strategic and service risks as well as assessments
- Review/challenge the effectiveness of the management of risk framework
- Review the progress of planned actions as a result of audits
- Test and validate existing controls

### **Executive Management and Senior Leadership Team**

- Regularly review the risk management policy and guidance to ensure that it underpins the Corporate and Strategic Equality Plan and the wider strategy and objectives of Powys County Council
- Deliver against the risk appetite for the Council
- Review the key risks across the Council, consider their importance against strategic objectives and action further controls as required
- Allocate sufficient resources to address top risks
- Report on key risks and controls in line with the Council's risk management strategy
- Create an environment and culture where risk management is promoted, facilitated, and appropriately undertaken by the Council
- Constructively challenge and review the contents of their individual Risk Registers, ensuring procedures and mitigations are in place and followed, to monitor the management of risks
- Responsible for working together effectively to manage risk across the Council
- Propose escalation or de-escalation of strategic risks
- Champion risk management activities, educate colleagues, and raise awareness of the benefits of managing risk effectively
- Link up with other key Council activities e.g. self-evaluation, performance, finance

### **Service/Operational Management Teams**

- Manage risk effectively in their area of responsibility and proposing escalation or de-escalation of strategic risks, this includes across wider partnerships and projects they lead on
- Complete the risk management process and risk reporting procedures as per Powys County Council guidelines
- Complete, track, and monitor the progress of the service risk register
- Promote and share management of risk best practice across the Council
- Link up with other key Council activities e.g. self-evaluation, performance, finance

### **Service/Operational Managers**

- Responsible for working together effectively to manage risk effectively in their area of responsibility
- Propose practical risk control improvement options if performance is weakening (linking with integrated business plans, performance reporting and panel assessments)
- Proactively responding to a changing service risk
- Complete the risk management process and risk reporting procedures as per Powys County Council guidelines
- Complete, track, and monitor the progress of action plans
- Link up with other key Council activities e.g. self-evaluation, performance, finance

### **Programme/Project Managers**

- Complete the risk management process and risk reporting procedures as per Powys County Council guidelines
- Record all risks associated with their programmes/projects
- Ensure that when necessary risks are proposed for escalation to the relevant service, programme board or strategic risk register
- Link up with other key Council activities e.g. self-evaluation, performance, finance

### **Risk Champions**

- Communicate the benefits of risk management process and risk reporting procedures across their operational area
- Help ensure the commitment of key stakeholders is obtained
- Share best practice with other Risk Champions
- Help facilitate the risk management process and risk reporting procedures across operational areas

### **Principal Risk Officer**

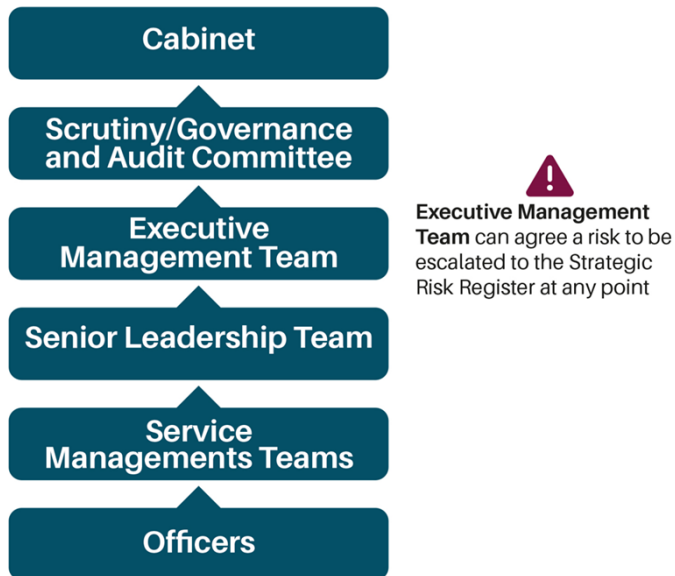
- Coordinate the Councils risk management activity
- Develop and maintain the risk management policy, methodologies and tools for the management of risk
- Highlight any significant new or worsening risks to the Executive Leadership Team/Senior Leadership Team/Cabinet for review and action
- Assist in the delivery of the management of risk process and aggregation of risk profiles across the Council
- Provide guidance, training, and advice on the management of risk
- Promote and share management of risk best practice across the Council

### **All staff**

- Understand and comply with the risk management processes and guidelines of Powys County Council utilising training and e-learning
- Monitor their own area on an ongoing basis to identify new and emerging risks and propose escalation as required

7.4 Escalation of a risk (including project risk) is an important part of the risk management structure. Typically identified risks will escalate through the Council as follows.

Officers to Service Managements Teams to Senior Leadership Team to Executive Management Team to Cabinet. With extra step of reporting to Scrutiny, Governance and Audit Committee for scrutiny and assurance with EMT and Cabinet.



However, this is not prescriptive, risks can be identified at any level. Not all risks will be escalated to the highest tier i.e. Strategic Risk Register, they will be treated (and held) at the most appropriate level.

7.5 Transformation portfolio risks due will follow its own escalation process as follows:

Officers/Other Stakeholders to Programme Board report to Transformation Delivery Board to Senior Leadership Team to Executive Management Team to Cabinet. With extra step of reporting to Scrutiny, Governance and Audit Committee for scrutiny and assurance in between EMT and Cabinet.



7.6 A proposal to escalate a risk to the Strategic Risk Register is integrated in the Councils Strategic Risk Register reporting which adheres to the performance

reporting timetable however Executive Management Team can agree a risk to be escalated to the Strategic Risk Register at any point.

## 8. Risk Appetite

### 8.1 Risk Appetite Definition

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

8.1.2 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.

8.1.3 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.

### 8.2 Why define a Risk Appetite

8.2.1 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.

8.2.2 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.)

8.2.3 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.

### 8.4. Governance of Risk Appetite

8.4.1 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.

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

## 8.5 Programme and Project Risk Appetites

8.5.1 Although the Council has defined their risk appetite for Programmes and Project Delivery (see appendix B), 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/project understands and is aware of the risks it is prepared to accept in the pursuit of its aims and objectives.

8.5.2 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/project objectives or the capacity to manage risk are properly reflected. It should also be communicated throughout the programme/project to embed sound risk management and to ensure risks are properly identified and managed.

## 8.6. Risk Appetite

8.6.1 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.

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

<b>Aligning Risk Appetite to Risk Matrix</b>	<b>Definition</b>
<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 15 or above report the risk to the Strategic Risk Officer and Directors. 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 Risk Level</b> 1-6	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 Heads of Service.
<b>Moderate Risk Level</b> 8-12	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 Risk Level</b> 15-25	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.

8.6.3 Appendix B displays the Councils definitions of risk appetite levels by organisational activity.

## 9. Risk Management Process

9.1 Risk Management in Powys County Council is a continuous process involving the identification of risks, prioritisation of these risks, and implementation of actions to further mitigate the top risks.

Risks to an organisation can have positive and negative impacts. A positive risk, if identified early and managed well, could be an opportunity and benefits realised e.g. A public service organisation can help nurture opportunities for growth and renewal in the area and community it serves.

9.2 The risk management process adopted by Powys County Council and explained in section 9.3 is summarised in the diagram below.



## **Step 1 – Risk Identification and recording.**

9.3 The purpose of risk identification is to generate a comprehensive inventory of risks based on those events which might create, prevent, accelerate or delay the achievements of our objectives. It is vital that we identify risks at every level of the Council, this includes project, programme, service, operational and corporate.

### **Identification Techniques**

9.3.1 There are a variety of techniques and methodologies that can be used to identify risks within the Council. This process should begin by reviewing the existing risk registers and asking the following questions:

- Have any of the recorded risks changed significantly in terms of impact or likelihood?
- Are any risks missing from the risk register?
- Is anything planned over the next 12 months that will give rise to a significant risk?
- Link with IBP, performance e.g. Is performance weakening?

The risk identification process should also include:

- Analysis of previous losses, events, incidents (issues) and lessons learnt
- Technical briefings, national reports, and networking
- Horizon scanning (See 9.3.2.)

There are many other examples of risk identification techniques which could be useful in identifying risks at all levels of the Council. These include:

- Questionnaires; Interviews; Workshops; SWOT analysis; PESTLE analysis; Bowtie analysis

**For a general overview checklist of risks, or risk universe, to assist in identifying key risks see Appendix C.**

### **Identify new and emerging risks**

9.3.2 The risk identification exercise should not be limited to a review of existing risk registers; it must also include some fresh thinking on what new and emerging risks need to be considered. Another important technique for identification of risks and opportunities in the longer term is 'Horizon Scanning'.

9.3.3 Horizon scanning will ensure you are adequately prepared for potential opportunities and threats. This is not about trying to predict the future but rather to develop insights into likely future developments, help services to think 'outside the box' and review options so that evidence-based decisions can be made. Horizon scanning is becoming increasingly important as we deal with the impact of technological, demographic and cultural changes.

As part of the annual Integrated Business Planning process all services should consider potential threats, risks, emerging issues, and opportunities, beyond the traditional term of their plan. This will allow for better preparedness and will build resilience into future service delivery. It may be on the horizon, but it's important to articulate clearly what resources and actions are needed now.

An important element of Horizon Scanning is to research and examine information and intelligence from within and outside the Council. This could include looking at changes in social, political, economic, competitive, technological, regulatory, environmental, security or safety. For advice on gathering relevant intelligence for your service area, contact the Business Intelligence Team, Transformation and Democratic Services (business\_intelligence@powys.gov.uk).

9.3.4 It is important to ensure risk descriptions are brief but fully communicate each risk.

### **Recording risk**

9.3.5 Powys County Council records all risk using the electronic risk management system, JCAD Core. This system forms the risk register at a strategic, service, projects and programme level. **The Council therefore expect ALL service areas to record their risks on JCAD CORE** which is administered by the risk management officer. A JCAD training guide and video is available to all staff as well as regular introduction/refresher sessions.

During the risk identification process you should complete all new risk fields (in the relevant register). Following are some of the fields required when recording a risk.

- **Risk ID:** JCAD provides a unique number/letter that will follow the risk for the duration of the processes to enable monitoring and reporting
- **Risk category:** The category that the risk fits into
- **Risk identified:** A brief articulation of the risk. This needs to be specific so not to overcomplicate the risk register. But it also needs to fully articulate the risk in question to ensure that it is clearly understood by the reader. The risk title may form the basis of reporting
- **Potential Consequence:** The consequence to your organisation should the risk materialise? More than one consequence can be recorded for each risk
- **Date:** The date the risk was identified
- **Owner:** Responsible person for managing and reporting progress against this risk. The risk owner should be someone with knowledge of the risk area and be senior enough to insist control actions are completed
- **Current controls:** A list of the current controls that are in place to mitigate the risk. These should be specific and auditable. A control should either reduce the likelihood of the risk materialising and/or reduce the impact should the risk materialise
- **Inherent and Residual risk rating:** Refer to the risk matrix in appendix D to set the risks probability and impact

### **Risk register**

9.3.6 The risk register is a critical tool for capturing and reporting on risk activity, it is a live database where new risks are captured, others are managed to extinction, and some require close and regular monitoring. The data within the register is used to inform the Council of threats and opportunities that it faces in the delivery of its objectives. It is part of the Councils internal governance and performance frameworks and is used to ensure the organisation operates effectively.

9.3.7 Powys County Council expects all service areas and Transformation Programmes to be using the JCAD Core Risk Management System to record and manage their risks. The risk registers are owned by the individual Head of Service or Programme Manager, and it is their responsibility to ensure that these are reviewed at least every quarter.

9.3.8 For Powys County Council Services, relevant Portfolio Holders will expect to see the risk registers as part of their quarterly performance monitoring.

9.3.9 The Strategic Risk Register contains risks, that should they occur, could have a fundamental impact on the Council's ability to operate and achieve its objectives including strategic ones. Risks with a current risk score of 15 or above on the matrix (appendix D), will be considered by Senior Leadership Team/Executive Management Team for escalation to the Strategic Risk Register.

The Strategic Risk Register is the means by which members and leaders of Powys County Council can focus on the strategic and business critical risks and review the effectiveness of risk management arrangements to monitor these risks. The Strategic Risk Register is owned by the Executive Management Team and used by them and Cabinet to ensure the highest risks are being managed effectively.

The standard approach is to report and escalate risks on a timely manner basis. However, risk management in Powys County Council is a dynamic 'live' process and officers and members are encouraged to report and escalate significant risks as frequently as required, thereby fast tracking the typical Strategic Risk Register reporting cycle where merited.

9.3.10 Other processes where risk is captured and recorded, also underpin the risk registers: service delivery plans, budget planning and monitoring, programme/project delivery, partnership working, contracts and commissioning, health and safety, civil protection, impact assessments and business continuity planning, to name but a few.

## **Step 2 - Analyse, assess/evaluate risks.**

9.4 The risks that have been identified need to be assessed so that Powys County Council can prioritise mitigating actions towards better controlling those risk areas that are most likely to prevent or hinder the achievement of related objectives.

9.4.1 Powys County Council use a set criterion (risk matrix) for the analysis of risks (both threats and opportunities). This assessment criteria has been agreed by Cabinet and Senior Leadership/Executive Management Team. The risk matrix is in appendix D of this document.

### **Assessment techniques**

9.4.2 Risks need to be assessed in terms of the probability (likelihood) of them occurring and the impact (severity) they may have, if they do. This gives an indication of the inherent risk before any planned control measures (mitigation) are considered.

9.4.3 We need to adopt a consistent approach to the assessment of probability and impact so that risks can be compared across the whole authority. Likelihood is scored based on the likelihood of the risk occurring (Rare, Unlikely, Possible, Likely, Almost Certain). Please refer to the risk matrix in appendix D.

9.4.4 Impact is determined by using the impact table to assess the severity of the impact on the Council should the risk occur. Taking each risk in turn, the severity should be considered in terms of the risk occurring, scoring each area as Insignificant, Minor, Moderate, Major or Severe. The ratings of each consequence can be mixed, for example the consequence of a risk happening may be moderate in terms of financial implications but may have a major impact on the Council's reputation. Please refer to the risk matrix in appendix D. Each risk is to be assessed against all the categories given in the severity of risk guidance, and the highest score is to be used in the risk assessment matrix.

9.4.5 Once the likelihood and impact have been established the overall risk level can be calculated, either using the risk matrix in appendix D or by using the below calculation:

Overall Risk Level = Likelihood x Impact

9.4.6 Once the probability and impact are recorded on JCAD, the system automatically calculates the risk level score. It is important to note that the same risk matrix is used for both threats and opportunities.

9.4.7 Producing a risk score not only allows you to prioritise the risks identified, it also enables them to be illustrated on a risk map. The positioning of the risk on the map will guide the control response. For example, a score in the pink zone would be very severe and call for immediate action, whereas one in the green zone is likely to be less so and viewed as manageable.

### **STEPS 3 & 4 - Review of controls and respond to risk.**

9.5 Some of the risks that you will identify will have existing controls/mitigation in place. However, these are not always effective, and it is vital that current controls are reviewed for their effectiveness, so that a decision can be made about whether additional controls are required.

#### **Risk Treatment**

9.5.1 In managing risks and opportunities, each element has to be assessed with a decision made on the best course of action. There are four primary responses; terminate, transfer, treat, or tolerate.

- **Terminate:** implies that a risk is undesirable, for example it does not align with Council strategy, it offers unattractive rewards, or it is outside of our risk appetite or the organisation does not have the capability to manage the risk. Examples of how to terminate a risk include, divesture or stopping a certain process, activity completed. In JCAD this is recorded as 'close' with reasoning required.
- **Treat:** is putting into place risk control measures that reduce the likelihood and/or consequences of the risk to acceptable levels. The vast majority of risk treatment options fall into this category. Examples include strategy, processes, people, or systems improvement.
- **Transfer:** this involves transferring the cost of the risk to a third party. For example, through insurance, contract or outsourcing. In JCAD this is recorded as 'close' with reasoning required.



- Tolerate: Powys County Council decides to accept the risk as it is and do nothing to further mitigate it. Risks that are accepted will still require monitoring and review.

9.5.2 If a risk is to be treated, it is vital that controls are developed by the risk owner in collaboration with relevant stakeholders. Controls should be used as a tool for assigning and monitoring additional actions that have been identified to mitigate the risk.

9.5.3 At a minimum, the control should include and be recorded in the JCAD risk register:

- The action to be completed
- The officer responsible for completing this action. The control owner in JCAD
- The target completion date (and percentage completed when reviewed)

9.5.4 When evaluating what treatment options to employ, consider

- Existing best practices to treat the risk
- Critical controls that will achieve the risk reduction required as part of the risk treatment or mitigation plan
- Costs associated with different treatment options against associated benefits
- How other organisations mitigate the same risk

9.5.5 Treatment options for opportunity risk are covered in Section 10.7

## **STEP 5 - Record, monitor and report.**

### **Record and report**

9.6. The purpose of risk reporting is to:

- Monitor and report on the effectiveness of the risk management process to senior officers, elected members, management teams and project boards
- Provide relevant and sufficient risk information in a timely manner that is user-friendly and drives decision making and action
- Ensure the views of senior management and elected members on risk are filtered back to the Council in a timely manner
- Focus on the most significant risks, ensuring adequate responses are actioned
- Include qualitative and quantitative information where appropriate
- Compare results against benchmarks
- Show trends of early warning indicators for key risks

9.6.1 In Powys County Council risks are reported using the JCAD Core system

9.6.2 Currently strategic risks are reviewed and reported on a quarterly basis to:

- Cabinet
- Senior Leadership Team/Executive Management Team
- Governance and Audit Committee

9.6.3 This reporting will provide these groups with the assurance that all risk exposures have been identified, impacts assessed, and mitigating controls



evaluated. As well as allow these groups to challenge and support the management of the risks.

9.6.4 Risk should be a standing item on the agenda of management team meetings across the Council. This is to ensure senior management is managing the Councils changing risk profile. All major projects, programmes and partnerships should also have risk as a standing agenda item.

9.6.5 Successful risk reporting should:

- Provide a view on increasing and decreasing risk exposures, as well as a means of identifying new risks
- Incorporate strategic risks
- Allow for informed decision-making, which may be used to continuously improve the management of risk
- Have a consistent use of tools and process across the Council which will allow benchmarking of departments
- Vary the risk reports depending on the audience
- Report on risk information linked to the strategic and operational objectives outlined in our Corporate and Strategic Equality Plan that are impacted. This allows the Council to quickly understand the risks of not fulfilling these objectives

## Monitoring

9.6.6 Few risks and risk control actions remain static; risks change, priorities change, actions are completed, risk responses that were once effective may become irrelevant. As the Council, and the environment it is in, is constantly changing, risk management accountability and governance needs to be done in a timely manner, determining whether risk actions are still effective and adapt them as required.

9.6.7 The importance of continuously managing risk is supported by the requirements stipulated in section 7 ensuring the Councils senior management is managing the Councils changing risk profile.

9.6.8. Strategic risks are to be monitored, reviewed and reported on a quarterly basis. The frequency of progress reports against all other risks and controls can be decided upon by the Head of Service or programme board but good practice is to report on a minimum of a quarterly basis. All risk registers should utilise the reporting functionality in JCAD and be **reviewed** quarterly irrelevant of the individual risk progress review frequency set.

## **STEP 6 – Integration with strategic planning and decision making.**

9.7 Strategy development is about deciding what the Council is trying to achieve in the medium to long-term. Risk management is about identifying and managing the risks to the Council, so they don't prevent these strategic achievements.

9.7.1 The advantages of linking the risk management approach to strategic planning and decision-making are:

- Sets the scene for management of risk across the entire organisation

- Establishes information flows between those with strategic responsibilities and those with operational and programme responsibilities

9.7.2 The management of risk process must be continuous, and as such, in addition to regular managing and reporting, all risk registers should be FULLY reviewed on an annual basis. This service or programme led annual review of risk registers is advised to take place between January and March in line with finalising Integrated Business Plans for the following financial year and panel assessments preparation.

9.7.3 It is important to report on risk information linked to the strategic and operational objectives that are impacted. These objectives are outlined in our Corporate and Strategic Equality Plan and Integrated Business Plans (IBP). As part of the Councils Impacted Assessment process and the Integrated Business Plans process, every IBP objective requires an Impact Assessment which contains a section on risk to be considered for transfer to the services risk register.

## 10. Integration of Risk Management

### Projects and programmes

10. Projects and programmes form a substantial part of the operations across Powys County Council. Risk is present in all projects and programmes; therefore, it is good practice to implement a formal management of risk approach for them.

10.1 The benefits of project and programme risk management include:

- Improved stakeholder relations
- On time, on quality and on budget project/programme completion
- Early allocation of risk and risk mitigation responsibility to the most appropriate owner
- Risk mitigation is focused on the biggest risks to achieving objectives
- Greater certainty around decision-making
- Demonstration to stakeholders that the project/programme is being managed effectively

10.2 The basic process will remain the same as outlined above in this document but there are some additional points to consider:

#### **Risk identification:**

- Should focus on the risks that may impact the achievement of the project or programme objectives
- Should be completed by key project / programme team members
- A project / programme risk register should be used to record this information

#### **Prioritisation:**

- A risk assessment scale for projects and programmes exists in the Risk Assessment Matrix (see appendix D) however consideration should be given to each project/programme if it should be further developed based on the parameters of the project/programme, for example, the likelihood scale could be aligned to the duration of the project/programme

**Controls / mitigation:**

- The cost / benefit of proposed additional controls should be considered within the parameters of the project/programme
- Risk ownership should be allocated across the project programme team

**Monitoring and reporting:**

- Risk reporting should be integrated with established project / programme reporting lines
- Risks should be monitored at the beginning of each stage of the project/programme to ensure key project/programme milestones are not compromised

**Risk Register:**

- All transformation programmes require their own risk register
- Projects risks should be integrated into the relevant service risk register and cross linked to others where applicable.

**Escalation of risks**

- As stated above in 9.3.9 the Strategic Risk Register contains risks, that should they occur, could have a fundamental impact on the Council's ability to achieve its objectives including strategic ones. Risks with a current risk score of 15 or above on the matrix (appendix D), need to be considered by the Senior Leadership Team/Executive Management Team for escalation to the Strategic Risk Register
- Transformation programme risks should be escalated as set out under point 7.6
- The standard approach is to report and escalate risks on a quarterly basis. However, risk management in Powys County Council is a dynamic 'live' process and officers and members are encouraged to report and escalate significant risks as frequently as required, thereby fast tracking the typical Strategic Risk Register reporting cycle where merited. Projects and programme risks are no exception and need to follow the same process

**Partnerships and Third Parties**

10.3 Increasingly Powys County Council are delivering public services through different forms of partnerships, involving the public, private and third sector. Many risks can result from a partnership, all of which (if applicable) need to be managed to ensure the success of the partnership.

10.4 Powys County Council uses the same definition for 'partners' as in the alarm toolkit: 'organisations with which a department works to deliver their objectives, with a formal agreement of roles, contract, funding agreement, service level agreement'.

10.5 Examples of partnership risk include:

- Fundamental differences in political agendas

- Partner stability and potential failure
- Poor communication across the partnership
- Partners operating under different governance arrangements
- Misalignment of strategy and objectives across the partnership
- Partners may operate under different legislative and regulatory environments
- Different levels of resource constraints across the partnership
- A lack of relevant skills across the partnership to fulfil the objectives
- Poor communication or non-acceptance of the roles and responsibilities of each partner

10.6 Powys County Councils approach to partnership risk management remains the same as outlined in this toolkit, however there are additional considerations:

**Risk identification:**

- Should focus on risks that may impact the achievement of the objectives of the partnership
- All key partners should be involved

**Risk Register:**

- A partnership risk register should be used to record this information. Where this risk register is held needs to be agreed by the partnership, as does the monitoring, reporting and each organisation's needs. (Special access to JCAD can be arranged for external organisations)
- Powys County Council expects as a minimum, any partnership risk that relates to the Council itself to be recorded and monitored on JCAD in a partnership risk register. This partnership risk register needs to sit under the relevant service risk register, follow the same escalation process and cross linked to other registers where applicable.

**Prioritisation:**

- A risk assessment scale for partnerships exists in the Risk Assessment Matrix (see appendix D) however consideration should be given to each partnership and if it should be further developed based on the parameters of the partnership. For example, the likelihood scale should be aligned to the duration of the partnership.

**Controls / action planning:**

- Risk ownership and responsibility for actioning additional controls should be allocated to an individual partner within the partnership
- Risk mitigation requiring input from multiple partners should be agreed by the partnership.

**Monitoring and reporting:**

- The process for ongoing monitoring of the risk profile and progress of control actions completion needs to be agreed by the partnership
- The frequency and content of risk reports needs to be agreed by the partnership and responsibility for this allocated

- However, all transformation programme partnerships risk registers should be reviewed on a quarterly basis
- Partnership risk registers reports must be made available to Scrutiny and Governance and Audit committees should they request to see within their remit.

### **Escalation of risks**

- As stated above in 9.3.9 the Strategic Risk Register contains risks that should they occur, could have a fundamental impact on the Council's ability to operate, achieve its strategic objectives, or to achieve its objectives. Risks with a current risk score of 15 or above on the matrix (appendix D), need to be considered by the Senior Leadership Team/Executive Management Team for escalation to the Strategic Risk Register. Risks that are in partnerships are no exception and need to follow the same process
- The standard approach is to report and escalate risks on a quarterly basis. However, risk management in Powys County Council is a dynamic 'live' process and officers and members are encouraged to report and escalate significant risks as frequently as required, thereby fast tracking the typical Strategic Risk Register reporting cycle where merited

### **Opportunity Risk Management**

10.7 Powys County Council needs to start proactively managing opportunity risk; if we only manage our threats then the best outcome that can be expected is to meet our objectives, but not to improve upon them. By identifying both opportunity risk and threat risk, we can take a strategic approach to doing something about the risk. It is vital that we move away from the assertion that risk only having negative consequences.

10.7.1 The Powys County Council Risk Assessment Matrix (appendix D) provides a facility to assess both negative and opportunity risks. Opportunity risks should be included within the relevant Risk Registers and can also be recorded and monitored on JCAD.

10.7.2 Opportunity risk methodology - Powys County Council recommends that the processes outlined in this toolkit are applied to opportunity risk management, however there are some additional considerations:

#### **Risk Identification:**

- A SWOT analysis is a good way to facilitate the identification of opportunities
- Real opportunities should be identified, not simply the flip side of threats

#### **Prioritisation:**

- Impact criteria should reflect the positive impact that opportunities will bring to Powys County Council
- Unlike scoring threats, the aim with opportunities is to maximise the scores for impact and likelihood

#### **Action plans:**

- Opportunity responses will need to be considered. For examples exploit, share, enhance, and accept

10.7.3 The benefits of aligning risk management with opportunity management Powys County Council are:

- Maximum efficiency – threat and opportunity management are combined
- Cost-effectiveness – a single process to achieve proactive management of both types of risk
- Improved chances of achieving/exceeding strategic objectives
- Removing the negative perception of management of risk
- Familiar techniques - only minor changes to current techniques used in managing threat risks are required, so organisations can deal with opportunity risks with minimal training
- More realistic budgetary and schedule contingency management by including potential upside impacts as well as downside impacts
- Proactive opportunity management of risk

## 11. Risk Management Culture

11. For Powys County Council to achieve its long-term goals, it is vital that risk management is embedded within the Councils culture. It is essential that we embrace the risk management framework and create a culture that is willing to talk about our mistakes and lessons learned without consequences.

11.1 Integration, training, and communication all influence risk management culture positively.

11.2 It is vital that Powys County Council Officers and Members understand the risk management policy, the risk management process, their roles/responsibilities in it and have the required skills.

11.3 Risk management training as well as JCAD Core should be tailored to the audience and to the management of risk strategy, process and framework adopted by the Council. A risk management training video is delivered as part of the 'New managers induction training' and is available to all on the Councils E-Learning site and actively promoted.

11.4 Training requirements will be reviewed on an ongoing basis in the light of changes in circumstances such as Local Government Elections and other relevant changes.

11.5 Every employee manages risk and exploits opportunities to some degree in their day-to-day role. The key to ensuring people understand, value and perform risk management is to integrate it into their processes and ensure it is tailored to the activity. For example, risk management is embedded in the Integrated Business Plans and Impact Assessments.

11.6. Communication on risk management and the processes is essential to ensure a consistent approach to the management of risk and opportunities.



11.7 The use of an effective ‘lessons learnt’ process can be invaluable to encourage continuous improvement. As well as services own self-reflection the Council also completes an annual corporate self-assessment exercise.

11.8 The Council recognises the need to continuously improve risk management methodologies in line with output from regular assessments, regulatory reports and advice, and to adapt to changing economic conditions.

11.9 The Council also recognises staff development is an important part in a successful risk management culture, and officers involved in the risk management process are trained and have the appropriate skills to implement the risk management guidance and policy.

## 12. Risk Management Continuous Improvement

12.1 Regulators and risk management professionals recommend as good practice to continuously review and improve risk management methodologies. This document and processes will be reviewed every 3 years or after the release of new risk management legislation, government guidance or an audit review.

12.2 Risk management relies on using past events to understand the likelihood and severity of future risks and improving controls. A blameless culture of where lessons learnt are discussed, honestly and openly, encourages learning.

12.3 It is essential staff have the appropriate skills to implement the risk management strategy. See 11.3 and 11.4.

12.4 Risk management training is delivered to Cabinet, Scrutiny Committees and Governance and Audit Committee, on a on every new administration and on request thereafter.

## 13. Appendices

### Appendix A: Glossary

**Accept:** A risk response that means the organisation takes the chance that the risk will occur, with full impact on objectives if it does.

**Avoid:** A risk response that seeks to eliminate a threat by making the situation certain.

**Communications plan:** A plan of the communications activities during the organisational activities (strategic, programme, project or operational) that will be established and maintained. Typically contains when, what, how and with whom information flows.

**Control owner:** The individual responsible for implementation of the measures to mitigate the risk. They support and take direction from the risk owner.

**Frequency:** A measure of likelihood expressed as the number of occurrences of an event in a given time.

**Impact:** The consequence to the organisation should the risk materialise.

**Inherent risk:** The level of risk before treatment measures have been taken into consideration.

**Key performance indicators (KPIs):** A measure of performance that is used to grade and monitor progress towards an objective or goal.

**Key risk indicators (KRIs):** An early warning indicator that can be used to monitor a change in the likelihood or impact of a risk and assist in the decision-making process for risk mitigation.

**Likelihood:** A qualitative description of the probability or frequency of that risk actually materialising.

**Maturity level:** A well-defined evolutionary plateau towards achieving a mature process.

**Partnerships (third-parties):** A contractual relationship between two or more persons carrying out a joint venture, each incurring liability for losses and the right to share in the outcome.

**Programme:** A temporary, flexible organisational structure created to coordinate, direct and oversee the implementation of a set of related outcomes and benefits related to the organisation's strategic objectives.

**Project:** A temporary group that is created for the purpose of delivering one or more products according to a specified business case.

**RAG analysis:** A process where complex data can be displayed in a traffic light or red, amber, green format.

**Residual risk:** The remaining level of risk after risk mitigation and control measures have been taken into consideration.

**Risk:** Effect of uncertainty on objectives.

**Risk analysis:** A systemic use of available information to determine how often specified events may occur and the magnitude of the impact.

**Risk appetite:** The amount of risk to the organisation, or subset of it, it is willing to accept.

**Risk assessment criteria:** The terms of reference the significance of risk is assessed.

**Risk category:** A collection or group of risk types with a common denominator.

**Risk cause:** A description of the source of the risk.

**Risk management information system:** A computerised system that assists in consolidating and tracking risk information.

**Risk management/management of risk:** Coordinated activities to direct and control an organisation with regards to risk. The culture, processes and structures that are directed towards the effective management of potential opportunities and threats to the organisation achieving its objectives.

**Risk map:** A model that visually displays the relationship between the likelihood and impact of specific risks.

**Risk owner:** The individual responsible for monitoring and reporting of a risk.

**Risk perception:** An individual's subjective view of risk, based on a set of values or concerns.

**Risk prioritisation:** The process that allows risks to be ranked into a logical order by establishing how significant they are in terms of likelihood and impact.

**Risk register:** A basic, ongoing working document that records the risk identification, assessment and sometimes action planning process.

**Risk response:** Actions that may be taken to bring the risk to a level that is acceptable to the organisation. These responses fall into one of a number of risk response options.

**Risk tolerance:** The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but which when exceeded will trigger some form of response.

**Stakeholder:** An individual, group or organisation that can affect, be affected by, or perceive itself to be affected by risk.

**Uncertainty:** A condition where the outcome can only be estimated.

## Appendix B: Risk Appetite

Councils' definitions of risk appetite levels by organisational activity.

	Risk appetite range	Risk appetite range	
Organisational activities	From	To	Comment
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> <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 manager key suppliers and providers. A formal training programme has also 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</li> </ol>

			contracts supporting delivery of critical services or projects.
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 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> <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 Council's 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>



## How to use the Council's risk appetite as part of the risk management policy/guidance

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 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'.

### 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)

## Appendix C: Risk Universe

This Risk Universe supports the risk identification stage of the risk management process. It provides a guide to the risks that should be considered during the risk identification process. This list is however not exhaustive and should be used only as a guide.

### Strategic Risks

Uncertain future events that could negatively impact the achievement of the vision and strategic objectives.

- Adverse weather leads to major transport disruption.
- A change in government policy diverts funding focus away from activities.
- Change of Government.
- An event leads to dissatisfied citizens, users, central/regional government or other stakeholders.
- Failure to establish and implement an effective marketing campaign.
- Failure to adapt to changes in social trends prevents the achievement of strategic objectives.
- Failure to align agendas and objectives with key partners.
- Inability to take advantage of a key funding opportunity.
- Loss of a key supplier/contractor, especially if there is a dependence on it for delivery of a key service.
- Executive Management Team do not receive sufficient information to make a robust and informed decision.
- A conflict of interest emerges between the Council and a partner.
- Inaccurate financial forecasting and reporting is used to make a strategic decision.
- Loss of a key delivery partner.
- Failure to deliver key stakeholder expectations.
- A major environmental incident.

### Operational Risks

Uncertain future events that could negatively impact the day-to-day operations of the Council.

- Failure of a key contractor to deliver a service, entirely or within the pre agreed timescale.
- Loss of critical IT systems.
- Loss of confidential information.
- Loss of insurance cover for key operations.

- Failure to react appropriately in the event of a disaster (e.g. to follow appropriate business continuity arrangements).
- A significant increase in the costs associated with the maintenance of corporate buildings.

### **People Risks**

Uncertain future events that could negatively impact staff.

- Inadequate training and development provided to staff.
- Loss of a key member of staff.
- Inability to recruit and retain suitable employees, volunteers, trustees or committee members.
- Committee Members lack the necessary skills or commitment to perform their duties to the required standard.

### **Legal/Regulatory Risks**

Uncertain future events that could negatively impact our ability to comply with the legal/regulatory landscape.

- Breach of data protection laws.
- A lack of awareness leading to non-compliance with a key piece of legislation e.g. health and safety, employment, and equal opportunities, etc.
- Failure to recognise and respond to a change in legislation.
- An employee initiates legal action against Powys County Council resulting in a tribunal case.

### **Financial Risks**

Uncertain future events that could negatively impact the financials of the Council.

- Increase in pension fund liabilities.
- Inability to meet monthly pension payments.
- Negative movements in the interest rate, significantly decreasing return on investment or cost of borrowing.
- Loss of a key funding stream.
- A member of staff commits a fraudulent act.
- A significant increase in the cost base for Powys County Council e.g. increase in supplier costs.

### **Hazard Risks**

Uncertain future events that could negatively impact on the Council, caused by a hazard of some sort.

- Fire in a corporate building.
- Flood denies access to a building/renders it unfit for use.

- A major health and safety incident occurs at one of our sites.
- A member of staff is injured while performing their duties (assault or accident).
- Theft of a key piece of equipment e.g. computer, van, etc.

## **Appendix D: Risk Assessment Matrix**

Risk Matrix and Likelihood Guidance Note: This matrix is to be used for both negative (threats) and positive (opportunity) risks. With threats we try to minimise the score, opportunities try to maximise the score.

## Powys County Council Risk Assessment Matrix 2023 Risk Matrix and Likelihood / Impact Guidance

### 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.

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

### Risk Matrix – opportunity

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

	<b>Insignificant opportunity Impact (1)</b>	<b>Minor opportunity Impact (2)</b>	<b>Moderate opportunity Impact (3)</b>	<b>Major opportunity Impact (4)</b>	<b>Significant opportunity Impact (5)</b>
<b>Almost certain likelihood (5)</b>	Opportunity level 5 (lilac)	Opportunity level 10 (blue)	Opportunity level 15 (navy)	Opportunity level 20 (navy)	Opportunity level 25 (navy)
<b>Likely (4)</b>	Opportunity level 4 (lilac)	Opportunity level 8 (lilac)	Opportunity level 12 (blue)	Opportunity level 16 (navy)	Opportunity level 20 (navy)
<b>Possibly likely (3)</b>	Opportunity level 3 (green)	Opportunity level 6 (lilac)	Opportunity level 8 (blue)	Opportunity level 12 (blue)	Opportunity level 15 (navy)
<b>Unlikely (2)</b>	Opportunity level 2 (green)	Opportunity level 4 (lilac)	Opportunity level 6 (lilac)	Opportunity level 8 (lilac)	Opportunity level 10 (blue)
<b>Rare likelihood (1)</b>	Opportunity level 1 (green)	Opportunity level 2 (green)	Opportunity level 3 (green)	Opportunity level 4 (lilac)	Opportunity level 5 (lilac)

### Likelihood Guidance

<b>Rare (1)</b>	<b>Unlikely (2)</b>	<b>Possible (3)</b>	<b>Likely (4)</b>	<b>Almost certain (5)</b>
May occur only in exceptional circumstances.	Not expected but could occur at some time.	May/ will occur at some point.	Will probably occur but not a persistent issue.	Likely to occur on many occasions, a persistent issue.

### Impact Guidance

#### Impact level vs Category

If the risk falls into more than one category, please use the highest score assessed.

	<b>Insignificant Impact (1)</b>	<b>Minor Impact (2)</b>	<b>Moderate Impact (3)</b>	<b>Major Impact (4)</b>	<b>Severe Impact (5)</b>



<b>Category of Programmes/Projects/Objectives</b>	Insignificant impact on one or more of the following: <ul style="list-style-type: none"> <li>Schedule</li> <li>Cost</li> <li>Quality</li> <li>Achievement of one or more project benefits and outcomes</li> <li>Council's reputation</li> </ul>	Minor impact on one or more of the following: <ul style="list-style-type: none"> <li>Schedule</li> <li>Cost</li> <li>Quality</li> <li>Achievement of one or more project benefits and outcomes</li> <li>Council's reputation</li> </ul>	Moderate impact on one or more of the following: <ul style="list-style-type: none"> <li>Schedule</li> <li>Cost</li> <li>Quality</li> <li>Achievement of one or more project benefits and outcomes</li> <li>Council's reputation</li> </ul>	Significant impact on one or more of the following: <ul style="list-style-type: none"> <li>Schedule</li> <li>Cost</li> <li>Quality</li> <li>Achievement of one or more project benefits and outcomes</li> <li>Council's reputation</li> </ul>	Severe impact on one or more of the following: <ul style="list-style-type: none"> <li>Schedule</li> <li>Cost</li> <li>Quality</li> <li>Council's reputation</li> <li>Inability to meet project objectives.</li> </ul>
<b>Category Health and Safety (including public safety)</b>	Adverse event leading to minor injury not requiring first aid.	Minor injury or illness, first aid treatment required. Short term injury/harm taking 1 month away from work. Staff sickness taking 3 or less days away from work.	Agency reportable e.g. HSE, Police. Semi-permanent injury taking less than a year off and requiring medical treatment and/or counselling. Staff sickness taking 13 or less weeks away from work.	Major injuries/long term incapacity or disability e.g. loss of limb/mis-diagnosis, mis-treatment leading to poor progression. Long term sickness taking more than 13 weeks away from work	Incident leading to death or major permanent incapacity. Significant number of people effected.
<b>Corporate Safeguarding</b>	Insignificant impact, no lasting impact. Unlikely to cause complaints and easily and quickly resolved.	Minor impact. Potential for complaint or concern. Resolved corporately or within services.	Moderate impact. Potential for complaint or concern very likely. Resolution requires	Major impact. High likelihood of complaint or concern. Reputational damage and loss of	Severe impact. Failure of corporate safeguarding to keep staff and residents safe. Citizens lose

			support to be implemented.	public confidence. Corporate response required to resolve.	confidence to the extend that they don't feel protected or safe. Significant and long term impact on reputation.
<b>Category of Legal</b>	Unlikely to cause complaint/litigation. Resolved with no legal implications.	High potential for complaint, litigation possible. Minor legal implications or action is anticipated.	Litigation to be expected. Tribunal/Powys County Council legal team involvement required (potential for claim).	Litigation almost certain and difficult to defend. Criminal prosecution anticipated and /or civil litigation.	Litigation certain. Criminal prosecution anticipated and or civil litigation (>one person).
<b>Category of Service Provision (operations)</b>	Interruption to a service which does not impact on the ability to continue to provide the service or strategic delivery	Short term disruption to a service with minor impact on residents/communities. Impact can be managed within normal working arrangements.	Some disruption to a service with unacceptable impact on residents/communities. Temporary loss of ability to provide service. Effect may require some additional resource but manageable in a reasonable timeframe.	Sustained loss of service which has serious impact on residents/communities. A more severe but manageable (positive or negative) impact on significant number of vulnerable groups/individuals. Effect many require considerable additional resource but will not require a major strategy change.	Permanent loss of core service or facility. A lasting and noticeable (positive or negative) impact on significant number of vulnerable groups/individuals. Effect could not be managed within a reasonable timeframe or by a short-term allocation of resources and may require major

					strategy changes. The council risks special measures.
<b>Strategic Delivery</b>	Unlikely to affect the delivery of the Council’s strategy and commitments in line with agreed timeframes	Minor disruption to the delivery of the Council’s strategy and commitments in line with agreed timeframes	Moderate disruption to the delivery of the Council’s strategy and commitments in line with agreed timeframes	Major impact on delivery of the Council’s strategy and commitments in line with agreed timeframes	Unacceptable impact on delivery of the Council’s strategy and commitments in line with agreed timeframes
<b>Governance and Decision Making</b>	Unlikely to affect the Councils Governance and Decision-Making ability	Insignificant impact on the Councils Governance and Decision-Making ability	Minor to moderate breach of legislation. Moderate impact on the Councils Governance and Decision-Making ability	Moderate to major impact on the Councils Governance and Decision-Making ability	Unacceptable impact on the Councils Governance and Decision-Making ability
<b>Category of Financial (loss/gain) &amp; Budget Management</b>	Low financial loss or overspend of less than £50,000  Unless the loss or overspend can be offset within service budgets	Financial loss or overspend of £50,000 - £150,000  Unless the loss or overspend can be offset within service budgets	Financial loss or overspend of £150,000 - £250,000  Re-alignment of corporate budget	Financial loss or overspend of £250,000 - £1,000,000.  Re-alignment of corporate budget	Financial loss or overspend of over £1,000,000  Re-alignment of corporate budget
<b>Supplier, Contractor, and Partnership Management</b>	Insignificant impact on one or more of the following: <ul style="list-style-type: none"> <li>• Supplier Failure</li> <li>• Supply/Service Failure</li> </ul>	Minor impact on one or more of the following: <ul style="list-style-type: none"> <li>• Supplier Failure</li> <li>• Supply/Service Failure</li> </ul>	Moderate impact on one or more of the following: <ul style="list-style-type: none"> <li>• Supplier Failure</li> <li>• Supply/Service Failure</li> </ul>	Significant impact on one or more of the following: <ul style="list-style-type: none"> <li>• Supplier Failure</li> <li>• Supply/Service Failure</li> </ul>	Severe impact on one or more of the following: <ul style="list-style-type: none"> <li>• Supplier Failure</li> <li>• Supply/Service Failure</li> </ul>

	<ul style="list-style-type: none"> <li>• Safeguarding Incident with supplier</li> <li>• Failure to comply with Procurement Regulations</li> <li>• Achievement of one or more of the partnerships benefits and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarding Incident with supplier.</li> <li>• Failure to comply with Procurement Regulations</li> <li>• Achievement of one or more of the partnerships benefits and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarding Incident with supplier.</li> <li>• Failure to comply with Procurement Regulations</li> <li>• Achievement of one or more of the partnerships benefits and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarding Incident with supplier.</li> <li>• Failure to comply with Procurement Regulations</li> <li>• Achievement of one or more of the partnerships benefits and outcomes</li> </ul>	<ul style="list-style-type: none"> <li>• Safeguarding Incident with supplier.</li> <li>• Failure to comply with Procurement Regulations</li> <li>• Inability to meet partnerships benefits and outcomes</li> </ul>
<b>Technology</b>	<p><b>Technology -</b> Unlikely to cause any impact on delivering any of the councils' services e.g., minor performance/speed issues of a small isolated system for a short period.</p>	<p><b>Technology</b> Small disruption to a service e.g., a short system outage affecting a small isolated system.</p>	<p><b>Technology</b> Performance impact/System unavailable for up to 1 day; affecting over 50 staff and temporarily impacting the council ability to deliver an individual service.</p>	<p><b>Technology</b> Widespread system outage affecting several service areas and 100 staff or over 1 day. Impacting the council's ability to deliver several services including business critical services.</p>	<p><b>Technology</b> Complete system failure affecting all systems and business critical services. Complete lack of ICT for a sustained period.</p>
<b>Information</b>	<p>Unlikely to cause any impact on the delivery of Council services such as deletion of information held elsewhere,</p>	<p>Delay in service provision whilst information is obtained from another source. Various personal data items in limited volume or</p>	<p>Unreasonable impact on service delivery. Special category personal data involved in small volumes.</p>	<p>Substantial impact on service delivery. Special category personal data in moderate volumes. Notification to the ICO &amp; data subject(s) required</p>	<p>Inability to provide service. Various special category data items in large volumes. Notification to the ICO &amp; data subject(s) required</p>

	enabling recovery of information. Limited number of personal data items involved in small Notification to the ICO not likely required in the case of a personal data breach	limited personal data in large volume. Potential for notification to the ICO in the case of a personal data breach	Notification to the ICO likely & data subject(s) potentially in the cases of personal data breaches	in the cases of personal data breaches	in the cases of personal data breaches, with regulatory action with litigation or claim expected.
<b>Category of Inspection/Audit</b>	Small number of recommendations which focus on minor quality improvement issues.	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action.	Critical report. Welsh Government Intervention.	Severely critical report. Welsh Government take over. Prosecution.
<b>Category of Reputation</b>	Rumours. No media coverage. Little effect on staff morale. Minimal and transient loss of public or partner trust. Contained within the individual services.	Short term <b>local</b> media coverage. Some public embarrassment. Minor effect on staff morale / public attitude. Dissatisfaction reported through council complaints procedure. Local MP involvement.	Long term <b>local</b> media adverse publicity. Significant effect on staff morale and public perception of the organisation. Dissatisfaction regularly reported through council complaints procedure.	Less than 3 days of <b>national</b> media / adverse publicity. Public confidence in the organisation undermined, Use of services affected. Viral social media or online pickup.	More than 3 days of <b>national / international</b> media / adverse publicity. MP concern. Public enquiry or poor external assessor report. Legal action.
<b>Resilience</b>	Insignificant impact on the resilience of the Council to deliver appropriate	Minor impact on the resilience of the Council to deliver appropriate	Moderate impact on the resilience of the Council to deliver appropriate	Major impact on the resilience of the Council to deliver appropriate	Severe impact on the resilience of the Council to deliver appropriate

	services. Normal business processes remain effective.	services. Normal business processes, supported where appropriate by contingency plans, remain effective.	services. Service level business continuity plans in operation. Dedicated internal management oversight required.	services. Corporate level business continuity planning required. Dedicated internal management processes implemented.	services. Major Incident declared. External partnership arrangements initiated. Dedicated internal management processes implemented.
<b>Category of Environmental</b>	No lasting effect (positive or negative) on the natural and built environment.	Short term (weeks) minor effect (positive or negative) on the natural and built environment.	Short term (weeks) moderate effect (positive or negative) on the natural and built environment.	Medium term (months up to 1 year) major effect (positive or negative) on the natural and built environment.	Lasting long term (1 year plus) effect (positive or negative) on the natural and built environment.