

Leader



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21 June 2018

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NOTICE OF INTENDED PORTFOLIO HOLDER DELEGATED DECISION

The Portfolio Holder has received the following report for a decision to be taken under delegated authority. The decision will be taken on **27 June 2018** (i.e. 3 clear days after the date of this note). The decision will be published on the Council's website but will not be implemented until 5 clear days after the date of publication of the decision) to comply with the call-in process set out in Rule 7.37 of the Constitution.

1.	RISK MANAGEMENT TOOLKIT
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(Pages 3 - 44)

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CYNGOR SIR POWYS COUNTY COUNCIL.**CABINET EXECUTIVE
19th JUNE 2018**

REPORT AUTHOR: Greg Thomas, Business Continuity and Risk Management Officer

SUBJECT: Risk Management Toolkit

REPORT FOR: Decision

1. Summary

1.1 The Accounts and Audit (Wales) Regulations require Local Authorities to put in place and ensure that there is a sound system of internal control, which includes arrangements for the management of risk.

1.2 We are continuously improving and updating our approach to risk management to help better understand and manage the risks the Council faces, prepare for future challenges and to increase the likelihood of achieving objectives. Risk management is a core management discipline that supports organisational delivery. The risks that the organisation faces are changing all the time, so the art of good risk management is to combine planning for what we know might happen with preparation for unknown situations, and to safeguard the organisation and in turn make it more resilient.

2. Background

2.1 The Council's current Risk Management Strategy was initially approved in 2007, and was last fully reviewed and updated in 2016.

2.2 In October 2017 SWAP undertook an audit of the risk management arrangements in Powys County Council, this audit concluded that current risk management arrangements in Powys County Council place the organisation at high risk of not being able to achieve its objectives and to successfully execute its strategies.

2.3 The audit was only able to offer partial assurance in relation to the areas reviewed and the controls in place. It was found that key risks are not well managed, and that system requires the introduction or improvement of internal controls to ensure the achievement of objectives.

2.4 The current Risk Management and Business Continuity Officer had already drawn up an action plan to improve the risk management process, this has been agreed with the Acting Director, Resources and included many of the recommendations of the report produced by SWAP.

2.5 Part of this improvement plan is the creation of a Risk Management Toolkit and the procurement of the JCAD Core risk management system. These two actions are the subject of this report.

2.6 It is necessary for the Council to have a clear statement of its overall policy in relation to managing risk in the delivery of services, have a formal strategy outlining how it will identify and control these risks, and provide a methodology and standard means of assessing risk and encouraging a more consistent approach to how this should be undertaken.

2.7 Based on best practice from other local authorities and guidance from Alarm (public sector risk management association), the Powys County Council Risk Management Toolkit has been created. Should this be adopted by Executive Management Team and Cabinet, it will replace and build on the current Risk Management Policy, Strategy and Methodology.

2.8 The toolkit contains three sections. Section one, introduced the toolkit and the discipline of risk management. Section two contains the specific policies, guidance, and methodologies for Powys County Council. Finally section three gives documents to support effective risk management and a numerical risk assessment framework.

2.9 Should this risk management toolkit be adopted it will ensure that the Council is working towards the ISO31000 standard for risk management. In addition successful implementation of the toolkit will mean that Powys County Council is able to achieve the following:

- *Governance and infrastructure:* Powys County Council adopts a cross organisation management of risk approach with executive level sponsorship, policies, standardised processes and defined accountabilities communicated through the organisation. Management of risk is integral to planning and performance in Powys County Council, and there is a clear vision of risk appetite.
- *Risk identification, assessment and prioritisation:* in Powys County Council, risk and opportunities are identified systematically and consistently across the organisation, programmes, and partnerships. Risks are assessed and prioritised to focus time and resource on the critical risks. Risk assessment takes into account risk correlation, and is both qualitative and quantitative.
- *Risk treatment and control:* controls are tested and actions plans developed, and implemented where necessary – risk management and risk transfer decisions are fully informed.
- *Reporting, monitoring, and communication:* Powys County Council has a strong governance framework in place to facilitate risk reporting and monitoring at all levels. Reporting is supported by JCAD Core. Powys County Council Management fully understand and monitor the risks the organisation faces and the benefits of effective risk management. Independent assurance is sought where required.

- *Culture*: Powys County Council has a risk aware culture, where colleagues understand the benefits of risk management and have the knowledge, skills, and tools to embed the management of risk process.
- *Partners/Third Parties*: when working with external organisations, Powys County Council has robust risk management processes in place. This framework is jointly applied when working in partnership.

2.10 The Powys County Council Risk Management Toolkit is attached as Appendix A and builds on the current Policy, Strategy, and Methodology, by introducing the following:

- Risk Management Champion – each Service Area will be asked to appoint a Risk Management Champion. These Champions should normally be someone who attends the Service Management Team or one of the PAs, as they have the responsibility for the recording of the risks in their Service Area using the JCAD Core Software.
- Corporate Risk Appetite Statement – a general risk appetite statement has been developed for the Council.
- Service Risk Appetite Statement – each service needs to develop their own risk appetite statements, these should be recorded on the service risk registers.
- Opportunity risk management.
- Greater integration into the programmes and projects.
- Partnership and third party risk management.
- A new risk assessment matrix (for both treats and opportunities).
- New risk recording and reporting system (JCAD Core).
- Training programme for Officers and Elected Members.

2.11 To assist us in developing a more integrated approach to risk management, JCAD Core, a cloud based, electronic risk management system has been procured (March 2018) for a three year contract at an initial cost of £5,450 (excluding VAT) followed by two annual payments of £4,950 (excluding VAT). This will replace the many spreadsheets that we currently use.

2.12 The JCAD Core system will be used for:

- Corporate Risk Register;
- Service Risk Registers – all service areas are to have their own risk register;
- Programme Risk Registers – all programmes are to have their own risk register;
- Opportunity Register.

2.13 This system can be used to generate a wide range of reports that show risk control and performance, this feedback will allow for better strategic decisions to be made and to allow for opportunities to be identified. For the first time, risk data will be able to be viewed live, from any location, this should help to make Powys County Council more risk aware organisation.

2.14 For Service Risk Registers, the Risk Management Champions will be responsible for the input of data. For programme level risk, this responsibility lies with the Programme Manager, whilst the Business Continuity and Risk Management Officer will remain responsible for the maintenance of the Corporate Risk Register. Automated alerts will be utilised, to ensure that all deadlines are adhered to.

2.15 Each Risk Champion and/or Service PAs/Programme Managers will receive a username and read/write access. Other Officers and Elected Members will be able to log in (read only) and securely view the system, at any time. All key users will receive training in using the system. Additional training will be available on an ad-hoc basis from the Business Continuity and Risk Management Officer.

3. Proposal

3.1 That Cabinet approves the attached Powys County Council Risk Management Toolkit, and that this replaces the current Risk Management Policy, Strategy and Methodology.

4. Options Considered / Available

4.1 No alternative options are considered appropriate as a result of this report.

5. Preferred Choice and Reasons

5.1 None to consider.

6. Impact Assessment

Is an impact assessment required? No

7. Corporate Improvement Plan

7.1 The Risk Management Toolkit outlines the process for the management of risk throughout the Council. Adherence to the policy will help to support delivery of the Vision 2025. Effective risk management increases the likelihood of achieving objectives.

8. Local Member(s)

8.1 The Risk Management Toolkit applies to all service areas across the whole county.

9. Other Front Line Services

9.1 The Risk Management Toolkit applies to all service areas across the whole county.

10. Communications

Have Communications seen a copy of this report? No

11. Support Services (Legal, Finance, Corporate Property, HR, ICT, Business Services)

11.1 Legal: The recommendations can be supported from a legal point of view.

11.2 Finance – The Finance Business Partner agrees with the proposal and the costs can be contained within the existing Risk and Insurance budgets.

11. Scrutiny

Has this report been scrutinised? Yes

If Yes what version or date of report has been scrutinised?

The Risk Management Toolkit has been scrutinised by Audit Committee on 27th April 2017.

What changes have been made since the date of Scrutiny and explain why Scrutiny recommendations have been accepted or rejected?

Based on comments from Audit Committee, further detail on the roles and requirements of different officers and members have been added, the Toolkit will also be subject to annual review.

12. Statutory Officers

12.1 The Solicitor to the Council (Monitoring Officer) commented as follows : “ I note the legal comments and have nothing to add to the report.”

12.2 The Head of Financial Services (Deputy Section 151 Officer) notes the comment of the Finance Business Partner.

13. Members' Interests

The Monitoring Officer is not aware of any specific interests that may arise in relation to this report. If Members have an interest they should declare it at the start of the meeting and complete the relevant notification form.

Recommendation:	Reason for Recommendation:
To approve the Risk Management Toolkit as set out in Appendix A to the report.	As part of its arrangements for good Corporate Governance it is necessary for the Council to have a clear statement of its overall policy in relation to managing risks in the delivery of services and also to have a formal strategy outlining how it will identify and control those risks.

Relevant Policy (ies):	
Within Policy:	Y
Within Budget:	Y

Relevant Local Member(s):	All Members
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Person(s) To Implement Decision:	Business Continuity & Risk Management Officer
Date By When Decision To Be Implemented:	1st August 2018

Contact Officer: Greg Thomas Tel: 01597 82 6149 Email: greg.thomas2@powys.gov.uk

Background Papers used to prepare Report:

CABINET REPORT TEMPLATE VERSION 5



Powys County Council

Risk Management Toolkit (June 2018)

From risk to results, resilience and reward

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Foreword

At a time when Powys County Council is facing 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 objectives of Vision 2025 and deliver services more efficiently, using innovative and cost-effective means.

The guide and toolkit has been developed to ensure that at all levels of the organisation 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 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 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.

Having a better understanding of the importance of, and fully implementing, risk management it 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 then the service to our customers can only be improved.

CLlr Rosemarie Harris
Executive Leader, Powys County Council

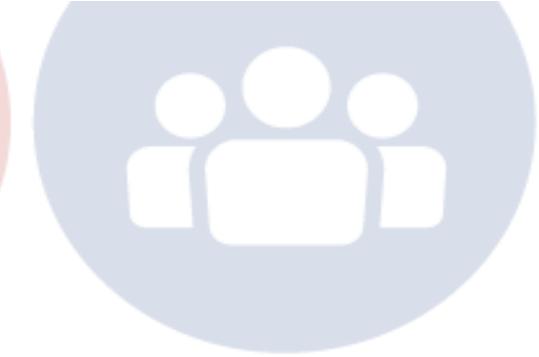
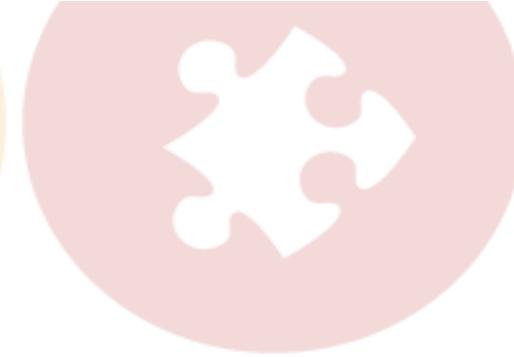


Acknowledgements

This guide and toolkit has been produced by the Risk and Resilience Section of Powys County Council based on the Alarm Risk Management Toolkit, which builds upon Alarm's Core Competencies in Public Service Risk Management (2011), which 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.

Further material has been adapted from the Birmingham City Council Risk Management Toolkit and the Shropshire Opportunity Risk Management Strategy.





Section 1

Introduction to Risk Management in Powys County Council

From risk to results, resilience and reward

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1.1 Guidance and toolkit

1.1.1 Purpose and Use

This toolkit provides an approach to implementing best practice management of risk across Powys County Council. It has been developed by the Risk and Resilience Section based on the Alarm Risk Management Toolkit. The toolkit is designed to provide all the information and supporting templates required to develop, implement and maintain risk management within Powys County Council. Powys County Council use risk management processes and principals at every level of the organisation. Risk management is applied at the operational level, used to improve performance, integrated with strategic planning, projects, programmes, partnerships, and third parties.

1.1.2 How to use this toolkit

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 toolkit is organised according to these phases.

Section 1 introduces the toolkit, provides definitions, outlines the risk management landscape and relevant risk management standards/guidelines. Section 2 is much 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.

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



1.2 Definitions and benefits

1.2.1 ISO31000

Risk and risk management have hundreds of different definitions worldwide. Powys County Council have taken the definitions from ISO31000 for risk and risk management.

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

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These are the only definitions that Powys County Council will use as part of its risk management policy and procedures. It is important to note that not all risks are negative, they can be positive opportunities.

1.2.2 Glossary

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

1.2.3 Benefits of risk management



1.3 The Powys Risk Management Standard

1.3.1 Background

Based on the 7 main risk management standards¹, the following areas of best practice have been adopted by Powys County Council, to form the Powys Risk Management Standard that all will be utilised at a corporate, service, programme, project and operational level.

1.3.2 The Powys Risk Management Standard

Governance and infrastructure

Powys County Council adopts a cross organisation management of risk approach with executive level sponsorship, policies, standardised processes and defined accountabilities communicated through the organisation. Management of risk is integral to planning and performance and there is a clear vision of risk appetite.

Risk identification, assessment and prioritisation

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

Risk treatment and control

Controls are tested and actions plans developed and implemented where necessary – risk management and risk transfer decisions are fully informed.



Reporting, monitoring, and communication

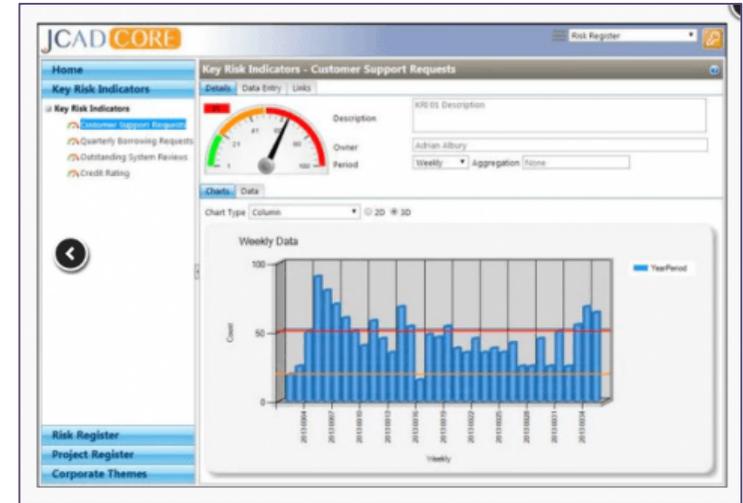
Powys County Council has a strong governance framework in place to facilitate risk reporting and monitoring at all levels. Reporting is supported by JCAD Core. Powys County Council Management fully understand and monitor the risks the organisation faces and the benefits of effective risk management. Independent assurance is sought where required.

Culture

Powys County Council has a risk aware culture where colleagues understand the benefits of risk management and have the knowledge, skills, and tools to embed the management of risk process.

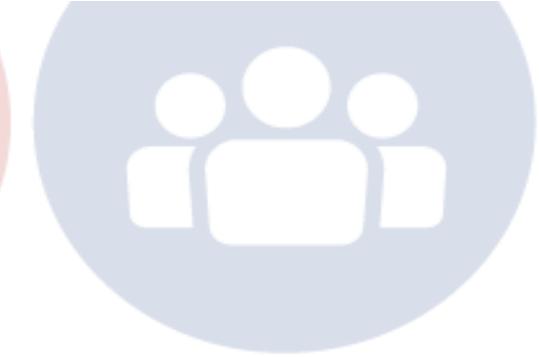
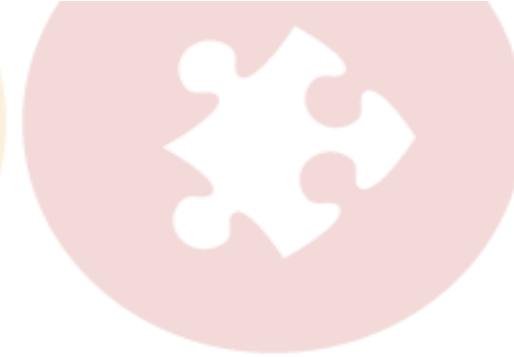
Partners/Third Parties

When working with external organisations, Powys County Council has robust risk management processes in place. This framework is jointly applied when working in partnership.



¹Management of Risk (M_o_R), BS 31100:2011, BS 6500:2014, HM Treasury: The Orange Book, Australian/New Zealand Standard AS/NZS 4360, A risk management standard: what does risk management look like.





Section 2

The Risk Management Approach in Powys County Council

From risk to results, resilience and reward

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2.1 Policy Statement

2.1 Policy Statement

Powys County Council recognises risk management is a vital activity that both underpins and forms part of our vision, values and strategic objectives.

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. We seek to embed risk management into the culture of Powys County Council and the behaviour of all people involved in the management, operation and development of Powys County Council. Risk management needs to be embedded throughout all processes, projects and strategic decisions, including procurement and contracting which will ensure partnerships and third party relationships are fully compliant with the risk management policy and strategy of Powys County Council.

The aim for our risk management framework is that it will be fit for purpose, reflect our size and the nature of our various operations and use our skills and capabilities to the full. In order for risk management to be most effective and become an enabling tool, we must ensure we have a robust, consistent, communicated and formalised process across Powys County Council.

In order to obtain a clear picture of which risks will threaten the ability of Powys County Council to achieve its objectives it is important the level of risk which the Cabinet and Executive Management Team considers acceptable for the organisation to be exposed to, that is the risk appetite of Powys County Council, is defined.

This risk management Policy Statement and supporting documentation form an integrated framework that supports Powys County Council in the effective management of risk. In implementing our management of risk system we seek to provide assurance to all our stakeholders that the identification and management of risk plays a key role in the delivery of Vision 2025 and other strategic objectives.

We will involve, empower and give ownership to all of our staff in the identification and management of risk. Management of risk activity will be regularly supported through discussion and appropriate action by the Executive Management Team and Cabinet. This will include a thorough review and confirmation of the significant risks, evaluating their mitigation strategies and establishing supporting actions to be taken to reduce them to an acceptable level. Managing risks will be an integral part of both strategic and operational planning and the day-to-day running, monitoring, develop and maintaining of Powys County Council.



2.2 Risk Management Structure

2.2.1 Risk Management Structure

In order for risk management to be embedded fully within Powys County Council, all employees at all levels of the organisation have a responsibility for managing risk in their own work, their wider service, directorate, and at a corporate level. As such the risk management structure of Powys County Council is build on, and aligned with existing structures and reporting lines. Roles and responsibilities for risk management are set out in 2.2.2.

2.2.2 Roles and Responsibilities

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Cabinet

- Approve the risk management policy, strategy, and framework.
- Review the key risks to the organisation and the controls that are in place and provide assurance to stakeholders that the risks are being effectively managed.
- To ensure that risk is considered as part of the decision making process.
- To review the content of the Corporate Risk Register, ensuring procedures are in place to monitor the management of significant risks.
- To review the Council's approach to risk management and approve changed or improvements to key elements of its processes of procedures.

Elected Members

- To understand the strategic risks that the Council faces.
- To understand how these risks are being managed.
- To consider the risks associated with recommendations put forward to the Council.

Audit Committee

- Gain assurance that risk management is being properly undertaken.
- Take an overview of, and provide scrutiny of the risk management arrangements across Powys County Council.
- Understand the requirements of the Civil Contingencies Act, and how the organisation manages its contingency plans.
- Review risks arising through key partnerships and ensure that these risk are adequately managed.
- Ensure insurance and other risk financing is used effectively.



Internal Audit/SWAP

- Create an audit plan that is aligned to the top risks.
- Review/challenge the effectiveness of the management of risk framework.
- Review the progress of planned actions.
- Test and validate existing controls.

Business Continuity and Risk Management Officer

- Coordinate the management of risk activity.
- Develop and maintain the risk management policy, strategy, framework, methodologies, and tools for the management of risk.
- Highlight any significant new or worsening risks to Executive Management Team/Cabinet for review and action.
- Assist in the delivery of the management of risk process and aggregation of risk profiles across the organisation.
- Provide guidance, training, and advice on the management of risk.
- Provide the link between risk management and the other related disciplines (insurance, business continuity, emergency planning, and health and safety).
- Promote and share management of risk best practice across the organisation.

Risk Champions

- Be responsible for the recording of risk management within their Service Area using the JCAD Core software.
- 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 across the Risk Champion network.

Executive Management Team

- Regularly review the risk management policy, strategy, and framework to ensure that it underpins Vision 2025, and the wider strategy and objectives of Powys County Council.
- Agree on the risk appetite for the organisation.
- Review the key risks across the organisation, 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 organisation's risk management strategy.
- Create an environment and culture where risk management is promoted, facilitated, and appropriately undertaken by the organisation.



Service Management Teams

- Manage risk effectively in their area of responsibility.
- 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.

Directorate Management Teams

Ensure the risk management process and risk reporting procedures are completed, as per the Powys County Council Risk Management Strategy, for each area under their responsibility.

- Monitor the key risks in each area of their responsibility.

Operational Managers

- To manage risk effectively in their area of responsibility.
- To complete the risk management process and risk reporting procedures as per Powys County Council guidelines.
- Complete, track, and monitor the progress of action plans.

Programme/Project Managers

- To record all risks associated their programmes/projects.
- To ensure that when necessary risks are escalated to the relevant service/corporate risk register.

All staff

- To comply with the risk management processes and guidelines of Powys County Council
- To identify both opportunities and hazards, and to raise these with their line manager.
- To take appropriate action to benefit from opportunities, or limit the likelihood and consequences of risks.

Wales Audit Office

- To undertake assessments on the performance of Powys County Council.
- To use risk information to feed into the improvement agenda.



2.2 Risk Management Structure

2.2.3 Escalation

Service/Corporate Risks

Typically identified risks will escalate through the organisation as follows. However this is not prescriptive, risks can be identified at any level. Not all risks will complete the escalation process, they will be treated (and held) at the most appropriate level.



Programme Risks

Due to additional governance, programme risks will escalate as follows:



2.3 Risk Appetite

2.3.1 Risk Appetite

In accordance to ISO31000 our risk appetite is the amount and type of risk that Powys County Council is willing to pursue or retain. Our risk appetite helps us to determine what a material risk is; what is a high risk is and what a low risk is. By deciding risk appetite, Powys County Council are able to more effectively prioritise risk for mitigation, better allocate resources, and demonstrate more robust decision making around project/programme initiation.

Our risk appetite will change over time, and as such the Powys County Council Risk Appetite Statement will be subject to annual review. In addition to the corporate risk appetite, each individual Service Area should define their risk appetite and record it on their risk register.

2.3.2 Powys County Council Risk Appetite Statement

As a large and diverse organisation, it is recognised that appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply throughout the organisation. Corporately, Powys County Council has an open risk appetite, and specific risk appetites are set out in the relevant risk register. This enables us to be consistent across the Council, and to encourage a balance between caution and innovation. It also avoids resources being spent on further reducing risks that are already at an acceptable level based on risk appetite.

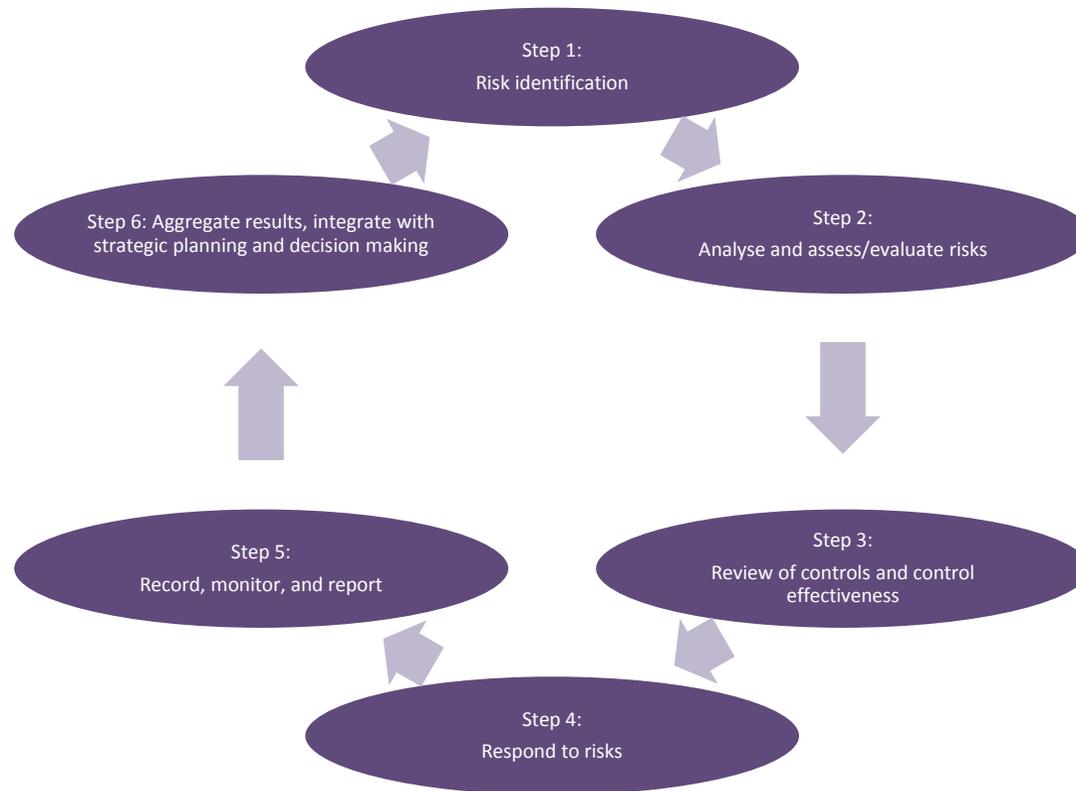
Powys County Council will take fair, measured and targeted levels of risk in order to achieve Vision 2025 and our other strategic objectives. We will be innovative and consider all potential business and service options choosing those options in risk terms that are most likely to result in successful delivery (particularly a visible increase in the level and quality of services to our residents), but at the same time will provide an acceptable level of return to the Council, a reduction in Council's operating costs and in the generation of target savings, operating efficiencies as required by the current climate of financial prudence in local government.



2.4 Risk Management Process

2.4.1 Summary

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. The risk management process that adopted by Powys County Council is summarised in the below diagram.



2.4 Risk Management Process

2.4.2 Risk Identification

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 project, programme, service, and corporate level.

Risk Identification Techniques

There are a variety of techniques and methodologies that can be used to identify risks within Powys County 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?

The risk identification process should also include:

- Analysis of previous losses, events, incidents, or lessons learnt?
- Technical briefings, national reports, and networking.

A general overview checklist of risks, or risk universe, to assist in identifying key risks is included as Appendix C.

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

- Questionnaires;
- Interviews;
- Workshops;
- SWOT analysis;
- PESTLEC analysis;
- Bowtie analysis.

The Business Continuity and Risk Management Officer is able to facilitate risk identification workshops, or to provide guidance on any of these techniques.



2.4 Risk Management Process

2.4.2 Risk Identification

Recording Risks

Powys County Council records all risk using the electronic risk management system, JCAD Core. This system forms the risk register at a corporate, service, and programme level.

JCAD Core is administered by the Risk and Resilience Team, and managed throughout the organisation by Risk Management Champions. Key officers have been provided with training in the use of this system. Further training is available on request from the Business Continuity and Risk Management Officer.

During the risk identification process you should aim to complete the following columns in the risk register:

- Risk ID: unique number/letter that will follow the risk for the duration of the processes to enable monitoring and reporting.
- Date identified: when was the risk identified?
- Source: who was the risk identified by?
- Risk level: What level of Powys County Council will this risk impact? Is it a corporate risk, or specific to a certain Directorate, Service, Programme, or Project.

- Risk title: 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.
- Consequence: the consequence to your organisation should the risk materialise? More than one consequence can be recorded for each risk.
- 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.

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 business of threats and opportunities that it faces in the delivery of Vision 2025. It is part of the Council's internal governance and performance frameworks and is used to ensure the organisation operates effectively.



2.4 Risk Management Process

2.4.2 Risk Identification

Risk Registers

Powys County Council expects all Service Areas (as outlined on the January 2018 Organisational Structure) and Vision 2025 Programmes to be using the JCAD Core Risk Management System to record 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 on a quarterly basis. For Powys County Council Services, relevant Portfolio Holders will expect to see the risk registers as part of their Quarterly Performance Review.

Page 28 The Directorate Risk Registers detail the highest risks faced by each Directorate in delivering their Directorate Plan. They also include significant issues that have impacted the Directorate objectives. These risk registers are owned by the relevant Directors, and are reviewed on a quarterly basis by the Directorate Management Team.

The Corporate 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 Vision 2025. Risks with a current risk score of 14 or above on the Matrix (Appendix D), will be escalated for inclusion in the Corporate Risk Register. The Corporate Risk Register is the means by which members and leaders of Powys County Council will be focused on the strategic and business critical risks, and review the effectiveness of risk management arrangements to monitor these risk. The Corporate Risk Register is owned by the Executive Management Team and used by them and Cabinet to ensure the highest risks are being managed effectively.

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, and business continuity planning.



2.4 Risk Management Process

2.4.3 Analyse, Assess/Evaluate Risks

The risks that have been identified need to be assessed so that Powys County Council can prioritise mitigation actions towards better controlling those risk areas that are most likely to prevent or hinder the achievement of Vision 2025 and our related objectives. Powys County Council use a set criteria (risk matrix) for the analysis of risks (both threats and opportunities). This assessment criteria has been agreed by Cabinet and Executive Management Team. The risk matrix is appended to this document.

Assessment Techniques

Risks need to be assessed in terms of the probability of them occurring and the impact they may have if they do. This gives an indication of the inherent risk before any planned control measures and/or any mitigating controls are considered. We need to adopt a consistent approach to the assessment of probability and impact so that risks can be compared across the whole authority. The

Likelihood is scored based on the likelihood of the risk occurring (low, medium, high, very high).

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 Low, Medium, High or Very High. The ratings of each consequence are likely to be mixed, for example the consequence of a risk happening may be moderate in terms of financial implications, but may have a significant impact on the Council's reputation.

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.

Once the likelihood and impact have been established the overall risk level can be calculated, either using the Risk Matrix or by using the below calculation:

Overall Risk Level = Likelihood x Impact

These scores and the risk colour (based on the traffic light system) are then recorded using the JCAD Core system. It is important to note that the same risk matrix is used for both threats and opportunities.



2.4 Risk Management Process

2.4.4 Response to Risk

Many of the risk 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. Risks which are deemed to be at an unacceptably high level will require additional treatment. Risk that are at an unacceptably high level are those that exist outside of either the Service or wider Powys County Council risk appetite.

Risk Treatment

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For those negative risks which require additional treatment, there are four primary responses; terminate, transfer, treat, or tolerate:

- Terminate: implies that a risk is undesirable, for example it does not fit with Vision 2025, it offers unattractive rewards, or it is outside of our risk appetite. Examples of how to terminate a risk include, divesture or stopping a certain process, activity, or project completely.
- 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.
- 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.

If a risk is to be treated, it is vital that an action plan is developed by the risk owner in collaboration with relevant stakeholders. Actions plans should be used as a tool for assigning and monitoring additional actions that have been identified to mitigate the risk.

- At a minimum, the action plan should include:
- The action to be completed;
- The officer responsible for completing this action;
- The target completion date.

This information should be included in the risk register. Treatment options for opportunity risk are covered in Section 2.5.3.



2.4 Risk Management Process

2.4.5 Record, Monitor and Report

In Powys County Council risk are reported using the JCAD Core system. The purpose of risk reporting is to:

- Monitor and report on the effectiveness of the risk management process to senior managers and elected members.
- 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 and filtered back to the organisation in a timely manner.
- Focus on the most significant risks, ensuring adequate responses are actioned.
- Compare results against benchmarks.
- Show trends of early warning indicators for key risks.

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Currently risk is reported on a quarterly basis to:

- Service Management Teams;
- Directorate Management Teams;
- Executive Management Team;
- Audit Committee;

This reporting will provide these groups with the assurance that all risk exposures have been identified, impacts assessed, and mitigating controls evaluated. Any of these groups can ask for clarification or a risk, raise or lower its reporting level, or ask for additional treatment to be undertaken on a risk.

The management of risk process must be continuous, and as such in addition to this quarterly reporting, all risk registers will be fully reviewed on an annual basis. This review of risk registers will take place at the same time as this toolkit is reviewed, that is during the Quarter 1 reporting period.

All risks should be reported using the JCAD Core software. Two reports should be generated on a quarterly basis the **Risk Report** and the **Risk Register**. The risk report provides a high level summary of all the risks that are faced by that by the programme/service or corporately. Whilst the Risk Register gives a greater level of detail of the risk.

Full reporting instructions can be found in the JCAD Core user guide.



2.5 Integration of Risk Management

2.5.1 Integration with Programmes and Projects

Projects and programmes form a large part of the operations across Powys County Council, and inevitably risk is present in all programmes and projects. For Vision 2025 to achieve its intended outcomes, Powys County Council have chosen to implement a formal management of risk approach for programmes and projects. Each of the Vision 2025 programmes, has its own risk register, recorded on the JCAD Core system. Currently project risks are recorded using Excel spreadsheets, and are escalated at the discretion of the project manager. Templates are available from the Programme Office, and advice can be sought from either the Programme Officer or the Business Continuity and Risk Management Officer.

Benefits of programme/project risk management

Page 32 The benefits of taking a management of risk approach to programme and project management are:

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

Programme/project risk methodology

Powys County Council recommends that the processes outlined in this toolkit are applied to programme and project risk management, however there are some additional considerations:

- Risk Identification:
 - Should focus on the risks that may impact the achievement of the programme or project objectives;
 - Should be completed by key programme/project team members;
- Controls:
 - The cost/benefit of proposed action controls should be considered within the parameters of the programme/project;
 - Risk ownership should be allocated across the programme/project team.
- Monitoring and reporting:
 - Risk reporting should be integrated with established programme/project reporting lines;
 - Risks should be monitored at the beginning of each stage of the project.



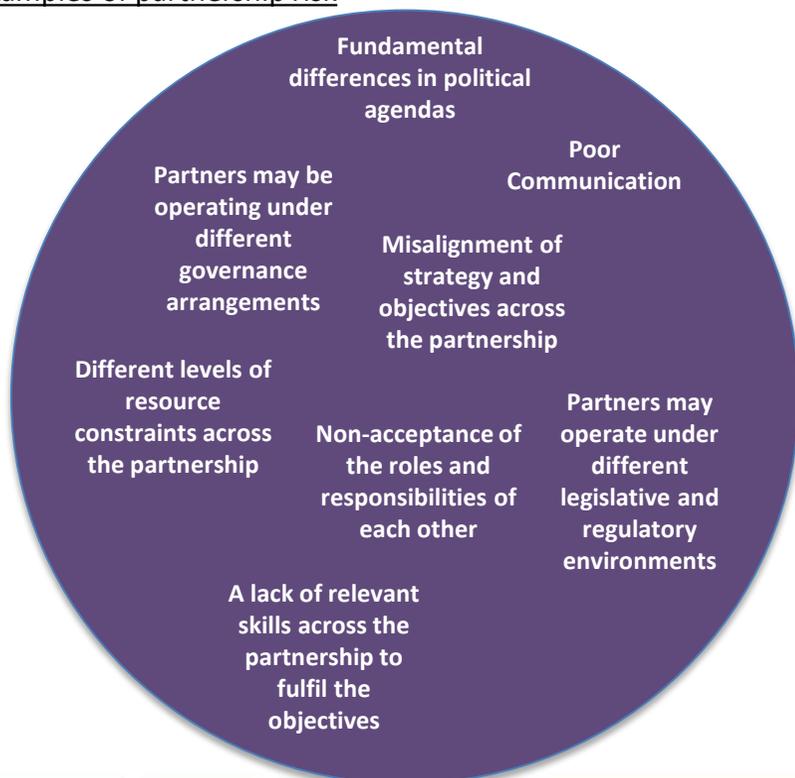
2.5 Integration of Risk Management

2.5.2 Partnerships and Third Parties

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.

Examples of partnership risk

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Partnership risk methodology

Powys County Council recommends that the processes outlined in this toolkit are applied to partnership risk management, however there are some additional considerations:

- Risk Identification:
 - Should focus on the risks that may impact the achievement of the objectives of the partnership;
 - All key partners should be involved.
- Controls
 - Risk ownership and responsibility for auctioning 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 and progress of action plan 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.



2.5 Integration of Risk Management

2.5.3 Opportunity Risk Management

It has been identified that Powys County Council need 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.

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 Project/Programme/Service Risk Registers. A stand alone Corporate Opportunity Risk Register exists.

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.
 - The aim with opportunities is to maximise the scores for impact and likelihood.
- Action plans:
 - Rather than risk treatment, opportunity responses will need to be considered. For examples exploit, share, enhance, and accept.

Benefits of opportunity management

Powys County Council will achieve the following benefits by adopting an opportunity management approach:

- 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 meaning minimal additional training.
- More realistic budgetary and schedule contingency management by including potential upside impacts as well as downside impacts.
- Proactive opportunity management of risk.



2.6 Risk Management Culture

2.6 Risk Management Culture

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

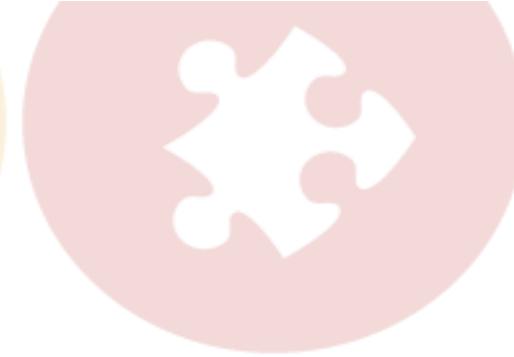
Training

It is vital that Powys County Council Officers and Members understand the risk management strategy, the risk management process, and their roles/responsibilities in it.

Initially Risk Management Champions will be offered training into the risk management approach at Powys County Council, and will be fully trained in using the JCAD Core Risk Management System. This training will then be rolled out to all Officers, Cabinet, and wider Elected Members.

The training will be tailored to each of these different groups. If you would like any specific training provided, please get in touch with the Business Continuity and Risk Management Officer.





Appendices

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From risk to results, resilience and reward

Appendix A1: Glossary

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

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

Control owner: A control owner is the individual assigned for the 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: Impact (often referred to as consequence) to the organisation should the risk materialise.

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

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): 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 organisation 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 organisation that is created for the purpose of delivering one or more products according to a specified business case.

RAG Analysis: 'RAG Analysis' describes a process whereby complex data can be displayed in 'traffic light' or Red-Amber-Green (RAG) format.

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

Risk ISO 31000: Effect of uncertainty on objectives.

Risk Analysis: A systematic 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, is willing to accept.



Appendix A2: Glossary

Risk Assessment Criteria: The terms of reference by which the significance of risk is assessed.

Risk Category: Represents a collection or group of risk types with a common denominator (e.g. strategic, operational, people, legal/regulatory, financial, hazard).

Risk Cause: A description of the source of the risk, i.e. the event or situation that gives rise to the risk.

Risk Management/Management of Risk ISO 31000: 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: A single individual who is nominated and responsible for the monitoring and reporting of a risk.

Risk Perception: An individual's subjective view of risk, based on a set of values and / 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 (e.g. reporting the situation to senior management for action).

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

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



Appendix B: Risk Appetite

The below, adapted from the Institute of Risk Management document, 'Risk Appetite and Risk Tolerance', outlines an approach to developing a risk appetite statement. These questions should be used by Powys County Council Service Areas in order to develop a risk appetite statement.

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1. Is the Service Management Team clear about the nature and extent of the significant risks it is willing to take in achieving its strategic objectives?
2. What are the strategic objectives? Are they clear? What is explicit and what is implicit in those objectives?
3. What are the significant risks are the Service willing to take? What are the significant risks the Service is not willing to take?
4. What steps has the Service taken to ensure oversight over the management of the risks?
5. Does the Service need to establish clearer governance over the risk appetite and tolerance of the Service?
6. How mature is management of risk in Powys County Council? Is the view consistent at differing levels of the organisation? Is the answer to these questions based on evidence or speculation?
7. What specific factors should the risk appetite take into account in terms of the business context? Risk processes? Risk systems? Management of risk maturity?
8. At which levels would it be appropriate for the Service to consider risk appetite?
9. What are the main features of the Service risk culture in terms of tone at the top? Governance? Competency? Decision making?
10. How much does the Service spend on management of risk each year? What are the business, regulatory or other factors that will influence the relative importance of the Service Area's propensity to take risk and its propensity to exercise control at strategic, tactical and operational levels?
11. Does the Service Area understand clearly why and how it engages with risks?
12. Is the Service Area addressing all relevant risks or only those that can be captured in management of risk processes?
13. Does the Service Area have a framework for responding to risks?
14. What approach has the Service Area taken to measuring and quantifying risks?
15. Has the Service Area followed a robust approach to developing a risk appetite?
16. Who are the key external stakeholders and have sufficient soundings been taken of their views? Are those views dealt with appropriately in the final documentation?
17. Is the risk appetite tailored and proportionate to the Service Area?
18. Did the risk appetite undergo appropriate approval processes, including at Service Management Team?
19. What is the evidence that the Service Area has implemented the risk appetite effectively?



Appendix C: Risk Universe

This Risk Universe supports the risk identification stage of the risk management process. It provides you with a guide to the risks you should be considering 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 our vision and strategic objectives.

- Heavy snow fall leads to major transport disruption.
- A change in government policy diverts funding focus away from our activities.
- A Committee Member fails to fulfil their responsibilities to Powys County Council.
- 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.
- Loss of position in the community due to competition from similar local organisations.
- 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 organisation and one of its partners.
- 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.



Appendix C: Risk Universe

Operational Risks

Uncertain future events that could negatively impact the day to day operations of your organisation.

- 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 is 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.



Appendix C: Risk Universe

Financial Risks

Uncertain future events that could negatively impact the financials of your organisation.

- Increase in pension fund liabilities.
- Inability to meet monthly pension payments.
- Negative movements in the interest rate, significantly decreasing return on investment.
- 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.

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Hazard Risks

Uncertain future events that could negatively impact on Powys County Council, caused by a hazards 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 D1: 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.

Risk Matrix

		THREATS				OPPORTUNITIES					
Likelihood	Very High (4)	4	12	20	28	28	20	12	4	Very High (4)	Likelihood
	High (3)	3	9	15	21	21	15	9	3	High (3)	
	Medium (2)	2	6	10	14	14	10	6	2	Medium (2)	
	Low (1)	1	3	5	7	7	5	3	1	Low (1)	
Likelihood x Impact = Overall Risk Level		Low (1)	Medium (3)	High (5)	Very High (7)	Very High (7)	High (5)	Medium (3)	Low (1)	Likelihood x Impact = Overall Risk Level	
		Impact (Negative)				Impact (Positive)					

Likelihood Guidance

Likelihood Ratings				
Likelihood	Low (1)	Medium (2)	High (3)	Very High (4)
Description	Might happen on rare occasions.	Will probably happen, possibly on several occasions.	Will probably happen at regular intervals.	Likely to happen, possibly frequently.
Numerical Likelihood	Less than 10%	Less than 50%	50% or more	75% or more

Appendix D2: Risk Assessment Matrix

Severity of Impact Guidance

Note: Risk to be assessed against all categories, and the highest score used in the matrix.

	Impact Levels			
Impact Category	Low (1)	Medium (3)	High (5)	Very High (7)
Service Provision	Limited effect (positive or negative) on service provision. Impact can be managed within normal working arrangements.	Noticeable and significant effect (positive or negative) on service provision. Effect may require some additional resource, but manageable in a reasonable time frame.	Severe effect on service provision or a Corporate Strategic Plan priority area. Effect may require considerable additional resource but will not require a major strategy change.	Extremely severe service disruption. Legal action. Effect could not be managed within a reasonable time frame or by a short term allocation of resources, and may require major strategy changes. The Council risks special measures. Officer/Member forced to resign.
Communities	Minimal impact on community.	Noticeable (positive or negative) impact on the community or a more manageable impact on a smaller number of vulnerable groups/individuals which is not likely to last more than six months.	A more severe but manageable impact (positive or negative) on a significant number of vulnerable groups/individuals which is not likely to last more than twelve months.	A lasting and noticeable impact (positive/negative) on a significant number of vulnerable groups/ individuals.
Environmental	No effect (positive or negative) on the natural and built environment.	Short term effect (positive or negative) on the natural and or built environment.	Serious local discharge of pollutant or source of community annoyance that requires remedial action.	Lasting effect (positive or negative) on the natural and or built environment.
Financial (loss/gain)	Under £0.5m.	Between £0.5m - £3m.	Between £3m - £5m.	More than £5m.
Legal/regulatory	No significant legal implications or action is anticipated	Tribunal/Powys County Council legal team involvement required (potential for claim).	Criminal prosecution anticipated and/or civil litigation.	Criminal prosecution anticipated and or civil litigation (> 1 person).
Personal safety	Minor injury to citizens or colleagues.	Significant injury or ill health of citizens or colleagues causing short-term disability/absence from work.	Major injury or ill health of citizens or colleagues may result in. long term disability/absence from work.	Death of citizen(s) or colleague(s). Significant long-term disability/absence from work.
Programme/project management	Minor delays and/or budget overspend, but can be brought back on schedule with this project stage. No threat to delivery of the project on time and to budget and no threat to identified benefits/outcomes.	Slippage causes significant delay to delivery of key project milestones, and/or budget overspends. No threat to overall delivery of the project and the identified benefits / outcomes.	Slippage causes significant delay to delivery of key project milestones; and/or major budget overspends. Major threat to delivery of the project on time and to budget, and achievement of one or more benefits / outcomes.	Significant issues threaten delivery of the entire project. Could lead to project being cancelled or put on hold.
Reputation	Minimal and transient loss of public or partner trust. Contained within the individual service.	Significant public or partner interest although limited potential for enhancement of, or damage to, reputation. Dissatisfaction reported through Council Complaints procedure but contained within the Council. Local MP involvement. Some local media/social media interest.	Serious potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Dissatisfaction regularly reported through Council Complaints procedure. Higher levels of local or national interest. Higher levels of local media/social media interest.	Highly significant potential for enhancement of, or damage to, reputation and the willingness of other parties to collaborate or do business with the council. Intense local, national and potentially international media attention. Viral social media or online pickup. Public enquiry or poor external assessor report.