Risk Management

Policy, Strategy and Methodology

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Executive Summary

Powys County Council is committed to a proactive approach to risk management. The Council recognizes the value of maintaining an effective risk management culture and will seek to identify, analyse, manage and control the risks it faces. The Council acknowledges that risk cannot be totally eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving.

Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

Risk Management is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

The Council recognizes that a certain element of risk is unavoidable. However, it also recognizes that effective Risk Management will deliver both tangible and intangible benefits.

Corporate Risk Register

The Corporate Risk Register aims to identify the main risks facing the Council so that elected Members and Management Team can make informed decisions and prioritise actions, with these high level risks in mind. The Business Continuity & Risk Management Officer, Management Team, Audit Committee and Cabinet ensure the register remains relevant and captures any new and emerging strategic risks facing the Council.

The Corporate Risk Register is a controlled document held centrally by the Business Continuity & Risk Management Officer. It is important that a proactive approach to mitigating the strategic risks and a robust monitor process is followed. In order to recognize the importance of monitoring and reviewing the Corporate Risk Register, the quarterly review is considered by Audit Committee, Management Team and Cabinet.

Service Risks

Service Improvement Plans will identify clear business objectives and link these to the risks that may prevent the objectives being achieved. The risks identified are to be captured within the SIP.

Service Management Teams will also identify risks to the day to day operation of their business. These need to be identified, risk assessed and action taken to reduce or mitigate the risks wherever possible. It is important that these risks are captured and associated actions monitored in the same way as for those risks that may result in failure to meet an objective.

Programmes and Projects

With all programmes and projects, it is vitally important that risks are identified and assessed early in the planning process.

Risk management should assist in identifying any potential for a project to fall outside the agreed constraints of time, cost, quality and scope. A Project Risk Register should be developed and maintained throughout the life of a project and risks monitored closely and regularly reported to the Project Board.

Where projects are attached to a programme, project-level risk management will inform the Programme Risk Registers. A Programme Risk Register covers risks to the programme’s broader, higher-level objectives and considers risks that may affect a programme that may not be considered within individual projects. It also includes common or aggregated risks from projects.

Powys County Council's Risk Management Policy Statement

Powys County Council is committed to a proactive approach to risk management. The Council recognises the value of maintaining an effective risk management culture and will seek to identify, analyse, manage and control the risks it faces. The Council acknowledges that risk cannot be totally eliminated and may sometimes need to be embraced as part of an innovative approach to problem solving.

The Council is, within the above context, committed to the management of risk in order to: -

- Ensure that statutory obligations and policy objectives are met;
- Prioritise areas for improvement in service provision and encourage meeting or exceeding customer and stakeholder expectations;
- Safeguard its employees, clients or service users, Members, pupils, tenants and all other stakeholders to whom the Council has a duty of care;
- Protect its property including buildings, equipment, vehicles, knowledge and all other assets and resources;
- Identify and manage potential liabilities;
- Maintain effective control of public funds and efficient deployment and use of resources, achieving value for money;
- Preserve and promote the reputation of the Council;
- Support the quality of the environment;
- Learn from previous threats, opportunities, successes and failures to inform future management of risks.

These aims will be addressed by systematically identifying, analysing and evaluating, cost effectively controlling and monitoring risks at strategic, programme, project and operational levels.

Members are responsible for ensuring that arrangements are in place for delivering an effective Risk Management Strategy in accordance with this policy. Risk management strategies and processes are to be reviewed for efficiency and effectiveness as part of the annual management review cycle.

It is the responsibility of the Management Team to ensure that risk management strategies and processes are implemented and brought to the attention of relevant staff in their Directorate. Every employee has a responsibility to support the Council's policy in managing risk.

Risk Management Strategy

Purpose

The purpose of the Strategy is to establish a framework for the systematic management of risk within the Council which will ensure that the objectives of the Council's Risk Management policy are realised.

Objectives

The objectives of this Strategy are: -

- Identifying the scope of risk management;
- Embedding and integrating risk management into the culture of the Council;
- Assignment of roles, responsibilities and accountability for risk management activities within the Council;
- Raising the awareness of the need for risk management by all those connected with the Council's delivery of services;
- Prevention of injury, damage and losses to reduce both the financial and reputational cost of risk;
- Enhanced realisation of opportunities and resulting benefits;
- Ensuring consistency throughout the Council in the management of risk.

These objectives will be achieved by: -

- Incorporating risk management considerations into all levels of corporate planning;
- Incorporating risk management considerations into all levels of programme, project and partnership arrangements;
- Regular monitoring and reporting of risk to identify trends and likely direction of risks for Members and Management Team to be aware of when making decisions.

Definitions

Risk is the combination of the probability of an event and its consequence. Consequences can range from positive to negative.

Risk Management is a process which aims to help organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

The Council recognises that a certain element of risk is unavoidable. However, it also recognises that effective Risk Management will deliver both tangible and intangible benefits.

The Benefits of having a Risk Management Strategy

Risk Management is a management tool which forms an important part of the Council's governance arrangements. Risk Management is not simply a compliance issue but rather a way of viewing what we do and whether there is a significant impact on our ability to operate safely and ensure long-term viability. It is critical to success and a focal point for senior management and Members. It is critical to success and a focal point for the Management Team and Members. It helps us to demonstrate openness, integrity and accountability in all of our dealings.

Benefits of Risk Management

- Improved efficiency of operations;
- Protected reputation of the Council;
- Better mitigation of key risks;
- Protection of budgets from unexpected financial losses or increased ability to secure funding;
- Increased uncertainty and fewer unwelcome surprises;
- Better delivery of intended outcomes;
- Supports the achievements of the Council's objectives;
- Demonstrates good governance;
- Increased effectiveness of change programmes and projects;
- Improved management information to inform decision making;
- Maximise opportunities;
- Reduced losses arising from workplace accidents and illnesses;
- Enhanced political and community support;
- Protection of Council assets;
- Improved corporate planning;
- Mitigation or reduction of potential loss after an event has occurred.

All of these benefits are achievable but risk management requires: -

- A supportive organisation;
- A clearly defined and understood process;
- A robust methodology;
- Leadership;
- Stakeholder buy-in;
- Committed individuals.

Risk Appetite

An important stage in the Risk Management process is the identification of an organisation's 'Risk Appetite'. In other words, what level of risk is the organisation prepared to tolerate before it takes protective action. The decision to accept a risk is based partly on a manager's view of the tolerance level of that particular risk. One of the aims of this document is to help managers view risks in a consistent way across all service areas, and ensure the Council has a balanced risk appetite. It is worth noting that not every risk will require an action; in some cases an organisation will decide not to take action to mitigate a risk but in doing so it will need to carefully assess the potential impact of such a course of action.

It is increasingly important for the Council to identify innovative solutions and to explore new approaches in carrying out its operations. Such opportunities will naturally bring new risks, both specific to the opportunity identified and in a wider context to the Council. The Council's risk appetite in relation to the opportunity needs to be assessed and value for money decisions taken to decide the cost appropriate to incur to achieve a certain level of control in respect of that risk. The Council is not risk averse but will accept risk at a tolerable level that is acceptable to the Council's risk appetite.

Only in extreme circumstances will it be found that value for money can be achieved by the total elimination of risk from any given situation. It is more likely that limited risk management controls combined with monitoring of remaining exposures will achieve a value for money situation.

Opportunity Risk Management

Most risk management standards and guidelines recognise the upside of risk management rather than the negative threats that face an organisation. The concept of opportunity risk management can be more difficult to grasp due to the associations that risk has to negative consequences.

Risk management is about managing uncertainties. Many uncertainties may have negative impacts (threats) whilst others may have beneficial ones (opportunities). Effective risk management is about minimising the likelihood and impact of threats, whilst maximising the likelihood and impact of opportunities. Identifying and making the most of potential opportunities will be of heightened importance in the coming years due to the size and scale of challenges facing Local Government.

Risk Management in Context

The Wales Programme for Improvement sets out a 'general duty to improve'. Delivering high quality services and addressing multiple community needs is understood as being complex. Therefore arrangements are put in place which enables the Council to effectively understand local needs and priorities and make the best use of resources and capacity to meet them. Part of these arrangements focus on managing risk by identifying the risks to citizens, risks associated with service provision and the risks around managing performance.

Effectively risk management is at the heart of good governance and needs to be embedded throughout all levels of the organisation. As part of the decision making process, elected Members, through the Cabinet, Scrutiny and other Committees, will determine whether the Council is 'risk taking' or 'risk averse', on specific issues and ensure risks are considered as part of every Cabinet report decision. They should also ensure procedures are in place to monitor the management of all risks and that these are being actively managed, with the appropriate controls in place.

Greater involvement and awareness of risk management regarding the implications of decisions taken by Members is part of the continual improvement of corporate governance and risk management. The emphasis is on being risk aware rather than risk averse. Part 4 of the Council's Rules of procedure (intranet page 3432) addresses risk management and control of resources. The Rules of Procedure require Management Team to take responsibility for risk management, having regard to advice from the Strategic Director – Resources, and other specialist officers.

A further impetus to adopting risk management is that external auditors will be seeking assurance that the Council has effective and robust systems in place to manage risk. The Local Government (Wales) Measure 2009 sets out a framework for regulation and engagement to be delivered by Wales Audit Office as the Welsh Government's appointed auditor. The Council receives an 'Annual Improvement Report' that provides a judgement / opinion on the arrangements, appropriateness and their overall ability to support the Council in delivering services and improvements.

Embedding Risk Management within the Council

Corporate Risk Register

In order to support arrangements for good corporate governance it is necessary for the Council to have a clear statement of its overall position in relation to corporate risks and to review them on a regular basis. It is important to note that risks are liable to change as circumstances alter and the Corporate Risk Register presents the position at a point in time.

The Corporate Risk Register aims to identify the main risks facing the Council so that elected Members and Management Team can make informed decisions and prioritise actions, with these high level risks in mind. The process followed is to identify the risk and then to address it through the control environment and mitigations in place or planned within the Council. Best practice suggests that a Corporate Risk Register should highlight any significant risks faced by the Council, and ideally not have more than 25 risks. The Business Continuity & Risk Management Officer, Management Team, Audit Committee and Cabinet ensure the register remains relevant and captures any new and emerging strategic risks facing the Council.

Strategic risks may impact on a number of elements of the business e.g. governance, financial control or people. There may be instances where strategic risks are service specific which are considered significant, such that any risks associated with failure in these areas would have a major impact on the Council as a whole. The risks captured within the register are categorised as either even driven or ongoing. There are some areas which may remain on the register indefinitely which are categorised as ongoing high priority risks. For these, the important aspect is to continue to be able to demonstrate sound management, a proactive approach to mitigating the risks and a robust monitoring process.

The Corporate Risk Register is a controlled document held centrally by the Business Continuity & Risk Management Officer. It is important that a proactive approach to mitigating the strategic risks and a robust monitoring process is followed. In order to recognise the importance of monitoring and reviewing the Corporate Risk Register, the quarterly review is considered by Audit Committee, Management Team and Cabinet.

Service Risks

The One Powys Plan provides both our citizens and the Council with an understanding of what the priorities are for the Council. It is not a full plan for the Council as a whole as further objectives can be found in Service Improvement Plans. There is a relationship between the two planning regimes in that the: -

- One Powys Plan provides the key areas where improvements have been identified and in doing this, Cabinet and Management Team will need to be aware of the risks associated with delivering these priorities;
- Service Improvement Plans will identify clear business objectives and link these to the risks that may prevent the objectives being achieved. For each objective there may be a number of factors which result in failure and these need to be identified, assessed and where possible, action taken to mitigate or reduce the risk. The risks identified are to be captured within the SIP.

Service Management Teams will also identify risks to the day to day operation of their business. These need to be identified, risk assessed and action taken to reduce or mitigate the risks wherever possible. It is important that these risks are captured and associated actions monitored in the same way as for those risks that may result in failure to meet an objective.

Risk Management within Programmes and Projects

With all programmes and projects, it is vitally important that risks are identified and assessed early in the planning process. The Council has an internally developed set of programme and project management tools including the corporate risk register template and risk assessment methodology. This approach to managing change can be used for any project of any scale as risks are assessed throughout the project, with governance and internal controls aligned to the project's risk profile.

Risk management is integrated throughout the PQA programme and project lifecycle and aims to reduce the time to implement change, while improving the control of expenditure, reducing risk and improving the quality of outcomes for citizens.

Risk management should assist in identifying any potential for a project to fall outside the agreed constraints of time, cost, quality and scope. A Project Risk Register should be developed and maintained throughout the life of a project and risks monitored closely and regularly reported to the Project Board.

Where projects are attached to a programme, project-level risk management will inform the Programme Risk Registers. Key risks from the project risk register are reported through Project Highlight Reports in line with the reporting cycle to Programme Board. A Programme Risk Register covers risks to the programme's broader, higher-level objectives and considers risks that may affect a programme that may not be considered within individual projects. It also includes common or aggregated risks from projects.

Programme Risk Registers are captured within Excel spreadsheets, a template for which is available from the Programme Office.

Effective Programme & Project Risk Management requires:

- Management Team commitment to successful programme / project delivery and proactive risk management;
- Clearly defined roles and responsibilities at all levels within the programme and / or project, with responsibility and ownership of risk accepted and agreed;
- Early identification of risk, which informs programme / project scope and outputs;
- Proactive stakeholder engagement in the identification, mitigation and management of risk;
- Active management of risk throughout the lifecycle of the programme or project;
- Risk reporting integrated throughout the business change activity.

Risk Management within Partnerships

The Local Government Measure (Wales) 2011 places greater emphasis on collaborative working. Reduced public service funding is leading to more public services and community projects being delivered through different forms of partnership involving the public, private and third sector. These partnerships range from small local initiatives, to much larger agendas. As demand for services increase and public finances are reduced, it has become increasingly important for the Council to work in collaboration with other organisations to deliver more effective services for citizens. This is particularly relevant in Powys as it seeks to work more closely with communities through a community delivery model.

Increased collaboration and joint working has been at the heart of public service delivery for some time in Wales and covers both strategic issues through to operational issues. A large element of regional collaboration in Powys is undertaken under the umbrella of the Powys Local Service Board (LSB). The Powys LSB is a partnership between Powys County Council, Powys teaching Health Board, Dyfed Powys Police and Powys Association of Voluntary Organisations. It aims to improve the way the main public service organisations within Powys work together to tackle challenging issues, ensuring citizens receive better services.

Following the formal release of Welsh Government guidance on single integrated plans in 2012 (Shared Purpose Shared Delivery), we have a duty to produce a single integrated plan for the area that clearly reflects the needs of our local communities. For the first time, Powys County Council has integrated its own corporate improvement plan, the Powys Change Plan, into the single integrated plan. This will mean that the council will work alongside other LSB organisations to deliver efficient services, at a local level, according to the community’s needs.

Integrating the Council’s change plan into the new One Powys Plan demonstrates the Council’s commitment to collaborative working and the community leadership role it will take in the coming years. The One Powys Plan is the new transformational plan for the Powys LSB to enable us as partners to work together to provide improved outcomes for our citizens. As with all plans it will change as public service delivery changes with even greater collaboration and integration between public, private and voluntary bodies.

The use of risk management to mitigate risks whilst also exploring opportunities is key to ensuring that collaborative working arrangements contribute positively to service delivery. The risks associated with any collaborative activity should be considered before any agreement has been determined.

Example Partnership / Collaboration risks include: -

- Fundamental differences in political agendas;
- No agreed indicators for measuring each partner’s contribution and overall performance of the partnership;
- Partners may operate under different legislative and regulatory environments;
- A lack of relevant skills across the partnership to fulfil the objectives;
- Poor communication across the partnership;
- Non acceptance of the roles and responsibilities of each partner;
- Different levels of resource constraints across the partnership;
- Misalignment of strategy and objectives across partnerships;

- Failure to achieve efficiencies or other defined benefits of the partnership;
- Those involved in the partnership may be operating under different governance arrangements;
- Partners being inflexible and unwilling to change what they do and how they do it.

There are two distinct aspects to partnership / collaboration risks: -

- The risks associated with delivering the outcomes of the partnership / collaboration activities;
- The risks facing the Council when inputting to a partnership / collaboration activity and the implications for the Council should the activing fail to deliver what was agreed at the outset.

Effective partnership risk management requires: -

Effective partnership working is not an easy process and often requires a significant investment of time and energy to build trust between different partners and to develop the working relationships required to ensure successful delivery of the project or service. It is therefore crucial that: -

- The partnership will have a senior management team made up of members from all organisations, who support, own and lead on risk management;
- An approved risk management framework within which risks will be identified and managed on an on-going basis, this may be the risk matrix adopted from one of the partnering organisations;
- A partnership culture which supports well thought through risk taking opportunities and innovation;
- Risk management consideration to be embedded in management processes and consistently applied throughout all partnership activities.

Risk Management Roles and Responsibilities

The roles and responsibilities of individuals and groups to implement the strategy are as follows: -

Cabinet

The Cabinet has a fundamental role to play in the management of risk. Its role is to set the risk appetite and influence the culture of risk management within the Council, this includes: -

- Determining whether the Council is 'risk taking' or 'risk averse' as a whole or to relevant individual issues;
- Ensuring that risks are considered as part of every Cabinet report decision;
- To review the content of the Corporate Risk Register at least annually, ensuring procedures are in place to monitor the management of significant risks to reduce the likelihood of unwelcome surprises;
- Periodically review the Council's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

Elected Members

Elected members are responsible for effective governance in the delivery of services to the local community. Members have a responsibility to understand the strategic risks that the Council faces and will be made aware of how these risks are being managed through the annual strategic and service planning process. Elected members should consider the risks associated with recommendations put forward in reports to the various committees such as the Cabinet or Scrutiny Committees to name but a few, when making decisions recommended within the reports.

Executive Leader

The Executive Leader is the Portfolio Holder for risk management and plays an important role in raising the profile of risk management and promoting the benefits to Members, as well as promoting the accountability and responsibility of all staff within the Council, as set in Powys County Council's Risk Strategy.

Scrutiny Committees

In their role of scrutinising decisions taken by the Cabinet, Scrutiny Members should ensure that associated risks have been taken into account. Scrutiny Committees also have a role in bringing potential risks that may not have been previously identified to the attention of the Management Team.

Audit Committee

The Council's Audit Committee has responsibility for overseeing all aspects of risk management, governance and Internal Control. The Audit Committee will provide guidance and oversight to the management of risk, but also challenge the effectiveness of the risk management arrangements within the Council. The Audit Committee will look to seek assurance for the Council that risk management is being properly undertaken and at least annually provide an opinion on the risk management arrangements in place within the Council.

Chief Executive

The Chief Executive leads on the wider Corporate Governance agenda of which risk management is a part. The Chief Executive should support the Strategic Director – Resources in raising the profile of risk management and promoting the accountability of all staff within the Council.

Strategic Director – Resources

The Strategic Director – Resources plays an important role in raising the profile of risk management and promoting the benefits to officers, also promoting the accountability and responsibility of all staff within the Council as set in the Council's Risk Strategy. The Strategic Director – Resources should bring forward ideas from the Management Team to the attention of the Business Continuity & Risk Management Officer which they consider relevant to including on the Corporate Risk Register.

Management Team

The key roles of Management Team are to: -

- To review the content of the Corporate Risk Register at least quarterly, and to provide assurance to stakeholders that the risks are being effectively mitigated;
- Allocate sufficient resources to address strategic risks;
- Create an environment and culture where risk management is promoted, facilitated and appropriately undertaken within the Council;
- To identify emerging strategic risks and address them through the control environment, identifying any future mitigating actions.

Senior Management Teams (within Service areas)

The key role of SMTs are to: -

- Implement policies on risk management and internal control;
- To review the content of the Corporate Risk Register at least quarterly for which they are assigned risk owner;
- Identify the significant risks faced by the Council and take action to ensure these are reduced as effectively as possible, in line with the risk appetite set by the Cabinet;
- Undertake an annual review of effectiveness of the system of internal control, based on the assessment of risks within their Service;
- Promote the accountability and responsibility of all staff within the Council as set in Powys County Council's Risk Strategy;
- Ensure that risk management is incorporated into performance management, business planning, business change projects, partnership or collaborative activities;
- Be aware of the corporate requirements for risk management to aid the SMT in managing their risks. To ensure that an effective Risk Register is maintained and facilitate a regular review of this to provide assurance that risks are being monitored;
- Disseminate information on the major risks to the Business Continuity & Risk Management Officer.

Business Continuity & Risk Management Officer

The Business Continuity & Risk Management Officer supports the Strategic Director – Resources in championing risk management within the Council. The majority of the work involves implementing or enabling the key responsibilities listed below.

The key role of the Business Continuity & Risk Management Officer is to: -

- Maintain and develop risk management policies and procedures in accordance with best practice;
- Regularly review and update the Risk Management Policy, Strategy and Methodology for approval by the Cabinet and Management Team;
- To review the content of the Corporate Risk Register at least quarterly to ensure the content and the scoring of the risks is in context with the corporate risk appetite;
- Facilitate the training and development of managers and staff on risk management processes, procedures and implementation;
- Identify areas where risk management is not adequately addressed within core systems and advise the Management Team accordingly;
- Advise on any relevant matter that improves the effectiveness of risk management within the Council;
- Fundamentally to work with managers within service areas to identify and capture the key business risks;
- Drive risk management forward to raise its profile and promote its benefits, within the Council;
- Ensure best practice is followed by maintain links with risk management colleagues elsewhere

All Staff

All staff have a responsibility for identifying opportunities as well as hazards and risks in performing their day to day duties and taking appropriate action to take advantage of opportunities or limit the likelihood and consequences of risks. Staff identifying any matters associated with risks should refer these to their Line Manager who should ensure that they are duly considered.

External Audit – Wales Audit Office

Each year, the Wales Audit Office carries out Improvement Assessments on local authorities. These are complete assessments of each authority’s performance and cover the services it delivers, its priorities, and the way it organises itself to keep improving. Risk management is fundamental to the Council’s performance, risk information is used to inform decision making which feeds into the Council’s improvement agenda.

The Risk Management Methodology in Summary

1. Risk Identification

The process of identifying the events which might create, prevent, accelerate or delay the achievement of the Council's Strategic Objectives.

2. Risk Analysis & Assessment

Having identified a number of risks (threats / opportunities) the risks need to be analysed and scored using the Risk Assessment Matrix.

3. Risk Control

Once the processes of risk identification and risk analysis have been undertaken we then need to consider our risk appetite and how we are going to control the risks. The risk owner is the responsible person for deciding on the most appropriate course of action to implement.

4. Risk Monitoring

The final stage of the risk management process is often the one that gets forgotten about. Risks will constantly change and will therefore need to be reviewed in a timely and appropriate manner.

Integration with Strategic Planning & Decision Making

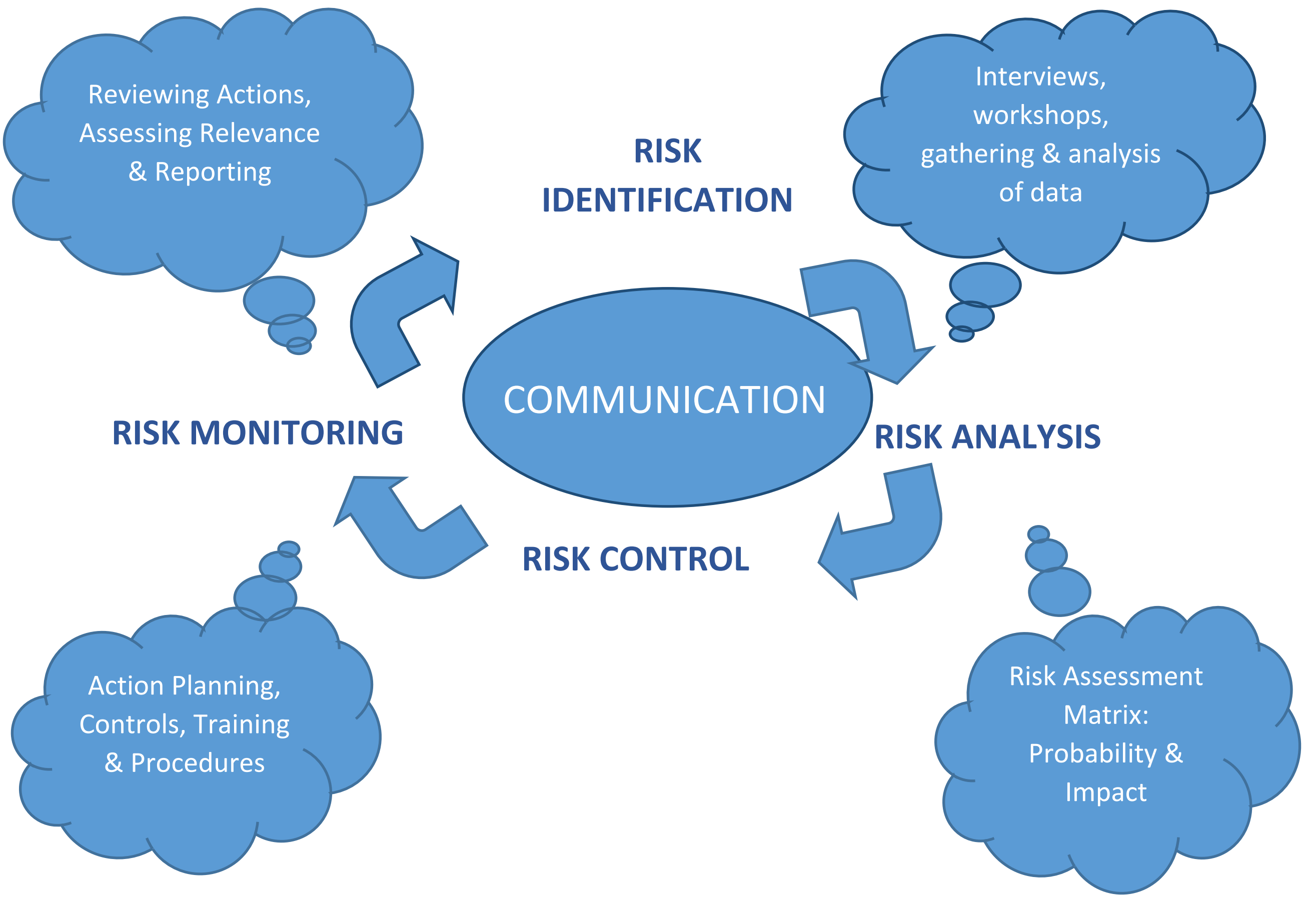
- Integrate the output of the risk management process with strategic decision making;
- Ensure senior management can use the output to inform decisions;
- Communication is fundamental throughout the entire process.

Risk Management Methodology

Stage 1 – Risk Identification

To ensure the risk management process is effective and consistent it must occur within an overall framework, and be supported by set processes and procedures. A systematic and consistent approach to identifying and analysing risks will be an integral part of all key management processes, rather than a separate initiative. The Council's risk management procedure, including the development of risk registers, involves continuous utilisation of a four step cycle involving: -

Risk Management Cycle



Essentially there is no difference between identifying risks that pose a threat or an opportunity. Risk identification involves recognising potential opportunities and threats relating to the achievement of the Council's corporate objectives or business as usual. These may arise because of the general environment in which we are operating in, or in relation to specific decisions being made or options being considered. All types and categories of risk should be considered at this stage.

Managers have been identifying risks for a number of years, but maybe not documenting them to be able to demonstrate good governance. The methodology set out within this document encourages a consistent approach to the management of risk.

There are a variety of techniques and methodologies that can be used to identify risks, examples include: -

- Analysis of previous losses, events and incidents or lessons learned;
- Technical briefings, national reports, networking and best practice;
- Interviews with managers which enables greater discussion;
- Risk identification workshops;
- SWOT or PESTLE analysis;
- Involvement of stakeholders;
- General understanding by experienced managers of working practices and the issues and problems which may occur.

For many managers the risk identification process will begin at the start of a new business planning cycle which will involve reviewing the risks in place from the previous year. The process of identifying risks should be ongoing throughout the year and not a one-off activity undertaken at the beginning of the year. Consideration should be given to the following: -

- Have any of the risks previously identified significantly changed, or are they still relevant;
- Are there any risks missing from the register;
- Is anything planned over the next 12 months that will give rise to a significant risk;
- The risk identification process should not be limited to a review of existing registers.

Historic records are potential sources of valuable information. In particular they may record incidents, the frequency they happen and the impact of such an incident.

Experiences in implementing the objectives of previous service plans will also help i.e. what worked well, what did not work well, why? Further preparation should include analysing current performance data; collating results from independent reviews (e.g. Internal Audit, Health and Safety Executive, Wales Audit Office, National Assembly for Wales); reviewing complaints data, insurance claims and details, or fraud history.

One of the best ways to identify risk is through workshops or group working. A good starting point is to consider the functions performed by a service area, to list these and then consider what factors may prohibit or reduce the ability to deliver the function or to achieve an objective. Potential opportunities may also arise from group discussion. During the workshop the risks identified should be captured.

Risk Identification with Partnerships / Collaboration Activities

Once a risk framework has been agreed by the partnership i.e. a risk matrix from one of the partnering organisations, the risk management process can be instigated. The principles of effective risk management will apply to any form of partnership / collaboration activity, the below details further points to be mindful of within this environment: -

- Risk identification should focus on risks that may impact on the achievement of the objectives of the partnership;
- All key partners should be involved;
- A partnership risk register should be used to record this information.

Risk Descriptions

Through good service planning, clear objectives will have been identified and there may be a number of risks associated with failing to meet these objectives or providing innovative solutions to achieve them. These will be recorded within the Risk Register as 'Risk Identified'. Each of these risks will need to be captured so that action to mitigate them can be considered. Failure to achieve a particular objective is not in itself a risk and there will inevitably be a number of different risks that need to be managed in order for an objective to be achieved. It is important that these are assessed in order that their likelihood and consequences on the service can be ascertained. The aim of this is to aid decision making and prioritisation of actions, at a time when resources are limited.

Articulation of Risk

It is important to ensure risk descriptions are brief but fully communicate the risk in question. The following gives examples of wording often used to begin the process of articulating risk: -

- Failure to . . . .
- Loss of . . . .
- Inability to . . . .
- Inappropriate . . . .
- Exploitation of . . . .
- Enhancement of . . . .
- Reduction of . . . .
- Disruption of . . . .
- Increase in . . . .
- Lack of . . . .
- Realisation that . . . .
- Empowerment of . . . .

The above indicates wording which is typical of a risk event, a full risk description should incorporate: -

- **Risk Cause:** Detail of what is likely to trigger the risk to materialise;
- **Risk Event:** A brief description of the risk.

Risk Consequence

Detail of the consequences should the risk materialised should also be captured within the Risk Register.

If only the risk event was captured it would be difficult to target the controls and mitigating actions if it were unclear what the risk cause was and the resulting consequence of the risk. By capturing the Risk Event, Risk Cause and Potential Risk Consequence the risk description will be clear to those reading the risk register of the threat or opportunity to the service area or the organisation.

Stage 2 – Risk Analysis & Assessment

Once risks have been described they 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.

Negative (Threat) Risk	**Positive (Opportunity) Risk**
In managing a negative risk, we are aiming to see the risk rating decrease so that the probability and impact of the risk decreases should it materialise.	Positive risk is measured in a similar way to negative risk but the desired direction of travel is reversed.

The 'traffic light' system for categorising levels of risk has been used for simplicity. The Risk Assessment Matrix is detailed below. Risks are assessed by Probability and Impact. Probability is scored based on the probability of the risk occurring, and the impact table can be used to assess the severity of risk impact of each risk occurring. Taking each risk in turn, the consequences from the first column of the table should be considered in terms of the risk occurring, scoring each area as Low, Medium, High or Catastrophic. 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.

Once an outcome has been achieved for each consequence a 'line of best fit' should be determined. For example, if the consequences of a risk happening is mainly high with one medium consequence, then the overall expected impact would be high. Not all categories apply to each risk, the tables below are designed to help managers categorise risks appropriately and from a common perspective, they are not prescriptive. The important thing is to use the guidance to good effect, enabling a degree of consistency across the whole of the risk register.

Cyngor Sir Powys County Council

Risk Assessment Matrix

1. Impact:

RISK CATEGORY	RISK TYPE	RISK IMPACT (Severity) Low	Medium	High	Catastrophic
FINANCIAL	**Financial** Reinstatement following loss / compensation & costs / economic losses / bad lending / VAT errors / fraud / fines	<£250,000	£250 - £750k	£750k - £2m	>£2m
HAZARD	**Casualty** Employee &/or Public Injury / ill-health	Minor Injuries / temporary ill-health	Ill health / disabling injuries	Single fatality	Multiple fatalities
	Environmental Recovery/remediation time	< 1 week	1 week – 1 month	1 - 12 months	> 1 year / recovery impossible
	Hazard Maladministration / Improvement notice / legal proceedings	Low	Medium	High	Catastrophic
OPERATIONAL	**Operational** Prevention of service efficiency	Low	Medium	High	Catastrophic
	Procurement / Contract / Project Failure Additional costs / cost over-run / delays to completion	Greater of 5% or £250k	Greater of 5-25% or £250- £70k	Greater of 25 - 50% or £70k - £2m	Greater of 50 – 100% or > £2m
	Service Provision (Interruption) Health / Education / Key Service Support / Administration / Leisure	1- 6 days < 1 month	1 week–1month 1-3 months	1 – 6 months 3 - 12 months	> 6 months > 1 year
STRATEGIC	**Reputation** Adverse / critical comment / Ombudsman Investigation / ICO Investigation	Ward/Village	Local Media	Welsh Media	National Media
	Prosecution/punishments			Disqualification	Imprisonment
	Strategic Failure to achieve corporate objectives	Low	Medium	High	Catastrophic

2. Probability:

PROBABILITY	Definition
Low	Not likely to happen or may happen once every 20 years
Medium	Possible or may happen within 10 years
High	Likely or may happen once a year
Very High	Certain or happens several times a year

3. Risk Profile:

PROBABILITY					
	Very High (4)	Medium (4)	High (8)	High (12)	Very High (16)
	High (3)	Medium (3)	Medium (6)	High (9)	High (12)
	Medium (2)	Low (2)	Medium (4)	Medium (6)	High (8)
	Low (1)	Low (1)	Low (2)	Medium (3)	Medium (4)
		Low (1)	Medium (2)	High (3)	Catastrophic (4)
		IMPACT			

Stage 3 – Risk Control

When deciding how to control a risk there are four options available. The risk control measures are commonly known as the 4 Ts: Tolerate, Treat, Transfer or Terminate.

Negative (Threat) Risk Control Measures			
Transfer	**Treat / Control**	**Tolerate / Accept**	**Terminate**
Insurance, Outsource, Partnerships	Mitigation, Likelihood & Consequence	Understand & live with the risk	Avoid the risk

Risk Control Measures for Negative (Threat) Risks

Transfer the Risk – the traditional approach is to transfer risks to an insurer e.g. legal liability, property, motor vehicle, etc. There are other examples such as service delivery being transferred to the private sector or delivered jointly with partners. Where this approach is considered the risk needs to be carefully considered, as it is often the case that some risk can be transferred whilst major risks such as responsibility for delivery of the service and the reputational risk remains with the Council;

Treat / Control the Risk – the risk is identified as unacceptable to the Council or Service. Controls need to be put in place that effectively manage the risk and reduces the risk to an acceptable level. Controls can be: -

- Preventative, such as physically restricting access to hazardous chemicals, insisting on two signatories, ensuring segregation of duties exist within a system, implementing authorisation limits, or restricting levels of access on IT systems. These controls will help to stop the risk from occurring in the first place;
- Detective, such as quality checks, alarms, exception reports, accident reports, financial reports such as budget monitoring reports, and reviewing insurance claims. These will show when something has gone wrong – perhaps a trigger event that can then alert you that the risk event is becoming more likely to occur;
- Directive, such as procedure manuals, guidance notes, instructions, training. These advise on how to carry out processes safely, but if they are not adhered to they will not prevent risk events occurring;
- Alternatively you can modify the risk as opposed to implementing further controls, where you change the activity or the way in which it is carried out because adding control mechanisms would not help to reduce the probability and / or impact;

Tolerate / Accept the Risk – the Council intends to do nothing different to manage the risk identified above and beyond the normal management routines that are in place. Risks should only be accepted where officers believe that the residual risk is tolerable to the directorate, i.e. where they fall within the green area of the matrix;

Terminate / Eliminate the Risk – the risk is so serious that adding controls or modifications do not reduce the risk to an acceptable level to the Council or Service. An option at this point could be to withdraw from the activity.

The impact of Risk Control Measures on the Risk Rating
By this stage your risks have been identified and analysed giving each risk an Inherent Risk Rating (uncontrolled risk score on the Risk Register). You now need to consider the Residual Risk Rating and to decide how this fits with the risk appetite in terms of acceptability. Once you have considered your current controls you will then need to rescore your risk in light of these controls. In most circumstances the current controls the current controls will have an effect on the rating of your risk; this is called the 'Residual Risk Rating'.

Risk Control within Partnerships / Collaboration Activities

- Risk mitigation requiring input from multiple partners should be agreed by the partnership;
- Risk ownership and responsibility for auctioning additional controls should be allocated, it may be that individual partners are accountable for specific actions.

Stage 4 – Risk Monitoring

You will now have undertaken the process of identifying your risks, and analysed and scored them according to the Risk Assessment Matrix. Having completed these stages you will then have identified your controls which will mitigate the likelihood of the risk occurring. You may now think that the process is complete, but the final stage of effective risk management is 'Risk Monitoring'.

Managing risks is not just about identifying and assessing risks and putting controls in place to mitigate the risks, and seeking innovative solutions to challenges. Risks will constantly change and so a key stage of the risk management process is risk monitoring, which can easily be forgotten. It is necessary to monitor action plans and to regularly report on the progress being made in managing risks or taking advantage of opportunities, so that the achievement of business aims and service objectives is maximised and losses are minimised.

It is important that risk registers are kept up to date and accurate as this will form the means by which not only objectives are being monitored, but also how risks are being managed. Monitoring should be undertaken through Service Management Team (SMT) meetings.

The review of risk registers should consider: -

Go through the **existing risks (threats and opportunities)** listed in the register to consider whether each risk is: - • Still valid; • If the situation has changed in the interim period regarding the mitigating actions / controls which you already have in place; • Record descriptions of any further mitigating actions that are being carried out now; • Move any actions if they have been implemented to current controls and update the register as necessary; • Use the Probability and Impact definitions on the Risk Assessment Matrix to determine the amended residual score if appropriate; • Decide if any risks should be closed, and if so record the reason for this decision and what has happened to the risk.	Identify if any **new risks (threats and opportunities)** that have arisen, for example: - • From an adverse or positive event occurring either within Powys or another organisation; • By something new happening within the service, project, partnership, e.g. a new partner organisation to work with, a new project starting, a new or different way of delivering services, new funding streams or grants becoming available; • As a result of ongoing management review, e.g. budget pressures have been identified, unexpected demand for a service, etc.; • From changes in legislation. *(Further guidance on risk identification can be found in the methodology section of this document).*

- Previously identified risks will change over time; some may become less of a hazard, e.g. staff may require training, once the training has taken place the risk will reduce. Alternatively, some risks may become more likely if a key milestone is approaching, such as the end of a funding stream;
- When the current controls and proposed improvement actions of an existing risk move on, it would be appropriate to reassess the residual risk score using the probability and impact definitions;
- It may be appropriate to close risks. However, when risks are closed from a register there should be a record of the reasons for this decision and what has happened to the risk e.g. it have been removed at Corporate level but has been passed to SMT level to manage.

Risk Monitoring within Partnerships / Collaboration Activities

- The process for ongoing monitoring of the partnerships risk appetite needs to be agreed by all partners;
- The content of the partnerships risk register needs to be reviewed by all partners on a regular basis and responsibility where possible allocated to the partners.

Risk Reporting

Part of the monitoring process is to provide members and management with the reports which they need to manage their risks. Heads of Service are accountable for monitoring the risks within their service. Risk information should be reported quarterly through SMT.

Effective Risk Reporting should: -

- Provide relevant and sufficient risk information in a timely manner that is user-friendly and drives decision making and action;
- Focuses on the most significant risks, ensuring adequate responses are assigned to the risk;
- Once risks reports have been presented to Management Team and / or Members that views and comments are reflected in an updated register;
- Reporting of risks should provide Management Team and Members with assurance that all risk exposures have been identified, assessed and mitigating controls evaluated.

Risk Escalation

There may be instances where risks cannot be mitigated further and there is a need to escalate the risk i.e. SMT to Corporate Risk Register or Project Risk to Programme Level. Risks which could impact significantly on the Council’s reputation, or which may impose significant financial burden should be escalated. Risk escalation to a more senior group should result in a decision being made regarding the appropriate course of action to be taken to mitigate the risk.

Training

Training sessions take place on an ad-hoc or needs basis. The level of training provided will meet the needs of those receiving the training whether management, operational staff or Members. Should training be required please contact the Business Continuity & Risk Management Officer.

Areas of Special Interest

The below are areas that deserve special note in relation to risks, namely Business Continuity Management, Health and Safety, Information Governance, Insurance and Sustainable Development. All have significant risks associated with them which may have a major impact across the Council. It is vitally important that risks in these areas are identified, assessed and prioritised.

Business Continuity Management

Business Continuity Management (BCM) is complementary to a risk management framework that sets out to understand the risks to the Council, and the consequences of those risks.

Risk management seeks to manage risk around the key services that the Council delivers. Service delivery can be disrupted by a wide variety of incidents, many of which are difficult to predict or analyse by cause.

By focusing on the impact of disruption, BCM identifies the services which the Council must deliver, and can identify what is required for the Council to continue to meets its obligations. Through BCM, the Council can recognise what needs to be put in place before an incident occurs, to protect its people, premises, technology, information, supply chain, stakeholders, reputation and importantly the services that the Council delivers to the citizens of Powys. With that recognition, the Council can then take a realistic view on the responses that are likely to be needed as and when a disruption occurs, so that it can be confident that it will manage any consequences without unacceptable delay in delivering its services.

Health and Safety

The Council has responsibilities under health and safety legislation to ensure the health, safety and welfare at work of employees and other people affected by the Council's business. Managing health and safety risks is an integral part of business risk management and the management of such risks should not be taken in isolation. Poor health and safety management can have a negative impact on other business risks such as reputation, insurance, business continuity and financial resources.

Health and safety risks vary across the Council due to the diversity of work activities. The effective management of the risks, as will all significant corporate risks, is an essential part of the role of the relevant managers. The organisation and arrangements for managing health and safety within the Council are detailed in the Council's Corporate Health and Safety Policy (intranet page 5764).

Information Governance

The Data Protection Act 1998, Freedom of Information Act 2000, Environmental Information Regulations 2004, Human Rights Act 2010, Privacy and Electronic Communications Regulations 2003, Protection of Freedoms Act 2012 and the Local Government (Wales) Measure 2011, places a set of requirements and legal obligations on the Council. This means that the Council must have arrangements in place to manage and protect all information taking into account its security, storage, use, access, retention and compliance with legal requirements.

The Council is subject to regulatory intervention by the Information Commissioner's Office (ICO), the UK's independent authority set up to uphold information rights in the public interest, promoting openness by public bodies and data privacy for individuals where there are failures to comply with these pieces of legislation.

In terms of action the ICO can, where the Council repeatedly or seriously fails to meet the requirements of the legislation, or conform to the associated codes of practice, take action including conducting assessments to check the Council's compliance; serve information notices to provide the ICO with specified information within a certain time period; issue undertakings committing the Council to a particular course of action to improve compliance; serve enforcement notices where there has been a breach of the Act, requiring the Council to take (or refrain from taking) specified steps in order to ensure compliance with the law; issue decision notices detailing the outcome of their investigation to publicly highlight particular issues with the Council's handling of a specific request; issue monetary penalty notices of up to £500,000 for serious breaches of the Data Protection Act, or serious breaches of the Privacy and Electronic Communications Regulations; prosecute those who commit criminal offences under the Data Protection Act; and report to Parliament on issues of concern.

The Council has recognised the need to improve the Council wide understanding of Information Governance and has put in place an Information Governance Framework which will initiate, develop and monitor policies and practices in relation to information security, management and risk. This is supported by mandatory DPA, and IT and Information Security Training, as well as the Information Governance Communications Plan. The Senior Information Risk Owner (Strategic Director – People) chairs the Corporate Information Governance Group. It is the responsibility of this group to ensure that Powys County Council has effective policies and management arrangements covering all aspects of Information Governance.

Insurance

Insurance acts as a risk transfer mechanism which reduces the financial risk to the Council. The Council is largely self-insured but transfers the larger risks to an insurance company by contributing a premium. In the event of a financial loss the Council is entitled to indemnity, subject to the terms and conditions that are in place.

The administration of the Council's insurance arrangements is undertaken by the Insurance Section within Professional Services and Commissioning. The section provides a comprehensive and professional insurance service including insurance provisions and other related activities, as well as processing new and outstanding claims.

The Council is required to provide insurance cover or alternative funding for a variety of possible or probable events and liabilities that could arise. The majority of risks identified through Corporate, Service, Programme or Project Risk Registers will not be insurable and some, on balance, may not be financially viable or of benefit to the Council to insure.

The Council currently has multiple insurance policies in place, the main policies being Employer's Liability, Public / Products Liability, Official's Indemnity, Libel and Slander, Professional Indemnity, Vehicle and Property. Further information can be found on Intranet page 1158.

Sustainable Development

Under the Local Government Measure (Wales) 2009, one of the elements of securing continuous improvement within the Council's functions is through sustainability. Additionally the proposed Well-Being of Future Generations Bill, which is expected to become law in Spring 2015, sets out the requirement for sustainable development to be the 'central organising principle' of the wider public service in Wales.

While different services within the Council have a variety of social, environmental and economic remits, it is important to consider our strategies, policies, plans and projects in a more thorough and balanced way to help protect our local environmental capital, build community resilience and help avoid the unintended consequences that occur when social, economic and environmental objectives are pursued in isolation.

There is a sustainability integration toolkit on page 6167 of the Intranet. Using the toolkit can unlock extra efficiencies, help you to do more with less and provide innovative solutions. The resources are designed to ensure that our projects and programmes incorporate the principles of sustainable development.