

# Appendix 2 - Risk Strategy 2023 - 2024

## Cherwell District Council

### Risk Strategy 2023 - 2024

#### Report of Assistant Director Customer Focus

This report is public.

#### **1.0 Introduction**

**1.1** This strategy outlines Cherwell District council's overall approach to managing risk, its fundamental aim is to help the council identify and manage risk.

#### **1.2 What is Risk Management and why do we have it?**

Risk arises when there is uncertainty about the future, reflecting the possibility that an event or series of events may adversely affect the council's ability to deliver its strategic priorities.

Through understanding risks, decision-makers (councillors and managers) will be better able to evaluate the impact of a particular decision or action on the achievement of the councils' strategic priorities.

#### **1.3 What is Cherwell District Council's Risk Appetite?**

Risk management should not focus upon risk avoidance, but on the identification and management of an acceptable level of risk. The council aims to proactively identify, understand, and manage the risks inherent in services and associated with business/service plans, policies, and strategies, so as to support responsible, informed risk taking and as a consequence, aim to achieve measurable value. The council provides a supportive culture but will not support reckless risk taking.

Appropriately managed and controlled risk-taking and innovation will be encouraged where it supports the delivery of the councils' strategic priorities.

Focus will be on the council's ambitions for increasing income generation and self-sufficiency through sound investments, effective asset management, commercialisation opportunities and programmes of regeneration.

Any risks associated with these plans will be managed through the appropriate mechanisms, ensuring due diligence has taken place; these include sound business cases, effective project management and working with external partners for specialist advice. Channels will be in place to report risks into the relevant

management and democratic committees to ensure full transparency and allow any actions to be taken as necessary.

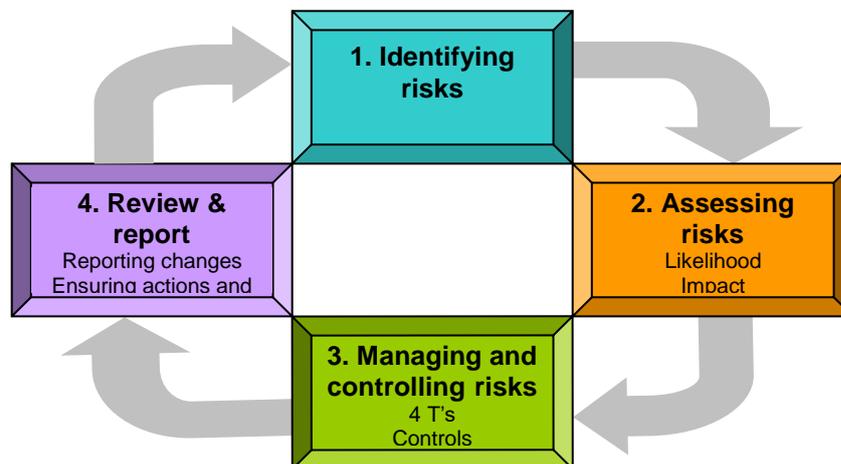
## 2.0 Risk Management Processes

### 2.1 How we manage risk

Understanding and managing threats or risks comes down to four very simple questions:

1. What's the worst that could happen to us?
2. What's the likelihood of it happening?
3. What would be the impact if it did?
4. What can we do about it? (how can we prevent it from happening, or what can we put in place to manage it if it should?)

#### The four steps of risk management



Our approach is to use a simple 4 stage process of identification, assessment, management, and review to ensure our risks are recorded and effectively managed. This approach is described in the four sections below.

### 2.2 Identifying Risks

To identify risks, think through the things that could prevent or hinder your team from achieving its business objectives. There are three parts to a risk – an **event** that has a **consequence** that leads to an **impact** on our objectives.

Typical risk phrasing could be.

loss of...  
failure of...  
failure to...  
lack of...  
partnership with...  
development of... } leads to ... resulting in...

You will also need to identify whether the risk is:

- **Leadership:** risks that are significant in size and duration and will impact on the reputation and performance of the Council as a whole and on its ability to deliver its strategic priorities. Also, risks to corporate systems or processes that underpin the organisation's overall governance, operation, and ability to deliver services.
- **Partnership:** risks to a partnership meeting its objectives or delivering agreed services/ projects.
- **Operational:** risks specific to the delivery of individual services/service performance/project.

Each one should have its own risk register within Unity, aimed at the different teams/audience, i.e., Leadership Risk register is managed by the Performance & Insight Team, updated, reviewed, and signed off by Managers and DLTs/CLT, and its ultimate audience are Executive members, Overview & Scrutiny, and our residents. The Performance Team can provide guidance to build your own Operational risk register within Unity.

## 2.3 Assessing Risk

Once a risk has been identified (of any type, Leadership, operational or project) it needs to be assessed. The assessment process considers the probability that the risk may occur and its potential impact. This allows for risks to be ranked and prioritised, as not all risks represent equal significance to the council.

There are two forms of risk:

- **Inherent/Gross risk:** the level of risk existing before any controls and/or treatment measures have been applied.
- **Residual risk:** the level of risk remaining after managing it through treatment and/or control measures. Please note that only the residual risk score will be included in the monthly reports.

The council uses a risk scoring matrix to work out the inherent risk rating (probability times impact). The owner of the risk undertakes this assessment. For a Leadership risk this is checked by the Performance & Insight team, for programme/ project risks by the relevant board and for operational risks by the Assistant Director.

### Assessing probability

Scale / Level	Descriptor	Description
1	Remote	May only occur in exceptional circumstances (P < 2%)
2	Unlikely	Is unlikely to occur, but could occur at some time (2% < P < 25%)
3	Possible	Fairly likely to occur at some time, or in some circumstances (25% < P < 50%)
4	Probable	Will probably occur at some time, or in most circumstances (50% < P < 75%)

<b>5</b>	Highly Probable	Is expected to occur in most circumstances (P > 75%)
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**Description and definition of the impact of the risk should it occur (these are a guide)**

Effect - Service Delivery	Effect – Financial	Effect -Health & Safety	Effect – Environment	Effect – Reputation
<b>5 – Catastrophic</b>				
Catastrophic disruption. Loss of service delivery for more than seven days	Huge financial loss >£1,000,000	Loss of life. Intervention by HSE	Significant local, national and/or international environmental damage	Extensive coverage in the national press and broadsheet editorial, and/or a national TV item
<b>4 – Major</b>				
Major disruption. Serious damage to ability to provide service. Loss of service for more than 48 hours but less than 7 days	Major financial loss >£100,000 - <£1,000,000	Extensive / multiple injuries. Intervention by HSE	Major damage to the local environment	Coverage in national broadsheets, the press, and/or low national TV reporting
<b>3 – Moderate</b>				
Noticeable disruption, some customers would be affected. Loss of service no more than 48 hours	High financial loss >£25,000 - <£100,000	Violence, threat or major injury – medical treatment required. Intervention by HSE	Moderate damage to the local environment	Coverage in the national tabloid press and/or extensive front page coverage in local press/ TV
<b>2 – Minor</b>				
Some disruption to internal business only – no loss of customer service	Medium financial loss >£5,000 - <£25,000	Minor injury – first aid treatment only required	Minor damage to the local environment	Minimal reputation damage. Minimal coverage in the local press
<b>1 – Insignificant</b>				
Insignificant disruption to internal business – no loss of customer service	Low financial loss <£5,000	No injuries	No, or insignificant environmental damage	No reputational damage

The inherent risk score is the 'likelihood' times the 'impact' calculated before controls have been put in place. The inherent risk score helps to make decisions about the significance of risks to the councils, and how they will be managed, the controls required and the treatment of the risk. A residual score is calculated in the same manner, but after controls have been implemented.

		Probability				
		Remote 1	Unlikely 2	Possible 3	Probable 4	Highly Probable 5
Impact	5 Catastrophic	5	10	15	20	25
	4 Major	4	8	12	16	20
	3 Moderate	3	6	9	12	15
	2 Minor	2	4	6	8	10
	1 Insignificant	1	2	3	4	5

## 2.4 Managing and Controlling Risk

Residual risk Score	How the risk should be managed?
<b>High Risk (16 to 25)</b>	<b>Requires active management</b> – Risk requires active management to manage score down and maintain at an acceptable level
<b>Medium Risk (10 – 15)</b>	<b>Contingency plans</b> – A robust contingency plan may suffice together with early warning mechanisms to detect any deviation from the profile
<b>Low Risk (1 – 9)</b>	<b>Good housekeeping</b> – May require some risk mitigation to reduce the probability if this can be done in a cost effective manner, good housekeeping is always needed to ensure that the impact remains low. Re-assessing frequently to ensure conditions remain the same and to revise the possibility of de-escalation to the service operational risk.

The inherent risk rating will determine how the risk is controlled and managed with one of the Four Ts - treatment, toleration, transfer and terminate - as the main options (see below).

Once controls and actions to mitigate the risk have been identified a residual risk score should be assessed. The residual risk score, along with the controls and assurances then form the basis of monthly reviews; controls and residual score will be reported monthly to Executive and quarterly to Audit.

### The Four Ts

The level of the inherent risk will help determine the best treatment for a risk, whether strategic or operational.

<b>Tolerating</b>	<p>The councils may tolerate a risk where:</p> <ul style="list-style-type: none"> <li>• The risk is effectively mitigated by internal controls, even if it is a high risk</li> <li>• The risk cannot be mitigated cost effectively</li> <li>• The risk opens up greater benefits</li> </ul> <p>These risks must be monitored, and contingency plans should be put in place in case the risks occur.</p>
<b>Treating</b>	<p>This is the most widely used approach. The purpose of treating a risk is to continue with the activity which gives rise to the risk, but to bring the risk to an acceptable level by stablishing controls to either contain a risk to an acceptable level (the impact), or to reduce the likelihood; and additional assurances to ensure delivery of controls.</p>
<b>Terminating</b>	<p>Doing things differently and therefore removing the risk. This is particularly important in terms of project risk but is often severely limited in terms of the strategic risks of an organisation.</p>
<b>Transferring</b>	<p>Transferring some aspects of the risk to a third party, e.g., via insurance, or by paying a third party to take the risk in another way. This option is particularly</p>

	good for mitigating financial risks, or risks to assets. However, it is a limited option – very few strategic risks are insurable and only around 15 -20% of operational risks can be insured against.
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### 2.5 Review and report

Circumstances and business priorities can, and do, change, and therefore risks need to be regularly reviewed. Some risks will move down the priority rating, some may leave, and others will be identified. Risks are reviewed quarterly in more detail by the Accounts Audit and Risk Committee.

- Operational risks are updated quarterly and/or when needed at the service/directorate level, and a 6- monthly health check is undertaken at a corporate level.
- New leadership risks should be discussed with the Performance & Insight team; and a risk template should be completed for CLT approval, ensuring there is an effective assessment of the risk and identification of controls (this template will be provided by the Performance & Insight team, and you should return to them upon completion). Once the new leadership risk is approved by CLT the team will add to the Leadership Risk Register in Unity.
- New operational risks can be entered directly onto service risk registers.

### 3.0 Roles and Responsibilities

The overall responsibility for the effective management of risks rests with Full Council and the Executive (lead members/portfolio holders) as advised by CLT.

Who?	When?			
	Ongoing	Monthly	Quarterly	Annually
All employees	Consult the risk management guidance available on the Intranet when appropriate		Participate in risk discussions within teams as they would be with regards to performance management.	Attend risk management and risk escalation awareness training sessions.

Who?	When?			
	Ongoing	Monthly	Quarterly	Annually
<b>Assistant Directors</b>	Own relevant Leadership risk on the corporate risk register	<ul style="list-style-type: none"> <li>• Use Directorate level meetings to monitor progress in delivering the risk management aspects of service plans is monitored at</li> <li>• Present risk reviews and monitoring monthly to CLT meetings</li> </ul>	<ul style="list-style-type: none"> <li>• Report on risk register management via our performance management platform, Unity.</li> <li>• Present risk reviews and monitoring monthly to Audit meetings, where appropriate.</li> </ul>	<ul style="list-style-type: none"> <li>• Complete a statement of assurance taking responsibility for their individual service / operational risk registers and the implementation of the management actions contained within it to feed into the Annual Governance Statement.</li> <li>• Ensure their Service Plans: <ul style="list-style-type: none"> <li>- Identify operational risks associated with service delivery</li> <li>- Identify actions to control risks</li> <li>- Include key operational risk management activities</li> </ul> </li> </ul>
<b>Portfolio Holder Corporate Services</b>		<ul style="list-style-type: none"> <li>• To review monthly reports and present any exceptions to the Executive</li> </ul>		To review and sign off Risk Management Strategy yearly review.
<b>Accounts, Audit and Risk Committee</b>			<ul style="list-style-type: none"> <li>• Receive risk management updates</li> <li>• Review the Leadership risk register</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake an annual review of this strategy</li> <li>• Make recommendations to Executive if it is considered that any improvements or amendments are required.</li> </ul>
<b>Corporate Leadership Team (CLT)</b>	Briefing Executive members to ensure they are aware of Leadership risks affecting their service areas / portfolios and any improvements in controls which are proposed.	Take Risk Management as an agenda item at meetings.		<ul style="list-style-type: none"> <li>• Update Leadership Risk Register and remove obsolete risks.</li> <li>• Prepare an Annual Governance Strategy in line with Regulation 4 of the Account and Audit Regulations (2003).</li> </ul>

Who?	When?			
	Ongoing	Monthly	Quarterly	Annually
<b>Executive</b>	Act as risk champions	Receive and review an integrated finance, performance, and risk report.		<ul style="list-style-type: none"> <li>• Approve an update of this strategy.</li> <li>• Agree Annual Governance Strategy in line with Regulation 4 of the Account and Audit Regulations (2003).</li> </ul>
<b>Internal Auditors</b>	Refer to the councils' risk registers when planning audit work.			<ul style="list-style-type: none"> <li>• Independently review the risk management strategy and process.</li> <li>• Complete risk based reviews of the key controls identified to mitigate the principal risk to the council's achievement of their strategic objectives.</li> </ul>
<b>Performance &amp; Insight Team</b>	<ul style="list-style-type: none"> <li>• Manage the Leadership risk register (including management of the performance and risk software and making sure all risks are up to date).</li> <li>• Provide risk related training, support to managers, officers, and councillors.</li> </ul>		<ul style="list-style-type: none"> <li>• Facilitate regular discussions around Risk and Performance at service team meetings, reiterating the escalation process into CLT.</li> <li>• Prepare regular committee reports.</li> </ul>	<ul style="list-style-type: none"> <li>• Preparing and updating the risk management strategy.</li> <li>• Provide information for the Annual Governance Statement.</li> </ul>
<b>S.151 Officer</b>				<ul style="list-style-type: none"> <li>• Ensure the council has robust risk management strategies in place that effectively support the systems of internal control</li> </ul>

### 3.1 Risk Management Responsibilities in Project Environments

<b>Corporate Management CLT</b>	Responsible for providing and ensuring adherence to the Risk and Opportunities Management Strategy
<b>Programme Senior Responsible Owner</b>	Accountable for risk management actions agreed at Programme Board level, following escalation from projects
<b>Assistant Director</b>	Accountable for risk management actions agreed at DMT following escalation from projects and operational risks within the Directorate

<b>Project Sponsor</b>	<ul style="list-style-type: none"> <li>Accountable for all risk management within the project, and for putting in place a risk management approach or strategy specific to the project.</li> <li>Ensures all risks associated with the project business case are identified, assessed, and controlled.</li> <li>Triggers an escalation</li> </ul>
<b>Senior user / customer / client board member</b>	Responsible for ensuring all risks to users are identified, assessed, and controlled
<b>Senior supplier board member</b>	Responsible for ensuring all risks to delivery are identified, assessed, and controlled
<b>Project Manager</b>	<ul style="list-style-type: none"> <li>Creates the project-specific risk management approach as directed by the sponsor.</li> <li>Responsible for creating and maintaining the risk register in line with requirements of the Risk and Opportunities Management Strategy, ensuring risk identification, assessment and control measures are implemented.</li> </ul>

## 4.0 Version History

Version	Date	Section	Reviewer	Description of Amendment
0.5	01/07/2019	All	Louise Tustian (Insight Team Leader)	<ul style="list-style-type: none"> <li>Minor amendments reflecting separation of CDC and SNC.</li> </ul>
0.6	31/01/2021	All	Louise Tustian (Head of Insight & Corporate Programmes)	<ul style="list-style-type: none"> <li>Annual review of strategy pre CEDR review.</li> </ul>
0.7	01/05/2022	All	Celia Prado-Teeling (Interim Assistant Director – Customer Focus)	<ul style="list-style-type: none"> <li>Annual review of strategy pre CLT review.</li> </ul>
0.8	02/10/2023	All	Shona Ware (Assistant Director – Customer Focus)	<ul style="list-style-type: none"> <li>Annual review of strategy. Formatting has been amended.</li> </ul>

For information on versions before 2019 please contact the Performance and Insight team

4.1 Date of next review: April 2024

## 5.0 Contacts

Shona Ware – Assistant Director – Customer Focus  
[Shona.Ware@cherwell-dc.gov.uk](mailto:Shona.Ware@cherwell-dc.gov.uk)

Celia Prado-Teeling – Performance & Insight Team Leader  
[Celia.Prado-Teeling@cherwell-dc.gov.uk](mailto:Celia.Prado-Teeling@cherwell-dc.gov.uk)

Michael Furness – S151 Officer / Assistant Director of Finance  
[Michael.Furness@cherwell-dc.gov.uk](mailto:Michael.Furness@cherwell-dc.gov.uk)

