POLICE AND CRIME COMMISSIONER FOR CLEVELAND

RISK MANAGEMENT POLICY

Contents

1) Policy and Procedure Summary

1. The aim of this policy is to clearly set out how the Risk Management process is to be embedded into the Office of the Police and Crime Commissioner for Cleveland's (PCC) culture and made a central part of the management process. It refers specifically to the processes to be used in the production of the PCC's own Risk Register.

2. The main purpose of this document is to:

- Ensure a common level of understanding of risk identification, assessment and management across the office of the PCC.
- Ensure that the process of Risk Management is developed and managed in consistent manner.
- Ensure that Risk Management is embedded throughout the organisation.
- Promote a culture of risk awareness; and
- Be a Toolkit for implementation within the office of the PCC

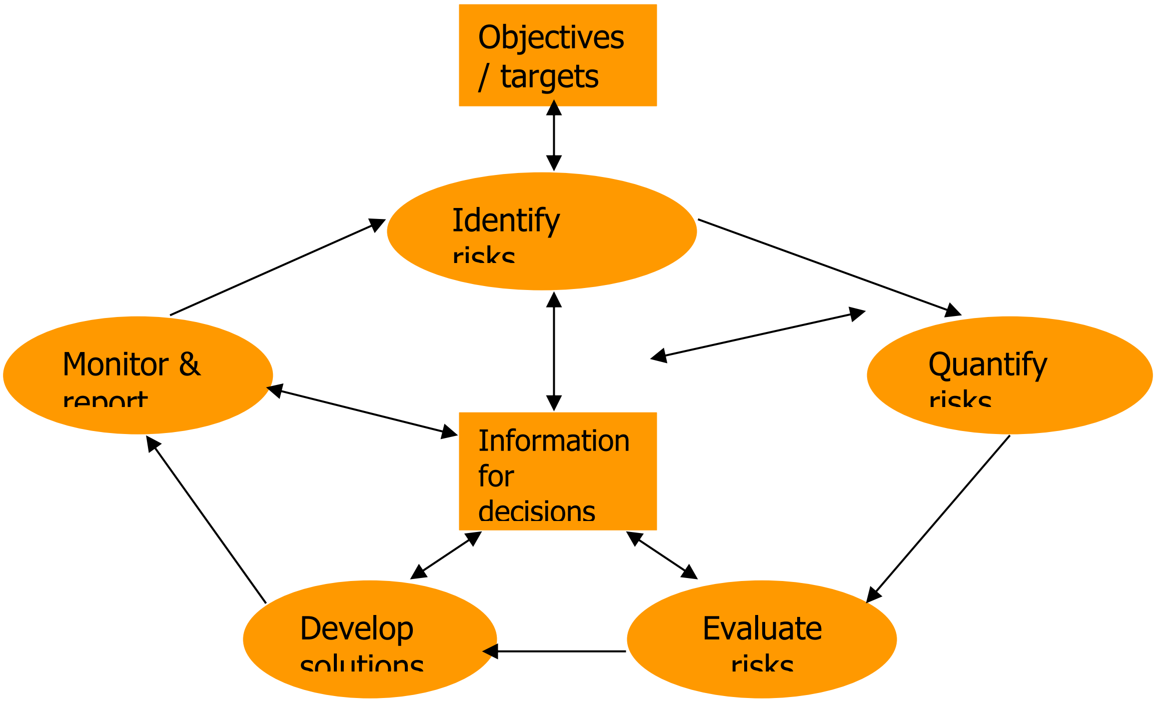
2) Risk Management Process

1. Risk Management is the process of identifying risks, evaluating their potential consequences, considering the current controls in place and determining the most effective way of monitoring and mitigating them.

2. Corporate Governance requires that risk management be embedded into the culture of the organisation. The risk management process shown below and described in subsequent sections of this policy aims to ensure that risk management is an iterative, ongoing process, which is never complete which is integral to the work of the PCC.

3. It does this by requiring that risk becomes a core part of everyone's thinking, behaviour and actions. All decisions and processes should take account of risk and risks should be reviewed and revised on a regular basis. Where risks affect the public there is a need to be open and transparent.

4. The product of the risk management process is a Risk Register. The risk register records the risk management process, being populated with information from risk identification, assessment and review. Information must be accurate and maintained up to date.



5. The aim is to improve strategic, operational and financial management of the PCC by maximising opportunities and minimising financial losses, service disruption, bad publicity, threats to public safety, project delays and other unexpected impacts.

3) Identifying Risks

1. The first stage of the risk management process is to identify Risks, these can be categorised into 3 areas:

   Demand: Risks will arise in relation to volume, type and complexity of demands of the PCC. The main demands for the PCC are its statutory roles and responsibilities as a body of governance and as an organisation in its own right.
   Capacity/Capability: Risks will arise in relation to capacity and capability of the PCC to meet the demands placed on it. Capacity and capability covers people, money, buildings etc.
   Governance: Governance is another source of risk. It is about ensuring you do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values by

which the PCC is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

2. PCC inspection, business planning and environmental scanning will provide means of identifying risks.

3. For each risk included within the Risk Register the following should be done:

    - Assign a Risk Owner. PCC Staff will own the risks on behalf of the Chief of Staff and will be responsible for managing, monitoring and reviewing their own risks, liaising with the relevant people and organisations as appropriate and providing updates to the PCC Office manager who will update and manage the Risk Register documents and supporting system.
    - Describe the main causes/impacts. Each Risk is likely to have a number of causes/impacts.
    - List the main existing control measures.

4. Information on the causes/impact of an identified risk and the control measures already in place to mitigate the risk will assist when it comes to assessing the risk.

4) How to Document a Risk

Include the following three parts in your description of the risk:

Event · Consequence · Impact
A typical phrasing could be:
Loss to…
Failure of…
Lack of…
Leads to…
Resulting in…
Partnership with…
Development of…

1. So, for example "lack of resources leads to staff concentrating on day-to-day functions resulting in failure to keep to project timetable"

2. You may well have identified some risks that because of their controversial or political nature you feel uncomfortable about formally recording. However, these may be just the risks that need managing most.

3. It is possible to phrase these risks as opportunities that need to be taken, rather than threats that need to be avoided. For example, one of the risks to a partnership arrangement may be that one of the partnership organisations is reluctant to share information. This could be expressed as an opportunity (i.e. improving communication between partnership organisations leads to more effective decision making and implementation of shared objectives).

4. Remember, the purpose of this process is to allow us to "tame" risk, not hide from it.

5. In addition, if we focus on opportunities when assessing the merits of different possible solutions, say in options appraisal, this often allows us to look at bolder, more creative or innovative solutions - essentially to take greater risks, but calculated risks.

5) Assessing Risks

1. For each identified Risk an assessment of how likely it is that the risk will occur and the impact if this happened.
2. There are five levels of **Likelihood** and **Impact** each with a score and description as set out in the sections below:

Likelihood

Likelihood	Score	Description	Chance
Probable	5	Expected and very likely to occur within the current year.	91 – 100%
Possible	4	Will probably occur in the current year.	66 – 90%
Unlikely	3	Could occur at some time.	41 – 65%
Rare	2	Not expected to occur within the current year, but could occur within the next 1 to 5 years.	11- 40%
Negligible	1	Exceptional circumstances only, very unlikely to occur within the next 5 years.	0 – 10%

Impact

Impact	Score	Description
Probable	5	Descriptions can be seen at Appendix A
Possible	4	
Unlikely	3	
Rare	2	
Negligible	1	

3. Having chosen the Likelihood and Impact which best relate to the risk, the scores are multiplied together to provide a Total Risk Score. This is the level of risk faced before any new controls are put in place and applied.

4. The Total Risk Score enables risks to be categorised into the following 4 areas of risk classification and as shown in the table below:

- Low Risks – Where risk is so minimal that it does not demand specific attention.
- House Keeping Risks – Basic mechanisms should be in place – Risk Management will confirm.
- Contingency Risks – Where risk management will ensure that contingency plans are in place
- Primary/Strategic Risks – Where risk management should focus most of its attention.

RISK SCORING MATRIX

Contingency Group
Where risk management will ensure that contingeny plans are in place

Primary Group
Where risk management should focus most of its attention

IMPACT						
Catastrophic	5	5	10	15	20	25
Significant	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1	2	3	4	5
		Negligible	Rare	Unlikely	Possible	Probable
		LIKELIHOOD				

Low Group
Where risk is so minimal it does not demand specific attention

House Keeping Group
Basic mechanism should be in place - Risk Management will confirm

6) Addressing Risks

1. There are 4 types of action to reduce risk:

    - **Terminate** – A decision is made not to take the risk. Where risks outweigh possible benefits, terminate the activity/situation that generates the risk where it is feasible to do so.
    - **Tolerate** – A decision is taken to accept the risk. This may be where the probability or impact is so low that the cost of managing the risk is greater than the risk. This is likely to apply to those risks with a score between 1 and 4
    - **Transfer** – It may be possible to transfer the risk through insurance, contracting out the provision of service or paying a third party to take it on. However, it should be recognised that not all risks may be transferred e.g. impact on reputation.
    - **Treat (or mitigate)** – This is the most common practice of addressing risks. It involves reducing the possibility of risk occurring (e.g. preventative action) or reducing the impact (e.g. having adequate business continuity plans in place).

2. The amount of risk that the PCC is prepared to accept, tolerate or be exposed to at any one point in time will guide its risk response.
3. The table below illustrates how the PCC has agreed it will respond to each level of assessed risk.
4. This risk scoring matrix reflects the PCC's current tolerance to risk i.e. what constitutes a high risk, taking into account the risk scoring criteria set in connection with impact and likelihood.

Primary	Contingency
Timescales	**Timescales**
Full assessment of the control weaknesses and immediate identification of actions to be implemented including cost benefit analysis	Mitigating actions to be implemented within 6 months where risk reduction possible
Actions fully implemented within 3 months	
Resources	**Resources**
Use of all available resources to implement the required actions as a priority over and above day to day responsibilities (ensuring this does not impact on the controls of other risks)	Re-prioritise existing work loads to accommodate the implementation of required actions
	All risks to be owned by Senior Management
Assurance	**Assurance**
No assurance work required as focus should be on implementing actions	Quarterly sign-off of existing controls effectiveness by Management
Independent assurance obtained within the next 6	Independent assurance obtained within the next 6
Briefing to PCC and Audit Committee	Followed by at least an annual review
House Keeping	**Low**
Timescales	**Timescales**
Mitigating actions to be implemented within 12 months where risk reduction possible	No further action required
Resources	**Resources**
No further resources allocated over and above day-to-day roles and responsibilities and assurance	Reliance placed on existing control procedures that are in place
Assurance	**Assurance**
Six monthly sign-off of existing controls effectiveness by management	Six monthly sign-off of existing controls effectiveness by management
Independent assurance obtained bi-annually	Independent assurance obtained bi-annually

7) Risk Targets and Risk Appetite

1. In line with the table above the PCC's Risk appetite is such that Risks that have a residual risk that would fall within the categories of Housekeeping or Low are acceptable to the PCC and no further/significant work is expected in these areas.

2. In assessing each Risk there should also be an assessment of the 'Target' Risk Level, i.e. If a Risk is originally Rated at 25, but after Existing Controls this then reduces to 20, the Target Risk should be an assessment of the level of Risk that the organisation is willing to accept

and the 'Actions Required' should be the mechanism for delivering this further risk reduction.

8) Reviewing Risks

1. It is essential risk is routinely reviewed, as new risks will emerge and existing risks change.

2. Consideration will be given to new risks as well as existing risks being removed where appropriate.

3. Risks will be reviewed regularly at the PCC team meetings with input from the Risk owners. The Office Manager will act in a co-ordinating role, ensuring that risk owners contribute within the appropriate timeframe.

4. The table in section 6 provides an indication of how frequently each level of risk should be reviewed.

5. The PCC may review the risk sooner and would do so immediately should the PCC become aware of a change in the risk environment which may give rise to a significant risk.

6. Questions to ask when reviewing a risk might be:

    1. What progress has been made to complete the control measures that will manage or mitigate the risk?
    2. Are any control measures in place still relevant?
    3. Are the control measures in place effective?
    4. Has the risk environment changed?

7. The responses should indicate whether the risk needs to be re-scored.

9) Reporting Risks

1. The Audit Committee will receive half yearly (or quarterly?) updates. The reporting of risks should be by exception, with only those that are red, newly identified or overdue for review being discussed.

2. All staff will receive reports of the risks to the PCC bi-annually and will be engaged in reviewing the risks where appropriate.

10) Assurance Sources

1. An assurance source is the evidence upon which the control owner and risk owner place reliance in knowing that the control is operating and mitigating the risk as intended.

2. The following are the assurance sources. They are listed in order of strength:

    - External Inspection
    - External Audit
    - Internal Audit
    - Positive Press
    - Computer Audit
    - Quality Assurance Audit
    - Meeting Minutes
    - Management Reports
    - Performance Indicators
    - Policy
    - Strategy
    - Plan

3. The expectation is that at least one assurance source is sought from the above list and recorded against each risk within the Risk Management system and a further two from the list below:

    - Plan
    - Testing
    - Budget Monitoring
    - Appraisal and Training Records
    - Relevant Documents
    - Structure
    - Communications
    - Procedure Notes
    - Meeting Notes
    - Diary Dates
    - Management Assurance