STRATEGIC RISK MANAGEMENT POLICY

Version Number	V1.1	August 2020
Reviewed by	Strategic Contracts & Governance Manager	August 2020
Policy Owner	Deputy Chief of Staff / Treasurer	-
Review Date	Strategic Contracts & Governance Manager	March 2022

Document Control

Document Location
[INSERT LINK TO WEBSITE LOCATION]

Version History			
Version Number	**Version Date**	**Requester of Change**	**Summary of Change**
V1.0	2014-15	N/A – First Draft	N/A – First Draft
V1.1	August 2020	Audit Committee	Amended throughout to reflect recommendations by the Joint Audit Committee and to incorporate industry best practice principles.

Distribution List	
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Contents

1) Policy and Procedure Summary

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. 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 risk implementation within the office of the PCC

2) Risk Management Process

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, mitigating or eliminating them.

Corporate governance requires that risk management be embedded into the culture of the organisation. The risk management process identified and described in subsequent sections of this policy aims to ensure that risk management is an iterative, ongoing process, which is integral to the work of the PCC.

It does this by requiring that risk becomes a core part of everyday thinking, behaviour and actions. All decisions and processes should take account of risk, and those risks which are identified should be reviewed and revised on a regular basis. Where risks may affect members of the public, there is a need to be open and transparent.

The product of the risk management process is a risk register. The risk register records the risk management process, and is populated with information from risk identification, assessment and review. Information must be accurate and maintained regularly.

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

3) Identifying Risks

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.

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

For each risk included within the risk register the following should be carried out:-

- Assign a Risk Owner. PCC Staff will own the risks on behalf of the Deputy Chief of Staff / Treasurer 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 Strategic Contracts & Governance 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.

Information on the causes/impact of an identified risk, along with the control measures already in place to mitigate the risk will all assist when it comes to measuring the overall risk.

4) How to Document a Risk

The following three parts are required to be included within the description of a risk:-

Typical phrasings that could be used are:-

- Loss to…
- Failure of…
- Lack of…
- Leads to…
- Resulting in…
- Partnership with…
- Development of…

So, for example "*lack of resources leads to staff concentrating on day-today functions and demands, resulting in failure to keep in line with the overall OPCC project timetable*"

Staff may well identify some risks that, because of their controversial or political nature, may feel uncomfortable about formally recording. However, these may be the risks that need highlighting and managing the most.

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).

Remember, the purpose of a risk management process is to allow us to "control" risk, not avoid it.

In addition, if we focus on opportunities when assessing the merits of various 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 and managed risks.

5) Assessing Risks

For each identified risk, an assessment is required of how likely it is that the risk will occur, and the subsequent impact if it was to happen.

There are five levels of **Likelihood** and **Impact,** each with a score and description as set out in the sections below:

Likelihood Details*

Name	Description
1 - Negligible	Unlikely to occur within the next 3 years. 0 – 10%
2 - Rare	Unlikely to happen within the current year, but could occur within the next 2 to 3 years. 11- 40%
3 - Unlikely	Might happen within the current year, or could occur within the next 12-24 months. 41 – 65%
4 - Possible	Likely to happen within the current year, or could occur within the next 6-12 months. 66 – 90%
5 - Probable	Very likely to happen within the current year, or could occur within the next 6 months. 91 – 100%

Impact Details*

Name	Description
1 - Insignificant	£0 - £10K, Negligible Effects on service quality or business objectives. Service Interruption up to 24 hours. Negligible. Verbal advice/ guidance. No Effects on reputation (Community wide). Minor Abrasion.
2 - Minor	£10k to £50K Service marginally impaired. Some impact on business objectives but recoverable. Service Interruption <2 days. Minor breach with no penalty. Written advice/ guidance. Temporary reputational damage. Stakeholder expectations are not met (District wide). Minor injury.
3 - Moderate	£50K to £100K. Service quality impaired. Achievement of business objectives delayed. Service Interruption <1 week. Legal action or regulatory penalty. Improvement / prohibition notice. Localised reputational damage (Force wide). Reportable injury (To HSE).
4 - Significant	£100K to £500K. Significant reduction in service quality expected. Re- prioritisation of business objectives. Service Interruption <1 month. Legal case leading to major investigation or overhaul of procedures. Fine imposed. Reputation damage occurs with the Key Stakeholders Regional media coverage (North East). Major injury / s.
5 - Catastrophic	£500K plus . Complete failure of services. Unable to meet business objectives. Service Interruption (SI.) >1 month. Termination of the Management Agreement or criminal prosecution. Imprisonment and/ or fine. Reputational Damage is irrecoverable i.e. Government intervention. National media coverage (Nationwide). Fatality (Staff, members and visitors etc…).

**Definitions as extracted from Insight 4Risk as of August 2020*

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.

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 to manage.
- Contingency Risks – Where regular risk management will ensure that contingency plans are in place
- Primary/Strategic Risks – Where risk management should focus most of its attention.

Risk Matrix*

Impact						
	5 - Catastrophic	Contingency (5)	Contingency (10)	Primary (15)	Primary (20)	Primary (25)
	4 - Significant	Contingency (4)	Contingency (8)	Primary (12)	Primary (16)	Primary (20)
	3 - Moderate	Low (3)	Contingency (6)	Contingency (9)	Primary (12)	Primary (15)
	2 - Minor	Low (2)	Low (4)	House Keeping (6)	House Keeping (8)	House Keeping (10)
	1 - Insignificant	Low (1)	Low (2)	House Keeping (3)	House Keeping (4)	House Keeping (5)
		1 - Negligible	**2 - Rare**	**3 - Unlikely**	**4 - Possible**	**5 - Probable**

Likelihood

**Risk Matrix as extracted from Insight 4Risk as of August 2020*

6) Addressing Risks

There are 4 types of actions which address 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).

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.

The table below illustrates how the PCC has agreed it will respond to each level of assessed risk. This risk scoring, in conjunction with the risk 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).

<table>
<tr><th>Primary</th><th>Contingency</th></tr>
<tr><td><u>Timescales</u>
Full assessments of the control weaknesses and immediate identification of actions to be implemented and costs benefit analysis.
Actions fully implemented within 3 months.

<u>Resources</u>
Use of all available resources to implement the required actions as a propriety over and above day to day responsibilities (ensuring this does not impacts on the control of other risks).

<u>Assurance</u>
No assurance work required as focus should be on implementing actions.
In dependent assurance obtained within the next 6 months.
Briefing to the PCC and Joint Audit Committee.</td><td><u>Timescales</u>
Mitigating action to be implemented within 6 months where risk reduction is possible.

<u>Resources</u>
Re-prioritise existing workloads to accommodate the implementation of required actions.

<u>Assurance</u>
Quarterly sign-off of existing controls effectiveness by management.
Independent assurance obtained within the next 6 months.
An annual review (as a minimum).</td></tr>
<tr><th>House Keeping</th><th>Low</th></tr>
<tr><td><u>Timescales</u>
Mitigating actions to be implemented within 12 months where risk reduction is possible.

<u>Resources</u>
No further resources allocated over and above day-to-day roles and responsibilities and assurance.

<u>Assurance</u>
Six monthly sign-off existing controls effectiveness by management.
Independent assurance obtained bi-annually.</td><td><u>Timescales</u>
No further action required.

<u>Resources</u>
Reliance placed on existing control procedures that are in place.

<u>Assurance</u>
Six monthly sign-off of exiting controls effectiveness by management.
Independent assurance obtained bi-annually.</td></tr>
</table>

7) Risk Targets and Risk Appetite

In line with the table in Section 6 of this document, 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 treated as acceptable to the PCC and no further/significant work is expected in these areas.

In assessing each risk there should also be an assessment of the 'Target' Risk Level. For example, if a risk is originally rated at 25, but after existing controls are applied, 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 further risk reduction.

8) Reviewing Risks

It is essential risks are routinely reviewed, as new risks will emerge and existing risks will change. Regular consideration should be given to new risks, as well as existing risks being removed where appropriate.

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

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.

Questions to ask when reviewing an existing 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?

The responses should indicate whether or not the risk needs to be rescored.

A list of roles involved in risk management and their key responsibilities is provided in Appendix A to this document.

9) Governance Reporting for Risk

The Joint Audit Committee will receive half yearly updates on the PCC risk register. The reporting of risks should be by exception, with only those that are red, newly identified or overdue for review being discussed.

All OPCC staff will be engaged in identifying and reviewing risks, reporting any concerns or issues to the Deputy Chief of Staff / Treasurer or Strategic Contracts & Governance Manager where appropriate.

10) Assurance Sources

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 of the risk is running as intended.

The following are the assurance sources used by the PCC:-

- External Inspection
- External Audit
- Internal Audit
- Positive Press
- Computer Audit
- Quality Assurance Audit
- Meeting Minutes

- Management Reports
- Performance Indicators
- Policy
- Strategy
- Plan

The expectation will be that at least one assurance source is sought from the above list, and recorded against each risk within the risk management system, along with a further two from the list below identified by the risk owner for regular review and assessment:-

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

11) Legislative and Risk considerations

Human Rights Act (1998)

This policy has been drafted with the Human Rights Act 1998 taken into consideration.

Equality Act (2010)

This policy has been drafted with the Equality Act 2010 taken into consideration.

Freedom of Information Act (2000)

This Policy is suitable for publication under the Freedom of Information Act, however, the PCC's Strategic Risk Register and the Cleveland Police Strategic Risk Register will not be disclosed under the Freedom of Information Act, and all papers relating to the management of risks will be classed as 'Restricted'.

Health and Safety

This policy has been drafted with the Health and Safety legislation and guidance taken into consideration.

Anti-Corruption

This Policy has been drafted with risk to integrity and unethical conduct taken into consideration.

Appendix A - Roles and responsibilities

PCC

- Retains overall responsibility for oversight of all risks.

Joint Audit Committee

- Considers arrangements for the identification, assessment and management of risk.
- Receives progress reports from the Chief Executive on a regular basis.
- Receives reports from the Chief Constable on the key risks facing Cleveland Police on a regular basis.
- Reviews the PCC's Strategic Risk Management Policy on an annual basis.

Deputy Chief of Staff / Treasurer

- Oversees the corporate approach to risk management.
- Provides half annual updates to the Joint Audit Committee by exception.

Strategic Contracts & Governance Manager

- Maintains the PCC's Strategic Risk Register.
- Oversees additions/deletions/amendments to Strategic Risk Register, in consultation with the Risk Owner.
- Ensures that all service deliverers (including volunteers, contractors and other partners) are made aware of their responsibility for risk management and the mechanisms for feeding concerns into the OPCC's formal management processes, through inclusion in contract documents, service level agreements, etc.
- Nominates appropriate OPCC staff for risk management training, as identified through the performance review process.
- Ensures that all reports emanating from the OPCC, policy decisions and operational changes include, where appropriate, an adequate assessment of risks and how they will be managed.

Chief Constable

- Maintains the Risk Register in relation to Cleveland Police, including as a result of decisions made by the PCC and/or comments/advice from the Joint Audit Committee.
- Ensures compliance with Force risk management standards.
- Ensures that all reports emanating from the Force, policy decisions and operational changes include, where appropriate, an adequate assessment of risks and how they will be managed.
- Reports, on a quarterly basis, the key risks facing the Force to the Joint Audit Committee.

Risk Owner(s)

- Receive updates or feedback on entries on the risk register from the Strategic Contract & Governance Manager, and taking ownership of the risk.
- Re-score the risk(s) they are responsible for on a regular basis.
- Enter on the risk tracking summary sheet, the predicted status of their risk(s).
- Monitor the risk(s) with regard to being treated, tolerated, transferred or terminated.

Risk Actionee(s)

- For those actions that may not be within the remit of the Risk Owner to control explicitly, an owner will be nominated to address the risk. He or she will keep the Risk Owner apprised of the situation.

All employees

- Maintain an awareness of risk and raise as appropriate within existing formal management and reporting processes.
- Support and participate in risk management activities.