



Police and Crime Commissioner Risk Management Policy & Strategy

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1 SCOPE

- 1.1 Risk is defined as *'an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. A risk is measured by the combination of the probability of a perceived threat or opportunity occurring and the magnitude of its impact on objectives.'*
- 1.2 Risk management is the systematic application of principles, approach and processes to the tasks of identifying and assessing risks, and then planning and implementing responses to those risks.
- 1.3 Risk management is one of the pillars of corporate governance. Good governance relies on risk management being embedded into the culture of the organisation, with everyone recognising that risk management is a shared responsibility.
- 1.4 The Police and Crime Commissioner's (hereinafter referred to as the 'PCC') duties towards risk management are twofold. Firstly, the PCC has a responsibility for putting in place arrangements to manage the risks he faces, separate from those of Hampshire Constabulary (hereinafter 'the Constabulary'), and secondly for ensuring that the Constabulary itself has adequate arrangements for risk management in place.
- 1.5 This document, therefore, sets out the Risk Management Policy of the PCC. It refers to management of risk within the Office of the Police and Crime Commissioner (hereinafter referred to as the 'OPCC') and its immediate operating environment, and the way in which the OPCC will monitor the management of risk in the Constabulary.

2 POLICY STATEMENT

- 2.1 The OPCC will seek to identify, analyse and prioritise the risks it faces. It will seek to manage and control risks in order to maximise the quality and efficiency of its service provision and to uphold its reputation. The OPCC recognises that risk management is as much about exploiting opportunities as it is managing threats.
- 2.2 A certain amount of risk taking is both inevitable and essential if the PCC is to achieve his Priorities. The OPCC recognises that the way that it manages the many risks facing it contributes towards the successful achievement of those Priorities.
- 2.3 A systematic and consistent approach to identifying and analysing risks will be an integral part of all key management and governance processes, rather than a separate initiative, and will be implemented using the simplest possible means.

3 INTRODUCTION

- 3.1 Effective management of risk will assist in the achievement of the PCC's Vision and Strategic Objectives, optimise the quality and efficiency of its service delivery, and uphold and enhance its reputation.
- 3.2 Risk management must be clearly aligned to the organisation's strategic objectives, ensuring that there is a strong focus, at the top of the organisation, on those most significant risks that would prevent the PCC achieving his Vision and Priorities; or would impact on his partners.
- 3.3 The OPCC's commitment to risk management is a key part of its Code of Corporate Governance.

4 RISK MANAGEMENT OBJECTIVES

- 4.1 To increase the likelihood of achieving the PCC's Vision and Priorities.
- 4.2 To prevent or reduce the potential consequences of events which could have been reasonably foreseen.
- 4.3 To prevent or reduce events or actions that could damage the reputation of, and public confidence in, the PCC.
- 4.4 To improve decision making and planning; assist in the allocation of resources.
- 4.5 To integrate risk management into the culture of the OPCC and its processes and raise awareness of it among staff, making it an integral part of their thinking and actions.
- 4.6 To satisfy the requirements of corporate governance for the Annual Governance Statement, and the internal and external auditors in relation to the effectiveness and adequacy of risk management.

5 RISK APPETITE STATEMENT

- 5.1 The OPCC recognises that the levels of risk that it may be prepared to take are dependent on:
 - 5.1.1 the nature of the risk concerned;
 - 5.1.2 its capacity to control a particular risk;
 - 5.1.3 its prior exposure to risk and the amount of risk it is currently controlling.

The OPCC will consider the above factors in its decision making processes to ensure that it balances the risks it takes.

- 5.2 It has determined a scoring mechanism for the risks contained within its Strategic Risk Register by which the levels of control and intervention are proportionate to the level of risk, *i.e.* it will concentrate mitigation actions on higher risks.
- 5.3 There are some activities of the OPCC where it may accept higher risk, for example, to support innovation. However, it has a low risk appetite where matters of public confidence are concerned.

6 PRINCIPLES APPLIED

- 6.1 Risk management will be aligned continually with the Vision and Priorities of the PCC.
- 6.2 It will:
 - 6.2.1 encompass all strategic and functional risks that may prevent the PCC from fulfilling his objectives;
 - 6.2.2 where possible anticipate and manage risks rather than deal with the consequences;
 - 6.2.3 avoid creating a risk averse culture by taking an approach which considers the risks of not undertaking activities and not exploiting opportunities.
- 6.3 Mitigation measures will be effective, appropriate, proportional, affordable and flexible. Controls will not be set up where the cost and effort is disproportionate to the expected benefits. Procedures and controls will be implemented with minimum bureaucracy.
- 6.4 Risk will be managed rather than avoided, and consideration of risk will not stifle innovation. Risk management will therefore be used to promote innovation as well as to help secure existing objectives.
- 6.5 Risk management will link to and inform decision-making. The PCC will consider risk when reaching decisions on new and innovative projects and will take a proportionate response to managing any risks identified.
- 6.6 Risk management will engage stakeholders and deal with differing perceptions of risk. Appropriate levels and style of communication will be adopted to identify those individuals and groups who have a stake in the organisational activity being undertaken, to understand their requirements and perceptions of risk, and to influence their contribution.

7 OVERVIEW RISK MANAGEMENT PROCESS

- 7.1 The risk management process will cover the key steps of:
- 7.1.1 **Identifying** risks to the achievement of objectives with the aim of minimising threats while maximising opportunities;
 - 7.1.2 **Assessing** individual risks to estimate their priority so that it is clear which risks are most important and most urgent, and evaluating them to understand the exposure faced;
 - 7.1.3 **Planning** responses to the threats/opportunities identified;
 - 7.1.4 **Implementing** planned risk management actions and monitoring their effectiveness.
- 7.2 The following sections provide an overview of the process while not seeking to cover all aspects of it referred to in 7.1 above. A separate detailed process document will be maintained.
- 7.3 Risks will be identified by the PCC, Chief Executive, staff of the OPCC, Joint Audit Committee members or report writers as part of day-to-day business. A description of the risk will be drafted by the OPCC in consultation with a Risk Owner who will then estimate and evaluate the risk accordingly. The risk will then be presented at the next meeting of the Joint Audit Committee to obtain its comments and advice to the PCC and/or the Chief Constable on an appropriate response.
- 7.4 The Chief Executive will oversee all amendments to the Strategic Risk Register prior to presentation to the quarterly Joint Audit Committee meeting.
- 7.5 Risk Owners will consider the following risk responses:
- 7.5.1 To accept the risk;
 - 7.5.2 To avoid the risk;
 - 7.5.3 To treat, *i.e.* reduce, the risk;
 - 7.5.4 To transfer the risk;
 - 7.5.5 To escalate the risk;
 - 7.5.6 Alternatively, a risk after evaluation may present the organisation with an opportunity to deliver savings or efficiencies.
- 7.6 A clear methodology will be used to estimate and evaluate risks in a consistent way (see **Appendix A**). Once a risk has been identified and assessed, it will be entered onto the Strategic Risk Register in red text until

reviewed by the Joint Audit Committee at its next meeting. Risk Owners are reminded that where the risk has been given a high score, they should identify what immediate action needs to be taken and, as such, the detailed plans for such action.

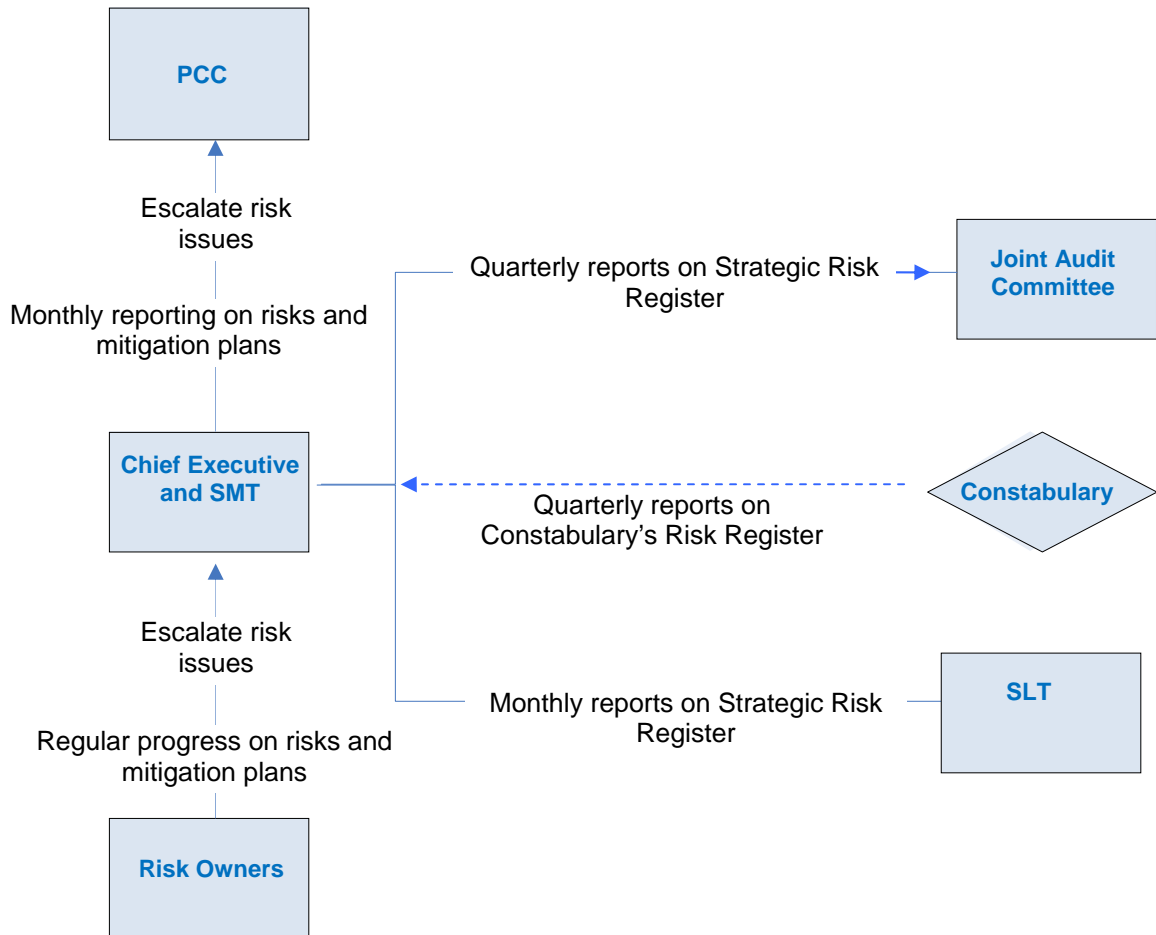
- 7.7 The entry on the Risk Register will include:
- 7.7.1 the risk, clearly defining its source, event and impact;
 - 7.7.2 the strategic objective to which it poses the greatest risk;
 - 7.7.3 the overall risk value;
 - 7.7.4 the mitigation and or control measures appropriate to manage the risk;
 - 7.7.5 both the Risk Owner and Risk Actionee responsible for managing the risk.
- 7.8 Entries mitigated or risks that are no longer considered a risk will be archived, subject to review and advice from the Joint Audit Committee.
- 7.9 The Risk Management Policy and Strategy will be subject to an annual review by the Joint Audit Committee (in March) to ensure its continued relevance as risk management develops and becomes more embedded in the OPCC.

8 ROLES and RESPONSIBILITIES

Individual roles and groups will be key to successful delivery of the Risk Management Policy and Strategy. A list of the roles involved and their key responsibilities is provided in **Appendix B** to this document.

9 REPORTING FRAMEWORK

The following diagram summarises the key reporting arrangements with respect to risk management.



10 LEGISLATIVE and RISK CONSIDERATIONS

- **Human Rights Act 1998**

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

- **Race Relations Amendment Act and Disability Discrimination Act**

This policy has been drafted with the Diversity Policy and the Race Equality Scheme taken into consideration.

- **Freedom of Information Act**

This Policy is suitable for publication under the Freedom of Information Act.

- **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.

- **Freedom of Information Act**

This policy is not Protectively Marked; however, the PCC's Strategic Risk Register and Hampshire Constabulary's 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**'.

APPENDIX A - Guidance on completing the Strategic Risk Register

- 1 The risk(s) must be defined explicitly in terms of the adverse impact(s) that might arise from the risk.
- 2 **Table 1** below should be used to determine the impact score(s) (**I**) for the potential adverse outcome(s) relevant to the risk being evaluated. Impact can be assessed in terms of its effect on **cost**, **time** and **quality**. The most appropriate domain for the identified risk should be selected from the left hand side of the table. Working along the columns in the same row, the severity of the risk should be assessed on a scale of 1 to 5 to determine the impact score, which is the number given at the top of the column. There may be more than one impact, in which case the most appropriate should be selected, *i.e.* the one with the highest level.
- 3 **Table 2** below should be used to determine the probability score(s) (**P**) for those adverse outcomes. If possible, the probability should be scored by assigning a predicted frequency of occurrence of the adverse outcome. If this is not possible, a probability should be assigned to the adverse outcome occurring within a given time frame, such as the lifetime of a project. If it is not possible to determine a numerical probability then use the probability descriptions to determine the most appropriate score.
- 4 Calculate the risk score by multiplying the impact by the probability: **I** (impact) x **P** (probability) = **R** (risk score).

Risk matrix - Table 1 - Impact scores

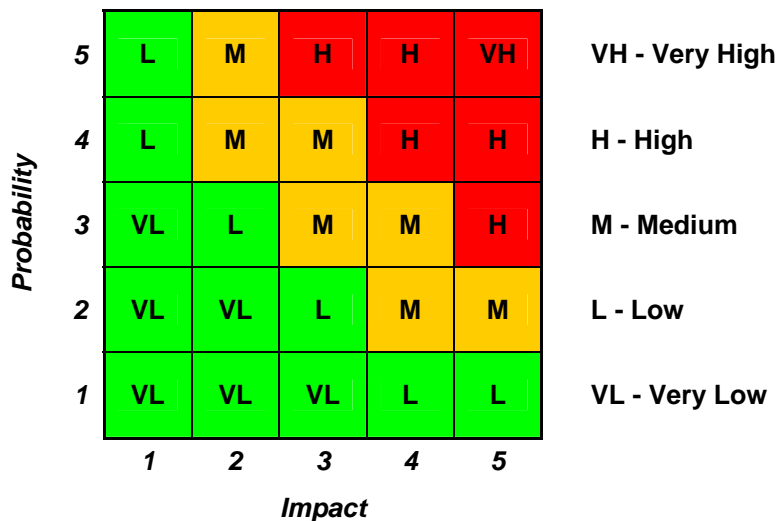
		Impact score (severity levels) and examples of descriptors				
		1	2	3	4	5
Domains		Very Low	Low	Medium	High	Very High
Cost		Small loss / Insignificant cost increase	<5 per cent over project budget	5–10 per cent over project budget	10–25 per cent over project budget	>25 per cent over project budget
		Affects service budget by less than £25,000	Affects service budget by between £25,001 & £100,000	Affects service budget between £100,001 & £400,000	Affects service budget between £400,001 & £800,000	Affects service budget by more than £800,000
		Variations manageable by virement against internal budget headings	Requires some additional funding from the partner organisation	Requires significant additional funding from one of the partners	Requires significant reallocation of funds from one or more partner organisations to meet objectives	Increases threaten the viability of the partnership
Time		Slight slippage against internal targets	Slight slippage against key milestones or published targets	Delay affects key stakeholders & causes loss of confidence in the enterprise	Failure to meet deadlines in relation to priority outcomes	Delay jeopardises viability of the enterprise or partnership
Quality	Business objectives/ projects	Barely noticeable reduction in scope or quality	Minor reduction in quality/scope	Reduction in scope or quality	Failure to meet secondary objectives	Failure to meet primary objectives
	Service/ business interruption	Little or no impact on service delivery	Minimal service disruption having limited impact on service delivery	Moderate service disruption having adverse impact on service delivery	Major service disruption having serious impact on service users	Major service disruption having serious impact on the public Permanent loss of service or facility
	Statutory duty/ inspections	No or minimal impact or breach of guidance/ statutory duty	Breach of statutory legislation Reduced performance rating if unresolved	Single breach in statutory duty Challenging external recommendations/ improvement notice	Multiple breaches in statutory duty Critical report / Improvement notices / Enforcement action Low performance rating	Multiple breaches in statutory duty Prosecution Complete systems change required Severely critical report
	Adverse publicity/ reputation	Rumours Potential for public concern	Local media coverage – short-term reduction in public confidence Elements of public expectation not being met	Local media coverage – long-term reduction in public confidence	National media coverage with <3 days service well below reasonable public expectation	National media coverage with >3 days service well below reasonable public expectation. Total loss of public confidence
	Sustainability / Environmental impact	Minimal or no impact on the environment or sustainability targets	Minor impact on environment or sustainability targets	Moderate impact on environment or sustainability targets	Major impact on environment or sustainability targets	Catastrophic impact on environment or sustainability targets

Table 2 – Probability score (P)

What is the probability of the risk occurring?

The frequency-based score is appropriate in most circumstances and is easier to identify. It should be used whenever it is possible to identify a frequency.

Probability score	1	2	3	4	5
Descriptor	Very Low	Low	Medium	High	Very High
Frequency How often might it/does it happen	This will probably never happen/recur	Do not expect it to happen/recur but it is possible it may do so	Might happen or recur occasionally	Will probably happen/recur but it is not a persisting issue	Will undoubtedly happen/recur, possibly frequently
	(0 to 5% chance of occurrence)	(6 to 20% chance of occurrence)	(21 to 50% chance of occurrence)	(51 to 80% chance of occurrence)	(81 to 100% chance of occurrence)



Score	Risk Level	Recommended response
15-25	High threat	Immediate action or detailed planning to be included within implementation plans.
8-12	Medium threat	Measures to be included into action plans and monitored.
1-6	Low threat	Limited action and review will be undertaken.

Very High = 21-25
 High = 15-20
 Medium = 8-12
 Low = 4-6
 Very Low = 1-4

APPENDIX B – 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 quarterly basis.
- Receives reports from the Chief Constable on the key risks facing the Constabulary on a quarterly basis.
- Reviews the PCC's Risk Management Policy and Strategy on an annual basis.

Chief Executive

- Oversees the corporate approach to risk management.
- 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 the Constabulary, including as a result of decisions made by the PCC and/or comments/advice from the Joint Audit Committee.
- Ensures compliance with Constabulary risk management standards.
- Ensures that all reports emanating from the Constabulary, 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 Constabulary to the Joint Audit Committee.

Report Writers

- Decisions by the PCC need to be taken in the full knowledge of all relevant risks. Accordingly, all reports must include an assessment of the risks associated with the content of the report and how they are to be managed or mitigated, which register the risk is on, the reference number, the risk owner, the current status of the risk and whether mitigations are sufficient. If there are no risks then this should be clearly stated.
- In the production of the report the originator should examine the PCC's Strategic Risk Register in order to establish whether there will be any impact upon the entries contained within the Register as a result of the report content. If any changes are foreseen, the report should contain sufficient information to enable the Register to be updated. The proposed additions or changes to the Risk Register should be specified.
- Reports should, where appropriate, support the PCC's decision making by presenting options, clearly explaining the costs and effects on risks of the different options.

Risk Owner(s)

- Receive updates of entries in the Strategic Risk Register from the Chief Executive and taking ownership of the risk.
- Re-score the risk(s) they are responsible for on a quarterly 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.