

Cumbria Police Authority

**23 March 2010
Agenda Item No 15**

Report by the Chief Executive

Cumbria Police Authority - Risk Management Strategy and Statement.

1. Introduction

- 1.1 The importance of strategic and operational risk management has been fully recognised in the public sector for some years. Provision is made in the Accounts and Audit Regulations for all local authorities to publish certified Statements on the effectiveness of their Governance arrangements, including their Systems of Internal Control as part of their governance and accountability and incorporated as an 'Annual Governance Statement' within their annual statement of accounts.
- 1.2 Risk Management is now firmly embedded within both the Constabulary and the Authority. Within the Constabulary, the Deputy Chief Constable takes responsibility for the risk-management process and is supported by the Senior Managers' Forum, comprising all chief officers, commanders, directors and staff associations. Within the Authority the responsibilities are shared by a Strategic Risk Working Group reporting to Governance Committee, whilst all committees, working groups and the Authority, take ownership and responsibility for reviewing their own strategic risks entered in the Risk Register, with the reviews undertaken being reported to and monitored by the Strategic Risk Working Group.

2. Terms of Reference and Responsibilities for Risk Management Strategy and Policy Statement

- 2.1. The Authority's terms of reference in relation to 'Risk Management', places responsibilities on both the Governance Committee and the Strategic Risk Working Group in respect of reviewing and approving the Authority's Risk Management Strategy and Statement as follows: -

Governance Committee

- To consider the recommendations of the Strategic Risk Working group on any matters associated with Risk Management and, (where satisfied) approve annually the Authority's Risk Management Strategy and Statement, and periodic revisions to the Authority's Risk Register.

Strategic Risk Working Group

- To review annually and recommend for approval by the Governance Committee, the Risk Management Strategy and Statement for the Police Authority.

3. Strategic Risk Management Strategy and Policy Statement

- 3.1 At its meeting on 01 February the Strategic Risk Working Group considered and reviewed the Risk Management Strategy and Statement approved on 23 February 2009 with suggestions as to minor changes (highlighted) to reflect the embedded practices applied over the past year as part of the Authority's risk management arrangements. The Strategic Risk Working Group agreed to support the proposed changes.
- 3.2 A copy of the revised Risk Strategy and Statement recommended by the Working Group to and approved by the Governance Committee for adoption is attached, with revisions compared to the current Statement approved in February 2009, being highlighted for ease of reference.
- 3.3 Only one material change was suggested and adopted. The incorporation of the requirement on the Authority to comply with its duties in relation to the obligations imposed under the Human Rights Act 1998 and to monitor the constabulary's compliance with the provisions of the Act in undertaking its policing functions.'

4. Risk Register

- 4.1 During the course of the year all of the risks have been reviewed by the risk owning Committees and Working Groups, and where appropriate by the Authority. The Strategic Risk Working Group has considered the outcome of each of these reviews, a total of 48 over the last year. An updated version of the Authority's current Risk Register was presented to the Governance Committee on 24 February 2010.

5.Recommendation

- 5.1 The Police Authority is asked to note the revisions approved by the Governance Committee to the Risk Management Strategy and Statement.

Clive Alcock
Chief Executive
13 March 2010

Douglas Thomas
Treasurer

HUMAN RIGHTS IMPLICATIONS:

The report has no direct implications for Human Rights

RACE, EQUALITY, DIVERSITY IMPLICATIONS:

The report has no known implications for Race, Equality or Diversity.

FINANCIAL/BEST VALUE IMPLICATIONS:

The report has no known financial implications other than to reduce the likelihood of the Authority suffering the financial and other impacts of failing to recognise and control risks.

STRATEGIC RISK IMPLICATIONS

The purpose of the Strategy is to ensure the Authority remains alert to, recognises and exercises mitigation over its strategic risks

Background papers

(Section 100(d) of the Local Government (Access to Information Act) 1985 refers):

Report to Strategic Risk Working group 01 February 2010

Report to Governance Committee 24 February 2010

For further information, contact:

Douglas Thomas, Treasurer telephone: 01768 217631

email: douglas.thomas@cumbria.police.uk

Cumbria Police Authority

*Risk Management
Strategy and Statement*

*(revisions submitted by
Strategic Risk Working Group on 01 February
2010 and approved by Governance Committee
24 February 2010)*

CUMBRIA POLICE AUTHORITY

RISK- MANAGEMENT STRATEGY & STATEMENT

INTRODUCTION

Cumbria Police Authority is committed to providing the highest quality of policing services to the public of Cumbria. It strives to do so in a constantly-changing political, legal, financial, social and technological environment and through being consistent with the principles of Best Value and fulfilling our ethical and legal obligations.

What is Risk and Risk-Management?

1. Risk can be defined as **“any real or potential events, which would prevent the Police Authority from achieving its objectives”**. A risk can also be **the failure to take advantage of opportunities to maximise the Authority’s objectives**. Examples include:

- *injury to any person or living thing*
- *loss of or damage to any property*
- *financial loss*
- *waste of finite resources*
- *disruption to service delivery*
- *any other undesirable outcome*

2. It is important that risk management is not seen as a burden, but rather the means by which the Authority can maximise opportunities and reduce threats. The reward for successful, considered risk-taking is a high-performing Police Authority and the aim is to manage risk appropriately and proportionately, rather than try to eliminate it totally

3. Risk management has five key elements:-

- Identification of the risks to which the Authority is exposed
- Evaluation of those risks in terms of likelihood and impact
- Control of those risks by taking measures to eliminate or reduce the likelihood of an event occurring and the impact which that event would have if it does occur
- Financing those risks, either directly by the Authority or by risk transfer (e.g. insurance)
- Monitoring the results and responding to change

Purpose of this Strategy

4. The purpose of this strategy is to maintain a formal risk-management methodology for the Authority and to outline the criteria against which risks will be evaluated and how they will be managed. This document forms a key part of the corporate governance regulatory framework which, through the Annual Governance Statement requires the Authority to report to stakeholders annually on:-

- our arrangements for risk-management
- the effectiveness of our systems of internal control
- the effectiveness of our Internal Audit arrangements and
- any material risks faced by the Authority.

OBJECTIVES

5. Cumbria Police Authority faces a wide range of risks, threats and hazards that could limit its capability to meet its corporate and strategic objectives. The aim is to pro-actively manage these risks (both strategic and operational) in a formal, objective and cost effective manner at all levels of the organisation. In managing these risks, the Authority recognises that it may not always be possible to reduce all risks to a desirable level.

6. Cumbria Police Authority's risk-management objectives are to:

- ensure that risk-management is part of strategic and operational management decision-making, planning and implementation in the delivery of ***policing*** services for Cumbria - ***whether by the Authority, the Constabulary, or their strategic partners and suppliers.***
- manage risks in accordance with good practice;
- take account of changes in the internal and external environment which may impact on the Authority's risk profile;
- raise awareness of the need for risk-management across the whole organisation;
- respond to risks in a balanced and proportionate way, mindful of the risk level, of risk-reduction potential, its cost and benefits, and their relationship to resources;
- ensure that the Authority's (strategic) partners and service contractors are operating to comparable standards, where a failure to do so might otherwise threaten the authority's own risk-management arrangements.

- ensure that the Authority complies with its duties in relation to the obligations imposed under the Human Rights Act 1998 and monitors the constabulary's compliance with the provisions of the Act in undertaking its policing functions

These objectives will be met by:-

- establishing and annually reviewing clear roles and responsibilities;
- providing support to those involved in managing risk in the Authority
- integrating risk-management into strategic and operational management processes
- reviewing the effectiveness of the risk-management process on a regular basis
- providing appropriate training for members and officers
- ***validating the risk-management procedures of the Constabulary and its strategic partners and suppliers where there is an interdependency with or from the Authority***

BENEFITS OF RISK-MANAGEMENT

7. Risk-Management alerts Members and officers of Cumbria Police Authority to the main risks faced by the service and to financial and other issues arising. It contributes to better-informed decision-making and the process of achieving objectives. When risk-management is embedded within existing processes such as planning, scrutiny, ***performance, efficiency*** and budgeting, it provides an informed basis for ensuring that the implications are thought through and the impacts of other decisions, initiatives and projects are considered and any conflicts balanced.

8. Risk-management should provide assurances for the adequacy of arrangements made for the conduct of the Authority's business and its use of resources. It should demonstrate openness and accountability to regulatory bodies and stakeholders more widely.

9. Risk-management leads to greater risk-awareness and the development of an improved control environment. Ultimately this should lead to fewer incidents or other control failures and support better service outcomes.

METHODOLOGY

10. The risk-management methodology adopted by the Police Authority is as follows:

- The identification and prioritisation of **inherent (base) risk**. This involves identifying potential opportunities and risks relating to the achievement of objectives. These may arise because of the general environment in which the Authority is operating or in relation to specific decisions being made or options being considered. All types and categories of risk should be considered at this stage. Broadly these risks may be considered over the **6 categories** of Strategic risk (i.e. **Regulatory** risk, **Financial** risk, **Operational** risk, **People** risk, **Reputational** risk and **Information** risk).
- Risk-scoring using a **5 x 5 risk matrix** will take into account two elements i.e. the likelihood of a particular risk occurring and the scale of impact which such an event would have on the Authority or service if it occurred. (see below)
- The identification of the **control framework** required to be in place to mitigate each risk and so reduce the '*residual risk*' towards an acceptable level.
- Implementation and monitoring of the effectiveness of controls put in place to mitigate identified risks.
- Re-evaluation of the risk, taking account of the control framework in place, at a frequency commensurate with the scale of mitigated risk scores :-

15 – 25	review at all meetings
10 - 14	review half yearly
9 or less	review annually
- Assessment of the appropriateness to the Authority or the service of the *residual risk* after the application of the control framework.
- The preparation, prioritisation and implementation of action plans where the control framework needs to be improved in order to reduce or contain the risk to an acceptable level.
- **The assessment of perceived changes in risk as a result of environmental scanning.**

The outcome of the above processes will be recorded in a **Risk Register**, which will clearly define an accountable officer, Member, and /or Committee of the Authority for each risk identified **and the timeframe within which each risk will be further reviewed, in the absence of any environmental changes which might require an earlier review to be undertaken.**

ASSESSMENT OF RISKS

11. Risks will be assessed in terms of their **likelihood** and **impact** on key business processes. The assessment process is not an exact science but seeks to draw out shared perceptions of uncertainty. A **grade of 1-5** will be awarded through discussion and consensus to both likelihood and impact of identified risks. Given the nature of risk-management, due caution must be applied in all cases.

12. Charts below give full details of the scoring criteria against which 'Likelihood' and 'Impact' will be assessed in order to determine the level of inherent risk posed by an activity before the application of controls or other measures to mitigate both the likelihood or impact of the risk on the Authority's objectives.

Likelihood will be scored against five possibilities of an identified event actually occurring:-

1 Remote	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
--------------------	----------------------	----------------------	--------------------	----------------------------

Almost Certain - Extremely likely to happen. Regular occurrence. Loss causing circumstances encountered on an annual basis.

Likely – will probably happen, but not a persistent issue. Likely to happen at some point over a 3-year period.

Possible – May happen occasionally. Likely to happen at some point over a 10-year period.

Unlikely - Not expected to happen but it is possible. Likely to happen at some point over a 25-year period.

Remote – very unlikely that this will ever happen. Has happened only rarely or never before. Likely to happen at some point over a 100-year period.

Impact will be scored against five levels of outcome depending on where the impact falls. Impact will be assessed against Service Objectives; Financial Objectives; People; Duration and Reputation.

1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
------------------------	-------------------	----------------------	-------------------	--------------------------

Negligible Minimal impact, no service disruption

Minor Minor impact on service objectives

Moderate Service objectives partially achievable

Major Significant service disruption

Catastrophic Unable to function or to fulfil obligations.

EVALUATION OF RISK

13. Assessments of the likelihood and impact scores will be plotted onto a (5 x 5) Risk Matrix to determine the level of inherent risk and, later, to demonstrate the residual position after the application of controls to mitigate and reduce risk.

LIKELIHOOD	Almost Certain	5					
	Likely	4					
	Possible	3					
	Unlikely	2					
	Remote	1					
			1 Negligible	2 Minor	3 Serious	4 Major	5 Catastrophic
			Magnitude of Impact				

Key

Risk Management Action Level	Tolerable	Low Priority	Activity necessary in current year	High Priority
-------------------------------------	------------------	---------------------	---	----------------------

14. Risks that are graded *high* in terms of likelihood and *catastrophic* or *major* in terms of impact will mostly fall into the red-shaded area of the matrix. They are regarded as high priority risks and must be actively managed with a view to taking early action to reduce that risk, although it will be unlikely that such risks can be eliminated altogether.

15. Risks that fall into the amber-shaded area are still significant risks which should be closely-monitored, with action to reduce the risks being applied within a twelve-month period, where possible, or more closely monitored where there is no capacity for reducing the likelihood of the risk occurring or its impact if it were to do so. Actions may also be required to prevent them moving into the highest risk category.

16. Risks that fall into the yellow-shaded area represent low priority risks. They must be monitored and, if possible, controls should be applied to reduce them to the more tolerable levels.

17. Risks that fall into the green-shaded area are regarded as 'tolerable'. They should be monitored, but often there will be little in the way of controls which can be applied so as to reduce them further.

MONITORING AND REPORTING ON PROGRESS

18. This will involve monitoring the achievement of agreed actions and updating the risk register to reflect changes to risk, i.e. new risks, past risks and revised risks. Monitoring also needs to ensure that risk mitigation is working in practice. Confirmation that controls are being applied and are effective should be confirmed on a regular basis. This should primarily be achieved through regular management review and performance outcomes, i.e. have risks materialised in spite of the controls in place? Internal Audit should periodically review the effectiveness of the risk-management process to include verification that controls are operating as intended on a proactive rather than passive basis. Additionally, external review processes may also contribute, e.g. inspections, external audit.

PROCESS MANAGEMENT

19. In managing the process of 'Risk-Management' we need to ensure that procedures are clearly defined and readily available to Members and officers of the Police Authority. In addition, records need to illustrate how risk assessments have been formulated and the risks subsequently controlled. This will enable the Authority to demonstrate that risk-management processes have been undertaken in a diligent and accountable manner. ***This process will also be applicable to the Constabulary, and its strategic partners and suppliers, where there is an interdependency by the Authority (and vice versa). The Authority will seek assurances that appropriate levels of risk assessment and controls are in place and registered by the Constabulary to safeguard those services on which the Authority is dependent.***

20. It is the policy of Cumbria Police Authority that :-

- risks associated with critical aspects of our business will be identified
- risks will be entered into a Risk Register
- risks will be assessed in terms of likelihood and impact
- risks will be prioritised in terms of impact on critical business processes
- cost-effective measures will be introduced and deployed to control identified risks in accordance with the Risk-Management Strategy
- insurance cover will be secured for appropriate risks, taking account of the Authority's 'appetite' for risk and the degree of self-insurance
- there will be ongoing monitoring of exposure to and control of risks

21. In support of this commitment to risk-management, the Police Authority has delegated the Governance Committee to co-ordinate and direct the identification and control of risks and the containment of associated loss. Individual Working Groups and Committees have been given responsibility for reviewing the controls and the risks attaching to their functional responsibilities, with the Authority retaining responsibility for those functional responsibilities not delegated to a Committee or Working Group. All members, committees and working groups have a role in the management and review of strategic risks, including identifying any new areas of risk

OWNERSHIP

22. It is recognised that the effectiveness of the Authority's risk-management processes will be dependant upon the degree of knowledge and "shared ownership" that Members and officers have of the process. This knowledge sharing will be delivered thorough formal reports and internal communication channels.

23. The Police Authority as a body has ultimate responsibility for the strategic corporate risks, shared as appropriate with the Chief Constable.

24. The Governance Committee has been given the following terms of reference in relation to 'Risk-Management' by the Authority: -

Reflects updated terms approved at Annual Meeting of Authority on **30 June 2009**.

- To receive the minutes of the Strategic Risk Working Group.
- To be satisfied and (where so) to approve the Authority's assurance statements, including the Annual Statement on Internal Controls and the Annual Governance Statement, and to ensure that they properly reflect the risk environment and any actions required to improve it.
- To consider the effectiveness of the Authority's Risk Management Arrangements, the control environment and associated anti fraud and anti corruption arrangements.
- To seek assurances that action is being taken on risk related issues identified by auditors, inspectors, and the Strategic Risk Working Group.
- To consider the recommendations of the Strategic Risk Working group on any matters associated with Risk Management and, (where satisfied) approve annually the Authority's Risk Management Strategy and Statement, and periodic revisions to the Authority's Risk Register.
- To periodically review and make recommendations to the Authority on revisions to the Scheme of Delegation, Standing Orders, Financial Regulations and Financial Rules.

25. The Strategic Risk Working Group has been given the following terms of reference:

Reflects updated terms approved at Annual Meeting of Authority on 30 June 2009.

- To review annually and recommend for approval by the Governance Committee, the Risk Management Strategy and Statement for the Police Authority.
- To monitor the implementation of the risk management action plans of both the Authority and Constabulary.
- To receive details of the reviews undertaken by Committees, Working Groups and the Authority of the strategic risks and the continued operation of the control mechanisms identified in the Authority's Risk Register in accordance with the risk based review intervals adopted by the Governance Committee on 23 May 2007,
- To recommend to the Governance Committee any changes in the strategic risks, or the base and mitigated risk scores recorded in the Authority's Risk Register and any changes in the control mechanisms which the Working Group believe are required to mitigate such risks.
- The Minutes of the Working Group to be reported to the Governance Committee.

26. To comply with these terms of reference, the Strategic Risk Working Group, reporting to the Governance Committee will: -

- monitor that Working Groups, Committees and the Authority identify the strategic risks relevant to the direct functional responsibilities delegated to them or , in the case of the Police Authority's areas of responsibility, retained by the Authority;
- consider, and subsequently monitor, the decisions of Working Groups, Committees and the Authority in reviewing and monitoring their functional strategic risks and the action plans for the management of the Authority's strategic risks, having regard to priorities determined in accordance with available resources and the scale of risk;
- consider proposals for strategic risk improvement and recommend them for adoption to the Governance Committee, where appropriate;
- report half-yearly to the Governance Committee with progress on identified strategic risks, bringing to the attention of the Committee any corporate issues for consideration;
- ensure that the Authority's staff and all members are kept aware of

their responsibilities in terms of both managing risk and reporting incidents;

- promote the provision of awareness sessions and training for lead personnel and members charged with risk assessment and risk management;
- Identify and reduce the total cost of risk through the adoption of best practice.

27. Within the Constabulary, the Deputy Chief Constable takes responsibility for the risk-management process and is supported by the Senior Managers' Forum, comprising all chief officers, commanders, directors and staff associations.

28. As part of its own risk-management, the Police Authority needs to be assured that the Constabulary in turn has effective systems in place. This will be achieved by the Strategic Risk Working Group reviewing the Constabulary Strategic Risk Register at its quarterly meetings.

29. Where the Authority is dependent on the services of the Constabulary or any of its strategic partners or suppliers in support of the discharge of the Authority's own functions, the Strategic Risk Group will seek assurance and subsequently monitor that appropriate levels of risk assessment and controls are in place and registered by the Constabulary.

30. Attached to this document are copies of :-

- Criteria used in scoring likelihood and impact of strategic risks
- Police Authority's Strategic Risk Management Hierarchy
- Review template used by committees and working groups in undertaking their review of strategic risks.

RISK MATRIX : LIKELIHOOD

Likelihood Score	Description				
5	Almost certain	Will undoubtedly happen, possibly frequently	Over 90%	Annual	Imminent / near miss
4	Likely	Will probably happen, but not a persistent issue	Up to 90%	3 year	Has happened in the past
3	Possible	May happen occasionally	Up to 65%	10 year	Has happened elsewhere
2	Unlikely	Not expected to happen, but is possible	Up to 20%	25 year	Not known in this activity
1	Remote	Very unlikely this will ever happen	Less than 5%	100 year	Force majeure

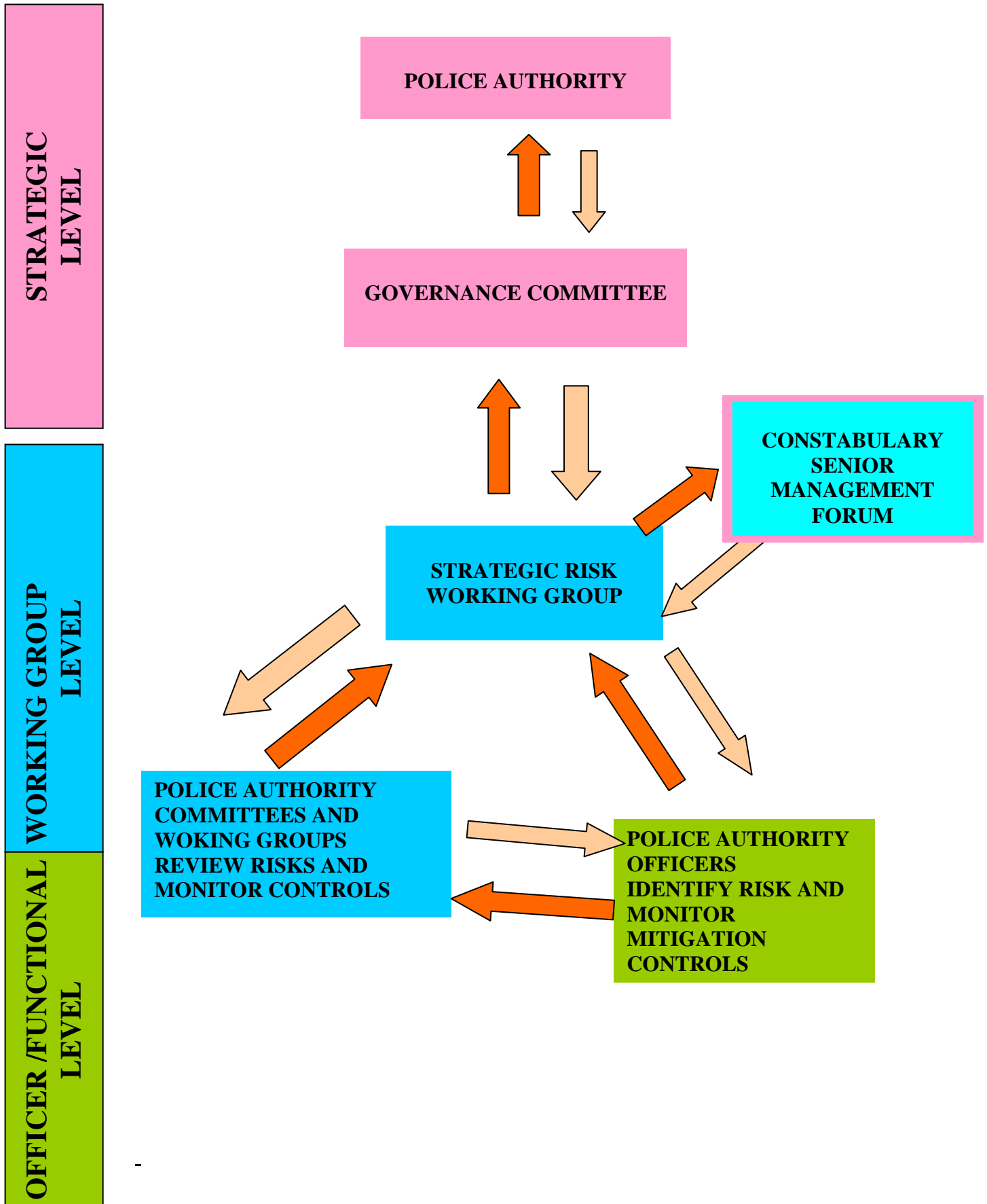
RISK MATRIX: IMPACT

Impact Score		Description				
		IMPACT ON SERVICE OBJECTIVES	FINANCIAL IMPACT	IMPACT ON PEOPLE	DURATION OF IMPACT	IMPACT ON REPUTATION
5	Catastrophic	Unable to function, inability to fulfil obligations	Severe financial loss (> £)	Death	In excess of two years (Days) to recover pre event position	Highly damaging, severe loss of public confidence
4	Major	Significant impact on service provision	Major financial loss	Extensive injury, major permanent harm	Between 1 yr - 2 yrs (Days) to recover to pre event position	Major adverse publicity, major loss of confidence
3	Moderate	Service objectives partially achievable	Significant financial loss	medical treatment required, semi-permanent harm up to 1 year	Between six months to 1 year (half -1 Day) to recover to pre event position	Some adverse publicity, legal implications
2	Minor	Minor impact on service objectives	Moderate financial loss	First aid treatment, non-permanent harm up to 1 month	2 to 6 months (Hours) to recover	Some public embarrassment, no damage to reputation
1	Negligible	Minimal impact, no service disruption	Minimal financial loss (< £)	No obvious harm/injury	Minimal - up to 2 months (Hours) to recover	No interest to the press, internal only

Based on the mitigated risk assessment score made for each item, they should then be reconsidered by the Committee or Working Group for review on the following basis –

- 15 – 25 – review quarterly;
- 10 – 14 – review half yearly;
- 9 or less – review annually.

CUMBRIA POLICE AUTHORITY
Strategic Risk Management Hierarchy



Cumbria Police Authority – Strategic Risk Register Review Template

Reference	Risk Type	Risk Owner		Likelihood	Impact	Risk Assessment	Date Assessed
		Chairman	Officer				
Risk and Controls Review				Response	Comment and any evidence cited in support	Date Reviewed	
Are the risks still accurately described							
Are there any changes resulting from changes in the risk in the environment							
Do any changes have an impact on base or residual risk							
Do any changes give rise to new risks							
Are the impacts and likelihood of base risk still accurately recorded							
Are the residual risks accurately scored for likelihood and impact							
Are the control mechanisms accurately recorded and fully functional							
Do any changes give rise to the need to modify controls							