

**Report of the Treasurer to the Chair and Members
Of the Leadership Panel
18th May 2010**

Executive & Presenting Officer: Paul Kirkham, Treasurer.

Status: For Decision

**Cleveland Police Authority
Risk Management Policy and Strategy**

1. Purpose

- 1.1 To discuss the implementation of the attached Policy and Strategy as agreed by the Audit & Internal Control Panel at its meeting on 25th March 2010.

2. Recommendations

That Members

- 2.1 Agree that Risk be discussed by each Panel within the context of its remit and its contribution to the CPA Business Plan. See para 2.75 of the Policy and Strategy in Appendix A to this report

3. Reasons

- 3.1 At its meeting on the 25th March 2010 the Audit & Internal Control Panel agreed a new Policy and Strategy (this is attached). This deals with with the management of the authority's own risks, and in oversight of the risk management arrangements of the Force. This replaces the 2005 joint Risk Management Strategy agreed with the Force.
- 3.2 The new arrangements place an increased emphasis on the Panels to identify and monitor risks to achieving the Authority's vision and

objectives. Therefore each Panel will need to consider those matters within its remit and those Tasks assigned within the CPA business plan.

- 3.3 There is a separate report elsewhere on this agenda relating to the business plan.

4. Implications

4.1 Financial Implications

Implementation of these recommendations is utilising existing financial and human resources.

4.2 Diversity and Equal Opportunities

There are no diversity and equal opportunities implications in this report.

4.3 Human Rights

There are no human rights implications in this report.

4.4 Sustainability

There are no sustainability implications arising from this report.

4.5 Risk

It is essential for good governance for the Authority to have in place effective risk management to ensure that it continues to achieve its vision, aim and objectives.

5. Conclusions

- 5.1 This report is part of an ongoing process to improve governance, efficiency and effectiveness.

Paul Kirkham
Treasurer to Cleveland Police Authority



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RISK MANAGEMENT POLICY AND STRATEGY

March 2010

1 Policy Statement

- 1.1 Cleveland Police Authority recognises that the establishment and maintenance of effective risk management arrangements is fundamental in ensuring good corporate governance through the implementation of cyclical risk management reporting and monitoring regimes.
- 1.2 The Police Authority's duties for risk management are twofold. Firstly, the Cleveland Police Authority has a responsibility for putting in place arrangements to manage risks it faces, separate from those of the Force, and secondly for ensuring that the Constabulary itself has adequate arrangements for risk management in place.
- 1.3 The Members and Officers of the Police Authority will through the business and financial planning processes identify the principal risks facing the organisation, in achieving its aims and objectives. We will evaluate their potential consequences and, with the resources available, manage and control risks in order to maximise the quality and efficiency of the Police Authority and to uphold its reputation.
- 1.4 The Authority and the Force will align risk management processes to ensure that all strategic risks are identified and managed by those best placed to control and mitigate them.

2 The Strategy

- 2.1 Risk management is the process of:
 - Identifying risks to achieving aims and objectives.
 - Evaluating the potential consequence of these risks.
 - Determining and implementing appropriate controls against risks.
 - Considering the most effective ways to monitor and mitigate against risks.
 - Assessing the effectiveness of the actions taken.
- 2.2 Effective risk management assists the achievement of objectives, maximises the quality and efficiency of an organisation and upholds its reputation. It can also help identify strengths, weaknesses and opportunities in the day to day and longer term business of an organisation.
- 2.3 This strategy details how risk management will be embedded into the corporate governance of the Authority.

2.4 Risk Management Objectives

- a) Increase the likelihood of achieving the Police Authority's Vision, Aims and Objectives set out in its Business Plan.
- b) Prevent or minimise events and actions that could damage the reputation of the Authority with the general public and partners and could lead to undermining community confidence.
- c) Improve decision making, planning and the allocation of resources.
- d) Prevent or minimise the potential consequences of events which could have been reasonably foreseen.

2.5 Risk Management Principles

2.5.1 Risk Management will

- a) Encompass all types of risks that may prevent the Authority from fulfilling its Vision Aim and Objectives, cause reputational harm or financial loss.
- b) Anticipate and plan against risks rather than deal with the consequences.
- c) Identify and evaluate an appropriate response to risk through control measures.

2.5.2 Control measures should be effective, appropriate, proportional, affordable and flexible. They will not be set up where the cost and effort is disproportionate to the expected benefits.

2.5.3 Control measures will involve one or more of the following:

- a) Tolerating the risk.
 - Existing control measures ensure that the exposure to risk is acceptable.
 - The cost of control measures are disproportionate to the potential impact or benefit and are not implemented.
 - The likelihood of the risk is not in the reasonable control of the Authority and the risk is tolerated.
- b) Treating the risk.
 - Some activity can be taken to mitigate the risk to a level where it can be tolerated.
- c) Transferring the risk.
 - By providing resource or arranging a third party to take the risk in another way, for example insurance. This does not remove the consequence of the risk should the third party fail to treat it appropriately, nor the responsibility for monitoring the risk.
- d) Terminating the risk.
 - Stopping the activity that produces the risk. This control measure will have its own risks and consequences.

2.5.4 The level of risk tolerance will vary depending on the type of risk (see appendix 1).

2.6 Definition of Risk for Cleveland Police Authority

Within Cleveland Police Authority a risk is the outcome of an event, which if it arose would:

- Result in death or injury.
- Affect the Authority's ability to meet its vision and objectives, either in the short or long term.
- Result in financial liabilities.
- Result in a legal challenge.
- Damage the Authority or Force's reputation.
- Reduce confidence in the policing of Cleveland.

2.7 Risk Management in Cleveland Police Authority

2.7.1 There will be a Corporate Risk Register that will contain the risks facing the delivery of the Authority's Vision, Aim and Objectives and potential risks to confidence, reputation and financial health. The annual review of the Business Plan will review and identify the strategic risks and this will be supplemented by work throughout the year (see chart below from the Institute of Risk Management's "Risk Standards" publication).



2.7.2 Risks will be identified by Members and Officers of the Police Authority as they become apparent and emerge from the reports to and work of each Panel. All reports put to the Police Authority will adhere to a template. The template will include a subtitle of Risk. Here the report will acknowledge any risks arising from or around the content, actions or inaction of the report in line with the Police Authority's definition of risk (appendix 2). Decisions by the Authority and its Panels need to be made in the full knowledge of all relevant risks and when considering reports Panels should include assessment of risks. Accordingly, all reports should include an assessment of the associated risks and how they can be managed or mitigated. If any risks are foreseen, the report should contain sufficient data to inform the updating of the risk registers of the Authority (and/or the Force).

2.7.3 All identified risks will be recorded on a Risk Assessment Form (appendix 3) by the risk owner, which will make a evaluation of the risk. Once a risk has been evaluated, it will be discussed with the Treasurer and as necessary be included in the Emerging Risk Register. The entry will include:

- The risk, clearly defining its cause, effect and consequence.
- The impact of the risk.
- The likelihood of the risk.
- The overall risk value.
- The owner of the risk.
- The control measures attributable to the risk.
- The impact of the risk taking into consideration the control measures.
- The likelihood of the risk taking into consideration the control measures.
- The overall risk value taking into consideration the control measures.
- Risk category
- At this time any control measures will be authorised and documented in the Control Measure Action Plan by the Treasurer.

2.7.4 The Corporate Risk Register will be regularly reviewed as a standing agenda item by the Audit and Internal Control Panel, who will also consider:

- The Emerging Risk Register
- Further additions to the risk register.
- Scrutiny of the Control Measure Action Plan.
- Monitor the effectiveness of mitigation measures.
- Evaluate and re-evaluate the impact and likelihood of risks on the register.
- Authorisation of the removal of mitigated risks no longer relevant.

2.7.5 Each Police Authority Panel will have Risk as a standing agenda item. Each Panel will consider the risks facing their contribution to the achievement of the Authority's Vision, Aim and Objectives, and Policing Plans, in line with their Terms of Reference.

2.7.6 The maintenance of the Risk Register will be undertaken within the Police Authority secretariat. Members and particularly Chairs and Vice Chairs of Panels will be able to view the register at any time and engage in the risk management process. The Chair and Vice Chair of the Audit & Internal Control Panel have specific responsibility to represent the Members of the CPA on the Joint Risk Management Group, and to promote and embed the culture of risk management within the Police Authority and across the Force.

2.7.7 The risks within the risk register will be managed by the risk owner, who where necessary will be supported by officers of the Police Authority. New control measures that are required for the mitigation of existing and emerging risks will be documented by the Strategy Manager and monitored by the Joint Risk Management Group.

Risk Tolerance

2.7.8 A risk tolerance level will be established through discussion with Members and will set the risk appetite for the Authority. The appropriate tolerance of risk will differ by type (appendix 1).

2.7.9 Risk tolerance will be the combination of impact and likelihood scores below which the risk is considered acceptable.

Risk Management Responsibilities

2.7.10 Chair of the Police Authority, Chair of the Audit & Internal Control Panel, Chief Executive and Treasurer:

- Oversee the corporate approach to risk management.
- Review and where appropriate update the Authority's risk management policy.
- Ensure members and staff have access to appropriate training and development opportunities to understand risk management.
- Maintain the Authority's Corporate Risk Register.
- Report to the Audit and Internal Control on risk management activity throughout the Authority as appropriate, but at least annually.
- Ensure the force has appropriate arrangements in place to identify risks to its business and service delivery.

2.7.11 Chairs supported by Officers embed risk management into the work of the Panel and assist in the maintenance of the Corporate Risk Register through:

- Additions/deletions/amendments to the Risk Register.
- Circulate revised copies of the Risk Register to nominated officers and risk owners as necessary.
- Ensure that where appropriate all reports and decision making takes into account risks and how they will be managed.

2.7.12 Audit and Internal Control Panel approve, support and monitor the implementation and ongoing processes for identifying and managing the Authority's key risks.

- Receive reports from the Treasurer on risk management activity and compliance throughout the Authority.
- Ensure appropriate arrangements are in place to align authority and force risk management strategies.

2.7.13 Risk owners receive updates of entries in the Risk Registers, take ownership of the risk and ensure that the action plan is addressed. Where necessary update Members and Officers on changes to the nature of the risk they own, the level of risk and effectiveness of control measures.

2.7.14 All Members and Staff gain an understanding of risk and the benefits of its management through support and participation in risk management activities.

2.7.15 Head of Internal Audit undertakes assessments and offers professional opinion.

2 Review

3.1 Annually the Risk Management processes will be subject to review as part of the

Review of the Code of Corporate Governance
Business Planning review
Annual Governance Statement preparations.

3.2 The review of effectiveness of the Policy and Strategy will be informed by the outcomes and recommendations from:-

The work of the Head of Internal Audit
Use of Resources Assessment
The Annual Audit Letter
External assessment such as HMIC and the Audit Commission.

Appendix 1
Risk Register Format

Ref	Corporate Owner	Risk Title, Type and Description	Date Added	Inherent Risk Rating	Risk Score	Risk Controls/Mitigations	Residual Risk Rating	Risk Score	Residual Actions	By Whom	Timescale
1	Monitoring Officer	<p>This is a short description of the risk.</p> <p>Cause This will make the risk happen</p> <p>Effect This will occur when the risk has been realised</p>	1/01/2010	<p>This is a rating of likelihood and the impact of the risk before any controls are put in place</p> <p>I:5 L:4</p>	20	These will reduce the likelihood of the causes bringing the risk to realisation	<p>This is a rating of likelihood and the impact of the risk after controls are put in place</p> <p>I:5 L:2</p>	10	These will be identified to either implement new controls or improve the existing ones	The risk owner.	Applicable to the mitigating actions at Appendix 4.

Reports to accompany the risk register

- Action Report
- Assurance Report

**Appendix 2
Risk Scoring Criteria**

Impact	Financial	Service Objectives/ Quality/ Interruption	Legal/ Compliance	Regulatory/	Reputation	Health & Safety
(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...).
(4) Significant	£100K to £500K	Significant reduction in service quality expected. Re- prioritisation of business objectives. SI. <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.
(3) Moderate	£50K to £100K	Service quality impaired. Achievement of business objectives delayed. SI. <1 week.	Legal action or regulatory penalty. Improvement / prohibition notice.		Localised reputational damage (Force wide).	Reportable injury (To HSE).
(2) Minor	£10k to £50K	Service marginally impaired. Some impact on business objectives but recoverable. SI. <2 days.	Minor breach with no penalty. Written advice/ guidance.		Temporary reputational damage. Stakeholder expectations are not met (District wide).	Minor injury.
(1) Insignificant	£0 - £10K	Negligible Effects on service quality or business objectives. SI. up to 24 hours.	Negligible. Verbal advice/ guidance.		No Effects on reputation (Community wide).	Minor Abrasion.

Appendix A

When rating a risk the highest level of impact should be used in all cases for scoring purposes.

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

Appendix 3
Risk Scoring Matrix

Impact	Contingency Risks <i>Where risk management will ensure that contingency plans are in place</i>			Strategic Risks <i>Where risk management should focus most of its attention</i>		
	5. Catastrophic	5	10	15	20	25
4. Significant	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	
	1.Negligible	2. Rare	3. Unlikely	4. Possible	5.Probable	Likelihood
	Minimal Risks <i>Where risk is so minimal it does not demand specific attention</i>			House Keeping Risks <i>Basic mechanisms should be in place - Risk Management will confirm</i>		

Appendix 4
Risk Control Actions

<p>Strategic Risks ████████</p> <p>Timescales: -Full assessment of the control weaknesses and immediate identification of actions to be implemented including cost benefit analysis -Actions fully implemented within 3 months</p> <p>Resources: -Focused use of human and financial resources to implement the required actions.</p> <p>Assurance: -No assurance work required as focus should be on implementing actions -Assessed externally by UoR and HMIC -Reported to Force Executive / Police Authority members</p>	<p>Contingency Risks ████████</p> <p>Timescales: -Mitigating actions to be implemented within 6 months where risk reduction possible</p> <p>Resources: -Re-prioritise existing work loads to accommodate the implementation of required actions -All risks to be owned by Senior Management</p> <p>Assurance : - Quarterly sign-off of existing controls effectiveness by Management - Independent assurance obtained within the next 6 months. - Followed by at least an annual review - Assessed externally by UoR and HMIC</p>
<p>House Keeping Risks ████████</p> <p>Timescales: -Mitigating actions to be implemented within 12 months where risk reduction possible</p> <p>-Resources -No further resources allocated over and above day-to-day roles and responsibilities and assurance mechanisms</p> <p>Assurance - Six monthly sign-off of existing controls effectiveness by management - Independent assurance obtained bi-annually - Assessed externally by UoR and HMIC</p>	<p>Low Risks ████████</p> <p>Timescales: - No further action required</p> <p>Resources - Reliance placed on existing control procedures that are in place</p> <p>Assurance -Six monthly sign-off of existing controls effectiveness by management. - Independent assurance obtained bi-annually</p>