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# **RISK MANAGEMENT STRATEGY, PROCESSES and PROCEDURES**

**2020/21**

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## **Section 1 – Introduction**

The former joint risk management strategy under the alliance arrangements for Warwickshire Office of the Police and Crime Commissioner (OPCC) has been reviewed and updated to create a strategy solely for Warwickshire OPCC. Once approved by the PCC this will come into immediate effect in 2020/21.

The PCC is committed to providing the highest quality of policing services for all Warwickshire communities, and has set out clear objectives for achieving this in the Police and Crime Plan. The policing landscape, nationally and locally, is both challenging and fast moving and this strategy outlines the approach and arrangements that are in place to deal with and manage any emerging risks effectively.

Risk management involves the identification, assessment and prioritisation of risks and the actions required to take control, manage and monitor them. Risks are threats that have potential to impact on our organisation and the delivery of our objectives and services. Sometimes they can be both positive and negative. Risk management activity ensures we protect against negative threats whilst recognising and taking advantage of positive opportunities.

Our strategy set out the responsibilities for risk management, what we do and how we do it. It incorporates a number of key objectives and what we aim to achieve from the arrangements we have in place. In doing so our strategy provides assurance and contributes to the overall framework for ensuring good governance.

## **Section 2 – Executive Summary**

The PCC is the responsible officer for risk at the OPCC, and has the responsibility to ensure there is an effective framework in place for identifying and managing risk. The OPCC's approach to manage exposure to risk is to establish systems and procedures to identify and prioritise significant risks, articulate a response to those and generate controls to manage them. The Chief Financial Officer (CFO) of the OPCC is the lead officer on risk management for the PCC and is designated as the 'risk professional' in this strategy.

Risk management will be embedded within the daily operations of the OPCC, from strategy and policy formation, through to business planning, general management and daily processes. It will also be applied where the OPCC works in partnership with other organisations to ensure that partnership risks are identified and managed effectively. By understanding our risks, decision makers will be better able to evaluate the impact of a particular decision or action on the achievement of the OPCC's objectives.

Risk management at the OPCC will not focus on risk avoidance, but on the identification and management of an acceptable level of risk. It is the OPCC's aim to proactively identify, understand and manage the risks inherent in the delivery of services and the objectives set out in the Police and Crime Plan, in addition to any associated plans, policies and strategies, in order to support responsible, informed risk taking and as a consequence improve value for money. Our aim to deliver high quality, cost effective services, does not come without risk and is a key challenge, but by adopting a structured approach to risk management, it seeks to ensure that the OPCC is protected but that innovation is not stifled or adversely restricted where there are positive benefits.

There are a number of requirements to ensure compliance with regulations, best practice and legislation, and for this reason alone, risk management should retain a high profile and be embedded fully within the organisation. Some of the relevant requirements include:

- Civil Contingencies Act 2004
- All relevant Health & Safety legislation including: Health & Safety at Work Act 1974 & Health & Safety Offences Act 2008
- HMICFRS Inspections
- CIPFA guidance on good governance as adopted in the Joint Corporate Governance Framework
- Committees, including the Joint Audit and Standards Committee and the Police and Crime Panel
- Annual Governance Statement

In order to embed this risk management strategy within the OPCC, the following areas have been identified as key elements:

**Risk management objectives** – our aims that set out what we want to achieve from the arrangements we have in place to manage risk.

**Risk management framework and methodology** – the specific things we have in place to support the delivery of our objectives and the way in which we review our risks to understand them and decide how we will manage their impact.

**Risk management responsibilities** – specific responsibilities for different areas of risk by individuals and groups eg the PCC, staff, Committees and auditors for example.

### **Section 3 – Risk Management Objectives and Benefits**

By having an awareness of risk management it enables better decisions about what and how we do things. It is therefore, essential to embed this thinking into our day to day business. To achieve this, the following objectives are part of our overall risk management strategy, the manner in which we will achieve them, along with the benefits that we anticipate we will realise from adopting such an approach.

**Objective 1** – The OPCC will ensure that risk management is **embedded** and is part of the process for delivering effective policing and crime reduction services in Warwickshire, by working closely with the force and our other partners.

This will be delivered by ensuring we maintain an effective risk management strategy, a framework through which the strategy is implemented, and a risk register to manage the identified risks. We will also ensure that we hold the force and other key partners to account for their management of risk.

This approach will deliver benefits from improved decision making, along with better planning and improved prioritisation through structured understanding of business activity and the associated threats/opportunities to service delivery. It should also ensure that improved value for money is achieved by the appropriate allocation of funding and resources to specific areas of service.

**Objective 2** – We will ensure that **staff** working within the OPCC are aware of risk management issues, review risks affecting their areas of work, and that our risk management strategy complies with best practise and national guidance.

To achieve this we will ensure that staff are made aware of the strategy through clear communication, are part of the process for reviewing and monitoring risks, and that the strategy is formally reviewed on an annual basis.

This approach will deliver benefits from better, fully informed and evaluated decision making. Staff will be safeguarded, along with the public and others affected by the OPCC's activities, and such an approach will contribute towards a culture of developing and nurturing staff, in addition to expanding the organisations knowledge base and resilience. This will improve staff wellbeing and protect the reputation of the OPCC.

**Objective 3** – we will ensure that there is clear **ownership** and accountability for risks.

To achieve this we will establish clear roles and responsibilities in relation to risk management within our strategy and ensure that all risks on the register have an owner.

This approach will deliver benefits, as experienced and informed staff will be managing risks for their specific areas of service thus giving the leaders of the organisation assurance that they are being monitored to enable the successful achievement of their strategic objectives.

**Objective 4** – We will provide an easy to understand **framework for evaluating** risk and responding to risks, which will support good decision making.

This will be achieved by setting out clearly the framework for risk management in this strategy, and include within that framework a methodology for scoring risks and timescales for risk review based on the risk score.

This transparent approach will deliver benefits from improved understanding and monitoring of risk, leading to better decision making and planning, and the ability to intervene and mitigate loss or damage by adopting different approaches or actions to enable better services.

## Section 4 – Risk Management Framework

This risk management framework sets out clearly what is in place to manage risk in the OPCC and who is responsible for those risks. This framework provides the detail on how we achieve our risk management objectives.

The framework consists of:

- (i) **Risk classification** – Risks are grouped into one of three classifications. The classification determines who is responsible for managing the risk and how those risks are managed. The classifications are:
  - Strategic risks – these are risk that threaten the achievement of strategic objectives such as those in our policing plan and other core strategies and have potential to affect the whole organisation. These are often complex risks that may impact two or more service areas. The Strategic Risk Register is owned by the Chief Executive, but the individual strategic risks on it will be owned by the appropriate officer within the OPCC. This could be the Chief Executive, Treasurer or Policy Officers.
  - Operational risks – these are risks to our operating systems, service delivery and the objectives in our business plans. Whilst the Strategic Risk Register will ensure risks are identified, captured, recorded and managed appropriately, it is expected that processes for managing risk will exist at an operational/ service level, outside of the Strategic Risk Register. The chosen approach will be the decision of the relevant officer, this could mean them running their own register, or could be more informal and for example include risk on the agenda of their meeting and/or recording actions and progress on such matters in the minutes of that meeting. Despite this approach it is important that operational risks are recorded, transparent and available on request for review and consideration. To this end, the intention is that a central



record of operational risk assessments is kept. This should be considered at quarterly risk management meetings to manage the central register and as a minimum more fundamentally on at least an annual basis in line with the risk management policy.

- Project risks – specific risks identified as being significant to the projects being undertaken by the Commissioner. It is acknowledged that these risks may change and evolve more rapidly than strategic or operational risks. In these cases, a separate risk assessment will be undertaken by the project manager to provide an independent, informant and timely assessment of the level of risk the project is exposed to. The format of that risk assessment may vary, based on the nature of the risk identified, the size of the project and the timeframe. Advice on the best approach or format for the assessment can be obtained from the Treasurer or Chief Executive, but as a minimum it should cover the financial impact and likelihood of the risk occurring. The project manager will be responsible for managing these risks and feed an appropriate actions into the strategic risk register and regular updates should be provided to the Chief Executive/Treasurer. The central record of operational risks, should also include a collation of project risks, to enable central tracking and oversight.

- (ii) **Risk identification** - Any member of staff can raise a risk. If they are aware of a risk they should initially discuss this with the Treasurer and/or Chief Executive, who will advise on the appropriate methodology for recording and monitoring that risk in line with this strategy. Having clear objectives at the outset help to identify any risks that may prevent the attainment of those objectives. The process of identifying risk will improve risk awareness and help to prevent the worst consequences of the risk occurring if they are identified and mitigations put in place to manage them. Risk identification, and subsequent management of those risks may also help to achieve the best consequences. Key OPCC staff will, as a minimum, be involved in the quarterly review process of the risk register and to discuss risk management in general, as outlined in section

6, but risks can be identified at any point, for example in team or project meetings which may or may not result in more formal and documented risk management procedures being implemented, depending on risk analysis and risk appetite.

- (iii) **Risk assessment and methodology** - All of our strategic risks are recorded on separate risk assessments, which collectively form the OPCC strategic risk register. Each risk assessment comprises of a risk map (appendix A) and supported by the more detailed narrative risk template (appendix B). The risk map is a visual document which includes the assessed risk position at the point of creation (inherent risk) and the desired risk position (mitigated risk). The risk template which accompanies the risk map, records the key information regarding each strategic risk including a description of the risk, an evaluation of the likelihood and impact of the risk occurring, a score for the risk, what we are doing to manage the risk, the risk owner and any further actions we plan to take.

The risk methodology aims to provide some transparency to the approach taken for scoring our risks, and is shown on the risk map and tables shown at appendix A. The impact score needs to be assessed in conjunction with appropriate staff to ensure coverage of issues relating to insurance, business continuity, legal and health and safety. The risk level is the impact score multiplied by the likelihood score. The inherent risk and the mitigated risk are both scored and shown on the risk map. The inherent risk score is the impact of the risk if we took no action, whilst the mitigated risk score tell us how much we have reduced that risk as a result of the mitigations and actions that we have in place to manage it. The higher the risk score the more actively we will assess the actions that we have in place to mitigate the risk.

- (iv) **Risk Response** - Once the level of risk is assessed the risk response will be determined, informed by the risk appetite of the OPCC. Risk appetite is defined as “the amount of risk that an organisation is prepared

to accept or be exposed to at any point in time.” Key staff at the OPCC including the PCC, Chief Executive, Treasurer and relevant policy leads will consider the risk appetite, as a means of controlling the risk.

Although risk appetite will vary for each individual risk, in general terms any risk that is assessed as having a risk of more than 10 on the risk map will require an action or response to manage that risk.

The OPCC and Force both use the National Police Risk Appetite Statement to guide its risk appetite:

Risk Ranking	Description
Averse (Risk Avoidance)	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Minimalist:	Preference for ultra-safe options that have a low degree of inherent risk and only have a potential for limited business benefit.
Cautious	Preference for safe options that have a low degree of residual risk and may only have limited potential for business benefit.
Open	Willing to consider all options and choose the one that is most likely to result in successful delivery minimizing residual risk as far as possible, while also providing an acceptable level of business benefit.
Hungry (High risk, high reward)	Eager to realise business benefits and to choose options to achieve this despite greater residual risk.

The options to respond to the risk will fall into one of the four categories:

**Tolerate** – the OPCC determines that it can tolerate this level of risk with appropriate monitoring as this will support achievement of priorities. The rationale for tolerating should be proportionate to the amount of risk the organisation is exposed to.

**Terminate** – this is the opposite of tolerate, and is where the OPCC determines that it cannot risk the impact occurring. This will require a commitment of resources and skill to ensure the impact does not occur.

**Transfer** – this is where the OPCC will put in place a response or activity that avoids the worse of the impact, often this will mean that another organisation will shoulder

the largest share of the impact, a good example being setting up of an insurance policy that covers the impact of costs, should it occur.

**Treat** – the OPCC puts in place a response to manage the risk. This will be the most frequent response to identified risks. A treat response will require a number of controls to be put in place as outlined in this strategy and outlined in the risk template document.

- (v) **Risk review** – the overall arrangements for risk will be reviewed annually by the Chief Executive and Treasurer as part of wider governance arrangements. The review will be reported in the Annual Governance Statement (AGS) alongside the Statement of Accounts, which is approved by the PCC. The statement is subject to external audit and presented with the Accounts to our Joint Audit and Standards Committee.

## **Section 5 – Roles and Responsibilities**

### **The Police and Crime Commissioner**

The PCC has strategic responsibility for the overall arrangements for risk management. An AGS is approved annually by the PCC which includes a commentary on the effectiveness of risk management arrangements. The PCC is responsible for strategic risks as identified within the strategic risk register and for understanding and challenging risks as part of their processes for developing policy and decision making.

The PCC has responsibility for holding the force and wider partners to account for their arrangements in respect of risk management and providing public assurance of such. The PCC will approve the risk management strategy annually in line with good governance and best practise.

### **Chief Executive and Treasurer**

The OPCC Chief Executive and Treasurer have responsibility for maintaining comprehensive systems of internal control including risk management processes. They also have responsibility for ensuring that operational risks are managed to minimise any impact on the delivery of the OPCC business plan.

The Chief Executive and Treasurer report on the effectiveness of arrangements for risk management within the AGS to the PCC and to the Joint Audit and Standards Committee.

### **Delivery and Policy Leads and other OPCC staff**

All OPCC staff have responsibility for the strategic, operational and project risks arising within their service areas. Staff are responsible for bringing any relevant risks to the attention of the Chief Executive or Treasurer, so that they are treated accordingly in line with this strategy, especially if this is likely to be a strategic risk or one that will impact over the medium to longer term number or multiple areas of work.

OPCC staff are able to receive direction and instruction regarding their responsibilities for operational risk from a number of sources. These include – information contained within this policy/strategy, the OPCC's legal advisor and from the Chief Executive or Treasurer. If specific formal training is deemed necessary this will be considered where required.

### **Joint Audit and Standards Committee**

The OPCC and force have an independent JASC in place. The Committee receive and examine the OPCC risk register at each meeting as well as receiving reports and personal verbal updates and evidence provided by internal and external audit and in other governance areas to ensure that we demonstrate we are actively managing our risks. This provides independent assurance to the Commissioner, Chief Executive and Treasurer.

The relevant sections from the JASC's terms of reference are:

- The Committee will provide advice and recommendations to the PCC and Chief Constable in relation to the following areas:
- Review the corporate governance arrangements against the good governance framework, including the ethical framework.
- Review the Annual Governance Statements prior to approval and consider whether they properly reflect the governance, risk and control environment and supporting assurances and identify any actions required for improvement.
- Consider the arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.
- Consider the framework of assurance and ensure that it adequately addresses the risks and priorities of the Office of the Police and Crime Commissioner (OPCC) and the Police.

## **Internal and External Audit**

Internal audit are responsible for periodically reviewing the effectiveness of risk management processes including the verification that controls are operating as intended. This source of independent assurance is a fundamental part of the evidence used to discharge our accountability for reviewing the effectiveness of our governance arrangements.

External auditors review the annual governance statement that sets out how we have complied with our arrangement for risk management and will test a number of financial controls that mitigate against financial risks as part of their audit work on the financial statements

## **OPCC lead for Risk**

The Treasurer and Chief Executive share the lead role for risk. Their responsibilities include:

- Pro-actively driving forward the management of risk
- Liaison with the force and other partners to monitor compliance with and the effectiveness of their risk management arrangements and reporting thereon to the PCC
- Monitoring the implementation of the risk management action plans of both the OPCC and the force
- Bring to the attention of the PCC and/or the JASC any concerns about the arrangements for risk management
- The provision of a risk register to enable the recording, review, analysis and reporting of strategic risks
- Maintaining an up to date awareness of risk management and take steps to embed a risk aware culture.

## **Section 6 – Consult and Communicate**

Quarterly reviews will take place between employees of the OPCC to ensure that risks are updated. This will ensure that emerging risks are identified, risk controls are implemented and risks that have been mitigated can be closed. The Treasurer will liaise with the Forces' risk professional to ensure that both registers are properly maintained and that interdependencies between the organisations (PCC and Force) are effectively managed. In order to embed risk management across the OPCC, other than formal risk review meetings, risk management should be discussed in team and other project/work meetings to ensure that risks are managed effectively within the OPCC.

### **The Force Risk Management Strategy**

The identification and management of the Force risks, will be dealt separately within the Force. However, the Forces' risk professional may be asked to provide professional advice and support to help manage the risks of the OPCC as and when required.

### **Internal and External Audit**

The risk management process is subject to both internal and external audit. The annual internal audit workplan will include risk management as deemed necessary. The annual internal audit plan is agreed by the Chief Constable, PCC and is also reported to JASC for comment and feedback, to ensure that it provides adequate coverage for all services of the PCC and Chief Constable on a recurring programme.

### **JASC**

JASC receive a copy of the strategic risk register at each of their meetings. Any communication deemed necessary between meetings to discuss and help manage risk should take place. The JASC will advise upon the efficacy of the risk management strategy, and comment on the strategic risk register, actions taken and mitigations to manage risk in line with the Committees terms of reference.





## **Section 7 - Conclusion**

Risk Management is part of the organisational and operational culture of the OPCC. This document, which will be reviewed annually, will support the embedding of this discipline, providing an audit trail and an assurance mechanism, as part of overall good governance within the OPCC.

## Appendix A

### Warwickshire OPCC Risk Map

Impact	5. Significant	5	10	15	20	25
	4. Major	4	8	12	16	20
	3. Moderate	3	6	9	12	15
	2. Minor	2	4	6	8	10 ACTION
	1. Insignificant	1	2	3	4	5 ASSURANCE
		1. Rare	2. Unlikely	3. Possible	4. Likely	5. Almost Certain
Likelihood						



Start of Risk



Current risk position



Target risk position

## Risk Impact

Score	Level of impact	Finance & Treasury*	Service Delivery	Legal	Health & Safety	Reputation
5	Significant	£ More than several hundred thousand	Severe prolonged loss of service e.g. interruption to for more than 1 month	Criminal prosecution of employee	Multiple fatalities	National media
4	Major	£ Hundreds of thousands	Major medium term loss of service e.g. interruption for over 1 week up to 1 month	Serious legal claim against the OPCC	Fatality	Local media
3	Moderate	£ Tens of thousands	Short-term loss of service/ service disruption e.g. interruption 1 day to 1 week.	Significant legal claim against the OPCC	Serious Injury	Moderate adverse local media comment
2	Minor	£ Several thousands	Minor impact upon service e.g. interruption to for more than ½ a day to 1 day	Minor legal claim against the OPCC	Minor injury	A small number of complaint letters received
1	Insignificant	£ Hundreds	Insignificant impact e.g. interruption ½ a day or less	Negligible legal claim against the OPCC	Near miss	Single minor complaint received

## Risk Likelihood

Score	Range	Likelihood
5	Almost certain	Almost bound to happen within a 3 year planning horizon.
4	Likely	Likely to happen within a 3 year planning horizon.
3	Possible	Could happen within a 3 year planning horizon.
2	Unlikely	Unlikely to happen within a 3 year planning horizon.
1	Rare	Highly unlikely to happen within a 3 year planning horizon.

Where more than one description of impact or likelihood may apply for example, a risk could impact upon service delivery, reputation and legal & regulatory compliance, the highest score is used.

# Appendix B - Risk Report

		Date Risk Identified:	
Risk Name:		Report Date:	
Strategic Owner		Original risk score	
Risk Description		Current risk score	
Desired Outcome		Target risk score	
Impact		Inherent Score:	
		Mitigated Score:	
Likelihood		Inherent Score:	
		Mitigated Score:	
Change Since Last Update			
Key Mitigating Controls			
Upcoming Challenges			
Key Planned Actions			

