John Campion
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West Mercia

RISK MANAGEMENT FRAMEWORK
Strategy, Process and Procedures

Version	Date	Action
1.0	April 2016	Draft Strategy compiled by RP
2.0	May 2016	Revised draft strategy by RP
3.0	October 2021	Reviewed and updated by PMB

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Contents

Section 1 – Introduction

The Risk Management Framework sets out the governance arrangements in place, supported by procedures and practices, to identify and manage significant risks. These are risks which may affect the Police and Crime Commissioner's (PCC) ability to achieve the outcomes identified in their Police and Crime Plan and ensure effective oversight of the Chief Constable.

The PCC has a responsibility, as the elected representative responsible for the totality of policing in their area, to ensure there is an effective framework in place for identifying and managing risk. This framework sets out to ensure a common level of understanding of risk identification, assessment and management across the office of the PCC. Promote a culture of 'risk awareness and ensure that Risk Management is embedded throughout the organisation.

Section 2 – Objectives and Benefits

The main objectives of this framework is to:

- Manage risk in accordance with good practice and adhere to national guidance.
- Identify and manage our most significant risks.
- Integrate risk management into the organisational culture to facilitate, preserve and enhance the effectiveness of service delivery by managing risk where possible.

The objectives will be achieved by:

- Ensuring that risk management practices are closely linked to the achievement of the organisational objectives.
- Establishing clear roles and responsibilities for risk management.
- Integrating risk management into the strategic planning process.
- Ensuring risk management is an integral part of project management.
- Informing policy decisions by identifying risks and their likely impact.
- Actively maintaining awareness of risk management within the organisation and promoting a culture of assessing and managing risk.

The benefits expected are:

- Improved decision making, planning and prioritisation through structured understanding of business activity and the associated threats/opportunities.
- Delivering best value by the appropriate allocation of funding and resources.
- Minimising loss, damage or injury.
- Safeguarding employees, the public and others affected by the OPCC's activities.
- Protecting the professional image and reputation of the OPCC.
- The leaders of the organisation having visibility of the risks to achieving their strategic objectives and are therefore being more likely to succeed.

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Section 3 – Risk Management Framework

The Risk Management Framework is broadly aligned to Association of Local Authority Risk Management (ALARM) a national association of public sector risk management and the Institute of Risk Management (IRM) Standard. There is a standard recognised process for the effective management of risk, which is set out in the diagram below:-

3a) Identify Risk

There are three types of Risk that the organisation manages:

Strategic Risk:
Strategic risks are those risks which affect the whole organisation and the ability of the organisation to achieve its desired outcomes. Their impact would result in the organisation not being able to deliver across different service areas.

The Strategic Risk Register is owned by the Chief Executive and they will be responsible for ensuring that the identified risk is owned by an appropriate officer within the OPCC.

Strategic risks will be reported to the West Mercia PCC Governance Board and Joint Audit and Scrutiny Committee (JASC). The Governance Board will receive the reports in advance of the 4 meetings held each year by JASC. Where the risk framework identifies new emerging strategic risks outside these reporting timescales, these will be reported to the PCC, DPCC and Chair of JASC at the earliest opportunity.

Operational Risk:
Operational risks are those risks which are identified at a service level by managers. These risk have been identified as having the potential to effect delivery of priorities and plans, but effecting only part of the organisation and not the whole.

The assessment of these risks use the same approach as with strategic risks, but are not considered to be significant enough to be included on the strategic risk register. These risks will be recorded on an operational risk register to ensure all identified risks are captured, recorded and managed appropriately.

The Operational Risk Register will be monitored through the managers meeting on a regular basis, to coincide with reporting of strategic risks to the Governance Board and JASC.

Project Risk:
Each significant project (both revenue and capital) should consider the risk associated with achieving the desired outcome of the project. It is expected that any Project Board overseeing a project will ensure compliance with this framework. A project risk register should be maintained and monitored regularly by the Project Board.

Where the risk is considered significant enough to impact on the delivery of overall PCC objectives then it should be promoted to the Strategic Risk Register.

Risk issues can be categorised into three areas:

1. Demand: Risk issues will arise in relation to the volume, type and complexity of demands on the PCC. The main demands for the PCC are its statutory roles and responsibilities as a body of governance and as an organisation in its own right.

2. Capacity/Capability: Risks issues will arise in relation to the capacity and capability of the PCC to meet the demands placed on it. Capacity and capability cover people, money, buildings etc.

3. Governance: Governance is another source of risk issues. It is about ensuring you do the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values by which the PCC is directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

3b) Assess Risk

When a risk has been identified an assessment should be carried out to provide a score to assist with subsequent prioritisation of resourcing and monitoring. Standard definitions have been identified for impact and likelihood which will help the organisation score the risks.

The risk level = The impact score * The likelihood score

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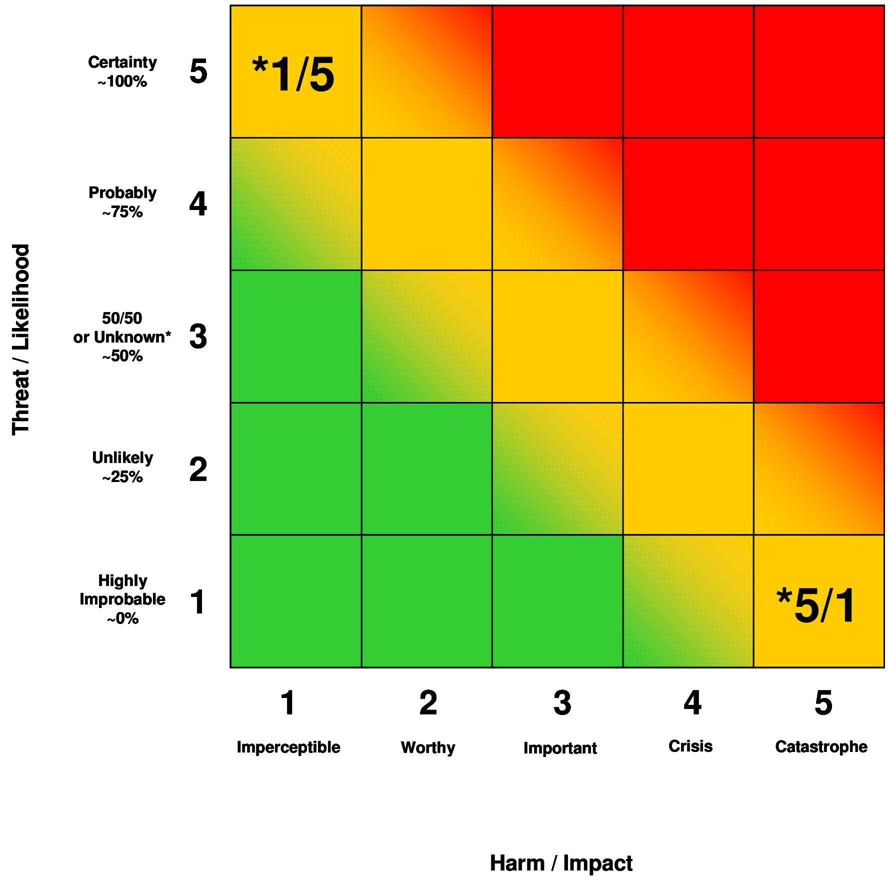
The following Heat Map is used to visually represent the ‘heat’ (Risk Level) of each Risk.



Likelihood Definitions

	Likelihood	Score	Description
Threat/ Likelihood	Certainty 100%	5	Something that is currently happening or is certain to occur over the current business planning cycle
	Probably >75%	4	Something that has and does occur and is therefore very likely to occur during the current business planning cycle
	50/50 or unknown ~50%	3	There is as much chance of this occurring as not. Something that has an even chance of occurring during the current business planning cycle, or, there is insufficient information to form a measure of likelihood in which case environmental scanning resource should be used to clarify
	Unlikely >25%	2	Something that may have happened before and is unlikely to occur during the current business planning cycle
	Highly improbable <10%	1	Has not happened in the last 5 years and is very unlikely to occur in the current business planning cycle.

Harm/ Impact Definitions

	Impact	Score	Description
Harm/Impact *	Catastrophe	5	A risk event that if it occurs will have a severe impact on achieving desired results to the extent that one or more critical outcome objectives will not be achieved.
	Crisis	4	A risk event that if it occurs will have a significant impact on achieving desired results to the extent that one or more stated outcome objectives will fall below acceptable levels
	Important	3	A risk event that, if it occurs, will have a moderate impact on achieving desired results to the extent that one or more stated outcome objectives will fall below goals but above minimum acceptable levels.
	Worthy	2	A risk event that, if it occurs will have a minor impact on achieving desired results to the extent that one or more stated outcome objectives will fall below goals but well above minimum acceptable levels.
	Imperceptible	1	A risk event that if it occurs will have little or no impact on achieving outcome objectives.

* see appendix for additional descriptions by theme

3c) Control Risk

Once the level of the risk is known the organisation should select how to control its risk. The risk response (and its rationale) should be recorded.

- **Tolerate** – the organisation determines that it can tolerate this level of risk, usually because it is within the organisation's risk appetite, but any level of risk can be tolerated given the seniority of the people making this decision. The level of rationale for tolerating being proportionate to the amount of risk the organisation is exposed to.

  When tolerating risk, it is good practice for the leaders of the organisation to set tolerance Levels where applicable. For example if 1000 items unfinished is a risk to be tolerated, then the organisation might set a tolerance level of 1500 items unfinished, naming an owner to monitor this, who will then be responsible for warning the organisation should levels approach the tolerance level set. This protects the organisation, but also protects the decision maker and avoids leaders becoming averse to tolerating risk.
- **Terminate –** the opposite of tolerate. The organisation views the risk level to be so beyond its risk appetite that it absolutely cannot risk the impact occurring. Therefore a terminate option will see the highest amount of skill, resources, controls, investment, contingency, etc given to control of this risk. The resources input should aim to make the impact very unlikely to occur.
- **Transfer** – this is the organisation putting in place 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 an insurance policy that covers the impact cost should it occur.
- **Treat –** the most common response. The organisation decides to manage the risk, This involves reducing the probability of risk occurring (e.g. preventative action) or reducing the

impact (e.g. having adequate business continuity plans in place). This is likely to apply to any risk issues exceeding a score of 9.

The amount of risk that the PCC is prepared to accept, tolerate or be exposed to at any one point in time will guide its risk response. Once the response to the risk has been decided then it should be transferred onto the risk register. The following needs to be documented within the register.

Risk Owner	Each risk identified requires a nominated individual (of suitable seniority, at least Manager level) who is responsible for managing, monitoring and reviewing their own risks, liaising with relevant board, committees and the PCC in person, as appropriate.
Risk Opened	The date the risk was added to the risk register.
Inherent Risk Score	The ‘Heat Map’ score determined following the procedure above, based on the conditions that exist before any mitigating actions have had effect.
Context of Risks	Each risk issue is likely to have a number of causes/impacts which indicate why it is a risk, these should be captured to give context to the risk score.
Desired Outcome	A short description of what the organisation wants to achieve from managing this risk.
Trigger Events	The evidence that the organisation will require to verify that the desired outcome has been reached, thus enabling the organisation to tolerate the risk
Activity Descriptor	A description of the controls that will be implemented to achieve the desired outcome.
Activity Target Date	The date the action will be completed or is ongoing.
Residual Risk level	Showing the effect of the actions upon the risk level.
Movement indicators	This will provide a visual guide to show how the current risk level has changed between reports.

<u>3d) Review Risk</u>

It is essential risk is routinely reviewed, as new risks will emerge and existing risks change. Consideration will be given to new risk issues as well as existing risk issues being removed where appropriate. As part of the review of the risk register should be regarded as a ‘radar’ that gives them sight of the risks and threats to achieving their strategic aims.

When reviewing the register it is good practice to review:

- What progress has been made to complete the control measures that will manage or mitigate the risk?
    - Immediately challenge any risk without an owner.
    - Are actions running over their delivery date?
- Are any control measures in place still relevant and effective?
    - Compare the initial risk level (in grey) to the current risk level (in colour)
    - Is the progress since the risks start date satisfactory?
- Has the risk environment changed?

The responses should indicate whether the risk needs to be re-scored.

Section 4 – Roles and Responsibilities

PCC/DPCC

- Review the Strategic Risk Register.
- Consider whether the risk response provides assurance that strategic risk is being managed effectively.
- Set the desired outcome for management of risk and the risk appetite.
- Promote risk management as part of the organisation culture.

Joint Audit Committee

- Provide a strategic overview of the risk management framework and whether it provides the PCC with the assurance that risks are being managed effectively.
- Undertake an annual review of the Risk Management Framework.
- Consider whether the framework has been embedded in the organisation culture of the OPCC.
- Review the strategic risk register and provide scrutiny on whether risks are being managed effectively.
- Report any concerns to the PCC.

Senior leadership Team - Chief Executive/Treasurer/Deputy Chief Executive

- Ensure that Strategic and Operational Risk Registers are maintained.
- Set the desired risk outcome and owner required for strategic risks.
- Consider the risk response (treat or tolerate) for any new risks for recommended inclusion on the strategic risk register and progress appropriately.
- Discharge risks from the Strategic & Operational Risk Registers as appropriate, when reassured.

Finance Manager

- Maintain the Risk Registers.
- Ensure that registers are brought to the relevant meetings.

- Arrange training.
- Review and refresh the Risk Management Framework.

Risk Owners

- Carry out appropriate risk analysis in accordance with current Risk Management Framework.
- Nominate suitable action owners (if different from risk owner).
- Ensure all actions are completed.
- Provide updates in relation to progress of work carried out to prevent or mitigate risk.

All employees

- Review risks on the Operational and Strategic Risk Register on a regular and timely basis.
- To identify any potential areas of risk or opportunity impacting on the organisation and raise the issue in the first instance to the Finance Manager.

Section 5 – Reporting Structure and Review

Meetings will take place on a regular basis to ensure that emerging risks are identified, risk controls are implemented and risks that have been mitigated can be closed.

Reporting	Register	Purpose	Timing
Team Meetings	Operational Risk	maintain a view of emerging risks and also changes in environmental factors which may impact on the current risk scores	Ongoing
Managers Meeting	Operational & Strategic Risk	ensure risks are being controlled, and reflected in the appropriate register	In advance of OGB (quarterly)
PCC Office Governance Board	Strategic Risk	for consideration by the PCC to ensure that they have oversight of the management of risk.	In advance of JASC (quarterly)
JASC	Strategic Risk	Oversight of the register and approach being taken to manage risk.	Each JASC meeting (quarterly)

The identification and management of the Force risks, will be dealt separately within the Force. However, the Forces' risk professional will provide professional advice and support to manage the risks of the OPCC. Full details can be found in the Force Risk Management Strategy. The OPCC Finance Manager will liaise regularly with the Forces' risk professional to ensure that all registers of both the PCC and Force are properly maintained and are effectively managed.

Internal and External Audit

The risk management process is subject to both internal and external audit. Auditors attend the JASC meetings were the Strategic Risk Register is reported and also it is where the updates to the Risk Management Framework will be brought for approval.

An internal audit will be carried out as required as part of the annual audit plan, agreed by the PCC, Chief Constable and Joint Audit Committee. All audit activity is co-ordinated to avoid duplication.

Section 6 - Conclusion

Risk Management is part of the organisational and operational culture. This document will support the embedding of this discipline, providing an audit trail and an assurance mechanism, as part of overall governance, without it becoming a bureaucratic problem for busy managers.

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Appendix 1 – Impact Scoring Matrix

	1 Imperceptible	2 Worthy	3 Important	4 Crisis	5 Catastrophe
Community	Building	Town	Policing Area	Force Area	National
Extent of Access for Staff	Several People	~Hundred People	Several Hundred People	~Thousand People	The Majority of Officers and/or Staff
Responsibility	Individual	Team	Manager	Senior Management Team	PCC
Legal	Negligible legal claim	Minor Legal Claim	Significant Legal Claim	Serious Legal Claim	Criminal Prosecution
Finance	£1,000s	£10,000s	£100,000s	£500,000s	£1,000,000+
Policy and Legislation	Failure to keep to single aspect of a Policy	Failure to keep a single Policy	Failure to keep to multiple Policies	Unconscious decision to work away from Legislation	Conscious decision to work away from Legislation
Health and Safety	Near miss	Mild injury	Serious injury	Single Fatality	Many Deaths
Reputation	Internal Misconduct	Single Complaint	Local Paper	Local Media	National Media

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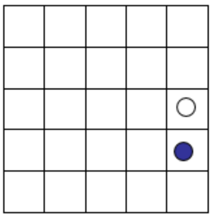
Appendix 2 – The Strategic Risk Register

A new risk for the Force to consider at the appropriate level should be assessed by completing a Risk Assessment. The assessment should be completed in line with the Risk Management Framework and then documented on the Register. An example of the register is given below.

Strategic Risk Register: **The risk that there is a budget pressure that adversely impacts on service delivery.**

A



Risk Owner: OPCC Treasurer

Risk Opened: April 2021

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Latest update: November 2021

○ **Inherent Risk** - the risk if we applied no controls and mitigation

● **Residual Risk** - the risk at present taking in to account the evidence that actions have been effective

Completed by Risk Owner

Context of Risk
After austerity and the COVID pandemic there has been considerable pressure on public finances. Efficiencies and savings have been delivered within the organisation. There is now the risk that the resources available from Central Government and Council tax is not sufficient to meet the operational costs. Further significant savings have not been identified which means that service reductions would then have to be considered.

Desired Outcome
Manage the budget setting process to ensure that the link between service delivery and resource implications are understood focused on the key priorities of the PCC and Force. Identified efficiencies and savings that can be delivered.
Ensure that services can be prioritised to meet the resources available and then the impact of any reductions in service are clearly stated.

Trigger Events
Budget proposal does not meet the resources identified as being available (assumptions / confirmed funding)
Budget monitoring shows that there is an overspend

Policing Priority

Last Update

This Months Update

The risk assessment has seen the likelihood score reduce in the last 6 months. The reason for this change in assessment is:-

The PCC and CC have had a budget planning day where key assumptions for the 22/23 budget setting were agreed

The Force have completed their Priority Based Planning process and are allocating priorities to fit with the budget envelope. The Force will be presenting their 2022/23 budget proposal to the PCC in Mid November.

The PCC has reviewed OPCC budgets and challenged requirements for 2022/23 financial year.

The Chancellors' Budget and Spending Review has set out a 3 year funding agreement with the Home Office. This has created more certainty for the allocation of resources over the medium term, however the final Police allocation is not expected to be confirmed till early December 2021.

The 2021/22 Q2 Money Matters report has indicated that the current projection for budget is forecast underspend of £3.973m.

The next stage of the budget setting process is for the PCC to review the Force budget proposals and to ensure that they meet the resource assumptions whilst delivering on the PCC priorities.

Upcoming Challenges?

The next stage of the budget setting process is for the PCC to review the Force budget proposals and to ensure that they meet the resource assumptions whilst delivering on the PCC priorities.

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Appendix 2 - Strategic Risk Reporting

The reporting of Strategic Risks should ensure that the focus on those risks which are most important to the organisation and within this, those risks which are new or have changed. The reporting will be a summary of what has happened to those risks since the last updated. Meetings will be structured in the following way.

- Risk Agenda - Setting out the risks to focus on in meeting
- Risk Map - Summary of all the strategic risks on the 'heat map'
- Risk Report - Update on each individual risk

The Risk Owners should be able to provide the meeting with the relevant information,

- **Risk Agenda**

The first page of the submitted risk report should be a short agenda. The purpose of which is to highlight to the Chair of the meeting the areas recommended for discussion.

An example being:

West Mercia PCC - Strategic Risk Register Report - November 2021 OFFICIAL - SENSITIVE

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Strategic Risk Report – Agenda

The following Strategic Risks are recommended to be discussion points :

A The risk that there is a budget pressure that adversely impacts on service delivery.

B The risk that the Estates Strategy and Force Target Operating Model do not allow effective management of the Estate and the risk of an increasing maintenance deficit.

C The risk of shared service arrangements failing, impacting on the ability to deliver services.

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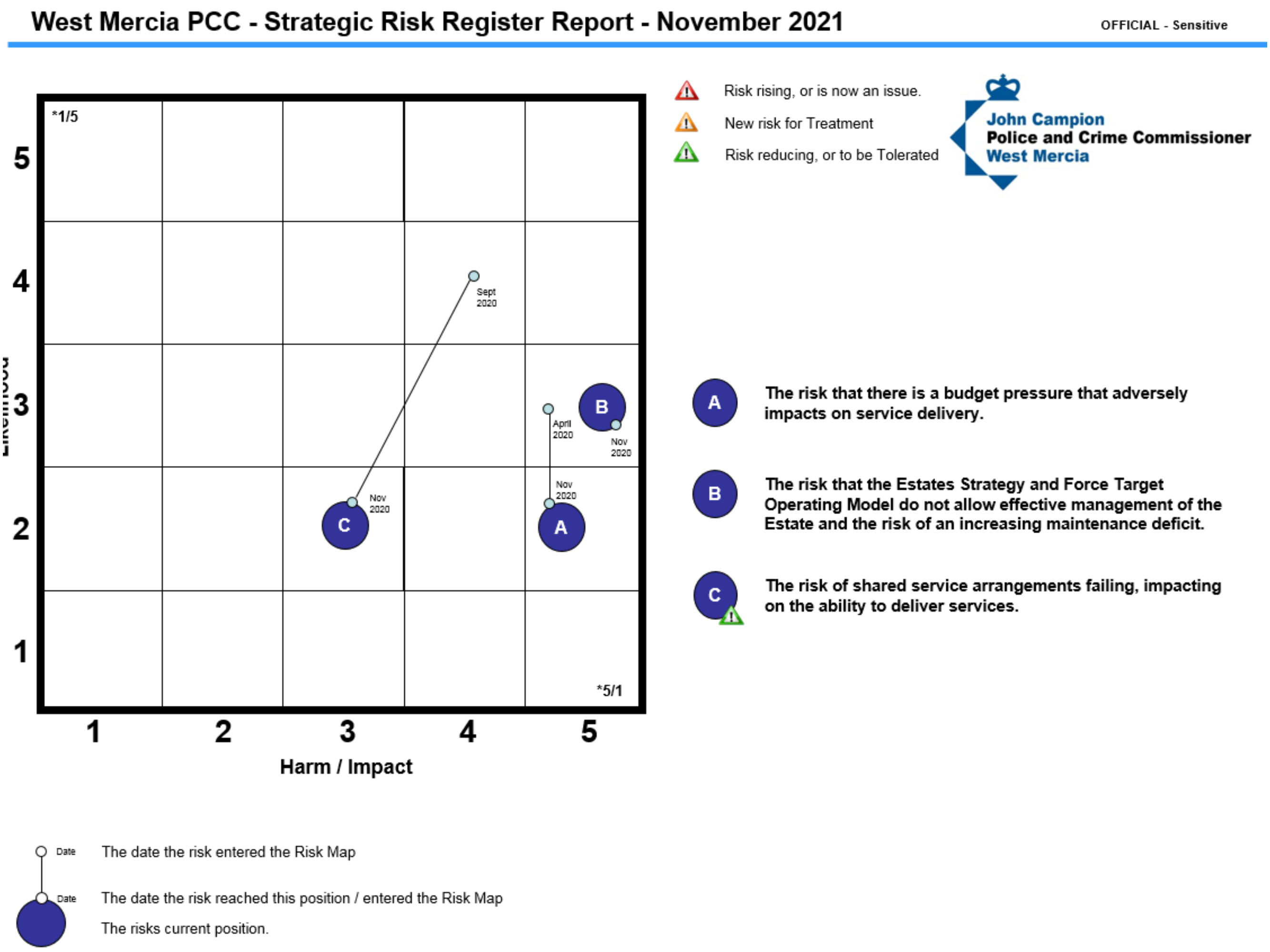
- **Risk Map**

This is a heat map which shows the current position of all the strategic risks. It also shows the movement since the risk was first identified as a risk. The map is a visual guide to the risks are being managed and whether it is felt that more action is required to manage individual risks.



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- **<u>Risk Report</u>**

This is an update on what the current position is on the individual risks, what has changed since the last updated and to make any recommendations as to action that is required to manage the risk

West Mercia PCC - Strategic Risk Register Report - November 2021

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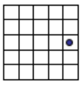
B

The risk that the Estates Strategy and Force Target Operating Model do not allow effective management of the Estate and the risk of an increasing maintenance deficit.



November update

There has been no change to the assessment of the risk level. The main reason for this is that the Estates Strategy is not yet approved. Progress has been made in developing the strategy and it is due to go to West Mercia Governance Board in December for approval.

Other activity in the last quarter includes:-

- The Head of Projects is finalising the backlog maintenance log for the estate
- The programmed maintenance budget for 21/22 has been full allocated, any new requests will have to be prioritised to fit to the budget available.
- The proposal in the 2022/23 budget is to maintain the current resource allocation for Programmed Maintenance. This will be reviewed once the extend of the backlog maintenance is and the priorities set out in the estates strategy are known.

The agreement of the Estates Strategy and priorities are key to identifying how the level of backlog maintenance will be managed in the future and the associated resource implications of this.