POLICE AND CRIME COMMISSIONER FOR ESSEX

Police and Crime Commissioner for Essex

Risk Management Handbook

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Reviewed By	C Fry	February 2016
Policy owner	S Hancock	
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Version history

Version Number	Date	Reason for review	Comments
1.0	November 2012		First publication
1.1	February 2016	Update review – unable to implement changes (see comments)	Carly Fry - Aim to move to new methodology in 12 months, in line with Essex Police. Joint Audit Committee to be provided with risk assurance mapping.

This handbook explains how the risk management process is to be embedded into the office of the Police and Crime Commissioner for Essex' (PCC) culture and made a central part of the management process. It refers specifically to processes to be used in the production of the PCC's own Risk Register.

This workbook is to be read in conjunction with the Joint PCC and Force Risk Management Strategy.

The main purpose of this document is to:

Ensure a common level of understanding of risk identification, assessment and management across the office of the PCC.

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Ensure that the process of Risk Management is developed and managed in a consistent manner

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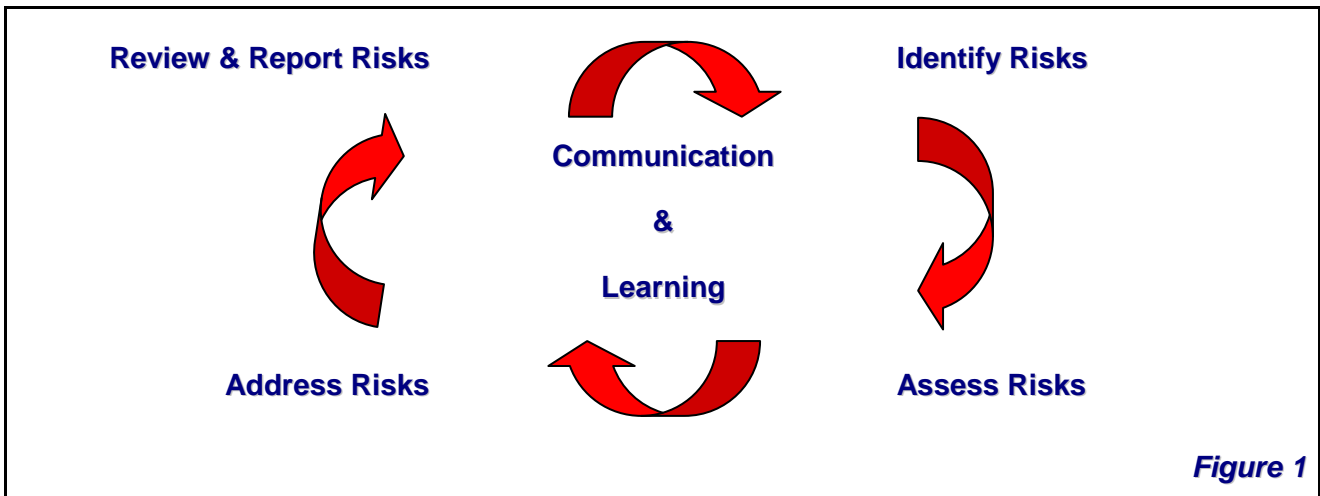**Ensure that Risk Management is embedded throughout the organisation.**

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Promote a culture of 'risk awareness'

and

Be a TOOLKIT for implementation within the office of the PCC

1 Risk Management Process

Review & Report Risks	**Identify Risks**
Communication & Learning	
Address Risks	**Assess Risks**

Figure 1

Risk Management is the process of identifying risks, evaluating their potential consequences, considering the current controls in place, and determining and implementing the most effective way of monitoring and mitigating them.

Corporate Governance requires that risk management be embedded into the culture of the organisation. The risk management process shown at *figure 1* and described in subsequent sections of this handbook aims to ensure that risk management is a continuous process which is integral to the work of the Police and Crime Commissioner (PCC). It does this by requiring that risk becomes a core part of everyone's thinking, behaviour and actions. All decisions and processes should take account of risk and risks should be reviewed and revised on a regular basis. Where risks affect the public, there is a need to be open and transparent.

The product of the risk management process is a **Risk Register.** The Risk register records the Risk management process, being populated with information from risk identification, assessment and review. Information must be accurate and maintained up to date.

The aim is to improve strategic, operational and financial management of the PCC by maximising opportunities and minimising financial losses, service disruption, bad publicity, threats to public safety, project delays and other unexpected impacts.

2 Identifying Risks

The first stage of the Risk management Process is to identify **Risk Issues**.

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.

PCC inspection, business planning and environmental scanning will provide means of identifying risk issues.

For each risk issue included in the Risk Register the following should be done:

- Assign a **risk owner.** PCC Managers will own the risks on behalf of the Chief Executive and will be responsible for managing, monitoring and reviewing their own risks, liaising with relevant board, committees and the PCC in person, as appropriate.
- Describe the main **causes/impacts.** Each risk issue is likely to have a number of causes/impacts
- List the main **existing control measures**

Information on the causes/impacts of an identified risk issue and the control measures already in place to mitigate the risk issue will assist when it comes to assessing the risk.

3 Assessing Risks

For each identified **Risk Issue** an assessment should be made of how likely it is that the risk will occur and the impact if this happened.

There are four levels of **likelihood** and **impact** each with a **score** and description as set out at *figures 2 and 3.*

LIKELIHOOD	SCORE	DESCRIPTION
Certain	4	Something that is already occurring or is likely to be a regular occurrence on a daily, weekly or monthly basis
Probable	3	A reasonable chance that this could happen and may have occurred in recent planning periods
Possible	2	Only likely to happen yearly or less frequently
Unlikely	1	Infrequent or has never occurred before

Figure 2

IMPACT	SCORE	DESCRIPTION
Catastrophic	25	
Major	10	Descriptions can be seen at Appendix A
Significant	5	
Minor	2	

Figure 3

A worked example is provided below for a risk issue where the likelihood of risk is probable and the potential impact is significant:

Likelihood x Impact = Total Risk Score
3 x 5 = 15

Having chosen the 'Likelihood' and 'Impact' which best relate to the risk issue, the corresponding Likelihood and Impact scores are multiplied together to provide a **total risk score**. This is the level of risk faced before any new control measures are applied.

The total risk score enables risks to be categorised into low (green), medium (amber) and significant (red) risk bands as illustrated in *figure 4* below. A total risk score of 15 would be a medium (amber) risk.

These bands prove helpful when it comes to addressing risks, determining the need for additional control measures and the frequency of risk monitoring.

Impact		Unlikely 1	Possible 2	Probable 3	Certain 4
	Catastrophic 25	25	50	75	100
	Major 10	10	20	30	40
	Significant 5	5	10	15	20
	Minor 2	2	4	6	8
		Likelihood			

Figure 4

4 Addressing Risks

There are four types of action to reduce risk:

Terminate: a decision is made not to take the risk. Where risks outweigh possible benefits, terminate the activity/situation that generates the risk where it is feasible to do so.

Tolerate: a decision is taken to accept the risk. This may be where the probability or impact is so low that the cost of managing the risk is greater than the risk. This is likely to apply to those risks with a total score which is between 2 and 6 (low risk band).

Transfer: It may be possible to transfer the risk through insurance, contracting out the provision of service or paying a third party to take it on.

However, it should be recognised that not all risks may be transferred e.g. impact on reputation.

Treat (or mitigate): This is the most common practice of addressing risks. It 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 6.

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.

The table in below illustrates how the PCC has agreed it will respond to each level of assessed risk.

Risk Score	Risk Controls	
	Control actions	**Additional Risk Response**
2 – 6: **Low Risk**	- Continue with existing control measures - Review the risk at least every 3 months	**Monitor only**
8-20 **Medium Risk**	- Continue existing controls and monitor - Review the risk at least every 3 months	**Instigate further controls & monitor**
25 – 100: **Significant Risk**	- Take immediate further remedial action to reduce risk - Ensure contingency plan is in place and on standby - Review the risk at least monthly	**Instigate immediate control and escalate if appropriate**

Figure 5

For each risk issue identified with a score above 'Low Risk' the PCC will decide upon a course of appropriate action to manage the risk down to acceptable levels. **Risk controls** are methods of reducing the likelihood of a risk occurring and/or decreasing the impact.

Each risk and control should be allocated to an owner. This should be the individual who is best placed to monitor the risk and manage all necessary actions to minimise it.

Residual risk is the level of risk that remains once risk controls have been applied and have taken effect. It may or may not be acceptable to leave the residual risk un-addressed. These decisions are considered when risks are reviewed.

5 Reviewing Risks

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.

Risks will be reviewed regularly at the PCC monthly management team meeting with input from Risk owners The Operating Manager will act in a co-ordinating role, ensuring that risk owners contribute within the appropriate time-frame.

The table at *figure 5* provides an indication of how frequently each level of risk should be reviewed. The PCC may review the risk issue sooner and would do so immediately should the PCC become aware of a change in the risk environment which may give rise to a significant risk. Questions to ask when reviewing risk might be;

- What progress has been made to complete the control measures that will manage or mitigate the risk?
- Are any control measures in place still relevant?
- Are the control measures in place effective?
- Has the risk environment changed?

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

6 Reporting Risks

The Audit Committee will receive quarterly updates. The reporting of risks should be by exception, with only those that are red, newly identified or overdue for review being discussed.

All staff will receive reports of the risks to the PCC bi-annually and will be engaged in reviewing risks where appropriate.

Appendix A: Impacts

Impact	Score	Performance/Delivery	Finance	Reputation	Safety	Legal
Catastrophic	25	▪ Catastrophic impact on force-wide service delivery ▪ Resolution required at executive team level ▪ Catastrophic force-wide disruption to policing ▪ Major decreases across a broad range of KPI's ▪ Failure to deliver one or more force objectives	A Catastrophic impact on finances available to affected business area. In excess £1 million	▪ Sustained permanent adverse national media coverage ▪ Major permanent damage to reputation ▪ Widespread and permanent reduction in public confidence ▪ Criticism at Government level ▪ Major unjustified impact on human rights or diversity	Multiple fatalities or multiple permanent injuries to a service user, member of staff or member of the public due to police or PCC actions or inactions	▪ Prosecution of force ▪ Major claims/fines against the force ▪ Conscious failure to comply with legislation ▪ Failure to meet governance requirement
Major	10	▪ Major impact on service delivery ▪ Resolution required at executive level ▪ Major force-wide disruption to policing ▪ Major decreases across a broad range of KPI's ▪ Failure to deliver on a priority objectives	A Major impact on finances available to affected business area. In excess of £500,000	▪ Persistent adverse country-wide media coverage ▪ Major damage to reputation ▪ Limited but permanent reduction in public confidence ▪ Criticism at Local Government level or Police Standards Unit intervention ▪ Serious unjustified impact on human rights or diversity	Single fatality or severe injury to a service user, member of staff or member of the public due to police or PCC actions or inactions	▪ Serious claims/fines against the force ▪ Unconscious failure to comply with legislation ▪ Failure to deliver on stated government priority
Significant	5	▪ Significant impact on service delivery ▪ Resolution required at district/ departmental commander level ▪ Significant disruption to district/ departmental activity ▪ Significant decreases in specific KPI's ▪ Adverse effect on objectives	A significant impact on finances available to affected business area. In excess of £100,000	▪ Sustained adverse local media coverage ▪ Significant damage to reputation ▪ Limited and temporary reduction in public confidence ▪ Short term customer dissatisfaction ▪ Internal or external audit criticism ▪ Significant unjustified impact on human rights or diversity	Death or serious injury of a service user, member of staff or member of the public despite appropriate police or PCC actions	▪ Significant claims/fines against the force within insurance cover. ▪ Failure to deliver on multiple policies other than Government
Minor	2	▪ Minor Impact on service delivery ▪ Resolution required at unit management level ▪ Minor disruption to district/ service delivery ▪ minor decreases in specific KPI's ▪ Failure to achieve an internally agreed objective	A minor impact on finances available to affected business area	▪ Isolated adverse media coverage ▪ Minor adverse damage to reputation ▪ Very limited and temporary reduction in public confidence ▪ Internal criticism ▪ Minor unjustified impact on human rights or diversity	Minor or slight injury of a service user, member of staff or member of the public despite appropriate police or PCC actions	▪ Minor claims/fines against the force within insurance cover. ▪ Failure to deliver on one Government policy