

PROGRESS REPORT – END OCTOBER 2007

This report covers the areas where the Business Risk Management Team (BRMT) continue to provide the MPS with a professional lead (business risk management and insurance management), support to the Outsourcing Programme and development of national risk management standards for the police service. It also covers work on corporate governance undertaken by BRMT.

As agreed with the Director of Strategic Finance, future reports to the Authority on corporate governance matters are to be submitted by Strategic Finance. Such reports will include work undertaken by BRMT.

Business Risk Management

1) Statement on Internal Control (SIC) – Work continues on the action plan from the 06/07 statement. Now that the (interim) CIPFA / SOLACE guidance has been published work will commence in earnest on developing the statement on governance for 07/08. This will be overseen by a project board.

2) Business risk registers – The Corporate Risk Review Group (CRRG) continues to develop into its role well. CRRG has now met eight times since it was inaugurated in November 2006 and has led some key developments. As stated previously in this report, new governance arrangements and standard operating procedures for business risks - based on the bowtie tool - have been approved. The 'top 10' corporate business risks approved by Management Board remain under review by CRRG. Emerging risks are considered at each monthly meeting. Monthly corporate risk reports, based on the discussion at CRRG, are now a standard feature of the MPS corporate business risk management framework. Business risk is a major contributor to the process for developing the Corporate Strategic Assessment.

3) Business risk management training and risk workshops – A new series of business risk management training courses is being rolled out based on the new BRM SOP. The courses are targeted at new practitioners and those that have previously attended a BRM training course and require a refresher. Senior officer / staff courses and Project / Programme risk management courses will be rolled out from January 2008.

4) Risk bow-tie and butterfly analysis tools - New business risk management governance arrangements and standard operating procedures - based on the bowtie tool - have been approved by the Corporate Risk Review Group. A meeting is being arranged with PwC and a software house (RiskHive) over the possible development of software to enable bowties to be developed on the fly.¹

The following are the key elements of the new bowtie based risk registers:

- (a) Registers consist of an index, a set of bow-ties, a risk and control matrix to map controls against risks, and an action plan

¹ No financial commitment will be entered into without CRRG approval having been obtained.

- (b) Bow-ties include details of the risks, causes, consequences, controls (both preventative and mitigating) and risk / control owners
- (c) Indexes incorporate any details from the old line by line registers that must be retained but which cannot be captured on the bow-ties themselves
- (d) Matrices, when fully developed, will assist in the identification of key controls, will not be mandatory at this juncture
- (e) Whilst it will remain a mandatory requirement to have an action plan, OCU's have the option to use an existing action planning process.

In view of the importance of considering opportunities as well as risks, we are increasingly using the 'butterfly' analysis tool (see summary below).

The 'butterfly' analysis tool

The Butterfly is an analysis and reporting tool that can be used to look at the detail of a specific control, opportunity, project or issue. It is an enhanced SWOT (strengths, weaknesses, opportunities, threats) analysis that enables consideration of both positives and negatives and thereby assists in the decision making process.

The butterfly analysis encompasses the following:

Underlying Assumptions: Any fundamental assumption on which the butterfly is based such that if the assumption were to change, the complete nature of what you are trying to do would also change. For example, an underlying assumption may be the implementation of legislation, availability of government funding streams or the butterfly may be being completed around a risk control and will become obsolete if the risk changes significantly.

Key Stakeholders: Key people or groups of people that are or could be involved in the analysis.

Positive Outcomes of implementing the project, opportunity etc should be listed. This will equate in part to the benefits expected if you decide to go ahead.

Enhancing Controls are controls or actions that you may wish to put in place to ensure that the positive outcomes listed are achieved or enhanced.

Negative Outcomes of implementation, part or total failure of the project, opportunity etc should be listed. This may include impacts on staff or existing working processes, budgets and other resources etc.

Mitigating Controls are the controls that may be used to reduce negative outcomes.

Strengths/Opportunities are the things that will assist you if you decide to go ahead e.g., buy in from stakeholders, processes and systems.

Harnessing Controls are the controls that will make the most of the strengths and opportunities that exist.

Weaknesses/Threats are the things that may prevent successful achievement of the project, opportunity etc, these equate well to the risks.

Preventative Controls are the controls that can be put in place to prevent the weaknesses/threats from occurring.

An example of good practice is the butterfly developed by the CO12 SMT in respect of the opportunities and risks arising from the MPS responsibility to ensure a safe and secure Olympics and Paralympics in 2012.

As with all business risk developments, we are introducing this new tool in a careful, considered manner working closely with the Business Groups and OCUs.

5) 'Risk Managers Together' initiative – This group continues to focus on a review of existing MPS operational risk assessments. A recent circular to the members of the group and other interested parties makes proposals for the next stage of the project. The proposal is to undertake a high level analysis of as many of the existing forms of risk assessment as is possible in conjunction with relevant Business Group colleagues. The analysis is aimed at informing a view as to:

- how practical a proposition it is to develop standard principles and practice
- how we might take the matter forward if it is felt to be worth pursuing.

6) Support to DoI led 'gold group' – No recent developments, but we hope to be invited to attend some future gold groups and an MPS critical incident training course to enhance our understanding of the crisis management process and better enable us to identify elements of our toolkit that may add value in this context.

7) Partnership risk management – Corporate partnership management guidance is under development by Territorial Policing. The Business Risk Management Team has developed a procedure for managing risks in a partnership context which has been submitted to TP. The guidance, including risk management procedure, has undergone a period of consultation. We will make any necessary changes to the risk management procedure based on feedback received via the consultation.

8) Risk management competencies for officers and staff – No recent developments and, as previously reported, we await release of the new British Standard on Risk Management and the establishment of the Criminal Justice System risk forum.

Insurance Management

9) Personal insurance invalidation indemnity policy (PIIP) – A paper was submitted to October 2007 MPA Finance Committee, who agreed for central government to be approached regarding provision of a 'top-up' indemnity. It was also agreed not to convert the PIIP into a discretionary arrangement.

10) Insurance programme – The insurance programme was successfully renewed with substantial premium savings being obtained. New long term agreements were entered in to on the liability and motor liability programmes. The property agreement expires next year. One of the subjectivities of the liability renewal this year was that the underwriters have requested a meeting to discuss how the MPS handles terrorist events - a meeting has been arranged with Commander Allen.

11) Insurance Broker Tender – Five expressions of interest were received. These are currently being scored. The scoring system for the ITT has provisionally been agreed as has the format for the reference requests. We are on track to issue the ITT at the beginning of November 2007.

12) Risk Financing – Following renewal, another report is awaited from the external risk financier as regards the outstanding financial liabilities relating to the liability self insurance programme.

13) Operation Herald – Clarification has been sought surrounding the issues arising from the possible role of nurses in custody suites (work currently mainly carried out by Forensic Medical Examiners). Similarly, the GLA have confirmed that discussions are on-going with the NHS regarding the MPS activities and medical malpractice issues surrounding the provision and administration of Tamiflu.

14) Miscellaneous - A housekeeping / contractors controlling waste notice was published on AWARE reminding all of the importance of housekeeping in MPS buildings (this emanated from discussions with the property insurers). A bowtie risk analysis is to be worked up exploring the housekeeping issues – a paper has been submitted to the MPS Strategic Health & Safety Committee and Corporate Risk Review Group on this approach. A meeting was held with TfL as regards their strategic approach to insurance and claims management.

Outsourcing Programme Support (Risk Management and Insurance)

15) Outsourcing programme – We continue to support the Outsourcing Programme with advice and guidance on risk and insurance matters, subcontracting specialist insurance work to Willis. This ensures that contracts and specifications include robust insurance provisions.

Corporate Governance

16) MPS Corporate Governance Framework (incorporating Key Internal Control Framework) – Interim guidance for police authorities and forces on deploying the CIPFA / SOLACE governance framework has now been published.

A detailed report by the Director of Strategic Finance on MPS financial control and management of corporate governance is to be considered by this Committee. The report summarises progress in relation to the CIPFA/SOLACE analysis, Scheme of Delegation, Consolidated Action Plan, Audit and Inspection, Capital and revenue budget and business planning and

cross refers to business risk management. The report proposes that the MPS corporate governance workstreams be monitored through a Corporate Governance Coordinating Group, chaired by the Director of Strategic Finance, with the Directors of Strategy and Risk Management as members.

The CIPFA / SOLACE governance framework incorporates a requirement for a 'local code' of corporate governance. The MPS corporate governance framework will evolve to form the basis of our local code. This will be a key deliverable of the project to be led by the MPS Corporate Governance Coordinating Group.

The framework also requires an annual statement on governance to replace (and subsume) the existing statement on internal control. The framework states that the MPS/MPA approach whereby a statement signed by the Commissioner informs a published statement signed by the Chair and Chief Executive of the Authority "encapsulates more clearly the concept of the authority holding the chief officer to account for the actions of the force". As the two-tier MPS/MPA approach is now recognised as being best practice it is clearly appropriate to maintain it.

Section 5 of the governance framework sets out specific guidance on business risk management. This guidance substantially reflects the detailed drafting proposals made by the ALARM Policing Sector Group. The existing MPS business risk management framework complies with the Section 5 guidance.

The Director of Strategic Finance has been given lead responsibility for corporate governance and will submit future reports to the Authority. Such reports will include work undertaken in this area by the Strategy Unit.

Development of National Risk Management Standards for the Police Service

17) Work with National Policing Improvement Agency (NPIA) – There has been no work with NPIA during the reporting period however an NPIA officer made contact with the Director of Risk Management at the recent ACPO / Home Office / NPIA conference on "Managing Risk" and an early meeting is being arranged.

18) National business risk management framework for the police service – This project is being led by the ALARM Policing Sector Group. The framework has been drafted and ALARM continue to seek support for it. It is pleasing to note that the guidance for police authorities and forces on implementing the Good Governance Standard for Local Government makes specific reference to the ALARM business risk management framework. The framework is also referred to in the letter from the ACPO Head of Finance and Resources (Chief Constable Tim Brain) to all Chiefs and Commissioners introducing the governance guidance (this letter was also signed by the Chief Executive of CIPFA and the APA Executive Director).

19) ALARM / Audit Commission risk management KPI – The Audit Commission / ALARM Key Performance Indicator (KPI) needs to be refreshed. The ALARM Board has authorised the setting up of a sub-group of the existing Benchmarking Special Interest Group to refresh the existing KPI. The Director of Risk Management will chair the sub-group. The Audit Commission will be asked to participate.

Criminal Justice System Risk Forum

20) Representatives of Her Majesty's Courts Service are seeking to inaugurate a risk forum for all the constituent parts of the Criminal Justice System (CJS). The Director of Risk Management has accepted an invitation to chair the new group. A pre-meeting took place in September and the first main meeting is scheduled for January 2008. (The initiative is at an early stage of development. Not all CJS entities have signed up as yet.)