Police and Crime Commissioner for Lancashire

Risk Management Strategy

November 2024

Risk Management Strategy

This document outlines the Police and Crime Commissioner's (PCC) commitment to managing risk in an effective and appropriate manner. It is intended to be used as the framework for the delivery of the Risk management function and provides guidance on developing risk management as a routine process for all services.

The Risk management framework will help improve strategic, operational and financial management, provide better decision making, improve compliance and help improve customer service delivery and provide better outcomes for the citizens of Lancashire.

1. Introduction

Defining Risk

Risks are inherent in every activity and decision that the Police & Crime Commissioner (PCC) is involved in and to achieve his strategic vision and the measures set out within the Police & Crime Plan, it is necessary to manage those risks efficiently.

A risk can be defined as the chance of something happening which can have the potential to threaten the performance, reputation, or financial position of the organisation, the safety of its staff or the wider public, or its ability to comply with legislation or national requirements.

Risks are mostly regarded as negative but there are also opportunities where there is a chance of a positive outcome. Risk management is a central part of the strategic management used within the Office of the Police & Crime Commissioner (OPCC).

This Risk Management Strategy will ensure that:

- The management of risks is linked to the functions of the PCC
- The OPCC lead and support on Risk Management on behalf of the PCC.
- Ownership and accountability are clearly assigned for the management of risk.
- There is a commitment to continue to embedding risk management into the culture and organisational processes at all levels
- All staff acknowledge and embrace the importance of risk management as a process by which key risks are identified, evaluated, managed and contribute towards good corporate governance.
- Effective monitoring and reporting mechanisms are in place to continuously review and manage the exposure to risks.
- Accountability to stakeholders is fully demonstrated through the periodic progress reports to the Joint Independent Audit Committee.

- The approach to risk management is regularly subject to internal and external assessment.
- The Risk Management Strategy is reviewed and updated every 2 years in line with developing needs and requirements.

2. What is Risk Management?

2.1. Risk management is the control of business risk in a manner to ensure that both long- and short-term objectives of the PCC are achieved and that opportunities are fully maximised. In this context, risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events. It is the combination of likelihood and impact, including perceived importance.

2.2. Risk management is not always solely about eliminating risk as this would limit the availability of the PCC to develop and deliver its ambitions. Its purpose is to recognise the issues that could affect the achievement of the PCC objectives and develop actions to control or reduce those risks. The PCC has an agreed appetite for risk which is explained later. Acknowledgement of potential problems and preparing for them is an essential element of risk that will enable the PCC to rapidly respond to change and develop innovative responses to challenges and opportunities.

2.3. Risk management is essential for the successful delivery of public services. An effective risk management system identifies and assesses risks, decides on appropriate responses and then provides assurance that the chosen responses are effective. It is also about identifying opportunities which may have been neglected because of perceived but unexamined risk. These could include:

- Learning from the past – whilst past experience cannot necessarily be a predictor for future performance, signals that were ignored and missed opportunities can provide insight into organisational blind spots.

- Customer sensitivity – trying to understand customer needs and creating systems to exploit this information can lead to great gains.

- Learning from others – exploring and sharing best practice with other organisations can lead to benefits.

- Scenario planning – can be a powerful tool for generating new ideas.

2.4. When opportunities are identified, they should be described to include the expected benefits contributions to business objectives and stakeholders.

3. Background – Process for Managing Risk

3.1. Risk Management Framework

Risks and opportunities are split into two categories:

- Strategic – These are risks and opportunities which relate to the long term goals of the PCC. These tend to be medium to long term, but some may feature for a shorter period of time because of a significant event or planned business activity. Inclusion of a risk of opportunity in the corporate risk register indicates that it is one of number of risks/opportunities that the PCC needs to be aware of and ensure appropriate management arrangements are in place to manage/mitigate them.

- Operational – These are risks and opportunities which relate to the day to day operations of the OPCC. Operational risks will also be identified as part of the business continuity process. The Office will identify risks associated with its operation and the impact on business processes/activities and appropriate mitigation procedures that will be implemented.

3.2. All major projects will be identified, managed and reported on the register.

4. Aims and Objectives

4.1. The aim for the PCC in risk management, is to adopt best practices in the identification, evaluation, cost-effective control and monitoring of risks and opportunities across all processes, to ensure that risks and opportunities are properly considered and reduced as far as possible.

4.2. The aims and objectives for the PCC are to:

- Integrate and raise awareness of risk management for all those connected with the delivery of the PCC's functions.

- Embed risk management as an integral part of strategic, information use, financial, business continuity and project planning and policy making.

- Establish a standard systematic approach to risk identification, analysis, control and monitoring and reviewing.

- Provide a process for identifying threats or drawbacks that also includes finding and considering opportunities.

- Provide a robust and transparent framework for managing risk and supporting decision making.

- Support well thought-through risk taking.

- Anticipate and respond to changing external and internal environment.

- Embed risk management as part of the PCC's culture of Governance.

- To provide a robust and transparent track record of managing, communicating and responding to risk.

- To encouraging staff to think creatively about ways to work better, simpler and more effectively.

4.3. The two categories of risks are split on one Risk Register for the PCC.

4.4. Both registers detail the following information:

- Potential effects of the risks identified, both negative (risks and threats) and positive (opportunities).
- The impact and likelihood of the risk/opportunity identified.
- Existing internal controls in place to mitigate the risk.
- Internal controls planned to mitigate the risks with relevant timescales and the responsible officers.

5. Ownership

5.1. The responsibility to manage risk rests with every member of staff of the OPCC however, it is essential that there is a clearly defined structure for the co-ordination and review of risk information and ownership of the process.

5.2. The following defines the responsibility for the risk management process at the OPCC.

OPCC Senior Management Team – Ownership of the Strategic Risks and overview of the Operational Risks. Actively support the Risk Management Strategy. The Chief Finance Officer will facilitate regular discussions on risks and opportunities at Senior Management Team Meetings.

Police and Crime Commissioner – Responsible for risk approach.

Joint Independent Audit Committee – to monitor the effective development and operation of risk management of the PCC and provide independent assurance to the PCC.

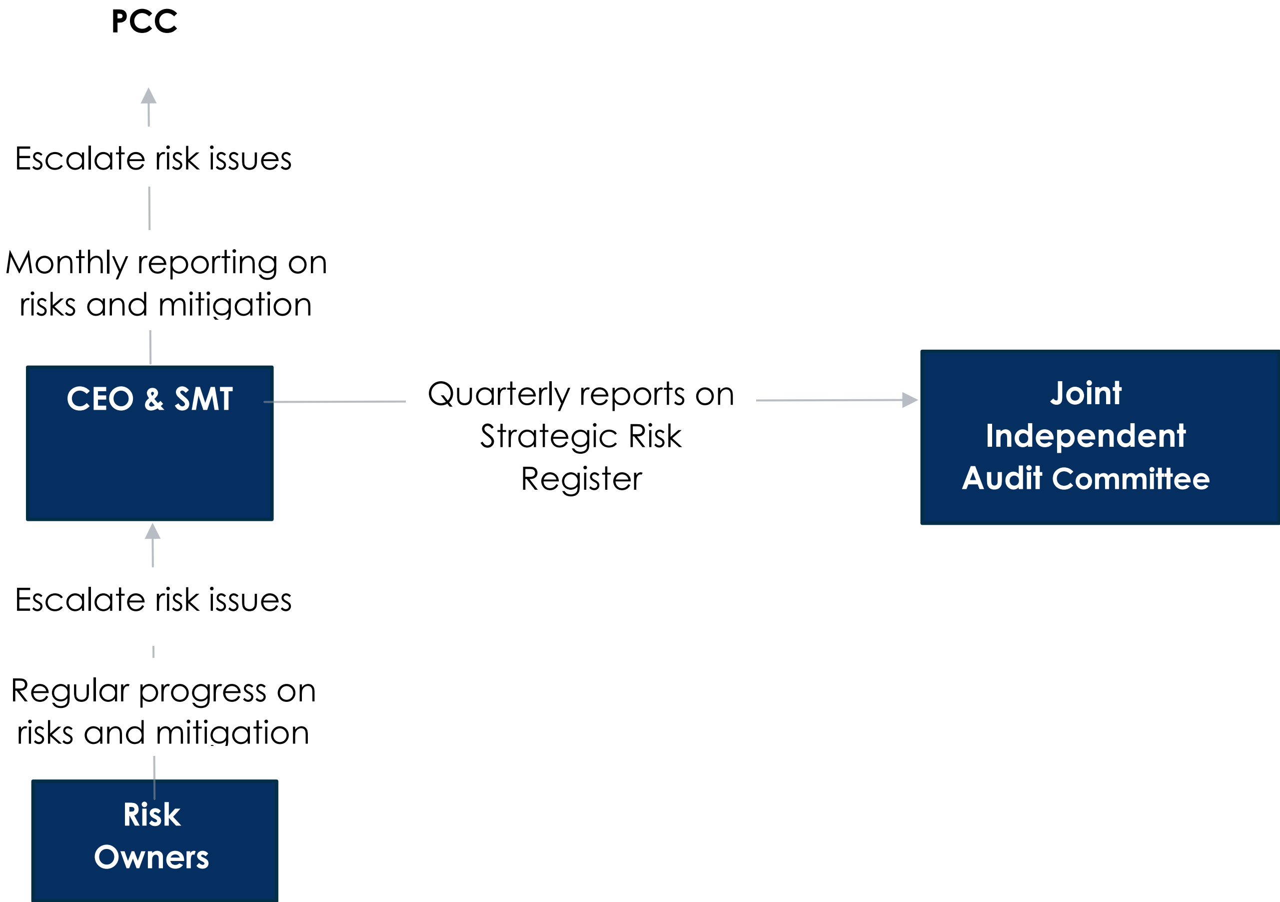
Chief Executive of the OPCC – has responsibility for maintaining comprehensive systems of internal control including risk management processes.

Chief Finance Officer of the OPCC – Has responsibility for ensuring appropriate internal audit arrangements are maintained and the insurance in respect of those risks transferred.

All employees – To understand and to take ownership of the need to identify, assess and help manage risk and opportunities in their areas of responsibility and to bring to the management's attention at the earliest opportunity the details of any emerging risks and opportunities that may adversely impact on service delivery.

Internal Audit and External Audit – Annual review and report on the PCC's arrangements for managing risk throughout the OPCC, having regard to statutory requirements and best practice. Assurance on the effectiveness of risk management and the control environment.

6. Reporting Framework



7. Risk Management Process

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

7.2. The risk management process aims to ensure that the risk management is a continuous process which is integral to the work of the PCC and his office. It does this by requiring that risk becomes a core part of everyone's thinking, behaviour and actions. All decisions and processes should be reviewed and revised on a regular basis. Where risks affect the public, there is a need to be open and transparent.

7.3. 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.

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

8. Identifying Risks

8.1. The first stage of the risk management process is to identify risk issues. Risk issues can be categorised into three areas:-

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

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

Governance: Governance is about ensuring you do the right things in the right way for the right people in a timely, 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.

8.2. For each risk issue included in the risk register the following should be done:

Assign a **risk owner.** OPCC senior managers will own the risk on behalf of the Chief Executive and will be responsible for managing, monitoring and reviewing their own risks.

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.

9. Assessing Risks

9.1. This Strategy adopts a risk management methodology to assess the impact of a risk should it materialise and the likelihood of this happening. This methodology plays an important part in determining how much attention we need to give to managing specific risks through helping us to consider the implications should they arise. The methodology involves scoring risks based on the likelihood of the risk happening and the impact. It uses a 5x5 matrix that produces a risk score of between 1 and 25.

Score	Likelihood	Impact
1 Very low	A risk has a very low score if the likelihood of it happening is less than 5% over 100 years. Basically, it could happen but it is most likely that this would never happen.	The impact for a very low score has to be insignificant. This would mean no service disruption or financial losses, no media interest or no obvious harm or injury from the risk arising.
2 low	A risk has a low score if the likelihood of it happening is between 5% and 25% at some point in the next 25 years. This means we don't expect it to happen but it is possible.	There is some implication for services, financial loss or some harm but these are only slight. There could be some reputational impact but this would be short term. The overall impact would not last beyond a 2 to 6 month period.
3 medium	A risk has a medium score if the likelihood of it happening is between 20% and 65% over the next 10 years. This means it may happen occasionally.	There is service interruption, significant financial loss, injury, and adverse publicity with some reputational damage and/or legal implications. The overall impact would last between 6 months and a year.
4 high	A risk has a high score if there is a 65% to 90% likelihood of it happening at some point over the next 3 years. Basically, it probably will happen but it won't be too often.	The implications on service provision are significant, there is major financial loss, fatality, major adverse publicity and/or major loss of confidence in the organisation. The overall impact would last between one and two years.
5 Very high	A risk has a very high score if there is a 90% or more chance of it happening every year. This means that it is almost certain to happen regularly.	We could not be able to fulfil our obligations, severe financial loss would be incurred, multiple fatalities have occurred with highly damaging implications for our reputation and a severe loss of public confidence. The overall impact would be expected to last for more than two years.

9.2. 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.

Likelihood x impact = total risk score
3x5 = 15

9.3. The total risk score enables risks to be categorised into low (green), medium (yellow), high (amber) and critical (red) risk bands as illustrated in the table below. A total risk score of 15 would be a high (amber) risk.

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

Impact						
Impact	5 Very High	5	10	15	20	25
	4 High	4	8	12	16	20
	3 Medium	3	6	9	12	15
	2 low	2	4	6	8	10
	1 Very low	1	2	3	4	5
		Very low 1	low 2	medium 3	high 4	Very high 5
		Likelihood				

10. Addressing Risks

10.1. There are four types of action to reduce risk:-

Avoid: 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.

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.

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 1 and 4 (low risk band).

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 12.

10.2. The amount of risk that the PCC/Office is prepared to accept, tolerate or be exposed to at any one point in time will guide its risk response.

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

	Risk Controls	
Risk Score	Control Actions	Additional Risk Response
1-4 Low Risk	• Continue with existing control measures • Review the risk at least every 6 months	Monitor only
5-10 medium risk	• Continue with existing control measures • Review the risk at least every 3 months	Monitor only
12-16 high risk	• Continue existing controls and monitor • Review the risk every month.	Investigate further controls and monitor
20-25 critical risk	• Review the risk at every week • Take immediate remedial action to reduce risk	Instigate immediate controls and escalate if appropriate.

10.4. For each risk issue identified with a score above 'low risk' the PCC/Office 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.

10.5. 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.

10.6. 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.

11. Reviewing Risks

11.1. As new risks will emerge and existing risks change, it is essential that risk is regularly reviewed.

11.2. Consideration will be given to new risk issues as well as existing risk issues being removed where appropriate.

11.3. Risks will be reviewed monthly at the PCC's Senior Management Team meeting with input from risk owners. The Chief Financial Officer will act in a co-ordinating role, ensuring that risk owners contribute within the appropriate time frame. The above table provides an indication of how frequently each level of risk should be reviewed.

11.4. Risks will be reviewed by the PCC quarterly. However, 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.

12. Reporting Risks

12.1. The OPCC and Constabulary have in place a Joint Independent Audit Committee which has independent membership.

12.2. The Committee will examine evidence provided by internal and external audit and other governance areas to ensure that we demonstrate we are actively managing our risks. This provides independent assurance to the PCC, Chief Executive and Chief Finance Officer.

12.3. The relevant terms of reference of the Joint Independent Audit Committee are:

- Considering the effectiveness of the processes for assessing and managing key risks to the PCC and Chief Constable by reviewing risk registers for the PCC and Chief Constable at not less than 6 monthly intervals.

12.4. 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 will seek to place reliance on internal audit work and the PCCs Annual Governance Statement forming an opinion on the overall arrangements for governance.