



# CORPORATE RISK MANAGEMENT STRATEGY

## Introduction

The Police Authority's duties for risk management are twofold. Firstly, Lancashire Police Authority has a responsibility for putting in place arrangements to manage the risks it faces, separate from those of the Constabulary; and, secondly for ensuring that the Constabulary itself has adequate arrangements in place for risk management.

Good governance relies on risk management being embedded into the culture of the organisation, with members and officers recognising that risk management is a shared responsibility.

This strategy refers to the management of risk within the Police Authority office and its immediate operating environment and the way in which the Police Authority will monitor the management of risk in the Constabulary. This document should be read in conjunction with the Authority's Risk Management Policy Statement.

## Objectives

The objectives of the strategy are to:

- Integrate risk management into the culture of the Police Authority as an integral part of everyday activity by members and staff
- Improve decision making
- Assist with the allocation of resources
- Prevent or reduce events or actions that could be damaging to the Police Authority
- Exploit opportunities
- Preserve and enhance service delivery
- Safeguard the public, our service users, staff, members and all other persons to whom the Authority has a duty of care
- Support the quality of the environment
- Maintain the reputation of the Authority

## Definitions

**Risk** is defined as uncertainty of outcome (whether positive opportunity or negative threat) which might affect the achievement of the Authority's objective to ensure the provision of an efficient and effective policing service that meets the needs and expectations of Lancashire's communities.

**Risk management** is the culture, processes and structure that are directed towards effective management of potential opportunities and threats to the Police Authority achieving its objectives.

## Responsibilities

**All members of staff are responsible for recognising and managing risks within their area of activity and for reporting any risks that may not have been previously recognised and recorded.**

Particular responsibilities for risk management are set out within the Authority's Risk Management Policy Statement.

## Process

The Authority's risk management process will utilise a cyclical framework as set out in the detailed process map attached at Appendix 'A'.

## Strategic and Operational Registers

The Authority will maintain two separate risk registers, one for strategic risks and the other covering operational risks to the Authority. A breakdown of the types of risk which are categorised as strategic and operational are attached at section A of Appendices B and C respectively.

## Identification

Risks may be identified by Police Authority Members or staff in a number of ways, including:

- Gauging community needs
- Tracking national agenda
- Partnership working
- Environmental scanning
- General working practices
- Discussions

## Analysis

Two criteria are to be used to determine the scale of threat associated with each risk:

- The **likelihood** of the threat occurring
- The severity or **impact** of the consequences should the threat occur

Guidance on determining the potential likelihood that a risk will occur and the potential impact of the risk should it occur are attached at section B of Appendices B and C for strategic and operational risks respectively. The overall threat assessment is calculated by multiplying together the scores for likelihood and impact.

$$\text{Risk} = \text{Likelihood} \times \text{Impact}$$

This is known as the **inherent risk** and shows the exposure from a specified risk before any action has been taken to manage it. Thus, if a threat is assessed as a high likelihood but low impact the score will be  $4 \times 2 = 8$ . It follows that the higher the score out of a

maximum of 25 the more important it is to ensure effective threat management arrangements are in place. Once the risk rating has been obtained, the level of strategic or operational risk can be determined using the matrix attached at section C of Appendices A and B respectively.

### **Risk Mitigation/Control (risk treatment)**

Risk treatment is the process of selecting and implementing measures to modify the inherent risk.

Once the risk rating has been obtained, action appropriate to the level of risk should be taken as part of the risk treatment process:

- **Avoid:** not proceeding with activity likely to generate the risk.
- **Accept:** some risks may be minimal and retention acceptable.
- **Transfer:** arranging for another party to bear or share some part of the risk through contracts, partnerships, joint ventures, etc.
- **Reduce:** reducing or controlling the likelihood and consequences of the occurrence.

Appropriate mitigation and control strategies will be identified by the Authority's Senior Management Team in respect of risks included on the Operational Register and the Improvement and Scrutiny Group for risks included on the Strategic Register.

Mitigating actions should be prioritised in terms of their potential benefits. The cost of reducing a risk should not be disproportionate to the risk; however legal compliance is not optional. The risk should then be re-assessed, taking account of the control measures, which will establish the **residual risk**. The residual risk should be such that the Authority can tolerate the implications of the risk occurring and this is known as the Authority's '**risk appetite**'. However, if the residual exposure cannot be tolerated, further mitigating actions will need to be considered. It should be noted that the purpose of risk management is not to eliminate risk, but to reduce it to a tolerable level.

### **Monitoring and Review**

Progress in managing risks will be monitored and reported as part of a continuous cycle to ensure losses are minimised, gains are maximised and intended actions are achieved.

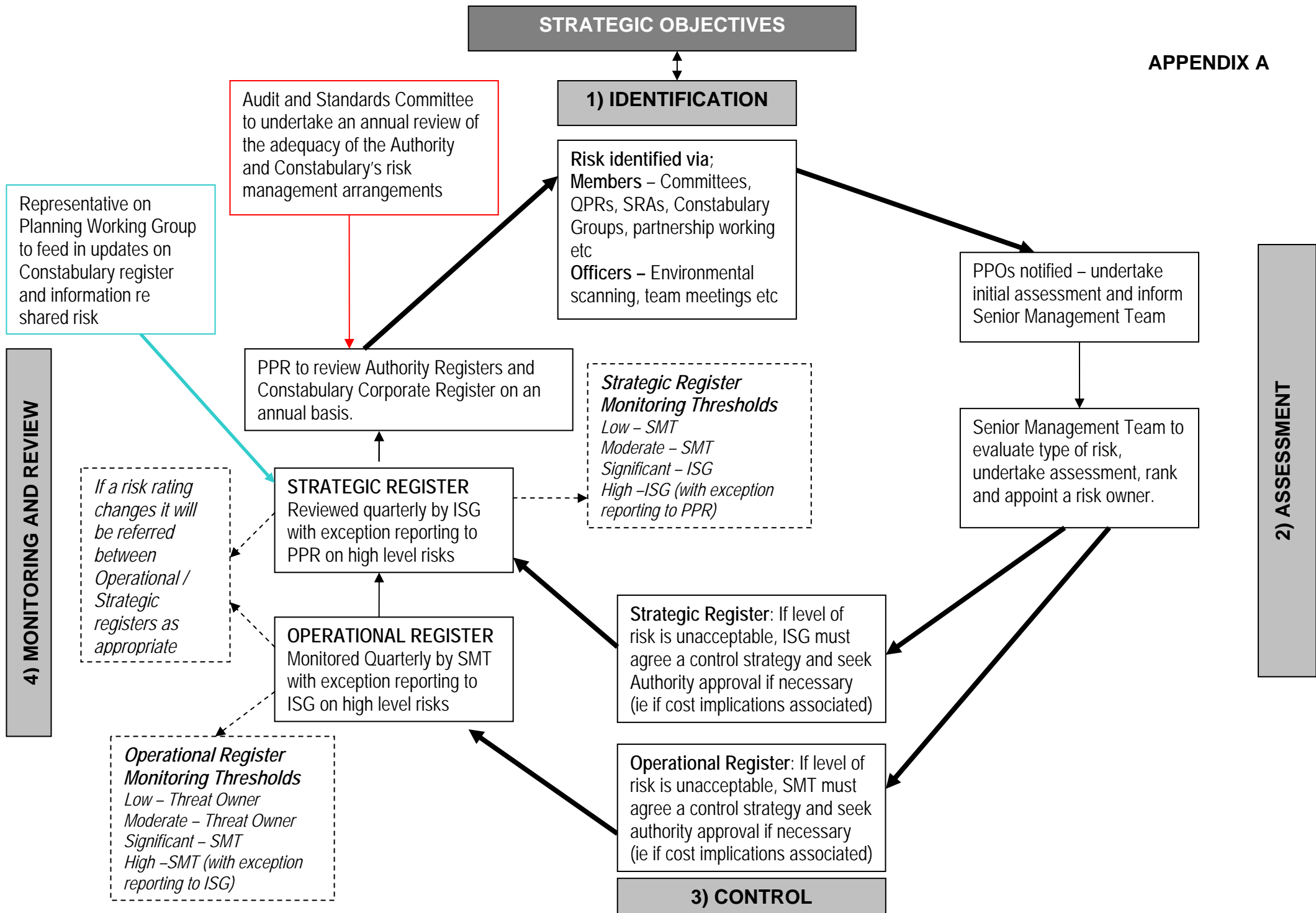
The tables attached at section D of appendices B and C below indicate the appropriate reporting pathways for strategic and operational risks.

### **Annual Review**

The Planning and Performance Review Committee will review the Authority's Strategic Risk Register and the Constabulary's Corporate Risk Register on an annual basis. In addition, the Audit and Standards Committee will be responsible for conducting an annual review of the adequacy of the Authority and Constabulary's strategic processes for risk management.

**MIRANDA CARRUTHERS-WATT**  
**CHIEF EXECUTIVE**

# STRATEGIC OBJECTIVES



**STRATEGIC RISK  
ASSESSMENT FRAMEWORK  
A: TYPES OF STRATEGIC RISK**

Strategic risks need to be considered alongside the medium and long-term goals of the Authority. They fall into the following types of areas:

**Political**

Example: failure to deliver either local or central government policy.

**Economic**

Example: ability of the Police Authority to meet its financial commitments.

**Social**

Example: changes in demographic, residential or socio-economic trends.

**Technological**

Example: capacity of the Authority to deal with the pace or scale of technological change.

**Legislative**

Example: current or potential changes in national or European law.

**Environmental**

Example: energy efficiency, pollution, recycling, emissions.

**Competitive**

Example: cost and quality and / or ability to deliver value for money / collaborative working.

**Customer/Citizen**

Example: failure to meet the current and changing needs and expectations of customers and citizens

**Reputational**

Example: poor or negative press coverage.

**STRATEGIC RISK  
ASSESSMENT FRAMEWORK  
B: INDICATORS FOR LIKELIHOOD AND IMPACT ASSESSMENT**

LIKELIHOOD ASSESSMENT			IMPACT ASSESSMENT		
EVALUATION	INDICATORS	SCORE	EVALUATION	INDICATORS	SCORE
<b>Remote</b>	<ul style="list-style-type: none"> <li>Has not occurred.</li> <li>May occur in exceptional circumstances.</li> <li>Less than a 2% chance of occurrence.</li> </ul>	<b>1</b>	<b>Insignificant</b>	<ul style="list-style-type: none"> <li>Negligible impact on internal / external targets or objectives.</li> <li>No external publicity / reputational risk.</li> <li>Financial/budget impact &lt; £100k</li> </ul>	<b>1</b>
<b>Unlikely</b>	<ul style="list-style-type: none"> <li>Unlikely but may occur over a ten year period.</li> <li>Less than a 10% chance of occurrence.</li> </ul>	<b>2</b>	<b>Minor</b>	<ul style="list-style-type: none"> <li>Minor impact on internal targets</li> <li>Adverse external publicity or reputational issues unlikely</li> <li>Financial/budget impact &gt; £100k but &lt; £250k</li> </ul>	<b>2</b>
<b>Moderate</b>	<ul style="list-style-type: none"> <li>Could occur more than once in ten years.</li> <li>Could be difficult to manage due to external influences.</li> <li>History of occurrence or near miss.</li> <li>Less than a 50% chance of occurrence.</li> </ul>	<b>3</b>	<b>Moderate</b>	<ul style="list-style-type: none"> <li>Minor impact on organisational objectives and I or targets.</li> <li>Significant impact on internal targets.</li> <li>Some adverse but short-lived external publicity or reputational impact likely.</li> <li>Financial / budget impact &gt; £250k but &lt; £1m</li> </ul>	<b>3</b>

<p><b>Likely</b></p>	<ul style="list-style-type: none"> <li>• Potential of occurring several times in 10 years or has occurred recently.</li> <li>• Between 50% and 75% chance of occurrence.</li> </ul>	<p><b>4</b></p>	<p><b>Major</b></p>	<ul style="list-style-type: none"> <li>• Significant impact on organisational objectives and / or targets.</li> <li>• Substantial but short-lived adverse external publicity unavoidable.</li> <li>• Major scandal involving key partner / contractor.</li> <li>• Substantial impact on recruitment and retention policy.</li> <li>• Financial/budget impact &gt;£1m but &lt; 5m</li> </ul>	<p><b>4</b></p>
<p><b>Almost certain</b></p>	<ul style="list-style-type: none"> <li>• Expected to occur in most circumstances.</li> <li>• More than a 75% chance of occurrence.</li> </ul>	<p><b>5</b></p>	<p><b>Catastrophic</b></p>	<ul style="list-style-type: none"> <li>• Radically impacts on organisational objectives and / or targets.</li> <li>• Sustained and / or ongoing adverse media coverage likely.</li> <li>• Very significant ongoing adverse impact on recruitment and retention policy.</li> <li>• Significant political / parliamentary / audit criticism likely.</li> <li>• Financial/budget impact &gt; £5m</li> </ul>	<p><b>5</b></p>

**STRATEGIC RISK  
ASSESSMENT FRAMEWORK  
C: MATRIX TO DETERMINE LEVEL OF THREAT**

		Impact				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Catastrophic (5)
Likelihood	Almost certain (5)	5 (20%)	10 (40%)	15 (60%)	20 (80%)	25 (100%)
	Likely (4)	4 (16%)	8 (32%)	12 (48%)	16 (64%)	20 (80%)
	Moderate (3)	3 (12%)	6 (24%)	9 (36%)	12 (48%)	15 (60%)
	Unlikely (2)	2 (8%)	4 (16%)	6 (24%)	8 (32%)	10 (40%)
	Remote (1)	1 (4%)	2 (8%)	3 (12%)	4 (16%)	5 (20%)

Low Risk	Medium Risk	High Risk	Critical Risk
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**STRATEGIC RISK  
ASSESSMENT FRAMEWORK  
D: MONITORING AND REVIEW**

STRATEGIC RISKS			
Level of Risk	Action Required	Monitoring/Review by	Frequency
<p>Critical Risk</p> <p>20 – 25</p> <p>80%–100%</p>	<p>Risk treatment actions required to ensure risk is managed down to an acceptable level. Action required immediately.</p>	<p>Excetion reporting to PPR Committee</p> <p>Improvement and Scrutiny Group</p>	<p>Quarterly</p> <p>Quarterly</p>
<p>High Risk</p> <p>12 – 16</p> <p>48% – 64%</p>	<p>Minimum of robust contingency plan plus early warning indicators. Some control measures likely to be necessary. Action required within 3 months.</p>	<p>Improvement and Scrutiny Group</p>	<p>Quarterly</p>
<p>Medium Risk</p> <p>5 – 10</p> <p>20% - 40%</p>	<p>Acceptable with some mitigation and contingency planning. Action plans to be developed within 6 months.</p>	<p>Improvement and Scrutiny Group</p>	<p>Quarterly</p>
<p>Low Risk</p> <p>1 – 4</p> <p>4% - 16%</p>	<p>Acceptable, subject to review. Introduce risk reduction measures where cost effective.</p>	<p>Senior Management Team</p>	<p>Quarterly</p>

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**OPERATIONAL RISK  
ASSESSMENT FRAMEWORK**

**A: TYPES OF OPERATIONAL RISK**

**TYPES OF OPERATIONAL RISK**

Operational risks need to be considered in relation to service delivery. They fall into the following types of areas:

**Professional Risks**

Examples: achievement of the Authority's Corporate Plan and Business Plan; demonstration of value for money; managerial issues such as adherence to employment procedures and staff development.

**Physical**

Example: accident prevention, health & safety, property protection and travelling.

**Financial Risks**

Example: those associated with financial management.

**Legal Liability**

Example: possible breaches of legislation.

**Environmental Risks**

Example: pollution noise or energy efficiency.

**Contracts / Contractors**

Example: failure of contractors to deliver services or products.

**Technological**

Example: operational equipment (eg IT systems).

**OPERATIONAL RISK  
ASSESSMENT FRAMEWORK  
B: INDICATORS FOR LIKELIHOOD AND IMPACT ASSESSMENT**

LIKELIHOOD ASSESSMENT			IMPACT ASSESSMENT		
EVALUATION	INDICATORS	SCORE	EVALUATION	INDICATORS	SCORE
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<b>Unlikely</b>	<ul style="list-style-type: none"> <li>Unlikely but may occur over a ten year period.</li> <li>Less than a 10% chance of occurrence.</li> </ul>	<b>2</b>	<b>Minor</b>	<ul style="list-style-type: none"> <li>Minor impact on internal targets</li> <li>Adverse external publicity or reputational issues unlikely</li> <li>Financial/budget impact &gt; £20k but &lt; £30k</li> </ul>	<b>2</b>
<b>Moderate</b>	<ul style="list-style-type: none"> <li>Could occur more than once in ten years.</li> <li>Could be difficult to manage due to external influences.</li> <li>History of occurrence or near miss.</li> <li>Less than a 50% chance of occurrence.</li> </ul>	<b>3</b>	<b>Moderate</b>	<ul style="list-style-type: none"> <li>Minor impact on organisational objectives and I or targets.</li> <li>Significant impact on internal targets.</li> <li>Some adverse but short-lived external publicity or reputational impact likely.</li> <li>Financial / budget impact &gt; £30k but &lt; 50k</li> </ul>	<b>3</b>

<p><b>Likely</b></p>	<ul style="list-style-type: none"> <li>• Potential of occurring several times in 10 years or has occurred recently.</li> <li>• Between 50% and 75% chance of occurrence.</li> </ul>	<p><b>4</b></p>	<p><b>Major</b></p>	<ul style="list-style-type: none"> <li>• Significant impact on organisational objectives and / or targets.</li> <li>• Substantial but short-lived adverse external publicity unavoidable.</li> <li>• Major scandal involving key partner / contractor.</li> <li>• Substantial impact on recruitment and retention policy.</li> <li>• Financial/budget impact &gt;£50k but &lt; 100k</li> </ul>	<p><b>4</b></p>
<p><b>Almost certain</b></p>	<ul style="list-style-type: none"> <li>• Expected to occur in most circumstances.</li> <li>• More than a 75% chance of occurrence.</li> </ul>	<p><b>5</b></p>	<p><b>Catastrophic</b></p>	<ul style="list-style-type: none"> <li>• Radically impacts on organisational objectives and / or targets.</li> <li>• Sustained and / or ongoing adverse media coverage likely.</li> <li>• Very significant ongoing adverse impact on recruitment and retention policy.</li> <li>• Significant political / parliamentary / audit criticism likely.</li> <li>• Financial/budget impact &gt; £100k</li> </ul>	<p><b>5</b></p>

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ASSESSMENT FRAMEWORK  
D: MONITORING AND REVIEW**

OPERATIONAL RISKS			
Level of Risk	Action Required	Monitoring/Review by	Frequency
Critical Risk 20 – 25 80% - 100%	Risk treatment actions required to ensure risk is managed down to an acceptable level. Action required immediately.	Exception reporting to Improvement and Scrutiny Group Senior Management Team	Quarterly  Quarterly
High Risk 12 – 16 48% - 64%	Minimum of robust contingency plan plus early warning indicators. Some control measures likely to be necessary. Action required within 3 months.	Senior Management Team	Quarterly
Medium Risk 5 – 10 20% - 40%	Acceptable with some mitigation and contingency planning. Action plans to be developed within 6 months.	Threat Owner and Nominated Officer	Quarterly
Low Risk 1 – 4 4% - 16%	Acceptable, subject to review. Introduce risk reduction measures where cost effective.	Threat Owner and Nominated Officer	Quarterly