



**DECISION 2015/38**

**REPORT TO:** POLICE AND CRIME COMMISSIONER FOR LANCASHIRE

**REPORT BY:** IAN DICKINSON, STANDARDS AND GOVERNANCE

**DATE:** 17 SEPTEMBER 2015

**TITLE:** OPCC RISK MANAGEMENT STRATEGY

**Appendix A refers**

### **EXECUTIVE SUMMARY**

Risk management involves the identification, assessment and prioritisation of risks and taking action to control, minimise and monitor them. Risks are threats that have potential to impact on the organisation and the delivery of objectives and services. Risk management activity ensures we protect against negative threats whilst recognising and taking advantage of positive opportunities

### **RECOMMENDATION**

That the Commissioner approves the Office of the Police & Crime Commissioner Risk Management Strategy.

**Decision taken by the Police and Crime Commissioner for Lancashire:**

<b>Original decision, as set out in the attached report, approved without amendment (please delete as appropriate)</b>	<b>YES</b>	<b>NO</b>
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**Original decision required to be amended and decision as detailed below:**

**The reasons for the amended decision are as detailed below:**

**Police and Crime Commissioner: Comments**



**DECLARATIONS OF INTEREST**

The PCC is asked to consider any personal / prejudicial interests he may have to disclose in relation to the matter under consideration in accordance with the law, the Nolan Principles and the Code of Conduct.

**STATEMENT OF COMPLIANCE**

The recommendations are made further to legal advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation.

**Signed:**

*Clive Andrew*

**Police and Crime Commissioner**

**Date:**

*17<sup>th</sup> September 2015*

DECLARATION OF INTEREST

The undersigned hereby declares that he/she has no financial interest in any of the companies or organizations mentioned in this declaration.

STATEMENT OF WORK

The undersigned hereby declares that he/she has no financial interest in any of the companies or organizations mentioned in this declaration.

STATEMENT OF WORK

The undersigned hereby declares that he/she has no financial interest in any of the companies or organizations mentioned in this declaration.

## **1. Introduction & Background**

1.1 The risk management strategy sets out the governance arrangements in respect of the management of risk. The strategy is reviewed on an annual basis.

## **2. Issues for Consideration**

2.2 The strategy sets out the commissioner's objectives in respect of risk management and the arrangements in place for meeting those objectives through a risk management framework. The framework incorporates clear roles and responsibilities for risk management and a methodology for assessing risk and mitigating actions.

## **3. Link to the Police and Crime Commissioner**

3.1 the effective management of strategic risks would support the Chief Constable in delivering high quality policing services and in achieving the objectives within the Police & Crime Plan.

## **4. Financial Comments**

4. 1 Effective risk management practices supports the reduction of risks that may have financial implications.

## **5. Legal Comments**

5. 1 Risk management strategy supports the overall arrangements for governance and is underpinned by strategic and operational risk registers that seek to manage the risks pertaining to legal and governance within operational practice.

## **6 Risk Implications**

6.1 The risk management strategy ensures risks are identified, assessed and managed with clear ownership of the risk and activity to mitigate its impact. The strategy seeks to encourage risk taking where this has clear positive benefits.

## **7. HR / Equality Comments**

7.1 Key staff roles are identified within the strategy with responsibility for areas of risk management.

## **8. I.T. Comments**

8.1 n/a

## **9. Backgrounds / supporting papers**

Appendix 1 – OPCC Risk Management Strategy



**Director to the Office of the Police and Crime Commissioner (Monitoring Officer)**

I have been informed about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Police and Crime Commissioner for Lancashire.

Signature.....Date.....

Department of the Interior - Bureau of Land Management  
Office

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**Police and Crime Commissioner for  
Lancashire  
Risk Management Strategy**

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Police and Crime Commissioner for  
Leicestershire  
Risk Management Strategy

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## Purpose

This document explains how the risk management process is to be embedded into the Office of the Police and Crime Commissioner for Lancashire and made a central part of the management process. It refers specifically to processes to be used in the production of the Police and Crime Commissioner's Risk Register.

The purpose of the document is to:-

- Ensure a common level of understanding of risk identification, assessment and management across the OPCC.
- Ensure that the process of Risk Management is developed and managed in a consistent manner
- Ensure that Risk Management is embedded throughout the organisation
- Promote a culture of 'risk awareness' within the OPCC.

## RISK MANAGEMENT PROCESS

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.

The risk management process aims to ensure that the risk management is a continuous process which is integral to the work of the Police and Crime Commissioner. 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.

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.

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

## IDENTIFYING RISKS

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 Police and Crime Commissioner. The main demands for the Police

The first part of the report deals with the general situation of the company and the results of the financial statements for the year 2000. It is followed by a detailed analysis of the company's performance in the various business areas.

### 2.1.1. General Situation

- The company's sales volume increased by 5% compared to the previous year.
- The operating profit margin improved from 15% to 18%.
- The return on equity rose from 12% to 15%.
- The company's financial position remained stable.
- The company's liquidity was sufficient to cover its obligations.

### 2.1.2. Detailed Analysis

The detailed analysis shows that the company's performance was driven by an increase in sales volume and a reduction in costs. The operating profit margin improved from 15% to 18% due to a 5% increase in sales volume and a 3% reduction in costs. The return on equity rose from 12% to 15% due to an increase in the operating profit margin and a reduction in the average cost of capital.

The company's financial position remained stable throughout the year. The total assets increased by 2% compared to the previous year, while the total liabilities increased by 1%. The company's liquidity was sufficient to cover its obligations, and the average cost of capital remained stable.

### 2.2. Outlook

The company's outlook for the next year is positive. The management expects sales volume to increase by 5% and the operating profit margin to improve to 20%. The company's financial position is expected to remain stable, and the average cost of capital is expected to remain stable.

and Crime Commissioner 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 Police and Crime Commissioner 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 Police and Crime Commissioner is directed and controlled and through which they account to, engage with and where appropriate lead their communities.

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

Assign a **risk owner**. OPCC Leads will own the risk on behalf of the Director 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.

## ASSESSING RISKS

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	There is service interruption, significant financial loss, injury, and adverse publicity with some reputational damage and/or legal implications. The overall impact



	happen occasionally.	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.

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
$3 \times 5 = 15$

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.

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

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				

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## Addressing Risks

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 eg 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 2 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.

The amount of risk that the Police and Crime Commissioner is prepared to accept, tolerate or be exposed to at any one point in time will guide its risk response.

The table below illustrates how the Police and Crime Commissioner has agreed it will respond to each level of assessed risk.

Risk Score	Risk Controls	
	Control Actions	Additional Risk Response
2-4 Low Risk	<ul style="list-style-type: none"> <li>Continue with existing control measures</li> <li>Review the risk at least every 6 months</li> </ul>	Monitor only
5-10 medium risk	<ul style="list-style-type: none"> <li>Continue with existing control measures</li> <li>Review the risk at least every 3 months</li> </ul>	Monitor only
12-16 high risk	<ul style="list-style-type: none"> <li>Continue existing</li> </ul>	Investigate further controls



	controls and monitor	and monitor
20-25 critical risk	<ul style="list-style-type: none"> <li>Review the risk every month.</li> <li>Review the risk at every week</li> <li>Take immediate remedial action to reduce risk</li> </ul>	Instigate immediate controls and escalate if appropriate

For each risk issue identified with a score above 'low risk' the Police and Crime Commissioner 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.

### 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 monthly at the Police and Crime Commissioner's Senior Management Team meeting with input from Risk owners. The Governance 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.

Risks will be reviewed by the Police and Crime Commissioner quarterly. However, the Police and Crime Commissioner may review the risk issue sooner and would do so immediately should the Police and Crime Commissioner become aware of a change in the risk environment which may give rise to a significant risk.

### Reporting Risks

The Office of the Police and Crime Commissioner and Constabulary have in place a Joint Audit Committee which has independent membership.



The first paragraph discusses the initial phase of the project, mentioning the importance of establishing a clear scope and objectives. It highlights the need for a strong foundation to ensure the success of the subsequent stages.

The second paragraph continues the discussion, focusing on the challenges faced during the early stages. It emphasizes the role of effective communication and collaboration in overcoming these challenges.

The third paragraph provides a detailed overview of the project's progress to date. It notes the significant milestones achieved and the positive feedback received from stakeholders.

The fourth paragraph outlines the key findings and insights gained from the project. It discusses the implications of these findings for future projects and the overall organizational strategy.

The fifth paragraph concludes the report by summarizing the main points and expressing confidence in the project's long-term success. It thanks the team and stakeholders for their contributions.

The sixth paragraph provides a detailed analysis of the project's financial performance. It includes a breakdown of costs, revenues, and profit margins, along with a comparison to industry benchmarks.

The seventh paragraph discusses the project's impact on the organization and its stakeholders. It highlights the positive changes in efficiency, productivity, and customer satisfaction.

The eighth paragraph offers final thoughts and recommendations for the future. It suggests areas for improvement and provides a clear path forward for the organization.

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 Commissioner, Chief Executive and Chief Finance Officer.

The relevant terms of reference of the Joint Audit Committee are:

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

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 Commissioner's Annual Governance Statement forming in opinion on the overall arrangements for governance.

