

Lincolnshire Police Authority

Risk Management Strategy

1. Introduction

1.1 Defining Risk

Risks are inherent in every activity and decision that the Authority is involved in, but in order to achieve objectives it is necessary to manage them. A risk can be defined as 'the chance of something happening which can have an impact on objectives and priorities'¹. Risks are mostly regarded as negative but there are also opportunities where there is a chance of a positive outcome.

1.2 Understanding Risk Management

Risk management is a strategic decision making tool and it helps an organisation to identify and treat the risks that would prevent or disrupt them from meeting their objectives. It also adds value and protects the organisation. It leads to improved decision making, better use of resources and the achievement of our goals.

1.3 Effective risk management will assist the Authority in achieving our vision and strategic objectives, optimising the quality and efficiency of our service delivery, and upholding and enhancing our reputation.

1.4 In order that risks can be managed; they must be identified, quantified and some precaution taken to pre-empt their occurrence and/or to reduce their effect.

1.5 The task of risk management is to manage exposure to risk, which is the probability of specific risks occurring and the potential impact if they did occur. The aim is to manage that exposure by taking action to keep exposure to an acceptable level in a cost effective way.

2. Scope

2.1 The Authority's duties for risk management are twofold. Firstly, the Authority has a responsibility for putting in place arrangements to manage risks it faces, separate from those of the Force. Secondly, it has responsibility for ensuring that the Force itself has adequate arrangements for risk management in place.

2.2 The aim of this strategy is to detail how risk management will be embedded into the governance structure and business of the Authority.

3. Risk Management Objectives²

3.1 The objectives of the risk management strategy are to:

- Increase the likelihood of achieving the Police Authority's vision and strategic objectives;
- Prevent or reduce the potential consequences of events which could have been reasonably foreseen;
- Prevent or reduce events or actions that could damage the reputation and public confidence of the Police Authority;
- Improve decision making and planning, assist in the allocation of resources;
- Integrate risk management into the culture of the Police Authority and its processes;
- Raise awareness of risk management in all members and staff, making it an integral part of their thinking and actions and

¹ Aus/NZ Risk Management Standard

² Acknowledgement to South Wales Police Authority in adopting the objectives detailed at 3.1

- Satisfy the requirements of corporate governance for the Annual Governance Statement, and the internal and external auditors as to the effectiveness and adequacy of risk management.

4. Corporate Governance

- 4.1 Risk management is central to effective corporate governance and relies on the production, maintenance and utilisation of realistic and robust risk registers. The risk register is also one of the primary assurance mechanisms used to produce and sign off the Statement of Internal Control³.
- 4.2 CIPFA guidance⁴ states that: 'good governance requires that risk management is embedded into the culture of the organisation'. 'Corporate Governance' is the system by which an organisation is directed and controlled at its most senior levels, in order to achieve its objectives and meet the necessary standards of accountability, probity, and openness.
- 4.3 The Authority approved a Local Code of Corporate Governance which was consistent with the principles of the CIPFA/ SOLACE Framework: *Delivering Good Governance in Local Government* on 25 July 2008. An Annual Governance Statement is produced on an annual basis to review of the effectiveness of the governance framework.
- 4.4 The commitment to developing and maintaining the risk register is based on the principle that all Authority Members should be able to review strategic risks (and their management) as part of the proper exercise of the Authority's responsibilities in holding the Force to account.

4.5 Risk Assurance Process

- The Authority has developed an Assurance Framework and methodology that sits alongside its risk management arrangements. There are direct linkages and synergies between these two processes, both are important in terms of the Authority's governance and stewardship functions. Effective corporate governance is critical for achieving the Authority's objectives and statutory duties to ensure an efficient and effective police force in Lincolnshire.
- 4.6 Members are able to gain assurance that the actions taken to mitigate risks (existing and new/developing controls) are being effective through the regular review of the register at all Committees. In addition to this internal assurance mechanism, there are external organisations (such as Internal Audit, External Audit, Her Majesty's Inspectorate of Constabulary (HMIC) and the National Policing Improvement Agency (NPIA)) that work with the Authority to ensure that the risk management process is effective and robust.
- 4.7 If the outcome of the external review is negative, the Authority is committed to putting plans into place to address the issue and ensure that improvements are made.

5. Risk Management Process

- 5.1 The Authority is committed to principles outlined in the Institute of Risk Management's 'Risk Standard' publication⁵. The chart below illustrates the risk management process that the Authority will follow:

³ The Accounts and Audit Regulations 2003 require Authorities to carry out a review of effectiveness of the system of internal control and to include a Statement on Internal Control in the Annual Statement of Accounts.

⁴ 'Delivering Good Governance in Local Government – interim guidance notes for Police Authorities and Forces.

⁵ www.theirm.org/publications/documents/Risk_Management_Standard_030820.pdf .



5.2 Risk management should be considered in two separate areas: Risk Assessment and Risk Monitoring/Management.

5.2.1 *Risk Assessment*

- The initial step of the process is to identify the potential risks facing the Authority. Risks can be identified formally through the Committee process or informally through the secretariat. The Strategic Planning Committee has a key role in identifying and new or emerging risks.
- Risk Evaluation follows; this includes assessing the probability and impact of individual risks (see Risk Scoring below).
- The next step is to identify a suitable response to the risk. There are 4 generally accepted ways of responding to risk – these are known as the ‘**Four T’s**’:

| | |
|---------------------------|--|
| <i>Transfer</i> the risk | (the organisation transfers part or all of the risk; insurance is an example of risk transfer) |
| <i>Tolerate</i> the risk | (the organisation accepts the risk e.g. those with low likelihood or low impact) |
| <i>Terminate</i> the risk | (also known as ‘avoidance’; the organisation eliminates the risk if it is too great for the organisation to bear or if the ways to reduce it are impractical or too expensive) |
| <i>Treat</i> the risk | (the organisation takes action to control the risk by reducing the likelihood or impact of the risk). |

- The response will depend crucially on the Authority’s risk appetite i.e. what level of risk the Authority is prepared to tolerate. (see section 7.3).
- Finally, after establishing what actions that could be taken in response to a risk, a decision must be made to decide what action should be taken.

5.2.2 *Risk Monitoring/Management*

Once the risks are identified and decisions agreed on actions to take, the actions must be effectively monitored and managed. To ensure that the actions to mitigate the risk are planned, resourced and monitored, the actions or steps should be captured on the relevant Authority Committee’s Work Plan. This will ensure that the actions or activities to address the particular risks are considered as part of the Committee’s wider work programme and that the implementation of the actions are monitored. Risk management is an ongoing, continuous process.

5.3 Risk Recording

Once a risk has been identified and evaluated, it will be entered on to the Authority's critical or non critical risk register. The entry will include:

- A risk identification code
- A reference to link the risk to one or more of the Authority's objectives or aims
- A description of the risk, clearly defining the source (the cause, hazard or trigger) and the consequence
- The risk sponsor (the person, often a Member, who takes responsibility for the risk)
- The inherent risk score (the risk score without any controls applied)
- The control measures attributable to the risk
- The owner of the risk (the person who will carry out the control action)
- The current risk score (the risk score with the existing controls applied)
- The direction of travel (compared to the previous version); this could be 'improving', 'deteriorating' or 'no change'
- The new or developing controls that need to be applied in order to mitigate against the risk, the owner of the action points and associated timescales
- A review date for progress of the mitigation activity.

6. The Authority's Risk Registers

6.1 The Authority will maintain a 'critical' risk register and a 'non critical' risk register.

- the '**critical**' risk register is made up of the most significant risks to the Authority (those risks that have a current⁶ risk score that is deemed to be 'Red 8, 9, 12 or 16' or 'Amber 6'), and
- the '**non critical**' risk register includes less strategically significant risks to the Authority (those risks that have a current risk score that is 'Green 1, 2, 3' or 'Amber 4'). It is important that there is flexibility to respond to any changes, as a low level operational risk on one day maybe significant business risk tomorrow.

6.2 The Authority will maintain and review the risk registers and provide links to the strategic business objectives.

6.3 The risk registers are live documents that will be reviewed and amended on an ongoing basis. Version control and date control will be applied to the document. The Research and Performance Officer (RPO) will co-ordinate the process and take ownership of the risk management strategy and the Authority risk registers.

6.4 The RPO will also maintain a 'change log' and version control that covers both the critical and non critical risk registers.

7. Risk Management Approach

7.1 The Authority carries out risk management through the following approach:

⁶ Current risk score is the score after existing controls have been applied to the risk



- The Full Police Authority receives the 'Risk Register Executive Summary' on a 6 monthly basis. The sponsors of each of the risks would be expected to provide a status update to the Authority explaining the actions and activities in place to address the risk.
- The Audit, Risk and Governance (AR&G) Committee carries out corporate risk management and formally reviews and monitors the critical risk register and executive summary and maintains an overview of the non-critical risk register on a 6 monthly basis.
- The Strategic Planning Committee carries out 'routine' strategic risk management and considers the critical risk register on a quarterly basis. The Committee will assess horizon scanning and identify any new or emerging risks through risk identification, risk assessment, risk analysis and risk description.
- All other Committees receive the executive summary and the critical and non critical risk register with details about risks that are relevant to that particular Committee on a quarterly basis. Committees will review, monitor and where relevant, update the risks that relate to their areas of work. In addition, they will also identify new and emerging risks for their area of work.

7.2 Risk Scoring

The Authority uses the following risk scoring matrix to evaluate and measure the risks facing the Authority. Each risk will be scored on the basis on the likelihood of the risk occurring and the impact it would have if it did happen. The Authority and Force use the same risk scoring matrix that is based on the regional template that is used as part of the ORCHID risk management software.

IMPACT

| | Score | Performance/ Service Delivery | Finance /Efficiency £ | Confidence/ Reputation | Health & Safety | Environment | Strategic Direction |
|------------------|-------|---|---|--|---|--|---|
| Very High | 4 | Major disruption to service delivery Major impact on performance indicators noticeable by stakeholders | Force >1,000,000 Business Area >150,000 | Major stakeholder/investigations /longer lasting community concerns Major reputational damage adverse national media coverage > 7 days | Death or a life changing injury | Very high negative environmental impact (high amount of natural resources used, pollution produced, biodiversity affected) | Major impact on the ability to fulfil strategic objective |
| High | 3 | Serious disruption to service delivery Serious impact on performance indicators noticeable by stakeholders | Force 251,000-1,000,000 Business Area 41,000-150,000 | Serious stakeholder/investigations /prolonged specific section of community concerns Serious reputational damage adverse national media coverage < 7 days | An injury requiring over 24-hours hospitalisation and /or more than 3 days off work or a major injury as defined by the RIDDOR Regs | High negative environmental impact (medium amount of natural resources used, pollution produced, biodiversity affected) | Serious impact on the ability to fulfil strategic objective |
| Medium | 2 | Significant disruption to service delivery Noticeable impact on performance indicators | Force 51,000-250,000 Business Area 11,000-40,000 | Significant investigations/specific section of community concerns Significant reputational damage adverse local media coverage | An injury requiring hospital/professional medical attention and/or between one day and three days off work with full recovery | Medium negative environmental impact (low amount of natural resources used, pollution produced, biodiversity affected) | Significant impact on the ability to fulfil strategic objective |
| Low | 1 | Minor disruption to service delivery Minor impact on performance indicators | Force <50,000 Business Area <10,000 | Complaints from individuals Minor impact on a specific section of the community | An injury involving no treatment or minor first aid with no time off work | Low negative environmental impact (limited amount of natural resources used, pollution produced, biodiversity affected) | Minor impact on the ability to fulfil strategic objective |

LIKELIHOOD

| | Score | Description |
|------------------|-------|---|
| Very High | 4 | Extremely likely to happen (more than 75% chance of occurrence) |
| High | 3 | Likely to happen (less than 50% chance of occurrence) |
| Medium | 2 | Likely to happen (less than 25% chance of occurrence) |
| Low | 1 | Unlikely to happen (less than 2% chance of occurrence) |

7.3 Risk Appetite

The BSI Risk Management Standard defines Risk Appetite as ‘the amount and type of risk that an organisation is prepared to seek, accept or tolerate’.

7.3 The Authority’s current risk tolerance or risk appetite is set out below:

Risk Matrix

| | | Impact | | | |
|------------|---|----------|-------------|-----------|----------------|
| Likelihood | | Low 1 | Medium 2 | High 3 | Very High 4 |
| Very High | 4 | AMBER 4 | RED 8 | RED 12 | RED 16 |
| High | 3 | GREEN 3 | AMBER 6 | RED 9 | RED 12 |
| Medium | 2 | GREEN 2 | AMBER 4 | AMBER 6 | RED 8 |
| Low | 1 | GREEN 1 | GREEN 2 | GREEN 3 | AMBER 4 |

Authority’s ‘Risk Appetite’ indicated with a thick black line

- 7.5 Currently the emphasis is placed on the risks that are scored between Amber 6 and Red 16 – these are reflected on the Authority’s critical risk register.
- 7.6 The Audit, Risk and Governance Committee is responsible for reviewing and updating the Authority’s risk tolerance/appetite.
- 7.7 If the Authority’s Risk Appetite is set at the incorrect level, it could result in inappropriate risk mitigation actions being taken.

8. Roles and Responsibilities

8.1 The details below provide a brief outline of the organisational and individual responsibilities for risk management within the Authority.

Lincolnshire Police Authority

As the legal corporate body, the Authority must maintain a sound system of internal control including a system for the management of risk.

Committee Chairmen

Chairman will embed risk management into the work of the Committee and assist in the maintenance of the risk registers through:

- Reviewing and updating the risk registers in areas relevant to the Committee’s area of work.
- Ensure that where appropriate all reports and decision making takes into account risks and how they will be managed.

Audit Risk and Governance Committee Members

Responsible for approving the Authority's risk management strategy and monitoring and updating the Authority's critical and non critical risk registers. Committee Members should also review the Force's approach to risk management and monitor the Force's strategic risks.

Risk Sponsors

Responsible for overall ownership and accountability of particular risks, they are required to provide status updates on the risk to the Full Authority.

Risk Owners

Responsible for taking ownership of the risk and ensuring that the action plan is addressed. Where necessary, the risk owner will update Members and Officers on changes to the nature of the risk they own, the level of risk and effectiveness of control measures.

Senior Secretariat Staff

The Chief Executive, Treasurer and Deputy Chief Executive will be responsible for overseeing the corporate approach to risk management.

Research and Performance Officer

The RPO will develop and co-ordinate the Authority's approach to risk management. This includes the review and maintenance of the Authority's risk management strategy, the risk registers and the co-ordination of risk management training for Members and colleagues

All Members and Staff

Responsible for gaining an understanding of risk and the benefits of its management and participating in risk management activities.

9. Force Risk Management

- 9.1 The Authority has a responsibility to oversee the Force's management of risk and to ensure that the Force has adequate risk management arrangements in place.
- 9.2 The Audit, Risk and Governance Committee will review the Force Critical Risks Register on a quarterly basis. Through the committee process, all Committees will receive updates on the Force related risks that are relevant to each particular Committee.
- 9.3 The Force currently operates a Risk Management Board. The purpose of the Risk Management Board is to 'ensure a co-ordinated approach to identifying, analysing, controlling and monitoring organisational risks with the implementation Force's risk management process'⁷. The Board meets on a quarterly basis and the Chairman of Audit, Risk and Governance, the Treasurer and the Research and Performance Officer attend as observers.
- 9.4 The Authority has a responsibility to ensure that appropriate arrangements are in place to align Authority and Force risk management strategies.

10. Partnership Risk

- 10.1 Risk management is important not only for individual organisations, but for partnership working too. The Authority has developed its Partnership Strategy and will look to continue to develop its approach to risk management across its key partnerships.
- 10.2 The Authority has increased the emphasis it places on partnership working through its revised vision and strategic objectives for 2010/11 to 2013/14.

⁷ Force Risk Management Board Terms of Reference

- 10.3 The Authority has adopted the Audit Commission definition of a partnership in that it is:
'An agreement between two or more independent bodies to work collectively to achieve agreed objective(s)'.
- 10.4 The Authority's Partnership Strategy recognises that 'local partnerships are essential to deliver improvements in people's quality of life'. The Strategy also acknowledges that involvement with partnerships brings risks as well as opportunities, and that governance can be problematic.
- 10.5 However, the Authority is committed to the effective management of the risks related to partnership working as it is recognised that this is an essential aspect of partnership governance arrangements.
- 10.6 The Authority will continue to embed and review its partnership arrangements in line with the Partnership Strategy. The Community and Partnership Committee take responsibility for this ongoing area of work.
- 10.7 In addition, the Annual Governance Statement requires Police Authorities to report on their governance arrangements regarding partnerships and other group working⁸. The Audit, Risk and Governance Committee determine the annual governance statement and monitor the arrangements around the Authority's code of corporate governance.
- 10.8 The Authority and Force's risk registers will consider partnership risks and reflect these in their registers where appropriate. The Authority will also seek to influence partners in applying and embedding risk management principles where necessary.
- 10.9 The Authority is ultimately concerned with demonstrating improved outcomes through effective partnership risk management.

11. Risk Management Training

- 11.1 Training and awareness is vital to enable staff and members to take responsibility for managing risk within their own working environment.
- 11.2 The Authority is committed to providing risk management training to all Members and staff. New members and staff will receive introductory training, and refresher training will be offered on a rolling basis.

12. Monitoring and Review

- 12.1 This Strategy and the Authority's arrangements for risk management will be reviewed annually in preparation of the Annual Governance Statement.
- 12.2 The Strategy will be formally reviewed in November 2011 to ensure continuing compliance with legislative and best practice principles.

Source: N:\Risk\LPA Risk Register\Risk Management Strategy 2.5 final.doc

Version Control

Version 2.0 approved at Audit, Risk and Governance Committee 19 November 2009
Version 2.1, 2.2, 2.3 minor updates.
Draft Version 2.4 – draft agreed by Risk Management Task and Finish Group
Final version 2.5 – agreed by Audit, Risk & Governance Committee on 27 June 2011.

⁸ as identified by the Audit Commission's 2005 report Governing Partnerships: bridging the accountability gap.