

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

31ST MARCH 2008

1. CORPORATE RISK REGISTER

Report of the Chief Fire Officer.

RECOMMENDED

- 1.1 THAT the Committee approve the definition of corporate risk and include a wider range of risks within the corporate risk register.
- 1.2 THAT the Committee approve a revised methodology to the management and reporting of corporate risks.

2. PURPOSE OF REPORT

This report is submitted in order to recommend improvements to the Fire Authority's corporate risk management process. The recommendations relate to the inclusion of a wider range of risks within the corporate risk register and revised reporting arrangements. These recommendations will enable corporate risk to become more transparent and relevant to all levels of management within the organisation.

3. BACKGROUND

- 3.1 If the Fire Authority is to meet the Government's expectations of performance and improvement in the forthcoming years, it will be important for the organisation to have a robust risk management strategy in place. A key piece of evidence will be the ability to demonstrate a proactive approach to identifying and managing a wide range of risks at all levels within the organisation, most importantly at strategic level.

Whilst the West Midlands Fire Service has developed several procedures to establish the concept of risk management within its structure there is still work to be undertaken to embed the principles throughout the organisation. Adopting the recommendations within this report will enhance the Authority's performance in terms of achieving its corporate aims and assist it in meeting new challenges and opportunities. It will also have a positive impact upon its level of performance when subjected to internal or external scrutiny.

During the course of the last twelve months members of the Corporate Planning team have undertaken extensive research into the methodologies of developing and maintaining a corporate risk register. This research has involved consulting with a variety of organisations, for example:

- existing partners, e.g. Sandwell M.B.C. (Risk Management)
- professional bodies, e.g. Association of Local Authority Risk Managers (ALARM)
- specialist consultants, e.g. Public Risk Management Ltd

as well as seeking examples of best practice from other Fire Authorities, such as Kent and Medway, Essex and Shropshire.

This research has enabled the following analysis to be undertaken of existing processes relating to the management of corporate risk within the West Midlands Fire Service. For reasons of clarity the information is presented in the form of a SWOT analysis.

3.1.1 Strengths

The following list details some of the strengths of the existing processes to manage corporate risk.

- A corporate risk register is maintained by the Fire Authority and Authority Members are informed of proposed amendments to the register.
- Risk owners are identified at Director level for each risk.
- An action plan is prepared for each risk, outlining the additional control measure(s) to be implemented to manage the level of risk.
- Corporate Board receives regular (quarterly) updates on the effectiveness of those control measures implemented to manage risks.

- As part of the quarterly review process, Corporate Board considers the potential impact of emerging risks.
- Corporate Board considers risk information when making strategic decisions.
- Corporate risk descriptors have been developed to enable the level of risk to be quantified.

3.1.2 Weaknesses

The following list details some of the weaknesses of the existing processes to manage corporate risk.

- The corporate risk register contains only 5 risks, suggesting that the organisation may need to re-consider its definition of corporate risk.
- The risks on the register are not clearly defined in terms of risk realisation and outcome, e.g. 'Fire Control National Project' should read 'Failure to respond effectively to the transition to regional fire controls, resulting in an inability to maintain effective mobilising arrangements', or similar.
- Existing 'risks' are, in some cases, triggers for more strategic risks, e.g. 'funding shortfall' is a trigger for 'Failure to manage financial resources effectively, resulting in an inability to deliver core services', or similar.
- Almost without exception risk owners are also control owners, which may suggest a lack of resilience in the management of those risks.
- Existing control measures, whether preventative or mitigating, are not monitored sufficiently for effectiveness.
- Low level risks are removed from the register, as opposed to remaining on the register for future monitoring, e.g. 'Representative Bodies' was removed in September 2007.
- Corporate risks are not linked to key objectives contained within the Corporate Strategy.

3.1.3 Opportunities

The following list details some of the opportunities or benefits that will be realised by refreshing the corporate risk register.

- The Authority will be seen to have a mature approach to the identification and management of risk.

- Improved arrangements for assurance reporting will exist, enabling Corporate Board and Authority Members to have a greater awareness of exception reporting and the likelihood of key triggers being reached.
- The management of risk will become embedded within the organisation as the corporate risk register assumes more relevance.
- The Authority will achieve greater resilience through the identification and management of a wider range of control measures.

3.1.4 Threats

The following list details some of the threats that may be realised if the corporate risk register is not refreshed.

- The Authority may encounter unnecessary financial loss/legal action etc as a result of ineffective risk management.
- The Authority may achieve unsatisfactory levels of performance during internal audit, as a result of having ineffective risk management procedures in place.
- The Authority may achieve unsatisfactory levels of performance during external audit, such as CPA/CAA as a result of having ineffective risk management procedures in place.
- An opportunity to embed risk management and to have a more robust approach to risk (both threats and opportunities) may be missed.

3.2 The main recommendations arising from this analysis are that:

3.2.1 The Corporate Risk Register is extended to reflect a wider spectrum of risks, for example political, social, legal, etc. (refer to appendix 1 for suggestions).

3.2.2 Corporate risks are clearly defined in terms of what the actual risk is and the potential impact if the risk is realised (refer to appendix 1).

3.2.3 Corporate risks are linked to the key objectives of the Fire Authority, as contained within the Corporate Strategy document, and agreed Performance Indicators (refer to appendix 2 for an example).

- 3.2.4 Unless linked to a specific event, risks are not removed from the register but the frequency of monitoring is reduced as the level of risk reduces.
- 3.2.5 Triggers and Impacts are documented against each risk, thereby making the identification of existing or proposed control measures more transparent (refer to appendix 2).
- 3.2.6 Control Owners are identified at levels other than Director and these owners report to Corporate Board on a rolling programme as part of the review process (assurance mapping), the nature and frequency of reports to be determined by Corporate Board, dependant upon the nature of the risk concerned.

NOTE: There will be a short presentation during the course of the meeting in order to clarify further the above recommendations.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment has been carried out. The initial Equality Impact Assessment did not raise issues which required a full Equality Impact Assessment to be completed.

5. **LEGAL IMPLICATIONS**

Whilst the purpose of the Authority's Risk Management Strategy is to assist in the achievement of the Authority's corporate objectives and statutory responsibilities, evidence of a Risk Management Strategy is also required by audit and inspection bodies who review the Authority.

For example the Audit Commission's "Fire and Rescue Corporate Assessment 2007/09 Key Lines of Enquiry" includes the following:-

- (i) Are ambitions based on a reliable understanding of local needs and the risks faced by different communities?

Evidence is required that the Authority uses reliable risk profiles and demographic information to underpin the ambitions and target efforts towards the most vulnerable.

- (ii) Are there clear and robust priorities within the ambitions for the area?

Evidence is required that ambitions translate into clear priorities that are based on local risk analysis and assessment of need and that take into account the National Framework.

- (iii) Does the Authority have robust strategies, including an effective IRMP, to deliver the priorities?

Evidence is required that strategies are robust and based on rigorous analysis of risk – targets are clear, outcome-based and challenging but realistic. To be amongst the best, the Authority routinely adjusts its plans to keep pace with changing risks.

- (iv) Is there clear accountability and decision making to support service delivery and continuous improvement?

Evidence is required that reviewing business risks is a continuing strand of planning, delivering and reviewing services and that the approach to risk management fully involves Members.

There are numerous standards applicable to the management of risk within the local authority sector. Included amongst these is guidance from the Audit Commission, CIPFA/Solace and a set of joint standards published by the Institute of Risk Management (IRM), ALARM (The National Forum for Public Sector Risk Management) and AIRMIC (Association of Risk Managers). Evidence that robust management of the Authority's corporate risks is undertaken, demonstrates compliance with these standards.

6. **FINANCIAL IMPLICATIONS**

There are no direct financial implications arising from this report.

BACKGROUND PAPERS

Policy Planning Forum 18th December 2006
Authority Meeting 12th February 2007, Minute 5/07 refers
Executive Committee 9th July 2007
Executive Committee 10th September 2007

F. J. E. SHEEHAN
CHIEF FIRE OFFICER

WEST MIDLANDS FIRE SERVICE **Corporate Risk Register**

Definition: those risks that, if realised, would seriously affect the Authority's ability to carry out its core functions or deliver key objectives'.
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- 1. The Fire Authority is unable to maintain the positive engagement of staff, resulting in an inability to deliver key priorities and objectives.**
Includes 'representative bodies and industrial relations'.
RISK OWNER: Head of Human Resources
- 2. The Fire Authority is unable to maintain its ICT provision, excluding its mobilising and communication services, resulting in significant disruption to the organisation's ICT functionality.**
Includes 'ICT reliance and e-business suite'
RISK OWNER: Director (Technical Services)
- 3. The Fire Authority is unable to respond effectively to the threats posed by the transition to the Regional Control Centre, resulting in the Brigade being unable to maintain a robust Command and Control structure.**
Includes 'Fire Control National Project'
RISK OWNER: Director (Technical Services)
- 4. The Fire Authority is unable to ensure proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact on the financial standing and reputation.**
RISK OWNER: Head of Finance and Procurement
- 5. The Fire Authority is unable to deliver the core objectives of preventing, protecting and responding effectively as a result of an extensive disruption to normal working methods.** *Includes 'Terrorism' and issues surrounding business continuity*
RISK OWNER: Director (Operations Support)
- 6. The Fire Authority is unable to ensure that operational staff have sufficient information, instruction and training in order to meet the demands of dealing with a wide range of emergency incidents.**
RISK OWNER: Director (Operational Support)

- 7. The Fire Authority is unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective physical resources.**
Includes procurement risk and covers asset management.
RISK OWNER: Director (Operations Support)
- 8. The Fire Authority is unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient financial resources.**
Includes 'Funding shortfall'
RISK OWNER: Head of Finance and Procurement
- 9. The Fire Authority is unable to deliver the core objectives of preventing , protecting and responding effectively as a result of insufficient or ineffective human resources.**
Includes recruitment, retention and development procedures.
RISK OWNER: Head of Human Resources
- 10. The Fire Authority is unable to implement and/or manage the its regulatory responsibilities under the Regulatory Reform (Fire Safety) Order 2005, resulting in legal action being taken against the Authority.**
RISK OWNER: Director (Operations Support)
- 11. The Fire Authority is unable to maintain the command and control function, resulting in an inability to receive, process and respond to emergency call effectively.**
RISK OWNER: Director (Operations Support)
- 12. Core services are not delivered fairly and effectively to all sections of the community, resulting in the Fire Authority being subject to legal challenge.**
RISK OWNER: Head of Human Resources
- 13. The Fire Authority suffers a major Health and Safety or environmental failure, resulting in the Authority being subject to legal challenge.**
RISK OWNER: Director (Operations Support)
- 14. The Fire Authority is unable to exploit the opportunity to engage and participate fully in Local Area Agreements, resulting in an inability to influence Local Strategic Partnerships.**
RISK OWNER: Director (Operations)

WEST MIDLANDS FIRE SERVICE
CORPORATE RISK MANAGEMENT ACTION PLAN

Corporate Risk	13
The Fire Authority suffers a major health, safety or environmental failure, resulting in legal challenge or litigation.	

Risk owner	Director (Operations Support)	Last review date	April 2008
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Rating of likelihood/ Impact by Category	Political	Econ	Social	Tech	Legal	Environ.	Comp	Custm.	Reput.
		3*2			3*2	3*3			2*2

Corporate Objectives Affected	Linked Performance Indicators
46, 51	27
52, 55	28
57, 60	29

Overall Rating	3*3 = 9 = M
Target Rating	3*2 = 6 = M

Risk Caused by	Preventative Controls and Control Owners			Assurance	
Major injury/death of employee	1	Health and Safety Audit strategy (S.O. 19/17)	M Bishop	2/07	1
Major injury/death of contractor	2	RIDDOR/Near Hit reporting strategy (S.O. 19/3)	M Bishop	2/07	1
Major injury/death of visitor	3	Legionellosis strategy (S.O. 19/26)	D Gardiner	2/07	1
Excessive pollution from WMFS site or activities	4	Active monitoring & Performance Reviews of H&S issues (S.O. 19/18)	M Bishop	2/07	1
Occurrence of legionella disease on WMFS site	5	Management of Asbestos (S.O. 19/27)	A Jones	2/07	1
Asbestos contamination on WMFS property	6	Health and Safety training strategy (S.O. 19/6)	M Bishop	2/07	1
RIDDOR occurrence					
	NEW	Develop programme of thematic Health and Safety audits	M Bishop	3/09	
	NEW	Develop Environmental Strategy	S A Chidwick	3/09	

Risk Results in	Mitigating Controls and Control Owners			Assurance	
HSE Improvement Notice etc	1	Accident Investigation strategy (S.O. 19/3)	M Bishop	2/07	1
Legal Action against Authority	2				
Legal Action against individual	3				
Reduction in Service delivery	4				
Damage to WMFS reputation	5				
Financial Penalties	6				
Loss of staff morale	7				
	8				

Key to assurance statements	3 = External assurance		Effective		Partially effective. Consider further action
	2 = Corporate assurance		Generally effective. No action required		Ineffective. Immediate action required
	1 = Departmental assurance				