

WEST MIDLANDS FIRE AND RESCUE AUTHORITY

AUDIT COMMITTEE

18 JANUARY 2016

1. **CORPORATE RISK QUARTER 2 UPDATE 2015/16**

Report of the Chief Fire Officer.

RECOMMENDED

THAT Audit Committee approve the Corporate Risk Assurance Map Summary (Appendix 1) and notes the Position Statement (Appendix 2) for each risk.

2. **PURPOSE OF REPORT**

This quarterly update is provided to ensure Members remain informed about all aspects relating to the management of the Authority's corporate risks.

3. **BACKGROUND**

- 3.1 In accordance with the Service's risk management strategy, the Corporate Risk Assurance Map Summary is submitted for approval by the Audit Committee on a quarterly basis, following its submission and discussion at the Corporate Performance Review Meeting.
- 3.2 Corporate risks are those risks which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver its strategic objectives as set out in The Plan. Currently, the Service maintains 11 corporate risks.
- 3.3 Each corporate risk has assigned to it a Risk Owner, who is a member of the Strategic Enabling Team. The Risk Owner has the overall responsibility for monitoring and reviewing the progress being made in managing the risk.

- 3.4 To enable for effective risk management, the Risk Owner will periodically undertake an assessment of each corporate risk. The frequency of this review will be based upon the estimated risk rating undertaken on the basis of likelihood x impact. The likelihood is a measure of probability of a given risk occurring using a scale of 1(low) to 4 (high). The impact is a measure of the severity or loss should the risk occur again, using a scale of 1 (low) to 4 (high).

LIKELIHOOD	4				
	3				
	2				
	1				
		1	2	3	4
		IMPACT			

	HIGH RISK - periodic review every 6 weeks
	MEDIUM RISK - periodic review every 3 months
	LOW RISK - periodic review every 6 months
	VERY LOW RISK - periodic review every 12 months

- 3.5 In order to ensure that Members are kept informed of corporate risk matters, a Position Statement (Appendix 2) and the overall Corporate Risk Assurance Map Summary are attached (Appendix 1).
- 3.6 In undertaking a review of corporate risks, the Risk Owner has reviewed the Corporate Risk Assurance Map. The Assurance Map provides details of:-
- the strategic objectives and performance indicators relevant to the risk.
 - the current risk score.
 - a description of events that could lead the corporate risk to be realised.
 - the control measures in place designed to reduce the likelihood of risk realisation or its impact should the risk be realised.
 - additional control measures currently being implemented to further reduce the likelihood or impact.

- Control Owners who are responsible for the implementation, maintenance and review of individual control measures.
- 3.7 As part of the review the Risk Owner has considered the risk score and rating and updated the Assurance Map. The Risk Owner has provided assurance that the control measures identified are still effective in the management of risk and identified whether any new risk events or controls have been implemented or are required.
- 3.8 Where ongoing additional controls are being implemented, Risk Owners have confirmed the progress in implementing such controls.
- 3.9 The Position Statement attached as Appendix 2 provides the detail of the risk management activity undertaken or ongoing in respect of the Authority's eleven Corporate Risks for quarter 2 of 2015/16. The overall risk rating and scores remain unaltered this quarter when compared to the previous quarter. The Level of Risk Owner confidence in the effectiveness of the Service's risk management and control environment remains high with the following confidence opinions being awarded:-
- Corporate Risks 1, 7, 8, 9, 10, 11 and 13 have been awarded a green confidence (substantial) opinion, which is the highest level that can be awarded.
 - Corporate Risks 2, 4, 5, 6 and have been awarded an amber (satisfactory) confidence opinion. In all cases, work is in progress to enable for a green rating to be attained.
 - No red (limited) confidence opinions were awarded.
- 3.10 The overall risk score for Corporate Risk 4 concerning the effective governance and management of partnerships has been increased. This is because the likelihood of risk realisation has increased from 2 to 3 based upon the evidence provided in a recent Scrutiny Committee review of partnerships. This review identified that improvements are required to strengthen the governance and management of partnerships. An action plan for improvement was approved

by Executive Committee at its December meeting. Upon implementation the risk score will be reconsidered.

4. **EQUALITY IMPACT ASSESSMENT**

In preparing this report an initial Equality Impact Assessment is not required and has not been carried out. The matters contained in this report will not lead to and do not relate to policy change.

5. **LEGAL IMPLICATIONS**

The course of action recommended in this report does not raise issues which should be drawn to the attention of the Authority's Monitoring Officer.

6. **FINANCIAL IMPLICATIONS**

There are no financial implications arising from this report.

7. **ENVIRONMENTAL IMPLICATIONS**

There are no environmental implications arising from this report.

BACKGROUND PAPERS

The contact officer for this report is Deputy Chief Fire Officer, Phil Hales, telephone number 0121 380 6907.

PHIL LOACH
CHIEF FIRE OFFICER

Corporate Risk Assurance Map - Summary - October 2015

Appendix 1

Outcome of risk realisation	Owner	Direction of travel	Overall confidence	Likelihood	Impact	Risk Score
1 The Fire Authority would be unable to maintain the positive engagement of its employees, resulting in an inability to deliver its key priorities and objectives.	SET People Support Services	↔		4	3	12
2 The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality.	SET ICT	↔		4	2	8
4 The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives	SET Prevention	↑		3	2	6
5 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods.	SET Emergency Response	↔		4	3	12
6 The Fire Authority would be unable to ensure that operational incidents are dealt with safely and effectively using appropriate levels of resources and personnel.	SET Ops, Intel, Policy & Trng	↔		2	4	8
7 The Fire Authority would be unable to deliver the core responsibilities of preventing, protecting and responding effectively as a result of insufficient key assets such as buildings and vehicles.	SET Finance & Resources	↔		2	3	6
8 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds, e.g. fraudulent activity.	SET Finance & Resources	↔		3	3	9
9 The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees.	SET People Support Services	↔		2	3	6
10 The Fire Authority would be unable to manage its responsibilities under the Regulatory Reform (Fire Safety) Order and associated legislation resulting in a decline in non-domestic fire safety standards or legal action being taken against the Authority.	SET Protection	↔		2	2	4
11 The Fire Authority would be unable to maintain its command and control function, resulting in an inability to receive, process and respond to emergency calls effectively.	SET Emergency Response	↔		2	4	8
13 The Fire Authority suffers a significant health, safety or environmental failure, resulting in legal challenge and/or litigation.	SET Emergency Response	↔		2	3	6

Corporate Risk Amendments October 2015**Position Statement****Risk 1- The Fire Authority would be unable to maintain the positive engagement of its employees resulting in an inability to deliver its key priorities and objectives**

Emerging Issues	<p>The Risk Owner has determined that, with the continued uncertainty over industrial action, that the likelihood score (potential for risk realisation) should be maintained at a level of 4 as the risk of further action is still high. Whilst engagement with the workforce and representative bodies is ongoing regarding the staffing proposal, there is still a risk of a local dispute. Similarly, as the Service seeks to move into commissioning, discussions are ongoing with representative bodies, a mutually agreeable solution is likely via the National Joint Council. This provides an indication of the range of changes currently being considered by the Service, raising the potential for disagreement with the representative bodies, impacting adversely on engagement levels.</p> <p>The Service is currently engaged with the representative body on a staffing proposal. It is recognised that this proposal does have the potential to affect the positive engagement of employees. However, in considering and mitigating against the impact of these changes, the Service is using its established frameworks and communication approaches for engaging with and consulting with both employees and representative bodies on this matter. As part of this, briefings have been held with managers and information packs have been provided to managers to help ensure consistency of message in shaping, influencing and communicating with local teams.</p>
Changes to control measures	There have been no changes to control measures in this quarter.
Assurance Updates	<p>The level of assurance provided by control owners against this particular risk is high, with the assurances being green and provided within the last 12 months. A number of assurances have been updated in this quarter, reflecting the proactive approach to managing this particular risk.</p> <p>The Risk Owner is assured that the collective control environment is strong and effective. This is reflected in the 'substantial (green) 'confidence opinion' which is shown on the Corporate Risk Assurance Map Summary.</p>

Risk 2 – The Fire Authority would be unable to maintain an effective ICT provision (excluding mobilising and communications), resulting in significant disruption to the organisation's ICT functionality

Emerging Issues	The overall risk score is 8. The risk continues to be medium. The risk level remains as it was for last quarter.
Changes to control measures	<p>Classification of the Service's information assets has been prioritised and implemented to ensure appropriate data handling and the creation of appropriate ICT environments in line with government recommendations.</p> <p>Upon completion appropriate availability, access and resilience can be applied to these all information assets.</p> <p>In addition, work is ongoing to establish accreditation for Code of Connection (CoCo) to the Emergency Services Network (ESN) and the Public Services Network (PSN). Accreditation for ICCS has already been achieved</p>
Assurance updates	The overall risk confidence opinion is amber.

Risk 4 – The Fire Authority would be unable to ensure that proper controls are established whilst working in partnership with other agencies/groups, resulting in a significant impact upon the organisation's financial standing, reputation and ability to deliver key objectives.

Emerging Issues	<p>The overall risk score has risen as an increase in likelihood from 2 to 3. The impact score remains at 2. This means an overall revised risk rating of 6 (medium).</p> <p>Following the receipt of a recent internal audit report into the Service's risk management arrangements and in line with the initial findings of the scrutiny review of partnerships, the Service has clear evidence that its partnership governance arrangements require strengthening. In light of this information the Risk Owner has determined that the likelihood of risk realisation is to be increased.</p> <p>Of particular concern is that evidence indicates that there is no systematic and consistent approach to recording partnerships and their purpose either centrally, at command level or at stations. In view of this and in consultation with ACFO Service Delivery a review of the Service's partnership working arrangements, was commissioned by the Scrutiny Committee.</p> <p>This work will be completed in November 2015. Proposals for change will be submitted to Scrutiny Committee which will strengthen the governance environment around partnerships, with a view to ensuring the Service is best placed to respond to the changing political and funding landscape in respect of public health and well-being commissioning.</p>
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Changes to control measures	There have been no changes to control measures.
Assurance updates	The overall confidence opinion associated with this risk is amber.

Risk 5 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of extensive disruption to normal working methods.

Emerging Issues	<p>The Risk Owner has determined that with the continued uncertainty over industrial action that the likelihood score (potential for risk realisation) should be maintained at a level of 4 as the risk of further action is still high. Similarly, whilst engagement with the workforce and representative bodies in ongoing regarding the staffing proposal there is still a risk of a local dispute. Similarly as the Service seeks to move into commissioning, discussions are ongoing with representative bodies. Although a mutually agreeable solution is likely via the National Joint Council it provides an indication of the range of changes currently being considered by the Service, raising the potential for disagreement with the representative bodies.</p> <p>Therefore the risk rating remains high generating an overall Risk Score of likelihood 4 x impact 3 = 12.</p>
Changes to control measures	The responsibility for a number of control measures within the risk management environment has been re-aligned to reflect the current service structure. This has enabled for a number of assurances to be reconsidered and updated, with the highest level of 'substantial' green rating being awarded against the vast majority of controls.
Assurance updates	The overall confidence opinion associated with this risk is amber on the basis of whilst the Service is doing all that is reasonably practicable to avoid industrial action, there is still likely to be a short term impact to the delivery of strategic priorities as a result of industrial action. This creates uncertainty as to how the Service would continue to meet its specific legislative response responsibilities should a significant or a number of incidents occur during a period of industrial action

Risk 6- The Fire Authority would be unable to ensure that operational incidents are dealt with safely and effectively, using appropriate levels of resource and personnel.

Emerging Issues	The overall risk Score remains at 2 (likelihood) x 4 (impact) = 8 and the risk remains at Medium.
Changes to control measures	<p>The Service's continues to improve Site Risk Survey (SRS) arrangements (site specific risk information SSRI). SSRI is intended to ensure that risk assessed informed decisions can be made pre-incident and at the incident ground, through the provision of relevant, timely and accurate information, ensuring safe and effective firefighters and operations.</p> <p>Now that the integration with Staffordshire control staff is complete, it is now appropriate to review Fire Control staffing levels. This work is ongoing and has been submitted and discussed to the Fire Control Governance Board.</p> <p>In responding to the current funding challenge the Service is to implement an additional shifts staffing model, whereby in order to sustain the Service's Delivery Model, against a reducing establishment, staff are offered the opportunity to undertake additional shifts should they choose to do so. The impact of this approach will continue to be monitored for its impact upon the Service' delivery model.</p>
Assurance Updates	<p>Level 1 assurance has been provided across the risk environment. However, the Risk Owner has awarded an overall Satisfactory (amber) confidence opinion as to the collective strength of the controls in preventing or reducing risk realisation. This judgement has been informed by the independent limited (red) assurance awarded in respect of SRS. A project to improve SRS (SSRI) arrangements is due to be completed by late 2015. Subject to the new arrangements becoming embedded and the Risk Owner being assured as to their effectiveness, the Risk Owner will consider the effectiveness opinion of SRS as a preventative control measure. This will provide the opportunity for the Risk Owner to consider his confidence opinion of the overall control environment.</p>

Risk 7 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective key assets, such as buildings and vehicles.

Emerging Issues	<p>The overall risk score remains unchanged at 2(likelihood) x 3 (impact) = 6. The risk level remains at Medium. The Risk Owner has determined that this score is appropriate.</p> <p>In considering our current and future fleet requirements Strategic Enabler Operational Intelligence and Risk Reduction has been commissioned to undertake a review of Service fleet arrangements. This will be reflected as a control on the assurance map.</p>
Changes to control measures	<p>Some relatively minor updates have been made to the assurance map. However, this is a well managed risk with a strong control environment.</p> <p>An addition has been made to reflect the move to improve security arrangements as the Service moves towards an electronic swipe card system. This will replace the yellow disk keys and provide a better system of control, strengthening the security arrangements at all fire service locations.</p>
Assurance Updates	<p>Level 1 assurance has been provided across the range of control measures. The level 1 control environment provides for substantial assurance (green rating) across the majority of controls. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion and this is reflected on the Corporate Risk Assurance Map summary.</p>

Risk 8 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively due to a lack of funding or the misuse of funds e.g. fraudulent activity.

Emerging Issues	<p>The risk score remains at 3 (Likelihood) x 3 (Impact) = 9. The overall risk level is Medium. Whilst the Authority continues to manage its budget and accounts in such a way that provides for an unqualified financial opinion and value for money conclusion, the external auditors have recognised the risk posed by the continued challenge presented by the Government funding cuts agenda.</p> <p>To date the Authority has managed to maintain and improve its delivery model and balance its budget despite a £28M (35%) cut in funding (up to March 2016). Following on from the general election anticipated cuts to central grant may be deeper and at a quicker pace than original indications. The Service awaits confirmation of this position. The joint message from the CFO and Chair of the Authority sets out the concerns of the Authority and Service alike.</p>
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	<p>Given that the level of central funding is fundamental in enabling the effective delivery of Service's core objectives, the Risk Owner has determined that the likelihood risk score of 3 defined as 'High 25%-50% or likely to occur within two years' is still appropriate. In terms of funding reductions for 2016/17 -2018/19 the Service will continue to explore and implement a range of approaches to balance its budget.</p>
Changes to control measures	<p>The control environment remains strong and is supported by independent assurance provided by both external and internal auditors. Both the external and internal audit programmes have provided independent evidence that the Service still continues to provide value for money (The Value for Money conclusion) and provides an unqualified opinion of the Authority's accounts, supported by effective governance arrangements as detailed in the annual governance statement. This has enabled for a number of control measures to be independently updated.</p> <p>Through a structured approach, the Strategic Enabling Team are considering and, where appropriate, implementing a range of approaches across both support and delivery services to enable further efficiencies to be made whilst continuing to meet our delivery model commitments to the community of the West Midlands. This approach has been sent out in a briefing pack communication supplied to managers and the approaches to offsetting the £14M deficit have been reflected within the control environment.</p> <p>As part of this the Service has set an expectation that up to £2M will be delivered through commissioning providing a framework in support of securing commissions has been considered by SET. This has been reflected on the assurance map.</p> <p>Similarly, the implementation of an additional staffing model has been approved and has been implemented. This will provide significant financial savings and maintain the Service Delivery Model.</p>
Assurance updates	<p>Level 1 assurance has been provided across the majority of the control environment with most controls measures being awarded at substantial (green) rating in terms of their effectiveness in managing risk triggers and are supported by a number of level 3 assurances. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required.</p> <p>The Risk Owner therefore has provided for a substantial (Green) confidence opinion as to the collective strength of the control environment in managing this particular risk.</p>

Risk 9 – The Fire Authority would be unable to deliver the core objectives of preventing, protecting and responding effectively as a result of insufficient or ineffective employees.

Emerging Issues	The overall risk score is 2 (likelihood) x 3 (impact) = 6 although the risk level remains at Medium. This means that it is likely to occur within a period of 2-5 years (10-24% chance).
Changes to control measures	<p>The Service continues to explore a range of avenues to address the ongoing funding challenge.</p> <p>As part of its workforce planning arrangements, the Service is to implement an additional staffing model in order to sustain the service delivery model. Staff continue to be engaged on this matter. Discussions with representative bodies are ongoing.</p> <p>An entry has been made onto the assurance map to reflect that there will be a freeze on operational staff recruitment in the current financial year.</p> <p>In support of providing assurance of its approaches to organisational development, a number of controls on the assurance map (standing order 6) will be reviewed and updated to provide a more appropriate framework and guidance for personnel. This is a joint piece of work between People Support Services and Operational Training.</p>
Assurance updates	<p>The Risk Owner has ensured that control owners have provided assurance for the controls for this particular risk. This proactive approach has strengthened the control environment and level 1 assurance has been provided across the control environment. To date no limited assurances (red ratings) have been identified and, as such, no immediate interventions are required.</p> <p>The Risk Owner has provided a high (green) confidence opinion as to the effectiveness of the control environment in managing this risk.</p>

Risk 10- The Fire Authority would be unable to manage its responsibilities under the Regulatory Reform (Fire Safety) Order and associated legislation, resulting in a decline in non domestic fire safety standards or legal action being taken against the Authority.

Emerging issues	<p>The risk score using the likelihood x impact matrix is 2 (likelihood) x 2 (Impact) generating an overall risk score of 4 which is unchanged from the previous quarter.</p> <p>The current score is still valid.</p> <p>Business Support Vehicles (BSV) are operational and are having an impact in supporting the maintenance of the Service's delivery model. In terms of wider integration into Service Delivery, performance against Performance Indicators (PIs) continues to be green and within tolerances and capability continues to be built at delivery level to support increased volume of inspections</p> <p>In order to maintain the establishment a Watch Commander selection process is ongoing</p>
Changes to control measures	There are no changes to or additional control measures required.
Assurance updates	Level 1 assurance has been updated and provided across the range of control measures. The level 1 control environment provides for substantial assurance (green rating) across the majority of controls. No controls were identified as providing limited assurance (red rating) and therefore no immediate interventions were identified as being required. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion and this is reflected on the Corporate Risk Assurance Map summary.

Risk 11 – The Fire Authority would be unable to maintain its command and control function, resulting in an inability to receive process and respond to emergency calls effectively.

Emerging Issues	<p>The overall risk score remains at $2(\text{likelihood}) \times 4(\text{Impact}) = 8$.</p> <p>The joint control working arrangements between Staffordshire and West Midlands are embedded. It is therefore appropriate to consider whether the current resources and staffing model represent the most efficient way of working. A number of proposals for change have been submitted to the Fire Control Governance Board for consideration and staff consultation is ongoing.</p>
Changes to control measures	None
Assurance updates	<p>Level 1 assurance has been provided across the majority of the control environment with a substantial (green rating) being provided for much of the controls. Where amber assurances have been provided, corrective action has been identified. To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required. Therefore, the Risk Owner has provided a Substantial (green) confidence opinion as to the overall collective strength of the control environment and this is reflected on the Corporate Risk Assurance Map summary.</p>

Risk 13 – The Fire Authority suffered a significant health, safety or environmental failure, resulting in a legal challenge and/or litigation

Emerging Issues	None. The overall risk score is $2(\text{impact}) \times 3(\text{likelihood}) = 6$ and the risk level remains at Medium.
Changes to control measures	The Risk Owner has confirmed there were no changes this quarter.
Assurances updates	<p>Level 1 assurance has been provided across the majority of the control environment. To date no limited assurances (red ratings) have been identified and as such no immediate interventions are required. Where satisfactory assurances have been provided action to provide for substantial (green) assurance has been identified. Performance against Health and Safety PIs continues to be strong and this has been reflected in reduced targets against PIs for 2015/16. This has enabled for the Risk Owner to provide a Substantial (green) confidence opinion as to the overall collective strength of the control environment and this is reflected on the Corporate Risk Assurance Map summary.</p>