

WEST MIDLANDS FIRE SERVICE CORPORATE RISK MANAGEMENT

1. STRATEGY

It is the strategy of the West Midlands Fire and Rescue Authority to have in place a structured risk management framework which supports the assessment and treatment of its corporate risks, as it is recognised that such a strategy will support the Fire and Rescue Authority in achieving its vision of 'Making West Midlands Safer'.

Effective risk management forms a key aspect of the Corporate Governance arrangements by which the Authority directs and controls its functions and relates to the community.

2. PROCEDURES

2.1 Definition of corporate risk

Risk management is the process of identifying threats and opportunities, evaluating their potential consequences and then determining the most effective and efficient methods of controlling and/or responding to them.

For the purposes of this strategy corporate risks are defined as those which, if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver key objectives. This type of risk may be caused by a number of events or triggers which take place within the organisation or as a result of external influences.

Potential sources of corporate risks are shown in the diagram attached as Appendix 1.

2.2 The benefits of corporate risk management

An effective corporate risk management framework will deliver a wide range of benefits throughout all areas and levels of the organisation; in particular it will enable the Authority to deliver its core functions of preventing, protecting and responding, meet its statutory duties and obligations, safeguard its reputation within the wider community and demonstrate its ability to deliver value for money.

The benefits of an effective corporate risk management framework include improved:

- corporate management, through:
 - informed decision making based on risk identification, analysis, control and monitoring, enabling the allocation of resources to those areas of greatest risk
 - informed selection of strategic objectives and targets based on risk identification, analysis, control and monitoring
 - improved ability to deliver against realistic and achievable objectives and targets
 - an improved performance management framework
- financial management, through:
 - improved financial control arising from risk identification, analysis, control and monitoring
 - reduction in financial costs associated with losses due to service interruption, litigation, and so on.

- customer focus, through:
 - improved internal and external reputation arising from all the above
 - reduction in service disruption arising from all the above.

Risk has been defined as 'the uncertainty of outcome' by the Office of Government Commerce and the future contains an element of the unknown for us all. However, the public has a right to expect that the West Midlands Fire Service will anticipate those events that are reasonably foreseeable and plan to reduce the likelihood of them happening and/or their impact if they do occur.

2.3 The corporate risk management framework

The corporate risk management framework adopted by the organisation is based upon a simple, but effective, model which demonstrates how the principles of risk management can be achieved. This framework model is represented in Figure 1.

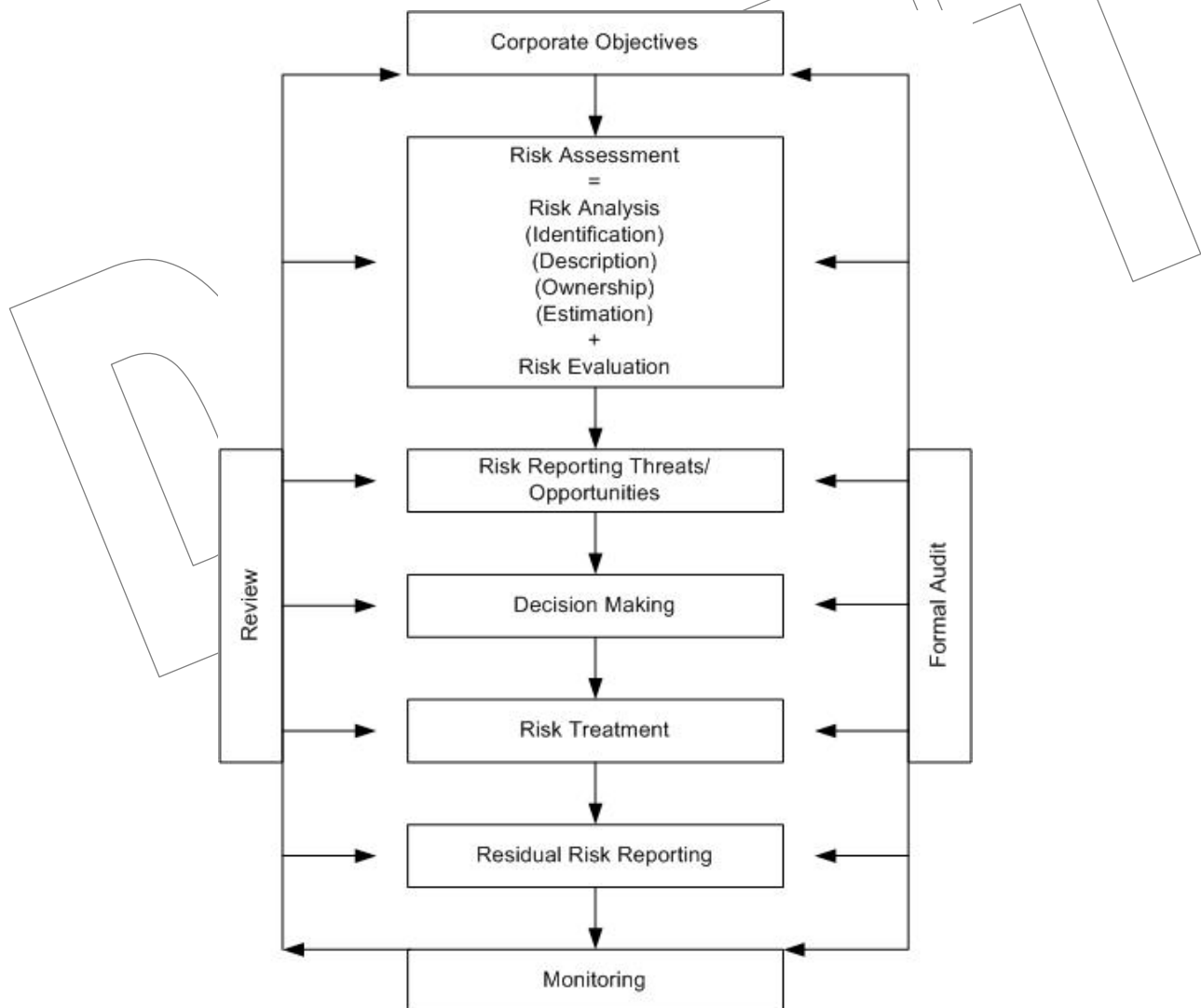


Figure 1: Risk Management Framework

2.4 Corporate risk management arrangements

2.4.1 Identification

Within the West Midlands Fire Service, corporate risks may be identified in a variety of ways, for example by:

- The Fire and Rescue Authority/Audit Committee, as part of its strategic role in managing risk within the organisation;
- Corporate Board, as part of its quarterly review of the Corporate Risk Register and associated action plans, or as part of its strategic decision making role through the inclusion of risk information within papers submitted for Board approval;
- The Strategic Advisory Group, as part of its role in identifying and developing strategic objectives, including the identification of opportunities and threats, and through its responsibility for providing strategic assessment of internal or external influences and the analysis of risk;
- The Programme Support Office, as part of its monitoring of programme and project risk logs. All risks which are assigned a 'High' level rating at project level will automatically be forwarded by the Programme Manager to the Corporate Risk Manager so that their impact upon the Corporate Risk Register can be determined;
- The Community Safety Team, through its development of risk logs associated with strategic partnerships. All risks which are assigned a 'High' level rating at this level will automatically be forwarded by the Community Safety Manager to the Corporate Risk Manager so that their impact upon the Corporate Risk Register can be determined; or
- Any group or member of the organisation, through the relevant Line Manager and Director.

In each case, it is the responsibility of the Corporate Risk Manager to support the identification process and present the relevant information to Corporate Board. This information will be presented in the form of a Corporate Risk Management Action Plan which will include:

- a description of the risk to the organisation;
- any links between the risk and organisational objectives and/or performance indicators;
- a summary of those events which may cause the risk to occur;
- a summary of the likely impacts if the risk does occur;
- details of any existing or proposed control measures designed to reduce the likelihood or impact associated with the risk; and
- an estimation of the level of risk and an indication of the Authority's appetite for that risk.

2.4.2 Description

All corporate risks are described clearly so that the nature of the risk is understood for example, 'Unable to respond to (a certain anticipated event), resulting in (the unplanned or unwanted event occurring)'.

Each risk is then classified against one or more of the following categories, in order to assist the subsequent estimation process (see paragraph 2.4.5):

- **Financial:** the ability of the Authority to meet its financial commitments, such as internal budget constraints or to provide value for money.

- **Environmental:** the environmental consequences and issues of sustainability associated with pursuing the Authority's strategic aims and objectives.
- **Reputation:** the impact upon the reputation of the West Midlands Fire Service within the local, or wider, community and the need to meet the current or changing needs and/or expectations of customers.
- **Service Delivery:** the impact upon the Authority's ability to deliver its strategic objectives to respond to changes in demographic, residential or socio-economic trends.
- **Physical:** the impact upon the Authority's ability to maintain a safe working environment.
- **Legal and Litigation:** the impact of failing to comply with, or adequately enforce, national or European law.
- **Information Communication Technology and Systems:** the impact upon technology used within the Authority or upon which it is reliant.
- Or any other category considered appropriate to adequately assess a given risk.

2.4.3 Ownership

An essential requirement in the management of any risk is to make sure that the correct people are identified and that they take on responsibility for that risk. Specific roles in the management of risk are the:

- risk owner: the person with overall responsibility for monitoring the progress being made in managing a given risk. In relation to corporate risks this is normally a Corporate Board member.
- control owner(s): those people responsible for implementing the agreed control measures to manage the risk and informing the risk owner of the effectiveness of those control measures. In relation to corporate risks this is normally a Corporate Board Member, department head or operations commander.

2.4.4 Estimation

Estimation should be completed by those people having a full understanding of the risk, the related control measures and the potential outcomes, in relation to corporate risk this is the risk owner.

The estimation of corporate risk combines the two elements of LIKELIHOOD and IMPACT, that is:

risk estimation = likelihood x impact

The likelihood is a measure of the 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 of opportunity should that risk occur, again using a scale of 1 (LOW) to 4 (HIGH).

The level of risk is assessed using the relevant descriptors of likelihood and impact, as detailed in Appendix 2, with the overall score being the highest value obtained.

The descriptors will be reviewed periodically as part of the review of the risk management strategy and presented to the Audit Committee for approval.

2.4.5 Evaluation

The purpose of risk management is not to eliminate all risk, but to reduce it to a level that is considered acceptable within an organisation, or to society.

Evaluation is undertaken to make informed decisions as to the significance of the risks to the Authority and to determine whether they will be accepted or treated, and what level of monitoring will be required.

As part of the evaluation process, a target score will be established for each risk by the relevant owner. This target score provides an indication of the Authority's risk appetite and acts as a guide for the allocation of time, effort and resources when managing a specific risk.

2.4.6 Reporting and assurance mapping

The Corporate Risk Register will be approved by the Fire and Rescue Authority/Audit Committee on an annual basis, or whenever amendments to the register are proposed by Corporate Board. The Register will be published on the Strategic Planning Improvement and Risk Team (SPIRiT) intranet site.

Corporate Board will review the status of the register on a quarterly basis, although individual Corporate Risk Management Action Plans will be reviewed periodically by the risk owner and Corporate Risk Manager in accordance with the following schedule:

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

The periodic review will involve updating the content of the Corporate Risk Management Action Plan to ensure the accuracy and currency of the information contained within the document. This will include the task of assurance mapping any existing control measures (that is, identifying sources of assurance to confirm that the control measures are still effective in the management of that risk), documenting progress made in implementing any additional control measures and identifying any additional action required.

The outcome of this review, including any recommendations relating to the overall risk score, will be presented to Corporate Board in the form of a position statement.

It will be the responsibility of the Corporate Risk Manager to facilitate the above reporting and monitoring process.

2.4.7 Treatment

Upon completion of the risk assessment process, it is important that risks identified are subject to a process of treatment. The purpose of this is to take appropriate action in order to minimise the likelihood of the risk occurring and/or reduce the severity of the consequences should it occur.

Most commonly, treatment involves the implementation of additional measures to control a risk before it occurs or to lessen the effects after it has occurred. In the case of corporate risk, this is the most likely action to be taken.

However, this is just one method of treatment; the following list provides a hierarchy of measures that may be implemented either in isolation or in combination.

- Termination: using an alternative approach that either involves lower levels of risk or no risk at all. This technique is not always an option.
- Treatment: the development, implementation and monitoring of measures designed to reduce the risk to an acceptable level. This may be achieved by introducing new policies or working practices. All such control measures must be monitored to ensure that they are effective and having a positive impact.
- Toleration: simply accepting the level of risk and proceeding without any additional action. This is not a control measure and should be discouraged as a course of action.
- Transfer: passing responsibility for the risk to a third party, such as a specialist contractor. Although an effective measure, it may incur some cost.
- Contingency (insurance): these are actions planned to come into force as and when a risk occurs. The most common risk management tool, insurance provides financial protection against the realisation of risk.

2.5 Roles and responsibilities

Risk management is an integral part of every manager's role and impacts upon their day to day activity. It enables informed judgements to be made about the suitability and effectiveness of policy options and delivery methods. As such, it is a key element of both corporate and departmental planning, resourcing and service delivery.

However, there are certain roles within the organisation to which specific responsibilities are assigned in relation to corporate risk. These roles include:

- the Fire and Rescue Authority/Audit Committee: to understand the strategic risks faced by the organisation and to participate in their ownership through analysis and questioning, promoting a positive attitude towards the management of risk.
- Corporate Board: to show a clear commitment to the ownership of the risk management framework; agreeing and supporting the risk management strategy; identifying corporate risks and determining the effectiveness of associated control measures; demonstrating a willingness to accept risk in a managed way and within agreed tolerance levels and allocate resources accordingly.
- the Risk Champion (the Deputy Chief Fire Officer): to take overall responsibility for the implementation of the risk management strategy.
- Risk owner: the person with overall responsibility for monitoring the progress being made in managing a given risk. In relation to corporate risks this is normally a Corporate Board member.
- Control owner(s): those people responsible for implementing the agreed control measures to manage the risk and informing the risk owner of the effectiveness of those control measures. In relation to corporate risks this is normally a Corporate Board Member, department head or operations commander.
- the Corporate Risk Manager (Group Manager, SPIRiT): to assist the Risk Champion in the implementation of all aspects of the risk management strategy by informing, communicating and reporting.

- the Programme Support Manager: to monitor the risks associated with programmes and projects within their remit and to report on those risks to the Corporate Risk Manager.
- the Community Safety Team: to monitor the risks associated with partnership working throughout the organisation and to report on those risks to the Corporate Risk Manager.

2.6 Training

Training is essential to make sure that all staff who have a responsibility in relation to this strategy:

- understand what risk management is and how the Authority aims to manage its corporate risks effectively;
- understand their particular responsibilities as they relate to corporate risk; and
- have the necessary skills and knowledge to meet those responsibilities.

An understanding of corporate risk management will be achieved in the following ways:

- by providing a training package on the Brigades i-learn system on the intranet. This will be available to station managers or section heads and above (to be released in late summer 2010);
- through the delivery of training on organisational development programmes (as appropriate), such as the Supervisory Management and Middle Management Development Programmes;
- through the delivery of workshops targeted at senior managers and Fire and Rescue Authority Members. These workshops will provide an overview of the risk management arrangements established within the Fire and Rescue Authority as well as focussing on topical issues affecting the organisational direction and improvement; and
- by the publication of articles and newsletters on topical issues linked to the management of corporate risk, via the SPIRiT intranet site.

2.7 Review and audit

The management of risk within the organisation and the effectiveness of the risk management strategy will be subject to an ongoing review process by the Risk Champion, with the support of the Corporate Risk Manager. This process will be supplemented by internal audits undertaken by Sandwell Metropolitan Borough Council (Risk Management) to make sure that the strategy continues to meet the needs of the Fire Authority. Through a combination of internal review and audit, the Risk Management Policy will continue to be developed to satisfy the criteria of Comprehensive Area Assessment.

3. CROSS REFERENCES

The information contained in this Standing Order makes reference to information contained in:

Standing Order 1/2 Orders and Strategies

Standing Order 1/9 Project and Programme Management Process

Standing Order 1/16 Insurance

Standing Order 1/31 Business Continuity

Standing Order 19/6 Risk Assessment
Standing Order 22/2 Partnership Working
Standing Order 22/6 Integrated Planning Process
Standing Order 22/8 Risk Management (to be issued during 2010)
Standing Order 23/1 Performance Management Framework

4. KEY CONSULTEES

Operations Commander Sandwell
Station Commander Wolverhampton
Station Commander Stourbridge
Station Commander Coventry
Station Commander Bickenhill
Station Commander Handsworth
Canley Green Watch
Hay Mills Blue Watch
Wednesbury Green Watch
Handsworth White Watch
Equality and Diversity
Fire Brigades' Union
Fire Officers' Association
UNISON
Area Manager Corporate Support

5. EQUALITY IMPACT ASSESSMENT

In compiling this strategy an Initial Equality Impact Assessment has been completed. The assessment identified that the management of risk within the organisation will have a positive impact upon all identified groups by reducing the likelihood of negative threats and so increasing the likelihood of positive opportunities.

6. OWNERSHIP

This Standing Order was presented to Corporate Board on 2nd March 2010 and the Fire and Rescue Authority (Audit Committee) on 30th March 2010.

7. RESPONSIBILITY AND REVIEW/AMENDMENT DETAILS

7.1 Responsible Corporate Board Member/Department

This Standing Order is the responsibility of the Deputy Chief Fire Officer.

7.2 Created/fully reviewed/amended

It was created by the Corporate Risk Manager in November 2007 and subsequently amended and updated in February 2009 and March 2010. It will subject to review on an annual basis.

DRAFT

Sources of Corporate Risk



RISK MANAGEMENT STRATEGY

CORPORATE RISKS DESCRIPTORS

Rating	<u>LIKELIHOOD</u>	<u>IMPACT</u> <u>Financial</u>	<u>IMPACT</u> <u>Environmental</u> <u>Sustainability</u>	<u>IMPACT</u> <u>Reputation</u>	<u>IMPACT</u> <u>Service Delivery</u>	<u>IMPACT</u> <u>Physical</u> <u>Injury</u>	<u>IMPACT</u> <u>Legal/Litigation</u>	<u>IMPACT</u> <u>ICT/Systems</u>
4	Very High >50% or Likely to occur within current financial year	Unplanned costs in excess of £1m	Major adverse impact on the environmental strategy of the organisation	Significant adverse publicity at national level	>25% of Corporate Objectives not delivered OR permanent impact on Service Delivery	Death of employee(s) or third party arising from Fire Service activity	Criminal prosecution of Executive Officer <u>or</u> Civil Litigation arising from death or other loss	Failure or significant disruption to mobilising and/or communications systems
3	High 25% to 50% or Likely to occur within two years	Unplanned costs of £500k to £1m	Significant adverse impact on the environmental strategy of the organisation	Significant adverse publicity across region or within West Midlands area	11 to 24% of Corporate Objectives not delivered OR temporary impact on Service Delivery	Serious (RIDDOR) injuries to employee(s) or third party arising from Fire Service activity	Issue of Prohibition or Improvement Notice by an Enforcing Authority <u>or</u> Civil Litigation arising from serious injury or other loss	Failure or significant disruption to critical back office systems
2	Medium 10% to 24% or Likely to occur within five years	Unplanned costs of £150k to £499k	Minimal adverse impact on the environmental strategy of the organisation	Adverse publicity across West Midlands area	5 to 10% of Corporate Objectives not delivered or (no impact on Service Delivery)	Moderate injuries to third party as a result of Fire Service activity	Civil Litigation instigated by third party as a result of injury or other loss	Failure or disruption to non-critical corporate services
1	Low <10% or Unlikely to occur within next five years	Unplanned costs of less than £150k	No impact on the environmental strategy of the organisation	Adverse publicity confined to area within West Midlands	< 5% of Corporate Objectives not delivered	Minor injury to employee(s) not RIDDOR reportable	Civil Litigation instigated by employee as a result of minor injury or other loss	Failure or disruption to non critical local services