

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, **stronger and healthier**'. Effective risk management forms a key aspect of the corporate governance arrangements.

2. PROCEDURES

2.1 Definition of risk management

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.

Whilst in the broadest context, risk management is the responsibility of every member of the Service, there are a number of sections that have responsibility for the management of risk such as the:

- Strategic Planning, Improvement and Risk Team (SPIRiT), supporting the management of foreseeable corporate and strategic risk and embedding risk management within the organisation. Through the application of integrated risk management (IRM) methodology SPIRiT also supports the strategic assessment of risks in our community and influences the activity undertaken to reduce existing and potential risks. The Programme Support Office is responsible for ensuring a systematic and consistent approach to managing, recording, updating and reporting risks within the programme and project environment.

Note: The arrangements detailed above are subject to any changes made through the review of SPIRiT.
- Safety, Health and the Environment Team, supporting the assessment and control of risks affecting the safety, health and welfare of those employed by the Authority or who are under its duty of care.
- Emergency Response Planning Team, supporting the assessment of, and planning for risks associated with terrorist activity, significant environmental events and other emergencies.
- Human Resources function, supporting the management of risk through effective planning, delivery of appropriate learning and development strategies, and formal engagement and consultation mechanisms that enable for sufficient numbers of appropriately skilled, competent and motivated employees.
- In respect of the management of risk at operational incidents, the Service recognises that its personnel will be confronted by risks from a wide range of hazards. The roles and responsibilities for managing risk at incidents are set out in Operational Guidance – Incident Command, and other supporting documents cross referenced in that OPN. The Service sets out in its Operational Procedure Notes, Standing Orders and other guidance the systems, structures, frameworks, processes and procedures in place to enable for the effective management of risk at operational incidents.

2.2 The benefits of risk management

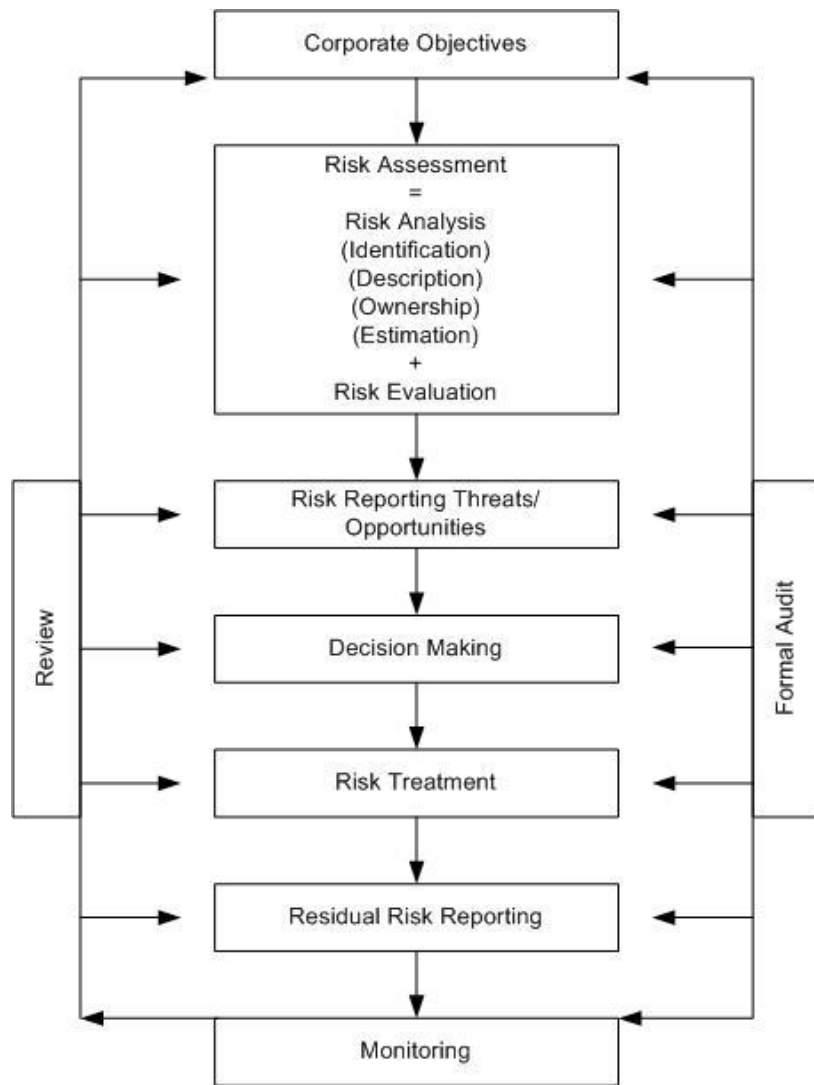
An effective risk management framework will deliver a wide range of benefits throughout all areas and levels of the organisation; in particular it will enable the Authority to deliver its

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 risk management framework include improved:

- Corporate management, through:
 - Informed decision making based on risk identification, analysis, control and monitoring, enabling the allocation of appropriately skilled, competent and motivated employees and resources to those areas of greatest risk;
 - Informed selection of strategic objectives, **outcomes** and targets based on risk identification, analysis, control and monitoring;
 - Improved ability to deliver against realistic and achievable strategic objectives, **outcomes** and targets through the provision of sufficient numbers of skilled, competent and motivated employees and resources; and
 - An improved performance management framework.
- Financial management, through:
 - Improved financial control arising from risk identification, analysis, control and monitoring; and
 - Reduction in financial costs associated with losses due to service interruption, litigation or insufficient and/or ineffective employees and so on.
- Customer focus, through:
 - Improved internal and external reputation arising from all the above; and
 - Reduction in service disruption arising from all the above.

2.3 The risk management framework

The 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.



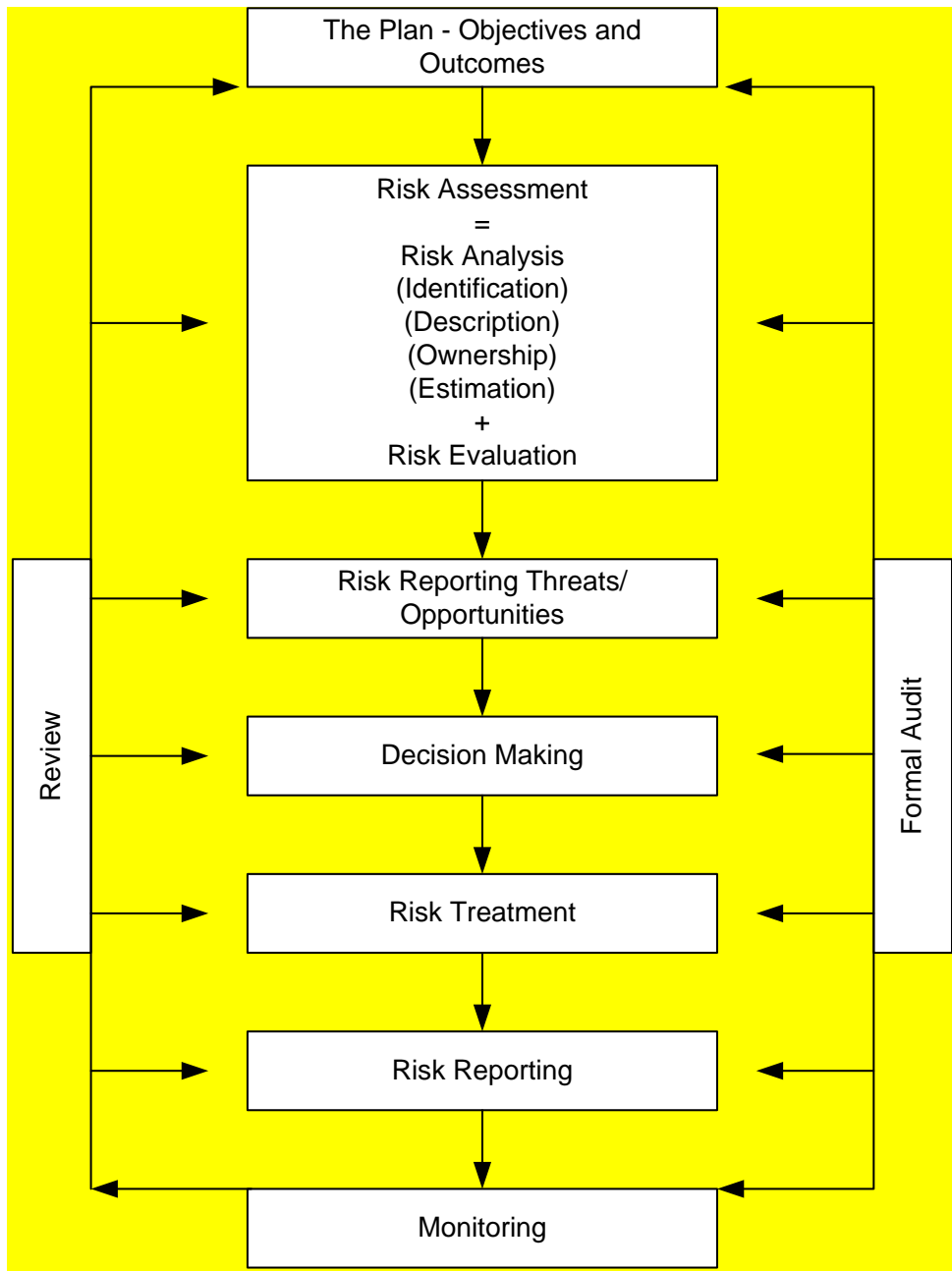


Figure 1: Risk Management Framework

2.4 Corporate risk management arrangements

2.4.1 Definition of corporate risk

Corporate risks are those, which if they occurred, would seriously affect the Authority's ability to carry out its core functions or deliver the objectives and outcomes as set out in The Plan. its strategic planning documents. 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 risk are shown in the diagram in Appendix 1.

2.4.2 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 and the Audit Committee as part of its strategic role in managing risk within the organisation;
- ~~Corporate Board~~ Strategic Enabling Team (SET), as part of their collective strategic leadership responsibility in reviewing The Plan, its objectives and outcomes. through their involvement in Corporate Performance Review meeting which reviews corporate risk, as part of their individual and collective responsibility as Risk Owners or as part of the strategic decision making role through the inclusion of risk information within papers submitted for Board approval; As part of this process corporate risks will be reviewed and where appropriate refreshed to ensure they remain aligned to corporate objectives and outcomes; or in supporting the CFO's decision making through the inclusion of risk information within papers submitted for SET consideration; as part of their individual responsibility as Risk Owners.
- Quarterly Performance Review (QPR), as part of its role in monitoring and managing strategic performance and level 2 Action Plans a corporate risk position statement is submitted and the effectiveness of corporate risk arrangements in supporting the delivery strategic outcomes and objectives is reviewed and monitored.
- As a result of any intelligence generated by organisational and operational intelligence pathways.
- As part of the work of the Organisational Assurance Team.
- Any group or member of the organisation, through the relevant Line Manager and Strategic Enabler.

In each case, it is the responsibility of the Risk Owner with the support of the corporate risk lead in the Strategic Hub ~~lead officer for corporate risk (SPIRiT)~~ to support the identification process and present the relevant information to SET ~~Corporate Board via the Corporate Performance Review meeting~~. This information will be presented in the form of a Corporate Risk Assurance Map 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 (Triggers);
- 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;
- Details of the assurance provided for 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.~~
- An overall confidence opinion as to the quality of the risk control environment.
- ~~the Strategic Advisory Group (SAG), as part of its role in identifying and developing strategic objectives and managing level 2 Action Plans. Also the identification of opportunities and threats and as part of the Corporate Performance Review meetings which reviews corporate risk.~~

- ~~the Programme Support Office, as part of its monitoring and management of programme and project risk registers.~~
- ~~the Community Safety Team, through its development, monitoring and managing of risk register(s) associated with Operations partnerships~~
- any group or member of the organisation, through the relevant Line Manager and Director.

2.4.3 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 considered against one or more of the following categories, in order to assist the subsequent estimation process (see paragraph 2.4.5):

- **People:** The ability of the Authority to provide sufficient numbers of skilled, competent, motivated and effective employees.
- **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.

2.4.4 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 Corporate 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 a **Strategic Enabler**. ~~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 **Strategic Enabler** ~~Corporate Board member or a~~ **Middle Manager** ~~senior manager.~~

2.4.5 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 risk estimation is informed by the level of risk is assessed by 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.

2.4.6 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.

2.4.7 Reporting and Corporate Risk Assurance Mapping

The Corporate Risk Assurance Map Summary is designed to provide an overview of the Service's corporate risks, Risk Owners, the risk rating (likelihood x impact score, risk level) and a direction in travel judgement based upon comparison with the previous quarterly review. summary. The Corporate Risk Assurance Map Summary is submitted on a quarterly basis to the Audit Committee following approval at the Corporate Performance Review meeting.

Each quarterly Corporate Risk Assurance Map Summary will be supported by a detailed Position Statement, designed to provide an update of the effectiveness of the control environment including confirmation of the overall risk rating, significant changes, amendments or additions to risk control measures and the identification of any assurances provided to risk controls. Both the summary and Position Statement will be reported to QPR.

Audit Committee will be presented with the summary and Position Statement twice yearly. Should there be any significant change to the corporate risk environment, Audit Committee will be informed of this at the next available Audit Committee meeting. In order to build and maintain Audit Committee Members capability and to ensure their continued engagement in corporate risk issues, timely and relevant reports on specific corporate risk topics will be presented by Officers to Audit Committee.

Both the summary and Position Statement will be available to the general public via the Committee Management Information System (CMIS). This information is also published on the SPIRiT intranet site.

The Risk Owner will review corporate risks as set out on the Corporate Risk Assurance Map periodically. This will be undertaken 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 Corporate Risk Assurance Map sets out and details the triggers or events (those things that could cause the overall corporate risk to be realised), controls measures in place to reduce the likelihood or impact of risk realisation and Control Owner who is responsible for each control. Additional controls - that is controls being developed that are designed to strengthen the control environment to further reduce the likelihood and impact of risk realisation - are also detailed on the map along with a timeline for implementation of the additional control and Control Owner.

The outcome of the periodic review will inform the Position Statement that is submitted to the ~~Corporate Performance Review meeting~~ QPR and the Audit Committee. ~~on a quarterly basis along with the Corporate Risk Assurance Map Summary.~~

In order to provide confidence to Members and the CFO and ~~Corporate Board~~ alike as to the effectiveness of the control measures in place to manage corporate risks the Service operates a 'three lines of defence' assurance model.

This model is designed to encourage personal responsibility and requires Control Owners to periodically provide an assurance opinion as to the effectiveness of each control measure for which they are responsible. Assurance provided by Control Owners is known as the first line of defence.

The second line of defence seeks to provide a level of independent assurance, that is, that which is not provided by Control Owners. This may be given through various means such as the Organisational Assurance Team review near hits, organisational or operational Intelligence, accident investigations and recommendations from other reviews. ~~or as part of a sampling exercise conducted by the lead officer for corporate risk (SPIRiT) Manager. Peer reviews (Operational Assessment) reviews to ensure legal compliance (Health and Safety Executive for example) and those undertaken by accredited bodies (Investors in People for example) may also provide assurance at this level.~~

The Internal Audit and External Audit function provide the third line of defence assurance. This provides an overall assurance to CFO ~~Corporate Board~~ and Fire Authority as to how effectively the Service manages its risks. The Internal Audit function has in place a three year Internal Audit strategy and annual audit plan which provides sufficient coverage of the Service's risk environment. Peer reviews (Operational Assessment) reviews to ensure legal compliance (Health and Safety Executive for example) and those undertaken by accredited bodies (Investors in People for example) may also provide assurance at this level.

All assurances given will be recorded on the Corporate Risk Assurance Map and will inform the Internal Audit strategy and Plan.

As part of the review process, the Risk Owner will provide an overall confidence opinion as to the strength of the control environment for each corporate risk for which they are responsible. This will be informed by the individual effectiveness opinion awarded to each control as part of the three lines of defence approach to assurance. Effectiveness and the confidence opinions are detailed on the Corporate Risk Assurance Map which is available electronically on a shared drive to all Risk and Control Owners.

~~It will be the responsibility of the lead officer for corporate risk (SPIRiT) to facilitate the above reporting and review process.~~

2.4.8 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 Other risk registers

As part of the portfolio approach to risk management, the Service should maintain risk registers at levels other than the corporate level. In accordance with its planning framework the risks associated with the delivery of all action plans, programmes and projects should be identified. These registers are to be reviewed, reported and monitored using in line with a clearly defined risk management process and should follow the principles set out in 2.3 and 2.4 above. Effective risk management will enable for the achievement of objectives, outputs and outcomes at these other levels and, in respect of those levels listed below, enables the Service to consider the level of control that exists in these other levels and whether there are any risks that require consideration in a corporate risk context.

2.5.1 Programme and project risk

Risk within the programme and project environment will be reported through stage reviews and highlight reporting processes to Senior Responsible Owners or Programme Management Board (or its equivalent) as appropriate. Responsible Owners The Programme Manager (Programme Support Office) will be responsible for ensuring that any interdependencies and risks associated with projects are identified, recorded, managed and reviewed. periodically review all project risk registers to identify any interdependencies and where appropriate escalate to the programme risk register. It is important that any risks associated with high level programmes or projects (those that carry significant risks, complexity or cost for example) are made known to The Programme Manager will liaise with the lead officer for corporate risk (SPIRIT) (Strategic Hub) to ensure that the potential impacts upon corporate risks, arising from the programme and project environment, can be determined.

2.5.2 Partnership risk

West Midlands Fire Service works in conjunction with a wide range of partners to enable for the delivery of services to the community. In order to ensure that every partnership entered into satisfies certain criteria, a partnership framework has been developed and is detailed in [Standing Order 22/2](#).

As part of the framework, an assessment of risk will be carried out for each partnership at the initial proposal stage. All partnerships will continue to monitor and evaluate risks throughout the term of the partnership.

In respect of Operations Service Delivery partnerships, the Head of Community Safety the Strategic Enabler for Prevention will maintain a record of all risk assessments and this will form the partnership risk register for the Organisation. This register will be reviewed on a quarterly basis and risks assigned a high risk rating will be forwarded to the lead officer for corporate risk (SPIRIT) in Strategic Hub so that their impact upon corporate risk can be determined.

2.5.3 Action plans

The action planning template enables the identification, assessment and ongoing management of risk at all levels of planning. In respect of strategic level 2 plans, the Strategic Enabler Advisory Group member with designated responsibility for a particular level 2 action plan will be responsible for ensuring the completion and maintenance of the risk log information on the action planning template. Any risks given a 'high' risk rating

should be forwarded to the lead officer for corporate risk (~~SPiRiT~~) (Strategic Hub) so that their impact upon corporate risk can be determined.

2.6 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:

- ~~Fire Authority and Audit Committee~~: The Corporate Risk Assurance Map Summary will be reported ~~six monthly~~ quarterly to the Audit Committee and at least annually to the Fire Authority (~~via Audit Committee minutes~~). In order to enable Members to understand the strategic risks faced by the organisation and to participate in their ownership through analysis and questioning and promoting a positive attitude towards the management of risk, ~~timely and relevant reports on a range of risk topics will be presented to Audit Committee.~~
- ~~Corporate Board~~ SET: 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.
- Risk owner: the person, ordinarily a member of SET ~~Corporate Board Member~~, with overall responsibility for monitoring the progress being made in managing a given corporate risk. This includes providing an overall confidence opinion as to the effectiveness of the control environment.
- 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. This includes providing an assurance opinion as to the effectiveness of those controls for which they are responsible.
- ~~Strategic Advisory Group~~ QPR: As the strategic leads for the delivery of level 2 plans to identify, monitor risks and control measures (~~via the position statement~~) and where appropriate report on those risks to the lead officer for corporate risk (~~SPiRiT~~) (Strategic Hub).
- ~~Programme Manager (Programme Support Office):~~ monitor the risks associated with programmes and projects within their remit and where appropriate to report on those risks to the lead officer for corporate risk (~~SPiRiT~~).
- Head of Community Safety: to ensure that arrangements are in place to enable for the effective identification and monitoring of partnership risks and associated control measures of all Operations partnerships throughout the organisation in accordance with [Standing Order 22/2](#).
- Lead officer for corporate risk (~~SPiRiT~~): (Strategic Hub): to assist in the implementation of all aspects of the risk management strategy.

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. Risk Management is a core component of the Organisation's internal audit plan and strategy and aspects of it are reviewed annually.

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 1/31](#) Business Continuity

[Standing Order 19/6](#) Risk Assessment

[Standing Order 22/2](#) Partnership Working

[Standing Order 22/6](#) Integrated Planning Process

Operational Guidance – Incident Command

4. KEY CONSULTEES

~~Corporate Board members~~ **SET** and Authority members.

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 4 December 2012, Audit Committee on 7 January 2013 and was approved by the Fire Authority on 18 February 2013.~~

This Standing Order was presented to SET on 4 December 2012, Audit Committee on 7 January 2013 and was approved by the Fire Authority on 18 February 2013. This Standing Order will be submitted for approval by the Audit Committee 6 June 2016.

7. RESPONSIBILITY AND REVIEW/AMENDMENT DETAILS

7.1 Responsible Corporate Board Member/Department

~~This Standing Order is the responsibility of the Director Technical and Operational Support.~~

Strategic Enabler, Strategic Hub

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, March 2010, December 2012 and February 2013.~~

Reviewed and amended in May 2016 by Strategic Hub and The Policy Team.

Sources of Corporate Risk



RISK MANAGEMENT STRATEGY
CORPORATE RISKS DESCRIPTORS

Rating	<u>LIKELIHOOD</u>	<u>IMPACT</u> <u>People</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 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	Major adverse impact upon the ability to provide sufficient numbers of skilled, competent and motivated employees	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 Authority Member/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	Significant adverse impact upon the ability to provide sufficient numbers of skilled, competent and motivated employees	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	Minimal adverse impact upon the ability to provide sufficient numbers of skilled, competent and motivated employees	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	No impact upon the ability to provide sufficient numbers of skilled, competent and motivated employees	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