

REPORT OF THE CHIEF FIRE OFFICER

CORPORATE RISK MANAGEMENT SUMMARY

1 Purpose of Report

This is the first of what will become regular Risk Summary Reports to Members of this Committee. The reports are intended to enable Members to meet the requirements of this committee's Terms of Reference as they relate to the Fire Authority's management of corporate risk.

Members are asked to consider not only the content of the report, but also the format, with a view to making any recommendations for inclusion or exclusion of information relating to corporate risk, as they deem necessary for them to conduct their responsibilities in this very important area of work.

2 Recommendations

Members are asked to:

- a) Note the contents of this report;
- b) Note the requirement for limited information to be exempted from publication;
- c) Consider any changes they would like to see to the contents and format of future versions of this report;
- d) Consider what risk scores they would like to use as the Fire Authority's 'Risk Acceptance' and 'Risk Tolerance' levels; and
- e) Make recommendations to officers, on the level of detail they wish to be included in the Fire Authority's Risk Management Annual Report.

3 Background

One of this Committee's Terms of Reference is:

To ensure that the financial management of the Fire Authority is adequate and effective and includes a sound system of internal control and arrangements for the management of risk

In order for the Committee to meet these responsibilities it will be necessary for it to receive regular Risk Summary Reports. This is the first of what will become a standard agenda item for the Committee and, as such, it should be considered simply as a 'draft version' of the future reports. Members are asked to reflect on the



contents and structure of this report, making suggestions for improvement as they consider necessary, in order to ensure that the report will enable them to carry out this important function.

Much of this 'draft report' consists on detailed explanation, which has been included here to assist Members in making these decisions about style and content. This level of detailed explanation will not be included in future versions of the report. Member's knowledge and awareness of risk management will be further increased, over time, with specific training. The first awareness session for all Fire Authority Members has been scheduled to take place as part of the meeting of the Fire Authority in June.

4 Local Government Act 1972, Schedule 12A Reporting Exemptions

The public of Shropshire has a right to know that their Fire and Rescue Authority is taking appropriate measures to deal with risks that could potentially impact on its ability to deliver an effective emergency service. There are, however, certain risks to which the Fire Authority is exposed, the public disclosure of which could in itself present a risk to the Authority. For this reason, although an 'open session' version of this report will always be made available, where an assessment against the requirements of the Local Government Act 1972, Schedule 12A indicates it would be appropriate, any exempted information will be excluded. Exempted information would then be incorporated in a separate 'closed session' report.

Open reports will include all information about sensitive risks, which is not likely to compromise the Fire Authority (for example risk identification number, risk assessment results, risk owner etc), with only the sensitive information being exempted (for example risk description and any control measures included etc). This approach should help to ensure that the public has as much information as possible about the risk environment in which the Fire Authority is operating, whilst at the same time limiting any damage that could be caused through its inappropriate use.

5 Setting Risk Acceptance and Risk Tolerance Levels

The purpose of risk management is not to eliminate all risks; as well as taking an inordinate amount of effort and resources to attempt to do this, it is ultimately impossible to achieve. Instead, risk management aims to reduce the risk to a level that the Fire Authority is prepared to tolerate. This will vary depending on the Fire Authority's current level of 'Risk Appetite' and is defined by the Authority's setting its 'Risk Tolerance Level'. This level essentially acts as a target, with any risks higher than this level attracting the appropriate control measures in an effort to reduce it. This target, therefore, acts as a management indicator, with greater levels of monitoring being required for those risks above the level, than for those below it.

The assessment of risk is based on the analysis of the potential for the risk to do harm (the detrimental impact on the Fire Authority) and the likelihood that it will occur.

The potential impact on the Fire Authority is measured against three criteria:

- a. Financial impact;
- b. Reputation impact; and
- c. Impact on the ability for the Authority to deliver its corporate aims and objectives.



Table 1 shows the three levels of impact against which the Fire Authority assesses corporate risk. The assessment results in an impact level of low, medium or high (corresponding to an 'impact score' of 1, 2 or 3) against each of the criteria. The impact with the highest score would be used to calculate the overall risk level.

Impact level	Score	Descriptor for each impact type
High	3	<ul style="list-style-type: none"> a. Financial impact on the Fire Authority likely to exceed £75,000 b. Significant stakeholder concern c. Significant impact on the Authority's strategies and on the Fire and Rescue Service's operational activities
Medium	2	<ul style="list-style-type: none"> a. Financial impact on the Fire Authority likely to be between £25,000 and £75,000 b. Moderate stakeholder concern c. Moderate impact on the Authority's strategies and on the Fire and Rescue Service's operational activities
Low	1	<ul style="list-style-type: none"> a. Financial impact on the Fire Authority likely to be less than £25,000 b. Low stakeholder concern. c. Low impact on the Authority's strategic or operational activities

Table 1 – Impact Assessment Ratings

Table 2 shows the assessment criteria in terms of likelihood. Again this results in a level of low, medium or high, with corresponding 'likelihood scores' of 1, 2 or 3.

Likelihood level	Score	Description	Indicators
High	3	Likely to occur each year or more than 25% chance of occurrence	<ul style="list-style-type: none"> • Potential of it occurring several times within the time period, for example ten years • Has occurred recently
Medium	2	Likely to occur in a ten year time period or less than 25% chance of occurrence	<ul style="list-style-type: none"> • Could occur more than once within the time period, for example ten years • Could be difficult to control due to some external influences • Is there a history of occurrence?
Low	1	Not likely to occur in a ten year period or less than 2% chance of occurrence	<ul style="list-style-type: none"> • Has not occurred • Unlikely to occur

Table 2 – Likelihood Assessment Ratings



The overall 'Risk score' is then simply calculated by multiplying the highest 'impact score' by the 'likelihood score', resulting in a 'risk score' range of 1 to 9. Those risks scoring 1 (very low risk) should attract minimal effort in their control (although they should continue to be monitored), whilst those scoring 9 (very high risk) obviously require a lot more attention. The Fire Authority's 'Risk Tolerance Level' will, therefore, sit somewhere between the two extremes.

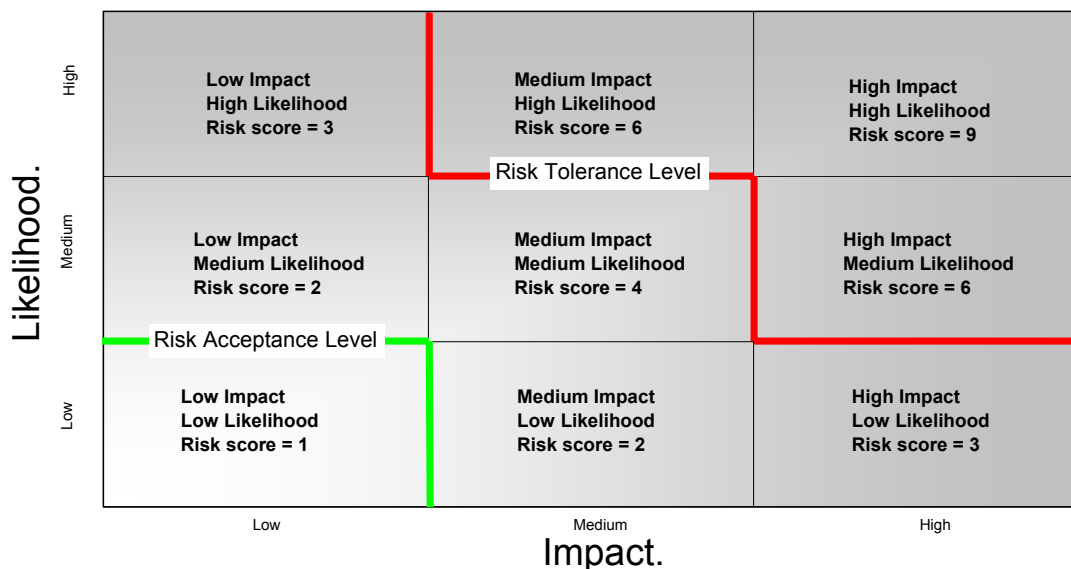
Members are asked to consider what risk scores they would like to use as the Fire Authority's 'Risk Acceptance' and 'Risk Tolerance' levels.

Possible suggestions would be:

- **A risk score of 1 for the 'Risk Acceptance Level' and**
- **A risk score of 5 for the 'Risk Tolerance Level'**

These two indicators would provide Members and officers with a basis on which to further develop the risk monitoring process. Both the proposed 'Risk Acceptance Level' and the 'Risk Tolerance Level' are shown in graph 1 below, with the description of risks that sit either side of them also shown.

Proposed Risk Acceptance and Risk Tolerance Levels



Graph 1 – Proposed Levels for Risk Acceptance and Risk Tolerance

The remainder of this report provides the summary data on the current contents of the Authority's Corporate Risk Register. As Members read through the report, they are asked to reflect on their preferred 'Risk Acceptance' and 'Risk Tolerance' levels and consider what level of reporting they consider should be incorporated into future versions of the report. For example, would you like additional information about those risks that are above the 'Tolerance Level', with perhaps less on those between the two levels and only basic summary information on those below the 'Acceptance Level'?



6 Risk Management Progress

This section of the report will always include notice about any significant risk management events that have occurred since the last report to the Committee. Events of particular note that have led to the current status with the Fire Authority's Corporate Risk Management system include:

- **February 2003**
Risk Management Policy Statement signed by the Chair and Chief Fire Officer
- **December 2004**
Risk Management Protocols published
- **March 2005**
Initial paper version of the Corporate Risk Register created
- **September 2005**
Risk Management Group's inaugural meeting
- **December 2005**
Electronic Corporate Risk Register created
- **January 2006**
Internal Audit undertook a risk management audit, which found that 'a considerable amount of work has been carried out to introduce the formal risk management process'.
- **January 2006**
Electronic Corporate Risk Register went live

7 New Risks

In future, this section of the report will include details about any new risks that have been entered into the Corporate Risk Register since the last report to the Committee. With this being the first summary report, details on all risks are included in the appendix.

8 Closed Risks

This section will always include details about those risks that have been dealt with and closed since the last report. Three risks have been closed since the Risk Register became functional in January 2006. Summary details on these risks are presented on the following page.

ID	Description	Threat or Opportunity	Risk Owner	Date closed	Reason for closure
13	If the Government's idea of using a notional budget for 2005/06 is to level the council	Threat	Alan Taylor	2/5/2006	The notional budget for 2005/06 was created by the Government in response to the changed methods of funding the firefighter's pensions.



ID	Description	Threat or Opportunity	Risk Owner	Date closed	Reason for closure
	tax charge, then the Fire Authority's budget for 2006/07 may be significantly reduced				This was a one-off threat of capping using expenditure increases and precept increases. This issue will not arise again in future, although an ongoing threat of capping through precept increases alone will continue.
11	If the County suffers a harsh winter, then there is a chance that the Service will not be able to deliver an appropriate level of service to the people of Shropshire.	Threat	Paul Raymond	5/5/2006	Work completed on procedural document for severe winter arrangements. Threat of severe winter this year has now rescinded. Likelihood of future severe winters will probably increase year on year. The status of this risk must be reviewed as weather predictions become available.
36	Information exempt from publication by virtue of the Local Government Act 1972, Schedule 12A, paragraph 4.	Threat	Paul Raymond	3/5/2006	Combined with Risk ID 35 following review.

Table 3 - Entries in the Corporate Risk Register Closed since January 2006

9 Current Entries in the Corporate Risk Register

This section provides an overall summary of all entries in the Fire Authority's electronic Corporate Risk Register. Subsequent versions of this report will include comparative figures, against which Members will be able to identify any trends in our risk management processes.

Descriptor	Number	Comment
Total number of entries	20	This will increase over time. The rate at which it increases will demonstrate how active the Risk Management process is.
Total number of threats	19	As above
Total number of opportunities	1	As above
Total number of closed entries	3	As above



Descriptor	Number	Comment
Number of 'live' threats	16	Whilst we do not want to discourage risk reporting, we would want this to remain within a manageable number. Identifying the optimum number of manageable risks to have in the risk register will come through the experience that will be gained over the coming months and years.
Average risk level of all currently 'live' threats	3.5	This is on a scale where 1 is minimal risk, through to 9 which is maximum risk (see section 5 for details on the calculation used). Although there will inevitably be times when this figure increases (especially in the early stages of managing high risks), we would be looking for this figure to show a general downward trend. This would demonstrate that the Fire Authority is successfully managing its risks.
Number of 'live' opportunities	1	We would be looking for this figure to increase, but again not to the extent that it becomes unmanageable. Inclusion of opportunities in the risk register is an area that is under development within both this and other Fire Authorities' risk registers. The importance and usefulness of this side of risk management is expected to increase as this Fire Authority's risk management process matures.
Average level of opportunity	4	Scale of 1 to 9. We would tend to want this figure to grow.

Table 4 - Summary of all entries contained in the electronic Corporate Risk Register

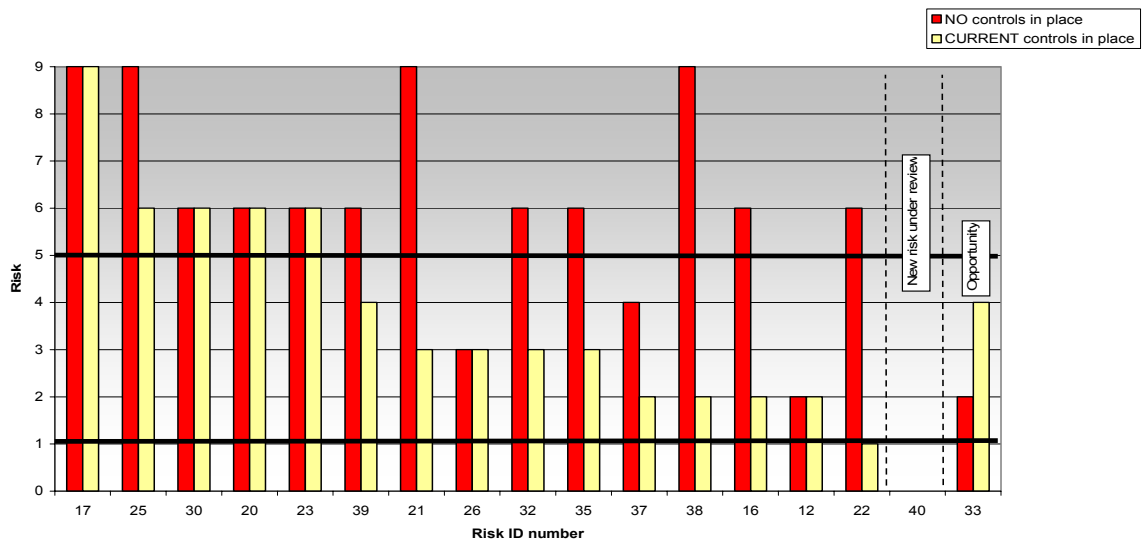
10 Graphical Representation of the Corporate Risk Register

The following graphs are designed to provide Members with an overall impression of the level and type of risk environment, in which the Fire Authority is currently operating.

Graph 2 shows the impact our risk control measures are having on each of the individual threats and opportunities that are currently 'live' in the risk register. Members should note that, whilst the aim of risk control for 'threats' is to reduce the level of risk, the purpose of risk control for 'opportunities' is actually to increase the likelihood and/or benefit that will be gained.

Members will notice that one of the threats shown in Graph 2 does not have a risk rating set against it. At the time of writing, this threat was undergoing its first assessment. The risk management process is, by its very nature, dynamic and for that reason it is likely that future reports will always include information that is slightly out of date. Detailed information about each of the risks and opportunities shown in Graph 2 is provided in the appendix.





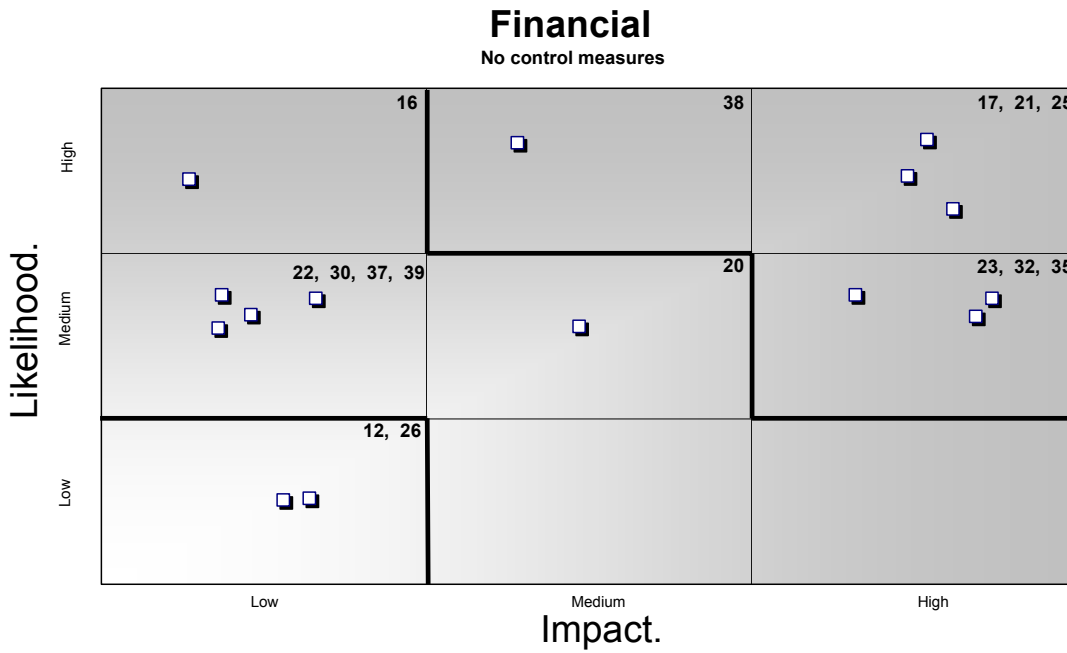
Graph 2 - Risk levels for all 'live' threats and opportunities in the Corporate Risk Register. Comparison between no control measures in place and the current control measures in place

Whilst Graph 2 shows the overall risk from each threat, it does not provide any indication as to which of the three potential impact areas (finance, reputation or objectives) the risks could hit. The following graphs have, therefore, been designed to provide this overview. They simply map all of the threats against their corresponding likelihood and impact ratings.

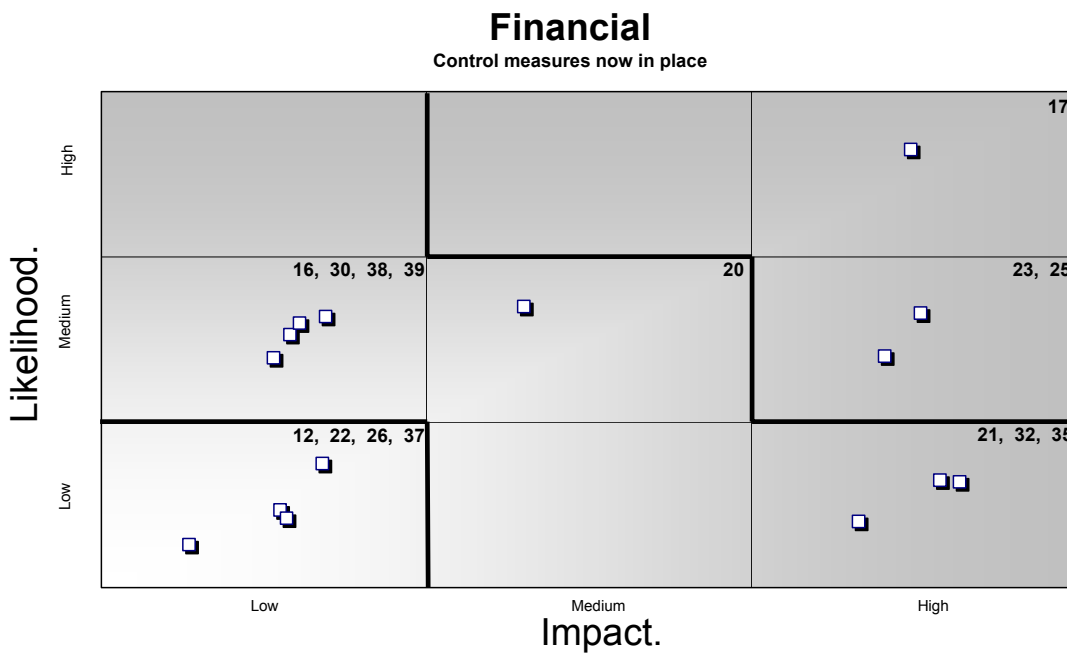
Graphs 3 and 4 show the financial impact from all threats that are currently 'live' in the risk register. Graph 3 shows the financial risk with no controls in place and graph 4 shows it with the current level of risk control measures in place. Graphs 5 and 6 do the same for the reputation impact, and graphs 7 and 8 for the impact on corporate aims and objectives. Finally, graphs 8 and 9 show the same information presented in graph 2, but this time in a format that provides a more strategic overview of the difference, which the Fire Authority's risk management processes are making to its risk environment. Each pair of graphs has been presented on the same page. Again this has been done to enable a direct visual comparison between 'no controls' and the 'current level of controls' in place for each threat.

All graphs include the assessment results for all assessed threats. They include the proposed 'Risk Acceptance' and 'Risk Tolerance' levels, discussed earlier in this report, to help Members gauge subsequent reporting requirements. Neither the threat currently under review nor the one Opportunity currently in the risk register has been included in any of these graphs. The graphs, therefore, represent a true picture of the known risk that currently exists in the Fire Authority. The numbers in the upper right corner of each section of the graphs are the Risk Identification numbers for the each risk that sits in that particular portion of the graph. These numbers correlate to the risk identification numbers given in the detailed risk summary table included as the appendix to this report.





Graph 3 - Financial Impact with NO controls in place

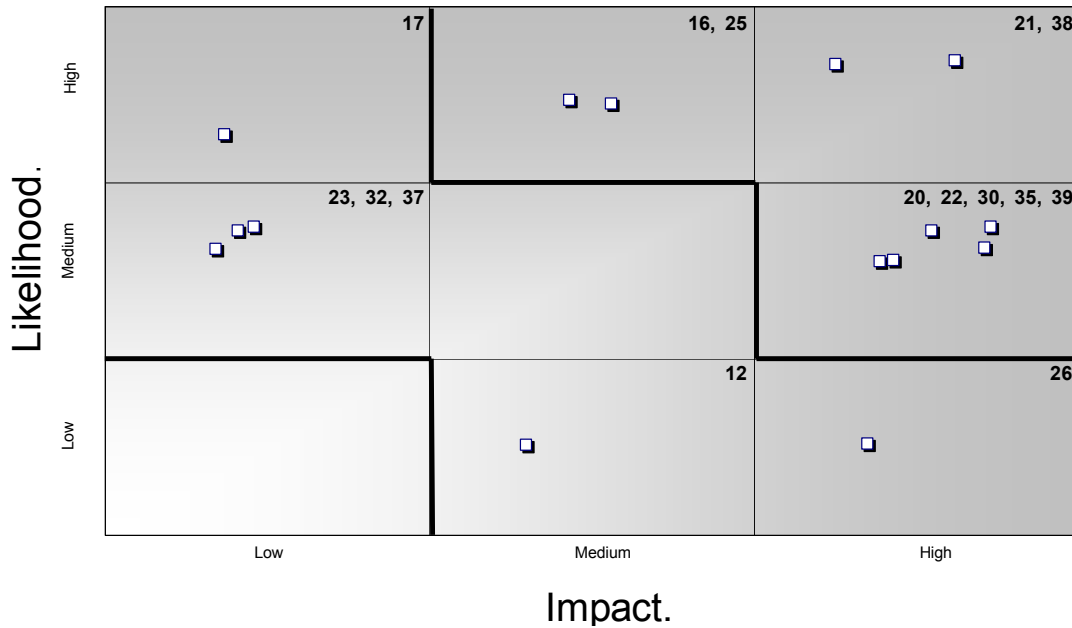


Graph 4 - Financial impact with current level of controls in place



Reputation

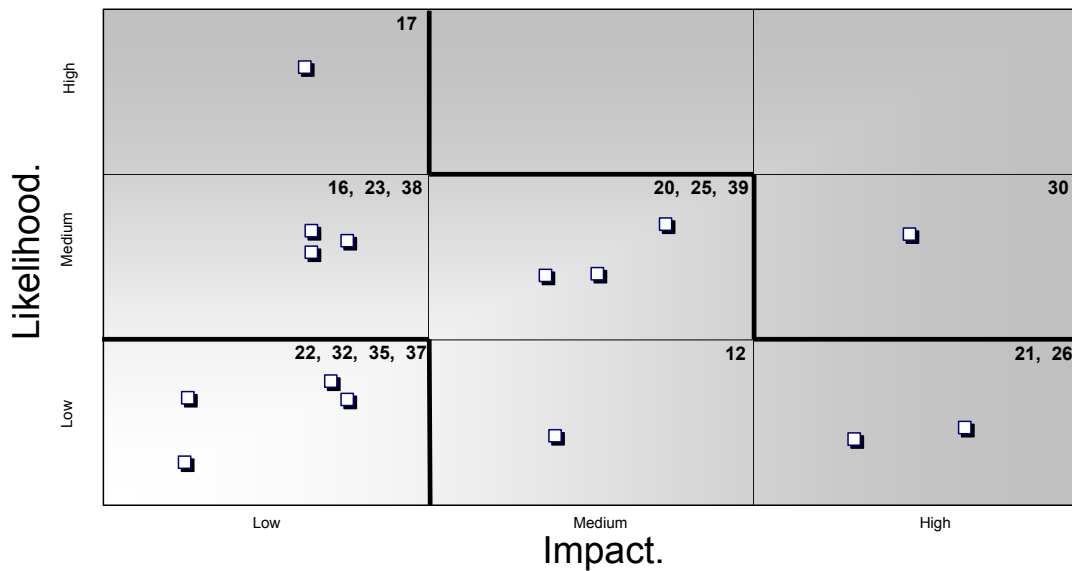
No control measures



Graph 5 - Reputation impact with NO controls in place

Reputation

Control measures now in place

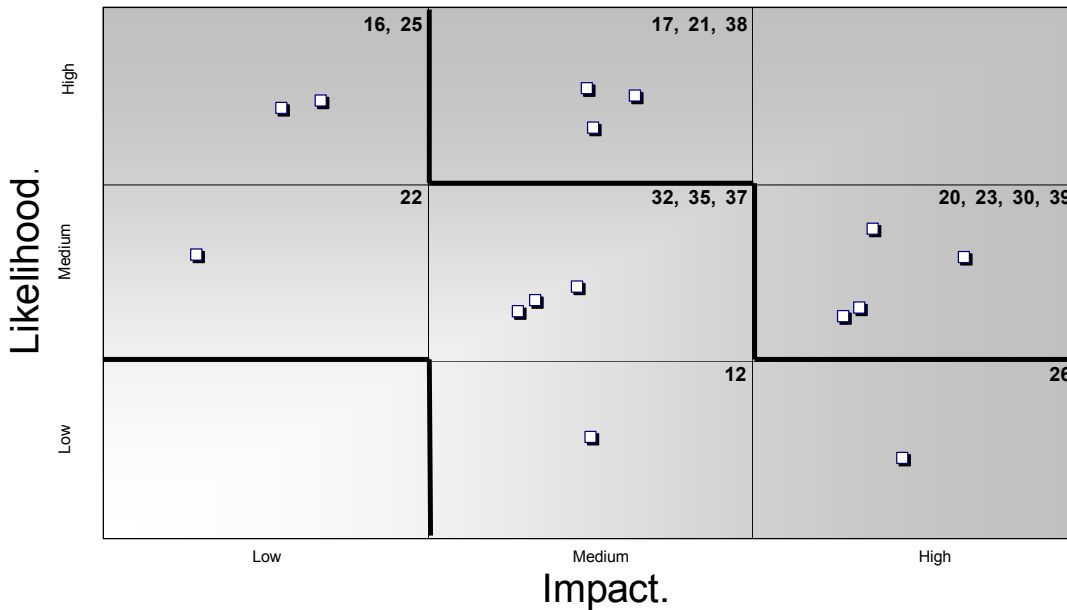


Graph 6 - Reputation impact with current level of controls in place



Objectives

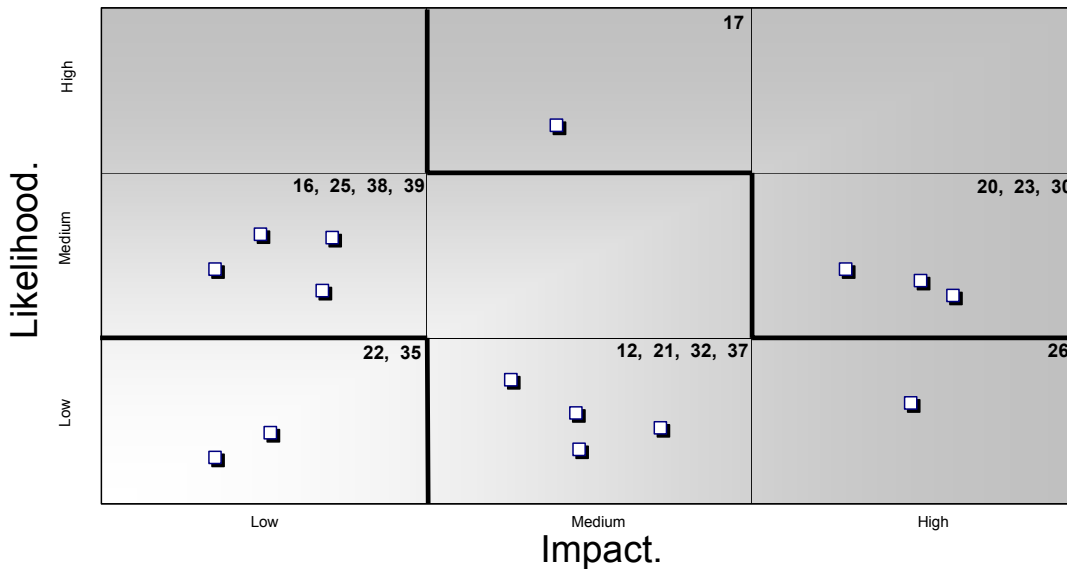
No control measures



Graph 7 - Aims and Objectives impact with NO controls in place

Objectives

Control measures now in place

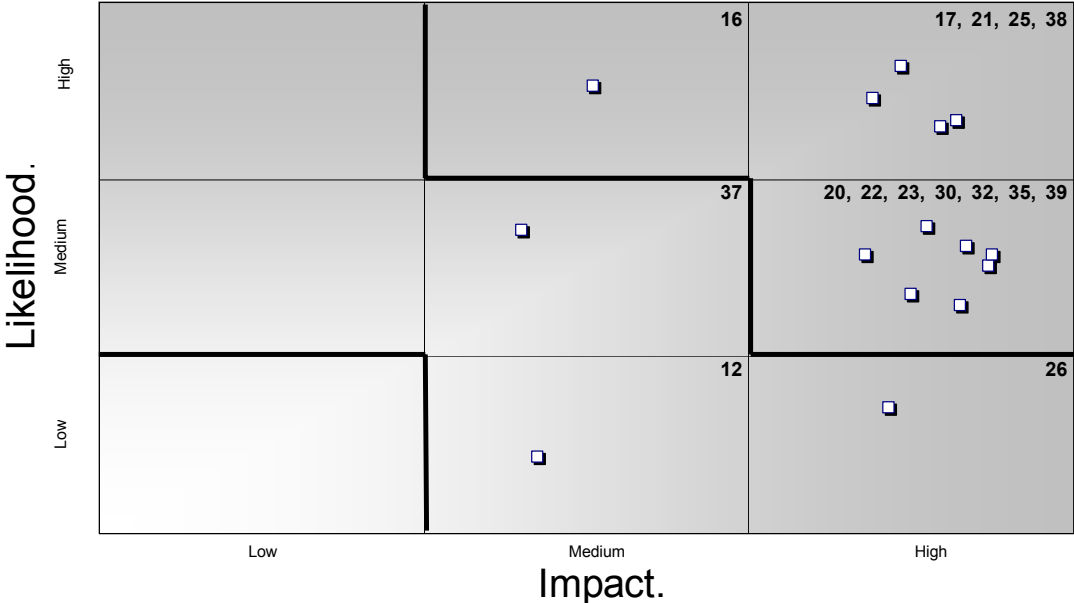


Graph 8 - Aims and Objectives impact with current level of controls in place



Summary Risk

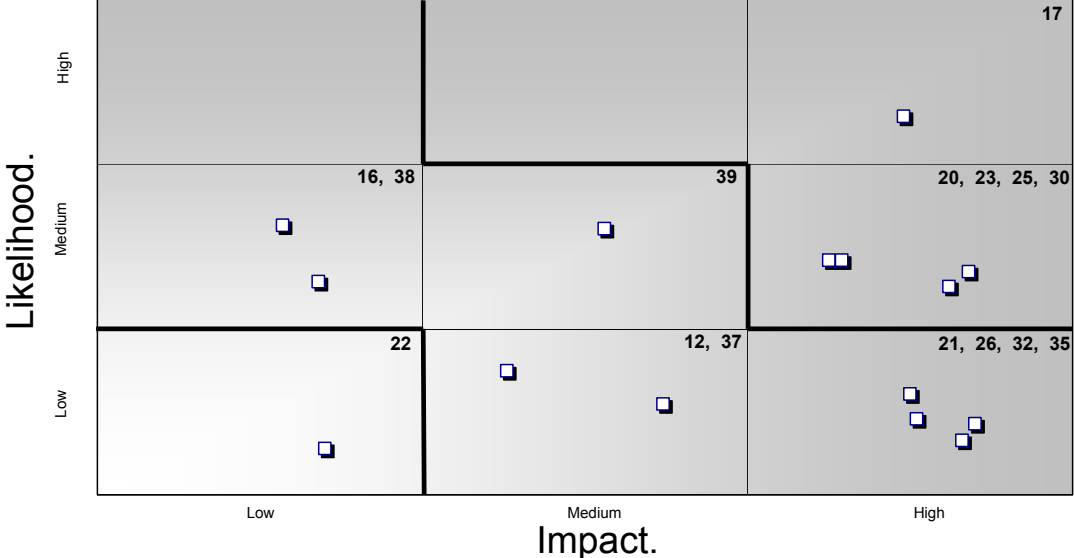
No control measures



Graph 9 - Overall risk levels with NO controls in place

Summary Risk

Control measures now in place



Graph 10 - Overall risk levels with current levels of control in place



11 Annual report to the Fire Authority

The Strategy and Resources Committee is responsible for the ongoing monitoring of the Fire Authority's risk management processes and will provide regular reports on its work, to the Authority, through the minutes of its meetings. However, risk management best practice also dictates that the full Authority should itself receive a full risk management summary report on at least an annual basis. It is proposed that these reports will be included on the agenda of the Authority's Annual Meeting in July of each year.

Members are asked to make recommendations to officers, on the level of detail they wish to be included in the Fire Authority's Risk Management Annual Reports.

12 Legal Comment

The Fire Authority has a statutory duty under Health and Safety and employment legislation to ensure the health and safety of its employees and others affected by its actions. The undertaking of risk assessments and appropriate follow-up action is a key element in fulfilling this duty. The assessing of risks in the wider context is essential for good corporate management practices.

13 Appendix

Detailed information on all current entries in the Corporate Risk Register

14 Background Papers

There are no background papers associated with this report.

Implications of all of the following have been considered and, where they are significant (i.e. marked with an asterisk), the implications are detailed within the report itself.

Balance Score Card		Integrated Risk Management Planning	
Business Continuity Planning	*	Legal	*
Capacity		Member Involvement	*
Civil Contingencies Act		National Framework	
Comprehensive Performance Assessment	*	Operational Assurance	
Equality and Diversity		Retained	
Efficiency Savings		Risk and Insurance	*
Environmental		Staff	
Financial	*	Strategic Planning	*
Fire Control/Fire Link		West Midlands Regional Management Board	

For further information about this report please contact Alan Taylor, Chief Fire Officer, on 01743 260201 or Andy Johnson, Head of Risk Management, on 01743 260287.



Detailed information on all current entries in the Corporate Risk Register

Threat or Opportunity	Risk ID	Description	Risk Owner	Control Owner	Risk with NO Controls	Risk with ALL Controls	Current Risk	Links to other risks	Next review date due	Currently under review
Threat	17	If the Retained Firefighters "Working Time" court case goes against Fire Authorities, then there is potential for this Authority to have to pay significant sums of money out in court costs, and backdated pension contributions (Employer's Circular 20/2005)	Alan Taylor	Keith Dixon	9	9	9		02/07/2006	No
Threat	23	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 4.	Paul Raymond	Louise McKenzie	9	6	9	35		Yes
Threat	25	If we do not equip our Uniformed Managers with the correct skills to implement disciplinary procedures following ACAS guidance then we are at risk of challenge through Industrial/Employment Tribunals which may have a financial impact. There is also a risk that our investigations may compromise a criminal investigation.	Louise McKenzie	Yvonne Thayer	9	6	6		10/12/2006	No
Threat	30	If the current main scheme radio system does not remain operational to the date when the regional fire controls are implemented, then there is a risk that the Brigade will not be able to respond to incidents in an effective manner.	Steve Worrall	Glyn Williams	6	6	6	26, 32	09/10/2006	No
Threat	20	If the organisation is not able to use its buildings, its people and/or its other resources due to a disaster scenario, then it is unlikely to be able to deliver essential services to the communities of Shropshire (not including strike action)	Alan Taylor	Andy Johnson	6	4	6	35, 11	02/07/2006	No



Threat or Opportunity	Risk ID	Description	Risk Owner	Control Owner	Risk with NO Controls	Risk with ALL Controls	Current Risk	Links to other risks	Next review date due	Currently under review
Threat	39	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 3.	Paul Raymond	Jim Cameron	6	2	4		11/05/2006	No
Threat	21	If the Authority does not meet all financial regulations, then it may be subject to fraudulent activity	Alan Taylor	Keith Dixon	9	3	3		02/11/2006	No
Threat	26	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 3.	Paul Raymond	Paul Raymond	3	3	3	30, 32	01/09/2006	No
Threat	32	If the financial costs of the new Regional Controls is not known, then the Authority will not be able to make appropriate budget plans, which could impair our ability to meet the Authority's stated priorities.	Alan Taylor	Keith Dixon	6	3	3	26, 30	01/10/2006	No
Threat	35	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 4.	Alan Taylor	Paul Raymond	6	3	3	12, 23, 36	01/09/2006	No
Threat	37	If the organisation does not make adequate succession planning arrangements, then when key staff leave the organisation there may be an impact on our ability to deliver our services.	Alan Taylor	Louise McKenzie	4	2	2		02/05/2007	No
Threat	38	If the pension arrangements are subject to significant change at this late stage, then there could be financial and social impacts on the Authority.	Alan Taylor	Alan Taylor	9	9	2		02/08/2006	No
Threat	16	If the Brigade does not have appropriate procedures in place to meet the requirements of the Data Protection Act, then it may be subject to penalties	Steve Worrall	Glyn Williams	6	1	2		03/05/2007	No
Threat	12	If neighbouring brigades suffer industrial action, then the support from those brigades during large incidents in our county is likely to be reduced	Paul Raymond	Martin Timmis	2	2	2	35, 36	01/05/2007	No



Threat or Opportunity	Risk ID	Description	Risk Owner	Control Owner	Risk with NO Controls	Risk with ALL Controls	Current Risk	Links to other risks	Next review date due	Currently under review
		thereby impacting on our ability to deal with incidents effectively								
Threat	22	If the Authority does not meet all of the compulsory requirements of the National Framework Document, then the ODPM could use its powers to force improvements	Alan Taylor	Steve Worrall	6	1	1		02/11/2006	No
Threat	40	The public reporting of some of the risks managed by the Authority could in itself present risks to the Authority, either due to undermining the control measures being put in place, or compromising supplier/customer relations.	Alan Taylor	Andy Johnson						Yes
Opportunity	33	If the Authority is not clear as to the rules that apply to Governments specific Funding, then it could miss the opportunity to seek additional funding for the activities it is required to undertake in order to meet the Government's Modernisation Agenda and local priorities	Alan Taylor	Keith Dixon	2	4	4		02/11/2006	No

