

## Corporate Risk Management Summary

### Report of the Chief Fire Officer

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

#### 1 Purpose of Report

This is the latest of the regular Risk Summary Reports to the Strategy and Resources Committee. As previously, these 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. The progress reported relates to that achieved since the last Annual Summary Report, received by the Fire Authority at its meeting in July 2009.

#### 2 Recommendations

Members are asked to note the contents of this report.

#### 3 Background

Members will be aware that this Committee's Terms of Reference include that it will '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 is necessary for it to receive regular Risk Summary Reports. These reports provide Members with information relating to the progress made with the Fire Authority's corporate risk management processes during the period from July to September 2009.

## **4 Local Government Act 1972, Schedule 12A reporting exemptions**

The public of Shropshire have 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. However, there are certain risks to which the 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 would be excluded. Exempted information would then be incorporated in a separate 'Closed Session' report. 'Open Reports' will include all information about sensitive risks that is not likely to compromise the Authority (eg Risk ID, risk assessment results, Risk Owner etc), with only the sensitive information being exempted (eg, Risk Description and any control measures included etc).

This approach should help to ensure that the public has as much information as possible, available to them, about the risk environment the Authority is operating in, whilst at the same time limiting any damage that could be caused through its inappropriate use.

## **5 Setting the Authority's Risk Acceptance and Risk Tolerance levels**

The assessment of risk is based on the analysis of the potential for the risk to do harm (the detrimental impact on the Authority) and the likelihood that they will occur. The potential impact on the 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 S&WFA assesses corporate risk. The assessment results in an impact level of either 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. Table 2 goes on to show the assessment criteria in terms of likelihood. Again this results in a level of either low, medium or high, with corresponding 'likelihood scores' of 1,2 or 3.

Impact level	Score	Descriptor for each impact type
High	3	a. Financial impact on the Authority likely to exceed £75,000 b. Significant stakeholder concern c. Significant impact on the Authorities Strategies and on the Fire and Rescue Services operational activities
Medium	2	a. Financial impact on the Authority likely to be between £25,000 and £75,000 b. Moderate stakeholder concern c. Moderate impact on the Authorities Strategies and on the Fire and Rescue Services operational activities
Low	1	a. Financial Impact on the 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 – S&WFA Impact assessment ratings.

Likelihood level	Score	Description
High	3	Likely to occur each year or more than 25% chance of occurrence.
Medium	2	Likely to occur in a ten year time period or less than 25% chance of occurrence.
Low	1	Not likely to occur in a ten year period or less than 2% chance of occurrence.

Table 2 – S&WFA 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.

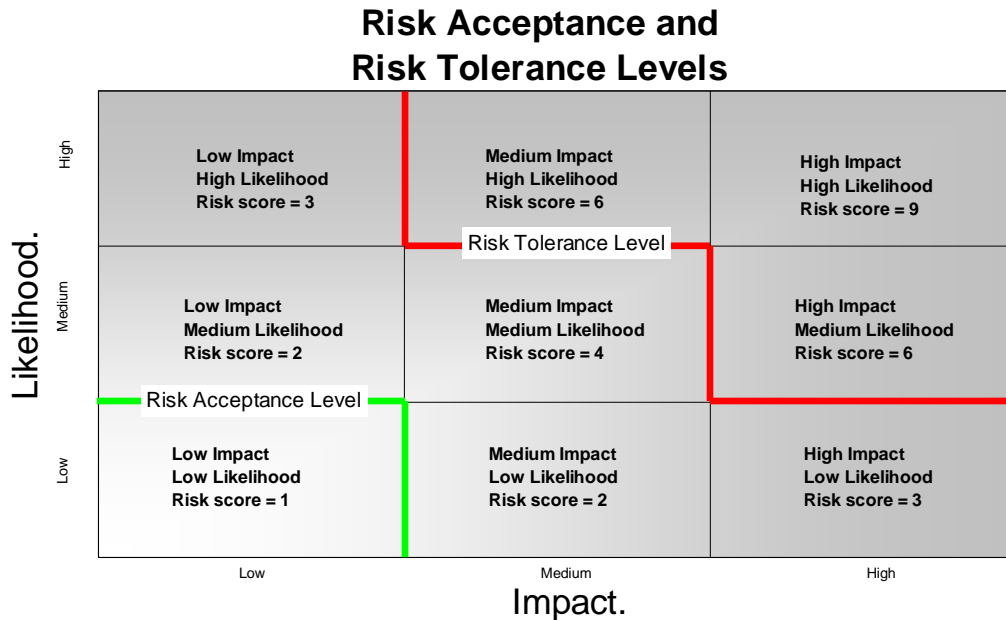
The purpose of risk management is not to eliminate all risk; as well as taking an inordinate amount of effort and resources to attempt to do this, it is ultimately impossible to achieve. Instead, risk management aims to reduce the risk to a level that the Authority is prepared to tolerate. This will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

In addition to the upper level, it is also appropriate for the Authority to set a lower level target, known as the '**Risk Acceptance Level**'. Any risks assessed as being lower than this level should attract minimal effort and resources. This helps to ensure that resources are not wasted trying to reduce risks unnecessarily.

Members have previously agreed the following risk levels:

- 'Risk Acceptance Level' = 1
- 'Risk Tolerance Level' = 5

These are shown graphically in graph 1 below. This graph also describes the risks that sit either side of these levels.



Graph 1 – S&WFA’s levels for Risk Acceptance and Risk Tolerance .

The remainder of this report provides summary data on the current contents of the Authority’s Corporate Risk Register.

## 6 Risk Management progress

This section includes information about all events that have led to the current status with the Authority’s Corporate Risk Management system.

- **July 2009**

The Service’s Executive Group met to discuss the various risks for which they are responsible.

The Fire Authority received the last Annual Corporate Risk Management Summary report.

- **August 2009**

The Service’s Risk Management Group met and discussed all matters relating to the Service’s risk environment and outcomes from audits undertaken by Internal Audit.

- **September 2009**

The Service's Executive Group met to discuss the various risks for which they are responsible.

## 7 New Risks

No new threats or opportunities have been added to the Corporate Risk Register since the last summary report.

## 8 Closed Risks

One risk has been closed since the Annual Report. Details of this risk are provided in the table below.

ID	Risk Description	Opportunity or Threat	Risk Owner	Date closed	Reason for closure
60	Organisation structural changes to the council in Shropshire, as a result of the recent Local Government White Paper, could present potential threats to the way the Fire Authority achieves its strategic objectives, depending on the shape and structure any new Unitary Authority.	Threat	Chief Fire Officer	6/7/09	<p>Shropshire Council now up and running.</p> <p>Impact on Maintenance contracts is being felt to some extent, but relationships with the new Contract Manager are being built up which should help to progress issues in this area into the future.</p> <p>Local elections have now concluded and the actual loss of experienced members has not been as great as it could have been.</p> <p>Executive Group agreed that this risk could be closed.</p>

## 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. Table 2 below includes previous, as well as current, figures for comparative purposes.

Descriptor	Number	Comment
Total number of entries	47	<b>Previous figure 47</b> This will increase over time. The rate at which it increases will demonstrate how active the Risk Management process is.
Total number of threats	43	<b>Previous figure 43</b> Comment as above
Total number of opportunities	4	<b>Previous figure 4</b> Comment as above
Total number of closed entries	27	<b>Previous figure 26</b> Comment as above
Number of 'live' threats	18	<b>Previous figure 19</b> 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 experience to be gained over the coming months and years.
Average risk level of all currently 'live' threats.	5.72	<b>Previous figure 5.42</b> This is on a scale where 1 is minimal risk, through to 9, which is maximum risk. 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	2	<b>Previous figure 2</b> 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 the Fire Authority's risk management process matures.
Average level of opportunity	6.5	<b>Previous figure 6.5</b> Scale of 1 to 9 We would tend to want this figure to grow.

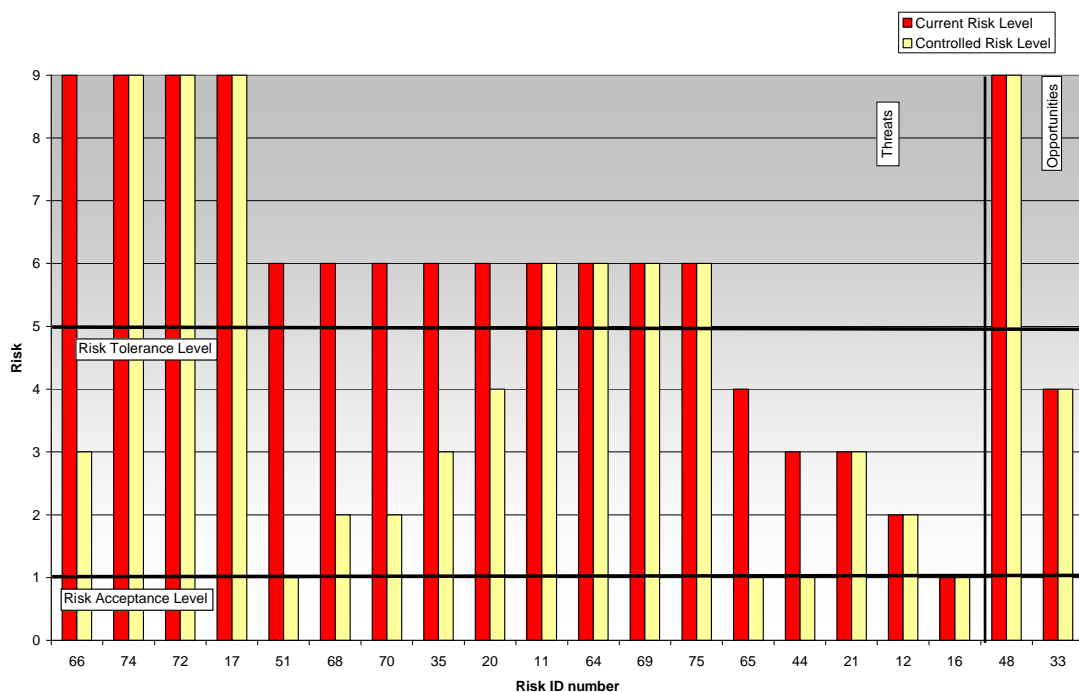
## 10 Graphical representation of the Corporate Risk Register

This section aims to provide Members with an overall impression of the level and type of risk environment in which the Fire Authority is currently operating.

Graph 1 shows the impact that the risk control measures, currently in place, are having on each of the individual threats and opportunities that are currently 'live' in the risk register. This graph compares the CURRENT level of risk with the TARGET level of risk considered to be achievable if all control measures were fully implemented. As such, this graph provides Members with an indication of how much more work those controlling the risks think they have to do to get the risk down to its lowest practicable level.

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 to be gained.

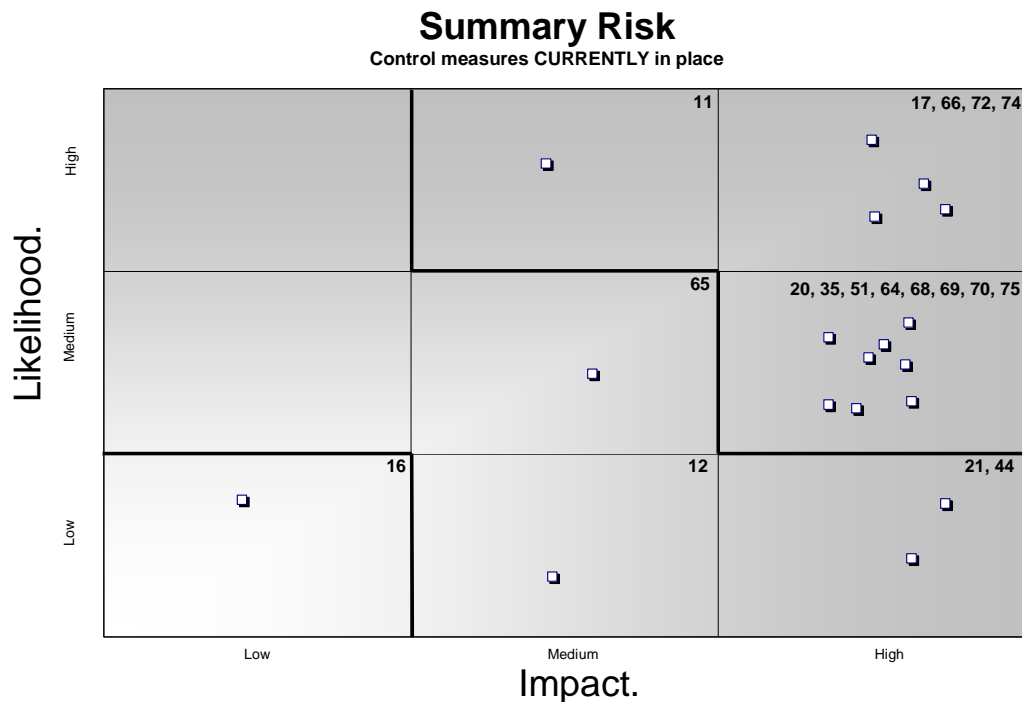
Detailed information about each of the threats and opportunities shown in Graph 1 is provided in the appendix.



Graph 1 - Risk levels for all 'live' threats and opportunities in the Corporate Risk Register.

Graph 2 maps all of the **threats** against their corresponding likelihood and impact ratings, based on the level of control CURRENTLY in place. Graph 2 does not include the two 'Opportunities'. It therefore presents a picture of the **known** risk that currently exists in the Fire Authority. The numbers in the upper right corner of each section of the graph are the Risk Identification numbers for the risks that sit in that particular portion of the graph.

These numbers correlate to the Risk ID numbers given in the detailed risk summary table included as the appendix to this report.



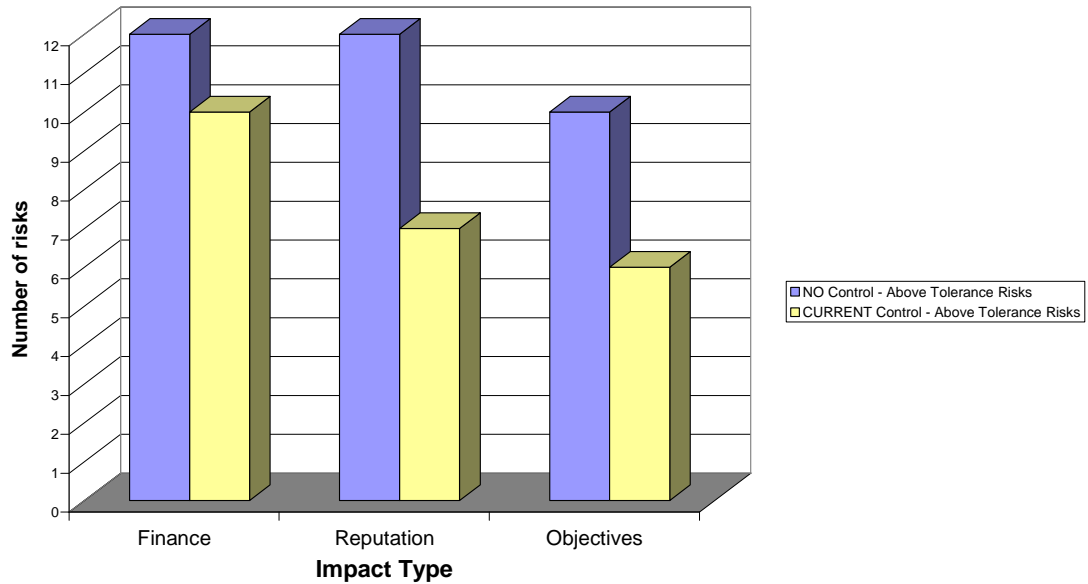
Graph 2 - Overall risk levels with current levels of control in place

## 11 Overall Summary

Whilst graphs 1 and 2 show that there are 14 risks that are currently assessed as being above the Fire Authority's 'Tolerance Level', this graph does not demonstrate which of the three impact assessments (financial, reputation or service objectives) is at greatest risk. Indeed, some of these risks could have a potentially significant impact on more than one of these areas. Graph 3 attempts to demonstrate this by showing how many risks are above the 'Tolerance Level', assuming firstly (in the blue column) that we had no risk controls in place and secondly (in the yellow column) that we have the current level of risk controls in place. Each of the three separate areas of impact, i.e. finance, reputation and objectives, is depicted in the graph.



### 'Intolerable' risks faced by the Fire Authority



**Graph 3 - Number of 'Intolerable' risks to which the Fire Authority is currently exposed, as assessed against each risk impact type**

The graph suggests that if the risks currently in the Risk Register actually materialised, they are likely to impact on finance and Reputation to a greater extent than on service objectives. It also shows that the control measures currently in place are more effective at managing down the risk to reputation and objectives, than they are for the financial impacts.

The most significant risks currently facing the Fire Authority are Risks 17, 66, 72 and 74. Details about these particular risks, including how they are being dealt with, are summarised in the remainder of this section.

**Figure 1 – Details about Risk 17**

<b>Risk ID:</b>	<b>17</b>
<b>Risk Description:</b>	<b>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.</b>
<b>Risk Owner:</b>	Paul Raymond (Chief Fire Officer)
<b>Control Owner:</b>	Keith Dixon (Treasurer)
<b>Risk Score based upon:</b>	
a. NO Controls in place:	9
b. ALL Controls in place:	9
c. CURRENT Controls in place:	9
<b>Actions taken to date:</b>	
	Employer Circular 03/08 reported that the Retained Firefighters had been discriminated against under the P/T Workers Regulations. This was reported to CFA on 30th April 2008.
	Employer Circular 05/08 reported that all sides have agreed to approach the Tribunal to ask for a stay of proceedings until September, whilst informal discussion/negotiation continues. Also will report the outcome from the Treasurers discussions with the other Regional Finance Officers, to clarify what issues would be the subject of negotiation.
	When more information is available on the limitations of any backdated liabilities, the Authority will re-consider the reserves it has allocated to this issue. Liability appears to be limited to the introduction of the P/T Workers legislation, which was in 2000.
	Government have assured Fire Authorities that Pension Account Administrators will be involved in the negotiation. This should help us to start quantifying the likely impact from this issue.
	Employers Circular 12/08 stated that there would be a further delay until December 2008. CLG-officers say matters are being handled by the Local Government Employers. No further information has come available at this time.
	The financing of this risk has been reviewed as part of the 2009/10 budget process, and the sums earmarked to cover this risk have been put into a general reserve dealing with 'Pensions and other staff issues'.

Figure 2 – Details about Risk 66

<b>Risk ID:</b>	<b>66</b>
<b>Risk Description:</b>	<b>If the FireLink/FireControl projects are not effectively managed they may have a significant impact on current and future service delivery. Risks relate to effective management of costs, resources and functionality, prior to, during and post-implementation. Amalgamation of risks ID. 26, 32 and 47</b>
<b>Risk Owner:</b>	Paul Raymond (Chief Fire Officer)
<b>Control Owner:</b>	Executive Group
<b>Risk Score based upon:</b>	
a. NO Controls in place:	9
b. ALL Controls in place:	3
c. CURRENT Controls in place:	9
<b>Actions taken to date:</b>	
	<p>In February 2008 an initial meeting, held with various departmental practitioners from within the Brigade, took an overview of the RMB RCC risk register and previous risks included in the Corporate Risk Register.</p> <p>In May 2008 a report on the outcomes from the discussions by the practitioners was taken to Policy Group. It was agreed that the Executive Group should meet to discuss this issue on a regular basis. They developed a Risk Action Plan to deal with all aspects of this issue.</p> <p>The LACC ratified the Initial Staffing Pool (ISP) plan which detailed the timetable and staffing numbers required by each Brigade as they move across to the Regional Control.</p> <p>Towards the end of 2008, the National Project Team moved the completion date back to reflect delays in some aspects of the project. Shropshire's implementation date moved back by 9 months to 14<sup>th</sup> February 2011.</p> <p>The Executive Group have now met and discussed progress with their Risk Action Plan on eight separate occasions.</p>

**Figure 3 – Details about Risk 72**

<b>Risk ID:</b>	<b>72</b>
<b>Risk Description:</b>	<b>If the Shrewsbury project is not effectively managed it may have a significant impact on current and future service delivery. Risks relate to effective management of costs, resources and functionality, prior to, during and post-implementation.</b>
<b>Risk Owner:</b>	Paul Raymond (Chief Fire Officer)
<b>Control Owner:</b>	Executive Group
<b>Risk Score based upon:</b>	
a. NO Controls in place:	9
b. ALL Controls in place:	9
c. CURRENT Controls in place:	9
<b>Actions taken to date:</b>	
	<p>The initial Executive meeting was held on 14th July, during which the initial risk assessment was conducted. A Risk Action Plan (RAP) has been developed for this risk, which captures the risks identified to date.</p> <p>The most significant element of risk are related to the potential impact on finances, due to level of uncertainty around:</p> <ul style="list-style-type: none"><li>- cost of rebuild; and</li><li>- potential costs that could be recouped from the sale of any surplus land.</li></ul> <p>The uncertainties around these issues are exacerbated by the impact of the recession and its potential implications on the building trade. To that end, it has now been acknowledged that the sale of any surplus land will not be economically viable and therefore various alternative options are being explored.</p> <p>The employing of external consultants to ensure the Fire Authority gets the best value for money from any proposal that progresses through to completion, is seen as one of the most significant control measures.</p> <p>Consultation with all interested parties is now ongoing with feedback recently having been fed back to the Executive Group.</p>

**Figure 4 – Details about Risk 74**

<b>Risk ID:</b>	<b>74</b>
<b>Risk Description:</b>	<b>If the material economic uncertainties that exist in the country were to materialise, then the ability for the Service to meet its stated aims and objectives could be severely curtailed.</b>
<b>Risk Owner:</b>	Paul Raymond (Chief Fire Officer)
<b>Control Owner:</b>	Executive Group
<b>Risk Score based upon:</b>	
d. NO Controls in place:	9
e. ALL Controls in place:	9
f. CURRENT Controls in place:	9
<b>Actions taken to date:</b>	
The Executive Group initially met to discuss this risk on 9th March 2009. Hazards from this risk relate to:	
i. Financial	
- Threat to 3rd year settlement	
- Reduced future year's settlements	
- Impact on Shrewsbury project - loss of funds from sale of land	
- Wellington - potentially lose the opportunity	
- Changes to exchange rates - additional cost of imports	
- Lower interest rates - reduced investment returns	
- But, opportunity for reduced cost and price increases	
ii. Suppliers	
- Loss of critical suppliers (BA, Hydraulic Rescue Equipment)	
- Loss of single source suppliers (hydrant keys)	
- Potential for loss of Shrewsbury building contractors	
iii. Impact on targets	
- Most service delivery targets are likely to be impacted in some way	
The Risk Action Plan has now been created, with responsibility for reporting on progress against each of these elements of risk having been delegated to relevant officers.	

## 12 Legal Comment

There is no legislative duty for the Fire Authority to assess the risks to which its business objectives are faced. Corporate Risk Management does, however, form a fundamental element of good corporate management practices.

The Fire Authority has the power to act as proposed in this report. Care will need to be taken to ensure that the provisions of Schedule 12A of Local Government Act 1972 are correctly applied.

## 13 Equality Impact Assessment

Officers have considered the Service's Brigade Order on Equality Impact Assessments (Personnel 5 Part 2) and have determined that the information contained within this report is purely historical summary data. As such it contains no proposals for changes to current policies and procedures which could involve discriminatory practices or differential impacts upon specific groups. An Initial Equality Impact Assessment has, therefore, not been completed.

## 14 Appendix

Detailed information on all current entries in the Corporate Risk Register

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	

**Detailed information on all current entries in the Corporate Risk Register (in order of 'Current Risk' level)**

Threat or Opportunity	Risk ID	Description	Risk Owner	Control Owner	Risk with NO Controls	Risk with ALL Controls	Current Risk	Links to other risks
Threat	74	If the material economic uncertainties that exist in the country were to materialise, then the ability for the Service to meet its stated aims and objectives could be severely curtailed.	Paul Raymond	Executive Group	9	9	9	
Threat	17	If the Retained Firefighters "Working Time" court case goes against Fire Authority's, then there is potential for the Authority to have to pay significant sums of money out in court costs, and backdated pension contributions (Emp Circular 20/2005).	Paul Raymond	Keith Dixon	9	9	9	
Threat	66	If the FireLink/FireControl projects are not effectively managed they may have a significant impact on current and future service delivery. Risks relate to effective management of costs, resources and functionality, prior to, during and post-implementation. Amalgamation of risks ID. 26, 32 and 47	Paul Raymond	Executive Group	9	3	9	26, 32, 47
Threat	72	If the Shrewsbury project is not effectively managed it may have a significant impact on current and future service delivery. Risks relate to effective management of costs, resources and functionality, prior to, during and post-implementation.	Paul Raymond	Executive Group	9	9	9	
Threat	75	If the "opt-out" option the UK currently holds from the European Working Time Directive is removed, then this could have an impact on the availability of RDS staff.	Louise McKenzie	Lisa Vickers	6	4	6	
Threat	35	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 4.	Paul Raymond	Jon Wagstaff	6	3	6	12, 23, 36
Threat	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.	Jon Wagstaff	Martin Timmis	9	6	6	20
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).	Paul Raymond	Andy Johnson	6	4	6	35, 11

Threat or Opportunity	Risk ID	Description	Risk Owner	Control Owner	Risk with NO Controls	Risk with ALL Controls	Current Risk	Links to other risks
Threat	64	If the implications of the Government's proposals for the Long Term Capability Management of all 'New Dimensions' assets (as described in FSC 26/2007) are not fully considered, then there is a risk that the Authority's budgets may be detrimentally impacted into the future.	Paul Raymond	Jon Wagstaff	6	6	6	33
Threat	68	If the Brigade does not have policies and procedures, relating to water rescue incidents, that effectively balance the risks to staff versus the risk to the public, then the Fire Authority could be subject to prosecution under health and safety law or a significant loss in reputation.	Jon Wagstaff	Martin Timmis	9	2	6	
Threat	69	If the Authority does not take full account of the implications of Comprehensive Area Assessment and the new local government performance management framework, then its reputation as a strong performing Authority could be impacted.	Paul Raymond	Steve Worrall	9	6	6	
Threat	70	If Equality and Diversity is not fully mainstreamed and integrated into all Authority activities, there will be adverse impact on financial, ethical and service delivery issues.	Paul Raymond	Lisa Vickers	9	2	6	
Threat	51	If the Brigade's data quality systems lack the appropriate quality processes and controls, then the Brigade's funding and its allocation of resources against stated objectives may be compromised.	Paul Raymond	Helen Jones	9	1	6	21, 16, 26, 44, 48
Threat	65	If the implications of the various ICT projects, currently ongoing in the Brigade, are not coordinated, then there is a risk that the individual projects will not be implemented effectively.	Steve Worrall	Helen Jones	6	1	4	
Threat	21	If the Authority does not meet all financial regulations, then it may be subject to fraudulent activity, unnecessary or illegal (ultra-vires) expenditure.	Paul Raymond	Keith Dixon	9	3	3	
Threat	44	There are risks inherent in the Fire Authority working in partnership with other agencies/groups. If these are not properly controlled they could potentially impact on the financial standing and reputation of the Fire Authority.	Paul Raymond	Jon Wagstaff	6	1	3	30, 32, 41
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 thereby impacting on our ability to deal with incidents effectively.	Jon Wagstaff	Martin Timmis	2	2	2	35, 36



Threat or Opportunity	Risk ID	Description	Risk Owner	Control Owner	Risk with NO Controls	Risk with ALL Controls	Current Risk	Links to other risks
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	Helen Jones	6	1	1	
Opportunity	48	If the Authority does not monitor its budgets closely then it could miss the opportunity to reinvest identified under-spends where this occurs in its various budgets, or take action to deal with any loss of service that may have occurred.	Paul Raymond	Joanne Coadey	3	9	9	
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.	Paul Raymond	Keith Dixon	4	4	4	64