

REPORT OF THE CHIEF FIRE OFFICER

CORPORATE RISK MANAGEMENT SUMMARY

1 Purpose of Report

This is the first Annual Risk Management Summary Report to Members. Its aim is to inform Members about the corporate level risk management work undertaken during the previous twelve months, as well as summarising the risk environment in which the Service is currently operating.

2 Recommendations

Members are asked to note the contents of this report.

3 Background

Ongoing monitoring of the Fire Authority's corporate risk management work is a responsibility of the Service's Policy Group members and is a delegated responsibility for the Strategy and Resources Committee. Risk management best practice guidance also indicates, however, that the full Fire Authority should receive a summary report on at least an annual basis.

With this being the first of such reports to Members, much of its contents consists of detailed explanation of information contained in each section. This will be further supported by a presentation, by the Service's Risk Manager, which will help to inform Members of the risk management processes in place, and their role within those processes.

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. The Authority is, however, exposed to certain risks, 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 such a risk exists and an assessment against



Schedule 12A of the Local Government Act 1972, 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 that is not likely to compromise the Fire Authority, for example Risk ID, risk assessment results, Risk Owner etc), with only the sensitive information being exempted, for example Risk Description and any control measures included.

This approach should ensure that the public has as much information as possible made available to them 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 the Fire 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 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 of the Fire Authority to deliver its corporate aims and objectives.

Table 1 below 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. Table 2 below goes on to show 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.

Table 1 – Impact Assessment Ratings

Impact level	Score	Descriptor for each impact type
High	3	<ol 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 Fire Authority's strategies and on the Fire and Rescue Service's operational activities
Medium	2	<ol 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 Fire Authority's strategies and on the Fire and Rescue Service's operational activities
Low	1	<ol 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 Fire Authority's strategic or operational activities



Table 2 – Likelihood Assessment Ratings

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

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, 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 Fire 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 Fire 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.

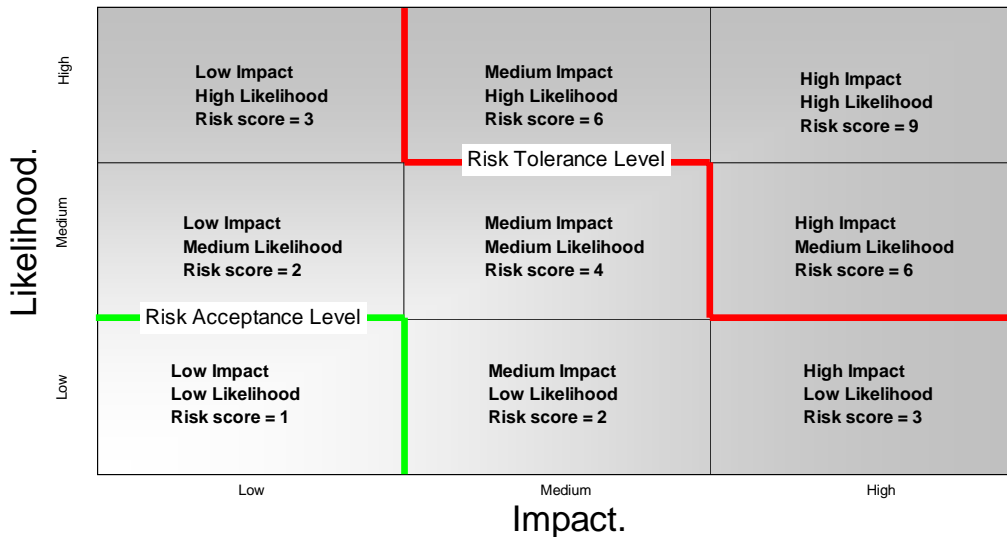
Using the risk score, discussed above, it is possible for the Fire Authority to set its upper and lower risk thresholds. During the last meeting of the Strategy and Resources Committee, Members set the following levels:

- '**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.



Risk Acceptance and Risk Tolerance Levels



Graph 1 – The Fire Authority’s Levels for Risk Acceptance and Risk Tolerance

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

6 Risk Management Progress

This section of the report will normally include information about the significant risk management events that have occurred over the last twelve months. As this is the first of these annual reports, however, it is appropriate that Members are made aware of all events that have led up to the current status with the Fire Authority’s Corporate Risk Management system.

February 2003

The Fire Authority’s Risk Management Policy Statement was signed by the Chair and CFO.

July 2004

The Fire Authority included its first Statement on Internal Control (SIC), within the Statement of Accounts for 2003/04.

December 2004

The Fire Authority’s Risk Management Protocols were published.

March 2005

An initial paper version of the Corporate Risk Register was created.

July 2005

The Fire Authority published its second SIC within the Statement of Accounts for 2004/05.

September 2005

The Risk Management Group held its inaugural meeting.

December 2005

An electronic Corporate Risk Register was 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'.

The Electronic Corporate Risk Register went live.

March 2006

The Service's Policy Group defined the contents of risk management reports it wished to receive.

May 2006

The Strategy and Resources Committee set the Fire Authority's 'Risk Tolerance' and 'Risk Acceptance' levels, against which the risk management processes can be managed

The Strategy and Resources Committee defined the contents of the risk management reports it wished to receive and the contents of the risk management 'Annual Summary Report' it wished to be sent to the Fire Authority.

June 2006

The Fire Authority's Risk Management Policy Statement was reviewed to ensure it remained appropriate to the needs of the Authority.

Councillor Tandy was nominated as the Fire Authority's 'Risk Management and Audit' Champion.

During July the Service's first full Business Continuity Plan will be put before Policy Group, for their approval and subsequent testing and the Fire Authority's Risk Management Protocols are currently being reviewed and updated to ensure that they reflect the progress made by the Authority over the last twelve months.

Significant progress has been made with embedding the Fire Authority's corporate risk management procedures over the last twelve months. This will continue over the next twelve months, with appropriate training for those who have a fundamental role to play in these procedures, as well as a more general awareness raising amongst all staff. The coming months will also see a push towards the further introduction of Business Planning Risk Management at the department and section levels of the Service.

7 New Risks

In future copies of this report this section will include details about any new risks that have been entered into the Fire Authority's Corporate Risk Register since the last annual report. With this being the first of these reports, details on **all** risks have been 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. Five 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
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.
13	If the Government's idea of using a notional budget for 2005/06 is to level the council tax charge, then the Fire Authority's budget for 2006/07 may be significantly reduced	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 firefighters' pensions. 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.
23	Information exempt from publication by virtue of the Local Government Act 1972, Schedule 12A, paragraph 4	Threat	Paul Raymond	11/05/2006	Combined with Risk ID 35 following review.
36	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 4	Threat	Paul Raymond	3/5/2006	Combined with Risk ID 35 following review.
39	Information exempt from publication by virtue of the Local Governments Act 1972, Schedule 12A, paragraph 3	Threat	Paul Raymond	18/05/2006	Investigations into the cause of this risk found that the risk was no longer present.

Table 3 - Entries in the Corporate Risk Register that have been 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. The comments box attempts to give Members an overview as to how each piece of information will help the Fire Authority to monitor its risk environment over subsequent years.



Descriptor	Number	Comment
Total number of entries	22	This will increase over time. The rate at which it increases will demonstrate how active the Risk Management process is.
Total number of threats	21	As above
Total number of opportunities	1	As above
Total number of closed entries	5	As above
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	3.8	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 the 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 Fire Authority's electronic Corporate Risk Register

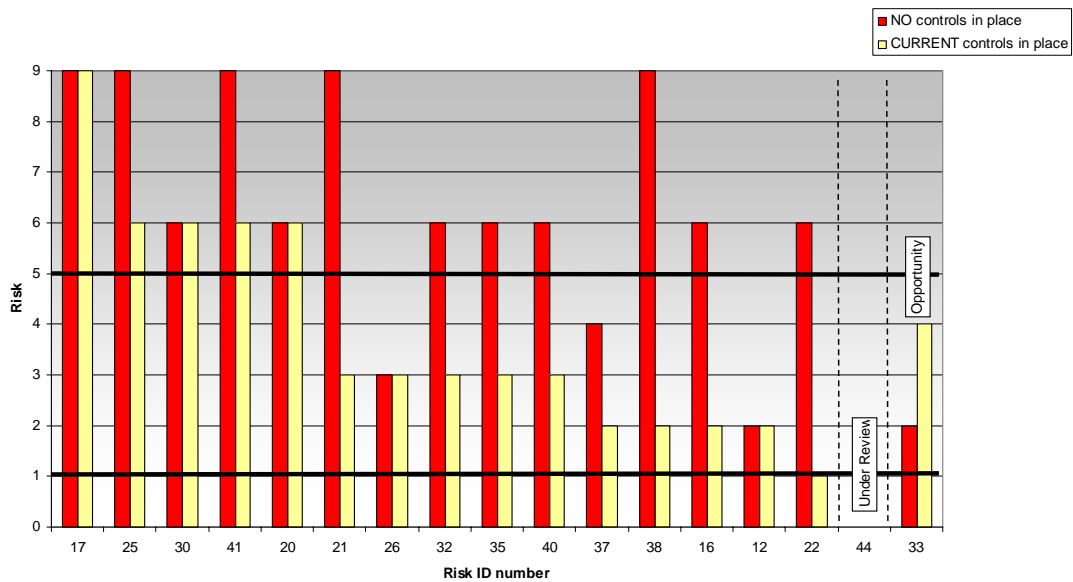
10 Graphical Representation of the Corporate Risk Register

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 that our risk control measures are having on each of the individual threats and opportunities that are currently 'live' in the Risk Register. 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 impact (i.e. benefit) that will be gained.

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 to this report.





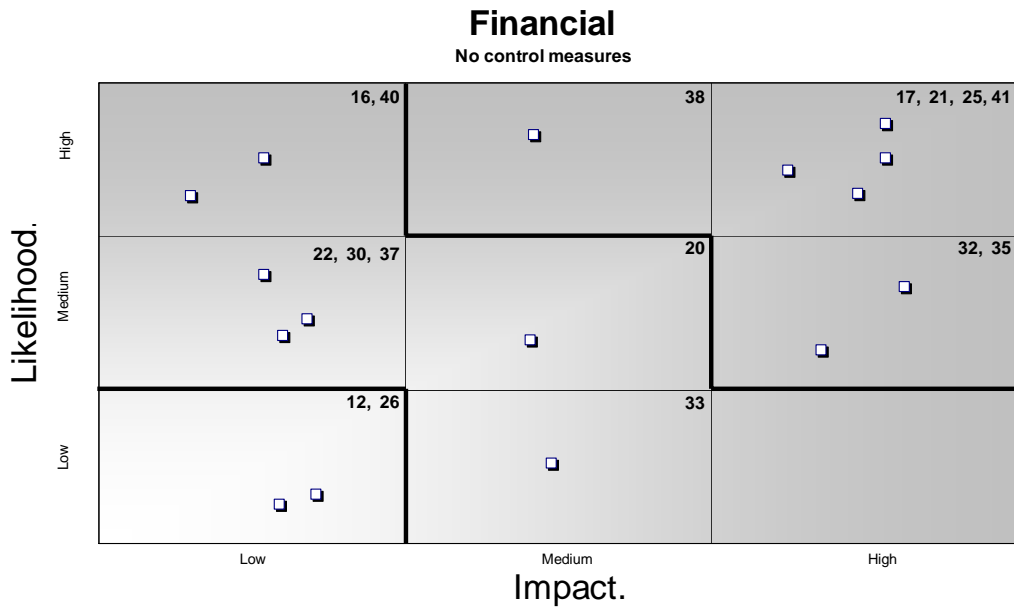
Graph 2 - Risk levels for all 'live' threats and opportunities in the Fire Authority's Corporate Risk Register. Comparison between no control measures in place and the current control measures in place.

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, simply mapping all of the threats against their corresponding likelihood and impact ratings.

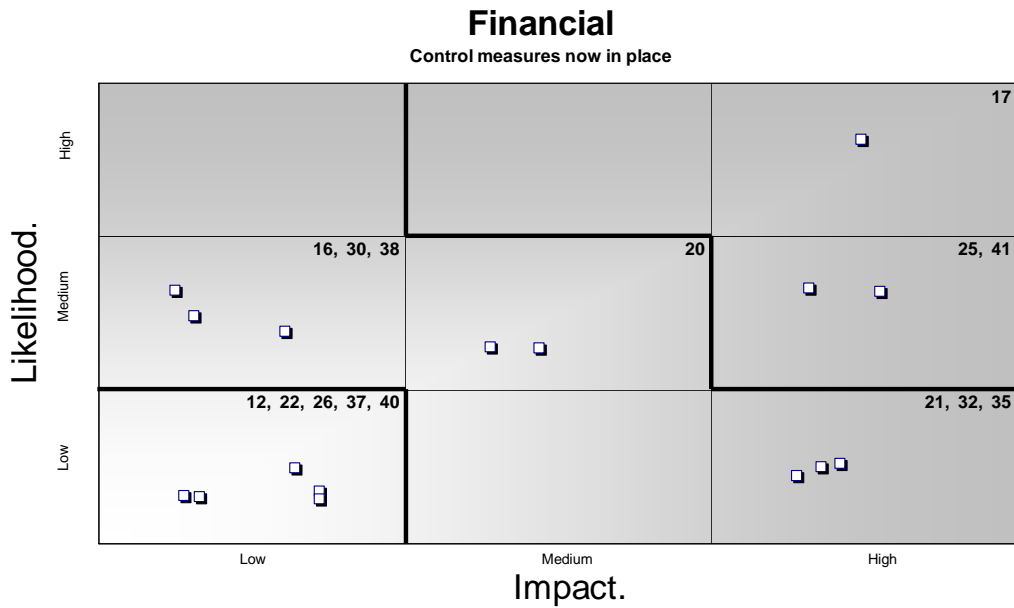
Graphs 3 and 4 show the financial impact from all threats that are currently 'live' in the Risk Register. Graph 3 shows the financial risk with no controls in place and Graph 4 shows it with the current level of risk control measures in place. Graphs 5 and 6 do the same for the reputation impact, and 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, as well as the Fire Authority's 'Risk Acceptance' and 'Risk Tolerance' levels. 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 hand corner of each section of the graphs are the Risk Identification numbers for each risk that sits in that particular portion of the graph. These numbers correlate to the Risk ID numbers given in the detailed risk summary table included at the Appendix to this report.





Graph 3 - Financial Impact with NO controls in place

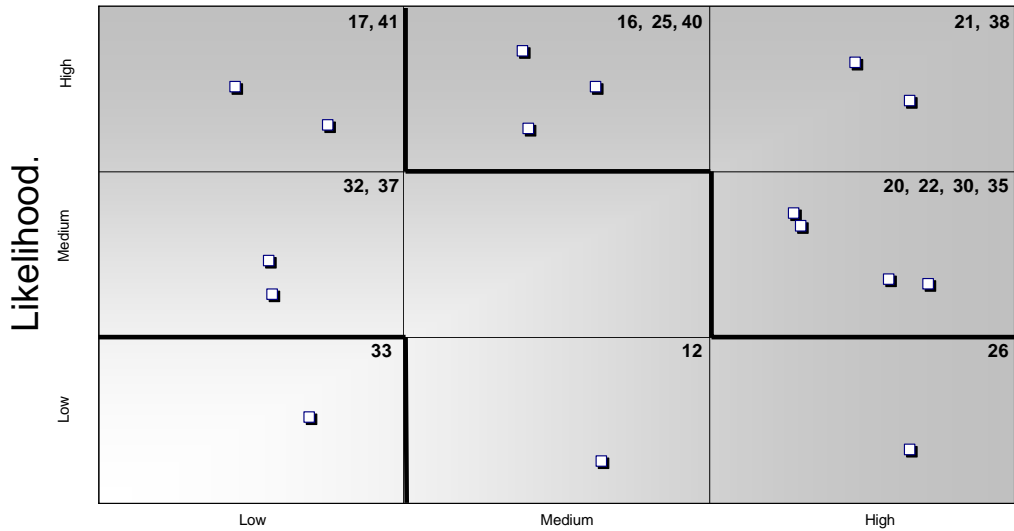


Graph 4 - Financial impact with current level of controls in place



Reputation

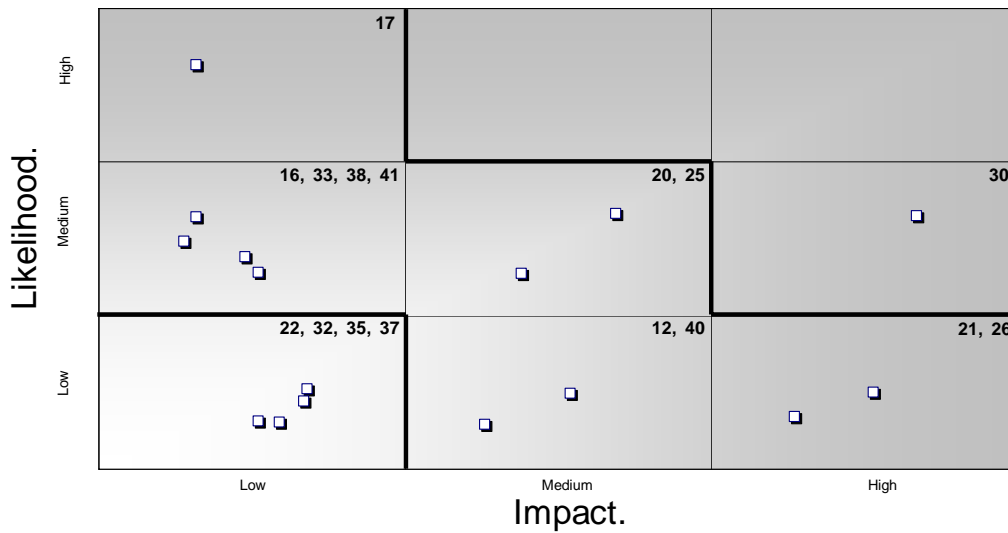
No control measures



Graph 5 - Reputation impact with NO controls in place

Reputation

Control measures now in place

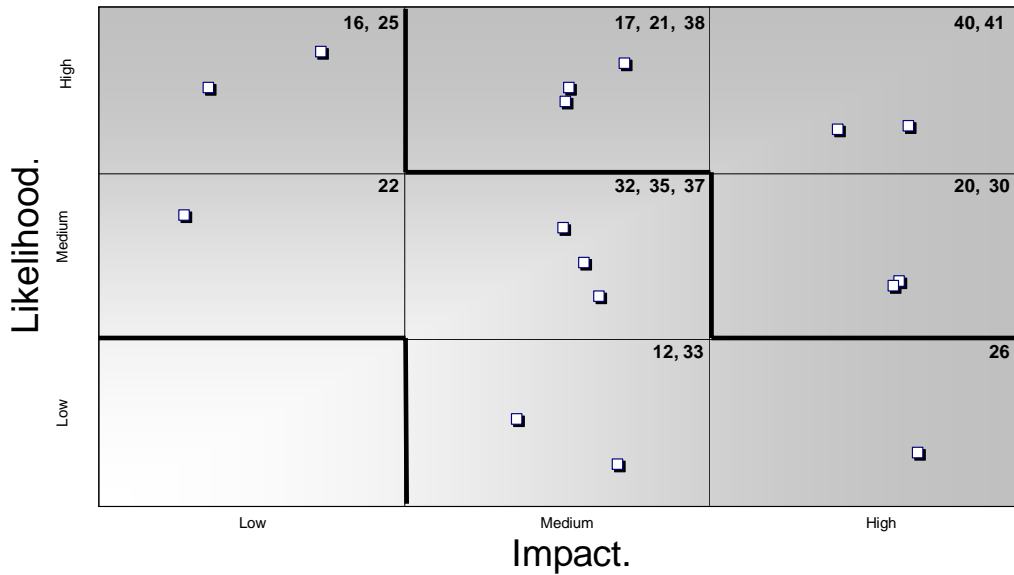


Graph 6 - Reputation impact with current level of controls in place



Objectives

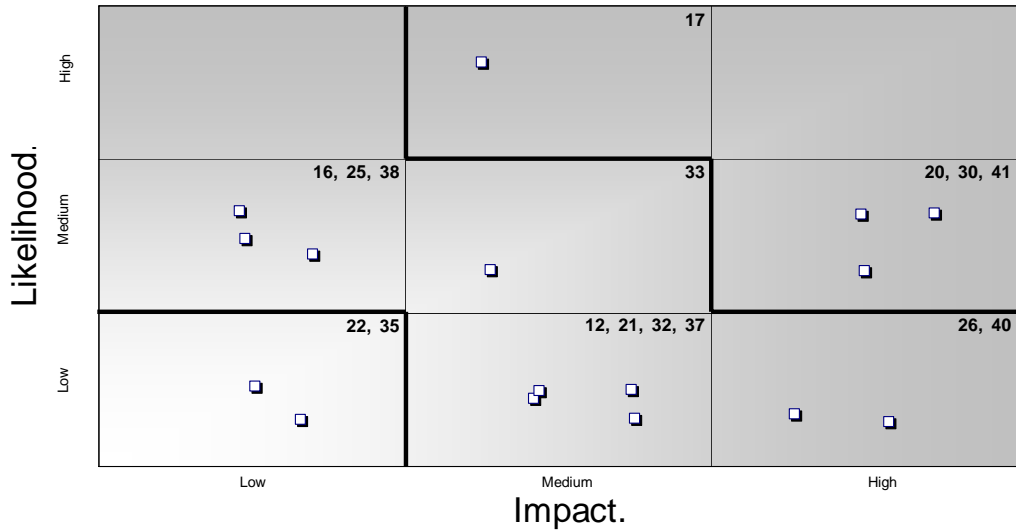
No control measures



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

Objectives

Control measures now in place

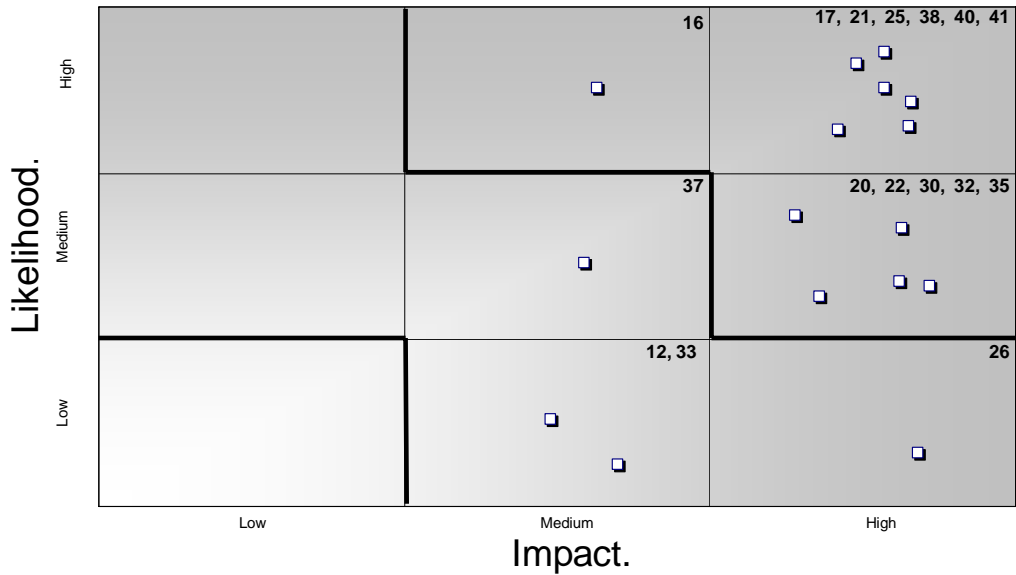


Graph 8 - Aims and Objectives impact with current level of controls in place



Summary Risk

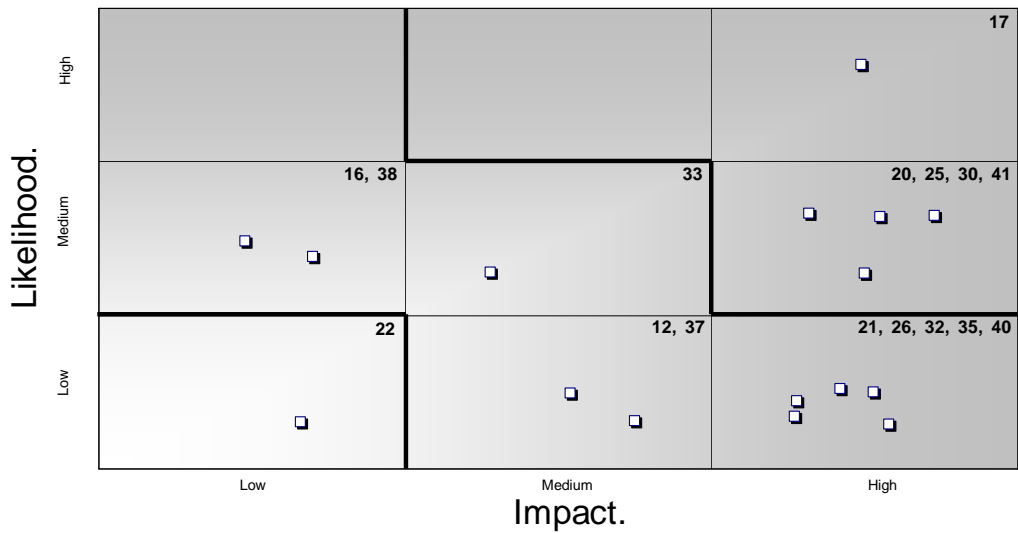
No control measures



Graph 9 - Overall risk levels with NO controls in place

Summary Risk

Control measures now in place

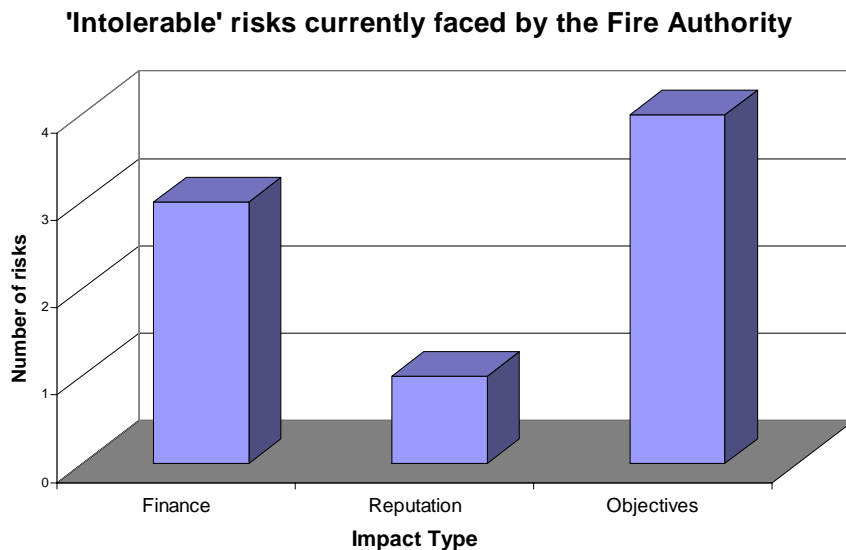


Graph 10 - Overall risk levels with current levels of control in place



11 Overall Summary

Whilst Graph 10 shows that there are only 5 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 is at greatest risk. Indeed, some of these five risks could have a potentially significant impact on more than one of these areas. Graph 11 attempts to demonstrate this by showing how many risks are above the 'Tolerance Level' for each of the three separate areas of impact. This suggests that the Fire Authority's greatest exposure to risk is in terms of the potential impact on the achievement of its stated corporate aims and objectives. This is closely followed by its exposure to financial risks. It would appear that the Fire Authority's exposure to reputation risk is, to a large extent, negated by its risk management efforts.



Graph 11- Number of 'Intolerable' risks to which the Fire Authority is currently exposed, as assessed against each risk impact type

The most significant risk currently facing the Fire Authority is Risk 17. Details about this particular risk, including how it is being dealt with, are provided below.

Although the Strategy and Resources Committee is responsible for the ongoing monitoring of the Fire Authority's Risk Management processes, all Fire Authority Members should feel at liberty to request summary reports from officers on this, or any other, significant risk facing the Authority, during any future meetings.



Risk ID:	17
Risk Description:	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.
Risk Owner:	Alan Taylor (Chief Fire Officer)
Control Owner:	Keith Dixon (Treasurer)
Actions taken to date:	
Employers Circular 2/05 - The initial court case went against the Firefighters. They appealed against the decision, and again the decision was upheld. They then appealed to the House of Lords. This was believed to take 12 to 18 months from release of the circular, which would put the proximity of the risk somewhere in the first half of 2006.	
Employers Circular 02/06 - The Appeal to the House of Lords went against Fire Authorities. The case will now go back to Employment Tribunal for a decision on outcomes. The Employers side of the National Joint Council is considering the potential impact on individual authorities and will then provide more guidance. In view of the results from the Appeal to the Lords, the risk assessment has been reviewed and the "likelihood" has been increased from Medium to High. This has resulted in the risk going from a rating of "6" up to a rating of "9".	
Treasurer Keith Dixon, 2/5/2006 - No further progress to report. Still awaiting case to be re-heard at the Employment Tribunal. Budget reserves have been reconsidered in light of the Lords ruling, simply to reflect the Fire Authority's share of total court costs likely to be incurred. The Human Resources Director will keep abreast of the court case as it proceeds, keeping Policy Group and Fire Authority informed of progress and outcome.	
It is assumed that the costs likely to be incurred by most Fire Authorities, if the Tribunal case goes with the Retained Firefighters, will be too large for any Authority to budget for. It is, therefore, assumed that this national issue will attract Government intervention in some way.	

Figure 1 – Details about the most significant risk currently facing the Fire Authority

12 Identifying Risks – Members’ Responsibilities

Members are reminded that they have a responsibility to bring any potential risks they may become aware of at any time, to the attention of the Fire Authority. This could be during a meeting of the Fire Authority or, alternatively Members may wish to contact either the Chief Fire Officer or the Risk Manager direct.

13 Legal Comment

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.

14 Appendix

Detailed information on all current entries in the Corporate Risk Register



15 Background Papers

Shropshire and Wrekin Fire Authority

Strategy and Resources Committee 25 May 2006 – Minutes

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 the Authority to have to pay significant sums of money out in court costs, and backdated pension contributions (Employers Circular 20/2005)	Alan Taylor	Keith Dixon	9	9	9		02/07/2006	No
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	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 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	26	Information exempt from publication by virtue of the Local Government Act 1972, Schedule 12A, paragraph 3.	Paul Raymond	Paul Raymond	3	3	3	30, 32	01/09/2006	No
Threat	32	If the financial cost 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 Government Act 1972, Schedule 12A, paragraph 4.	Alan Taylor	Paul Raymond	6	3	3	12, 23, 36	01/09/2006	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	6	3	3		15/09/2006	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 thereby impacting on our ability to deal with	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
		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	44	There are risks inherent in the Fire Authority's 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.	Alan Taylor	Paul Raymond	Under review					Yes
Opportunity	33	If the Authority is not clear as to the rules that apply to Government's 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

