

REPORT TO: PERFORMANCE REVIEW AND AUDIT COMMITTEE

DATE: 30th July 2007

Subject:

**Developing a Corporate Risk Management Framework for
Mid & West Wales Fire & Rescue Service**

SUMMARY:

Members of the Performance Review & Audit Committee are asked to consider and approve the attached documents in relation to the proposal for the Service to develop a Corporate Risk Management Framework for the Authority. Enclosed are:

- A report on the development of a Corporate Risk Management framework for the Authority;
- Draft Corporate Risk Management policy;
- Draft Risk Management Working Group terms of reference

In order to support this proposal it is requested that a member of the Performance Review & Audit Committee is appointed to sit on the Corporate Risk Management Working Group.

IMPLICATIONS:

OPERATIONAL RISK: - MINIMAL
COMMUNITY RISK:- MINIMAL
TRAINING:- MINIMAL
H.R.:- MINIMAL
FINANCE:- Outcomes of the Working group will inevitably provide valuable information to the budget planning process.
I.T. / COMMS.:- MINIMAL
EQUALITY & DIVERSITY:- MINIMAL
HEALTH & SAFETY:- MINIMAL
LEGAL:- Development of Working Group will assist the Authority to achieve its Corporate Governance objectives.

RECOMMENDATION:

That Members of the Performance Review and Audit Committee approve the proposal to establish a Corporate Risk Management Working Group within the Service.

BACKGROUND PAPERS USED IN PREPARATION OF THIS REPORT:

MARSH Strategic Risk Profile Report 2003
MARSH Strategic Risk Profile Gap Analysis Report 2004
CIPFA Audit Committees – Practical Guidance for Local Authorities
Audit Commission Wales – Strategic Plan 2006

REPORT AUTHOR AND DESIGNATION

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Implementing a Corporate / Business Risk Management Working Group within Mid & West Wales Fire & Rescue Service

Introduction

Risk itself is often described as pure risk or speculative risk - the former only presents the possibility of a loss, whereas the latter recognises the more opportunistic aspects of risk that may result in a favourable or unfavourable outcome. Risk can be defined in different ways, but the definition adopted by this report is "...risk is a threat that an event, action or failure to act will adversely affect an organisation's ability to achieve its objectives and execute its strategies effectively".

Similarly, corporate risk management can be defined as "...the identification, analysis and economic control of threats to the achievement of the Service's business strategies and objectives". Risk Management is about ensuring that risks are recognised and understood so that they may be built into existing processes rather than "bolted on".

Essentially, the focus of any Corporate / Business Risk Management strategy is the achievement of corporate vision, mission, aims and objectives. The Vision of the Service is:

"A time when we and our partners work successfully for the public benefit and to eliminate avoidable deaths, injuries and damage from fires and other emergencies and are highly respected for our safety and emergency services."

Background

In 2003 the Service commissioned a Strategic Risk Profile exercise facilitated by the Service Insurance Broker's MARSH. Risk Profiling is a systematic risk identification and evaluation process which was designed to provide Service management with clear focus and priorities for risk reduction and mitigation. In achieving this overall purpose, the following objectives were established at the outset and actually still remain a key component in our current proposal to formally recognise corporate/business risk:

- to identify a Financial Tolerance to Risk against which the magnitude of potential losses may be ranked;
- to identify non-financial risks such as adverse publicity, resources and community safety issues, which may have an effect on the Organisation's Service Delivery;
- to identify and develop a Profile or register of the risks arising from the Service's non-operational business activities, rank the potential losses against the Risk Tolerance and assess the likelihood of occurrence;
- to recognise and evaluate the effectiveness of existing control measures;
- to identify areas of concern in the existing standards of risk control and assess the potential for improvement in terms of practicality and financial costs; and

- to provide recommendations for improvement and identification of the priority with which they (or alternative risk reduction strategies) should be implemented.

The results of the evaluation were presented in a report dated September 2003, updated in February 2004. At that time, a total of 29 risks were identified of which 9 were assessed as high or key risks (10 were assessed as medium, a further 10 were assessed as low risk). To date, the Service has addressed over 80% of the risks originally identified and re-aligned the risk ranking in terms of likelihood and severity of the remaining 20% within the parameters set out by the original objectives detailed above. More importantly, the emphasis on addressing the high and medium rated risks was as a key priority. There will be as in any organisation a number of inherent risks which are a fundamental part of Service activities, the essential criteria here is to ensure that the Service is aware of these risk and develops a clear strategy for managing them.

Current requirements

Following the previous work by this Service in identifying and addressing its strategic risks in conjunction with its Brokers – MARSH it is now incumbent upon this Service to develop the Corporate / Business Risk Management aspects further and embed a suitable risk management framework within the organisation. In particular, the emphasis of progressing this work should be on practical advice and support that leaves participants with a sense of ownership of risks, and a genuine understanding of the risks identified and how to move them forward.

The Service has undertaken a considerable amount of work following the original Strategic Risk Profile by MARSH in 2003 and following the lessons learnt from this exercise the time is now right for the Service to establish a formal Corporate / Business Risk Management process consistent with the Wales Programme for Improvement (WPI) and the WAG Risk Management framework where corporate risk management issues can be placed formally on the agenda.

From my perspective and in broad terms the key benefit of establishing our own Corporate / Business Risk Management working group is that it will support the current achievement of the Service's objectives in reducing its business risk. Our Service has already seen the benefits it can attain when risks become exposed and are addressed through a structured process such as the 2003 Risk Profiling exercise which was a significant turning point in the work which was already being undertaken. A defined working group would lead to even greater achievements which would bring about a cultural change that supports open discussion about corporate / business risks and opportunities and provide increased accountability of their management.

The formulation of a Corporate / Business Risk Management working group would initially at the outset involve a small group of key participants from within the Service to include the DCFO, Director of Finance and key Heads of Department, however, this group would seek to obtain the attendance of a Fire Authority member in order to champion the process and provide the necessary continuity link between this working group and the Performance Review & Audit Committee. As with similar Corporate Risk Management working groups within local authorities it would be expected that whilst a core group of members would be the back bone of its function there would be a need on occasions of specific matters to invite other reference holders to attend. Meeting frequencies could commence on a quarterly basis with a further review in 12

months time and possibly run in parallel with the Performance Review & Audit Committee.

It is my proposal as the Service Risk Manager that our Service establishes a suitable working group that has great value in its objectives and looks at the wider sphere of our corporate / business risks and not purely on the Operational side (as this area is already effectively managed) although I have no doubt that there will be occasions where both aspects will overlap in order to achieve the same result.

A documented proposal which included a Draft Corporate Risk Management Policy and Draft Terms of Reference outlining the above has already been approved by the Executive Board earlier this year and is attached for information. This report seeks the approval of the Performance Review & Audit Committee members to recognise the need for a Corporate / Business Risk Management working group to be established within Mid & West Wales Fire & Rescue Service to support the function of the Performance Review & Audit Committee in line with the expectations of good corporate governance.

Mydrian Harries
Service Risk Manager

17th July 2007

MID & WEST WALES FIRE & RESCUE SERVICE

CORPORATE RISK MANAGEMENT POLICY

INTRODUCTION

1. The Mid and West Wales Fire & Rescue Service provides services to a diverse range of people and organisations. It operates in an ever-changing environment, increasingly under public and government scrutiny and against a background of evolving legislation and regulation. In such an environment, the potential for disruption to services or the loss or damage to assets from a vast range of risks is inherent. This policy recognises that some risks will always exist, and in some cases are necessary in order to enable innovation in the continuing development and improvement of service delivery. It is essential therefore, that the Authority takes appropriate action, through active Corporate Risk Management to minimise the potential for losses or damage to the public assets under its stewardship, with particular emphasis on its staff resource.
2. This policy seeks to reinforce the commitment shown by the Authority and the Corporate Risk Management Working Group to a risk management culture by ensuring that all employees have regard to the management of risks in the decision making process and every day work situations.

POLICY STATEMENT

3. The objective of our Corporate Risk Management Policy is to adopt best practice in the identification, evaluation and cost-effective control of risks to ensure they are eliminated or reduced to an acceptable level, and to ensure compliance with the principles of effective governance, as defined in the Authority's Code of Corporate Governance.

RISK MANAGEMENT OBJECTIVES

4. In order to meet the requirements of this policy , the risk management objectives of the Fire Authority will be:
 - a) To integrate risk management into the culture of the Authority.
 - b) To ensure best value and best practice are achieved in the management of risks.
 - c) To regard compliance with legal and regulatory requirements as a minimum standard.
 - d) To identify and respond to changing social, environmental and legislative requirements.
 - e) To prevent injury, damage and loss to stakeholders and employees or their property.
 - f) To reduce the overall cost of risk.
 - g) To support staff in their efforts to manage the risks to which they are exposed.
 - h) To ensure compliance with the Authority's Code of Corporate Governance.
 - i) To support the achievement of the Authority's stated objectives and targets, and innovation in the delivery of services.

ORGANISATION AND RESPONSIBILITIES

5. The variety of risks to which our Fire & Rescue Service is exposed is such that a multi-layered approach will need to be adopted to ensure full integration of the risk management culture into all levels of the Authority.
- a) **Elected Members** have a responsibility to ensure the implementation of appropriate risk management structures and processes, and to provide sufficient resources to meet agreed objectives.
 - b) **The Police & Performance Board** working group has overall responsibility for ensuring that the Authority manages risk effectively through the development of a comprehensive corporate risk management strategy and that decisions taken by both the Authority's Members and Executive management board give full consideration to the risks associated with those policies.
 - c) **The Service Risk Manager** is responsible for developing a strategy setting out the specific programmes, procedures and risk management activities designed to ensure that the policy objectives set out above are met. This is however an advisory role and executive control remains with the Risk Management Group.
 - d) A '**Corporate Risk Management Working Group**', to be chaired by the Deputy Chief Fire Officer, shall be formed to provide executive control and support to the delivery of the Risk Management Strategy. This group will report directly to Policy & Performance Board on matters requiring policy changes. *The terms of reference for the group are attached at appendix 1.*
 - e) **The Service Police & Performance Board and other local Fire & Rescue Service Management groups** are each responsible for ensuring that proper procedures are in place to identify, evaluate and manage risks within their service areas effectively.

Individual Managers and Employees are each charged with the effective management of the risks associated with their particular roles and duties, and for ensuring that significant risks are identified to their Line Managers as soon as they become known. The risk management group is available to support this activity through the provision of advice information, and technical assistance as required.

The responsibilities of individuals is implicitly enshrined in the terms and conditions of employment of all employees, and is considered to be at the heart of the contract between the Authority and each of its employees.

6. An active risk management culture will enhance the Authority's drive for continuous improvement in service delivery and ensure the safety of its staff, assets and reputation. Mid and West Wales Fire & Rescue Service is committed to the highest standards of risk management and stewardship in carrying out its functions and duties; all personnel have a role to play in ensuring this goal is met, and can be assured of the fullest support and encouragement in this aim from all levels of management.

MID & WEST WALES FIRE & RESCUE SERVICE**RISK MANAGEMENT WORKING GROUP****TERMS OF REFERENCE****Responsibility and Purpose**

The Risk Management Working Group is responsible to the POLICY & PERFORMANCE BOARD and will concern itself with the development, maintenance and implementation of a risk management strategy for the Authority.

Membership

The group will be chaired by the Deputy Chief Fire Officer. Ex officio members of the group will be the Director of Finance, the Service Risk Manager, the

The group may co-opt such other Reference holders as deemed relevant to the particular topics under consideration, for such duration as is necessary.

Meetings and Reporting

The group will meet not less than quarterly, and submit reports to Policy & Performance Board working group detailing its actions and recommendation as necessary.

Action minutes will be taken at each meeting and circulated as determined by the group.

Principal Activities

1. Identify, assess and quantify the major risks to which the Authority is exposed by:-
 - a) The regular review of claims experience and incidents.
 - b) Conducting risk surveys.
 - c) Assimilating experiences from other Fire & Rescue Services or local government organisations.
 - d) Reviewing the minutes/activities of other groups involved with risk assessment, (i.e. Health and Safety meetings)
 - e) Creation of a risk register.
2. Develop and implement a strategy to:-
 - a) Reduce, eliminate or transfer risk and make recommendations to Policy & Performance Board where policy changes are needed.
 - b) Agree an annual programme of activity and targets designed to meet the strategy.
 - c) Monitor and report progress on the implementation of the strategy and the annual programme.
3. Consider the allocation of funding as is made available for risk management activities.

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4. Promote awareness of the importance of risk management at all levels of the Fire & Rescue Service through:-
 - a) Promulgation of risk management information and advice.
 - b) Provision of necessary training.
 - c) Provision of guidance notes on specific areas of risk management.
 - d) Provision of support to local risk management groups and other management groups.

5. Liaise with other Fire & Rescue Services groups such as the Health and Safety / Accident Panel Committee, the Operational Appliances & Equipment Group, the Community Risk Reduction forum and external agencies on matters pertaining to risk management. The aim of which is to gather information on current developments in the risk management field and to ensure best practice is communicated to our Service.

Other Matters

The Risk Management Group is not responsible for the investigation of incidents, or for taking direct action where a perceived risk has been identified. It is available to support the Service needs, not to stifle activities. Recommendations will be referred to the appropriate group or individual best placed to consider the response necessary.

The group may, from time to time, set up sub groups or working parties to consider particular topics. Such groups should be chaired by a member of the RMG and observe the reporting and other conventions observed by the RMG.