

Draft Corporate Risk Management Policy and Strategy

Appendix A

November 2012

Hampshire Fire and Rescue Service is committed to 'making life safer'

We provide a range of services to the people who live in, work in, and visit the county, as well as providing support to other agencies and fire services. The nature of our work and our changing environment means that there is always potential for uncertainty. In order to minimise negative threats from occurring, and their impacts if they do, we need to manage risk actively.

The Authority's risk management policy is to apply best practice to deal with uncertainty to ensure the continuity of our service, improve efficiency, support innovation, and deliver value for money. We accept our responsibility to manage the risks associated with all areas of our activity to an acceptable level, and acknowledge that some risks will always exist and can never be completely eliminated.

The Authority and its senior management team are committed to ensuring that there is an effective risk management process and culture within the organisation.

What is risk?

Risk is the threat that an event or action will affect our ability to achieve our aims and objectives.

It is simply a stepped process that enables you to think around the actions you are taking to identify any potential events that may hinder your successful achievement of them, and enables you to assess those events rationally and identify any necessary steps you need to take.

Risk management is not about being risk averse. It is about managing threats and opportunities. By managing these well we are in a stronger position to deliver our objectives, safeguard our reputation and assets, provide value for money, and improve our services. This applies as equally to the delivery of our corporate objectives as to our front line services.

Embedding of risk management

Effective risk management is embedded by everyone having a role to play and specific responsibilities to fulfil. All managers, staff, and elected members should understand the nature of risk and accept responsibility for managing those risks associated with their area of activity.

The objectives of risk management at Hampshire Fire and Rescue Service are to:

- anticipate and respond to changing external and internal pressures and requirements before they occur so there are fewer unwanted surprises
- manage risk cost effectively and in accordance with best practice. The cost of controls should always be considered against the risk they are designed to manage
- reduce the overall cost of risk
- support well thought through informed risk taking to ensure opportunities for improvement and development are not lost and to avoid a risk averse culture
- enable sound decision making and planning, and better focus on what needs to be done
- provide assurance to stakeholders that potential risks are being managed
- ensure that staff have the relevant skills and support to identify and manage risks
- integrate risk management into the culture of the organisation

Risk management must be a top-to-bottom process involving all levels of staff and partner organisations that contribute in any way to the delivery of our services. Where services are delivered through formal partnerships or contract arrangements, robust risk management must apply.

Our integrated risk management plan identifies foreseeable fire and rescue related risk that our communities face. These are the risks we are seeking to tackle. This policy is focused on the risks that the organisation faces.

Risk Management Strategy

Approach

Members and senior management are concerned with significant corporate risks – those that could potentially have an effect on the Authority's ability to achieve its corporate objectives affecting its medium to long term future. Corporate risks are the few key most critical risks that the Authority faces.

More detailed operational and health and safety risks are identified in the course of the day to day operational, support and administrative procedures and activities. It is not the purpose of this document to involve itself with operational risk, other than at the corporate level.

Our Strategic Assessment helps us to identify community risk which is then managed by our Integrated Risk Management process in line with the guidance in the National Framework for Fire and Rescue Authorities.

We take full account of the Community Risk Register which is maintained by the Hampshire and Isle of Wight Local Resilience Forum. This helps us to work together with other key agencies to prepare for, respond to, and recover from civil emergencies.

Risks can also be related to partnerships, project boards, and teams. These are managed locally. When issues of corporate significance are identified at an operational level, they must be escalated to the appropriate level for consideration and action.

Transparency

We are open in our approach to managing risks. Staff and other stakeholders have access to information on risks and how we are managing them.

The Corporate risk register is available to internal staff and a copy published on our website annually after reporting to the Fire Authority.

Risk Appetite

Risk appetite can be described as the amount of risk we are prepared to take when balanced with the related opportunities. We understand the importance of risk taking and accept that there is an element of risk in most of the activities we undertake. It has been agreed that our risk appetite should not be prescriptive but will depend on which of our objectives would be affected by the risk, and the impact the risk would have should it materialise. We see this approach as the best way to allow us to make informed decisions in each risk situation.

The Service, by its nature, regularly faces operational risks in the delivery of its services. These operational risks are using a variety of techniques such as dynamic risk assessments, site specific risk information etc. these risks are not necessarily recorded on the corporate risk register.

Responsibilities and reporting lines

All members, employees, and partner organisations must understand the nature of risk and accept responsibility for managing those risks associated with their area of activity.

The following tables detail the key responsibilities for risk management:

Elected Members of the Fire Authority

Hold Directors accountable for the effective management of risk throughout the organisation including the delivery of our services

Approves the Authority's risk management policy and reviews the Corporate Risk Register through the Standards and Governance Committee

Challenge senior managers to satisfy themselves that risks have been identified and addressed

Raise any potential new risks that they may identify to Service Management Team

Directors

Provides top level commitment to risk management

Provides the Authority with assurance on the integrity and effectiveness of the risk management process

Sets the appetite and tolerances for risk

Horizon scans to identify and assess new and emerging corporate risks

Service Management Team

Acts as the risk management board – owning and reviewing the Corporate Risk Register on a regular basis and reporting to the Authority on an annual basis

SMT members own individual risks and action plans, and are responsible for ensuring that agreed plans are implemented

Agrees and monitors corporate risk action plans

Reviews corporate project portfolio risks on a regular basis

Reports to the Authority on risks associated with plans, policies and initiatives

Department managers and partnership managers

Ensure that there are proper strategies and procedures for managing risks within their area.

Identify, prioritise, and assess current and emerging risks. Determine appropriate action plans and escalate any potential corporate risks to SMT for further consideration.

Carry out risk assessments and their associated action plans as required

Line Managers

Identify and manage risks in their functional areas

Carry out risk assessments and their associated action plans as required

Programme and Project Managers

With the approval of the programme or project board, define programme/project risk tolerances and strategies for managing risk

Ensure that risk management structures and processes are in place for their programmes/projects, including risk registers

Ensure that there is transparency around the risk process and that appropriate risks are escalated to programme or project boards

Employees

Are alert to risks in their own area and ensuring that action is taken to manage them.

Escalate any perceived risk to a level where it can be dealt with effectively if they do not feel they can address it themselves.

Carry out risk assessments and their associated action plans as required

Performance Review Manager

Supports SMT by maintaining the Corporate Risk Register and provides constructive advice and challenge to risk and control owners

Ensures that best practice is applied to the corporate risk management process by maintaining his/her own competency and networking with other risk management professionals

Reports the Corporate Risk Register to Service Management Team and Standards and Governance Committee

Advises managers and staff on matters relating to corporate risk

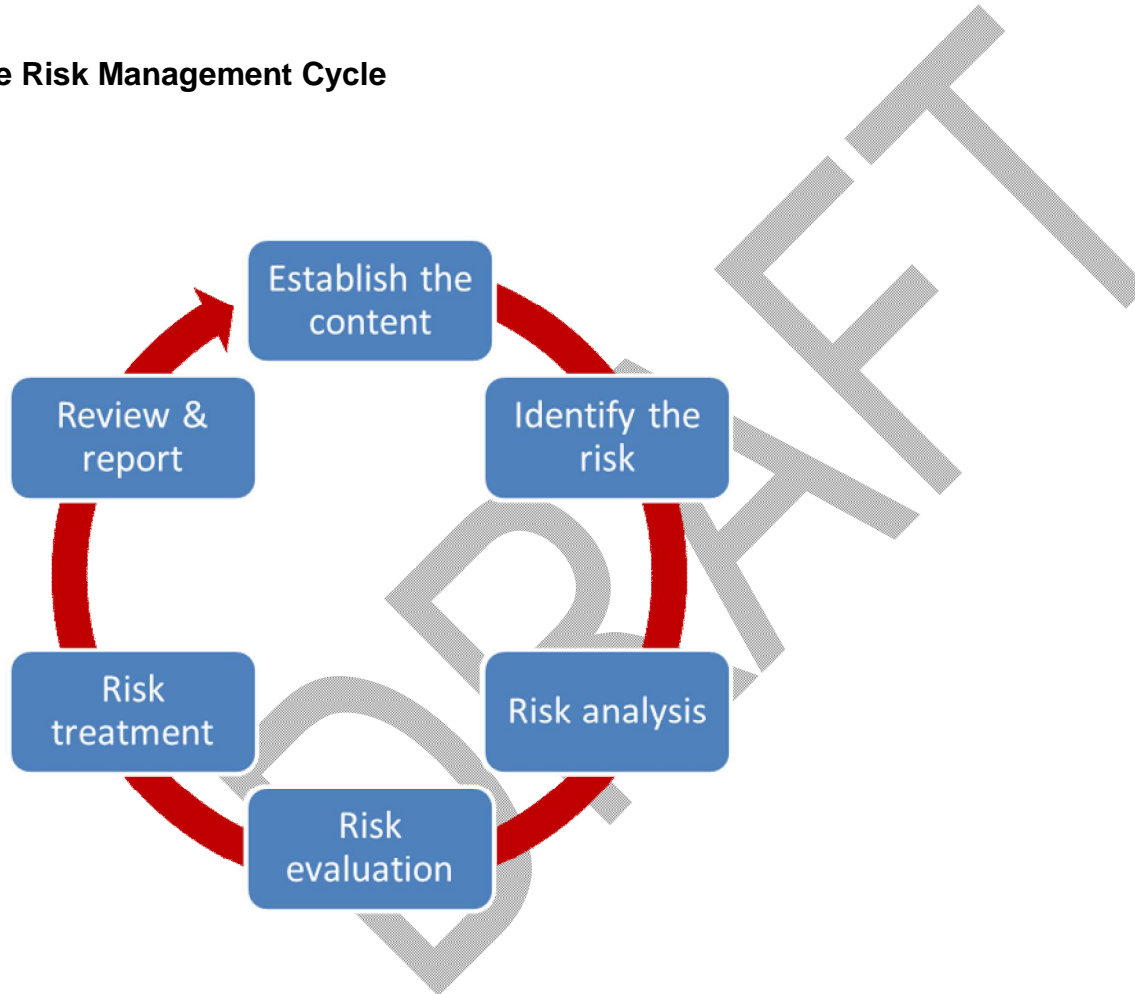
SMT and Fire Authority Reports

It is important that decisions taken by the Authority's elected members and senior management give full consideration to the risks associated with them.

Risk Management implications must be included in all reports so that these can be taken into account in making decisions. As such a separate section is inserted in all Fire Authority/Committee/Service Management Team reports in which the author states what, if any, risks have been identified and how will be these managed. If appropriate these should feed into the Corporate Risk Register, for on-going monitoring. If no risks have been identified a statement should be made to that effect.

Risks must clearly be described so that the reader (remember that this can be a person with limited technical knowledge of the subject) can easily understand the risks related to the policy, objective or activity being considered.

The Corporate Risk Management Cycle



Establishing the context

The risk management process needs to be applied within the framework of our corporate, organisational and risk management contexts. It is important to determine and be clear about the context and the particular 'objective/s' that are being considered in order to identify the related risks. This sets the scope for the rest of the risk management process.

Identify the risk - The process of determining what can happen, why and how.

This step seeks to identify all of the risks that need to be considered. Comprehensive identification using a well-structured systematic process is key, because any potential risks missed at this stage may be excluded from further analysis. Identification should include all risks whether or not they are under the control of the organisation.

There are a range of techniques that can be used to identify risks. Horizon scanning can be used. A STEEPLE analysis is undertaken by SMT on a regular basis to identify potential external corporate risks

The following categories can be used as prompts to consider scenarios that may give rise to consequences that could impact upon objectives. The categories are not mutually exclusive.

External risks	
Social	Risks associated with demographic, urban, or socio-economic changes affecting the organisation's ability to deliver its services
Technological	Risks associated with the organisation's inability to adapt to progress or to use the latest technologies, to meet a new demand resulting from major technological change
Economic	Associated with the organisation's inability to respond to financial commitments (internal budgetary pressure, macro-economic change...)
Environmental	Risks associated with the consequences on the environment of the attainment of the organisation's corporate objectives (risks associated with energy efficiency, pollution, recycling, burying of waste...)

Political	Arising from changes in government policy or associated with the organisation's inability to respond to commitments undertaken/reach set political objectives
Legal	Risks associated with major changes within the legislation or regulations applied to the organisation's field of activity (legislation of work conditions, data protection legislation, legislation against discrimination...)
Ethical	Risks related to our ability to meet the expectation and needs of our stakeholders
Other external risks	
Competitive	Risks associated with the competitiveness of the public service delivered by the organisation, in terms of cost and quality
Clients/Users	Risks associated with the organisation's inability to meet expectations and the new needs of its clients/users/citizens
Examples of operational/internally driven risks	
Financial risks	Risks associated with failings in financial planning, financial control, inadequacy of insurance cover, or poor management of internal funds
Security/safety risks	Risks associated with attacks on the health/safety of goods and persons (fire, traffic accident, equipment failure...)
Contractual risks	Risks associated with the inability of the co-contracting parties to deliver products/services in the technical and financial conditions expected
Reputation risks	Risks associated with the reputation of the organisation and the public's perception of its efficiency or legitimacy
Technological risks	Risks associated with the malfunction or obsolescence of technological equipment (IT systems, equipment ...)
Environmental risks	Risks associated with the pollution and noise generated, or the energy efficiency of the organisation

Source: Framework for public risk governance and lessons learnt - written by Marsh in 2011

Framing or describing the risks

Risks are best understood and managed in the first instance if they are framed as scenarios, broke down into three component parts:

- the root cause or source
- the events or triggers that lead to the consequence arising
- the likely impact or consequences

Analysing risks - The systematic use of available information to determine how often specified events may occur and the impact of their consequences.

This entails:

- classifying and ranking the risks
- determining the causes and consequences of the risks
- identifying and assessing the efficiency of the means existing to control these

The objective of analysing and scoring risks is to separate minor acceptable or well controlled risks from significant ones. It involves the consideration of:

- the likelihood that it will occur
- the impact on the Authority if it does occur

Impacts

Just as there are many sources of risk, there are also many possible impacts. We therefore focus on the areas of impact that case greatest concern:

- The safety of our staff and the public
- The delivery of our services
- Legal and regulatory compliance
- Financial
- The achievement of our aims and objectives
- Reputation and public confidence

It is helpful to consider both the triggers and impacts of a risk to identify the controls that are already in place as they will either be preventative or mitigating.

- First, challenge the action already being taken to see if it is appropriate in controlling the risk that has been described and assign a control owner.

Working controls should be listed against the risk so that an accurate assessment can be made.

A control is any action, procedure, or operation undertaken to either contain a risk to an acceptable level, or to increase the probability of a desirable outcome

Scoring

Corporate risks are scored on a 5x5 matrix. The criteria and thresholds are detailed in appendix 1. An initial score should be determined for both likelihood and impact using these criteria.

Evaluation of risks

The objective of the evaluation of risks is to determine the priorities in treatment and the resources to be mobilised

Risk Treatment

Should the risk be avoided, eliminated, reduced, transferred, or accepted? A useful framework for considering these questions is detailed below:

AVOID	Decide not to proceed with the activity likely to generate the risk, where this is practicable.
REDUCE	Take action to control the risk by identifying mitigating actions and implementing them. For most of the risks on the corporate risk register this is what we are doing.
TRANSFER	this involves another party bearing or sharing some part of the risk by the use of contracts, insurance, outsourcing, joint ventures or partnerships to a third party.
TOLERATE	If we cannot reduce the risk in a specific area (or if doing so is not proportionate to the risk we can decide to accept it.

These are not mutually exclusive.

If we wish to reduce the risk then we should commence the process of taking action to minimise the likelihood of the risk event occurring and/or reducing the severity of the consequences should it occur.

An action plan should be considered by determining what further action is appropriate and cost effective.

It is important that:

- any proposed action plan is SMART – Specific, Measurable, Achievable, Realistic and Time-bound, with nominated control owners,
- the proposed action is proportionate to the risk.
- any new risks caused by the action are identified
- There is clarity around which dimension of the risk is being considered – i.e. likelihood or impact
- A regular review is undertaken to ensure that action plans are being progressed, and that controls in place are working.

Generally speaking those risks that have the highest score should be considered for action first.

The Process for Corporate Risks

Once in this draft stage the risk is presented to Service Management Team (SMT), which acts as the Risk Management Board

SMT will review the draft entry and the proposed action plan. They will review the initial score and the target score, and either approve or revise the entry accordingly. The risk owner will also be agreed. Once approved by SMT the risk will be entered onto the Corporate Risk Register.

It is important to ensure that lower scored risks are not ignored altogether. Although they may not be included in prioritised action lists, they should still be documented and monitored to ensure they do not move above our risk tolerance over time.

Managing the risk

Quite simply, this is about implementing the action plan. Individual managers should decide how they will achieve the level of control for each risk described in the action plan for which they are responsible. The requirements will vary according to circumstances, and they are the people best placed to decide what is required. Key considerations might include:

- Resources required.
- Awareness, understanding, and commitment from staff.
- Incentives and sanctions.
- Appropriate delegation.
- Monitoring and reporting mechanisms.
- Parameters of acceptability and trigger points for further action.
- Documentation and review mechanisms.

Managers should also take steps to ensure that the contributions required from external partners are also being implemented as agreed.

Monitoring and reporting

This refers to the ongoing checking, supervision, observation, and recording of the progress of controls to check that they are having the desired effect. If they are not, it may be because the controls are inappropriate or because the risk scenario has changed. Either way, regular monitoring will ensure that deviations are spotted early.

SMT review the Corporate Risk Register formally three times per year. In between the reviews the Performance Review Manager maintains contact with risk and control owners. New risks are not held until the next formal review if there is a requirement for them to be discussed earlier.

- An annual report is made to elected members on corporate risks
- Annual updates on corporate issues are made to the Corporate Management Team.

Review

This refers to the periodic repetition of the whole cycle, either for the whole risk profile or for parts of it. Review cycles will be specific to each level of analysis and each service area – typically, high risk areas will be reviewed more frequently than low risk ones. Reviews may also be triggered when the ongoing monitoring tools indicate that a significant shift in underlying conditions has occurred. Managers should be clear as the cycle for risk re-assessment in their own areas of responsibility. Reviewing our STEEPLE and SWOT analysis will be a key process.

Documentation

There is a requirement for an appropriate level of documentation to be maintained to provide an adequate audit trail and support for actions and decisions but it is important that risk management does not impose unnecessary paperwork or bureaucracy. It is important to find the level of documentation that is appropriate for the circumstances to meet the following:

- to demonstrate a proper process
- provide a record of risks

- provide a relevant risk management plan
- provide an accountability mechanism
- facilitate monitoring and review
- provide an audit trail
- communicate information

Review of the Risk Management Policy

The Policy will be reviewed annually and whenever new guidance or legislation is introduced that may have an impact upon it to ensure it remains effective.

Any comments or feedback in respect to this document or our risk management process are always welcome and should be addressed to the Performance Review Manager.

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Appendix 1

Corporate Risk scoring matrix

Likelihood

Risk	Score	Likelihood	Chance of occurring
Very Low Rare	1	Most improbable that this will occur	Less than 5%
Low Unlikely	2	Very unlikely to occur	5 to 20%
Medium Possible	3	Likely to occur chance of occurrence The risk will occur at some time.	21 to 50%
High Likely	4	Will probably happen - more likely to occur than not	51% to 80%
Very High Almost certain	5	Almost certain to occur The risk is expected to occur	81% to 100%

Impact score	Description	Impact on delivery of Service/aims and objectives	Financial	Safety of people	Reputation	Legislation/statutory duty
1	Very low	No service disruption	Insignificant financial loss Below £25k	No obvious harm or injury	No external interest	No or minimal impact or breach of guidance/statutory duty
2	Low	Slight impact on service delivery	Moderate financial loss Between £25k and £100k	Medical treatment	Localised short term media coverage – short-term recovery Elements of public expectation not being met Some complaints	Breach of statutory/legislation - reduced performance rating if unresolved
3	Medium	Service delivery is disrupted	Significant financial loss Between £100k and £400k	Serious injury	Adverse local publicity and some longer term loss of confidence	Single breach in statutory duty - external recommendations
4	High	Significant impact on service delivery Objectives/Priorities negatively impacted or not met	Major financial loss Between £400k and £800k	Fatality	Major loss of public confidence National publicity service well below reasonable public expectation	Enforcement action/ multiple breaches in statutory duty - Investigation/Improvement notices/ critical report Low performance rating
5	Very high	Unable to function or deliver services Objectives/priorities not met	Severe financial loss Over £800k	Fatalities	Highly damaging severe loss of public confidence National publicity	Multiple breaches in statutory duty Prosecution Complete systems change required Severely critical report

Likelihood	5					
	4					
	3					
	2					
	1					
		1	2	3	4	5
	Impact					

Risk scoring – this table illustrates how we categorise corporate risks

If the score is below 12 the risk is green, between 12 and 15 it is amber and over 15 it is red.