Risk Management Strategy & Policy

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1. Introduction

1.1 Risk Management is fundamental to any modern organisation and is an issue that all Fire and Rescue Services and Local Authorities have addressed to meet the expectations now being placed on them in respect of this discipline. The terms of reference for the Audit Committee gave them responsibility for consideration of regular reports on business risk environment and associated management action.

1.2 Formalised Risk Management was introduced in the private sector, as part of the strengthening of corporate governance (The Turnbull Committee Report). Risk Management has since continued to be recognised as a valuable discipline across all the other sectors of the economy and the Audit Commission recommended the introduction of formalised Risk Management in Local Authorities. During the same period corporate governance within Local Authorities was evolving and this led to the publication, jointly by CIPFA and SOLACE, of a framework and guidance note on the subject. Within that framework, one of five dimensions through which the fundamental principals of corporate governance need to be reflected is Risk Management and Internal Control. Accordingly, this strategy outlines the responsibilities, scope and steps that have been taken to fully embed Risk Management processes into the Hereford & Worcester Fire and Rescue Authority

1.3 **The overall objective of this strategy is to ensure that the Fire and Rescue Authority (FRA) adopt effective practices in the identification, evaluation and cost effective control of risks. This will ensure that they are eliminated or reduced to an acceptable level and that systems are in place to track and report upon existing and emerging risks that could cause damage to both the Service and the Authority, or its stakeholders.**

1.4 Overall responsibility for ensuring that risks are effectively managed, lies with the Members of the Fire and Rescue Authority as advised by Senior Management Board (SMB).

1.5 SMB are responsible for managing the operational aspects of the process and for ensuring appropriate resources are made available to support the process where necessary.

1.6 Risk Management is not a subject that exists in isolation and is viewed in terms of the way in which acts or omissions could impact on the Authority and its ability to achieve its plans and objectives. The Authority appreciates Risk Management is about empowerment and the creation of value and opportunity as well as prevention. Risk Management is therefore a two way process - top to bottom and bottom up, involving all levels of staff. There is a clear understanding that risk is embedded within the working practices and culture of the Authority.

2. Scope of Risk Management

2.1 All risks are considered not simply as a sub-set, such as financial risks or the risks to human life. Similarly it is not just the impact of an incident in financial terms

that need to be evaluated, but also the potential damage that such an incident could inflict upon the operations of the Authority or upon its reputation. It is anything that could prevent the Authority from achieving its objectives. A working definition of risk:

> *"The threat that an event or action will adversely affect the Authority's ability to achieve its objectives, perform its duties or meet the expectations of its stakeholders".*

2.3   The responsibility for managing these risks is not restricted to any one person or group of specialists; it is the duty of every member of staff. It is the formalisation of normal working practices and management.   All members of the Senior Management Board are risk managers in their own field. They have responsibility for ensuring risks within their area are properly managed.

2.4 Support is available from our specialist Insurers should the need arise.

2.5   The Risk Management process will be co-ordinated centrally through Corporate Services (Corporate Risk) to ensure that key risk data is analysed, compiled and reported in a consistent manner and that best practice is disseminated throughout the Authority.

3.   Benefits

3.1 Amongst the benefits the Service gains from a formalised Risk Management process are:
- A fully documented representation of all its key risks and the actions being taken to mitigate them;
- Better understanding of risks and exposures faced by the organisation;
- Greater ownership of risks by all personnel and their systems of internal control;
- An understanding of how risks are moving and the ability to model how they are accumulating;
- Integration of Risk Management into systems and project based development and contracting and partnership arrangements;
- Efficient and effective integration of recovery and contingency plans;
- More focused use of insurance as a method of transferring risk;
- The implementation of a more cost effective control environment;
- More effective working practices between Managers, Auditors and other specialists;
- Improved management information when considering governance of the organisation; and
- Improved cost effectiveness and opportunities.

4.   Risk Management Programme

4.1   In managing a programme for Risk Management there are a number of clearly defined steps that are undertaken:

RISK MODEL: A consistent and tailored model for determining whether an identified risk is material to a specific activity has been established together with a table with

agreed parameters to assist in the assessment of likelihood and potential impact both in terms of Strategic, Operational, Regulatory. Financial, Reputation damage and Environmental. Risk categories and definitions are identified to ensure consistency in the identification, tracking and reporting of the key risks using business impact analysis.

4.2   At a Service level departmental managers are responsible for cascading and embedding the process within their area (departmental risk registers). The risks at each level are cross referenced with each other and Strategic risk cross referenced to business objectives Similarly risk assessment has become an integral part of the annual planning process to ensure plans and objectives are linked to the Authority's risk profile.

RISK TRACKING: key risk indicators in Strategic, Departmental, Partnership and Project Risk Registers are documented to enable tracking and monitoring of risks identified:
> changes in risk performance are monitored; and
> a full audit trail to the process is provided**.**
> opportunities are identified and reported
> any outstanding exposures and actions are documented and reported to SMB. A process to manage risk escalation has been adopted

The generation of this information has:
> promoted an awareness of changes and opportunities in risks;
> provided risk management information where appropriate;
> focused management attention, prioritising and supporting the overall risk management process; and
> has linked performance management and risk management within a single process.

RISK REPORTING: Risks, even at the strategic level, do not remain static. Therefore a programme of risk reporting is in place through the quarterly performance reports presented to SMB and an annual report for the Audit Committee and the FRA. These reports cover changes to the known risks, the analyses of any emerging risks and the progress of any actions plans. All risks are formally considered at the commencement of any major organisational change or project.

Embedding the process into the culture is assisted by aligning staff development and training to perceived risk areas and by introducing risk management awareness into staff induction and communication activities. Regular awareness training sessions with groups of personnel are carried out. Risk Management is a part of Senior Management culture and is inclusive within all department meetings to reinforce the Risk Management message and to include all levels of staff in the dissemination of business objectives and significant risks to their achievement.

Risk Management is an integral part of Code of Corporate Governance and the statement of Internal Control.