



Guidelines to
Risk Management
at South Wales Fire and Rescue Service

South Wales
Fire and Rescue Service



Gwasanaeth Tân ac Achub
De Cymru

Raising Awareness - Reducing Risk

Introduction

This guideline document has been produced to help everyone understand his or her role in relationship to the management of business risks in the organisation.

Who needs to know about Risk Management?

Everyone - because everyone within South Wales Fire and Rescue Service is a risk manager.

Everyone has some responsibility for risk management and initial control in order to achieve objectives and priorities. To ensure wide spread understanding Directors and Departmental Managers need to be familiar with our strategy and these guidelines and all staff should be aware of it.

South Wales Fire and Rescue Service (SWFRS) has adopted a Corporate Risk Management Strategy that defines the principles by which the organisation manages risk. The Strategy can be found on the Performance Management page of the Intranet site.

What is the definition of a risk?

Risk is an event that has the potential to help or hinder in the achievement of an objective.

To be a risk there needs to be uncertainty of outcome, either a positive opportunity or a negative threat of actions and events.

What is Risk Management?

Risk management is about identifying the risks in relation to the achievement of objectives and the anticipated outcomes. 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 and enables you to assess those events rationally and identify any necessary steps you need to take.

It can be demonstrated in the following diagram:



Step 1: Risk Identification

Risks are usually identified by reviewing the objectives in the directorate or department plan, the actions in a corporate scheme or through the self-assessment process. You need to consider what will impede or enhance the achievement of the objectives. Risks will also arise from the business case for a specific project.

Risk is inherent in everything we do; an outcome does not become undesirable merely because it entails risk.

The identification of potential new risks should be considered each time a new objective or project is considered. Risks considered should include not only those which threaten the achievement of objectives but also those of failing to identify and exploit opportunities to do things differently or better (opportunities missed). What could happen to prevent that objective being successfully achieved? What opportunities to improve the desired outcomes are being missed?



Wording risks

It is useful to think of risks in terms of “if...then...” For example ‘if we do not review and manage our budget, then there is a risk that we will overspend.’

In wording risks, care needs to be taken to avoid stating the impacts that may arise rather than the risk itself, or to simply define the risk as the opposite of the objective.

This is demonstrated by the following examples:

Objective - to travel by train from A to B for a meeting at a certain time.

Failure to get from A to B on time for the meeting.	✗ this is simply the opposite of the objective.
Being late and missing the meeting.	✗ this is a statement of the impact of the risk, not the risk itself.
There is no buffet on the train so I get hungry.	✗ this does not impact on the achievement of the objective.
Missing the train causes me to be late and miss the meeting (if I miss the train I will be late for the meeting).	✓ this is a risk that can be controlled by making sure I allow plenty of time to get to the station and/or catch an earlier train.
Severe weather prevents the train from running and me from getting to the meeting. (If the train doesn't run then I will miss the meeting).	✓ this is a risk that I cannot control, but against which I can make a contingency plan.

The main record for documenting the identification, assessment and managing of risk will be the directorate, department or station business plan – Risk Plan section. All high level risks identified in the directorate plans will feed up into the Corporate Risk Register.

If a high level risk is identified through a department or station plan, then it is the managers' responsibility to highlight that to their Director who will then, if they consider it appropriate, incorporate the risk into the directorate plan and it will escalate into the Corporate Risk Register that way.

In accordance with the Corporate Risk Management Strategy, Directors and Department Heads are responsible for maintaining and reviewing the risks in their business plans, and ensuring that appropriate actions are taken to manage the risks identified. They are also responsible for managing the risks identified in the Corporate Risk Register for which they are named as the owner.

Step 2: Assessing Risks

It is important to understand how the risk is measured. Risk exists at a 'raw' or 'inherent' level when there are no controls in place to manage the risk. Risks are initially scored at this level. Knowledge about the inherent risk allows us to consider whether there are too many controls in place, if the inherent risk is low then it would be disproportionate to allocate extensive resources to put additional controls in place.

Then the risk needs to be reassessed taking into account any existing controls or actions in place to reduce the level of risk. It is the risk at this level - the 'residual risk' that needs to be measured. From this it is possible to determine whether further controls to manage the risk are required.

The overall assessment is calculated by rating each risk on two factors

- the actual **likelihood** of its occurrence; and
- the potential **impact** to the objective if the risk did happen

Both factors are rated using a score of one to three. (One lowest, three highest) These two scores are then multiplied together to develop an overall Risk Score.

Likelihood of Occurrence x Potential Impact = Risk Score



In order to ensure consistency across the organisation, the following guidelines should be applied when risks are being assessed. Not every risk will easily fit into one rating, but the best fit should be considered.

Likelihood

Likelihood	Score	
Low	1	Rare or unlikely. The risk will materialise only in exceptional circumstances or will probably not happen.
Medium	2	Possible. The risk might materialise at some time.
High	3	Likely or almost certain. The risk will probably materialise at least once or materialise in most circumstances.

The period over which the risk is assessed should usually be the timeframe of the business plan. However, there may be circumstances where there is a more appropriate timeframe, for example - the life of a specific project or scheme, which could be considerably longer.

Impact

Impact	Score	
Low	1	Minimal or minor loss, delay, inconvenience or interruption. Can be easily and quickly remedied or at worst a short to medium term effect.
Medium	2	Significant waste of time and resources. Impact on operational efficiency, output and quality. Medium term effect, which may be expensive to recover.
High	3	Major or critical impact on the achievement of objectives and overall performance or costs. Serious or huge impact on quality, costs or reputation. Very difficult and possibly long term to recover, at best medium to long term effects and expensive to recover.

Based on these assessments, the risks can be plotted onto a 3x3 matrix and a traffic light system used for identification of risks into low, medium and high bands.

Impact	High	3	6	9
	Medium	2	4	6
	Low	1	2	3
		Low	Medium	High
Likelihood				

Step 3: Addressing Risks

All residual risks can then be categorised and acted upon accordingly dependant upon their overall rating, generally this is as outlined in the following table, although it is accepted that there could be exceptions.

1-2 Low	Overall rating is 1 or 2 Manageable Risks - SWFRS is content to carry these risks. Managers still need to record that the risk has been identified and monitor regular to ensure that the risk does not increase. However, due to the low likelihood or impact it is not necessary to take any further action.
3-4 Medium	Overall rating is 3 or 4 Material Risks - SWFRS is concerned about these risks and they need to be managed by the risk owner.
6-9 High	Overall rating of 6 or 9 Significant Risks - SWFRS is most concerned about these risks. These risks will be reviewed regularly by the CCB/BCB and the risk owner should continually monitor and take appropriate action to manage the risk.

The appropriate considerations to address a risk will depend upon the overall risk rating. Where it is 1 or 2 it is probably not necessary to take any additional action over and above that already in place or planned. But remember, that the risk still need to be continually monitored as circumstances change and the rating may increase.

Where the rating is 3 or above appropriate action needs to be considered. For each material and significant risk the necessary actions to control the risk need to be identified in the appropriate directorate or department business plan and reviewed quarterly. It is important that any further controls introduced are proportionate to the risk, including the cost of implementing. ***The purpose of actions to address risks is to manage the risk down to an acceptable level, not necessarily to eliminate it all together.***

There are four potential type of action Terminate, Tolerate, Transfer or Treat. These can briefly be defined as:

Terminate - some risks can only be contained at an acceptable level by terminating the activity. Within SWFRS the capacity to address risks in this way is limited.

Transfer - this option is normally taken to transfer a financial risk or pass the risk to an insurer. However, there is also the opportunity to agree to transfer risks to a partner organisation in a joint project, but it is important that all parties are clear to the exact extent of each partner's liability and responsibility for the risk.

Tolerate - it may be appropriate to tolerate the risk without any further action for example due to either a limited ability to mitigate the risk or the cost of mitigation may be disproportionate to the benefit gained. The decision to tolerate would ideally be supported by a contingency plan in the event that the risk was realised.

Treat - treat or mitigate is in practice the most common response, achieved by taking action to reduce the probability of the risk occurring or by reducing the impact. This enables you to continue with the activity/objective but with controls and actions in place to maintain the risk at an acceptable level.

Take the opportunity - this is not a fifth option or alternative to the above, rather a consideration whenever tolerating, transferring or treating a risk. There are two aspects to consider; firstly at the same time as mitigating the risks is there an opportunity to exploit positive impact. The second is whether or not circumstances arise which, whilst not generating threats, offer positive opportunities, for example the implementation of a new software package may create the opportunity to change working practices and reallocate resources to new projects.

Risk scores need to be continually reviewed through the business planning process to ensure that existing controls are continuing and to assess the effect of any new activities. Scores need to be amended accordingly as circumstances change and the Performance Management Unit informed of any amendments.



Risk Owners

Each risk needs to be allocated an owner who will be responsible for and lead on the management of that risk. This does not necessarily mean the person responsible for undertaking the actual actions to manage the risk, for example it could be a team leader who oversees the successful completion of a series of actions by different members of that team.

It is the risk owner who is accountable for the management of that risk and they will need to be able to regularly report on progress and reassess the risk scoring if circumstances change.

Risk owners are responsible for:

- overseeing the actions set out in the risk register to manage the risks which they own; and
- ensuring that the information contained in the risk register about the risks they own is kept up to date.

Step 4: Reviewing and Reporting Risks

Few risks remain static, new issues and risks are constantly emerging and existing ones will be continually changing. Once identified and actions put in place to control each risk, it is essential that they are all routinely monitored.

Some risks may cease to exist once a key milestone has passed or action completed. These can be indicated on the risk register as 'closed', although details will be retained in an archive for future reference. Once risks have been identified and appropriate controls and action plans put in place to manage them, it is essential that they are monitored regularly.

Monitoring takes place at several levels throughout SWFRS. Risk management has been built into the business planning process through directorate, department and station plans ensuring that all risks at this level are revisited and monitored at least quarterly. The high level risks from the Corporate Risk Register are reported to the BCB quarterly for review and monitoring at this level and they can escalate risks to the joint CCB/BCB meeting for consideration, as appropriate.

South Wales Fire and Rescue Service Risk Register

The Performance Management Unit (PMU) maintains the Corporate Risk Register. This register contains all of the risks identified in relation to strategic plans and other key strategic schemes, plus through the directorate planning process. Details of how risks are classified and weighted can be found in the Corporate Risk Management Strategy.

BCB receive regular updates on this register and it can be accessed via the Intranet site so that risk owners can ensure that the information contained is current and keep the PMU informed of any new risks or changes to existing risks.

Annually there is a complete overview of the risks contained within the Corporate Risk Register and it is independently audited.

In Summary

What are the key questions to ask in risk management?

Risk management means asking the following questions:

- Are aims and objectives clear? – What are we trying to achieve? Where are we going? What are the proposed outcomes?
- What could go wrong?
- How likely is the event to happen, and what would be the impact?
- What should be done to reduce the risks?
- Who needs to know about the risks?
- Who owns the risks?
- How are these risks communicated to others?

Further information and advice is available from the Performance Management Unit.



