

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 the framework and these guidelines and all staff should be aware of it.

South Wales Fire and Rescue Service (SWFRS) has adopted a Corporate Risk Management Framework that defines the principles by which the organisation manages risk.

The Framework can be found on the Performance Management Unit pages of the Intranet.

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?

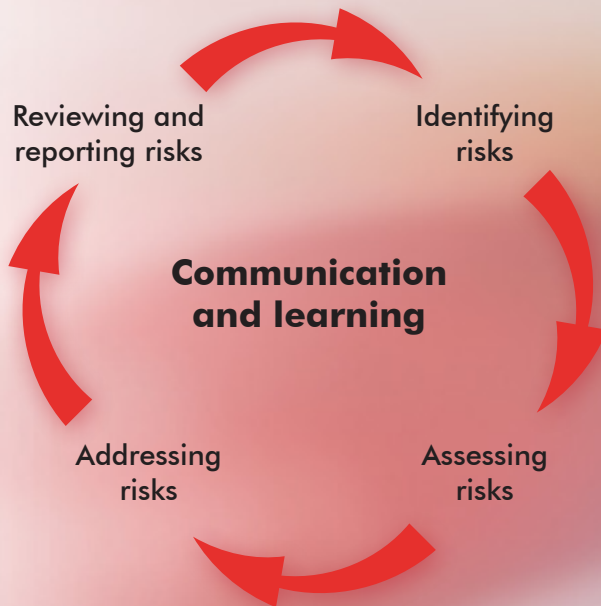
Risk management is about identifying the risks in relation to the achievement of objectives and the anticipated outcomes. It is simply a stepped process that enables you to think around the actions you are taking to identify any potential events that may hinder your successful achievement and enables you to assess those events rationally and identify any necessary steps you need to take.

Before you start an assessment you need to have clear answers to the following questions?

- What are we trying to achieve?
- Where are we going?
- What are our proposed outcomes?

This should establish the objectives and outcomes that you are working towards.

The risk assessment process can be demonstrated in the following diagram:



Step 1: Risk Identification

Risks are usually identified by reviewing the objectives in a service plan, the actions in a corporate scheme or through a 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

Risks should be described in terms of "if...then..." This ensures that you are considering the implications of the risk event occurring. 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 as being the risk 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 achievement of the objective.
Missing the train causes me to be late and miss the meeting (if I miss the train then 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. This risk could be broken down further to identify all the possible causes that may have the affect of making you late, for example over sleeping, car not starting, road works on the way etc.

<p>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).</p>	<p>✓ this is a risk that I cannot control, but against which I can make a contingency plan. Again further assessment would cause you to look at the likelihood of the risk occurring, for example is it February or July? What is the weather forecast?</p>
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The main record for documenting the identification, assessment and managing of risk of your department or team not achieving their objectives will be as a risk in your service plan, or a project risk plan.

Risks that relate to the successful achievement of our corporate objectives, corporate priorities or the successful delivery of core business are collated and managed on the Corporate Risk Register. Any employee can identify a potential corporate risk by using the on-line form on the Performance Management Unit page of the intranet. This risk will then be referred to the Senior Management Team for their endorsement and allocation of a responsible officer before entry onto the register.

In accordance with the Corporate Risk Management Framework, Directors, Service and Department Heads are responsible for maintaining and reviewing the risks in their service 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
- potential **impact** to the objective if the risk did happen

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

$$\text{Likelihood of Occurrence} \times \text{Potential Impact} = \text{Risk Score}$$

In order to ensure consistency across the organisation, the following guidelines should be applied when risks are being assessed. It is acknowledged that not every risk will easily fit into one rating, but the best fit should be considered. The scores are not intended to provide precise measurement of risk, rather to provide a useful basis for identifying vulnerabilities and ensuring that risks can be prioritised.

Likelihood

Likelihood	Score	
Low	1	0-5% Extremely unlikely or virtually impossible.
Low/Medium	2	6-25% Unlikely to occur.
Medium	3	26-50% Fairly likely or possible to occur.
Medium/High	4	51-75% Probable, more likely to occur than not.
High	5	76% + Almost certainly will occur.

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

Impact

Impact	Score	
Minimal	1	Minimal harm, loss or delay with no measurable impact
Minor	2	Short term minor harm, loss of staff, delay or interruption. Minor impact on service delivery. Can be easily and quickly remedied
Moderate	3	Permanent or long term harm or loss of staff. Loss of some service delivery. Takes a medium term to remedy with some cost implications or adverse impact on service delivery.
Major	4	Major or significant impact, harm or traumatic / stressful consequences for many. Significantly reduced service delivery. Remedy will be long term and expensive.
Severe	5	Critical impact on the achievement of objectives or service undeliverable. Serious or huge impact on quality, costs or reputation. Very difficult or impossible to remedy at best long term effects and major cost implications.

Based on these assessments, the risks can be plotted onto a 5 x 5 matrix and a traffic light system used for identification of risks into low, medium and high risk bands.

IMPACT	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	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.

1-4 Low	Overall rating is between 1 and 4 Manageable Risks - The SWFRS is content to carry these risks. Managers still need to record that the risk has been identified and monitor regularly 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, unless circumstances change.
5-12 Medium	Overall rating is between 5 and 12 Material Risks - The SWFRS is concerned about these risks and they need to be managed and regularly reviewed by the risk owner.
15-25 High	Overall rating of greater than 12 Significant Risks - The SWFRS is most concerned about these risks. These risks will be reviewed regularly by the Senior Management Team (SMT) 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 4 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 needs to be continually monitored as circumstances change and the rating may increase.

Where the rating is 5 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 service plan and reviewed at least 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 this way is limited, although it may apply to some projects that are no longer considered viable due to the resources required to manage the risks being disproportionate to the potential outcomes or benefits.

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 five 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 that risk 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 the Head of a Team who oversees the successful completion of a series of actions by different members of a 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 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 SMT regularly for review and monitoring at this level and informing the decision making process. Quarterly risk reports are also presented to the Finance, Audit and Performance Management Committee as part of the Performance Management report.

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

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. Each directorate, department, station or project leader is then responsible for the management of their own risk plans accordingly.

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

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?
- Has anything changed?

