

## **REPORT OF THE CHIEF FIRE OFFICER**

### **RISK APPETITE**

#### **1. PURPOSE OF REPORT**

To advise Members of the factors influencing the risk appetite of Nottinghamshire Fire & Rescue Service, and to provide guidance on an acceptable level of risk.

#### **2. BACKGROUND**

Members are ultimately responsible for determining the risk appetite of the Service. Members make this decision with the assistance, advice and input of Officers, who will ultimately be charged with managing the Service in line with the agreed risk appetite. Failure to set an appropriate risk appetite is, in itself, a risk to the organisation, and this report details the influencing factors that will determine the risk appetite.

#### **3. REPORT**

3.1 Nottinghamshire Fire and Rescue Service operates in a high profile, high risk, highly regulated environment. Legal frameworks set out statutory duties in respect of the provision of services and financial management. Despite the inherently high risk presented by many of the responsive activities undertaken, the Service retains a duty of care towards its employees, and members of the public in respect of health and safety.

3.2 In addition to these statutory duties, the Service is accountable to the community it serves, both in respect of the quality of services provided and in the way that the organisations finances, raised through taxation, are managed.

3.3 It is, therefore, essential that the Service meets its statutory obligations, ensures the health and safety of employees and others affected by its operations and is accountable to the community it serves. In view of the need to ensure this, a low risk appetite is considered desirable. If the Service were run with a medium or high-risk appetite, this would, in effect, demonstrate that the Service was not fully committed to complying with statutory duties in terms of operational function and organisational management.

3.4 Although the overall risk appetite for the organisation may be low, this does not prevent the acceptance of medium or high levels of risk in specific areas, indeed, a blanket acceptance of low risk that stifles development and innovation would not be desirable. Managers will need to make decisions based on opportunity cost, for example, the risk associated with shift change is outweighed by the opportunity that it presents. These decisions then need to be balanced across the organisation to ensure that there are not too many high or medium risk activities occurring at the same time. Appendix A gives an example of how different levels of risk may arise through the organisation.

3.5 The levels of risks throughout the organisation are reviewed on a regular basis as an integral part of the business/project planning framework. This will ensure that the levels of risk recorded in the risk registers accurately reflect the actual level of risk in the organisation at any given time. The risk profile produced by the Risk Manager and

summarising the overall level of risk, will be updated on an annual basis to coincide with the tender/renewal process for insurance policies.

**4. FINANCIAL IMPLICATIONS**

Adopting a low risk appetite will provide stability to the overall finances of the Service. The management of financial risks will need to be robust where specific parts of the organisation accept a medium or high-level of risk.

**5. PERSONNEL IMPLICATIONS**

There are no personnel implications.

**6. EQUALITY IMPACT ASSESSMENT**

An equality impact assessment is not required.

**7. RISK MANAGEMENT IMPLICATIONS**

It is essential that members, with the assistance of officers, determine the risk appetite of the Service. The risk appetite will provide a benchmark against which to measure the risk performance of the Service. Given the highly regulated arena in which Fire and Rescue Services operate, a 'low' risk appetite is suggested.

**8. RECOMMENDATIONS**

That Members recommend the adoption of a 'low risk appetite' to the Policy and Strategy Committee in view of the regulatory framework in which the Service operates.

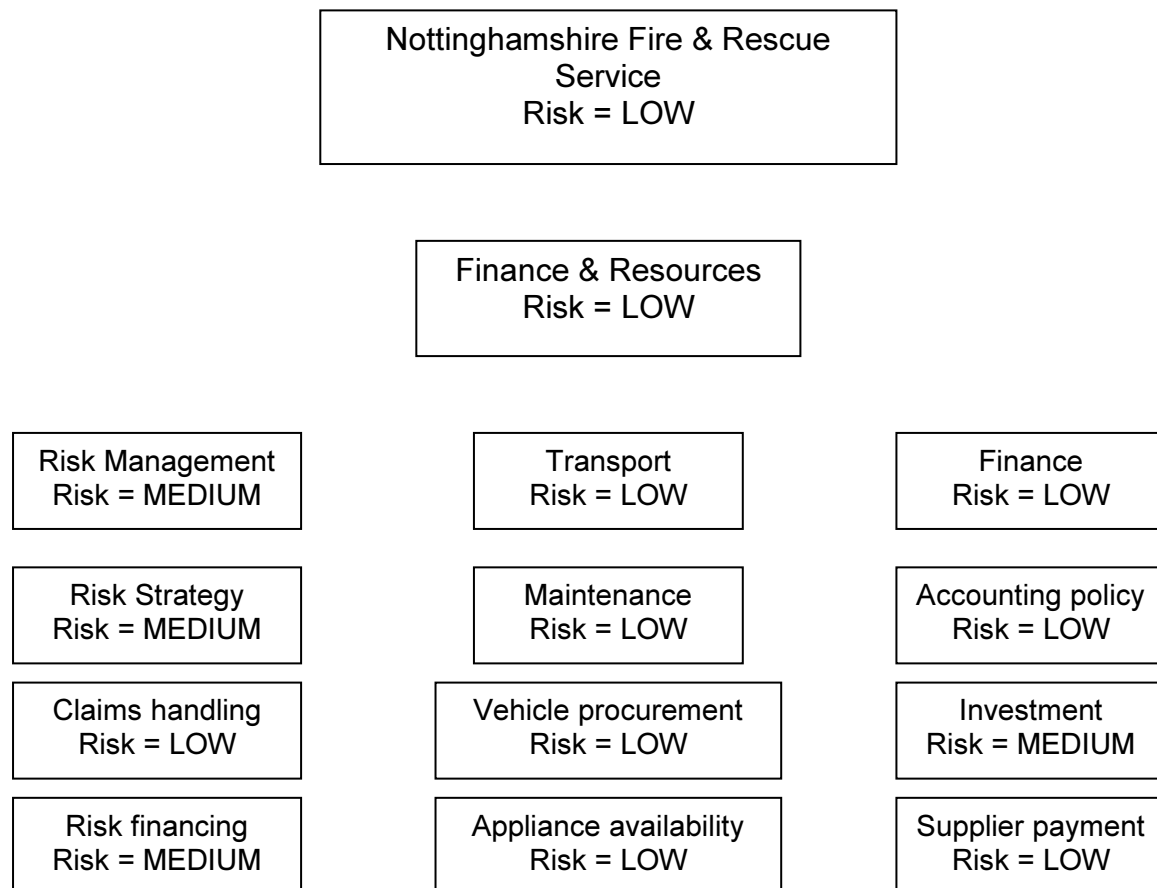
**9. BACKGROUND PAPERS**

None.

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## Appendix A



This simplistic example (for illustration purposes only) looks at just three functions of the Finance and Resources department. In the Risk Management function, there are two medium risks:

- Risk Strategy – Through the development and implementation of risk management theories that are new to the Service, but tried and tested in other organisations.
- Risk Financing – Placing insurable risk with a fledgling mutual carries a greater risk than using established insurers.

As two-thirds of the Risk Management function is medium risk, the overall assessment of risk is medium for that function.

The Finance function has one medium risk:

- Investment – Investing via the lending markets carries a higher risk than putting the money in the bank.

As only one-third of the Finance function is medium risk, the overall assessment of risk for the function is low.

When the head of Finance and Resources looks at the three functions, only one has medium risks, therefore an overall assessment for the risk of the department is low.

This process is replicated across all departments to arrive at an overall assessment of the risk for the Service.