Southampton City Council

Risk Management Policy

2017/18 - 2020/21

CONTENTS

Southampton City Council – A city of opportunity where everyone thrives

1.	Purpose

1.0 The purpose of this policy is to provide an overview of the operating framework, arrangements and responsibilities for managing risk within the Council. It is intended to raise awareness of the overarching principles of risk management and to assist officers, at all levels, in applying sound risk management principles and practices across their areas of responsibility. It is also relevant to Members in their capacity as 'decision makers' and the Governance Committee in respect of its responsibility for overseeing the Council's risk management arrangements.

1.1 This policy, which has been developed in line with good practice*, recognises that local government increasingly involves dealing with uncertainty and managing significant change whilst at the same time meeting the expectation of delivering improved and more cost effective services in new and innovative ways. All of this activity attracts risk which needs to be managed effectively if required outcomes are to be achieved and exposure to unacceptable losses avoided. Effective management of risk is essential in supporting a 'culture of innovation' and moving from a 'risk averse' to a more 'risk aware' approach.

1.2 The framework and principles referred to in this document are expected to be adopted and applied in respect of all activities that involve the management of risk. The following, which is not a complete list, illustrates the diverse range of Council policies, strategies and plans which involve, or make specific reference to, the need to manage risk.

Information Governance & Risk Policy	RISK MANAGEMENT	Emergency & Major Incident Plans
Flood Risk Management Strategy		Management of Health & Safety
Medium Term Financial Strategy		Transport Asset Management Plan
Project Management		Business Continuity Plans
Internal Audit Annual Plan		Partnership Governance
Treasury Management Policy		Annual Governance Statement
Corporate Decision Making Guidance		Community Risk Register (Hants & IOW)

* including 'ISO 31000:2009 Risk Management – Principles and Guidelines' and 'A Structured Approach to Enterprise Risk Management' issued by the Institute of Risk Management, the Association of Insurance and Risk Managers and the Association of Local Authority Risk Managers.

Southampton City Council – A city of opportunity where everyone thrives

2.   What is risk management?

2.0   Risk and risk management may be defined as follows:

- **Risk** - 'the effect of uncertainty on objectives', which can be positive or negative.

- **Risk Management** - 'co-ordinated activities to direct and to control an organisation with regard to risk'.

2.1   Risk Management is the process of identifying significant threats to, and opportunities for, the achievement of the Council's key priorities and outcomes. It is also the process of evaluating the potential consequences and implementing the most effective way of responding to, controlling and monitoring those risks.

2.2   Effective management of risk should be seen as an 'enabler' as opposed to a 'barrier' in terms of achievement of the Council's key priorities and outcomes. In becoming more risk aware the Council will be better placed to reduce the impact and likelihood of threats occurring and to take advantage of opportunities.

2.3   Risk management is an essential part of good governance within any organisation and is a key component of the Council's overall governance arrangements. It provides a framework and process that enables an organisation to manage uncertainty in a systematic, consistent and efficient way. It supports informed decision making thereby enabling opportunities to be exploited, or action to be taken to mitigate or manage risk to an acceptable level.

2.4   The Accounts and Audit (England) Regulations 2015 state that "A relevant authority (the Council) must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk".

2.4   The Council's Financial Procedure Rules also require that Chief Financial Officer prepares and promotes the authority's risk management policy statement and that Service Directors take responsibility for risk management including ensuring that there are regular reviews of risk with their service areas.

2.5   The Council's risk management function is provided by Risk and Insurance Services within Finance & Commercialisation.

Southampton City Council – A city of opportunity where everyone thrives

3.   Risk Management Policy Statement

The Council recognises the need to identify and understand its key business risks and is committed to ensuring that appropriate arrangements are in place to enable informed risk decision taking, recognising the need to optimise the balance between risk and reward.

Risk management is part of good management and essential in supporting a 'culture of innovation' and moving from a risk averse to a 'risk aware' approach. It is recognised that, in order to be effective, the approach to managing risk needs to be structured and consistent and operate at both strategic and operational levels within the organisation. It is also recognised that risks should be aligned with key priorities and outcomes and that actions should be proportionate to the level of risk.

In seeking to ensure the effective management of key risks the Council will:

- Promote a consistent and clear approach in terms of how risk should be treated and managed;

- Raise the profile and understanding of risk management at all levels across the organisation;

- Support officers and members in terms of taking informed risk aware decisions; and

- Reflect good practice which is aligned with the Council's approach to corporate governance.

4.   Corporate Risk Management Methodology

4.0   In order to ensure that risk is managed on a consistent basis there needs to be a standard methodology setting out the key principles. This methodology can then be adapted as necessary in order to reflect the approach that is most appropriate in the circumstances.

4.1   This methodology should be followed when undertaking activities such as:
- Outcome Based Planning and Budgetingng;
- Project Initiation and Planning;
- Organisational change;
- Outsourcing and partnership working;
- Change management (e.g. internal re-structure) etc.

4.2   An important part of the process is to identify key risks - 'what (risks) need to managed in order achieve the required outcomes of the project, service or activity'?   The achievement, or otherwise, of key objectives or outcomes may depend upon:-

- the Council doing certain things and not doing others;
- the occurrence of events, both internal and external, that could affect the Council, and
- the circumstances in which the organisation finds itself.

4.3   The risk management process and framework defines how risk is handled and incudes risk analysis, evaluation, risk treatment (or reduction), risk monitoring and review, and risk

Southampton City Council – A city of opportunity where everyone thrives

communication and consulting. The following shows the risk management framework and process adopted by the Council:
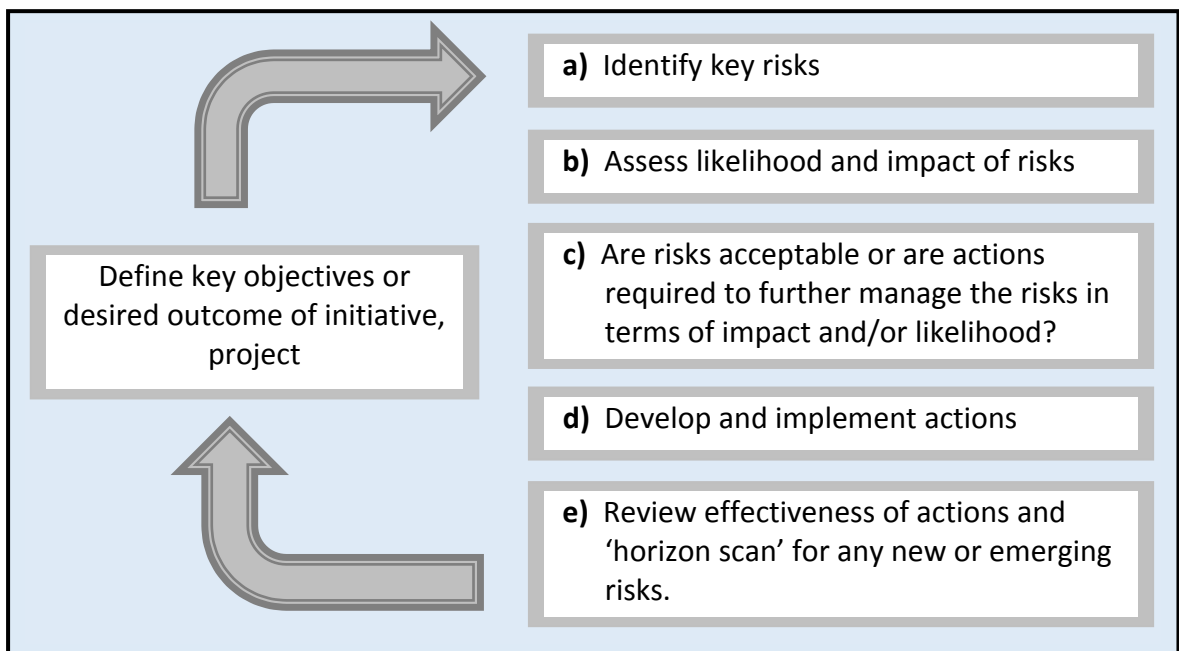
i) Process
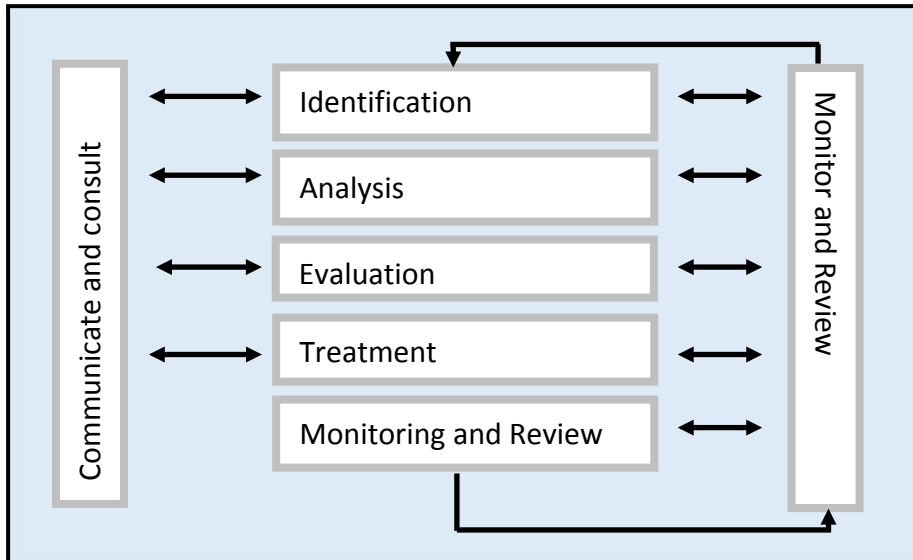
ii) Framework

Figure 1.0 Risk Management Process and Framework

a) What could prevent the organisation, service or project from delivering its key priorities and required outcomes? Is 'success' subject to key dependencies or assumptions? Have you considered the "what if" scenario? The identification of key risks may either be via a group exercise or individual contribution however there should be consensus on what the key risks are. It may be helpful for each risk to be considered in terms of 'event – cause (or trigger) – consequence'. Typically risks are articulated using the following terms "Loss of…, Failure to…, Lack of…, Opportunity to …, Increase in… etc".

Southampton City Council – A city of opportunity where everyone thrives

b) Each risk should then be considered in terms of how likely it is to occur and, if it did, what the potential impact might be? The 'risk scores' may then be plotted on a 'Risk Matrix' (Appendix ii) which can be used to highlight the most significant risks and/or illustrate how risks compare with, or relate to, each other. In most cases the focus will inevitably be on the highest risks i.e. those that pose the greatest threat.

c) The aim is to ensure that that the decision maker, project manager, board, service director etc is able to make an informed decision as to whether a particular risk can, or should, be accepted (after considering the 'likelihood and impact'). 'Risk appetite' is likely to be informed by an understanding of any existing controls and will also be influenced by the expected 'reward' or outcome. The logic used to treat risk is as follows:
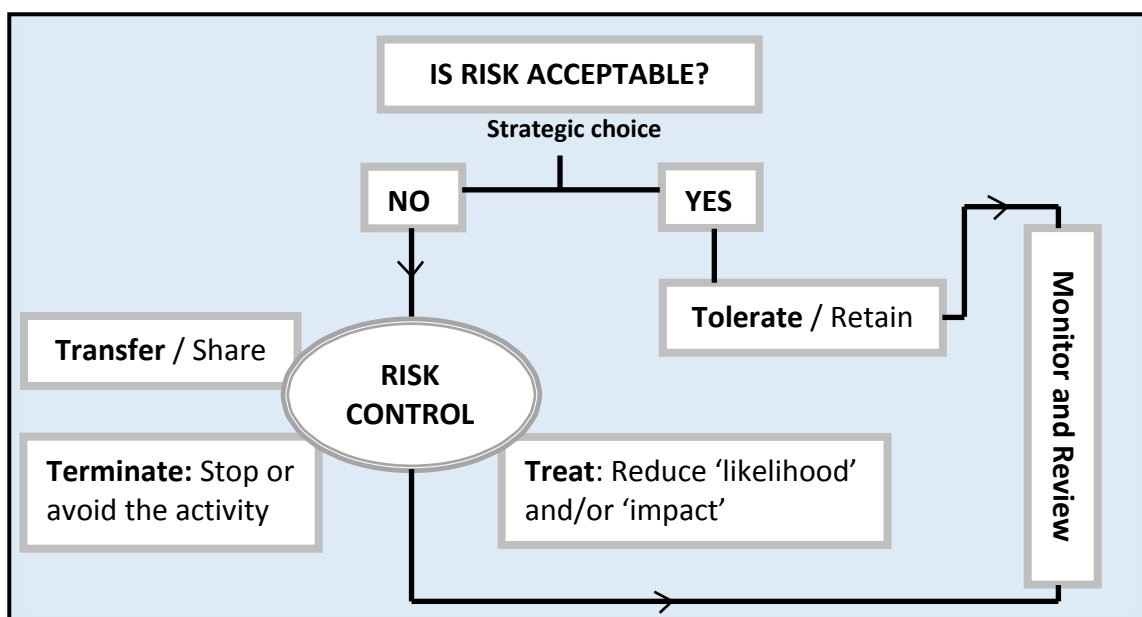

Figure 2.0 Risk Treatment Logic

d) In terms of risk treatment the options comprise one, or a combination, of the following:

- **Treat:** reduce risks to an acceptable level by developing and implementing actions or controls to reduce the likelihood and/or impact of the risk event; OR
- **Transfer**: risks may be able to be shared or transferred to another party e.g. contract, partnership or insurance; OR
- **Terminate**: or avoid the activity (the risk is unacceptably high and/or the cost or effort in managing the risk to an acceptable level is disproportionate to the potential benefit or gain); OR.
- **Tolerate**: the current level of risk is considered to be acceptable to the Council.

e) The agreed actions to manage the risk should be formally recorded with responsibility for action clearly identified together with an appropriate timescale for action (see Appendix iii for examples of risk registers). The risk register, or log, should be subject to periodic review, and challenge, to ensure that the agreed actions are being progressed

Southampton City Council – A city of opportunity where everyone thrives

satisfactorily. In addition, the review will provide an opportunity to consider whether there are any new or emerging issues that may impact on the risk and/or any new risks that need to be considered.

5.   Risk Management Roles and Responsibilities

5.0   All employees, members and those who act on behalf of the Council have a role to play in managing risk. The principal roles and responsibilities are summarised below:-

Individual/Group	Role/Responsibility
Members	• To have an understanding of the key principles of risk management;
Cabinet Member for Finance	• To be responsible for leading on risk management.
Cabinet Members	• To ensure that there is an appropriate consideration of risk in relation to the decision making process; • To be aware of the Council's strategic risks and those relating to their respective portfolios.
Governance Committee	• To provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment, including (but not limited to) the reliability of the financial reporting process and the Annual Governance Statement; • To be satisfied and provide assurance that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.
Council Management Team	• To approve the Council's Risk Management Policy and to determine and agree the Council's overall risk appetite; • Annually, to identify and agree the Council's strategic risks and to facilitate development of appropriate action plans to manage the risks.
Strategy Hub Management Team / Operations Hub Management Team	• To review, on a quarterly basis, the Council's key risks; • To review, on a quarterly basis, the Service Risk Registers; • To support and monitor the implementation and ongoing processes for embedding risk management throughout the Council.

Southampton City Council – A city of opportunity where everyone thrives

Individual/Group	Role/Responsibility
Service Directors / Service Management Teams	• To identify operational or service risks and ensure that such risks are managed in accordance with the Council's Risk Management Policy, thereby ensuring that there is a co-ordinated and consistent approach to the identification and management of risk; • To ensure that information management risks are appropriately managed; • To ensure that robust business continuity plans are in place covering key service areas and that the plans are reviewed and tested within agreed timescales; • To provide evidence, based on sources of internal and external assurance, to support preparation of the Annual Governance Statement.
Service Leaders / Service Managers	• To manage risk effectively in their service areas and in accordance with the agreed risk appetite or tolerance.
Service Lead: Risk, Assurance, Insurance & Audit	• To facilitate the continuing development of the Council's risk management arrangements including developing appropriate guidance and information; • To support services in the management of operational and strategic risk; • To facilitate and support the both the Hub Management Teams and the Council Management Team in respect of the periodic review of the Council's key risks; • To arrange appropriate risk financing measures and provide advice and guidance on the extent of insurance or self-insurance arrangements; • Where appropriate, to arrange the placement of cover with insurers including the negotiation of premium rates and policy terms.
Employees	• To manage risk in the course of undertaking their duties.

6.   Integration with other processes

6.0   **Outcome Based Planning and Budgeting / Performance Management**
As part of the business planning process Service Directors and their management teams are required to identify the risks that may impact on delivery of their key priorities and outcomes. The identified risks are then used to inform development of Service Risk Registers noting that Services Directors may, at their discretion, consider it necessary to escalate a risk to the Council's Strategic Risk Register for oversight by CMT. Guidance document and templates are published on the intranet which are intended to support the development of service risk registers and provide guidance in respect of the review and monitoring processes.
https://staffinfo.southampton.gov.uk/finance-procurement/risk-insurance/risk-management/service-risk-registers.aspx

Southampton City Council – A city of opportunity where everyone thrives

6.1 **Medium Term Financial Strategy**

The Council's Medium Term Financial Strategy includes a financial risk register that is reviewed on a quarterly basis. The financial risk register identifies the key risks to the Council's financial position over the short to medium term together with a summary of the mitigating actions in place and/or planned. These financial risks include an assessment of both the adequacy of proposed financial reserves and an assessment of the robustness of estimates.

6.2 **Decision Making**

A report author is expected to provide the decision taker with relevant and proportional information regarding the risks that may be associated with the activity, project or initiative that is the subject of a decision making report. In respect of risk, the report author should consider what information the decision taker might reasonably be expected to need to know and understand, particularly those risks that they are being asked to accept. Information regarding risk should be both relevant and proportional in order to support informed decision taking. Further guidance in respect of how risk is presented in a corporate decision making report is published on the intranet at: **https://staffinfo.southampton.gov.uk/finance-procurement/risk-insurance/risk-management/decision-making-risk.aspx**

6.3 **Partnership Working**

A 'Partnership Code' forms part of the Council's Constitution. This Code outlines the requirements for establishing, managing and reviewing partnerships, as well as expected conduct of Council officers and Councillors who are a member of a partnership. The Code makes reference to the need for risks to be assessed and monitored both at inception and dissolution of a partnership. Partnership Risk Management guidance is also published on the intranet at: **https://staffinfo.southampton.gov.uk/finance-procurement/risk-insurance/risk-management/partnership-risk.aspx**

6.4 **Programme and Project Management**

The importance of identifying and managing risk is a theme that runs throughout the programme and project management process from initiation to implementation. Published guidance on the intranet is intended to assist both project managers and project sponsors/boards in understanding both the importance of managing risk and the process of identifying and managing key risks. **https://staffinfo.southampton.gov.uk/finance-procurement/risk-insurance/risk-management/project-risk-management.aspx**

6.5 **Internal Audit**

Internal audit plays a vital role in advising the Council that arrangements in relation to governance, risk management and internal control are in place and operating effectively. Response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations

Southampton City Council – A city of opportunity where everyone thrives

objectives. The Internal Audit function provides an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. The Council's annual 'Internal Audit Plan' is informed by the Council's strategic risks together with discussions with individual Service Directors and CMT.

6.6 **Corporate Governance**

Corporate governance comprises the systems and values by which Councils' are directed and controlled and through which they are accountable to and engage with their communities. To demonstrate compliance with the principles of good corporate governance, Southampton City Council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. CIPFA / Solace "*Delivering Good Governance in Local Government*" guidance identifies "Managing risks and performance through robust internal control and strong public financial management" as being one of the principles of good governance.

6.7 **Annual Governance Statement**

The Accounts and Audit (England) Regulations 2015 require that local authorities publish an Annual Governance Statement ("AGS") with their annual Statement of Accounts. The AGS is a key corporate document that sets out the Council's overall corporate governance framework and highlights any significant gaps or areas where improvement is required. Risk Management is an integral part of the Council's overall governance framework.

6.8 **Fraud Risk Management**

The policies and processes in respect of fraud risk management apply to all employees, elected members and others who work for or on behalf of the Council. Internal control systems are intended to minimise the opportunity for fraud or misappropriation of assets. The Council's Anti-Fraud and Corruption Policy and associated policies are published on the intranet at:
https://staffinfo.southampton.gov.uk/finance-procurement/risk-insurance/internal-audit/fraud-and-corruption.aspx

7. Communication

7.0 The Risk Management Policy and other associated guidance and template documents are published on the intranet and subject to periodic review to ensure that they remain fit for purpose. The Risk Management Policy forms part of the Council's Strategy and Policy Framework and is hosted on the Policy Hub.

8. Reporting

8.0 The Service Lead: Risk, Assurance, Insurance & Audit Risk shall, via the Service Director Finance and Commercialisation, present an annual report to the Governance Committee outlining the risk activities and risk priorities for the forthcoming period and will

Southampton City Council – A city of opportunity where everyone thrives

additionally provide a mid-term update. Any shared learning arising from the annual plan is cascaded to via Service Directors as appropriate.

9.	Review

9.0   The Risk Management Policy is approved by Council Management Team and presented the Council's Governance Committee for noting. The document is reviewed annually by the Council's the Service Lead: Risk, Assurance, Insurance & Audit with any significant changes reported to both CMT for approval and the Governance Committee.

Southampton City Council – A city of opportunity where everyone thrives

<div style="border:1px solid #000; padding:4px;">

Glossary of common terms used in relation to risk management   Appendix i

</div>

Assessing risks	*The evaluation of risk with regard to the impact if the risk is realised and the likelihood of the risk being realised.*
Consequence	*The outcome of an event.*
Contingency	*An action or arrangement that can be put into place to minimise the impact of a risk if it should occur.*
Control	*Any action, procedure or operation undertaken to either contain a risk to an acceptable level, or to reduce the likelihood.*
Corporate Governance	*The system by which an organisation is directed and controlled.*
Exposure	*The consequences, as a combination of impact and likelihood, which may be experienced by the organisation if a specific risk is realised.*
Fraud	*The intentional distortion of financial statements or other records by persons internal or external to the organisation, which is carried out to conceal the misappropriation of assets or otherwise for gain.*
Governance Committee	*The Member body responsible for ensuring the adequacy of the risk management framework, internal control and reporting environment including (but not limited to) the reliability of the financial reporting process and the Annual Governance Statement.*
Hazard	*A situation or thing that has the potential to harm a person or organisation*
Horizon Scanning	*Systematic activity designed to identify, as early as possible, indicators of changes in risk.*
Identifying Risks	*The process by which events that could affect the achievement of key objectives, are drawn out, described and recorded.*
Impact	*The effect that a risk event would have if it occurs.*
Inherent Risk	*The level of risk before any action has been taken to manage it.*
Internal Control	*The policies, procedures, practices and organisational structures designed to provide reasonable assurance that business objectives will be achieved and that undesired events will be prevented or detected and corrected.*
Likelihood	*The probability that an identified risk event will occur.*

Southampton City Council – A city of opportunity where everyone thrives

Operational Risk	*Risks concerned with day-to-day operational issues that an organisation might face as it delivers its services.*
Residual Risk	*The level of risk remaining after action has been taken to manage it.*
Risk	*The effect of uncertainty on objectives.*
Risk Appetite/Tolerance	*The amount of risk that the Council is prepared to accept, tolerate or be exposed to at any point in time.*
Risk Assurance Report	*The risk reporting tool adopted by the Council which captures information about each risk in terms of how it should be managed and the effectiveness of the controls in place (via an assurance rating).*
Risk Financing	*The mechanisms (e.g. insurance programmes) for funding the financial consequences of risk.*
Risk Management	*The culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives.*
Risk Owner	*The person with responsibility for that controls in place to manage a risk are adequate and appropriate and/or that the actions required to manage a risk are being progressed.*
Risk Matrix	*The number of levels of likelihood and impact against which to measure the risk and to record the risk appetite.*
Risk Policy	*The overall organisational approach to risk management.*
Strategic Risk	*Risks concerned with the high level strategic aims and objectives of the organisation.*

Southampton City Council – A city of opportunity where everyone thrives

Risk Scoring - Likelihood and Impact | Appendix ii

LIKELIHOOD (Probability)		
A - Almost Certain	**> 95%**	Highly likely to occur
B - Likely		Will probably occur
C - Possible	**50%**	Might occur
D - Unlikely		Could occur but unlikely
E - Very Unlikely	**< 5%**	May only occur in exceptional circumstances

IMPACT (Consequence)			
	SERVICE DELIVERY (key outcomes/ priorities)	**FINANCIAL**	**REPUTATION**
5 - Minor	No noticeable effect	Expenditure or loss of income < £10k	Internal review
4 - Moderate	Some temporary disruption to a single service area/ delay in delivery of one of the Council's key strategic outcomes or priorities	Expenditure or loss of income £10k - £499k	Internal scrutiny required to prevent escalation
3 - Significant	Regular disruption to one or more services/ a number of key strategic outcomes or priorities would be delayed or not delivered	Expenditure or loss of income £500k - £4.99m	Local media interest. Scrutiny by external committee or body
2 - Major	Severe service disruption on a services level with many key strategic outcomes or priorities delayed or not delivered	Expenditure or loss of income £5m - £9.99m	Intense public and media scrutiny
1 - Extreme	Unable to deliver most key strategic outcomes or priorities / statutory duties not delivered	Expenditure or loss of income >£10m	Public Inquiry or adverse national media attention

Southampton City Council – A city of opportunity where everyone thrives

Risk Register - Templates	Appendix iii

It is important that the methodology used in terms of how the risks are identified, assessed and managed is consistent. It is recognised however that the 'Risk Register' or 'Risk Log' may need to vary slight according to the business need. The following templates are available on the intranet at: **https://staffinfo.southampton.gov.uk/finance-procurement/risk-insurance/risk-management/templates.aspx**

SERVICE RISK REGISTER - TEMPLATE

The following table identifies the key service risks together with a summary of the mitigating actions in place and planned. Note: the term 'Inherent Risk' reflects an assessment of the risk <u>before</u> any mitigating actions have been applied with the 'Residual Risk' reflecting the position <u>after</u> mitigating actions have been applied.

Version No: 01   **Last Review Date: /   /**   **Next review Date: /   /**

RISK DESCIPTION	INHERENT RISK		MITIGATING ACTIONS: IN PLACE / PLANNED	RISK OWNER	TARGET RESIDUAL RISK	
	Likelihood	Impact			Likelihood	Impact
1.	**B** Likely	**1** Extreme	• *Ensure that……….* • *Work with….* • *Policy aligned with….* • *Continue to …….*		**C** Possible	**2** Major
2.	**C** Possible	**4** Moderate	• *Challenge supplier….* • *Performance benchmarked against…..*		**D** Unlikely	**5** Minor
3.	**B** Likely	**2** Major	• •		**C** Possible	**4** Moderate
4.	**B** Likely	**3** Significant	• •		**B** Likely	**3** Significant
5.	**B** Likely	**3** Significant	• • •		**C** Possible	**3** Significant

Southampton City Council – A city of opportunity where everyone thrives

PROJECT **Risk Register - TEMPLATE**

Project Reference:	
Project Title:	
Report Date:	
Reporting Period:	

LIKELIHOOD		5	4	3	2	1
Almost Certain	A					
Likely	B					
Possible	C					
Unlikely	D					
Very Unlikely	E					
RISK RATING MATRIX		Minor	Moderate	Significant	Major	Extreme
				IMPACT		

Risk No	Description of key risk	Likelihood	Impact	Consequence	Mitigation Action	Responsibility for action	Milestone or Key Date(s)
	What the key risks that may prevent, or have a significant adverse effect on, successful delivery of the project?	*How likely is the risk to occur?*	*What would be the impact of the risk event occurring?*	*…of the risk event occurring*	*What action(s) are in either in place or need to be taken to manage the risk to an acceptable level?*	*Who is to be responsible for ensuring that the action is progressed?*	*When does the action need to be in place by?*
01.							
02.							
03.							
04.							
05.							

Southampton City Council – A city of opportunity where everyone thrives

PARTNERSHIP RISK REGISTER - TEMPLATE

This template may be used to formally record the key risks that need to be managed in order to support the delivery of the partnership's key objectives and outcomes. The purpose of the exercise is not to seek to eliminate or avoid all risks, but to ensure that key risks are understood and that reasonable actions or controls are put in place to manage risks to a level that is acceptable to the individual partners/partnership.

	Description of key risk	Likelihood	Impact	Consequence	Mitigation Action / Existing Controls in Place	Responsibility for Action	Milestone or Key Date(s)
	What may prevent, or have a significant adverse effect on, successful delivery of the partnership key objectives or outcomes?	*How likely is the risk event to occur?*	*What would be the impact of the risk event?*	*....of the risk event occurring*	*What action(s) are in either in place or need to be taken to manage the risk to an acceptable level? What controls are already in place?*	*Who is to be responsible for ensuring that the action is progressed?*	*When does the action need to be in place by?*
1.							
2.							
3.							
4.							
5.							
6.							

Southampton City Council – A city of opportunity where everyone thrives

This page is left blank

Southampton City Council – A city of opportunity where everyone thrives

Appendix iv

Southampton City Council
Risk Financing Policy
2017/18 - 2020/21

[This policy is an appendix to the Risk Management Policy]

Southampton City Council – A city of opportunity where everyone thrives

CONTENTS

Southampton City Council – A city of opportunity where everyone thrives

1.	Purpose

1.0   The purpose of Risk Financing Policy, which is a key component of the Council's Risk Management Policy, is to summarise the Council's overall approach to risk financing. The Risk Financing Policy will be of particular relevance to the Governance Committee in respect of its responsibility for overseeing the Council's risk management arrangements.

2.	Definitions

2.0   **Risk Financing** - "Utilisation of source(s) of funds to pay for insurable losses. Source(s) of funds can be classified as:

➢ *Internal* - a risk retention arrangement is established to use funds from within the organisation to pay for losses;

➢ *External* - a risk transfer arrangement (generally through the purchase of insurance) is established to provide access to funds to pay for losses".

2.1   Although this document refers primarily to self-insurance [risk retention] and external insurance cover, in some cases other risk financing options may be available and these will be referred to as appropriate.

3.	Structure, Resources and Accountability

3.0   The Council's Financial Procedure Rules state that the Chief Financial Officer has responsibility 'to advise the Cabinet on proper insurance cover where appropriate, and effect corporate insurance cover, through external insurance and internal funding'.

3.1   The Service Lead: Risk, Assurance, Insurance & Audit reports to the Chief Financial Officer on all strategic risk financing issues and is responsible for ensuring that the adopted policy is implemented and is subject to annual review.

3.2   The Council's Risk Management and Insurance service is responsible for:
- Maintaining adequate and cost effective risk financing measures;
- Managing the internal self-insurance fund;
- Providing risk management advice, guidance and support;
- Arranging, where appropriate, the placement of cover with external insurers including the negotiation of premium rates and policy terms; and
- The provision of an appropriate insurance claims handling service.

Southampton City Council – A city of opportunity where everyone thrives

3.3   The Council will normally appoint an external independent insurance broker/advisor to support and assist the Council in respect of the periodic tender of its insurance portfolio. The appointment will normally include provision of ongoing support on a retained basis.

3.4   The appointment of an insurance broker/advisor will be led by the Service Lead: Risk, Assurance, Insurance & Audit with such an appointment normally taking place at least six months in advance of any renewal (or tender) of external insurances.

3.5   External insurance will be procured in accordance the Council's Contract Procedure Rules. The Council will award contracts for the provision of insurance services on the basis of the most economically advantageous terms in respect of price and quality.

3.6   The tender of the Council's insurance portfolio will normally take place every three to five years (unless a longer or shorter term contract or agreement is proven to be beneficial to the Council). In accordance with good practice the Council will normally seek to enter into a 'long term agreement' ("LTA") with insurer(s). The LTA, which normally includes a discount on the premium, provides continuity of cover, an element of financial certainty and is in line with the standard market approach.

4.	**Risk Financing Methodology**

4.0   An effective risk financing programme is one that provides appropriate and adequate protection for the Council to support and enable current and future service delivery in addition to being able to demonstrate value for money.

4.1   The overall objective of the Risk Financing Policy is to ensure that funds are available to pay for insurable losses using the most cost effective sources of finance. In doing so the Council seeks to protect its financial position through the selective purchase of insurance cover and seeks to ensure that the risk financing structure is as financially efficient as possible, whilst accepting that financial certainty has a cost.

4.2   The aim is to achieve the optimum balance between self-insurance and external insurance, with the latter intended primarily to protect the Council against the effects of a catastrophic loss and to limit the Council's financial exposure in any one period. The approach seeks to smooth the cost of risk and minimise year on year fluctuations.

4.3   The structure of the risk financing programme will be subject to a periodic review, led by the insurance broker/advisor, in order to identify any potential gaps, duplication, etc in cover, and to evaluate self-insurance against other risk transfer options.

Southampton City Council – A city of opportunity where everyone thrives

4.4   The cost of risk (i.e. external insurance premiums and contribution to the internal insurance fund) is apportioned across service areas on an equitable basis via an annual insurance recharge.

4.5   It is the responsibility of Service Directors and Service Leaders to ensure that any significant changes in exposure e.g. provision of new services, disposal of properties, outsourcing of services etc are communicated to the Service Lead: Risk, Assurance, Insurance & Audit.

4.6   Losses within the insurance deductible are met from the self-insurance fund, which is reviewed on a monthly basis by the Service Lead: Risk, Assurance, Insurance & Audit.

4.7   In line with good practice the 'self-insurance fund' is subject to independent actuarial review which is normally undertaken every three years. The review considers whether adequate funds are available to meet current and future liabilities. A summary of the report is provided to the Chief Financial Officer and to the Governance Committee.

5.	Alternative Risk Transfer

5.0   The Council is committed to securing value for money and securing the most cost efficient source of risk financing. The insurance market for local authorities has traditionally been a specialist market with only a very limited number of insurers prepared to offer cover.

5.1   The Council, in consultation with its insurance broker/advisor, will keep abreast of any opportunities in respect of 'alternative risk financing' including consortia purchasing, joint procurement, risk pooling etc. The foregoing options would however only be considered where any such proposals provided an acceptable level of financial certainty and security and a clear cost benefit.

6.	Benchmarking

6.0   Where appropriate the Council will compare its approach to risk financing with peer authorities and will draw on benchmarking data in order to identify potential gaps in cover or areas for review.

7.	Review

7.0   This document will be reviewed as per the arrangements for the Risk Management Policy.

Southampton City Council – A city of opportunity where everyone thrives