

# RISK MANAGEMENT ANNUAL REPORT 2022



**Risk: 'the effect of uncertainty on objectives'**

**November 2022**



**Risk Management – Annual Report 2022**

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*The purpose of this report is to provide assurance to the Governance Committee that the council has in place effective risk management arrangements and that key risks are being managed and monitored appropriately. This reflects the responsibilities of the Committee as set out in the Terms of Reference:*

- *“To provide independent assurance on the adequacy of the risk management framework and the internal control and reporting environment...”*
- *“To be satisfied and provide assurance that appropriate action is being taken on risk and internal control related issues...”*

*This report is split into two main sections – **Section A** which provides a summary of the framework and overall arrangements in place across the council that are intended to ensure that proper consideration is taken of risk and **Section B** which summarises the range of risk management activities that have been undertaken within the 12 month period.*

## ROLES AND RESPONSIBILITIES

The council's Risk and Insurance Service, which is part of Financial Planning and Management, is responsible for:

- Facilitating the continuing development of the council's risk management arrangements including developing appropriate guidance and information.
- Supporting services in the management of operational and strategic risk.
- Facilitating and supporting the 'Finance, Commercialisation and Performance Board' in respect of the identification, management, and review of the council's key strategic risks.
- Arranging appropriate risk financing measures and providing advice and guidance on the extent of insurance or self-insurance arrangements.
- Where appropriate, arranging the placement of cover with insurers including the negotiation of premium rates and policy terms.

## SECTION A – RISK MANAGEMENT FRAMEWORK

The risk management framework comprises the overall arrangements in place across the council that are intended to ensure that proper consideration is taken of risk. The key components of this framework are:

- **Risk Management Policy**

This provides an overview of the operating framework, arrangements, and responsibilities for managing risk and is intended to assist officers, at all levels, in applying sound risk management principles and practices across their areas of responsibility. This policy, which is published on the council intranet, is subject to annual review and update as necessary.

- **Strategic Risk Register**

The Strategic Risk Register is a key document in terms of identifying, assessing, and managing the council's key strategic risks. The Strategic Risk Register is developed and managed in consultation with the 'Finance, Commercialisation and Performance Board' and individual Executive Directors. The Strategic Risk Register is updated and reviewed on a quarterly basis by the Board with new or emerging risks considered.

- **Corporate Report Templates**

The council's standard corporate report template, briefing template and EMB report template all include a 'Risk Management' section that requires a report author to consider and provide the 'decision taker/recipient' with relevant and proportionate information regarding the risks associated with the project, topic or initiative that is the subject of the report.

- **Project and Programme Risk Management**

The need to identify and manage risk runs throughout the project and programme management process with 'Risks, Assumptions, Issues, Dependencies ('RAID') Logs' embedded as part of project management governance. Template documents and associated guidance is available to assist both project managers and project sponsors/boards in understanding the importance of understanding and managing risk.

- **Partnerships**

All key service delivery partnerships (such as the Highways Service Partnership with Balfour Beatty Living Places) and major contracts have risk registers in place which are jointly reviewed with the supplier and includes any 'shared risk'. There is also guidance on the intranet in respect of managing risk in respect of non-commercial partnership working.

- **Medium Term Financial Forecast**

A 'Key Financial Risks' document 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 which is reviewed on a quarterly basis as part of financial monitoring.

- **Business Planning**

An annual business planning process is in place whereby plans are developed and reviewed to ensure that they reflect the key service delivery priorities and outcomes. Service Business Plans provide an overview of the services, the outcomes (and outputs) and actions or changes required to ensure delivery. The corporate business planning template includes a section on 'risk' which recognises the importance of services identifying and understanding the risks that may threaten or adversely impact delivery of their key priorities and outcomes.

- **Internal Audit**

Internal audit plays a vital role in advising the council that arrangements in relation to governance, risk and internal control are in place and operating effectively. Response to internal audit activity should lead to the strengthening of the internal control environment. The annual 'Internal Audit Plan' is informed by the council's Strategic Risks together with discussions with individual Executive Directors and EMB.

- **Fraud Risk Management**

An Anti-Fraud, Bribery and Corruption Policy is published on the intranet and applies 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.

- **Operational Risk Management**

The management of 'day to day' or 'operational risk' is the responsibility of individual service areas with support and guidance being provided by Risk and Insurance Services as required including, where necessary, access to specialist advice.

## **SECTION B - RISK MANAGEMENT ACTIONS AND INITIATIVES : Nov 2021- 2022**

- **Quarterly reviews of the Strategic Risk Register**

The council's Strategic Risk Register was reviewed by the Finance, Commercialisation & Performance Board at End Q3 2021-22 (Jan 22), End Q4 2021-22 (May 22), End Q1 2022-23 (Sept 22) and End Q2 2022-23 (Nov 22). This Board, which comprises all members of EMB, receives a report in respect of the status of the council's Strategic Risks and information on any new or emerging risks for discussion.

The End Q1 22-23 review also included a summary of the 'Strategic Risk Registers' for those comparable councils who are members of the 'Key Cities' group. This was to enable the Board to consider how the council's strategic risks compare or contrast to those identified by other similar sized councils.

See Appendix 2 which is a summary of the Strategic Risks as at End Q2 2022-23.

- **External review of the Strategic Risk Register and Risk Management Policy [Planned Action on 2021 Report]**

A 'risk management consultant' from the council's liability and property insurers undertook a review of both the Strategic Risk Register and the council's Risk Management Policy. The purpose of the review, undertaken at no cost to the council, was to ensure that both are aligned with good practice and remain fit for purpose. The recommendations were considered and implemented as appropriate.

- **Revised and updated 'Risk Management Policy 2022/23-24/25'**

The council's previous Risk Management Policy was review and refreshed to ensure that it remains fit for purpose and aligned with the needs and business processes of the council. This policy provides an overview of the framework, arrangements, and responsibilities for managing risk within and across the Council. It is intended to assist officers, at all levels, in applying sound risk management principles, practices across their areas of responsibility.

- **Organisational risk management exercises**

Risk management is increasingly being used to assess the organisational impacts and risks to the council and its services arising from unforeseen events, for example the:

- Afghan refugee resettlement
- Conflict in Ukraine
- Cost of Living Crisis

In each case, the Risk & Insurance Team collated and drafted the key risks and impacts which were then subsequently used by cross council officer groups to better understand the issue and to inform subsequent actions.

- **ALARM National Risk Management Awards 2022 – Runner up**

The Council was shortlisted as a finalist in two categories ('Operational Risk' and 'Resilience Planning') of the ALARM Annual Risk Management awards. The award submission, made by council's 'Risk & Insurance Team and in collaboration with Property Services, referred to the significant programme of works that the council has undertaken in improving fire safety within its housing properties and, in particular, the retrofitting of sprinkler systems in the high rise housing blocks. ALARM is a national organisation with over 900 members within local government, blue light, education, housing and central government departments and agencies, and provides training, guidance and best practice, networking, and industry recognition for excellence across risk management.

- **Housing – Fire Safety**

The council's housing fire safety works programme, led by Property Services, continues. This programme has seen sprinklers installed into all 19 high rise housing blocks and over 2,400 accredited fire doors and frames fitted, as well as a range of associated passive fire safety works around fire stopping and compartmentation. Although the initial focus was on the high rise blocks there is an ongoing programme to replace fire doors and improve fire stopping in medium and low rise blocks which is being progressed on a risk based approach. Insurers have been kept informed of the actions being taken and, from a loss control perspective, recognise the benefits.

- **Representation on internal management boards**

The Risk & Insurance Manager is a member of the following Management Boards and is able to ensure that risk management issues are able to be raised and given proper consideration:

- Information Governance Board
- Health & Safety Board
- Fire Safety Programme Board
- Emergency Preparedness, Resilience and Response Board

- **Property Sums insured review programme [Planned Action on 2021 Report]**

An exercise, led by Property Services, was undertaken to review the approach in respect of the periodic review of the adequacy of property sums insured and also to take account of insurers expectations. An exercise has commenced to review of the sums insured of a selected number of properties with the expectation that a formal rolling programme will be developed and implemented.

- **Contracts – Indemnity and Insurance Clauses training [Planned Action on 2021 Report]**

A 'Contract - Insurance Terms and Clauses' training session was developed and presented to colleagues in the Supplier Management Team, Integrated Contracts Unit, Legal (Contracts Team) and Property Services. The sessions, which were intended to provide participants with 'a better understanding of insurance and indemnity clauses in contracts and their significance' were well received with over 65 participants attending the sessions that were held in January and September 2022.

- **Grounds Maintenance Depots – Security Surveys**

Following the theft of some Grounds Maintenance equipment and other incidents of vandalism and trespass, a security survey of the three depots was undertaken in conjunction with insurers. Recommendations arising out of the survey are to be considered by the service area.

- **Guidance and advice**

A range of guidance and advice was issued or published on the intranet including:

- A note to the council's Leadership Group regarding information governance and data breach claims with a separate communication to schools
- A 'Keeping you and your vehicle safe' bulletin, issued via Fleet Transport, to drivers of council commercial vehicles including a reminder not to leave a vehicle unlocked and unattended, and the importance of ensuring that the driver is aware of the type of handbrake on the vehicle and how it works
- Input in the development of new, or refreshed, corporate guidance (e.g. Health and Safety, HR etc) from a risk management and insurance perspective.

- **Risk Financing - review of self-insurance fund**

An external periodic review of the council's 'Self-Insurance Fund' was commissioned in order to assess the adequacy of the council's 'self-insurance' fund in terms of being able to meet current and future claims that fall within the insurance policy excesses (Liability claims below £125k, Property Claims below £40k and Motor Claims below £25k are all met from this fund). The review, undertaken via a specialist

division of the council's insurance broker Marsh, used various actuarial and statistical methods to assess the adequacy of the fund, with the subsequent report then used to inform decisions regarding future funding requirements.

- **Solent Unitaries Insurance Group**

Peer group meetings were held with colleagues from Portsmouth City Council, Isle of Wight Council and Bournemouth, Christchurch & Poole Council to share and discuss risk and insurance issues. The SCC Risk & Insurance Manager has chaired these meetings which have covered a range of subjects including:

- Insurance market insight
- Insurance programmes and renewal terms
- Covid risk and insurance issues
- Hybrid Working
- New or emerging claim trends

## **NEW RISK MANAGEMENT ACTIVITIES PLANNED OR BEING CONSIDERED**

[**Note:** The following may need to be reprioritised or reconsidered subject to the business need]

- **Loss Reporting**

The existing insurance claims handling system has recently been upgraded which includes improved functionality in terms of loss reporting and analysis. Further work will be undertaken with key service areas in terms of how the insurance claims loss data may be used to inform their working practices.

- **Training – Insurance and Risk**

Look to develop further in-house operational risk management training sessions following on from the 'Contract – Indemnity and Insurance Clauses' training which was well received.

- **Property Sums Insured reviews**

Continue to work with Property Services in terms of the development of a consistent and sustainable approach to periodic review of property sums insured.

For further information please contact Peter Rogers, Risk & Insurance Manager 023 8083 2835 or [insurance@southampton.gov.uk](mailto:insurance@southampton.gov.uk)