

RISK MANAGEMENT ANNUAL REPORT 2024



Risk: 'the effect of uncertainty on objectives'

January 2025



Risk Management – Annual Report 2024

The purpose of this report is to provide assurance to the Audit 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 last 12-month period.*

ROLES AND RESPONSIBILITIES

The council's Risk and Insurance Service, which part of Legal & Governance with the Enabling Services Directorate, is responsible for:

- Facilitating the continuing development of the council's risk management arrangements including developing and providing support, advice and guidance.
- Supporting services in the management of operational and strategic risk.
- Facilitating and supporting the Management 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.
- Arranging the placement of insurance cover in respect of insurable risks where it is economic to do so.

SECTION A – THE 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 framework, arrangements and responsibilities for managing risk within and across the Council 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. Strategic risks are those risks that are of significant, cross-cutting importance to the council such that they are considered to require the attention and oversight of the council's senior management team. They reflect a combination of organisational 'resilience' and 'governance' type risks together with risks that are more transient in nature. The Strategic Risk Register is updated and reviewed on a quarterly basis by the council Management Board who also consider any new or emerging risks.

▪ Directorate Risk Registers

Directorate Risk Registers recognise that, in addition to the council's Strategic Risks, there are very likely to be other significant risks within individual directorates relating to the services, actions or activities being delivered or undertaken. Such risks, although significant in themselves, may not however be considered as cross-cutting or be of such significance that they would be considered to be a 'strategic risk' that requires Management Board oversight. The risks that appear in a Directorate Risk Register will typically be aligned with the Directorate Business Plan in terms of the potential impact on the delivery of the key service priorities and objectives.

- **Guidance and information**

A range of information and advice is published on the intranet as well as an e-Learning Risk Management training module together with a 'Risk Management Essentials' guidance document available to all staff via the council's Learning & Development portal.

- **Corporate Report Template**

The council's standard corporate report template, briefing template include a 'Risk Management Implications' section. This section requires a report author to highlight any significant risks associated with the decision and provide the decision maker with assurance the appropriate actions/controls are in place to mitigate the risk. It should also mention what consultation has been carried out in preparation (both internal and external) and report on any responses received and an analysis (both positive and negative) of those reports.

- **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 the Management Board.

- **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 other major contracts have risk registers in place which are jointly reviewed with the supplier and include any 'shared risks'. There is also guidance on the intranet in respect of managing risk in respect of non-commercial partnership working.

- **Key Financial Risks**

Financial risks, in terms of the 'robustness of estimates' and 'adequacy of proposed financial reserves' are captured in a 'Key Financial Risks' document. This document is managed and reviewed by Finance and included on a quarterly basis as part of the financial position update report.

- **Business Planning**

The council undertakes an annual business planning and budgeting process with all Service Business plans required to be reviewed to ensure that they reflect changing circumstances, methods of service provision, impact on the budget and the needs of customers. Significant risks that may threaten or adversely impact delivery of their key priorities and outcomes would be expected to be considered for inclusion in the Directorate Risk Register.

- **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: 2024

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

The council's strategic risks were reviewed by the Management Board in January (End Q3 - 2023/24), April (End Q4 - 2023/24), July (End Q1 - 2024/25), October (End Q2 - 2024-25), January (End Q3 - 2024/25) noting that, from the End Q2 it now forms part of a wider 'Quarterly Performance Review' which is presented by the Director Legal & Governance to the Management Board.

For each meeting, the Board receives a report/update in respect of the status of the council's Strategic Risks highlighting any issues or areas of concern together with information or commentary on any new or emerging risks for discussion.

See **Appendix A** which is a summary of the council's Strategic Risks at End Q3 2024-25.

- **Development of Directorate Risk Registers**

The process of having in place formal Directorate Risk Registers was agreed by the Management Board in late 2023 and all Directorates had developed a first draft of their risk registers by the end of Q4 23-24. Ongoing development and regular updating of the risk registers has however been inconsistent and was impacted by the organisational restructure together with other competing urgent priorities. Risk Management was however a standing item on both the Enabling Services Leadership Team meetings and the Resident Services Leadership Team meetings with the Risk & Insurance Manager invited to attend on at least a quarterly basis.

In order to support and streamline the process an on-line 'Risk Tracker' document has been created in SharePoint which allows for all directorate risks to be held in one place, in a consistent format and for officers to easily access and update their risks. It will also allow for greater transparency/visibility across the directorates.

- **Corporate Insurance Tender (Risk Financing)**

The council's current corporate insurance programme expires on the 31 March 2025 and therefore a competitive tender exercise is being undertaken for the placement of a new insurance programme from 1st April 2025. This has, and continues to be, a significant and time-consuming piece of work that commenced shortly after the April 2024 insurance renewal and is being undertaken in consultation with the council's insurance broker and with the council's Contracting & Procurement Services. A range of actions were undertaken to ensure that the most appropriate and cost-effective insurance programme is put in place from 1st April 2025. The tender responses are currently being evaluated with the new contract(s) expected to be awarded by the end of February.

- **Representation on internal management boards and groups**

The Risk & Insurance Manager is a member of the following Management Boards and Groups to provide advice and guidance on risk and insurance issues:

- Information Governance Board
- Health & Safety Board
- Fire Safety Programme Board
- Emergency Preparedness, Resilience and Response Board
- SCC Silver Command Emergencies Group
- Housing Quality Assurance Board

▪ **Property - Fire & Security Reviews**

As 2024-25 is the final year of the current insurance agreement our property insurers only undertook a very limited number of fire and security surveys - Glen Lee (vacant property), City Depot and Tudor House Museum. The risk & Insurance Team are working with the relevant officers within the services in terms of ensuring that the required loss control actions are implemented within the stipulated timescales and liaising with the insurer/underwriter as necessary.

▪ **Solent Unitaries Insurance Group**

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

- Insurance market insight
- Insurance programmes
- Renewal terms
- Current/future underwriting requirements
- Insurance obligations/options re refurbishment works to existing premises
- Motor risks
- New or emerging claim trends

▪ **Other**

A range of other support, advice and guidance was provided including:

- General risk management and insurance advice and guidance to service areas.
- Advise on the extent and scope of the insurance cover in place and, where required, arranging extensions of cover or arranging standalone cover if the current programme / insurers were not prepared to cover the risk.
- Advice and guidance to Procurement and Service Managers on proposed insurance and indemnity clauses and suggested limits of indemnity on a diverse range of contracts and other agreements.
- Arranging for a reminder to be issued to all staff that council vehicles (and those on hire to the council) must only be used on the business of the council and must not be used for any other purpose.

RISK MANAGEMENT PRIORITIES 2025

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

▪ **Select and embed the new corporate insurance programme**

The new corporate insurance programme will commence on 1st April 2025 and, in addition to the pre contract mobilisation period, it will be necessary to work with both the appointed insurer(s) and service

areas to ensure that any new cover conditions or requirements are understood and are in place or actioned as necessary. This will include continuing to liaise with Corporate Estates & Assets in terms of reinstating a risk-based property insurance valuation programme which was paused in 2024.

- **Insurance Claims Analysis / Trends**

Whilst some information is shared with service areas further work will be undertaken to explore what insurance claims loss data may be useful to provide to key service areas in terms of helping to inform their priorities and/or working practices.

- **Ongoing development of Directorate Risk Registers**

The newly developed 'Risk Tracker' document will, subject to being piloted with Enabling Services, be rolled out across the directorates. This will provide an opportunity to refresh, relaunch and remind Directorate Management Teams of the purpose and approach to managing directorate risks and provide the opportunity to discuss any Risk Management training needs.

Further work is required to ensure that, where appropriate, directorate risks are aligned with those risks identified within the Directorate Business Plan.

- **Data Validation**

The service will look to work with Internal Audit in terms of periodically using their IDEA data matching software tool to ensure that the property and motor information provided to insurers remains consistent with the information that is held internally by service areas within the council. The IDEA software tool helps identify and match data across multiple sources.

- **Risk Management Policy and Guidance**

The current Risk Management Policy in for the period 2022/23 to 2024/25 and is therefore due for a review, approval and reissue. It is intended that the policy review is undertaken in consultation with the new insurer(s) utilising the 'free' risk management consultancy days that are provided as part of their wider service offering. Other risk management guidance and information will then be reviewed and updated as required.

For further information please contact Peter Rogers, Risk & Insurance Manager 023 8083 2835 or insurance@southampton.gov.uk