Risk Management Report 2020

This report is a summary of the council's risk management framework and provides information and assurance on the key arrangements in place across the council to identify and manage risk. Risk may be defined as '*the effect of uncertainty on objectives'* recognising that risk taking is fundamental to the success of any organisation. The purpose of risk management is to support the organisation in terms of which risks should be accepted, addressed, avoided or sought.

ROLES AND RESPONSIBILITIES

The council's Risk and Insurance Service, which is part of the Finance and Commercialism Directorate, 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 Executive Management Board ('EMB') 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.

The Cabinet Member for Finance and Income Generation is responsible for, and leads on, Risk Management with the Governance Committee responsible for assurance on the adequacy of the risk management framework and that appropriate action is being taken on risk.

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 EMB and individual Executive Directors with the latter able to put forward new strategic risks. The Strategic Risk Register is updated and then reviewed by EMB on a quarterly basis.

- **Project and Programme Risk Management**

The need to identify and manage risk runs throughout the project and programme management process from initiation to implementation. Guidance is available to assist both project managers and project sponsors/boards in understanding the importance of managing risk.

- **Decision Taking – Corporate Report Template**

The council's standard corporate report template includes a 'Risk Management Implications' section that requires a report author to consider and provide the 'decision taker' with relevant and proportionate information regarding the risks associated with the project or initiative that is the subject of the report. The 'Risk Management Implications' paragraph is intended to support informed decision taking.

- **Partnerships**

All key service delivery partnerships (such as the Highways Service Partnership with Balfour Beatty) and 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.

- **Medium Term Financial Strategy**

The council's Medium Term Financial Strategy includes a financial risk register which is reviewed on a quarterly basis. The 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.

- **Business Planning**

As part of the business planning process Executive Directors and their management teams are required to consider the risks that may impact on delivery of their key priorities and outcomes and the necessary mitigations.

- **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.

RISK MANAGEMENT ACTIONS AND INITIATIVES UNDERTAKEN

- **Insurable risk**

  A new corporate insurance programme was put in place from 1st April 2020. This followed an OJEU compliant competitive tender exercise and resulted in a saving of circa £100k compared with the previous year's premium. A range of pre tender actions were undertaken in conjunction with the council's insurance broker and included an actuarial review of the council's self-insurance fund, an exercise to review all outstanding claims and claim reserve figures and a detailed critical review of the current insurance programme. The majority of the new programme is placed with a single insurer (Zurich Municipal) with the main exception being Motor which was awarded to Travelers Insurance Company

- **Covid – Risk Management**

  A significant unplanned action arose in respect of Covid and the recognition, at an early stage, of the importance of capturing and assessing the new and changing risks that had arisen. This work was progressed by the Risk & Insurance Manager via the 'Silver Command' group (Heads of Service and Service Directors) which formed part of the council's emergency response arrangements together with 'Gold Command' (Executive Directors and Chief Executive). A Covid Risk Log was developed, updated and reviewed on a fortnightly basis by 'Silver' prior to being reporting to 'Gold'. This document, which was reported from March to September, provided a strategic overview of the risks and enabled an informed decision to be taken in terms of how they should be managed going forward.

  A decision was taken by Gold in September that the 'Covid Risk Log' be discontinued on the basis that a number of the risks that appeared under the 'Prevent the Spread of Infection' workstream should be transferred to the Outbreak Control Plan Risk Log and managed via the Health Protection Board and reported to Gold through that route. In addition, a number of risks should be transferred to the council's Strategic Risk Register recognising that, in many cases, there was a natural fit in respect of the existing risk descriptions. There was also a recognition that certain risks should now be managed as part of the new 'business as usual' for the organisation. Risk & Insurance Service continue to provide support and advice in respect of the ongoing development of the Outbreak Control Plan Risk Log.

- **Other activity and actions arising from Covid**

  Advice and guidance in respect of risk, insurance and indemnity issues was provided in respect of range of issues including the reuse of the Guildhall as a food distribution centre and subsequently as a Covid Testing Centre, the redeployment of council staff to support the delivery of critical services, the management of properties that were temporarily vacant, advising and arranging cover in respect of IT devices provided by the DfE to support disadvantaged children. It was also necessary to work with insurers and service areas in respect of ensuring the continued and safe delivery of 'statutory engineering inspections' (e.g. in respect of lifts, boilers, pressure plant etc) which is provided by insurers.

  Specific communications were also issued to schools in respect of the insurance / liability position in the event that a person contracts the virus where is it alleged that this arose from the school setting

and a communication to alert schools to travel insurance helpline to enable them to discuss cancellation of school trips.

- **Strategic Risk Register**

  The Strategic Risk Register was reviewed by EMB at End Q1 20-21 and End Q2 20-21 noting that the End Q4 19-20 review was deferred due to the impact of Covid and the need to focus on the development of the council's Covid Risk Log.

- **Housing – Fire Safety**

  The council's housing fire safety works programme, which has seen sprinklers installed into all 19 high rise housing blocks, continues with around 2,500 new fire doors having been fitted and where necessary take action, to ensure effective 'fire stopping' between flats and corridors.

  Although the main focus was on the high rise blocks there has also been an ongoing programme of both passive and active fire safety works in lower rise blocks, including installing sprinkler systems to 10 supported blocks (620 flats), replacing fire doors, replace door closers (circa 1000 completed) and improving fire stopping. It should be noted that the works were delayed due to impact of Covid however both the contractor and the council's Housing Operations Team are now back on site and working within the limitations of COVID-19 recommendations. The council has been shortlisted for a number of awards for its work in improving fire safety in its flats, noting that the member of staff in Property Services responsible for fire safety was awarded the 'Passive Fire Protection Advocate of the Year' for 2019 by the Association for Passive Fire Protection.

- **Project and Programme Risk Management**

  There has been something of a positive step change in 2020 in terms risk registers/risk logs becoming more embedded as part of the normal business process, particularly in respect of project management where the use of a 'Risks, Assumptions, Issues, Dependencies ('RAID') Log is the standard approach.

- **Risk Management Policy and Guidance Document updates**

  The Risk Management Policy 2017-2021 was reviewed and updated to include a number of minor changes. In addition, the guidance and associated templates in respect of Project Risk Management and Partnership Risk Management were also refreshed and updated. All documents are published on the intranet.

- **Virtual Motor Fleet Risk Management Review**

  This review was carried out by the council's newly appointed motor insurers (Travelers Insurance Company) with the purpose of the exercise being to:

  - Review the council's motor fleet operations
  - Discuss safety and risk control arrangements
  - Identify and analyse potential exposures to loss and associated control measures
  - Identify and discuss any risk improvements

The review, which had to be undertaken on a virtual basis, was undertaken in conjunction with the council's Fleet Transport and Health & Safety teams. The insurers subsequent report identified three 'recommendations' and one 'requirement'. The latter referred to the council developing a system which enables greater visibility in respect of the management and operation of school minibuses. Although there was anecdotal evidence of good practice it was accepted that there was limited oversight. A questionnaire, which is expected to be issued in Q3 2020-21, is being developed in consultation with insurers for issue to those schools who operate minibuses.

- **Solent Unitaries Insurance Group**
  Peer group meetings were held periodically with colleagues from Portsmouth City Council, Isle of Wight Council and Bournemouth, Christchurch and Poole Council to share and discuss risk and insurance issues. SCC has chaired and hosted these virtual meetings.

NEW RISK MANAGEMENT ACTIVITES PLANNED OR BEING CONSIDERED

[**Note**: The following may need to be reprioritised or reconsidered subject to the ongoing impact of the pandemic and the business need]

- **Contracts – Indemnity and Insurance**
  In spring 2020 the Risk & Insurance Team had intended to deliver a training session for the Supplier Management Team, Integrated Contracts Unit and Legal (Contracts Team) around developing a better understanding of 'insurance and indemnity clauses in contracts'. This session had to be deferred due to the significant additional work arising out of Covid in relation to managing and supporting suppliers. The session will look to be delivered as some point in the current financial year.

- **Strategic Risk**
  Arising out of the End Q2 review by EMB, it was agreed that the process in respect of how an Executive Director may escalate or propose a new risk for inclusion on the council's Strategic Risk Register, should be formally documented. This currently being developed and will be shared with EMB for approval.

- **Property Fire and Security surveys**
  There are ongoing discussions with insurers in respect of how, or whether, the planned annual programme of fire and security surveys can be undertaken in light of Covid restrictions.

- **Property Reinstatement revaluation programme**
  The sums insured in respect of all property that is insured via the corporate insurance programme are subject to an 'annual indexation increase'. This is intended to ensure that sums insured (or reinstatement values) are appropriate and that properties are not over or under insured. The approach in respect of the periodic review of property sums insured is to be reviewed in conjunction with Property Services in order that a consistent approach, that also reflects insurers expectations, is in place.

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

Strategic Risk Assurance Report 2020-21

Period	Report Date	Version
End Q2: 20-21	Oct-20	19

Risk No	Risk Description	Target Risk Score		Current Risk Score End Q2		Quarterly movement			
						2019-20		2020-21	
		Likelihood	Impact	Likelihood	Impact	Q3	Q4	Q1	Q2
SR01	Failure to address the significant and ongoing financial pressures in a sustainable way and to enable service provision to reflect key strategic outcomes and be aligned with the associated budget envelopes.	Unlikely	Major	Possible	Major	↔	↔	↔	↔
SR02	Major incident or service disruption (including serious health protection threats) leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions	Unlikely	Major	Unlikely	Major	↔	↔	↔	↔
SR03	Major IT incident or IT service disruption leading to delivery failure that significantly impairs or prevents the Council's ability to deliver key services and/or statutory functions	Possible	Major	Possible	Major	↔	↔	↔	↔
SR04	Failure to safeguard vulnerable adults resulting in a preventable incident	Possible	Critical	Possible	Critical	↔	↔	↔	↔
SR05	Failure to ensure an effective and sustainable adult social care system	Unlikely	Major	Likely	Major	↔	↔	↔	↔
SR06	Failure to safeguard children resulting in a preventable incident	Possible	Critical	Possible	Critical	↔	↔	↔	↔
SR07	Failure to ensure an effective and sustainable children's social care system	Unlikely	Major	Possible	Major	↔	↔	↔	↔
SR08	Failure to meet our health and safety responsibilities	Unlikely	Major	Possible	Major	↔	↔	↔	↔
SR09	Failure to ensure the City Council's information is held and protected in line with Information Governance policies and procedures	Unlikely	Significant	Possible	Significant	↔	↔	↔	↔
SR10	Failure to ensure delivery of statutory air quality standards	Unlikely	Significant	Unlikely	Significant	↔	↔	↔	↔
SR11	Failure by service areas to adhere to and comply on a consistent basis with the council's 'Contract Procedure Rules'	Unlikely	Significant	Possible	Significant	↔	↔	↔	↔
SR12	Failure to have in place up to date skills audits across all service areas to identify the range of skills and technical / professional expertise required to deliver services	Unlikely	Significant	Likely	Significant	NEW	↔	↔	↔
SR13	Issues with Business World functionality and interfaces have an adverse impact on the ability to provide robust and efficient financial management and processing	Unlikely	Significant	Possible	Significant	-	NEW	↔	↘
SR14	British Gas refuses to accept/recognise its contractual and, or financial obligations in respect of the required fire protection compliance work in certain high rise residential blocks.	Unlikely	Major	Possible	Major	-	-	NEW	↔
SR15	Failure to submit timely and accurate pension information in respect of both SCC and schools to the Hampshire Pension Fund	Very Unlikely	Significant	Unlikely	Significant	-	-	NEW	↘