

RISK MANAGEMENT ANNUAL REPORT 2023



Risk: ‘the effect of uncertainty on objectives’

February 2024



Risk Management – Annual Report 2023

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, in 2023 was part of Finance and Commercialisation but from 1st January 2024 moved to Legal & Governance, 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 'Executive Management Team ('EMT') - 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.
- 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 2022-2025

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 'EMT - Performance 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 EMT oversight. The risks that appear in a Directorate Risk Register will typically be aligned with the Service Business Plan in terms of the potential impact on the delivery of the key service priorities and objectives.

▪ **Corporate Report Template**

The council's standard corporate report template includes 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 EMT. The Risk & Insurance Manager and the Chief Internal Auditor meet on a regular basis to discuss risk issues.

▪ **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 produced by Finance and included as part of the quarterly budget monitoring 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 AND INITIATIVES: 2023

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

The council's strategic risks were reviewed by the Executive Management Board 'EMB' in January (End Q3 2022-23), April (End Q4 2022-23) and July (End Q1 2023-24). With effect from the October (End Q2 2023-24) the reviews were undertaken by the EMT - Performance Board. For each meeting, the Board received a report 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.

The End Q2 report in April 2023 also included a summary of the 'strategic risks' of a comparable group of councils who are also members of the 'Key Cities' group. This was to enable EMB 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 council's Strategic Risks at End Q3 2023-24.

▪ **Development of Directorate Risk Registers**

The development of Directorate Risk Registers was supported and prompted following an Internal Audit review of 'Operational Risk Management' This review was focussed on the management of *'day to day service delivery and operational risks which are the responsibility of individual service areas'*. The report, issued in July 2023, concluded only 'Limited Assurance' could be placed on the arrangements in place. This was on the basis that, whilst assertions were made that risk management gets discussed at Directorate Management Team meetings, these discussions were not necessarily documented, minuted or presented as a specific agenda item. Work to develop directorate risk registers is now well progressed by the individual Directorate Management Teams with fully populated Directorate Risk Registers for all areas expected to be in place by End Q4 23-24. Internal Audit has since undertaken a follow-up review noting that the report (currently in draft) concludes that 'Reasonable Assurance' can now be placed on the arrangements in place.

▪ **Risk Management Policy 2022/23-2024/25**

The Risk Management Policy was subject to a light touch review to ensure that it remained fit for purpose and aligned with the needs and business processes of the council.

▪ **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
- Housing Quality and Assurance Board
- Cost of Living Group

▪ **Property Insurance Valuation Programme**

This programme, prompted by Risk & Insurance Services but led by Property Services, was to resurrect a process whereby property sums insured were reviewed to provide assurance that they remain adequate and to ensure that properties are not underinsured. This reflects insurers general expectation that ideally all properties be revalued for insurance purposes every 5 years.

A risk-based approach was developed and implemented which saw all 19 high rise housing blocks revalued, with the revised sums insured figures fed into the April 2023 insurance renewal (which generated a slight reduction in the building insurance renewal premium). A 'Phase 2' programme, undertaken in-house by qualified Chartered Building surveyor, saw a further 17 corporate assets revalued, including the Civic Centre, with the revised sums insured figures to be fed into the April 2024 renewal. The exercise, as expected, identified that individual sums insured needed to be either increased or reduced in line with the valuation report. Apart from providing assurance that key properties have adequate and appropriate sums insured, the total overall sum insured for all properties has been able to be reduced slightly.

▪ **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 3,500 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.

▪ **Insurance Claims Analysis**

Insurance claims data has been provided to both Fleet Transport and Housing Operations to understand claims trends and to prompt wider discussion in terms of loss control options.

▪ **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 virtual meetings which have covered a range of subjects including:

- Insurance market insight
- Insurance programmes and renewal terms
- Motor Risk policy
- Leasehold Property insurance
- Reinforced Autoclaved Aerated Concrete (RAAC)
- Property Insurance Valuations
- New or emerging claim trends

▪ **Other**

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

- Loss control advice and guidance to service areas post loss or incident.
- Advice and guidance to Procurement and Service Managers on insurance and indemnity clauses on a wide range of contracts and other agreements.
- Input in the development of new Fleet Policy from a risk and insurance perspective.
- Co-ordinating and attending property fire and security surveys undertaken by insurers and liaising with services in terms of implementation of any required loss control actions.

NEW RISK MANAGEMENT ACTIVITIES PLANNED OR BEING CONSIDERED

[Note: The following may need to be reprioritised or reconsidered subject to the business need noting that the council's Corporate Insurance programme is out to tender for April 2025 and will require significant focus and effort to achieve the best possible outcome]

- **Insurance Claims Analysis**

Further work will be undertaken in consultation with key service areas to explore what insurance claims loss data may be useful in terms of helping to inform their priorities and/or working practices.

- **Risk Management – training needs**

Services will be invited to identify any specific risk management training needs which will then be used to develop either a bespoke or general support.

- **Property Insurance Valuation programme**

Continue to work with Property Services in terms seeking to continue the risk-based valuation programme and/or otherwise develop a consistent and sustainable approach to periodic review of property sums insured.

- **Corporate Report Template**

Review the current guidance provided to report authors to seek to ensure that there is a more consistent and robust approach in respect of what appears in the 'Risk Management Implications' section.

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