

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date</b> 6 February 2023	<b>Meeting Name:</b> Audit, Governance and Standards Committee
<b>Report title:</b>		Annual report on corporate risk and insurance	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the audit, governance and standards committee note the annual report on corporate risk and insurance.
2. That the audit, governance and standards committee reviews the current corporate risk register and provides comments to officers for their consideration prior to the publication of the register by the Strategic Director of Finance and Governance.
3. That the audit, governance and standards committee note the refresh of the risk management policy statement and strategy.

## BACKGROUND INFORMATION

4. This report provides an annual report on the council's key risk register. The key corporate risks were last reported to the committee in January 2022. This report provides an annual update.
5. This report also summarises the corporate risk management and insurance arrangements and reports on details of the council's risk profile and risk categories
6. The risk management strategy was last refreshed and reviewed by the committee in 2018 so it was felt timely to review it again to ensure it remains relevant.

## KEY ISSUES FOR CONSIDERATION

### Overview

7. The main purposes of the council's corporate risk management process are :
  - To set out the most significant risks to the council in the context of multiple risks identified and managed within each department.

- Where appropriate, to consolidate common risks issues especially where cumulatively they may amount to a higher risk rating
  - To ensure that single risks that may act to impact across all council services are recorded (e.g. cyber security).
  - To enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
  - To alert the council to new or increasing risks that may impact on the council's ability to serve its residents and wider community
8. The council's corporate risk register is prepared following joint assessment by officers of all departmental risks. Given the range of services provided by the council, these lists are long and detailed and will be rated from low to high. Many risks are of a very specific nature and are unlikely to be translated directly on to the corporate risk register. However, they may be consolidated into corporate risks in so far that cumulatively they create a higher risk to the council (e.g. loss of or reduction in funding sources; additional demand pressures; etc.).
9. In the process of preparing the corporate risk register, concentration is placed upon moderation of risk ratings to ensure some consistency across the council and to confirm that appropriate mitigations are in place to manage the risk, as far as that is possible.
10. This refresh of the corporate risk register illustrates the movement in the risks from previous year. It should be noted, in particular at this time, there have been a number of corporate risks that have increased in the last 12 months. Not least, these increases in risk are symptomatic of an extremely uncertain economic position, which impacts directly on the management, operations and financing of a local authority.

## **Risk Categories**

11. The council uses the following risk categories to capture risk:
- Economic (e.g. credit crunch impacting on service delivery)
  - Financial (e.g. budgetary constraints)
  - Reputational (e.g. failures of service delivery which hit the press)
  - Staffing & Culture (e.g. recruitment & retention)
  - Operational (e.g. services not being delivered)
  - Legal & Regulatory (e.g. not complying with a statutory duty)
12. The 2023 split of number of risks by risk category is displayed in the table below. The categories remain at a consistent level compared with the percentages last reported.

Risk Category	Percentage (%) Jan 2022	Percentage (%) Jan 2023
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Economic	8	9
Financial	21	20
Reputational	8	8
Staffing & Culture	9	9
Operational	33	34
Legal & Regulatory	21	21

## Corporate Risk Register

13. Each department has a departmental risk register. These are updated via the network of departmental risk champions who work with each departmental senior management team to maintain a current risk register. Each risk register records the risk, assessment score, ownership and key controls and action plans to manage each risk.
14. Many departmental risks represent a core component of service delivery and therefore will form part of the day to day performance management of the department.
15. Each risk requires mitigations. These outline the current controls in place to manage the risk and identifies, where necessary, any further controls needed to reduce the risk.
16. These individual risk registers are stored on the council's risk management software system that are used to build the corporate risk register.
17. The departmental risk champions supported by the corporate risk and insurance manager collectively validate the individual departmental risk registers and carry out a review and aggregation exercise to identify the key risks facing the council as a whole. This base exercise was recently repeated and the corporate risk register updated as appropriate.
18. The risks on the corporate risk register have been revised and further consolidated where appropriate since the key corporate risks were last reported to the committee. The key corporate risks also align with the unique challenges of the post pandemic era, the current economic landscape and especially the cost of living crisis.
19. The table below provides a breakdown of the number of risks (by their risk score range) across all council departments.

Risk Assessment	Score Range	Number of Risks	
		Jan 2022	Jan 2023
Red	76 - 100	12	18
Amber	37 - 75	57	66

<b>Yellow</b>	22 - 36	51	53
<b>Green</b>	1 - 21	31	27

20. The total number of risks in the database is currently 164, which is a slight increase in the number of risks reported in 2022, which were 151.
21. Work is ongoing within departments on reviewing their risk registers. The quarterly risk champion meetings for the past year have continued to focus on a theme at each meeting where possible, these being, building safety / building safety bill, anti-tax evasion and energy crisis. The aim of this is to build relationships across the council and explore areas not previously looked at in depth. Due to the proposed corporate restructure, a large amount of work will need to be undertaken this year with updating JCAD to reflect the departmental changes, refreshing risk registers and welcoming new risk champions into the group.
22. As noted above, the council's risk management strategy was last reviewed in 2018. As a 'standing document', much of it remains relevant but following a review, it has been refreshed so it reflects the current position and latest terminology. It is attached at appendix 3. Work continues on refreshing the supporting risk management procedures documents.

### **Key corporate risks**

23. As set out above, following a review and validation of the combined departmental risk registers and an aggregation exercise, the top risks across the council have been identified. These top risks are attached in appendix 1.
24. The top risks are generally those that have been assessed as amber or red and which appear in more than one departmental risk register, and are therefore relevant to more than one department. These top risks are those risks which often require most proactive management to ensure that all appropriate mitigation actions have been considered and are being implemented as far as possible.
25. In advance of reporting to the audit, governance and standards committee, these have been reported to the corporate governance panel and have been shared with CMT who are scheduled to consider the register at their meeting on 7 February. At this meeting, CMT will also consider any comments arising from this committee.

### **Insurance Overview**

26. The council purchases a number of different insurance policies to help protect the council against the potential financial loss resulting from a catastrophic insurable event. The council self-insures an element of this, and self insurance levels vary depending on the types of insurances.

27. Although it is not legally required to hold insurances other than fidelity guarantee insurance (the details of this insurance are explained in the appendix 2), in line with prudent financial management and in line with other local authorities, the council does purchase various liability insurances and property (asset) related insurances.
28. Under the council's financial standing orders, all insurance decisions are the responsibility of the Strategic Director of Finance and Governance. However, the council has limited control over its insurance framework as the public sector insurance market is prescriptive. Levels of cover, scope of cover and excess levels are dictated by what is available in a limited market.

### **Insurance Cover**

29. The council's insurances fall into two main categories; property policies and liability policies:
- Property policies provide cover for the loss or damage to council assets
  - Liability policies protect the council against financial exposure resulting from individuals or organisations making a claim for loss or injury as a result of council activities

30. During the period 27 January 2022 to the 20 January 2023, there were 391 new public liability insurance claims made against the council, these were split as follows:

Damage to third party property	274
Personal Injury	112
Employee	5

31. 84 claims were made against property policies in the same period and these all related to the motor fleet under the motor insurance cover.
32. The volume of liability claims being made against the council remains broadly consistent with previous years.

### **Policy Implications**

33. This report is not considered to have direct policy implications.

### **Community Impact Statement**

34. This report is not considered to have direct impact on local people and communities; however the management of risk is key to the successful achievement of the council's objectives.

### **Resource Implications**

35. This report is not considered to have direct impact on resource implications, although the management of risk is a part of the effective management of resources.

## Consultation

36. Consultation has not been undertaken.

## SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

37. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
Appendix 1	The Key Corporate Risks as at January 2023
Appendix 2	Insurances – summary as at January 2023
Appendix 3	Risk Management Policy Statement and Strategy 2023

## AUDIT TRAIL

Lead Officer	Duncan Whitfield, Strategic Director of Finance and Governance		
Report Author	Laura Sandy		
Version	Final		
Dated	January 2023		
Key Decision?	No		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Director of Law and Governance		No	No
Strategic Director of Finance and Governance		Yes	Yes
List other officers here		N/A	N/A
Cabinet Member		No	No
Date final report sent to Constitutional Team			25 January 2023