

<b>Item No.</b> 12.	<b>Classification:</b> Open	<b>Date</b> 11 February 2019	<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.

## **BACKGROUND INFORMATION**

3. This report provides an annual report on the council's key risk register. The key corporate risks were last reported to the committee in February 2018 with the 2018 risks, and this report provides an annual update.
4. By way of introduction to the new audit, governance and standards committee, this report also summarises the corporate risk management and insurance arrangements.
5. In addition also reported are details of the council risk profile and risk categories.

## **KEY ISSUES FOR CONSIDERATION**

### **Overview**

6. The main purposes of the council's risk management process are to:
  - Enable risks to be effectively managed to ensure that the council meets its corporate and business objectives; and
  - Alert the council to new/increasing risks that may impact on the council's ability to serve its community
7. The council's risk profile is made up of key departmental risks and cross-departmental risks that the council faces in achieving its corporate aims and objectives, and is derived from an identification, assessment and mitigation of risk at departmental level based on the council's tolerance to these risks.

### **Risk Categories**

8. 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)
9. The 2018 split of number of risks by risk category is displayed in the table below. The percentage of financial, legal & regulatory and operational risks remains at a consistent level compared with the percentages last reported.

Risk Category	Percentage (%)
Economic	7
Financial	21
Reputational	8
Staffing & Culture	8
Operational	35
Legal & Regulatory	21

### **Corporate Risk Register**

10. Each department has a departmental risk register. These are updated via the network of departmental risk champions who work with the departmental senior management teams to regularly update each risk register. Each risk register records the risk, assessment score, ownership and key controls and action plans to manage each risk.
11. Each risk contains a mitigation strategy that outlines both the current controls in place to manage the risk but also identifies where required any further controls needed to reduce the risk.
12. It is these individual risk registers stored on the council's risk management software system that are used to build the corporate risk register.
13. 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 most recently repeated in November 2018 and the corporate risk register updated as appropriate.

14. 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 2018	Jan 2019
Red	76 - 100	19	16
Amber	37 - 75	111	52
Yellow	22 - 36	37	56
Green	1 - 21	17	44

15. The total number of risks in the database is currently 168 which is a decrease in the number of risks reported in 2018, which were 184.

### Key corporate risks

16. As explained 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 and also updated to include areas identified previously by this committee for consideration. These top risks are attached in appendix 1.
17. 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.
18. In advance of reporting to the audit, governance and standards committee, these have been reported to the corporate governance panel.

### Insurance Overview

19. 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.
20. 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.
21. 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

22. 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

23. During the 2018 calendar year, there were 600 new public liability insurance claims made against the council, these were split as follows:

Damage to third party property	370
Personal Injury	215
Employee	15

24. 159 claims were made against property policies in 2018 and these all related to the motor fleet under the motor insurance cover.

### **Policy Implications**

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

### **Community Impact Statement**

26. 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**

27. 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**

28. Consultation has not been undertaken.

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

29. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
1	The Key Corporate Risks as at January 2019
2	Insurances – summary as at January 2019

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Laura Sandy, Corporate Risk and Insurance Manager	
<b>Version</b>	Final	
<b>Dated</b>	29 January 2019	
<b>Key Decision?</b>	No	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Director of Law and Democracy	No	No
Strategic Director of Finance and Governance	N/A	N/A
List other officers here	N/A	N/A
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional/Community Council/Scrutiny Team</b>	29 January 2019	

## APPENDIX 1 – The Key Corporate Risks as at January 2019

<p><b>CR1. Economic / Financial</b> The continued uncertainty regarding local government funding beyond 2018-19 presents the s.151 officer with a challenge in terms of being able to recommend balanced budget proposals which reflect the council's priorities and ambitions</p>
<p><b>CR2. Financial</b> The cessation of or significant reduction in a council support service including key infrastructure now and in the future causes disruption to a range of front line and back office service delivery across the council arising especially as a consequence of budget reductions</p>
<p><b>CR3. Operational</b> The increasing need for and cost of demand led services such as social care, social housing, No Recourse to Public Funds and temporary accommodation results in significant overspends against budget.</p>
<p><b>CR4. Financial</b> Delays in paying claimants Universal Credit during the transition to it results in housing rent and other personal debt, and increased demand for other council services and consequential unfunded pressures.</p>
<p><b>CR5. Operational</b> Core business systems may become unavailable for prolonged and unpredictable periods of time across the whole council, impairing service delivery performance and impacting on resident satisfaction, the reputation of the council and staff motivation.</p>
<p><b>CR6. Operational</b> Unforeseen events and/or adverse public reaction to council programmes results in the failure of (or the serious delay to) key regeneration or direct delivery projects causing damage to the council's ability to meet the borough's long term housing and investment needs and resulting in short term financing or funding implications for the council.</p>
<p><b>CR7. Economic</b> The housing market in London adversely impacts on the council's financial arrangements and its ability to manage temporary accommodation, homelessness and housing investment.</p>
<p><b>CR8. Operational</b> An emergency occurs which affects critical services and the council's ability to deliver business as usual.</p>
<p><b>CR9. Operational</b> Legislative changes and issues arising from Brexit affecting the council's and its partners' ability to meet the demand for services and/or take advantage of opportunities and/or deal with increased threats due to lack of capacity leading to reduced performance and increasing costs</p>
<p><b>CR10. Staffing &amp; Culture</b> The data held and managed by council departments and its partners is neither appropriately shared nor used in an optimal way, hindering possible improvements and efficiencies in service delivery and resulting in potential risks to service users or employees.</p>
<p><b>CR11. Staffing &amp; Culture</b> Process, control, or management failure particularly during periods of significant change and ongoing funding reductions leads to a fraudulent activity resulting in financial consequences for the council.</p>
<p><b>CR12. Staffing &amp; Culture</b> Failure to ensure management action is taken, so that appropriate capacity and skills to deliver change are maintained through periods of reorganising and downsizing, which results in knowledge gaps, poor handover of contract</p>

management responsibilities or other consequences.
<p><b>CR13. Legal &amp; Regulatory</b>  Failure on the part of the council or its partners to properly adhere to data processing legislation / regulation, which results in breaches when data is shared inappropriately leading to risk to individuals, ICO intervention and consequential financial penalties and reputational damage.</p>
<p><b>CR14. Financial</b>  Failure to invest appropriately in the maintenance or management of the council's assets or a sudden and unforeseen event which may give rise to unacceptable future liabilities.</p>
<p><b>CR15. Legal &amp; Regulatory</b>  Due to the rapid evolution of cyber security threats, the council and its partners may not be able to prevent an attack on infrastructure in an effective or timely manner, resulting in a breach of security.</p>
<p><b>CR16. Staffing &amp; Culture</b>  Failure to provide adequate provision of protection of staff, elected members, residents and all relevant stakeholders leading to their safety being compromised.</p>
<p><b>CR17. Financial / Reputational</b>  Service failure of a key provider or partner resulting in the council being held to account for the service delivery failure and having to step in to supply the service at additional cost and with resulting potential reputational damage.</p>
<p><b>CR18. Financial / Reputational</b>  Difficulties in delivering an ambitious council plan and service commitments in the current climate, resulting in adverse reputational impact.</p>

## APPENDIX 2 - Types of Insurance Held by the Council

Insurance Type	Description of Cover	Examples	Insurer	Extent of Cover	Annual Review/ Renewal
<b>Public Liability</b>	As a result of negligence of the council in carrying out its duties, 3rd parties suffer injury or loss.	<ol style="list-style-type: none"> <li>1. Slip, trip or fall resulting in personal injury</li> <li>2. Tenant property damage as a result of council negligence in repairing the property</li> <li>3. Historic child abuse claim</li> </ol>	RMP QBE	All Council	1st October
<b>Employers Liability</b>	As a result of negligence of the council, employees (including volunteers, members etc) have suffered injury.	<ol style="list-style-type: none"> <li>1. Employee falls down stairs and believes the council was negligent (e.g. unsafe working place).</li> <li>2. Teaching assistant / care working assaulted by 3rd party and believes the council should have provided better protection.</li> </ol>	RMP QBE	All Council	1st October
<b>Officials Indemnity</b>	As a result of negligence of a council employee carrying out a statutory duty, a 3rd party suffers a financial loss.	<ol style="list-style-type: none"> <li>1. Land search is carried out by the council and incorrect information is given to a 3rd party who suffers loss as result.</li> </ol>	RMP QBE	All Council	1st October
<b>Professional Indemnity</b>	As a result of the negligence of a council employee carrying out a non-statutory duty, a 3rd party suffers a financial loss.	<ol style="list-style-type: none"> <li>1. A non-statutory professional service provided by the council e.g. legal advice given is incorrect and 3rd party suffers loss as a result.</li> </ol>	RMP QBE	All Council	1st October
<b>Libel And Slander</b>	As a result of writing or doing something that is slanderous to a 3rd party the council is sued for financial loss.	<ol style="list-style-type: none"> <li>1. Writing something dishonest regarding an individual.</li> </ol>	RMP QBE	All Council	1st October

<b>Property (General)</b>	Property damage to school or council office	1. Major fire / flood at council property or school contained in the property schedule.	Zurich	All Council	1st October
<b>Property (Housing)</b>	Property damage to housing stock	1. Major fire or flood at a council owned housing block in the housing schedule of properties.	Zurich	Housing Department	1st October
<b>All Risks</b>	Cover for various works of art and jewels.	1. Theft of mayor's regalia or work of art.	Zurich	All Council	1st October
<b>Money</b>	Money in storage or in transit.	1. Hold up of cash in transit	Zurich	All Council	1st October
<b>Computers</b>	Property damage to removable computer equipment, including servers, laptops etc	1. Fire at general property with damage to computer equipment.	Zurich	All Council	1st October
<b>Crime (Fidelity Guarantee)</b>	An employee defrauds the council of money or assets	1. Officer of the council in collusion with 3rd party circumvents the council's controls to take money or assets.	Zurich	All Council	1st October
<b>Personal Accident and Travel</b>	Non-accidental injury to employee during the course of their employment. Cover also in force when an insured person is travelling on official duties	Member of public attacks and injures an employee of the council while doing their job Cover also provided for medical expenses	RSA	All Council	1st October

<b>Out of School Activity &amp; Pupil Personal Accident Insurance</b>	Travel insurance cover for all insured persons (pupils, teaching and support staff, adult volunteers, helpers and assistants, and other authorised children) of participating schools whilst on organised trips outside the designated school boundaries. Also includes cover for accidents within the school boundaries.	1. School trips cancelled for insurable reason, i.e. sickness / ill health. 2. Injury of pupil while on school trip. 3. Injury whilst within the school boundaries	Chubb	Schools who have bought into the policy.	1st October
<b>Medical Malpractice</b>	Specialist cover for teachers and school helpers who may be required to provide medical procedures to pupils in their care	1. Teaching assistant treats a child with complex medical condition and child suffers injury.	C N A	Schools who have bought into the policy.	1st October
<b>Motor</b>	3rd party motor insurance and accidental damage above excess for council motor vehicles.	1. Council employee while driving injures / kills third party driver, or causes serious damage to vehicle / property.	Zurich	All Council	1st October
<b>Terrorism Cover</b>	Insurance of property against physical loss or physical damage occurring during the period of insurance caused by an Act of Terrorism and/or Sabotage	Act of Terrorism and Act of Sabotage definitions are available	Lloyd's Underwriters	160 Tooley Street & Queens Road Complex	1st October