

<b>Item No.</b> 15a	<b>Classification:</b> Open	<b>Date</b> 2 June 2021	<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.

## 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 2020 and also in June 2020 to include the high level mitigations. This report provides an annual update.
4. This report also summarises the corporate risk management and insurance arrangements.
5. In addition also reported are details of the council's risk profile and risk categories.
6. The report for 2021 has been delayed as a consequence of COVID priorities which has of course itself created new risks that continue to be mitigated.

## 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.

### **Risk Categories**

10. 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)
11. The 2021 split of number of risks by risk category is displayed in the table below. The percentage of financial risks has increased slightly since last year. The other categories remain at a consistent level compared with the percentages last reported.

Risk Category	Percentage (%) Jan 2020	Percentage (%) May 2021
Economic	5	5
Financial	18	20
Reputational	9	9
Staffing & Culture	11	10
Operational	34	34
Legal & Regulatory	22	22

### **Corporate Risk Register**

12. 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.
13. 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.
14. 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.
15. These individual risk registers are stored on the council's risk management software system that are used to build the corporate risk register.
16. 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 and circulated as a final draft to members of audit, governance and standards committee in April 2021.

17. The risks on the corporate risk register have been revised and 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 corporate risk register has also been checked against the council's most recent annual governance statement to ensure coverage of appropriate areas.
18. 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 2020	May 2021
Red	76 - 100	19	19
Amber	37 - 75	52	54
Yellow	22 - 36	51	51
Green	1 - 21	27	29

19. The total number of risks in the database is currently 153 which is a slight increase in the number of risks reported in 2020, which were 149.
20. Work is ongoing within departments on reviewing their risk registers. The quarterly risk champion meetings for the past year have also focused on a theme at each meeting where possible, these being, health and safety and staff wellbeing. The aim of this was to build relationships across the council and explore areas not previously looked at in depth. This will continue in 2021 and will revisit areas previously considered.
21. A benchmarking exercise was also undertaken comparing Southwark's corporate risk register with all other London Borough's (plus the City of London) looking at the register as a whole but focussing specifically on how financial, Brexit and Covid-19/pandemic risks were captured. No information could be found for 10 Boroughs but where it was available for the rest, Southwark's register is broadly in line with the risks captured.

### **Key corporate risks**

22. 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.
23. 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.
24. In advance of reporting to the audit, governance and standards committee, these have been reported to the corporate governance panel.

### **Insurance Overview**

25. 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.

26. 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.
27. 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**

28. 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
29. During the period 1 January 2020 to the 30 April 2021, there were 568 new public liability insurance claims made against the council, these were split as follows:

Damage to third party property	378
Personal Injury	176
Employee	14

30. 134 claims were made against property policies in the same period and these all related to the motor fleet under the motor insurance cover.

**Policy Implications**

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

**Community Impact Statement**

32. 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**

33. 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**

34. Consultation has not been undertaken.

**SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

35. None required.

## BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
None		

## APPENDICES

No.	Title
1	The Key Corporate Risks as at March 2021
2	Insurances – summary as at April 2021

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Laura Sandy	
<b>Version</b>	Final	
<b>Dated</b>	May 2021	
<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 Governance	No	No
Strategic Director of Finance and Governance	Yes	Yes
<b>Cabinet Member</b>	No	No
<b>Date final report sent to Constitutional Team</b>	21 May 2021	

## APPENDIX 1 – Corporate Risks and High Level Mitigations as at March 2021

Risk	Mitigation
<p><b>Medium Term Financial Planning</b></p> <p>The continued uncertainty regarding local government funding beyond 2021-22 presents the council with significant challenges in presenting balanced medium term financial strategies and in preparing and presenting longer term budget options which reflect the council’s priorities and ambitions and safeguard the provision of mandatory functions.</p>	<ul style="list-style-type: none"> <li>• Financial remits presented to cabinet each spring / early summer</li> <li>• Annual budget challenge and options appraisal process in place</li> <li>• Robust monthly budget monitoring to review progress towards targets</li> <li>• Planning future budgets as far as possible to show financial risks related to funding uncertainty</li> <li>• Statutory reporting on robustness of budget estimates</li> <li>• Active engagements through S.151 Chief Finance Officer networks to seek clarity on future funding</li> <li>• Maintenance of adequate levels of balances and reserves</li> </ul>
<p><b>Legal and Regulatory – Government policy</b></p> <p>Legislative and / or financial changes, including current and future loss of funding or international factors stemming from changes in government policy, seriously impact on the delivery of balanced budgets for council services and the council’s ability to meet either the pressures created by changes in demand for services or the opportunities due to lack of capacity.</p>	<ul style="list-style-type: none"> <li>• Seek to influence policy through professional networks</li> <li>• Contributions to local, regional and professional responses to Government consultations and mandates</li> <li>• Departments to keep up to date with changes affecting their services</li> <li>• Collaborative working with other local authorities and London boroughs to fully understand any changes</li> <li>• Seek expert external legal and professional advice as appropriate</li> </ul>
<p><b>Acute Socio-Economic Factors</b></p> <p>Failure or lack of capacity to react to wider economic and socio-economic trends, including recession, unemployment and potential impact on levels of homelessness, market forces (e.g. London housing market), international and domestic migration, post Brexit developments, inflation, that creates either funding shortfalls or compromises the delivery of council services.</p>	<ul style="list-style-type: none"> <li>• Flexible Medium Term Financial Strategy, reviewed regularly</li> <li>• Capital programme subject to continual review and update to ensure delivery of council priorities</li> <li>• Active but flexible social regeneration programmes</li> <li>• Review of income generating schemes to help mitigate impact / risk of cuts</li> <li>• Active local economy engagement to communicate issues and to help mitigate risks to business and employment</li> <li>• Delivery, implementation and monitoring of economic renewal plan</li> </ul>
<p><b>Post-Pandemic Recovery</b></p> <p>A slow economic recovery in the post pandemic era as government</p>	<ul style="list-style-type: none"> <li>• Continual monitoring of impacts on council services and local economy</li> </ul>

Risk	Mitigation
<p>support is reduced or withdrawn results in high levels of unemployment and other societal fragmentation leading to increased demand for council services such as social care, welfare support and housing resulting in potential for conflicting demands on funding available.</p>	<ul style="list-style-type: none"> <li>• Pan London engagement to communicate with government and other agencies</li> <li>• Engagement of senior managers with regional South East London councils and CCG</li> <li>• Delivery, implementation and monitoring of economic renewal plan</li> <li>• Embedding of Southwark Stands Together programme and related cohesion work to ensure fair and balanced community recovery</li> </ul>
<p><b>Welfare Reform</b></p> <p>Changes to the welfare support system create direct and indirect financial pressures on the council through increased demand for all services to those affected by the changes creating the potential for capacity and resource shortfalls.</p>	<ul style="list-style-type: none"> <li>• Responsive forecasting and modelling to inform financial planning assumptions</li> <li>• Working with external stakeholders to maximise available support from all sources</li> <li>• Additional support targeted at those most at risk</li> <li>• Data and information management to help inform options analysis and decision taking</li> </ul>
<p><b>IT, Data and Information Management</b></p> <p>Total or partial loss of significant core business systems, inadequate data security and the system not being fit for purpose to meet business needs, impairs service delivery performance and impacts on resident satisfaction, the reputation of the council and staff productivity and morale.</p>	<ul style="list-style-type: none"> <li>• Robust system back-up, firewall, anti virus and cyber security arrangements in place through council's IT team and the managed IT shared service</li> <li>• Regular maintenance and update of disaster recovery and business continuity plans</li> <li>• Migration of software solutions to hosted managed services</li> <li>• IT capital improvement programme to bring infrastructure up to an efficient and current standard</li> <li>• Further development of IT shared services arrangements</li> <li>• Effective policies, guidance, training and controls to ensure staff compliance</li> <li>• Ensure all hardware and software is supported for security updates</li> <li>• Robust information governance arrangements including well defined Data Protection Officer and Senior Information Risk Owner responsibilities</li> </ul>
<p><b>Unforeseen Major Event</b></p> <p>An unforeseen major event occurs which affects critical services and the council's ability to deliver business as usual resulting in financial strain and impacts on the resilience and wellbeing of staff.</p>	<ul style="list-style-type: none"> <li>• Maintain and update disaster recovery and business continuity plans</li> <li>• Undertake practice scenarios to check robustness of business continuity plans</li> <li>• Engagement with partners to check preparedness</li> <li>• Flexible, trained staff in place to respond to changes in demand</li> </ul>

Risk	Mitigation
<p><b>Climate Emergency</b></p> <p>Impact of the climate change strategy creates capacity, financial or practical operational challenges and pressures with the potential for reputational damage for any failure in delivery.</p>	<ul style="list-style-type: none"> <li>• Cross departmental collaboration to develop the council's strategy</li> <li>• Engagement with stakeholders and partners</li> <li>• Development of council governance structures, policies and procedures to incorporate a commitment to the strategy</li> <li>• Development of clear and funded plan of activity to meet objectives of the council</li> <li>• Clear communication plan with all stakeholders</li> </ul>
<p><b>Fraud</b></p> <p>Process, control, or management failure particularly during periods of significant change, economic and social hardship and ongoing funding reductions leads to an increase in fraudulent activity resulting in financial and legislative consequences for the council and the potential for reputational damage.</p>	<ul style="list-style-type: none"> <li>• Fraud awareness training of key risk areas as identified through the risk register</li> <li>• Internal audit plan aligned to key fraud risks</li> <li>• Proactive work undertaken by internal fraud team</li> <li>• Corporate governance guidance followed</li> <li>• Active contract management by contract managers</li> <li>• Regular reviews of authorisation limits of staff through council's schemes of management and delegation</li> <li>• Crime insurance in place to minimise any financial loss</li> </ul>
<p><b>Health &amp; Safety</b></p> <p>Failure to provide adequate provision of protection of staff, elected members, residents and all relevant stakeholders leading to their safety and / or mental health and wellbeing being compromised.</p>	<ul style="list-style-type: none"> <li>• Health and safety staffing arrangements and corporate and departmental systems regularly reviewed</li> <li>• Staff wellbeing programme in place and promoted</li> <li>• Cautionary contact warning system being further developed</li> </ul>
<p><b>Failure of Key Provider</b></p> <p>The unexpected failure of a key provider / partner / contractor resulting in serious disruption to a critical service and potential increased expenditure and need for resources to provide an alternative solution with resulting potential reputational damage.</p>	<ul style="list-style-type: none"> <li>• Robust procurement and contracting processes in place safeguarding against foreseen failure</li> <li>• Evaluation of third sector grant programmes</li> <li>• Contingency and business continuity plans to be maintained</li> <li>• Backup contractors in place where appropriate</li> </ul>
<p><b>Asset Management</b></p> <p>Failure to invest appropriately in the maintenance or management of the council's assets, to have clear sight of responsibility for assets, or a sudden and unforeseen event which may give</p>	<ul style="list-style-type: none"> <li>• Programmes of planned and preventative maintenance (PPM) in place</li> <li>• Capital investment strategy and targeted investment in assets in place</li> <li>• Annual asset condition verification and effective monitoring of assets</li> </ul>

Risk	Mitigation
<p>rise to unacceptable future liabilities.</p>	<ul style="list-style-type: none"> <li>• Insurance programme in place to respond to sudden and unforeseen events</li> </ul>
<p><b>Social Regeneration</b></p> <p>Unforeseen events and/or adverse reaction to council programmes result in the failure of (or the serious delay to) key social regeneration or direct housing 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>	<ul style="list-style-type: none"> <li>• Ongoing quality assurance of processes to mitigate scope for challenge</li> <li>• Close inter-departmental working with colleagues to develop overall planning strategies</li> <li>• Work with press office and key partners to manage communication</li> <li>• Key contracts and frameworks being put in place by the council</li> </ul>

## 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	1 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	1 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	1 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	1 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	1 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	1 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	1 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	1 October
<b>Money</b>	Money in storage or in transit.	1. Hold up of cash in transit	Zurich	All Council	1 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	1 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	1 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	1 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.	1 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.	1 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	1 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	1 October
<b>Marine Insurance</b>	Specialist cover for marine liabilities	Cover provided includes marine operators liabilities, pollution clean up costs, removal of wreck, marine property and equipment and business interruption	IGI Insurance Company Ltd	South Dock Marina	1 October