

10 October 2018

Regulatory and Governance Committee

Insurance and Risk Management Strategy 2018

Report of: *Jacqueline Van Mellaerts, Interim Chief Finance Officer*

Wards Affected: *None*

This report is: *Public*

1. Executive Summary

1.1 The report updates members of the Regulatory & Governance Committee with a revised Insurance & Risk Management Strategy which is reviewed annually and is attached in Appendix A.

1.2 Following changes have been updated:

- Roles & Responsibilities (page 7)
- Risk Analysis (pages 8, 9 & 10)
- Risk Ranking Table (page 11)
- Risk Appetite/Risk Tolerance (page 12)

2. Recommendation(s)

2.1 To approve and adopt the revised Insurance & Risk Management Strategy 2018 (Appendix A).

3. Introduction and Background

3.1 The Council's priority is to deliver excellent, customer focused, cost effective services by ensuring that the Council's Risk Management framework is in place and operating effectively. The Council's corporate insurance arrangements form part of the overall risk management approach.

3.2 This strategy outlines the Council's overall approach to risk retention and transfer including the procurement of corporate insurance cover through relevant policies of insurance to protect against loss or damage to the Council's assets and potential liabilities.

3.3 Risk

Risk is defined in this context as something that might have an impact on achieving the Council's objectives and its delivery of services to the community.

Risk Management can be defined as "***the culture, processes and structures that are directed towards effective management of potential opportunities and threats to the organisation achieving its objectives***".

We use the risk management process to identify, evaluate and control risks. Risk management need not mean risk avoidance and may involve taking steps to reduce risk to an acceptable level or transfer risk to a third party. The Council recognises that it has to deliver services in an increasingly litigious and risk-averse society. The Council will therefore use risk management to promote innovation in support of the Corporate Plan.

3.4 Insurance

Insurance is a mechanism for transferring risks to another (the insurer) for a consideration (premium). The broad principal of insurance is that the premiums collected from many policyholders pays for the claims of a few, whilst still allowing the insurer to meet their overheads, pay dividends to shareholders, purchase re-insurance to protect themselves against catastrophic losses and to build up their reserves. The Council is not required by law to purchase insurance to cover its risks, except as set out in the next paragraph.

Under the Local Government Act 1972 it is required to have Fidelity Guarantee Insurance. This protects the Council in the event of a financial loss arising out of the fraud or dishonesty by its employees. The Council also purchases insurance and inspection services where there are other statutory requirements, for example the need, under the various Health and Safety Acts, to have boilers and lifts inspected by an independent and competent person.

4. Issue, Options and Analysis of Options

4.1 The yearly review of the Insurance and Risk Management Strategy has been carried out and is attached at Appendix A. The following changes have been made:

- Roles & Responsibilities (page 7)
These have been amended to reflect the changes to Senior Management.
- Risk Analysis (pages 8, 9 & 10)
Changes have been made to the impact and likelihood tables. The definitions for impact have been expanded upon and now sit under the various risk categories. This allows identification of the types of risk that might affect the service or project.
- Risk Ranking Table (page 11)
Changes to the risk matrix have been introduced. The revised matrix is now more evenly spread between likelihood and impact. By making the matrix more neutral it allows the Council's risks, and more importantly the risk mitigation, to be more accurately captured. It allows a more credible reduction in the risk score when effective risk management controls have been implemented.

Changes have also been made to the recommended review pattern for the various levels of risk.

- Risk Appetite/Risk Tolerance (page 12)
In line with Internal Audit recommendations, the risk appetite and risk tolerance for the council has been included in the Strategy.

5. Reasons for Recommendation

5.1 Risk Management continues to be embedded quarterly within Executive Board and Corporate Leadership Board, where Departmental Managers and Senior Officer discuss the top-level risks for their service areas to ensure that the risks are updated to reflect the ongoing changes.

5.2 In addition, the Risk & Insurance Officer will continue to work with risk managers to maintain the good progress to date and further develop a consistent application of risk management considerations across all operations of the Council.

6. Consultation

6.1 None.

7. References to Corporate Plan

7.1 Effective risk management arrangements will enable the Council to achieve its corporate priorities. The process will allow identification of risks and issues enabling informed decision making to remove or reduce them in order for the priorities to be achieved.

8. Implications

Financial Implications

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8.1 None arising specifically from this report, but control measures identified in risk registers could have financial or resource implications.

Legal Implications

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8.2 Effective risk management provides a means of identifying, managing and reducing the likelihood of legal claims or regulatory challenges against the Council.

9. Appendices to this report

Appendix A – Insurance & Risk Management Strategy 2018 – with comments to amendments

Appendix B – Insurance & Risk Management Strategy 2017 – Previous version

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