BRENTWOOD BOROUGH COUNCIL

INSURANCE AND RISK MANAGEMENT STRATEGY

Version 6.0

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Contents

Key Information

This document is to be reviewed every two years by Brentwood Borough Council's Risk & Insurance Officer

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1. Policy Statement

Brentwood Borough Council is committed to the effective management of risk. The Council's employees, partners, stakeholders, residents, assets, and ability to deliver its objectives and services are constantly affected by risk. The Council recognises that risk can be both positive and negative. The Council accepts its legal, moral, and fiduciary duties in taking informed decisions about how best to control and minimise the downside of risk, whilst still maximising opportunity and benefiting from positive risks. The Council will ensure that Members and staff understand their responsibility to identify risks and their possible consequences.

2. Introduction

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 constitution vests the overall responsibility for the management of risk with the audit function of the Audit & Scrutiny Committee.

The Council's corporate insurance arrangements form part of the overall risk management approach.

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.

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.

The Council maintains a Strategic Risk Register (SRR) and this Register will be regularly reviewed with updates reported to the Audit Committee on a quarterly basis as a minimum.

The SRR is developed using the notion of residual risk. This notion assumes that controls put in place will usually mitigate the inherent risk of an activity leading to a lower residual risk.

The SRR is underpinned by Operational Risk Registers (ORRs) and individual Project and Contract Risks.

ORR's are owned by each Director and identify the risks and mitigation controls that apply to each of the Council's service areas. They form part of a continual review and are monitored as part of the SRR review at Corporate Leadership Team (CLT) meetings.

Project Risks Registers (PRR's) are owned by each Project Lead and identify the risks and mitigation controls that apply to that particular project. They form part of a continual review for the duration of the project and are also within the function of the Programme Management Office (PMO).

Contract Risks Registers (CoRR's) for Medium to High risk contracts are owned by each Contract Monitoring Officer and identify the risks and mitigation controls that apply to that particular contract. They form part of a continual review for the duration of the contract.

Insurance

Insurance is a mechanism for transferring risks to another (the insurer) for a consideration (premium). The broad principle 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.

3. Aims and Objectives

Aim

The aim of this Strategy is to improve the Council's ability to deliver a systematic and structured approach to identifying and managing risks across the Council, to ensure that appropriate insurance arrangements are in place to protect the Council against loss or damage to the assets and potential liabilities and to obtain the broadest cover at the best terms available.

<u>Objectives</u>

The objectives of this Strategy are: -

- Integrate and raise awareness of risk management for all those connected with the delivery of Council services.

- To provide a robust and systematic framework for identifying, managing, and responding to risk.

- Anticipate and respond to changing social, environmental, and legislative requirements.

- Enhance the attractiveness of the Council's risk profile to underwriters.

- Comply with any statutory requirements to have in place particular policies of insurance and associated inspection systems.

- Minimise potential claims and consequently reduce the cost of insurances.

- Reduce the cost of external premium spend and to consider self-funding for low level claims.

- Protect the Council's assets (people and property).

- Protect the reputation of the Council.

These objectives will be achieved by:

- Establishing clear roles, responsibilities, and reporting lines within the Council for identifying and managing risk.

- Embedding risk management into the Council's decision-making process, service delivery, project management and partnership working.

- Providing opportunities for training and shared learning on insurance and risk management across the Council.

- Maintaining documented procedures for the control of risk and the provision of suitable information, training, and supervision.

- Maintaining an appropriate incident reporting and recording system, (with investigation procedures to establish cause and prevent recurrence) to provide opportunities for improved risk management across the Council.

- Ensuring robust Business Continuity arrangements are in place.

- Robust claims handling arrangements and insurance fraud detection.

- Maintaining claims handling protocols that are in line with statutory requirements.

4. Insurance Framework

The new contract is for a five-year period with an option to extend the contract for a further two years should it be identified that this provides best value for the Council.

All policies were awarded to Zurich Municipal on a package basis, which resulted in a saving of approximately £200k.

Liability claims will be managed in accordance with the Civil Procedures Rules with strict adherence to the protocol timetable. The Insurance Officer will lead on all investigations and provide the liaison between employees, solicitors, and insurers.

Analysis of claims will lead to risk improvements in the areas of training, security and systems of work.

The Annual Review Process

The annual review process requires the Council to provide the Insurer with information on changes to sums to be insured for the following insurance year, which runs from 1 April to 31 March. These sums include information on the value of the Council's property estate, computer equipment, vehicles, etc. On receipt of this information and the Council's claims history over the year, the Insurer will then assess the Council's risk profile and present a report detailing proposed premiums for the following insurance year categorised by policy type.

On receipt of this report the Council reviews the figures for accuracy and assesses whether the report is a fair representation of the Council's risk profile based on claims experience. A meeting is then convened between the Council and the Insurer to discuss the report.

Thereafter, should an agreement be reached the contractual relationship between the Council and the Insurer will continue until the next annual review.

5. Risk Management Framework

Risk Management is a central part of the Council's strategic management. It is the process by which risks are identified, evaluated, and controlled.

The risk management process will add value to the Council's decision-making process and is key to the organisation's strategic development, playing a fundamental role in reducing the possibility of failure and increase the Council's successes.

The Council is committed to establishing a systematic and consistent approach to risk identification, analysis, control, monitoring and review and consists of five stages: -

- Identify Risks – this involves the identification of risks, describing and recording them.

- Evaluate Risks – the identified risks are each assessed in terms of their likelihood and potential impact and determined against a profiling matrix. At this stage, an assessment of a target risk score can be made, to inform whether or not it is worthwhile to treat/tolerate a risk, and if so, to assess the subsequent mitigations for effectiveness in reducing the risk score against the target.

- Manage Risks – this involves the identification and implementation of control measures to mitigate the impact risk, the cost effectiveness of implementing these measures and the estimation and evaluation of residual risk. There are four basic ways of treating risk, which are: -

Terminate	Stop undertaking the activity which gives rise to that risk unacceptable to the Council therefore eliminate activity.
Treat	Control the risk and take action to reduce either likelihood of a risk occurring and/or the consequences if it does occur.
Tolerate	Accept the risk by an informed decision (based on risk appetite) because the cost of managing may outweigh impact or risk is below the Council's tolerance level
Transfer	Involves another party bearing or sharing the risk i.e. via insurance, shift to another party, e.g. insurance or strategic alliances with third parties

- Report – progress in managing risks should be monitored and reported to ensure actions are carried out.

- Review – review the effectiveness of the control and to inform decision making.

6. Roles and Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with:

Members of the Audit & Scrutiny Committee (or Equivalent) fulfilling the audit function
- Approve the Council's Insurance and Risk Management Strategy.
- Provide independent assurance on the effectiveness of risk management and internal control.

Corporate Leadership Team (CLT)
- Be responsible for and monitor the Strategic Risk Register.
- Ensure risk management is considered on a regular basis.
- Assign a responsible officer to each significant strategic risk.

Extended Leadership Team (ELT)
- Ensure the Council implements and manages risk effectively through the delivery of the Insurance and Risk Management Strategy and consider risks affecting delivery of service.
- Be responsible for and monitor the Operational Risk Register.
- Assign a responsible officer to each significant operational risk.
- Receive and approve updates on the management action plan and on any new significant emerging risks.
- Support the embedding of risk management within the culture of the Council.
- Escalate to CLT any risks that cannot be managed at ELT level without the decision-making powers of CLT.

Key Roles
- The S151 Officer will ensure that risk forms part of the overall performance management framework. They will develop and maintain the overall Insurance and Risk Management Strategy and provide updates to CLT and Members on significant risks identified and emerging from the risk register and other sources.
- The Monitoring Officer has a role to ensure lawfulness and fairness of Council decision-making and provide assurances regarding overall legal risk management of the Council for the Annual Governance Statement.
- The Data Protection Officer (DPO) is responsible for advising on the Council's obligations to comply with General Data Protection Regulations and other data protection laws. They monitor compliance via data protection activities.
- The Senior Information Risk Owner (SIRO) is responsible for information security and assurance.

Directors and Service Managers
- Take responsibility for the promotion of the Insurance & Risk Management Strategy within their area.
- Ensure awareness of risk culture is embedded across their respective departments and services.
- Ensure that operational risk registers are managed, monitored, responded to and communicated effectively in their areas and reported to CLT as appropriate.
- Identify resources to address the highest priority risks and make requests to CLT for funds to avoid, transfer or reduce risk.

Risk & Insurance Officer
Manages the implementation of the Risk Management Framework and process on behalf of the Council and its management team

<u>Employees</u>
- All staff, at whatever level, should maintain an awareness of risks, feeding information into the formal processes for risk management. This will include alerting management to risks which are inappropriately managed and reporting any incidents or near misses.

<u>Internal Audit</u>
- Maintain an independent role in line with guidance from the Institute of Internal Auditors and others and ensure compliance with the Public Sector Internal Audit Standards.
- Ensure that internal controls are robust and operating correctly.

7. Risk Analysis

Once risks have been identified they need to be assessed systematically. The process requires risk owners to assess the level of risk by considering the probability of an event occurring – 'likelihood' - and the potential outcome of the consequences should such an event occur – 'impact'. Risk owners will assess each element of the judgement and determine the score against the Risk Ranking Table in appendix 1.

The risk ratings for each part of the assessment are then combined to give an overall score for each risk.

Risk Ranking Table

Brentwood Council has introduced a best practice five stage approach to Risk Management.

Likelihood		Negligible (1)	Minor (2)	Moderate (3)	Significant (4)	Major (5)
(5)	Definite/very high	Low	Medium	High	Very High	Very High
(4)	Very likely	Low	Medium	High	Very High	Very High
(3)	Likely	Low	Medium	Medium	High	Very High
(2)	Unlikely	Low	Low	Medium	Medium	High
(1)	Highly unlikely	Low	Low	Low	Medium	Medium

Impact

Likelihood x Impact = Risk Score

Risk tolerance			
Level of Risk	Level of Concern	Recommended review pattern	Action required
Very High 15-25	Very concerned	1-2 months	These are critical risks requiring immediate attention. This will mean that strategies need to be developed to reduce or eliminate the risk.
High Risk 10-15	Concerned	2-3 months	These risks are significant. Consideration should be given to the development of strategies to reduce or eliminate the risks.
Medium Risk 4-10	Quite Concerned Risk can be tolerated at this time	3-4 months	These risks are less significant but may cause upset and inconvenience in the short term. These risks should be monitored to ensure they are being appropriately managed and they do not escalate to a higher category of risk.
Low Risk 1-5	Not concerned Risk accepted at this time	4-6 months	These risks are both unlikely to occur and not significant in their impact. They require minimal monitoring and control unless subsequent risk assessments show subsequent change, prompting a move to another risk category.

8. Risk Appetite

Risk appetite is the level of risk the Council are prepared to tolerate or accept in the pursuit of its strategic objectives. The Council's aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery, while also providing an acceptable level of value for money. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

Methods of controlling risks must be balanced in order to support innovation and the imaginative use of resources when it is to achieve substantial benefit. In addition, the Council may accept some high risks because the cost of controlling them outweighs the benefits. The Council will not accept and will therefore seek to control all risks which have the potential to:

- Jeopardise significantly the Council's ability to carry out its normal operational activities.

- Have severe financial consequences which could jeopardise the Council's viability.

- Have a damaging impact on our reputation.

- Lead to breaches of law and regulations.

- Cause significant harm to staff, visitors, contractors and other stakeholders.

9. Risk Tolerance

The Council has determined that some risks are acceptable / tolerable. This is in line with the stated risk appetite and is reflected in the green area of the risk heat map. All risks within a rating of 5 or less are deemed to be acceptable or tolerable. Some risks with a rating higher than 5 may also be accepted/tolerated. This would most probably be because of the potential benefit of taking the risk or the cost of controlling the risk. Acceptance or tolerance of any risk with a rating higher than 5 must be approved by the Corporate Leadership Team.

10. Monitoring arrangements for Key Risks

The reason for monitoring key risks is to create an early warning system for any movement in risk. It will also ensure our treatment of risk remains effective and the benefits of implementing risk control measures outweigh the costs of doing so.

The Insurance and Risk Management Strategy requires risks recorded on the Strategic Risk Register and Operational Risk Registers to be monitored in line with the recommendations set out on page 9 above.

The management of any very high and high risks will be monitored and reported to the Corporate Leadership Team.

Monitoring reports are presented for approval to the Corporate Leadership Team prior to final ratification by the Audit & Scrutiny Committee.

The questions asked during monitoring are:-

- Is the risk still relevant?
- Is there any movement in the risk score?
- Are there controls still in place and operating effectively?
- Has anything occurred which might change its impact and/or likelihood?
- Have any significant control failures or weaknesses occurred since the last monitoring exercise?
- If so, does this indicate whether the risk is increasing or decreasing?
- If the risk is increasing, do I need to devise more controls or think of other ways of mitigating the risk?
- If the risk is decreasing, can I relax some existing controls?
- Are controls/actions built into appropriate documented action plans?

- How effective are the mitigations in reducing the risk to the target level of tolerable risk?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue (and can therefore be archived)?
- Have any of the risks reduced to the extent that a strategic risk can be downgraded to the operational/project/contract level?

11. Addition or removal of risks from the Corporate Risk Register

As risks identified at the corporate level change or develop, it is sometimes appropriate for a risk to be added or removed from the Corporate Risk Register. Addition and removal of such risks will be undertaken as part of the regular risk review processes and these will be notified to the Audit & Scrutiny Committee within reports seeking their approval of the revisions.

	Likelihood				Impact				

Likelihood

			1 Minor slippage	2 Minor	3 Moderate	4 Major	5 Catastrophic
Almost Certain	99% likely to happen or has happened on a regular basis over the last 12 months	5					
Likely	75% likely to happen or has happened at least once or twice in the last 12 months	4					
Moderate	50% likely to happen or has happened once or twice in the last 24 months	3					
Unlikely	20% likely to happen or has happened once or twice in the last 5 years	2					
Rare	5% likely to happen or hasn't happened within the last 5 years	1					

Risk matrix colour grid (Likelihood 1–5 rows × Impact 1–5 columns):

Likelihood ↓ / Impact →	1	2	3	4	5
5 Almost Certain	Green	Yellow	Amber	Red	Red
4 Likely	Green	Yellow	Amber	Red	Red
3 Moderate	Green	Yellow	Yellow	Amber	Red
2 Unlikely	Green	Green	Yellow	Yellow	Amber
1 Rare	Green	Green	Green	Yellow	Yellow

APPENDIX 1

Risk Ranking Table

Impact

	1 Minor slippage	2 Minor	3 Moderate	4 Major	5 Catastrophic
Financial	Loss/overspend under £10K	Loss/overspend £10K - £100K	Loss/overspend £100K - £300K	Loss £300K - £1M	Loss over £1M
Service	Marginal disruption to service capacity	Short term disruption to service	Short term disruption to one service area. Objectives of one department not met	Short term loss of service or significant reduction to service. Service objective not met	Medium/longer term loss of service. Failure to deliver at least one corporate objective.
	Unlikely to cause complaint	Low potential for complaint	High potential for complaint with possible litigation	High potential for complaint with probable litigation	Litigation almost certain
Reputation	No adverse publicity	Minor adverse publicity	Significant adverse local publicity	Adverse national publicity/significant adverse local publicity	Significant adverse national publicity
Legal / Regulatory	No legal implication	Beach of regulations / standards	Breach of regulations / standards	Breaches of law punishable by fines	Breaches of law punishable by imprisonment
Health & Safety	'First Aid' level injury	Medical treatment required – short term injury	Medical treatment required – long term injury	Extensive permanent injury – long term absence	Fatality