

## **BRENTWOOD BOROUGH COUNCIL**

# **INSURANCE AND RISK MANAGEMENT STRATEGY**

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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 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.

### Insurance

Insurance is a mechanism for transferring risks to another (the insurer) for a consideration (premium). Premiums are also subject to Insurance Premium Tax (IPT) which is currently levied by the government at a rate of 9.5%. 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.

Historically the Council has insured risks externally with insurance companies on a 'ground-up' basis, which means only very low levels of excess have been applied.

### **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.

#### Objectives

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

#### **4. Insurance Framework**

Adequate insurance cover is an essential component of effective Risk Management.

Insurance will be procured in accordance with external regulatory requirements applying at the time (e.g. OJEU procedures) and the Council's Financial Regulations. Following a tender exercise in 2013, a new contract was awarded 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.

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.

In broad terms risks are split into three categories:

- Strategic – those risks relating to the long term goals of the Council
- Operational – risks related to the day-to-day operation of each individual service
- Project – consideration of the risks occurring as a result of the Council's involvement in specific initiatives

The Strategic Register is owned by the Corporate Leadership Board, with ownership for risks being assigned to individual officers and Operational Registers are maintained by the relevant Department.

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.
- 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:-

Retain	Accept the risk exposure as part of the risk appetite
Avoid	Stop undertaking the activity which gives rise to that risk
Transfer	Involves another party bearing or sharing the risk i.e. via insurance
Reduce	Control the risk and take action to reduce either likelihood of a risk occurring and/or the consequences if it does occur

- 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
- Corporate Leadership Board

To ensure the successful implementation of this policy, responsibilities for risk management are detailed below:

### Members of the Audit & Scrutiny Committee

- Approve the Council's Insurance and Risk Management Strategy
- To ensure that strategic risks are being actively managed and report any concerns to full Council

### Corporate Leadership Board (CLB)

- 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.
- Ensure risk management is considered by CLB on a quarterly basis
- Be responsible for and monitor the Strategic and Operational Risk Registers
- Assign a responsible officer to each significant strategic 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.

### Senior Management Team (SMT)

- Take responsibility for the promotion of the Insurance & Risk Management Strategy within their area.
- Ensure that operational risk registers are managed, monitored, responded to and communicated effectively in their areas and reported quarterly at SMT.

## Finance Director

- Ensure risk forms part of the overall performance management framework
- Contribute to the formulation and future development of the overall Insurance and Risk Management Strategy
- Provide updates to CLB and Members on significant risks identified and emerging from the risk register and other sources.

## Managers

- Identify, evaluate and control risks facing the Council in achieving its objectives
- Include staff without direct responsibility for owning and managing risk in risk discussions to ensure teams identify potential risks associated with service delivery
- Identify resources to address the highest priority risks and make requests to CLB for funds to avoid, transfer or reduce risk

## Internal Audit

- Maintain an independent role in line with guidance from the Institute of Internal Auditors and others and ensure compliance with the CIPFA Audit Code of Practice.
- Ensuring that internal controls are robust and operating correctly

## **7. Risk Analysis**

Once risks have been identified they need to be assessed systematically and accurately. The process requires managers 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’. Managers will assess each element of the judgement and determine the score. The table below gives the scores and indicative definitions for each element of the risk ranking process:-

Score	Likelihood	Description
1	Unlikely/rarely happens	I would be very surprised to see this happen, but cannot entirely rule out the possibility
2	Less likely/moderate	I would be mildly surprised if this occurred, but cannot entirely rule out the possibility
3	Likely/possible	I think this could maybe occur at some point, but not necessarily in the immediate future
4	Very likely/high	I think this could occur sometime in the coming year or so
5	Definite/very high	I would not be at all surprised if this happened within the next few months

Score	Impact	Description
1	Negligible Impact	<ul style="list-style-type: none"> <li>• Very minor service disruption/little inconvenience</li> <li>• None injury</li> <li>• Financial loss under £5,000</li> </ul>
2	Minor Impact	<ul style="list-style-type: none"> <li>• Minor service disruption/short term inconvenience</li> <li>• Minor injury</li> <li>• Financial loss under £10,000</li> <li>• Isolated service user complaints</li> <li>• Breach of regulations/standards</li> </ul>
3	Moderate Impact	<ul style="list-style-type: none"> <li>• Service disruption</li> <li>• Loss time injury</li> <li>• Financial loss under £50,000</li> <li>• Adverse local media coverage/lots of service user complaints</li> <li>• Breach of law punishable by fines only</li> <li>• Failure to achieve a Service Plan objective</li> </ul>
4	Significant Impact	<ul style="list-style-type: none"> <li>• Significant service disruption</li> <li>• Major/disabling injury</li> <li>• Financial loss under £100,000</li> <li>• Adverse national media coverage</li> <li>• Breach of law punishable by fines or possible imprisonment</li> <li>• Failure to achieve one or more Strategic Plan objective</li> </ul>
5	Major Impact	<ul style="list-style-type: none"> <li>• Total service loss for a significant period</li> <li>• Fatality to employee, service user or other</li> <li>• Financial loss in excess of £100,000</li> <li>• Ministerial intervention in running service</li> <li>• Breach of law punishable by imprisonment</li> <li>• Failure to achieve a major corporate objective in the Strategic Plan</li> </ul>

The risk ratings for each part of the assessment are then combined to give an overall ranking for each risk. The ratings can be plotted onto the risk matrix, see below, which assists in determining the risk priority.



## 8. Risk Ranking Table

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

Likelihood / Probability	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Negligible	Minor	Moderate	Significant	Major
Negative Impact / Severity					

Risk Tolerance		
Red (High Risk)	20 – 25	Must be managed down as a priority
Amber (Medium Risk)	12 - 16	Seek to influence medium term/monitor
Yellow (Accept Risk)	6 - 10	Acceptable, but continue to monitor
Green (Low Risk)	1 - 5	Continue to monitor

## **9. Monitoring arrangements for Key Risks**

The reason for monitoring key risks is to create an early warning system for any movement in risk.

Risk registers are living documents and therefore must be regularly reviewed and amended. The Insurance and Risk Management Strategy requires risks recorded on the Strategic Risk Register and Operational Risk Registers to be monitored on a quarterly basis by the relevant risk owner.

Monitoring reports are presented for approval to the Corporate Leadership Board prior to final ratification by the Audit 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?
- Are there any new or emerging risks?
- Have any of the existing risks ceased to be an issue (and can therefore be archived)?

## **10. Indicators of Success**

- Strategic and Operational Risk Registers monitored on a quarterly basis and report presented to Audit Committee
- Annual review of the Insurance and Risk Management Strategy
- Adhoc reports provided to the Corporate Leadership Board when new, significant risk issues arise