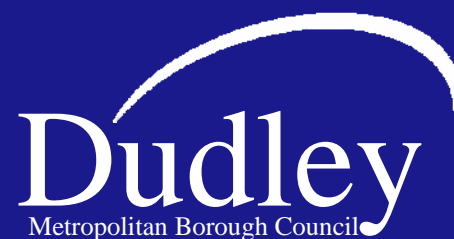# Corporate Risk Management and Insurance Strategy

April 2010 – March 2011

Risk Management & Insurance
Directorate of Finance, ICT & Procurement
3rd Floor
4 Ednam Road
Dudley, DY1 1HL

Dudley
Metropolitan Borough Council

Key Principles – Business & Operational Risks

Risk management in Dudley M.B.C. will continue to follow recognised risk management principles, they are:

- Risk identification and analysis should be undertaken at the earliest opportunity in the business processes and project assessment
- Emphasis is placed upon assigning risk ownership and mitigating actions (controls)
- A central, corporate risk register will be used by all directorates for recording and updating risks.
- Risk controls/mitigating actions should be regularly reviewed and tested for efficacy.

Risk Management Assurance Protocol – Directors verification

To ensure a consistent approach and practical application of the aforementioned principles, a *Risk Assurance Protocol* **(appendix 1)** is in operation. This procedure is linked to the electronic risk database and will be monitored accordingly.   This formal protocol will also assist Audit Services with its work on the Annual Governance Statement.

Roles & Responsibilities

Members – Cabinet Member for Finance will continue to lead on risk management and should ensure that all members are sufficiently informed about risk management to undertake their role. Audit Committee has specific responsibility for risk within its' *Terms of Reference.* Risk awareness sessions conducted by the Risk Manager are publicised in the *Members Training Brochure* and will be undertaken upon request.

On an ongoing basis Members should look to the 'background' section of committee reports to look for risk information.

- **Corporate Board –** will receive information regarding all risks having a current risk rating of '*major*' via the Quarterly Corporate Performance Report.   Board should satisfy itself that these risks are correctly rated i.e. that they are of significant gravity to justify 'major' risk status.

- **Directors & Principal Officers –** should ensure that risk management within their directorate is carried out in accordance with the Corporate Risk Management Strategy. Directors must also consider the inclusion of risk information in committee reports.   Full guidance is available in the form of the *Risk Assurance Protocol – Guidance.*

- **Risk Champions –** See *Terms of Reference* below

- **All staff –** Should remain cognizant of risks within the immediate working and operational environments, reporting risks and assisting with control measures.

Dissemination of Risk Management Information & Procedures

The Risk Manager will organise and chair the Risk Champions Group (RCG). The Risk Management & Insurance Section will maintain the electronic corporate risk register, ensuring requisite access and reporting facilities are made available. Any recommendations for amendments/improvements to the corporate risk register will be taken to the Risk Champions Group.

Risk Champions – Terms of Reference

Risk Champions are responsible for embedding best risk management within their respective directorates.   The group will meet quarterly and every directorate will provide a representative. The group's key terms of reference are:

- Ensure the timely completion of the quarterly Risk Assurance Protocol.
- Raise awareness about Council's significant risks and the need to manage those risks accordingly.
- Ensure use of the corporate risk register.
- Assist with the verification of risk reporting information for performance management purposes.
- Raise issues that might affect Council's insurance arrangements.
- Ensure consistency in the methodology used to manage risks and controls.
- Bring evidence of good risk management practice to the forum.
- Assist with moderation of the Corporate Risk Register

Common Risks

Common risks are those risks that are common to all directorates by virtue of the fact that they employ people, use information and communications technology, have legal responsibility formation, manage finance, procure and pay for goods etc.   A core list of these risks has been *centrally defined* but directorates must ensure that they are managed and this is assumed under the *Risk Assurance Protocol.*   Full guidance is given in the *Risk Assurance Protocol Guidance.*

Risks for these areas are contained within the Corporate Risk Register and are assigned to all directorates and will be managed accordingly.   Directors should consider these risks when signing the Risk Assurance Protocol.

Risk Management Match Funding

Dedicated risk management funding continues to be available to assist with risk reduction and control measures.   Funding for the financial year 2010/2011 will be £195,000 and is available on a match funding basis to all directorates including schools.

Projects will generally be capital in nature e.g. improved fencing, fire protection systems and intruder alarms, however support for specialist training or equipment will also be considered.   Applications can be made via the Risk Management & Insurance Section.   A copy of the formal criteria and application form is appended **(appendix 2)**

Priority areas for the forthcoming period

In addition to the aforementioned fundamental principles, this strategy sets out the most important areas of work for the forthcoming 12 months.

Principal means of corporate assessment continues to fall under the auspices of Comprehensive Area Assessment.   Within the *Use of Resources* framework, explicit requirements are stated within *Key Line of Enquiry* (K.L.O.E) 2.4 **– '*The organisation has a robust approach to managing its risks and a sound system of internal control'.***

To this end actions and evidence must be explicit in the following areas:

- Risk management is *embedded* in business processes, including: strategic planning, financial planning, policy making and review, performance management.
- Partnerships embed risk management as part of setting priorities, policy making, financial planning and performance management.
- Audit Committee has assurance on the risk management framework and associated internal control environment to the board and public.
- Fully support areas around the combat of fraud such as the *National Fraud Initiative* and *Protecting the Public Purse* as conducted by Audit Commission.
- Risks in relation to *projects* are considered and the JCAD system utilised to record them.
- Risk assessments to include sustainability impact appraisals.
- Consideration to delivery of services in relation to climate change e.g. compliance with National Indicator 188.

Key principles – insurable risks

The Council is under legal obligation to arrange insurance for some areas of its operations. For example; Employers Liability, Fidelity Guarantee and a minimum of third party cover for its fleet.   In addition to these mandatory covers, the Council will arrange appropriate and cost effective insurance for other insurable assets or risks e.g. staff, buildings and other liabilities.

As part of these arrangements the Council has for many years adopted a combination of **external cover** i.e. that which is purchased from the insurance market and that which is termed **self insurance** i.e. met from its own funds.

Externally purchased insurance cover (policies)

In accordance with Standing Orders, Council will continue to undertake a full tender procedure every 3 to 5 years to procure the most favourable terms for insurance premiums.

Self insurance arrangements

It has long since ceased to be cost effective for the Council to wholly "externally" insure all risks.   Accordingly Council meets a proportion of claims from a dedicated, internal insurance fund or reserve i.e. **self insurance.**   These arrangements will continue for the forthcoming period but may be reviewed in the context of the priorities listed below.

Priority areas for the forthcoming period

- Insurance tender for all major policies to be completed by end September 2010.

Formal review of this strategy will commence in December 2010 and returned to Audit Committee and the Risk Champions Group in the first quarter of 2011.

APPENDIX 1:

Risk Assurance Protocol

Directorate: .... **Quarter Ended:**...

	Review criteria	Y	N
1	Have any objectives for your Directorate changed, e.g. new services or projects? (Should this be the case, please ensure that new significant risks and corresponding mitigating actions are identified)		
2	Have risks been clearly identified and adequately described?		
3	Are the risk owners still valid? *(e.g. the most appropriate / still in post?)*		
4	Are the risks still valid? *(e.g. still current or have they now past?)*		
5	Are review dates still valid? *(dependant on risk status in accordance with the separate guidance notes)*		
6	Have all mitigating actions been identified and are they operating as intended?		
7	Is the assessment of each mitigating action in reducing the likelihood and/or impact still correct?		
8	Is the **CURRENT risk rating** of the risk still valid? i.e. in accordance with the standard impact/probability guidance (also see note 3)		
9	Have there been any significant worsening of risks since last review * (note 2)		

Additional information/notes:

1/ The Assurance Protocol will need to be completed by the relevant Director liaising with the Risk Champion to determine the arrangements are place to ensure compliance.
2/ Where significant worsening of risk/s has occurred, directors will also consider additional, formal reports to appropriate committee/s.
3/ All risks with a current risk rating of **'major'(red)** will also be reviewed via the Quarterly Corporate Performance Report.

List of significant partnerships and projects assumed included in the above:

Significant partnerships / projects	DMBC Lead Officer

Director……………………………………………………………………………………………**Date**………………………

APPENDIX 2:

<u>RISK MANAGEMENT FUNDING CRITERIA</u>

A valid funding application form must include full project cost details.   The application will then be reviewed by the Risk Management Team, who may also require details of spending proposals from any devolved capital budget.

Risk Management funding will not be a substitute for lack of repairs and maintenance or poor house keeping e.g. dilapidated windows or rubbish removal and cannot be given retrospectively.

All projects must be started and completed within a maximum of 12 months.

The following criterion is applied to all projects to be considered, with those *marked in italics being considered essential*:

1. *The project must enhance the protection/safety of an asset (people or property).*

2. Cost of the project must be realistic in relation to the value of the asset.

3. RM funding should be matched by funding from other sources. Ordinarily 50% is the maximum funding available from the RM fund.

4. *Any security related project should be endorsed by the Council's Security Officers.*

5. Projects will be viewed in conjunction with claims experience e.g. insurance data, accident information, etc.

6. Where risks are stated, these will be cross referenced with the risk register.

7. *Life expectancy of work/project must represent value for money.*

In addition to the above, adherence with the following is required:

► Council's Financial Regulations & Standing Orders (e.g. payment of invoices, procurement of contracts)

► A sustainability impact assessment if applicable

► Capital Investment & Disposal Guide and the Capital Strategy/Reporting procedures.

► Compliance with legislation, e.g. planning permission, Health & Safety and Disability Discrimination, Disability Access Strategy etc.