



Committee and Date

Audit Committee  
19<sup>th</sup> September 2013  
10.00 am

Item

11.

## **RISK MANAGEMENT ANNUAL REPORT 2013**

**Responsible Officers** Angela Beechey

e-mail: Angela.beechey@shropshire.gov.uk

Tel: (01743)  
252073

Fax (01743)  
252858

### **1. Summary**

- 1.1 This report sets out the challenges and achievements accomplished by the Risk Management Team during 2012/2013 which has again seen an intense and varied workload.
- 1.2 The team strive to ensure that Shropshire Council continues to embed successful risk management practices throughout all service areas and this is recognised by the reputation held by Shropshire Council within the risk and insurance market.

### **2. Recommendations**

- 2.1 Members are asked to accept the position as set out in the report.

## **REPORT**

### **3. Risk Management and Opportunities Appraisal**

- 3.1 The management of risk is a key process which underpins the successful achievement of our priorities and outcomes. It forms part of the Annual Governance Statement and the Risk Management Team ensures that processes and protocols are established and embedded which support effective decision making.

### **4. Financial Implications**

- 4.1 Failure to effectively manage the risks associated with meeting the on-going and additional austerity measures will potentially leave the Council exposed to external challenge and financial ramifications.

As well as treating the risks we are able to transfer some of the financial risks by means of an insurance policy thus allowing some of the major financial exposures to be borne by a third party.

## 5. Background

- 5.1 This year saw the Audit Team undertake audits of both risk management and insurance and we are pleased to confirm that the final reports identified the assurance level as “**Good**” for both areas. There were no recommendations within the audit reports for either risk management or insurance.

The Opportunity Risk Management Strategy, which supports our rapidly changing environment, has now been fully embedded by the Risk Management Team. As a council we need to ensure that we are taking advantage of every opportunity possible and the strategy is therefore outcome based and focuses on the achievement of our key priorities, objectives and benefits realisation.

## 6. Additional Information

### 6.1 Risk management software system

- 6.1.1 All strategic, operational and project/programme related risks have been entered onto the system. All risk owners have been trained on how to update their risks allowing them to be updated as often as required and reviewed on a monthly basis. This gives full ownership of the risks to the risk owner. The Risk Management team are notified when scores are updated which allows them to monitor the position.

### 6.2 Business Continuity Plan

- 6.2.1 The Business Continuity Plan has been redeveloped and now provides a scenario based plan which clearly identifies the roles and responsibilities of the emergency response teams for each scenario. The new plan was exercised successfully on 29<sup>th</sup> April, which included the Emergency Management Team being moved to the Command & Control Centre at Mount McKinley for the duration of the exercise to test the robustness of the plan. Following a debrief after the exercise an action plan was developed with 22 actions in total, only 3 of which are outstanding but which are work in progress. Despite the constant changes we have maintained a team of experienced and capable staff to respond during a business interruption event. Business Continuity awareness training for Members has been scheduled for October 2013.

### 6.3 Extensive training programmes and workshops

- 6.3.1 The team have continued to provide an extensive training and workshop programme including:
- Opportunity Risk Management General Awareness Training;
  - Risk, Insurance & Fire Safety Compliance Training for Schools;
  - Court/ trial training for staff in relation to Highways claims against the Council;

- Business Continuity Awareness Training for county wide Headquarter staff;
- Risk awareness and risk register development for West Mercia Energy (fee earning);
- Risk awareness, risk register and business continuity advice for People2People;
- At the National Alarm Learning & Development Forum in June the Risk Management Team Leader and Risk Management Officer delivered an Opportunity Risk Management workshop to delegates (including international delegates) which was exceptionally well received and we have been requested to deliver this workshop again at next year's forum.

## 6.4 Strategic Risks

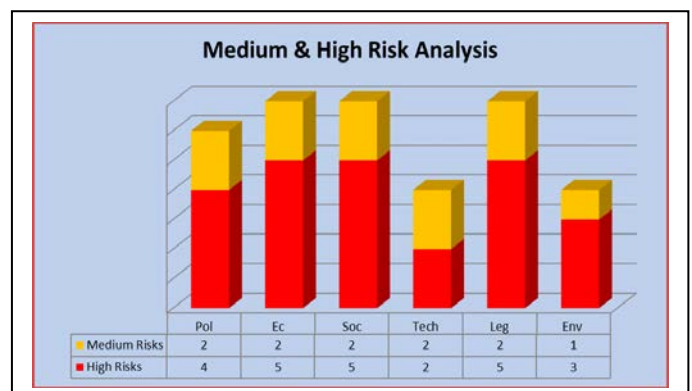
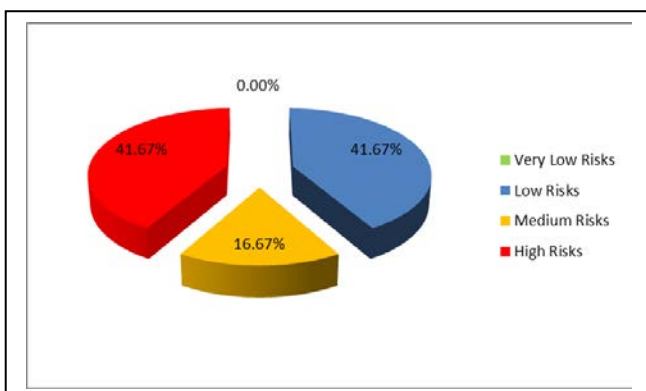
6.4.1 Following the appointment of the new Senior Management Team the strategic risks for Shropshire Council have been revisited and the new risk owners identified. The completed and signed off strategic risks articulate our current risk exposure.

6.4.2 Furthermore, all relevant strategic risks have been linked to the Annual Governance Statement Action Plan points. This demonstrates that we are managing these Action Points at a strategic level.

6.4.3 All medium and high risks are considered above our tolerance levels. This does not mean to say that they are unacceptable but that the monitoring of risks at this level will be closely carried out to ensure that the council is not exposed.

6.4.4 A thematic analysis has also been undertaken to identify areas where the highest impact will be felt as a consequence of these risks. The diagram below confirms that the highest thematic impact is within the Economical, Sociological and Legal areas. This is to be expected as we redesign our service delivery and implement actions to meet our savings and income targets.

6.4.5 The following diagrams demonstrate our current overall strategic risk exposure and thematic analysis:-



## 6.5 Risk Reporting

6.5.1 A new reporting procedure has been developed which reports on three different levels, each report feeding in to a higher level report.

- The first report is for Head's of Service and details their operational and project risk exposure together with any insurance claim related information and the outcomes of any fire safety compliance issues (if applicable). This also demonstrates all risks above our tolerance levels and in addition, thematically (PESTLE) which identifies emerging themes.
- Elements of these reports are collated to provide a Director report with an overview of all their service areas and the current risk status.
- A higher level quarterly report is provided to SMT which articulates strategically our risk exposure, insurance implications and non compliance in relation to the Regulatory Reform Order (2005) Fire Safety.

## 6.6 Services, training and publications for Schools

6.6.1 We continue to provide training for schools, which this year has included the incorporation of Fire Safety Compliance. This ensures an holistic Risk, Insurance and Fire Safety training programme which covers all elements of the teams undertakings and provides a comprehensive understanding for schools of their obligations and the support we can provide.

## 6.7 Insurance

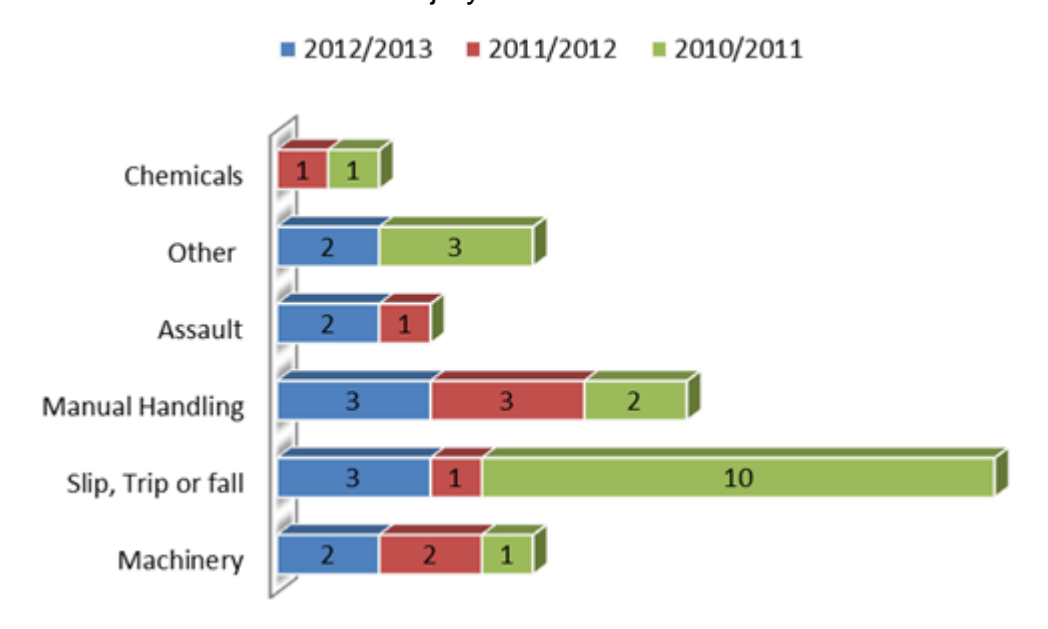
6.7.1 This year has seen another busy year for the insurance team. The number of claims received against 2012/2013 increased by 45% compared to the previous year – due mainly to the prolonged poor weather conditions in late 2012 early 2013 which led to an increase in the number of pothole claims.

6.7.2 Although the number of Liability claims is more than double that received in the previous year, it is pleasing to note that our repudiation rate remains very good, and at 82.1% this is significantly above the industry average of 72.2%. It is also pleasing to note that the average payment for Highways related Public Liability claims is just £300 compared to an industry average of £3,300.

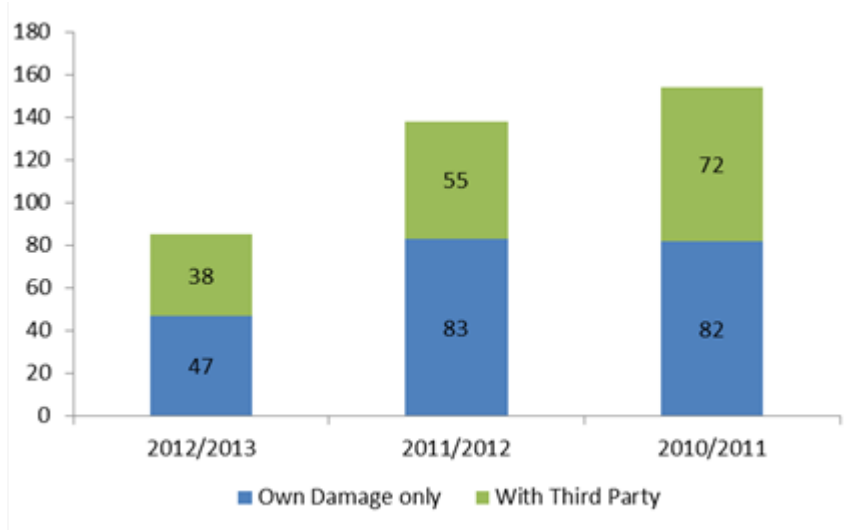
6.7.3 In 2012/2013 savings of £203,479 were achieved against defended liability claims. Over a three year period, these savings total almost £1.4million. These savings are due to the conscientious work undertaken by Shropshire Council employees which allows us to defend the claims. In a time of austerity it is important that we continue to be in a position where we can defend these claims.

6.7.4 We continue to receive a low number of Employers' Liability claims, and compared to the industry average of 16.5/FTE, we receive less than half of

this at 8.2/FTE. Twelve claims were received this year with a fairly even split over the different causes of injury.



- 6.7.5 Although the number of Employer's Liability claims received is only 12, the reserve against these claims represents over 31% of the total reserves for 2012/2013. This is due to a large reserve against one particular claim.
- 6.7.6 The number of property claims has remained low at 14 throughout the year. The number of storm/flood claims (six) increased in 2012/2013 following several very wet periods, and we incurred two high value fire claims – one housing property, and an arson attack on one of our general properties – Shrewsbury Boxing Club.
- 6.7.7 The majority of claims relate to education buildings – which is consistent with the previous two years. Compared to other Authorities taking part in the CIPFA 2013 Benchmarking Exercise, the number of Educational building claims we receive is one of the lowest, and any payments made are significantly below the average payment - £1,000 compared to an industry average of £14,000. This is despite us having a higher than average number of School buildings on cover (the average being 182, we have 194).
- 6.7.8 The number of Motor claims has dropped by almost 45% as a result of the outsourcing of various services, the sale of WMS and changes to the motor insurance arrangements within the Highways Maintenance contract with Ringway. In comparison to other Authorities, the value of the Motor claims we settle is much less (£868 per claim compared to £1,366).



6.7.9 One area in which it is difficult to project the number of claims we will receive is industrial disease and abuse cases. Over the past ten years we have seen 31 claims of this nature – including cases of abuse from the 1960’s, exposure to employees of excessive noise, asbestos and vibration going back over the decades. A claimant can have three years after the symptoms have shown themselves in which to submit a claim which may be many years after the time of the actual exposure.

6.7.10 Claims of this nature are particularly difficult to defend due to the amount of time that has past, the limited documents available and the lack of any current staff with knowledge of the policies and procedures in place at the time.

6.7.11 Over the past three years there has been an increase in the number of noise and vibration related claims received and it is anticipated that these types of claims will increase following a change in the law for the handling of personal injury claims.

6.7.12 There are currently ten claims of this nature open (five noise and five vibration claims) with an estimated value of £130,000. The table below illustrates the decades to which such claims refer.

	1960s	1970s	1980s	1990s	Total
Asbestos	1	2	1	1	5
Noise	0	2	1	3	6
Vibration	2	3	1	0	5
Abuse	2	4	2	1	9
Failure to educate	0	0	0	2	2
Latent defect	0	0	0	4	4
<b>Total</b>	<b>5</b>	<b>11</b>	<b>5</b>	<b>11</b>	<b>31</b>

6.7.13 Following a recent Court case which saw Municipal Mutual Insurance lose, the company can no longer foresee a solvent run off and as such they have triggered the Scheme of Arrangement to which Shropshire Council is party (having taken over the liabilities of the former County, District and Borough Councils). This has resulted in a levy charge being applied to any payment MMI have made since the Scheme was put in place in 1993.

- 6.7.14 A levy of 15% has been applied, and this now means Shropshire Council (as one of over 700 Scheme Creditors) must arrange to make a payment to MMI – the most recent figure calculated being £800,000.
- 6.7.15 In addition to this, going forward MMI will apply a 15% reduction against any claim payments made – the 15% will have to be funded from Council funds. Therefore if we see an increase in disease type claims, we can also expect to see an increase in the payments being made from the Internal Insurance Fund. Under the terms of the Scheme of Arrangement, a further levy may be applied going forward if necessary.
- 6.7.16 A full and detailed annual insurance report is available should any Member wish to see further information.

## 6.8 Fire Safety

- 6.8.1 The Regulatory Reform (Fire Safety) Order 2005 places responsibility for fire safety at any particular premises on the “responsible person” i.e. the employer and /or the person who has control of the premises. Under this legislation the “responsible person” must carry out a fire risk assessment to determine whether the premises are safe to use and ensure that all necessary fire precautions are properly implemented.
- 6.8.2 Throughout the year, compliance monitoring has been undertaken with respect to all premises which are owned, occupied or used by the Council - including schools - to ensure that our statutory duties under national fire safety legislation are being properly carried out.
- 6.8.3 Regular and close liaison with Shropshire Fire and Rescue Service (SFRS) has proven to be an effective way of dealing with issues which arise from their audits of council premises and has helped to ensure that to date, no enforcement notices or prohibition notices have been served.
- 6.8.4 The team’s work with the Learning and Skills Schools Fire Improvement Strategy Panel has seen proposals developed and schemes implemented to bring fire safety at each secondary school in the county to an acceptable standard. Similar work is now continuing with respect to primary schools and our excellent working relationship with SFRS has allowed us to enter into discussions which aim to align the Fire Authority’s own schedule of primary school audits with the Council’s programme of improvements. From the Council’s perspective, this will ensure that funding for improvement works is directed towards those schools which are in most need according to priorities which have been agreed by both authorities.
- 6.8.5 As mentioned above, fire safety has been incorporated into the Risk Management Team’s training programme for schools. Fire Risk Assessment workshops are also offered on a regular basis in association with the

Council's Health and Safety Team and training, support and guidance continues to be provided individually to premise managers and head teachers.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

Annual Governance Statement  
Risk Management Audit Report 2013  
Insurance Audit Report 2013  
Opportunity Risk Management Strategy  
Business Continuity Management Policy  
Business Continuity Plan  
Insurance Benchmarking  
Insurance Annual Report

**Cabinet Member**

Tim Barker, Lead Member Advocate

**Local Member**

N/A

**Appendices**

None