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MUNICIPAL**

# Supply Chain Resilience

For local authorities, suppliers, contractors and partners





## Supply Chain Resilience

Today local authorities are dramatically increasing the number and scale of outsourcing arrangements and partnerships, both to deliver improved frontline services and to create efficiency savings in back office functions.

With this rapid shift from service provider to strategic commissioner of services, local authorities are facing a dramatic increase in the level of supply chain risk.

**Although the management of organisational functions and provision of services is delegated to third parties, the responsibility for failure always remains with the local authority, more specifically with the most senior executives.**

This means supply chain risk is unquestionably a strategic board level issue. Failure can mean reputational damage, disruption of critical services and Local Area Agreement (LAA) outcomes – and in the worst case, financial losses. Yet local government is under pressure to make significant cost savings and outsourcing and partnerships are central to this. The strategic challenge is to protect against supply chain risk whilst taking advantage of the opportunities.

### The Zurich supply chain solution

Zurich has shaped a new portfolio of products that directly addresses the supply chain risks and opportunities within local government and the greater public sector. We not only have the ability to protect you, we can also help drive greater cost savings. Our public sector supply chain expertise and advice will ensure local authorities, their outsourcing suppliers and community partners move forward together successfully.

### The benefits

- Reduce the associated costs of supply chain risk
- Understand your vulnerabilities
- Protect business objectives and community outcomes
- Ensure greater governance and control
- Reduce the threat of third party exposures
- Minimise the negative impact of disruptions.

As well as helping prevent supply chain risks and failure, Zurich can ensure your authority is protected if a supply chain fails.

# Understanding the risks

## Supply chain failure in the headlines

Public sector supply chain failure is becoming increasingly common. A wide range of disasters and embarrassments mean local authority leadership must address this new risk.

Recent supply chain failures in the public sector include:

- Countless serious losses of sensitive personal data and breaches of privacy responsibilities, eg the £225 million Contact Point, child protection database issues
- Badly managed social care contracts leading to reputational damage and legal challenges
- Alleged overspending and overrun of IT contracts worth £10 billion which are now being investigated by the National Audit Office.

## Five common supply chain risks

- Partner or supplier failure
- Hidden costs and cost budget overruns
- Losing control over service delivery and standards
- Potential loss of quality of service
- The ability to remain compliant with legislation.

## Spotlight on failings in social care standards

More than £1.5 billion of home care contracts are now available. Yet local authorities have found themselves facing issues over neglect, poor standards and breaches of regulations by their suppliers.

Failure in this case has led to vulnerable elderly people being left alone for 24 hours, untrained staff using potentially dangerous equipment and agencies failing to make criminal record (CRB) checks.

**The private sector has been struggling for some time to understand and control supply chain risk; in just one research report by Gartner (2005), responders reported that 50% of outsourcing contracts failed to meet expectations in the first five years.**

# We work with you to build supply chain resilience

Local authorities today are involved in an ever-increasing number and type of external supply and delivery chain relationships. Each of these relationships has their own attendant risks and challenges.

Supply chain resilience depends on three pillars, starting with understanding the vulnerabilities across your supplier and partner relationships.

## 1 Understand your supply chain risks

Zurich works with a cross-functional team to gather information for a supply chain workshop; the cross-functional team then determines and maps business critical supply chains, suppliers and partners in a risk assessment workshop.

- Identify and map the most vulnerable supply chains, suppliers and delivery partners
- Establish the key risks associated with these critical outsourced dependencies
- Understand the quality of your supply chain risk management practices in place.

## 2 Develop a whole risk approach

Zurich works with key operational, strategic and risk decision makers to create a bespoke risk approach. Given increasing budget pressure, this bespoke approach must be sustainable, balancing risk management, insurance and appetite for risk retention to reduce the total cost of risk.

- Weigh the various available options and approaches to address the supply chain vulnerabilities
- Identify and prioritise improvement areas for current supply chain risk management practices and insurance strategy.

## 3 Plan for response and recovery

Zurich reviews your business continuity plans and exit strategies to ensure that local authority objectives and community outcomes can survive a disruption. With increased outsourcing and partnerships, business continuity plans should be joined-up with key partners.

- Develop a clear view of the risks and options if the supply chain and / or partner fails
- Ensure continuity and exit plans are in place and fit for purpose
- Integrate emergency / back-up sourcing alternatives into the procurement process.



# Our supply chain risk products – designed for the public sector

Through our supply chain solution we work closely with you to understand your needs and directly address them with a bespoke solution. Our three pillar approach and breadth of risk products let us create a whole risk solution that gives your local authority the right level of support and protection. And most importantly, reduces the total cost of risk.

## 1 Understand your supply chain risks

### • Supply chain risk assessment

The first step towards minimising risk in your supply chains is assessing the risks. This means identifying which outsourced functions, frontline services and target outcomes are vulnerable – which is exactly how the Zurich supply chain risk assessment can help.

Based on analysis of the critical high risk supply chains and suppliers or partners, Zurich's supply chain risk assessment is a structured approach. Our solution focuses only on those areas of risk with the greatest priority to the local authority and its objectives.

#### Evaluation of Critical Supply Chains and Risks

Working with a cross-functional team within the organisation, Zurich will help you identify and map which critical supply chains, suppliers and delivery partners are most vulnerable – and the key risks associated with these dependencies.

#### Internal Best Practice Assessment

Zurich will help you understand the quality of your current supply chain risk management governance. We focus on those areas where improvements may be required – and provide the supply chain risk management expertise and guidance to fill the gap.

## 2 Develop a whole risk approach

Once the critical supply chain vulnerabilities have been mapped, Zurich works with you to construct a bespoke risk approach to create resilience for your outsourced services and community outcomes. The bespoke approach balances risk management (mitigation) and insurance, the local authority and the contracted partner. It offers the flexibility to select whichever options reduce the total cost of risk for your organisation.

### • Partnership risk register

Partnerships are becoming increasingly fundamental to the delivery of local authority organisational goals. They now serve as key vehicles to delivering services and community outcomes.

It is therefore vital that partnership risks are identified and managed by the relevant partners. Zurich can help you build this united view, a partnership risk register of the key risk challenges facing the partnership arrangement and mitigate the risks and costs of ineffective partnership working.

#### Risk Audit

Zurich will facilitate workshops that enable you and your partner organisations to identify the key risks that could stop the partnerships from achieving their objectives. This approach allows all parties to share their views on risk, prioritise the risks and decide responsibility.

#### Risk Governance Protocol

Zurich can help you put together a risk governance protocol, a common framework for you to use to manage the risks facing your partnerships on an ongoing basis. This will also form part of your overall governance arrangements.

#### Training

Half-day and one-day training 'partnership risk skill courses' are available for key members of a partnership or those managing partnership working arrangements.

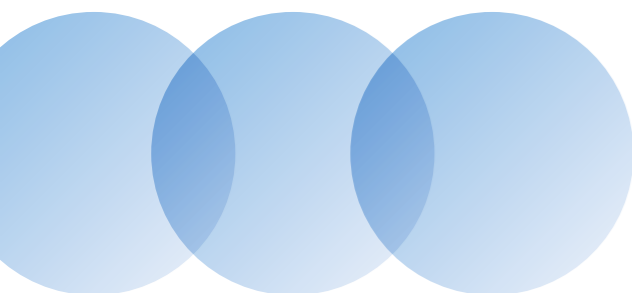
### • Strategic Tactical Organisational Risk Management (STORM)

Large private sector companies may have the experience, skills and lawyers to set legal relationships that will absolve them from some of the consequences of failure. On the other hand charities and other public sector organisations may not have the skills to critically understand their risk of failure.

STORM can help commissioning authorities identify, analyse and prioritise the strategic and organisational risks that could impact on the ability of a third party to achieve agreed objectives. This is critically important, for instance, in key public service agreements with local community and social organisations.

STORM includes:

- Risk identification through confidential interviews or workshops
- Risk scenario analysis to establish the organisation's tolerance to risk
- Action planning introduced where risks are allocated to owners
- A final comprehensive risk register and report issued outlining the process utilised.



#### • Partnership working programme

The requirement for greater governance and risk accountability between local authorities and contracted / partner third sector organisations grows daily. Many of these parties are involved in the delivery of key authority services and Local Area Agreement (LAA) outcomes. These new and emerging risks need to be managed by both the local authority and their third sector partners.

Zurich can work closely with local authorities to develop a comprehensive insurance and risk management programme for partners.

Local authorities benefit through:

- Zurich's Insight policy, a specialist product designed for community and social organisations
  - Tailored to meet the needs of the partner organisation
  - Dovetails into the local authority's own policy to ensure comprehensive cover
- Improved risk profiles for partner and non-partner community organisations
- Potential cost savings for community organisations via scheme and consortia solutions.

#### • Partnership policy

The need for affordable insurance that protects all members of a partnership is something that our customers have been raising with us for some time. However, the question of legal entity has caused confusion as many partnerships are not legally incorporated.

Our new insurance product solves the legal entity problem by issuing the policy in joint names, giving you a cost-effective and comprehensive way to cover your partnerships' risks.

Key benefits include:

- Low excesses for local authorities who may have high deductibles
- Primary cover so all the partnerships risks are covered regardless of any insurance already in place – removing doubts about what will happen in the event of a claim
- Claims under the partnership policy will not affect the authorities' policy and renewal premium.

#### • Key insurance covers

With outsourcing and partnership working supply chain risks, Business Interruption (BI) cover becomes more critical than ever – helping you protect against critical disruptions that may impact the operations of key community partners. Zurich also provides the option of Suppliers Extension cover.

##### Business Interruption

Today the success of your activities and target LAA outcomes increasingly depend on third party delivery. Business Interruption insurance provides cover for the losses following an insured incident interrupting the activities of the policyholder, for example:

- The cost of hiring demountable school classrooms following a school fire
- The expense of renting new offices when the town hall goes up in flames
- Lost income following closure of a leisure centre after a storm.

##### Suppliers Extension

To protect against the event of a critical supplier's failure, Zurich provides Suppliers Extension cover up to a maximum limit of £50,000. Suppliers Extension provides cover for insured perils at named suppliers (such as a fire at a key contracted supplier) under the property cover.

### 3 Plan for response and recovery

#### • Business Continuity Management

With local authorities increasingly outsourcing operational functions and community service delivery, Business Continuity Management (BCM) must reflect this reality. This means BCM must become more joined-up with delivery partners. Zurich will help you to adapt your BCM programme to meet the new supply chain risk challenges.

##### Business Impact Analysis

Business Impact Analysis is the first stage in the BCM cycle. With Zurich, authorities will work to identify those risks and events that could have a detrimental impact on the continuity of outsourced services and target partnership working outcomes.

##### Business Continuity Response Plan

Response plans are even more critical for outsourced services. Our BCM experts will help you develop a robust and effective response plan for any outsourced arrangement – taking into account third party vulnerabilities and assigning roles and responsibilities for critical actions.

##### Business Continuity Plan Testing

Zurich can run your organisation and partners through a potential interruption scenario based on realistic supply chain vulnerabilities. The limits and weaknesses of the current continuity plan can then be identified – and improvement actions developed.

#### • Major incident response

With increased outsourcing and partnership working, a local authority's business, activities and objectives become distributed across a range of organisations. This makes the authority more vulnerable to major incidents. Under such circumstances, Zurich is flexible enough to work with the local authority and its partners.

For the authority and its supply chain partners, our market-leading major incident response capability can provide:

- Rapid response site visits at local authority premises
- Active involvement in business recovery plan development
- Upfront media support for situations involving reputational risk
- Access to a global supply chain providing additional services, such as alternative accommodation, temporary buildings and data recovery.





### Why work with Zurich Municipal?

In Zurich Municipal you have a partner who is uniquely qualified to advise you on supply chain risk. We bring together private sector learnings and public sector pedigree, giving you over 100 years of experience to draw on. What's more, we have proven strategies and products to give your local authority the protection it needs to make resilience a reality. Add to this our global financial strength, and you can feel confident in choosing Zurich Municipal as your risk management partner.

## The benefits – for the local authority, partners and the community

Managing a supply chain is a complex undertaking. Driving risk from your outsourcing arrangements and partnerships not only helps the local authority achieve its goals, it also supports the delivery of key outcomes for the community.

#### Benefit 1 – Reduce unplanned costs

- Reduce exposure to hidden claims costs, such as unforeseen third party risks and liabilities
- Ensure outsourced services run to budget as planned
- Minimise the costs associated with failed supplier and partner relationships
- Reduce the recovery costs associated with disruptions impacting outsourced services.

#### Benefit 2 – Increased understanding

- Identify and map the key vulnerabilities across your supply chains, suppliers and partners
- Understand the strengths and weaknesses of your supply chain risk management and insurance practices
- Identify key risk accumulation points, such as partner community and social organisations housed in a single office building.

#### Benefit 3 – Resilience of strategy and objectives

- Minimise risks threatening the delivery of key community outcomes
- Mitigate the risks associated with back office outsourcing
- Reduce the risks inherent in emerging shared service and partnership models.

#### Benefit 4 – Greater control and governance

- Build risk management into ongoing relationship governance
- Reduce risks within critical outsourcing projects
- Ensure private data is managed appropriately when shared with third party partners (Data Privacy Act).

#### Benefit 5 – Protection from third parties

- Limit liabilities arising from contracted and non-contracted third party risks
- Protect against reputational damage at both the executive and local authority level
- Provide greater risk guidance and cost savings to local community and social organisations.

#### Benefit 6 – Prepared for quick response and recovery

- Enhance business continuity plans to include key suppliers and partners
- Minimise recovery time for mission critical services, partners and outsourced operations impacted by a major incident
- Minimise the overall cost impact of supplier failure through proper exit plans.

For more  
information please call  
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**Zurich Municipal**

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