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THE  **ALARM JOURNAL**

**February
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**THE
RESILIENCE
WEB**





The resilience WEB

Risk and insurance professionals, senior managers and influencers, as well as the sector associations that support them, believe resilience at all levels is essential for sustainable provision of public services across all sectors in the UK.

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Zurich Municipal's research on how senior managers and practitioners in the UK public and voluntary sectors have coped with the last five years and comprehend the next five years¹, has revealed a strong trend for the near future: resilience. Maintaining resilient organisations is at the forefront for those who work within and on behalf of public service organisations.

The research, carried out by Zurich Municipal in conjunction with YouGov, asked whether people are more pessimistic than optimistic about the future, whether opportunities can be realised, and what will have the biggest impact on organisations over the next five years.

The resounding pan sector response was the necessity for urgent and ongoing resilience at all levels across the breadth of responsibilities and remits. Against a background of emergency and uncertainty, organisations are trying to recover from the seismic changes that have been the consequence of systemic challenges like austerity, Brexit and the COVID-19 pandemic. The focus is on creating a resilience web around those serving civil society, linking them together to provide resilient organisations, supply chains, services and ultimately, communities. ➤

Financial resilience

Rising to the Challenge - The future of the public and voluntary sectors reports that funding and fiscal policy continues to be the area that respondents expect to have the biggest impact over the next five years.

Resilience now is essential to tackle the future. Beyond organisational resilience (featuring business continuity and emergency response) comes the establishment of sustainable business models and workforces to meet growing community and customer needs.

Financial security is critical to this and was the biggest concern of our respondents, and understandably so. For example, there is a forecast loss of £2.8 billion of income for councils in 2020-21, which is a result of a reduction in sales, fees and charges, commercial and other income streams².

Continuing growth in demand has been fuelled by the pandemic and its impacts. Organisations need to meet the increasing scale of and different requirements of service users, while remaining resilient to post-pandemic economic, societal, political, market, health and global changes.

The public and charity sectors recognise the importance of being aware of and being prepared to tackle increasing service user needs, digital and workforce transformation, and fiscal, funding and financial pressures (with more expected). Gathering momentum as a top strategic challenge to truly sustainable services is the reality of climate transition. In addition, certain sectors, like charities and housing associations, feel legislative and regulatory challenges will significantly influence business models and may consume resources.

Life after COVID-19

COVID-19 and the resulting response to the health emergency has been an historic watershed. Now organisations are willing and planning recovery, but many are not able to move out of response phase quickly. With the pandemic ongoing and many fallouts only just being felt or understood, there is uncertainty about the new shape of business as usual.

Slightly more people are pessimistic about the future of the public and voluntary sectors than optimistic. Housing associations and charities are the most optimistic. Education (particularly further and higher education) is the least optimistic sector.

The good news is that emergency response and crisis management now almost feel like business as usual, which is why there is conviction in continuing to tackle

COVID-19 and related issues. People are reassured that organisations are in a much better position to cope with the next emergency.

However, while organisations may feel well prepared for a crisis, they are not so confident about dealing with long-term issues, which questions strategic level resilience and sustainability. The continued necessity for crisis response has meant some have little resource or attention left to focus on long-term business considerations, or emerging threats and opportunities. With workforces and funding supporting reactive operations, areas that require strategic and proactive long-term activity (like the transition to a zero carbon world, for example) continue to be beyond immediate priorities.

Among local government senior decision makers, six out of ten felt 'slightly prepared' to face future challenges.

Workforce resilience

During our lifetimes, workforce resilience has never been so tested and for so long. It is now a major risk for organisations in the short to mid-term as we continue to deal with COVID-19 threats and restrictions, while working towards a new business as usual. The changing nature of work has been and will continue to impact on all organisations. Transformation borne from the pandemic response is influential and ongoing, and has influenced work and the workplace forever: personally and organisationally.

The changing nature of work will affect further and higher education the most of all sectors over the next five years, followed by housing associations and local government.

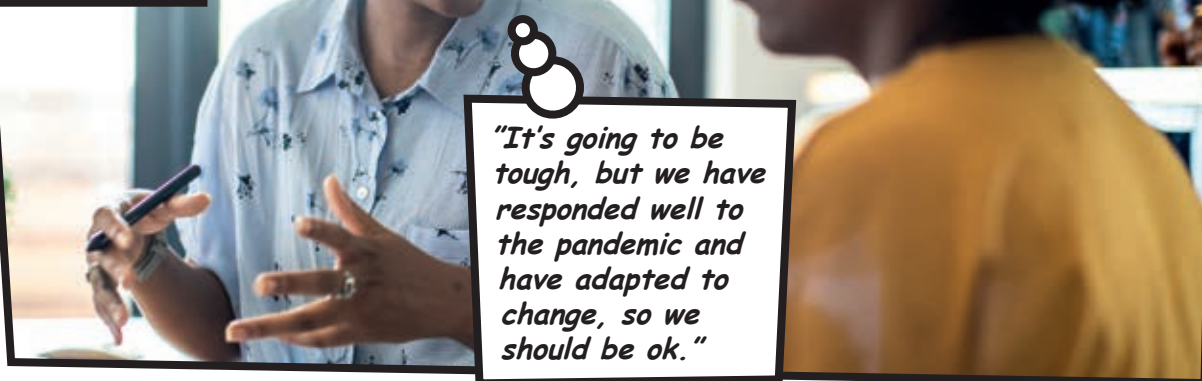
Sustaining a healthy and happy workforce after the past two years of

the pandemic has been tricky and continues to be so. We are already seeing the consequences of a burnt-out workforce, with rising levels of stress-related absences and mental ill-health. Tiredness and disillusionment are setting in as people cannot see an end to working long hours in crisis mode. Many are missing in-person interactions and are dealing with the strain of working from home. Others are anxious about a return to the office and dealing with the public. Workforce wellbeing has moved up in risk ranking.

The primary and secondary education sector listed mental health and wellbeing as the second most impactful issue (after funding and fiscal policy), looking ahead at the next five years.

**Resilience now,
is essential to
tackle the future**

People feel better prepared for future emergencies - but they don't know what the future looks like, and it's hard to plan.



"It's going to be tough, but we have responded well to the pandemic and have adapted to change, so we should be ok."

There are also increased physical health issues associated directly with COVID-19 (like Long Covid), a backlog of medical care due to lockdown restrictions, and the ongoing strain on the NHS. Lengthening waiting lists mean more people are struggling to work with untreated chronic conditions or are taking lengthy sick leave.

The employment market is seeing new highs and lows, with a high turnover of staff, and low take-up of jobs in health and care, social services, education, charities, and construction. There is an emerging trend for career changes as people re-evaluate their work and home lives, ambitions, and priorities.

As workers leave, historic organisational knowledge, best practice, networks and relationships disappear too. Recruitment is becoming more competitive and fixed-rate workers (like those in the public sector) are being lured by personalised employment deals from the private sector. Bringing on new talent is difficult in a hybrid, or in some cases purely home working environment, with training opportunities still limited to virtual experiences.

Retention is crucial, and the public and voluntary sectors know they will have to become more responsive to workers' needs and requirements to keep and attract workforces and skills to face a different future. The risk is that if organisations do not operate a person-centred policy

for employment and development, unfilled posts will increase. (See Tara Hutton, Head of People Performance UK at Zurich's article in Winter 2020 *stronger*.)

Climate change resilience

In the next five years, adapting to climate change was seen as having more of an impact than previously, particularly for some sectors, including housing and local government. However, it was the lowest rated issue overall in Zurich and YouGov research.

Adapting to climate change is expected to increase significantly over the next five years, particularly for housing associations, who listed it as the issue expected to have the biggest impact on the sector. However, when our whitepaper captured opinion in July 2021, it remained the lowest rated issue overall.

At that time everyone acknowledged climate change was important and had to be tackled, but for most we surveyed it remained on the 'too hard to do' and 'no

resource or power to tackle it' lists. But resilience to increasing global heating is vital. The public and voluntary sectors are not alone in recognising the urgency and need for immediate action but are being daunted by the sheer scale and cost.

One proven route to progress is for organisations to find a way to take partners with them. There are exemplars that have ►

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been bold and innovative, but not everyone can take this stance. Small steps like influencing supply chains, exceeding stakeholders' expectations, interrogating old norms, questioning minimum green standards, and seeking out new schemes and best practice, can be the first steps in making a big difference.

The sectors that serve society are best placed to spread ideas and encourage new ones, to educate and inform. We can take inspiration from younger generations to benefit next generations. Climate change knowledge and understanding has to be universal for us to be resilient now and into the future. It should run through all sectors across all societies and all ages; the sustainable thread.

If climate change commitments remain on the backburner, there can also be difficulty fulfilling legislative and regulatory obligations: an issue of concern generally, across all sectors. There is also a reputational threat in not meeting standards, targets and milestones. Local, regional, and national political damage can result from these failures. It can also impact negatively on partnerships; just when we need effective collaboration more than ever, as evidenced anecdotally.

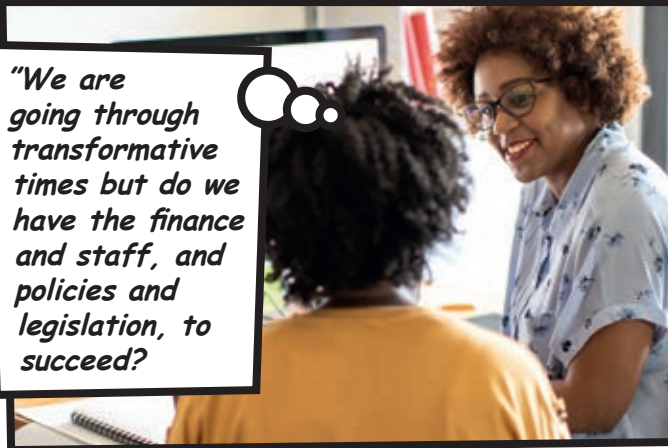
I would hope that by now, having come through COP26, the launch of the UK Government's zero carbon strategy, and the Autumn Budget, climate change will have moved way up the action list. It has definitely moved up the risk list. This year's *Global Risk Report* (published 11 January), and climate change will be highlighted once again on it. Last year environmental risks ranked highly in both consequence and likelihood, which will only increase as the world struggles to 'keep 1.5 alive'.

An immediate consequence of inattention to these threats may be the inability to protect people and environments in the UK, which, as a collection of small islands with large populations, is under obvious threats from seas and rivers. Extreme weather-related emergencies will increase, with inevitable incidences of surface water flooding, storm damage, drought and overheating. There is an immediate need for mitigation and adaptation strategies and financing to protect organisations, service users and citizens from the physical effects of global heating.

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People are aware of future changes and opportunities, but they aren't convinced about having the resources and enablers to make the best of them.

"We are going through transformative times but do we have the finance and staff, and policies and legislation, to succeed?"



Opportunities

The environmental transition also brings opportunities in the green economy, as do new technologies, new ways of working, and new collaborations. In our research we asked if opportunities and their potential benefits were being noticed and exploited. The answer was there was heightened awareness of emerging opportunities but a little reticence about overcoming the challenges (both internal and external) in realising them.

There was more surety in organisations' ability to respond in the future. Three quarters of organisations surveyed felt both prepared to face future challenges, and well placed to take advantage of future opportunities.

Risk managers may have a reputation for being naturally inclined to caution but analysing the threats that come with pushing the boundaries of business as

usual, as well as responding to emergency events, is after all, core to the job. Transformation and change always require some degree of risk-taking strategy and action, for which risk professionals are expert at informing and supporting. This is where huge value can be added for any business; something all sectors, and now society, have come to realise.

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Living and working through the pandemic has also made citizens, professionals and politicians realise that optimism alone will not succeed in getting us through an existential emergency: like a pandemic, or indeed the ongoing climate crisis. Risk managers may be naturally pessimistic but can act as realistic optimists, which makes them an influential voice. The profession has achieved new standards and status in the last five years and is perfectly positioned to provide solutions to not only help realise opportunities, but to turn threats into opportunities. Risk managers can make a real contribution to creating a resilience web. The next five years look like being incredibly stimulating, (and busy) for all those in the risk profession. ●

References

¹*Rising to the Challenge - The future of the public and voluntary sectors*, Zurich Municipal

²*Local government finance in the pandemic*, National Audit Office

View the latest news, analysis and insights in the insurance industry for the public sector at Zurich Municipal's Public Sector Insight.

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Zurich Municipal has helped to cover the voluntary and public sector for over 25 years and understands the importance of everything the sectors do. Part of the Zurich Insurance Group, Zurich Municipal offers bespoke insurance products alongside dedicated in-house risk expertise. zurich.co.uk/municipal