



Derby City Council

AUDIT AND ACCOUNTS COMMITTEE
2December 2015

ITEM 8

Joint Report of the Director of Governance and
the Head of Governance & Assurance

Insurance & Risk Management Update

SUMMARY

- 1.1 This report provides an overview of the key issues within the Insurance and Risk Management service

RECOMMENDATION

- 2.1 To note the continuing developments in the insurance and risk function.

REASONS FOR RECOMMENDATION

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

- 4.1 The Statement of Purpose in the Committee's Terms of Reference state that "The purpose of the Audit and Accounts Committee is to provide independent assurance to the members of the adequacy of the risk management framework and the internal control environment. It provides independent review of the council's governance, risk management and control frameworks."

The Insurance & Risk team

- 4.2 It was reported to the meeting on 9 July 2015 that the recruitment to the new structure for the Insurance and Risk team was underway and that an appointment had been made to the Insurance and Risk Assistant post. The 2 posts of Insurance and Risk Officer were still being recruited to. The recruitment process has now ended and appointments have been made to both posts. The team will consist of 4 staff, which means that from January 2016 it will be able to focus on the wider risk management agenda, as well as maintaining the day to day insurance function.

Measuring Effectiveness of risk management

- 4.3 The concept of the risk ladder model was explained to members at the meeting on 24 September 2014. Members felt the model would benefit from the inclusion of any elements of the private sector model. This assessment is now complete and whilst the various models and frameworks all have positive aspects it was decided that an amalgamation of them with the continuing additions of best practice and lessons learned was the best way to move forward.

Risk Management Board

- 4.4 Given the developments being made to the Council's Governance framework, the role of the Risk Management Board is being revised. The identification of 9 building blocks for corporate governance, one of which is risk management, has meant that risk processes can be addressed by the Corporate Governance Group. It is proposed that the Risk Management Board will operate at a higher level to take a strategic view of the function. The membership of the Board will be the Member Risk Champion (currently the Chair of Audit and Accounts Committee), the Director of Governance, the Head of Governance & Assurance and the Principal Insurance and Risk Officer.

Strategic Risk Register

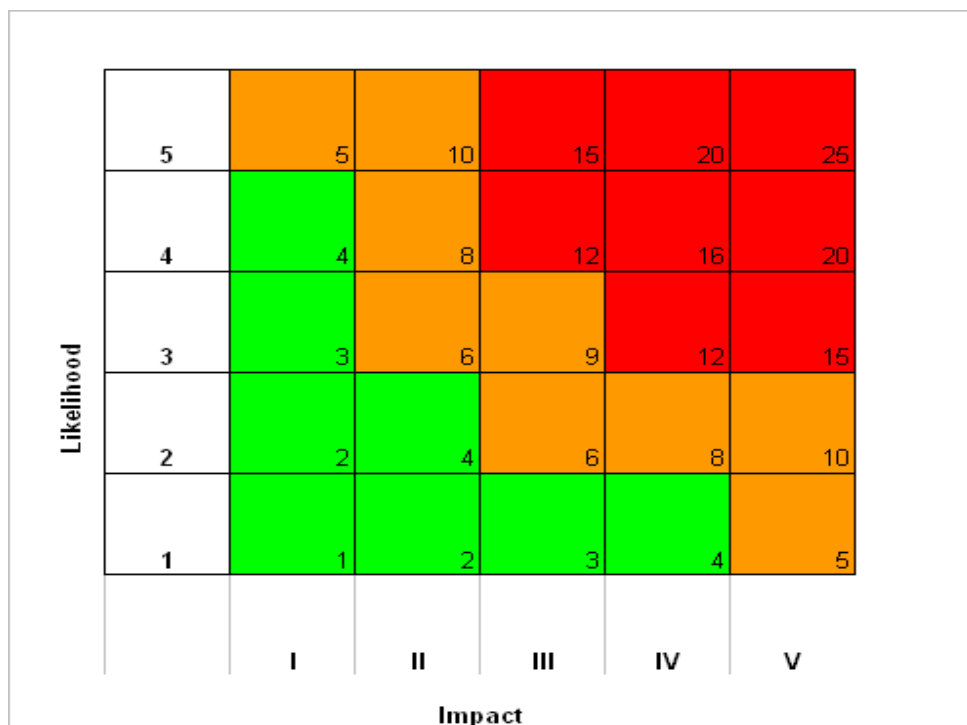
- 4.5 The Strategic Risk Register for 2015/16 is currently under review to reflect not only the strategic risks faced by the Council, but to assess if the approach to developing the register within the overall risk management framework can be strengthened.

Risk Agenda

- 4.6 Although the Council has made progress on risk management and created a framework on how to proceed with risk management, consideration needs to be given on whether it requires:
- a reactive system concerned with proving assurance to stakeholders or;
 - a more proactive system that builds on that to provide increased effectiveness and efficiency
- 4.7 Understanding the level of risk faced by the Council will enable it to produce a suitable risk agenda that will then lead to the design and implementation of appropriate risk management initiatives to decide on which of the 2 "extremes" above, best suits the Council, or whether it should go for a more middle ground approach. Understanding what we want to achieve with our risk management programme will allow the Council to see what its risk management goals actually are and what resources it needs to accomplish them and allow Head of Governance & Assurance to revise the framework accordingly.

Risk Appetite

- 4.8 One key issue that the Council needs to review/decide is what its risk appetite is. This is because the risks an organisation will take in order to meet its objective will vary between individuals. As such the council will need to consider and define its appetite for risk, i.e. the amount of risk exposure or potential adverse impact from an event that the council is willing to accept in order to establish a clear boundaries of control before the risk has to be referred up the hierarchy.
- 4.9 The risk matrix is the visual representation of the councils risk appetite and can be changed by simply changing the colours in the relevant boxes. More “green” makes us more risk aggressive more “red” makes us more cautious.



Likelihood of Risk			Impact of Risk		
5	–	Almost Certain	V	-	Catastrophic
4	–	Likely	IV	-	Major
3	–	Possible	III	-	Moderate
2	–	Unlikely	II	-	Minor
1	–	Rarely	I	-	Insignificant

- 4.10 Currently the Council's risk management guidance states that “amber risks” require senior management attention, “red risks” require senior management involvement. What is needed in addition to that is detailed roles and responsibilities explaining the risk management expectations of all employees. This will be used to hold people to account to their responsibilities and clearly define when the risk needs to be escalated to the line manager, the Head of Service, the Service Director or even to Chief Officer Group. This is currently being developed as part of the overall revision of risk management guidance for consideration by COG. It will then be brought to this committee for review.

Insurance statistics

- 4.11 Appendix 2 shows the number of claims, estimated values and the payments the Council has made for the 13 month period from 1 October 2014 to 31 October 2015. The report covers the 4 main insurance policy types. The appendix shows the level of potential funding that the Council contributes to insurance claims. It also illustrates a certain level of self-insurance on certain policy types i.e. public liability and employers liability which now both have a higher excess of £50,500(from 1/4/14).
- 4.12 A successful claim against the Council could be described as a risk that has manifested itself. It could also be thought of as mistake by the Council. By reviewing historical insurance data, we can identify issues and then put in place the necessary actions to minimize the risks and mistakes from re-occurring.
- 4.13 The analysis of insurance data can also highlight issues where inadequate departmental responses within the claims process have resulted in increased delays and costs.

OTHER OPTIONS CONSIDERED

5.1 N/A

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	n/a n/a n/a n/a n/a Chief Officer Group
For more information contact: Background papers: List of appendices:	Janie Berry, Director of Legal and Democratic Services, 01332 643616 janie.berry@derby.gov.uk Richard Boneham, Head of Governance and Assurance, 01332 643280 richard.boneham@derby.gov.uk None Appendix 1 –Implications Appendix 2 –Insurance Statistics

IMPLICATIONS

Financial and Value for Money

- 1.1 None directly arising.

Legal

- 2.1 None directly arising

Personnel

- 3.1 None directly arising

IT

- 4.1 None directly arising

Equalities Impact

- 5.1 None directly arising

Health and Safety

- 6.1 None directly arising

Environmental Sustainability

- 7.1 None directly arising

Property and Asset Management

- 8.1 None directly arising

Risk Management

- 9.1 The value of risk management is tried and tested but can only be effective if it obtains the full buy in at all levels but particular those at senior level. There are multiple interpretations and views on risk management and there may be difficulty in finding them and then replacing them to create a consistent corporate approach

Corporate objectives and priorities for change

- 10.1 The functions of the Committee have been established to support delivery of corporate objectives by enhancing scrutiny of various aspects of the Council's controls and governance arrangements.

Insurance Statistics – 1 October 2014 to 30 October 2015

The tables below show the number of claims for the 4 main policy categories of insurance. The level of funding required from the Council depends on the level of excess in place for each category of insurance.

Public Liability:

Month	Number of Claims	Number Repudiated	Number Settled	Total Value of Claims	Insurance Company Funded	DCC Funded	Directorate Funded	Payments made
				£	£	£	£	£
Oct-14	6	4	0	8980.00	0.00	7980.00	1000.00	0.00
Nov-14	1	1	0	0.00	0.00	0.00	0.00	0.00
Dec-14	31	19	1	75043.86	0.00	70113.00	4930.86	868.37
Jan-15	31	15	0	110777.80	0.00	104631.00	6146.80	2523.71
Feb-15	14	7	0	32724.02	0.00	29224.02	3500.00	0.00
Mar-15	26	2	0	66775.62	0.00	59088.00	7687.62	398.00
Apr-15	28	2	0	330512.30	199500.00	122191.00	8821.29	747.57
May-15	27	3	0	72110.77	0.00	63892.00	8218.77	0.00
Jun-15	26	5	0	350443.70	149500.00	192389.70	8554.09	0.00
Jul-15	18	1	0	125612.50	7879.00	109725.00	8008.52	0.00
Aug-15	7	2	0	5364.99	0.00	3862.00	1502.99	0.00
Sep-15	22	5	0	111190.60	0.00	103073.40	8117.28	0.00
Oct-15	11	2	0	35650.00	0.00	32145.00	3505.00	0.00

Employers Liability:

Month	Number of Claims	Number Repudiated	Number Settled	Total Value of Claims	Insurance Company Funded	DCC Funded	Directorate Funded	Payments made
				£	£	£	£	£
Oct-14	3	1	0	25000.00	0.00	25000.00	0.00	0.00
Nov-14	0	0	0	0.00	0.00	0.00	0.00	0.00
Dec-14	1	0	0	7167.00	0.00	7167.00	0.00	5649.50
Jan-15	5	3	0	40000.00	0.00	40000.00	0.00	0.00
Feb-15	1	0	0	5000.00	0.00	5000.00	0.00	0.00
Mar-15	1	0	0	20000.00	0.00	20000.00	0.00	0.00
Apr-15	2	1	0	10000.00	0.00	10000.00	0.00	0.00
May-15	2	1	0	6050.00	0.00	6050.00	0.00	0.00
Jun-15	6	0	0	52605.00	0.00	52605.00	0.00	0.00
Jul-15	3	1	0	23000.00	0.00	23000.00	0.00	0.00
Aug-15	2	0	0	23028.00	0.00	23028.00	0.00	0.00
Sep-15	0	0	0	0.00	0.00	0.00	0.00	0.00
Oct-15	3	0	0	21531.00	0.00	21531.00	0.00	0.00

Property:

Month	Number of Claims	Number Repudiated	Number Settled	Total Value of Claims	Insurance Company Funded	DCC Funded	Directorate Funded	Payments made
				£	£	£	£	£
Oct-14	1	0	1	10146.02	9146.02	0.00	1000.00	10146.02
Nov-14	0	0	0	0.00	0.00	0.00	0.00	0.00
Dec-14	1	0	1	1008.95	808.95	0.00	200.00	1008.95
Jan-15	0	0	0	0.00	0.00	0.00	0.00	0.00
Feb-15	1	0	0	500.00	300.00	0.00	200.00	514.95
Mar-15	2	0	1	6895.59	6495.59	0.00	400.00	1895.59
Apr-15	1	0	1	421.65	171.65	0.00	250.00	421.65
May-15	1	0	0	2097.60	1897.60	0.00	200.00	0.00
Jun-15	4	2	1	1169.58	769.58	0.00	400.00	574.58
Jul-15	2	0	1	30946.00	30546.00	0.00	400.00	946.00
Aug-15	0	0	0	0.00	0.00	0.00	0.00	0.00
Sep-15	0	0	0	0.00	0.00	0.00	0.00	0.00
Oct-15	0	0	0	0.00	0.00	0.00	0.00	0.00

Motor:

Month	Number of Claims	Number Repudiated	Number Settled	Total Value of Claims	Insurance Company Funded	DCC Funded	Directorate Funded	Payments made
				£	£	£	£	£
Oct-14	6	0	2	4850.00	0.00	4850.00	0.00	26658.66
Nov-14	0	0	0	0.00	0.00	0.00	0.00	0.00
Dec-14	9	0	3	17030.00	0.00	17030.00	0.00	12024.80
Jan-15	7	0	0	16500.00	0.00	16500.00	0.00	9068.83
Feb-15	5	2	0	5300.00	0.00	5300.00	0.00	4110.94
Mar-15	9	1	0	11650.00	0.00	11650.00	0.00	7753.58
Apr-15	4	0	0	1000.00	0.00	1000.00	0.00	440.95
May-15	8	1	0	11133.49	0.00	11133.49	0.00	8333.30
Jun-15	9	1	0	14800.00	0.00	14800.00	0.00	2241.02
Jul-15	7	0	0	13540.00	0.00	13540.00	0.00	4404.08
Aug-15	10	2	0	6200.00	750.00	5300.00	150.00	0.00
Sep-15	2	0	0	310.00	0.00	310.00	0.00	0.00
Oct-15	4	0	0	1390.00	0.00	1390.00	0.00	0.00