



Derby City Council

**AUDIT & ACCOUNTS COMMITTEE**  
**6 July 2016**

**ITEM 12**

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

**Risk Management and Insurance Annual Report 2015/16**

**SUMMARY**

- 1.1 One key role of this Committee is to consider, approve and monitor the effective development and operation of risk management in the council. The insurance and Risk Management Annual Report outlines the developments in the Council's risk management framework during 2015/16.
- 1.2 Insurance and risk management are intrinsically linked. Risk management was initially developed as a way to mitigate increasing insurance costs. Modern practice recognises insurance is the most common way for transferring potentially unknown financial impacts of certain risks from the council to the insurer for a known fixed premium. Therefore a strong risk management program is mutually beneficial. The insurer minimises the payments it's required to make on insured risks and the council minimises the problems the difficulties that go with both insured and non-insured risks that it faces.
- 1.3 The report has been produced by officers to enable members to review the key improvements in both risk management and the insurance function in the year and to assess the level of assurance that the Committee can provide to both the Cabinet and Council

**RECOMMENDATIONS**

- 2.1 To note the actions and the progress being made to enhance the risk management framework.
- 2.2 To advise Cabinet and Council that further work is required to properly embed a robust risk culture.
- 2.3 To note the developments within the Insurance function.

**REASONS FOR RECOMMENDATIONS**

- 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**

### **Background**

- 4.1 Committee was informed in the report for 2014/15 that additional resources were being made available to increase the establishment of the Insurance & Risk Section from 1FTE to 4 FTE. The recruitment for the Insurance & Risk Section's new structure was completed in October 15. We were unable to fill the Principal Insurance & Risk Officers posts internally and both were filled by external applicants. One of whom started in November 15, the other January 16.
- 4.2 A workplan was developed for the team from 1 January 2016. This was based on 3 key objectives
1. Establish a greater presence within the authority
  2. Review all insurance & risk management processes and data within the section correcting and improving where needed.
  3. Begin preparation for rolling out a continued system of continuing improvement
- 4.3 The Insurance and Risk section on iDerby has been reviewed and refreshed to provide up to date information and guidance regarding Insurance and Risk Management. This has included the review and revision of
- the Council's risk framework
  - the inclusion of details on the concepts of risk management and how this can be implemented.

### **Risk Management**

- 4.4 It is acknowledged that Risk Management has not been fully embedded into the Council's governance arrangements. This has been compounded by weak understanding of risk management culture within the Council. This has impacted on progress for improvement which is therefore slower than we would like. However, we accept that the focus for the team has been on establishing a firm foundation for Risk management.

4.5 The key developments in the year have been:

- The Risk Management handbook has been reviewed and revised and rolled out on iDerby.
- A new risk strategy has been written and is currently being evaluated prior to rolling it out
- The SRR has been revised. Chief Officer Group has agreed the risks but requires further assurances around mitigating controls. This work is currently on going. The draft risks are shown in appendix 2.
- Links between RM and the performance software DORIS are being implemented. The preliminary work for moving this forward has now been completed and is currently with the Insurance & Risk Team to liaise with the Performance team to fully implement.
- One of the objectives for the Governance Departmental is to roll out of good practice. To meet this, an alternate approach to risk management has been put forward by the Insurance & Risk Manager dealing with at an organisational wide level. This is currently being assessed for submission to the Governance Working Group..

## **Insurance**

4.6 The focus for much of the year has been on improvements within the insurance function. The key developments are:

- An online insurance claim form has been devised which is due to go live by August 2016. This will be accompanied by online guidance to aid the public with their right to make a claim and will also benefit the Council by clearly setting out what information is required and avoiding the confusion that can arise around claims information. Technical issues have delayed implementation.
- A data integrity exercise has been undertaken across a number of areas of insurance
- A review of the All Risk schedule has seen the removal of insurance for obsolete assets such as the Cherry Picker at the Assembly Rooms and the Derby Home Energy Trailer resulting in a saving in premiums of £433.23. Current levels of cover have been reviewed which has seen in some cases an increase or decrease in cover which has to date resulted in a saving of £162.45
- Our Museum assets and Civic Treasures have also undergone a review. It was found that there was a duplication of cover wording as our Fine Art policy with AXA could also cover our Civic Treasures but these were being insured separately under our All Risk policy with Zurich Municipal. The Civic Treasures have now been transferred to the Fine Art policy. Our insurers also require the locations of both the Museum assets and Civic Treasures. To date we have been able to provide the locations for all the Museum assets and will be looking to provide the same for the Civic Treasures shortly.

- A review of our Motor vehicle inventory has also been undertaken in association with Fleet Management. Few discrepancies were found within this data however it was noted that Fleet were exceeding the required 14 days for new additions to be added to the motor insurance database. Fleet have therefore been advised to add any new additions every 14 days to comply with our insurers requirements.
- A further exercise has been undertaken to review the current list of safes within the Council including schools. The team is in the process of making contact with all departments listed as owning a safe for confirmation it is still used and its make and model details. 'In touch' has been used regularly to target departments that may not have a safe on the list in an attempt to get departments to come forward with details of any additional safes to those already recorded.
- We have completed a review of the claims process both internally and externally. The additional staffing resources have allowed for a more robust and proactive stance. All omissions are challenged quickly which has improved our response times and should by extension will contribute to improved claim costs by way of reduced legal costs. To illustrate we received 36 pre application disclosures within the last 5 years. A Pre-Action Disclosure application alone would cost approximately £500. However, we must add around £1000 - £1500 for solicitors fee's to accept service and handle the disclosure and chasing of documents. This would increase still further on the more complex claims. Since the appointment of larger team we have not received a PAD application in the last 6 months

4.7 One piece of key work that has been carried out is around the valuations placed on council properties for insurance purposes. The issue has been the absence of a concise property list together with a lack of valid insurance valuations. The Insurance & Risk Section has established an internal working group with Property Maintenance, Estates and Derby Homes to create an accurate list of residential and non-residential properties and to coordinate and arrange for the subsequent insurance valuations in time for the 2017/18 renewal. Although the project is still on-going the data integrity exercise has already delivered efficiencies within the 2016/17 renewal, providing a reduction in premiums of £4,014.98 for residential properties and £24,991.84 for educational properties..

4.8 As part of the overall review on valuations the Section has worked closely with Estates to clarify the responsibilities between the Council, its tenants and landlords resulting in a number of properties being removed from the property list which we anticipate will lead to further savings in premiums for both 2016/17 and 2017/18. Specific cover for glass has also been removed resulting in a saving of £468.11 in premiums for 2016/17 as the responsibility for insuring the specific glass at this particular property was confirmed as not being the Councils responsibility. The exercise has also uncovered assets that were not, but should be insured.

- 4.9 Committee are aware that a matrix (the risk ladder) has been developed to assess how well risk management is embedded within the Council. Using a similar methodology the team has begun to develop a system to evaluate compliance against good practice for insurance. This could be used to help improve our claim numbers and potentially premium costs too. The framework still needs some work but it's hoped to be key to the next phase of our departmental plan, namely, preparation for rolling out a continued system of continuing improvement

### **Governance Risk**

- 4.10 In addition to the above, the insurance & risk team are able to assist on information risk and governance matters
- 4.11 The Data breach log has been completely updated and now falls in line with good practice norms. As of June 1st we are taking a far more robust stance on evaluation and response to breaches. There is still room for improvement but this marks a step in the right direction.
- 4.12 Although we are not one of the 13 areas of initial investigation for the Independent Inquiry into Child Sexual Abuse (or the Goddard inquiry as it's more commonly known) it was decided corporately to take a very proactive approach of reviewing records and procedures which is a significant undertaking. The Principal Claims Officer is currently assisting the councils appointed solicitor (BLM) in the preliminary evidence gathering stages ahead of a formal group being put into place.

### **Audit Reviews of Insurance and Risk Management in 2015/16**

- 4.13 There have been 2 internal audit reviews carried out during 2015/16. Both were on-going at 31 March 2016. One is reviewing the insurance claims processing, the other is looking at risk management at a corporate level. The outcome of both reviews will be communicated to Committee when the final audit reports have been issued.

### **Insurance statistics 2015/16**

- 4.14 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.
- 4.15 The analysis of insurance data can also highlight issues where inadequate departmental responses within the claims process have resulted in increased delays and costs.
- 4.16 Members have been provided with details of claim statistics on a half yearly basis. Tables 1 and 2 below provide details of the overall statistics for open claims and closed claims. A more detailed break down by individual category of insurance cover is provided in Appendix 3. The appendix also contains a breakdown of casual types for each category.

Table 1 : Open Claims 2015/16

Month	Number of claims	Estimated Claim Cost
		£
Apr-15	30	360,076.29
May-15	43	124,507.25
Jun-15	53	273,812.93
Jul-15	32	408,252.52
Aug-15	18	82,344.18
Sep-15	20	101,521.17
Oct-15	16	77,038.25
Nov-15	31	65,832.10
Dec-15	26	86,689.93
Jan-16	24	110,071.25
Feb-16	25	57,207.74
Mar-16	17	81,993.90
	335	1,829,347.51

Table 2 : Closed Claims 2015/16

Month	Repudiated	Settled	Payments made
			£
Apr-15	12	9	60,442
May-15	13	5	23,085
Jun-15	20	5	65,493
Jul-15	17	8	5,091,557
Aug-15	13	6	13,600
Sep-15	22	6	41,254
Oct-15	13	6	48,377
Nov-15	25	2	2,564
Dec-15	25	6	23,475
Jan-16	28	4	16,023
Feb-16	18	6	13,489
Mar-16	21	7	13,040
	227	70	5,412,398

- 4.17 It is worth noting that claims opened or closed within a month do not reflect the full volume of work for the section. Due to their complexity and legal underpinning, individual claims can last for several years before completion. For example, delays can be caused with tree root claims because of a need to monitor the issue over the 4 seasons for at least one year to assess the changes that occur. Injury claims (particularly severe injury claims) need to be monitored overtime. The more likely reasons are:
- the amount of time required to collect appropriate evidence and
  - disputes between the claimant and defendant

Appendix 4 provides analysis of open claims by time outstanding.

### **Future development of the risk management framework and Insurance function**

- 4.18 For the first half of the 2016/17, the work programme will be about consolidating the developments that are currently on-going. The new tasks that will be put on the work programme during the year are listed below:
- Full Roll out of the ‘risk ladder’
  - Refine and roll out an ‘insurance ladder’
  - Look to develop nil authority claims handling
  - Develop a system of departmental claim support where we go out to investigate certain claims so as assist the department and to further minimise claim costs.
  - Develop a system of departmental risk management support where we go out to assist implementation of good practice

### **OTHER OPTIONS CONSIDERED**

5.1 N/A

**This report has been approved by the following officers:**

<b>Legal officer</b>	N/A
<b>Financial officer</b>	N/A
<b>Human Resources officer</b>	N/A
<b>Estates/Property officer</b>	N/A
<b>Service Director(s)</b>	N/A
<b>Other(s)</b>	Chief Officer Group

<b>For more information contact:</b>	Richard Boneham, Head of Governance and Assurance, 01332 643280 <a href="mailto:richard.boneham@derby.gov.uk">richard.boneham@derby.gov.uk</a>
<b>Background papers:</b>	None
<b>List of appendices:</b>	Appendix 1 – Implications Appendix 2 – Draft Strategic Risks as at June 2016

	Appendix 3– insurance statistics 2015/16 Appendix 4 – Open claims by time outstanding
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<b>IMPLICATIONS</b>
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**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 A robust risk culture needs to exist within the Council, supported by a risk management framework that is embedded into all processes.

**Corporate objectives and priorities for change**

10.1 Risk management is fundamental in supporting the successful delivery of corporate objectives by underpinning all aspects of the Council's governance arrangements.

## Draft Strategic Risks as at June 2016

### Resources:

- Due to a reduction in the funding, the Council's ability to deliver / meet statutory duties and key services will be impaired and could lead to Government intervention?
- Inability to safeguard and protect vulnerable people.
- Challenge to the implementation of the equal pay review
- Failure to carry out planned and routine maintenance on properties, will increase the risk of accidents or fatalities, and this will expose the Council to potential charges of negligence or corporate manslaughter

### Data:

- The Council does not have sufficient robust policies and protocols to manage its data effectively.

### Resilience:

- Weak forward planning leads to a critical failure in service delivery
- The Council suffers a failing that triggers sanctions / penalties from a statutory regulator
- Significant physical incident (business continuity)
- Prolonged cyber attack

### Uncertainty:

- Uncertainty as to what may be discovered during the Independent Inquiry into Child Sexual Abuse and what impact it may have on Derby.
- The Council's governance arrangements are not sufficiently robust to provide assurance
- Conflict between statutory objectives and political agendas

## Appendix 3

### Insurance Statistics 2015/16

#### Public Liability

Public Liability relate to claims where people are alleging injury, loss or damage as a result of alleged council negligence.

The estimated claims cost is an approximation of the amount of money required to compensate for their loss. So it will include invoices / estimates of property damage, legal fees etc. Injury costs are calculated by referencing the JC guidelines for the assessment of damages.

OPEN CLAIMS		
Month	Number of claims	Estimated Claim Cost
Apr-15	24	£345,509
May-15	31	£83,824
Jun-15	31	£199,566
Jul-15	19	£326,113
Aug-15	6	£5,440
Sep-15	20	£101,521
Oct-15	13	£48,879
Nov-15	17	£60,391
Dec-15	11	£39,227
Jan-16	15	£69,695
Feb-16	15	£22,442
Mar-16	9	£36,598
	211	£1,339,204

Of the claims received in the 15/16 year the below highlights the 5 most common causes. Typically Highway claim will dominantly feature simply as a result of the nature of the activity

15/16 CAUSE TYPES	
Cause Description	Total
C/way Pothole	65
F/way Slabs/ Paving	20
Slippery Surface	14
F/way Pothole	10
Defective Building	7
Others	95
	211

The below shows the claims closed in the 15/16 year. In simplest terms those repudiated were claims where managed to successfully argue our position; settled shows claims where we could not. Although the below will refer to different claims than those in the open table it does show the difference between money claimed and money settled and highlight the value of a roust claims handling process.

<b>CLOSED CLAIMS</b>			
Month	Repudiated	Settled	Payments made
Apr-15	8	2	£599
May-15	11	1	£1,692
Jun-15	14	2	£33,837
Jul-15	9	3	£23,351
Aug-15	9	2	£1,414
Sep-15	17	3	£24,212
Oct-15	9	4	£22,238
Nov-15	23	0	£0
Dec-15	23	4	£15,585
Jan-16	23	3	£7,033
Feb-16	17	0	£0
Mar-16	18	1	£2,024
	181	25	£131,985

## **Employers Liability**

Employers liability relates to claims where employees are alleging injury, as a result of alleged council negligence whilst in the course of their duties.

The estimated claims cost is an approximation of the amount of money required to compensate for their loss. So it will include medical fees, legal fees etc. Injury costs are calculated by referencing the JC guidelines for the assessment of damages.

<b>OPEN CLAIMS</b>		
Month	Number of claims	Estimated Claim Cost
Apr-15	1	£7,417
May-15	2	£26,050
Jun-15	6	£52,605
Jul-15	3	£36,900
Aug-15	2	£23,028
Sep-15	0	£0
Oct-15	3	£28,159
Nov-15	0	£0
Dec-15	3	£27,518
Jan-16	1	£10,000

Feb-16	3	£25,785
Mar-16	3	£36,250
	27	£273,712

Of the claims received in the 15/16 year the below highlights the 5 most common causes.

Noise claims is a developing trend and can be very difficult to defend because they historical in nature and rely on being able to adequately prove systems were in place years ago sometimes even decades ago

<b>15/16 CAUSE TYPES</b>	
Cause Description	Total
Noise	6
Fall	5
Lifting	5
Defective Tools/Equipment	4
Use Of Machines/Equipment.	2
Others	5
	27

The below shows the claims closed in the 15/16 year. In simplest terms those repudiated were claims where managed to successfully argue our position; settled shows claims where we could not. Although the below will refer to different claims than those in the open table it does show the difference between money claimed and money settled and highlight the value of a roust claims handling process.

It is worth noting the nature of our duty makes defending EL Claims more difficult than a PL claim

<b>CLOSED CLAIMS</b>			
Month	Repudiated	Settled	Payments made
Apr-15	1	1	£0
May-15	2	1	£15,649
Jun-15	3	1	£20,631
Jul-15	1	1	£15,247
Aug-15	1	0	£0
Sep-15	3	2	£14,569
Oct-15	1	2	£26,139
Nov-15	1	0	£0
Dec-15	1	1	£7,275
Jan-16	2	1	£8,990
Feb-16	0	0	£0
Mar-16	2	0	£0

	18	10	£108,500
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**Motor:**

<b>OPEN CLAIMS</b>		
Month	Number of claims	Estimated Claim Cost
Apr-15	5	£7,150
May-15	9	£14,633
Jun-15	12	£18,175
Jul-15	7	£13,540
Aug-15	10	£53,876
Sep-15	0	£0
Oct-15	0	£0
Nov-15	14	£5,441
Dec-15	10	£14,006
Jan-16	4	£8,136
Feb-16	5	£3,798
Mar-16	4	£8,168
	80	£146,924

<b>15/16 CAUSE TYPES</b>	
Cause Description	Total
Hit Parked Vehicle	31
Hit Whilst Parked	8
Hit Vehicle In Front	5
Hit Stationary Vehicle	3
Changing Lane	2
Others	31
	80

<b>CLOSED CLAIMS</b>			
Month	Costs recovered or repudiated	Settled	Payments made
Apr-15	3	4	£13,050
May-15	0	0	£0
Jun-15	2	0	£0

Jul-15	6	0	£162
Aug-15	2	1	£250
Sep-15	2	0	£0
Oct-15	2	0	£0
Nov-15	1	0	£0
Dec-15	1	0	£0
Jan-16	3	0	£0
Feb-16	1	4	£4,772
Mar-16	1	0	£0
	24	9	£18,234

**Property:**

This differs from the above classes of insurance as the estimated cost relates to recovering money rather than paying it out.

OPEN CLAIMS		
Month	Number of claims	Estimated Claim Cost
Apr-15	0	£0
May-15	1	£0
Jun-15	4	£3,467
Jul-15	3	£31,700
Aug-15	0	£0
Sep-15	0	£0
Oct-15	0	£0
Nov-15	0	£0
Dec-15	2	£5,940
Jan-16	4	£22,240
Feb-16	2	£5,183
Mar-16	1	£978
	17	£69,507

Of the claims received in the 15/16 year the below highlights the 5 most common causes.

15/16 CAUSE TYPES	
Cause Description	Total
Vandalism	4
Theft	3
Flood	2
Arson	1
Water - Overflow	1

Others	6
	17

The below shows the claims closed in the 15/16 year. In simplest terms those settled shows claims where we recovered our losses. Not pursued are those that we did not, that may be because the damage fell under an insurance exclusion. Sometimes (although rarely) it may be that the departments cannot or chooses not to supply the information required and the claim cannot be pursued and is subsequently closed.

<b>CLOSED CLAIMS</b>			
Month	Not pursued	Settled / recovered	Payments made
Apr-15	0	2	£46,793
May-15	0	3	£5,744
Jun-15	1	2	£11,025
Jul-15	1	4	£5,052,797
Aug-15	1	3	£11,936
Sep-15	0	1	£2,473
Oct-15	1	0	£0
Nov-15	0	2	£2,564
Dec-15	0	1	£615
Jan-16	0	0	£0
Feb-16	0	2	£8,717
Mar-16	0	6	£11,016
	4	26	£5,153,679

Appendix 4

Open Claims by time outstanding													
Class Of Business	0 - 6 Months	7 - 12 Months	1 - 2 Years	2 - 3 Years	3 - 4 Years	4 - 5 Years	5 - 6 Years	6 - 7 Years	7 - 8 Years	8 - 9 Years	9 - 10 Years	10+ Years	Total Claims
<b>Employer's Liability</b>	12	8	12	14	13	10	14	7	5	2	4	0	101
	12%	8%	12%	14%	13%	10%	14%	7%	5%	2%	4%	0%	
<b>Motor Vehicle</b>	19	29	50	27	14	18	11	10	4	1	0	0	183
	10%	16%	27%	15%	8%	10%	6%	5%	2%	1%	0%	0%	
<b>Other Liability</b>	0	0	0	1	1	0	0	0	0	0	0	0	2
	0%	0%	0%	50%	50%	0%	0%	0%	0%	0%	0%	0%	
<b>Property Damage</b>	5	1	1	5	4	1	2	0	0	0	0	0	19
	26%	5%	5%	26%	21%	5%	11%	0%	0%	0%	0%	0%	
<b>Public Liability</b>	55	38	61	94	98	71	48	30	6	2	0	5	508
	11%	7%	12%	19%	19%	14%	9%	6%	1%	0%	0%	1%	
<b>Total:</b>	91	76	124	141	130	100	75	47	15	5	4	5	813
	11%	9%	15%	17%	16%	12%	9%	6%	2%	1%	0%	1%	