![Leicester City Council logo]

Leicester
City Council

Minutes of the Meeting of the
AUDIT AND RISK COMMITTEE

Held: THURSDAY, 24 OCTOBER 2013 at 5.00pm

P R E S E N T:

Councillor Westley – Chair

Councillor Alfonso   Councillor Dr. Chowdhury
Councillor Desai   Councillor Grant
Councillor Meghani   Councillor Dr. Moore
                    Councillor Naylor

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**32.   TRAINING SESSION PRIOR TO MAIN MEETING - LCC RISK
        MANAGEMENT STRATEGY AND RISK REGISTER REPORTING PROCESS
        (PLUS INSURANCE POLICIES AND CLAIMS HANDLING)**

The Head of Internal Audit and Risk Management delivered a presentation on
the strategic and operational risk management process, insurance policies and
claims handling at the City Council, a copy of which is attached to the minutes
for information.

33.   APOLOGIES FOR ABSENCE

There were no apologies for absence.

34.   DECLARATIONS OF INTEREST

Members were asked to declare any interests they may have in the business
on the agenda.

There were no declarations made.

35.   MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting of the Audit and Risk Committee held on 24th
September 2013 had been circulated, and Members were asked to confirm
them as a correct record.

RESOLVED:

that the minutes of the meeting of the Audit and Risk Committee held on 24th September 2013 be approved as a correct record.

36. PROJECT ASSURANCE PROCESS

The Director of Delivery, Communications and Political Governance submitted a report to bring to the attention of the Audit and Risk Committee the Council's newly revised Project Assurance process. The Standards and Assurance Lead presented the report and answered questions from Members.

The report explained that project assurance was used by the Council to assess how effectively its significant projects were being managed in line with project management best practice. The process was reviewed early 2013, and the revised approach was presented in the report to Committee. The meeting was informed that all project assurance reviews and related administration were undertaken by the Council's Corporate Portfolio Management Office (CPMO).

The Standards and Assurance Lead explained that projects were elected for a review from the Council's Corporate Project Register, which was made up of the Council's medium and major projects (those with a value over £35k or significant sensitivity or risk). He explained that reviews were undertaken on a rolling six monthly programme, made up of three in depth reviews and six light touch health checks. He said when a project closed, it was removed from the Register.

Members asked if there was a process for assessing projects put out to tender, for example, to voluntary organisations, some of which could be many thousands of pounds. The meeting was informed that projects not managed in-house would have a project group or management board, for example, the Richard III Centre. The City Barrister and Head of Standards said it would be a good report to bring back to the Audit & Risk Committee to assure on arrangements, and provide more in-depth information.

The Standards and Assurance Lead explained that a project could typically be defined as having the following characteristics: a start and end date, clear objectives and outputs, designated temporary resources, a temporary project structure, and a project board overseeing it.

Members asked if the results of a review were collated with to form an overall project report. The City Barrister and Head of Standards agreed with Members that it was a lost opportunity not to do so, as it could be used as an evaluation tool to measure the work of the CPMO and help the Council to refine its project management on the basis of experience. The Standards and Assurance Lead agreed it would be good practice to collate review results and report on the outcome.

The Committee received the report.

RESOLVED:
> 1. that the report be noted, and its relevance in the context of the

role of Audit and Risk Committee in corporate governance and assurance.

37. **REGULATION OF INVESTIGATORY POWERS ACT 2000 - ANNUAL PERFORMANCE REPORT**

The Director of Information and Customer Access submitted a report on the performance of the Council in authorising Regulation of Investigatory Powers Act (RIPA) applications, from 1st January 2012 to 31st December 2012, and the report was presented by the Information Governance Manager.

The Information Governance Manager explained the Council's use of covert powers, for example, on benefit fraud, and on rogue traders. She said that there had been bad press over local authorities use of covert powers, and the public perception was that councils were using covert operations on low-level fraudulent activities. There had been a change in legislation and local authorities now had to get a magistrate's permission to use RIPA powers.

The City Council was inspected by the Office of Surveillance Commissioners (OSC) in 2012, and showed 100% of RIPA authorisations had been issued in compliance with the law. The Committee was informed that all recommendations from the OSC inspection had been implemented, and the Council had trained staff in the new RIPA surveillance legislation. It was suggested that the training to officers on RIPA delivered by the Information Governance Manager be offered to Members on the Audit & Risk Committee. The Chair agreed to training, to be combined with the Human Rights Act principles.

The Information Governance Manager said that in order not to prejudice investigations, information contained in the Appendix of the report was authored not to identify individuals. The Chair said because the Audit & Risk Committee were responsible for receiving the report and its information contained, he asked for the full report to be a 'B' agenda item.

The Information Governance Manager said the Council was fortunate that not many authorisations for surveillance had had to be gained from the magistrates. She added the majority of the authorisations were reactive after receiving complaints and information from members of the public.

The Committee received the report.

RESOLVED:
2. that the report and its contents be noted.
3. that the Committee agree to receive the data half-yearly, aligned with other regulatory papers every July/November in future.
4. that the Committee make any recommendations or comments it sees fit either to the Executive or Director of Information and Customer Access.

38. RISK MANAGEMENT AND INSURANCE SERVICES UPDATE REPORT

The Director of Finance submitted a report which provided the Committee with the regular update on the work of the Council's Risk Management and Insurance Services Team's activities. The Head of Internal Audit and Risk Management, presented the report.

The Head of Internal Audit and Risk Management referred to a point in the report on the CIPFA/ALARM Risk Management Benchmarking exercise that the Council had taken part in since 2010. He reported that the Council had improved year on year, and was rated higher than last year in three areas. He said the rating has remained the same in the remaining four areas, the actual points scored were higher in all four areas.

Under Insurance Claims it was reported the Council had no cases to go to Court. The Committee were told that one claim was discontinued the week before trial, allowing the reserve of £45,000 to be released and the Council's costs to be recovered.

The Head of Internal Audit and Risk Management highlighted points under Key Risk Issues arising within the Business. Reference was made to a potentially serious incident on the 13th June 2013 at the Beaumont Leys Children's Centre, and the collapse of a wall into the children's play area, though there were no injuries. The Head of Internal Audit and Risk Management had asked for a review of the risk management process for the incident, a response for which was still awaited. The Chair requested that Ward Councillors be informed of any major incidents in their ward, so they could respond to their constituents accordingly.

Members were asked to note that the Council's Risk Management and Business Continuity Strategies and Policies were subject to annual review, and the draft policies were attached to the report for comment by the Committee before they were presented at Strategic Management Board for approval, prior to them returning to the Audit and Risk Committee to note.

In response to questions from Members, the Head of Internal Audit and Risk Management made the following points:

- Uplands School was not included on the Operational Risk Register as it was scored low on the risk register for the Director, Learning Services.
- £250k was placed for the Loss Reduction Fund each year, with £15k maximum allowed for each bid. One example of a claim was the destruction of a safety fence at Abbey Park. The fence repairs would not have been included in the maintenance budget by the department. Paying for the repair from the loss reduction fund would be less than the potential cost of any claim.
- The charts in the report appendix showing the CIPFA risk management benchmarking data gave a fair comparison with other authorities, with Leicester City Council's position showing improvements.
- New regulations in April 2013 resulted in claims being pushed through

before the new regulations came in. People made claims as they saw it an easy way to make money, but the Council were challenging claims more rigorously.

- A paper would be presented to SMB and Operations Board to remind them of the generic partnership guidance tool.

The Committee received the report.

RESOLVED:
1. that the contents of the report be noted.
2. that the Committee make any recommendations or comments it sees fit either to the Executive or Director of Finance.

Councillor Meghani left the meeting at this point.

39. TENDER FOR COUNCIL'S INSURANCE ARRANGEMENTS

The Director of Finance submitted a report to advise the Committee of the outcome of the Council's insurance tender exercise in 2013, presented by the Head of Internal Audit and Risk Management.

The Committee was informed that significant savings had been made by awarding contracts to both Zurich Municipal (ZM) and Risk Management Partners (RMP) whilst maintaining the same or increased levels of cover in different areas, arranged through the broker Gallagher Heath. The Committee was asked to note that cover for Museums had doubled since an inventory had been completed, which was a requirement to maintain museum status.

The report informed Members that the Council's policy needs were divided into six different lots, and detailed which insurance company provided cover for which lot, for example Lot 1 – Property – Risk Management Partners.

The Committee received the report.

RESOLVED:
1. that the Committee note how the Insurance Contract has been awarded and to whom.
2. the Committee note the cost savings arising, whilst the Council's cover and excesses remain the same.

40. INTERNAL AUDIT - 3RD QUARTER OPERATIONAL PLAN 2013-14

The Director of Finance submitted a report on the detailed operations audit plans for the third quarter for the financial year 2013-14, presented by the Audit Manager.

The detailed operational plan was attached to the report for information, and significant items on the plan worthy of note were highlighted in the report.

The Committee was informed that Audit planning was subject to change as it

could be overtaken by events.

The Committee received the report.

RESOLVED:
1. that the Internal Audit operational plans for the third quarter of 2013-14 be noted.

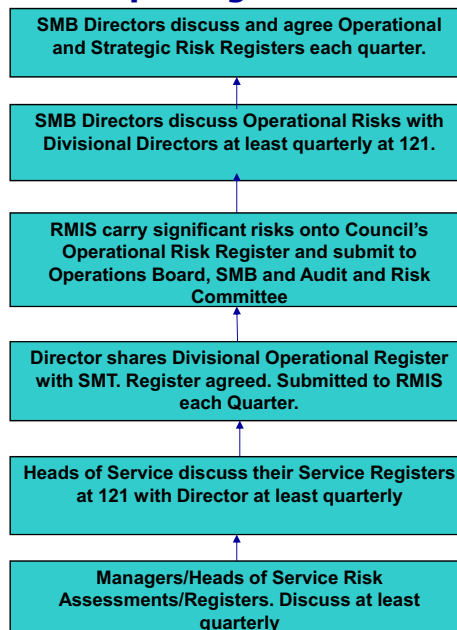## 41.   CLOSE OF MEETING

The meeting closed at 7.12pm.

28/10/02

Risk Management Strategy and
Reporting Process
Insurance Policies and Claims
Handling

Risk Management Strategy and
Reporting Process

Leicester City Council's Agreed Strategic Risk Reporting Structure

- At the beginning of each Financial Year/when Strategic Objectives are set, the Strategic Management Board (SMB) members discuss the risks to the Council's Objectives and formulate its Strategic Risk Register (SRR);

- Every quarter, the SRR is reviewed and updated individually by SMB members and is brought to the first SMB meeting in February, May, August and November for collective agreement;

- At those same, quarterly meetings the Council's Operational Risk Register is reviewed, discussed and agreed, with the impact on strategic objectives of the most significant of these operational risks being considered.

Leicester City Council's Agreed Operational Risk Reporting Structure

SMB Directors discuss and agree Operational and Strategic Risk Registers each quarter.

↑

SMB Directors discuss Operational Risks with Divisional Directors at least quarterly at 121.

↑

RMIS carry significant risks onto Council's Operational Risk Register and submit to Operations Board, SMB and Audit and Risk Committee

↑

Director shares Divisional Operational Register with SMT. Register agreed. Submitted to RMIS each Quarter.

↑

Heads of Service discuss their Service Registers at 121 with Director at least quarterly

↑

Managers/Heads of Service Risk Assessments/Registers. Discuss at least quarterly

Leicester City Council's Agreed Operational Risk Reporting Structure

- Those responsible for delivery of a service or contract, or are managing change within a team or department, should complete a risk assessment/maintain a risk register;
- At least once a quarter staff should discuss their risks with their line manager;
- At least once a quarter, each Head of Service should discuss their service area risks at their 121 with their Divisional Director;
- Following these discussions the Divisional Director will compile their Divisional Operational RR and agree this with their Management Team (and Strategic Director);
- At the end of January, April, July and October the Divisional Operational Risk Register comes to RMIS;
- The significant risks are taken from each Division's register to form the Council's Operational Risk Register.

Insurance Policies and Claims Handling

Types of Policies

- **Public Liability**
- **Employers Liability**
- **Motor & Plant**
- **Property**
- **School Contents**
- **Business & School Travel**
- **Personal Accident**
- **Professional Negligence**
- **Money**
- **Commercial Leased**

- **Officials Indemnity**
- **Right to Buy & Mortgage**
- **Employee Compensation Scheme**
- **Computers**
- **Foster Cover**
- **Members Indemnity**
- **Terrorism**
- **Fidelity Guarantee**
- **Museum All Risks**

Insurance Claims

Acknowledgement – 7 days

Investigation – 3 months

Liability Accepted
- **Medical Report (3-12 months)**
- **Proof of Specials**
- **Offer and negotiation**
- **Possible quantum trial**
- **Payment (6 – 48 months)**

Claim Repudiated
- **Repudiation accepted or**
- **Proceeds to trial**
- **Trial listings 3-9 months**
- **Frequently adjourned**
- **Time line (6 – 60 months)**

To Pay or Not To Pay

- **If LCC liable – we settle immediately**

- **If LCC not liable - we defend**

- **Use of CLEAR (detail on next slide) risk assessment to assist in determining liability**

- **Decision taken in partnership between legal advisors, RMIS, insurers and other LCC internal departments**

CLEAR

- **Combined Legal and Economic Assessment of Risk**

- **Factors in legal opinion, our views, insurers opinion, value of claim, reliability of witnesses, availability of documentary evidence**

- **Presents a numerical 'score' – professional opinion of lawyers can over-ride!**

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In Money Terms

- **2001/03 – LCC paid £1.1m on EL Claims**
- **2009/11 – LCC paid £153k on EL Claims**

- **2001/03 – LCC paid £2.3m on PL Claims**
- **2009/11 – LCC paid £1.2m on PL Claims**

- **As a result of above reduced insurance premium in 2008 by £3.8M over 5 years of contract and a further £350K over 5 years of contract in 2013.**

Successes

- **77% of all claims successfully defended**

- **93% Success rate in courts (was 50% 2001-2005)**

- **Each case lost in Court costs LCC on average £28,000 in costs**

- **Won 55 more cases 2008/12 than in the period 2001/05 (could equal £1.54M savings)**

Flagship

Our claims handling model (CLEAR) presented at:

- **Chartered Insurance Institute – 2010**

- **Alarm International Conference – 2011**

- **Alarm SE Conference – 2011**

- **Browne Jacobson's Claims Club – 2012**

- **Essex County Council - 2013**

QUESTIONS?

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