



Leicester
City Council

WARDS AFFECTED: ALL

Audit and Risk Committee

13 June 2013

Risk Management and Insurance Services Update Report

Report of the Director of Finance

1. Purpose of Report

To provide the Committee with the regular update on the work of the Council's Risk Management and Insurance Services team's activities.

2. Summary

The Committee has agreed a reporting schedule to keep it informed of:-

- Risk management activity within the Council;
- Information about the work of the Council's Risk Management and Insurance Services (RMIS) team; and,
- Information about other on-going initiatives in the Council to control risks it faces in the delivery of its services.

3. Recommendations

The Committee is recommended to:

- 3.1 Receive the Report and note its contents.
- 3.2 Make any recommendations or comments it sees fit either to the Executive or Director of Finance.

4. Report

4.1 The Risk Management and Insurance Services team have responsibility for three critical functions:

- Risk Management Support and Advice;
- Insurance; and
- Business Continuity Support and Advice.

- 4.2 This report provides an update, in the previously agreed format, on work carried out by the RMIS team since the last meeting, reporting to you progress made against their objectives. It assures you, where possible, that risks within the business are being managed effectively.

4.2.1 Risk Management Support and Advice

The Council's 2013 Risk Management Strategy, containing the Risk Management Policy and RMIS Action Plan, was approved at the February meeting of this Committee. An update on progress is attached at Appendix 1.

The Council maintains a Strategic Risk Register and an Operational Risk Register. These registers contain the most significant unmitigated risks which the Council is managing and they are owned by Strategic and Divisional Directors respectively. Whilst there are other key risks, in the view of Directors, these are sufficiently mitigated for them not to appear in these registers.

To allow the Committee to better understand these registers, attached as Appendix 2 is the current risk assessment scoring guide and matrix. The Risk Registers as at the 31 January are attached - Appendix 3 (Operational Risk Register) and Appendix 4 (Strategic Risk Register).

The 2013 RMIS training programme, the aim of which is helping staff to understand and manage their risks more effectively, was launched to the business in early December. The first session ran in January with only a 50% take up, but our second session in March was full.

4.2.2 Insurance and Claims

A summary report of claims against the Council received in the period 1 April 2012 to 31 March 2013 is attached - Appendix 5A. Also enclosed as Appendix 5B is the same data for the first month of the new financial year. This latter appendix gives an impression of a repudiation rate of less than 2%, but this is purely down to timing. Our current repudiation rate is 77%. As more of these claims are investigated this figure will start to reflect the actual rate of repudiation.

These appendices show both successful and repudiated claims, breaking these down into business areas and type of claim i.e. slips and trips, potholes etc. Members should remember that one claim may be reported in more than one policy category – for example a Motor claim may also have a Personal Injury or Public Liability claim too, and that for new claims a value may not have been applied whilst initial investigations conclude.

The figures in brackets represent claims in those areas in the same period last year. The year on year figures continue to show the benefits of handling these claims in-house as fewer are being paid and those that are paid are being settled, on the whole, at lower levels and much quicker – hence avoiding inflated Legal fees.

Since the last report to the Committee, the Council has had no cases go to Court (although a case is scheduled for Friday 31 May which, in view of timing, will be covered in a verbal update at the meeting). However, we had a litigated claim discontinued by the Claimant which allowed the reserve of £50,000 (£14,000 claim for injury; £36,000 Legal Costs) to be returned to the insurance fund.

Loss Reduction Fund – In the last Financial Year (1 April 2012 to 31 March 2013) RMIS received 48 bids for assistance from the fund for a total of £385,620. Of these bids, 30 applications were approved and the fund provided an amount of £167,739 to business areas. As this fund had a relatively low take up during the past year, the Insurance team have advertised its availability through the 15 May issue of FACE, the staff magazine and will further promote the fund when we attend the school's business manager's groups in June.

Finally in this section I am able to give members an update on the outstanding position with the Municipal Mutual Insurance Company (MMI). In 1993 MMI went into liquidation whilst they were the insurers of the Council (and many others). Briefly, at that time, MMI requested all affected parties to sign up to an agreement to enable them to deal with their outstanding liabilities, whereby if MMI were not able to resolve these liabilities through the company's remaining assets, then in future years MMI could claw-back sufficient funds from those interested parties. In September 2012 (as widely expected within the industry) MMI invoked that claw-back facility, after facing mounting liabilities emanating from long term employers liability claims (mainly asbestosis).

In September 2012 the Council's maximum liability stood at £832,119.45 and we reserved our potential liability at 50% of that figure, less the £50,000 excess, - a figure of £391K, on the advice of our actuarial advisor. Ernst and Young (E&Y) have been instructed by MMI to claw back a levy of the above amount, which they have stated to be 15% of that amount, giving a potential initial payout of £117K. We have now received the actual request from E&Y at £114K which will be paid later this year – subject to MMI letting us have sight of relevant documentation confirming our liability. This is not a 'full and final settlement', and this will run for several more years to come

before a complete resolution is achieved. For now, assuming we receive the relevant documentation from MMI, we shall leave our reserve at £277K (£391K minus £114K) and seek an actuarial review on this when we next have an actuarial report on the insurance fund (likely to be next year). An assurance can be given to the Committee that this reserve will not increase.

4.2.3 Business Continuity/Emergency Planning updates

The Council's 2013 Business Continuity Management Strategy, containing the Business Continuity Management Policy and RMIS Action Plan, was approved at the February meeting of this Committee. An update on progress is attached at Appendix 6.

There have been two recent events affecting the Council, neither of which required the intervention or use of a business continuity plan.

In the first instance there had been a gas leak reported on Saturday 13 April at 7.45 pm in Scalpay Close, Beaumont Leys which, at first, looked as though we may have had to evacuate around 20 premises. However, this turned out to be a very minor leak and the Fire Brigade and our Housing Emergency Call Out team rapidly restored order and all was returned to normal within the hour.

The second incident related to a report of a 'rust coloured' discolouration of water in Wash Brook by Hughendon Drive. Instances relating to waterways are, as in this case, passed to the Environment Agency.

4.2.4 Key Risk Issues arising within the Business

The key significant risk issues arising within the business have not altered since the last meeting of this Committee. They remain those surrounding the trade unions' potential for, and actual, industrial action across the whole of the public sector. The two main teaching unions continue with their 'work to rule' which began, on the 26 September. This action has not, to date, caused any significant disruption to the Council. Unison have also balloted staff on their appetite for industrial action in the summer over the proposed 1% pay rise.

The prospect of further disruption to fuel supplies continues to diminish as the Unite union suggests that negotiations with management continue to be positive. The Head of Internal Audit and Risk Management is the lead for the Local Resilience Forum's Fuel Planning and Business Continuity Group and, as such, is in a position whereby updates are being received weekly direct from the DCLG.

Through the Local Resilience Forum the Head of Internal Audit and Risk Management is aware that the Fire Brigade Union ballot result supported strike action. In the recent past, strikes within the Brigade have been local and there has been minimal disruption. This is not expected to be the case as this will be a National strike. As in the past, it is expected that 'persons at risk' 999 calls will still be responded to as usual and that the strike action will impact upon non-life threatening calls only. Property managers within the council will be placed on alert once the situation becomes clearer and a start date is advised.

The Head of Internal Audit and Risk Management continues to Chair meetings of the Local Resilience Forum (LRF) Business Continuity Practitioners Group where the risks for LRF members arising from any strike action, and the LRF member's response to deal with these incidents, are reviewed. If further strike action is confirmed, or the teacher's action escalates, he shall, again, co-ordinate the Council's response with the support of the Chief Operating Officer.

Critical areas considered most at risk of disruption remain – schools – because of the impact on LRF partners if they fail to open; highways – emergency repairs and response to adverse weather conditions; and, housing – emergency repairs and maintenance.

4.2.5 Horizon Scanning – events in other Public Sector agencies and the Private sector that may impact upon the Council.

There is nothing much to report in this section. As part of the promotion of the importance of the Localism Bill and individual Local Plans, the East Midlands regional strategy was revoked by Parliament on the 14 March, with an effective end date of the 12 April 2013.

The Head of Internal Audit and Risk Management will continue to send to and/or discuss with relevant managers and directors any issues and the potential impacts they may have on the Council.

5. Financial, Legal Implications

There are no direct financial or additional legal implications arising from this report. These implications will rest within (and be reported by) the business areas that have day-to-day responsibility for managing their risk.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Risk Management	Yes	All of the paper.

7. Report Author/Officer to contact:

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30 May 2013