

AUDIT COMMITTEE	AGENDA ITEM No. 4
24 SEPTEMBER 2018	PUBLIC REPORT

Report of:	Pete Carpenter, Acting Director of Corporate Resources	
Cabinet Member(s) responsible:	Councillor Seaton, Cabinet Member for Resources	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

INSURANCE SERVICE AND INSURANCE FUND ANNUAL REPORT 2017 / 2018

R E C O M M E N D A T I O N S	
FROM : Steve Crabtree, Chief Internal Auditor	Deadline date : N / A
<p>It is recommended that Audit Committee:</p> <ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the provision of the Insurance Service and the Insurance Fund during 2017 / 2018. 	

1. ORIGIN OF REPORT

1.1 This report is submitted to Audit Committee as a scheduled report on the provision of Insurance Services to Peterborough City Council and other third parties. It is in line with the established Work Programme.

2. PURPOSE AND REASON FOR REPORT

2.1 The Terms of Reference for the Audit Committee (agreed at Full Council) set out the key roles of the Committee including the following

2.2.1.12: To monitor the effective development and operation of risk management and corporate governance in the Council.

2.2 The purpose of this report is to present the work carried out during the past year to provide an effective insurance function which provides cover for all aspects of the Council whilst minimising the cost.

3. TIMESCALE

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet	-
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4. BACKGROUND AND KEY ISSUES

4.1 The Insurance Team now form part of the wider Audit, Insurance and Investigations Team and provide the following main services:

- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund;
- Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible;
- Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these; and
- Provide insurance services to other bodies, such as schools including academies, Vivacity and the Cambridgeshire and Peterborough Combined Authority

The key issues dealt with by the Insurance Team over the past year are as follows:

4.2 Insurance

- Assessment of the current insurance programme led to a recommendation to Corporate Management Team that Terrorism insurance be placed back in the portfolio of external insurances. This was accepted and has been put in place.
- A procurement exercise was undertaken to place all the external insurances for the next 3 to 5 years. Following tender evaluation, this has resulted in savings of approximately £100k per year from 2018/19, against the 2017/18 figures.
- A restructure of the service was carried out which reduced personnel from 2.5 FTE to 2.0 FTE, making savings on staffing costs whilst maintaining service levels.
- An external audit of the Insurance Team's claims handling was carried out by Zurich Insurance. A score of 95.47% was achieved, with the areas assessed of Evaluation, Anti-Fraud, Negotiation, Litigation Management and Recoveries all scoring 100%. The Auditors commented on the service *'The overall quality of the claims handling found at Peterborough CC was of a very high standard with evidence of a good customer service being provided. The new claims were set up and acknowledged promptly, and the investigations were proactive on the majority of cases reviewed. All relevant documentation was sought during such investigations and the correct liability decisions were made on all files. Full supporting documentation was provided in respect of any repudiations.'*

4.3 The Insurance Fund

Peterborough City Council utilises a mix of external insurance and internal funding of risk to ensure best value – for example Insurance Premium Tax on external insurance is currently 12% and so there is an instant saving on any risks that are at an acceptable level to be carried by the Council internally.

It is important that the Insurance Fund maintains sufficient balances to meet the Council's liabilities, but also that it is not over-funded, when budgets elsewhere are so stretched. For this reason, an Actuarial review of the Insurance Fund is undertaken every three years to ensure the level is as accurate as possible. The latest review has been carried out this year, resulting in an identified potential surplus of £1.5m.

4.4 Risk Mitigation

The Insurance Team do not only handle insurance claims made against the Council, this data is also analysed to identify the greatest risks and claims trends. Actions are then taken to reduce these risks.

The two main risks faced by Peterborough City Council presently are Highways and tree-related subsidence. The following actions have been taken in connection with these:

- The long dry spell over the summer may lead to a rise in tree-induced subsidence claims against the Council. The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for such claims,

through targeted tree works in higher-risk areas, better recording of tree stock and inspections, a review of the Tree Management Strategy to take into account subsidence risk and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position.

- The new Well-Managed Highway Infrastructure Code of Practice is due to come into effect from October 2018. The Insurance Team have been working with Highways to prepare for this, including arranging a mock trial for the Highways Inspectors run under the new rules to help them understand this and meetings to discuss the changes necessary with both the Inspectors and the Management Team. Amendments have been made to the Highways records to demonstrate compliance with the new Code.

4.5 Working with schools

Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team.

For example, if there is a claim at a school and the investigation shows that risk assessments are either not in place or are not sufficient, this can demonstrate a potential problem with risk management at the school which could lead to future claims. The Insurance Team will work with the school and on occasion involve the Council's Health & Safety Team to improve the risk assessments, put in place policies to support risk improvement and provide match funding for risk improvement initiatives.

Many schools have converted to Academy status and so can no longer remain as part of the Council's schools policy. The Insurance Team have therefore been working with our insurers to make an offering to schools on a standalone basis that can rival the Risk Protection Agreement, which allows the school to remain with a commercial insurer and also retain the services of the Insurance Team. Six Academies have remained so far and the scheme will be offered to all future schools when they are looking to convert.

- 4.6 The attached report (**Appendix A**) provides more detail on the points above, including a breakdown of claims received and provides an insight into how this service will continue to operate, the insurance challenges facing the Council and how these will be mitigated.

5. **CONSULTATION**

- 5.1 This report has been issued to the Acting Director of Corporate Resources for consideration.

6. **ANTICIPATED OUTCOMES OR IMPACT**

- 6.1 That the Audit Committee is informed of the proactive measures taken across the Council to reduce the impact of insurance claims both from a financial and reputational perspective.

7. **REASON FOR THE RECOMMENDATION**

- 7.1 To enable the Audit Committee to continue to monitor the Council's approach to the areas dealt with by the team

8. ALTERNATIVE OPTIONS CONSIDERED

- 8.1 The option is not to present a report on the insurance function and the activities undertaken. This is not in line with open and transparent corporate governance and could result in a lack of awareness.

9. IMPLICATIONS

Financial Implications

- 9.1 The Council will become more aware and will continue to consider the insurable risks and potential consequences. Every effort is undertaken across the Council to reduce the insurance need and mitigate for potential claims in the first place but where it occurs, robust processes will be in place to ensure high service standards are maintained.

Legal Implications

- 9.2 None applicable.

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 10.1 None

11. APPENDICES

- 11.1 Appendix A: Insurance Report 2017 / 2018