

AUDIT COMMITTEE	AGENDA ITEM No. 4
25 JULY 2022	PUBLIC REPORT

Report of:	Cecilie Booth, Director of Resources and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor	Tel. 384 557

ANNUAL REPORT: INSURANCE AND THE INSURANCE FUND REPORT 2021 / 2022

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
It is recommended that Audit Committee:	
<ol style="list-style-type: none"> 1. Receive, consider and endorse the attached annual report on the provision of the Insurance Service during 2021 / 2022 	

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

2.2.1.18: 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 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, Aragon Direct and City Culture Peterborough

4.2 Insurance

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

- The three yearly actuarial review was undertaken. Based on this external works, there was a surplus identified;
- Weather changes within the year saw increased claims in relation to flooding;
- Significant fire damage claims were received in relation to a number of PCC properties; and
- New requirements from the Environment Act 2021 will impact on future works.

4.3 Claims are monitored and trends established to look to understand whether there could be more done in certain areas, whether consideration could be given to reducing cover or additional support is required. Overall, from the works in year, it can be seen that:

- Claims levels remain low for a unitary authority in a number of areas;
- There are good proactive and remedial actions in place to limit impact; and
- Aragon claims are now being covered, although it is too early to identify specific trends.

4.4 Risk Mitigation

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 Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for subsidence claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections and meetings with / seminars for the Tree Team, to aid their understanding of the insurance position.
- Claims for damage to fencing and walls caused by overgrown vegetation and tree roots have increased year on year, so again the Insurance Team have been liaising with Trees to find ways to combat this, such as one or two metre clearances of shelter belts back from the boundaries of nearby housing.
- Highways risk has been reduced as far as is possible: 100% of inspections are being carried out on the highway network and no claims have been paid in 2021 / 2022. This is a result of excellent hard work on the part of the Inspectors and the close working relationship between Highways and the Insurance Team. Risk mitigation work will not cease, it is important to ensure that this position does not slip.
- The Insurance Risk Mitigation Fund has paid for the Highways Inspectors to undertake Arboricultural training, to ensure they meet the higher requirements of the new Code of Practice and also to improve the Council's position by ensuring the Inspectors can recognise a tree near or on the highway in need of work in between the three yearly inspections carried out by the Trees Team.

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.
- The Government's RPA scheme has been extended to include LA maintained schools and therefore our schools will have this additional choice, further to their existing right to insure with any provider of their choosing. It is therefore possible we will lose some schools going forward. We have not lost any schools to date and have carried out additional work to remind the schools of the benefits of remaining with us, alongside the work we are doing to retain Academy schools.
- It is possible the Council may receive Covid-related claims. We will liaise with market experts to establish what may be expected and how best to deal with any that arise. None have been forthcoming so far.

4.6 Impact of the Pandemic

- The lockdown commenced in the final month of 2019 / 2020 and therefore there was no significant impact for that financial year. The impact in terms of claims numbers and costs of additional insurances have therefore been considered by analysis of the years 2020 / 2021 and 2021 / 2022.
- Taking the Public Liability claims data of 2017 / 2018 as a base, claim numbers were already declining prior to the pandemic: there were 9% fewer claims in 2018 / 2019 and 13% fewer in 2019 / 2020. However, it is reasonable to say that the pandemic accelerated this decline: in 2020/2021 there were 19% fewer claims and in 2021 / 2022 55% fewer. The claims year 2021 / 2022 is not yet complete and further claims may come in, but this is still a significant difference. For 2020 / 2021, the drop off in claims could be partly explained by the lockdowns, as there were fewer people using the highway network or accessing Council services, but this is not the case for 2021 / 2022. Claims figures will continue to be monitored to see if this trend reverses.
- Refuse vehicles were an ever present on city roads (only impacted on when there has been a shortage of crews). Claims did increase during lockdown due to more vehicles remaining parked on roads during the day. The new refuse vehicles all have external cameras, so it is now possible to check whether any damage to parked vehicles was in fact caused by the refuse vehicles. The numbers will be monitored when the claims year is complete.
- The area most affected by the pandemic was school journey claims, which more than doubled from 8 in 2017 / 2018 to 18 in 2019 / 2020. These have now reduced to 2 in 2021 / 2022, as few trips went ahead that year. Providers of this insurance have now all excluded cancellations arising from pandemics.
- There were no additional premium charges arising from the pandemic and claims numbers largely reduced, with the exception of school journey.

4.7 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.

4.8 Finally, the service priorities for 2022 / 2023 are:

- Work on anticipated increases in trees subsidence and highways claims;
- Progress on the tender exercise for Insurance which is on the Forward Plan and is due to be completed in early 2023; and
- Oversee any additional premiums / works which may materialise from the pandemic.

5. CONSULTATION

This report has been issued to the Director of Resources for consideration.

6. ANTICIPATED OUTCOMES OR IMPACT

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

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

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

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.

10. BACKGROUND DOCUMENTS

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

None

11. APPENDICES

Appendix A: Insurance Report 2021 / 2022