

ANNUAL RISK AND INSURANCE UPDATE REPORT

1. INTRODUCTION & PURPOSE

- 1.1 The Council's risk management framework is made up of a number of elements largely embedded in existing processes. In addition to strategic risk management, illustrated through the strategy and strategic risk register, it includes work place health and safety, ICT disaster recovery, business continuity planning and operational risk management including the provision of third party insurance cover and claims handling.
- 1.2 In terms of the latter the council spends in excess of £600,000 per annum on insurance over a number of policies types including casualty, motor, property and various indemnities.
- 1.3 The purpose of this report is to provide the Audit Committee with an opportunity to review the strategic risk register and to receive an update on the number and nature of claims over the last five years in order to assess the council's overall performance in this area.

2. RISK MANAGEMENT

- 2.1 The revised strategic risk register (Appendix 1) was approved by Cabinet in November 2016 and summarises the most significant risks to the delivery of Our Corporate Plan and the proposed actions to mitigate these risks. The mitigation offered is closely aligned to portfolio resource and service plans and in some cases relies on working with partners to help achieve the objectives. Other service specific risks and their analysis are considered in individual service risk registers.
- 2.2 The strategic risk register is reviewed and updated, where necessary, annually with the Audit Committee considering if the risks and mitigation captured still adequately reflect the current position. The register now needs to reflect the new cabinet structure and work will be undertaken to assess any arising strategic risks with the intention of presenting this to the Audit Committee in March 2018.

3. INSURANCE POLICIES

- 3.1 The council's main classes of insurance are with multiple insurers as set out in the table below. The existing arrangements were agreed in 2015 as part of the Hampshire collaborative procurement which is now in the third year of a three year contract with an optional two year extension, on a year by year basis. This extension has been agreed for 2018/19.

Class of Insurance	Insurer
Property Damage/Business Interruption	Allianz
Property Owners	Allianz
Property Damage/Business Interruption (Right to buy)	Ocaso
Computer	Allianz

Terrorism	Catlin
Combined (Employers) Liability	QBE
Official's Indemnity	QBE
Professional Indemnity	QBE
Motor	QBE

3.2 Fidelity guarantee, personal accident cover and engineering inspection continues to be provided by Zurich Municipal who also place policies for Marine and Vessels on our behalf with third party insurers (Willis Marine and Navigators & General).

3.3. The annual cost of these policies for 2017/18 was £638,399.

4. INSURANCE CLAIMS

4.1 The council continues to perform well in terms of the number and repudiation rate for insurance claims. The tables in Appendix 2 provide a summary of the number of claims for each policy type over the past five years. Total cost of claims includes deductibles payable by the council and any payments made by the insurer in the form of settlement to the claimant and legal costs, also payable by the insurers. Due to the resolution times of claims and settlements being made the total costs are not necessarily reflective of the final positions.

4.2 Two claims were scheduled for court this year, with NFDC as the defendant. Both cases were struck out of court ahead of the hearing.

5. RENEWAL 2018/19

5.1 The annual insurance renewal is currently in process for 2018/19. The Insurance Act, that came in to place in 2016, places the onus firmly on the policy holder to obtain information from senior management, services and individuals to advise of anything happening in their service area that could impact our insurance arrangements and/or affect our presentation of risk.

5.2 EMT and Service Managers have been asked to consider any issues or changes that are likely to have a bearing on our arrangements including alternative service delivery models, the establishment or consideration of trading companies and any other major changes to responsibilities or service delivery in the past 12 months or planned over the next 12 months. These will be notified to the insurers as part of the renewal.

5.3 The insurers must also be notified of material changes occurring during the policy.

6. FINANCIAL IMPLICATIONS

6.1 The rate of Insurance Premium Tax (IPT) was increased by 2% in June 2017 to 12% and the renewal process has highlighted growth in some policy areas, including Housing, both of which will result in increased costs for 2018/19.

6.2 In light of the change in discount rate, which has meant increased reserves of over £3 billion to claims on insurers books, the insurance industry and the council's brokers believe that limits of indemnity should now be reviewed for the first time in 10 years. Claims involving future care are affected by the discount rate change and there are now a few claims where reserves are over £25 million, although not for this council.

NFDC's indemnity limit for both Public and Employers Liability currently stands at £25 million with £40 million being proposed. EMT has agreed in principle to increase the indemnity limit which will inevitably result in an increased premium, estimated to be in the region of £20k.

6.3 Risk management and the prevention of claims arising as well as effectively defending claims received help manage the council's financial losses and the likelihood of premium increases.

7. RECOMMENDATIONS

7.1 That the Audit Committee








- Consider any changes necessary to the Strategic Risk Register;
- Note the insurance claims for the council over the past 5 years;
- Note the intention to increase the indemnity limits for Public and Employers liability claims.

For Further Information Please Contact:

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Background Papers

None

Portfolio	High Risk Areas Identified	Corporate Plan Priority	To Mitigate these risks the Council will:
<p>Leader's</p>	<p>Economic and demographic conditions limit growth and employment in the district and local business fails to prosper</p>	 <p><i>Helping local business grow</i></p>	<ul style="list-style-type: none"> Review with partners, including the New Forest Business Partnership, the best way to support local businesses in the future Work with the relevant Local Enterprise Partnerships (LEPs) to the benefit of the district Develop the new local plan
<p>Finance & Efficiency</p>	<p>Continued pressure on council finances results in an inability to deliver priorities and services</p>	 <p><i>Living within our means</i></p>  <p><i>Service outcomes for the community</i></p>	<ul style="list-style-type: none"> Develop a Medium Term Financial Plan that delivers the Council's priorities Develop and undertake a programme of service reviews to ensure value for money and fundamentally assess delivery options Introduce stabilisation targets to manage budgets within existing resources Adopt an asset management strategy that optimises asset use and identifies revenue opportunities
<p>Housing & Communities</p>	<p>Unable to provide more housing to help meet the needs of the district</p>	 <p><i>More homes for local people</i></p>  <p><i>Working with others to achieve more</i></p>  <p><i>Service outcomes for the community</i></p>	<ul style="list-style-type: none"> Develop the new local plan identifying sites for housing development Develop the Housing Strategy to include meeting future needs through remodelling of existing stock, stock acquisition and building Continue to work with partner Registered Providers to deliver additional homes in the District
<p>Health & Leisure</p>	<p>Health and wellbeing needs of residents are not met</p>	 <p><i>Service outcomes for the community</i></p>	<ul style="list-style-type: none"> Fundamentally review and challenge existing health and leisure arrangements to maximise outcomes for the council and the customer in the longer term

Environment

Unable to protect the natural beauty of the coastline and safeguard local residents



Protecting the local character of our place



Service outcomes for the community

- Continue to review and update a coastal maintenance programme identifying priority projects
- Undertake agreed coastal maintenance studies and work with elected members to identify alternative sources of funding

Planning & Transportation

External pressure for development fails to recognise and protect the special and unique character of the New Forest



Protecting the local character of our place

- Develop and approve a new local plan which fully reflects the requirements of the National Planning Policy Framework

Summary Public and Products Liability (Third Party)

Year	No of claims liable	No of claims not liable	Total Cost	Additional Information
13/14	7	12	£22,136.72	
14/15	3	7	£34,732.26	1 partly liable 2 open
15/16	2	4	£28,500.00	1 open
16/17	0 to date	1 not liable, 8 open	£0.00 to date	8 open
17/18 to date	0 to date	0 to date	£0.00 to date	8 open

Summary Employers Liability

Year	No of claims liable	No of claims not liable	Total Cost	Additional Information
13/14	1	0	£1047.30	
14/15	2		£23,624.00	1 open
15/16	1	1	£19,721.70	1 open
16/17	0 to date	0 to date	£0.00 to date	1 open
17/18 to date	0 to date	0 to date	£0.00 to date	3 open

Summary Housing Property

Year	No of claims liable	No of claims not liable	Total Cost	Additional Information
13/14	8	1	£47,579.41	
14/15	2	1	£123,347.64	Fire claims
15/16		2	£6920.78	Fire claim 2 open
16/17		2	£95,619.97	Fire Claim
17/18 to date			£0.00 to date	open

Summary General Property

Year	No of claims liable	No of claims not liable	Total Cost	Additional Information
13/14	0	1	£2000.00	
14/15	0	0	£0.00	
15/16	0	0	£0.00	
16/17		1	£1020.00	Weather related
17/18 to date		1	£6798.04	Weather related

Summary Other

Year	No of claims liable	No of claims not liable	Total Cost	Additional Information
13/14	1		£819.92	Officials indemnity
14/15		2	£6064.33	Marine
15/16	0	0	£0.00	
16/17	0	0	£0.00	
17/18 to date	0	1	£37,500.00	Marine

Summary Motor

Year	No of claims	Total Cost	Additional Information
13/14	69	£100,365.12	
14/15	90	£93,336.09	
15/16	72	£94,344.91	
16/17	50	£61,272.20	
17/18 to date	39 (to date)	£84,715.62 (to date)	