

Report of the Treasurer

Review of Risk Management Activities in 2012 and priorities for 2013/14

Purpose of report

1. This report advises of key developments in the Council's risk management and insurance activities in the preceding 12 months and sets out priorities for 2013/14

Background

2. Risk management remains crucial to all aspects of the Council's operations and is also integral to good corporate governance.

Risk Management activities in 2012

3. The Risk Management Strategy and guidance has been reviewed and is attached as **Appendix 1**. The position with regard to the treatment of partnership risks has been amended. Whilst partnership working continues to be an important part of the Council's operations, work undertaken by the Risk Champions Group shows that risks rarely attach *explicitly* to partnerships in isolation. With this in mind, revised risk guidance says that where risks are apparent, they can be accounted for and managed by the lead team, division or directorate for that partnership.
4. Corporate Board receives half yearly reports on Corporate Risks. The most recent report was on the 8th January 2013. This report identified risk owners, usually directors or assistant directors and identifies controls/actions to assist with ameliorating the risks. This is a fluid process to which the Risk Champions Group also contributes via the quarterly *Risk Assurance Protocol*. The risks identified by Corporate Board on 8th January 2013 are attached as **Appendix 2**.
5. For the first time, a risk management awareness briefing featured on the new members' induction course in May 2012. This was well received and should augment the longer standing risk management awareness sessions open to all members and made available via the Members Training Brochure.
6. Risk reduction and protection measures have been undertaken with funding from the *Risk Management Projects* budget. This funding has assisted with a number of improved security and safety projects. The budget is match funded i.e. for every £1 spent from it, other directorates or schools must match the funding. Details of spend on this budget are shown in **Table A**. £195k is currently identified in 2013/14 for similar purposes.

Table A – Summary of spend, *Risk Management Projects* 2012/13 (identified)

Spend Area	£'000
Physical security	80
Fire alarms and fire prevention works	83
Intruder alarms and upgrades	13
Training and other safety improvements	7
Total	183

Insurable risks and insurance in 2012

7. In keeping with one of the priorities identified in last year's report, an external actuarial report of the Council's insurance reserves and provisions was completed in summer 2012. **Table B** below shows a brief summary of the results of study. The report reaffirmed the level of balances required for this area and shows the Council is adequately funded in this regard.

Table B – Summary of *Actuarial Fund Study Report*, estimated requirement (£'s) needed to meet Council's civil liability claims (employers and public)

Statement of Accounts	Narrative	£M's
Provision	Consistent with F.R.S. 12 (I.A.S. 37). Those claims already lodged with the Council and to which a financial reserve is assigned. In insurance terms known as 'reported outstanding claims'.	4.38
Reserve	Estimated for liability claims not yet lodged with the Council but based on Dudley's own historical and specialist actuarial data. In, insurance terms known as 'incurred but not reported' (I.B.N.R.)	2.86
	<i>Municipal Mutual Scheme of Arrangement</i>	1.55
	Total insurance provisions and reserves as at 31st March 2012	8.79

8. The item within the Reserve shown as *Municipal Mutual Scheme of Arrangement* is a sum for the Council's liability in relation to this clawback scheme. The former 'mutual' and major insurer of many local authorities until 1993 has now officially declared that it is unable to meet its anticipated future liabilities and therefore the so called '*clawback*' scheme is triggered. The full financial impact is not yet known but the reserve as above is considered to be adequate.
9. In keeping with other priorities outlined in last year's report, a sample number of schools have been valued by the Council's insurers. This greatly assists in having confidence in *sums insured* i.e. neither over nor under insured.
10. Schools acquiring academy status can no longer be insured by the Council and consequently are removed from the Council's insurance programme at conversion. However such is the nature of liability claims, notably personal injury claims, the Council remains on cover, on a 'claims incurred' basis. This will gradually recede in keeping with civil procedures relating to personal injury claims.

Priorities for 2013/2014

11. The Council faces many radical changes and pressures across a wide area of its functions. Consequently the identifying of risks, prioritising those *most* likely to cause damage to the Council and controlling them as effectively as possible, is of paramount importance.
12. Spending of *Risk Management Funding* (£195k) will be managed in conjunction with both the Council's corporate property and security strategies i.e. directed to areas giving potential for most serious losses/damage or safety concerns.
13. Legislation giving rise to major changes in civil procedures for dealing with *Personal Injury* claims (Employers and Public liability) and due to come into force from 1st April 2013, has been very recently deferred (8th January 2013 notice). The Risk Manager will continue to liaise with relevant officers as and when the Ministry of Justice issues definitive advice.

Finance

14. There are no immediate financial implications arising from this report other than those explicitly mentioned under paragraph 7.

Law

15. The Council has a statutory responsibility for managing risks as laid out under Section 4 of the Accounts and Audit Regulations 2003 (amended 2006)

Equality impact

16. There are no equality issues arising from this report.

Recommendations

17. That the committee:
 - Notes the risk management activities set out in this report.
 - Approves the Risk Management Strategy and Guidance set out in Appendix 1
 - Notes and comments on the Corporate Risks as set out in Appendix 2



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Treasurer

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