

REPORT TO: FINANCE COMMITTEE - 13 FEBRUARY 2006

REPORT ON: INSURANCE AND RISK MANAGEMENT PROGRAMME 2006/07

REPORT BY: DEPUTE CHIEF EXECUTIVE (FINANCE)

REPORT NO: 128-2006

1 PURPOSE OF REPORT

This report provides an overview of the proposed insured/self-insured risk management arrangements for the financial year 2006/07.

2 RECOMMENDATIONS

It is recommended the Committee:

- a ratifies the Insurance programme, self-funding and claims handling procedures for the 2006/07 financial year as detailed in this report.
- b notes the savings of £260,000 generated through negotiations with Insurers and by virtue of improved self-insured claims performance.
- c agrees the Council's Risk and Business Continuity Manager bring forward proposals to further integrate risk management into the strategic decision making processes of the Authority.

3 FINANCIAL IMPLICATIONS

The financial implications of the 2006/07 Insured and self-insured programme are set out below:

Class of Insurance	Insurers	Net Premium £	Insurance Fund Deposit for Self-Insured Losses £	Estimated Total Cost £
Property	Zurich Municipal	1,111,000	750,000	1,861,000
Liabilities	Zurich Municipal/AIG	274,000	600,000	874,000
Motor	Royal Insurance	135,000	200,000	335,000
Accident Inspection	John Davidson	6,000	-	6,000
Personal Accident	AIG/Various	40,000	-	40,000
Miscellaneous	Various	80,000	-	80,000
Broker Fees	Willis	3,000	-	3,000
Risk Management	-	<u>180,000</u>	<u>-</u>	<u>180,000</u>
		<u>1,829,000</u>	<u>1,550,000</u>	<u>3,379,000</u>

The net effect of the foregoing will be that the 2006/07 insurance and risk management programme has been negotiated within the provisional 2006/07 Revenue Budget.

4 LOCAL AGENDA IMPLICATIONS

None

5 **EQUAL OPPORTUNITIES IMPLICATIONS**

None

6 **BACKGROUND**

6.1 **Insurance/Self-insurance Costs**

Members attention is drawn to Report No 308-2005 approving a change in the Council's renewal date from 1 April to 31 December annually. This has been achieved and the Council is now able to feed through variations in forecast insurance/self-insurance costs in time for the finalisation of the Council's Revenue Budget.

There has been a particular benefit to the City Council this year in adopting this strategy. The cost of insurance is expected to rise in 2006 as the financial impact of 2005, the worst year in recent memory for natural disasters impacts on Insurance Company results.

The Council has been sheltered from such increases by renewing its covers at the end of 2005 and by maintaining significant self-insured excesses. The early provision of accurate costings will help the Council to achieve the aim of greater integration of risk management within the budgeting process.

Further savings (£100,000 of the £260,000 contained in this report) were taken by reducing the provision held in the Insurance Fund to pay for malicious damage. This arises from the quite remarkable improvement, year on year, of the cost of Malicious Damage to Council assets, as depicted in the summary within the Appendix to this report.

6.2 **Risk Management**

a **Operational Risk Management**

Consistent with the performance outlined above there is much evidence of extremely effective operational level risk management within the Council. A very strong communication network exists between the Risk Management Section and relevant "middle managers" within departments. This network is supported by a reasonably significant annual "spend to save" budget of £180,000 and can be seen to be used effectively.

b **Strategic Risk Management**

The development of Corporate Governance as a management discipline is resulting in an increased requirement for public bodies to visibly document the risk assessment processes behind their strategic decision making.

This is an area which will feature in the Audit of Risk Management across public sector bodies in Scotland. Whilst a great deal of thought is provided to large strategic issues in the Council it is not always clear they have been subject to a formal risk assessed process of decision making.

The Council's Risk and Business Continuity Manager will bring forward proposals to integrate risk management processes to the strategic operations of the Council when the imminent audit work is completed.

7 CONSULTATION

The Chief Executive and the Depute Chief Executive (Support Services) have been consulted in the preparation of this report.

8 BACKGROUND PAPERS

None

**DAVID K DORWARD
DEPUTE CHIEF EXECUTIVE (FINANCE)**

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Graph illustrating the progress made in reducing the level of malicious damage to Council assets.

2001/02 to Present Day.

A colour copy of the graph will be on display in the City Chambers on the evening of the meeting.