

Report for: Corporate Committee – 21 July 2022

Title: Council Insurance Arrangements following Transfer of Homes for Haringey from 1 October 2022

Report authorised by : Director of Finance

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Ward(s) affected: N/A

**Report for Key/
Non Key Decision: Information**

1. Describe the issue under consideration

- 1.1 This paper sets out the arrangements to manage the Council’s insurable financial risks following the transfer of functions previously carried out by Homes for Haringey’s (“HfH”) to the Council’s. The Council’s Insurance service is responsible for managing the Council’s insurance policies and the management of any insurance claims.
- 1.2 The paper sets out the financial implications of remodelling the insurable financial risks of services previously under the auspices of HfH.

2. Cabinet Member Introduction

- 2.1 Not applicable.

3. Recommendations

- 3.1 To note the arrangements put in place to manage the insurable financial risks using insurance arrangements for functions previously managed under by Homes for Haringey (HfH).

4. Reasons for decision

- 4.1 The Corporate Committee’s terms of reference includes seeking assurances over the Council’s arrangements for the management of insurance risks.

5. Alternative options considered

- 5.1 Not applicable.

6. Background information

- 6.1 The insurance arrangements for managing insurable risks are very different for the Council and HfH. HfH have “ground up” insurance cover for their Public Liability (PL) and Employer’s Liability (EL) liability claims, i.e. there is no policy

excess. This means once HfH has paid its premium to the insurer (Aspen), any cost of claims is met by Aspen in full. Aspen have appointed Phoenix, an external claims management company to manage all of Aspen's claims, and charge for this service on a claim by claim basis. The cost of managing claims is charged to Aspen. The Council's insurance section assists Phoenix by collecting information and documents from HfH relevant to a claim and passing that on to Phoenix. This is to ensure Phoenix is provided with information in a timely manner to resolve claims quickly and limit third party costs. Under this "ground up" cover arrangement, HfH avoids the need to manage claims themselves, but in so doing pays a significant premium (see analysis below).

- 6.2 In contrast, the Council's current insurance arrangement has a policy excess of £500,000 for its PL and EL claims; the Council is therefore liable for the costs of any claim reserved below £500,000. The Insurance section's claims team is responsible for managing all claims received by the council.
- 6.3 In reality, it is an uncommon occurrence for a claim to be in excess of £500,000; there have been no claims of £500,00 or over in the last five policy years. Most, if not all claims are dealt with by the insurance team. The advantage of this arrangement is the premiums paid by the local authority are significantly lower as the insurer's risk assessment recognises only exceptional claims will be referred to them.

Impact of Transition of HfH to the Council

- 6.4 From 1 June 2022, most HfH's operations and employees transferred to Haringey Council. Following negotiations with HfH's insurers, the insurers have continued to provide liability cover for HfH based services and operations until 30 September 2022 (the period of the policy cover). Consequently, claims for accidents involving HfH based services up to and including 30 September 2022 will continue to be managed by Phoenix and Aspen, as Insurers.
- 6.5 Haringey Council's liability insurance policies will respond to claims resulting from accidents arising from HfH operations on 1 October 2022 and thereafter. With the £500,000 policy excess on each and every claim brought against the Council, these claims will all be managed by the insurance section's claims team. Again, there have been no HfH liability claims exceeding the £500,000 threshold so it is expected that all claims spend for accidents after 1 October 2022 will need to be met by the Council's Insurance Fund and managed by the insurance claims team.
- 6.6 The split between Public Liability claims and Employer's Liability claims is consistent with the Council's claims experience, i.e. the vast majority of claims fall under the PL policy.
- 6.7 PL claims based on HfH operations are commonly centred around the following issues:
- Injuries caused by slips and trips in common areas;
 - Injuries caused at a resident's home due to a failure by HfH to repair internal or external defects;

- Disease based claims resulting from mould or damp issues within a resident's property;
 - Property damage to a resident's personal belongings due to a failure by HfH to repair internal or external defects;
 - Property damage or injuries caused by HfH operatives during the course of completing repairs at a resident's property.
- 6.8 Employer's Liability claims are generally based on slips and trips or manual handling injuries during the course of employment. More complex claims involving stress or disease are less common but are more expensive when they do occur.
- 6.9 HfH has a large motor vehicle fleet and these claims are currently managed by their motor insurers with administrative support such as providing accident circumstances/driver information by the insurance section. Once HfH operations are transferred to Haringey Council, these claims will be managed by the insurance section.

Implications of Insourcing HfH Insurance

- 6.10 HfH's insured risks will transfer to the Council's liability and motor policies from 1 October 2022. A separate policy will not be required.
- 6.11 It is projected most of claims arising out of HfH operations post 1 October 2022 will fall within the Council's liability policy excess of £500,000. Haringey Council's policy premiums will increase to take account of the increased risks from the transfer of HfH employees and operations though the increase in premium will be more than offset by the HfH not purchasing its own insurances.
- 6.12 The Insurance section will require an increase in claims handling personnel to manage the increase in additional claims and associated tasks which post-date 1 October 2022. Currently, the insurance team establishment comprises the Risk & Insurance Manager, two Senior Claims Handlers and two Insurance Assistants. An assessment has been carried out and the team will require an additional Claims Handler and an Apprentice to join the Senior Claims Handler in managing all future claims effectively.
- 6.13 The team will also employ a Risk Officer to assess and manage enterprise risk council wide and to drive improvements in Council operations and to improve the Council's claim record.
- 6.14 Finally, there is also an implication for the Insurance Fund. The Council maintains an Insurance Fund to allow it to respond to future claims. The Insurance Fund will need to be created to ensure funds are put aside to respond to Housing related claims, this has not been necessary to date as all claims are the responsibility of the Aspen (they will have a fund for claims that may arise up to the point of transfer). The level of fund required will continue to be monitored. As a working hypothesis, it is suggested building that fund over two years.

7. Contribution to strategic outcomes

- 7.1 The work of the insurance team helps manage the Council's financial risks. The insourcing of HfH into the Council has been appraised and arrangements put in place to maximise the benefits from the policies purchased by HfH. This paper also sets out plans for managing the Council's insurable financial risks from 1 October 2022 to allow the Council to achieve its strategic aims.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance and Procurement

The financial implications of the proposed insurance arrangements for services transferred into the Council from HfH has been summarised in Section 6 of this report. The financial impact on the Housing Revenue Account (HRA) is expected to be cost neutral, at least in the first two years as the saving on the HfH premiums, after paying claims and increased resourcing costs, will be used to build up the Insurance Fund to a sufficient level. However, there may be an ongoing saving to the HRA after this level has been reached.

8.2 Legal

- 8.2.1 The Head of Legal Services has been consulted. Officers have confirmed that the Council's existing insurance policy was procured on the basis that cover would include the Council's expanded Housing function following the insourcing of housing services that had been provided by Homes for Haringey until 1 June 2022. Accordingly, officers have confirmed that there are no procurement implications and that there are no additional financial implications arising in this case.

- 8.2.2 Under the Council's Financial Regulations, the Corporate Committee is responsible for approving the Council's risk management policy statement and strategy and for reviewing the effectiveness of risk management and the s151 officer is responsible for ensuring that proper insurance is in place. This report informs the Corporate Committee of those arrangements and demonstrates compliance with the Council's responsibilities in relation to the maintenance of satisfactory insurance arrangements. Accordingly, the Head of Legal Services is satisfied that the steps noted in the report are required so that the Council complies with its duties.

8.3 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;

- foster good relations between people who share those characteristics and people who do not.

9. Use of Appendices

Not applicable

10. Local Government (Access to Information) Act 1985

Not applicable.