

WIRRAL COUNCIL

AUDIT AND RISK MANAGEMENT COMMITTEE

26 JANUARY 2009

REPORT OF THE DIRECTOR OF FINANCE

CORPORATE RISK AND INSURANCE MANAGEMENT

1. EXECUTIVE SUMMARY

- 1.1. This report provides information to Members on recent progress in these services and anticipated developments in the coming months.

2. INSURANCE MANAGEMENT PROGRESS

- 2.1. The results of the liability cases heard in court since the previous report has been disappointing with only one success in the 6 cases. With no changes having been made to the previously successful claims handling criteria or philosophy the reduced success rate is considered an anomaly. However the approach continues to be regularly monitored and revised as appropriate. The success rate across the public liability account as a whole, inclusive of non litigated matters, continues to exceed 80%.
- 2.2. The quarter to the end of December 2008 saw significant developments in various ongoing historical abuse cases. This is a rapidly developing area of law with new precedents being established frequently and recent case law has moved the balance in favour of individual redress over general public interest in these matters. These complex cases are handled in conjunction with our insurers and in line with current understanding of the legal position and senior Counsel advice. There are currently two cases that may progress to the House of Lords in order that a definitive position can be established on limitation, the length of time in which a claim can be brought. This is an important legal principle and therefore the legal costs in these cases will be funded by the relevant insurers who have an interest in supporting the defendant local authority community.
- 2.3. Following the agreement by the Cabinet on 27 November 2008 of the Insurance Fund budget for 2009/10 further work was undertaken on the charges to schools and the apportionment of costs between Children & Young People Department and Schools Budgets. This involved the desktop analysis of each schools potential asset and liability exposure in conjunction with a detailed review of recent loss history, and equitable premiums have now been calculated for each school. These have been benchmarked against commercially available packages and, despite some increases, still represent excellent value in terms of both cost and policy coverage. This process of aligning school premiums more precisely to risk is to be continued in 2009/10 with the roll out of a physical inspection and risk management project for all secondary school sites, the results of which are likely to have a further impact on premiums.

- 2.4. The tender for insurance broking and consultancy services resulted in the appointment of Griffiths & Armour, a locally owned and based firm, to replace the service previously provided by AON. Joint working between Insurance and Risk Management and Procurement on this tender resulted in this specialist contract being awarded on a one year basis with an optional one year extension based on performance.
- 2.5. The Risk & Insurance Team has met departments to begin developing the specification and award criteria for the tender for the Engineering Inspection and Insurance contract. Work has also started in relation to the Motor Insurance contract, both of which expire on 31 March 2009.
- 2.6. Preparations have begun for renewal of the Liabilities, Computer and Foster Carers Legal Expenses policies which expire on 31 March 2009. Contract renewals are currently expected to be in line with long term agreements and budgets.
- 2.7. The last quarter has seen an improvement in the service levels of the liability claims handlers following the introduction of their new IT systems. A high quality is key to the strong performance of the liability account and the recent changes are the subject of continued discussions with representatives at a senior level.
- 2.8. After extensive negotiation, a payment for £1,453,612 in settlement of the Rock Ferry High School fire has been received from insurers. This is the final fire claim from the 2003/04 account year for which settlements totalling £200,000 were reported to the last Committee. Negotiations in respect of the Liscard Hall fire continue but indications from an independent commercial property expert are that the pre-fire commercial value of the property will be limited.

3. CORPORATE RISK MANAGEMENT – PROGRESS

- 3.1. The entry in the Risk Management category of the 2008 Local Government Chronicle Awards was highly commended in the awards ceremony on 3 November 2008.
- 3.2. On 13 November 2008 Chief Officers undertook the annual review of issues on the Corporate Risk Register in the light of the refreshed Corporate Plan. The Register was then the subject of a report to Cabinet on 10 December 2008 and is reported elsewhere on this agenda.
- 3.3. Departments have been working on identifying their critical risks and their contribution to the improved management of the Corporate Risks as part of the 2009/10 service planning process.
- 3.4. The Risk & Insurance and Corporate Policy teams have continued to work closely to ensure that an improved risk management framework is an integral part of the governance arrangements for the Local Area Agreement (LAA).

- 3.5. The Risk & Insurance Officer has been assisting the Department of Adult Social Services with risk management arrangements for a major project to evaluate options for future service provision.
- 3.6. The Risk & Insurance Team has developed an introduction to risk management that will be incorporated within the corporate induction training. The Team is also working with the Human Resources Division to produce a set of risk management competencies for staff of different levels within the organisation.

4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

- 4.1. Liability claims statistics to 31 December 2008 will be compiled.
- 4.2. There are currently three claims scheduled for an initial court hearing in January and February 2009. It is also envisaged that there will be an increasing workload in respect of the historic liability and abuse claims.
- 4.3. The new broker will formally advertise the Motor and Engineering Insurance contracts with the outcome of these exercises to be reported to Cabinet.
- 4.4. Terms for the renewal of the Liabilities Computer and Foster Carers Legal Expenses policies will be agreed with insurers. As these policies are subject to Long Term Agreements until 31 March 2010 little change in premiums or the extent of cover is anticipated.
- 4.5. The Risk & Insurance Team plan to investigate the feasibility of commissioning a study to provide a more accurate indication of the level of funding required to meet liabilities relating to those periods where insurers cannot be identified or have become insolvent.
- 4.6. Officers will also consider the necessity of commissioning the regular Insurance Fund actuarial report. Previously procured annually the current stability in the liability account and officers knowledge of the account could suffice for the 2009/10 funding requirements with a further formal study then commissioned for April 2010.

5. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD

- 5.1. The Corporate Improvement Group will carry out the next quarterly review of the Corporate Risk Register to inform the Financial and Performance Monitoring Report to Cabinet on 19 March 2009.
- 5.2. The Corporate Risk Register will be updated and refined with the information contained within Departmental Service Plans for 2009/10.
- 5.3. The Risk & Insurance Officer will undertake an audit of the quality of the information on key risks in Departmental Service Plans and provide feedback to individual departments to assist with continuous improvement.

5.4. The Risk & Insurance Officer will continue to work with the Policy and Performance Division over preparations for the introduction of Comprehensive Area Assessment (CAA) in April 2009.

5.5. Risk management arrangements for the LAA, including the creation of baseline risk assessments for each of the Priorities for Improvement, will be developed further.

6. FINANCIAL IMPLICATIONS

6.1. There are none arising directly from this report.

7. STAFFING IMPLICATIONS

7.1. There are none arising directly from this report.

8. EQUAL OPPORTUNITIES IMPLICATIONS

8.1. There are none arising directly from this report.

9. ENVIRONMENTAL IMPACT STATEMENT

9.1. There are none arising directly from this report.

10. LOCAL MEMBER SUPPORT IMPLICATIONS

10.1. There are none arising directly from this report.

11. BACKGROUND PAPERS

11.1. Responses to Request for Quotations from insurance brokers and evaluation sheets for interviews.

11.2. Data from the Figtree claims database

11.3. Liability claim statistics.

12. PLANNING IMPLICATIONS

12.1. There are none arising directly from this report.

13. RECOMMENDATION

13.1. That a further update be presented to the next meeting.

IAN COLEMAN
DIRECTOR OF FINANCE