

# **WIRRAL COUNCIL**

## **AUDIT AND RISK MANAGEMENT COMMITTEE**

**31 MARCH 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 made against the objectives for these services and the anticipated developments in the coming months.

##### **2. INSURANCE MANAGEMENT PROGRESS**

- 2.1. Liability claim statistics up to the end of December 2008 have been compiled and confirm the overall account performance remains relatively stable. The numbers of new claims submitted continue to reduce slightly although the savings from this reduction are being offset by claims costs inflation. Around 85% of all claims, and 90% of highway claims, are being successfully defended. No significant new claims trends have been noted.
- 2.2. Since the last report six cases have progressed to court with three successful in recovering costs, two were found in favour of the claimant and in the other, an historic abuse matter, judgement is complex and has been reserved. An appeal is envisaged in the latter case by which ever party is unsuccessful.
- 2.3. As reported in January historic abuse cases continue to require significant resources. Decision making in this area is especially difficult given the developing nature of the law, the necessary liaison between multiple insurers, the potential reputation impact, the difficulties in tracing witnesses and documentation as well as high legal costs.
- 2.4. Further to the change in apportionment of insurance costs between the Children and Young People Department and Schools each school has been advised of the new more accurate formula for calculating insurance charges and the risk survey programme which is to be implemented later this year. Initial feedback has been positive, despite the budget increases, schools appear to appreciate the position and value the service provided.
- 2.5. The tenders for the Engineering Inspection / Insurance and Motor Insurance contracts have been evaluated and recommendations made to Cabinet on 19 March 2009. This was the first exercise conducted by the newly appointed Insurance brokers, Griffiths and Armour and has resulted in a positive outcome.

- 2.6. An on site audit was conducted of Zurich Municipal, the current liability claims handlers, in January 2009. This has indicated that service levels are continuing to improve following the implementation of the new case management system with Zurich management showing a clear commitment to meet the required service level expectations.
- 2.7. The Risk and Insurance Team is liaising with the Department of Law, Human Resources and Asset Management over the information available in relation to the building portfolio having particular regard to the implications of the Strategic Asset Review.
- 2.8. The clarification of liability cover for historic periods continues. Discussions with Resolute in relation to 1988-1993 are progressing well. The insurers are likely to confirm both that cover is in force and that the Council has met its self-insured retention. Less positive is 1981-1984 when cover was underwritten by Independent insurance and, as local authorities are not protected by the Policyholders Protection Board / Financial Services Compensation Scheme, the Council will be uninsured for this period. However arrangements have been made to set-aside internal funds to cover losses from any uninsured liability periods.

### **3. CORPORATE RISK MANAGEMENT – PROGRESS**

- 3.1. Departments have provided an assessment of the critical risks facing the achievement of their aims and objectives as detailed in the Corporate Plan and the Department Services Plans for 2009/10 which were reported to Cabinet on 5 February 2009.
- 3.2. The Corporate Improvement Group undertook the quarterly review of the Corporate Risk Register on 19 January 2009. The register was updated with a new risk 'Failure to deliver the change programme' and progress reported in the Financial and Performance Monitoring report to Cabinet on 19 March 2009 which is included elsewhere on this agenda.
- 3.4. Progress made in embedding effective risk management was recognised by the Audit Commission in the Comprehensive Performance Assessment (Use of Resources) 2008. There was an improvement in the score for risk management and internal control which increased from 2 (adequate performance) to 3 (performing well). This assisted in improving the overall Council CPA score to a 3.
- 3.5. The Risk & Insurance Officer and Policy and Performance Team facilitated a comprehensive assessment of the risks to all Local Area Agreement (LAA) indicators and to the overall objectives of the Local Strategic Partnership (LSP). Wirral was the first Council in Merseyside to conduct such a comprehensive exercise. The outcome was reported to the LAA Programme Board on 18 February 2009 and the updated Risk Register will be an integral part of the LAA performance reporting arrangements.

- 3.6. Assistance has been given to the Environment and Sustainability Advisory Group to complete the sustainability appraisal of the LAA. This exercise identifies the interplay between the various LAA priorities and the degree to which success in one priority presents opportunities and risks for the others.
- 3.7. Continuing assistance is being provided to the Department of Adult Social Services over the risk management arrangements for the Design & Viability Project which is evaluating options for future service provision.
- 3.8. The new 'Introduction to Risk Management' component of the revised Corporate Induction Course featured in the sessions held on 19 January, 27 February and 16 March 2009.

#### **4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD**

- 4.1. Liability claims statistics to March 2009 will be compiled and the end of year assessment and analysis completed.
- 4.2. Following the Cabinet meeting of 19 March 2009 the Engineering and Motor Insurance contracts will be awarded.
- 4.3. In terms of cases set for hearing or mediation within the next report period the most significant is a three week abuse trial scheduled for April / May involving two related claimants. As highlighted earlier in the report legal costs are high with defence costs in these two cases to exceed £150,000. However insurers have confirmed that they will be meeting these costs in full.
- 4.4. Terms for the renewal of the Liabilities, Computer and Foster Carers Legal Expenses policies effective from April 2009 will be agreed and preparations for renewal of the Property Insurance policies in June 2009 will begin.
- 4.5. In respect of Schools the specialist training to implement the second phase of school risk ranking project will commence and presentations will be made to both the Primary and Secondary Head teachers' Groups about the changes to School insurance charges.
- 4.6. The Insurance Fund accounts for 2008/09 will be completed and following this an update to the funding requirement study will be completed.

#### **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 in July.
- 5.2. The Corporate Risk Register will also be updated and refined with information taken from Departmental Service Plans for 2009/10.
- 5.3. The Risk & Insurance Officer will undertake an audit of the quality of 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 Team to further embed risk management arrangements in the governance of the LSP.

5.5. Working with the Environment and Sustainability Group the sustainability appraisal of the LAA priorities should be completed and the outcome reported to the LAA Programme Board.

**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. Data from the Figtree claims database

11.2. 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