

WIRRAL METROPOLITAN BOROUGH COUNCIL

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

21 JUNE 2006

AUDIT AND RISK MANAGEMENT COMMITTEE

29 JUNE 2006

REPORT OF THE DIRECTOR OF FINANCE

CORPORATE RISK & INSURANCE MANAGEMENT

1. EXECUTIVE SUMMARY

1.1 This report provides information to Members on progress made in the last quarter against the objectives for these services and anticipated developments in the coming months.

2. INSURANCE MANAGEMENT – PROGRESS MADE

2.1 Closedown of the 2005/06 insurance fund was completed ahead of the target date.

2.2 As will be reported to Cabinet on 28 June 2006 the annual comprehensive funding study undertaken by the actuaries IRMG was received in March 2006. The outcome was favourable, reflecting lower claims numbers, better management of claims, and a continuing high rate of repudiation.

2.3 The improving results mean that the amount needing to be held in reserve to meet the cost of claims for years up to 2005/06 has reduced. Furthermore the overall cost of claims is falling. Analysis of actual expenditure shows that the average amount paid out in each month of 2005/06 reduced to £150,000 from a peak seen in 2004/05 of £210,000.

2.4 The following example illustrates the continuing good results. In the last quarter 13 liability cases received dates for court hearings. The Authority successfully fully defended and recovered costs in 10 of these cases resulting in potential savings to the liability fund in excess of £200,000. The 3 cases that were lost centred solely on the question of claimant credibility and my officers felt that it was in the public interest to allow the court to determine the validity of these claims. The Authority is maintaining the hard won reputation with both claimant solicitors and the courts as an effective and efficient liability operation.

- 2.5 My officers have continued to improve on the current suite of quarterly data analysis reports. This data is used to identify claims patterns or hotspots, monitor KPI measures such as repudiation rates, and identify potential risk improvement measures. Headline charts showing the 6 years to April 2006 split by department for both claims numbers received and claims costs (inclusive of current reserves) are provided in the appendix for information. The decreasing trends in terms of numbers and costs are readily apparent.
- 2.6 The 1 April 2006 insurance renewals for Liability, Motor, Engineering and Computer insurance policies proceeded in line with budgets and long term agreements. My officers have been able to negotiate a reduction of £1.1 million in the aggregate stop loss (the annual self insured retention) to a revised figure of £6,000,000 at no additional cost and despite the existence of a long term agreement at the higher figure, a further concrete benefit of the improved claims position. My officers are optimistic that this figure will be capable of further improvement with the April 2007 renewal.
- 2.7 The previously reported proposal from the Director of Education and Cultural Services to centralise that departments insurance administration function within the Risk & Insurance Team will not now proceed. The Department of Children & Young People has decided that it wishes to retain both the function and the post.
- 2.6 The formal launch of the comprehensive counter fraud strategy and hotline within this quarter has been successful. With the assistance of the Head of Marketing the launch received excellent local and national media exposure. 140,000 leaflets were delivered with the Council Tax literature to each Wirral household and the response has been above expectations. Whilst the strategy is targeted primarily at discouraging attempted fraud, a number of potential cases have been identified that are currently being pursued with our partners in the Merseyside Police Fraud Squad with a view to pursuing criminal convictions.

3. CORPORATE RISK MANAGEMENT - PROGRESS MADE

- 3.1 The Risk Management pump-priming fund has supported the corporate staff stress survey (£5,000), the Health & Well-Fair Day (£2,000) and Pilates Classes (£500).
- 3.2 Risk management training sessions for members of departmental management teams were held in early February 2006 and were attended by 30 people. Output from these events will inform the review of the Corporate Risk Management Strategy.
- 3.3 The main training programme for managers began on 4 May 2006. To date the 1-day course has been run 7 times for approximately 90 managers. Further training in the construction of service continuity plans is being delivered by the Emergency Planning team.

- 3.4 The £550,000 which Cabinet agreed to release for the establishment of an inspection and repair regime on footpaths on housing estates has enabled the Director of Technical Services to undertake a condition survey of the footpaths and implement a programme to bring them up to adoptable standard. This will both improve the safety of the highway and enable better defence of claims helping to maintain the high level of repudiations indicated in paragraph 2.2.
- 3.5 The corporate risk management forum has reviewed the criteria and application process for the risk management pump-priming fund and will be publicising the availability of funding.
- 3.6 The Corporate Risk Register has been reviewed and updated and will be reported to Cabinet on 28 June 2006.

4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

- 4.1 The establishment of a fund for 'goodwill' payments is being considered for appropriate cases of accidents where no liability lies with the Authority. Recent examples include providing a weekend adventure camp for the family of a child who sustained an unpleasant hand injury on an Authority fence. It is not envisaged that many payments will be made from this fund, which can be met from existing liability resources. Further investigations will be made with a view to putting forward proposals to Members.
- 4.2 The Material Damage, Fidelity and Money insurance policies fall due for renewal on 30 June 2006. The task of updating property schedules in readiness for this renewal is significant. The insurers have advised that premium rates will be in line with the long term agreement and therefore within previously reported budgets.
- 4.3 My officers will be conducting a formal audit of our current pre litigation liability claims handlers, Zurich Municipal, in line with the defined rolling quality assessment programme. As reported to the Finance & Corporate Management Select Committee on 19 July 2004 the quality of this service is paramount to maintaining the current excellent liability fund position. The outcome of this exercise will be reported to Members.
- 4.4. Due the scale of the fire at Rock Ferry High School during September 2003 it has taken some considerable time to finalise costs with the insurers. The next quarter should see the completion of negotiations and appropriate contractual payment to the fire fund.
- 4.5. Officers will be leading a liability data analysis/benchmarking exercise with peer Local Authorities via the North West Insurance Officers Group.
- 4.6. My officers will continue to provide the core services of insurance procurement, claims strategy, claims investigation and management, supplier performance monitoring and the consultancy services required by client departments.

5. **RISK MANAGEMENT – ISSUES FOR NEXT PERIOD**

5.1 A further 7 training days covering approximately 100 more managers are scheduled between now and the end of September 2006.

5.2 The corporate risk management forum will begin its formal review of the risk management strategy. This large undertaking is designed to ensure that the approach meets or exceeds current best practice and supports other business processes.

5.3 The content of the risk management training sessions for Members will be finalised following consultation with the Members training group.

5.4 The corporate risk management forum will work with the Head of Policy to identify improvements needed to the risk reporting element of PIMS.

6. **FINANCIAL IMPLICATIONS**

6.1. There are none arising directly from this report.

7. **STAFFING IMPLICATIONS**

7.1 None.

8. **EQUAL OPPORTUNITIES IMPLICATIONS**

8.1. There are no direct equal opportunities implications

9. **ENVIRONMENTAL IMPACT STATEMENT**

9.1. Not applicable

10. **LOCAL MEMBER SUPPORT IMPLICATIONS**

10.1. The improvements in the condition of footpaths will benefit most wards.

11. **BACKGROUND PAPERS**

11.1 IRMG Actuarial Study

11.2 Agendas and minutes of the Corporate Risk Management Forum.

11.3 Figtree claims database.

12. **PLANNING IMPLICATIONS**

12.1. None

13. **RECOMMENDATIONS**

13.1. That the report be noted.

13.2 That a further report be presented to the next meeting

IAN COLEMAN
DIRECTOR OF FINANCE

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