

FINANCE AND BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE

17 SEPTEMBER 2007

CORPORATE RISK AND INSURANCE MANAGEMENT

1. EXECUTIVE SUMMARY

- 1.1 This report provides information to Members on progress made in corporate risk and insurance management against the objectives for these services, and anticipated developments in the coming months.

2. INSURANCE MANAGEMENT – PROGRESS MADE

- 2.1 Since the previous report eleven liability cases have been scheduled for court hearings. Of these cases six have either been won or discontinued with legal costs to be recovered. In one case the Council was unsuccessful and two cases have been settled by negotiation. The court has deferred judgement in one matter and another was adjourned due to the claimant being sent to prison. Irrespective of the outcome of these cases, each claim is thoroughly reviewed upon completion for risk improvement lessons and departmental processes and procedures amended where necessary.
- 2.2 Detailed liability claim statistics up to the end of quarter 1 for 2007/08 have been compiled and overall the account continues to perform well with high levels of pre-litigation repudiation and new claims volumes reported at historically low levels.
- 2.3 A live file audit of current claims handling service providers Zurich Municipal has been conducted. No significant errors have been identified and the review has informed constructive amendments to reserves policy and litigation administration.
- 2.4 In June 2007 renewal of the Material Damage (Fire), 'All Risks', Fidelity Guarantee and Money policies terms were agreed at existing premium rates. As reported previously 2007/08 is the final year of the Long Term Agreement (LTA) for these risks and these contracts will have to be re-tendered prior to June 2008. A draft timetable for this major project has been agreed with the insurance brokers.
- 2.5 The risk improvement recommendations contained in the computer services risk consultant report were discussed in detail by the Risk & Insurance Team and IT Services. Whilst minor recommendations have been implemented others are being developed as they link into the wider programme of improving IT resilience and general building maintenance.
- 2.6 The previously reported risk management works funded by the Insurance Fund at the access road to the Oval are proceeding on schedule and should be completed within budget by early September.

- 2.7 The Risk & Insurance Team entry in the 2007 ALARM awards was successful in its category at the national awards on 2 July 2007. ALARM is the principal body for risk management in the public sector and the awards carry prestige within the sector. The submission, related to the innovative risk based approach to managing liability claims introduced over the last three years.
- 2.8 The results of the actuarial study undertaken by Marsh UK were reported to Cabinet on 16 August 2007. The study highlighted the sustained improvements in the management of liability risk and concluded that the funds held to meet claims could be reduced by £1.65 million. After the allocation of a sum to cover potential uninsured losses the balance remaining will be £1.4 million and this will be incorporated into the Insurance Fund budget projections.
- 2.9 Work has begun on preparation of the 2008/09 Insurance Fund budget. The tendering of several major policies inevitably introduces a larger degree of uncertainty into the forecast than usual. With greater competition in the local authority insurance market than was present at the last tender in 2003 although tempered by expected increasing rates following the recent flooding, it is anticipated that premiums should remain broadly stable.
- 2.10 As part of the Insurance Fund review Cabinet on 16 August 2007 agreed to the funding of an additional post within the Risk & Insurance Team. Employment & Appointments Committee on 24 September 2007 will consider a report on establishing the post.

3. CORPORATE RISK MANAGEMENT - PROGRESS MADE

- 3.1 The revised Corporate Risk Management Strategy was presented to the Cabinet on 6 September 2007.
- 3.2 The second risk management training session for Members was held on 5 July 2007 and was attended by six councillors.
- 3.3 Since the last report the Corporate Risk Management Forum has approved funding of £6,958 to purchase electrically insulated tools for the Operational Services Division and £6,000 to pay for tracking software all Council IT equipment and a publicity campaign to deter potential thieves.
- 3.4 A draft Corporate Risk Register has been compiled by Chief Officers and this will be presented to Cabinet on 20 September 2007.
- 3.5 The Corporate Risk Management Forum has considered how information on the risks and opportunities associated with decisions to be taken by Members might be improved. Their suggestions are to be shared with Chief Officers and the Corporate Governance Group who will make recommendations on this area of corporate policy.
- 3.6 The exercise undertaken earlier in the year to evaluate from a risk perspective the relative significance of partnerships identified a small number that

presented a 'medium' risk to the Council. The Risk & Insurance Officer has met with lead officers on these partnerships to obtain detailed information as to how the risks arising from these relationships are currently identified and managed and to introduce officers to definitive guidance. It is anticipated that this will improve risk management performance in these partnerships.

4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

- 4.1 Compilation of the quarterly statistics and preparation of the detailed Insurance Fund Annual Report for 2006/07.
- 4.2 Agreement of terms and policy cover for renewal of the Marine Craft fleet insurance.
- 4.3 Compilation of the Insurance Fund budget for 2008/09 for reporting to Cabinet in November. This will incorporate the detail within the Insurance Fund actuarial report.
- 4.4. Seek to complete the negotiations for the final settlement of the insurance claim for the 2003 Rock Ferry High School fire.
- 4.5. Conduct on-site audits of the claims handling performance of Capita Insurance Services as part of with the supplier performance monitoring framework.
- 4.6. Seven County Court liability hearings are currently scheduled to proceed within this reporting period, together with one High Court appeal matter and more will be listed as the period progresses.
- 4.7. Detailed work will begin on the tendering of the Material Damage, Fidelity Guarantee, 'All Risks' and Money policies. This will involve constructing award criteria, drafting the specification, collating underwriting and risk management information, inspection and survey of key buildings and creating marketing presentations.

5. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD

- 5.1 The Corporate Improvement Group will analyse the risks on the Corporate Risk Register as reported to, and subject to the comments from, Members. Actions will be identified to manage these effectively and progress in implementing the actions will then be reported to Members at least quarterly.
- 5.2 It is anticipated that the agreed protocol for the inclusion of risk information in reports to Members will be implemented. A summary of the protocol will be reported to a future meeting of this Committee.
- 5.3 The programme of providing guidance on managing risk arising from partnership working will continue.
- 5.4 The Corporate Risk Management Forum will provide an evaluation of alternative ways of ensuring that risk considerations feature in decisions the

Council takes on the allocation and management of financial resources and in how departments report financial performance.

5.5 The possibilities of a further risk management training session for elected Members is being considered.

6. **FINANCIAL AND STAFFING IMPLICATIONS**

6.1. There are none arising directly from this report.