

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

24 MARCH 2010

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 existing objectives for this service and the anticipated developments in the coming months.

2. INSURANCE MANAGEMENT PROGRESS

- 2.1. Liability statistics for the quarter ending 31 December 2009 were produced in mid January and showed a slight uplift in the trend on public liability case numbers. This has accelerated dramatically in January and February with over 120 new claims, almost a doubling of expected new cases. Whilst this is largely due to snow and ice related incidents the underlying trend does now appear to be slightly rising as a result of increased active claims farmers within the Borough, an increased propensity for claims to rise in a recession, and some initial issues with the highway maintenance contract. Whilst the number of claims may be rising, our ability to defend these claims remains positive and the pre and post litigation repudiation rate remains excellent.
- 2.2. Cabinet on 14 January 2010 agreed the award of the Computer and Liability insurance and Liability claims handling contracts for an initial period of three years commencing from 1 April 2010. The contracts were awarded to Risk Management Partners (Computer Insurance) and Zurich Municipal (Liability insurance and Liability claims handling) at an annual saving of £170,000.
- 2.3. The awarding of a Legal Defence Services contract was the subject of a report to Cabinet on 18 March 2010. The quality element of the award criteria is evaluated by reference to written answers to questions contained in the tender document and performance in formal interviews. As the new contract will be issued on a collaborative basis the panel included a representative from Knowsley Council. The decision of Cabinet will be reported in the next update.
- 2.4. Claims handlers from Zurich Municipal are meeting with the Risk & Insurance Team and representatives from the Department of Technical Services on 10 March 2010 to discuss the new contracts and identify possible further improvements to the processes for managing highway liability claims.

- 2.5. The Jackson Report (from Lord Justice Jackson) into the costs of civil litigation was published in January with the general finding that legal costs are wholly disproportionate and have become a burden on society. The report runs to 450 pages and contains many radical proposals that would have a direct effect on the way civil litigation is managed and funded. The possible implications are still being considered and the recommendations will require primary legislation to become effective. As the numerous recommendations must be taken together to balance the interests of the claimant and defendant communities, any piecemeal implementation may upset this balance and the Council will lobby via the relevant bodies to ensure that local authority interests are represented.
- 2.6. Zurich Municipal has confirmed its renewal terms for the Motor Insurance and Engineering Inspection and Insurance contracts for the year commencing 1 April 2010. There will be no change in premium rates and the cost of the Engineering Inspection service will rise in line with the Index of Average Earnings as provided for in the contract, and costs will remain within budget.
- 2.7. The report to this Committee on 18 January 2010 referred to the case of Kelly –v- Wirral, (section 2.7). As the remaining payment has not been received my officers are now proceeding to enforce the judgement and recover the debt.
- 2.8. A complicated case arising out of the demolition of a property on safety grounds by Technical Services involving five separate parties and legal costs of over £1 million and dating back to 2007 was successfully settled just before the commencement of the scheduled trial. The terms of settlement, whilst confidential, is favourable in that the Council will recover its costs.
- 2.9. The long running S –v- Wirral case involving limitation issues in historic social services matters has been finalised. The Council has been successful in the argument that it would be inequitable to allow the case to proceed as the Council would be prejudiced by the long delay in bringing the claim. This case will be widely reported and is expected to be influential in future similar matters. Once again however the claimant’s case was publicly funded and as such the Authority has no right of recovery of our substantial legal costs.

3. CORPORATE RISK MANAGEMENT – PROGRESS

- 3.1. Risks in the revised risk register for the Local Strategic Partnership (LSP) were evaluated by the LSP Management Group on 2 February 2010.
- 3.2. The individual risk registers for each Local Area Agreement (LAA) priority area have been reviewed and significant risks incorporated into the LAA Quarter 3 Performance and Risk Report.
- 3.3. An update on progress made in improvements to the management of corporate risks was included in the 2009/10 Quarter 3 Performance and Financial review.

- 3.4. Assistance with the implementation of the Strategic Change Programme continues including support for the Department of Law, Human Resources and Asset Management with risk management arrangements for the new HR and Payroll system project.
- 3.5. The Risk & Insurance Officer undertook a data quality exercise in relation to the draft risk registers prepared by each department as part of the service planning process. Feedback was provided through the Performance Management Group to improve the final versions of these documents.
- 3.6. The Risk & Insurance Officer has studied reports to Cabinet since November 2009 to evaluate how information on risks and opportunities was expressed. Feedback has been given to departments through the Corporate Improvement Group to assist with the preparation of future reports as Chief Officers have agreed that future reports to Cabinet should contain a risk assessment. The implementation of this change is being progressed by the Director of Law, Human Resources and Asset Management.
- 3.7. The Chief Executive has recently indicated his support for an in-depth review of the existing corporate approach to managing risk. This would lead to the production of a new Risk Strategy and supporting actions. Governance for the project is currently being determined and a detailed report on the project will be presented to a future meeting of this Committee.

4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

- 4.1. Liability claim statistics for the final quarter of 2009/10 will be produced and further analysed in view of the trend reported previously.
- 4.2. HJC Actuarial Consulting has been appointed to undertake the biennial funding study in relation to Council exposure to liability claims. This will be based on claims data as at 31 March 2010 and, as the requirements of the actuary are complex, it is a considerable task to collate all the necessary information.
- 4.3. The Legal Defence Services contract from 1 April 2010 will be confirmed and the handover to any new suppliers managed and service expectations agreed.
- 4.4. Historic abuse and old employers liability claims are expected to continue to provide a significant ongoing workload.
- 4.5. Information will be collated to enable insurers to produce renewal terms for the Property, Money, Fidelity Guarantee and Personal Accident insurance policies ahead of their expiry on 30 June 2010.
- 4.6. This period will encompass closedown and reconciliation of the claims and general accounts.

5. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD

- 5.1. The revised register of risks to the objectives of the Local Strategic Partnership (LSP) is to be presented to the LSP Executive Board on 31 March 2010 together with proposals for future monitoring and reporting.
- 5.2. The individual risk registers for each Local Area Agreement (LAA) priority area will be reviewed and significant risks incorporated into the LAA quarterly Performance and Risk Report.
- 5.3. Progress on the management of Corporate Risks will be reviewed by the Corporate Improvement Group and by Chief Officers and included in the 2009/10 Fourth Quarter Performance and Financial Review.
- 5.4. Assistance will continue to be given in relation to the implementation of projects within the Strategic Change Programme working with the appropriate departments within the Council.
- 5.5. The Risk & Insurance Officer will begin monitoring compliance with the new requirement for risk assessments in Cabinet reports when agreed and will provide feedback to departments through the Corporate Improvement Group.
- 5.6. Governance arrangements for the project to review and amend the corporate Risk Management Strategy and processes will be developed including preparations for an on-line survey of managers and interviews with Chief Officers and Members.

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 the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

FNCE/54/10