

WIRRAL COUNCIL

CABINET

24 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

INSURANCE FUND ANNUAL REPORT

1. EXECUTIVE SUMMARY

1.1 This report provides a review of the Risk and Insurance activity during 2009/10 and the plans for 2010/11. It also details the current status of the liability, fire and motor claims fund and the impact of measures taken to improve the management of risk.

2. BACKGROUND

2.1 Since 1988 the Authority has self-insured a significant proportion of its legal liability both to members of the public and to other organisations for injury or damage to property that it may cause in carrying out its business. It also self-insures damage to Council buildings and damage to, and third party liability for, Council vehicles.

2.2 Self-funding losses to a certain level is part of the overall Risk Management Strategy as it provides a greater incentive to deal with risk more effectively given that any reduction in claims directly benefits the Authority. The level of self insurance is set with reference to both the availability of a stable long term Insurance Fund and with regard to the appetite for risk.

2.3 Claims are met from the Insurance Fund with the Fund being maintained through annual contributions from all departments.

3. REVIEW OF LIABILITIES

3.1 The sums required for meeting the cost of Fire and Motor claims can be readily calculated. However the position with liability claims is more complex and every two years an external actuarial study is commissioned to assess the amount needed to fund anticipated liabilities for previous years. The study also provides an indication as to the scale of the contributions needed to fund liabilities expected for the forthcoming financial year.

3.2 In the intervening years a self-evaluation is undertaken which was the case at the end of March 2009. An external study has been commissioned for 2010 and the outcome of the study will be reported to Cabinet. For the purposes of completing the 2009/10 accounts an internal exercise considered the funding required for claims relating to financial years 1988/89 to 2009/10 based upon claims data as at the end of March 2010.

- 3.3 Based on an 80% degree of actuarial certainty this self-evaluation suggests that a sum of £10.88 million was required as at 31 March 2010 to meet outstanding liabilities for the years in question.
- 3.4 The table below compares the actual amounts held as at the end of March 2010 in respect of all three classes of business with the figures based upon the self-evaluation.

Class	Actual Provision 31/03/10	Revised Provision 31/03/10	Difference
	£	£	£
Combined Liability	13,353,110	10,882,145	2,470,965
Property	2,251,970	2,251,970	0
Motor	260,830	260,830	0
Total	15,865,910	13,394,945	2,470,965

- 3.5 The surplus of £2.47 million in respect of the Liability section of the Insurance Fund could be returned to the General Balance in 2009/10.

4. INSURANCE AND RISK MANAGEMENT 2009/10

- 4.1 Throughout 2009/10 regular progress reports on Risk and Insurance Management were presented to the Audit & Risk Management Committee.
- 4.2 Improvements reported in previous years have been sustained through the continuing efforts of departments to manage their liability risk more effectively. Allied to this are the 'firm but fair' stance on liability; the continuing active involvement in claims handling; and the counter-claims fraud strategy. The claims handling and legal services contracts continue to assist in reducing both claims numbers and the overall cost to the Council of this area of risk.
- 4.3 The Insurance Fund budget for 2010/11 was presented to Cabinet on 14 January 2010. In agreeing the budget Cabinet noted the savings to the General Fund of £420,000 and to Schools of £350,000. The latter is largely a consequence of the extensive work undertaken by the Risk & Insurance Team with the Schools.
- 4.4 Throughout the year significant time was spent in preparing for the tendering of contracts for Liability and Computer Insurance and Litigation Defence Services. The outcomes were reported to Cabinet on 14 January 2010 and 18 March 2010 respectively. These exercises resulted in annual savings of approximately £170,000.
- 4.5 Following the refresh of the Corporate Plan an exercise was undertaken with Chief Officers to review the Corporate Risk Register and a draft document was submitted to Cabinet on 3 September 2009. The Corporate Risk Management Strategy was reviewed and presented to Cabinet on 24 September 2009.

- 4.6 In relation to partnerships enhanced risk management arrangements were introduced to support the Local Strategic Partnership (LSP). Improved processes for producing and managing risk registers for individual thematic partnerships and for the LSP as a whole were introduced.
- 4.7 Guidance for officers on the inclusion of information on risks and opportunities in reports to Members was introduced. Regular quality checks on those reports presented to Cabinet have been undertaken and feedback provided to departments to help ensure continuous improvement.
- 4.8 In association with Zurich Municipal the Risk & Insurance Team conducted risk ranking surveys on secondary schools and provided each school with an individual report on good practice and areas where improvements could be made.

5. INSURANCE AND RISK MANAGEMENT 2010/11

- 5.1 For 2010/11 regular reports on the progress of Insurance and Risk Management will continue to be presented to the Audit and Risk Management Committee. There will also be regular updates on significant risks as part of the quarterly Performance and Financial Review reports presented to Cabinet.
- 5.2 The most significant area of work will be a project to review the Risk Management Strategy and several of the tasks listed below relate directly to this project. In terms of individual tasks to be undertaken during the year the table below shows the principal areas and the target dates for completion.

Task	Target Date
Negotiate annual renewal of the Property, Money, Fidelity Guarantee and Personal Accident insurance contracts	June 2010
Conduct a risk management maturity survey	June 2010
Review of funding for insured liabilities	July 2010
Conduct business context interviews with Members and Chief Officers	August 2010
Audit of external liability claims handlers' performance	August 2010
Conduct risk ranking surveys of primary, secondary and special schools	September 2010 (start date)
Support Chief Officers in reviewing the Corporate Risks	October 2010
Present the 2011/12 Insurance Fund budget	November 2010
Review of key departmental risks for 2011/12	February 2011
Negotiate annual renewal of the Liabilities, Motor, Computer and Engineering insurance contracts	March 2011
Produce proposals for a new approach to risk	March 2011

6. FINANCIAL IMPLICATIONS

- 6.1 The continuing effective and pro-active approach to managing insured risk has been reflected in the assessment of the amounts required in the Insurance Fund to meet current and future claims.

6.2 The surplus in the Insurance Fund at 31 March 2010 was £2.47 million.

6.3 The Insurance Fund budget for 2011/12 is to be presented to the Cabinet in November 2010. This should be subject to less uncertainty than in previous years because all insurance contracts are now the subject of Long Term Agreements.

7. STAFFING IMPLICATIONS

7.1 There are no direct staffing implications arising out of this report.

8. EQUAL OPPORTUNITIES IMPLICATIONS

8.1 There are no direct equal opportunities implications arising out of this report.

9. ENVIRONMENTAL IMPACT STATEMENT

9.1 There are no direct environmental implications arising out of this report.

10. LOCAL MEMBER SUPPORT IMPLICATIONS

10.1 The risk management initiatives apply to all wards.

11. BACKGROUND PAPERS

11.1 Risk & Insurance Section claims Database.

11.2 Working papers for the 2010 internal study – actuarial data and funding analysis.

12. PLANNING IMPLICATIONS

12.1 There are no direct planning implications arising out of this report.

13. RECOMMENDATIONS

13.1 That the transfer of £2,471,000 from the Insurance Fund to the General Fund balance be agreed.

13.2 That regular updates on the progress in Insurance and Risk Management continue to be presented to the Audit & Risk Management Committee.

13.3 That the Insurance Fund budget for 2011/12 be presented to Cabinet in November 2010.

IAN COLEMAN
DIRECTOR OF FINANCE