

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

30 JUNE 2010

REPORT OF THE DIRECTOR OF FINANCE

CORPORATE RISK AND INSURANCE MANAGEMENT

1. EXECUTIVE SUMMARY

1.1. This report provides information to Members on the objectives for corporate risk and insurance management for 2010/11, details recent progress made against the existing objectives and the anticipated developments in the coming months.

2. OBJECTIVES FOR 2010/11

2.1. The principal areas of responsibility for the Corporate Risk and Insurance team remain:-

- (i) Procuring appropriate, cost effective, external insurance cover and claims handling service.
- (ii) Managing the Insurance Fund.
- (iii) Handling internally insured claims.
- (iv) Management of liability litigation.
- (v) Managing the performance of outsourced claims handlers and legal providers.
- (vi) Managing the insurance budget.
- (vii) Facilitating and providing training as appropriate to Members and officers.
- (viii) Supporting Members Chief Officers and the Local Strategic Partnership in improving the approach to managing risk and opportunity.
- (ix) Supporting Council Departments and the Local Strategic Partnership in the identification, analysis and management of risk.

2.2. In relation to the above there are a number of significant individual activities which need to be addressed during 2010/11. A major new initiative beginning this financial year will involve a fundamental review of the approach to risk in relation to a new British Standard. This will be informed by the views of Members and officers and will lead to the introduction of a revised risk management policy and Risk Management Strategy. Several of the tasks set out in the table form components of that project.

Tasks	Target date
Negotiate annual renewal of the Property Money Fidelity Guarantee and Personal Accident insurance contracts.	June 2010
Conduct 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
Support Chief Officers in reviewing the Corporate Risks	October 2010
Produce 2011/12 insurance 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

3. INSURANCE MANAGEMENT PROGRESS

- 3.1. Liability statistics for the final quarter of 2009/10 have been produced which confirmed the expected increase in claims due to the severe winter conditions. The resulting impact on the Insurance Fund will be limited as the approaches and practices in place provide the evidence to defend the majority of the weather related liability claims.
- 3.2. On 18 March 2010 Cabinet agreed to the awarding of the Legal Defence Services contract to two companies. These contracts are now in place. Renewal terms for the Professional Indemnity insurance for the year commencing 1 April 2010 were confirmed with Aviva. Reflecting a reduction in activity the premium has fallen by approximately £2,700 to £13,600. Zurich Municipal has confirmed its renewal terms for the Property Money Fidelity Guarantee and Personal Accident insurance contracts for the year commencing 1 July 2010.
- 3.3. Every two years an external actuarial study is commissioned to assess the amount needed to fund anticipated liability claims 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. 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 the Cabinet.
- 3.4. The Insurance Fund accounts have been completed for 2009/10 within the agreed timetable with the Insurance fund annual report presented to Cabinet on 24 June 2010. This included an internal reassessment of liability fund requirements and whilst the results of the actuarial study are not due until July / August 2010, the relative stability of the liability account has resulted in increased optimism of future performance and therefore £2.47 million has been released from the Insurance Fund to the General Fund Balance.

- 3.5. Two abnormally large liability claims have been received which have the potential to significantly exceed the insurance deductible of £250,000. Both cases will be managed in co-operation with the relevant insurers for the periods in question. In terms of the ultimate financial exposure this is limited to the policy deductible.

4. CORPORATE RISK MANAGEMENT – PROGRESS

- 4.1. In relation to the study detailed in section 2.2 of this report progress has been made in a number of areas. The content of the survey relating to risk management maturity has been agreed and a list of relevant managers compiled. Initial dates have been set for the business context interviews with Members and Chief Officers as part of the review of the Risk Management Strategy.
- 4.2. An update on progress made in improvements to the management of corporate risks was included within the 2009/10 End of Year Performance and Financial Review.
- 4.3. Assistance with the implementation of the Strategic Change Programme continues including support for the Department of Law, Human Resources & Asset Management with risk management arrangements for the new Human Resources and Payroll system project.
- 4.4. The introduction of risk assessment paragraphs in reports to Cabinet has yet to be formally implemented. However, analysis undertaken by the Risk & Insurance Officer has shown that clearer information on risks and opportunities associated with the decisions to be taken by Members is being provided within more reports.
- 4.5. The individual risk registers for each Local Area Agreement (LAA) priority area have been reviewed and significant risks incorporated into the LAA Quarter 4 Performance and Risk Report.
- 4.6. The Risk & Insurance Officer has worked with the Performance Management Group to identify key indicators for the Corporate Risks. This information will be included in the future quarterly Performance and Financial Review reports.

5. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

- 5.1. Liability claim statistics for the first quarter of 2010/11 will be produced.
- 5.2. The actuarial funding study will be received and analysed before being reported to the Cabinet.
- 5.3. Historic abuse and old employers' liability claims are expected to continue to provide a significant ongoing workload.
- 5.4. Information will be collated to enable insurers to produce renewal terms for the Marine insurance policy ahead of its expiry on 30 September 2010.

5.5 The July schedule for liability trials is unusually busy with five cases already listed for hearings together with a High Court appeal.

6. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD

6.1. The survey of risk management maturity will be conducted and the output analysed, and the business context interviews with senior Members and Chief Officers will be held.

6.2. The register of over-arching risks to the objectives of the Local Strategic Partnership (LSP) will be reviewed by the LSP Management Group and reported to the Executive Board.

6.3. 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.

6.4. Progress on the management of Corporate Risks will be reviewed by the Corporate Improvement Group and by Chief Officers and included in the 2010/11 First Quarter Performance and Financial Review. For the first time this will include key indicators for each of the Corporate Risks.

6.5. 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.

7. FINANCIAL IMPLICATIONS

7.1. There are none arising directly from this report.

8. STAFFING IMPLICATIONS

8.1. There are none arising directly from this report.

9. EQUAL OPPORTUNITIES IMPLICATIONS

9.1. There are none arising directly from this report.

10. ENVIRONMENTAL IMPACT STATEMENT

10.1. There are none arising directly from this report.

11. LOCAL MEMBER SUPPORT IMPLICATIONS

11.1. There are none arising directly from this report.

12. **BACKGROUND PAPERS**

12.1. Data from the Figtree claims database

12.2 Liability claim statistics.

13. **PLANNING IMPLICATIONS**

13.1. There are none arising directly from this report.

14. **RECOMMENDATION**

14.1. That the report be noted.

IAN COLEMAN
DIRECTOR OF FINANCE

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