

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

28 SEPTEMBER 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 first quarter of 2010/11 have been produced which showed that the upward trend in claims received in the previous two quarters, perceived as due to the severe weather, has begun to plateau. Overall the repudiation rate continues to exceed 85%,;success in Court continues with the ratio of wins to losses exceeding 2:1 for the year to date and the number of discontinuances where our costs are paid remaining high. Notable successes in individual cases include the formal discontinuance of a failure to educate / bullying case that had been on the books for six years without any payment, the recovery of legal costs in a highway tripping claim and the successful defence in the Court of Appeal of a highway case.
- 2.2 Claims fraud is a continuing issue as the level and nature of attempted frauds continue to evolve. Many hours are invested to identify potentially fraudulent claims and gather the necessary evidence to force the claim to be discontinued or to refute the claim in Court. This has proven successful in defeating many attempted frauds including a saving of £170,000 on a single case that discontinued one week prior to trial.
- 2.3. A number of policies subject to annual review on 30 June 2010 were renewed at existing premium rates and within budget. Significant work has been undertaken to improve the information on assets for future renewals. Renewal terms for the Marine insurance policy are due to be received.
- 2.4 The Actuarial Study completed by HJC Actuarial Consulting covered the funding required to meet Council responsibilities for self-insured liability claims. This was reported to Cabinet on 2 September 2010 and resulted in the release of £3.4 million from the Insurance Fund to Council balances and a future saving on premiums of £0.6 million per year. This reflects the excellent recent claims experience and is based upon the continuation of this performance in forthcoming years. The outcome of the Actuarial Study is reported elsewhere on this agenda.

- 2.5. Following discussions with the Director of Technical Services it has been agreed that from 2011/12 Zurich Insurance will no longer undertake inspections of boilers where there is no statutory requirement to do so. The more general legal obligations under the Provision and Use of Work Equipment Regulations will be met by existing maintenance and servicing arrangements. This change will reduce the cost of the inspection contract by approximately £20,000 per year.
- 2.6. Work continues on large liability losses / historic abuse / mesothelioma and other industrial disease claims. The increasing trend in receipt of Employers Liability cases from the 1980's and 1990's in respect of noise induced hearing loss cases and vibration related injury continues. Considerable marketing is being undertaken by claimant solicitor firms to identify potential claimants.
- 2.7. Following dialogue between the Department for Education and the Insurance Companies it has been established that other than Property insurance the Authority cannot arrange cover for schools converting to Academy status. At present only a small number of schools are likely to convert in the current financial year.

3. **RISK MANAGEMENT PROGRESS**

- 3.1. The study being undertaken on reviewing the Council approach to risk management is progressing. The on-line survey of managers in relation to risk management maturity was conducted in July / August and business context interviews were held with Chief Officers and senior Members in July/September.
- 3.2. Linking with the work on the study officers have evaluated the existing risk management framework and processes against the current British Standard (BS31100:2008) in order to identify areas for improvement.
- 3.3. An update on progress made in improvements to the management of corporate risks was included in the 2010/11 Quarter 1 Performance and Financial review. For the first time the Risk Monitoring Summary included indicators in relation to some of the Corporate Risks. Whilst formal risk assessment paragraphs are not yet included as standard in reports to Cabinet the quality and extent of information on the risks and opportunities associated with decisions to be taken is showing significant improvement.
- 3.4. Zurich Municipal has been appointed to assist with conducting a Risk Ranking Survey programme for all schools. Surveys of secondary schools have begun and planning has been undertaken for the remainder of the programme.
- 3.5. The individual risk registers for each Local Area Agreement (LAA) priority area have been reviewed and incorporated into a new template.
- 3.6. An initial meeting has been held with risk managers from the key partners to inform an improved approach to the management of key risks to the Wirral Local Strategic Partnership.

4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

- 4.1. Liability claim statistics for the second quarter of 2010/11 will be produced and assessed for long term trends.
- 4.2. The 2011/12 Insurance Budget will be prepared and individual insurance charges for schools calculated. In looking ahead a key factor will be any potential adverse impact of budget reductions that may result in an increase in risks and losses to be met by the Insurance Fund.
- 4.3. Complex high-value claims and those involving historic abuse and employee disease are expected to continue to have a significant impact on the workload.
- 4.4. Officers will be conducting an audit of the claims handlers to ensure that the contractor is maintaining compliance with the service level agreement.

5. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD

- 5.1. The Risk Management study will continue with the responses to the risk management maturity survey and the business context interviews being analysed. The next stage will see the publication of a comprehensive report.
- 5.2. Progress on the management of the revised Corporate Risks will be reviewed by the Corporate Improvement Group and by Chief Officers and included in the 2010/11 Quarter 2 Performance and Financial Review.
- 5.3. The Risk Ranking Surveys of secondary schools will be completed. The programme of visits to primary and special schools and early years centres will begin.
- 5.4. An annual review of the Corporate Risks will be undertaken in conjunction with the refresh of the Corporate Plan and the updating of Departmental Service Plans.
- 5.5. The individual risk registers for each Local Area Agreement (LAA) priority area will be reviewed and significant risks incorporated into the Quarter 2 Performance and Risk Report.
- 5.6. A risk management training session for Members will be held on 27 October 2010.

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. RECOMMENDATIONS

13.1. That the report be noted.

13.2. That Members attend the Risk Management training session on 27 October 2010.

IAN COLEMAN
DIRECTOR OF FINANCE

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