

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

22 NOVEMBER 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 second quarter of 2010/11 have been produced. These show that 397 public liability claims had been received by the end of Quarter 3 (compared to 271 at the end of Quarter 3 2009). A significant proportion of the increase relates to the exceptional snow and ice claims from January and February 2010 although the underlying trend now also appears to be slightly upward. This trend was recognised as a possibility and factored into the current funding model. The highways repudiation rate has dropped to around 80% for the current year but this anomaly is based on a very low settlement rate and the majority of the cases have been settled at little cost.
- 2.2. The retained insurance brokers conducted a market testing exercise in advance of the expiry of the marine insurance policy on 30 September 2010. Renewal was secured with the holding insurer, Navigators & General, at a cost of £8,800 which is £3,200 less than the 2009/10 premium. A similar exercise was conducted for Uninsured Loss Recovery services in relation to motor claims. The most competitive price (£925 per year) was provided by the existing supplier MAPS Legal Services and a three year contract with the option of a two year extension has been agreed.
- 2.3. The Insurance Fund Budget 2011/12 has been prepared for consideration by Cabinet on 25 November 2010. As far as possible the charges reflect the risk brought to the Insurance Fund by each client department requiring analysis of individual areas which have been subject to change given the recent organisational and structural changes within the Council. The charges to individual schools will follow the agreement of the Insurance Fund Budget.
- 2.4. Changes have been made Insurance to the inspections of boilers, to deliver savings and officers are now looking at lifting plant. If assurance can be obtained that the general legal obligations under the Provision and Use of Work Equipment Regulations are met by existing maintenance and servicing arrangements then inspections of these items could also cease.

- 2.5. Work continues on large liability losses / historic abuse / mesothelioma and other industrial disease claims. The long awaited “trigger” judgement from the Court of Appeal in relation to asbestos related claims in mid-October failed to clarify the issues and the matter is now proceeding to the Supreme Court. Wirral has no specific involvement in the test cases but the repercussions could potentially leave the Authority effectively uninsured for historic asbestos related claims. Whilst a prudent approach to reserving for these matters has been taken within the latest Actuarial Study a negative decision would have longer term funding implications.
- 2.6. An on-site audit of liability claims handling quality was carried out by the Risk & Insurance Team. The quality of the handling service provided by Zurich Municipal remains generally high, although some breaches of the service level agreement were identified.
- 2.7. Service level agreements for schools have been revised for a new five year traded service agreement. Schools do have the option to purchase insurance elsewhere but are retained as the package offered is competitive. Unfortunately the Authority will be unable to offer any service to schools who convert to Academy status as there is insufficient insurable interest for them to remain as part of any Council policies.

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 has been conducted as have business context interviews with Chief Officers and senior Members. The initial findings are being reviewed and a report will be prepared.
- 3.2. A refresh of the Corporate Risk Management Strategy has been undertaken and is being reported to Cabinet on 25 November 2010.
- 3.3. The Risk Ranking Surveys of secondary schools were completed ahead of schedule on 21 October 2010. The results of the surveys will influence schools insurance charges for 2011/12 onwards. Preparatory work for the extension of the survey programme to include primary and special schools and Early Years Centres has now commenced.
- 3.4. An update on progress made towards improving the management of corporate risks was included in the 2010/11 Quarter 2 Performance and Financial Review reported to Cabinet on 4 November 2010 with supporting documents within the Council Library.

3.5. The individual risk registers for each Local Area Agreement (LAA) priority area were reviewed at the end of Quarter 2 and a summary of key risks to the six thematic partnerships prepared as part of the Performance and Risk Report for the Local Strategic Partnership Executive Board.

3.6 On 27 October 2010 a training course was held for Members which looked at risk and uncertainty. Whilst both theoretical and practical, it incorporated the need for a 'balanced' approach in considering both the negative and the positive issues associated with risk and uncertainty.

4. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD

4.1. Liability claim statistics for the third quarter of 2010/11 will be produced and assessed for long term trends. Looking forward, the Council is facing significant challenges with reductions in Government funding. Decisions to meet the challenges will, almost inevitably, increase the potential for claims.

4.2. Preparations will begin for the renewal of the Liabilities, Motor, Engineering and Computer policies. As indicated above it is likely that from 2011/12 the Engineering inspection contract will be restricted to items where there is a legal requirement to inspect.

4.3. Work has begun on a procurement exercise for insurance broking services ahead of the expiry of the existing contract with Griffiths & Armour. The process will be finalised as the contract ends on 31 December 2010.

5. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD

5.1. The Risk Management Study will continue with the issuing of the initial report on how the Council approach to managing risk and uncertainty can be improved.

5.2. A review of the Corporate Risks is expected to be undertaken in conjunction with the refresh of the Corporate Plan and the setting of the Council Budget 2011/12. As referred to in section 4.1 the Council is facing significant challenges and decisions taken will, potentially, involve a degree of increased risk which should be considered at the time the decisions are taken.

5.3. Progress on the management of the existing Corporate Risks will be reviewed and included in the 2010/11 Quarter 3 Performance and Financial Review to be reported to Cabinet in February 2011.

5.4. The individual risk registers for all Local Area Agreement (LAA) priority areas will be reviewed and significant risks incorporated into the Quarter 3 Performance and Risk Report.

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

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