

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

1 FEBRUARY 2012

SUBJECT	CORPORATE RISK AND INSURANCE MANAGEMENT
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF FINANCE
RESPONSIBLE PORTFOLIO HOLDER	COUNCILLOR STEVE FOULKES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report details progress made against the objectives for corporate risk and insurance management and anticipated developments in the coming months.

2.0 RECOMMENDATION

2.1 That the Corporate Risk and Insurance Management report be noted.

3.0 REASON FOR RECOMMENDATION

3.1 Regular update reports are presented to this Committee on the work around Risk and Insurance which seek to support the Risk Management Strategy and maintain the successful management of the Insurance Fund.

4.0 BACKGROUND AND KEY ISSUES

Insurance Management progress

4.1 The Council continues to be involved in the civil law reform process at the highest levels with dialogue ongoing with the Ministry of Justice (MOJ), the Civil Justice Council, lobby groups and politicians. Wirral has maintained a key role in the discussions as certain proposed amendments to the civil justice process may have potential long term negative impacts on the Insurance Fund and ongoing liability funding requirements. This involvement ensures the interests of Wirral, and other self insured Local Authorities, are taken into account and in December one of my officers was invited to present the local government case at an influential conference. Recent developments suggest the Government intends to make an announcement on the solving disputes consultation early in 2012.

4.2 This reporting period has not coincided with the production of the formal quarterly claims statistics. However public liability claims numbers for 2011/12 may not now exceed those of 2010/11 which is partially due to the mild winter experienced to date limiting the number of weather related claims. Employers' liability claims numbers continue to cause concern as the rate of submission continues to rise and the impact of personnel and organisational changes and departmental capacity issues, as well as the need to locate key evidence, means that for many cases a simple, timely defence cannot be established.

- 4.3 The investigation and handling of liability claims is taking an increasingly large proportion of the capacity of the Risk and Insurance Team. Technically challenging claims work in areas such as abuse and neglect, and industrial disease claims such as mesothelioma have been a feature for some time. However recent clusters of vibration related claims, noise induced hearing loss claims and cases of alleged defamation have put increasing pressure on the available resources.
- 4.4 An Employers' Liability case, initially valued at over £250,000 by the claimant solicitors, was discontinued in December 2011 without any payment to the claimant just two weeks prior to the scheduled trial. This case had been open for over four years and highlights the value brought to the claims process by the operations of the Risk and Insurance Team. The Team established a full and detailed defence that was likely to have been successful at trial. This was after the Council's insurers had initially sought to settle the claim. Under the insurance contract the first £250,000 of this claim would have been met by the Insurance Fund. Whilst the scale of the saving on this individual claim is unusual, the principles and timescales involved are common.
- 4.5 Amongst the current portfolio of almost 800 open liability claims, there are five cases that have the individual capacity to exceed £100,000 in damages and legal costs with one currently reserved at a level that would substantially exceed the £250,000 policy deductible. As with all claims, irrespective of value, effective procedures are put in place to ensure that a valid defence is raised wherever possible and the most economic and timely settlement is attained whenever this is not the case.
- 4.6 No high value losses on the equipment or property policies have been sustained within the last reporting period. A spate of school burglaries has been experienced but the value is limited. The mild winter weather has been of benefit to this area of cover as there has not yet been an influx of claims resulting from burst pipes.
- 4.7 The Council has been advised that the current account executive for the insurance brokers JLT Public Sector Risks is leaving the organisation. As this contract is reliant on the skills of the account executive contract performance will be kept under close review for the next 12 months. A meeting was held with the brokers on 7 December 2011 to discuss her replacement and to progress the service plan for 2011/12.
- 4.8 Work is underway compiling information required by insurers for renewal of the Liability, Motor, Engineering, Computer and Foster Care insurance contracts on 1 April 2012.
- 4.9 A bespoke insurance package has been arranged for Weatherhead School which converted to Academy status on 1 January 2012. With service contracts in place for six out of the seven secondary Academy conversions to date it is anticipated that a service will be provided for the four further potential secondary school conversions currently under discussion. This has created an additional workload that has been met within existing resources and it is estimated that around £50,000 in fee income will result from these contracts in 2012/13.

- 4.10 Insurance charges for each individual maintained school for the 2012/13 financial year were calculated. Insurance is a traded service and therefore all schools have the option to buy cover elsewhere. All maintained schools have once again elected to purchase cover in 2012/13 utilising the risk based premium mechanism developed over recent years. Benchmarking suggests that maintained schools purchasing cover from the Authority will be paying around 50% of commercially available rates and this traded service will produce approximately £65,000 in income in 2012/13.

Risk Management Progress

- 4.11 The review of the Council risk management framework and processes approved by Cabinet on 13 October 2011 is to form part of the overall programme of work in improving corporate governance.
- 4.12 The existing Corporate Risk Management Strategy has been evaluated against the British Standard and a gap analysis with a significant number of improvement actions has been identified. The actions have been allocated between a series of work streams with officers being identified to assist with the delivery of each work stream and the relative priorities for action:-
- Risk Management Strategy
 - Risk management policy
 - Risk appetite
 - Risk management information
 - Risk management process
 - Reporting issues
 - Risk management governance
 - Training issues
 - Other human resources issues
- 4.13 The Executive Team has evaluated the revised Corporate Risks and the updated Corporate Risk Register is to be submitted to Cabinet on 2 February 2012.
- 4.14 Guidance on the inclusion of key risks in Corporate Plans was updated and circulated to Departments to assist with the development of Departmental Service Plans for 2012/13 to be submitted to the Budget Cabinet on 20 February 2012.
- 4.15 The risk management fund has been used to support 2 initiatives with £1,900 provided to support the installation of a CCTV system at Dale Farm which has been the subject of a number of thefts in recent months and £5,000 for the procurement of a noise assessment kit and associated training to pro-actively manage the risks associated with noise in the workplace.

Insurance Management – Issues for Next Period

- 4.16 Officers will continue to work with the process of reform to civil litigation costs.
- 4.17 Liability claims statistics for the third quarter of 2011/12 will be compiled.

- 4.18 The management of liability claims is expected to require a substantial part of the available capacity within the Risk and Insurance Team.
- 4.19 Proposals will be received for the renewal of the Liabilities, Motor, Engineering, Computer and Foster Care policies on 1 April 2012.
- 4.20 Work with Academy Schools will continue.

Risk Management – Issues for Next Period

- 4.21 The review of the risk framework and processes will continue having particular regard to Corporate Governance.
- 4.22 Early focus will be on the work streams relating to risk management information and risk appetite.
- 4.23 The Team will conduct an analysis of the principal risks identified by Departments to the delivery of their Departmental Service Plans for 2012/13 and will provide feedback to support improvement.

5.0 RELEVANT RISKS

- 5.1 No decisions are required in relation to this report. As such there are no risks or opportunities to report.

6.0 OTHER OPTIONS CONSIDERED

- 6.1 These are not applicable in respect of this monitoring report.

7.0 CONSULTATION

- 7.1 No specific consultation has been undertaken with regard to this report.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

- 8.1 None.

9.0 RESOURCE IMPLICATIONS

- 9.1 The Academy Schools initiative undertaken by the Risk & Insurance Team is continuing to generate income which offsets Insurance and Risk Management administration costs.
- 9.2 There are no staffing implications arising directly from this report.

10.0 LEGAL IMPLICATIONS

- 10.1 There are none arising directly from this report.

11.0 EQUALITIES IMPLICATIONS

- 11.1 There are none arising directly from this report.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 There are none arising directly from this report.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are none arising directly from this report.

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REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Report presented to each meeting of the Audit and Risk Management Committee	