

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

26 NOVEMBER 2012

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

1.0 EXECUTIVE SUMMARY

- 1.1 This report details progress made since the last report in relation to the objectives for corporate risk and insurance management and anticipated developments in the coming months.

2.0 BACKGROUND AND KEY ISSUES

Insurance Management progress

- 2.1 Liability claims statistics for Q2 2012/13 were completed and 334 public liability claims have been received this calendar year (compares to 396 in the same period during 2011). The reduction in public liability claims offsets the increasing cost of employers liability claims, particularly the continued receipt of claims in respect of noise and vibration exposure within the parks and gardens service. Overall the account continues to be within the funding level.
- 2.2 Analysis of the latest claims position indicated that payments against the 2000/01 and 2001/02 liability insurance contracts periods are now predicted to be at or around the policy aggregate limit. If agreed by the insurers then this would result in all future payments against these policy years being funded directly by them. The insurers have been placed on notice and the technical process required to prove our claim has commenced. The insurers have informed of their intention to insist that all potential multi year exposure claims, such as noise induced hearing loss, hand arm vibration, abuse, etc, will need to be apportioned against each of the implicated policy years. It is standard practice within the industry to register these claims against a single policy year upon receipt. As cover with this insurer is for 12 consecutive policy years this may require the reapportionment of up to 350 historic claims and the registering of up to 2,000 additional claims giving significant resource implications for the Council and particularly the Risk & Insurance Team. Whilst the amounts are relatively small the principle of agreement of aggregate breach for these years could have very significant long term implications and therefore the investment of time and claims management reserves is essential.

- 2.3 The last quarter has also seen a number of property claims in relation to water damage. The abnormally heavy rainstorms in August and September resulted in damage to 8 schools. Whilst a number of such losses have arisen this year, unless there is a series of serious individual incidents or a single catastrophic loss, the property account should continue to perform in line with budget.
- 2.4 The Insurance Fund Budget 2013/14 has been prepared and will be reported to Cabinet on 29 November 2012. This shows an increase in costs of £180,000 as the 2012/13 Budget was supported by a contribution of £136,000 from the Insurance Fund Surplus Reserve. There is also a release of £529,396 from the Insurance Fund reserves and provisions to General Fund balances. The recharge calculations for each individual school are in progress and will be completed by the end of November.
- 2.5 The tender evaluation criteria have been established for individual classes of insurance forming part of the 2013 procurement exercise. A first draft of the tender document is also being produced by the Council's insurance brokers JLT and will be evaluated shortly by the Risk & Insurance Team and the Corporate Procurement Unit.
- 2.6 Terms were received for renewal of the Council's Marine insurance policy and with a reduction in the sum insured the 2012/13 premium has fallen slightly.
- 2.7 The report on the valuation exercise conducted on the Council civic regalia and the silver collection in the Williamson Art Gallery was received in late September. This led to a rise in the sum insured of £105,000 increasing the sum insured by approximately £200 per annum.
- 2.8 Woodchurch High School became an Academy on 1 October 2012 and a tailored package of insurance put in place on their behalf. A Service Level Agreement has been implemented and will realise annual income of £7,000. Competitive quotations for a stand alone insurance package have also been arranged for St John Plessington Catholic College ahead of its anticipated conversion to an Academy on 1 December 2012 and will provide income of £4,000 per annum. Plessington will be the 8th Academy to sign to and 2 further conversions next year are expected to join this scheme.
- 2.9 The scope of the peer review of insurance management for Sefton Council was agreed in October and the Risk & Insurance Team has begun to collate relevant documentation and information. The intention is to provide a report with specific improvement recommendations by the end of March 2013. It is expected to provide income of around £7,000 which represents the cost as the benefits of closer working with Sefton may provide greater returns.

Risk Management Progress

- 2.10 The Concerto project management system designed to meet the Council's specification in relation to the recording and reporting of risk information is currently being finalised.

- 2.11 Discussions have taken place between the Risk & Insurance Team and colleagues in the Department of Technical Services in relation to the implications of possible changes to the regimes for highway maintenance and street lighting.
- 2.12 A programme level risk register for the Improvement Plan has been developed by the Executive Team and was reported to the Improvement Board on 21 September 2012. Mitigating actions have been incorporated into the Plans governance and delivery arrangements. Risk registers are also being created for each Priority with the intention that they be actively managed by the respective Heads of Service group.
- 2.13 As part on the Member Development a briefing session for Members was held on 'Strategic risk and its role in financial planning and priority setting' on 17 September 2012.
- 2.14 The Institute of Risk Management learning event on 18 October 2012 was attended. This dealt with the topics concerning risk and organisational culture and the materials from the event will inform the planned review of the risk management framework and processes.

Insurance Management – Issues for Next Period

- 2.15 Officers will continue with work with the Ministry of Justice and the Civil Justice Council in connection with the process of reform to civil litigation costs.
- 2.16 The management of liability claims, particularly aggregate breach issues, is expected to continue demanding a substantial part of the Risk & Insurance Team capacity.
- 2.17 Further work will be undertaken in relation to the tender for the Property, Business Interruption, Money, Fidelity Guarantee and Personal Accident/Business Travel insurance.
- 2.18 The Council is a Scheme Creditor in the Scheme of Arrangement for Municipal Mutual Insurance (MMI) which has been in run off since 1992. The impact on MMI of the Supreme Court decision in the "EL Trigger Litigation" was reported to this Committee on 14 June 2012. A decision regarding the potential triggering of the Scheme will be made before the end of December 2012.

Risk Management – Issues for Next Period

- 2.19 The risk functionality of the Council's project management system should be finalised and preparations will begin for training relevant officers in its use.
- 2.20 The Executive Team will undertake the quarter 3 review of the Corporate Risk Register as part of the corporate Performance Monitoring process and the risk arrangements in respect of the Improvement Plan will be reviewed and updated.

3.0 RELEVANT RISKS

3.1 No decisions are required in relation to this report so there are no relevant risks or opportunities to report.

4.0 OTHER OPTIONS CONSIDERED

4.1 These are not applicable in respect of this monitoring report.

5.0 CONSULTATION

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

6.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

6.1 There are no implications arising directly from this report.

7.0 RESOURCE IMPLICATIONS

7.1 The Academy Schools initiative continues to generate additional income that is used to offset insurance administration costs and reduce the costs charged to Schools and the General Fund.

7.2 Although under pressure there are sufficient resources to deal with insurance responsibilities. However the additional work required as a result of the Improvement Plan project will not be capable of being delivered in full from within existing staff resources and this will be the subject of a future report.

8.0 LEGAL IMPLICATIONS

8.1 There are none arising directly from this report.

9.0 EQUALITIES IMPLICATIONS

9.1 There are no implications for equality arising from this report which is a monitoring report so an Equality Impact Assessment is not required.

10.0 CARBON REDUCTION IMPLICATIONS

10.1 There are none arising directly from this report.

11.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

11.1 There are none arising directly from this report.

12.0 RECOMMENDATION

12.1 That the progress reported and issues for the next period in respect of Corporate Risk and Insurance Management be noted.

13.0 REASON FOR RECOMMENDATION

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

REPORT AUTHOR: Mike Lane
Risk & Insurance Officer
Telephone: 0151 666 3413
Email: mikelane@wirral.gov.uk

REFERENCE MATERIAL / SUBJECT HISTORY

Council Meeting	Date
Audit & Risk Management Committee – Corporate Risk & Insurance Management	A report is presented to each meeting of the Committee.