

WIRRAL COUNCIL

AUDIT & RISK MANAGEMENT COMMITTEE

25 NOVEMBER 2014

SUBJECT	MANAGEMENT OF INSURANCE AND CORPORATE RISK
WARD/S AFFECTED	ALL
REPORT OF	DIRECTOR OF RESOURCES
KEY DECISION	NO

1.0 EXECUTIVE SUMMARY

1.1 This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2014/15. Progress made since September in relation to key actions planned for 2014/15 are also included.

2.0 BACKGROUND AND KEY ISSUES

2.1 Risk and insurance management comprises two significant areas of activity:

- One is the provision of advice and support to Members and officers in developing the corporate risk management framework and processes.
- The other is risk financing which incorporates insurance procurement, management of the Council's Insurance Fund and claims management.

2.2 In addition to day-to-day operations the insurance service is responsible for major procurement exercises and improvement activities. This report focuses on the latter. The key actions to be implemented during 2014/15 were included in the report to this Committee on 18 March. Progress since September in respect of those actions is summarised in the paragraphs below.

2.2.1 Annual renewal of Marine insurance policy

Renewal terms for the Marine insurance policy were agreed with the holding insurers. There was an increase of £183 (2%) over 2013/14 costs. This was entirely due to a rise in the value of the craft insured. In future the renewal date for this policy will be 30 June to bring it into line with the Property policy.

2.2.2 Risk management arrangements for programmes and projects

A review has begun of risk management in the governance arrangements for programmes and projects with a view to producing revised requirements and improved guidance for project managers and project teams.

2.2.3 Academy Schools insurance procurement

An individual portfolio of insurance was put in place for Townfield Primary School on its conversion to Academy status on 1 October 2014. Townfield is the 11th Academy School to enter into a risk and insurance consultancy agreement. The estimated fee income from this service will now be in excess of £40,000 for 2014/15.

2.2.4 Review of Corporate Risk Register

A further review of the register was undertaken by the Chief Executive Strategy Group on 27 October. This is the subject of a separate report to this meeting.

2.2.5 Future Council

The Risk & Insurance team has continued to provide direct support to the Future Council Operational Leads in the review and update of the Programme level risk register and in the production of a register of human resource risks associated with the programme.

2.2.6 Develop training and guidance for Members and officers

Further development work on the E-learning courses for staff and for managers has been undertaken. The objective remains to have the completed courses available by the end of December 2014.

2.2.7 Consider options to extend the Casualty (Liability) insurance contract

On 17 September this committee was advised that insurers had indicated for the 2015/16 casualty contract they would require a premium increase of £70,000 (40%) combined with a reduction of cover via a 50% increase in the self insured aggregate exposure to £3.75m. I indicated that there was a risk that a procurement exercise could potentially result in an even greater premium and / or further reductions in cover. However I did not consider that the proposed changes were reflective of the stable performance within the liability account and that my officers were continuing to evaluate the benefits and risks of the extension to this contract.

Following a thorough examination of the merits of the account and a review of the commercial environment the holding insurers have reduced their proposed premium increase to £24,000 (14%). The increase in the self-insured aggregate exposure has also now been limited to £3.5m. The market for local government insurance risks is currently experiencing a period of rate correction and other authorities have faced increases of more than 100%. Given the risk that a procurement exercise could potentially result in an even greater premium and / or further reductions in cover I consider that in the current market the terms are probably the best available. As such I have accepted them.

The increase in external premium for liability risks in 2015/16 will be offset by a corresponding reduction in the contribution to the liability section of the Insurance Fund. So the overall cost of Liability insurance should be no greater

than in the current year. Analysis of payment patterns and developments in the costs of civil litigation enable this reduction to be made with reasonable confidence. The 2015/16 Insurance Fund budget report will be reported to this Committee in January 2015. It is envisaged that this report will forecast a slight budget saving to the General Fund over all classes of business.

2.2.8 Consider options for the administration of liability claims

As reported to this Committee on 17 September the outcome of a review into options for the future handling of liability claims concluded that a limited degree of increased self-handling of claims could be introduced using existing capacity and skills. This could generate an annual saving of around £30,000 for an investment of less than £7,500 per annum. The decision as to whether to proceed was linked to the potential extension of the Casualty insurance contract which has now been agreed. However I am not recommending that the self-handling of claims is introduced from renewal on 1 April 2015 because current uncertainty over the composition of the Risk & Insurance team and its future place in the organisational structure presents too great a risk to the success of such a change.

2.2.9 Local Government Association (LGA) / Cabinet Office Roundtable

Following the event in July, Alarm and the LGA agreed to work together to explore options to ensure that the local government insurance procurement process is reviewed and if necessary amended to remove any perceived barriers. This work is at an early stage but practical solutions to improve efficiency and competition within the market have already been identified. Wirral will continue to be at the forefront of developments in this area.

2.2.10 Refresh of the Corporate Risk Management Policy

At its meeting on 15 October the Corporate Governance Group considered the output from a recent benchmarking survey. This highlighted a number of priorities for improving the Council's risk management framework including learning from risk events, business continuity planning, defining the Council's risk appetite, risk management training and partnership risk arrangements. These will inform changes to the Risk Management Policy and key actions for 2015/16.

2.2.11 Insurance Fund Budget 2015/16

Estimates for 2015/16 have been produced and will be reported in detail to this Committee in January 2015.

3.0 RELEVANT RISKS

- 3.1 The improvement of the risk management framework and the implementation of more effective processes will help to improve the ability to handle risk across the organisation.
- 3.2 Mishandling of liability claims can result in substantial additional claims costs.

4.0 OTHER OPTIONS CONSIDERED

4.1 In relation to the extension of the Casualty insurance contract an alternative would have to hold a procurement exercise. However as indicated above there was a significant likelihood that this could result in an even greater premium and / or further reductions in cover.

5.0 CONSULTATION

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

6.0 OUTSTANDING PREVIOUSLY APPROVED ACTIONS

6.1 None

7.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

7.1 There are no implications arising directly from this report.

8.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING AND ASSETS

8.1 The provision of support services to Academy schools is estimated to generate income of approximately £40,000 in 2014/15. This will also help to offset the Council's insurance administration costs which are ultimately recharged to users of the service.

8.2 The increase of £24,000 in liability insurance costs for the contract extension will be offset by a reduction in the contribution to the liability section of the Insurance Fund.

8.3 The existing claims management software is scheduled for an upgrade and this process would be brought forward to facilitate any potential future move to self-handling of liability claims. This process would be managed by the software providers and would not necessitate significant IT involvement.

9.0 LEGAL IMPLICATIONS

9.1 There are no specific implications arising directly from this report.

10.0 EQUALITIES IMPLICATIONS

10.1 There are no implications arising directly from this report.

11.0 CARBON REDUCTION AND ENVIRONMENTAL IMPLICATIONS

11.1 There are no implications arising directly from this report.

12.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

12.1 There are no implications arising directly from this report.

13.0 RECOMMENDATION

13.1 That the content of this report be noted.

14.0 REASON FOR RECOMMENDATIONS

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

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BACKGROUND PAPERS/REFERENCE MATERIAL

Correspondence with insurers

Report of the Risk and Insurance Officer (Corporate Risk Register) – 23 October 2014

BRIEFING NOTES HISTORY

Briefing Note	Date

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	
Corporate Risk & Insurance Management	17 September 2014
Corporate Risk & Insurance Management	23 June 2014
Corporate Risk & Insurance Management	18 March 2014
Corporate Risk & Insurance Management	28 January 2014
Corporate Risk & Insurance Management	25 November 2013