



Audit and Risk Management Committee

Monday, 12 March 2018

REPORT TITLE:	MANAGEMENT OF INSURANCE AND CORPORATE RISK
REPORT OF:	Director of Finance and Investment

REPORT SUMMARY

This report sets out the key actions to be taken in relation to corporate risk and insurance management during 2018/19 and highlights any key decisions which will need to be made. Recent progress made in relation to key actions planned for the current year is also included.

RECOMMENDATION/S

1. That the content of this report be noted.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

- 1.1 Regular update reports are presented to this Committee on the work around risk management and insurance which seek to support the Risk Management framework and maintain the successful management of the insurance programme.

2.0 OTHER OPTIONS CONSIDERED

- 2.1 Not applicable to this report

3.0 BACKGROUND INFORMATION

- 3.1 Risk and insurance management comprises two significant areas of activity:

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

- 3.2 The table below summarises key actions planned between now and the end of 2018/19. It highlights those areas in which Members will have an involvement and what form that will take. They include proposals for improvements to the risk management framework which will be put to Members for consideration.

Category	Action	Date	Member Involvement	Comments
Risk financing	Annual renewal of Liability, Motor, Engineering and Foster Care policies	Apr 2018	No	Outcome will be reported to Members
Risk financing	Procurement of Property, Business Interruption, Museums All Risks, Crime and Personal Accident / Business Travel policies	Jun 2018	No	My decision on the contract awards will be shared with Members

Category	Action	Date	Member Involvement	Comments
Risk financing	Insurance Fund Annual Report	Jun 2018	Yes	Members to Consider recommendations on provisions and reserves.
Risk financing	Insurance Fund Budget 2019/20	Jan 2019	Yes	Members to agree Insurance Fund Budget and apportionment between schools and the General Fund
Risk financing	Procurement of Motor and Engineering insurance	Mar 2019	No	My decision on the contract award will be shared with Members
Risk management	Implement improvements to the risk management framework	From Apr 2018	Yes	Proposals will be put to Members for consideration
Risk management	Revised Corporate Risk Management Policy	Sep 2018	Yes	Policy will be provided for consideration of Members

- 3.3 In addition to day-to-day operations the service is responsible for major procurement exercises and improvement activities. This area of the report focuses on the latter. The key actions to be implemented during 2017/18 were included in the report to this Committee on 14 March 2017. Progress since my last report in respect of those actions is summarised in the paragraphs below.

3.3.1. Corporate Risk Register

Proposals in respect of the future management of the corporate risk register are the subject of a separate report to this meeting.

3.3.2 Traded Services for Schools and Academies

Costs for individual schools for the Risk and Insurance service in the coming financial year were produced as part of corporate insurance budgeting activity. Schools will confirm by the end of this month if they wish to continue buying back the service in 2018/19.

3.3.3 Procurement of Property, Business Interruption Museums, Crime and Personal Accident/Business Travel Insurance

The Invitation to Tender will be published this month with responses required by the end of April enabling award decisions to be taken well in advance of the expiry of the existing contracts. It has been agreed with the Procurement Team that the evaluation criteria will place greater emphasis on quality particularly in relation to policy coverage and claims handling capabilities.

3.3.4 Renewal of Liability Motor Engineering and Computer Insurance Policies

As confirmed in my Insurance Fund Budget report to the 29 January meeting of this committee the premiums for 2018/19 in respect of both the Liability and Motor insurance contracts will rise as a result of central government changing the 'Discount Rate.' Renewal premiums for the Engineering and Computer insurance contracts will also be greater than in 2017/18. The cost of Engineering insurance inspections will rise in line with average earnings as provided for within the contract. The Computer insurance premium will rise as the result of an increase in the sum insured for computer hardware. All revised sums are within the Insurance Budget figures previously reported to this committee.

3.3.5 Liability Claims Handling

I have decided not to extend the in-house handling of Liability claims at this time because of the limitations of the Council's current claims management system and concerns over the ability to maintain continuity within the existing team. The position will be reviewed during 2018/19 alongside a possible replacement for the existing claims management system.

3.3.6 Actuarial Study

Clarification of a number of points covered in the report has confirmed that the funds held by the authority to cover Liability claims should be sufficient to meet the liabilities that it will have at the end of the current financial year. The study will be reported in detail to this committee in June as part of my Insurance Fund Annual Report. The study also recommended that the annual contribution to the Insurance Fund should be increased in the coming years to cover rises in the cost of self-insured claims. This has been reflected in my forecast of the Council's Liability insurance costs for 2018/19.

3.3.7 Review of Corporate Governance

An early outcome from the Review with direct implications for the management of risk is the trial of a new template for all reports to SLT, Cabinet/SLT and Leadership meetings. This requires the significant risks associated with decisions and their mitigation to be clearly indicated in a standard format ensuring that these considerations inform the decisions taken in those forums. Another is for risk to be a standard agenda item for all SLT

meetings. This would provide space to discuss new or developing risks on a weekly basis as an addition to a new formal monthly risk review process.

4.0 FINANCIAL IMPLICATIONS

- 4.1 There are none arising directly from this report.

5.0 LEGAL IMPLICATIONS

- 5.1 There are none arising directly from this report.

6.0 RESOURCE IMPLICATIONS: ICT, STAFFING AND ASSETS

- 6.1 There are none arising directly from this report.

7.0 RELEVANT RISKS

- 7.1 Outcomes from the review of corporate governance indicated in paragraph 3.3.7 and associated changes to the Council's risk management framework which will be put to Members in the coming months should improve the organisations ability to handle risk.
- 7.2 If a large number of schools were to convert to academies the pool of contributors to the Insurance Fund would decrease. Over time this could reduce the authority's buying power and the degree to which it could self-insure. This in turn could increase the cost of financing insurable risk. However my officers remain vigilant to potential conversions and will make changes to the authority's arrangements to ensure that potential negative impacts are gradual and limited wherever possible.
- 7.3 Whilst the need to conduct a competitive tender exercise for a large element of the programme as indicated in paragraph 3.3.3 could lead to lower costs it has created uncertainty in the forecasting of the Council's insurance costs for 2018/19 and beyond.

8.0 ENGAGEMENT/CONSULTATION

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

9.0 EQUALITY IMPLICATIONS

- 9.1 There are none arising directly from this report.

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APPENDICES

None

REFERENCE MATERIAL

Correspondence with insurers, brokers and legal services providers.

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Audit & Risk Management Committee	29 January 2018
Corporate Risk & Insurance Management	21 November 2017
Corporate Risk & Insurance Management	25 September 2017
Corporate Risk & Insurance Management	12 June 2017