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# Result of the review of the Insurance Fund by the OSMC

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<b>Committee considering report:</b>	Executive on the 19 November 2015
<b>Portfolio Member:</b>	Councillor Roger Croft
<b>Date Portfolio Member agreed report:</b>	28 September 2015
<b>Report Author:</b>	Ian Priestley
<b>Forward Plan Ref:</b>	EX3042

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## 1. Purpose of the Report

1.1 This report outlines the results of the OSMC scrutiny of the insurance fund.

## 2. Recommendation

2.1 Accept the recommendation of the OSMC for an annual review of the insurance fund by the Head of Finance and Finance Portfolio Holder, with a view to maintaining a fund of between £950,000 and £1,500,000.

## 3. Implications

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|-----|-------------------------|---|
| 3.1 | <b>Financial:</b>       | A transfer of all funds from the Berkshire Receipts Reserve to the Insurance Fund Reserve £273k.        |
| 3.2 | <b>Policy:</b>          | None  |
| 3.3 | <b>Personnel:</b>       | None  |
| 3.4 | <b>Legal:</b>           | None  |
| 3.5 | <b>Risk Management:</b> | The insurance fund allows the Council to smooth the cost of losses and to minimise the cost of premiums |
| 3.6 | <b>Property:</b>        | None  |
| 3.7 | <b>Other:</b>           | None  |

## 4. Other options considered

4.1 none

## 5. Executive Summary

- 5.1 Alan Law, then Portfolio Holder for Finance, asked the OSMC to review the operation and level of funding of the Insurance Fund. The results of this review are contained in the report to the OSMC at appendix A. In summary the review recommended that:
- (1) the Council maintains a fund of between £950,000 and £1,500,000,
  - (2) the Head of Finance and the Finance PH, now Roger Croft, carry out an annual review of the fund, making necessary adjustments to maintain the fund within the above limits.
  - (3) The results of the review are reported to the Governance and Ethics Committee.
- 5.2 The recommendations from the OSMC are sensible and should provide a sound basis for moving forwards.
- 5.3 At the time the OSMC carried out the review the level of the fund was £1,295,000. However, at year end 31.3.15 this dropped to £802,000.
- 5.4 The request for a review of the insurance fund was, understandably, aimed at ensuring that officers were not over providing, at a time when financial resources are in short supply. The task group appointed by the OSMC, with Quentin Webb, Emma Webster and Jeff Brooks accepted that there is not a formula, magic or otherwise, that can be applied to determine the correct size on an insurance fund. As a consequence they determined that a range of provision, setting limits to the fund, and introducing Member oversight through annual review was the best approach. As noted above, those limits were set at £950k - £1.5m.
- 5.5 As part of the scrutiny the Chief Internal Auditor produced a report setting out the background to how insurance works in general and specific process at WBC. As part of that review it was noted that benchmarking of insurance funds against levels of policy excess showed that WBC has one of the smallest levels of insurance fund - based on a fund at 31.3.14 of £1.295m.
- 5.6 So although the OSMC's recommendations are accepted, it is a concern that the fund is now below the minimum level recommended, at £802k.
- 5.7 The Head of Finance and the Finance Portfolio Holder have carried out a review of the insurance fund, as recommended by OSMC and have approved the transfer of balance sheet funds of £273k from Berkshire Receipts Reserve (set up in 1998 to cover claims relating to Berkshire County Council) to the Insurance Fund Reserve to bring the insurance fund back within the agreed limits of £950k - £1.5m.

## 6. Conclusion

- 6.1 This report recommends that the Executive accepts recommendations of the OSMC.

## 7. Appendices

- 7.1 Appendix A – Report to the OSMC on the results of the scrutiny review of the Insurance Fund
- 7.2 Appendix B – Equalities Impact Assessment