

<b>Report To:</b>	<b>CABINET</b>	<b>Date:</b>	<b>13TH JULY 2017</b>
<b>Heading:</b>	<b>COUNCIL'S INSURANCE REQUIREMENTS</b>		
<b>Portfolio Holder:</b>	<b>CLLR JACKIE JAMES - CORPORATE SERVICES</b>		
<b>Ward/s:</b>			
<b>Key Decision:</b>	<b>YES</b>		
<b>Subject To Call-In:</b>	<b>YES</b>		

### **Purpose Of Report**

This report is to provide members with the latest position with regards to insurance funds, premiums paid and risk management.

### **Recommendation(s)**

- 1) Members are asked to note the contents of the annual report on insurance,
- 2) Approve the creation of a scheme allowing employee personal tools to be insured by the Council. £10k will be ring-fenced from the Insurance Reserve to fund claims as outlined in the policy,
- 3) Approve the partial retrospective reimbursement for the Housing Service employee who had his tools stolen from a Council Vehicle on 12<sup>th</sup> June 2017.

### **Reasons For Recommendation(s)**

To meet the requirements of the Council's Financial Regulations (C.37).

### **Alternative Options Considered (With Reasons Why Not Adopted)**

None relating to out-turn position regarding Insurance. In respect of insuring employee personal tools, purchasing a policy from the Council's external insurer was considered however the policies offered did not provide sufficient cover at a cost effective price.

The retrospective claim does not have to be approved. It has been proposed to be settled as a goodwill gesture on the basis that this took place after the policy had been drafted but not approved by Cabinet.

## Detailed Information

### COUNCIL'S INSURANCE REQUIREMENTS

As part of the Council's overall arrangement for managing the risks of such a diverse organisation the Council provides for unavoidable risks by two methods:

- Self insurance funds
- External insurance

This report provides Members with an up to date assessment of both these arrangements.

#### 1. Self Insurance Funds (Insurance Reserves)

The transactions of the Insurance Funds for 2016/17 are summarised below:

##### General Fund Insurance Reserve

	<b>Liability Fund £000</b>	<b>Property Fund £000</b>	<b>TOTAL £000</b>
Balance at 1 <sup>st</sup> April 2016	(50)	(220)	(270)
Leaseholders contribution	0	(6)	(6)
General Fund Contribution	(100)	0	(100)
Credits received from insurance company	0	(14)	(14)
Interest	0	(1)	(1)
Claims Paid	30	35	65
Reduction in Liability Provision	(2)	0	(2)
Balance at 31 <sup>st</sup> March 2017	(122)	(206)	(328)

##### Housing Revenue Account (HRA) Insurance Reserve

	<b>HRA Insurance Fund £000</b>
Balance at 1 <sup>st</sup> April 2016	(50)
HRA contribution	(50)
Claims Paid	15
Balance at 31 <sup>st</sup> March 2017	(85)

## 1.1 Liability Fund

It is prudent to keep an insurance reserve because there can often be a significant delay in the reporting of claims. This is particularly the case with those involving some form of industrial injury which may not surface until some years after the incident occurred, or cases involving children which are allowed to be reported many years after the incident.

The potential level of liability as estimated by the insurance company is calculated as the maximum liability likely to arise taking into account all known factors. This amount could increase or decrease depending on how the cases develop.

Provision has already been made for this liability in the 2016/17 accounts.

A transfer from the General Fund to of £100k has been made to top up the reserve in order to fund 2017/18 liabilities.

A more detailed analysis of the liability claims outstanding by year is given below:

<u>Year</u>	<u>Number</u>	<u>Value</u>
		<b>£'000</b>
2016/17	12	42
2015/16	3	95
2014/15	1	2
2013/14	2	28
2012/13	1	2
2011/12	1	25
MMI Provision (See Paragraph 3.2)		88
<b>TOTAL</b>	<b>20</b>	<b>282</b>

## 1.3 Property Fund

As at the 31<sup>st</sup> March 2017 there were three claims still to be settled with an estimated value of £10k.

## 1.4 Housing Revenue Fund (HRA)

A new reserve of £50k for the funding of HRA claims was set up in 2015/16. A further contribution of £50k was set aside in 2016/17 for any future claims payable or claim provisions. In 2016/17 £15k has been paid against claims.

## 2. Renewal of External Insurance Policies

The new premiums under the existing contract for 2017/18 and comparison to 2016/17 are shown below. The figures shown exclude the 9.5% Insurance Premium Tax (IPT) payable in 2016/17 and 10% IPT payable in 2017/18.

<b>Type of Cover &amp; Insurer</b>	<b>2016/17 £000</b>	<b>2017/18 £000</b>
Property – AIG and HSB via RMP	94	103
Liability/Fidelity Guarantee - Travellers	99	139
Contractors All Risk	11	12
Engineering Inspection – HSB via RMP	12	12
Computer – HSB via RMP	3	3
Motor Vehicle – QBE via RMP	65	112
<b>TOTAL</b>	<b><u>284</u></b>	<b><u>381</u></b>

The total premiums have increased by £97k excluding IPT and by £108k when IPT is included. The main reason for the increase in premium is due to the Council taking on the insurance that was previously purchased by Ashfield Homes Limited.

## 3. Previous Insurance Providers

### 3.1 Independent Insurance Company

Between 1992 and 1999 the Council's liability insurers were the Independent Insurance Company. In 2001 the company was declared insolvent. From that point onwards full financial liability for any claims above the excess fell to the Council. These will be limited to claims for industrial injury with a long development period (e.g. industrial deafness) or claims involving children. The Authority currently have four claims outstanding with an estimated liability of £45k which has been provided for in the insurance provision.

### 3.2 Municipal Mutual Insurance Liability

In September 1992 Municipal Mutual Insurance (MMI), the Council's former insurers, ceased accepting new business. MMI and its policyholders including local authorities established "scheme of arrangement" for the orderly run down of the company. Under the scheme a levy of £63k was paid in 2013/14 and £42k in 2015/16. The Council's full liability relating to these claims is £315k. The Council have been advised by its Insurance brokers to provide for £88k of this amount, which has been included in the provision above.

## 4. Risk Management Fund

The Risk Management Fund was established to fund projects that will help reduce and identify risk for the Council and hence reduce the cost of insurance claims and premiums. Insurers are reluctant to underwrite those which do not operate pro-active Risk Management.

There have been no changes to the Risk Management Fund balance in 2016/17 other than a small interest contribution of £20. The balance of this fund is currently £7,861. This will be available to fund issues arising from the Health and Safety Committee.

## 5. Employee Tools

Some Employees currently receive an allowance for using their own tools and equipment whilst on Council business this may include for example spanners etc for Transport/Depot workers or electric saws for Housing Services workers. There have been several occasions in the past few years where employee tools have been stolen.

The value of the Employee tools can range from a few pounds to thousands of pounds. Currently if these tools are stolen the employee is required to pay for their replacement without any contribution from the Authority.

The Council considered including employee tools stored in Council Vehicles onto its existing policy but the cost of doing this was expensive even when an excess was taken into account. Employee Tools stored at the Depot are covered under the Council's property insurance but there is currently a £5k excess.

If the Council were to provide tools currently purchased by employees this would be a major expense for the Authority. Employees are encouraged to take out their own insurance policies for their own equipment but this is often not available or not suitable for the employee as their current contents policy may not allow them to insure tools if used for work purposes.

In order to allow Employees to be partially reimbursed for stolen Employee Tools it is proposed to set up an Employee Tools Insurance scheme.

Details of the Employee Tools Policy have been included in Appendix A of this report. Those employees which use personal tools to undertake their duties (and who have these recorded on the Council's inventory) will be able to make a claim up to £1,000. An excess of £50 will be applied therefore the maximum payment will be £950. Where tools are locked away within a Council building for which the Council is insured further re-imburement may be payable as outlined in the policy.

The schemes operation will be reviewed and evaluated in 12 months and reported back to Cabinet.

A Housing Services employee had his employee tools stolen from an ADC Vehicle on the evening of Monday 12<sup>th</sup> June 2017. The employee has been given a Crime Reference Number by the Police. The replacement value of tools stolen was in excess of £1.5k. It is recommended that if the Housing Services Employee Personal Tool Claims policy is agreed then it can be applied retrospectively to allow the Housing Services employee to be partly compensated for his loss.

## Implications

### **Corporate Plan:**

The reporting of the position with regard to insurance indirectly supports all of the Council's main objectives through contributing to business efficiency and effectiveness.

**Legal:**

The report ensures compliance with Financial Regulation C.37.

**Finance:**

This report is effective from 13/07/2017 and has the following financial implications:

<b>Budget Area</b>	<b>Implication</b>
General Fund – Revenue Budget	An amount of £10k is to be set aside from the existing Insurance Reserves in order to fund the Employee Tool scheme. This will require annual top-up dependent upon the values of claims settled.
General Fund – Capital Programme	No Implications.
Housing Revenue Account – Revenue Budget	Contributions to the reserve will be made as appropriate from the HRA where claims are housing related.
Housing Revenue Account – Capital Programme	No Implications.

**Human Resources / Equality and Diversity:**

No adverse Human Resources / Equality and Diversity implications could be identified.

**Other Implications:**

None

**Reason(s) for Urgency (if applicable):**

N/A

**Exempt Report:**

N/A

## **Background Papers**

**None**

## **Report Author and Contact Officer**

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