

DECISION-MAKER:	AUDIT COMMITTEE			
SUBJECT:	TRIENNIAL REVIEW OF SELF INSURANCE FUND			
DATE OF DECISION:	22 SEPTEMBER 2010			
REPORT OF:	ROB CARR – EXECUTIVE DIRECTOR OF RESOURCES (ACTING)			
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STATEMENT OF CONFIDENTIALITY

NOT APPLICABLE

SUMMARY

In common with most large organisations' the Council self insures a proportion of risk via an excess or deductible that applies in respect of each and every insurance claim. Claims that fall within the excess are met from an internal self insurance fund which comprises contributions from services areas as part of their annual insurance recharge.

The self insurance fund is subject to independent external review every three years in line with good practice. The purpose of the review is to consider, at a particular point in time, whether adequate funds are available to meet current and future liabilities.

RECOMMENDATIONS:

The Audit Committee is asked to:-

- (i) Note the content of the summary paper (Appendix 1) and the subsequent action taken.

REASONS FOR REPORT RECOMMENDATIONS

1. This report is presented to the Audit Committee in their capacity as the member body with responsibility for providing independent assurance to the Standards and Governance Committee on the adequacy of the risk management framework and the internal control and reporting environment.
2. The Audit Committee is also responsible for providing assurance to the Standards and Governance Committee that appropriate action is being taken on risk and internal control related issues identified by the internal and external auditors and other review and inspection bodies.
3. The effective management of the self insurance fund is a key component of the Council's risk financing strategy.

CONSULTATION

4. The key findings were discussed with the Cabinet Member for Resources and Workforce Planning.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5. The potential estimated surplus provided opportunity for a range of options to be considered subject to various caveats detailed in the full report and recognising the inherent uncertainty associated with insurance together with the aim of, wherever possible, minimising year on year fluctuations in insurance recharges to service areas.

DETAIL

6. The review of the self insurance fund was undertaken by Marsh Risk Consulting, a specialist actuarial consultancy, who are part of Marsh Limited (the Council's appointed risk and insurance advisors).
7. The final report was issued by Marsh on 9th August 2010. Appendix 1 is a summary paper setting out the Scope, Background, Key Findings and Comment.
8. The key findings were discussed with the Cabinet Members for Resources and Workforce Planning. The recommendation to Council will be that the insurance fund contribution for 2011-12 will be reduced by £500,000 and this will be reflected in the budget to be considered in February. The recharges for 2012-13 and 2013-14 will also remain at this reduced contribution level. The position of the fund will then be reviewed following the outcome of the next triennial fund review.
9. The agreed actions reflect comments in the full report whereby it was "recommended that Southampton City Council maintain an additional buffer amount in the fund, over and above the total outstanding liability, to allow for unexpected events, worse than anticipated deterioration in the current reserves and higher than anticipated future losses (both in frequency and cost). The extent of such a buffer depends on Southampton City Council's attitude to risk".
10. The position of the self insurance fund position will continue to be reviewed by the Risk and Assurance Manager on a monthly basis. If, at any point, it becomes evident that a shortfall of funds could potentially occur then the matter would be referred immediately to the Executive Director of Resources. In practice, however, any significant deterioration in the fund position is likely to occur over a period of time and would therefore provide opportunity for appropriate action to be identified.

FINANCIAL/RESOURCE IMPLICATIONS

Capital

11. None

Revenue

12. None

Property

13. No specific property implications have been identified in this report.

Other

14. None

LEGAL IMPLICATIONS

Statutory power to undertake proposals in the report:

- 15. The Audit Commission Act 1998 and the Accounts and Audit Regulations 2003 require the Council to adopt Good Governance arrangements in respect of the discharge of its functions. The above arrangements are intended to meet those responsibilities.

Other Legal Implications:

- 16. None

POLICY FRAMEWORK IMPLICATIONS

- 17. None

SUPPORTING DOCUMENTATION

Appendices

1.	Southampton City Council – Fund Evaluation Summary Paper
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Documents In Members’ Rooms

1.	None
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Background Documents

Title of Background Paper(s)

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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Background documents available for inspection at: Internal Audit, Risk and Assurance Office, North Block Basement, Civic Centre

E-mail: peter.rogers@southampton.gov.uk

FORWARD PLAN No: N/A

KEY DECISION?

N/A

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WARDS/COMMUNITIES AFFECTED:

NOT APPLICABLE