

## NOTICE OF KEY DECISION

**MEETING:** **CABINET**

**DATE:** **27 June 2018**

**SUBJECT:** **MEMBERSHIP OF NEW LOCAL GOVERNMENT  
MUTUAL**

**REPORT FROM:** **CABINET MEMBER FOR FINANCE AND HOUSING**

**CONTACT OFFICER:** **STEVE KENYON, INTERIM EXECUTIVE DIRECTOR  
OF RESOURCES & REGULATION**

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**TYPE OF DECISION:** **FOR INFORMATION**

**FREEDOM OF  
INFORMATION/STATUS:** This paper is within the public domain

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**SUMMARY:** This report outlines work being undertaken by the Local Government Association to establish mutual insurance arrangements, and seeks approval for the Council to engage in the process as a founding member.

**OPTIONS &  
RECOMMENDED OPTION** The Cabinet is recommended to:

- a) support the Authority's participation as a Founding Member of Local government Mutual and nominate the Leader / Finance & Housing Portfolio Holder to be a Founding Member committee member;
- b) authorise the Interim Executive Director (Resources & regulation) to share the Authority's relevant risk transfer and protection data with the LGA officers working on the project on a strictly confidential basis; and
- c) agree to instruct officers to consider the business case for utilising the Mutual at the appropriate time and to report accordingly to the Cabinet with a recommendation.

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**IMPLICATIONS:**

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**Corporate Aims/Policy Framework:**

Do the proposals accord with Policy Framework? Yes.

**Statement by the s151 Officer:**

This project has the potential to generate sustainable revenue savings.

Conversely the maximum exposure at this stage is capped at £100.

The benefits of a mutual approach could well extend beyond savings in premia – e.g. access to a wider network to address risk management.

**Statement by Interim Executive Director of Resources & Regulation:**

There are no wider resource implications.

**Equality/Diversity implications:**

No

**Considered by Monitoring Officer:**

Yes  
Under a range of powers, the Council can participate in an external shared services body. Following a particular legal case involving mutual insurance arrangements, Councils were given powers to enter into such agreements. The legal implications of the detailed arrangements will need to be considered in due course.

**Wards Affected:**

All

**Scrutiny Interest:**

Overview & Scrutiny Committee

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**TRACKING/PROCESS**

**EXECUTIVE DIRECTOR: Steve Kenyon**

Chief Executive/ Strategic Leadership Team	Cabinet	Overview & Scrutiny Committee	Council	Ward Members	Partners
<b>29/5/18</b>	<b>27/06/18</b>				

**1.0 INTRODUCTION**

This report seeks Cabinet authority for:

- the Authority to become a Founding Member (i.e. subscribe to the memorandum of association) of a new company limited by guarantee ("Local Government Mutual"), the intention being that Local Government Mutual, whose establishment is being facilitated by the Local Government Association ("LGA");

- the Leader / Finance & Housing Portfolio Holder to be appointed as a Founding Member committee member to oversee and make strategic decisions in respect of its build phase activity pending trading a mutual;
- the Interim Executive Director (Resources & Regulation) to share the Authority's relevant risk transfer and protection data with Local Government Mutual and its suppliers and contractors working on the project on a strictly confidential basis; and
- officers of the Authority to consider the business case for utilising the Mutual at the appropriate time and to report accordingly to the Cabinet with a recommendation.

## **2.0 BACKGROUND**

- Councils currently spend hundreds of millions of pounds on insurance nationally. The LGA has been exploring options to develop a cost effective alternative to the conventional insurance market products and services available to local authorities.
- A phase of research has been undertaken with a broad range of local authorities including interviews with LGA members, analysis of the current insurance models and talking to key providers in the market.
- A viable potential alternative identified is pooling the risk of LGA members to form a discretionary mutual, where all surpluses are retained in the mutual.
- The LGA wants to work with a small number of leading authorities with a view to developing a new Mutual for local government which will aim to offer comparable cover to LGA members at a competitive rate.
- The Mutual would be owned and controlled by its members, and professionally managed by FCA authorised industry experts.
- Over the summer the LGA has been inviting local authorities to become Founding Members of Local Government Mutual. The LGA will also be a founding member and help develop the new Mutual.

## **3.0 FOUNDING MEMBER TASKS**

- A company such as a Local Government Mutual acts through two bodies of people – its members and its board of directors.
- The tasks of the Founding Members will in the ordinary course of events be limited to:
  - i) subscribing to the memorandum of association of Local Government Mutual in order to incorporate the company; and
  - ii) adopting the Mutual's Rules and new Articles of Association which will convert Local Government Mutual to mutual trading status and allow it to accept risks.
- The tasks of Local Government Mutual will be, inter alia, to:
  - a) procure the Mutual management services;
  - b) procure supporting insurance arrangements;
  - c) adopt a business plan, prospectus and member admissions process; and

- d) have general oversight of the build activity.

#### **4.0 RISKS**

- No contribution to the new Mutual's set-up costs is sought from this Authority.
- There is no obligation on this Authority to utilise the Mutual subsequently. Liability to this authority is limited to £100 guarantee.

#### **5.0 CONCLUSIONS**

- Local Government Mutual aims to offer the prospect of affordable, high quality risk transfer and risk management through a mutual structure for the benefit of the local government sector.
- It may make a valuable contribution to sector-wide efficiencies and financial stability.
- Participation in the manner described above allows the Authority to contribute to the establishment of the new Mutual without exposing itself to any financial or operational risk.

**Councillor Eamonn O'Brien, Cabinet Member for Finance and Housing**

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#### **List of Background Papers:-**

None at this stage of the project.

**Contact Details:-** Steve Kenyon, Interim Executive Director of Resources & Regulation, Tel. 0161 253 6922, E-mail: [S.Kenyon@bury.gov.uk](mailto:S.Kenyon@bury.gov.uk)