

EFFICIENT GOVERNMENT FUND

Stage 1 Application

Lead bidder	Aberdeenshire Council Contact: Derek Yule, Head of Finance (Accountancy & Corporate) Telephone: (01224) 664202 (direct line) E-mail: derek.yule@aberdeenshire .gov.uk
Brief description of the aims of the project	To establish an insurance company providing (initially) property insurance to a consortium of Scottish local authorities, subject to the arrangements providing best value to all participants over the medium and longer term financial period.
Clear description of what the EGF money would be used to buy	Funding of £1.5m is required to provide initial capital for the insurance company. The initial capitalisation is crucial to the long-term viability of the company by ensuring that sufficient funds are available to meet potential claims.
Partners to the project likely to commit resources	Aberdeenshire Council, City of Edinburgh Council, East Dunbartonshire Council, East Lothian Council, Falkirk Council, Fife Council, South Lanarkshire Council, West Dunbartonshire Council, West Lothian Council.
Names of other organisations with whom the project has been discussed (to assist the introductions process)	Other Councils have been consulted in the development of this project, and have participated at earlier stages, namely: Dumfries & Galloway Council, North Ayrshire Council, East Renfrewshire Council, Perth & Kinross Council, Renfrewshire Council, Orkney Islands Council, Aberdeen City Council, Scottish Borders Council.
Benefits projected from the project <u>(other than cash or time)</u>	<p>The costs of property insurance have risen considerably over the past few years, resulting in both higher premiums and increased policy excesses. There has been little or no market competition.</p> <p>The insurance company will provide:-</p> <ol style="list-style-type: none"> 1. Long-term improved budget stability <ul style="list-style-type: none"> • Fairer rating mechanism • Less penalty for large losses • Transparency of pricing • Reductions in premium with improved individual performance 2. Long term reduction in budgets <ul style="list-style-type: none"> • Immediate potential to capture improved loss experience • Incorporation of risk management standards to improve performance <p>The consortium of councils will share risks and work closely to develop these objectives. The project compliments a number of efficient government themes:-</p> <p>(1) Procurement The consortium of councils, by acting together, will increase market competition, drive down prices, and reduce the costs of procurement.</p>

	<p>(2) Support Service Reform The consortium will develop standardisation of insurance and risk management practices across a number of councils. This will lead to an increase in standards overall, reducing the likelihood of major insurance losses.</p> <p>(3) Transactional Services Claims handling will be centralised resulting in a reduction in the administration costs of each participating council. Claims will be notified electronically, reducing the reliance on paper based systems.</p> <p>(4) Policy, Funding & Regulation The return on investment is potentially significant. This will enable councils to improve facilities, improve risk, thereby enabling further reductions in insurance premiums. This will also result in a reallocation of resources to front line services, particularly education.</p>				
Estimated financial projections	Total	2005/6	2006/7	2007/8	2008/9
Overall project cost	Capital	£1.5m	-	-	-
	Revenue	£7.5m	£7.5m	£7.5m	£7.5m
	Annual revenue costs are lower than current forecast cost of £8.1m				
Estimated projected benefits	<p>Return on investment £300,000 p.a.. This is an average profit figure. In practice this will vary on an annual basis with most years achieving a higher profit, but occasional losses being anticipated when large claims are incurred.</p> <p>Total projected benefit to March 2010 - £1.5m.</p> <p>Profits will be re-invested in each of the first three years and then will be used to address risk management issues. This could mean either reduced recurring cost savings, or alternatively investment in areas that will generate future additional revenue savings.</p> <p>Immediate benefits are generated from cost reductions. However by sharing best practice the consortium of councils will develop minimum standards and improve the overall management of risk.</p>				