

LONDON AUTHORITIES' MUTUAL LIMITED

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HIGH COURT BACKS LOCAL GOVERNMENT INSURANCE MUTUAL

A High Court ruling today gave the all clear for a local government insurance company, throwing out claims from the private sector that councils are acting beyond their designated powers.

The case, Risk Management Partners Limited v Brent London Borough Council, challenged the legal powers used to establish London Authorities' Mutual Ltd (LAML), the first local government insurance company to be set up in more than a century. It aims to save its growing membership up to 15 per cent per annum on their insurance premiums over the next five years.

The Judgment states that authorities do have powers, pursuant to well-being powers under s2 of the Local Government Act 2000 to join LAML. However Brent had based their decision on s111 of the Local Government Act 1972. LAML has made special insurance provision for Brent pending any appeal or action by the council to rectify the situation.

Harrow Council was also named in the case, but no funding of ultra vires was made against Harrow.

LAML was set up in response to concerns around the limited number of local government insurance providers and the consequent difficulties councils faced in getting best value from the insurance market.

The High Court ruling means LAML can continue to focus on its core aims: raising standards of practice by recognising good management of risk and rewarding councils that pursue effective risk management strategies.

LAML Chairman Nathan Elvery said: "This decision is great news for the mutual and for local government as a whole. It backs up everything LAML has already achieved, and sends a clear signal to authorities wishing to join. It also sends a positive message to other groups of authorities which are developing similar mutual propositions."

"Naturally we are delighted that the judge has stated that authorities have powers under s2 of the Local Government Act 2000 (the well-being powers) to participate in a mutual provided they are satisfied that by doing so they are likely to manage risk to deliver economic benefit to their area. We have always recognised that an undertaking such as LAML was innovative. The judge's decision underlines the quality of the legal advice obtained by LAML.

"We have been in regular contact with the department of Communities and Local Government on these issues. We are providing them with a copy of the judgment and will ask them to consider, in the light of the judge's comments, whether there are any areas of clarification in relation to the applicability of well-being powers that need to be made to give local authorities certainty as they pursue delivery of the shared services agenda.

"We can now all move on and concentrate on what actually delivers real value to communities – the effective management of risk and exposures".

Martin Fone, for the mutual's managers, Charles Taylor & Co Ltd said, "We always recognised that this was going to be a landmark case with wide implications for the whole shared service agenda. Authorities now have greater clarity and we look forward to working with the Board of LAML to deliver the best risk transfer and risk management services to the authorities in London.

"This swift vindication of LAML's actions is extremely helpful to the company. It reinforces the confidence of those member authorities already taking part, and encourages prospective members to join.

"From the very start, LAML has aimed to provide local authorities with a strong alternative to the existing small pool of insurance providers. Today's decision emphasises the hard work that has gone into ensuring the mutual provides a high-quality, cost-effective option to all London councils aiming to operate more efficiently."