

INSURANCE PROCUREMENT – DELEGATION OF AUTHORITY TO LET CONTRACT

To: **Cabinet**

Date: **10th July 2012**

From: **LGSS Director of Legal Services**

Electoral division(s): **All**

Forward Plan ref: **2012/037** *Key decision:* **Yes**

Purpose: **To seek approval from Cabinet for the delegation of authority for the letting of insurance contracts, likely to be valued in excess of £900k per annum and to run for a minimum of 36 months, to the LGSS Director of Legal Services, in consultation with the Cabinet member for Resources and Performance.**

Recommendation: **That Cabinet approve delegation of authority to LGSS Director of Legal Services, in consultation with the Cabinet Member for Resources and Performance, to agree and let contracts for the provision of insurance to the Council commencing 1st October 2012.**

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1. BACKGROUND

- 1.1 Existing contracts of insurance held by the Council expire on 30th September 2012, an EU compliant tender process is underway in order to procure contracts of insurance to replace the existing arrangements.
- 1.2 Following alignment of current insurance expiry dates with Northamptonshire, as part of the shared services relationship, a joint procurement exercise is being prepared which will look as far as possible to align insurance protection and contracts in order to achieve cost and contract management efficiencies.
- 1.3 The Council currently spends approximately £1m per annum on insurance cover from external insurance providers. In common with many of its peers the Council insures the majority of its risks in a traditional manner with relatively high self insured retention levels. Self insured retentions are catered for within the Council's insurance funding provision.
- 1.4 Ahead of the tender specification being issued the Council has undertaken a review of its tolerance to financial risk, the level at which it buys insurance and what insurances it buys. As a result of this work, with the support of the Council's appointed insurance brokers, the Council will design an optimised insurance programme which will serve, in the medium to long term, to reduce the overall total cost of insurable risk. It follows therefore that the Council is unlikely to procure insurance on a like for like basis to that it currently holds.
- 1.5 The Council's appointed brokers are leading the procurement exercise with the support of LGSS Procurement and undertaking a fully compliant marketing exercise to engage as many leading insurers as possible. The tender will be issued to the market in June 2012 with responses due at the end of July for assessment and decision by September 2012. The new contracts of insurance will commence on 1st October 2012.
- 1.6 It is essential that the Council has in place a robust programme for protection against the financial exposure to insurable risks, alternative programme and design structures will be considered and the final structure will be agreed by LGSS Insurance.
- 1.7 Due to the timing of the tender process it is recommended that authority to let the contract be delegated to LGSS Director of Legal Services, to be exercised in consultation with the Cabinet Member for Resources & Performance.

2. FINANCIAL IMPLICATIONS

- 2.1 Market intelligence suggests that although premium rates have continued to decline for some organisations, some have seen rates stabilise or increase in the latter part of 2011. The insurance market is naturally favouring organisations with good claims experience. Competitive terms are far more likely if presentations are supported with comprehensive evidence to support the view that the Council represents a favourable risk. At present we can only estimate potential procurement results for the insurance programme, following consideration of the market and the Council's underwriting and claims position we estimate that a 5% reduction in costs should be achieved.

3. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

3.1 Supporting and protecting vulnerable people when they need it most

There are no significant implications for this priority.

3.2 Helping people live healthy and independent lives in their communities

There are no significant implications for this priority

3.3 Developing the local economy for the benefit of all

There are no significant implications for this priority

3.4 Ways of Working

The following bullet points set out implications identified by officers for Working together;

- By undertaking a full review of insurance needs we will identify the potential for sharing joint insurance policies with Northamptonshire County Council to reduce underwriting and administration costs providing a more efficient delivery model
- By tendering the insurance needs for both Cambridgeshire and Northamptonshire at the same time the insurance market may be more receptive to offering up some rate reductions, assisting in the delivery of a best value outcome.

4. SIGNIFICANT IMPLICATIONS

4.1 Resource and Performance Implications

The following bullet points set out details of significant implications identified by officers:

- The financial implications arising out of this procurement are set out in 2, above.

4.2 Statutory, Risk and Legal Implications

Statutory, risk and legal implications have been considered although there are no significant implications for any of the prompt questions within this category the key risks arising from this proposal and the procurement are as follows:

LGSS Director of Legal Services fails to oversee robust tender process leading to breach of EU regulations	Process is being managed by LGSS Insurance Manager in consultation with LGSS Procurement and Council appointed insurance brokers to ensure full compliance with contracting regulations
Poor evaluation and decision making result in increased insurance costs over life of contract	Evaluation will be undertaken in consultation with appointed insurance brokers to ensure errors or omissions in bids are identified and final recommendations represent most economically advantageous outcome for the Council

4.3 Equality and Diversity Implications

There are no significant implications for any of the prompt questions within this category

4.4 Engagement and Consultation

There are no significant implications for any of the prompt questions within this category

Source Documents	Location
None	