

INSURANCE PROCUREMENT 2017 –
DELEGATION OF AUTHORITY TO LET CONTRACT

To: **General Purposes Committee**

Date: **24th January 2017**

From: **Chief Finance Officer**

Electoral division(s): **All**

Forward Plan ref: **2017/011** *Key decision:* **Yes**

Purpose: **To seek approval for the delegation of authority for the letting of insurance contracts, likely to be valued in excess of £1m per annum and to run for a minimum of 36 months, to the Council's Chief Finance Officer, in consultation with Chairman of General Purposes Committee.**

Recommendation: **That the Committee approve delegation of authority to the Council's Chief Finance Officer, in consultation with Chairman of General Purposes Committee, to agree and let contracts for the provision of insurance to the Council commencing 1st October 2017.**

<i>Officer contact:</i>	
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1. BACKGROUND

- 1.1 Existing contracts of insurance held by the Council expire on 30th September 2017, it is proposed that an EU compliant tender process is undertaken to procure contracts of insurance to replace existing arrangements.
- 1.2 Current insurance arrangements are aligned with other LGSS partner and client Councils, therefore 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 we will review the Council's 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, we 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 will lead the procurement exercise with the support of LGSS Procurement to undertake a fully compliant marketing exercise engaging as many leading insurers as possible. The tender will be issued to the market in February 2017 with responses due April 2017 for assessment and decision by July 2017. The new contracts of insurance will commence on 1st October 2017.
- 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 Insurance in consultation with the Chief Finance Officer.
- 1.7 Due to the timing of the tender process it is efficient for authority to be delegated to the Chief Finance Officer, to be exercised in consultation with the Chairman of General Purposes Committee.

2. FINANCIAL IMPLICATIONS

- 2.1 Market intelligence suggests that insurers are being more selective about the risks they insure and the level of premium they apply to insurance arrangements. We are seeing a position where insurers are looking to adjust their rates particularly in respect of education, highways and social care risks, therefore the general indication would be toward an increase in current premium levels or a significant increase in self-insurance.
- 2.2 The Council's renewal premium for 2016 was £1,064k. In assessing the cost for the next few years no account has been taken of the changing size and

shape of the Council, i.e. projected figures contain an element of uncertainty as they only reflect the 2016 position in terms of asset holding, employee costs and service provision.

- 2.3 The projected future insurance premiums, based on current programme structures are shown in the table below for reference.

	Previous Year*	Current Year*	Forecast	
	2015	2016	2017	2018
	£000	£000	£000	£000
External premium	986	1,064	1,127	1,249

* Figures relate to Insurance year rather than Financial year (i.e. October to September)

3. WAYS OF WORKING

- 3.1 By undertaking a full review of insurance needs we will run the procurement on a joint basis with the Northamptonshire, Milton Keynes and Northampton Borough programmes, this will bring out procurement and administrative efficiencies. We shall identify the potential for sharing joint insurance policies with Northamptonshire County Council, Milton Keynes Council and other LGSS clients where appropriate to provide a more efficient delivery model without unduly exposing any one organisation to increased risk or uncertainty.
- 3.2 By tendering the insurance needs for both Cambridgeshire, Northamptonshire, Milton Keynes and other LGSS clients 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. ALIGNMENT WITH PRIORITIES AND WAYS OF WORKING

4.1 Developing the local economy for the benefit of all

There are no significant implications for this priority.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

5.1 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.

5.2 Statutory, Risk and Legal Implications

Statutory, risk and legal implications have been considered. It is worthy of note that the Council is only obliged to insure fidelity guarantee risks. All other risks are subject to the availability of an exemption due to the status of the Council. The Council however chooses through risk management and financial prudence to retain insurance for liability, property and motor vehicle exposures.

The key risks arising from this proposal and the procurement are as follows;

Insurance team fails to oversee robust tender process leading to breach of EU regulations	Process is being managed by the 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. The final recommendations will then be peer reviewed by a Senior Manager from within the brokers who has not been involved in the evaluation to ensure robust decision making.
Poor financial evaluation leads to selection of inappropriate levels of self-insurance leading to higher lifetime costs	Working with appointed actuaries the Insurance Manager is undertaking a review against deductible of the Council's long term claims spend across liability and property risks to ascertain an appropriate level of self-insurance for the Council in the future.

5.3 Equality and Diversity

There are no significant implications within this category.

5.4 Engagement and Communications

There are no significant implications within this category.

5.5 Localism and Local Member Involvement – Service Responsibility

There are no significant implications within this category.

5.6 Public Health – Public Health

There are no significant implications within this category.

Implications	Officer Clearance
Have the resource implications been cleared by Finance?	Yes Name of Financial Officer: Chris Malyon
Has the impact on Statutory, Legal and Risk implications been cleared by LGSS Law?	Yes Name of Legal Officer: Fiona McMillan
Are there any Equality and Diversity implications?	No Name of Officer: Not applicable
Have any engagement and communication implications been cleared by Communications?	No Name of Officer: Not applicable
Are there any Localism and Local Member involvement issues?	No Name of Officer: Not applicable
Have any Public Health implications been cleared by Public Health	No Name of Officer: Not applicable

Source Documents	Location
None	Not applicable