



## CABINET REPORT

<b>Report Title</b>	<b>Insurance Tender Renewal</b>
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**AGENDA STATUS:**                      **Public**

<b>Cabinet Meeting Date:</b>	21st June 2017
<b>Key Decision:</b>	Yes
<b>Within Policy:</b>	Yes
<b>Policy Document:</b>	No
<b>Directorate:</b>	Borough Secretary
<b>Accountable Cabinet Member:</b>	Cllr Jonathan Nunn
<b>Ward(s)</b>	<b>N/A</b>

### 1. Purpose

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- 1.1 The purpose of this report is to update Cabinet on the joint tendering process for the renewal of insurance policies which is being procured with other partners of LGSS which includes Cambridgeshire County Council, Northampton Partnership Homes, Northamptonshire County Council and Milton Keynes Council.

### 2. Recommendations

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- 2.1 That Cabinet agrees to delegate authority to the Chief Executive in consultation with the Borough Secretary to award and enter into a contract with the successful provider as part of the joint tendering process with LGSS partners

### **3. Issues and Choices**

#### **3.1 Report Background**

- 3.1.1 On the 31<sup>st</sup> May 2013 the Council entered into a partnership agreement with Cambridgeshire County Council and Northamptonshire County Council to share back office services under the name of Local Government Shared Service (LGSS).
- 3.1.2 LGSS as part of this partnership agreement provides the management of the Insurance programme which ensures policy terms and conditions accord with the requirements of the Council, negotiating alterations to terms and additional covers with insurers where required.
- 3.1.3 LGSS also undertake the annual insurance renewal process, ensuring that the Council is made aware of any material adjustments to its cover or premium and in association with LGSS Procurement, ensures timely renewal of expiring contracts in accordance with OJEU requirements.
- 3.1.4 The current contract for insurance was implemented on the 1<sup>st</sup> April 2014 for a period of 3 years with an option to extend for up to a further 2 year period.
- 3.1.5 The Council agreed with LGSS to extend the current contract for a period of 6 months those of the other partners of LGSS.
- 3.1.6 The other partners of LGSS for the purposes of this contract are Cambridgeshire County Council, Northampton Partnership Homes, Northamptonshire County Council and Milton Keynes Council.
- 3.1.7 The Council's current insurance arrangements expire on the 1<sup>st</sup> October 2017 and is being managed by LGSS. LGSS have appointed insurance brokers Arthur J Gallagher to deal with the tender which will be EU compliant. LGSS have reviewed the Council's insurance arrangements to ensure that they remain appropriate and will make minor adjustments to its cover to align with other Councils where this is appropriate and approved by the Council.
- 3.1.8 The Council currently spends approximately £650k 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.
- 3.1.9 The new contract will be for a minimum period of 3 years with the option to extend for a further period of up to 2 years at the Council's discretion.
- 3.1.10 The tender closes 2<sup>nd</sup> June 2017 after which all tenders will be evaluated, the outcome of which will be known in July 2017 and a recommendation made to the Council to enable the award of contract in August 2017.
- 3.1.11 Market intelligence suggest that insurers are generally being more cautious on risks and liability and the market is evidencing an upward shift in premiums.

3.1.12 Noting market forces the Council must have in place a robust programme for protection against the financial exposure to insurable risks.

3.1.13 The LGSS Insurance Manager will report the outcome of the tendering process and recommendations to the Chief Executive to enable a formal contract to be entered in to.

### **3.2 Issues**

3.2.1 If Cabinet do not agree to the recommendation, the Council may be at risk of not insuring its properties and assets from 1<sup>st</sup> October 2017.

3.2.2 Failure by the Council to hold appropriate insurance cover for the undertaking of statutory functions exposes the Council to financial losses and legislative breach.

### **3.3 Choices (Options)**

3.3.1 Accept the recommendation from this report. The advantages of this option:

- a) The procurement exercise is being carried out by the LGSS appointed insurance brokers who the relevant expertise of the insurance market.
- b) The value of the business of the LGSS partners makes it attractive to the market and where economics and scale should be achieved; representing value for money.
- c) The Council will be fully insured from the 1<sup>st</sup> October 2017

3.3.2 Not to accept the recommendation from his report. The disadvantages of this option:

- a) Do nothing, i.e. cease to purchase insurance is not an option. It would be unlawful not to maintain certain insurances and it would be inappropriate for the Council to mainly self insure.
- b) The Council would have to tender its own requirements and currently there is no in-house expertise.
- c) Insurance premiums are likely to be higher as the Council's business would not realise the economies of scale being offered by LGSS and its partners.
- d) The Council could extend the current contract but this only offers a short term solution as the current contract is due to terminate shortly.

## **4. Implications (including financial implications)**

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## **4.1 Policy**

4.1.1 There are no such implications

## **4.2 Resources and Risk**

4.2.1 Market intelligence suggests that insurers are being more selective about the risks they insure and the level of premium they apply to insurance arrangements, therefore the general indication is there will be an increase in current premium levels or a significant increase in self insurance.

4.2.2 The Council's renewal premium for 2016 was £792,720 however this was for a period of 18 months to align with this tender.

4.2.3 The Council currently has an annual budget of £780,756 to fund its insurance from the General Fund.

## **4.3 Legal**

4.3.1 The Council has a duty to ensure that all assets and services are adequately insured.

4.3.2 The tender is EU compliant, ensuring maximum exposure in the market place and the process is being managed by LGSS and the appointed insurance brokers Arthur J Gallagher

## **4.4 Equality and Health**

4.4.1 There are no direct implications

## **4.5 Consultees (Internal and External)**

4.5.1 Senior Management have been consulted

## **4.6 How the Proposals deliver Priority Outcomes**

4.6.1 Making every £ go further. The Council has ensured that a robust procurement process has been followed which uses public money to maximum benefit.

4.6.2 By entering into this tender the Council hopes to achieve cost savings through the use of shared savings therefore provide value for money to the public.

## **4.7 Other Implications**

4.7.1 None

## **5. Background Papers**

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- 5.1 Management Board minutes dated 25<sup>th</sup> May 2017.
- 5.2 Insurance information document dated April 2017.

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