

Cabinet – 14 December 2022

Renewal of the council's insurance arrangements from 1 April 2023

Portfolio: Councillor M Bird – Leader of the Council (Lead Portfolio)

Related portfolios: All

Service: Finance – Council-wide

Wards: All

Key decision: Yes

Forward plan: Yes

1. Aim

- 1.1 This report seeks to ensure that the council has adequate insurance arrangements in place from 1 April 2023 when its current policies expire, meaning that the council's assets continue to be protected, whilst reducing the financial risk to the council and impact associated with potential claims.

2. Summary

- 2.1 The council's existing insurance arrangements expire on 31 March 2023, this being the end of the current Long Term Agreement. Various options to provide cover after this date have been considered, as set out in Section 4 of the report, resulting in a decision to begin a tender process for new insurance covers.
- 2.2 An open procurement exercise for the contract commenced on 24 October 2022 using the Yorkshire Purchasing Organisation (YPO) Framework (reference WP3862 – Insurance & Claims Handling Services). The contract is proposed for an initial period of 3 years from 1 April 2023, with an option to extend for a further 2 years from 1 April 2026 to 31 March 2028.
- 2.3 Given the required timeline of the procurement exercise this report provides an update on the current position and, to ensure the council's assets continue to be protected, seeks delegation to enter in to contracts upon completion of the evaluation process.
- 2.4 This is a key decision as the value of the contract will exceed £500,000 and will impact on all wards within the borough.

3. Recommendations

- 3.1 That Cabinet delegate authority to the Executive Director Resources & Transformation, in consultation with the Leader of the council as the relevant

Portfolio Holder, to award contracts for the provision of Insurance and Claims Handling Services for a period of 3 years, commencing on 1 April 2023.

- 3.2 That Cabinet also delegate authority to the Executive Director Resources & Transformation, in consultation with the Leader of the council as the relevant Portfolio Holder, to enter in to the optional 2 years extension period (1 April 2026 to 31 March 2028) should this be the best decision at that point following a detailed review of options available to the council at that time.
- 3.3 That Cabinet delegate authority to the Executive Director Resources & Transformation, in consultation with the Leader of the council as the relevant Portfolio Holder, to subsequently sign and/or authorise the sealing of any deeds, contracts or other related documents for the services being tendered.

4. Report detail

- 4.1 The previous tender of corporate insurance contracts took place in 2018, following an OJEU compliant process. The resulting contracts were awarded for an initial 3 year period (1 April 2018 – 31 March 2021) and the optional 2 year extension was exercised in 2021. All existing policies are therefore due to expire on 31 March 2023.
- 4.2 In preparation for this expiry an internal review of potential options available to the council has taken place. This concluded that whilst there is no legal requirement for external insurance covers to be in place, and the council could instead choose to self-insure as an alternative, this would present a significant financial risk to the council - for example, a single large property fire or flood may cost several million pounds, far outstripping the costs of the external insurance premiums. As such, the recommended direction was again to seek to put in place external covers and to tender for the council's insurance portfolio.
- 4.3 Following this direction the timing of any procurement process for insurance covers then proves critical. If the process starts too early there is a risk that potential insurers may be unable to guarantee pricing and policy terms far in advance of the inception date for all covers of 1 April 2023 and may choose not to participate – potentially limiting the options available to the council and increasing costs. However should the process start too late there is then a risk of insufficient time to finalise and put arrangements in place by 1 April 2023, resulting in a potential period of time without insurance cover (which again would represent a significant financial risk to the authority during that time).
- 4.4 As such, following consultation with and direction from the council's procurement team and also the council's external insurance brokers, the tender process commenced on 24 October 2022, with the closing date for bids being 2 December 2022. The tender encompasses the entire corporate insurance portfolio, with the following Lots:
 - 1: Property (General and Education)
 - 2: Property (Leased and Commercial)
 - 3: Combined Liability
 - 4: Crime

- 5: Personal Accident and Travel
- 6: Motor Fleet
- 7: Engineering
- 8: Computers

- 4.5 It is imperative that the tender process includes sufficient time to allow for any potential scrutiny call-in, to complete the detailed evaluation process, to provide the necessary 10 day standstill period once the decision to award has been notified and to ensure policies are in place in good time for 1 April 2023.
- 4.6 With this in mind, and noting the closing date of the tender, the earliest point that the outcome and recommendation to award could be reported to Cabinet would be January 2023. However as there is no Cabinet meeting scheduled for January 2023 this would push back the earliest reporting date of any outcome to the Cabinet meeting scheduled for February 2023, meaning that there would then be insufficient time to put the contracts in place by 1 April 2023.
- 4.7 As such, to avoid the potential financial risk to the authority, this report instead therefore seeks delegation to the Executive Director Resources & Transformation, in consultation with the Leader of the council as the relevant Portfolio Holder, to enable an award in January 2023 once the tender evaluation has been completed, ensuring sufficient time to finalise contract arrangements by 1 April 2023.

5 Council Plan priorities

- 5.1 The council's insurance arrangements support the delivery of the Corporate Plan priorities, as the insurance policies provide financial compensation when the authority suffers a loss, negating any need to reduce funds available for the delivery of other key council services. Financial compensation can include damage to property or payments when the council is found to be legally liable for damage to property or personal injury as a result of negligence by the authority, its employees or contractors working on its behalf.

6 Risk management

- 6.1 Insurance arrangements are an important part of the council's overall risk management strategy. When considering the mitigation of the risks that the council faces, insurance policies may be used as a risk transfer mechanism. In exchange for a known cost (the insurance premium) the insurance arrangements pick up the unknown future financial responsibility for the insured risks.
- 6.2 Having insurance covers in place provides a known cost which avoids reducing funds available for other council services. Following consideration of the alternatives (e.g. self-insurance) the obtaining of external covers is the recommended option to reduce and manage this risk and allows for an informed and stable view to be taken.

7 Financial implications

- 7.1 At the last renewal of the insurance policies on 1 April 2022 (for the period of 2022/23) the total cost of external insurance arrangements was £1.06m inclusive of Insurance Premium Tax (including circa £300,000 which relates directly to education and is recharged to schools) and this was affordable within the total budget available for the insurance service.
- 7.2 As part of the consultation with the council's insurance brokers it was identified that since the last tender exercise in 2018 there had been a significant hardening of the insurance market, with a corresponding risk that prices seen at the forthcoming tender may increase.
- 7.3 To seek to manage this risk a number of different options have been included in the tender invitation, for example differing excess levels on the more material cover areas (property and liability).
- 7.4 The aim of requesting these alternatives is to seek to provide the council with a range of potential cover choices which strike a balance between reducing the risk and financial exposure, whilst adequately protecting assets and liabilities. This will allow for an informed decision to be taken on the option that represents best value within the budget that is available.

8 Legal implications

- 8.1 The legal duty for a council's finances falls within section 151 of the Local Government Act 1972 which includes amongst other things the requirement that the Chief Finance Officer makes appropriate arrangements for the protection of the council's assets.
- 8.2 The services will be procured in full compliance with the Public Contract Regulations 2015 and council's Contract Rules. Finance and Insurance & Loss Control will liaise with Legal Services about ensuring the signing or sealing of all call-off contracts in the most appropriate, compliant and legally binding manner.

9 Procurement Implications / Social Value

- 9.1. The YPO Framework (reference WP3862 – Insurance & Claims Handling Services) which is being used for the tender is compliant with the Public Contracts Regulations 2015 and the council's mini-competition tender process has been carried out within the Framework guidance.
- 9.2 In accordance with the council's Social Value Policy, 5% of the overall tender evaluation criteria for these contracts is assigned to Social Value, with all bidders being asked to outline how they can meet the council's requirements.
- 9.3 Steps have been taken to minimise procurement-related risk during the procurement process. However, there will always remain an inherent risk of legal challenge associated with any procurement undertaken by the council. Input has been sought from Procurement as required, to ensure the conduct of compliant procurement process, thereby minimising the risks of legal challenge.

10 Property implications

10.1 None directly as a result of this report.

11 Health and wellbeing implications

11.1 None directly as a result of this report.

12 Reducing Inequalities

12.1 The purchase and administration of these insurance policies have no equality implications and the corporate equalities team have confirmed that an equality impact assessment is therefore not required.

13 Staffing implications

13.1 None directly as a result of this report.

14 Climate Impact

14.1 None directly as a result of this report.

15 Consultation

15.1. Internal consultation has been undertaken with the council's Procurement team, Legal Services, Finance, Corporate Property and Public Health. The council's appointed insurance brokers, Arthur J Gallagher, have assisted with the development of the tender documents and its promotion within the insurance market.

16. Decide

16.1 Alternative options have been considered, for example self-insuring and not putting external policies in place, however the alternate options all present an increased financial risk to the council should claim trends increase or one large property or liability claim be received, and were therefore not recommended.

16.2 Within the tender process differing cover options are being sought, for example reviewing differing excesses etc, to ensure that best value is achieved within the budget that is available.

16.3 As set out in section 4.3 of the report, to ensure that there is sufficient time to put the contract arrangements in place once the tender ends this report seeks delegation to award the contracts for the provision of Insurance and Claims Handling Services to the Executive Director Resources & Transformation, in consultation with the Leader of the council as the relevant Portfolio Holder.

17 Respond

17.1 Subject to Cabinet approval of the recommendations in this report, the tender process will be finalised and contracts awarded to allow insurance policies to

be incepted with effect from 1 April 2023, ensuring continued cover for corporate assets and liabilities.

18 Review

- 18.1 The insurance policies are reviewed annually at each subsequent renewal, in liaison with the council's appointed insurance brokers, to ensure relevant and adequate covers remain in place at the most competitive rates.
- 18.2 Additionally a further detailed review will take place at the end of the initial 3 year period to inform whether it is in the council's best interests at that point to enter in to the subsequent 2 year extension or if other options would be more suitable.

Appendices

Background papers

Cabinet Report 14 February 2018 - Renewal of the Council's Insurance Arrangements from 1 April 2018

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Signed



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14 December 2022

Signed



Councillor M Bird
Leader of the Council

14 December 2022