



EXECUTIVE BOARD DECISION

REPORT OF:	Executive Member for Resources
LEAD OFFICERS:	Director of Finance and IT
DATE:	9 February 2017

PORTFOLIO/S AFFECTED:	Resources
WARD/S AFFECTED:	All
KEY DECISION:	YES <input checked="" type="checkbox"/> NO <input type="checkbox"/>

SUBJECT: Award of Contract for Council Insurance Policies and Cover

1. EXECUTIVE SUMMARY

The Council's current long term agreement for insurance ends on 31 March 2017. The Constitution and Financial Procedure Rules requires the Council to have adequate insurance cover in place. A formal re-tender of the insurance arrangements has been carried out in accordance with the European Procurement Regulations, using the open procedure. The results have been evaluated, with support from the Council's insurance broker, in order to have new insurance policies in place from 1 April 2017.

2. RECOMMENDATIONS

That the Executive Board approves:

- i) The award of the insurance contracts to the successful bidders for an initial period of three years, with option to extend for a further two year period;
- ii) The amendment and alignment of excesses relating to the Council's casualty insurance policies (public and employers liability); and
- iii) The establishment of an earmarked reserve of £250,000 to provide for the increase in the cost of the excesses that the Council will be required to pay for any employer or public liability claims received against future policy years, if the excesses are amended as per ii) above. This reserve will be managed and reviewed annually, with the expectation that the level of fund required will be reduced in future as the Council is able to defend future claims through good risk management arrangements.

3. BACKGROUND

3.1 Under the Council's Constitution and Financial Procedure Rules there is a requirement for the Council and its schools, some of whom buy into the Council's insurance services under service

level agreements, to have adequate insurance cover in place. There is also a statutory requirement for the Council to have certain insurances in place to cover areas such as employers liability, public liability, and motor vehicles. The current policies, which have been in place under a long term agreement since 1 April 2012, are due to expire on 31 March 2017.

- 3.2 The value of this contract required a full tender to be carried out in line with the European procurement rules. This commenced in October 2016. The contract notice (2016/S 209-378384) was published on 27 October 2016. The tender document, which included supporting appendices, was subsequently issued to potential bidders on 28 October 2016 using The Chest and the Government's Contract Finder website.
- 3.3 The insurances and related services were re-tendered in 11 lots. The specification allowed for bids to be made for any or all lots and included the following main areas:
- Property, including material damage, work in progress, all risks, business interruption, money, and theft;
 - Casualty, including public and employers liability, officials indemnity, libel and slander and professional negligence;
 - Motor fleet;
 - Engineering and engineering inspection;
 - Additional covers including balance of risks, fidelity guarantee, land charges, personal accident, travel, public health, computer, marine and property owners; and
 - Terrorism.
- 3.4 The Council's current casualty insurance cover (employers and public liability, general and highways) have the following levels of excesses:
- Employer Liability - nil excess;
 - Public Liability (general) - £500; and,
 - Public Liability (Highways) - £104,000.
- 3.5 The tender process aimed to select the provider of the Council's insurance cover for the next three years, with an option to extend this for a further two years. The process has been supported by the Council's insurance brokers, who provided technical guidance. Colleagues from the Council Procurement and Legal Services teams have also provided advice and support to the process.
- 3.6 Following an extensive tendering process bids were received from 11 interested parties. The bids received ranged from companies quoting for one lot or two to those who quoted for the full range of cover required by the Council.
- 3.7 Evaluation templates were prepared in accordance with the Council's Contract and Procurement Rules. The main evaluation criteria for all lots except engineering were price and price structure (60%), scope of policy (20%), and quality, range of service and claims handling (20%). The criteria for the engineering lot was price (30%), service (60%) and cover (10%).
- 3.8 An in-house evaluation was carried out by a team of three officers from the Audit & Assurance and Housing and Localities Business Support Teams, with the Council's insurance brokers also preparing an independent report to assist the in-house evaluation team.
- 3.9 The quality and service aspect of each submission was evaluated on a number of criteria based on evidence bidders provided to support their responses to each of the measurement points. Scores were then allocated based on the strength of the evidence provided and its appropriateness and suitability to the Council.
- 3.10 The bids submitted provided full details of the scope of all the policy cover, staff experience, training and development arrangements as well as their claims handling arrangements. Based on the evaluation results the award to the successful bidders represents the most economically

advantageous overall package of policies for the Council based on the criteria set out in the tender document.

- 3.11 Following the evaluation of the tenders, and consideration of the options available to the Council, there has been a review of the Council's insurance excess levels.
- 3.12 The implications of these changes have been assessed both internally and by our insurance brokers, using the Council's claims experience over the last five years. The results indicated that in accepting a reduced premium and an increase in our excess, based on the claims history over that five year period, our total costs would reduce; however it must be recognised that there is also the possibility that the total cost of risk to the Council cost could increase if there was an increase in the number of successful claims made within the excess limit or, if the average amount awarded was to increase but remain within the excess limit.
- 3.13 An annual provision of £250,000 would need to be established to provide for the payment of the excesses under this option, as and when required, funded in the main from the reduction in the insurance premium. The level of provision would need to be monitored going forward and it is anticipated that this could be reduced in future years as the Council benefits from improved risk management and the defensibility of claims.
- 3.14 The successful bids and recommended options generate a net saving in 2017/18 compared to the cost of insurance for 2016/17. The final costs will not be fully known until the full details for each of the policies is finalised.
- 3.15 Once the successful bidders have been identified there is a requirement to allow a 10 day 'standstill' period to enable challenges to the process to be lodged.
- 3.16 The Executive Board is therefore requested to approve the successful bidders to provide the insurance cover and policies on behalf of the Council commencing on 1 April 2017, subject to any challenges being received during the standstill period referred to in 3.15 above.

4. KEY ISSUES & RISKS

- 4.1 Executive Board approval is required due to the nature and value of the contract.
- 4.2 Under the Council Constitution and Financial Regulations the Council and schools are required to have adequate insurance cover in place. The current policies are due to expire on 31 March 2017 and there is a need to appoint an insurance company to provide the relevant policies and cover immediately after this date.
- 4.3 If the Council does not have the required insurance cover in place it is breaching its statutory responsibilities. The Council would have to fund legal costs associated with defending any claims and pay any proven claims along with associated third party costs from the Council's revenue budget and reserves. Depending on the nature of the claims these could be significant sums.

5. POLICY IMPLICATIONS

None

6. FINANCIAL IMPLICATIONS

- 6.1 The Council provides for the insurance premium in its Revenue Budget. An analysis of the financial submissions received has been undertaken and these have been assessed against the present premiums paid by the Council. Two companies offered a discount if the whole insurance package was placed with them. This discount has been taken into account as part of the evaluation process.
- 6.2 The final costs will not be fully known until the full details for each of the policies is finalised, however it is anticipated that the quoted costs will provide an overall saving to the Council.

7. LEGAL IMPLICATIONS

- 7.1 Failure to procure adequate and appropriate insurance cover will place the Council in breach of its statutory responsibilities. It will give rise to a significant risk of litigation, claims and complaints. The associated costs would have to be borne directly by the Council.
- 7.2 Legal Services and Procurement staff have been consulted throughout the procurement process to advise on compliance with the Council's contract procurement rules and procurement law and to mitigate the risk of a challenge. The contract documents will be in a form approved by Legal Services.
- 7.3 The new contracts will commence from 1 April 2017 and will last for an initial period of three years, ending on 31 March 2020, with an option to extend for a further two years.

8. RESOURCE IMPLICATIONS

None

9. EQUALITY AND HEALTH IMPLICATIONS

Please select one of the options below. Where appropriate please include the hyperlink to the EIA.

Option 1 Equality Impact Assessment (EIA) not required – the EIA checklist has been completed.

Option 2 In determining this matter the Executive Member needs to consider the EIA associated with this item in advance of making the decision. (*insert EIA link here*)

Option 3 In determining this matter the Executive Board Members need to consider the EIA associated with this item in advance of making the decision. (*insert EIA attachment*)

10. CONSULTATIONS

Director of Finance & IT

11. STATEMENT OF COMPLIANCE

The recommendations are made further to advice from the Monitoring Officer and the Section 151 Officer has confirmed that they do not incur unlawful expenditure. They are also compliant with equality legislation and an equality analysis and impact assessment has been considered. The recommendations reflect the core principles of good governance set out in the Council's Code of Corporate Governance.

12. DECLARATION OF INTEREST

All Declarations of Interest of any Executive Member consulted and note of any dispensation granted by the Chief Executive will be recorded in the Summary of Decisions published on the day following the meeting.

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CONTACT OFFICER:	Colin Ferguson, Head of Audit & Assurance
DATE:	18 January 2017
BACKGROUND PAPER:	None