

Subject:	Insurance Tender		
Date of Meeting:	16 October 2014		
Report of:	Executive Director of Finance & Resources		
Contact Officer:	Name:	Steve Frost	Tel: 291634
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Ward(s) affected:	All		

FOR GENERAL RELEASE

Note: The special circumstances for non-compliance with Council Procedure Rule 3, Access to Information Procedure Rule 5 and Section 100B(4) of the Local Government Act 1972 (as amended), (items not considered unless the agenda is open to inspection at least five days in advance of the meeting) are that the evaluation of the bids following tender will not be available until 13th October 2014 and a decision regarding the awarding of the contract must be made by 20th October. This is to allow the required ten day cooling off period between the selection of the successful bidder and the awarding of the contract. The latter must be done by 31 October 2014.

1. PURPOSE OF REPORT AND POLICY CONTEXT

1.1 Authority was granted at Policy & Resources Committee on 29 November 2012 to procure a contract for external liability insurance and to award that contract. For the reasons provided under Context and Background Information the existing provider will not provide insurance after 31 October 2014. A full tender exercise has been undertaken which is currently being evaluated and delegated authority is sought to award the contract for two years to an alternative provider following completion of the evaluation.

2. RECOMMENDATION:

2.1 That Committee grant delegated authority to the Executive Director of Finance & Resources following consultation with the Chair, to award the insurance contract following evaluation of bids and consideration of the council's retained insurance broker's recommendations and the Insurance Manager's assessment and take all other steps necessary for the implementation of the contract.

3. CONTEXT/ BACKGROUND INFORMATION

3.1 A tender for the provision of external insurance was last carried out in 2013 and the successful bidders were awarded contracts from 1 April 2013. As part of this exercise, the renewal date of all policies was changed to 1 November. The council's existing liability insurer is withdrawing from the local authority insurance market following concerns that their rating structure for public liability cover is no longer sustainable. The main concerns leading to this decision are the increasing

number and value of public liability claims originating from social services areas, such as historical child safeguarding issues and highways.

- 3.2 The council's insurance needs are changing, particularly for health and social care and the insurance industry accepts that there are blurred areas of risk. As these areas become more integrated, it is vital that the council works closely with its insurer to ensure that the arrangements reflect, as far as possible, the needs of the council's changing responsibilities rather than become a barrier to essential integration and development of services. The retendering of this contract provides this opportunity.
- 3.3 However the issue of insuring blurred areas of risk is also experienced by the council's partners in the city including independent providers of social care and the council will work closely with them to raise awareness of the issues both locally and nationally and work together to influence insurance providers to provide greater clarity in the future.
- 3.4 The current total annual premium for liability insurance is £303,000 of which £170,000 relates to public liability insurance. In addition there is a current fee payable of £33,000 for the services of an external claims handling company who act on behalf of the council and its insurer.
- 3.5 The tender documents for the provision of external insurance have been prepared by Jardine Lloyd Thompson (JLT), the council's retained insurance advisors. JLT, who specialise in insurance arrangements for the public sector, will also undertake the initial evaluation of the tender responses on behalf of the council.
- 3.6 The evaluation report will be provided to the council on 13 October 2014 and the award decision letters will need to be issued on 20 October 2014 to allow for the mandatory standstill period of 10 days prior to awarding of the contract on 31 October 2014.

4. ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

- 4.1 As part of the evaluation of the bids consideration is being given to the option of increasing the amount of self insurance currently held by the council. At present this stands at £100,000 for each and every claim for the majority of liability claims. To enable best consideration of risk funding arrangements and to demonstrate value for money, alternative levels of £250,000 and £500,000 have been requested within the tender submissions. The initial review of the tender submissions suggests that the proposal to increase the self insurance level will expose the council to too much financial risk and therefore will be ruled out.

5. COMMUNITY ENGAGEMENT & CONSULTATION

- 5.1 No community engagement or consultation has been undertaken.

6. CONCLUSION

- 6.1 The council needs to ensure that it is able to meet the costs of liability insurance claims made against it. The usual way to do this is by maintaining liability insurances as one way of managing the costs of risk exposure. A decision on the awarding of the contract must be made by 20 October 2014 to avoid any gap in

cover. As the cost of the insurance cover will be unknown until 13 October it is requested that delegation of power as set out in Recommendation 2.1.

7. FINANCIAL & OTHER IMPLICATIONS:

Financial Implications:

- 7.1 The current contract cost of liability insurance and related claims handling is £336,000 per annum. The estimated cost of the new contract is between £420,000 and £496,000 per annum subject to the final evaluation. The budget for liability insurance costs was set at £426,000 for 2014/15 as an increase was anticipated. If the contract award is above this level the increased costs will be built into the 2015/16 budget. As the contract starts from the 1st November 2014 any part year impact will be reflected within the Targeted Budget Management projections.

Finance Officer Consulted: James Hengeveld

Date: 9/10/14

Legal Implications:

- 7.2 The authority of Policy & Resources Committee is required for matters with corporate budgetary implications, such as the procurement of the Council's insurance contract for which the costs are likely to exceed £500,000. Accordingly the committee is entitled to agree the recommendations at section 2 above.
- 7.3 The procurement of the insurance contract must be compliant with all relevant European and UK public procurement legislation, as well as the Council's own Contract Standing Orders.

Lawyer Consulted:

Isabella Sidoli

Date: 15/09/14

Equalities Implications:

- 7.4 An Equality Impact Analysis has been carried out on the service provided by the Insurance Team. There are no issues arising

Sustainability Implications:

- 7.5 There are no direct sustainability implications arising from this tender.

Any Other Significant Implications:

- 7.6 None.

SUPPORTING DOCUMENTATION

Appendices:

None.

Documents in Members' Rooms

None.

Background Documents

These are held in the Insurance Team.