

PART 1 - PUBLIC

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Decision Maker: Resources Portfolio Holder

Date: For pre-decision scrutiny by Executive and Resources PDS Committee on 8th October 2015

Decision Type: Urgent Non-Executive Non-Key

Title: **FORMAL CONSULTATION ON OUTLINE SERVICE PROPOSALS AND PROCUREMENT STRATEGY - INSURANCE RENEWALS 2016/17**

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Chief Officer: Director of Finance

Ward: All

1. **Reason for report**

The Council's casualty insurance (comprising public liability, employers' liability, officials' indemnity and professional indemnity) was tendered in 2014 and a contract was awarded to Zurich Municipal (ZM) from 17th June 2014 on a three year long-term agreement (LTA) with an option to extend for a further two years (delegated to the Director of Finance in consultation with the Resources Portfolio Holder). All other Council insurance policies (property, motor, fidelity guarantee, personal accident, school journey, minibuses, engineering, shops blanket and mortgaged properties are due to expire on 30th April 2016 and it is proposed to tender for all these through the Crown Commercial Services Framework with a start date of 1st May 2016. It is also proposed that Members agree the two year extension on the casualty insurance contract (see paragraph 3.3).

2. **RECOMMENDATION(S)**

Following consideration by the PDS Committee, the Resources Portfolio Holder is asked to agree:

- 2.1 **the proposed tender action through the Crown Commercial Services Framework for all Council insurances with the exception of casualty; and**
- 2.2 **an extension of two years (from 1st May 2017 to 30th April 2019) to the long-term agreement in place with ZM for casualty insurance (see paragraph 3.3).**

Corporate Policy

1. Policy Status: Existing policy. To maintain appropriate levels of insurance cover to ensure adequate cover for Council properties, assets and services.
 2. BBB Priority: Excellent Council.
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Financial

1. Cost of proposal: N/A Not known until tender process is completed
 2. Ongoing costs: N/A. Current annual premium for services to be tendered £290,000 (including increase in Insurance Premium Tax (IPT) from 1st November 2015)
 3. Budget head/performance centre: Insurance Fund
 4. Total current budget for this head: £290,000 (including increase in Insurance Premium Tax (IPT) from 1st November 2015)
 5. Source of funding: Insurance Fund
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Staff

1. Number of staff (current and additional): N/A
 2. If from existing staff resources, number of staff hours: Insurance claims are handled under a shared services arrangement with the Royal Borough of Greenwich
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Legal

1. Legal Requirement: No statutory requirement or Government guidance.
 2. Call-in: Call-in is applicable
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Customer Impact

1. Estimated number of users/beneficiaries (current and projected): Between 400 and 450 claims are received each year across all insurance covers.
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Ward Councillor Views

1. Have Ward Councillors been asked for comments? No.
2. Summary of Ward Councillors comments: N/A

3. COMMENTARY

Estimated Contract Value – Insurance Premium Renewals

- 3.1 The current annual cost of the insurance premiums for which approval to tender is sought is £290,000 (including an increase of 3.5% in Insurance Premium Tax (IPT) from 1st November 2015) and they are due to expire on 30th April 2016.

INSURANCES - RENEWAL OPTIONS 2016/17						
NB. Current annual premiums include Insurance Premium Tax @ 9.5% to reflect the increase of 3.5% (from 6% to 9.5%) included in the Chancellor's Summer budget from 1st November 2015.						
Policy / cover	Current insurer	Renewal date	Current annual premium £	Last Tendered	Contract Period	Extensions approved by waiver / Portfolio Holder
Current expiry date 30/04/16 - to be tendered						
Material damage (property)	Zurich Municipal	01/05/2016	112,000	2012	01/04/12 - 31/03/14	01/04/14 - 30/04/16
Fidelity guarantee	AIG	01/05/2016	30,500	2012	01/04/12 - 31/03/14	01/04/14 - 30/04/16
Personal accident	Chubb	01/05/2016	7,300	2012	01/04/12 - 31/03/14	01/04/14 - 30/04/16
School journey	Chubb	01/05/2016	9,600	2012	01/04/12 - 31/03/14	01/04/14 - 30/04/16
Minibuses	Zurich Municipal	01/05/2016	17,500	n/a	14/04/15 - 30/04/16	N/A
Engineering	Zurich Municipal	01/05/2016	14,200	n/a	01/04/15 - 30/04/16	N/A
Shops blanket	Zurich Municipal	01/05/2016	49,400	n/a	01/04/15 - 30/04/16	N/A
Mortgaged properties	Zurich Municipal	01/05/2016	700	n/a	01/04/15 - 30/04/16	N/A
Motor (leased cars & fleet)	Zurich Municipal	01/05/2016	48,800	2009	01/05/09 - 30/04/14	01/05/14 - 30/04/16
Total subject to tender			290,000			
Other long-term agreements						
Casualty / liability	Zurich Municipal	01/05/2016	253,600	2014	17/06/14 - 30/04/17 @	N/A
			253,600			
TOTAL			543,600			
@ Contract end date amended from 16/06/17 in agreement with ZM						

Proposed Contract Period (including extension options)

- 3.2 It is proposed to seek tenders for a period of two years from 1st May 2016 to 30th April 2018 with an option to extend for a further year, which would take the cover up to 30th April 2019, whilst retaining a break clause should the Council not wish to extend. The proposed tender would include property, motor, fidelity guarantee, personal accident, school journey, minibuses, engineering, shops blanket and mortgaged properties insurances.
- 3.3 The other Council insurance policy (not to be included in the tender process) is casualty insurance (comprising public liability, employers' liability, officials' indemnity and professional indemnity), which was awarded to ZM from 17th June 2014 after a separate tender process. That contract is for three years with an option to extend for an additional two years. In order to bring all the Council's insurance policies in line with a uniform expiry date, we have agreed a revised contract end date of 30th April 2017 and Members are asked to approve the two year extension. This would mean all our insurances would end on 30th April 2019, which would enable the entire package to be tendered from 1st May 2019.
- 3.4 Apart from casualty, which is covered above, the two main policies are property and motor and these were tendered in 2012 and 2009 respectively. Following the approval of extensions by the

Portfolio Holder under delegated authority, both of them will now expire on 30th April 2016. Waivers and single tender actions have also been approved to extend other insurances to standardise that expiry date. We have now made full use of the ability to extend these policies and, following consultation with the Head of Procurement, it is clear that we would be in contravention of EU regulations if we did not go to tender. It was hoped that we could tender the whole insurance package (i.e. all insurances) from 1st May 2016, but the current casualty insurance provider, ZM, refused to permit us to break the long term agreement a year early, so the earliest date we can now tender all of our insurances is 1st May 2019. The proposed tender process will enable us to achieve this.

- 3.5 It will be important to ensure the tender process enables flexibility within long-term agreements to take account of the Council's commissioning agenda and potential further outsourcing of services. This would normally be reflected as part of the annual renewal process, but officers will ensure this is made clear to potential tenderers.

4. POLICY IMPLICATIONS

- 4.1 To maintain appropriate levels of insurance cover to ensure adequate cover for Council properties, assets and services.

5. FINANCIAL IMPLICATIONS

- 5.1 The current budget for the insurances to be tendered is £290,000 (including an increase of 3.5% in IPT from 1st November 2015). An increase is likely and this would reflect the trend being experienced by other local authorities and would relate to insurance costs for all departments/portfolios across the Council. At current prices, the total cost of contracts for two years plus one would be around £870,000. Depending on the quotes received and the total whole life value of the proposed contract, a report will be brought to the appropriate committee in due course.

6. PERSONNEL IMPLICATIONS

- 6.1 None. An insurance claims handling service is provided by staff from the Royal Borough of Greenwich under a shared services arrangement.

7. PROCUREMENT IMPLICATIONS

- 7.1 The contracting strategy has been agreed with the authority's Head of Procurement and with its external insurance broker. The Council will use the Crown Commercial Services Framework for Insurance and the process will be handled by the Council's external insurance broker, JLT Specialty Ltd. The framework will enable us to reach an acceptable spread of suppliers whilst still giving us the flexibility to determine our own specification. The processes to be used are designed to ensure the completion of the tender process in a fair and transparent manner and to provide protection from potential claims which might arise from any unsuccessful bidders around the completion of the contracting process.

8. MARKET CONSIDERATIONS

- 8.1 The local authority insurance market is very limited and there are currently only three key "players" in the field: ZM (who currently provide most of the Council's insurance covers), Travelers and Risk Management Partners.

9. OUTLINE CONTRACTING PROPOSALS & PROCUREMENT STRATEGY

- 9.1 The tender process will be handled by the Council's external broker, JLT Specialty Ltd, under the Crown Commercial Services Framework for Insurance, which will give us access to all the

main players in the local authority insurance field, whilst still giving us the ability to write our own specification. This will be produced by Council officers in collaboration with officers from the Royal Borough of Greenwich. Greenwich are locked into long-term agreements for their main insurances until 2019 and the possibility of a joint tender with Greenwich will be fully explored then.

Non-Applicable Sections:	
Background Documents: (Access via Contact Officer)	Current policies with various existing insurers (held by Martin Reeves, S209). Renewal of Casualty and Motor insurance cover - Resources Portfolio meeting 31 st March 2009. Renewal of Property insurance cover – E&R PDS Committee 25 th January 2012. Renewal of Casualty insurance cover – E&R PDS Committee 5 th June 2014. Extensions to Property and Motor insurance cover – Resources Portfolio holder decision 28 th April 2014.