



CABINET

14 FEBRUARY 2017

DIRECTOR OF FINANCE: DAMON LAWRENSON

CABINET MEMBER WITH RESPONSIBILITY FOR FINANCE: COUNCILLOR ROBIN BROWN

Subject:	Procurement of Corporate Insurance Programme 2017
Recommendations:	Cabinet are asked to agree that delegated authority be given to Council's Chief Finance Officer, in consultation with the Cabinet Member for Finance, to agree and let contracts for the provision of insurance to the Council commencing 1 st October 2017 for a period of up to 5 years.

1. Purpose of Report

1.1 To seek approval from Cabinet for the delegation of authority for the letting of insurance contracts, likely to be valued in excess of £1m per annum and to run for a minimum of 3 years, with two possible one year extensions to the Council Chief Finance Officer, in consultation with the Cabinet Member for Finance.

2. How this decision contributes to the Council Plan

The Council's vision is to make Northamptonshire a great place to live and work. This is achieved through increasing the wellbeing of your county's communities and/or safeguarding the county's communities.

This initiative specifically delivers increased wellbeing and/or safeguarding by ensuring that:

- Resources are utilised effectively and efficiently, in coordination with partners and providers.

3. Background

3.1 Existing contracts for insurance held by the Council expire on 30th September 2017, it is proposed that an EU compliant tender process is undertaken to procure contracts of insurance to replace existing arrangements.

3.2 Current insurance arrangements are aligned with other LGSS partner and client Council's therefore a joint procurement exercise is being prepared which will look as far as possible to align insurance protection and contracts in order to achieve cost and contract management efficiencies.

3.3 The Council currently spends approximately £1.3m 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. Self insured retentions are catered for within the Council's insurance funding provision.

- 3.4 Ahead of the tender specification being issued LGSS will review the Council's tolerance to financial risk, the level at which it buys insurance and what insurances it buys. As a result of this work, with the support of the Council's appointed insurance brokers, LGSS will design an optimised insurance programme with the aim, in the medium to long term, to reduce the overall total cost of insurable risk. It follows therefore that the Council is unlikely to procure insurance on a like for like basis to that it currently holds.
- 3.5 The Council's appointed brokers will lead the procurement exercise with the support of LGSS Procurement to undertake a fully compliant marketing exercise engaging as many leading insurers as possible. The proposal is to issue tenders to the market in late February 2017 with responses due April 2017 for assessment and decision by July 2017. The new contracts of insurance will commence on 1st October 2017.
- 3.6 It is essential that the Council has in place a robust programme for protection against the financial exposure to insurable risks, alternative programme and design structures will be considered which account for structural changes brought about by Next generation Council and allow for 'Group' based insurance products to be placed to cater for the ongoing development of delivery vehicles. The final structure will be agreed by LGSS Insurance Manager in consultation with the Chief Finance Officer and Cabinet Member for Finance.

4. Equality Screening

4.1 There are no equalities implications

Reason that no EqIA is required	✓ as appropriate
The paper is for information only	
The proposal/activity/decision has no impact on customers or the service they receive	✓
The proposal impacts upon staff but the proposed staffing changes will not affect the service that customers receive*	
Other (please explain further)	

* where a proposal affects staff, the appropriate HR processes will be followed, which have already been subject to the EqIA process and will be compliant with HR legislation

5. Alternative Options Considered

5.1 The following options appraisal has been conducted:

- (a) Do nothing, i.e. Cease to purchase insurance – not an option - the Council is required to hold certain classes of insurance and it is financially prudent for risks such as property and liability to be subject to some form of financial risk protection.
- (b) Deliver the requirement internally (in-source) – the Council already holds a large self insured retention on its insurance programme, LGSS are reviewing this to ensure that the Council has the most financially

appropriate blend of self and externally insured risks, however, it would be inappropriate for the Council to wholly self insure.

- (c) Extend current contract – not deemed appropriate, due to LGSS tendering the insurances for other partner and client Council's there are procurement and market advantages to procuring now, also the existing contract of insurances are subject to long term agreements that expire in 2017.

6. Financial Implications

6.1 Market intelligence suggests that insurers are being more selective about the risks they insure and the level of premium they apply to insurance arrangements. We are seeing a position where insurers are looking to adjust their rates particularly in respect of education, highways and social care risks, therefore the general indication would be toward an increase in current premium levels or a significant increase in self insurance.

6.2 The Council's renewal premium for 2016 was £1,340k. In assessing the cost for the next few years no account has been taken of the changing size and shape of the Council, i.e. projected figures contain an element of uncertainty as they only reflect the 2016 position in terms of asset holding, employee costs and service provision.

	Current year		Forecast		
	2015/16	2016/17	2017/18	2018/19 & beyond	
	£000	£000	£000	£000	
Capital Investment					
Costs	0	0	0	0	
Funded by					
On-going costs (revenue)					
Costs - Staffing	0	0	0	0	
Other	1340	1396	1462	1522	
Total on-going costs (revenue)	1340	1396	1462	1522	
Funded by	Revenue funding.				

What benefits will the proposal deliver?	<p>The tender will deliver the Council's insurance programme for the next 3 – 5 years and provide sustainable insurable risk financing for the Council using an appropriate mix of insured and self insured solutions.</p> <p>Savings may not be realised from the procurement due to insurance market conditions and therefore it has been assumed that the on-going costs will remain as now.</p>
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7. Risk and Business Continuity Management

Risk(s) associated with the proposal

Risk	Mitigation	Residual Risk
LGSS fails to oversee robust tender process leading to breach of EU regulations	Process is being managed by LGSS Insurance Manager in consultation with LGSS	Green

Risk	Mitigation	Residual Risk
	Procurement and Council appointed insurance brokers to ensure full compliance with contracting regulations	
Poor evaluation and decision making result in increased insurance costs over life of contract	Evaluation will be undertaken in consultation with appointed insurance brokers to ensure errors or omissions in bids are identified and final recommendations represent most economically advantageous outcome for the Council. The final recommendations will then be peer reviewed by a Senior Manager from within the brokers who has not been involved in the evaluation to ensure robust decision making.	Green
Poor financial evaluation leads to selection of inappropriate levels of self insurance leading to higher lifetime costs	LGSS and appointed actuaries are undertaking a review against deductible of the Council's long term claims spend across liability and property risks to ascertain an appropriate level of self insurance for the Council in the future	Green

b) Risk(s) associated with not undertaking the proposal

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

8. List of Appendices

Author:	Name: Mark Greenall Team: LGSS Insurance
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Background Papers:	NONE
Does the report propose a key decision is taken?	YES
If yes, is the decision in the Forward Plan?	YES
Will further decisions be required? If so, please outline the timetable here	NO
Does the report include delegated decisions? If so, please outline the	YES

timetable here	
Is this report proposing an amendment to the budget and/or policy framework?	NO
Have the financial implications been cleared by the Strategic Finance Manager (SFM)? Have any capital spend implications been cleared by the Capital Investment Board (CIB)?	YES Name of SFM: Mike Inns N/A
Has the report been cleared by the relevant Director?	YES Name of Director: Damon Lawrenson
Has the relevant Cabinet Member been consulted?	YES Cabinet Member: Cllr Robin Brown
Has the relevant scrutiny committee been consulted?	NO Scrutiny Committee:
Has the report been cleared by Legal Services?	YES Name of solicitor: Fiona McMillan, LGSS Law
	Solicitor's comments:
Have any communications issues been cleared by Communications and Marketing?	NO – No communications or marketing issues Name of officer:
Have any property issues been cleared by Property and Asset Management?	NO – not deemed required, no impact on property assets Name of officer:
Are there any community safety implications?	NO
Are there any environmental implications:	NO
Are there any Health & Safety Implications:	NO
Are there any Human Resources Implications:	NO
Are there any human rights implications:	NO
Constituency Interest:	ALL

