

Report to:	Cabinet	Date of Meeting:	27 July 2017
Subject:	Insurance Provision		
Report of:	Head of Corporate Resources	Wards Affected:	(All Wards);
Portfolio:	Cabinet Member - Regulatory, Compliance and Corporate Services		
Is this a Key Decision:	Yes	Included in Forward Plan:	Yes
Exempt / Confidential Report:	No		

Summary:

The Council has a contract for insurance in place which was awarded in September 2013 on a three year term plus options to extend for two one year periods. On 28 September 2017, the first of the extension periods expires. The contract exceeds the OJEU threshold, having an annual cost of £949,643 in 2016/17. In accordance with Contract Procedure Rules, this report seeks Cabinet approval for the proposed arrangements so as to ensure the continued provision of effective insurance and to secure the most advantageous position for the Council.

A decision is sought from Cabinet on whether the Council should:

1. Exercise the option to extend the current insurance contract for one year, until 28 September 2018.
2. Undertake a procurement exercise, through the Crown Commercial Services Framework Agreement for Insurance Services, for a new contract, to be effective from 29 September 2017.

Recommendations:

Cabinet are recommended to

- (1) Approve that the Council exercises the option to extend the current Insurance contract for one year until 28 September 2018.
- (2) Approve that the Council undertakes a procurement exercise for a new insurance contract, effective from 29 September 2018 onwards, using the Crown Commercial Services Framework Agreement for Insurance Services.
- (3) Delegate authority to the Head of Corporate Resources in consultation with the Cabinet Member, Regulatory, Compliance and Corporate Services to award the contract to the highest scoring bidder from the procurement exercise to be undertaken in 2018/19.
- (4) Authorise the Head of Regulation and Compliance to enter into a contract with the successful tenderer from the procurement exercise to be undertaken in 2018/19.

Reasons for the Recommendation:

Advice on the current local authority insurance market, received from the Council's insurance brokers, AON, strongly suggests that the procurement of insurance in 2018/19, when the market has settled and there is an opportunity to gain maximised benefit from the increased competition from insurers. This is likely to enable the Council to secure a more advantageous position than a procurement in 2017/18 would offer.

By extending the current contract, due to the current insurers' understanding and familiarity with Sefton's portfolio, premiums and cover are expected to be maintained at current levels.

Use of the Crown Commercial Services Framework Agreement for Insurance Services beyond September 2018 also offers the opportunity to access a large number of pre-vetted insurers, including any new entrants to the market.

Alternative Options Considered and Rejected: (including any Risk Implications)

Undertaking a procurement exercise for insurance during 2017/18 is not advantageous for the Council, as this would not enable the Council to maximise benefit from the increased competition generated by the entry of new providers into the local authority insurance market, and would not maximise the choice of potential insurers open to the Council, as these new entrants do not yet have a proven track record.

What will it cost and how will it be financed?

(A) Revenue Costs

2016/17 premiums (including claims handling fees) amounted to £949,643. The cost is contained within the overall insurance budget.

(B) Capital Costs

There are no capital costs arising from this report.

Implications of the Proposals:

Resource Implications (Financial, IT, Staffing and Assets):
2016/17 premiums (including claims handling fees) amounted to £949,643. The cost is contained within the overall insurance budget.
Legal Implications:
There are none arising from this report.
Equality Implications:
There are no equality implications.

Contribution to the Council's Core Purpose:

The provision of adequate and cost-effective insurance arrangements supports the delivery of the activities of the Council and protects the Council from major financial loss arising from claims.

Protect the most vulnerable: Neutral impact
Facilitate confident and resilient communities: Neutral impact
Commission, broker and provide core services: Neutral impact
Place – leadership and influencer: Neutral impact
Drivers of change and reform: Neutral impact
Facilitate sustainable economic prosperity: Neutral impact
Greater income for social investment: Neutral impact
Cleaner Greener: Neutral impact

What consultations have taken place on the proposals and when?

(A) Internal Consultations

The Head of Corporate Resources (FD4741/17) and Head of Regulation and Compliance (LD4025/17.....) have been consulted and any comments have been incorporated into the report.

(B) External Consultations

Not applicable

Implementation Date for the Decision

Following the expiry of the “call-in” period for the Minutes of the Cabinet Meeting.

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Appendices:

There are no appendices to this report.

Background Papers:

There are no background papers available for inspection.

1. Introduction

1.1 In 2013, a procurement exercise for insurance was undertaken, resulting in a contract being awarded on a three year term with an option to extend for two

periods of one year. On 28 September 2017, the first of the extension periods expires.

- 1.2 So as to comply with Contract Procedure Rules and ensure continuity of the Council's insurance arrangements, a Cabinet decision is required on whether the current contract should be extended to 28 September 2018, or whether a new procurement exercise should be conducted.
- 1.3 The annual cost for the contract, contained within the Insurance budget, was £949,643 – so exceeding the relevant OJEU procurement limit.

2. Market Appraisal

- 2.1 The Council receives comprehensive market advice and guidance from its brokers, AON. Over the last twelve months in particular, AON has advised that there has been the entry to the market of a number of new insurers, and the diversification of a number of insurers into the local authority market.
- 2.2 In light of this advice, the service has been observing the effects of such market volatility and has appraised, in conjunction with AON, the potential impacts on Sefton's position regarding insurance arrangements following expiry of the current arrangements. A number of AON's local authority clients have renewed their insurance arrangements in recent months, and this market information from AON has proved valuable in informing the view of whether Sefton should extend its current arrangements or undertake a procurement exercise, in 2017. This information-gathering on the state of the insurance market is the reason for waiting as long as possible to ask Cabinet to take a decision on procurement, so as to maximise the Council's position.
- 2.3 AON has advised that current market volatility is starting to have a number of impacts upon those undergoing insurance procurement exercises, namely:
 - The increased volume of insurers in the market, and the increased competition this brings, is starting to have a positive impact on premiums offered at procurement, but that this positive effect has not yet peaked; and
 - There is reluctance for Councils to enter into contracts with new insurers, as they do not have a proven local authority track record, meaning that the extent to which new providers can influence the market is, as yet, limited.
- 2.4 In addition, the Council has sought the views of AON on the potential position if the Council was to extend its current contract. Their view is that by extending the contract, there is every expectation that the cover, terms and conditions and rating accorded to the Council will be maintained. The Government has announced changes to the Claims Discount Rate and the likely impact of this will be premium increases for casualty and motor claims. However, the likely preferential premiums obtained by extending the contract would help to mitigate this impact.
- 2.5 It is also of note that the introduction of a Crown Commercial Services Framework Agreement for Insurance Services means that the subsequent procurement exercise can be completed in a shorter timeframe, whilst allowing the Council to access a large number of pre-vetted of insurers (so providing assurance regarding

the performance of new insurers) and so offering the most advantageous procurement opportunity to the Council.

3. Preferred Option

- 3.1 On the basis of the advice and market intelligence obtained from the Council's brokers, it is clear that undertaking a procurement exercise during 2017/18 would not allow the Council to maximise the positive impact of market volatility. By extending the current arrangements, it is expected that the Council will be able to maintain favourable premiums, current levels of cover, and stability despite the market conditions.
- 3.2 Market intelligence further suggests that by conducting the procurement exercise during 2018/19, for commencement in September 2018, the opportunity presented by market volatility, so as to secure the most advantageous outcome for the Council - securing greater choice of providers, lower comparable premiums and favourable terms and conditions - is maximised.
- 3.3 When the procurement exercise is undertaken, the Crown Commercial Services Framework for Insurance Services should be utilised, so as to enable the Council to access a large number of pre-vetted insurers (so giving an independent view of the performance of new entrants to the market).