

REPORT TO: Executive Board

DATE: 18 October 2018

REPORTING OFFICER: Strategic Director – Enterprise, Community and Resources

PORTFOLIO: Resources

SUBJECT: Re-tendering of Insurance Contracts

WARD(S): Borough-wide

1.0 PURPOSE OF REPORT

1.1 The current contracts for a range of insurance services are due to expire on 31 March 2019. This is a preliminary estimates report in compliance with Procurement Standing Order 1.3.4. The report seeks approval to commence a procurement process to re-tender the insurance services that are due to expire. The total cost of the services is expected to exceed £1,000,000 over the maximum contract duration of five years.

2.0 RECOMMENDATION: That approval be given to undertake an open procurement process via the Council's electronic procurement system (The Chest) with the purpose of securing the following insurance services:

- **Public & Employers' Liability cover**
- **Officials' Indemnity cover**
- **Professional Indemnity cover**
- **Engineering Inspection cover**
- **Engineering Insurance cover**

3.0 SUPPORTING INFORMATION

3.1 In April 2014 the Council entered into five year contracts for a range of insurance services covering public and employers' liability, officials' indemnity, professional indemnity, engineering inspection and engineering insurance. These contracts end on 31 March 2019 and no further pre-determined contract extensions are available. A procurement process therefore needs to be commenced to renew these policies.

3.2 The public sector insurance market is limited and a highly specialist area. The majority of insurers will only deal with local authorities via an insurance broker intermediary. As such, the Council's insurance broker, Aon, will manage the tender process with support from the Procurement team. An insurance tender fee will not be charged by Aon as the annual brokerage fee is inclusive of this process.

- 3.3 The aggregate annual value of the contracts to be tendered is currently in the region of £300,000. The proposed procurement is therefore estimated to exceed the European Union threshold for supplies and services and a formal competitive tender is proposed to be undertaken in line with Council's Procurement Standing Orders and the EU Public Contract Regulations 2015.
- 3.4 As part of the exercise a review of the Council's insurance programme will be undertaken and relevant alternatives considered to establish the most appropriate programme for the Council. This will include reviewing components such as the extent of cover, level of deductibles (policy excess), indemnity limits and length of contract.
- 3.5 The contracts will be divided into individual lots and an open tendering procedure will be followed. This approach is intended to encourage greater competition and allow specialist insurers to submit bids for specific lots.
- 3.6 Aon will undertake a comprehensive evaluation of tender submissions on behalf of the Council and make recommendations. Tender submissions will be assessed on both quality and price.
- 3.7 The new contracts will run from 1 April 2019. The contract durations will be for three years with an option to extend for a further two years.

4.0 POLICY IMPLICATIONS

- 4.1 The Council's approach to purchasing external insurance is set out in the Council's Risk Financing and Insurance Strategy.
- 4.2 The proposed method of procurement is consistent with the Council's procurement policies and procedures.

5.0 FINANCIAL IMPLICATIONS

- 5.1 There are a range of factors that will influence the financial outcome of this tender exercise. These include the Council's claims experience, the current market conditions and any changes to the structure of the Council's insurance programme.
- 5.2 Competition in the public sector insurance market is restricted to a small number of insurers and the Council's insurance broker has advised that the insurance market is presently challenging with some areas of risk seeing significant rate increases.
- 5.3 It should be noted that the standard rate of Insurance Premium Tax (IPT) is presently 12 per cent. IPT will apply to all insurance policies purchased as part of this tender process. Unlike VAT, the Council is unable to recover any IPT paid.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children and Young People in Halton

External insurance cover helps prevent the need to redirect financial resources away from the Council's priorities in the event of a significant financial loss. As such it forms a key part of the Council's financial management arrangements and therefore contributes to the delivery of all the Council's priorities.

6.2 Employment, Learning and Skills in Halton

See 6.1 above

6.3 A Healthy Halton

See 6.1 above

6.4 A Safer Halton

See 6.1 above

6.5 Halton's Urban Renewal

See 6.1 above

7.0 RISK ANALYSIS

7.1 External insurance cover helps to improve financial certainty by smoothing year on year fluctuations in the cost of claims and losses. It also provides financial protection against spikes in costs due to large losses and/or aggregate costs.

7.2 Failure to procure external insurance cover will leave the Council exposed to significant financial risk.

8.0 EQUALITY AND DIVERSITY ISSUES

None.

9.0 LIST OF BACKGROUND PAPERS UNDER SECTION 100D OF THE LOCAL GOVERNMENT ACT 1972

None under the meaning of the Act.