

REPORT TO: Executive Board
DATE: 19 October 2023
REPORTING OFFICER: Operational Director - Finance
PORTFOLIO: Corporate Services
SUBJECT: Re-Tendering of Council Insurance Policies
WARD(S) Borough wide

1.0 PURPOSE OF THE REPORT

1.1 The current contracts for a range of insurance services are due to expire on 31 March 2024. This is a preliminary estimates report in compliance with Procurement Standing Order 1.3.5. The report seeks approval from the Executive Board to commence a procurement process to re-tender the insurance policies that are due to expire.

Based upon current premium levels, the total cost of the services is expected to exceed £1,000,000 over the maximum contract duration of five years.

2.0 RECOMMENDATIONS: That

(i) Approval be given to commence a procurement exercise for the following Council insurance policies:

- **Combined Liability**
- **Medical Malpractice**
- **Engineering and inspection**
- **Property**
- **Motor**
- **Computer**

(ii) The Operational Director - Finance, in consultation with the Portfolio Holder for Corporate Services, be delegated to deal with any matters relating to the procurement of this contract.

SUPPORTING INFORMATION

3.1 Following a procurement process, in April 2019, the Council entered three-year contracts for insurance policies relating to combined liability, medical malpractice, and engineering (including engineering inspections). The contracts included options to extend for up to a further two years. These contracts end on 31 March 2024 and no further pre-determined contract extensions are

available. A new procurement process therefore needs to be commenced to renew these policies.

- 3.2 In April 2021, the Council entered three-year contracts for its property, motor, and computer insurance policies. These contracts are due to expire on 31 March 2024. Contract extension options are available; however, after consultation with the Council's insurance broker, it is felt that the Council may achieve a better overall outcome by tendering all its main insurance policies at the same time.
- 3.3 The Council's personal accident and crime policies are available for renewal with the current insurers and will not form part of the proposed procurement.
- 3.4 The new contracts will run from 1 April 2024. The contract durations will be for three years with an option to extend for up to a further two years.
- 3.5 The aggregate annual value of the contracts to be tendered is currently over £500,000. The tender process will therefore be conducted in compliance with the Public Contract Regulations 2015 and be supported by the Procurement Team.
- 3.6 Prior to the procurement process, a review of the Council's insurance programme will be completed, and relevant alternatives considered to establish the most appropriate programme for the Council. This will include reviewing components such as extent of cover, levels of self-insurance, and indemnity limits.
- 3.7 It is proposed that the procurement will be undertaken by accessing a framework agreement for insurance services managed by the Yorkshire Purchasing Organisation. Policies will be split into specific lots. Each lot will be awarded based on the most economically advantageous tender based on an assessment of both quality and price.
- 3.8 The Council's insurance broker will support the tender evaluation process by completing a comprehensive evaluation of tender submissions on behalf of the Council and make recommendations.

4.0 POLICY IMPLICATIONS

- 4.1 The Council's approach to purchasing external insurance is set out in the 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 the procurement. These include the Council's claims experience, the current market conditions, and any changes to the structure of the Council's insurance programme. The extent to which the market perceives the Council to be an attractive proposition from a risk perspective is also particularly important.
- 5.2 Competition in the public sector insurance market is restricted to a small number of insurers. The Council's insurance broker has advised that the insurance market remains challenging. Insurers are continuing to adopt a conservative approach due to ongoing uncertainty related to inflation, rising loss costs, global tensions, and a slow supply chain recovery.
- 5.3 The 2023/24 aggregate budget for the policies being tendered is approximately £449,000. The cost of the Council's premiums for 2023/24 is forecast to be approximately £521,000. The £72,000 budget shortfall is principally due to inflationary pressures and insurers imposing annual rate increases since the policies were last retendered.
- 5.4 The outcome of the procurement exercise is unlikely to be known before 2024/25 budget setting. The Council's broker has advised that it would be prudent for the Council to budget for increases of between 5% and 10% on 2023/24 premiums, if cover is placed like for like. This would require increasing the insurance budget by between £98k and £124k.

6.0 IMPLICATIONS FOR THE COUNCIL'S PRIORITIES

6.1 Children & 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 & Skills in Halton

See 6.1

6.3 A Healthy Halton

See 6.1

6.4 A Safer Halton

See 6.1

6.5 Halton's Urban Renewal

See 6.1

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 would leave the Council exposed to significant financial risk.

8.0 EQUALITY AND DIVERSITY ISSUES

8.1 None

9.0 CLIMATE CHANGE IMPLICATIONS

9.1 None

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

None under the meaning of the Act.