



**Author/Lead Officer of Report:** Stephen Bull,  
Deputy Strategic Insurance Manager

**Tel:** 0114 20 53959

---

**Report of:** Diane Tomlinson, Strategic Insurance Manager

**Report to:** Cllr Olivia Blake, Cabinet Member for Resources

**Date of Decision:** 07 November 2018

**Subject:** Liability & Motor Insurance Tender

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? <i>(Resources) Cllr Olivia Blake</i>		
Which Scrutiny and Policy Development Committee does this relate to? Not Applicable		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? <i>(348)</i>		
Does the report contain confidential or exempt information?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		
<i>"The appendix is not for publication because it contains exempt information under Paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

**Purpose of Report:**

To approve the commencement of the procurement process to re-tender two contracts one for the Council's existing liability insurance and one for the motor insurance portfolio. The existing contracts expire on 30 March 2019.

**Recommendations:**

The Cabinet Member for Resources:

1. Approve the procurement of Liability insurance and Motor insurance for the Council's fleet of vehicles and Public and Employers Liability exposure via one compliant competitive tender exercise.
2. Delegates Authority to the Director of Finance and Commercial services to award the contract and complete all necessary documentation.

Delegates Authority to Director of Finance and Commercial services in consultation with the Director of Legal and Governance to take such steps as they deem appropriate to achieve the outcomes set out in this report.

**Background Papers:**

Not applicable

Lead Officer to complete:-		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>(Insert name of officer consulted)</i> <b>Anna Sanderson</b>
		Legal: <i>(Insert name of officer consulted)</i> <b>Nadine Sime</b>
		Equalities: <i>(Insert name of officer consulted)</i> <b>Michelle Hawley (EIA Reference 348)</b>
	<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	<b>EMT member who approved submission:</b>	<i>Eugene Walker</i>
3	<b>Cabinet Member consulted:</b>	<i>Cllr Olivia Blake</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> <i>Stephen Bull</i>	<b>Job Title:</b> <i>Deputy Strategic Insurance Manager</i>

**Date:** *05 October 2018*

## **1. PROPOSAL**

- 1.1 The Council's existing Public and Employers Liability insurance and Motor Insurance policies expire on 30 March 2019. The Public and Employers Liability policies provide cover for claims for injury to persons or damage to property where the Council is legally required to meet these claims based on breach of duty and/or in negligence. The Motor insurance provides similar cover for accidents caused by drivers of Council owned or operated vehicles when driven on the business of the Council.
- 1.2 To ensure the continued financial protection provided by these insurance policies a competitive tender exercise is required to ensure that new contract(s) can be entered into before the expiry date. The value of the tender is such that the opportunity to tender will be advertised through the Official Journal of the European Union (OJEU).
- 1.3 The Council is exempt from the legal requirement to purchase both Employers Liability and Third Party Motor insurance but chooses to do so in order to protect it from financial risk.

## **2. HOW DOES THIS DECISION CONTRIBUTE?**

- 2.1 The proposal does not directly affect individuals, but provides financial certainty to the Council in managing its financial liability arising out of insurable compensation claims. This protects frontline service budgets.

## **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 The Council is not required to consult on this proposal.

## **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

### **4.1 Equality of Opportunity Implications**

- 4.1.1 There is no Equality of Opportunity Implications.

### **4.2 Financial and Commercial Implications**

- 4.2.1 There are no direct financial implications arising out of the decision to procure. All procurement costs will be covered within existing budgetary provision. However, there is the possibility that the quotations will be higher than the current insurance premiums. Paragraph 4.2.2 explains the reasons for this and the mitigation measures which are available to the Council.

The total value of both contracts exceeds £500K. See confidential information in appendix 1 for further financial information which is restricted as commercially sensitive.

- 4.2.2 The Council remains in a strong position in comparison to most Local Authority risks due to an excellent claims history and the ability to evidence a high standard of risk management.

There is significant upward pressure on Public and Employers Liability insurance rates due to market and legislative conditions outside the Council's control, including the Government's amendment to the Discount Rate affecting claims for future loss and care. The rate of Insurance Premium tax has also increased in the last 5 years from 6% to 12% and further increases cannot be ruled out.

To mitigate the potential effects of increases to the premium spend we will seek alternative excess options, above the existing values of £365K Public and Employers Liability and £25K Motor insurance.

We will also provide to the market, details of the Council's arrangements to manage the key risks associated with such a wide variety of operational functions.

Any proposed changes to the insurance programme based on alternative options will be approved by the Executive Director of Resources.

There are no other reductions in cover that would be likely to generate savings that would present value for money.

Any impact of material changes to cost of the insurance premium will not impact on Portfolio budgets until 2020-21, and early notice to affected areas will take place if required.

We will seek to encourage the broadest range of responses from the insurance market. Holding an open, transparent and competitive tender process should encourage the most competitive bids for our needs, in terms of price and fit.

The procurement will be a one tender exercise divided into 2 lots for the Public and Employers Liability and Motor elements. Bidders will be entitled to bid on either or both lots. This will ensure maximum market engagement as some insurers specialise in one but not both types of cover. By running as one exercise an insurer will have the option to offer enhanced discount on the placement of both lots.

The Insurance & Risk team will be supported by the Procurement and Supply Chain Team to ensure compliance with relevant public procurement regulations.

Duration of the contract will be a maximum of 5 years (3 years with an option to extend for a maximum of a further 2 years).

#### 4.3 Legal Implications

- 4.3.1 Although there is no statutory requirement for the Council to have Employers Liability insurance or Motor insurance, in taking out such policies the Council is protecting itself against future risks and high value claims.

The procurement of these contracts will be incidental to the Council's statutory functions and the Council has a specific power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions (s.111 (1) Local Government Act 1972).

- 4.3.2 In following a fully open and transparent compliant competitive tender process the Council will ensure compliance with the Public Procurement Regulations. The process will also be compliant with the Council's Standing Order and an audit trail of the procurement process will kept.

#### **5. ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 There are no realistic alternatives that would provide sufficient financial protection against the Council's exposure to insurable compensation claims.

#### **6. REASONS FOR RECOMMENDATIONS**

- 6.1 This is the preferred option due to the significant financial risks associated with a complex range of operational activities and the associated potential for insurable compensation claims.

The desired outcome is to secure the best available terms from the insurance market to continue protection of the Council's insurable liabilities.