



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

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Report of: *Stephen Bull, Strategic Insurance Manager*

Report to: *Executive Director of Resources*

Date of Decision: *29 March 2022*

Subject: *School Insurance*

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 Executive Member Portfolio does this relate to? <i>Finance and Resources</i>		
Which Scrutiny and Policy Development Committee does this relate to? <i>Children Young People and Family support scrutiny committee</i>		
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>1149</i>		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" 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"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i>		

Purpose of Report:

The purpose of this report is to seek approval for the council to enter into a bespoke Schools Insurance contract with Zurich Municipal, by way of direct award, commencing on 31 March 2022, and annually renewable for up to 3 years.

The purpose of this report is also to seek approval of the council's release of schools from within its liability insurance contract with Maven and notes the insurer's agreement to do so without any financial penalty in preference to

providing its own per pupil offer.

Recommendations:

It is recommended that the Executive Director of Resources:

- Approves the direct award of the Schools Insurance contract to Zurich Municipal.
- Approves the release of schools from the liability insurance contract with Maven in accordance with its terms.

Background Papers:**Paper 8 – Schools Insurance – to Forum 21 September 2021**

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 Kayleigh Inman
	Legal: <i>Richard Marik</i> Equalities: <i>Bev Law</i>
<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	EMT member who approved submission: <i>Eugene Walker</i>
3	Executive Member consulted: <i>Cllr Cate Macdonald</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.
	Lead Officer Name: <i>Stephen Bull</i> Job Title: <i>Strategic Insurance Manager</i>

1. PROPOSAL

- 1.1 The proposal is to remove Maintained, Voluntary Aided and Foundation Schools from the Councils current Insurance programme in favour of a bespoke package with Zurich Municipal.
- 1.2 It is proposed that the Council enter into an insurance agreement with Zurich Municipal by way of direct award on the basis that it is the only provider able to meet the council's requirements.
- 1.3 The Council currently provides insurance to schools via a long-term agreement (LTA) via the Mandatory Insurance Scheme and Optional Locally Managed Scheme (LMS) provided in this programme (these schemes are not open to Academy Schools).
- 1.4 The Council's current long term agreement with Zurich Municipal for property insurance ends on 31 March 2022 which provides the opportunity to move schools out of this arrangement.
- 1.5 The Council's Liability insurance is about to enter year 4 of a 5 year agreement with Maven. This insurer has agreed to release schools from the agreement without any financial penalty in preference to providing it's own per pupil offer.
- 1.6 Unfortunately, there are now too few schools remaining in the Council's Insurance Fund to continue to insure on the existing basis on which schools share losses below the current excess (£250K property and £500K Liability) between them. This is no longer cost effective or affordable for schools.
- 1.7 The total value of claims paid in 2020-21 for schools was circa £675K.
- 1.8 The proposal is therefore to remove schools from the Councils current insurance programme in favour of a bespoke package with Zurich Municipal.
- 1.9 **Market research**
- 1.10 The Risk Protection Arrangement (RPA) was established by the government as an alternative to insurance for Academy Schools in 2014.
- 1.11 The DfE opened up the RPA to Local Authority Maintained, Special, Foundation, Foundation Trust and Voluntary Aided Schools in 2020 as an alternative to insurance for schools not already in an existing LTA with their Local Authority. This is charged on a per pupil cost basis. There is no requirement to provide any additional technical information other than pupil numbers. The RPA is a Membership scheme and is not an

insurance contract.

- 1.12 Zurich Municipal, in response to the RPA have launched their own per pupil costed option for Local Authority Maintained schools. This option is an insurance contract and is governed by the Financial Conduct Authority and insurance law.
- 1.13 Analysis of published information for the RPA scheme suggests that the scheme is currently projecting a loss over the first six years with claims and administration costs exceeding income from Academy schools membership. It is therefore more likely than not that the RPA rate per pupil will increase within the next three years. There was a £1 per pupil increase in 2021 and the scheme for Academy schools was originally launched at £25 per pupil. After the School Forum decision there has been a further £2 per pupil increase for the RPA.
- 1.14 The existing LMS policy per claim limit of £27,500 is removed in both the Zurich Municipal and RPA schemes so cover is better in respect of theft, malicious damage, accidental damage and escape of water claims.
- 1.15 Discussions have also taken place with the other insurers in the market and none of these companies offer or are willing to offer a fixed per pupil cost model with no excess and with the exchange of minimal technical information. This has been confirmed by the Council's insurance broker who have access to the whole market of insurance companies operating in the Public Sector for the main classes of insurance.
- 1.16 Insurers in the marketplace will only provide cover on a traditional calculation basis based on sums insured, wage roll, previous claims experience and technical information about each property.
- 1.17 Zurich Municipal package does not require this information and rate is based on pupil numbers only. This is the same methodology used by the DfE's scheme.

Options

- 1.18 The two options below were put forward to the Schools Forum in September 2021, and voted on in December 2021 for future insurance arrangements for all eligible Sheffield Schools commencing in April 2022.

Option 1 – Bespoke package with Zurich Municipal.
Option 2 - Transfer to the DfE's Risk Protection Arrangement.
- 1.19 The Zurich Municipal scheme and pricing is based on all eligible schools subscribing to the scheme. There is no scope for schools individually choosing either scheme. The only option available is to decide which of the two schemes all schools want to join from 2022-23.
- 1.20 The Schools Forum voted in favour of the Zurich Municipal package which features the following:

- 3 year fixed rate.
- The Council's insurance team will continue to deal with insurance queries, risk management and claims handling for schools within the fixed costs.
- The Council will continue to insure school vehicles at a fixed rate of £567.50 per annum for the next 3 years under the Councils existing Motor Insurance contract.
- Cover can be extended on request for building works above £250,000 and no additional cost to school for schemes up to £2 million.

1.21 The Zurich Municipal insurance package includes: Property; Liability; School Travel; Fidelity Guarantee; Money; Governors Liability; Personal Accident; and Business Interruption insurances. The key difference to the existing cover is that there are no significant excess amounts on these covers.

1.22 As there is no other insurer in the market who will price on a per pupil rate for Schools insurance we were unable to compete this alternative with another commercial market. The comparator for schools was the RPA per pupil offer. Schools opted to take the Zurich Municipal offer on the basis that they will continue to be supported by the Council for this arrangement. It also provides a fixed cost for 3 years.

1.23 The Council cannot leave schools uninsured and, based on the decision made by the School's Forum, it is proposed that a direct award is made to the only economic operator who can deliver the services to our requirements.

Costs

1.24 The cost of the Zurich Municipal in year 1 is £608K inclusive of insurance premium tax at 12%. This is an annual saving to schools compared to their 2021-22 premiums of circa £360K.

1.25 Overall total spend dependent on pupil numbers in years 2 and 3 is circa £1.8M over the full 3 years. The potential 3 year saving to schools is over £1M.

1.26 100% of the remaining eligible schools currently opt into the original scheme and will also opt into the new Zurich Municipal arrangement.

2. HOW DOES THIS DECISION CONTRIBUTE ?

2.1 There is a net economic benefit to schools of circa £360,000 per annum.

Schools retain the support of the Councils insurance team.

In addition school related projects needing input from multiple professionals in insurance, health and safety, legal and property management retain access to these disciplines at a one stop shop. This reduces risk of delays and conflicting advice.

3. HAS THERE BEEN ANY CONSULTATION?

3.1 The options were presented to the Schools Forum in September 2021 and voted on in December 2021.

3.2 No further consultation was required.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

4.1.1 There are no adverse implications.

4.1.2 Special Schools are net financial beneficiaries from the new scheme by an aggregate of £63,000 per annum.

4.2 Financial and Commercial Implications

4.2.1 The proposal has a net financial saving to schools of circa £360,000 per annum.

4.2.2 The initial paper submitted to the School Forum (attached as a Background Paper) showed a slightly higher level of saving per annum but this has reduced as a result of 2 schools transferring to Academy since the September report.

4.2.3 The new insurance arrangement will continue to provide financial protection to the assets of schools and the Council.

4.3 Legal Implications

4.3.1 Although there is no statutory requirement for the Council to provide Schools Insurance, in taking out such policies the Council is protecting itself and its maintained schools against future risks and high value claims.

4.3.2 The award 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).

4.3.3 In the specific cases and circumstances laid down in Regulation 32 Public Contracts Regulations 2015 (PCR 2015), contracting authorities

may award public contracts by a negotiated procedure without prior publication.

- 4.3.4 Reg 32(b)(ii) provides that such an award can be made where the works, supplies or services can be supplied only by a particular economic operator and competition in that market is absent for technical reasons.
- 4.3.5 There is an arguable legal case that the contract award to Zurich Municipal by a negotiated procedure without prior publication is justified on the basis that the absence of competition in the Schools Insurance market (and the existence of only one viable insurance provider in the form of Zurich Municipal) is caused by technical reasons.
- 4.3.6 The primary technical reason nullifying competition in the Schools Insurance market is Zurich Municipal's sole capability in providing: a fixed per pupil cost model; with no excess; and with the exchange of minimal information. It is also arguable that the RPA's status as a membership scheme (as opposed insurance provider status) and the prospect of an increase in rates per pupil under the scheme, constitute further technical reasons for the absence of competition and the existence of a sole economic actor in the Schools Insurance market.
- 4.3.7 Although the direct award to Zurich Municipal would ensure a £300k saving and adequate insurance coverage for schools, there remains a risk that the Courts may interpret "technical reasons" in a different manner and ultimately come to different conclusion to that arrived at in this report. The decision maker must therefore bear this risk in mind when reviewing this report and coming to a decision.

4.4 Other Implications

- 4.4.1 The new arrangements will continue to provide financial protection for school buildings and contents which are key assets for service delivery.

5. ALTERNATIVE OPTIONS CONSIDERED

- 5.1 There are no other alternatives which provide cover on a per pupil rate available in the Insurance Market.
- 5.2 The only other per pupil offer is provided by the Risk Protection Arrangement (RPA) which is an alternative to insurance provided by the DfE.
- 5.3 The option to join the RPA or accept the Zurich Municipal Scheme was put to the Schools Forum and the preferred option was the Zurich Municipal Scheme.
- 5.4 The current arrangements are no longer financially viable due to the reduced number of schools in the programme.

6. REASONS FOR RECOMMENDATIONS

- 6.1 This option provides all the required insurances to meet school needs including buildings, contents, liability, fidelity guarantee and school journey insurances.
- 6.2 The rate for the selected option will be fixed for 3 years. The alternative was subject to change. This option will provide financial certainty for schools over the next 3 years in relation to insurance costs.
- 6.3 The Schools Forum consulted schools on the available options and the binding decision was for all schools to opt in to the Zurich Municipal offer.
- 6.4 There is a net aggregate saving to schools in 2022-23 compared to 2021-22 of circa £360,000.