


## LONDON BOROUGH OF WALTHAM FOREST

Meeting / Date	<b>Cabinet</b> <b>12 September 2023</b>	
Report Title	<b>Procurement of Contract for the Council's Insurance Services</b>	
Cabinet Portfolio	Councillor Paul Douglas, Portfolio Lead Member for Finance & Resources	Signature 
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Wards affected	All	
Public Access	OPEN	
Appendices	Appendix A – Evaluation criteria Appendix B – Timetable	

### 1. SUMMARY

- 1.1 The Council's current contracts for the provision of insurance services have been in place since 01 April 2019 and come to an end on 31 March 2024. The purpose of this report is to seek Cabinet's approval to tender for the procurement of insurance services contracts.

### 2. RECOMMENDATIONS

- 2.1 Cabinet is recommended to:
- 2.1.1 Approve the procurement and tender process for the Council's insurance services for the period 01 April 2024 to 31 March 2029.
- 2.1.2 Delegate the award of contract(s) to the successful provider(s) to the Strategic Director of Resources.

### 3. PROPOSALS

- 3.1 The Council's current insurance contracts have been in place since 01 April 2019 under a long term agreement due to end on 31 March 2024. These contracts cover a range of different insurances and are designed to provide the Council with a degree of protection from claims against it by transferring some of the risk to external parties, namely

insurance providers. To ensure continuity of service, new contracts are required to be in place by the 01 April 2024.

The anticipated value of the contract to the Council over its' five-year life will be in the region of £9 million, based on the projected spend on premiums for 2023/24.

- 3.2 The procurement will ensure that the Council maintains adequate insurance cover during the next 5 years, and that the contracts represent value for money for the Council. The insurance requirements will be broken down into distinct lots to enable the Council to fully explore all available insurance providers for all required classes of business as well as cost and quality of service.
- 3.3 The Council's insurance broker, Marsh Ltd, will support the procurement process. A reputable broker is important when undertaking an insurance tender exercise as their knowledge of the market is greater than the Council's, and some of the major insurance providers can only be accessed through a recognised broker.
- 3.4 Undertaking an open tender process is the best way to ensure all available markets can be explored, from major suppliers to the public sector as well as specialist smaller insurance providers.
- 3.5 The main tender will be split into 6 distinct Lots as shown below:-
  - Lot 1 - Property
  - Lot 2 - Casualty
  - Lot 3 - Motor Fleet
  - Lot 4 - Engineering
  - Lot 5 - Group Personal Accident/Travel and  
School Journeys
  - Lot 6 - Terrorism – Full value and First Loss
- 3.6 The proposed evaluation criteria can be found under appendix A.
- 3.7 The proposed tender timetable can be found under appendix B.
- 3.8 The tender will not include the Council's ex-Waltham Forest housing stock residential leasehold properties. These are separately tendered to enable the Council to fulfil its obligations with regards to leaseholder consultation under the Commonhold & Leasehold Reform Act.

#### **4. OPTIONS & ALTERNATIVES CONSIDERED**

- 4.1 Procure insurance via a framework agreement.

A framework agreement for insurance services is in existence, providing access to 19 insurers who have been pre-qualified thereby saving time by not having to conduct a full procurement exercise. Although the framework includes a large number of suppliers, the number specifically for local authorities and social housing providers is fairly small and not all insurers are party to the framework. This would mean that we would not have access to all of our potential suppliers.

This route would also not be cost effective as the provider charges for the use of the framework.

#### 4.2 Join a Mutual

Mutuals generally work when there is no market available, i.e. insurers do not like underwriting a particular sector or classes of business, or simply do not provide cover at any costs.

Currently no operational mutual exists within the public sector to cover the risk we are seeking to insure against.

#### 4.3 Form a Captive

A captive is an insurance company owned and controlled by those it insures. It only insures the risks of the owners. Those who are insured are able to benefit from the underwriting profits that are collected. It could keep costs centralised and provide an option to manage the Council's risks by underwriting our own insurance, thereby reducing the number of premiums that must be sent out to third-party insurers, providing more overall control.

In the case of the Council, it is too small an organisation to benefit from any of the advantages as the costs would most likely outweigh any potential savings. In addition there is no opportunity to spread out the risk and the total costs can vary greatly each year, making it difficult to budget.

#### 4.4 Fully self-insure

Full self-insurance would mean that the Council eliminates its premium costs, which invariably include an insurance company's overheads for policy administration, assumption of risk and underwriting profits as well as insurance premium taxes.

The disadvantage is that due to the Council's exposure to claims, a fully self-insured programme is likely to cost more than insuring in the traditional insurance market. With self-insurance, capital must always be available in reserve if there are claims that must be paid. Should the Council underestimate its' reserve level, there may not be enough funds available to provide an adequate level of protection. This means that the Council would need to ensure that this reserve was adequate at all times, otherwise it could put Council services at risk.

#### 4.5 Do nothing

This would mean the contracts run out effective 01 April 2024 and the Council would be in a self-insured position as described under point 4.4 above.

## **5. COUNCIL STRATEGIC PRIORITIES (AND OTHER NATIONAL OR LOCAL POLICIES OR STRATEGIES)**

- 5.1 Effective insurance arrangements ensure that risks are appropriately managed by third parties where possible and liabilities covered, enabling the Council to deliver value for money services to residents.

## **6. CONSULTATION**

- 6.1 This report has been prepared following consultation with Council officers from Corporate Procurement and Legal Services. Consultation in accordance with the Commonhold & Leasehold Reform Act 2002 will be undertaken with Residential Leaseholders in properties not part of the former council housing stock, where the Council is the freeholder.
- 6.2 Leaseholders will be consulted individually in writing prior to the commencement of the tender exercise, in accordance with the requirements of the 2002 act, of the Council's intention to enter into a long term agreement for buildings insurance.

## **7. IMPLICATIONS**

### **7.1 Finance, Value for Money and Risk**

- 7.1.1 Approval is sought to tender for the procurement of insurances services contract with a goal of entering a three-year contract with an option to extend for two more years.
- 7.1.2 The Council's projected spend and budget on insurance policies for 2023/24 is £2,396,005 per year. Some policies are excluded from the proposal, (the leasehold insurance policy and the museums policy totalling £592,727), therefore the projected spend for the tender-related policies is £1,803,278 per year, totalling £9,016,391 over five years.
- 7.1.3 The Council self-insures liability claims up to £250,000, and property up to £60,000 to reduce external spend. As at 31 March 2023, the provision for self-insured claims was £5,534,611.94 as supported and informed by our externally provided fund report.
- 7.1.4 All premiums and retained costs for insurance services will be recharged from the central insurance cost centre to the service/departments.
- 7.1.5 Value for money is to be achieved by breaking down the insurance requirements into six specific lots as shown in para 3.5, to obtain the best possible economic value for the Council. Fully exploring all available insurance providers for all required classes of business as well as the cost and quality of service.

### **7.2 Legal**

- 7.2.1 The Council has the general power of competence under section 1 of the Localism Act 2011 and its ancillary powers under section 111 of the Local Government Act 1972, to do anything which is conducive to or

incidental to its functions. The provision of insurance will fall within these powers.

7.2.2 The procurement of insurance cover will be conducted as an open procedure under the Public Contracts Regulations 2015 and in accordance with the Council's Contract Procedure Rules. The proposed procurement approach has been approved by the Strategic Commissioning Board.

### 7.3 **Equalities and Diversity**

7.3.1 There are no specific equality or diversity issues arising from this report.

### 7.4 **Sustainability (including climate change, health, crime and disorder)**

7.4.1 Effective insurance and risk management is key to ensuring the Council delivers quality services to residents. The Insurance and Risk Management Service contributes to the Council's priority to reduce crime within the borough by preventing fraud and corruption against the Authority through the sharing of data with other public sector organisations and law enforcement agencies.

### 7.5 **Council Infrastructure**

7.5.1 There are no specific human resources, accommodation, or IT issues arising from this report.

## **BACKGROUND INFORMATION (as defined by Local Government (Access to Information) Act 1985)**

None