

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
8 October 2019

Subject: COUNCIL INSURANCE POLICY

All Wards
Portfolio Holder for Economic Development and Finance: Councillor P R Wilkinson

1.0 PURPOSE AND BACKGROUND:

- 1.1 The purpose of this report is to:
- update Cabinet on the future insurance cover for the Council; and
 - recognise the decreased costs in insurance premiums.
- 1.2 The Council's insurance policy expires on 1 November 2019. Insurance is a specialised market and therefore a broker was engaged, Arthur J. Gallagher Insurance Brokers Limited (Gallagher), to carry out the required tender exercise under Crown Commercial services RM3731 framework in discussion with Council Officers.
- 1.3 The tender exercise provided an opportunity to review existing insurance arrangements to confirm that they are fit for purpose going forward and to review the information on which the insurance programme is based. One key change made was to engage external valuers Align Property Partners to revalue for insurance purpose, the Council's property portfolio which had not been done for some time. Another key change has been to increase the fidelity guarantee from £6m to £10m in response to the existing property portfolio.
- 1.4 The tender bids were invited on a similar basis of insurance cover and programme structure that the Council currently holds including existing levels of self-insurance, taking into account the revised sums insured, risk management measures and other exposure information.
- 1.5 The insurance market for Local Authority risks is very specialist and limited to a few insurers with the necessary skills and experience. Bids were received from the majority of the established Public Sector insurers plus additional bids from other insurers in the market for certain aspects of the insurance programme. The tenders received have been evaluated on the basis of the published award criteria and sub-criteria and been scored to make an informed decision in awarding the contract.
- 1.6 The annual cost of insurance cover to the Council in November 2018 was £287,777. The cost to renew the Council's insurance in November 2019 is £166,352. The overall decrease in insurance cost of £121,425 is mainly due to the decrease in premium for Combined Liability of £112,679. The improved liability insurance cover for fidelity guarantee from £6m to £10m has only increased the cost to the Council of £1,800.
- 1.7 The insurance budget in 2019/20 has been set at £302,870. Therefore due to the insurance decreasing part way through the year, there will be a decrease cost of insurance for five months.
- 1.8 Attached at Annex A is a breakdown of the insurance categories and costs for the tendered cost in November 2019 compared to the insurance costs paid in November 2018.

2.0 LINK TO COUNCIL PRIORITIES:

2.1 The procurement exercise undertaken has achieved value for money for the Council in renewing its insurance policy. It has obtained the best rates possible, whilst striving to achieve the lowest costs possible.

3.0 RISK ASSESSMENT:

3.1 Risk in not approving the recommendation

| Risk | Implication | Gross Prob | Gross Imp | Gross Total | Preventative action | Net Prob | Net Imp | Net Total |
|--|-------------------------------------|-------------------|------------------|--------------------|--|-----------------|----------------|------------------|
| Council is exposed to insurance claims as no protection exists | Negative impact on Council finances | 5 | 5 | 25 | Accept the renewal insurance premium costs | 2 | 5 | 10 |

Prob = Probability, Imp = Impact, Score range is Low = 1, High = 5

4.0 FINANCIAL IMPLICATIONS:

4.1 The current budget for the Council's insurance in 2019/20 is £302,870. The insurance premium negotiated from November 2019 was £166,352 which resulted in an annual saving of £136,518 split over 2 financial years. Therefore for the 2019/20 this saving is £56,883.

4.2 For the 2020/21 financial year, there will be a growth requirement in the budget, which will include the 7 months of the known insurance costs paid in November 2019 of £79,635 and also a consideration for the increase that will occur next year. It should be noted that even when a long term agreement is entered into, the cost of insurance rises on an annual basis in accordance with insurance market conditions at the time.

5.0 LEGAL IMPLICATIONS:

5.1 There are no legal implications to consider with this report.

6.0 EQUALITY/DIVERSITY ISSUES

6.1 Equality and Diversity Issues have been considered however there are no issues associated with this report.

7.0 RECOMMENDATION:

7.1 It is recommended that the Cabinet accepts the insurance costs set out in Annex A at £166,352.

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DIRECTOR OF FINANCE AND COMMERCIAL (s151 OFFICER)

Background papers: Insurance tender process documentation
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