

<b>12 July 2023</b>		<b>ITEM: 13</b> <b>Decision: 110659</b>
<b>Cabinet</b>		
<b>Tender of the Council's Insurance and Associated Services</b>		
<b>Wards and communities affected:</b> N/A	<b>Key Decision:</b> Key	
<b>Report of:</b> Cllr Graham Snell, Portfolio Holder of Finance		
<b>Accountable Assistant Director:</b> N/A		
<b>Accountable Director:</b> Jonathan Wilson – Interim Director of Finance & Section 151 Officer		
<b>This report is Public</b>		

### **Executive Summary**

In readiness for the expiry of the current Insurance and Associated Services contract on 31 March 2024 and to ensure compliance with the Public Contract Regulations and the Council's Constitution, it is proposed that a tender will be undertaken to procure the services. There is a limited market for the provision of insurance services for the public sector with the majority of insurers only dealing via an Insurance Broker Intermediary. A procurement exercise was undertaken earlier this year and an Insurance Broker appointed. The Insurance Broker will be used to manage the tender and ensure the widest possible selection of insurance companies are engaged in the exercise.

A review of the insurance programme design will be undertaken as part of the exercise and relevant design alternatives considered to establish the most appropriate programme (including such components as extent of cover, level of deductibles, etc). A comprehensive evaluation of tender submissions will be undertaken and the insurer or insurance providers appointed, will have to prove they offer the best value for money solution for the Council.

#### **1. Recommendation(s)**

- 1.1 Agree and support the proposal to commission a tender exercise in accordance with the Public Contracts Regulations 2015 for the supply of Insurance and Associated Services; and**

**1.2 Approve delegation to the Section 151 Officer to enter into and award the necessary contracts following the procurement process, in consultation with the Portfolio Holder of Finance.**

## **2. Introduction and Background**

2.1 The existing contract for the Council's insurance programme is with Zurich Municipal and expires on 31 March 2024. Zurich Municipal was appointed as the Council's Insurer after a tender process in line with European Procurement Directives in 2018.

2.2 The contract was for 3 years with an option for a further 2 years. This option was exercised as it was felt to be in the best value interest of the Council, given the state of the insurance market at the time. The Council now has to tender to procure the service as the current contract is coming to the end of its term.

2.3.0 The Council's current cost per annum for Insurance and Associated Services is circa £1.2M. The existing insurance contract provides a range of cover and services, including:

- Public Liability;
- Employers Liability;
- Claims Handling – Employers and Public Liability;
- Property;
- Motor and;
- Engineering Insurance and Inspections

2.3.1 The current levels of self-insurance (deductibles) carried by the Council for the main types of insurance are:

- £240,000 in respect of Liability Claims (e.g. Public Liability, Employers Liability)
- £25,000 in respect of Property Claims (e.g. General Properties, Education Properties)

2.3.2 The council maintains insurance funds to ensure that the financial costs for claims below the deductible will not impact on budgets. An actuarial review of the insurance funds will be undertaken as part of the tender exercise and this along with the programme design review will inform any potential cost effective changes to the self or externally insured arrangements.

2.4 The proposed procurement is forecast to exceed the UK Public Procurement Regulations financial threshold and a formal open tender is proposed to be undertaken in accordance with the Council's Constitution and Public Contract Regulations 2015. The Procurement Stage 1 – Approval to Proceed to Tender form is included under Appendix 1.

2.5 On the 2 September 2022 DLUHC announced directions to implement an intervention package at the Council. The Secretary of State exercised his powers under section 15(11) of the Local Government Act 1999 to give a

Direction without complying with the requirement at section 15(9) to give Thurrock an opportunity to make representations about the Directions, as he considered the failures of the Council's compliance with its Best Value duty in respect of the functions specified in the Directions sufficiently urgent. This was because of the following:

- the scale of the financial and commercial risks potentially facing the Authority, which were compounded by the Authority's approach to financial management and the seriousness of the allegations that were made by third parties about the processes applied to the operation of the Authority's commercial strategy, and;
- the failure of the Authority to provide assurance to Ministers and the Department on the adequacy of the actions that they were taking to address the issues, taking account of the scale and pace of the response required.

The Secretary of State nominated Essex County Council to the role of Commissioner

- 2.6 The Council has subsequently worked with the Commissioners and the Department of Levelling Up, Housing & Communities (DLUHC) to develop an Improvement & Recovery Plan (I&RP) in response to the directions.
- 2.7 On the 19 December 2022 the Council's Acting Director of Finance & Section 151 Officer issued a report under Section 114 of the Local Government Finance Act 1988, which highlighted the extremely serious nature of the financial situation facing the Council.
- 2.8 On the 23 December 2022, the Acting Chief Executive issued a public response to acknowledge the scale of the financial challenge, the action needed to put the Council on a secure long term financial footing, the levers available to mitigate the gaps and the exceptional financial support required from government to support the budget position.
- 2.9 The Council continues to work with the Commissioners and DLHUC to address the financial position and deliver/update the I&RP to manage the situation.
- 2.10 The insurance and associated services arrangements include a combination of statutory covers and other insurance covers which provide levels of financial protection to the Council and/or service budgets. Having adequate external insurance in place is essential, as this allows the Council to transfer its insurable risks to the Insurer; providing the Council with financial protection from insured losses that may arise from the delivery of services.
- 2.11 Carrying out a procurement exercise of the insurance and associated services will allow the Council to explore all available market options and obtain the best value solution for the Council in the current market conditions.

### **3. Issues, Options and Analysis of Options**

- 3.1 Since the tender in 2018, pressure on the insurance industry has increased, e.g. global catastrophic events including floods and fires, economic uncertainty, increased claims and reinsurance costs, effects of business interruption, travel and emerging liability claims relating to COVID-19 and impact of inflation, this has resulted in a continued hard and harsh market.
- 3.2 The public sector insurance market is limited and a specialist area with the majority of insurers only dealing via an Insurance Broker Intermediary. The Council has recently appointed an Insurance Broker Intermediary, Arthur J. Gallagher, to manage the tender and to ensure the widest possible selection of insurance companies are engaged in the process, to achieve best value.
- 3.3 A review of the insurance programme design will also be undertaken as part of the exercise and the relevant design alternatives considered to establish the most appropriate programme for the Council (including such components as extent of cover, level of deductibles, etc).
- 3.4 In view of the limited market for insurance services for the public sector, Officers consider that the most appropriate procurement route under the Public Contract Regulations 2015 is the Open Tender procedure.
- 3.5 The proposed contract length is for three years with potential to extend for a further two year period, making a possible total of five years and is subject to the Public Contracts Regulations 2015.

### **4. Reasons for Recommendation**

- 4.1 The decision to undertake a tender of the Council's insurance programme in readiness for the expiry of the current contract on 31 March 2024, will ensure best value is achieved under the current insurance market conditions.

### **5. Consultation (including Overview and Scrutiny, if applicable)**

- 5.1 Procurement, Legal and Finance have been consulted for the approval to proceed to the tender stage of the procurement process and the report to tender the Council's Insurance and Associated Services was presented to the Senior Leadership Team on 10 May 2023.

### **6. Impact on corporate policies, priorities, performance and community impact**

- 6.1 The tender of the Council's insurance programme will enable the Council to obtain insurance on the best terms available in the current market conditions.

### **7. Implications**

## 7.1 Financial

Implications verified by: **Rosie Hurst**  
**Interim Senior Management Accountant**

As stated within the report, the current cost of the Council's insurance programme is circa £1.2M per annum and the tender process will enable the Council to obtain insurance on the best terms available in the current market conditions. The current insurance contract is managed within existing budgets. There remains the risk that the cost of the new contract may exceed existing budgets and this will remain under consideration as the process develops.

The services listed in the contract are a statutory requirement and hence meet the requirements of the Section 114 notice in place.

## 7.2 Legal

Implications verified by: **Kevin Molloy**  
**Principal Solicitor Contracts Team**

The services required under the contract listed above are required as a statutory duty. Following issue by the Council of a s114 notice the Council must ensure that its resources are not used for non essential spending. I am satisfied that the contract at issue here is essential and the provision of it a statutory duty.

This report is seeking approval from Cabinet to tender the contract noted in the report. The proposed procurement being considered is estimated at above the UK Public Procurement Regulations financial threshold for contracts of this type, and this means that there is a legal requirement to competitively tender the contract via the Find a Tender Service. Legal Services note that this tender will be conducted in accordance with the Public Contract Regulations 2015 ("the Regulations).

Taking the above into account, on the basis of the information in this report, the proposed procurement strategy should comply with the Regulations and Council's Contract Rules.

The report author and responsible directorate are advised to keep Legal Services fully informed at every stage of the proposed tender exercise. Legal Services are on hand and available to assist and answer any questions that may arise.

The value of this contract for insurance services requires full compliance with the UK Public Procurement Process and therefore a tender will be advertised via the Find a Tender Service and follow the established timescales.

### 7.3 **Diversity and Equality**

Implications verified by: **Roxanne Scanlon**  
**Community Engagement & Project Monitoring Officer**

There are no equality or diversity implications noted in this report.

### 7.4 **Other implications** (where significant) – i.e. Staff, Health Inequalities, Sustainability, Crime and Disorder, and Impact on Looked After Children

None.

### 8. **Background papers used in preparing the report** (including their location on the Council's website or identification whether any are exempt or protected by copyright):

- Insurance Tender exercise and related papers retained by the Insurance Team, Corporate Finance, Resource & Place Delivery.

### 9. **Appendices to the report**

- Appendix 1 – The Procurement Stage 1, Approval to Proceed to Tender Form

### **Report Author:**

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Resource & Place Delivery