
RENEWAL OF INSURANCE

Responsible Cabinet Member - Councillor Stephen Harker, Resources Portfolio

Responsible Director - Paul Wildsmith, Director of Corporate Services

SUMMARY REPORT

Purpose of the Report

1. To report back to Cabinet the outcome of the consortium approach to the procurement of insurance with Stockton Borough Council.

Summary

2. The procurement exercise has resulted in the Council renewing its insurance contract with Zurich Municipal for a five year period with effect from 1 June 2008 with a reduction in annual insurance recharges for this Authority of £900,000. The additional savings for the General Fund are £200,000 per annum. These savings have been achieved through a proactive approach to risk management within the Council, positive management of its insurance programme, the innovative joint procurement initiative and current market conditions.

Recommendation

3. It is recommended that Cabinet note the outcome of the insurance procurement exercise.

Reasons

4. The recommendation is supported to comply with a previous resolution of Cabinet that the outcome of the insurance procurement exercise be reported back.

**Paul Wildsmith
Director of Corporate Services**

Background Papers

No Background papers were used in the preparation of this report.

Brian James : Extension 2140
TAB

S17 Crime and Disorder	This report has no implications for crime and disorder
Health and Well Being	There are no issues which this report needs to address
Sustainability	There are no issues which this report needs to address
Diversity	There are no issues which this report needs to address
Wards Affected	The proposal affects all wards equally
Groups Affected	The proposal affects all groups equally
Budget and Policy Framework	This report does not represent a change to Council policy or budget
Key Decision	This is not a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	This report details a saving to help support delivery of the Sustainable Community Strategy

MAIN REPORT

Information and Analysis

5. In November 2007 Cabinet resolved that a consortia approach to the procurement of insurance with Stockton Borough Council be approved and that the outcome from this exercise be reported back to a future meeting of Cabinet (minute C106/Nov/2007).
6. The procurement undertaken followed the European Public Procurement procedures and Stockton Borough Council acted as the lead authority for procurement administration and their Contract Procedure Rules were followed. Aon Limited was appointed as brokers for the tender process to provide specialist advice and support tender evaluation.
7. The recognised main providers of insurance in the local authority market submitted tenders and following evaluation it was concluded that we would place all covers with Zurich Municipal, with the exception of a small Legal Expenses Policy held by Stockton Borough Council, in order to :-
 - (a) achieve best value for both Councils individually;
 - (b) secure additional consortia benefits; and
 - (c) provide a platform for future development.
8. The tender was awarded to Zurich Municipal with effect from 1st June 2008 for a five year period covered by a long term agreement with a second year rate guarantee and a two year optional extension period. The annual stop loss limit for Public Liability was reduced from £450,000 to £175,000 as part of the tender submission. In addition, the Employers and Public Liability indemnity limits were increased to £35 million, the Officials Indemnity increased to £5 million and the Corporate Manslaughter limit agreed at £10 million. Otherwise the Council's existing basis of insurance cover was maintained.
9. The consortia discount obtained for Darlington and Stockton from the joint procurement initiative was £56,400 and £46,500 respectively.
10. The procurement exercise has resulted in an overall reduction in annual insurance recharges for this Council of some £900,000 analysed as follows :

	£'000s
General Fund ¹	495
Housing Revenue Account	75
Schools	330
Total	900

11. This reduction has resulted from current market conditions, the innovative joint procurement initiative but especially the pro-active approach adopted to risk management within the Council and the positive management of its insurance programme that has been recognised at risk award ceremonies, both nationally and in Europe.

¹¹ The existing Medium Term Financial Plan anticipated savings of £300,000 per annum therefore the net saving is £2000,000 per annum.

Risk Management Approach

12. The Council's approach to risk management has been successful for a number of years. The CPA Use of Resources – 2007 assessment results confirm that risk management continues to be 'well embedded' within the Authority. This is reflected in a maximum score of 4 / 4 that equates to 'well above minimum requirements – performing strongly'.
13. Risk Management initiatives, co-ordinated by the Corporate Risk Management Group, a group consisting of senior managers from all Council Departments; have been successful in reducing insurance claims for the Authority. Following the introduction of a corporate approach to managing property risk, school property insurance claims have reduced by 67% in the past three years whilst the Council's Public Liability claims have reduced by 55% during the same period. In addition successful Health and Safety practices have reduced accidents and days lost by staff during the past three years by 72% and 32% respectively.
14. The Council undertakes a programme of risk awareness training for Members, officers, School Governor's and Head Teachers to assist the risk management process within the Authority. In addition the Council liaises with our insurer and other appropriate external bodies to facilitate this risk training within the Authority.
15. The Authority endeavours to manage risk and opportunity by making full use of Prudential Borrowing, eg school sprinklers, Let's Get Cracking Initiative and the refurbishment of Leisure facilities. Adopting an innovative 'invest to save' approach, this enables Authorities to undertake additional borrowing to finance a capital project providing they can demonstrate that such borrowing is sustainable, prudent and affordable. It allows more freedom for Authorities to 'invest to save' where the expenditure incurred will be repaid from future revenue savings.
16. These initiatives have enabled the Council to be recognised, by external bodies, for its risk management approach. Since 2004 the Authority has been nominated for nine risk management awards, seven of which have been won in the past eighteen months. These prestigious awards have been received from ALARM, the National Forum for Risk Management in the Public Sector, StrategicRISK (European Awards) and the Local Government Chronicle.

Outcome of Consultation

17. No consultation was undertaken in producing this report.