

Agenda Item No:

Report to: Charity Committee

Date of Meeting: 29 March 2011

Report Title: HASTINGS BOROUGH COUNCIL's INSURANCE RENEWAL
OPTIONS

Report By: Tom Davies
Chief Auditor

Purpose of Report

To seek agreement with the insurance renewal option proposed by Hastings BC. that is to join the Horsham Insurance Framework which will cease on 31 March 2014 by which time a new framework developed by the East Sussex Procurement Hub is likely to have been developed.

Recommendation(s)

1. To agree with Hastings BC's preferred option of joining the Horsham Insurance Framework.

Reasons for Recommendations

The Council's Insurance Agreement with Zurich Municipal ends on 31st January 2012, with no extension facility. The option of Hastings Borough Council procuring insurance itself would not have the buying power of a collaborative effort and development of a Hastings Borough Council Insurance Framework is risky since neighbouring authorities are committed to the East Sussex Procurement Hub and so there would be reliance on us being able to engage interest from outside authorities.

The East Sussex Procurement Hub is considering creating a new Insurance Framework which is likely to attract a lot of interest from other authorities and hence better buying power because the timing of it will be closer to the time when those authorities will be looking to gain access to a new Insurance Framework agreement.

Joining the Horsham Insurance Framework has the advantages of requiring minimal resources and enabling us to take advantage of the proposed East Sussex Procurement Hub Insurance Framework when it is in place.



Introduction

Background

1. The Foreshore Trust administers car parks and property leases/licences. In the past, it has managed its own insurance arrangements under its own separate insurance policy number although this happens to be with the same insurer as the Council i.e. Zurich Municipal.
2. The Charity Commission has welcomed HBC as an independent trustee of the Foreshore Trust. One of the reasons it has particularly endorsed HBC as a trustee is because of the purchasing influence it has in the market place that can benefit the trust".
3. The Council has started to consider its insurance renewal arrangements (as detailed below) and since the Foreshore Trust's insurance portfolio trust is similar to that of the Council, it could be economically advantageous if it were part of the same procurement exercise.
4. Risk management and insurance arrangements are critical to both the Foreshore Trust and a co-joined approach still allows each party to specify cover on its own schedules. This would be managed through frequent and clear communications to ensure that the appropriate cover is put in place for all insurable risks.
5. The detail from the Council's perspective is now given below.
6. The Council has an insurance agreement with Zurich Municipal which expires 31st January 2012 following an effective four year duration which commenced 1st February 2008. Framework agreements, under EU procurement rules, can only last a maximum of 4 years and there is no extension facility.
7. The previous procurement route was particularly innovative in that it involved the development of the first insurance framework agreement in the South East of England whereby three authorities, Hastings Borough Council, Arun District Council and Crawley Borough Council all participated in the process and gained considerable savings in their insurance premiums as a result. At a later date, Lewes District Council decided to utilise the framework and also generated substantial savings through the framework.
8. Hastings Borough Council approached Crawley Borough Council and Arun District Council to gauge their interest in collaboratively working on a framework agreement again. However, Crawley Borough Council intend going with the Horsham Insurance Framework (described at paragraph 8 below) and Arun District Council have experienced organisational changes since our framework was put in place and have not decided what their future insurance arrangements will be but they have indicated they will not lead on a new framework agreement.

Insurance Options

(1) Horsham Insurance Framework

9. Arrangements could be made to gain access to the insurance framework which has been developed by Horsham District Council and has an end date of 31.3.14. There are four suppliers on this framework (including our current provider Zurich Municipal). There would be a requirement to go through a process called `mini-competition` which is that the Council updates its insurance requirements, and schedule documentation is then issued to all the providers on the framework. These are returned as per the Council's normal tendering process and evaluated. The firm which offers the best overall package to meet the Council's requirements is the one who secures the business.
10. The advantage with this arrangement is that it cuts out the need to go through the preliminary procurement processes as all the providers would have already been checked following the normal pre-selection requirements as stipulated by EU regulations.
11. The disadvantage is that the Council could only obtain cover until the end date of the framework i.e. 31.3.14, so in reality only 2 years 2 months.

(2) Procuring Ourselves

12. The advantage with procuring ourselves is that we can determine the duration of the contract. There is no upper limit in EU regulations but a realistic period would be in the region of 5 years. Equally, this could be made up as 4 years with a 1 year extension. Any longer would not be recommended as market forces can change the competitiveness of the insurance industry.
13. The disadvantage is that it is unlikely that the Council's buying power would not be sufficient to attract competitive bids compared with a joint or collaborative approach involving a number of other authorities.

(3) Development of new HBC Framework

14. The Council could take the initiative and invite other Councils to participate in developing a new insurance framework. Initial enquiries would be to target members of the relatively newly formed East Sussex Procurement Hub (HBC, EBC, WDC, and LDC) to establish any interest.
15. However, this could be extended to other authorities in Sussex. As already indicated, the maximum period that is allowed for framework agreements is 4 years so a new framework would effectively commence 1.2.12. and end 31.1.16.
16. The advantage with this option is that the insurance market is likely to respond more favourably with competitive bids and discount structures when more authorities are involved because of the consolidated spend overall. It is also in keeping with the Government's ethos on more authority collaboration and meets with the principles set out in the East Sussex Procurement Hub terms of reference.
17. There are no major disadvantages but it does put the onus of responsibility on the lead authority for carrying out all the processes which means a commitment in

terms of resources primarily procurement and legal. Consideration could be given, however, to re-charging some of this time to the participating authorities which would be off-set by the savings incurred in the premiums being offered by the successful insurance providers. This would need to be made clear at the outset.

Other Framework Agreements

18. It should be noted that following a check with the IESE (Improvement, Efficiency South East), a Government backed advisory organisation, there are no other framework agreements that exist apart from the Horsham one which is mentioned earlier. However, the East Sussex Procurement Hub has just started to consider developing an Insurance Framework Agreement.

Time-table

19. The Council spends in the region of £200,000 per year on its insurance premium which covers all insurance requirements. Under the Council's financial regulations, such expenditure will require the approval of Cabinet for the appropriate renewal period and therefore a report will need to be drafted and submitted in time for their consideration and approval.
20. Should the Horsham option be selected, then this reduces the time-scale for procurement quite considerably as only mini-competition is involved. Normally, a period of 4 weeks should be allowed to enable firms to respond and then to allow up to a further 4 weeks for the evaluation and internal Council approval to take effect. Such a mini-competition could be programmed to start 3.10.11 and a final recommendation made 3.1.12, this allows for the Xmas and New Year break. Ideally, a report should be drafted to meet the 5.9.11 Cabinet meeting.
21. Should we procure ourselves (although not recommended) we would have to undertake a full EU procurement exercise. This would mean going through the open procedure which takes a minimum of 52 days plus an allowance for evaluation (estimated. 4 weeks), then 2 weeks for the Alcatel standstill period, followed by award of contract at least 3 weeks before the start date of the new contract. All in all, a period of 4.25 months. Under these circumstances, a report would need to be drafted to reach the Cabinet meeting scheduled for 8.8.11 at the latest, although the earlier date of 11.7.11 would allow more time. Again, this time-table takes account of the Xmas and New Year holiday period.
22. Should the development of a new framework be considered, then cognisance would need to be made of the time-factor associated with checking the interests of other authorities and their agreement in participating allowing them to seek approval through their own Council processes. A time-factor of at least 4 weeks should be granted for them to respond and then work could commence on the drafting of the EU notice with a view to concluding a new framework by end December 2011 but would in effect have a start date of 1.2.12 for 4 years. A considerable amount of work would be generated should the Council opt for this route as the Council would effectively be the lead authority and responsible for all aspects and consultation with those authorities that agreed to participate. The timescale as for paragraph 21 would apply regarding the statutory procurement process but an allowance would have to be factored in to allow for the extra work associated with sharing information with other authorities. As such, if this option

was chosen, a report going to Cabinet outlining this particular route would need to be drafted for either the 9.5.11 or 13.6.11 meeting which would allow sufficient time to have this new framework in place.

Insurance Schedules

23. Regardless of which route is selected, it is of paramount importance that the Council ensures that its various insurance schedules are up to date. At this juncture, it is also appropriate to re-examine the excess limits and the cover where necessary to reflect any changing circumstances. This also includes risk strategy. Once agreed, these schedules will be used as the basis of determining the Council's future insurance requirements and therefore the premium being paid.

Recommendation

24. The option of Hastings Borough Council procuring insurance itself would not have the buying power of a collaborative effort and development of a Hastings Borough Council Insurance Framework is risky since neighbouring authorities are committed to the East Sussex Procurement Hub and so there would be reliance on us being able to engage interest from outside authorities.
25. The East Sussex Procurement Hub is considering creating a new Insurance Framework which is likely to attract a lot of interest from other authorities and hence better buying power because the timing of it will be closer to the time when those authorities will be looking to gain access to a new Insurance Framework agreement.
26. Joining the Horsham Insurance Framework has the advantages of not requiring much resources and enabling us to take advantage of the proposed East Sussex Procurement Hub Insurance Framework when it is in place

Most Economical Advantageous Tender (including brokers)

27. The procurement process for the development of Insurance framework Agreements within the Public Sector is such that we go through the 'Open Procedure' which allows the equality of opportunity for all insurance companies (including brokers) to express an interest in providing a bid to the framework. This procedure has been tried and tested in view of the limited number of firms that eventually submit a bid. Please note there is a broker on the Arun District Council and Horsham District Council Insurance Framework Agreements. Crawley Borough Council still has its housing stock and uses the broker who has provided a satisfactory service.

Risk Management

28. The Council needs to ensure continuity of its insurance provision after midnight 31st January 2012. This is an absolute requirement. The options outlined in this report will ensure that that fundamental requirement is met. By accepting option 3, (development of new HBC framework) ensures the Council accepts lead authority status in the contracting process and to deal with all issues therein which includes legal. However, the officers concerned are conversant with the processes involved and will ensure that all areas are fully compliant and transparent in keeping with current UK/EU procurement legislation.

Economic/Financial Implications

29. The Council spends a total of £200,000 per year on its insurance premiums. Taking account of a number of changes that have occurred over the past 12 months including rationalisation of accommodation and future changes arising from budget reductions, there may be scope for further savings on insurance premiums although this cannot be guaranteed. However, by collaborating with other authorities there may be opportunities for savings in the future.

Wards Affected

Ashdown, Baird, Braybrooke, Castle, Central St. Leonards, Conquest, Gensing, Hollington, Maze Hill, Old Hastings, Ore, Silverhill, St. Helens, Tressell, West St. Leonards, Wishing Tree

Area(s) Affected

Central Hastings, East Hastings, North St. Leonards, South St. Leonards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No

Background Information

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Officer to Contact

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