

**Agenda Item No:** 7

**Report to:** Charity Committee

**Date of Meeting:** 9 December 2013

**Report Title:** Insurance Renewal Options

**Report By:** Peter Grace  
Head of Finance

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### **Purpose of Report**

To inform the Charity Committee of the arrangements for procurement of insurance that meet the most economic advantageous tender.

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### **Recommendation(s)**

- 1. To agree that authority be given for the Director of Corporate Resources or his nominee in consultation with the Chair of the Charity Committee, to award a contract to the supplier that offers the most economically advantageous terms for the Foreshore Trust.**

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### **Reasons for Recommendations**

To explain the rationale for the route for Hastings Borough Council procuring its insurance that is also in the best interests of the Foreshore Trust.

The recommended route is seen as being the most cost effective way forward in the interests of the Council and Foreshore Trust. This will save procurement time as the Council will not need to carry out all of the detailed preliminary checks associated with EU procurement rules as this would have been carried out by the Government Procurement Service.

With other Councils renewing their insurance through the East Sussex Procurement Hub insurance framework being developed, it will allow scope for using the consolidated purchasing power of a number of authorities in order to obtain competitive premiums for the future on a collaborative basis.

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## Introduction

1. The Council and the Foreshore Trust has an insurance agreement with Zurich Municipal which expires 31 March 2014.

## Insurance Options

### East Sussex Procurement Insurance Framework

2. The East Sussex Procurement Hub is keen for Hastings BC to join it in its Joint Framework Mini-Competition exercise alongside Eastbourne BC, Lewes DC, Rother DC and Wealden DC. The East Sussex Procurement Hub is recommending that contracts entered into off the framework should endure for 5 years. This is consistent with the Government Procurement Service Insurance and Supplier Toolkit Guidance (July 2013) section 5, Contract duration.
3. The East Sussex Procurement Hub preferred route is via a Joint Framework Mini-Competition. This is the most efficient avenue available to authorities which creates the greatest chance of meeting all objectives and gaining the largest benefit for each authority. The framework provides useful and compliant mechanisms to engage with the market to develop requirements, specification and packaging. It will engage with insurers in the most efficient way possible, as one tender without the need to pre-qualify, which will bring savings and efficiencies to the providers which stands us with a greater chance of reducing cost. The disadvantages are that joint procurement comes with increased risk if partners are not committed to the process or do not collaborate and provide full information or input in a timely manner. These can be mitigated by clear project management and upfront understanding of commitments and by ensuring that all partners are assured that individual needs and objectives are being considered. The final point to note should be that mechanisms will be designed within the Invitation to Tender (ITT) to enable authorities to award the most economically advantageous tender to them if there is no clear advantage to awarding the contracts to a common insurer/set of insurers across the partnership. Again, careful project management and evaluation methodology will be required to ensure the objectives and timetable is met.
4. The advantage with this arrangement is that it eliminates 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. It should be noted that the Council would effectively obtain insurance cover from 1 April 2014 for up to 5 years.

### Procuring Ourselves

5. Consideration has been given to procuring ourselves but this is not recommended as it has been proven that the best procurement practice is to be part of a larger framework agreement. Also, government guidance on improving procurement spend, particularly on areas such as insurance, recommends that authorities join forces to take advantage of their purchasing power which increases the scope to obtain better deals and therefore savings for the authorities that participate.

## Other Framework Agreements

6. There are several frameworks in place for insurance services but only one which has been recently established and offers a wide range of purchasing options and providers within it, this is the Pro5 framework for Insurance Services. It also allows authorities to decide whether they wish to appoint an intermediary to run a Mini-Competition for them, or to engage directly with insurers, or approach providers and then appoint an intermediary to provide support services. The Pro5 Insurance framework is designed to provide access for every public sector organisation from local authorities, academies and “blue light” services, with such wide requirements to represent there has been no test of best value to establish providers place on the framework, just capability to provide. Importantly it contains the current insurers of all councils which will allow the incumbent to bid against the wider market. Using this avenue to purchase provides authorities with no need to pre-select providers and there is a good level of supporting information to assist buyers to build their requirements. The main disadvantage, however, if Hastings BC was to go via this route on its own as opposed to being part of the East Sussex Procurement Hub, is that it would have little influence on the outcome of costs and service levels.

## Timetable

7. The East Sussex Procurement Hub needs to have the Joint Framework Mini-Competition exercise completed in advance of 28 February 2014 for Rother DC's purposes. Cabinet approval to proceed was granted in September 2013 and the procurement exercise is taking place having started in September 2013 and continuing through to February 2014. Time contingency has been built into the timetable.

## Insurance Schedules

8. Insurance renewal provides an ideal opportunity for the Council to review its insurance schedules for completeness, excess limits and cover and 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.

## Foreshore Trust

9. The procurement process will ensure provision for special circumstances such as providing cover for trusts. Ultimately, it will be for the insurer to decide whether they are prepared to offer insurance cover to the Foreshore Trust and at what premium but there is no reason to believe that cover will not be offered at competitive rates.

## Recommendations

10. The Council's decisions to date have been:

- (i) To join with the other members of the East Sussex Procurement Hub in the insurance framework agreement developed by the Government Procurement Service to award a contract commencing 1 April 2014 after completing a Joint Framework Mini-Competition exercise with the other members of the East Sussex Procurement Hub.
- (ii) Authority for the Director of Corporate Resources or his nominee in consultation with the Lead Member, to award a contract to the supplier that offers the most economically advantageous terms for the Council (as set out in paragraph 10 (i) above) has been delegated by Cabinet at its meeting on the 9 September 2013.

11. The approval of the Charity Committee will be required to enter into the insurance contract. Due to uncertainties on timing it is recommended that the decision be delegated to the Director of Corporate Resources in consultation with the Chair of the Charity Committee.

## Risk Management

12. The Council and Foreshore Trust needs to ensure continuity of its insurance provision after midnight 31 March 2014. This is an absolute requirement. The recommended option outlined in this report will ensure that that fundamental requirement is met. Also, it is imperative that the Council's various insurance schedules are re-examined to ensure they reflect up to date data, and that the risks associated are duly reviewed to address any existing or new requirements. Overall risk strategy will need to be re-examined as this forms an integral part of the package that is issued to insurers as part of the procurement invitation to tender exercise.

## Economic/Financial Implications

13. The Council spent a total of £235,000 during 2012/13 on its insurance premiums. It is not known at this stage whether the procurement process will result in savings. The Foreshore Trust element is currently £11,000 per annum.

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### Wards Affected

None

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### Area(s) Affected

None

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### Policy Implications

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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
Local People's Views	No

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**Background Information**

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