

Bolsover District Council

Consultation Report for a Delegated Decision

Decision Maker: Head of Finance and Resources

Date of Decision: 28th September 2020

Renewal of Council Insurance Policies
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This report is public

Purpose of the Report

- The Authority's insurance policies were subject to tender on 1st October 2019 and a Long Term Agreement (LTA) was awarded for a period of 3 years plus an option to extend for a further 2 years.
- All contracts were awarded to Zurich Municipal, with the exception of the engineering contract which was awarded to British Engineering Services.
- This report is to inform Members of the outcome of the annual insurance renewal process within the LTA which has been conducted under powers delegated to the Section 151 Officer.

1 Report Details

Background

- 1.1 Annual insurance renewals are undertaken to update all sums insured and revise individual policy content. Checks are undertaken to ensure the policy coverage still meets the needs of the Council regarding perils and endorsements. This can impact on the insurance premiums.
- 1.2 Insurer terms include an inflationary increase on liability and motor rates in line with the Average Weekly Earnings Index (AWE). Risk profile and claims experience where the insurer suffers a high loss ratio can cause an increase in premium rates above AWE, and a breach of the Long Term Agreement, giving the insured the opportunity to leave the current insurer with no penalty. I can report that there has been no breach of the LTA at this renewal and rates maintained within current contract terms, with any increases due to sums insured.

Policy Adjustments

- 1.3 Insurance premiums are predominately based on factors including sums insured, excess levels, claims experience, risk exposure, market fluctuations, geographical area, insured perils and level of activity. The areas of movement have been compared against the position as at the 2019 tender below:

- Housing properties, sum insured increased by 2.3%.
- Leased flats, (numbers increased by 3) sum insured increased by 4.7%.
- General properties, sum insured increased by 1.8%.
- Fleet vehicle and trailer numbers have not changed but there was a reduction in market value by 10%.
- All Risks, sum insured increased by 3%.
- Business Interruption 'rent received & income', sum insured increased by 2%.
- Computer, sum insured increased by 8.5% mainly due to an increase in laptop acquisitions.
- Work In Progress, sum insured figure reduced by 19%.
- Play areas and Multi Usage Games Areas, sum insured increased by 8.5%.
- Professional Negligence policy changed from separate declarations to a blanket policy capturing an increasing number of services. This resulted in a mid-term policy adjustment of £2,714.
- Smaller items have been removed from the Engineering inspection schedule, and replaced by larger plant.

Premium Comparisons

- 1.4 The following comparison table shows premiums by element of the Council's insurance policies and compares against the 2019/20 cost.

	2019/2020 £	2020/2021 £	Variance £
Vehicles			
➤ Fleet (Inc Grey fleet contingency)	77,805	77,805	0
➤ Vehicle Accumulation	1,120	1,008	(112)
Total Vehicles premiums	78,925	78,813	(112)
Casualty			
➤ Public Liability	42,257	42,294	37
➤ Libel & Slander	688	689	1
➤ Employers Liability	20,001	20,018	17
➤ Officials Indemnity	2,181	2,183	2
➤ Land Charges	1,663	1,663	0
➤ Public Health Act	316	317	1
➤ Professional Indemnity	1,418	4,737	3,319

	2019/2020 £	2020/2021 £	Variance £
Total Casualty premiums	68,524	71,901	3,377
Property			
➤ Housing Stock	31,135	31,844	709
➤ Leased Flats	948	995	47
➤ General Properties	5,605	5,722	117
➤ Play Areas	118	128	10
➤ Contents (General & Theft)	1,051	1,054	3
➤ Car Parks	22	22	0
➤ Work In Progress	2,410	1,953	(457)
➤ Business Interruption	2,143	2,184	41
➤ All Risks	1,325	1,272	(53)
➤ Money	152	152	0
➤ Council Tools (in vehicles)	1,700	1,700	0
➤ Pleasley Vale B P Mills	2,530	2,530	0
➤ Pleasley Vale B P Lodges	61	62	1
Total Property premiums	49,200	49,618	418
Minor Classes			
➤ Full Crime (+ Fidelity Guarantee)	5,193	5,193	0
➤ Computer	3,350	3,478	128
➤ Engineering Inspection	8,301	8,807	506
➤ Hired Plant	250	250	0
Total Minor premiums	17,094	17,728	634
Sub Total (exc. IPT)	213,743	218,060	4,317
Insurance Premium Tax (IPT) @ 12%	24,653	25,110	457

Brokering / NEDDC Recharges

1.5 Specialist ongoing advice / brokering / renewal input cost is £3,500 for 2020/21.

As NEDDC hosts the Environmental Health service and the liabilities relating to the service are insured by NEDDC, a recharge to BDC is made each year and is an indirect insurance cost. This recharge cost for 2020/21 is £3,832.76.

Reserves / Excess

- 1.6 The Council's excess arrangements across its policy portfolio are to secure cost effective cover and to provide it with an incentive to minimise risk. It is important that adequate financial provision is provided to meet those costs below the agreed excesses together with uninsured losses.
- 1.7 In order to meet such costs the Council has established Insurance Reserves for general fund (GF) and the housing revenue account (HRA). These are reviewed on an annual basis to ensure they remain at an appropriate level with the contributions into the reserve increased or reduced as necessary. Annual contributions of £30,000 to the GF Reserve and £50,000 to the HRA Reserve have been previously agreed.
- 1.8 At 1st April 2020, the withdrawals were £42,226 from the GF Insurance Reserve and £28,160 from the HRA Insurance Reserve.

2 Conclusions and Reasons for Recommendation

- 2.1 The Council followed European (OJEU) procurement rules to fully test the insurance market in 2019. The Council's insurance broker supported the insurance portfolio tendering exercise, analysing all the tender responses and we awarded for a 3 year period (with a 2 years option to extend). Contacts were chosen based on the most finally attractive for the Council.

3 Consultation and Equality Impact

- 3.1 The issues considered within this report concern a tender process and as such do not at this stage require any consultation. There are no equality impact issues arising directly from this report.

4 Alternative Options and Reasons for Rejection

- 4.1 No alternative options were necessary as the LTA terms are within the agreed 2019 tender.

5 Implications

5.1 Finance and Risk Implications

The cost to cover insurance and risk is £330,503 for the year, 1st October 2020 to 30th September 2021. This sum includes the current contributions to the insurance reserves made by the Council each year, the cost of the insurance brokerage services and NEDDC recharges. The following table details the position, comparing these against the previous agreement:

INSURANCE COSTS SUMMARY	2019/20 Costs £	2020/21 Costs £
Premiums	213,743	218,060
Insurance Premium Tax @ 12%	24,653	25,110
<i>Premiums Subtotal</i>	238,396	243,170
Reserve Contribution (General Fund)	60,000	30,000
Reserve Contribution (HRA)	50,000	50,000
Consultancy / Brokering	5,100	3,500
NEDDC Insurance ENV Recharges	4,533	3,833
Grand Total	358,029	330,503

5.2 Legal Implications including Data Protection

There are no legal or data protection issues arising directly from this report.

5.3 Human Resources Implications

There are no human resource issues arising directly out of this report.

6 Recommendations to the Decision Maker

- 6.1 That the action of the Section 151 Officer / Head of Finance and Resources (acting under delegated powers) to secure the Council's insurance policies within the framework established by continuing the new Long Term Agreement, with costs in the table, be noted.

Members are requested to contact the Decision Maker in advance of the Decision Date with any comments on the proposal.

7 Decision Information

<p>Is the decision a Key Decision? A Key Decision is an executive decision which has a significant impact on two or more District wards or which results in income or expenditure to the Council above the following thresholds: BDC: Revenue - £75,000 <input type="checkbox"/> Capital - £150,000 <input type="checkbox"/></p>	Yes
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<p>NEDDC: Revenue - £100,000 <input type="checkbox"/></p> <p>Capital - £250,000 <input type="checkbox"/></p> <p><input checked="" type="checkbox"/> Please indicate which threshold applies</p>	
<p>Is the decision subject to Call-In? (Only Key Decisions are subject to Call-In)</p>	No – Call in has been waived.
<p>Has the relevant Portfolio Holder been informed</p>	Yes
<p>District Wards Affected</p>	All
<p>Links to Corporate Plan priorities or Policy Framework</p>	All

8 Document Information

Appendix No	Title
<p>Background Papers (These are unpublished works which have been relied on to a material extent when preparing the report. They must be listed in the section below. If the report is going to Cabinet (NEDDC) or Executive (BDC) you must provide copies of the background papers)</p>	
Report Author	Contact Number
<p>Head of Finance and Resources Senior Technical Officer</p>	<p>01246 242458 01246 242426</p>