



Executive Committee

No Direct Ward Relevance

1 July 2009

INSURANCE PREMIUM SAVINGS – CONSORTIUM TENDER

(Report of the Head of Financial, Revenues and Benefits Services)

1. Summary of Proposals

To advise Members of the outcome of the consortium tendering exercise and seek approval to utilise some the savings to establish a risk management fund.

2. Recommendations

The Committee is asked to RESOLVE that

- 1) the success of the tendering exercise be noted;
- 2) a sum of £15,000 per year for the duration of the insurance contract be set aside for risk management purposes; and
- 3) authority be delegated to the Head of Financial, Revenues and Benefits Services, in consultation with the Risk Monitoring Group and the relevant Portfolio Holder, to utilise these monies.

3. Financial, Legal, Policy, Risk and Sustainability Implications

Financial

- 3.1 The financial implications are detailed in the report. The report identifies savings that will accrue to the Council as a result of the recent tendering exercise for insurances. Also included in the report is a request to utilise an element of the savings for risk management.

Legal

- 3.2 There are no legal implications.

Policy

- 3.3 There are no policy implications.

Risk

- 3.4 From time to time events expose the Council to risk that affect the Council insurance cover for example the recent issue with the security fence at Crossgates Depot.

Sustainability / Environmental

- 3.5 There are no sustainability/environmental implications.

Report

4. Background

- 4.1 In 2008/09 the six Worcestershire Districts and Staffordshire Moorlands District Council came together, supported by the West Midlands Improvement and Efficiency Partnership to procure insurance for their respective authorities. The collaboration formed part of a regional pilot project to seek to obtain best value on insurance and to stimulate the market place. The total value of the existing contracts for insurance was £2.1 million.
- 4.2 Contracts were awarded to Zurich Municipal on the 13th March 2009 to commence on the 1st April 2009 to run for 3 years, with an option to extend for a further 2 years.

5. Key Issues

- 5.1 The outcome of the above exercise for the Council is a 19% saving on existing premiums. This is equivalent to £100k. The actual figure of savings is dependant upon renewal data. The above exercise was undertaken based on data prepared for 30th June 2008 renewals.
- 5.2. The savings will accrue to the General Fund and Housing Revenue Accounts in an approximate ratio of 40/60. This is not because the HRA bears the largest proportion of the premiums but due to the nature of the policies showing the greatest savings.
- 5.3. In previous years the contract for insurance has provided for a sum of money (£10-£15k) to be provided for risk management purposes. Indeed this is still the case at some other authorities. At Redditch this practice ceased when our policies ceased to be with a single insurer. These monies were used to implement changes that would minimise risk within the Council. In recent months there have been issues with security at Crossgates Depot that require works to be undertaken to ensure adequate security and maintain insurance cover.

- 5.4. Included in the proposal from Zurich Municipal is the provision of a free Risk Management service designed to identify any current operational weaknesses across all operational and strategic risks and to recommend actions to improve. Compliance with Zurich's recommendations will then result in further premium reductions. However, there may also be initial financial implications associated with the recommendations.
- 5.5. In order to deal with any agreed improvements recommended by Zurich and to address any issues such as those with security at Crossgates Depot it is recommended that the savings from the recent tender exercise are top-sliced each year for the duration of the contract to provide a fund to deal with emerging risks that have related insurance implications.
- 5.6. The Council has recently established a Risk Monitoring Group, comprising officers and the relevant portfolio holder (Councillor Braley). The savings arising from the insurance tender were discussed by this Group and the possibility of establishing a fund for risk management purposes discussed and the proposal is supported by the Group.
- 5.7. It is recommended that the allocation of the funds is decided by the Risk Monitoring Group to include the portfolio holder.

6. **Other Implications**

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| Asset Management | - | The establishment of fund could assist in the management of the Council's assets by reducing the exposure to risk. |
| Community Safety | - | The establishment of fund could assist in reducing the exposure to risk. |
| Human Resources | - | The establishment of fund could assist in reducing the exposure to risk. |
| Social Exclusion | - | None identified. |

7. **Lessons Learnt**

Benefits can be gained from collaborative tendering exercises. Also there is a willingness in the insurance market to participate in such exercises.

8. **Background Papers**

Documents relating to the tender exercise. Previous invoices paid for insurance. Records of meetings with insurers.

9. Consultation

- 9.1 This report has been prepared in consultation with relevant Borough Council Officers, in particular the members of the Risk Monitoring Group.
- 9.2 Councillor Braley has also been consulted as portfolio holder.

10. Author of Report

The author of this report is Teresa Kristunas (Head of Financial, Revenues and Benefits Services), who can be contacted on extension 3295 (e-mail:teresa.kristunas@redditchbc.gov.uk) for more information.

11. Appendices

None