

**RECORD OF EXECUTIVE DECISION TAKEN BY AN EXECUTIVE MEMBER**

This form **MUST** be used to record any decision taken by the Elected Mayor or an individual Executive Member (Portfolio Holder).

The form must be completed and passed to the Service Manager (Committee & Administrative Services) no later than NOON on the second working day after the day on which the decision is taken. No action may be taken to implement the decision(s) recorded on this form until 7 days have passed and the Service Manager (Committee & Administrative Services) has confirmed the decision has not been called in.

**1. Description of decision**

To approve the arrangements for the Council's external insurance cover, with Zurich Municipal the Council's insurance provider appointed through competitive tender, as set out in this report for the financial year 2017/2018.

**2. Date of decision**

7 April 2017

**3. Reasons for decision**

To ensure that the Council has adequate external insurance to effectively mitigate against the financial risk that may arise from claims against the Council or damage to or loss of Council assets including insurance for; public liability, employer's liability, property, motor vehicles and terrorism.

**4. Alternatives considered and rejected**

The alternative option of rejecting the proposed insurance terms and re-tendering for external insurance services was considered and rejected.


**5. How decision is to be funded**

The expenditure will be funded through the 2017/2018 revenue budget approved for this purpose.

**6. Conflicts of interest**

Name of all Executive members who were consulted AND declared a conflict of interest.	Nature of interest	Did Standards Committee give a dispensation for that conflict of interest? (If yes, give details and date of dispensation)	Did the Chief Executive give a dispensation for that conflict of interest? (If yes, give details and the date of the dispensation).

The Mayor has been consulted on this decision.



Signed M P Heady Date: 7 April 2017 Name of Decision Taker CLLR M HEADLEY

**This is a public document. A copy of it must be given to the Service Manager (Committee & Administrative Services) as soon as it is completed.**

Date decision published: 10<sup>th</sup> April 2017

Date decision can be implemented if not called in: 21<sup>st</sup> April 2017

(Decision to be made exempt from call in.....NO)

**Bedford Borough Council – Finance Portfolio Holder**

**April 2017**

**Report by the Assistant Chief Finance Officer**

**Subject: RENEWAL OF EXTERNAL INSURANCES: 2017/2018**

**1. Executive Summary**

To inform the Finance Portfolio Holder of the Council's proposed external insurance arrangements for 2017/2018.

**2. Recommendations**

**The Portfolio Holder is requested to approve the arrangements for the Council's external insurance cover, with Zurich Municipal the Council's insurance provider appointed through competitive tender, as set out in this report for the financial year 2017/2018.**

**3. Reasons for Recommendations**

To ensure that the Council has adequate external insurance to effectively mitigate against the financial risk that may arise from claims against the Council or damage to or loss of Council assets including insurance for; public liability, employer's liability, property, motor vehicles and terrorism.

## 4. Key Implications

### 4.1 Legal Issues

In order to protect public funds there is a legal requirement for the Council to hold Fidelity Guarantee insurance (i.e. cover for financial loss caused by a deliberate misappropriation of funds by an employee). However, local authorities and other public bodies are exempted from the compulsory insurance legislation relating to Employers' Liability and Motor insurance. Therefore, the Council is able to determine its own arrangements for all other classes of insurance. The Council's practice is to insure against a range of risks where the insurance market provides cover and it is considered to be cost effective to have insurance in place.

Following a full tendering exercise during 2016 (in accordance with the Public Contracts Regulations 2015) the Council entered into a new five year long-term agreement, with Zurich Municipal, that commenced on 1 April 2016. The agreement also contains an option for the Council to accept a two year contract extension (i.e. seven years in total), if required.

For 2017/2018, the second year of the long-term agreement, Zurich Municipal has broken the long term agreement because the premium in respect of the public liability policy has been increased above the relevant inflation index, allowed in the contract. The Council, therefore, has the option to withdraw from the contract.

### 4.2 Policy Issues

No issues arising from this report.

### 4.3 Resource Implications

For 2017/2018 external insurance premiums inclusive of insurance premium tax, claims handling fees and engineering inspection fees will total **£1,099,519**. The Council's approved budget for 2017/2018 fully provides for the external insurance premiums payable by the Council.

#### 4.4 Risk Implications

External insurance is an essential part of the Council's risk management process since it transfers some of the financial risks that may be faced by the Council, to the insurance company. The insurance arrangements for 2017/2018 are based on the same range of covers as in previous years and these are considered to be adequate to protect the Council from significant financial losses that may arise as a result of insured perils.

The Council's insurance cover is kept under constant review to take account of new or revised Council activities and it may be necessary to submit a further report for consideration, before the next renewal, should there be any significant changes.

#### 4.5 Environmental Implications

No environmental implications arising from this report.

#### 4.6 Equality Impact

In preparing this report, due consideration has been given to the Borough Council's statutory equality duty, as set out in Section 149(1) of the Equality Act 2010. A relevance test for equality has been completed. The equality test determined that the proposal has no relevance to Bedford Borough Council's statutory equality duty to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. An equality analysis is, therefore, not needed.

## 5. Details

5.1 Zurich Municipal has advised that the insurance renewal terms for 2017/2018 are as follows:

Premiums:	
- Property	£244,630
- Casualty	£253,894
- Motor	£217,170
- Engineering	£8,654
- Additional Covers	£49,478
-Standalone Policies (incl. Terrorism)	<u>£153,381</u>
Sub Total	£927,207
Insurance Premium Tax (@ 10%)	£92,721
Claims Handling Fee (PL&EL)	£43,092
Engineering Inspection Fee	<u>£36,499</u>
Total	<b><u>£1,099,519</u></b>

5.2 Zurich Municipal has broken the long term agreement by imposing a premium increase in respect of the public liability policy that is greater than the Average Weekly Earnings (AWE) index allowed in the contract. The increase proposed by Zurich Municipal was originally £22,561 (plus IPT) but, following a period of negotiation, this increase has been partially offset by reducing premium rates applicable to several property policies. The net overall effect is now a small increase in premiums of £5,231 (plus IPT) which can be funded from the existing approved budget for 2017/2018.

5.3 Zurich Municipal consider it is necessary to seek public liability premium increases, from all their customers, in order to strengthen their reserves because it is anticipated that increased numbers of historical child sexual abuse claims will be

presented to the local government sector as a whole going forward. The increase reflects the insurer's overall view of the financial risk to the local government sector and should not be interpreted as implying the Council is at heightened risk from such claims.

- 5.4 It is considered to be highly unlikely that the final renewal terms, provided by Zurich Municipal, could be improved through a retendering exercise. Furthermore, if part of the Council's insurance portfolio was retendered and placed with another insurer then £39,734 package (or special discount) would be lost.
- 5.5 Property sums insured and, therefore, premiums have also been adjusted to take account of acquisitions, disposals and expected rebuilding inflation during 2017/2018.

## **6. Summary of Consultations and Outcome**

The following officers have been consulted during the preparation of this report:

Management Team  
Insurance & Risk Manager

No adverse comments have been received.

Advice has also been received from the following organisations:

Zurich Municipal - External Insurer

## 7. **Ward Councillor Views**

Not applicable for this report.

*Report Contact Officer:* Lee Phanco, Assistant Chief Finance Officer  
e-mail: [lee.phanco@bedford.gov.uk](mailto:lee.phanco@bedford.gov.uk)

*File Reference:* I.1(a)

*Previous Relevant Minutes:* None

*Background Papers:* None

*Appendices:* None