

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 Chief Officer Democratic and Registration 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 Chief Officer Democratic and Registration Services has confirmed the decision has not been called in.

1. Description of decision

To approve the Council's annual insurance renewal terms in relation to 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 through external insurance cover provided by Zurich Municipal appointed through competitive tender; 2018/019 being the second year of this contract. Additionally approve the Council being a Founder Member of the Local Government Insurance Mutual.

2. Date of decision

26 March 2018

3. Reasons for decision

To approve the Council's annual insurance renewal terms.

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 2018/2019 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

DSM

Signed M P Headley Date: 26 March 2018

Name of Decision Taker : Councillor M Headley

This is a public document. A copy of it must be given to the Chief Officer Democratic and Registration Services as soon as it is completed.

Date decision published: 29th March 2018

Date decision can be implemented if not called in: 13th April 2018

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

Bedford Borough Council – Finance Portfolio Holder

March 2018

Report by the Chief Finance Office Corporate Finance and Pensions

Subject: RENEWAL OF EXTERNAL INSURANCES: 2018/2019

1. Executive Summary

To set out the Council's external insurance arrangements for 2018/2019 and approve the Council being a Founder Member of the Local Government Insurance Mutual.

2. Recommendations

The Portfolio Holder is requested to consider and if satisfied:

- (i) 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 2018/2019;**
- (ii) Approve the Council being a Founder Member of the Local Government Insurance Mutual.**

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. This report provides also provides information on the Council's involvement with the establishment of a Local Government Insurance Mutual.

Key Implications

(a) 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). 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.

The Council entered into a five year contract with Zurich Municipal commencing on 1 April 2016 with an option for the Council to extend the contract by a further two years (i.e. seven years in total), if required.

(b) Policy Issues

No issues arising from this report.

(c) Resource Implications

For 2018/2019 external insurance premiums inclusive of insurance premium tax, claims handling fees and engineering inspection fees will not exceed £1.153 million. The Council's approved budget for 2018/2019 provides for the external insurance premiums payable by the Council.

The mutual company will be incorporated by the LGA on behalf of the Founding Members and will bear the costs of incorporation. The LG Mutual will be a company limited by guarantee, which has been set at £100 per Founder Member. There is no requirement for the Founder Members to take out insurance from the Mutual once it has been established.

(d) 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 2018/2019 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 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.

The LG Mutual will be a company limited by guarantee which has been set at £100 per member

(e) Environmental Implications

No environmental implications arising from this report.

(f) 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.

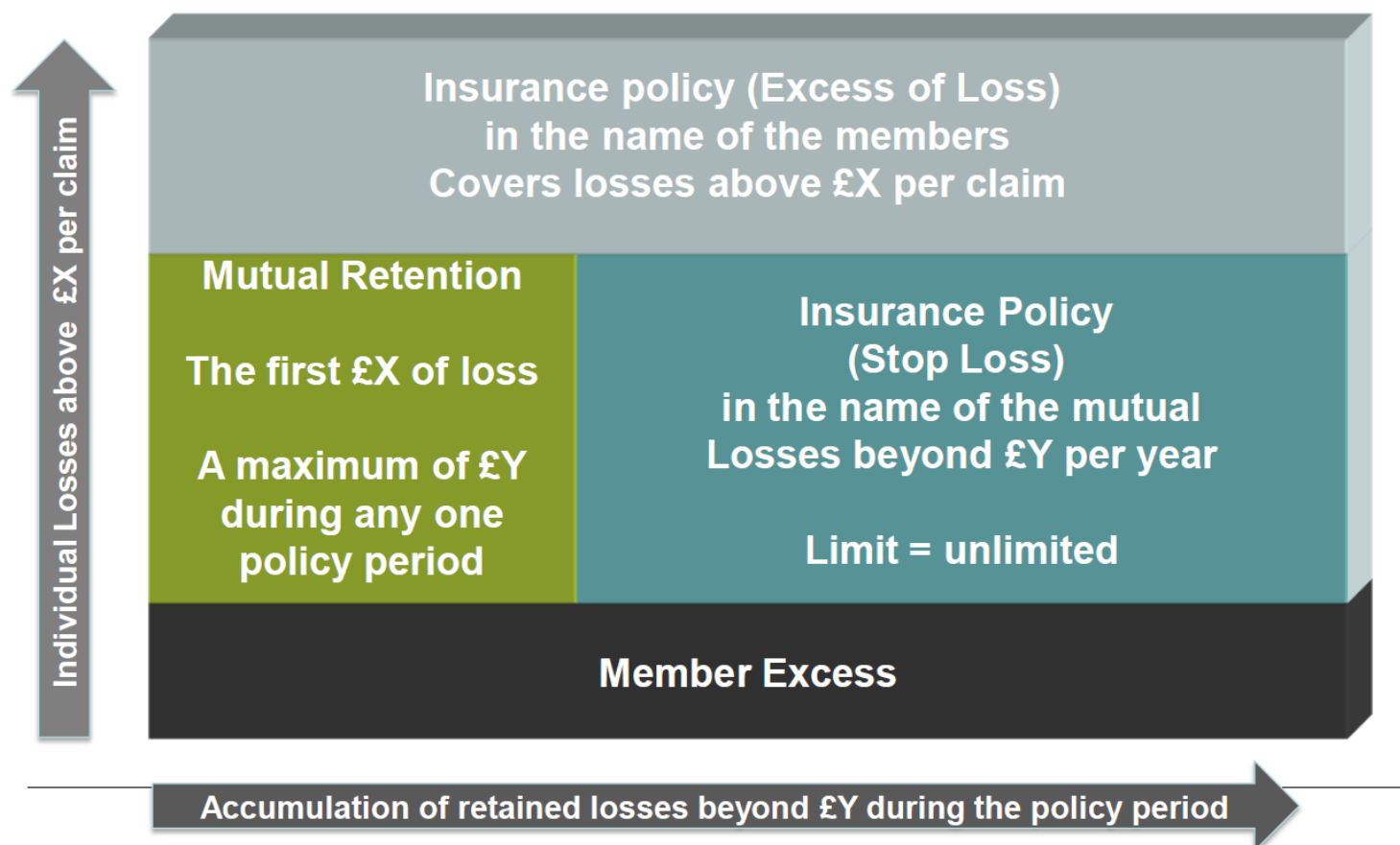
4. Details

- 4.1** The Council has finalised the insurance arrangements for 2018/2019 and confirmed changes to the Council's asset base (acquisitions, disposals and anticipated rebuild inflation). Zurich Municipal has confirmed the renewal costs for the 2018/2019 financial year as set out overleaf. The increase in cost from 2017/2018 is £54,000 comprising £32,000 increased premiums and £22,000 Insurance Premium Tax (rising from 10% to 12%).

Premiums:	£000
- Property	252
- Casualty	262
- Motor and Engineering	233
- Additional Covers	51
-Standalone Policies (incl. Terrorism)	<u>158</u>
Sub Total	956
Insurance Premium Tax (@ 12%)	115
Claims Handling Fee	44
Engineering Inspection Fee	<u>38</u>
Total	<u>1,153</u>

- 4.2** Zurich Municipal continue to 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.
- 4.3** The LGA is developing an Insurance Mutual model for Local Government which aims to offer comparable insurance cover to LGA Members at a competitive rate. The LGA has carried out research with Local Authorities, LGA Members and key providers in the insurance market to establish a viable alternative to the conventional insurance market products at a reduced cost. The LG Mutual will provide self-insurance by pooling the risks of the Members resulting in reduced premium costs and savings in IPT.
- 4.4** The LG Mutual will purchase re-insurance to cover losses over a fixed amount in order to transfer an element of financial risk and cap losses. This will ensure that Authorities are protected from potential future losses.

4.5 The diagram below sets out the components of the Mutual.



4.6 The Mutual will be owned and controlled by its Members and professionally managed by Financial Conduct Authority (FCA) authorised industry experts. The Council's interest in being a Founding Member of the Mutual is that the Council will be able to influence the development of what will hopefully prove to be a more cost effective option for insurance cover. Consequently the Council has been working with the LGA on setting up the organisation.

- 4.7** The cost of incorporation of LG Mutual will initially be borne by the LGA on behalf of all LGA Members. The Company will be limited by guarantee which has been set at £100 per Member.
- 4.8** There is no requirement for the Founder Members to procure their insurance from the Mutual once it has been established. Members will have the option of taking out cover with the Mutual, having taken the necessary best value consultation and business case in line with Section 32(2) of the Local Government Act 1999) or to cease their membership.

4.9 Summary of Consultations and Outcome

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

Management Team

No adverse comments have been received.

Advice has also been received from the following organisations:

Zurich Municipal - External Insurer

Ward Councillor Views

Not applicable for this report.

Report Contact Officer: Julie McCabe, Chief Officer Corporate Finance & Pensions
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File Reference: I.1(a)

Previous Relevant Minutes: None
Background Papers: None
Appendices: None