

# Westmorland and Furness Shadow Authority Cabinet

**Date:** 24 February 2023  
**Title:** Section 24 Direction and General Consent - Award of Contract for Insurance Services

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**Report from:** Andrew Jarvis - Finance Portfolio Holder  
**Report Author:** Pam Duke, Director of Finance (S151 Officer)  
**Wards:** All Wards  
**Key Decision:** S24 Consent for the Award of Insurance Contracts

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## **1.0 Purpose/Summary of report**

- 1.1. To consider granting consent to the County Council to enter into a contractual arrangement for the provision of Insurance Services to Westmorland & Furness Council for a period of three years from 01 April 2023 with the option to extend for 2 separate periods of one year.
- 1.2. In compliance with the Direction issued under section 24 of the Local Government and Public Involvement in Health Act 2007, the award of these contracts requires the consent of Westmorland and Furness Shadow Authority.

## **2.0 Recommendation**

### **2.1 It is recommended that the Shadow Authority Cabinet:-**

**(1) grant consent to Cumbria County Council to enter into contractual arrangements for the provision of main insurance services to Westmorland & Furness Council.**

## **3.0 Background and Proposals**

- 3.1 Westmorland and Furness Council will, post vesting date, provide a complex range of services and undertake a wide range of activities

and will therefore need to ensure appropriate insurance cover is in place from 1 April 2023 to demonstrate good financial and risk management.

- 3.2 All existing insurances for the County Council and District Councils terminate on 31 March 2023 and consequently new insurance policies are required to be in place for vesting date.
- 3.3 Due to the lead in time to ensure appropriate insurances are in place for 1 April 2023, a procurement process has been undertaken by Cumbria County Council on behalf of Westmorland & Furness Council.
- 3.4 To support this process, Shadow Authority Cabinet is recommended to grant consent to Cumbria County Council to enter into contractual arrangements for main insurance services.
- 3.5 Marsh Ltd have been appointed to provide insurance brokerage services to Westmorland & Furness Council (the Council) with this contract transferring from the County Council to the Council on 1 April 2023. Marsh Ltd have supported the procurement process for insurance provision utilising their access to the market and wide experience to ensure a cost effective insurance contract for the Council. The contracts are being procured using the Yorkshire Procurement Organisation (YPO) national Dynamic Purchasing System (DPS) agreement for Insurance Placement (000978).
- 3.6 To ensure the most cost effective contract for the Council, main insurance services have been split into three lots with the potential for different insurers for each lot:
  - Lot 1 – Liability & Fidelity Guarantee Insurance
  - Lot 2 – Property Insurance
  - Lot 3 – Motor Insurance
- 3.7 Additionally Engineering Inspections are being procured through the YPO DPS agreement.
- 3.8 A range of other services requiring specialist insurances are being procured for Westmorland & Furness Council outside of the DPS agreement. These include insurance for the Windermere ferry; fine arts; tenants' insurance etc. These other insurances fall below the threshold for seeking S24 consent.
- 3.9 The procured main insurance contract will also include a claims handling service to work closely with the respective Council's Insurance team and other teams across the Council to ensure claims are responded to and managed in a professional and timely manner.
- 3.10 Whilst Westmorland & Furness Council will be insuring against a wide range of risks, there are also a number of risks that will be self-insured.

- 3.11 The contracts will commence from 1 April 2023 for a three year period to 31 March 2026 with the option to extend for two further years (by two individual one year extensions) to 31 March 2028.
- 3.12 Based on provisional results from the procurement process, the estimated cost to Westmorland & Furness Council of the main insurance services listed in section 3.5 is £1.470m per annum (including Insurance Premium Tax) (and therefore £7.351m for the maximum five year term of each contract) as detailed in Appendix 1 (confidential and not for release).
- 3.13 Once S24 consent is granted, contracts will be awarded to the most economically viable insurance solution for Westmorland & Furness to ensure that insurances are in place for 1 April 2023. That solution may result in different insurers for the lots identified in section 3.5.

#### **4.0 Consultation**

- 4.1 Consultation on the award of contract for main insurance services has not been required.

#### **5.0 Alternative Options**

- 5.1 Westmorland & Furness Council will require insurances from 1 April 2023. However, the services that are insured, insurance excesses, aggregate limits and the extent of any self-insurance within the Council have been carefully considered.
- 5.2 Officers have worked closely with the appointed insurance broker, Marsh Ltd, to explore the insurance markets for appropriate cover and engaged initially with the interim S151 Officer and recently the Director of Finance (S151 Officer) regarding insurances to be procured.

#### **6.0 Implications**

### **Financial, Resources and Procurement**

- 6.1 The contracts for the insurance premiums identified in paragraph 3.5 are provisionally estimated to be £1.470m per annum (including Insurance Premium Tax) and therefore £7.351m for the maximum five year term of the contracts as detailed in Appendix 1 (confidential and not for release). It is expected that other specialist insurances

still to be procured (e.g. Windermere Ferry) will cost an additional £0.100m per annum.

- 6.2 The Medium Term Financial Budget includes a pressure of £0.250m for insurance services and it is expected that the cost of insurance services will be funded from within the available budget including this pressure.

## **Human Resources**

- 6.3 There are no Human Resources implications associated with the recommendations of this report.

## **Legal**

- 6.4 In compliance with the Direction issued under section 24 of the Local Government and Public Involvement in Health Act 2007, the award of the contracts for the provision of insurance services to the Council with effect from 01 April 2023 requires the consent of Westmorland and Furness Shadow Authority.
- 6.5 Once consent is obtained the County Council's Director of Finance has the power to award the contracts under paragraphs 14.6 and 14.8 of Part 3A of the County Council's Constitution. Owing to the value of the contracts the decision to award will be a key decision and the key decision process must be followed.
- 6.6 The County Council's legal services reviewed the YPO DPS documentation prior to permission to procure being granted. It was deemed to be compliant with the Public Contracts Regulations 2015 and the call off terms and conditions acceptable.
- 6.7 Once concluded the contracts will by operation of law automatically transfer from the County Council to the Council on 01 April 2023 using the provisions in section 16 of the Local Government and Public Involvement in Health Act 2007. The new councils will enter into a section 16 agreement which sets out the contracts that are being transferred to each new council from the sovereign councils. (Emma Lawson 31.01.2023)

## **Health and Sustainability Impact Assessment**

- 6.8 Have you completed a Health and Sustainability Impact Assessment?  
No

6.9 The recommendations of this report are for the Shadow Cabinet to grant consent to the County Council to enter into a contract for insurance services for Westmorland & Furness Council. There are no associated health and sustainability implications arising from this recommendation.

## Equality and Diversity

6.10 Have you completed an Equality Impact Analysis? Yes (attached at Appendix: No

6.11 The recommendations of this report are for the Shadow Cabinet to grant consent to the County Council to enter into a contract for insurance services for Westmorland & Furness Council. There are no associated equality and diversity implications arising from this recommendation.

Risk Management	Consequence	Controls required
If consent is not given, there will be no insurance arrangements in place for Westmorland and Furness Council	Westmorland and Furness Council requires appropriate insurance policies to ensure good financial and risk management. Without such arrangements in place, the Council is liable for all its insurable risks creating a potential significant financial risk to the Council.	This risk would be mitigated through approval of the recommendation of this report.
There is a risk that the Inter Authority Agreement between Westmorland & Furness Council and Cumberland Council may result in a lack of clarity associated with insurance	A lack of clarity as to insurance coverage within the Inter Authority Agreement may lead to contractual issues with the insurers and result in the liability claims against hosted	Work is currently underway to clarify how liability and insurance arrangements operate effectively with the Inter Authority Agreement.

<b>Risk Management</b>	<b>Consequence</b>	<b>Controls required</b>
coverage between the two parties	services being challenged.	

### **Contact Officers**

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### **Appendices Attached to this Report**

<b>Appendix No.</b>	<b>Name of Appendix</b>
1	Outcome of Tender for Insurance Services (Confidential)

### **Background Documents Available**

None