

Cabinet

Report Title	Procurement of Sandwell MBC and Sandwell Children's Trust Joint Insurance Programme	
Date of Meeting	30 July 2025	
Report Author	Narinder Phagura	
Lead Officer	Alex Thompson	
Lead Cabinet Member(s)	Councillor Paul Moore	
Why is this a key decision?	1. Expenditure over £1 Million+	Yes
	2. Significant impact on 2 or more wards	Yes
Wards Affected	All wards	
Identify exempt information and exemption category	Exemption provisions do not apply	
Is the report urgent?	No	
Reasons for urgency	N/A	
Appendices (if any)	None	

1. Executive Summary

- 1.1 This report is seeking approval to delegate authority to award long term agreements (LTAs) for the joint council and Sandwell Children's Trust (SCT) main insurance policies following completion of compliant procurement processes. Approval is also sought for an exemption under rule 8.10 of the Procurement and Contract Procedure Rules 2024 (or any subsequent amendments) to allow contracts to be awarded to the successful tenderer(s) if the required minimum number of tenders are not received for each of the lots within the programme.

2 Recommendations

The Cabinet is recommended to:-

- 2.1 Delegate authority to the Executive Director for Finance and Transformation to award Long Term Agreements for joint insurance programme and policies (as noted below) required for a period of three years with an option to extend for a further two years, in line with the insurance industry norm for Long Term Agreements.

Policy
Property
Motor
Liability/ casualty
Crime/ fidelity guarantee
Computer
Travel
School journeys
Medical practice
Terrorism
Directors and Officers (SCT only)
Hired in plant

- 2.2 Approve an exemption under rule 8.10 of the Procurement and Contract Procedure Rules 2024 (or subsequent amendments) to allow Long Term Agreements to be awarded to the successful tenderer(s) in the event that the required minimum number of tenders are not received for each lot.
- 2.3 Approve any variations to the Long Term Agreements up to a maximum of 10% of each of the Contract/ Long Term Agreement values, should they be necessitated.

3. Proposals – Reasons for the recommendations

- 3.1 The current Long Term Agreements (LTAs) for the council's and Trust's main insurance programme expire on 30 September 2026.
- 3.2 This report is seeking approval to award contracts/ LTAs for each of the lots within the tender to provide insurance cover for the various risks that the council and Trust wish to insure, upon completion of a compliant tender process.
- 3.3 As quotes and tenders from the insurance market are usually only valid for a short period of time, it is necessary to ensure that the clarifications and evaluation processes and award of contracts are completed within the relevant period during which the quotes are valid. As a result, the recommendation seeking delegated authority is being sought.

- 3.4 Despite the procurement of LTAs, as with all insurance cover policies, a renewal process must be undertaken annually to assess whether the level of risk and therefore rate charged has changed. As such, the annual cost of each policy will change depending upon any relevant change factors including but not limited to claims history, expenditure, revenue, asset valuations, employee numbers and similar.
- 3.5 The service will be tendered by carrying out a mini competition under the YPO Insurance Placement DPS 1198 Customer Access Framework Agreement on a three-year contract with an option to extend for a further two years (3+2), subject to satisfactory performance. Using this framework agreement will ensure that the procurement is compliant with all procurement regulations, that only reputable insurers are considered and that any customised cover requirements are met in a dynamic and fluid insurance market.
- 3.6 The programme of insurance includes a range of different policies with various insurers to ensure that the transfer of risk sits within the council's and Trust's appetite for risk. Where appropriate, risk is spread across various insurers as all insurers do not have the same appetite for each risk category and will only tender for certain categories of risk or submit conditional bids on classes of risk that will only be covered if certain other classes are also awarded to them. As such, this could result in the number of minimum bids required to demonstrate compliance with the council's Procurement and Contract Procedure Rules not being met. Therefore, approval is being sought for an exemption to allow a contract to be awarded to the successful tenderer in the event that the required minimum number of tenders, are not received.
- 3.7 The majority of the programme of insurance is joint insurance for both the council and SCT. The covers in place are predominantly for catastrophic loss, thereby meaning that a large part of the council's and Trust's day to day claims fall within the self - insurance element where the risk falls to the council/ Trust.
- 3.8 A summary of the key insurance policies is provided below.

Policy	* Joint policy between the council and SCT
Property*	
Motor*	
Liability/ casualty *	
Crime/ fidelity guarantee*	
Computer*	
Travel	
School journeys	
Medical practice	
Terrorism	
Directors and Officers (SCT only)	
Hired in plant	

- 3.9 The annual value of the combined policies above is in excess of £1million excluding Insurance Premium Tax (IPT) currently at 12% per annum.
- 3.10 As with most insurance tenders, quotes submitted at tender are usually only valid for a specified time (usually 30- 90 days). As such and given the consultations that will be required (see section 5 below), approval is being sought for delegated authority to the Executive Director of Finance and transformation to award the LTA to the successful supplier.
- 3.11 As noted above, as the norm for the insurance market and due to the volatile nature of insurance and potential fluctuations in the factors noted at paragraph 3.4 above, insurers require an annual renewal process to be undertaken to assess the level of risk and rate being charged. As such, if the level of risk / claims history or other factors are deemed to have increased from that at tender stage, insurers may require a change/ increase in the ratings applied to each risks and hence cost of cover. It is for this reason that approval is also being sought for any variations to the LTAs up to a maximum of 10% of each of the contracts/LTAs value. The cost of the insurance programme is funded through the insurance reserve, to which service areas and the Trust contribute annually.

4 Alternative Options Considered

- 4.1 In all cases, the procurement exercise will look at options around coverage and also the level of deductible (excess) to ensure that suitable and value for money policies are procured.
- 4.2 The other options that have been considered are:

Option 1- to carry out an open procurement process under the new Procurement Act 2023 via Find a Tender. This has been dismissed on the grounds that this can attract tenders from insurers that are not reputable or have the capacity to provide the cover requirements needed. In addition, it would also require additional council resources to carry out and evaluate the tenders. The framework eliminates this as it has the advantage of pre-qualifying suppliers.

Option 2- do not transfer any of the risks to external insurers and thereby retain all risks internally. Given the insurance cover is for catastrophic loss, this would leave the council taking on a level of risk which is in excess and outside of the council's appetite for risk and would have significant financial implications if such events materialised.

5. Consultation

- 5.1 Consultation with the council's appointed broker will be undertaken to understand and consider the options available, how best to split the lots/ risk and level of deductible options to consider, to ensure that the insurance programme is optimised to seek best value and cover.
- 5.2 As a large part of the council's insurance programme is jointly procured with Sandwell Children's Trust, the Trust will also be informed of the approach being taken and the recommendations being sought from Cabinet.

6. Financial Implications

- 6.1 The premiums for the insurance policies and programme will be in excess of £1million per annum and provide cover for various risks. These costs will be met from the Insurance Reserve that has been set aside by the council and to which service areas contribute annually. An actuarial review of the reserve is undertaken every two years (with the most recent one been completed in 2025), to confirm that the reserve is sufficient to meet the council's historical insurance liabilities.

7. Legal and Governance Implications

- 7.1 Statutory obligations relating to the Council's finances fall within s.151 of the Local Government Act 1972 which includes amongst other things the requirement that the Chief Finance Officer makes appropriate arrangements for the protection of the council's assets. The required insurances will be procured in full compliance with the Council's Contracts and Procurement Procedure Rules and all relevant legislative requirements relating to the conduct of procurement activities and will be undertaken through the YPO framework.

8. Risks

- 8.1 The key risks associated with the recommendations being sought include:

Risk 1 - A risk that the tender could result in an increase in premiums for cover; additional exclusions and/ or higher levels of deductibles/ excesses. To assist in the mitigation of this, options for different levels of deductibles will be requested as part of the tender process and evaluated to assess which provide the best value.

Risk 2 - Underwriters may not have an appetite for certain risk covers/ lots and therefore could either submit 'conditional bids' or leave the council exposed to taking on the entire risks. To reduce this risk, the Insurance team will work with its appointed broker to ensure the risk for each lot is mixed and spread in a way that mitigates the impact on both the council and the underwriter.

Risk 3 - Insurers are requesting increased information and details around council and Trust activities, asset information and operational risk management arrangements. Therefore, robust, complete, up to date, accurate and good quality data and effective collaboration across all service areas will be required, to ensure full information is provided as part of the tender and that all enquiries are dealt with promptly in line with the procurement timetable, to ensure insurers are confident in underwriting the risk in the first instance and also in submitting value bids. Without such detailed and up to date information and data being available as part of the tender process, insurers may decide not to tender to underwrite the risks or that they will be unable to adequately assess the risks to submit appropriate quotes. To mitigate this will require timely collaboration and assistance across all service areas and in particular between the Asset Management and Risk and Insurance teams to ensure robust data is provided.

9. Equality and Diversity Implications (including the public sector equality duty)

- 9.1 There are no equality and diversity implications arising from the recommendations being sought.

10. Other Relevant Implications

- 10.1 Given the value of the insurance programme, as advised by brokers and the council's procurement team, a compliant procurement exercise will be undertaken using the YPO Framework agreement. This will also ensure compliance with the Council's Contracts and Procurement Procedure Rules and all relevant legislative requirements relating to the conduct of procurement activities

11. Background Documents

- 11.1 None.

12. How does this deliver the objectives of the Strategic Themes?

- 12.1 The programme of insurance provides cover for a wide variety of risks ranging from school property, commercial property, other operational council buildings, computer cover, cover arising from council/ Trust negligence in the performance of its daily activities which could result in injury or property damage to residents, visitors as well as the council's workforce. The insurance programme therefore assists in mitigating these risks and contributes to all of the objectives of the strategic themes.

Relevance Check

Budget Reduction/Service Area: Central item - Insurance fund/ reserve

Service Lead- Peter Farrow

Date: 3 June 2025

In what ways does this Budget reduction have an impact on an outward facing service? How will the service feel different to your customers or potential customers?

The premiums for the insurance programme are funded through the insurance reserve which is a central item. The reserve is topped up annually from service budgets. Given the current adequacy of the reserve, these service budgets in total do not contribute more than the amounts budgeted and therefore should not feel any different to customers in the short term.

If not, how does it impact on staff e.g. redundancies, pay grades, working conditions? Why are you confident that these staff changes will not affect the service that you provide?

There are no staff impacts.

Is a Customer Impact Assessment needed? No