

Policy Committee

21 July 2025



Reading
Borough Council
Working better with you

Title	Insurance Contract Tender
Purpose of the report	To make a key decision
Report status	Public report
Executive Director/ Statutory Officer Commissioning Report	Darren Carter (Director of Finance)
Report author	Paul Harrington (Chief Auditor)
Lead Councillor	Cllr Ellie Emberson (Lead Councillor for Corporate Services and Resources)
Council priority	Ensure Reading Borough Council is fit for the future
Recommendations	<ol style="list-style-type: none">1. Agree an open tender procedure be carried out with a view to the resultant insurance contract(s) being in place by 1st April 2026 allowing for an element of both self-insurance and cover by an external insurance policy as set out in 3.3.2 below.2. Delegate authority to the Director of Finance in consultation with the Lead Councillor for Corporate Services and Resources and the Assistant Director for Legal and Democratic Services to make relevant decisions regarding policy cover, levels of deductibles and award the contract at the end of the tender process to the winning tenderer/s.3. Delegate Authority to the Director of Finance to approve the runoff insurance cover where appropriate for the decommissioned Children's Company 'Brighter Futures for Children'.

1. Executive Summary

- 1.1. The Council's current insurance contracts are due to expire on 31st March 2026. In order that the Council can mitigate its potential financial and legal liabilities going forward and transfer some of its potential claims exposure, there is a need to tender for a new insurance contract(s), in accordance with the Procurement Act 2023, which came into effect on February 24, 2025. The tender will incorporate the insurance run off requirements of 'Brighter Futures for Children'. The new contract(s) must be agreed and in place for 1st April 2026.
- 1.2. This report seeks approval for the award of contracts for insurance for the Council's Combined Liability (Public and Employee Liability), Motor Fleet and Property insurance arrangements, following a competitive tendering exercise.
- 1.3. The current year's total value of insurance contracts is £1.2 million. We are estimating £8.4m over the 7 years of the contract but this is subject to claims history, numbers of employees, levels of deductibles, fluctuations in the market and insurance premium tax (IPT at 12%), not changing through the course of the contract.

2. Proposal

- 2.1 The Council operates an insurance programme that balances self-retained risk with external insurance policy protection which is reviewed at each annual renewal. The insurance contracts (policies) have financial implications not only in the cost of the insurance policies, but the level of self-retained risk exposure the Council wishes to accept. The larger the self-retained risk that the Council exposes itself to the lower the policy cost.
- 2.2 There are three options facing the Council - to self-insure entirely, to take an insurance program which allows an element of self-insurance, but also the protection an insurance contract can give, or to transfer all insurable risk via ground up insurance. Based on the current financial climate, the availability and pricing of insurance, and the risk appetite of the Council we recommend continuing with the balanced option.
- 2.3 There are a limited number of insurers that are prepared to quote for local authority business in the UK, especially those authorities with children, adult, and highways risk exposures. Whilst insurers will consider the Council's total risk exposure and claims history when pricing their tender, insurers continue to review their premium ratings across all classes of business to reflect wider market issues.
- 2.4 The outcome of the tender process will be that comprehensive insurance will be in place to protect the Council's financial legal liability whilst achieving value for money in respect of the premium paid including IPT (Insurance Premium Tax).

- 2.5 The level of cover required will depend on the risk appetite of the Council and also the package which the insurers are prepared to offer. Therefore, the exact insurance portfolio will be decided upon the level of exposure we are prepared to accept and the premiums and policies the various insurers are prepared to offer.
- 2.6 The current deductible (self-insurance element) per claim for liability cover is £250,000 for Public Liability and Officials Indemnity Liability, £100,000, for Employee Liability and £25,000 for Professional Indemnity. The current deductible for General Property and Commercial Property insurance is £150,000 and £250.00¹ (paid by the tenant) per claim respectively. The current deductible for Motor and Cyber insurance is £50,000 and £100,000 per claim respectively.
- 2.7 As part of the tender process, it is proposed that alternative quotations are obtained to increase deductibles considered appropriate by the Section 151 Officer. If a larger deductible is chosen, then there will be a higher self-retained risk that would require appropriate funding.
- 2.8 Prior to the tender process we will commission a fund review to recommend the appropriate level of provisions and reserves in the context of self-insured layers of risk, on alternative deductible levels. The key objective of the fund review will be to use actuarial forecasting techniques based on the claims experience, anticipated claims exposure, size of the internal fund and the cost of the subsequent premiums. An informed decision can then be made on the most appropriate deductible based on an optimisation analysis.
- 2.9 It is recommended that the contract(s) be let on a three-year basis with the option to extend for a further two years, plus another two years (seven years). The anticipated cost of the premium and the potential length of the contract make this a major contract under the Council's contract rules and the Insurance Manager will be working closely with Procurement and legal.
- 2.10 The Council's appointed brokers AJG (Arthur J Gallagher) will also be assisting on the tender as the business has to be placed via an insurance broker as (with the exception of one insurer) insurers will only place business via a broker.
- 2.11 As a result of the planned dissolution of Brighter Futures for Children (BFFC), it is necessary to maintain the existing Directors and Officers (D&O) Insurance policy currently held with our insurer. This policy operates on a 'claims made' basis, meaning that coverage must remain in place for a defined period to ensure protection against any claims that may arise after 1 April 2026 in relation to actions taken while BFFC was operational. Accordingly, authorisation is sought to maintain this insurance for a minimum period of three years post-dissolution to ensure adequate run-off cover and mitigate potential liabilities.

¹The premium costs for commercial properties are recharged to the tenant. This is referred to as Ground-up loss, where the total amount of any loss is covered by an insurance policy

3. Contribution to Strategic Aims

- 3.1 Having appropriate insurance provision will safeguard the Council's properties, assets and services.
- 3.2 Adequate insurance provision will facilitate the Council remaining financially sustainable to deliver the service priorities covered in the Council's Corporate Plan.
- 3.3 The Council Plan has established five priorities for the years 2025/28. These priorities are:
- Promote more equal communities in Reading
 - Secure Reading's economic and cultural success
 - Deliver a sustainable and healthy environment and reduce our carbon footprint
 - Safeguard and support the health and wellbeing of Reading's adults and children
 - Ensure Reading Borough Council is fit for the future
- 3.4 In delivering these priorities, we will be guided by the following set of principles:
- Putting residents first
 - Building on strong foundations
 - Recognising, respecting, and nurturing all our diverse communities
 - Involving, collaborating, and empowering residents
 - Being proudly ambitious for Reading
- 3.5 Full details of the Council Plan and the projects which will deliver these priorities are published on the Council's website - [Council plan - Reading Borough Council](#). These priorities and the Council Plan demonstrate how the Council meets its legal obligation to be efficient, effective and economical.

4 Environmental and Climate Implications

- 4.1 The Insurance policies do not have Environmental or Climate implications, the Financial Conduct Authority (FCA) regulates how these organisations operate.

5 Community Engagement

- 5.1 We have not carried out consultation, community engagement or information as it is not required for this tender.

6 Equality Implications

- 6.1 There are no equality or diversity implications noted in this report.

7 Other Relevant Considerations

Risk management implications

- 7.1 Insurance arrangements are an important part of the council's overall risk management strategy. When considering the mitigation of the risks that the council faces, insurance policies may be used as a risk transfer mechanism. In exchange for a known cost (the insurance premium) the insurance arrangements pick up the unknown future financial responsibility for the insured risks.
- 7.2 Having insurance covers in place provides a known cost which avoids reducing funds available for other council services. Following consideration of the alternatives (e.g. self-insurance) the obtaining of external covers is the recommended option to reduce and manage this risk and allows for an informed and stable view to be taken.

Risk	Mitigations	Risk Score
Increase in insurance premium	Council's existing Insurance Broker will support/ manage the tender to ensure the widest possible selection of insurance providers are engaged in the tender, and to obtain the best value solution in the current insurance market conditions. It may be possible to reduce the cost of the insurance by decreasing the amount of insurance cover. However, this in turn would reduce the amount of financial protection offered to the Council	High
Insurer Failure	Insurance Broker conducts regular review/monitoring of public sector insurance market including credit ratings, financial health, and performance of potential providers of insurance. Insurers are regulated by the Prudential Regulatory Authority, which is part of the Bank of England and promotes the safety and soundness of insurers. The Financial Conduct Authority regulates insurer's behaviours	Low
Procurement Challenge	Tender will be run in accordance with the relevant procurement legislation and contract procurement rules	Low
There is a lack of responses to the tender from insurers	Market engagement would be undertaken to gain market intelligence ahead of re-tendering the contract	Medium
Future break of long-term agreement	Majority of insurers will only deal via an Insurance Broker Intermediary. Council's existing Insurance Broker will manage/support any required future re-tenders. Broker is then able to ensure widest selection of insurance providers are engaged in any future retenders.	Medium

8 Legal Implications

- 8.1 The proposed procurement is classed as a high value contract under the Council's Contract Procedure Rules (CPR). The Contract is estimated to be above the financial threshold for public procurement for services. As a result, a Regulation compliant tender must be undertaken. Officers propose to procure these services through a competitive tender procedure. This tender will be conducted in accordance with the Procurement Act 2023 which came into force on 24 February 2025.
- 8.2 The Council is utilising the services of its broker A J Gallagher to carry out the evaluation process on its behalf and will therefore have to be satisfied that this is carried out in a compliant manner.
- 8.3 Local authorities are legally required to hold certain types of insurance, like Employers' Liability Insurance (required by the Employers Liability (Compulsory Insurance) Act 1969) and Fidelity guarantee insurance (required by the Local Government Act 1972).
- 8.4 Motor Vehicle Insurance is mandatory for vehicles owned or used by the Council, as required by the Road Traffic Act of 1930.
- 8.5 Ann Ntephe, Acting Principal Lawyer, Corporate and Commercial Team has cleared these Legal Implications.

9 Financial Implications

- 9.1 The current total value of insurance contracts is £1.2 million (£8.4m over life of contract) per annum including 12% insurance premium tax, split across the major policy areas. There are a limited number of insurers that are prepared to quote for local authority business in the UK, especially those authorities with children, adult, and highways risk exposures. Whilst insurers will consider the Council's total risk exposure and claims history when pricing their tender, insurers continue to review their premium ratings across all classes of business to reflect wider market issues.
- 9.2 Current insurance market conditions are such that it is unlikely that any saving in the cost of the Council's insurance programme can be achieved. Increases in insurance rates and property reinstatement costs are driving up the cost of insurance. If these are translated into higher prices through the contracts tendered for, then these additional costs will need to be factored into the Council's financial position for 2026/27 and its medium-term financial position. The contract has financial implications not only in the cost of the contract, but the level of exposure the council wishes to accept. If a larger deductible is chosen, then there will be a greater risk of costs having to be made from the self-insurance fund (reserve).

- 9.3 The Council also retains an insurance reserve for supplementary unknown and unquantifiable risks. The level of reserves maintained must be adequate to reflect the potential risk exposure of the council. To this end regular independent monitoring of the funds is carried out. The latest review (October 2023) provides reassurance that the Council is currently adequately funding the self-retained risk element of its insurance programme. The budgeted annual contribution to that funding going forward is also in line with that being recommended in the report.
- 9.4 An independent analysis will be undertaken by a qualified actuary to ensure that the optimum deductible level is chosen based on the claims experience, anticipated claims exposure, size of the internal self-insurance fund and the cost of the subsequent premiums.
- 9.5 Stuart Donnelly, Financial Planning & Strategy Manager, has cleared these Financial Implications.

10 Timetable for Implementation

- 10.1 Tender is to go live September 2025. Evaluation November 2025. Award decision January 2026. Contract (policies) to commence 1 April 2026

11 Background Papers

- 11.1 There are none.