



District Authorities Save £1.7m By Collaborative Insurance

Summary

This case study highlights how an innovative partnership between seven District Councils delivered £1.7 million savings through one of the first insurance collaborations in the country.

Project Background

In 2008 five Worcestershire District Councils came together to jointly tender their insurance requirements, they were later joined by a further two authorities to form a seven authority insurance cluster to go into the market. This insurance cluster formed part of a regional pilot project to seek to obtain best value on insurance and to stimulate the marketplace.

Insurance was unanimously chosen by the seven councils as it is a significant spend and was considered an area where potential savings could be achieved.

“We are extremely pleased with the outcome and this shows that district councils can make significant savings through working together and aggregating spend to influence the supply market. These are genuine savings delivered with the same level of service.”

- Vic Allison, Deputy Managing Director,
Wychavon District Council

An insurance category group was set up between the East and West Midlands Improvement and Efficiency Partnerships to consult and take soundings from authority insurance representatives, the general view that “insurance cluster groups” was a practical way forward, also improved risk management and data quality are all ways to improve overall performance.

Critical Success Factors

Critical factors to overall success was to overcome the following myths:

- Joint contracting will deliver similar benefits to single contracting – **Not true!**
- Low insurance risk authorities will lose out collaborating with higher risk authorities – **Not true!**
- Additional unnecessary work will be generated by collaborating – **Not true!**
- Few insurance providers will tender for a collaborative arrangement – **Not true!**

“We found the process and outcome outstanding - even though we joined in part way through. This is a massive opportunity for local authorities and I would encourage others to approach the market in a similar way.”

Chris Elliott, Head of Transformation
Staffordshire Moorlands District Council
and High Peak Borough Council

External advice was procured to ensure the data capture was of high quality, the tender specification comprehensive (reflecting existing service levels) and the market was pro-actively engaged. Leeds based company The Risk Factor was successful and supported the seven councils throughout the process.

The contract was divided into seven “lots”, i.e. one for each participating council. Potential suppliers were invited to bid for either “all or part” of the service.

“The consortium tendering sponsored by IEWM has exceeded the City Council’s challenging target for cost reductions in insurance premiums, and we are delighted with the outcome of the project.”

Grahame Lucas, Head of Financial Services, Worcester City Council

Objectives

The main objective was to reduce the purchase cost of insurance, providing cashable efficiency savings and reduced administrative staffing resource required to manage and operate the contract.

The Role of Improvement and Efficiency West Midlands

Improvement and Efficiency West Midlands (IEWM) supported the process by funding the consultancy support to help the authorities collaborate and optimise their insurance data, the IEWM also facilitated meeting and information sharing to ensure all aspects of the process were developed effectively.



Benefits Achieved

Contracts were awarded in April 2009 for three years, and the result was an incredible success, delivering £1.7m of savings with some councils making over £150k saving (30% plus) over the contract period. A further “internal” spin off benefit is the option for reduced administrative burden by centralising the administrative function responsible for the payment of all invoices and processing claims.

Potentially, even greater savings could be achieved by separating the specification into categories, thus encouraging specialist insurance suppliers, e.g. vehicle fleet, buildings and financial management.

The contract was awarded to Zurich against stiff competition and following a rigorous and robust tender evaluation process based on a combination of quality and price. Following the success, IEWM are now working in partnership with other councils including the 14 upper tier councils and remaining 12 district councils to roll this out across the region.

It is considered that potentially further benefits could include the use of reverse auctions for each category, these options will be considered during the regional roll out action plan.

“We are proud to be leading the way in taking innovative steps to provide even more value for money for our residents.”

John Williams, Head of Performance and Policy, Malvern Hills District Council

Risks

The following risks had been identified through the process:

1. If an authority’s insurance data is not at a high standard this will reduce their potential for significant savings;
2. All authorities must commit to the process, pulling out part way through would destabilise the procurement;
3. Enough time should be allocated to ensure an effective project plan.

Transferability

This project can be replicated regionally and nationally. This highlights that in this area, providing accurate expenditure and service level information is available, significant savings can be achieved through a combination of standardization, aggregation, collaboration, smarter procurement and improved market management.

Further information

Jonathan Jones

Programme Manager - Smarter Procurement Improvement and Efficiency West Midlands
0121 245 0227
jjones@westmidlandsiep.gov.uk

David Tirebuck

Procurement Officer
Wyre Forest District Council
01562 732 102
david.tirebuck@wyreforestdc.gov.uk

Margaret Duys

Business Support Manager
Malvern Hills District Council
01684 862260
margaret.duys@malvern hills.gov.uk