

Subject: Shared Services: Consultation on Shared Insurance Functions

Report to: GLA Oversight Committee

Report of: Executive Director of Resources

Date: 30 June 2015

This report will be considered in public

1. Summary

- 1.1 This report represents consultation by the Mayor with the London Assembly, as required in law, in relation to the proposed shared services arrangement between the Greater London Authority (GLA) and Transport for London (TfL) in respect of the provision of a shared insurance function.

2. Recommendation

- 2.1 **That, prior to the Mayor's Decision under section 401A of the Greater London Authority Act, the Committee comments on the proposal for a shared service arrangement for TfL to undertake GLA's insurance arrangements, as described in this report, as soon as mutually practicable.**

3. Background

- 3.1 The GLA's insurance arrangements are currently handled within the Treasury section. The insurance programme was relatively small and did not require a dedicated resource with specialist insurance knowledge/experience. However, following the transfer of functions from the LDA, there was a significant increase in the GLA's property portfolio and the associated risks and liabilities that go alongside ownership of a large property portfolio. The GLA's annual insurance premium is just over £600,000 per annum; this includes the Mayoral election contingency cover, which is separate from the main GLA insurance as it is a bespoke insurance cover.
- 3.2 Following GLA group wide discussions, it is proposed that TfL will provide the GLA with professional support and management relating to all insurance matters. This is alongside TfL providing insurance services to the London Pensions Fund Authority (LPFA) and the London Legacy Development Corporation (LLDC), which both have small insurance programmes and lack a dedicated insurance officer. Under this arrangement the GLA group will benefit from an enhanced insurance function delivered by an experienced and qualified TfL Group Insurance Team.

3.3 TfL will resource the position through the recruitment of an additional part time post within the TfL Group Insurance Team, the post will be based at LLDC offices in Stratford, but will still report directly to the TfL Group Insurance Manager. It is anticipated that TfL would be in a position to start providing insurance services to the GLA from once this proposal has been agreed.

4. Issues for consideration

4.1 Under the proposal, TfL Group Insurance will become responsible for the provision of the GLA's insurance programme, namely:

- To ensure that the GLA has adequate insurance cover, for its day to day activities and any such insurance that may be required by law, through its long term agreement insurance programme (Schedule 1);
- To provide advice and assistance on all aspects of insurance and risk management particularly in respect of the insurance implications relating to any contracts that the GLA may enter into;
- To examine and provide technical insurance advice on the wording of contracts, insurance policies, lease agreements and other relevant documents;
- To meet with the relevant Authority officers at regular intervals, to review the insurance needs of the GLA and provide relevant advice;
- To administer the tender process in consultation with the GLA for the appointment of GLA insurance brokers;
- To administer the EU tender process for the GLA's insurances when the current long term agreements come to an end;
- To handle all claims and liaise with insurers and brokers on behalf of the GLA;
- To ensure that effective cover is in place as soon as possible where any new risk commences e.g. acquisition of a property;
- To liaise with insurers and regularly update GLA officers in respect of any new or outstanding claims; and
- Advise on insurance requirements for Mayoral and Assembly elections.

4.2 There are no TUPE implications as the GLA has no existing staff with sufficient permanent involvement in the activities covered by this arrangement.

5. Legal Implications

- 5.1 Section 401A of the GLA Act 1999 permits the GLA and the functional bodies to provide professional technical and administrative services to one another, or for them to delegate the discharge of such functions between themselves. The Insurance activities described in this report fall within the ambit of s 401A. The Mayor is required to consult the Assembly on any proposal involving the GLA.
- 5.2 Administrative arrangements between public bodies that are in the public interest and that do not involve the placing at a competitive advantage or disadvantage of any particular private sector commercial supplier generally fall outside EU public procurement rules, particularly if the activity in question is performed on a cost recovery basis, as is the case here. Therefore the LLDC can appoint the GLA under s 401A without having to go through an OJEU (Official Journal of the European Union) public procurement process.
- 5.3 The GLA's Executive Director of Resources will continue to be subject to his personal statutory responsibilities concerning the proper administration of the GLA's financial affairs, notwithstanding TfL's appointment to perform the insurance activities described.
- 5.4 If there were any employees wholly or mainly assigned to the insurance activities currently performed at the GLA those employees would automatically transfer to TfL under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") upon delegation of those functions to TfL. GLA have informed TfL that there are no employees wholly or mainly assigned to the functions/services transferring so it is considered that TUPE will not apply.

6. Financial Implications

- 6.1 Approval is being sought to enter into a shared service agreement with TfL for the provision of the GLA's insurance services, based on the costing of officer time required.
- 6.2 TfL has determined that provision of the insurance function would only require 21 hours per week and that the GLA share of those costs will 20% of the direct costs and the general costs of providing an insurance service per annum.
- 6.3 The annual cost to the GLA will be some £20,000 per annum and this proposal will be funded from the Financial Services Insurance Budget. Where there are additional insurance charges arising from new service requirements, these will fall to the relevant service budget to meet. If the proportion of time were to exceed 20% of TfL's direct costs, these additional costs would be met from the relevant service budget that would be causing the increased workload.

List of appendices to this report:

Appendix 1 – GLA insurance programme

Local Government (Access to Information) Act 1985

List of Background Papers: none

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GLA Insurance Programme.

- Travel
- Motor
- Terrorism
- Property GLA and GLA Land & Property
- Fidelity
- Computer
- Marine
- Legal Assistance
- Public Liability - main
- Public Liability - Top –up
- Employers Liability
- Marine Impact Greenwich peninsular River wall
- GLA Life Assurance Scheme
- Engineering
- Mayor’s Contingency Cover (Elections)
This policy is separate from then GLA main insurance programme as it is a bespoke insurance policy