

CABINET

11 February 2015

PROCUREMENT OF INSURANCE AND RISK SERVICES 2015-2020

REPORT OF CHIEF FINANCE OFFICER

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RECENT REFERENCES:

CAB2328 Risk and Insurance Services – Hampshire Insurance Framework – 11 April 2012

AUD103 Annual Governance Statement and Corporate Risk Monitoring Update – 4 December 2014

EXECUTIVE SUMMARY:

The 11 borough and district councils in Hampshire have worked collaboratively to procure insurance services to be effective from 1 April 2015 using an OJEU compliant framework open to the public sector. This report considers the tenders received for the provision of Insurance and Risk Services for Winchester City Council and recommends an award of contract for the services.

The cost of insurance across the 11 borough and district councils in Hampshire is around £4m a year and for Winchester City Council £539,000. The proposed value of the replacement contract for Winchester City Council is approximately £425,000, achieving savings to existing revenue budgets, both General Fund and Housing Revenue Account.

This report provides Cabinet with information regarding the tenders received and seeks an award of contract for a 3 year long term agreement with the option to extend for a further 2 years.

RECOMMENDATIONS:

1. That the contract be awarded to the insurers ranked in 1st position as set out in Exempt Appendix A, being the most economically advantageous tender received; and
2. That authority be delegated to the Chief Finance Officer to accept the finalised premiums and associated costs or make alternative arrangements in the event that the tender cannot be accepted by other participating local authorities.

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1. BACKGROUND

- 1.1 In March 2009, Fareham established a framework agreement for insurance services which allowed all 11 borough and district councils in Hampshire, collectively called the Hampshire Insurance Forum (HIF), to call off insurance contracts with Zurich Municipal (ZM).
- 1.2 Each member of the HIF joined the framework at different dates and in order to facilitate joint working have aligned the long term agreement end dates with ZM to 31 March 2015. This has enabled all 11 authorities to procure insurance services collaboratively from 1 April 2015, increasing buying power and encouraging competition in the insurance market.
- 1.3 The HIF currently spends around £4m a year on insurance premiums covering a number of risk areas including employers and public liability, property material damage, motor, professional negligence, personal accident, terrorism and engineering.
- 1.4 The borough and districts have many areas of insurance in common, although there are some differences between authorities, for example:
 - Four of the eleven authorities have their own housing stock.
 - Some authorities have a large vehicle fleet, others have outsourced activities such as waste collection and therefore have a smaller fleet.
 - The authorities have different risk appetites and this is reflected by the different levels of excesses and limits.
- 1.5 Since 2009, the HIF has worked together with ZM to set and reach a set of minimum risk control and management standards for operational risks relating to housing and general properties, liability and motor. This has involved sharing best practice across the HIF and shared learning in areas such as inspection and maintenance regimes and fraud prevention.
- 1.6 In preparation for the end of the long term agreements with ZM, the HIF appointed a sub-group to coordinate the procurement of a new insurance programme. The sub-group consisted of officers from Basingstoke & Deane Borough Council, Fareham Borough Council, New Forest District Council and Winchester City Council.

- 1.7 This collaborative approach was fully supported by the Hampshire and Isle of Wight Chief Finance Officers Group (CFO), who agreed to:
- Procure insurance cover from 1 April 2015 via the Crown Commercial Service (CCS) insurance services framework RM958 (Lot 1), an OJEU compliant framework open to the public sector (OJEU ref: 2012/S208-342505).
 - Collaborate as a single group of the 11 borough and districts. Whilst each of the 11 will have an individual insurance contract, each authority's claims history and risk management will affect their premium rather than the group's premiums.
 - Place, for all 11 authorities, insurance contracts for each Lot or Lots with the same insurer(s).
 - Adopt similar insurance programmes balanced between insured and self-insured risks.
 - Appoint a broker to support insurance programme design and placement via CCS Framework RM958 (Lot 2). This was awarded to Aon Risk Services under a separate mini-competition in January 2014.
- 1.8 The tender exercise provided an opportunity to review the existing insurance arrangements to confirm their fitness for purpose and to consider alternative programme design options going forward to improve cost efficiency and provide greater reassurance. This resulted in standardising excesses and indemnity limits across the HIF as it had been some years since they were reviewed.

2 TENDER PROCESS AND EVALUATION CRITERIA

- 2.1 Fareham Borough Council has led the procurement process on behalf of all HIF members using its e-tendering portal. The specification of requirements, the proposed operation of the service and the tender evaluation process (including criteria and weightings) have been established by the HIF sub-group and Aon.
- 2.2 The invitation to tender was issued in October 2014 with the timeline below:

Activity	Date
Dispatch of e-Invitation to Tender	31 October 2014
Deadline for clarifications/questions	21 November 2014
Close date for e-bids responses	15 December 2014 (12 noon)
Evaluation period	15 December to 9 January 2015
Presentation to Hampshire Chief Finance Officer (CFO) Meeting	16 January 2015
CFO approval of all HIF representatives to proceed to Executive / Cabinet approval	21 January 2015
Executive / Cabinet approval to award contract (subject to call-in)	Early February 2015

Activity	Date
Issue Contract Award Notification to all bidders (subject to OJEU standstill)	Late February 2015
OJEU standstill ends. Pre-contract mobilisation meetings with awarded bidders.	March 2015
Commencement of the Contract	1 st April 2015

- 2.3 To encourage competitive quotes and attract specialist insurers in the market, the tender specification was split into 11 Lots comprising the following insurance classes:

Insurance Class
Lot 1 - Property
Lot 2 - Right To Buy/Leasehold
Lot 3 - Property Owners
Lot 4 - Computer
Lot 5 - Fidelity/Crime
Lot 6 - Casualty
Lot 7 - Motor
Lot 8 - Engineering
Lot 9 - Personal Accident/Travel
Lot 10 - Terrorism
Lot 11 - Package Discount

Insurers were invited to submit bids for any or all of the lots and to offer a package discount (Lot 11).

- 2.4 As per the tender document, the quotations received were evaluated in accordance with the criteria listed below for all Lots excluding Lot 8 Engineering:

Award Criteria	Weighting
Price Taking into account any package discounts	60%
Quality of Cover Extent that cover matches specification	20%
Quality of Policy Admin and Claims Handling Quality and ease of access to management information, customer service, expertise of staff	10%
Quality of Added Value Services Provision of risk management support, technical bulletins, seminars	10%
Total	100%

- 2.5 Lot 8 Engineering was given different evaluation criteria to give a greater weighting to the service and quality elements of engineering inspections as detailed below:

Award Criteria	Weighting
Price Taking into account any package discounts	30%
Service Quality and flexibility of systems and processes to produce timely and accurate information	60%
Cover Extent that cover matches specification	10%
Total	100%

- 2.6 Tenders were received electronically by Fareham on 15 December 2014 and were opened by the Democratic Services officer and witnessed by the Procurement Officer. Of the thirteen framework suppliers invited to tender, 7 responded by the deadline, 2 opted-out and 4 gave no response.
- 2.7 The tender submissions were evaluated by the HIF sub-group and Aon in accordance with the criteria set out in the invitation to tender. The scores and ranking for the tenders received are represented in the confidential Appendix A.

3 CONTRACT AWARD

- 3.1 Fareham Borough Council will facilitate the intention to award notification on behalf of all HIF authorities and award confirmation once the HIF members own approval processes have been finalised.
- 3.2 In accordance with instructions set out in CCS framework RM958, award notification letters will be sent to all bidders and candidates. The letter will include a summary of evaluation scores achieved by the relevant bidder versus the winning bid.
- 3.3 An OJEU standstill period of 10 calendar days must be applied before the contract can be concluded. Only once the contract is concluded will HIF members be able to meet the awarded insurer(s) in order to mobilise for contract start on 1 April 2015.

4 CONTRACT MONITORING

- 4.1 The HIF will form a Contract Management Group, made up from members of the HIF to work closely with the awarded insurer(s) and the wider HIF to manage and monitor the contract through its lifetime.
- 4.2 Specifically, the HIF Contract Management Group will:
- Provide support to the HIF group and manage the complexities of working with 11 individual authorities as a collaboration.

- Overview the risk management days per group or per authority per annum.
 - Meet with the insurers to seek any explanation for premium increases or cover changes to the group as a whole.
 - Establish regular meetings with the awarded suppliers to discuss performance.
- 4.3 Seven valid tenders were received for the provision of insurance services to Winchester City Council and Hampshire borough and district councils for a 3 year long term agreement with the option to extend for a further 2 years. It is recommended that the most economically advantageous tender received from the insurers ranked in 1st position (as set out in the confidential Appendix A) be accepted and contracts awarded.

OTHER CONSIDERATIONS:

5 COMMUNITY STRATEGY AND PORTFOLIO PLANS (RELEVANCE TO):

- 5.1 Seeking to achieve value for money through collaborative procurement meets the objective of being an Efficient and Effective Council.

6 RESOURCE IMPLICATIONS:

- 6.1 The proposed value of the replacement contract for Winchester City Council is approximately £425,000 and is to be funded from existing revenue budgets
- 6.2 The costs of Broker Services are covered within the existing risk management budget.

7 RISK MANAGEMENT ISSUES

- 7.1 There is a close correlation between the availability and pricing of insurance and the Council's effective management of its risks.
- 7.2 Management of the insurance programme, to protect the Council's assets, is an action supporting the mitigation of Corporate Risk CR5004 Financial Strategy.
- 7.3 Many of the usual and identifiable risks initially present in this type of project have been negated through the council's rigorous and structured procurement process.
- 7.4 The HIF has sought to reduce the risks of this procurement by:
- Procuring from an OJEU compliant government framework agreement.
 - Appointing an experienced broker to support the procurement process.
 - Hosting an Insurer Day in September 2014 inviting interested insurers to meet HIF members to explain the collaborative approach and ensure the tender is attractive to the insurance market.

- Regular communication amongst HIF members and progress updates to the CFO's group.

- 7.5 Although it is the intention for all 11 authorities to award to the same insurer for each Lot, there is a risk that one or more authorities do not approve the group award decision.
- 7.6 The implications of one or more authorities moving away from the group decision would require separate re-quotes from all insurers for the individual authority/authorities and for the remaining HIF members who have opted for the group approach.
- 7.7 It is likely that the existing premiums will increase for the individual authority/authorities and the group as a result.
- 7.8 There would be time constraints to obtain the revised premiums in time for a contract start of 1 April 2015.

BACKGROUND DOCUMENTS:

- Crown Commercial Service (CCS) insurance services framework RM958
<http://ccs-agreements.cabinetoffice.gov.uk/contracts/rm958>

APPENDICES:

Exempt Appendix A Tender Prices and Evaluation score