	REPORT TO CABINET TO BE HELD ON 16 JULY 2019
	Key Decision NO Forward Plan Ref No 11
Corporate Aims People/Place/Prosperity/Council	Cabinet Portfolio Cllr J Jefferson Holder

REPORT OF DIRECTOR (NE) 19/149

WARDS AFFECTED: ALL

SUBJECT: INSURANCE TENDER

RECOMMENDATION (S):

Cabinet is recommended to:

- (i) note that the Council is undertaking the tender of its main insurance programme through the Crown Commercial Services Insurance II framework;
- (ii) delegate the award of contract(s) to the successful provider(s) for the main insurance programme to Director (NE).
- (iii) approve the undertaking of a compliant tender exercise for the placement of the Council's Marine Insurance Policy;
- (iv) subject to recommendation (iii) delegate the award of contract(s) to the successful provider(s) for the Marine Insurance to Director (NE).

REASON FOR RECOMMENDATION (S):

The insurance programme forms an integral part of the Council's service delivery.

As the aggregated value of the contract, which is already expenditure budgeted for under the current arrangement, will exceed the EU thresholds for supplies and services the contract tendering must comply with both the EU and Council procurement rules.

The Director (NE) has responsibility within the Constitution to effect appropriate insurance arrangements.

HIGHLIGHTED RISKS:

1. Failure to comply with an EU Procurement Rules compliant tender process may lead to a challenge.
2. Failure to formally tender the contract may breach the Council's Financial and Procurement Rules.
3. Failure to procure appropriate external insurance cover may leave the Council exposed to financial risk.
4. If the procurement timeline cannot be achieved then the Council would need to negotiate an extension with the current provider for a period of up to 3 months.
5. Failure to tender the insurance contract may result in the Council entering into a contract on un-competitive terms.

1. INTRODUCTION

- 1.1 The Council's current main insurance programme contract has been in place since 30 September 2013 under a long term agreement and is due to end on 29 September 2019. This contract is with Zurich Municipal and includes liability, motor, property, miscellaneous smaller lines of cover and claims handling.
- 1.2 The Council does not procure formal insurance for all eventualities as some risks, such as landslips, are either not available or are cost prohibitive. The Council established an Insurance Reserve to meet such costs.
- 1.3 The Marine Insurance contract is outside of the main programme, and is placed with Travelers with an end date of 31 December 2019. This primarily covers material damage to the dredger and the liability that may flow from the dredging activities both within the Council's harbours and for third party contract work.

2. CORPORATE AIMS

- 2.1 The provision of insurance, although not directly affecting the Council's corporate objectives, enables continuity of operation in the Council's endeavours to attain its objectives. Insurance provides a level of protection for the Council's assets, be it property, leisure facilities and funds thus supporting the provision of services.

3. BACKGROUND AND ISSUES

- 3.1 The Council has appointed Marsh Ltd (Marsh) as insurance broker to support the procurement process. A reputable broker is important when undertaking an insurance tender exercise as they have invaluable knowledge around presenting the tender document and some of the major insurance providers can only be accessed through a recognised broker.
- 3.2 The duration of the contract will be for a minimum of three years, with options to extend as appropriate. The insurance requirements will be broken down into distinct lots to enable the Council to fully explore all available insurance providers for both cost and quality of service.
- 3.3 The Crown Commercial Services Insurance II framework is to be used. There are 27 pre-qualified insurance providers on the framework, each approved by the Financial Conduct Authority (FCA). Accessing this framework provides an EU compliant procurement route thereby saving resources for the Council by not having to conduct a full EU procurement exercise.
- 3.4 The insurance programme is a key part of the Council's financial resilience and the tendered policies must ensure that suitable insurance cover is in place to protect the Council's assets and potential liabilities. The elements of the evaluation criteria aimed at assessing quality of cover will therefore require particularly careful assessment.

4. CONSULTATION

- 4.1 The Council's Procurement Service has recently been involved in similar insurance tenders through the Procurement Partnership, and is also supporting the Insurance team in this procurement exercise.

5. ASSESSMENT

- 5.1 The Crown Commercial Services Insurance II Framework provides access to a wide range of insurance providers in an EU compliant manner. The framework was developed with other public sector procurement organisations: YPO, NEPO and ESPO.
- 5.2 The insurance providers have been through a rigorous process to make it onto the framework.
- 5.3 The evaluation criteria used to assess the main insurance programme tender submissions is intended to achieve the most economically advantageous offer to the Council. The balance in the evaluation will be Price (60%) and Quality (40%).
- 5.4 The appointment of Marsh as broker for the main insurance programme tender will ensure that the Council has access to as many of the insurance providers as possible, given that some can only be accessed through a recognised broker.

- 5.5 There are a range of factors that will influence the financial outcome of the tender(s) exercise. These include the Council's claim experience, the current market conditions, insurance providers appetite and capacity, and the structure of the Council's insurance programme and activities.
- 5.6 It is important to note that although there are 27 insurance providers on the selected framework not all of them will submit a tender response.
- 5.7 Insurance policies purchased are subject to Insurance Premium Tax (IPT) which is presently 12 per cent. Unlike VAT, the Council is unable to recover any IPT paid.
- 5.8 Although the tender for the main insurance programme is to enter into a long term agreement, with a minimum of three years, there will still be an annual renewal process. Insurance providers are generally permitted to increase premiums within given parameters; however if they step outside of those parameters that is deemed to break the long term agreement and the Council would have to right to re-tender or accept the increase.
- 5.9 If for whatever reason, there is a delay in the procurement process the Council's current insurance provider(s) will be approached to extend the existing policies for a period of up to three months.
- 5.10 The tender route for the marine insurance has not been determined yet as this type of insurance placement tends to be outside the scope of cover that insurance providers to the public sector underwrite. This is the primary reason that the marine policy has not been included in the main insurance programme tender.

6. IMPLICATIONS

6.1 Policy

- 6.1.1 The content of this report is within the Council's policy framework.

6.2 Financial

- 6.2.1 The expenditure incurred in respect of insurance and claims handling services is already part of the revenue budget and the tendering exercise should maintain the competitiveness of the premium paid.

6.3 Legal

- 6.3.1 The main insurance programme tender process complies with the EU Procurement Rules and the Council's Financial and Contract Procedure Rules.
- 6.3.2 The relevant Call off contract(s) will need completing following the award to the successful provider(s) for the main insurance programme.

6.3.3 The tender route for the Marine Insurance has not yet been determined; however it will be compliant with the relevant regulations.

6.4 Equalities and Diversity and Communications

6.4.1 No specific implications.

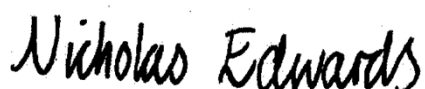
6.5 Staffing, Planning, Crime and Disorder, Health and Safety, and Environmental implications have been considered and am satisfied that there is no identified implication that will arise from this decision.

7. ACTION PLAN

7.1 The high levels timeline for the main insurance programme tender is:

Action	Date
Issue tender documents	5 July 2019
Closing date for submissions	2 August 2019
Evaluation	By 30 August 2019
Notify tenderers	9 September 2019
Discussions with successful tenderer	10 September 2019 onwards
Contract commences	30 September 2019

7.2 There is no timeline for the Marine Insurance tender yet.



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Background Papers:

None

IF YOU HAVE ANY QUERIES ABOUT THIS REPORT OR WISH TO INSPECT ANY OF THE BACKGROUND PAPERS, PLEASE CONTACT THE AUTHOR.

Risk Matrix

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
1	28 June 2019	Failure to comply with an EU Procurement Rules compliant tender process.	<p>A challenge to the appointment of the insurance provider(s) could delay the commencement of the contract award.</p> <p>Cover may not be in place as intended.</p> <p>Need to negotiate an extension with the existing insurance provider.</p> <p>Premium savings may not be realised in the short term.</p>	<p>Procurement Services have been involved in agreeing the tender route selected.</p> <p>Procurement Services have used the Crown Commercial Services Insurance II framework on behalf of other public sector bodies without challenge.</p>	A2	A2	Procurement Services	No action plan at this stage. If a challenge was received then the Council would have to negotiate an extension with existing provider.
2	28 June 2019	Failure to formally tender the contract may breach the Council's Financial and Procurement Rules	<p>A challenge to the appointment of the insurance provider(s) could delay the commencement of the contract award.</p> <p>Cover may not be in place as intended.</p> <p>Need to negotiate an extension with the existing insurance provider.</p> <p>Premium savings may not be realised in the short term.</p>	Procurement Services have been involved in agreeing the tender route selected to ensure compliance with the Council's regulations.	A2	A2	Procurement Services	No action plan at this stage. If a challenge was received then the Council would have to negotiate an extension with existing provider.
3	28 June 2019	Failure to procure appropriate external	The cost of claims arising would be borne by the Council directly	There is an insurance programme currently in place	A2	A2	Asset & Risk Manager	

Risk Ref	Date	Risk	Consequences	Mitigation	Current Risk Score	Target Score	Service Unit Manager/ Responsible Officer	Action Plan
		insurance cover may leave the Council exposed to financial risk	Increase the financial pressure already being experienced.	and the Council intends to procure external cover.				
4	28 June 2019	If the procurement timeline cannot be achieved then the Council would be without insurance cover	Cover may not be in place as intended. Need to negotiate an extension with the existing insurance provider.	The timeline determined allows the Council sufficient time to undertake the tender and award the contract. There is scope within the timeline to flex certain activities if required.	A2	A2	Asset & Risk Manager	No action plan at this stage. If a challenge was received then the Council would have to negotiate an extension with existing provider.
5	28 June 2019	Failure to tender the insurance contract may result in the Council entering into a contract on un-competitive terms.	The revenue expenditure could be outside of the budget framework	The Council is intending to tender the insurance programme	A1	A1	Asset & Risk Manager	

Glossary of Terms

Risk	An event which may prevent the Council achieving its objectives
Consequences	The outcome if the risk materialised
Mitigation	The processes and procedures that are in place to reduce the risk
Current Risk Score	The likelihood and impact score with the current mitigation measures in place
Target Risk Score	The likelihood and impact score that the Council is aiming to achieve
Service Unit Manager	The Service Unit or Officer responsible for managing the risk
Action Plan	The proposed actions to be implemented in order to reduce the risk to the target score

Risk Scoring

Impact	5					
	4					
	3					
	2					
	1					
		A	B	C	D	E
	Likelihood					

Likelihood:

A = Very Low
 B = Not Likely
 C = Likely
 D = Very Likely
 E = Almost Certain

Impact

1 = Low
 2 = Minor
 3 = Medium
 4 = Major
 5 = Disaster