

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
Cabinet	15 June 2011

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<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
Joint Insurance Procurement Tender Exercise in Collaboration with Chorley Borough Council	Finance and Resources	Risk Manager	5

## SUMMARY AND LINK TO CORPORATE PRIORITIES

This is a request for approval to undertake a joint procurement tender exercise in conjunction with Chorley Borough Council for the renewal of the current insurance covers in place at both Councils under existing Long Term Agreements (LTAs) that are due to expire on 31/12/2011.

The joint insurance tender is a key project in the Shared Financial & Assurance Services Business Improvement Plan which has been agreed by the Shared Services Joint Committee.

The proposals in the report link directly to the Council's corporate priority to "Deliver Excellent Services".

## RECOMMENDATIONS

That Cabinet:

1. Agree that South Ribble Borough Council will act as the lead body for the joint procurement and conduct the exercise in compliance with its Contract Procedure Rules and Procurement Guidance.
2. Approve the use of the proposed contract award procedure and evaluation criteria set out below.

## DETAILS AND REASONING

### Background

The aims of the combined tender exercise are to:

- (a) seek volume discounts from potential insurers by providing them with a larger overall offer;
- (b) share procurement costs by arranging one tender exercise rather than two;
- (c) rationalise the current insurance portfolios in order to provide ongoing administrative efficiencies.

This approach is the course of action recommended by both Councils' recently appointed common insurance broker, Jardine Lloyd Thompson (JLT) and provides a further benefit of working in partnership.

The estimated combined contract value for the tender is £1.5m to £2.5m for a 3 to 5 year term respectively and as such must be conducted in accordance with the EU Procurement Regulations. This will require notice of the tender to be published in the Official Journal of the European Union (OJEU).

The procurement exercise will be coordinated by the Risk Manager in Shared Assurance Services but will require extensive contributions from JLT and the Procurement and Partnerships Manager within the Shared Services Partnership and additional support from Legal Services.

**It must be stressed that separate premium quotations will be sought for each Council and there will also be separate insurance policies. The objective of the joint exercise is to minimise overall costs but not to combine risks.**

## Tender Approach

The tender exercise will be undertaken in accordance with the “open” contract procedure and all insurers responding to the OJEU notice will be invited to tender. The tender will be processed through the regional e-procurement portal “The Chest” and all documentation available to tenderers and the resulting completed tender submissions will be handled electronically.

Tenderers will be invited to quote premiums to enter into an LTA for a period of three years with an option to extend for a further two years. However tenders will also be considered for a five year period where the terms are of greater benefit to the two Councils.

The insurance classes for consideration will be packaged into six “Lots” of related cover types and tenderers will be invited to quote for any individual Lot, selected Lots, or indeed all Lots, as follows:

Lot Numbers & Insurance Classes		Quotations Sought		
		SRBC	CBC	Combined
		£	£	£
<b>1</b>	<b>Property</b> Material damage Business interruption Terrorism Works in progress Money Glass All Risks Theft Contractors all risks Mortgaged and Commercial Property Computer	✓	✓	✓
<b>2</b>	<b>Fidelity Guarantee</b>	✓	✓	✓
<b>3</b>	<b>Combined Liability</b> Public Liability Employers Liability Professional Indemnity Libel and Slander Land Charges Hirers Liability	✓	✓	✓
<b>4</b>	<b>Motor Fleet</b>	✓	✓	✓
<b>5</b>	<b>Engineering Inspection and Insurance</b>	✓	✓	✓
<b>6</b>	<b>Personal Accident and Travel</b>	✓	✓	✓

The main objective of this approach is to seek the widest possible access to the insurance market by inviting specialist as well as general insurers to submit quotations thereby maximising competition in the process.

Bids for each Lot will be based on the existing insurance programmes for each Council together with some variations to cover and levels of excess as recommended by JLT.

In relation to Lots 3 and 4 which will generate the highest value premiums, prospective insurers will also be asked to outline the effect on excesses and limits of liability in respect of a 10% and 20% reduction on their base quotations. This approach will enable each Council to make its own selections from the options available in accordance with its risk appetite.

### Tender Evaluation Procedure & Criteria

The overall evaluation of the tenders received will be undertaken by JLT using the following three stage procedure:

**Stage 1** – Insurers will need to demonstrate their financial standing and their technical and professional ability to carry out the insurance contract in a legal and efficient manner. Specific qualification questions will be asked in the Instructions to Tenderers and their responses will be assessed on a pass or fail basis.

**Stage 2** - Detailed consideration of tenders to determine the most economically advantageous tender to each Council in terms of price and quality. The following evaluation criteria and weightings have been discussed and agreed with JLT:

Evaluation Criteria	Weighting					
	Lot 1	Lot 2	Lot 3	Lot 4	Lot 5	Lot 6
Price for Insurance cover	70%	70%	70%	70%		65%
Price for Insurance cover & Inspection Fee					60%	
Assessment of Policy Cover	15%	20%	15%	10%	5%	30%
Engineering Service Delivery					30%	
Enhancements to Policy Cover	5%	5%	5%	10%	n/a	n/a
Claims Service	7%	4%	8%	7%	n/a	5%
Enhancement to Claims Service	3%	1%	2%	3%	n/a	n/a
Risk Management Advice	n/a	n/a	n/a	n/a	5%	n/a

**Stage 3** - Award of contract and acceptance of tender(s) following the detailed evaluation of the tender submissions against the award criteria and the provision of reports to both Councils containing appointment recommendations for approval.

The following timetable is in place for the overall completion of the procurement exercise:

Tender to market	24 <sup>th</sup> June 2011
Tenders back	13 <sup>th</sup> August 2011
Evaluate tenders	September 2011
JLT reports to officers	22 <sup>nd</sup> September 2011
Officers' report to Cabinet - SRBC	2 <sup>nd</sup> November 2011
Officers' report to Executive Cabinet - CBC	24 <sup>th</sup> November 2011
Final decision / instruction from both Councils	30 <sup>th</sup> November 2011
Award contracts	12 <sup>th</sup> December 2011
Cover incepted	1 <sup>st</sup> January 2012

### WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

<b>FINANCIAL</b>	<p>The intention is to seek quotations on a joint procurement basis with Chorley Council in order to take advantage of any benefits this may offer. However each Council will be responsible for payment of the cost of its own insurance covers.</p> <p>The budgeted annual cost of the insurance premiums in respect of the covers for South Ribble Borough Council is £186,000.</p> <p>The full financial implications of the tender exercise will be reported to Cabinet at a later stage.</p>
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<b>LEGAL</b>	<p>As indicated in the report whilst this is a joint procurement to achieve “economies of scale” each Authority will have separate contracts of insurance and be responsible for their own risks.</p> <p>Insurance contracts are by their nature complex, usually on the insurers’ terms and conditions, some of which may be adopted within the industry. It will be difficult to change or amend those terms which is no different from the existing arrangement.</p>
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<b>RISK</b>	<p>It is essential that the Council has a comprehensive portfolio of insurance covers in place to manage the risks that it faces from delivery of its operational activities and services to the local community. It is also imperative that effective insurance cover is maintained continuously and that revised arrangements are in place with effect from 01/01/2012.</p>
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<b>OTHER (see below)</b>	
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<i>Asset Management</i>	<i>Corporate Plans and Policies</i>	<i>Crime and Disorder</i>	<i>Efficiency Savings/Value for Money</i>
<i>Equality, Diversity and Community Cohesion</i>	<i>Freedom of Information/ Data Protection</i>	<i>Health and Safety</i>	<i>Health Inequalities</i>
<i>Human Rights Act 1998</i>	<i>Implementing Electronic Government</i>	<i>Staffing, Training and Development</i>	<i>Sustainability</i>

**BACKGROUND DOCUMENTS**

No background documents are attached