

| Report to | On |
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| Cabinet | Thursday, 16 June 2021 |



| Title | Portfolio Holder | Report of |
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| Insurance Policy Procurement | Cabinet Member (Finance, Property and Assets) | Director of Governance and Monitoring Officer |

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| Is this report confidential? | No |
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Purpose of the Report

1. To seek Member approval to engage in a joint procurement with Chorley Council to procure all insurance policies within the council's portfolio.

Recommendations

2. That Members agree to the procurement being collaborative with Chorley Council.
3. That Members agree to the use of the YPO Insurance Placement Dynamic Purchasing System 978.
4. That Members agree the approach to be taken for Evaluation Criteria and Weightings.

Reasons for recommendations

5. The procurement will be a separate tender for each council's individual insurance portfolio however, running the tender process together will create efficiencies in the officer and broker time.
6. A Dynamic Purchasing System (DPS) agreement was used successfully last time the insurance policies were procured.
7. A YPO product was used recently in 2020 to tender for the Insurance Broker and Associated Services Contract, in doing so a working relationship with the YPO team has developed which will support delivery of the insurance procurement.
8. Subject to broker advice a similar approach to Evaluation Criteria and Weightings will be considered.

Other options considered and rejected

9. The Audit and Risk service has not considered tendering for this procurement via the more traditional route of OJEU as this approach would lead to a longer timeframe to complete and additional officer resource to deliver a more complex tender, for the same or less competitive results.

Corporate outcomes

10. The report relates to the following corporate priorities:

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| An exemplary council | ✓ | Thriving communities | |
| A fair local economy that works for everyone | | Good homes, green spaces, healthy places | |

Background to the report

11. Member approval is being sought to undertake a procurement exercise with Chorley Council for the renewal of the insurance covers in place at both Councils. The joint insurance tender is a key project in the Shared Audit and Risk business plan for 2021/22.
12. Whilst the Insurance Broker contract is shared across South Ribble and Chorley Council, members are advised that each council maintains its own insurance policy portfolio. The various insurance policies contained within each council's insurance portfolio are contracted under Long-Term Agreements (LTAs) of which expire on the 31 December 2021.
13. Procuring insurance under an LTA rather than yearly creates more interest and competition in the procurement exercise and can often achieve preferential premium rates. Another benefit is that annual premiums are fixed in a LTA offering financial control over the life time of the contract, with any increases being relevant to changes in cover and risks, rather than an increase in cost of insurance.
14. The tender exercise will be undertaken in compliance with Contract Procedure Rules and Procurement Guidance. Considering current annual insurance premiums across the portfolio this will be a high value procurement.

Procurement framework /dynamic purchasing system.

15. It is proposed to tender for the insurance policies using a procurement dynamic purchasing system, similar to a procurement framework. The dynamic purchasing system provides access to pre-qualified insurance providers offering provision of all classes of insurance. Contract Procedure Rules also permit the use of procurement frameworks where they exist.
16. There are significant benefits in using a procurement framework or DPS for both the Council and suppliers, including reduced timescales, costs and resources, professional advice of the collaborative partners, mitigation of risk, template documentation, assured supplier standards and pre-defined terms and conditions.
17. The pre-qualification aspect of the arrangement greatly reduces supplier administration achieving more interest in tenders and potentially more bids being submitted.

18. A framework and DPS was used successfully during the previous insurance tender in 2016 and more recently in 2020 to procure the professional services of the Council's shared Insurance Broker, Arthur J Gallagher & Co.
19. There are two providers of public sector insurance DPS agreements:
- Crown Commercial Services (CCS) – Insurance Services 3 DPS – RM6138
 - YPO – Insurance Placement DPS – 978

In the 2016 tender exercise CCS and YPO were providing a joint framework and DPS, they have since split and now offer independent packages.

20. Options were considered approaching the insurance broker tender in 2020. As a member organisation of the North West Insurance Officers Group, advice was sought from authorities who had used either offering. Seven replies were received, from which two had recently tendered using a current framework / DPS, both of which used the YPO product. No reply had used the CCS Framework since the two organisations developed separate products.
21. Further anecdotal reviews were sought from the incumbent brokers and the council's procurement officers, opinions were from experience CCS were at times slow to respond.
22. Based on this it was decided to use the YPO product to procure the Insurance Brokerage contract.
23. Members are asked to consider the following details when deciding which DPS should be used to procure the insurance policies.
24. YPO have 25 suppliers (insurance companies) listed on the DPS, whereas CCS have 19. The offering with the greater number of suppliers is likely to attract more bidders to the tender and be a more competitive procurement.
25. After positively using the YPO Framework for the Broker Procurement officers in Audit and Risk are familiar with the YPO template documentation and overall product. Additionally, there is now an established professional working relationship between the YPO and Audit and Risk teams, proven to work successfully in the past procurement.

Tender Evaluation Criteria and weighting

26. This is a brief example of the evaluation criteria and weightings used in the previous tender exercise.

| Criteria | Weighting |
|----------------------------|-----------|
| Price | 70% |
| Cover | 20% |
| Underwriting Service | 2% |
| Claims service | 6% |
| Added value and innovation | 2% |

27. It is likely a similar approach will be adopted on this tender but needs further discussion with the insurance brokers as the tender process develops. Members are asked to agree this in principle, with any significant changes being considered further and agreed using an Exec Member Decision.

Risk

28. The current 'hardening' of the insurance market has created less flexibility and competition. Approaching this tender, the council is aware there is likely to be an increase in premiums across all covers of insurance. The success of the tender will be to keep this financial impact to a minimum.
29. There is additional risk presented by the substantial impact the pandemic has on insurance. Significant losses have caused insurers to withdraw from some markets, reducing competition and driving up premiums. Additionally, in some cases cover is being restricted or additional exclusions imposed on certain types of policies (those heavily impacted by the pandemic).
30. The council is reliant on its insurance broker to navigate the market and produce a procurement tender able to achieve the best outcome.

Equality and diversity

31. Not applicable.

Air quality implications

32. Not applicable.

Comments of the Statutory Finance Officer

33. The financial implications of the outcome will be assessed against existing budgets when we have confirmed tender figures.

Comments of the Monitoring Officer

34. The proposed use of a framework or dynamic purchasing system to procure the insurance cover is compliant with legislation and the council's contract procedure rules. There is reasoning contained within the report to support the proposal to use the YPO and members can be satisfied that this is an appropriate decision.
35. The proposed evaluation criteria are appropriate for this type of contract and the comment in Risk, concerning the hardening of the insurance market is noted. It would be difficult to include a social value requirement in the insurance product but it is noted that added value and innovation is addressed.

Chris Moister
Director of Governance (Monitoring Officer)

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