

 Brent	Cabinet 11 September 2017
	Report from the Strategic Director of Resources
Wards Affected: All Wards	
Authority to Tender Contract for Insurance Services	

1.0 Summary

- 1.1 This report concerns the future provision of the Council's Insurance Services contracts. The report requests approval to invite tenders in respect of the proposed Insurance Services contracts to start 1 October 2018, as required by Contract Standing orders 88 and 89.
- 1.2 The report also seeks authority to extend the contracts that form the current programme of insurance. This is to allow for time to tender a new insurance programme, including the insurable risks formerly covered under separate arrangements made by the Brent Housing Partnership (BHP).
- 1.3 The insurable risks of the formerly outsourced housing services under BHP are to form part of this procurement as the service is scheduled to be brought back under the Council's control.

2.0 Recommendations

- 2.1 That Cabinet delegate authority to the Strategic Director of Resources to invite expressions of interest, invite tenders in respect of the Council's Insurance Services contracts, and evaluate them in accordance with the approved evaluation criteria in 3.6 following the procurement process.
- 2.2 That Cabinet give approval to the extension of the current insurance services contracts for a period of twelve months: From 1 October 2017 to 30 September 2018.

3.0 Detail

- 3.1 The current Insurance Service contracts provide for comprehensive insurance cover for the Council for the following risk classes;
- Motor
 - Claims handling
 - Property
 - Casualty (including Employer's and Public Liability)
 - Engineering and Inspection
 - Terrorism
 - Business Travel
 - Property All Risks
- 3.2 The contract was last tendered in 2012 when Zurich Municipal was awarded the contract for a 3 year term with an option to extend for two further years. The option to extend has been exercised with the current contract due to expire on 30 September 2017.
- 3.3 Therefore to enable the new contract to be in place, an extension under waiver has been requested until 30 September 2018.
- 3.4 The period of extension will enable the broker to be fully engaged in the process, allowing the Council to understand the requirements and liabilities for BHP, as well as conduct a process to have a supplier(s) in place.
- 3.5 In order to allow for the maximum number of participants to respond to this invitation to tender, it is intended to extend the existing arrangement by twelve (12) months by endorsement in order to commence the new contract on improved terms with the start of a new Long Term Agreement on 1 October 2018.
- 3.6 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the Cabinet. The timeline of the processes are detailed in the table below:

Ref.	Requirement	Response
(i)	The nature of the service.	Insurance Contract Services
(ii)	The estimated value.	£5-6 million
(iii)	The contract term.	3 year contract term with an option to extend for a further 2 years
(iv)	The tender procedure to be adopted.	OJEU – Open Procedure

Ref.	Requirement	Response	
(v)	The procurement timetable.	Indicative dates are:	
		Adverts placed OJEU Notice	18 January 2018
		Publish the Tenders on the e procurement portal	22 January 2018
		Tender preparations and clarifications	22 January to 5 March 2018
		Deadline for tender submissions	5 th March 2018
		Panel evaluation	5 March to 3 June 2018
		Report recommending contract award	July 2018
		Cabinet approval	August 2018
		[Cabinet call in period of 5 days (mandatory unless excluded by the Cabinet) OR minimum 10 calendar day standstill period – notification issued to all tenderers and additional debriefing of unsuccessful tenderers (contracts covered by the full EU Regulations only)]	August 2018
		Contract Mobilisation	6 th August 2018
		Exit Procedures	3 rd September 2018
		Contract start date	1 st October 2018

Ref.	Requirement	Response
(vi)	The evaluation criteria and process.	<ol style="list-style-type: none"> 1. As the Open Procedure is the preferred tender procedure, there will be no shortlisting of providers, but all providers will be required to complete a selection questionnaire demonstrating that they meet the Council's financial standing requirements, technical capacity, technical expertise, industry and regulatory compliance. 2. At tender evaluation stage, the panel will evaluate the tenders against the following criteria: <ul style="list-style-type: none"> • Price 60% • Quality: 40% consisting of: <ul style="list-style-type: none"> - Extent of cover, - Product evaluation, - Adequacy of product cover, - Policy wordings, exclusions, terms & conditions, - Claims handling conditions, - Risk management support, Training, - Local Authority experience and exposure. Direct or indirect provider, - Regulatory compliance, risk spread and reinsurance provision. Financial Security rating adequacy, - Efficiency & Continuous improvement, - Range of Services, added value. - Contract terms offered.
(vii)	Any business risks associated with entering the contract.	Insurance company Financial risks: These are not envisaged as they are covered by – FCA regulations and FSA application.
(viii)	The Council's Best Value duties.	The Corporate Best Value Strategy is to provide best Value services and to serve our community. The competitive tender for Insurance Cover will ensure Value for money.
(ix)	Consideration of Public Services (Social Value) Act 2012	See Section 8 below

Ref.	Requirement	Response
(x)	Any staffing implications, including TUPE and pensions.	None
(xi)	The relevant financial, legal and other considerations.	See sections 4 and 5 below.

- 3.7 The Cabinet is asked to give its approval to these proposals as set out in the recommendations and in accordance with Standing Order 89.
- 3.8 The procurement route will be subject to EU procurement rules (OJEU) rules and in view of the limited market for Insurance Services in local government, officers consider that the most appropriate procurement route under the Public Contract Regulations 2015 is the Open Procedure, enabling the market to complete all the work involved in pricing risk and producing documentation.
- 3.9 The procurement of insurance policies can be complex and the use of brokers is common in this area across both the public and private sectors. JLT Specialty Limited have therefore been engaged to provide professional support, access specialist limited markets and input into the tender process. JLT are the Council's Risk and Insurance adviser.
- 3.10 Aligning the presentation of Brent's risk profile favourably with market expectations will put the Council in a position to benefit from keen premium rates, terms and conditions. On this basis, it is intended to request tenders on the basis of 3 year initial contract period with an option to extend to 5 years at the council's discretion.
- 3.11 Insurance providers are restricted in the length of the contract period they can offer on insurance policies due to the nature of risks evolving. Therefore to take advantage of the current premium levels, and to gain cost savings by entering into a multi-year commitment, officers intend to request a Long Term Agreement (LTA) with the successful provider. The LTA provides a basis of an agreement by which premium levels are calculated for subsequent years. Any premium increase will only be pegged against policy performance (Brent's claims experience) and not entirely on market experience.

4.0 Financial Implications

- 4.1 Given the likely size of the contract Cabinet approval will be required under the Council's Contract Standing Orders. The estimated 5 year value of the services contracts including BHP risks is between £5 and £6 million.

- 4.2 The one year extension of the existing contract allows the council time to assess and incorporate the insurance requirements of Brent Housing Partnership as this function merges back into the organisation. This will increase the size of the tender making the contract more attractive to suppliers. There is also the potential for synergies in cover and self-insurance arrangements which would deliver value for money for the council.
- 4.3 It is anticipated that the cost of this contract will be funded from existing resources. Insurance costs are met by existing central insurance budgetary provisions.
- 4.4 The property portfolio is set to grow over the contract period due to the Council's agenda to increase its housing units. This will bring added cost pressure.

5.0 Legal Implications

- 5.1 The Council has power under section 1 of the Localism Act 2011 to enter into a contract for the provision of insurance cover to protect its assets, liabilities and risks
- 5.2 The contract falls within the definition of a service contract under The Public Contracts Regulations 2015 ('PCR'). As the estimated value of the contract set out in 4.1 above is above the threshold for service contracts under the PCR, the procurement is subject to the full application of the EU procurement regulations in that the procurement must be advertised in the Official Journal of the European Journal (OJEU) and a competitive procurement process undertaken prior to award of the contract. Paragraphs 3.3 to 3.6 of this report sets out the procurement procedure that will be followed, namely open procedure under the PCR. As the value of the contract is in excess of £500,000, it is deemed a high value contract under the Council's Contracts Standing Orders ('CSO'). The CSO provides that Cabinet approval must be sought for invitation to tender for High Value Contracts (CSO 88) and the pre-tender considerations set out in paragraph 3 above (CSO 89).
- 5.3 Once the tendering process is undertaken, Officers will report back to the Cabinet in accordance with Contract Standing Orders, explaining the process undertaken in tendering the contracts and recommending award.
- 5.4 As this procurement is subject to the full application of the EU rules, the Council must observe the requirements of the mandatory minimum 10 calendar standstill period imposed by the EU procurement regulations before the contract can be awarded. The requirements include notifying all tenderers in writing of the Council's decision to award and providing additional debrief information to unsuccessful tenderers on receipt of a written request. The standstill period provides unsuccessful tenderers with an opportunity to challenge the Council's award decision if such challenge is justifiable. However if no challenge or successful challenge is brought during the period, at the end of the standstill period the Council can issue a letter of acceptance to the successful tenderer and the contract may commence.

5.5 Recommendation 2.2 seeks Cabinet approval to extend the Council's existing insurance contract. Under the PCR modifications (variations, extensions, or amendments) to existing contracts may be made without commencing a new procurement in certain circumstances. Regulation 72(1) (e) provides that contracts may be modified where irrespective of the value, the modifications are not substantial. On the basis of the contents of paragraph 3.3 and 4.2 of this report, it is considered that the extension of the contract is permitted under regulation 72(1)(e) of the PCR 2015.

6.0 Equality Implications

6.1 The proposals in this report have been subject to screening and officers believe that there are no diversity implications.

7.0 Staffing/Accommodation Implications

7.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

8.0 Public Services (Social Value) Act 2012

8.1 One of the lots to be tendered is the block contents insurance policy which gives access to council tenants who otherwise would have limited access to insurance. Insurers are usually reluctant to provide this cover individually because of a poor claims experience, however, the facility is made available because of the buying power of the Council and economies of scale.

9.0 Background Papers

None

Contact Officer(s)

Andrew Ward
Head of Finance
Email: Andrew.ward@brent.gov.uk
Tel: 020 8937 6462

Moji Odusoga
Principal Insurance Officer
moji.odusoga@brent.gov.uk
020 8937 1681

ALTHEA LODERICK
Strategic Director of Resources