



**Executive**  
19 September 2011

**Report from the Director of  
Finance and Corporate Services**

For Action

Wards Affected:  
[ALL]

**Authority to invite tenders for insurance services contracts**

**Appendix 2 is NOT for publication.**

**1.0 Summary**

1.1 This report concerns the future provision of the Council's Insurance Services contracts. This report requests approval to invite tenders in respect of the proposed Insurance Services contracts to start 1 April 2012, as required by Contract Standing orders 88 and 89

**2.0 Recommendations**

2.1 The Executive approve the pre - tender considerations and the criteria to be used to evaluate tenders for the Council's Insurance Services as set out in paragraph 3.10 of the report.

2.2 The Executive to give approval to officers to invite expressions of interest, agree shortlists, invite tenders in respect of the Council's Insurance Services contracts and evaluate them in accordance with the approved evaluation criteria referred to in 2.1 above.

2.3 The Executive to give approval to the extension of the current insurance services contract with Zurich Municipal for a period of six months.

**3.0 Detail**

3.1 The Insurance Service contract provides for a comprehensive insurance cover for the Council (see Appendix A for full details). The contract was last tendered in 2008 when Zurich Municipal was awarded the contract for a 1 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 2011. It is clear that it will not be possible to re-tender this service by this date.

- 3.2 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 6 months by endorsement in order to commence the new contract conterminously with the start of the new financial year on 1 April 2012.
- 3.3 Not used.
- 3.4 The procurement route will be subject to European (OJEU) rules but in view of the extremely limited market for Insurance Services in local government, Officers consider that the most appropriate procurement route under the Public Contract Regulations 2006 is the Restricted (two stage) procedure.
- 3.5 The renewal of insurance policies can be complex and the use of brokers is common in this area across both the public and private sectors. It is therefore proposed to work with Marsh Ltd, a major national Insurance Broker familiar with the local government sector. Marsh are an existing broker for Brent in respect of a number of existing insurance policies and therefore know and understand Brent's risk profile as well as having a specialist Public Sector department.
- 3.6 Based on market research and advice from Marsh, it is clear that the current market climate is competitive in favour of the client. On this basis, it is intended to request tenders on two bases: a 3 year initial period plus an option to extend to 5 years at the council's discretion, and 5 years with an option to extend to 7 years.
- 3.7 The insurance providers are restricted in the length of the policy (contract) that they are able to offer. 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). The LTA will agree the basis by which premium levels are calculated for subsequent years. Any premium increase should be pegged against policy performance (the level of losses sustained).
- 3.8 Insurance companies and other financial service providers are required to operate within highly regulated parameters and would be unlikely to depart significantly from their usual terms of business. This means that it may be necessary for there to be clarification with potential tenderers regarding some of their policy terms and conditions.
- 3.9 To enable points of clarification to occur, it is proposed to build into the procurement process an extended period following the issue of the Invitation to Tender so as to allow a period of clarification (where required). The purpose of seeking clarifications is to ensure that the tenderers have understood the council's requirements and to clarify

any issues arising within the council's specification. This will enable the Council to refine any aspect of its specification requirements, where applicable. Potential tenderers may then suggest revisions to the Council's proposed cover so as to bring them in line with commercial practice, and following full consideration, the Council may decide to adopt or reject the suggested revisions. Prior to the deadline for receipt of tenders, but allowing sufficient time for detailed consideration, the Council may issue revised specification requirements reflecting accepted amendments.

- 3.10 The tender will be split into four 'lots' (Property, Casualty (principally employee & public liability), Motor and Additional Cover) to allow for more than one provider depending on the best option for the Council upon evaluation of the tenders. Those tenderers tendering for more than one lot will be asked to indicate any discounts that apply if being appointed for more than one lot, or all lots.
- 3.11 Procurement and Legal Services will assist with the tender process and identify any other associated areas where further savings and improvements can be made. Consultation will take place with Finance & Corporate Services senior management, Transport Services, and Health & Safety officers across the Council and external contractors who use the service on Brent's behalf to identify additional services or changes required in preparation of the services specification for the re-tender.
- 3.12 Following evaluation of tenders in respect of all lots, it is proposed that a further report will be brought before members in February 2012 to seek approval for the award of the contracts.
- 3.13 In accordance with Contract Standing Orders 88 and 89, pre-tender considerations have been set out below for the approval of the Executive.

<b>Ref.</b>	<b>Requirement</b>	<b>Response</b>
(i)	The nature of the service.	See Appendix 1
(ii)	The estimated value.	<p>Property - £746K over the life of the 5 year contract or £1.1M over the life of the 7 year contract (including the optional 2 year extension).</p> <p>Motor - £1.1M over the life of the 5 year contract or £1.6M over the life of the 7 year contract (including the optional 2 year extension).</p> <p>Casualty- £884K over the life of the 5 year contract or £1.3M over the life of the 7 year contract over the life of the contract (including the optional 2 year extension).</p>

		Additional Cover - £1.4M over the life of the 5 year contract or £2.1M over the life of the 7 year contract over the life of the contract (including the optional 2 year extension).	
(iii)	The contract term.	<p>Property – 3 or 5 years with an option to extend for 2 years.</p> <p>Motor – 3 or 5 years with an option to extend for 2 years.</p> <p>Casualty – 3 or 5 years with an option to extend for 2 years</p> <p>Additional Cover - 3 or 5 years with an option to extend for 2 years</p>	
(iv)	The tender procedure to be adopted including whether any part of the procedure will be conducted by electronic means and whether there will be an e-auction.	European Public Procurement Restricted Procedure for Service Contracts. This means that there will be a separate pre-qualification stage. This information will be considered before tenderers are invited to submit a tender.	
v)	The procurement timetable.	<b>Indicative dates are:</b>	
		Adverts placed seeking expressions of interest and tenders	20 September 2011
		Deadline for return of PQQ	20 <sup>th</sup> October 2011
		Panel evaluation and shortlisting	21 <sup>st</sup> to 27 <sup>th</sup> October 2011
		Issue Invitation to Tender	28 <sup>th</sup> October 2011
		Clarification period	31 <sup>st</sup> October to 25 <sup>th</sup> November 2011
		Deadline for return of tender submissions	9 <sup>th</sup> December 2011

		Panel evaluation and interviews	12 <sup>th</sup> to 16 <sup>th</sup> December 2011
		Panel decision	January 2012
		Report recommending Contract award circulated internally for comment	23 <sup>rd</sup> January 2012
		Executive approval	13 <sup>th</sup> February 2012
		Mandatory minimum 10 calendar day standstill period – notification issued to all tenderers and additional debriefing of unsuccessful tenderers	14 <sup>th</sup> to 24 <sup>th</sup> February 2012
		Contract start date	1 April 2012
(vi)	The evaluation criteria and process.	<p>Tenderers will be asked to complete the Council's pre qualification questionnaire to ensure they meet the Council's financial standing requirements, technical capacity and technical expertise. The panel will then evaluate the tenders against the following criteria:</p> <p><u>Property</u></p> <p>(1) Price 40%</p> <p>(2) Quality 60%, consisting of</p> <ul style="list-style-type: none"> <li>• Conditions and extent of cover</li> <li>• Quality and service standards</li> <li>• Range of services offered</li> <li>• Expertise with Public Sector or other complex business sector</li> <li>• Efficiency and Continuous Improvement</li> <li>• Contract offered</li> </ul> <p><u>Motor</u></p> <p>(1) Price 40%</p> <p>(2) Quality 60%, consisting of</p> <ul style="list-style-type: none"> <li>• Conditions and extent of cover</li> <li>• Quality and service standards</li> <li>• Range of services offered</li> <li>• Expertise with Public Sector or other complex business sector</li> <li>• Efficiency and Continuous Improvement</li> <li>• Contract offered</li> </ul> <p><u>Casual</u></p> <p>(1) Price 40%</p>	

		<p>(2) Quality 60%, consisting of</p> <ul style="list-style-type: none"> <li>• Conditions and extent of cover</li> <li>• Quality and service standards</li> <li>• Range of services offered</li> <li>• Expertise with Public Sector or other complex business sector</li> <li>• Efficiency and Continuous Improvement</li> <li>• Contract offered</li> </ul> <p><u>Additional Cover</u></p> <p>(1) Price 40%</p> <p>(2) Quality 60%, consisting of</p> <ul style="list-style-type: none"> <li>• Conditions and extent of cover</li> <li>• Quality and service standards</li> <li>• Range of services offered</li> <li>• Expertise with Public Sector or other complex business sector</li> <li>• Efficiency and Continuous Improvement</li> <li>• Contract offered</li> </ul>
(vii)	Any business risks associated with entering the contract.	No specific business risks are considered to be associated with entering into the proposed contract, apart from the risk of having no Insurance Cover should the procurement fail. Financial Services and Legal Services have been consulted concerning this contract.
(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)	Any staffing implications, including TUPE and pensions.	None
(x)	The relevant financial, legal and other considerations.	See sections 4 and 5 below.

3.14 The Executive is asked to give its approval to these proposals as set out in the recommendations and in accordance with Standing Order 89.

#### **4.0 Financial Implications**

4.1 The Council's Contract Standing Orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1million shall be referred to the Executive for approval to invite

tenders and in respect of other matters identified in Standing Order 90.

- 4.2 The estimated value of these services contracts in total for 5 years is £4.16M or £6.13M for 7 Years (including 2 years option to extend). See 3.13 (ii) for breakdown.
- 4.3 The estimated value of future contracts has assumed that;
- The premia charged by the providers will increase by a maximum of 5% each year;
  - The property portfolio will reduce during the contract period however until the new Civic Centre is built and inspected the risk and therefore the premia are unknown.
- 4.4 Efficiency savings may be achieved ;
- By working with the provider to identify risk and loss prevention and management activities;
  - Improved claims management and reporting
  - Greater communication between providers and Brent IT systems
- 4.5 It is anticipated that the cost of this contract will be funded from existing service unit budget provisions for Insurance costs.
- 4.6 Legal assistance, brokerage fees and advertising cost are expected to be £10K for which a budget has been allowed by Finance & Corporate Services.

## **5.0 Legal Implications**

- 5.1 It is noted that the proposal is to let a series of insurance contracts / policies via a single procurement process.
- 5.2 The estimated sum total of each of the Insurance Premia contracts are higher than the EU threshold for Services and the nature of these services means they all fall within Part A of Schedule 3 of the Public Contracts Regulations 2006 (“the EU Regulations”). The tendering of the services is therefore governed in full by the EU Regulations. As the estimated value of each of the contract lots over its lifetime is in excess of £500k, the procurement and award of the contracts are subject to the Council’s own Standing Orders in respect of High Value Contracts and Financial Regulations.
- 5.3 As detailed in paragraph 3.7 to 3.9, Officers have identified the Restricted procedure as the most appropriate procedure given the limited number of service providers in the market capable of providing these services. Once the tendering process is undertaken, Officers will report back to the Executive 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 Regulations, the Council must observe the requirements of a mandatory minimum standstill period imposed by the EU Regulations before the contract can be awarded. The 10 day standstill period will provide unsuccessful tenderers with an opportunity to challenge the Council's award decision if such challenge is justifiable, and greater remedies are available to tenderers in some circumstances. 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 Due to the nature of these contracts, tenderers are unlikely to be willing to depart significantly from their own terms and conditions. As detailed in paragraphs 3.8 and 3.9, an attempt to overcome these difficulties whilst ensuring that the tender process is compliant with EU Regulations is proposed whereby any amendments that tenderers wish to make will be considered prior to the deadline of submission of tenders. Revised specification requirements will then be issued to all tenderers invited to tender and it is on these revised terms that tenderers will tender.
- 5.6 This report is also requesting that the Executive approve a six month extension to the current insurance contract held with Zurich Municipal to cover the period of the re-tender exercise while ensuring the council has cover pending the conclusion of the tender. The estimated value of the extension contract as proposed is in the region of £400,000, which is classified under the Council's Contract Standing Orders as a medium value contract. Under contract Standing Orders there is a requirement to follow a tender process for the award of contract exceeding £156,442 in value.
- 5.7 Members are referred to Appendix 2 for further legal implications.

## **6.0 Diversity 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 (if appropriate)**

- 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 Background Papers**



8.1 Insurance Services Procurement File excluding confidential information. .

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# Appendix 1

## Nature of the Service

### Insurance Cover

The London Borough of Brent requires Insurance cover to ensure all risks to property, vehicles and staff have adequate recourse in the event of a claim being made by or against the Council.

The Council has varied Insurance Cover needs for contents, property and vehicles for which a schedule of cover is written and a premia calculated according to risk and amount of cover required.

The Insurance Services contract will require the service provider to provide comprehensive policies for the following areas:

### Property

- The property portfolio extends to:
  - all Council Buildings (offices, lodges, pavilions, other properties)
  - Schools under direct Council control.

*Council-housing and Leasehold Property is covered under a separate contract managed by Brent Housing Partnership.*

### Motor

- Council vehicles – including those of Brent Transport Services
- Mayor's Leased Car
- Enforcement vehicles (CCTV cars etc)
- Lawn mowers / tractors

### Casualty

- Public Liability (excluding subsidence claims – self insured)
- Officials Indemnity
- Libel & Slander
- Local Land Charges
- Professional Negligence – External Losses
- Employers Liability

### Additional Services

- Specialities
- Terrorism
- Industrial Commercial
- Financial policies (Fidelity Guarantee, Money)

The contract will require the service provider to:-

- Improve efficiency, accessibility and adhere to the principles of the E-Government strategy via provision of Web based systems and user access via a secure Internet link with appropriate security protocols to ensure confidentiality and adherence of the Data Protection Act.
- Work in Partnership with the Council to produce
  - a structured programme to facilitate risk surveys,
  - a loss prevention programme, and
  - training and education material for council staff
- Apply changes in legislation and/or as a result of case law with prior consultation and adequate notice.
- Be able and willing to work with the Council when changes to the service specification requirements are needed as a result any future re-organisation i.e. the move to the Civic Centre in 2013.