

**To:** City Executive Board  
**Date:** 16 October 2017  
**Report of:** Head of Financial Services  
**Title of Report:** Insurance Tender

<b>Summary and recommendations</b>	
<b>Purpose of report:</b>	To seek delegated authority for the Head of Financial Services to award a contract(s) for the supply of insurance services
<b>Key decision:</b>	Yes
<b>Executive Board Member:</b>	Councillor E. Turner, Board Member for Finance and Asset Management
<b>Corporate Priority:</b>	Efficient and Effective Council.
<b>Policy Framework:</b>	Corporate Plan.
<b>Recommendation(s): That the City Executive Board resolves to:</b>	
1	<b>Delegate</b> authority to the Head of Financial Services to award a contract for the provision of insurance services to Oxford City Council from 1 <sup>st</sup> January 2018 for a period of 3 years with an option to extend for up to 2 years.
2	<b>Delegate</b> authority to the Head of Financial Services to negotiate the extension of insurance cover to the Council in respect of the functions to be undertaken by the Oxford Direct Services companies in the event of the companies not being operational by 1 <sup>st</sup> January 2018.

## Introduction and background

1. Oxford City Council currently has a contract with Zurich Municipal for all of its insurance services which was last tendered in 2012. The existing contract is due to expire on 31 December 2017.
2. Since tendering in 2012 the Council has established a wholly owned housing company, Oxford City Housing Ltd (OCHL), a joint venture with Nuffield College, Oxford West End Development Ltd (OxWED), and will shortly be establishing two wholly owned companies for services currently carried out by Oxford Direct Services. The insurances for OCHL and OxWED are fairly simple and the costs of these insurances will be a proportion of the overall costs for those lots where the companies require insurance (predominantly liability and property). The company's requirements are included in lots 1 to 6 even if they don't currently need any cover. This allows for cover to be extended to them under the same contract if required in the future without having to separately procure that class of insurance.
3. The insurance cover for the Oxford Direct Services (ODS) companies has been tendered under different Lots (numbers 7 to 10) due to the insurance cover requirements being more complex and to enable variations on the level of cover and excesses to be made independent of the Council's cover. If the operational go live date for the ODS companies extends beyond 1<sup>st</sup> January 2018, the Council will need to negotiate with the winning insurance company for cover to be provided to Oxford City Council until such time as the ODS companies become operational.
4. This report only requests delegated authority for the Council's insurance cover. Authorisation for insurance cover for the various companies will have to be agreed by the Boards of the relevant companies.
5. As outlined above, the tender includes a number of different lots to provide cover for insurance for Oxford City Council, OCHL, and OxWED. These are as follows:-
  - Lot 1 – Oxford City Council, Oxford West End Development Limited & Oxford City Housing Ltd Property Insurance
  - Lot 2 – Oxford City Council, Oxford West End Development Limited & Oxford City Housing Ltd Liability Insurance
  - Lot 3 – Oxford City Council, Oxford West End Development Limited & Oxford City Housing Ltd Motor Vehicle Insurance
  - Lot 4 – Oxford City Council, Oxford West End Development Limited & Oxford City Housing Ltd Engineering Insurance & Inspections
  - Lot 5 – Oxford City Council, Oxford West End Development Limited & Oxford City Housing Ltd Group Personal Accident and Travel Insurance
  - Lot 6 – Oxford City Council, Oxford West End Development Limited & Oxford City Housing Ltd Leasehold
6. The tendered lots for Oxford Direct Services Ltd and Oxford Direct Services Trading Ltd are below:
  - Lot 7 – Oxford Direct Services Ltd & Oxford Direct Services Trading Ltd Liability Insurance
  - Lot 8 – Oxford Direct Services Ltd & Oxford Direct Services Trading Ltd Motor Vehicle Insurance

- Lot 9 – Oxford Direct Services Ltd & Oxford Direct Services Trading Ltd Personal Accident and Travel Insurance
- Lot 10 – Oxford Direct Services Ltd & Oxford Direct Services Trading Ltd Property Insurance

7. The lots for Oxford Direct Services Ltd and Oxford Direct Services Trading Ltd will be evaluated separately and officers from Direct Services will be given the opportunity to be involved.

### **Tender Process**

8. The Tender has been let as an open OJEU tender on the portal, advertised on Contracts Finder and in the Official Journal of the European Union (OJEU).

9. The Tender timescales are as follows:

<b>Stage/activity</b>	<b>Date</b>
Invitation to tender published	14th August 2017
Deadline for receipt of clarification questions or request for additional information from tenderers	19 <sup>th</sup> September 2017
Deadline for receipt of tenders	29th September 2017
Tenderers Demo/presentations – if required	W/C 9 <sup>th</sup> October 2017
Site visits – if required	W/C 9 <sup>th</sup> October 2017
Preferred Tenderer announced	17 <sup>th</sup> October 2017
Standstill period	26 <sup>th</sup> October 2017
Contract award	26 <sup>th</sup> October 2017
Contract commencement date	1 <sup>st</sup> January 2018

10. The Tender is for a term of 3+ 1 +1 years. The Council lots will be evaluated by a panel of at least three people, plus procurement and financial assessment of the costing and financial responses.

11. The evaluation of the tenders will be based on the following:

Ref:	Award criteria	Weighting
1.	History and Outline of organisation.	Information only
2	Assessment of Policy Cover	20%
3	Added Value and Innovation	20%
4	Claims Service	20%
	<b>Qualitative Total</b>	<b>60%</b>
	<b>Price</b>	<b>40%</b>
<b>Overall Total</b>		<b>100%</b>

As the new contract needs to be in place by 1<sup>st</sup> January 2018, the decision to award needs to be completed by 26<sup>th</sup> October and as such the City Executive Board is asked to delegate authority to award the new contract(s) for the Oxford City Council insurance cover to Nigel Kennedy, Head of Financial Services.

### Outcome

12. The Head of Financial services will award the contract based on a full evaluation of the tenders received by the bidders. This evaluation will be carried out by officers in Finance and Procurement.
13. The evaluation will seek to award to the most economically advantageous tender. This will include a balance between the quality of service delivery and the price as well as seeking continuous improvement.

### Insurance Fund

14. The Council has a self-insurance fund of approx. £1.7m. The fund size also allows for the uncertainty that still exists around the insolvency run off business with one of its previous insurers, Municipal Mutual Insurance, and the potential clawback of previously paid claims on behalf of the Council that may be triggered.
15. Accounting practice is to make a provision in the insurance fund for the estimated costs of claims (charged to services) and then on settlement to charge the actual costs of claims above the excesses to the insurance fund with any balance being subsequently charged or refunded to the service revenue account from where the claim originated. The extent of any resulting budgetary pressure will depend on the amount required to 'top-up' the insurance fund which is subject to an annual review.

### Other Options

16. The Constitution and Procurement Commissioning and Supplier Strategy advises that the City Executive Board considers what other options are available before giving major project approval and awarding a contract over £100,000. These are detailed below.
  - a. Continue as we are – this is not a viable option, the current insurance services contract expires at the end of December 2017. To remain compliant with legislation and ensure best practice in providing value for money the Council is obliged to make provision for a replacement contract. There is

also a requirement for the new Oxford Direct Services Ltd & Direct Services Oxford (Trading) Ltd

- b. Use an Existing contract, set up by another organisation – The Council has conducted a tendering exercise using the OJEU process with the principal aim of appointing a single or multiple supplier to the Council who will deliver both financial and efficiency benefits. There were no relevant contracts that had been set up by other organisations that the Council were able to use.

**Financial implications**

- 17. The current budget for insurance excluding Direct Services is £460k. The budget for Direct Services £350k. It is expected that the new contract will be within this budgeted level.

**Legal issues**

- 18. The Insurance tender has been undertaken in compliance of standard procurement processes.

**Level of risk**

Risk	Likelihood	Mitigation
Tender exercise responses are not adequate	Low	Negotiate an extension of the existing insurance contract whilst a retendering exercise is undertaken; this may come at an increased cost
There is a significant delay in the tender exercise	Low	Negotiate an extension of the existing insurance contract for the period of the delay; this may come at an increased cost

**Equalities impact**

- 19. All tenderers are required to support and adhere to the Council’s Living wage Policy.

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**Background Papers:** None

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