

To: Cabinet
Date: 13 April 2022
Report of: Head of Financial Services
Title of Report: Authority to Tender Contract for Insurance Services

Summary and recommendations	
Purpose of report:	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 st January 2023, as required by the Council's Contract Rules, and delegated authority for the Head of Financial Services in consultation with the Head of Law and Governance to award a contract(s) following a compliant procurement exercise.
Key decision:	Yes
Cabinet Member:	Councillor Ed Turner, Deputy Leader (Statutory) – Finance and Asset Management
Corporate Priority:	All
Policy Framework:	Council Strategy 2020-2024

Recommendations: That Cabinet resolves to:	
1.	Approve commencement of a procurement project to renew the insurance contract for the Council and its companies;
2.	Delegate authority to the Head of Financial Services in consultation with the Head of Law and Governance to award a contract for the provision of insurance services to Oxford City Council and group companies from 1st January 2023 for a period of 3 years with an option to extend for up to 2 years (1+1), following a compliant procurement exercise.

Appendices	
Appendix 1	Risk Register

Introduction and background

1. Oxford City Council currently has a contract with Zurich Municipal for all of its and its group companies insurance services (including property, casualty, motor, accident and financial, and some standalone policies) which was last tendered in 2018. The existing contract is due to expire on 31 December 2022.
2. The previous insurance tender was managed in-house rather than using a broker following the failure of the then engaged broker to deliver to the timescales required. This had the benefit of removing the need to pay broker fees. It is proposed the finance team run will also manage this procurement.
3. The Council's group companies are being engaged on their required levels of cover and excesses and the requirements will be included in the tender documentation.

Tender Process

4. The procurement will either be undertaken as an open tender or through a procurement framework. It is currently anticipated that a framework will be used since there is one to which the Council has access that includes all of the main local government insurers.
5. It is intended that the majority of the insurance will be tendered as one lot to ensure that the contract goes to one supplier; this removes difficulties that can arise from insurers of different classes of insurance disputing responsibility with each other. It also reduces the risk of uninsured losses where a decision has not been taken to self insure and will offer better value for money due to multi-policy discounts.
6. The expected Tender timescales are as follows:

Stage / Activity	Date
Invitation to tender published	2 nd May 2022
Deadline for receipt of clarification questions or request for additional information from tenderers	2 nd June 2022
Deadline for receipt of tenders	6 th July 2022
Preferred Tenderer announced	19 th July 2022
Standstill period end	29 th July 2022
Contract award	1 st August 2022
Contract commencement date	1 st January 2023

7. The Tender is for a term of 3+ 1 +1 years. The tender will be evaluated by a panel of at least three people, including procurement staff and other staff with the Finance Team, who will undertake the financial assessment of the costs and financial responses.
8. The evaluation of the tenders is currently expected to be based on the following breakdown, although this will be varied if deemed appropriate:

Award Criteria	Weighting
History and Outline of organisation	Information only
Assessment of Policy Cover	20%
Added Value and Innovation	15%
Claims Service	15%
Social Value and Sustainability	10%
Qualitative Total	60%
Price	40%
Overall Total	100%

9. 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 cover levels and excesses will be selected to balance the cost of insurance and the risk of costs of insurance excesses.
10. As the new contract needs to be in place by 1st January 2023 and post-tender all of the insurance policy documents will need to be provided and reviewed for compliance with the tender, the Cabinet is asked to delegate authority to award the new contract(s) for the insurance cover to the Head of Financial Services.

Financial implications

11. The Council has a self-insurance fund of approx. £2m comprising a reserve and a provision. 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 impact of claims in progress and claims in relation to incidents that have occurred but not yet notified (based on past history). The level of the fund is assessed from time to time through actuarial review.
12. 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.
13. The current insurance costs are around £410k per annum for the Council, £300k per annum for Oxford Direct Services Limited (ODS) companies and £65k per annum for Oxford City Housing Ltd (OCHL). It is expected that the tender will mostly result in premiums of a similar level plus changes resulting from market conditions and valuations with the exceptions of:
 - Motor where ODS have indicated that they may wish less excess which will increase the cost of the insurance; the option that results in the best risk based financial position will be selected; and

- Housing company insurance where the insurance costs will also depend on numbers of properties held and the level of development activity.
14. Costs of insurance premiums are anticipated to be within the budgeted amounts with an amount left over to contribute towards the cost of excesses. The cost of insurance premiums over the full 5 years is estimated at around £4m based on current prices and this will be managed within overall budgets.

Legal issues

15. 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.
16. 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 the body of the report, is above the threshold for service contracts under the PCR, the procurement is subject to the full application of the procurement regulations in that the procurement must be advertised and a competitive procurement process undertaken prior to award of the contract.
17. The body of this report sets out the procurement procedure that will be followed 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 constitution and requires Cabinet approval under article 18.12 of the constitution.
18. The report authority to delegate authority to the Head of Financial Services in consultation with the Head of Law and Governance to award a contract for the provision of insurance services to Oxford City Council and group companies from 1st January 2023 for a period of 3 years with an option to extend for up to 2 years (1+1), following a compliant procurement exercise. .

Level of risk

19. The risk register is attached at Appendix 1.

Equalities impact

20. All tenderers are required to support and adhere to the Council's Living wage Policy in accordance with the Council's procurement policies.
21. Members are reminded that the Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have due regard to:
- (i) the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
 - (ii) the need to advance equality of opportunity between persons who share protected characteristics and those who do not, and;
 - (iii) foster good relations between those who have protected characteristics and those who do not.

Note: 'Protected characteristics' are: age, sex, race, disability, sexual orientation, marriage and civil partnerships, religion or belief, pregnancy and maternity and gender reassignment.

22. The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce.

Environmental Impact Assessment

23. There are no environmental impacts arising from this tender.

Report author	Bill Lewis
Job title	Financial Accounting Manager
Service area or department	Financial Services
Telephone	01865 252607
e-mail	<u>blewis@oxford.gov.uk</u>

Background Papers: None

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