

**FORM 1**

**NOTICE OF DELEGATION OF DECISION TO CABINET MEMBER BY STRONG LEADER**

Section 15(4) of the Local Government Act 2000, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

I, Cllr Marcus Hart, as Strong Leader, delegate the decision relating to the provision of Insurance Services, as detailed in the Forward Plan to the Cabinet Member detailed below:

Cabinet Member for Resources

Dated:

26<sup>th</sup> February, 2019.

Signed:

.....  
Leader of the Council

**FORM 2**

**NOTICE OF DECISION OF CABINET MEMBER**

Pursuant Section 15(4) of the Local Government Act 2000, as amended by section 63 of the Local Government and Public Involvement in Health Act 2007, the senior executive member may discharge any of the functions that are the responsibility of the Cabinet or may arrange for them to be discharged by another member of the Cabinet or Officer. On 1<sup>st</sup> December 2010, the Council adopted the Strong Leader Model for Corporate Governance 2011 as required under Part 3 of The Local Government and Public Involvement in Health Act 2007 (The 2007 Act).

In accordance with the authority delegated to *me / by the Leader* (delete as appropriate), I have made the following decision:

Subject	Decision	Reason for decision	Date for Decision to be taken
Provision of Insurance Services to the Council	<p>To approve the recommissioning of the Insurance service using the Midlands District Council Insurance Consortium.</p> <p>To grant delegated authority to the Corporate Director: Resources, in consultation with the Solicitor to the Council and the Cabinet Member for Resources to agree the detail of the process, timetable and evaluation model for the appointment of a new contractor to deliver the Insurance Service and to award the contract to the successful provider(s); using either a conventional or risk pooled approach for Insurance across the Consortium.</p>	The Council is required to tender for the provision of Insurance services. It is suggested that this tender be for a period of up to 5 years up until 31/06/2024 subject to a 3 year break clause.	26.02.2019

**I confirm that the appropriate statutory officer consultation has taken place with regard to this decision.**

Dated: 26/02/19

Signed:  .....  
 Cllr Nathan Desmond  
 Cabinet Member for Resources

# WYRE FOREST DISTRICT COUNCIL

## STRONG LEADER APPROVAL

FEBRUARY 2019

### Provision of Insurance Services to the Council

Open	
<b>CABINET MEMBER:</b>	Cllr Nathan Desmond
<b>RESPONSIBLE OFFICER</b>	Corporate Director: Resources
<b>CONTACT OFFICER:</b>	Tracey Southall <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>
<b>APPENDICES:</b>	None

#### 1. PURPOSE OF REPORT

- 1.1 Approval of the Cabinet is required by the Contract Procedure Rules to enter into a procurement exercise where the value of the purchase is over £160,000.
- 1.2 The purpose of this report is to seek agreement to the procurement process for the Council's Insurance Services and to grant Delegated authority to the Corporate Director: Resources in consultation with the Cabinet Member for Resources to progress the detail of this exercise including making decisions on and the final award of the Insurance Services contracts.

#### 2. RECOMMENDATION

- 2.1 That the Leader:
  - 2.1 Gives approval to the recommissioning of the Insurance service using the Midlands District Council Insurance Consortium;
  - 2.2. That authority is delegated to the Corporate Director: Resources, in consultation with the Solicitor to the Council and the Cabinet Member for Resources to agree the detail of the process, timetable and evaluation model for the appointment of a new contractor to deliver the Insurance Service and to award the contract to the successful provider(s); using either a conventional or risk pooled approach for Insurance across the Consortium.

#### 3. BACKGROUND

- 3.1 The Council's current Insurance services provider is the Zurich Municipal plc. The initial contract for these services was awarded following a collaborative competition process involving a number of neighbouring District Councils. The current contract commenced on the 1st July 2014, for an initial period of 3 years, but was extended by 2 years to a 5 year contract period that is due to expire at the end of June 2019.

- 3.2 Wychavon DC is leading this procurement exercise on behalf of all 8 Councils (see section 3.4 below). Gallagher's has been engaged to act on behalf of the Midlands District Council Insurance Consortium at a total cost of £25,950 made up of £16,000 for the Risk Pooling work and £9,950 for procurement support to be split equally so £3,244 per participating Council.
- 3.3 Gallagher's have been engaged on behalf of the 8 District Councils working in collaboration in an exercise designed to minimise their respective insurance premiums whilst providing appropriate cover for the risks encountered by each member council.
- 3.4 The insurance arrangements for WFDC and up to seven more District Councils have been set out and benchmarked to ascertain their target premium. It is against this target that the returns will be evaluated.

The participating Councils are:

Bromsgrove DC  
High Peak DC  
Malvern Hills DC  
Redditch BC  
Staffordshire Moorlands DC  
Worcester City  
Wychavon DC  
Wyre Forest DC

- 3.5 Delegated authority is sought to progress the detail of this exercise including making decisions on and the final award of the Insurance Services contracts, as this needs to be done promptly to provide sufficient timeframe from award to inception of the new contract.

#### **4. KEY ISSUES**

- 4.1 During the tender process it is recommended that the consortium:
- Follows a full OJEU compliant tender process and invites insurer quotations for the consortium of eight District Councils.
  - Follows the open tender procedure.
  - Requests insurer quotations to be provided on the basis of the expiring basis of cover for each authority, with a limited range of additional and optional quotations with a final option to allow insurers to put forward a quotation on the basis of an alternative Risk Pooling Concept which they believe would be of interest to the consortium and could result in financial savings and operational efficiency.
  - Ensures that the tender evaluation process assesses tenders against the contract award criteria on the basis of the best option for the consortium as a whole. Alternatively, the consortium will need to agree to allow an element of adjustment to the prices put forward for each member within the overall tender price total as part of the pre-award discussions with insurers

- 4.2 The estimated annual value of the contract for the WFDC insurance is in the region of £315,000 per annum and therefore the overall value of the contract over the maximum 5 year period exceeds the EU threshold of £181,302 and requires that the contract is subject to a full procurement process in accordance with EU procedures.
- 4.3 The new contract will be for 3 years with the option to extend for a further two year period, maximum term of 5 years.
- 4.4 The Insurance tender will be produced incorporating all 8 District/Borough Councils within the Group. The ITT will be issued on 3<sup>rd</sup> April 2019, and remainder of Timetable is shown in paragraph 4.6. The Tender will be split down into Lots
1. Main Property, Housing Property, Business Interruption, Money, Fidelity, Contract Works, All Risks
  2. Commercial and Industrial Property
  3. Combined Liability
  4. Motor Fleet
  5. PA and Travel
  6. Engineering
  7. Package Lot – comprising Lots 1 to 6 above
  8. Risk Pooled Placement
- 4.5 Lot 8 is an alternative approach that has not been tendered for previously. It is based on a risk pooling concept that is very similar but on a smaller scale to the LGA Mutual for Insurance. The LGA Mutual is not yet fully operational and may not be by the time the current contract expires. If it is operational it could potentially submit a tender for the risk pooled option, if not, it is therefore only an option to consider in addressing future needs after the initial 3 year contract term. The risk pooled option would be a significant change in the way insurance service was delivered both in terms of cover, risk and administrative service delivery. Early exploratory work across the Midlands District Council Consortium was done last year and did demonstrate the potential for financial savings to be achieved from this approach. For this reason it is included within this tender to further test and compare to the traditional approach to insurance service delivery.
- 4.5.1 Aims and Objectives of the Risk Pooling Concept can be summarised as follows:
1. Benefit from the Profit element derived by Insurers
  2. Reduce (insurance premium) tax burden
  3. Natural evaluation of Consortium concept
  4. Controlled Risk Sharing (within risk appetite)]
  5. Insurance Programme to cover risk above Risk Tolerance levels
  6. Promotes the development of collaborated services in insurance and risk
  7. Risk Spread – reduced impact of losses across the group
- 4.5.2 Challenges of the Risk Pooling Concept can be summarised as follows:
1. Increased risk taking
  2. Insurer Support Services
  3. Flood
  4. Controlled Risk Sharing (within risk appetite)

5. Insurance Programme to cover risk above Risk Tolerance levels
6. Promotes the development of collaborated services in insurance and risk

4.6 The proposed tender timetable is as follows:

<b>Key Tasks</b>	<b>Target Date</b>
Gallagher to produce first draft of the Invitation to Tender	15 <sup>th</sup> February 2019
Gallagher to produce first draft of the Contract Award Criteria	15 <sup>th</sup> February 2019
Gallagher and Consortium iterate and modify the Invitation to Tender	Feb / March 2019
Potential Meeting to discuss and agree Pooling Structure	22 <sup>nd</sup> March 2019
Obtain updated Loss Experiences from insurers (cut off at 1 <sup>st</sup> March 2019)	25 <sup>th</sup> March 2019
Complete Invitation to Tender document and agree with Consortium	3 <sup>rd</sup> April 2019
Consortium advertise opportunity on Contract Finder	3 <sup>rd</sup> April 2019
Issue tender documents to insurers based on expressions of interest	4 <sup>th</sup> April 2019
Closing date for return of tender submissions	9 <sup>th</sup> May 2019
Complete evaluation / clarification with insurers/suppliers	20 <sup>th</sup> May 2019
Present Tender Evaluation Report with recommendations to Consortium	23 <sup>rd</sup> May 2019
Consortium to confirm decisions and instructions to Gallagher	3 <sup>rd</sup> June 2019
Start of 10 day standstill period	4 <sup>th</sup> June 2019
Gallagher places insurance programme	14 <sup>th</sup> June 2019
Mobilisation meeting between Consortium and new insurers if applicable	From 17 <sup>th</sup> June 2019
Insurance programme renewal date	1 <sup>st</sup> July 2019
Issue Contract Award Notice	1 <sup>st</sup> July 2019

4.7 The detailed evaluation model and award criteria will be agreed by the Consortium and delegation is requested for the Corporate Director: Resources to agree this in consultation with the Solicitor to the Council and the Cabinet Member for Resources to expedite this process as we are working to a tight timeline.

- 4.8 A change in Insurers could in itself create an extra workload for the Finance section at the point of transfer. This extra workload may have to be resourced in order that new systems and working practices are put into practice.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 The Council's current combined annual budget for Insurance Services is circa £315,000 per annum, for the proposed maximum 5 year contract this gives an estimated value of £1,575,000 over the potential period of the contract.
- 6.2 It is hoped that cost of engaging Gallagher's to assist us with this procurement process (see section 3.2) will be covered by minimising the insurance increases that the Council would otherwise have to carry if it were to tender as an individual Council.
- 6.3 Gallagher's has advised that whilst there can be no guarantees it should be possible to achieve savings on the current premium paid. This should be helped by also offering the Risk Pooling concept as a Lot. Whilst Insurers will be interested in this model, it produces less Gross Written Premium for them so they will support this Lot but will hopefully price the conventional insurance programme (that we currently have) even more aggressively. In summary we are anticipating a competitive tender exercise. The final decision will be subject to normal Contract Procedure rules and reported to Members.

## **7. LEGAL AND POLICY IMPLICATIONS**

- 7.1 There continues to be uncertainty surrounding procurement law when the UK has left the European Union. Officers will ensure that this procurement complies with any changes to UK procurement legislation following the UK's exit from the EU in consultation with the Cabinet member for Resources under the delegations recommended.
- 7.2 As stated in the Council's Contracts Procedure Rules Cabinet Approval is sought for procurements where the value of the purchase is estimated to be in excess of £160,000.
- 7.3 The successful tender submission will be required to enter into a formal contract prepared by the Solicitor to the Council. WFDC will reserve its right to act independently to the Consortium, contracting separately from the other members of the Consortium in order that it may optimise its own position.

## **8. RISK MANAGEMENT**

- 8.1 The Council must fully evaluate tender submissions to ensure that they are capable of delivering upon the contract; the joint approach to this tender process should mitigate risk.
- 8.2 The choice of the Council's Insurers is intrinsically linked to the Risk Management Policy and risk must be mitigated to ensure this process is properly managed.

- 8.3 The time-frame for this tender is quite tight and must be carefully managed to ensure that revised insurances are in place for July 2019.
- 8.4 The inclusion of the additional Lot that is predicated on the Risk Pooled concept across the Midlands District Council Insurance Consortium. This would involve controlled risk sharing within appetite across all eight councils; the Corporate Director: Resources would seek to protect the individual position of this Council as far as possible if this approach was favoured.

## **9. EQUALITY IMPACT ASSESSMENT**

- 9.1 This is a financial report and there is no requirement to consider an Equality Impact Assessment.

## **10. CONCLUSION**

- 10.1 The Council is required to tender for the provision of Insurance services. It is suggested that this tender be for a period of up to 5 years up until 31/06/2024 subject to a 3 year break clause.
- 10.2 Given the value of the contract a full procurement exercise in accordance with EU Regulations will be undertaken using the expertise of Gallagher's in close liaison with Council officers.

## **11. CONSULTEES**

- 11.1 Cabinet Member for Resources  
11.2 CMT  
11.5 Procurement Officer  
11.6 The Midlands District Council Consortium

## **12. BACKGROUND PAPERS**

- 12.1 None