

## Wyre Forest District Council

### Record of a Council Decision delegated to be made by an Officer

This includes a record of an Executive Decision made by an officer under Regulation 13, Part 4 of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012

<b>Item decided:</b>  Recommissioning of the Insurance service using the Midlands District Council Insurance Consortium. To award the Council's insurance contract to Zurich Municipal plc following a full procurement process.	
<b>Officer who has taken the decision</b>	Corporate Director: Resources
<b>Date of the decision</b>	19th June 2019
<b>Reason for the decision/alternatives considered</b>	<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.</p> <p>Given the value of the contract a full procurement exercise in accordance with EU Regulations has been undertaken using the expertise of Gallagher's in close liaison with Council officers across all the participating Councils in the Midlands District Council Insurance Consortium.</p>
<b>Date and source of Delegated Decision (if appropriate)</b>	<p>17th June 2019 – see attached report.</p> <p>Source of Delegation: 26<sup>th</sup> February 2019 Strong Leader Approval for delegation of decision to the Corporate Director: Resources in consultation with the Solicitor to the Council and the Cabinet Member for Resources.</p>
<b>Council/Cabinet member consulted – if applicable</b>	Leader of the Council also Cabinet Member for Resources
<b>Any interest declared by the Consultee or officer</b>	None

## WYRE FOREST DISTRICT COUNCIL

### DELEGATED DECISION FOR INSURANCE CONTRACT AWARD

JUNE 2019

#### Provision of Insurance Services to the Council

<b>Open</b>	
<b>CABINET MEMBER:</b>	Cllr Graham Ballinger
<b>RESPONSIBLE OFFICER</b>	Corporate Director: Resources
<b>CONTACT OFFICERS:</b>	Tracey Southall <a href="mailto:tracey.southall@wyreforestdc.gov.uk">tracey.southall@wyreforestdc.gov.uk</a>

#### **1. PURPOSE OF REPORT**

- 1.1 To note the award of the Insurance services contract made under previously granted delegated authority by the Corporate Director: Resources in consultation with the Solicitor to the Council and the Cabinet Member for Resources.

#### **2. SUMMARY**

- 2.1 In accordance with the agreed evaluation model the following contract award is to be made:
- 2.1.1 Insurance Services to Zurich Municipal plc.
- 2.1.2 Following the formal contract award and in accordance with normal procurement procedures the Council will enter in a contract for a five year term.

#### **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 has led 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 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 have been 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 was granted to progress the detail of this exercise including making decisions on and the final award of the Insurance Services contracts in February 2019, as this needed 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 confirmed that the consortium:

- Followed a full OJEU compliant tender process and invited insurer quotations for the consortium of eight District Councils.
- Followed the open tender procedure.
- Requested insurer quotations 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 have resulted in financial savings and operational efficiency.
- Ensured that the tender evaluation process assessed tenders against the contract award criteria on the basis of the best option for the consortium as a whole. In addition the consortium agreed to allow an element of adjustment to the prices put forward for each member within the overall tender price total as part of the process of finalisation of award discussions with the preferred insurance provider.

- 4.2 The evaluation process was carried out by Gallaghers and then verified by the treasurers. A copy of the evaluation report is available on request.

- 4.3 Whilst a couple of insurers did initially respond but then decline to offer a bid; the response received for each Lot was encouraging. The responses received were as follows for each Lot offered for Tender:

Lot	Number of Offers
1 – Main Property	3
2 – Industrial and Commercial	3
3 – Combined Liability	3
4 – Motor Fleet	5
5 – Group PA	2
6 - Engineering	3
7 – Package Lot	1
8 – Risk Pool	4

4.4 Overall the Tender has been a success for the following reasons:-

- ▲ An average of 39% Annual Total Cost of Risk saving over the Consortium
- ▲ Increased competition for the tender opportunity
- ▲ Opportunity taken to explore a non-conventional solution – Risk Pool – which is pioneering how insurances may be placed in the future.
- ▲ Stability of service provider
- ▲ Compliant Procurement process
- ▲ Main insurance programme is recommended to be placed with one mainstream supplier

The Summary Recommendations are provided below:

Lot Number	Successful Bidder	Recommendation
1	Zurich Municipal	No Award to be made under this Lot
2	Protector	No Award to be made under this Lot
3	Zurich Municipal	No Award to be made under this Lot
4	Zurich Municipal	No Award to be made under this Lot
5	Zurich Municipal	No Award to be made under this Lot
6	British Engineering	No Award to be made under this Lot
7	Zurich Municipal	Lot to be awarded to Zurich Municipal
8	Zurich Municipal	No Award to be made under this Lot

The table above shows that based on the detailed scoring on the basis of the application of Award Criteria (available on request), the decision is for Lot 7 (comprising all of Lots 1 to 7) to be awarded to Zurich Municipal plc.

4.5 Lot 8 was an alternative approach that had not been tendered for previously. It was based on a risk pooling concept that is very similar but on a smaller scale to the LGA Mutual for Insurance (who did not submit a tender on this occasion). The risk pooled option would have been 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 was included within this tender to further test and compare to the traditional approach to insurance service delivery.

- 4.6 The Zurich Municipal plc package Lot submission using the traditional approach to insurance service delivery was clearly the best choice for all Councils generating significant financial savings compared to current premiums paid. The inclusion of the Risk Pool option however helped to increase the level of competition and it may be that after initial three year term this option can be reconsidered as an alternative to the potential two year extension that is possible under the three plus two planned term.
- 4.7 Ongoing affordability and effective management of our insurance service is a key issue for all Councils and a decision has been taken to retain the services of Gallagher's to "lock" in savings at the annual insurance renewal process and also to provide additional specialist support to our in-house teams.
- 4.8 The fact that Zurich Municipal plc are our current providers means there will be a seamless transition to the new contract.
- 4.9 The new contract must be in place for the 1<sup>st</sup> July 2019, when the current contract ends.

## **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 The cost of engaging Gallagher's to assist us with this procurement process has led to a competitive tender process and helped the consortium achieve very welcome financial savings in the cost of insurance cover,
- 6.3 Based on the Tender Evaluation process the new annual total cost of risk for this Council could be up to circa 40% lower than current insurance premiums paid. However, this is based on harmonised excesses and insurance policies across the consortium and also subject to a number of minor final clarifications that will be done as part of the award process. Following the tender award each Council will work with Zurich Municipal plc assisted by Gallagher's to confirm the final detail of their insurance requirements and it is therefore likely that the savings will reduce from the tender evaluation comparisons. The final saving will be reported as part of the revised budget process but it is envisaged that it will be upwards of £50,000 pa.
- 6.4 The retention of the services of Gallagher's for a further 12 months term initially, will be at a cost of £2,500 per consortium member. This contract will be progressed separately under Contract Procedure Rules.

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

- 7.1 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.

## **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 retention of Gallagher's specialist advice should mitigate the risk of increases in insurance costs at annual renewal within the contract term.

## **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. This tender will be for a period of up to five years up until 31/06/2024 subject to a three year break clause.
- 10.2 Given the value of the contract a full procurement exercise in accordance with EU Regulations has been undertaken using the expertise of Gallagher's in close liaison with Council officers.

## **11. CONSULTEES**

- 11.1 Cabinet Member for Resources
- 11.2 CLT (including the Solicitor to the Council specifically re delegation)
- 11.5 Procurement Officer
- 11.6 The Midlands District Council Consortium

## **12. BACKGROUND PAPERS**

- 12.1 Strong Leader Report February 2019
- 12.2 Evaluation Report Gallagher's and Tender Submissions May and June 2019.