

**Classification:** Public

**Key Decision:** No

## **Gravesham Borough Council**

**Report to:** Cabinet

**Date:** 4 January 2022

**Reporting officer:** Assistant Director - Corporate Services

**Subject:** Insurance Tender

### **Purpose and summary of report:**

To present Cabinet with the current position of the process for securing the future provision of insurance services for the council.

### **Recommendations:**

1. This report is for information only.

## **1. Background to the report**

- 1.1. The administration procedure of the Council's insurance function is set out in Gravesham Borough Councils Financial Procedure Rules. The rules state that the Section 151 Officer will put in place insurance cover relating to Council activity and review all insurances in consultation with Chief Officers as appropriate.
- 1.2. The Council's existing contract with Zurich Municipal (ZM) was secured in 2015 through a joint tender project that was carried out with both Canterbury and Shepway Councils. Aon Risk Solutions were appointed under the Crown Commercial Services (CCS) Framework and assisted all three Councils with their respective insurance tenders.
- 1.3. The contract expired in 2020 and at the time, in addition to the usual tendering route, consideration was given to procuring insurance, through the Local Government Mutual (LGM).
- 1.4. Unfortunately, the LGM failed to offer appropriate insurance cover and this fact, coupled with government restrictions during the pandemic, prevented the Council from being able to fully consider the purchasing options that were available following expiry. Consequently, the Director (Corporate Services) agreed to a further two-year contract extension being negotiated with ZM, to ensure the Council maintained uninterrupted insurance cover. The extension agreement was made in accordance with the Council's Constitution and with due regard given to the Government's Procurement Procedure Note (PPN 01/20) – Responding to COVID-19.

1.5. The annual insurance premiums paid by the council during the two year extension period were, £761,162 in 2020/2021 and £812,025 in 2021/2022. The two year extension is due to expire on 29th June 2022.

**2. Renewal option(s), following expiry of the existing contract.**

2.1 When purchasing insurance for 2022/23 and beyond, the Council will need to comply with Regulation 18 Principles of Procurement - of the Public Contracts Regulations 2015. (The Public Contracts Regulations 2015 (legislation.gov.uk). Regulation 18 states the following:

- (1) Contracting authorities shall treat economic operators equally and without discrimination and shall act in a transparent and proportionate manner.
- (2) The design of the procurement shall not be made with the intention of excluding it from the scope of this Part or of artificially narrowing competition.
- (3) For that purpose, competition shall be considered to be artificially narrowed where the design of the procurement is made with the intention of unduly favouring or disadvantaging certain economic operators.

2.2 The Council’s Finance Officers and Senior Management have considered the two options below when deciding how insurance services will be procured in 2022:

- Option 1** – To procure insurance services through a Full Open Tender.
- Option 2** – To procure insurance services under a Framework Agreement.

2.3 The table below shows the advantages and disadvantages of both options.

Option	Advantages	Disadvantages
<b>Full Open Tender</b>	Creates greater opportunities, as open tenders are available to all qualified and interested bidders.	Will need to run a mini competition for broker services.
	High transparency and more competition.	Could limit supplier participation because of its excessive formalism.
	There are no cost implications associated with contract award values.	The timeframe for completion of the procurement actions can be a lengthy process.
	Can provide products that offer better value for money.	Requires a lot of internal support e.g, Finance, Legal and Procurement thereby increasing resource costs. Requires strict adherence and compliance with procedures.
<b>Framework Agreement</b>	No need to run mini competition for broker services, as they are already appointed under Framework Agreements.	Unresponsive to change as new suppliers entering the market may be excluded from agreements.
	Fast and efficient as it removes the need to complete the lengthy procurement actions required under a full open tender process.	There is a cost implication relating to the contract award value that needs to be factored in.
	Robust agreements readily available, resulting from thorough professional due diligence.	Some suppliers may find framework procurement unattractive, due to not having any guarantee of business and consequently exclude themselves.
	Pre agreed terms and conditions.	

### 3. Conclusion

- 3.1 Gravesham Borough Council have opted to procure insurance services under a Framework Agreement and for Broker services to be awarded direct to Aon Risk Solutions. Aon are appointed under both the Crown Commercial Services (CCS) and Yorkshire Purchasing Organisation (YPO) Frameworks.
- 3.2 The principal benefits of utilising a framework include:
- **Reduced timescales** – the full OJEU procurement process will not be necessary.
  - **Ease of use** –expert procurement advice will be available.
  - **Choice of supplier** – the framework will potentially list a broad choice in suppliers.
  - **Legality** –A framework will be legal and in line with EU regulations reducing risk and bureaucracy in the procurement process.
  - **Assured supplier standards** – suppliers will have been ‘pre-qualified’ as to their general suitability. This will provide assurance that suppliers meet the appropriate standards in the provision of insurance.
  - **Pre-defined terms and conditions** – terms and conditions of contract will have been established, where relevant, and all suppliers will have signed and accepted the agreement and terms and conditions of call-off.

### 4. Market knowledge

- 4.1 A preliminary Tender Strategy meeting has been held between Aon Risk Solutions and the Councils Finance Officer (Insurance) and Performance Analyst. During the meeting which took place on the 18th October 2021, Aon advised that the insurance market is very challenging with increases between 5% and 30% over the last 2 years. These increases mean a saving, even under competition, is unlikely and the Council should therefore expect to see an increase on the value of their existing insurance contract.
- 4.2 Aon also advised that the insurers who are expected to respond to the tender are Zurich Municipal, Protector, Maven, RMP and Travelers.
- 4.3 The table below provides an indicative timeline from engagement of a broker (AON) up to inception of the new contract.

<b>Renewal Date</b>	<b>30 June 2022 (Dates to be agreed and amended). Week</b>
Aon and GBC discuss renewal and tender options	18-Oct-21
Aon issues insurance tender questionnaire	15-Nov-21
Meeting to discuss programme design	06-Dec-21
Cut-off date for insurers loss experiences to be included in the tender documentation	06-Dec-21
GBC complete and return Aon's tender questionnaire	10-Jan-22
Aon obtain updated, confirmed loss experiences from insurers all data to be provided by	17-Jan-22
Aon completes draft tender document and issues for GBC approval	31-Jan-22
Meeting to review draft ITT	07-Feb-22
Aon finalises tender document with GBC and issues to short listed insurers	21-Feb-22
Closing date for tender clarifications	14-Mar-22
Closing date for return of insurers tender responses	04-Apr-22
Aon to complete initial evaluation and scoring	25-Apr-22
Moderation meeting	02-May-22
Aon to issue recommendation report	16-May-22
Standstill letter to be issued	01-Jun-22
Standstill period expires. If no challenges have arisen, Aon to place all insurances with preferred insurers on behalf of the Council.	13-Jun-22
Cover placed	16-Jun-22
GBC to obtain internal approval for contract award and confirm instructions to Aon	24-Jun-22
Inception meetings to be made with awarded insurers	01-Jul-22

## **5. Background Papers**

5.1 There are no background papers to this report

IMPLICATIONS	APPENDIX 1
<b>Legal</b>	Framework Agreements are fully compliant with EU procurement regulations.
<b>Finance and Value for Money</b>	Advice obtained from Aon as part of the process indicates that insurance premiums have been increasing; resultantly, it is unlikely that savings will be realised from the tender exercise and the council has been advised that it should expect an increase on the value of their existing insurance contracts.
<b>Risk Assessment</b>	It is of critical importance that the council has sufficient arrangements in place to manage the risks it may be exposed to; the council will use insurance cover to protect itself primarily against the financial consequences of risks it is unable to fully mitigate or manage to a tolerable level.
<b>Data Protection Impact Assessment</b>	<i>A data protection impact assessment (DPIA) should be carried out at the start of any major project involving the use of personal data or if you are making a significant change to an existing process.</i>
	<p>a. Does the project/change being recommended through this paper involve the processing of <a href="#">personal data</a> or <a href="#">special category data</a> or <a href="#">criminal offence data</a>? A definition of each type of data can be found on the Information Commissioner's Office website via the above links.</p>
	<p>b. If yes to question a, have you completed and attached a DPIA including Data Protection Officer advice? N/A</p>
<b>Equality Impact Assessment</b>	<p>c. If no to question b, please seek advice from your nominated DPIA assessor or the Information Governance Team at <a href="mailto:gdpr@medway.gov.uk">gdpr@medway.gov.uk</a>. N/A</p>
	<p>a. Does the decision being made or recommended through this paper have potential to cause adverse impact or discriminate against different groups in the community? If yes, please explain answer. N/A</p>
	<p>b. Does the decision being made or recommended through this paper make a positive contribution to promoting equality? If yes, please explain answer. N/A</p> <p><i>In submitting this report, the Chief Officer doing so is confirming that they have given due regard to the equality impacts of the decision being considered, as noted in the table above</i></p>
<b>Corporate Plan</b>	<p>1. There are no direct implications for the Council's strategic priorities.</p> <p>The work of the External Auditor provides assurance of the council's financial management arrangements and as such provides evidence of the delivery against Strategic Objective 3 - Progress -an entrepreneurial authority; commercial in outlook and committed to continuous service improvement, underpinned by a skilled workforce and strong governance environment</p>
<b>Climate Change</b>	N/A
<b>Crime and Disorder</b>	N/A

<b>Digital and website implications</b>	N/A
<b>Safeguarding children and vulnerable adults</b>	N/A