

Report of	Meeting	Date
Director of Transformation (Introduced by the Executive Member for Transformation)	Executive Cabinet	23 June 2011

JOINT INSURANCE PROCUREMENT TENDER EXERCISE IN COLLABORATION WITH SOUTH RIBBLE BOROUGH COUNCIL

PURPOSE OF REPORT

1. This is a request for approval to undertake a joint procurement tender exercise in conjunction with South Ribble Borough Council for the renewal of the current insurance covers in place at both Councils under existing Long Term Agreements (LTAs) that are due to expire on 31/12/2011.
2. The joint insurance tender is a key project in the Shared Financial & Assurance Services Business Improvement Plan which has been agreed by the Shared Services Joint Committee.

RECOMMENDATIONS

3. That Executive Cabinet:
 - 3.1 Agree that South Ribble Borough Council will act as the lead body for the joint procurement and conduct the exercise in compliance with its Contract Procedure Rules and Procurement Guidance.
 - 3.2 Approve the use of the proposed contract award procedure and evaluation criteria set out below.

EXECUTIVE SUMMARY OF REPORT

4. The report sets out proposals for a combined tender exercise for insurance covers in order to seek out more economically advantageous terms than would exist if each Council was to approach the insurance market separately.
5. The report summarises the approach for the tender together with the evaluation procedure and criteria to be applied to the tenders received.

REASONS FOR RECOMMENDATION(S)

(If the recommendations are accepted)

6. The aims of the joint tender exercise are to:
 - (a) seek volume discounts from insurers by providing them with a larger overall offer;
 - (b) share procurement costs by arranging one tender exercise rather than two;
 - (c) rationalise the current insurance portfolios in order to provide ongoing administrative efficiencies.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

7. Research has been undertaken involving the Council's Procurement & Partnerships Manager to identify alternatives to the traditional tender approach to obtaining insurance covers. For example a number of consortia are currently being developed including a National Procurement Framework for Insurance and the South West Councils' Insurance Procurement Framework
8. During a recent tender exercise to appoint a joint insurance broker to both South Ribble and Chorley Councils we took the opportunity to question all 3 candidates on their views as to the alternatives on offer. All were quite dismissive about the possibility of joining any form of consortium due to their fledgling nature and also that procurement savings from this route would probably be modest.
9. The consensus was to arrange a joint tender for new LTA's commencing from 1/1/2012. This approach has subsequently been endorsed by Jardine Lloyd Thompson (JLT) following their appointment as the common insurance broker to both Councils.
10. **It must be stressed that separate premium quotations will be sought for each Council and there will also be separate insurance policies. The objective of the joint exercise is to minimise overall costs but not to combine risks.**

CORPORATE PRIORITIES

11. This report relates to the following Strategic Objectives:

Strong Family Support		Education and Jobs	
Being Healthy		Pride in Quality Homes and Clean Neighbourhoods	
Safe Respectful Communities		Quality Community Services and Spaces	
Vibrant Local Economy		Thriving Town Centre, Local Attractions and Villages	
A Council that is a consistently Top Performing Organisation and Delivers Excellent Value for Money			x

BACKGROUND

12. The procurement exercise will be coordinated by the Risk Manager in Shared Assurance Services but will require extensive contributions from JLT and the Procurement and Partnerships Manager within the Shared Services Partnership.
13. The estimated combined contract value for the tender is £1.5m to £2.5m for a 3 to 5 year term respectively and as such must be conducted in accordance with the EU Procurement Regulations. This will require notice of the tender to be published in the Official Journal of the European Union (OJEU).

TENDER APPROACH

14. The tender exercise will be undertaken in accordance with the "open" contract procedure and all insurers responding to the OJEU notice will be invited to tender. The tender will be processed through the regional e-procurement portal "The Chest" and all documentation

available to tenderers and the resulting completed tender submissions will be handled electronically.

15. Tenderers will be invited to quote premiums to enter into an LTA for a period of three years with an option to extend for a further two years. However tenders will also be considered for a five year period where the terms are of greater benefit to the two Councils.
16. The insurance classes for consideration will be packaged into six “Lots” of related cover types and tenderers will be invited to quote for any individual Lot, selected Lots, or indeed all Lots, as follows:

Lot Numbers & Insurance Classes		Quotations Sought		
		SRBC	CBC	Combined
		£	£	£
1	Property Material damage Business interruption Terrorism Works in progress Money Glass All Risks Theft Contractors all risks Mortgaged and Commercial Property Computer	✓	✓	✓
2	Fidelity Guarantee	✓	✓	✓
3	Combined Liability Public Liability Employers Liability Professional Indemnity Libel and Slander Land Charges Hirers Liability	✓	✓	✓
4	Motor Fleet	✓	✓	✓
5	Engineering Inspection and Insurance	✓	✓	✓
6	Personal Accident and Travel	✓	✓	✓

17. The main objective of this approach is to seek the widest possible access to the insurance market by inviting specialist as well as general insurers to submit quotations thereby maximising competition in the process.
18. Bids for each Lot will be based on the existing insurance programmes for each Council together with some variations to cover and levels of excess as recommended by JLT.
19. In relation to Lots 3 and 4 which will generate the highest value premiums, prospective insurers will also be asked to outline the effect on excesses and limits of liability in respect of a 10% and 20% reduction on their base quotations. This approach will enable each Council to make its own selections from the options available in accordance with its risk appetite.

TENDER EVALUATION PROCEDURE & CRITERIA

20. The overall evaluation of the tenders received will be undertaken by JLT using the following three stage procedure:

Stage 1 – Insurers will need to demonstrate their financial standing and their technical and professional ability to carry out the insurance contract in a legal and efficient manner. Specific qualification questions will be asked in the Instructions to Tenderers and their responses will be assessed on a pass or fail basis.

Stage 2 - Detailed consideration of tenders to determine the most economically advantageous tender to each Council in terms of price and quality. The following evaluation criteria and weightings have been discussed and agreed with JLT:

Evaluation Criteria	Weighting					
	Lot 1	Lot 2	Lot 3	Lot 4	Lot 5	Lot 6
Price for Insurance cover	70%	70%	70%	70%		65%
Price for Insurance cover & Inspection Fee					60%	
Assessment of Policy Cover	15%	20%	15%	10%	5%	30%
Engineering Service Delivery					30%	
Enhancements to Policy Cover	5%	5%	5%	10%	n/a	n/a
Claims Service	7%	4%	8%	7%	n/a	5%
Enhancement to Claims Service	3%	1%	2%	3%	n/a	n/a
Risk Management Advice	n/a	n/a	n/a	n/a	5%	n/a

Stage 3 - Award of contract and acceptance of tender(s) following the detailed evaluation of the tender submissions against the award criteria and the provision of reports to both Councils containing appointment recommendations for approval.

21. The following timetable is in place for the overall completion of the procurement exercise:

Tender to market	24 th June 2011
Tenders back	13 th August 2011
Evaluate tenders	September 2011
JLT reports to officers	22 nd September 2011
Officers' report to Cabinet - SRBC	2 nd November 2011
Officers' report to Executive Cabinet - CBC	24 th November 2011
Final decision / instruction from both Councils	30 th November 2011
Award contracts	12 th December 2011
Cover incepted	1 st January 2012

IMPLICATIONS OF REPORT

22. This report has implications in the following areas and the relevant Directors' comments are included:

Finance	x	Customer Services	
Human Resources		Equality and Diversity	
Legal	x	No significant implications in this area	

COMMENTS OF THE HEAD OF GOVERNANCE

23. The procurement process and scoring matrix are appropriate for this matter.

GARY HALL
DIRECTOR OF TRANSFORMATION

There are no background papers to this report.

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