

<b>Cabinet Meeting</b>	<b>Agenda Item: 6</b>
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<b>Meeting Date</b>	15 June 2016
<b>Report Title</b>	Award of Insurance Contract
<b>Cabinet Member</b>	Cllr Duncan Dewar-Whalley, Cabinet Member for Finance and Performance
<b>SMT Lead</b>	Nick Vickers, Head of Finance
<b>Head of Service</b>	Nick Vickers, Head of Finance
<b>Lead Officer</b>	Philip Wilson, Chief Accountant
<b>Key Decision</b>	Yes
<b>Classification</b>	Open
<b>Forward Plan</b>	Reference Number: 9

<b>Recommendations</b>	<ol style="list-style-type: none"><li>1. That in principle the Cabinet decides to place its insurance requirements with Zurich Municipal, being the most economically advantageous tender to the Council.</li><li>2. That the period of the contract should run for 5 years from renewal date 31 July 2016 and with the additional option to extend for a further 2 years.</li><li>3. That the Cabinet approve delegated authority to the Head of Finance in consultation with the Cabinet Member for Finance to enter into the contract with Zurich Municipal and to determine whether the contract should be extended by a further 2 years after the conclusion of the basic 5 year term.</li></ol>
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## **1. Purpose of Report and Executive Summary**

- 1.1 This report advises Cabinet with the results of the insurance tender evaluations and requests authority to award the contract to the preferred supplier.

## **2. Background**

- 2.1 The Council last went out to tender for the renewal of insurances in 2009.
- 2.2 The contract was let to Zurich Municipal for a period of 5 years, and was then extended by a further 2 years using an option originally agreed by the Executive. Therefore, in order to conform to the Council's Contract Standing Orders, it was necessary to undertake a further tender before renewal in 2016.

- 2.3 The value of the contract required compliance with the European Union procurement rules and therefore a notice inviting expressions of interest was placed in the Official European Journal in March 2016.
- 2.4 It was decided to invite tenders for a period of 5 years, with an option to extend for a further 2 years. The 5+2 years approach was intended to achieve competitive pricing, maintain financial stability and consistency in quality provision, while protecting the Council against the exposure to a possible hardening in the insurance market at the end of basic contract term.
- 2.5 Taking up the option of extending the contract after 5 years will depend on an assessment of the insurance market in 2021. It is recommended that this decision is delegated to the Head of Finance and the Cabinet Member for Finance.
- 2.6 The tender was conducted as an open tender and advertised through the Kent Business Portal, Contracts Finder and Swale Council website. The tender was issued to all those organisations who had expressed an interest. Two tenders were received, both of which were compliant. The tenders were evaluated by the project team based upon 60% price and 40% quality.
- 2.7 The tender had requested quotes for two options – either with the excess currently used by the Council or for a minimum excess of £10,000 on property insurance. After reviewing the submissions by both tenderers, it was decided to award the contract based on the option of maintaining the Council’s current excess limits, as the higher deductible was a more costly option overall.
- 2.8 Both insurers submitted high quality responses which were evaluated by officers in the Finance Department with support from the Council’s Procurement Team and the KCC Insurance Section. The scoring was very close.
- 2.9 The tender price and quality scores are summarised in the table below:

<b>Organisation</b>	<b>Price Score</b>	<b>Quality Score</b>	<b>Total Score</b>
Zurich Municipal	60	39	99
Company B	59	34	93

- 2.10 The existing 2015/16 premium is £350,880. The anticipated annual increase in cost is estimated to be in the region of £6,400. Whilst we would have liked to see a reduction in cost, this is a difficult market and other Kent councils have seen substantial increases in premium and self-funding levels. Both insurance companies are good, but Zurich Municipal is the insurer offering the most economically advantageous offer and is the “best fit” to satisfy the particular needs and requirements of the Council.
- 2.11 The panel therefore recommend that Cabinet decide to place its insurance requirements with Zurich Municipal.

### 3. Proposal

- 3.1 To approve the recommendation that the Council places its insurance requirements with Zurich Municipal.

### 4. Alternative Options

- 4.1 Statutory insurance requirements are quite limited so the Council could self-fund all losses. This is not advisable when “ground up” cover can be obtained at an affordable level.
- 4.2 The tendering process for this contract was an open process and fully compliant with the Council’s Contract Standing Orders, and therefore it is unlikely that another tendering process would result in a result different from the one presented in this report.

### 5. Consultation Undertaken or Proposed

- 5.1 No consultation was carried out for this report.

### 6. Implications

<b>Issue</b>	<b>Implications</b>
Corporate Plan	The selection of a tenderer to meet the Council’s insurance requirements assists the delivery of the “council to be proud of” priority within the Corporate Plan.
Financial, Resource and Property	The existing 2015/16 premium is £350,880. The anticipated annual increase in cost is estimated to be in the region of £6,400. The whole life value of the contract is £2.5m.
Legal and Statutory	The retendering process has to meet the European Union Public Contract Regulations.
Crime and Disorder	The Council has insured for damage caused by acts of vandalism due to the excessive costs, and employees are covered for personal attacks.
Sustainability	The quality scoring for this contract included a social value element and both tenderers provided positive responses to this.
Health and Wellbeing	None.
Risk Management and Health and Safety	There is a risk of challenge by any unsuccessful applicants to tender, and a very high risk of challenge if the Council does not go ahead with this tender.
Equality and Diversity	The quality scoring for this contract included a social value element and both tenderers provided positive responses to this.

## **7. Appendices**

7.1 There are no appendices.

## **8. Background Papers**

8.1 All background papers to this report are held in the Finance Department.