

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 03 February 2020

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Insurance Services Tender</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	A dynamic, prudent and progressive Council

#### **Purpose:**

This report considers the tenders received for the provision of Insurance Services for Fareham Borough Council. The report recommends an award of contract for the services.

#### **Executive summary:**

Ten borough and district councils in Hampshire have worked collaboratively to procure insurance services from 1 April 2020 using an OJEU Open Procedure in accordance with the Public Contracts Regulations 2015.

The current cost of insurance across the 10 borough and district councils in Hampshire is £4 million a year and for Fareham Borough Council £440,000.

This report provides the Executive with information regarding the tenders received and seeks an award of contract for a 3-year long term agreement with the option to extend for a further 2 years for the provision of insurance services.

#### **Recommendation:**

It is recommended that the Executive agrees;

- (a) to award the contract to the winning insurer of each Lot, as set out in confidential Appendix A to the report, being the most economically advantageous tender received; and
- (b) that authority be delegated to the Deputy Chief Executive Officer to accept the finalised premiums and associated costs or make alternative arrangements in the event that the tender cannot be accepted by other participating local authorities.

**Reason:**

To provide insurance services for Fareham Borough Council and the other borough and district councils in Hampshire.

**Cost of proposals:**

The value of the insurance services for Fareham Borough Council under the proposed contract would be approximately £392,000. This contract is to be funded from existing revenue budgets.

**Appendices:**

**A:** Tender Prices and Evaluation Scores (*Exempt By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.*)

**Background papers:** None

**Reference papers:** Insurance Services Tender Executive Report, 2 February 2015

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	03 February 2020
<b>Subject:</b>	Insurance Services Tender
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. The Hampshire Insurance Forum (HIF) consists of all 11 borough and district councils in Hampshire. A joint procurement tender in 2014, enabled the HIF to buy insurance services collaboratively from 1 April 2015 to 31 March 2020, increasing buying power and encouraging competition in the insurance market.
2. The joint tender was very successful recognising savings of over £700,000 across Hampshire and £94,000 for Fareham.
3. Following the previous successful tender, all members of the HIF, except Hart District Council who are seeking to use the newly formed LGA Mutual, agreed to collaborate again for a further 3 year plus optional 2-year contract.
4. The 10 authorities of the HIF currently spend around £4 million a year on insurance premiums covering a number of risk areas including employers and public liability, property material damage, motor, professional negligence, personal accident, terrorism and engineering.
5. The borough and districts have many areas of insurance in common, however there are some differences between authorities, for example:
  - Four of the ten authorities have their own housing stock.
  - Some authorities have a large vehicle fleet, others have outsourced activities such as waste collection and therefore have a smaller fleet.
  - The authorities have different risk appetites, and this is reflected by the different levels of excesses and limits.
6. The HIF appointed a sub-group to coordinate the procurement of a new insurance programme. The sub-group consisted of officers representing Basingstoke & Deane Borough Council, Fareham Borough Council, Gosport Borough Council, Test Valley Borough Council and Winchester City Council.

7. This collaborative approach was fully supported by the Hampshire and Isle of Wight Chief Finance Officers Group (CFO), who agreed to:
- Procure insurance cover from 1 April 2020.
  - Collaborate as a single group of the 10 borough and districts. Whilst each of the 10 will have an individual insurance contract, each authority's claims history and risk management will affect their premium rather than the group's premiums.
  - Place, for all 10 authorities, insurance contracts for each Lot with the same insurer(s).
  - Adopt similar insurance programmes balanced between insured and self-insured risks.
  - Appoint the broker Aon, who assisted with the previous tender, to support insurance programme design and placement.
8. The tender exercise provided an opportunity to review the existing insurance arrangements to confirm their fitness for purpose and to consider alternative programme design options going forward to improve cost efficiency and provide greater reassurance.

#### **TENDER PROCESS AND EVALUATION CRITERIA**

9. Fareham Borough Council has led the procurement process on behalf of the HIF using its e-tendering portal. The specification of requirements, the proposed operation of the service and the tender evaluation process (including criteria and weightings) have been established by the HIF sub-group and Aon.
10. The invitation to tender was issued in October 2019 with the timeline below:

<b>Activity</b>	<b>Date</b>
Dispatch of e-Invitation to Tender	18 October 2019
Deadline for clarifications/questions	15 November 2019
Close date for e-bids responses	29 November 2019
Evaluation period	December 2019 to January 2020
Executive approval to award contract (subject to call-in)	Early February 2020
Issue Contract Award Notification to all bidders (subject to OJEU standstill)	Late February 2020
OJEU standstill ends. Pre-contract mobilisation meetings with awarded bidders.	March 2020
Commencement of the Contract	1 April 2020

11. To encourage competitive quotes and attract specialist insurers in the market, the tender specification was split into 8 Lots. Insurers were invited to submit bids for any or all of the Lots. The Lots comprised the following insurance classes:

<b>Insurance Class</b>
Lot 1 - Property
Lot 2 - Right To Buy
Lot 3 - Crime
Lot 4 - Liability
Lot 5 - Motor
Lot 6 - Engineering
Lot 7 - Personal Accident/Travel
Lot 8 - Terrorism

12. As per the tender document, the quotations received were evaluated in accordance with the criteria listed below:

<b>Award Criteria</b>	<b>Weighting</b>
<b>Price</b> The lowest price scores the maximum marks, with the scoring reduced on a proportionate basis for the remaining tender price responses	<b>60%</b>
<b>Quality – Cover/Underwriting Services/Claims Service/Added Value</b> Extent that cover matches specification, innovations and enhancements, provision of risk management days/bursary	<b>40%</b>
<b>Total</b>	<b>100%</b>

13. Nine tenders were received electronically on 29 November 2019 and were opened by the Procurement Manager.
14. The tender submissions were evaluated by the HIF sub-group and Aon in accordance with the criteria set out in the invitation to tender. The percentage scores for the tenders received are represented in the confidential appendix A.

### **CONTRACT AWARD**

15. Fareham Borough Council will facilitate the intention to award notification on behalf of all HIF authorities and award confirmation once the HIF members own approval processes have been finalised.
16. Award notification letters will be sent to all bidders and candidates via the e-tendering portal. The letter will include a summary of evaluation scores achieved by the relevant bidder versus the winning bid.
17. An OJEU standstill period of 10 calendar days must be applied before the contract can be implemented. Only once implemented will HIF members be able to meet the awarded insurer(s) in order to mobilise for contract start on 1 April 2020.

### **RISK ASSESSMENT**

18. Many of the usual and identifiable risks initially present in this type of project have been negated through the Council's procurement process.
19. The HIF has sought to reduce the risks of this procurement by:
- Procuring via an OJEU Regulation Open Tender.
  - Regular communication amongst HIF members and progress updates to the

CFO's group.

- Appointing an experienced broker to support the procurement process.
- Hosting an Insurer Day in September 2019 inviting interested insurers to meet the HIF sub-group and Aon to explain the collaborative approach and ensure the tender is attractive to the insurance market.

20. Although it is the intention for all 10 authorities to award to the same insurer for each Lot, there is a risk that one or more authorities do not approve the group award decision.
21. The implications of one or more authorities moving away from the group decision would require separate requotes from all insurers for the individual authority/authorities and for the remaining HIF members who have opted for the group approach.
22. It is likely that the existing premiums will increase for the individual authority/authorities and the group as a result.
23. There would be time constraints to obtain the revised premiums in time for a contract start of 1 April 2020.

## **CONCLUSION**

24. Nine tenders were received for the provision of insurance services to Fareham Borough Council and Hampshire borough and district councils for a 3 year long term agreement with the option to extend for a further 2 years. It is recommended that the most economically advantageous tender received from the insurers (as set out in the confidential appendix A) be accepted and contracts awarded.

## **Enquiries:**

For further information on this report please contact Caroline Hancock. (Ext 4589)