

Cheshire East Council

Cabinet

Date of Meeting:	13 th September 2016
Report of:	Chief Operating Officer
Subject/Title:	Re-tender of Cheshire East Council's Corporate Insurance Portfolio
Portfolio Holder:	Cllr Peter Groves - Finance and Assets

1. Report Summary

- 1.1. Cabinet are being requested to approve the approach to re-tendering the Council's Corporate Insurance portfolio via a formal OJEU compliant tender process. The approval is necessary as the current arrangements expire in March 2017
- 1.2. Cheshire East Council spends approximately £1.2 million per annum on insurance premiums across its Corporate Insurance portfolio
- 1.3. The majority of current insurance contracts have been in place since 1st April 2012 following a tender exercise carried out in conjunction with Cheshire West & Chester Council. The exception to this is the Council's Combined Liability contracts which have been in place since 1st April 2014 following a break in the Long Term Agreement with the incumbent Insurer, Travelers at that time which necessitated going out to the market again to tender for these specific policies. All insurance contracts are now due to expire in March 2017.

2. Recommendation

2.1 Cabinet is requested to:

- i) Approve the procurement of the Corporate Insurance portfolio via a formal OJEU tendering process.
- ii) Delegate authority to the Chief Operating Officer, in consultation with the Portfolio Holder for Finance and Assets, to award and enter into contracts with the successful providers, following a fully compliant OJEU procurement exercise for contract periods covering either,
 - an initial period of 3 years with the option to extend the contract for a further 2 years (Total 5 years), or,

- an initial period of 3 years, with the option to extend the contract for a further 2 years plus a further 2 years after that point (Total 7 years)

3. Reasons for Recommendation

- 3.1. The Council provides insurance cover that complies with statute and provides adequate value for money protection against the Council's key insurable risk areas, including, property and motor fleet damage, employer and public liability. The current insurance contracts are due to expire on 31st March 2017.
- 3.2. The deadline for the publishing of the tender is 4th October 2016, with the tender submission deadline being 10th November 2016. The date to award the insurance contracts and to notify successful bidders has been set as 22nd December 2016. In the event of the contracts being awarded to new suppliers, a 3 month transition period is recommended to ensure a smooth and effective transition.
- 3.3. In order to comply with the timetable for the awarding of insurance contracts and to allow sufficient time for transitional arrangements to take place, Cabinet is recommended to delegate the decision to award and enter into the contracts to the Chief Operating Officer.

4. Background and Options Considered

- 4.1. Contracts will run for a period of either 3 years with an option to extend of either a 2 or '2+2' years basis. Based on 2016/17 annual premium costs payable, the estimated contract value over both contract period options proposed above is forecast to be in the region of £6,000,000 (3+2) or £8,400,000 (3+2+2) respectively. The preferred option for contract term will be determined by the outcome of tender bids received.
- 4.2. The recommendation to conduct this procurement via a formal EU tendering process has been based on the results taken from a comparative assessment of the 'CCS Insurance Framework RM3731' or 'OJEU process' route to market options.
- 4.3. Having assessed the potential positive/negative aspects of both options and having canvassed other local authorities for their chosen routes, the decision to recommend formal EU tendering process was largely based on the following factors;
 - OJEU provides the widest possible market engagement. This option would open up the procurement to any insurers registered and licenced to transact in the UK.

- Whilst there are 27 Insurers currently signed up to the CCS Insurance Framework RM3731 (most of whom are either currently dealt with by this Authority or are capable of submitting bids for a sizeable Unitary Authority's insurance programme), there are number insurers not signed up to this Framework agreement. This includes current Cheshire East Council's Insurers plus a number of insurers whom this Authority would wish to attract bids from.
- Use of the CCS Insurance Framework RM3731 attracts an annual Management Fee of 0.75% of total costs (i.e. premium and Insurance Premium Tax) over the full contract period. Based on 2016/17 premiums payable, this equates to additional unbudgeted costs of circa £45k over a 5 year contract period or circa £63k over a 7 year contract. The OJEU route to market does not incur any additional management fees.
- Recent new entrants to the public sector insurance market are noted to have been submitting extremely competitive tender bids, particularly for Property risks and as a large Unitary Authority with an excellent risk profile with insurers currently, this tender will attract interest from a wide range of insurers. The OJEU route to market will therefore ensure that the Authority gains access to this increased competition which it is anticipated will result in competitive bids.

5. Wards Affected and Local Ward Members

5.1. All

6. Implications of Recommendation

6.1. Policy Implications

6.1.1. No significant policy implications

6.2. Legal Implications

6.2.1. The current contracts will expire in March 2017 and the majority cannot be extended further (with the exception of the combined liability policy).

6.2.2. The aggregate value of the Council's requirement for insurance cover services is such that these services must be procured in accordance with the Public Contracts Regulations 2015 and in compliance with the Council's Finance and Contract Procedure Rules. This will require a fully OJEU compliant tender exercise

6.3. Financial Implications

6.3.1. Based on 2016/17 premium costs, annual expenditure on insurance premiums is approximately £1.2 million. The recommended tender process is expected to identify the widest choice and value for money services available.

6.4. Human Resources Implications

6.4.1. None

6.5. Equality Implications

6.5.1. None

6.6. Rural Community Implications

6.6.1. None

6.7. Public Health Implications

6.7.1. None

7. Risk Management

7.1. A timetable for the awarding of the contracts is in place to ensure that the required deadlines are met and that the Council's insurance cover is continuous.

7.2. Insurance Services are an intrinsic part of the Council's risk management processes.

7.3. To minimise risk, Aon as the Council's Insurance Broker, have applied their expertise to the optimum 'route to market' decision process and will support the Council throughout the entire procurement process. Whilst there are pros and cons with the different routes to market, the advice from Aon is that the full OJEU route will provide the strongest response and value for money in overall terms.

8. Background Papers

8.1. The background papers relating to this report can be inspected by contacting the report writer.

9. Contact Information

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