

NEWCASTLE-UNDER-LYME BOROUGH COUNCIL

CORPORATE LEADERSHIP TEAM'S

REPORT TO CABINET

Choose an item.

06 February 2024

Report Title: Procurement of the Council's Long Term Agreement insurance Providers

Submitted by: Corporate Leadership Team

Portfolios: Finance Town Centres & Growth

Ward(s) affected: All

<u>Purpose of the Report</u>	Key Decision Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
<p>a) Cabinet to note the process for re-procurement of the Council's Insurance Providers for its long term Insurance portfolio;</p> <p>b) Cabinet to authorise officers to approve the formal award contracts following completion of the procurement process to the 'Most Economically Advantageous Tenderers'.</p>	
<u>Recommendation</u>	
<p>That</p> <p>1. Cabinet note the procurement process adopted by officers;</p> <p>2. Authorise officers to award contracts via the Council's insurance broker Marsh Limited to the successful providers following a compliant procurement process utilising the 'Yorkshire Purchasing Organisation' (YPO) Insurance Placement DPS - 978 framework based on the 'Most Economically Advantageous Tender(s)'.</p>	
<u>Reasons</u>	
<p>The Council's portfolio of insurance policies are due to expire on 27th February 2024 and are therefore subject to a tender process. As the aggregated contract value (over the life of the contract) exceed current Procurement Thresholds, it was therefore necessary to advertise the contract on the Find A Tender Service portal or utilise a compliant procurement framework.</p>	

1. Background

- 1.1 The Council's portfolio of insurance policies was last tendered in 2016 with awards being made via the Council's insurance broker (Marsh Limited) to RMP (Risk Management Partnership) and Travelers Insurance. The contract period at the time was for 5 years with officers utilising the possibility to extend for a further 2 years during the Covid pandemic, plus a further year due to staffing issues.
- 1.2 The Council's insurance broker Marsh Limited supported the procurement process at the time in 2016.
- 1.3 Marsh Limited have supported officers in the delivery of the new procurement based on their long-standing knowledge and expertise within the public sector insurance market sector.

2. **Issues**

- 2.1 There have been a number of issues impacting on the current LTA renewal, these include:
 - 2.1.1 Market volatility has resulted in year on year increases during the annual reviews, contributing to the erosion of the initial savings made at the time of the of previous procurement process. It is expected that the Council will face similar market volatility during the period of the next contract, faced with ever changing national and world events;
 - 2.1.2 There is an expectation that the year on year hardening of the insurance market will continue throughout the contract period which may impact and result in increased insurance premiums;
 - 2.1.3 A likely increase in the asset value of the Council's property portfolio based on a change (uplift) to the standard rates used in evaluating these assets;
 - 2.1.4 Some insurers being selective on which insurance portfolios they will cover and the level of such cover offered.
- 2.2 Officers in acknowledging the need to identify savings have worked with internal services to scope their needs and ensure that the requirements contained in the specification reflect the needs of the Council e.g.:
 - 2.2.1 Property portfolio: where possible we have worked to ensure that this data is up to date, contains no duplication and reflects the increase in asset valuations;
 - 2.2.2 Property portfolio: that the council's corporate insurance team are made aware of proposed changes and/or modifications to any of its property portfolio as any such changes may impact on the level of cover (being under-insured) and/or the incumbent insurer declining continuation of cover;
 - 2.2.3 Fleet portfolio: reflects the current position and that any future changes are notified to the corporate insurance team along with any service risks, enabling early engagement with the Council's insurers to ensure such risks are fully covered under the policies;
 - 2.2.4 Council lease cars: the use of such have (and will continue) to reduce since the previous procurement exercise;
 - 2.2.5 ICT portfolio: has been updated and reflects the current needs inclusive, cyber risks have recently been assessed and the general feedback is that insurance for this risk would not be available;
 - 2.2.6 Plant and equipment needs: will continue to reflect the council's current requirements;

3. **Proposal**

- 3.1 Having reviewed procurement options available with the support of the Council's broker, Marsh Limited the preferred option was using the Yorkshire Purchasing Organisation (YPO) Insurance Placement Dynamic Purchasing System (DPS). – 978.
- 3.2 To approve the award of contracts following completion of the procurement process to the 'Most Economically Advantageous Tenderers'.

4. **Reasons for Proposed Solution**

4.1 The proposed framework offers:

- in excess of 50 suppliers across a range of insurance categories;
- widespread use by other local authorities as opposed to other available frameworks;
- the DPS offered new entrants an opportunity to join the framework during the initial procurement process undertaken by YPO;
- lower charges than those of other framework providers;
- a speedier compliant route to market.

4.2 The award of contract allows a financial saving (in the first year) of circa £40,000 on the current portfolio.

5. **Options Considered**

5.1 Options considered prior to the commencement of the procurement process included:

5.2 Option 1 – Open Market Tender: the previously used route was to undertake the procurement process by way of a negotiated procedure advertising at the time in the Official Journal of the European Union (OJEU), now Find A Tender Service (FaTS). Lessons learned from this exercise was that whilst officers delivered savings in the bids received there was very limited interest from insurance providers as part of the tender process.

5.3 Option 2 – Utilisation of a Compliant Framework: officers have considered with the support of their broker (Marsh Limited) two available frameworks:

- Crown Commercial Services (CCS) Insurance Services 3 DPS (RM6138 - listing circa 17 suppliers across a range of insurance categories) and
- Yorkshire Purchasing Organisation (YPO) Insurance Placement DPS – 978 (listing in excess of 50 suppliers across a range of insurance categories).

From market intelligence gathered (since the Council last carried out its insurance procurement), there is evidence that the public sector are adopting greater use of compliant procurement frameworks. These frameworks contain a good spread of providers, with some new entrants to the public sector market, and improved interest in bidding for local authority insurance portfolios.

5.4 Option 3 – Contract Extension: the Council's current insurers had indicated (when asked) an opportunity for a further twelve month contract extension. This would require officers seeking a further waiver to the Council's Contract Procedure rules. This route would also further delay an opportunity to examine the possibility of any financial benefits.

5.5 Option 4 – to do nothing and adopt a Self-Insurance approach: rejection of the above options would result in officers having to self-insure.

Based on the likely resourcing needs, increased risks and cost uncertainty, officers would not recommend the use of such an approach based on the need to fund all insurance claims made, deal directly with all claims handling and employ solicitors to represent the council should a need arise.

6. **Legal and Statutory Implications**

6.1 Most employers are required by law under the "Employers' Liability (Compulsory Insurance) Act 1969" to insure against liability for injury or disease to their employees arising out of their employment. Public liability insurance is different. It allows cover for claims made against the organisation by members of the public or other businesses, but not for claims by employees. While public liability insurance is generally voluntary, employers' liability insurance is

compulsory. The organisation is liable to legal action resulting in fines where employers' liability insurance is not maintained.

- 6.2 The use of the YPO Insurance Placement DPS – 978 offers legal compliance from a procurement perspective, reducing the risks of challenge and offering compliance with PCR2015 and the Council's internal governance procedures.

7. **Equality Impact Assessment**

- 7.1 No differential equalities impacts linked to the delivery of this procurement and service delivery identified.

8. **Financial and Resource Implications**

- 8.1 The Council has established set budgets for delivery of its insurance portfolio;
- 8.2 An annual review of the LTA will continue to be a requirement of the process, with officers advising that the rates may fluctuate based on a range of reasons (examples include (but are not limited to) market conditions; economic pressures; and the Council's preceding annual claims profile;
- 8.3 Historic spend shows the following profile:
- 2022/23: £340,668
 - 2021/22: £357,297
 - 2020/21: £307,442
 - 2019/20: £304,780
- 8.4 The costs for the first year of the new LTA are estimated to be in the region of £300,000 and will be finalised once the stand-alone terrorism costs have been provided (the previous year costs were £4,698.75) and claims handling costs finalised (expected to be in the region of £3,000).

9. **Major Risks**

Risks identified are:

- 9.1 Rejection of officer proposal would lead to insurance renewal timescales not being met, a mitigation measure has been established in that, the Council's current insurers have indicated a willingness to extend the existing contract by a further twelve months, however at this late stage this is not an option your officers would want to pursue.
- 9.2 Officers have identified a worst-case scenario, should the preferred option be rejected, in that the council may have to self-insure – this would put extra strain on current resources – the council having to deal with all claims in house and employ/instruct solicitors to deal with any litigated claims.

10. **UN Sustainable Development Goals (UNSDG)**

- 10.1 Delivery of the Council's Long Term Insurance Agreement contributes to the following Sustainable Development Goals:



11. **Key Decision Information**

11.1 This is a key decision based on the aggregated value of the contract over the contract term plus extensions if utilised.

12. **Earlier Cabinet/Committee Resolutions**

12.1 There are no earlier Cabinet/Committee resolutions linked to this report.

13. **List of Appendices**

13.1 There are no supporting appendices.

14. **Background Papers**

14.1 There are no background papers.