

CABINET	AGENDA ITEM No. 12
13 MARCH 2023	PUBLIC REPORT

Report of:	Cecilie Booth, Executive Director Corporate Services and s.151 Officer	
Cabinet Member(s) responsible:	Councillor Andy Coles, Cabinet Member for Finance and Corporate Governance	
Contact Officer(s):	Steve Crabtree, Chief Internal Auditor Sue Addison, Insurance Manager	Tel. 384560

AWARD OF INSURANCE CONTRACT

RECOMMENDATIONS	
FROM: <i>Executive Director for Corporate Services</i>	Deadline date: <i>13 March 2023</i>
<p>It is recommended that Cabinet:</p> <p>Authorise the award of a new insurance contract for PCC and Peterborough Ltd, to run between 1 April 2023 and 31 March 2028. It is proposed that the contract be awarded to Zurich Municipal Insurance in the sum of £872,859.22 plus Insurance Premium Tax for PCC and £339,496.19 plus IPT for Peterborough Ltd.</p>	

1. ORIGIN OF REPORT

- 1.1 This report is submitted to Cabinet as the last 5 year insurance contract comes to an end on 31 March 2023 and the new contract requires approval, so that it may be implemented from 1 April 2023.

2. PURPOSE AND REASON FOR REPORT

- 2.1 The purpose of this report is to provide Cabinet with the details of the tender exercise undertaken to procure external insurances to meet the Council's needs for the next 3 to 5 years for their approval, so the contract may be awarded.

It is proposed that the contract be awarded to Zurich Municipal Insurance in the sum of £872,859.22 plus Insurance Premium Tax for PCC and £339,496.19 plus IPT for Peterborough Ltd.

- 2.2 This report is for Cabinet to consider under its Terms of Reference No. 3.2.5, 'To make decisions on actions relating to the awarding, assigning and termination of contracts over £500k, and waiving or granting exemptions to Contract Regulations where contracts are over £500k, with the exception any time-critical, operational, or routine decision, which may be determined by the relevant portfolio holder.'

- 2.3 There is an exempt annex attached to this report that is NOT FOR PUBLICATION by reason of paragraph 3 of Schedule 12A of Part 1 of the Local Government Act 1972 because it contains information relating to business and financial affairs, namely details of the prices submitted by unsuccessful bidders, which is commercially sensitive and could affect the pricing of future insurance contracts. The public interest test has been applied to the information contained within this exempt annex and it is considered that the need to retain the information as exempt outweighs the public interest in disclosing it.
- 2.4 With the approval of the Chairman of the Growth, Resources and Communities Scrutiny Committee, the waiver of call-in procedure has been invoked to suspend the 3 day call in period. This procedure has been invoked because there is insufficient time to implement the contract on 1st April 2023 if the decision is called in and the Council cannot be without insurance.

3. TIMESCALES

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
---	-----------	----------------------------------	------------

4. BACKGROUND AND KEY ISSUES

- 4.1 The Council's current insurance arrangements come to an end on 31 March 2023 and a tender process under the Public Contracts Regulations 2015 was undertaken to attract quotes from the market on a long term agreement basis for the next 3 to 5 years. A break clause has been put into the contract at 3 years to allow the Council to explore any changes in the market that might make it advantageous to re-tender after 3 years rather than 5, such as a softening of the current very hard market or new insurers entering the local authority market.
- 4.2 As the Council's liabilities, property portfolio and general make-up has changed significantly since the previous tender exercise, a full review of the existing insurances and the Council's requirements for the future was undertaken beforehand.
- 4.3 Following this exercise, the tender was drawn up, splitting the insurances across 6 lots. The first lot was for all the Council's insurances, to invite quotes with a package discount to allow the Council the opportunity to benefit from a package discount. The next 5 lots split the insurances as not all the insurance companies currently operating in the local authority market underwrite business across all the lines of cover required. Splitting the insurances into lots allowed the Council to attract competitive quotes from a greater number of insurance companies, who would otherwise not have been in a position to quote for the business as they could not cover all areas.
- 4.4 The lots were split across the whole insurance package as follows:
- Lot 1 – Combined Package option
 - Lot 2 – Property/Material Damage
 - Lot 3 – Liability and Fidelity Guarantee/Crime
 - Lot 4 – Motor
 - Lot 5 – Engineering Inspection

Lot 6 – Personal Accident and Travel

- 4.5 Since the Council previously tendered for insurance, a number of events have impacted on the insurance market – e.g. the pandemic, inflation, increase of material costs in excess of 20%, increased reinsurance costs and a generally very hard market. As a result, it was expected that insurance costs would rise anywhere between 15 and 30%. In fact, the premiums have increased by 10.8% for PCC and 1.2% for Peterborough Ltd, which is considered to be a good outcome.
- 4.6 The tender evaluation was carried out independently by the Council's brokers, Marsh, with the evaluation criteria being:
- Price
 - policy cover
 - service delivery
 - added value
 - social value

Nine insurers bid for the contract across the various lots.

The evaluation criteria have been set so that the successful insurer or insurers can provide the best overall package of insurance and so are considered to be best placed to meet the Council's insurance needs for the next 3 to 5 years.

- 4.7 The evaluation scoring and outcome are set out in the exempt annex .

5. CORPORATE PRIORITIES

- 5.1 The awarding of the insurance contract underpins all of the Council's corporate priorities as it protects the Council from the financial effects of large losses and allows front line staff to concentrate on delivering services.

6. CONSULTATION

- 6.1 Prior to the insurance tender being prepared, consultation was undertaken with the Procurement Team, commencing in August 2022. The Official Journal of the European Union (OJEU) notice was issued by Procurement on 21 December 2022, reference 2022/S 000-036280. The tender document itself was issued on 21 December 2022, on which date the tender was loaded into the Council's electronic procurement portal.
- 6.2 Consultations were also carried out with Legal, who approved the tender document and OJEU notice on 21 December 2022 and with Finance, to discuss the budget implications .
- 6.3 This matter has been before the Cabinet Policy Forum on 27 February 2023.

7. ANTICIPATED OUTCOMES OR IMPACT

- 7.1 In the event the recommended insurer is accepted, a new insurance contract will be put in place to ensure the Council has adequate insurance cover for the next 3 to 5 years.

8. REASON FOR THE RECOMMENDATION

- 8.1 The insurer being recommended scored the best against the criteria set out in 4.7 and is considered to meet the Council's insurance needs going forward.

9. ALTERNATIVE OPTIONS CONSIDERED

- 9.1 The insurance contract could be awarded to other insurers who submitted a tender bid, however as they scored less highly than those recommended, there would be adverse costs implications for the Council or issues with policy cover.

10. IMPLICATIONS

Financial Implications

- 10.1 Once the contract is awarded, the Finance teams will have to incorporate the premium charges into the budgets for 2023 / 2024 and subsequent years. The Finance team have been kept aware of the tender process and the likely effect on budgets.

Legal Implications

- 10.2 The legal implications are set out within the report.

Equalities Implications

- 10.3 None.

11. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985

- 11.1 None.

12. APPENDICES

- 12.1 Appendix 1 - Exempt annex