



CABINET
Tuesday, 07 November 2023

Subject	Insurance Contract Renewal
Cabinet Member	Councillor Vince Langdon-Morris Cabinet Member with Responsibility for Resources and Value for Money
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Is the report Open or Exempt?	OPEN
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Category of Exempt Information and reason why it is NOT in the public interest to disclose the exempt information.	N/A
Wards Affected:	None

Purpose and high-level overview

Purpose of Report:

This report seeks approval from Cabinet to go out to tender and enter into a new three year contract with the option to extend for a further two years for Insurance services for East Suffolk Council and East Suffolk Services Limited.

Options:

No options are provided within this report due to the current contract ending on 31 March 2024 and insurance cover being a necessary requirement for the Council.

Recommendation:

That Cabinet approves for authority to be delegated to the Chief Finance Officer, in consultation with the Portfolio Holder for Resources and Value for Money, and the Head of Legal and Democratic Services, to tender and award the contract for insurance services, on terms that best protect the Council's interests and after undertaking a procurement exercise pursuant to the Council's Contract Procedure Rules and Public Contract Regulations 2015.

Corporate Impact Assessment

Governance:

The required tender and procurement process is to be conducted in accordance with the Council's Contract Procedure Rules and Public Contract Regulations 2015.

ESC policies and strategies that directly apply to the proposal:

ESC's Contract Procurement Rules and Public Contract Regulations 2015

Environmental:

None as a direct result of this report.

Equalities and Diversity:

None as a direct result of this report.

Financial:

ESC will be entering into a financial contract for three years with the potential to extend for a further two years. The cost of this new contract is currently unknown, but the actuals for the previous five years can be seen in section 2. The budget for East Suffolk Council for 2024-25 is currently set at £843,000 which includes insurance premium tax.

Human Resources:

None as a direct result of this report.

ICT:

None as a direct result of this report.

Legal:

A legal contract will be required between the two parties.

Risk:

The main risk is that the Council has no or insufficient insurance which could lead to significant financial and/or reputational implications.

External Consultees: N/A

Strategic Plan Priorities

Select the priorities of the Strategic Plan which are supported by this proposal: <i>(Select only one primary and as many secondary as appropriate)</i>		Primary priority	Secondary priorities
T01	Growing our Economy		
P01	Build the right environment for East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P02	Attract and stimulate inward investment	<input type="checkbox"/>	<input type="checkbox"/>
P03	Maximise and grow the unique selling points of East Suffolk	<input type="checkbox"/>	<input type="checkbox"/>
P04	Business partnerships	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P05	Support and deliver infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T02	Enabling our Communities		
P06	Community Partnerships	<input type="checkbox"/>	<input type="checkbox"/>
P07	Taking positive action on what matters most	<input type="checkbox"/>	<input type="checkbox"/>
P08	Maximising health, well-being and safety in our District	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P09	Community Pride	<input type="checkbox"/>	<input type="checkbox"/>
T03	Maintaining Financial Sustainability		
P10	Organisational design and streamlining services	<input type="checkbox"/>	<input type="checkbox"/>
P11	Making best use of and investing in our assets	<input type="checkbox"/>	<input checked="" type="checkbox"/>
P12	Being commercially astute	<input checked="" type="checkbox"/>	<input type="checkbox"/>
P13	Optimising our financial investments and grant opportunities	<input type="checkbox"/>	<input type="checkbox"/>
P14	Review service delivery with partners	<input type="checkbox"/>	<input checked="" type="checkbox"/>
T04	Delivering Digital Transformation		
P15	Digital by default	<input type="checkbox"/>	<input type="checkbox"/>
P16	Lean and efficient streamlined services	<input type="checkbox"/>	<input type="checkbox"/>
P17	Effective use of data	<input type="checkbox"/>	<input type="checkbox"/>
P18	Skills and training	<input type="checkbox"/>	<input type="checkbox"/>
P19	District-wide digital infrastructure	<input type="checkbox"/>	<input type="checkbox"/>
T05	Caring for our Environment		
P20	Lead by example	<input type="checkbox"/>	<input type="checkbox"/>
P21	Minimise waste, reuse materials, increase recycling	<input type="checkbox"/>	<input type="checkbox"/>
P22	Renewable energy	<input type="checkbox"/>	<input type="checkbox"/>
P23	Protection, education and influence	<input type="checkbox"/>	<input type="checkbox"/>
XXX	Governance		
XXX	How ESC governs itself as an authority	<input type="checkbox"/>	<input checked="" type="checkbox"/>

How does this proposal support the priorities selected?

This tender exercise will ensure the Council is achieving best value for money in accordance with procurement rules, whilst protecting Council assets and operations with necessary and appropriate insurance cover.

Background and Justification for Recommendation

1 Background facts	
1.1	The East Suffolk Council Constitution includes the Contract Procedure Rules and are the Council's contract standing orders under section 135 of the Local Government Act 1972. They must be followed every time the Council enters into a contract for works, goods or services and set the minimum standards which must be adhered to.
1.2	The overriding principles of the Contract Procedure Rules are as follows: <ul style="list-style-type: none">a) The aim of every procurement exercise should be to achieve Value for Money as part of the general requirement to secure Best Value. In doing so those involved in the process will treat suppliers evenly and equally, without discrimination, acting in a transparent manner.b) Subject to those overriding principles, there should also be a focus on, wherever viable, enabling social value and encouraging participation by local businesses in bidding for Council procurement opportunities.c) Contractual arrangements should be made, wherever possible, on the Council's terms (standard general terms or standard form contracts, as explained in Rule 5.1). The fallback position would be to use industry standard model contracts, with supplemental terms for higher risk contracts. Contracting on the supplier's terms should be avoided and only done when agreed with (and with the changes to those terms required by) the Head of Legal and Democratic Services and the Procurement Team.
1.3	The current Public Procurement Threshold for the supply of local authority service contracts is £213,477 including VAT and any procurement above this value must go through a procurement process as set out in the Public Contract Regulations 2015.

2 Current position	
2.1	<p>The Council's current insurance contract is with Zurich Municipal and commenced on 1 April 2019 for three years, with the option of extending for a further two years.</p> <p>At the start of the contract Zurich Municipal offered to increase the long-term agreement contract premium discounts from 5% to 10% if the two extension years were taken immediately. This was considered good value for money and the Council accepted the offer. The contract will terminate on 31 March 2024.</p>

	<p>On 1 July 2023 the contract was amended to include East Suffolk Services Limited (ESSL) to provide them with appropriate Insurance cover. This additional cost is recharged to ESSL.</p> <p>The Council's insurance policies cover a diverse number of areas including property, casualty, motor, and several more specialised policies.</p>										
	<p>The table below shows the amounts paid to Zurich per year for the previous five year contract period (excluding costs recharged to ESSL for their element of the contract):</p> <table border="1"> <thead> <tr> <th>Premiums 2019/20</th> <th>Premiums 2020/21</th> <th>Premiums 2021/22</th> <th>Premiums 2022/23</th> <th>Premiums 2023/24</th> </tr> </thead> <tbody> <tr> <td>£348,556</td> <td>£392,884</td> <td>£434,061</td> <td>£530,698</td> <td>£751,481</td> </tr> </tbody> </table>	Premiums 2019/20	Premiums 2020/21	Premiums 2021/22	Premiums 2022/23	Premiums 2023/24	£348,556	£392,884	£434,061	£530,698	£751,481
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£348,556	£392,884	£434,061	£530,698	£751,481							
2.2	<p>The annual premiums and contract values shown in the table above vary significantly. The Council's requirements have changed considerably each year (variations in the base sums covered), including salary budget variations, property revaluations and asset acquisitions.</p> <p>In addition the insurer policy rates have also changed. The insurer casualty and motor policy rates are driven by average weekly earnings (AWE) which the insurer is permitted to increase under the terms of the contract. In addition the insurance industry has increased rates on property policies significantly over the past two years and are currently at all-time highs.</p>										

3 How to address current situation

3.1	<p>Due to the current contract coming to an end, and in line with the Council's Contract Procedure Rules and Public Contract Regulations 2015, the Council is required to conduct a competitive procurement procedure for this contract. The Council intends to enter into a contract for three years with the potential to extend for a further two years. Details of the tender and contract are currently being worked on and it is anticipated to be put to the market mid-November.</p>
3.2	<p>The procurement framework under which the existing contract was procured is no longer available. There are other frameworks available, but none permit direct dealing. The Council has experienced a good working relationship with its existing insurance provider (who only direct deal) and would welcome their participation in a tender process. The Procurement Team have advised carrying out a mini tender (or further competition) process using Crown Commercial Services' (CCS) Insurance Services Dynamic Procurement System (DPS). This DPS has been chosen as it permits both direct dealing and broker only options. The benefit of using this procurement procedure is that CCS has vetted the suppliers when joining the DPS. Other benefits of using this procurement procedure include:</p>

	<ul style="list-style-type: none"> • The DPS offers a range of suppliers, including generalist and specialist providers, to increase competition and provide a complete range of insurance classes • all insurance classes are covered • all suppliers are authorised by the Financial Conduct Authority (FCA) • all suppliers have signed up to CCS standard terms and conditions, the current public service contract terms cover GDPR and social value • ESC can access a legally compliant, efficient route to market with detailed guidance • Direct to customer insurers are available as noted above • standard template call-off agreements are provided by CCS, reducing the cost of drawing up a bespoke contract. <p>A complete package is preferable to make administering the contract more manageable and reducing potential issues with cross over claims.</p> <p>The tender evaluation criteria is yet to be finalised but is expected to be along similar lines to our last tender being quality 60% and cost 40%.</p>
3.3	<p>It is recommended that following consideration of all tenders received that the Chief Finance Officer be given delegated authority to award the contract for insurance services, in consultation with the Portfolio Holder for Resources and Value for Money, and the Head of Legal and Democratic Services.</p>

4 Reason/s for recommendation

4.1	<p>The tender needs to be undertaken to mitigate the risk of the Council being left without insurance cover which could have significant financial and reputational implications, and to ensure compliance with Contract Procedure Rules.</p>
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Appendices

Appendices:

None.

Background reference papers:

None.