

**SURREY COUNTY COUNCIL****CABINET****DATE: 27 FEBRUARY 2018****REPORT OF: MR TIM OLIVER, CABINET MEMBER FOR PROPERTY & BUSINESS SERVICES****LEAD OFFICER: ROSS DUGUID, ASSISTANT DIRECTOR, PROCUREMENT AND COMMISSIONING****SUBJECT: RECOMMENDATIONS FOR AWARD OF CONTRACT FOR PROVISION OF COMMERCIAL & INDUSTRIAL PROPERTIES INSURANCE SERVICES****SUMMARY OF ISSUE:**

This report seeks approval to award a contract for the provision of Commercial and Industrial Properties Insurance Cover for Surrey County Council. This provision will commence on 1 April 2018, following the expiration of the current arrangement with Zurich Municipal on 31 March 2018. By awarding a new contract to the recommended provider, the Council will be meeting its obligations to provide insurance cover for the Council and ensuring best value for money for this service.

Within this report are details of the procurement process, including the results of the evaluation process and why the recommended contract award delivers best value for money.

Due to the commercial sensitivity involved in the contract award process, all financial details have been circulated as a Part 2 report.

**RECOMMENDATIONS:**

It is recommended that:

A contract be awarded for the provision of Commercial and Industrial Properties Insurance Service to Protector Insurance, starting from 1 April 2018, for a period of three years with the option to extend for up to a further two years. The estimated annual value of the contract is £115,285, plus 12% insurance premium tax.

**REASONS FOR RECOMMENDATIONS:**

The current contract for commercial properties is expiring on 31 March 2018 and putting a new contract in place ensures there is appropriate insurance cover for the commercial property portfolio owned by the Council and its subsidiary, Halsey Garton Property Ltd.

This recommendation provides best value for money for Commercial & Industrial Properties insurance for the Council following a thorough evaluation process.

<b><u>DETAILS:</u></b>
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### **Background**

1. This contract supports Business Services' ability to provide insurance cover for Surrey County Council's commercial property portfolio which has been built over the last five years in accordance with the Investment Strategy agreed by the Council in 2013. On an annual basis the insurance company reviews the premium and advises what the insurance charge will be for the following year. The majority of the premium is rechargeable to tenants under the terms of their leases and is therefore not a net cost to the Council.
  
2. Due to the nature of insurance tenders being highly specialised as they require evaluating policy wording against price, the Council engaged the services of an insurance broker, Jardine Lloyd Thompson Limited (JLT) to provide expert procurement services within the highly specialist insurance market. Working alongside SCC's Insurance and Business Services team and Procurement, JLT were tasked to review existing policies and provide an insurance policy procurement service.

### **Procurement Strategy and Options**

3. Extending the contract with Zurich Municipal was considered but it was decided this option would not provide best value. If we were to use the extension period available with Zurich, we would be at risk of further increased premiums.
  
4. A collaborative tender with East Sussex County Council and Brighton City Council was considered but rejected due to the difference in each authority's policy end dates. Work and analysis will be done to align start dates for insurance policies between the three councils to achieve economies of scale and a greater procurement advantage when going out to tender in the future for a new long term agreement as Orbis. The aim would be that each authority will have its own contracts, insurance policies and premiums in place but with the same shared provider. In the meantime SCC requires to award a new contract for the provision of Commercial and Industrial Properties to ensure appropriate cover.
  
5. The option to retender was recommended as it would give SCC the opportunity to have an insurance policy that is in line with the changes in the property portfolio that have occurred over the years. Retendering would also allow SCC to test the market and permit for more commercial & competitive bids to be submitted. This option would allow SCC to put in place a new and more appropriate insurance policy for Commercial Property that better meets current needs and requirements of SCC and its stakeholders.

### **Use of e-Tendering and market management activities**

6. To engage with a wider range of suppliers the South East Shared Services e-sourcing portal was used to run the tender.

7. The e-sourcing portal was also used to communicate with suppliers to ensure the procurement process was as efficient as possible and transparent for both suppliers and the council.

### **Key Implications**

8. By awarding a contract to the supplier as recommended for the provision of Insurance Services to commence on 1<sup>st</sup> April 2018, the Council will be meeting its obligations to provide insurance cover for the Council and ensuring best value for money for this service.
9. The Council, as part of the tender documentation, made available 10 years of claims history to the suppliers who expressed an interest in tendering for the services. This was necessary and vital to enable the suppliers to assess the risk and submit a bid accordingly.
10. There will be a two week mobilisation period in order to allow engagement with the successful bidder to discuss service delivery, compliance requirements and expectations.
11. Performance will be monitored through ongoing review of the policy cover and the claims service provided by the supplier in addition to supplier achievement of added value and innovation proposals put forward as part of the tender submissions.
12. The management responsibility for the contract lies with the Insurance Manager within Finance. The contract will be managed in line with the policy as tendered as part of the winning submission to which the Council is expected to sign up in order to receive the cover provided. The policy price will be fixed for the first year, subject to any additions or disposals, and then reviewed on an annual basis based on the insurance policy and claims history for the previous year.

### **Competitive Tendering Process**

13. The contract has been tendered following a competitive tendering exercise. It was decided that the open process was appropriate as there are a limited number of suppliers in this specialist market.
14. Approval to run a tender was granted by the Sourcing Governance Board on 5<sup>th</sup> December 2017. Following this, the contract opportunity was advertised in the Official Journal of the European Union (OJEU) on 7<sup>th</sup> December 2018.
15. A full and open tender process was carried out using the South East Shared Services e-sourcing portal and ran from 8<sup>th</sup> December to 11<sup>th</sup> January 2018. The tender process was compliant with the European Public Contract Regulations 2015 and the Council's Procurement Standing Orders.
16. A project team was set up and included representatives from Insurance Services, JLT and Procurement. Representatives from Finance and Property services were also consulted.
17. Ten suppliers expressed an interest in the advertised tender opportunity and were invited to tender for the contract. They were given 34 days to complete and submit their tender.
18. A total of five tender responses were received.

19. The tender submissions were initially evaluated against financial selection criteria and then scored against the quality and commercial criteria and weightings as shown below.

Lot	Price	Policy Cover	Claims Service	Added Value
Commercial & Industrial Properties	70%	15%	10%	5%

#### **CONSULTATION:**

20. No external consultation was required.

#### **RISK MANAGEMENT AND IMPLICATIONS:**

21. Risks were appropriately identified and have been satisfactorily mitigated.
22. The policy includes termination provisions to allow the Council to terminate the policy should priorities change. The notice period for this is six months.
23. All suppliers successfully completed satisfactory financial checks.

The following key risks associated with the contract and contract award have been identified, along with mitigation activities:

Category	Risk Description	Mitigation Activity
Financial	There is only price certainty for the first year of the contract	<p>Claims increases will be closely monitored and managed by an in-house insurance team.</p> <p>The Council can terminate the contract by giving the insurer six months' notice in the event of any significant changes to the Authority introduced by Central Government or other bodies that would make the continuance of the Long Term Agreement unsuitable for the Authority.</p> <p>Additionally, the provider must provide renewal terms no less than six months prior to renewal date.</p> <p>This six months will give the Council sufficient time to retender for this service if necessary.</p>
	Insurer not financially stable leading to collapse of organisation and no insurance cover for Council	Undertake annual financial checks on the insurer to whom the contract is awarded to ensure they are at least 'A' rated by Standard and Poor's or equivalent.

	The excess for the insurance is not set at the right level	The Council has the option to self-insure the risk in part. It has an in-house claims handling team and has employed JLT as consultants to provide expert advice on the market and for the procurement exercise. The relevance and suitability of the chosen excess will be monitored constantly.
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#### **Financial and Value for Money Implications**

24. Full details of the contract value and financial implications are set out in the Part 2 report.

#### **Section 151 Officer Commentary**

25. The Section 151 Officer supports the proposal to award the contract to Protector Insurance as recommended by JLT. This will result in an estimated 65% reduction in insurance premiums recharged to our commercial property tenants and a corresponding decrease in any vacant property insurance costs incurred by the Council. The portfolio is actively managed to minimise such costs and for 2018/19 they are estimated to be £6,600 or 5.7% of the total insurance costs of £115,285.

#### **Legal Implications – Monitoring Officer**

26. The procurement was in accordance with the Public Contracts Regulations 2015. It was advertised in the Official Journal of the European Union and done under the Open Procedure. This meant it was open to all insurers to apply. All bids submitted were evaluated against price and quality. The most economically advantageous tender was identified.

#### **Equalities and Diversity**

27. The need for an Equality Impact Assessment (EIA) was considered, however, a conclusion was reached that as there were no implications for any public sector equalities duties due to the nature of the service being procured, an EIA was not required. Despite this, the preferred supplier will be required to comply with the Equalities Act 2010 and any relevant codes issued by the Equality and Humans Rights Commission.

#### **WHAT HAPPENS NEXT:**

28. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to award	27 February 2018
Cabinet call in period	28 February to 6 March 2018
Standstill Period	7 March to 16 March 2018
Protocol Meeting with New Insurer/Policy Signature	March 2018

Contract Commencement Date	1 April 2018
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29. Following the Cabinet decision, Procurement will send out a successful award letter to the winning supplier.

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**Consulted:**

No external consultation required.