

ANGUS COUNCIL

POLICY AND RESOURCES COMMITTEE – 27 NOVEMBER

2018 PROCUREMENT AUTHORITY REQUEST

**REPORT BY VIVIEN SMITH, HEAD OF STRATEGIC POLICY, TRANSFORMATION & PUBLIC
SECTOR REFORM**

ABSTRACT

This report informs members of the need for retendering for the provision of the council's insurance portfolio as the existing extended long term agreement concludes at the end of this financial year and seeks authority to proceed with the procurement.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) Authorises the Head of Strategic Policy, Transformation and Public Sector Reform to procure the appropriate insurance services for the council on the basis of this report.

**2. ALIGNMENT TO THE ANGUS LOCAL OUTCOMES IMPROVEMENT PLAN/
CORPORATE PLAN**

2.1 This report will contribute to the outcomes outlined in the Local Outcomes Improvement Plan, Locality Plans and Council Plan, which focus on the economy, people and place.

3. BACKGROUND

3.1 The Council last tendered for insurance services for annual policies commencing 1st April 2012. Zurich Municipal was the successful bidder and a five year long term agreement was entered into with an option to extend annually for a further two years.

3.2 A comprehensive review of the type and level of insurance cover held by the council was undertaken half way through the 2016/17 financial year. This led to a fundamental transformation of the council's insurances with some covers not being renewed and higher excess levels being taken on our property covers.

3.3 At that point there were no savings to be made in increasing our excess levels on the council's liability covers. This will be reviewed again as part of this tender process.

4. PROCUREMENT PROPOSALS

4.1 The tender will be issued on the basis of a high (EU) Value Strategic procurement under the 2-stage restricted procedure, which is only capable of being fulfilled by a major UK regulated insurance provider. There is no opportunity to procure the service in a way which improves the social, environmental and economic wellbeing of the Angus area.

4.2 There is no action identified as feasible as to facilitate the involvement of small or medium enterprises in this supply opportunity.

4.3 The contract will be awarded on a price quality basis with a split of 60% price and 40% quality.

- 4.4 The procurement is not considered to be a “major procurement” in terms of the Financial Regulation 16.8.4. Approval of this report would mean that the contract can be accepted without need for further approval by the relevant committee. The contract award will be report to this Committee for noting only.
- 4.5 It is envisaged that the contract will commence on the 1st April 2019 for a five year period with an option to extend for a further two years.
- 4.6 The value of the tender is estimated at £1.1 million per annum and £7.7 million over the whole life of the contract including any option to extend, based on previous relevant expenditure. It should be noted that the cyclical nature of the insurance market may impact upon these estimated figures.

5. FINANCIAL IMPLICATIONS

- 5.1 A review of the costs of the council’s insurance contract will be undertaken as part of the procurement process to ensure that potential opportunities for savings are considered and best value is obtained.
- 5.2 Provision for insurance premiums based on the cost of cover under the existing tender is included within the overall Insurance Fund Budget allowance that is allocated across all services. Appropriate provision from within the Council’s Insurance Fund has been made in the 2019/20 budget to accommodate any increased costs of cover associated with this tender exercise.

6. RISK

- 6.1 No risks other than those normally inherent in any contract have been identified. It is relevant to note however that the insurance market is fairly “hard” at the moment and this may be reflected in higher than existing ratings being quoted in tenders. Package deals and long terms agreements are to be sought in a bid to mitigate this risk.
- 6.2 There may be risks identified aligned with options for savings which will require to be considered in the context of the council’s risk appetite.

7. OTHER IMPLICATIONS (IF APPLICABLE)

None.

8. CONSULTATION (IF APPLICABLE)

- 8.1 The Chief Executive and the Head of Finance and Legal Services along with the Council’s Procurement and Commissioning Manager have been consulted in the preparation of this report.

NOTE: No background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

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