

Cabinet

Date: 15 June 2020

Wards: All

Subject: Merton Insurance Contract 2020-26

Lead officer: Caroline Holland

Lead member: Cllr Mark Allison

Contact officer: Roger Kershaw

Recommendations:

- A. To approve the award of Merton Insurance Contract 2020-26 to Bidder E (Lot 1,2 and 3) and Bidder C (Lot 4) for an initial period of 3 years 7 months years with the option to extend for a further 2 years
- B. To delegate authority to the Director of Corporate Services, in consultation with the Lead member for Finance to approve the extension of this contract, if required from April 2024 to March 2026.

Exempt or Confidential Report

The following paragraph of Part 4b, Section 10 of the constitution applies in respect of information within this report and it has therefore been placed in an appendices 1 and 2.

Information relating to the financial or business affairs of any particular person (including the Authority holding that information).

Members and officers are advised not to disclose the contents of the appendices.

1 PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1. This report sets out the proposed contracts to be awarded for the London Borough of Merton insurance contracts for Property, Liability, Motor and Travel with the commencement date of 1st September 2020.
- 1.2. The tender involved a detailed joint procurement process in conjunction with the Council's retained insurance brokers (Marsh) and with close engagement of Commercial Services to ensure the Council's requirements were fully incorporated.
- 1.3. The over-arching aim of these tenders was to put in place appropriate insurance cover for the Council and its residents and achieve financial efficiencies in the process of arranging the cover.

2 DETAILS

- 2.1 The Council ran a further competition using the ESPO/YPO Framework to carry out this procurement. The evaluation criteria was based upon a weighting of price 60% and quality 40%, as detailed below.

Criteria	Weighting
Price for Insurance cover	60%
Assessment of Policy Cover	20%
Claims Service	10%
Added Value and Innovation	10%

- 2.2 The tender had 4 lots. These are detailed in the table below together with the number of offers received.

Lot	Lot Description	Number of Offers
1	Property	4
2	Liability	4
3	Motor Fleet Insurance	3
4	Travel	1

- 2.3 The evaluation, scores and outcome of the evaluation is set out in the confidential appendix 1 – Tender Evaluation.

- 2.4 The evaluation recommendations were agreed upon and the following table shows who was awarded each lot, on the basis that their tender was the most economically advantageous to the council, based upon the scores for both price and quality.

Lot	Lot Description	Award to
1	Property	Bidder E
2	Liability	Bidder E
3	Motor Fleet Insurance	Bidder E
4	Travel	Bidder C

** A list of each bidder is contained in Appendix 1.*

3 ALTERNATIVE OPTIONS

- 3.1. Self-insurance is an option but it carries unknown levels of risk and although we already adopt a measure of this currently the tenders received have demonstrated that, at this stage, there is no financial benefit from increasing our excesses for this batch of insurance policies.

Option	Advantages	Disadvantages
1. Do nothing	None	The current provider's premium would be higher, the spend would be non-compliant. There would be no achieved value for money as the expenditure on the insurance broker would be a waste. Public expectation is that their council would deliver responsive solution, this would be damaged.
2. Re-procure using an open tender	Access to wider market	Very long process demanding additional time and resources. The market would be with the same suppliers there would be no benefit achieved.
3. Bring the service In-House	Possible saving on premium	Need additional resources and expertise, and office facilities would be required. Need to increase the self-insurance significantly. May not be possible to meet any catastrophe loss- if a large scale event were to occur there would be no guarantee that such a loss could be met.
4. Let the contract terminate and not re-let	None	Reputational damage. Unable to do business with our stakeholders. Exposed to unlimited risks.

4 CONSULTATION UNDERTAKEN OR PROPOSED

- 4.1 The insurance team have worked with Commercial Services along with the Council's insurance brokers Marsh. Legal advice was obtained from the South London Legal Partnership and Bevan Brittan on the framework terms and conditions together with the policy wordings.

5 TIMETABLE

- 5.1 The proposed timetable leading to commencement date is shown in the table below:

Activity	Start Date
CMT	26/05/2020
LSG	01/06/2020
Cabinet Meeting	15/06/2020
Internal call in period	16/06/2020 – 23/06/2020
Intention to award letters sent to Bidders	24/06/2020
Standstill Period	25/06/2020 – 06/07/2020

Confirmation of Award letters sent to Bidders	07/07/2020
Mobilisation Period	10/07/2020 – 31/08/2020
Service Starts	01/09/2020

6 FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

6.1 The insurance budget for the council is managed centrally with a budget allocation in 2020/21 of £699,880 for insurance premiums, IPT and claims handling which is reflective of a £50,000 saving (2018-19 CS07) agreed from 20/21.

a) Financial background

Insurance premiums are subject to insurance premium tax; annual index uplifts on premiums of average earning index on fees and BCIS on property insurance policy. These are expected to continue to increase.

Insurance premiums are also subject to change. An annual renewals process is undertaken; market and risk factors could lead to an increase or decrease.

7 LEGAL AND STATUTORY IMPLICATIONS

7.1 The Council has power under section 1 of the Localism Act 2011 to enter into contracts for the provision of insurance cover to protect its assets, liabilities and risks.

7.2 The contracts have been procured in an open and transparent manner in line with the requirements set out in the Public Contract Regulations and CSOs. Contract award notices will need to be issued.

8 HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

8.1. None

9 CRIME AND DISORDER IMPLICATIONS

9.1. None

10 RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

10.1 The Covid -19 pandemic and the potential future risks were clarified with the insurers as part of the tender. Due to the uncertainty of the COVID 19 none

of the bidders accepted this as a new risk. However the Merton Insurance Fund is adequately funded to meet any Covid 19 related claims if they arise.

11 APPENDICES – THE FOLLOWING DOCUMENTS FORM PART OF THE REPORT BUT EXEMPT FROM PUBLICATION

- Appendix 1 - Full evaluation scoring details
- Appendix 2 - Tender evaluation report from the insurance broker – Marsh

12 BACKGROUND PAPERS

None

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