

Exemption from Tender and Contract Variation - Aon Risk Services

File No: X096842.009

Tender No: RFT 1874

Summary

This report seeks an exemption from tender for insurance broking services and requests that Council approve a contract variation to extend the current contract with for AON Risk Services Australia Limited.

Following a tender process in 2018, AON Risk Services Australia Limited were appointed as the City's insurance broker under a 4-year contract with 2 further extensions, each of one year. The final contract extension expires on 31 March 2025.

Early in 2024, prior to preparing a new tender for broking services, an actuary was engaged to provide an assessment of the City's insurance model to determine whether the current approach of placing insurances direct to market via a broker remained the most beneficial insurance model for the City, or whether the City would be better off joining one of two local government insurance mutuals.

The actuarial assessment was undertaken by Finity Consulting Pty Limited and was completed in October 2024. The actuarial assessment demonstrated that the current arrangement of placing insurances direct to market via a broker remains the overall most effective and beneficial model for the City. Some recommendations were made as part of that review relating to the conduct of the next procurement process for these services.

This report recommends that Council approve an exemption from tender for insurance broker services to enable the current contract with AON Risk Services Australia Limited (ABN 17 000 434 720) to be extended for a period of 15 months whilst a new tender is prepared and undertaken and a new contract established for commencement in 2026.

Recommendation

It is resolved that:

- (A) Council approve an exemption from tender in accordance with section 55(3)(i) of the Local Government Act 1993 to extend the term of the contract for insurance broking services with AON Risk Services Australia Limited by 15 months, to expire on 30 June 2026;
- (B) Council note that a satisfactory result would not be achieved by inviting tenders for this work because:
 - (i) an actuarial review of the City's insurance requirements was recently completed which has confirmed that the current approach of placing insurances direct to market via a broker remained the most beneficial insurance model; and
 - (ii) there is insufficient time to undertake the tender required following prior to the expiry of the existing term on 31 March 2025;
- (C) authority be delegated to the Chief Executive Officer to vary the existing contract with AON Risk Services Australia Limited to provide insurance broking services for an additional 15 months while the new tender is undertaken and until the resulting new contract commences; and
- (D) Council note that funds are available in the annual operating budget for insurance broking services which are available to cover the contract extension period.

Attachments

Attachment A. Financial Implications (Confidential)

Background

1. AON Risk Services Australia Limited was appointed in 2018 as the City's insurance broker under a four-year contract with two extensions, each of one year following a competitive tender process.
2. The final contract extension expires on 31 March 2025.
3. Prior to preparing a new tender for broking services, the City engaged Finity Consulting Limited to provide an assessment of the City's insurance model to determine whether the current approach of placing insurances direct to market via a broker remained the most beneficial insurance model for the City, or whether it would be more optimal for the City to join one of the two available local government insurance mutuals.
4. This actuarial assessment was important due diligence prior to entering into long term arrangements via a new contract.
5. The actuarial assessment took several months and was completed in October 2024. The outcome of that process demonstrated that the current arrangement of placing insurances direct to market via a broker remains the overall most effective and beneficial model for the City, balancing a range of factors including price, mutual governance, policy coverage and tailoring, overall control over the portfolio and claims assessment.
6. The actuarial assessment was provided to the independent members of the Audit Risk and Compliance Committee out of session in November 2024 and the proposed way forward was endorsed.
7. This report recommends that Council approve an exemption from tender for insurance broker services to enable the current contract with AON Risk Services to be extended for a further 15 months whilst a new tender is undertaken and a new contract established for commencement in 2026. This will enable the new tender process to be appropriately scoped, incorporating learnings and recommendations arising from the recently completed actuarial assessment process.
8. The minimum viable extension period for broking services is 12 months, as insurance works in an annual cycle commencing each year from 31 March. A further 3 months' extension (taking the total extension to 15 months) is requested to enable appropriate transition arrangements to be inserted into the contract.

Performance Measurement

9. Broker performance is measured by a formal annual review under the contract.

Financial Implications

10. There are sufficient funds allocated for insurance broking and placement within the current year's operating budget and future years' forward estimates.

Relevant Legislation

11. The exemption from tender process has been conducted in accordance with the Local Government Act 1993 and the Local Government (General) Regulation 2021.
12. Local Government Act 1993 - Section 10A provides that a council may close to the public so much of its meeting as comprises the discussion of information that would, if disclosed, confer a commercial advantage on a person with whom the council is conducting (or proposes to conduct) business.
13. Attachment A contains confidential commercial information which, if disclosed, would:
 - (a) confer a commercial advantage on a person with whom Council is conducting (or proposes to conduct) business; and
 - (b) prejudice the commercial position of the person who supplied it.
14. Discussion of the matter in an open meeting would, on balance, be contrary to the public interest because it would compromise Council's ability to negotiate fairly and commercially to achieve the best outcome for its ratepayers.

Critical Dates / Time Frames

15. With the current contract with AON Risk Services expiring in March 2025, it is necessary for the contract extension be undertaken as soon as possible.

Risks

16. If an exemption from tender is not granted to vary the current contract, it is likely there will be a period of at least six months while a new tender is undertaken where the City will not have access to insurance expertise and advisory services of an experienced broker in the period immediately following the current insurance renewal process.

Options

17. The actuarial assessment confirms that the current arrangement of placing insurances direct to market via a broker remains the fit for purpose model for the City, compared with the option of joining a mutual.

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