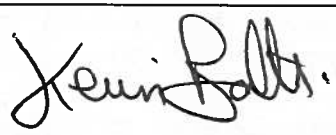




Report for:	Cabinet : 17 <sup>th</sup> December 2013	Item number	
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Title:	Property and Liability Insurance Arrangements
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Report authorised by:	Kevin Bartle Assistant Director Finance	
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Lead Officer:	Anne Woods Head of Audit & Risk Management
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Ward(s) affected: All	Report for: Key Decision
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**1. Describe the issue under consideration**

1.1 To inform the Cabinet of the procurement process undertaken, via the Insurance London Consortium (ILC), to appoint a provider for the Property Insurance Policy (Housing Stock, Education and General Properties); and the Liability Policy with effect from 1 April 2014 for maximum term of 5 years on a 3 +1+1 year basis.

**2. Cabinet Member Introduction**

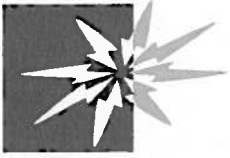
2.1 I concur with the recommendation of this report. This recommendation is based on cost efficiency and service delivery.

**3. Recommendations**

3.1 That the Cabinet approves the procurement of the Property Insurance Policy (Housing Stock, Education and General Properties); and Liability Insurance Policy via the ILC and awards the contract for the insurance policies to the Zurich Municipal.

**4. Alternative options considered**

4.1 Purchasing stand-alone cover for the Council, using agreed procurement processes. This was not considered appropriate because:



- The insurance market for local authority risks has historically had a limited number of competitors, which has resulted in reduced competition and higher rates; and
- The Council has benefited from its membership of the ILC both in terms of achieving good value for money on the policies purchased and in the facility to share best practice on insurance and risk management practices.

## **5. Background Information**

5.1 Haringey, along with eight other London boroughs (Croydon, Camden, Harrow, Islington, Kingston-upon-Thames, Lambeth, Sutton and Tower Hamlets) have continued to work as a formal consortium (ILC) to share best practice in Risk Management and to procure insurance services. The Consortium has a formal s101 agreement in place which allows a local authority to arrange for any other authority to discharge a function on its behalf.

5.2 The London Borough of Croydon was selected to be lead authority for this procurement process, and a Memorandum of Understanding was entered into by all members of the ILC. A project group was formed by representatives from all authorities within the ILC.

5.3 The project group has been meeting on a regular basis to ensure that all Consortium members participate fully in the procurement process including drafting and agreeing all tender documents; the invitation to tender; specification; insurance policy wordings; and the contract evaluation criteria.

5.4 Contract monitoring will be ongoing and will include monthly monitoring reports and monitoring review meetings with the provider every 6 months.

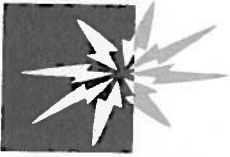
## **6. Procurement Process**

6.1 The London Borough of Croydon as lead authority confirmed the eligibility of the ILC to use the Government Procurement Service established 'Pro 5' framework.

6.2 The London Borough of Croydon, as lead authority, has managed the procurement process in compliance with their Council Standing Orders and Government Procurement Insurance Framework. Tenders for the provision of insurance were sought using the Government Procurement Service established 'Pro 5' framework.

6.3 The ILC members established a procurement project plan which is due to conclude on the 31<sup>st</sup> January 2014 with the placement of instructions to the selected and approved contractor.

6.4 The procurement process was subject to the Standing Orders and procedures of the London Borough of Croydon, acting as the lead authority for the ILC. Each participating authority will award its own contracts in compliance with their own Standing Orders.



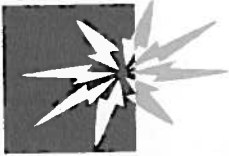
6.5 Historically, the ILC tenders have been run as open tenders with very specific insurance cover and terms sought. Whilst these have previously been successful in terms of price and additional benefits obtained, the number of bidders has declined, with only two bids received at the last tender. In order to try and engender further competition, the following actions were undertaken:

- The Government Procurement Service's established 'Pro 5' framework (which includes 31 insurance markets) was used, as recommended by most of the ILC's procurement teams;
- An insurance broker was contracted (under the terms of the framework) as a 'facilitator' to improve market engagement and response from insurance providers;
- Market feedback was sought from all significant insurance providers earlier in 2013 in order to better understand any issues they experienced with previous ILC tenders;
- The market approach was changed in order to encourage bids from those insurance markets who previously indicated they could not meet the ILC requirements. This included a process enabling bidders to question/challenge the terms sought, which received a positive response from potential bidders;
- The tender period was extended to 60 days to allow potential bidders time to understand and respond to the ILC approach; and
- A fully attended market presentation was undertaken at the broker's premises in order for bidders to better appreciate the ILC approach and the reasons for it. No issues were raised by the potential bidders.

6.6 The project group determined that the most effective procurement arrangement would be to arrange the insurance provision requirements into specific 'Lots' for each of the two areas: Property and Liability. This would allow prospective tenderers to submit bids against one, or both, of the Lots. Details of each of the Lots are summarised in Table 1 below:

**Table 1**

Lot 1	<b>Property and associated classes</b> Material Damage Business interruption Computer (All Risks) Contract Works Works in Progress
Lot 2	<b>Liability</b> Employers Liability Public and Products Liability Professional Indemnity Libel and Slander Land Charges



6.7 The tender evaluation exercise was completed by the project group, which consisted of a representative from each member authority.

6.8 The ILC project group determined and agreed evaluation criteria which would be applied to all compliant bids received. The evaluation criteria is set out in Table 2 below:

**Table 2**

Criteria	Evaluation Weighting
Value for Money	67%
Quality	33%

6.9 Providers were required to return tenders by the deadline of 1 November 2013. The changes in approach for this tender process were designed to encourage bids from a wider pool of providers but, despite six insurers expressing an interest in the early stages of the bid process, only one provider submitted a bid against each Lot. The bids were reviewed to confirm that they complied with the tender specification and were therefore able to be formally evaluated.

6.10 Members of the project group evaluated the tenders, with ratings out of 100 in total being awarded. The breakdown of the scores available for the evaluation is as follows:

- the total Value for Money score available was 67 points; and
- the total Quality score available was 33 points

6.11 Summary of recommended provider's tender evaluation scores for each policy:

**Table 3**

		Quality Scores			
Lot 1	VFM score (max 67)	Variations (max 15)	Multi-Year Deal (max 15)	Added Value (max 3)	Total (max 100)
Insurer 1	67	9	12	1.4	89.4
		Quality Scores			
Lot 2	VFM score (max 67)	Variations (max 15)	Multi-Year Deal (max 15)	Added Value (max 3)	Total (max 100)
Insurer 1	66.3	10	12	1.4	89.7

6.12 Table 4 below shows the recommended provider for the Council's Property Policy. The tender met all quality and value for money standards and is therefore recommended. The total premium costs in Table 4 are those payable for the first 12 months of the contract: 1 April 2014 to 31 March 2015. Any changes to premium costs from 1st April 2015 will be based on each authority's claims experience, changes to the Council's asset base e.g. increases /decreases in stock, buildings etc.

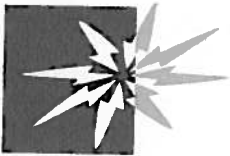


Table 4

Recommended Provider:	Premium £	Insurance Premium Tax £	Total Premium £
Zurich Municipal	270,562	16,233	286,795

- 6.13 Table 5 below shows the recommended provider for the Council's Liability Policy. The tender met all quality and value for money standards and is therefore recommended. The total premium costs in Table 5 are those payable for the first 12 months of the contract: 1 April 2014 to 31 March 2015. Any changes to premium costs from 1st April 2015 will be based on each authority's claims experience, changes to the Council's asset base e.g. salaries and staffing levels

Table 5

Recommended Provider:	Premium £	Insurance Premium Tax £	Total Premium £
Zurich Municipal	251,662	15,099	266,761

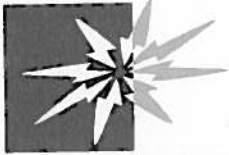
- 6.14 The contract is for a maximum term of 5 years on a 3 +1+1 basis in order to allow flexibility for the Council in the event of any unforeseen market changes. The ILC had an external insurance adviser to assist with the process at all stages. The Consortium members and the adviser consider that the policy offered was compliant with the tender requirements and met the required standards; and the price obtained represents good value for money.

## 7. Comments of the Chief Financial Officer and Financial Implications

- 7.1 The Council's Contract Standing Orders state that a contract for supplies and services exceeding £500k is a key decision which should be included in the Council's Forward Plan and approved by the Council's Cabinet Committee.
- 7.2 The budgets for insurance premium payments are held in ring-fenced budgets which form part of the Council's cash limited budget.

## 8. Head of Legal Services Comments and Legal Implications

- 8.1 The Head of Legal Services notes the contents of the report.
- 8.2 The services which are covered in this report are priority services under the Public Contracts Regulations 2006. There is therefore a requirement to advertise them in Europe. The Government Procurement Service has advertised an Insurance Services Framework Agreement in the Official Journal of the European Union (OJEU) and this is stated in the OJEU to be open to a number of different types of Contracting Authorities including local authorities.



## **Haringey Council**

8.3 London Borough of Croydon has procured services under the Insurance Services Framework Agreement as lead authority on behalf of the Insurance London Consortium. There is a Section 101 Agreement in place under the Local Government Act 1972 between consortium members which allows for the discharge of a local authority function by another local authority.

8.4 The award of this contract is a Key Decision and Corporate Resources Directorate has confirmed that this matter has been included in the Forward Plan in accordance with Contract Standing Order 3.01 (d).

8.5 As the contracts which will be awarded will be in excess of £250,000, the award needs to be made by Cabinet in accordance with CSO 9.07.1 (d).

8.6 See also Additional Comments of the Head of Legal Services in the exempt part of the report.

### **9. Equalities and Community Cohesion Comments**

9.1 This report deals with the Council's property and liability insurance arrangements. The continued improvements in managing insurance policies and risk management will therefore improve services to the Council.

### **10. Head of Procurement Comments**

10.1 The Procurement process has been carried out in compliance with the Procurement code of Practice using the 'Pro 5' framework.

10.2 Contract monitoring procedures are in place and will include monthly monitoring reports and monitoring review meetings with the provider every 6 months. This will support contract compliance and identify any issues with performance at an early stage to mitigate risk of poor performance.

10.3 Feedback from the bidders who expressed an interest should be sought to identify any barriers to potential bidders that can be addressed in any future Procurement process.

### **11. Policy Implications**

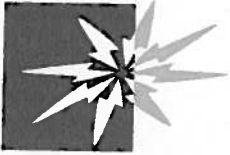
11.1 There are no direct implications for the Council's existing policies, priorities and strategies.

### **12. Reasons for Decision**

12.1 The current contract for this policy has been in place since the 1<sup>st</sup> April 2012 and is due to expire on 31<sup>st</sup> March 2014. It is necessary to ensure that a new contract is in place from 1 April 2014, to avoid any gap in insurance cover for the Council.

### **13. Use of Appendices**

13.1 Appendix 1 sets out the recommended provider for each of the two Lots. The premium costs indicated in the associated tables represent the premiums payable for 12 month period commencing 1<sup>st</sup> April 2014 (Exempt Appendix 1).



**Haringey** Council

**14. Local Government (Access to Information) Act 1985**

14.1 The report contains exempt information. Exempt information is contained in Appendices 1 and is **not for publication**. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972):

S(3) Information relating to the financial or business affairs of any particular person including the authority holding the information.

