

Report for: Cabinet – 24 January 2017

Item number: 14

Title: Property, Terrorism and Liability Insurance Arrangements

Report authorised by : Bernie Ryan
AD Corporate Governance

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Ward(s) affected: All

**Report for Key/
Non-Key Decision: Key Decision**

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 Property Insurance Services (Housing Stock, Education and General Properties); Terrorism Insurance Services (Housing Stock, Education, General and Commercial Properties); and Liability Insurance Services with effect from 1 April 2017, for a period of three years with the option to extend for two further periods of one year each.

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 award of the contracts for the provision of the Insurance Services via the ILC, effective from 1 April 2017, for a period of three years with the option to extend for two further periods of one year each to the following providers: Property Insurance Services (Lot 1) and Liability Insurance Services (Lot 3) to Protector Insurance Limited; and Terrorism Insurance Services (Lot 2) to Charles Taylor Services Limited.

4. Reasons for decision

4.1 The current insurance contracts commenced on 1 April 2014 and were based on a three year agreement with an option to extend by a further two years. The initial three year period will end on 31 March 2017; ILC have decided not to take up the option to extend the contracts and instead to test the market and retender. It is necessary to ensure that the new contracts are in place from 1 April 2017, to avoid any gap in insurance cover for the Council.

5. Alternative options considered

- 5.1 Purchasing stand-alone cover for the Council, using agreed procurement processes. This was not considered appropriate because:
- Haringey Council's membership of the ILC has enabled it to benefit from significant economies of scale in procuring policies for a number of local authorities; these economies of scale would not be available if the Council were to opt for a single authority procurement route;
 - Membership of the ILC has also allowed the Council to share best practice on insurance and risk management practices, which would not be available on a stand alone basis; and
 - The insurance market for local authority risks has historically had a limited number of competitors. Procuring through the ILC has previously increased the number of providers willing to respond and resulted in reduced policy rates.

6. Background information

- 6.1 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.
- 6.2 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 to this effect. A project group to manage the tender process was formed by representatives from all authorities within the ILC.
- 6.3 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 tender evaluation criteria.
- 6.4 Monitoring of the insurance providers will be ongoing following the award of contracts. It is expected that this will include, as a minimum, monthly monitoring reports, together with formal review meetings which will take place with the insurance service providers every 6 months.
- 6.5 Historically, the ILC tenders have been run as open tenders. For the last tender, in 2014, the Crown Commercial Services framework (Pro 5 Insurance framework) was used. The tender process returned only one bidder and the ILC determined that this did not provide an effective competitive process therefore decided to run this tender process as a standard Official Journal of the European Union (OJEU) open process.
- 6.6 The London Borough of Croydon, as lead authority, has managed the procurement process in compliance with their Council Standing Orders. Tenders for the provision of insurance services were invited via the publication of a contract notice in the OJEU on 12 August 2016 (reference 2016/S 155-280470).

- 6.7 The ILC members established a procurement project plan as part of the tender process. This is due to conclude on the 20 February 2017, with the placement of instructions to the selected and approved contractors.
- 6.8 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 in the ILC will award its own contracts in compliance with their own Standing Orders.
- 6.9 As part of the tender process, an insurance broker was contracted by the ILC as a ‘facilitator’ in order to improve market engagement and the number of responses from insurance providers. The broker’s activities included:
- Seeking market feedback from all significant insurance providers early in 2016 in order to better understand any issues they experienced with previous ILC tenders;
 - A market presentation 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; and
 - Changing the market approach in order to encourage bids from those insurance markets who previously indicated they could not meet the ILC tender specification requirements.
- 6.10 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 three areas: Property, Terrorism and Liability. This would allow prospective tenderers to submit bids against one, two or all of the Lots. Details of each of the Lots are summarised in Table 1 below:

Table 1

Lot reference	Details of Insurance Cover Required
Lot 1	Property and associated classes Material Damage Business interruption Computer (All Risks) Contract Works Works in Progress
Lot 2	Terrorism
Lot 3	Liability Employers Liability Public and Products Liability Professional Indemnity Libel and Slander Land Charges

- 6.11 The tender evaluation exercise was completed by the project group, which consisted of a representative from each member authority.
- 6.12 The ILC project group determined and agreed the evaluation criteria which would be applied to all compliant bids received. The agreed evaluation criteria is set out in Table 2 below:

Table 2

Lot 1 – Property	
Criteria	Evaluation Weighting
Price	70%
Quality	30%
Lot 2 – Terrorism	
Criteria	Evaluation Weighting
Price	80%
Quality	20%
Lot 3 – Liability	
Criteria	Evaluation Weighting
Price	70%
Quality	30%

- 6.13 Providers were required to return tenders by the deadline of 21 October 2016. All bids received were reviewed initially to confirm that they complied with the tender specification and were therefore able to be formally evaluated.
- 6.14 Bids were received via the Croydon Council's e-tendering portal on 21 October 2016. Details of the number of bids received against each tender Lot by the tender deadline were as follows:
- Lot 1 – Property Insurance: 3 bids received
 - Lot 2 – Terrorism Insurance: 7 bids received
 - Lot 3 – Liability Insurance: 4 bids received
- 6.15 The Value for Money and Quality scores were combined and the winners of each Lot determined. Details of the evaluated scores for each Lot are set out in Tables 3 – 5 below; the evaluation criteria set a maximum combined score available of 1,000 points.

Table 3

Lot 1 Property Insurance	Evaluation Points Awarded
Bidder 1	990
Bidder 2	958
Bidder 3	933

Table 4

Lot 2 Terrorism Insurance	Evaluation Points Awarded
Bidder 1	990
Bidder 2	847
Bidder 3	733
Bidder 4	715
Bidder 5	618
Bidder 6	556
Bidder 7	259

Table 5

Lot 3 Liability Insurance	Evaluation Points Awarded
Bidder 1	975
Bidder 2	692
Bidder 3	583
Bidder 4	514

6.16 The winners of each Lot are those organisations being recommended for contract award and to provide the Corporate insurance service to the members of the ILC. For Haringey Council, the recommended providers are as follows: Property Insurance Services and Liability Insurance Services – Protector Insurance Limited; and Terrorism Insurance Services – Charles Taylor Services Limited.

7. Contribution to strategic outcomes

7.1 Through the combined and focused purchasing power of the Insurance London Consortium, the outcome of the procurement exercise continues to meet the objective of improving value for money.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Chief Finance Officer

8.1.1 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.

8.1.2 The budgets for insurance premium payments are held in ring-fenced budgets which form part of the Council’s cash limited budget and are sufficient to cover the costs proposed in this revised contract.

8.1.3 See also Additional Comments of the Chief Finance Officer in the exempt part of the report.

8.2 Head of Procurement comments

8.2.1 Procurement are satisfied a tender process has been undertaken in accordance with the Procurement Contract Regulations 2015 by Croydon Council (lead Authority) and therefore support the recommendation to award the contracts to the Bidders as stated within the report.

8.3 Legal

8.3.1 Haringey Council is a member of the Insurance London Consortium and is identified in the OJEU notice as a contracting authority entitled to use this contract.

8.3.2 This is a key decision and the Service has confirmed this is on the Forward Plan.

8.3.3 The Assistant Director of Corporate Governance is not aware of any legal reasons preventing Cabinet from approving the recommendations in the report.

8.4 Equality

8.4.1 The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
- advance equality of opportunity between people who share those protected characteristics and people who do not;
- foster good relations between people who share those characteristics and people who do not.

8.4.2 As contracted providers of Haringey Council, the awarded insurance services will be required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010

8.4.3 This report deals with the Council's property, terrorism and liability insurance arrangements; improvements in managing insurance policies and risk management will therefore improve services to the Council.

9. Use of Appendices

Appendix A – Tender Evaluation Financial Report (exempt)

10. Local Government (Access to Information) Act 1985

Appendix A – Tender Evaluation Financial Report (exempt)

This report contains exempt and non exempt information. Exempt information is contained in the exempt report and is not for publication. The exempt information is under the following category: (identified in the amended schedule 12 A of the Local Government Act 1972): paragraph 3.

