

Report for: Cabinet – 8 February 2022

Title: Property, Terrorism and Liability Insurance Arrangements

Report authorised by: Jon Warlow, Director of Finance

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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 in accordance with Croydon Council's Contract Standing Orders and award of contract in accordance with Contract Standing Order (CSO) 9.07.1(d) (*contracts valued at £500k or more may only be awarded by Cabinet*), 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 2022, for a period of five years with a break clause at the end of year three and year four.

2. Cabinet Member Introduction

- 2.1 It is essential that the Council makes best arrangements to fulfil its responsibilities and the proposals in this report are after consideration of cost efficiency and service delivery.

3. Recommendations

Cabinet is asked:

- 3.1 In accordance with Contract Standing Order (CSO) 9.07.1(d), to approve the award of the contracts for the provision of the Insurance Services via the Insurance London Consortium (ILC), effective from 1 April 2022, for a period of five years with a break clause at the end of year three and year four to the following providers: Property Insurance Services (Lot 1) to Insurer 1 (identified in Appendix A to the report), Terrorism Insurance Services (Lot 2) to Insurer 1 (identified in Appendix A to the report), and Liability Insurance Services (Lot 3) to Insurer 3 (identified in Appendix A to the report).

4. Reasons for decision

- 4.1 The current insurance contracts commenced on 1 April 2017 and were based on a three year agreement with an option to extend by a further two years. The extension period will end on 31 March 2022. It is necessary to ensure that the new contracts are in place from 1 April 2022, 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 lower premiums.

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. Each participating authority will award its own contracts after completing the tender evaluation and in compliance with their own Standing Orders.
- 6.3 The London Borough of Croydon 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 on 6th October 2021.
- 6.4 Details of each of the Lots (Property, Terrorism and Liability) 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

6.5 Bids were received via the Croydon Council's e-tendering portal. Details of the number of bids received against each tender Lot are as follows:

- Lot 1 – Property Insurance: 2 bids received
- Lot 2 – Terrorism Insurance: 4 bids received
- Lot 3 – Liability Insurance: 3 bids received

6.6 Details of the combined evaluated scores (Price and Quality) for each Lot are set out in Tables 2 – 4 below; the evaluation criteria set a maximum combined score available of 1,000 points.

Table 2

Lot 1 Property Insurance	Evaluation Points Awarded
Insurer 1	814
Insurer 2	688

Table 3

Lot 2 Terrorism Insurance	Evaluation Points Awarded
Insurer 1	970
Insurer 2	867
Insurer 3	Non compliant
Insurer 4	Non compliant

Table 4

Lot 3 Liability Insurance	Evaluation Points Awarded
Insurer 1	709
Insurer 2	599

Insurer 3	860
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- 6.7 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 (Lot 1) Insurer 1, Terrorism Insurance (Lot 2) to Insurer 1 and Liability Insurance Services (Lot 3) to Insurer 3.
- 6.8 The decision to insure is driven by our general obligations under the various local government acts including the 1972 Local Government Act to protect the financial position and stability of the authority and protecting it against catastrophic financial losses which is achieved through insurance/risk transfer. In addition, there are specific obligations to insure including the Employer Liability Compulsory Insurance Act.

7. Contribution to strategic outcomes

- 7.1 Through the combined and focused purchasing power of the ILC, the outcome of the procurement exercise continues to meet the objective of improving value for money.
- 7.2 This was achieved by way of a review of our current insurance arrangements and a full marketing and retender exercise to identify the most economically advantageous tender to protect the financial position of the Authority.
- 7.3 Our current basis of insurance was then compared with the tender returns and as part of Quality evaluation we reviewed the new policy wordings, any extensions and/or restrictions of cover, policy enhancements & added value.
- 7.4 In relation to Lots 1 and 2 the current incumbent providers have won the tender so there is no decommissioning or handover. In relation to Lot 3, there is no decommissioning, as claims made for existing policy years will continue to be dealt with under the old arrangements. In addition, the Lot 3 is being awarded to a well-known public sector insurer with whom Haringey has previously insured, also reducing the mobilisation risk.

8. Statutory Officers comments (Chief Finance Officer, Procurement, Legal and Equalities)

8.1 Finance

- 8.1.1 The contract value and associated IPT is £647,857 for the first year of the contract with the subsequent years' contract costs recognising the authority's claims experience and changes to the Council's asset base.
- 8.1.2 The funding for insurance premium payments is held in ring-fenced budgets within the General Fund and Housing Revenue Account. Schools are separately invoiced for their contribution.

- 8.1.3 As detailed in the exempt part of this report the proposed contract awards will incur a small increase of £15,886 in annual premium costs across all three lots compared to 2021/22 premium costs. The insurance budgets are sufficient to meet this additional cost.

8.2 Strategic Procurement

- 8.2.1 Strategic Procurement are satisfied a tender process has been undertaken in accordance with the Procurement Contract Regulations 2015 by Croydon Council (lead Authority) and in accordance with Croydon's contract standing orders, therefore support the recommendation to award the contracts to the Bidders as stated within the report.
CSO 7.01 a) permits the procurement to be undertaken as part of a group of public sector bodies where the contract standing orders of one of the public sector bodies have been followed and the applicable Regulations.

8.3 Legal

- 8.3.1 The Head of Legal and Governance (Monitoring Officer) has been consulted in the preparation of the report.
- 8.3.2 The contracts referred to in 3.1 above have been procured by the Insurance London Consortium (ILC). The procurement has been led by Croydon Council.
- 8.3.3 Haringey Council is a member of the ILC and is identified in the tender notice as a contracting authority entitled to use this contract.
- 8.3.4 In accordance with CSO 9.07.1(d) Cabinet has authority to award the contracts referred to in the recommendations in 3.1 above.
- 8.3.5 The Head of Legal and Governance (Monitoring Officer) sees no 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. It is important to note that none of these corporate insurance covers are provided to residents, customers, or employees but instead provides financial cover directly to Haringey Council itself and therefore the equalities impact is considered to be neutral.

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 Appendix A 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 information relating to the financial or business affairs of any particular person (including the authority holding the information).