

Report for: Cabinet – 14th February 2017

Item number: 18

Title: Leaseholder Property Insurance Arrangements

Report authorised by : Bernie Ryan
AD Corporate Governance

Lead Officer: Anne Woods
Head of Audit and Risk Management
Ext: 5973
Email: anne.woods@haringey.gov.uk

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 to appoint a provider for the Leaseholders' Property Insurance Service from 1 April 2017 for 3 years with an option to extend for a further 2 years, in accordance with the OJEU notice (reference 2016/S 187-335573)

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. Recommendation

3.1 That in accordance with Contract Standing Order 9.07.1(d) the Cabinet approves the award of the contract for the provision of the the Leaseholder Property Insurance Service from 1 April 2017 for a maximum term of 5 years, on a 3 + 2 year basis, to Ocaso S.A. UK Branch.

4. Reasons for decision

4.1 The current insurance contract commenced on 1 April 2014 and was based on a 3 year agreement, with an option to extend by a further 2 years. Due to the substantially deteriorating claims experience over the existing contract period, the current insurers declined to extend the current contract at existing premium rates. It is necessary to ensure that the new contract is in place from 1 April 2017, to avoid any gap in insurance cover for the Council and leaseholders.

5. Alternative options considered

5.1 Haringey, along with eight other London boroughs (Croydon, Camden, Harrow, Islington, Kingston-upon-Thames, Lambeth, Sutton and Tower Hamlets) work as a formal consortium, Insurance London Consortium (ILC), to share best practice in Risk Management and to procure insurance services. In the case of the Leaseholder insurance contracts, these were tendered via the ILC and

awarded on 1 April 2014; Haringey were the only authority placed with the current provider, based on price and quality considerations, and the ILC will only re-tender its leaseholder contracts in two years time. It was therefore necessary to undertake a stand alone tender process, outside the ILC, which was managed in-house via the Council's online tender portal, with support from the ILC external insurance advisors.

- 5.2 There is no framework available to use for leaseholder insurance provision. Procurement of stand alone cover for leaseholder insurance, via an OJEU tender, is therefore the only remaining option available to the Council.

6. Background information

- 6.1 The current insurance contract commenced on 1 April 2014 and was arranged as part of the Insurance London Consortium (ILC) tender process. This was based on a 3 year agreement, with an option to extend by a further 2 years. Haringey Council's leaseholder cover was placed with a different provider to the remaining ILC members based on the outcome of the tender evaluation process. Due to the deteriorating claims experience, the current insurers formally declined to extend Haringey's contract at existing premium rates.
- 6.2 As a result of the current insurer's decision to decline the contract extension at existing rates, and the remaining ILC members not due to re-tender for a further two years, Haringey needed to purchase stand-alone leaseholder cover.
- 6.3 A project group was formed to manage the tender process which consisted of the Council's Risk and Insurance Manager and the ILC's external insurance advisors. The project group have been meeting on a regular basis to complete the procurement process including drafting and agreeing all tender documents; the invitation to tender; specification; insurance policy wordings; and the contract evaluation criteria.
- 6.4 Contract monitoring will be ongoing; and will include monthly monitoring reports and monitoring review meetings with the providers every 6 months. The Council's Risk and Insurance Manager will ensure that key risk areas are identified and reviewed with the provider to ensure that claims experience can be managed more pro-actively in the new contract.
- 6.5 Historically, the ILC tenders have been run as open tenders. For the last leaseholder insurance tender, the Crown Commercial Services framework (Pro 5 Insurance Framework) was used but this resulted in reduced competition compared to previous tenders. As a result, for this tender, the Council has reverted to using the OJEU open process.
- 6.6 Tenders for the provision of the Leaseholder Property Insurance Services were invited via the publication of a contract notice in the Official Journal of the European Union (OJEU) on 23 September 2016, reference 2016/S 187-335573.
- 6.7 A full consultation process with leaseholders was carried out in compliance with statutory leaseholder legislation and requirements. Homes for Haringey's Home Ownership Team assisted in managing the leaseholder consultation process for this tender.

- 6.8 The tender evaluation exercise was completed by the project group. The project group determined and agreed evaluation criteria which would be applied to all compliant bids received. The agreed evaluation criteria is set out in Table 1 below:

Table 1

Criteria	Evaluation Weighting
Price	70%
Quality	30%

- 6.9 Providers were required to return tenders by the deadline of 24 October 2016. All bids were reviewed initially to confirm that they complied with the tender specification and were therefore able to be formally evaluated.
- 6.10 Two bids were received via Haringey's e-tendering portal by the deadline of 24 October 2016. The Price and Quality scores were combined and the outcomes were as follows:

Table 2

Bidder	Price (maximum 700)	Quality (maximum 300)	Total (maximum 1000)
Ocaso S.A. UK Branch	700	250	950
Bidder 2	236	200	436

- 6.11 Although the two bids were assessed as being compliant, the project group concluded that Bidder 2 fell below the required quality and value for money standards and therefore could not recommend acceptance. Bidder 1 met all quality and value for money standards and it is therefore recommended the contract be awarded to Ocaso S.A UK Branch. The contract is for a minimum of 36 months (3 years) with the option to extend on an annual basis after three years, up to a maximum of 60 months (5 years).
- 6.12 The total cost of the insurance policy for the 2017/18 financial year is £1,218,879.

7. Contribution to strategic outcomes

- 7.1 By undertaking a competitive open tender process, following the termination of the current contract, the value for money objectives of the Council and its leaseholders have continued to be met.

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 There is no cost to the Council in relation to this contract. Haringey Council will pay the insurer in full and then recharge individual premiums to each leaseholder. This recharge process is managed by Homes for Haringey.

8.2 Head of Procurement

8.2.1 A compliant procurement exercise has been undertaken in accordance with CSO 9.01.2 with a clear successful bid; therefore Procurement supports the recommendations stated in this report.

8.3 Legal

8.3.1 The Assistant Director of Corporate Governance notes the contents of the report.

8.3.2 This is a key decision and the Service have confirmed this is on the Forward Plan in accordance with CSO 9.07.1(e).

8.3.3 The Assistant Director 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 provider 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 Leasehold insurance arrangements; continued improvements in managing insurance policies and risk management will therefore improve services to the Council and its leaseholders.

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 12A of the Local Government Act 1972): paragraph 3.

