

**Report for:** Cabinet 16<sup>th</sup> January 2018

**Title:** Commercial, Fleet, School Journey and Fidelity Guarantee  
(Crime) Insurance Arrangements and Engineering Inspections

**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), and to seek Cabinet approval to appoint a provider(s) for Motor Fleet Insurance; Property Insurance Services for Commercial Properties; provision of the Engineering Inspection Programme; Fidelity Guarantee (Crime) Insurance; and School Journey Insurance with effect from 1 April 2018, 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 recommendations of this report. The recommended contracts offer superior value to those of the other options which were considered.

2.2 Alternative contract structures and frameworks were duly explored and assessed, including stand-alone cover for the Council and usage of central Government's Crown Commercial Services. However, it was found that the recommended choices offered greater benefits and security for Haringey.

2.3 The London Borough of Croydon-led procurement process appears to have been robust, and progress will be regularly monitored for the duration of the contract. I am confident that due diligence was undertaken by the Council and its partners in identifying suppliers and negotiating contracts which will provide the utmost in terms of cost-effectiveness, flexibility and efficient service.

**3. Recommendations**

3.1 That the Cabinet approves the award of the contracts for the provision of the Insurance Services and Engineering Inspections via the ILC, effective from 1 April 2018, for a period of three years with the option to extend for two further periods of one year each (i.e. 3+1+1) to the following providers:

- Motor Fleet (Lot 1) to Zurich Municipal;
- Property Insurance Services for Commercial Properties (Lot 2) to Zurich Municipal;

- Engineering Inspection Programme (Lot 3) to Zurich Municipal;
- Fidelity Guarantee (Crime) Insurance (Lot 4) to Risk Management Partners; and
- School Journey Insurance (Lot 6) to Risk Management Partners.

#### **4. Reasons for decision**

4.1 The current insurance and inspection contracts commenced on 1 April 2013 and were based on a three-year agreement with an option to extend by a further two years. No further extensions are available; therefore a new procurement process was required. It is necessary to ensure that the new contracts are in place from 1 April 2018, 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.

5.2 Using another framework agreement to run a mini-competition for services. The Government's Crown Commercial Services (CCS) has an insurance framework in place which the ILC has used in a previous procurement exercise in 2014. Using the CCS framework resulted in fewer respondents, decreased competition and lower value for money for the ILC and Haringey Council. Using the CCS framework was considered prior to the start of the procurement process, but discounted based on previous outcomes achieved.

#### **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, the Insurance London 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 at least every 6 months.
- 6.5 The ILC ran this tender process as a standard Official Journal of the European Union (OJEU) open process (ref: GB003ZM232350). The London Borough of Croydon, as lead authority, has managed the procurement process in full compliance with their Council Standing Orders and EU procurement regulations.
- 6.6 The ILC members established a procurement project plan as part of the tender process. This is due to conclude on the 16 February 2018, with the placement of instructions to the selected and approved contractors.
- 6.7 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.
- 6.8 As part of the tender process, an insurance broker was contracted by the ILC as a ‘facilitator’ in order to improve market engagement and increase the potential number of responses from insurance providers. The broker’s activities included:
- Seeking market feedback from all significant insurance providers early in 2017 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 at the presentation; 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.
- 6.9 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 areas This would allow prospective tenderers to submit bids against individual, or all of the Lots. Haringey did not participate in Lot 5 as the Council has determined not to have Personal Accident insurance cover for reasons of value for money. Details of each of the Lots are summarised in Table 1 below:

**Table 1 – Categories of Insurance Cover/Inspection Programmes**

<b>Lot reference</b>	<b>Details of Insurance Cover/Programme</b>
Lot 1	Motor Fleet Policy
Lot 2	Commercial Properties (Buildings) Policy
Lot 3	Engineering Inspection Programme
Lot 4	Fidelity Guarantee (Crime) Policy
Lot 5	Personal Accident Policy
Lot 6	School Journey Policy

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

**Table 2 – Tender Evaluation Criteria for each Lot to be awarded**

<b>Lot 1 – Motor Fleet Insurance Policy</b>	
<b>Criteria</b>	<b>Evaluation Weighting</b>
Price	60%
Aggregate (Stop Loss)	10%
Quality	30%
<b>Lot 2 – Commercial Properties Insurance Policy</b>	
<b>Criteria</b>	<b>Evaluation Weighting</b>
Price	70%
Quality	30%
<b>Lot 3 – Engineering Inspection Programme</b>	
<b>Criteria</b>	<b>Evaluation Weighting</b>
Price	60%
Quality	40%
<b>Lot 4 – Fidelity Guarantee (Crime) Insurance Policy</b>	
<b>Criteria</b>	<b>Evaluation Weighting</b>
Price	70%
Quality	30%
<b>Lot 5 – Personal Accident – not applicable to Haringey</b>	
<b>Lot 6 – School Journey Insurance Policy</b>	
<b>Criteria</b>	<b>Evaluation Weighting</b>
Price	70%
Quality	30%

6.11 Providers were required to return tenders by the deadline of 10 November 2017 via Croydon Council’s e-tendering portal. All bids received were reviewed initially to confirm that they complied with the tender specification and were therefore able to be formally evaluated. Details of the number of bids received against each tender Lot, by the tender deadline were as follows:

- Lot 1 – Motor Fleet: 4 bids received
- Lot 2 – Commercial Properties: 4 bids received
- Lot 3 – Engineering Inspections: 2 bids received
- Lot 4 – Fidelity Guarantee (Crime): 3 bids received
- Lot 5 – Personal Accident: not applicable for Haringey
- Lot 6 – School Journey: 4 bids received

6.12 The Value for Money (Price) and Quality scores were combined and the recommended providers of each Lot determined. Details of the evaluated scores for each Lot are set out in Tables 3 – 7 below:

**Table 3 – Lot 1**

<b>Motor Fleet Insurance Policy</b>	<b>Evaluation Points Awarded</b>
Bidder 1	61.89

Bidder 2	87.13
Bidder 3	74.13
Bidder 4	92.31

**Table 4 – Lot 2**

<b>Commercial Properties Insurance Policy</b>	<b>Evaluation Points Awarded</b>
Bidder 1	41.65
Bidder 2	90.10
Bidder 3	50.66
Bidder 4	94.00

**Table 5 – Lot 3**

<b>Engineering Inspection Programme</b>	<b>Evaluation Points Awarded</b>
Bidder 1	Non-Compliant bid
Bidder 2	69.51

**Table 6 – Lot 4**

<b>Fidelity Guarantee (Crime) Insurance Policy</b>	<b>Evaluation Points Awarded</b>
Bidder 1	87.15
Bidder 2	97.00
Bidder 3	55.74

**Table 7 – Lot 6**

<b>School Journey Insurance Policy</b>	<b>Evaluation Points Awarded</b>
Bidder 1	89.00
Bidder 2	55.59
Bidder 3	94.95
Bidder 4	72.69

- 6.13 The bidders with the highest evaluation points for each Lot are those organisations being recommended for contract award; and to provide the insurance service and engineering inspection programme to the members of the ILC. For Haringey Council, the recommended providers are set out in Table 8 below:

**Table 8 – Recommended Providers for Haringey Council**

<b>Lot</b>	<b>Policy/Programme</b>	<b>Recommended Provider</b>
Lot 1	Motor Fleet	Zurich Municipal
Lot 2	Commercial Properties	Zurich Municipal
Lot 3	Engineering Inspections	Zurich Municipal
Lot 4	Fidelity Guarantee (Crime)	Risk Management Partners Ltd
Lot 6	School Journey	Risk Management Partners Ltd

## **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 for Haringey Council.

## **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 and the costs of the engineering inspection programme 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.

### **8.2 Head of Procurement**

8.2.1 CSO 9.07.1 d) allows for contracts with a value greater than £500K to be awarded by the Cabinet

8.2.2 The ILC tender process held under the Official Journal of the European Union (OJEU) open process (ref: GB003ZM232350) provides for a compliant route to procure

8.2.3 Working as part of the consortium to procure the insurance covers provides for the best value for money.

### **8.3 Legal Services**

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

8.3.2 The procurement of the contracts (which this report relates to) as part of a consortium complies with CSO 7.01(a).

8.3.3 The Service has confirmed this decision is on the Forward Plan.

8.3.4 Pursuant to CSO 9.07.1(d) Cabinet has authority to award the contracts which this report relates.

8.3.5 The Assistant Director of Corporate Governance sees no legal reasons preventing Cabinet from approving the recommendations in section 3 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; and

- 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 and inspection 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 engineering inspection programme and insurance arrangements for motor fleet, commercial properties, fidelity guarantee (crime) and school journey; ensuring a competitive tender process and delivering improvements in risk management processes will ultimately improve services delivered by 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.

