

Report of: Executive Member for Finance, Performance and Community Safety

Meeting of:	Date	Ward(s)
Executive	13 July 2017	All

Delete as appropriate	Exempt	Non-exempt

**SUBJECT: Procurement Strategy - Insurance London Consortium (ILC)
Leaseholder Buildings Insurance Policy for 2018-2023**

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of ILC leaseholder building insurance policy, in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The Council accepts an element of risk with regards to insurance claims, and maintains an insurance fund to cover such eventualities, it also procures 'catastrophe' cover through the insurance market for property and liability covers. The Council is a member of the Insurance London Consortium (ILC). Croydon Council is the Accountable Member of the Consortium and leading on this procurement. The ILC was formed in 2008 and consists of nine London Boroughs. Seven of the nine ILC members are participating in this insurance tender.

2. Recommendations

- 2.1 To approve the procurement strategy for ILC leaseholder buildings insurance policy as outlined in this report.
- 2.2 To delegate authority to award the contract, to the Corporate Director Resources in consultation with the Executive Member for Finance, Performance and Community Safety.

3. Background

- 3.1 Islington is looking to its leaseholder buildings insurance policy via an Insurance London Consortium (ILC) tender. The term of this policy is due to expire on 31st March 2018 and under European Legislation the ILC is obliged to go out to tender for these policies for a further period of time up to 5 years. Discussions are ongoing with the ILC's broker and, similar to the 2016 tender exercise, it is hoped and anticipated that there should be a greater degree of interest in the tender now compared with the previous exercise. A similar permission is being sought by seven of the nine boroughs of the ILC to procure renewal of this insurance policy.
- 3.2 The arrangement will be self-funded, as the Buildings Insurance policy is recharged to all leaseholders via the right to buy annual service charge. The value of the contract for Islington for the potential five year duration of the contracts is estimated to range between £8.5-10m. The expenditure for this year and the previous year is approximately £1.7m. Islington receives insurance claims on an ongoing basis. In order to make savings the Council looks at ways of managing risk in order to reduce the number of insurance claims received. The service is benchmarked across the ILC and costs are lower than the majority of members and claim repudiation rates in line with other members.
- 3.3 The current contract expires on 31st March 2018. The contract notice is due to be published on OJEU on 1st August 2017 which will allow for sufficient time to establish a new contract before the current contract ends. Following the tender process, all boroughs involved will need to observe their internal governance procedures in order to award the contract in time for the start date of 1st April 2018. ILC and senior staff in the Resources Department have been consulted regarding this proposal.
- 3.4 The commissioning team has considered the benefits of carrying out a collaborative procurement with ILC or procuring separately. The ILC is a nine borough collaborative group and a large scale collaborative procurement expects to bring economies of scale. It is anticipated that this will bring savings in respect of insurance premiums compared with individual procurement of insurance policies by Islington Council. The drawback of this is that smaller companies may not have sufficient resources to bid for this work. No suitable framework agreement has been identified, therefore, the preferred route is an OJEU competitive tender. The potential market for large-scale local government procurement is relatively limited, therefore the open procedure has been chosen as the most appropriate route.
- 3.5 The award criteria has been set by the ILC and in order to participate in the collaborate procurement the agreed criteria must be accepted. As part of the award criteria, bidders must provide proposals on how they will bring improvements to the economic and social well-being of the ILC boroughs through the delivery of these services. A requirement for the payment of London Living Wage (LLW) should only be included as a condition of this contract if there is no cross border interest in the contract following OJEU notice. However, market rates are in excess of the LLW levels. The ILC was established to deliver better value on the provision of insurance services for the member boroughs. The successful tenderer will undergo significant financial checks to ensure as far as is reasonably possible their economic sustainability. TUPE will apply to this contract.
- 3.6 The tender will be conducted in one stage, known as the Open Procedure as the tender is 'open' to all organisations who express their interest in the tender. The Open Procedure includes minimum requirements which prospective bidders must achieve before their tender is evaluated against the advertised award criteria. The evaluation award criteria agreed by all

ILC boroughs is for a split of 70% for price and 30% for quality. It is felt that this is a broader market but it is vital to ensure quality within this part of the tender. The award is to be based on the following criteria and will be finalised by the ILC members prior to publication of the contract notice:

- Price 70%
- Quality 30%

- 3.7 If there is no or insufficient insurance cover, the Council and its leaseholders could be placed at considerable financial risk. The new contract will provide an opportunity to implement more robust contract management arrangements to maximise benefits for the ILC. There is an opportunity to test the market for competitive bids from a greater number of organisations than at the previous tender exercise. Insurance Premium Tax also continues to increase and will be at a minimum of 12% for the new insurance year starting 1st April 2018.
- 3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26th March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Islington is looking to leaseholder buildings insurance cover via an Insurance London Consortium tender. See paragraph 3.1
2 Estimated value	The estimated value for the total 60 months is between £8.5 million and £10.0 million. The agreement is proposed to run for a period of 60 months. See paragraph 3.2
3 Timetable	Advert will be placed in August 2017 Contract will commence 1 st April 2018. See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Outcome of options appraisal are described within this report. See paragraph 3.4

5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Outcomes are described within this report. See paragraph 3.5
6 Evaluation criteria	The price/quality breakdown is generally going to be: 70% price 30% quality. The award criteria price/quality breakdown is more particularly described within the report. See paragraph 3.6
7 Any business risks associated with entering the contract	Business risks are described within this report See paragraph 3.7

4.

Implications

4.1 **Financial Implications**

4.1.1 The contract cost will be charged to Islington's leaseholders. The recommended strategy, as agreed by the Insurance London Consortium of which Islington Council is a member, is for the contract to be awarded on the basis of 70% price and 30% quality. This will provide a good basis for achieving adequate value for money alongside an acceptable level of quality.

4.2 **Legal Implications**

4.2.1 The Council has a fiduciary duty to Council tax payers, and must carry out its functions in a business-like manner with reasonable care and skill. Adequate insurance provision is central to good governance, effective business planning and the safeguarding of the Council's assets. Accordingly the Council has power to enter into a contract for the provision of insurance cover to protect its assets, liabilities and risks under section 1 of the Local Government (Contracts) Act 1997 on the basis such subscriptions for insurance are properly required as being incidental to the discharge of its functions.

4.2.2 The estimated value of the procurement for the new insurance contract is above the financial threshold for service contracts for the full application of the Public Contracts Regulations 2015. Accordingly the contract is being advertised in OJEU using the open procedure.

4.2.3 On completion of the procurement process the contract may be awarded to the highest scoring tenderer. In deciding whether to appoint the selected contractor the Executive will need to be satisfied as to the competence of the chosen tenderer and that the tender price represents value for money for the Council.

4.2.4 Under the section 101 agreement, the members of the Insurance London Consortium are responsible for taking procurement decisions albeit that any contract for insurance services and cover will be entered into direct by the relevant Consortium Member(s).

4.3 Environmental Implications

4.3.1 This contract is not expected to have any significant environmental impacts. The contract will work to minimise environmental implications, such as by having electronic, rather than paper, billing only.

4.4 Resident Impact Assessment:

4.4.1 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding. This contract is not a service that is directly provided to residents, therefore, it is not anticipated that there will be any impact on residents.

5. Reason for Recommendations

5.1 This report seeks approval to continue to enter into collaborative procurement for the Council's insurance policies. This new contract will ensure that there is no break in the provision of this insurance for the Council.

Appendices: None

Background papers: None

Final report clearance

Signed by



4 July 2017

Executive Member for Finance, Performance
and Community Safety

Date

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