



Key Decision Report of: Service Director Financial and Asset Management (Acting S151)

Officer Key Decision	Date: 19th March 2019	Ward(s): ALL
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SUBJECT: Procurement Strategy for Islington Council's Insurance claims handling service

1. Synopsis

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of insurance claims handling in accordance with Rule 2.7 of the Council's Procurement Rules.
- 1.2 Islington Council has for the last 10 years outsourced its claims handling function. The latest contract is due to finish on 30 November 2019, so new contractual arrangements will need to be put in place to commence 1 December 2019 to ensure continuity of service and function.

2. Recommendation

- 2.1 To approve the procurement strategy for insurance claims handling as outlined in this report.

3. Date the decision is to be taken:

19th March 2019.

4. Background

- 4.1 The Council receives insurance claims comprised of three main categories: liability, property damage and motor. The Council currently utilises an external contractor for the administration and processing of these claims. The contract for this service expires on 30 November 2019.

4.2 Estimated Value

Claims handling expenses are funded from the Council's Insurance Fund (revenue).

Spend over the past 5 years on this service has been just under £1m with spend over the past 2 years has been just under £339,000. It is proposed that the new contract will last for three years plus an option to extend for two additional two-year periods, totalling a maximum of seven years. The estimated total value of this contract for the full duration is £1.4-1.75m. Liability claims are falling in number, motor claims have been fairly steady, though with some recent increase in spend, but property have increased in number. Costs per claim handled are expected to rise to some extent, since current costs are based on the last tender of 5 years ago. Claims overall are demand led and to a large extent not predictable. It looks reasonable to assume that claims will continue to be received on at least similar numbers as at present. Any reduction in budget/saving is ringfenced to the Council's Insurance Fund and would not constitute a general fund saving, the Insurance Fund being a separate ringfenced account.

A reduction in budget would result in the council not being able to pay for the handling of claims made against it, leaving it vulnerable to paying out on claims when this is not justified or necessary.

Claims handling is claims driven, so it is not possible to prevent all incidents that result in insurance claims. However, Islington works to manage risks around the council to attempt to reduce claims to a minimum.

4.3 Timetable

- The approval of the procurement strategy will be on the Forward Plan for 15 March 2019.
- The current contract expires on 30 November 2019 so the start date for the new contract will be 1 December 2019.
- Publish contract notice spring 2019.
- Tender award decision will be made in the late summer to early autumn of 2019.
- There are no specific statutory deadlines.

4.4 Options appraisal

In-house and competitive tender options have been considered. To bring in-house would involve recruiting a number of staff and training them, introducing IT, so maintaining the current arrangements is the most cost-effective option. Bringing the work in-house would require the council to employ a large number of skilled insurance staff to undertake this service and a full-time claims handling manager. These staff are not widely available and the cost would be considerable. Islington's current lean claims handling arrangements cost less than any of other boroughs in the Insurance London Consortium.

Whilst other insurance services are jointly procured, there is no other member of the Insurance London Consortium with which to collaborate for this part of the service. All other boroughs in the ILC handle their claims in-house, so collaboration is not possible in this respect.

The preferred procurement route is competitive tender. The competitive route will provide a professional claims handling service from day one and provide an objective claims handling service for the council. The main drawback is that there may be less direct control over handling than if it were in house, but past experience has shown that claims handlers are responsive to customer needs.

4.5 Key Considerations

London Living Wage and TUPE have been considered as part of this tender process. The Living Wage/London Living Wage will be a condition of this contract where permitted by law. The market rate for people working in this sector is higher than both the Living Wage and the London Living Wage.

As far as is reasonably possible, claims handling will be carried out electronically and have a minimal impact on the environment.

This is an existing service, therefore, TUPE information will be requested from the current provider and made available to all prospective bidders.

4.6 Evaluation

The breakdown for award criteria will be 35% cost and 65% quality. The quality percentage is set at a relatively high level in order to attract companies that have high levels of customer care and who are capable of dealing with the diverse range of stakeholders that Islington has. This is an increased percentage (+5%) weighting on price compared with the previous tender. The quality criteria will further be broken down into the proposed approach to:

- Claims Handling including customer service, and fraud prevention – 30%,
- Complaints Handling – 10%
- Multi-disciplinary expertise and team composition – 15%
- IT systems, recording and management reporting – 10%

4.7 Business Risks

The number of potential tenderers has always been relatively limited.

The service will be of benefit to the council and its stakeholders including residents as a whole. A successful contract will lead to upholding the reputation of the council in the way claims against the council are managed.

Failure to enter into a new contract in line with the timetable could result in a range of difficulties for the council if there is no claims handling service in place.

4.8 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 26 March 2013, all tenderers will be required to complete an 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. This requirement forms part of the tender qualification process and failure to meet this will mean that a tenderer could not bid for the service.

4.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Islington is looking to procure a new claims handling contract. See paragraph 4.1.
2 Estimated value	The estimated value per year is between £200,000 and £250,000. The agreement is proposed to run for a period of three years with two optional extensions for a further two years each i.e. 3+2+2 years. See paragraph 4.2.
3 Timetable	Advert: Spring 2019 Shortlisting: late Spring/early summer 2019 Award: late summer/early autumn 2019 Other relevant date: new contract to commence 1 December 2019. See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	See paragraph 4.4.
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	LLW will be a condition of this contract where permitted by law. See paragraph 4.5.
6 Award criteria	<ul style="list-style-type: none"> The award criteria price/quality breakdown will be 35% for price and 65% for quality. See paragraph 4.6.
7 Any business risks associated with entering the contract	Failure to enter into a contract for claims handling will result in a bigger risk to the council than entering into it. See paragraph 4.7.
8 Any other relevant financial, legal or other considerations.	Tenderers that do not meet the legal, financial or other requirements will not be eligible to bid under the process.

5. Implications

5.1 Financial implications:

Please allow at least 5 working days for finance to supply content before the report is due to be submitted for approval. Please include the name and contact details of the Finance colleague who provided the financial implications in the appropriate field at the end of the report.

5.2 Legal Implications:

Please allow at least 5 working days for legal to supply content before the report is due to be submitted for approval. Please include the name and contact details of the Legal Services colleague who provided the financial implications in the appropriate field at the end of the report.

5.3 Environmental Implications

The outsourced claims handling function will have impacts associated with office occupancy and staff travel. These include energy, paper and water use, waste generation and vehicular emissions. Paper use and travel will be minimised as claims handling will be carried out electronically.

5.4 Resident Impact Assessment:

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.

The initial screening for a Resident Impact Assessment was completed and did not identify any negative equality impacts for any protected characteristic or any human rights or safeguarding risks.

6. Reasons for the decision:

6.1 It is recommended that the claims handling tender contract is to be renewed as set out in the above report.

7. Record of the decision:

7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

Signed by:



Director Financial Management

Date 19 March 2019

Appendices: None

Background papers: none.

Report Author: Stephen Walsh - Insurance and Operational Risk Manager
Tel: 020 7527 4262
Email: Stephen.walsh@islington.gov.uk

Financial Implications Author: Tony Watts – Head of Financial Planning
Tel: 020 7527 2879
Email: Anthony.watts@islington.gov.uk

Legal Implications Author: David Daniels – AD Commercial and Environment Law
Tel: 020 7528 3277
Email: David.daniels@islington.gov.uk