

Key Decision Report of the Interim Director of Finance and Property

Officer Key Decision	Date: 12 November 2019	Ward(s): All
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Delete as appropriate	Exempt	Non-exempt
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THE APPENDIX TO THIS REPORT IS EXEMPT AND NOT FOR PUBLICATION



SUBJECT: Contract Award for 1819-0393 Insurance Claims Handling

1. Synopsis

- 1.1 This report seeks approval for the award following the outcome of the Insurance Claims Handling tender in accordance with the Council's Procurement Rules.
- 1.2 This is to award the contract on a three plus two plus two-year basis to the successful bidder to handle Islington Council's insurance claims on its behalf.

2. Recommendations

- 2.1 To approve the contract award for Insurance Claim Handling as outlined in this report.
- 2.2 It is recommended that Sedgwick (formerly Cunningham Lindsey) is awarded the contract for Insurance Claims Handling Services, based on the price and quality criteria.

3. Date the decision is to be taken: 12 November 2019.

4. Background

4.1 Nature of the service:

The current contract was procured by Islington in 2014. It expires on 30 November 2019. Although Islington is part of the 9-borough Insurance London Consortium (ILC), it operates the service differently to all other members of the consortium, who handle their claims in-house.

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.

4.2 Estimated Value

The current claims handling contract arrangement is funded through Islington Council's insurance fund and will continue to be so.

The proposed contract to be awarded has an estimated total life value of between £0.8m - £1m revenue. This contract is not a framework agreement. Islington has spent a total of £0.282m on this service for the last two years.

The impact of a percentage reduction in budget would leave Islington less able to respond to claims against it and put it at a longer term financial risk as a result.

Claims handling is very claims driven. A way of reducing claims is to improve operational risk management in the borough. The service is not provided by Islington staff, therefore benchmarking the service is carried out via the tender process.

4.3 Timetable

It is proposed that the contract will be awarded on the 12 November 2019 and that the contract will start on 01 December 2019. The current contract expires on 30 November 2019.

As the value of this contract is over the EU threshold, the contract notice was advertised in OJEU and the timescales as per the Public Contract Regulations 12015

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 arrangement 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 was agreed to be competitive tender. The competitive route provides a professional claims handling service and provides 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 usually responsive to customer needs.

4.5 Key Considerations:

The London Living Wage is included within the contract as a contract condition. Islington staff are not employed through this contract.

Economic, social and environmental sustainability issues have been considered as part of the tender process.

There are no TUPE, Pensions and Staffing implications from this contract.

4.6 Evaluation:

The tender was conducted in one stage, known as the Open Procedure, as the tender is 'open' to all organisations who express an interest. The Open Procedure includes minimum requirements which organisations must meet before the rest of their tender is evaluated.

The award criteria was 65% quality and 35% cost.

The Invitation to Tender (ITT) comprised of two parts. The first part assessed the selection criteria for the contract; the minimum requirements for the performance of the contract. This part required organisations to complete one mandatory headline question and six technical and/or professional ability questions. They were also required to give information regarding their policies on health and safety, environmental management, and equal opportunities, and give details of references.

The second part of the ITT required bidders to give responses to the five method statement questions, and complete a pricing schedule. The method statement questions assessed bidders' performance against the advertised quality sub-criteria:

- claims handling procedures 20%
- customer service 15%
- fraud prevention 10%
- complaints handling 10%
- IT systems, recording and management reporting 10%

Cost was assessed against the tenderers' submitted prices for the different types of claims, which gave a total price. The quality was based on the tenderers' submitted method statements and was assessed by the panel of three Islington officers.

Tenders were received and assessed from five contractors. The top scoring submission was for Sedgwick (formerly Cunningham Lindsey) scoring a combined score of 92%.

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.

4.9 The following relevant information is required to be specifically approved 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 £80,000 and £110,000. 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	The new contract is due to commence on 01 December 2019. See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Maintain current procurement method. See paragraph 4.4
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	These issues have been included for bidders as part of the tender process. No TUPE, pensions or other staffing implications. See paragraph 4.5
6 Award criteria	65% for quality, 35% for cost. See paragraph 4.6
7 Any business risks associated with entering the contract	Business risks assessed in respect of not tendering the service. See paragraph 4.7

8 Any other relevant financial, legal or other considerations.	See paragraphs 5.1 – 5.4 below.
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5. Implications

5.1 Financial implications:

Overall, the successful bid represents no price increase on the existing contract. The fees per claim figures have been held at the same level as the previous tender five years ago, which is considered good value for money for the Council. What cannot be predicted is whether or not the number of claims will go up or down, but the Government is working to restrict the types of liability insurance claims through proposed reforms.

Expenditure on the claims handling contract will be charged to the Council's Insurance Fund and will be reflected in the overall evaluation of the Insurance Fund position at each financial year end.

A financial check of the winning bidder has been undertaken and the outcome was that it was found to be in an excellent financial state.

5.2 Legal Implications:

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 and robust claims handling of insurance claims 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 a claims handling service under section 1 of the Local Government (Contracts) Act 1997.

The estimated value of the procurement for the new insurance claims handling contract is above the financial threshold (£181,302) for service contracts for the full application of the Public Contracts Regulations 2015. Accordingly, the contract was advertised in OJEU using a competitive procedure.

The tenders received have been subject to evaluation in accordance with the tender evaluation model. Sedgwick received the higher evaluation and therefore may be awarded the contract provided the decision maker is reasonably satisfied as to the competence of the chosen tenderer and that the tender price represents value for money for the Council.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030:

An environmental impact assessment was completed for this contract and was submitted to Islington Council Energy Services in March 2019.

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.

A resident impact assessment (RIA) was completed for this contract and was submitted to Islington Council Equalities team.

6. Reasons for the decision:

6.1 It is recommended that this contract be awarded to Sedgwick (formerly Cunningham Lindsey), for the reasons set out in this 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:

Annabel Scholes

Annabel Scholes
Interim Director of Finance & Property

Date 12/11/2019

Appendices

- RIA.

Background papers: none.

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