

Report of: Executive Member for Finance & Performance

Meeting of:	Date:	Ward(s):
Executive	10 February 2022	All

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Appendix 1 to this report is exempt and not for publication

SUBJECT: Procurement Strategy and Contract Award for Property and Casualty Insurance

1. Synopsis

1.1 This report seeks approval for the procurement strategy and award of property (including separate terrorism cover) and casualty (which mainly covers public and employers' liability) insurance policies, in accordance with Rule 2.7 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, so it 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 (Croydon, Camden, Haringey, Harrow, Islington, Lambeth, RB Kingston, Sutton and Tower Hamlets). All ILC members are participating in this insurance tender.

2. Recommendations

2.1 To endorse the strategy and award of ILC Property (plus terrorism) and Casualty Insurance policies to as outlined in the exempt appendix of this report.

3. Background

Nature of Service

- 3.1 Islington needs to procure property and casualty insurance covers. It does this via an Insurance London Consortium (ILC) tender. The term of these policies is due to expire on 31 March 2022 and under Procurement Legislation the ILC was obliged to go out to tender for these policies for a further period of time of up to five (5) years. The process was managed via the ILC's broker (as approved by Procurement Board), similar to the 2016/17 tender exercise. A similar permission is being sought by all eight other boroughs listed in 1.2 above of the ILC to endorse renewal of the Property and Casualty insurance policies, as per 2.1 above and the exempt appendix to the report.

Tendered Value

- 3.2 The arrangements will be funded from Islington Council's insurance fund, which is funded fully by recharges from service departments. Islington receives insurance claims on an ongoing basis and needs to have policies in place at all times to respond to them as and when they are received. Insurance claims are by their nature unforeseen events, so predicting when and where they happen and what the outgoings will be on the claims is unrealistic, other than the value of claims will generally move in an upward direction. Departmental risk management is needed to minimise the level of claims. Insurance premiums have to be paid upfront at the start of each year. Reducing the budget for the insurance fund would risk leaving the council without insurance cover, which would be a significant risk, particularly if a catastrophic event occurred. The tendered values are referred to at the exempt appendix to this report.

- 3.3 Timetable:

The current contract expires on 31 March 2022. The contract was tendered from 5 October to 3 December 2021. Following the tender process, all boroughs will need to observe their internal governance procedures in order to award the contract in time for the start date of 1 April 2022. ILC and senior staff in the Resources Department have been consulted regarding this proposal.

- 3.4 Options appraisal

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 for each borough involved, which has been the past experience. It was anticipated that this would result in more competitive insurance premiums compared to individual procurement of insurance policies by Islington Council. Islington Council does not have the resources or technical expertise to procure the policies in-house. The current potential frameworks for insurance include Crown Commercial Services (CCS), Eastern Shires Purchasing Organisation (ESPO) and Yorkshire Purchasing Organisation (YPO) but not all potential providers are on those frameworks and further consideration by Aon, the ILC advisers, and the ILC members, was that in order to ensure the best outcome to cater for the needs of the nine London boroughs there was a need to undertake a full review and open tender process in acting collectively with the other boroughs. The ILC thus sought to maximise its chances of achieving the best possible outcome in a difficult insurance market. No other option offered the extent of choice of insurance cover and value for money that an open tender did, therefore, the preferred route was a competitive tender.

Key Considerations

- 3.5 The award criteria were set by the ILC as a whole and in order to participate in the collaborative procurement the agreed criteria must be accepted. As part of the award criteria, bidders had to 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. The Social Value requirement for Croydon and other boroughs is 10%, which is set out in the evaluation criteria for the tender (see also 3.6 below). A requirement for the payment of London Living Wage (LLW) was included as a condition of this contract if the successful bidder is London-based. However, national market rates for this sector 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 tenderers will undergo significant financial checks to ensure, as far as is reasonably possible, their economic sustainability. TUPE may apply to this contract.

Evaluation

- 3.6 The tender was 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 60% price and 40% quality (made up of 10% for social value, lowest Aggregate Stop Loss figure 10%, cover restrictions 7.5%, policy enhancements 7.5%, added value and innovation 5%). It was felt by the ILC that it was vital to ensure sufficient quality within this part of the tender.

Business Risks

- 3.7 If there is no or insufficient insurance cover, the Council could be placed at considerable financial risk. The new contract will provide an opportunity to implement robust contract management arrangements to maximise benefits for the ILC. It was an opportunity to test the market for competitive bids, which delivered good outcomes in the circumstances. Should insurance premiums increase in future years, recharges to service departments will need to be reviewed and changed in line with the need to maintain a viable insurance fund for the Council. Insurance Premium Tax is still at 12% but that could change in future.
- 3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibits 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 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 2.8 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Islington has procured property (including separate terrorism cover) and casualty insurance covers via an Insurance London Consortium tender. See paragraph 3.1

2 Estimated value	<p>The estimated tendered value for the total 60 months is set out in the exempt appendix to the report, based on the annual figures tendered for the policies.</p> <p>The agreement is proposed to run for a period of up to 60 months, with a break clause at 36 months.</p> <p>See paragraph 3.2</p>
3 Timetable	<p>Advert placed in October 2021. Closing date for bids was 3 December 2021.</p> <p>Contract will commence 1 April 2022.</p> <p>See paragraph 3.3</p>
4 Options appraisal for tender procedure including consideration of collaboration opportunities	<p>Outcome of options appraisal are described within this report.</p> <p>See paragraph 3.4</p>
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	<p>Outcomes are described within this report.</p> <p>See paragraph 3.5</p>
6 Award criteria	<p>The price/quality breakdown is generally going to be: 60% price 40% quality.</p> <p>The award criteria for the quality breakdown is more particularly described within paragraph 3.6 of the report.</p> <p>See paragraph 3.6</p>
7 Any business risks associated with entering the contract	<p>Business risks are described within this report</p> <p>See paragraph 3.7</p>
8 Any other relevant financial, legal or other considerations.	<p>See section 4 below.</p>

4. Implications

4.1 Financial Implications:

The contract cost will be charged to the Insurance Fund annually from 2022-2027, for which there is adequate budget provision within the insurance fund. 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 60% price and 40% quality. This will provide a good basis for achieving adequate value for money alongside an acceptable level of quality.

4.2 Legal Implications:

a) The council has power to enter into the proposed commercial insurance contract(s) under section 111 of the Local Government Act 1972 and section 1 of the Local Government (Contracts) Act 1997, which enable the council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions, and to enter contracts accordingly.

b) The estimated value of the procurement set out in the exempt section of the report is above the current financial threshold for service contracts under the Public Contracts Regulations 2015. Accordingly the contract must be advertised on Contracts Finder and Find A Tender. The tender will be conducted in one stage, known as the Open Procedure.

c) The procurement exercise will be led by the London Borough of Croydon as lead Authority under the Insurance London Consortium (ILC) of which the London Borough of Islington is a member. The ILC joint procurement should enable best value to be obtained in the insurance market due to the combined purchasing power of the ILC. The participating members of the ILC are:

London Borough of Lambeth
London Borough of Croydon
London Borough of Camden
London Borough of Haringey
London Borough of Harrow
London Borough of Islington
RB of Kingston upon Thames
London Borough of Sutton
London Borough of Tower Hamlets

d) The value of the proposed contract is above £2m and therefore above the delegated power of the Corporate Director to award under Procurement Rule 18, unless the Executive grants express delegated power to the Corporate Director for Resources in consultation with the Executive Member for Resources pursuant to the recommendation in this report.

e) Under the ILC agreement, the members of the ILC are responsible for taking procurement decisions but any contract for insurance services will be entered into direct by the relevant Consortium Member(s).

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

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 and other communications only.

4.4 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 has been completed.

5. Reason for recommendations

- 5.1** This report seeks endorsement of the outcome of the procurement for the Council's insurance policies, as per paragraph 2.1 of the report. This new contract will ensure that there is no break in the provision of these insurances for the Council.

Appendices

- Exempt Appendix – procurement outcome

Background papers

- None

Final report clearance:

Signed by:



25 January 2022

Executive Member for Finance & Performance

Date

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