

Resources Department
7 Newington Barrow Way
N7 7EP

Report of: Executive Member for Finance, Planning and Performance

Meeting of: Executive

Date: 24 November 2022

Ward(s): All

Subject: Procurement Strategy for Insurance Policies 2023-28 (Contract ref: 2223-0126)

1. Synopsis

1.1. This report sets out the procurement strategy and timetable for the following insurance policies to be procured for the period 2023-2028:

- Motor insurance
- Leaseholder buildings insurance
- Commercial property insurance
- Engineering inspection services
- Crime
- Personal accident and School travel insurance

1.2. The Council accepts an element of risk with regards to insurance claims and maintains an insurance fund to cover such eventualities. It will continue to procure cover for the above listed risks.

2. Recommendations

2.1. To approve the procurement strategy for insurance policies, as outlined in this report.

- 2.2. To delegate authority to award the contracts to the Corporate Director of Resources, in consultation with the Executive Member for Finance, Planning and Performance.

3. Background

3.1. Nature of the Service

- 3.1.1. The Council is looking to procure the insurance policies listed in 1.1 above through the Insurance London Consortium (ILC) for the period 2023-2028. These policies are due to expire on 31 March 2023 and the ILC is going out to tender for these policies for a further period of up to five years.
- 3.1.2. 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 at least some parts this insurance tender and Islington Council is participating in all.
- 3.1.3. Discussions are ongoing with the ILC's broker as to how to attract a greater degree of interest in the tender now compared with the previous exercise in 2017/18. Similar permission is being sought by all eight other boroughs of the ILC to procure the renewal of these insurance policies.

3.2. Estimated Value

- 3.2.1. The arrangements will be funded from Islington Council's insurance fund, which is supported by contributions from service departments. The value of the contracts for Islington for the potential five-year duration of the contracts is estimated to be approximately £2.25m excluding the leaseholder buildings insurance, the cost of which would be £3.2m p.a. or £16m for the 5-year period.
- 3.2.2. The premium expenditure for this year is approximately £404,000, excluding £2.9m for leaseholder buildings insurance, which is recharged to leaseholders and not a cost to the council. Islington receives insurance claims on an ongoing basis. To make savings, the Council looks at ways of managing risk in order to reduce the number of insurance claims received.
- 3.2.3. The table below shows the current year cost, plus annual and total costs for the five-year period from 2023 to 2028, under the new contract for general insurance premiums and leaseholder buildings insurance:

Premium	Current Year Cost £k	New Annual Cost Estimate £k
General Premiums	404	450
Leaseholders	2,900	3,200
Annual total	3,304	3,650
5 year total	16,520	18,250

3.3. Timetable

3.3.1. The current contracts expire on 31 March 2023. The contract notice is due to be published in the early autumn, which will allow for sufficient time to establish a new contract before the current contract ends. This will include undertaking Section 20 Consultation with leaseholders in respect of the leaseholder buildings insurance policy.

3.3.2. 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 2023. ILC and senior staff in the Resources Department of the Council have been consulted regarding this proposal.

3.3.3. The anticipated timetable:

- Strategy approved by the Council's Executive 24 November 2022
- Contract notice published October 2022
- Closing date late November 2022
- Evaluation November/December 2022
- Approval of contract award January/February 2023

3.4. Options Appraisal and Key Considerations

3.4.1. The Council needs to procure insurance from a third-party. It is not possible to deliver this in-house. The Council cannot afford to self-insure all risks and is not an FCA-approved organisation able to do this. It should be noted that some insurance policies are legal requirements, such as motor and leaseholder buildings insurance, others are risk mitigation measures.

3.4.2. There are currently a few potential framework agreements that are available but not all potential providers are on those frameworks. Further consideration by the ILC's advisers and other ILC members is that in order to ensure the best outcome to cater for the needs of the nine London boroughs there is a need to undertake a full review and open tender process in acting collectively with the other boroughs.

- 3.4.3. 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.
- 3.4.4. Islington is maximising its chances of achieving the best outcome possible in a difficult insurance market. It is anticipated that this will bring savings in respect of insurance premiums compared with individual procurement of insurance policies by Islington Council. The potential market for large-scale local government procurement is relatively limited, therefore the open procedure has been chosen as the most appropriate route.
- 3.4.5. Islington wants to create a place where everyone, no matter what their background, has the same opportunity to reach their potential and enjoy a good quality of life. Essential to that vision is our Community Wealth Building agenda and this tender offers the ability to address as part of a wider London region investment that benefits our communities. As part of the award criteria, bidders must provide proposals on Social Value, expressing how they will bring improvements to the economic, environmental and social well-being of the ILC boroughs through the delivery of these services. The commitments offered will support key policy objectives for Islington from its Progressive Procurement Strategy 2020/27, which embraces Islington's commitment to maximising the positive impact of the council's spending, using our spending and purchasing decisions to support change for London. The proposals put forward by the bidders will be enshrined within the contract and monitored to ensure a difference to the London community. Bidders will be expected to put forward their innovative solutions which may support job, apprenticeships and skills creation, growth opportunities for local businesses and supply chain, and commitments to Net Zero Carbon.
- 3.4.6. A requirement for the payment of London Living Wage (LLW) has been included as a condition of this contract if the successful bidder is London-based. If the successful provider is based outside of London payment of the real living wage will apply. However, national market rates for this sector are in excess of the LLW levels.
- 3.4.7. 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.
- 3.4.8. TUPE may apply to this contract.
- 3.4.9. **Deductible levels ('the excess')** will be requested in the tender to be at the same level as they currently are. These are quite small figures (below £1000) and vary across the different policies and are borne by the insurance fund (except for the leaseholder insurance). In respect of leaseholders, the excess is currently £100, except for escape of water claims (£150) and subsidence (£1,000). The £100/£150 excesses are lower than the majority of the ILC. Whilst these amounts are to be requested within the tender, it is possible that the insurance market may consider these unusually low now and may only quote on a higher excess, such as £250. Whilst this would mean that those suffering a loss would have to pay a higher excess, the upside is that it would help keep premiums lower for all leaseholders than if the excess was lower.

3.5. Evaluation

3.5.1. The tender will be 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.

3.5.2. The evaluation award criteria agreed by all ILC boroughs is 60% price and 40% quality.

3.6. Business Risks

3.6.1. If there is no or insufficient insurance cover, the Council could be placed at considerable financial risk. The new contract(s) 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. 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, particularly given the state of the national finances.

3.6.2. 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.

3.6.3. 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 Council is looking to procure the insurance covers listed in 1.1 above via an Insurance London Consortium tender See paragraph 1.1

<p>2. Estimated value</p>	<p>The estimated value for the total 60 months is approximately £2.25 million (excluding the leaseholder buildings insurance premiums, which are estimated to be at £16m for 5 years).</p> <p>The agreement is proposed to run for a period of up to 60 months.</p> <p>See paragraph 3.2.1</p>
<p>3. Timetable</p>	<p>Advert will be placed in early October 2022. Closing date for tender responses late November 2022.</p> <p>Contract will commence 1 April 2023.</p> <p>See paragraph 3.3</p>
<p>4. Options appraisal for tender procedure including consideration of collaboration opportunities</p>	<p>Outcome of options appraisal are described within this report.</p> <p>See paragraph 3.4</p>
<p>5. Consideration of:</p> <ul style="list-style-type: none"> • 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 3.4.5 to 3.4.8.</p>
<p>6. Award criteria</p>	<p>The price/quality breakdown is:</p> <ul style="list-style-type: none"> • 60% price • 40% quality <p>The award criteria for the quality element of the breakdown are still to be agreed across the 9 boroughs of the ILC.</p> <p>See paragraph 3.5</p>
<p>7. Any business risks associated with entering the contract</p>	<p>Business risks are described within this report</p> <p>See paragraph 3.6</p>
<p>8. Any other relevant financial, legal or other considerations.</p>	<p>See section 4 below.</p>

4. Implications

4.1. Financial Implications

- 4.1.1. The insurance arrangements, excluding the leaseholder buildings insurance, will be funded from Islington Council's insurance fund, which is supported by contributions from service departments. The value of the contracts, excluding the leaseholder buildings insurance, for Islington over the potential five-year duration of the contracts is estimated to be approximately £2.25m (£450k per annum). The premium expenditure for this financial year is approximately £404,000, so the estimated re-tender cost represents a 10% increase.
- 4.1.2. The leaseholder buildings insurance is recharged to leaseholders and is not a cost to the council. The estimated annual cost of this insurance re-tender is £3.2m per annum, £16m over five years. This represents a 10% increase over the current arrangement.

4.2. Legal Implications

- 4.2.1. The open procedure tender process is in accordance with the Council's procurement obligations under the Public Contracts Regulations 2015.
- 4.2.2. 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. The open procedure tender process is in accordance with the Council's procurement obligations under the Public Contracts Regulations 2015.

4.3. Environmental Implications and contribution to achieving a Net Zero Carbon Islington by 2030

- 4.3.1. The contracts will be delivered with the intention of keeping the carbon footprint to an absolute minimum. All documentation will be transmitted electronically as far as possible and meetings will be held virtually as much as possible to minimise travel requirements.

4.4. Equalities 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.

4.4.2. An Equalities Impact Assessment was completed in August 2022 and is appended.

5. Conclusion and Reasons for Recommendations

5.1. This report seeks approval to proceed with a collaborative procurement with the ILC for the Council's insurance policies. The new contract(s) will ensure that there is no break in the provision of these insurances for the Council.

Appendices:

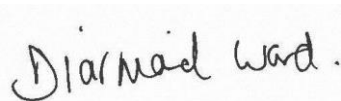
- Equalities Impact Assessment

Background papers:

- None.

Final report clearance:

Signed by:



Executive Member for Finance, Planning and Performance

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