

REPORT FOR: **CABINET**

Date of Meeting:	13 February 2014
Subject:	Buildings Insurance for Residential Leaseholders
Key Decision:	Yes
Responsible Officer:	Simon George, Director of Finance and Assurance
Portfolio Holder:	Councillor Barry Macleod-Cullinane, Portfolio Holder for Adults and Housing Portfolio Holder Councillor Tony Ferrari, Portfolio Holder for Finance
Exempt:	No, except for Appendix 1, which is exempt under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
Decision subject to Call-in:	Yes
Enclosures:	Appendix 1 – Tender Evaluation (Exempt) Appendix 2 – Price/Quality Ratio

Section 1 – Summary and Recommendations

This report sets out an overview and the outcome of the competitive tendering process undertaken to seek a new contract for the provision of buildings insurance for residential leaseholders.

Recommendations:

Cabinet is requested to approve the award of the contract for buildings insurance for residential leaseholders to Zurich Municipal for the period 1 April 2014 to 31 March 2017.

Reason: (For recommendation)

As freeholder, the Council is obliged to arrange buildings insurance for its residential leaseholders. The Long-Term Agreement (LTA) with existing insurers expires on 31 March 2014, hence it was necessary to re-tender the contract on behalf of leaseholders.

An open tender process was conducted according to EU procurement rules for Part A Service contracts.

A pre-defined evaluation model was constructed to fairly evaluate each tender against a set of criteria, which was approved by Procurement, Leasehold Services and leaseholder representatives.

Zurich Municipal achieved the highest total scores in the evaluation process.

Section 2 – Report**A. Introductory paragraph**

- 2.1 As freeholder, Harrow Council is obliged to arrange buildings insurance for residential leaseholders in respect of leasehold properties sold under Right to Buy legislation.
- 2.2 Following a full tendering exercise the Council entered into a five-year Long-Term Agreement (LTA) in 2009 with the present insurers, Zurich Municipal. The current LTA expires on 31 March 2014 and therefore it was necessary to re-tender this policy on behalf of Harrow's residential leaseholders, with the new arrangement to start on 1 April 2014.
- 2.3 In drafting the specification for the new contract input was sought from Leasehold Services, Legal Services and Procurement. Furthermore, leaseholder involvement was sought to represent the interest of leaseholders and, subject to some minor amendments, the specification was agreed by all parties.
- 2.4 Ahead of drafting the specification a Notice of Intention to enter into a Long Term Agreement was issued to all leaseholders and tenants

associations in accordance with Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002 (the "Act"). No formal observations were received in response to this consultation.

- 2.5 A further consultation is scheduled to take place with leaseholders and tenants associations following Cabinet approval to award the contract.

B. Background

Procurement

- 2.6 Harrow Council usually purchases its external insurance contracts as a member of the Insurance London Consortium (ILC), comprising nine London boroughs. However, the expiry of the LTA for this contract did not align with the other member boroughs, hence it was not possible to tender the contract as part of the ILC.
- 2.7 An open tender process was conducted according to the EU procurement rules for Part A Service contracts. Tenders were sought for a three year period to provide best value for leaseholders whilst providing security and financial stability. The three year contract will also align with future ILC tendering arrangements to facilitate the option of tendering as a member of the ILC for future contracts.
- 2.8 A notice was published in the Official Journal of the European Union on 15 November 2013.
- 2.9 Tenders were requested from insurers based on full standard Homeowners cover, the minimum specification being the level of cover provided to leaseholders under the current insurance contract.
- 2.10 In addition some enhancements to the existing levels of cover were requested to align the policy cover with standards typically now available under Homeowners insurance policies. These include loss of keys and resultant replacement locks and trace and access for water leaks. Tenderers were also requested to include terrorism cover in their quotations.
- 2.11 In order to make the claims process as seamless as possible for leaseholders some additional features were also requested around the claims handling process with tenderers asked to demonstrate various options for leaseholders to submit claims, including telephone and electronic reporting, in addition to the traditional paper claim form.

Evaluation of Tenders

- 2.12 The evaluation for the insurance tender is based on a Price:Quality ratio of 60:40. This was calculated according to the balance of importance between price and quality and was based on experience

from previous tenders and advice from independent insurance consultants. The evaluation model is attached as Appendix 2.

- 2.13 In order to provide certainty and stability to leaseholders, tenderers were required to meet a minimum financial rating before proceeding to the price and quality evaluations.
- 2.14 The points available under the quality evaluation were split evenly between policy cover and claims handling. Bids were scored based on the quality and extent of policy cover, the claims handling process, to include the means of contact available to claimants, customer care policies and service standards, and the availability of a 24 hour emergency service providing access to a network of local authorised contractors.
- 2.15 In response to the tendering exercise the Council received four bids, which is deemed to be a satisfactory response. Details of the combined price and quality evaluation are contained within Appendix 1 (Part II report).
- 2.16 Tenders were evaluated by officers from the Council's Insurance Service and Leasehold Services departments together with leaseholder representatives.

Implications of the Recommendation

- 2.17 All bids received will benefit leaseholders by providing insurance coverage exceeding the existing levels of cover and enhancements to the claims reporting process.
- 2.18 The tender submitted by the highest scoring bidder will result in a financial saving to all leaseholders.
- 2.19 Specific details of the cost implications are outlined in Appendix 1 (Part II report).

C. Options considered

- 2.20 As freeholder, the Council is obliged to arrange buildings insurance for residential leaseholders. The existing long-term agreement with insurers expires on 31 March 2014, hence there was no alternative to re-tendering the contract.

Legal Implications

The procurement process as detailed in this report meets the requirements of the Council's Contract Procedure Rules, EU procurement requirements and the Council's duty to secure best value under the Local Government Act 1999.

Consultations have been, and will continue to be carried out with leaseholders and tenants associations in accordance with the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002 (the "Act").

Financial Implications

The cost associated with the contract is specified in Appendix 1 (Part II report).

The cost of the insurance is recharged to leaseholders under the terms of their lease, therefore there are no financial implications for the Council.

Performance Issues

The award of the contracts will support the Council in providing value for money for leaseholders by striking a measurable balance between price and quality through evaluation criteria designed in a way to identify bids offering a quality service whilst offering best value insurance services.

There are no specific performance indicators affected by the award of the contracts.

In the event that the contracts were not awarded leaseholders would have no financial protection for their interest in their properties.

Environmental Impact

No Environmental Impact has been identified as a result of the proposed award of contract.

Risk Management Implications

Risk included on Directorate risk register? No

Separate risk register in place? No

The key risk is that a challenge is made, thus jeopardising the commencement date of the contract and potentially leaving the Council without adequate insurance. The risk of a successful challenge has been mitigated as far as possible, as the tender has been run in accordance with EU procurement rules supported by legal and procurement advice.

Risk of delivery failure is minimal with the supplier's financial status and standing required to meet minimum standards both at inception, and for the duration of the contract.

Equalities implications

No equalities implications have been identified as a result of the proposed award of contract.

Priorities

The decision to award this contract will support the Council in providing value for money for leaseholders by striking a measurable balance between price and quality through evaluation criteria designed in a way to identify bids offering a quality service whilst offering best value insurance services.

It supports the current administration's priority of fairness through the undertaking of a competitive tendering exercise that has delivered enhanced insurance cover and financial savings to leaseholders.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 13 January 2014		
Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 13 January 2014		

Section 4 – Performance Officer Clearance

Name: David Harrington	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Strategic Commissioning
Date: 20 January 2014		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker



on behalf of the
Corporate Director
(Environment &
Enterprise)

Date: 13 January 2014

Section 6 - Contact Details and Background Papers

Contact: Karen Vickery, Service Manager – Insurance
E-mail: Karen.vickery@harrow.gov.uk
DDI: 0208 424 1995

Background Papers: None

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]