
REPORT FOR: CABINET

Date of Meeting:	18 January 2018
Subject:	Council Insurance Renewals 2018
Key Decision:	Yes
Responsible Officer:	Dawn Calvert, Director of Finance
Portfolio Holder:	Councillor Adam Swersky, Portfolio Holder for Finance and Commercialisation
Exempt:	No, except for Appendix 2, which is exempt on the grounds that it contains “exempt information” 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
Wards affected:	All
Enclosures:	Appendix 1 – Evaluation Criteria Appendix 2 (Part II – Exempt) – Evaluation of Tenders

Section 1 – Summary and Recommendations

This report sets out an overview and the outcome of the competitive tendering process to seek new contracts through the Insurance London Consortium (ILC) for the provision of motor insurance, commercial property insurance, crime insurance, personal accident/business travel insurance and engineering inspections.

Recommendations:

Cabinet is requested to approve the award of the contracts for the provision of motor insurance, commercial property insurance, crime insurance, personal accident/business travel insurance and engineering inspections as specified in Appendix 2 (Part II report) from 1 April 2018 to 31 March 2023.

Reason:

Harrow is committed to the procurement of its major external insurance contracts through the Insurance London Consortium (ILC) under the terms of an agreement made in accordance with section 101 of the Local Government Act 1972 (the 'Section 101 Agreement') which has been effective since 2010.

An open tender process was conducted in accordance with the Public Contract Regulations 2015.

A pre-defined evaluation model was constructed to fairly evaluate each tender against a set of criteria established by the ILC and their appointed insurance brokers.

The bidders detailed in Appendix 2 (Part II report) achieved the highest total scores in the evaluation process.

Section 2 – Report

Introductory paragraph

1. Harrow Council is a member of the Insurance London Consortium (ILC), a group of nine London boroughs whose aim is to reduce the cost of risk through a long-term collaborative commitment to risk management excellence and to achieve value for money in relation to the cost of the Council's insurance through economies of scale.

2. The other member boroughs of the Consortium are Camden, Croydon, Haringey, Islington, Kingston, Lambeth, Sutton and Tower Hamlets.
3. Members are committed to the Consortium under a Section 101 Agreement, which was signed in 2010 with the approval of the Council's Legal Services team.
4. Each member borough has a nominated representative and all boroughs have equal voting rights.
5. Croydon is appointed as the Accountable Body and therefore, under the Section 101 Agreement, is the contracting party on behalf of the Consortium in relation to commercial contracts, subject to the achievement of a majority vote.
6. The ILC strategy is to include all major insurance policies within its remit upon the expiry of existing long-term agreements.

Background

7. The existing long-term agreements for motor, commercial property, crime, personal accident/ business travel, school journey insurance and the engineering inspection contract for the ILC all expire on 31 March 2018.
8. The expiring contracts have therefore been re-tendered by the ILC as separate lots, as follows:

Lot 1	Motor
Lot 2	Commercial Property
Lot 3	Engineering Inspection
Lot 4	Crime
Lot 5	Personal Accident & Business Travel
Lot 6	School Journey

9. Harrow did not participate in Lot 6 School Journey, as our existing long-term agreement for this contract does not expire until 31 March 2019.

Procurement

10. As the Accountable Body, Croydon led the procurement exercise on behalf of all Consortium members.
11. Historically there have been very few insurers prepared to underwrite local authority business although recent times have seen some new emerging markets with the appetite to underwrite the business. In order to encourage maximum participation in the tender external insurance brokers, Aon UK Ltd, were engaged on behalf of the Consortium.

12. An open tender process was conducted according to the EU procurement rules.
13. Tenders were required to enter into a contract for a period of five years to ensure continuity of cover for the Council.
14. In an attempt to maximise the number of insurers responding to the tender the following actions were taken:
 - Market feedback was sought by the brokers prior to the commencement of the tender in order to understand the issues insurers experienced with Consortium tenders
 - A fully attended market presentation was undertaken at the broker's premises in order for bidders to appreciate the Consortium's approach to the tender and raise any questions or concerns about the process
 - Market feedback indicated that some insurers only bid for certain lines of business where a significant level of self-insurance is retained by the insured party. Member boroughs endeavoured to streamline their insurance requirements as far as possible within their respective risk appetite.

Evaluation of Tenders

15. The contract will be awarded to the most economically advantageous tender in terms of value for money and quality. The evaluation of the quality criteria considered policy wordings, claims handling requirements and value added services.
16. The detailed evaluation criteria is set out under Appendix 1.
17. The balance between price and quality for each lot is based on experience from previous tenders and advice from brokers. The breakdown for the lots in which Harrow is participating is specified in the table below.

Lot	Price %	Quality %
Lot 1. (Motor)	70	30
Lot 2. (Commercial Property)	70	30
Lot 3. (Engineering Inspection)	60	40
Lot 4. (Crime)	70	30
Lot 5. (Personal Accident & Business Travel)	70	30

18. Bidders were requested to price for each Consortium member according to their individual insurance requirements and claims experience to ensure there was no cross-sharing of risk.
19. Bidders were required to demonstrate compliance to the tender specification and meet minimum financial standards before proceeding to the value for money and quality evaluations.
20. The quality evaluation was undertaken at Consortium level, rather than for each borough, as all Consortium members benefit equally from any policy enhancements available.
21. The individual prices per borough were then added together and the price evaluation was based on the total Consortium price.
22. The winning tender for each lot was then decided on the basis of the highest scoring bid for the Consortium as a whole.
23. Details of the value for money evaluation scores specific to Harrow are contained within Appendix 2 (Part II report).

Implications of the Recommendations

24. The retendering of these contracts will deliver savings to the Council of approximately £50,000 per annum. Specific details are outlined in Appendix 2 (Part II report).

Options considered

25. Harrow is obliged to re-tender its major insurance contracts through the ILC under the terms of the Section 101 Agreement. Accordingly, there was no alternative to re-tendering the insurance contracts as part of the Consortium.
26. Whilst the Council accepts a large element of risk with regards to insurance claims and maintains an insurance fund to cover such eventualities, it is unable to accept open ended insurance risks hence the requirement for insurance cover. 'Catastrophe' cover is therefore procured through the insurance market.

Performance Issues

27. The award of the contracts will support the Council in providing value for money by striking a measurable balance between value for money and quality through an evaluation criteria designed in a way to identify bids offering a quality service whilst offering best value insurance services.
28. There are no specific performance indicators affected by the award of the contracts.

29. In the event that the contracts were not awarded the Council would have no financial protection for some of its assets and liabilities and would be faced with unlimited potential financial liability for certain claims made by and against the Council.

Environmental Implications

30. 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 if a procurement challenge is made, it will jeopardise the commencement date of the contract and potentially leave 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 legal and procurement advice sought by the Accountable Body.

Risk of delivery failure is minimal, as the supplier's financial status and standing has been checked to ensure they have met required minimum standards.

Legal Implications

ILC members are committed to the Consortium under a Section 101 Agreement. Under the terms of the Agreement a member borough must give twelve months-notice of their intention to withdraw from the Consortium. The Council is therefore contractually bound at this time to participate in the collaborative procurement.

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

Financial Implications

The re-tendering of these contracts will deliver savings to the Council of approximately £50,000 per annum.

The total revenue cost associated with the contract is specified in Appendix 2 (Part II report).

There is sufficient budget provision to cover the cost of the insurance premiums.

Equalities implications / Public Sector Equality Duty

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

Council Priorities

The decision to award this contract will support the Council's priorities and values by achieving a measurable balance between value for money and quality whilst ensuring the Council's insurance arrangements offer suitable and adequate financial protection for the delivery of its priorities and services.

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 7 December 2017		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 5 December 2017		

Ward Councillors notified:	NO
EqIA carried out:	NO
EqIA cleared by:	No equalities implications have been identified as a result of the proposed award of contract

Section 4 - Contact Details and Background Papers

Contact: Karen Vickery, Service Manager – Insurance
DDI: 020 8424 1995 E-mail: Karen.vickery@harrow.gov.uk

Background Papers: None

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

NOT APPLICABLE

[Call-in applies]