

**For General Release**

<b>REPORT TO:</b>	<b>Cabinet Member for Finance and Treasury</b> <b>22 January 2018</b>
<b>AGENDA ITEM:</b>	<b>background paper to Investing in our Borough report - Cabinet 220118</b>
<b>SUBJECT:</b>	<b>Award of Contract for Leaseholder Property Insurance</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson, Executive Director of Resources &amp; S151 Officer</b> <b>Malcolm Davies, Head of Risk &amp; Corporate Programme Office</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>

**CORPORATE PRIORITY/POLICY CONTEXT/AMBITIOUS FOR CROYDON:**

Through the combined and focused purchasing power of the Insurance London Consortium of which Croydon is the Accountable Body, the outcome of the procurement exercise, and the recommended award of the contract, continues to meet the objectives of improving value for money which in turn supports all of the Priorities of the Council.

**FINANCIAL IMPACT:**

There is no financial impact to the London Borough of Croydon. Croydon is contractually bound to purchase property insurance cover for its leaseholders ("Leaseholders). Croydon pays the premium and collects it back from the Leaseholders together with an administration fee.

Compared to the 2017/18 premium, Croydon Leaseholders will save in total premium £8,576 for the forthcoming insurance year.

**KEY DECISION REFERENCE NO.:** 0218FT

This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.

The Leader of the Council has delegated to the nominated Cabinet Member the power to make the decisions set out in the recommendations below

**1. RECOMMENDATIONS**

The Cabinet Member for Finance and Treasury is recommended to:

- |     |   |
|-----|---|
| 1.1 | in consultation with the Leader, approve the award of contract for Leaseholder Property Insurance Services to the successful Contractor upon the terms detailed in the associated Part B report, for a maximum contract term of five (5) years. |
| 1.2 | note that the name of the successful Contractor will be published upon conclusion of the standstill period required under regulation 87 of the Public Contract Regulations 2015.  |

## 2. EXECUTIVE SUMMARY

- 2.1 In 2009, a group of 8 London boroughs, including the London Borough of Croydon, set up the Insurance London Consortium (ILC) in order to manage their joint insurance arrangements. The Insurance London Consortium has now expanded to 9 Boroughs with the inclusion of the London Borough of Sutton. The ILC is a formal body set up under an S101 agreement in accordance with the Local Government Act 1972, with Croydon as the Accountable Body. One of this Council's responsibilities is to undertake tenders on behalf of the ILC members.
- 2.2.1 It is the aim of the member of the consortium that all tenders related to insurance and associated services are managed within the ILC (albeit the members are not formally contracted to do so under the S101 agreement), following consultation with Leaseholders in the ILC Boroughs which, 7 of the 9 Consortium members took part in this exercise (the other two were tied to a long term agreement with their current insurer).
- 2.3 Leaseholder properties in this context are those which have been sold to Council housing tenants on a 'right to buy' basis – around 2,200 properties. Whilst these properties are therefore owned by third parties, as the majority adjoin Council owned properties (e.g. in a block of flats), they were sold on the basis that the Council would arrange insurance cover for the property (excluding contents). This ensures that the Council is not exposed to uninsured risks, and includes 'common parts' such as stairwells and hall ways, and alleviates any administrative issues around Leaseholders arranging their own insurance (i.e. seeing proof of cover).
- 2.4 The strategy for this approach to the market was approved by the Contracts and Commissioning Board on 09/06/17 CCB1238/17-18.
- 2.2 The content of this award report has been endorsed by the Contracts and Commissioning Board.

CCB Approval Date	CCB ref. number
11 <sup>th</sup> December 2017	CCB1310/17-18

## 3. DETAIL

### 3.1 Procurement

Acting in its capacity as the Accountable Body (and Contracting Authority), Croydon undertook a procurement exercise on behalf of Insurance London

Consortium members. The tender sought Leaseholder Insurance for a contract term of five years.

All procurement activities were undertaken in compliance with the Public Contracts Regulations 2015, the approved procurement strategy and the Council's Tenders and Contracts Regulations. Tenders for the provision of Leaseholder Insurance were invited via the publication of a contract notice in the Official Journal of the European Union (OJEU) [2017/S 172-352351](#).

In accordance with the approved procurement strategy; an open procurement procedure was undertaken and in response to the OJEU notice there were 5 responses as opposed to the 1 or 2 we would normally receive for this type of insurance.

### 3.2 Participation

Standard ILC procurements award on a 'winner takes all' basis, hence there is only one insurer (per cover type) for the Consortium members. It was agreed however that each Borough would be evaluated in its own right to ensure that their individual requirements, and the importance put on such by their Leaseholders, were met.

An exercise, which proved to be successful, was also undertaken to generate interest outside of the normal public sector insurance markets.

### 3.3 Approach

In line with the previous, successful ILC tenders, the basis of contract award was the most economically advantageous tender in terms of Value for Money and Quality. The tender process was designed to look at both Value for Money (price) and Quality (variations and loss ratio) to establish the most competitive bid, per ILC member. Leaseholders were consulted as to the importance to them of price as against service as part of the tender process.

It should be noted that the tender value for each ILC member was priced according to their individual insurance requirements and claims experience, and therefore there is no cross sharing of risk.

In total 5 bids were received, however one bid was rejected as the bidder was unable to offer full terrorism cover to Leaseholders which was a specific requirement.

The remaining 4 bids were evaluated using the following criteria:

The value for money criteria considered:

- Price

Quality/Value Added Services considered:

- Cover enhancements i.e. wider policy wordings
- Commitment to stability of rates
- Value added services such as loss control grants

The Value for Money and Quality scores were added together and the provider recommended for contract award is the one with the highest combined Price and Quality score.

Below is a table showing the **allocation of weightings and scores achieved**:

<b>Criteria</b>	<b>Weighting</b>	<b>Bidder A</b>	<b>Bidder B</b>	<b>Bidder C</b>	<b>Bidder D</b>
<b>Price</b>	<b>70%</b>	59.8	70.0	50.4	48.1
<b>Quality Variations</b>	<b>21%</b>	16.6	20.6	17.2	16.4
<b>Quality Loss Ratio</b>	<b>9%</b>	5.0	5.5	4.0	4.5
<b>Total</b>	<b>100%</b>	81.4	<b>96.1</b>	71.6	69.0

The results of the evaluation concluded that bidder B submitted the most economically advantageous tender.

### 3.5 **Effect of Award for London Borough of Croydon**

The Council has achieved a cash saving of £8K (based on current spend), for Leaseholders, reducing the spend from £254K to £246K.

In addition an agreed cap on increases in future premium regardless of performance was achieved.

The latter ensures stability for the Leaseholders and prevents the insurer from withdrawing from their long term agreement at short notice and we believe that the result is a good deal for local people.

## 4. **CONSULTATION**

4.1 Consultation was undertaken with the Leaseholders in line with the requirements of Section 20 of the Landlord and Tenant Act 1985 (as amended by Section 150 of the Commonhold and Leasehold Reform Act 2002). Prior to release of the tender, the Leaseholder Panel was consulted and letters were sent to all Leaseholders explaining how the Council proposed tendering, and allowing them the requisite 30 days to respond. Post tender, further correspondence detailing the result, and explaining that the supplier with the top overall score will be recommended for the contract, is to be sent to all Leaseholders, again allowing them 30 days to comment on the result.

Colleagues from the Place Department were also consulted as part of the process due to their relationship with the key stakeholder group (i.e. Leaseholders).

## 5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

- 5.1 There are no adverse financial considerations to this report. Costs for managing the contract on behalf of Leaseholders are covered by an administration fee charged to the Leaseholders.
- 5.2 Whilst there is a cost element involved in the ILC project and the tender exercise, all costs are spread equally amongst all of the participating authorities and is therefore minimal for the participants.

5.3

### 1 Revenue and Capital consequences of report recommendations

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2017/18 £'000	2018/19 £'000	2019/20 £'000	2020/21 £'000
<b>Revenue Budget available</b>				
Expenditure	254.7	246.1	246.1	246.1
Income				
<b>Effect of decision from report</b>				
Expenditure	254.7	246.1	246.1	246.1
Income				
<b>Remaining budget</b>	0	0	0	0

2 **The effect of the decision:** Nil impact

3 **Risks:** Risks for Leaseholders have been minimised through the tender process, with the supplier's financial status and standing being ascertained through their Standard & Poors rating 'A' or equivalent.

4 **Options** N/A

5 **Future savings/efficiencies:** There are no foreseeable future savings unless claims experience improves to set standards.

There are no further financial considerations arising from this paper.

Approved by: Ian Geary on behalf of the Head of Finance.

## 6. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

- 6.1 The Council Solicitor comments that the procurement process as detailed in this report is in accordance with the Council's Tenders and Contracts regulations and the Council's duty to secure best value under the Local Government Act 1999.

Approved by: Sean Murphy, Head of Commercial and Property Law & Deputy Monitoring Officer, on behalf of the Director of Law & Monitoring Officer.

**7. HUMAN RESOURCES IMPACT**

7.1 There are no immediate human resource impacts arising from this report.

Approved by: Gillian Bevan on behalf of the Director of Human Resources.

**8. EQUALITIES IMPACT**

8.1 There are no equalities issues arising from this report. An EAI has been undertaken showing no further action required.

**9. ENVIRONMENTAL IMPACT**

9.1 There are no environmental impacts arising from this report.

**10. CRIME AND DISORDER REDUCTION IMPACT**

10.1 There will be no direct impact on crime and disorder.

**11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

11.1 Following the evaluation of tenders, the award recommendation being made is to the bidder that offered the most economically advantageous tender.

**12. OPTIONS CONSIDERED AND REJECTED**

12.1 The Council is obliged to arrange property insurance for Council Leaseholders therefore there weren't any alternative courses of action to pursue.

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**CONTACT OFFICER:**

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**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972**

*None*