

 <b>Brent</b>	<b>Cabinet</b> 13 August 2018
	<b>Report from the Strategic Director of Resources</b>
<b>Authority to Award Contract for Insurance Services</b>	

<b>Wards Affected:</b>	All
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt – Appendix 1, 2 and 3 are exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
<b>No. of Appendices:</b>	Three: <ul style="list-style-type: none"> <li>• Bidding Contractors</li> <li>• Tender Valuation Grids</li> <li>• Comparison of Cost</li> </ul>
<b>Background Papers:</b>	N/A
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Andrew Ward Head of Finance Email: <a href="mailto:andrew.ward@brent.gov.uk">andrew.ward@brent.gov.uk</a> Tel: 020 8937 6462

## 1.0 Purpose of the Report

- 1.1 This report requests authority to award contracts as required by Contract Standing Order 88. This report summarises the process undertaken in tendering this contract and following the completion of the evaluation of the tenders, recommends to whom the contract should be awarded.

## **2.0 Recommendations**

That Cabinet:

- 2.1 Approves the award of contracts for Lots 1,2,3,4 and 5 of the Council's insurance services contracts to Zurich Municipal for a period of 3 years with an option to extend for a period of 2 years from 1<sup>st</sup> October 2018;
- 2.2 Approves the award of the contract for Lot 6 of the Council's insurance services contract to Charles Taylor for a period of 3 years with an option to extend for a period of 2 years, from 1<sup>st</sup> October 2018.
- 2.3 Delegates authority to the Strategic Director of Resources in consultation with the lead member for resources, to award the contract for Leaseholder insurance for a period of 3 years with an option to extend for a period of 2 years from 1 November 2018 for the reasons detailed in paragraph 3.9.

## **3.0 Detail**

### ***Background***

- 3.1 The current programme of insurance is placed with Zurich Municipal (Property / Casualty, Fidelity Guarantee, Motor Fleet), Chubb (Group Personal Accident and Travel & School Journey) and Certain Underwriters at Lloyds (Terrorism). The Long Term agreements for all of the above insurances are due to expire on 30<sup>th</sup> September 2018, having previously been renewed, and it was necessary for the Council to undertake a tender exercise to ensure contracts are in place prior to this date.
- 3.2 A separate insurance policy which is recharged to leaseholders in buildings for which the freehold is held by Brent council, is due to expire on 31 October 2018. The council has a duty to secure value for money on behalf of these residents and so this policy was tendered concurrently to the main tender exercise.
- 3.3 Cabinet approval was obtained on 11 September 2017, to invite tenders for comprehensive insurance services to cover on equivalent terms to the existing contracts for the Council's property, liability, fidelity guarantee, motor fleet, group personal accident, travel and school journey and terrorism risk classes. The limit of indemnity requested for public and employee liability was increased from £35M to £50M, partly in recognition of former BHP activities having been brought back in house to the council.
- 3.4 The new contract will be let using a long term agreement for 3 years plus a possible extension of 2 years.
- 3.5 The procurements were undertaken by the Insurance team who were advised by the Council's insurance broker JLT Public Sector Risk Practice with the assistance of the Council's in-house procurement team.

### ***The Tender Process***

- 3.6 The contract opportunity for the contract was advertised in April 2018 on the Official Journal of the European Community (OJEU), and the London Tender Portal, inviting tenders under the open procedure.
- 3.7 All of the tenders who submitted tenders were required to have at least an A-rating with Standard and Poors ( company specialising in financial research and analysis), and be on JLT's (the council's insurance broker) list of approved insurers.
- 3.8 The contract for general insurance was divided into 6 distinct lots and the Invitation to Tender stated that the contract would be awarded on the basis of the most economically advantageous tender in terms of price and quality. Leasehold insurance was similarly evaluated on the basis of the most economically advantageous tender in terms of price and quality. The overarching evaluation criteria are shown in Table 1 below and the quality evaluation criteria was designed so that suppliers could demonstrate they would be able to deliver the required level of cover and service in terms of:
  - The insurance cover offered
  - The claims service
  - Added value and innovation

**Table 1:**

Lot		No of Tenderers	Criteria and Weightings			
			Price	Cover	Claims Service	Added Value and Innovation
1	Property comprising Material Damage including General Properties, Education Properties, Housing Properties, Industrial and Commercial Properties, Business Interruption and Specified All Risks	3	60%	20%	5%	15%
2	Casualty comprising Employers Liability, Public & Products Liability (including Libel and Slander), Officials Indemnity (including Land Charges and Public Health Act cover), Professional Indemnity	3	60%	20%	10%	10%
3	Fidelity Guarantee	4	60%	20%	5%	15%
4	Motor Fleet	3	60%	20%	10%	10%
5	Group Personal Accident and Travel & School Journey	2	60%	20%	10%	10%
6	Terrorism	2	60%	20%	5%	15%
	Leasehold Insurance	4	60%	20%	15%	5%

- 3.9 The Leaseholder insurer policy is arranged by Brent Council and equivalent terms to the existing cover were also put out to tender via the London Tender Portal. Although the tenders have been received and evaluated, the recommendation needs to be put out for a second 30 day consultation with leaseholders. In the circumstances, delegated authority to award this contract is sought and Officers will report to the Strategic Director of Resources the final outcome of the Leasehold Insurance Services procurement following this second consultation period seeking authority to award.

### **Evaluation process**

- 3.10 The tender evaluations were carried out by a panel of officers from the insurance team, which is part of financial services, together with a procurement officer and a representative from the Council's appointed insurance broker, JLT.

- 3.11 The panel met on 22 June 2018 and 29 June 2018, and each submission was marked by the whole panel against the award criteria.
- 3.12 The names of the tenderers are contained in Appendix 1. The scores received by the tenderers are included in Appendix 2. It will be noted that Tenderer C was the highest scoring tenderer for Lots 1, 2, 3, 4 and 5. Officers therefore recommend the award of the contracts for these Lots to Tenderer C, namely Zurich Municipal.
- 3.13 Tenderer G was the highest scoring tenderer for Lot 6. Officers therefore recommend the award of the contract for this Lot to Tenderer G, namely Charles Taylor.
- 3.14 Appendix 2 also includes the scoring for the leaseholders insurance. The recommendation which will be put out for the second mandatory consultation period with leaseholders is that the highest scoring tenderer (Tenderer A) should be awarded this contract.
- 3.14 These contracts will commence on 1 October 2018 subject to the Council's observation of the requirements of the mandatory standstill period noted in paragraph 5.3 below.

#### **4.0 Financial Implications**

- 4.1 The Council's Contract Standing Orders state that contracts for services exceeding £2million shall be referred to the Cabinet for approval of the award of the contract.
- 4.2 The estimated value of the contracts under Lots 1,2,3,4 and 5 is £553,382 per annum, £2,766,908 over the three year period of the contract including the option to extend for 2 years. The value of Lot 6 is £37,395 per annum, and over the same period including the extension is £186,975. The total saving over the 3 years is £500,000.

The estimated value of the contract for Leasehold insurance is £656,054 per annum, £3,280,270 over the three year period of the contract plus the optional 2 year extensions.

- 4.3 The cost of these contracts will be funded from the general fund insurance budget and the Housing Revenue Account insurance budget. The cost of leasehold insurance is recovered from leaseholders.
- 4.4 Appendix 3 compares the cost of the recommended contracts against the cost for the previous 12 month period to demonstrate the savings achieved through the tendering process. The total saving split across the General Fund and HRA budgets is £290K per annum. The total saving over the 3 years is £860K.

#### **5.0 Legal Implications**

- 5.1 The estimated value of contracts under a number of the Lots over their lifetime is in excess of the EU threshold for services and the award of these contracts are therefore governed by the Public Contracts Regulations 2015 (the “EU Regulations”). Paragraph 3 of this report details the procurement process used to procure this contract in accordance with the requirements of the EU Regulations
- 5.2 The award of the contract for leaseholder insurance is subject to the Council’s own Standing Orders in respect of High Value contracts and Financial Regulations and as such Cabinet approval is required for award. The value of the individual contracts for the other lots does not strictly require Cabinet approval but the combined value is such that it is considered appropriate to seek Cabinet approval.
- 5.3 Recommendation 2.3 seeks delegated authority to the Strategic Director of Resources to award the contract for leasehold insurance for the reasons set out in paragraph 3.9. Before the award of the contract, the Council must serve a notice of proposal on the leaseholders pursuant to the Service Charges (Consultation Requirements) (England) Regulations 2003. The consultation period will last 30 days from the date of the notice during which leaseholders can make observations regarding the proposed award. The council must respond to observations that have been made under the consultation process regarding the proposed award of the contract. The Strategic Director of Resources must have regard to the observations before making any decision to award the contract.
- 5.3 The Council is required under the EU Regulations in respect of certain of the contracts to observe the mandatory minimum 10 calendar day standstill period before they can be awarded. Therefore once the Cabinet has determined which tenderer should be awarded the contracts, all tenderers will be issued with written notification of the contract award decision. A minimum 10 calendar day standstill period will then be observed before any of the contracts are concluded – this period will begin the day after all Tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the EU Regulations. As soon as possible after the standstill period ends, the successful tenderer will be issued with a letter of acceptance and the contract can commence as recommended.

## **6.0 Equality Implications**

- 6.1 The proposals in this report have been subject to screening and officers believe that there are no equality implications.

## **7.0 Consultation with Ward Members and Stakeholders**

- 7.1 Not applicable.

## **8.0 Human Resources/Property Implications**

- 8.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the contract.

## **9.0 Public Services (Social Value) Act 2012**

- 9.1 The Council is under duty pursuant to the Public Services (Social Value) Act 2012 (“the Social Value Act”) to consider how services being procured might improve the economic, social and environmental well-being of its area; how, in conducting the procurement process, the Council might act with a view to securing that improvement; and whether the Council should undertake consultation. The ability to take social value into account in contracts of this nature is extremely limited although as indicated in the report to Cabinet dated 11 September 2017, the decision to tender a block contents insurance policy gives council tenants access to insurance cover that they otherwise may not be able to secure at the competitive rates the council is able to secure due to its buying power and economies of scale.

**Report sign off:**

**ALTHEA LODERICK**  
Strategic Director of Resources