

## PART A GENERAL RELEASE

Date of meeting	13 <sup>th</sup> January 2022
By	Malcolm Davies, Head of Fraud, Risk and Insurance
Title	Corporate Property, Terrorism and Casualty insurance
Project Sponsor	Richard Ennis Corporate Director Resources
Corporate Director	Richard Ennis Corporate Director Resources
Lead Member	Cabinet Member for Resources and Financial Governance, Councillor Young
Key Decision	<u>0222RFG.</u>

**1. Recommendations**

The Contracts and Commissioning Board is asked to recommend to the Cabinet Member for Resources and Financial Governance, in consultation with the Leader to approve the award of three contracts in accordance with Regulation 28.4c of the Council's Tenders and Contracts Regulations as set out in the detail below:

The Leader of the Council has delegated to the Cabinet Member for Resources and Financial Governance the power to make the decisions set out in the recommendations below:

## DRAFT RECOMMENDATIONS

1. the Cabinet Member for Resources and Financial Governance, in consultation with the Leader, is recommended by the Contracts and Commissioning Board to approve the contract awards in accordance with Regulation 28.4(c) of the Council's Tenders and Contracts Regulations for
  - (a) a contract for Lot 1 Property Insurance to BIDDER P1 (named in the part B report) for an initial period of 3 years with 2 extension options each of 12 months for a maximum period of five years (3+1+1) and for the value set out in part B
  - (b) a contract for Lot 2 Terrorism Insurance to BIDDER T1 (named in the part B report) for an initial period of 3 years with 2 extensions each of 12 months for a maximum period of five years (3+1+1) and for the value set out in part B.
  - (c) a contract for Lot 3 Casualty Insurance to BIDDER C3 (named in the part B report) for an initial period of 3 years with 2 extension options each of 12 months for a maximum period of five years (3+1+1) and for the value set out in part B

Note the bidders' names and contract values are set out in the Part B report and will be published following contract award.

**2. Background & strategic context**

This report sets out the procurement conducted in accordance with the approved strategy (19/8/21 ref CCB1688/21-24) to run an Open tender as lead borough on behalf of the London Borough London Insurance Consortium (ILC) and recommends a contract award for each of the three Lots tendered.

The council is approaching the end of an existing five year long-term agreement with our current insurers for the Council's corporate property and liability insurances and therefore we have retendered. This has been done by way of a review of our current insurance arrangements and a full marketing and retender exercise to identify the most economically advantageous

tender to protect the financial position of the Authority. This review of our current basis of cover included policy wordings, and extension of covers.

### 3. Contract Providing for a Statutory Requirement

The decision to insure is driven by our general obligations under the various local government acts including the 1972 Local Government Act to protect the financial position and stability of the authority and protecting it against catastrophic financial losses which is achieved through insurance/risk transfer. In addition there are specific obligations to insure including the Employer Liability Compulsory Insurance Act.

Croydon Council is the accountable body for the nine London Borough London Insurance Consortium (ILC) which is governed by a Section 101 agreement under the 1972 Local Government Act and as part of these duties Croydon acts as the lead borough for insurance procurement exercises which we have committed to.

The member boroughs are:

Camden Council, Croydon Council, Haringey Council, Harrow Council, Islington Council, The Royal Borough of Kingston-upon-Thames, Lambeth Council, Sutton Council, Tower Hamlets

### 4. Financial implications

#### Essential Spend

Corporate insurance cover meets the essential spend criteria on the basis of mitigating in year additional costs of catastrophic claims which would otherwise be uninsured. Without insurance cover Croydon and the other boroughs involved in this process could face crippling financial liabilities associated with large-scale losses. An example of this within London boroughs is the Grenfell Tower disaster, with potential legal liabilities and responsibilities to those affected by the disaster both killed and injured running into the hundreds of millions and in addition the loss of the tower block and associated costs also potentially running into the hundreds of millions of pounds. These are the covers that we are procuring and therefore falls within the essential spend criteria. In addition covers include statutory covers such as Employer Liability (Employer Liability Compulsory Insurance Act).

#### Remuneration

As lead borough Croydon will also be remunerated for time and costs expended in the delivery of the procurement project and will charge the other members costs. Croydon is indemnified in respect of our role as procurement lead by way of a S101 agreement.

The arrangement of being able to recover costs from eight other London boroughs to run this procurement exercise represents a significant financial gain for Croydon. There is a degree of extra work and overhead dealing with queries from the other eight authorities, as well as for example the procurement strategy, marketing, requirements gathering, portal management, clarifications, evaluation and award which all need to be completed by Croydon on behalf of the other boroughs as well as in respect of our own insurance covers. To be remunerated by eight other London boroughs for this work is a very good outcome for Croydon in addition to the favourable outcome of the tender itself and is considered to be a very good example of local government partnership working for the benefit of the public purse as a whole by managing the tender process on behalf of the other boroughs.

Existing revenue budget is available for the three contracts for the term of 5 years.

Budget information is set out in more detail in Part B.

A corporate target of a £100K saving was set for this tender, which has been met.

## 5. Supporting information

5.1	<p>Procurement Process followed: Incl. details of the competition, advertisement, tenders received and any clarifications or issues.</p>	<p>An Open Tender process was followed.</p> <p>In addition to the usual routes for publicising tenders and use of the London tenders portal, a potential insurer/bidders open Day was held to promote the tender and competition. This was done in the acknowledgement that the insurance market is particularly challenging at the current time.</p> <p>A large number of clarifications and bidders questions were raised by bidders in respect of each member authority requiring details on risks, claims, and cover required which were handled via the London tenders portal and shared with all bidders.</p> <p>Open tender issued on 5/10/21 Tender Return date 12/11/21</p> <p>Lot 1 Property: 2 compliant bids received and were evaluated.</p> <p>Lot 2 Terrorism: 4 bids received, 2 were non-compliant. One failed to submit complete pricing. Another did not complete the form of tender. Two bids were evaluated.</p> <p>Lot 3 Casualty: 3 compliant bids received and evaluated.</p> <p>Across all the Lots a total of 6 bidders opted out for the following reasons:</p> <ul style="list-style-type: none"> <li>• Unable to meet requirements</li> <li>• Unable to supply</li> <li>• Unable to be competitive</li> <li>• Not related to our field of business</li> <li>• Not related to our field of business</li> <li>• Unable to supply</li> </ul>
5.2	<p>Evaluation results: Incl. each providers scores in accordance with the published criteria. Winning providers VFM offer</p>	<p>Summary scores provided below: Each winning bidder identified submitted the lowest combined value prices and submitted compliant quality tenders.</p>

### LOT 1 Property

	Price Score	ASL Quality Score	Other Quality Score	Total Quality Score	Total Score
<b>BIDDER P1 Preferred Bidder</b>	600	64	150	214	814
<b>BIDDER P2</b>	398	100	190	290	688

### LOT 2 Terrorism

	Price Score	Quality Score	Total Quality Score	Total Score
<b>BIDDER T1 Preferred Bidder</b>	600	370	370	970
<b>BIDDER T2</b>	562	305	305	867

**LOT 3 Casualty**

	Price Score	ASL Score	Quality Score	Total Quality Score	Total Score
<b>BIDDER C1</b>	459	85	165	250	709
<b>BIDDER C2</b>	331	83	185	268	599
<b>BIDDER C3 Preferred Bidder</b>	600	100	160	260	860
5.3	Any compliance issues with PCR or TCR?	<p>Fully compliant with PCR. Waivers to TCR respect of two elements were approved in the strategy as set out below.</p> <p>Price/quality ratio (60 price/40 quality). This is because this is a price led procurement exercise to purchase a financial product for risk transfer for catastrophic incidents only. This means on a day to day basis there is no 'service' delivered in the individual boroughs against which we could assess quality. So the most pressing consideration is cost effectiveness of the risk transfer achieved.</p> <p>Croydon T&amp;Cs will not apply to this contract, as insurance market practice is that the insurance policy issued is the contract. This is a standard approach in the market.</p>			
5.4	Contract Management: Please detail how this will be delivered and by who?	As per current approach contract management will be undertaken by Croydon Council on behalf of the nine London boroughs. There is an existing project board and contract board.			
5.5	Risks: Incl. how they will be managed	<p>There are no major risks associated with these contracts. The procurement process was compliant and suitable information provided to bidders to allow them to formulate their offers.</p> <p>An interdependency risk is set out in section 5.9</p>			
5.6	Mobilisation plan How will it be managed?	Mobilisation will be managed by the Head of Fraud, Risk and insurance for Croydon supported by Aon as the current ILC brokers/risk advisers and in accordance with the plans set out in the supporting documentation of the winning bidders. Bidders were asked to provide statements in respect of mobilisation.			
5.7	Decommissioning plans: How will they be managed between providers?	There is no decommissioning as claims made for existing policy years will continue to be dealt with under the old arrangements. New claims will be arranged with any new providers.			
5.8	TUPE: If applicable, how will it be managed?	N/A Tupe is not applicable to any of the contracts.			
5.9	Interdependencies – If any: Incl. details of any arrangements i.e. Landlords, Consortiums, Assets connections and how they will be managed	The main interdependency risk is that because this a group award across 9 London Boroughs, all 9 need to have completed their award process in time for 31 March 2022 inception date. All member boroughs have indicated they are on target.			
5.10	GDPR implications: Has an assessment been completed, do legal know to include in t&cs?	<p><i>Further information and support can be found at the link below:</i> <a href="https://intranet.croydon.gov.uk/resources/information-management/gdpr/gdpr-overview">https://intranet.croydon.gov.uk/resources/information-management/gdpr/gdpr-overview</a></p> <p>N/A as no personal identifier data/information is shared with the insurer. Claims are handled in house.</p>			

5.11	Equalities: Please confirm how the proposed contract will support the EQIA?	No further implications for this risk transfer product. A previous equality analysis showed that effect on protected groups.  It is important to note that none of these corporate insurance covers are provided to residents, customers, or employees but instead provides financial cover directly to Croydon Council itself and therefore the equalities impact is considered to be neutral
5.12	Social Value: Please confirm how the providers will deliver the 10%?	10% was allocated to social value. The preferred bidders for each Lot set out their social value offers.  The ILC are committed to delivering Social Value within their contracting arrangements. The successful tenderers have set out how they will support this aspiration in relation to the delivery of services required.  A range of proposals across the Lots included Community support projects Mentoring and training Volunteering schemes Apprenticeships  Details are set out in Part B.
5.13	London Living Wage (LLW): Please confirm the provider pays LLW?	Each bidder confirmed LLW is payable
5.14	Premier Supplier Scheme (PSP): Please confirm this is included in the requirements	Not included because not all boroughs operate such a scheme and we could not evaluate on a common basis for all boroughs. However the council will be able to approach the successful bidders on conclusion of contracts and issue and invitation to join the scheme. This was approved in the strategy.

## 6. Conclusion and reasons for recommendations

A summary of the purpose of the report and reasons for recommendations

The evaluation scores and master table are presented at Appendix 1. As will be noted there was a clear and decisive winner in relation to each lot. The overall result of the tender is that the required corporate saving of £100 K has been achieved and therefore in the current market, this is considered to be a very good outcome for Croydon.

## 7. Outcome and approvals

Outcome	Date agreed	
Approved CCB1719/21-22 14.01.2022	Service Director <i>(to confirm Corporate Director has approved the report)</i>	7/1/22
	Cabinet Member for Resources & Financial Governance	13.01.2022
	Legal Sonia Likhari CCBReportsforlegal@croydon.gov.uk	31.12.2021
	Head of Finance Nish Popat Interim Head of Corporate Finance	10/1/22
	Human Resources (if applicable)	n/a

	C&P Head of Service	11/1/22
	Lead Member <i>(for contract award over £500k)</i>	4/1/22
	Procurement Board	13.01.2022

#### 8. Comments of the Council Solicitor

The Council is under a general Duty of Best Value to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness (Section 3 of the Local Government Act 1999 (as amended by s137 of the Local Government & Public Involvement in Health Act 2007))

The Cabinet Member is empowered to make the decision in accordance with the recommendations pursuant to the Tenders and Contracts Regulations, which form part of the Council's Constitution

Approved by Sonia Likhari on behalf of the Interim Director of Legal Services

#### 9. Chief Finance Officer comments on the financial implications

This procurement help achieve the Council's MTFS target of a £100k savings to insurance budget for 2022/23. In addition to the reduction in premium charges, the Council should also ensure that all other measures are implemented that reduces risks to claim against these policies.

Approved by [Nish Popat Interim Head of Corporate Finance ] on behalf of the Chief Finance Officer