

LONDON BOROUGH OF CROYDON

REPORT:	OFFICER DELEGATED KEY DECISION Part A Report	
DATE OF DECISION	<i>Guidance: For delegated decision Dem.Services can advise</i>	
REPORT TITLE:	Leasehold RTB insurance and Property and Liability Insurances Contract Awards	
CORPORATE DIRECTOR / DIRECTOR:	Jane West Corporate Director of Resources & S151 Officer	
LEAD OFFICER:	Malcolm Davies Head of Anti Fraud, Risk & Insurance Email:Malcolm.Davies@croydon.gov.uk Telephone:27294	
LEAD MEMBER:	Cllr Jason Cummings, Cabinet Member Finance	
DECISION TAKER:	Jane West, Corporate Director of Resources & S151 Officer	
AUTHORITY TO TAKE DECISION:	Delegated authority for contract awards set out in the Annual Procurement Plan approved by CABINET on 16 NOVEMBER 2022 (part A agenda item 14)	
KEY DECISION? [Insert Ref. Number if a Key Decision] <i>Guidance: A Key Decision reference number will be allocated upon submission of a forward plan entry to Democratic Services.</i>	YES	0322RES REASON: Decision incurs expenditure, or makes savings, of more than £1,000,000 or such smaller sum which the decision-taker considers is significant having regard to the Council's budget for the service or function to which the decision relates
CONTAINS EXEMPT INFORMATION? <i>(* See guidance)</i>	YES	Public (with exempt Part B Report)
WARDS AFFECTED:	ALL	

1 SUMMARY OF REPORT

- 1.1** This report seeks approval for the award of corporate insurance contracts which include recharged premiums for commercial property leaseholders and leaseholder Right to Buy (RTB) insurance arrangements. Croydon Council have run a tender on behalf of the London Insurance Consortium and the results presented are part of a group procurement and evaluation exercise. This results of the procurement and evaluation exercise are presented in the associated Part B report.
- 1.2** The tender was broken down into 6 Lots related to the type of insurance being procured with the results of group evaluation for Croydon presented in the Part B report:
- Lot 1 - Motor Insurance
 - Lot 2 - Commercial Property Insurance
 - Lot 3 - Crime Insurance
 - Lot 4 - Engineering / Inspection Insurance
 - Lot 5 - Business Travel/ PA Insurance
 - Lot 6 – School Journey Insurance (on behalf of ILC, no Croydon requirements)
 - Lot 7 - Leasehold Right to Buy Insurance
- 1.3** It should be noted that two for these lots Lot 2 - Commercial Property Insurance and Lot 7 - Leasehold Right to Buy Insurance are fully recharged to tenants and therefore there are no revenue/budget/cost implications for the council on these two lots. Croydon did not participate in Lot 6 School Journey Insurance.

2 RECOMMENDATIONS

FOR PB

The CCB is requested to approve the recommendation to the Corporate Director of Resources & S151 Officer set out below

FOR CDR

The Executive Mayor has delegated authority to the Corporate Director of Resources & S151 Officer to make the following decision

The Corporate Director of Resources & S151 Officer is recommended by the CCB (with the approval of the Cabinet Member for Finance) to approve the award of the following contracts

for the provision of insurance services for a period of five years commencing 1 April 2023 to the providers and for the values set out in the part B report. (Names of providers and values will be released following Award.):

2.1

Lot 1 - Motor Insurance to Bidder A

Lot 2 - Commercial Property Insurance to Bidder E

Lot 3 - Crime Insurance to Bidder C

Lot 4 - Engineering / Inspection Insurance to Bidder A

Lot 5 – Business Travel/ PA Insurance to Bidder C

Lot 7 - Leasehold Right to Buy Insurance to Bidder H

3 REASONS FOR RECOMMENDATIONS

- 3.1** The recommendations are based on an assessment on a price/quality split of 60/40 ensuring that a reasonable balance is struck between price and coverage provided by the insurance products on offer and are further detailed below.
- 3.2** Lot 1 Motor Insurance. Bidder A is recommended as the winning bidder for motor insurance. Compared to the next cheapest bidder there was a £450K per annum differential on the premium for the consortium. In addition there was a high score for quality in particular for cover enhancements, claims handling and added value including rehabilitation services. A combination of price and quality makes this bidder a clear winner.
- 3.3** Lot 2 Commercial Property. Bidder E is recommended as the winning bidder for commercial property insurance. Compared to the next cheapest bidder there was a £19K per annum differential on the premium for Croydon. In addition there was a high score for quality in particular for cover enhancements, claims handling and added value for example specific free risk management days consultancy for commercial property risks. A combination of price and quality makes this a competitive bid.
- 3.4** Lot 3 Crime. Bidder C is recommended as the winning bidder for crime insurance. Whilst Bidder C overall was slightly more expensive for the consortium and so scored slightly lower on price points, in the case of Croydon they are the cheapest bidder, so Croydon has benefitted here. In addition there was a high score for quality in particular for cover enhancements, claims handling, lack of policy restrictions and added value for example free risk management days consultancy for crime risks. Bidder A, in particular had some significant policy restrictions which meant that they scored very low on quality and accordingly lost out to Bidder C.

- 3.5** Lot 4 Engineering Safety Inspection. Bidder A is recommended as the winning bidder for engineering safety inspection. Compared to the next cheapest bidder there was a £40K per annum differential on the premium for the consortium. In addition there was a high score for quality in particular for added value, implementation and mobilisation, dangerous defects handling, managing inspections and their online Portal all scored highly.
- 3.6** Lot 5 Personal Accident/Travel. Bidder C is recommended as the winning bidder for Personal Accident/Travel Insurance. Compared to the next cheapest bidder there was a £44K per annum differential on the premium for the consortium. In addition there was a high score for quality in particular for cover enhancements, claims handling and added value including medical care services. A combination of price and quality makes this bidder a very clear winner.
- 3.7** Lot 7 Leasehold Right to Buy. Bidder H is recommended as the winning bidder for Leasehold Right to Buy Insurance. Compared to the next cheapest bidder there was a £214K per annum differential on the premium for Croydon. In addition there was a good score for quality in particular for claims handling being critical for leaseholders. A combination of price and quality makes this bidder a very clear winner.

4 BACKGROUND AND DETAILS

4.1 Croydon Council is the accountable body for the London Borough London Insurance Consortium (ILC) made up of nine boroughs 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 tender was for the following Lots:

Lot details	London Borough of Camden	Croydon Council	Haringey Council	Harrow Council	Islington Council	Royal Borough of Kingston	Lambeth Council	London Borough of Sutton	London Borough of Tower Hamlets
Lot 1 – Motor	X	X	X	X	X	X	X	X	X
Lot 2 – Commercial Property	X	X	X	X	X	X	X	X	X
Lot 3 – Crime	X	X	X	X	X	X	X	X	X
Lot 4 – Engineering Insurance & Inspection	X	X Inspection Only	X Inspection Only	X Inspection Only	X Inspection only	X Inspection only	X	X Inspection Only	X Inspection Only
Lot 5 – Personal Accident and Business Travel		X		X	X	X	X	X	X
Lot 6 – School Journey			X	X	X	X	X	X	X
Lot 7 Leasehold Right to buy	X	X			X		X		X

4.1.2 Note that each council enters into its own contract following the tender outcome. Under the terms of the Section 101 agreement and governance arrangements of the ILC it is the ILC Board which is made up of representatives from the nine boroughs who determine the overall scope of the exercise and approach including the fundamentals such as price/quality split (rather than it being determined by the individual boroughs). This is to achieve what is considered to be collectively acceptable to the membership. It should be noted that each borough is separately indemnified by their insurers and in the first instance any contract management issues are dealt with directly by that borough with their insurer, although any overall contract management issues can be escalated to the ILC as a whole.

4.1.3 Croydon are remunerated by the other boroughs to act as the lead/accountable body. 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 and Tower Hamlets

4.1.4 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.

4.1.5 Croydon has run this exercise in Lots with the appointment of one winner per lot. This approach is broadly in line with the exercise conducted by Croydon commissioning and procurement team last year for the London insurance consortium for property and liability insurance. The aim of the exercise to appoint the most economically advantageous tenderer collectively for the London boroughs.

4.1.6 Particular note should be paid to Leasehold Right to Buy properties. Leaseholder properties relate to those properties that have been sold to tenants on a 'right to buy' basis – around 2,200 properties. Whilst these properties are owned by third parties, as the majority adjoin Council owned properties (eg 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, insurance includes 'common parts' such as stairwells and hall ways, and alleviates any administrative issues around leaseholders arranging their own insurance (e.g the Council seeking proof of cover). The cost of the premiums is recharged to Leaseholders and is not therefore a cost for the council.

4.1.7 Commercial Property Insurance tenants are recharged the cost of insuring the commercial tenancies which the council enters into.

4.1.8 Note that in accordance with standard industry practice insurance premiums are not 'fixed' but are adjusted over the five year contract period on the following basis:

All premiums are adjusted annually on the basis of changes to exposure presented by the Council. Specifically this is on the basis of the number of motor vehicles in any one year (Motor), the number and types of properties (Commercial Property), Wages & Salaries (Crime Insurance), the number and type of plant inspected (Engineering), the number of trips and wages and salaries of staff (travel/PA) and the number and types of properties (Leasehold Right to Buy Property).

In addition agreed inflationary factors/indexation are applied to various insurances. This is on the basis of AEI (Motor), BCIS construction industry inflation on sums insured (Commercial

Property), AEI (Crime Insurance), AEI (Engineering), AEI (travel/PA) and BCIS construction industry inflation on sums insured (Leasehold Right to Buy Property). These factors also impact on premiums and indexation will apply from policy inception.

Lastly to note that contract award to bidders/insurers is on the basis of their tendered prices/rates presented in the Part B report and therefore excludes any government levied taxes such as Insurance Premium Tax which can vary/alter independently over the lifetime of the contract (currently 12%).

4.1.9 To note that a statutory consultation is required with Leaseholders in relation to Lot 7 Leaseholder RTB insurance under Section 20 of the Landlord and Tenant Act 1985 (as amended)

4 ALTERNATIVE OPTIONS CONSIDERED

4.2 In practice there are no viable alternative options to insuring on the basis of the most economically advantageous tender. We are at the end of our current Long Term Agreement and therefore our tendering and contract regulations and public procurement regulations oblige us to tender these contracts.

Without these covers we could be in breach of our statutory obligations/legal requirements. The decision to insure is of course ultimately 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.

5 CONSULTATION

5.2 Specifically under Section 20 of the Landlord & Tenant Act 1985 (as amended by the Commonhold & Leasehold Reform Act 2002) the Council is obliged to consult with Leaseholders prior to contract award. This will be done by way of a letter, to each leaseholder. The first (Stage 1) letter advising Leaseholders that the Council was undertaking a procurement exercise were sent in July 2022 with no adverse comment from Leaseholders.

7. CONTRIBUTION TO MAYORAL PRIORITIES

7.1 Sound financial management and sustainability. The proposals aim to deliver the most economically advantageous tender outcome possible for Croydon

7.2 Good customer service and operational delivery. Particularly in relation to Leasehold Right to Buy and commercial Property insurance we recognise the importance of good customer service to our tenants, ensuring their claims are dealt with promptly and efficiently.

8. IMPLICATIONS

8.1 FINANCIAL IMPLICATIONS

Overall the results of the tender exercise are considered to be a relative success for Croydon as there is a hardening insurance market and local authorities are generally seeing significant premium increases. In addition, the general bad publicity about Croydon including Regina Road and concerns about fire safety in Tower Blocks/Social Housing plus two RIPs including Fairfield Halls have made this exercise challenging.

In this situation Croydon has benefited from tendering jointly with other boroughs rather than attempting to 'go it alone' as the aggregate value of the ILC members have made this exercise more attractive for insurers to take part in.

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.

8.1.1 Revenue and Capital consequences of report recommendation

	Current Year (Non Recharge Premium)	Medium Term Financial Strategy – 3 year forecast Projected. Figures exclude VAT/IPT and any future changes to government taxation.		
	2022/23 £'000	2023/24 £'000	2024/25 £'000	2025/26
Revenue Budget Available	117	139	139	139

Expenditure Income	117	139	139	139
Effect of decision from report		22	22	22
Expenditure Income				
Remaining Budget				
External Recharge Budget available	602	591	591	591
Expenditure Income	602	591	591	591
Effect of decision from report		(11)	(11)	(11)
Expenditure Income				
Remaining Budget				

8.1.2 Section 114 Essential Spend

8.1.3 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. These are the covers that we are procuring and therefore falls within the essential spend criteria as it prevents the financial situation from becoming worse. In addition covers include statutory covers such as Motor Compulsory Insurance Act.

8.1.4 Note that for leaseholder RTB insurance and commercial property insurance this insurance is fully recharged to leaseholders and is not spend for Croydon.

8.1.5 Comments approved by Lesley Shields, Head of Finance Resources on behalf of the Director of Finance. (19/01/2023)

8.2 LEGAL IMPLICATIONS

The report sets out relevant legal obligations concerning the covers being sought.

The Executive Mayor has the power to exercise executive functions pursuant to s9E of the Local Government Act 2000 and has the power to delegate those functions.

At present the delegations in the Council's Tenders and Contracts Regulations have been superseded by the Executive Mayor's Scheme of Delegation following the introduction of the Mayoral Model and the specific delegations in the annual procurement plan approved by the Executive Mayor in Cabinet on 16th November 2022.

The Executive Mayor has delegated to The Corporate Director, Resources, authority to make the decision upon recommendation from the CCB with the approval of the Cabinet Member for Finance, pursuant to the annual procurement plan.

The Council is under a duty to comply with the Public Contracts Regulations 2015 (PCR). The report states that a compliant tender exercise was undertaken.

The Council is also 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)).

8.2.1 Approved by Kiri Bailey, Head of Commercial and Property Law, on behalf of the Director of Legal Services and Monitoring Officer. (19/01/2023)

8.3 EQUALITIES IMPLICATIONS

8.3.1 When a service is contracted out both the contractor and the public authority that commissioned the service have to give due regard to the three principles of the General Duty as set out below.

- (i) The need to eliminate discrimination,
- (ii) advance equality of opportunity
- (iii) foster good relations between different people when carrying out their activities.

Failure to meet these requirements may result in the Council being exposed to costly, time consuming and reputation-damaging legal challenges. Any supplier that is exercising public functions also has an obligation to fulfil the general duty.

8.3.2 The Contract Management Framework is required to work within the framework of the Equality Strategy 2020- 2024. The deliverables in the Equalities Strategy should be incorporated into the Contract Management Framework and policy documents as detailed below:

“Outline how the proposed contract(s) will comply with the Public Sector Equality Duty outlined in Section 4 of the EQIA; and meet the outcomes of the Council's equality strategy, particularly:

- i. All Council contracts contribute towards delivering our equality objectives
- ii. Council contractors are inclusive and supportive of vulnerable groups
- iii. Ensure that every strategy, delivery plan, council contract and staff appraisal has an equality objective linked to it.
- iv. That contractors be requested to adopt Croydon's Equality and George Floyd Race Matters Pledges"

8.3.3 The Equalities Strategy including the Pledges named above, are provided to all bidders during the tendering stage of the procurement process. Social Value objectives also mirror the Council's commitments to equalities and diversity.

8.3.4 An equality impact assessment was carried out and showed no impact on protected characteristics. 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 in relation to the award of these insurance contracts.

8.3.2 Comments approved by Denise McCausland, Equalities Programme Manager . (18/1/2023)

OTHER IMPLICATIONS

8.4 PROCUREMENT IMPLICATIONS

- A TCR and an Open PCR compliant procurement open tender open to any provider following pre-tender engagement with the market was conducted using the council e-tendering system, led by the Strategic Procurement Manager.
- There was no departure from the approved strategy CCB1754/22-23 (30/06/2022).
- Providers were invited to tender and detail their service offering and prices through a competitive tender via the council e-tendering portal. These submissions were evaluated against detailed requirements which reflected the requirements of each participating ILC member.

Evaluation Criteria are set out in the tables below

LOTS 1 to 6	Points (1000)
Price	600
Cover restrictions	150 (bidders submit a price)
Cover enhancements	150 (bidders submit a price)

Social Value	100
Catastrophe support	Pass/fail
Unfettered claims handling	Pass/fail
Diversity	Pass/fail

Lot 7 Leasehold RTB	Points (1000)
Price	600
Cover restrictions	150 (bidders submit a price)
Cover enhancements	150 (bidders submit a price)
Social Value	100

Outcome of evaluation

LOT 1 - Motor	Price Score	Quality Score	Total Score	Comment
BIDDER A	600	260	860	Recommended Bidder
BIDDER B	193	290	483	
BIDDER C	293	191	484	
LOT 2 - Commercial Property (Per Borough Evaluation) CROYDON				
	Price Score	Quality Score	Total Score	
BIDDER A	535	200	735	
BIDDER D	390	280	670	
BIDDER E	600	290	890	Recommended Bidder
LOT 3 - Crime				
	Price Score	Quality Score	Total Score	
BIDDER A	600	100	700	
BIDDER C	508	260	768	Recommended Bidder
LOT 4 - Engineering				
	Price Score	Quality Score	Total Score	
BIDDER A	600	300	900	Recommended Bidder
BIDDER C	579	270	849	
BIDDER F	451	260	711	
BIDDER G	404	260	664	
LOT 5 - PA and				
	Price Score	Quality Score	Total Score	

Business Travel				
BIDDER A	0	90	90	
BIDDER C	600	240	840	Recommended Bidder
BIDDER F	0	170	170	
Lot 7 LHRTB	Price Score	Quality Score	Total Score	
BIDDER E	418	260	678	
BIDDER H	600	240	840	Recommended Bidder

Risks:

- The current contracts will end 31/3/2023. There is a risk of lack of insurance coverage if the Council is not able to enter into new insurance arrangements.
- Contract Management will be managed by the Risk and Insurance Manager and team. with regular contract performance meetings set out in the contract terms plus escalation routes defined in the contract.
- Market Conditions
The insurance market works on a cyclical basis and after a prolonged period of softening, offering reduced premiums year on year, the market is going through a period of re-correction and is in the middle of what we would describe as a 'hard' market. The main factors behind this current cycle include:
 - Increased costs and incidence of global catastrophic disasters (which in turn affects the reinsurance market)
 - Reduction in interest receipts
 - Increased claims costs
 - Regulatory developments (Solvency II etc)
 - These factors have generally combined to see a reduction in capacity and strategic reviews from some insurers resulting in them realigning their appetite within the market.
 - Demand for information from Underwriters has increased considerably.
 - Capacity is adequate but Underwriters are looking to write the best quality risks.
 - Rate increases continue to be seen across the whole market

Please see part B for information that falls within the exemption framework eg references to commercial information such as tender prices/names of unsuccessful bidders

Approved by Procurement Board 19/1/23 The Procurement Board reference number is PB-2223-000010-A.

8.4.1 Comments approved by Gerard Gough, Strategic Procurement Manager on behalf of the Director of Procurement (30/12/2022)

8.5 GDPR IMPLICATIONS

No personal identifier data/information is shared with the insurer.

9. APPENDICES

9.1 None

10. BACKGROUND DOCUMENTS

10.1 None

11. URGENCY

11.1 N/A

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