

	<h2>Cabinet</h2>
<p style="text-align: right;">Title</p>	<p>Approval of the Award of Provision of Leasehold & Main Insurance Contracts effective from 1 October 2023</p>
<p style="text-align: right;">Date of meeting</p>	<p>5 September 2023</p>
<p style="text-align: right;">Report of</p>	<p>Leader and Cabinet Member for Resources & Effective Council</p>
<p style="text-align: right;">Wards</p>	<p>All</p>
<p style="text-align: right;">Status</p>	<p>Public (with exempt Appendices, exempt under paragraph 3 of Schedule 12A to the Local Government Act 1972 because it contains Information relating to the financial and business affairs of tenderers and the Council)</p>
<p style="text-align: right;">Key</p>	<p>Key – This decision involves revenue expenditure of an amount in excess of £500,000</p>
<p style="text-align: right;">Urgent</p>	<p>Yes – the Chair of the Overview & Scrutiny Committee has agreed this report is exempt from call-in as any delay caused by the call-in process would seriously prejudice the Council’s interests.</p>
<p style="text-align: right;">Appendices</p>	<p>Appendix A – Insurance Tender Report – AJ Gallagher Insurance Brokers (Exempt) <i>(To Follow)</i> Appendix B – Further Legal Comments (Exempt)</p>
<p style="text-align: right;">Lead Officer</p>	<p>Clair Green, Executive Director of Assurance, clair.green@barnet.gov.uk 020 8359 7791</p>
<p style="text-align: right;">Officer Contact Details</p>	<p>Paul Lawrence, Head of Organisational Resilience, paul.lawrence@barnet.gov.uk 020 8359 7197</p>
<h3>Summary</h3>	
<p>To confirm the outcome of the tender of property (including Leasehold), liability and miscellaneous insurances to protect council assets from insurable risks.</p>	

Recommendations

1. That Cabinet award the following:
 - a) Award of the Main Insurance contracts to commence on the 1 October 2023 for a period of three years, with the option to extend for a further period of up to two years.
 - b) Award of the Leasehold Insurance contract to commence on the 1 October 2023 for a period of three years, with the option to extend for a further period of up to two years.
2. That Cabinet delegate authority to the Director of Finance (S151 Officer) to make any emergency arrangements for insurance cover beyond 1 October 2023 in the event contracts are not able to be finalised in line with these proposals by 1 October 2023.
3. That Cabinet delegate authority to the Director of Finance (S151 Officer) to determine funding for any extra budgetary requirements caused by the awarding the new contracts commencing 1 October 2023.

1. Reasons for the Recommendations

- 1.1 The council's insurance contracts are renewed annually on 1 October. The current contracts have been subject to Long Term Agreements (LTA's) which expire on 30 September 2023 with no option to extend.
- 1.2 Cover is split into lots to ensure competition across classes of insurance as some providers will not quote across all classes limiting to just one or two depending on their market appetite.
- 1.3 However, it should be noted there has been a total collapse of the Leasehold insurance market with the market leader, Zurich Municipal (ZM), withdrawing completely leaving just one underwriter in this area prepared to quote for Barnet's account.
- 1.4 Accordingly, the council has been advised by Arthur J Gallagher Insurance Brokers (AJG) that there is no advantage to putting this cover to open tender and our only option is to negotiate with the sole provider to achieve the best deal for the council and its leaseholders at this time.
- 1.5 In the meantime, the council is contributing to a working group led by Department of Levelling Up Housing and Communities to consider options nationwide but at this time, no alternative solutions are available to assist Barnet.
- 1.6 Under Section 20 of the Landlord and Tenant Act 1985, the council gave notice to leaseholders of our intention to enter into an agreement described in the Act as a "qualifying long term agreement". This is an agreement entered into by, or on behalf of, a landlord for a term of more than 12 months, where charges to any lessee may exceed £100.00 in any year. This will apply to the agreement that we propose to enter into with the sole provider. They may not be any advantage in entering into a long-term agreement whilst the market is so disparate. Advice is being sought from the broker.

2. Alternative Options Considered and Not Recommended

- 2.1 In advance of preparing the Invitation to Tender (ITT), the Head of Organisational Resilience, in conjunction with AJG considered the council's existing insurance portfolio and agreed the types of cover and levels of self-insured retention currently being carried was broadly appropriate for the level of risk the authority was willing to accept.
- 2.2 To achieve the best marketing position some variation in levels of cover and excesses were reflected in the tender specification.

2.3 These have been evaluated through the tender submissions and either accepted or discounted.

3. Post Decision Implementation

3.1 In accordance with national procurement procedures, suppliers will be notified of the awards by 8th September 2023 and a 10 day standstill period will commence immediately.

3.2 After the standstill period expires, documentation will be finalised and contracts prepared to commence on 1 October 2023.

3.3 Under the Leasehold consultation process, Leaseholders will be notified of the final outcome of negotiations with the sole provider.

4. Corporate Priorities, Performance and Other Considerations

Corporate Plan

4.1 Insurance cover provides the Council with budget certainty against losses arising from insurable risk thus allowing services to meet the council's objectives as set out the Our Plan for Barnet.

4.2 The plan sets out a number of priorities including being an engaged and effective Council. An ongoing review of services ensures they are directly contributing to providing an effective council.

4.3 To ensure continued value for money, insurance contracts are periodically subject to full European Union market testing. Insurance contracts are a partnership between the council and the insurance providers, it is in the interest of both parties to seek to reduce risk and incidence of claims over the contract period. This is achieved by entering into 3 year LTA's with options to extend by a further 2 years

Corporate Performance / Outcome Measures

4.4 Not applicable

Sustainability

4.5 Not applicable

Corporate Parenting

4.6 Not applicable

Risk Management

4.7 Robust continuous insurance arrangements are essential to protect the council and its assets.

4.8 The council enters into LTA with the insurance provider to build a stronger relationship where it is in the interest of both parties to work together to reduce risk and therefore claims.

4.9 In order to maximise response time and increase the chance of competitive bids, we extended the procurement by one week to end midday on 25th August 2023. This effectively reduces the time our broker has to evaluate after close of tender but they are confident they will be able to meet these timeframes and report to the council before Cabinet on 5th September 2023.

4.10 Legal and Procurement advice has been sought to minimise any risk associated with these contracts.

Insight

4.11 Insurance premiums are based on risk exposure but influenced by claims experience. The council is continually monitoring claims patterns and working with services and insurers to reduce operational risk and therefore claims in these areas.

Social Value

4.12 Documents have been provided to support bids, Barnet Council's Theme Outcome and Measures (TOMs), Social Value Policy and Social Value Toolkit – Guidance for bidders and suppliers. Bidders have been asked to review the Council's formal policy online. 5% of the marks will be awarded based on bidders added Social Value.

5. Resource Implications (Finance and Value for Money, Procurement, Staffing, IT and Property)

5.1 Financial implications, details of the bids and consideration of the basis of cover are set out in the exempt appendix A.

5.2 The identity of the tenderers referred to in the table below are detailed in the exempt appendix A to this report. Tenders were received from the following bidders:-

5.3 Lot 1 Property – (Optional quotation accepted/not accepted)

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

Lot 2 Commercial and Industrial Property – (Optional quotation accepted/not accepted)

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

Lot 3 Casualty

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

Lot 4 Motor

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

Lot 5 Personal Accident / Travel

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

Lot 6 Engineering Insurance and Inspection

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

Lot 7 Combined Lots 1, 3 & 4

Bidder 1	£xxx
Bidder 2	£xxx
Bidder 3	£xxx
Insert name of successful bidder	£xxx

- 5.4 All premiums quoted are annual, net of LTA and Service Administration discounts and are subject to Insurance Premium Tax at the current rate (at 1 October 2023 this is 12%).
- 5.5 These sums are the first annual premium. If the insurance contracts renew annually within the terms of the initial 3 year LTA the full contract costs for Insurer X would be circa £xxx, for Insurer Y £xxx and for Insurer Z £xxx. If the contract is extended and renews annually for a further 2 years, the full contract cost for Insurer X would be circa £xxx, for Insurer Y £xxx and for Insurer Z £xxx.
- 5.6 Annual premiums may be subject to increase or decrease by RICS property building indices, salary and wages fluctuations and changes in risk etc. Assuming the level of risk and claims experience remains constant increases are not expected to rise by more than 10% per annum.
- 5.7 Premiums in respect of Leasehold Properties are recharged to Leaseholders via Barnet Home Leaseholder Services.
- 5.8 Premiums in respect of Lots 1 to 6 are likely to be above existing budgetary provision. Where the cost of the new premiums are above the current budget, delegated authority has been given to the s151 Officer, to determine the most appropriate funding source.
- 5.9 There are no Staffing, IT and Property implications.

6. Legal Implications and Constitution References

- 6.1 Article 13 of the council's Contract Procedure Rules, found in Part 4B of the council's constitution contain the award authorisation levels and these must be adhered to when awarding the contracts.
- 6.2 The procurement must have been conducted in compliance with the Public Contracts Regulations 2015 to allow the lawful awarding of the contracts. Further comment is provided in Appendix B of this report.
- 6.3 In respect of Leasehold Insurance, a waiver to our procurement procedures has been approved by Interim Assistant Director (Commercial and Procurement) for as there is a single supplier.

7. Consultation

- 7.1 Under the Landlord and Tenant Act, section 20 notices were issued to Leaseholders advising that we were seeking to tender the insurance cover. It warned of an anticipated increase but did not anticipate a complete lack of market.

- 7.2 In the absence of a competitive market, an exception to the procurement process has been obtained.
- 7.3 A notice of proposal will be agreed with Barnet Homes to advise Leaseholders of the negotiated arrangements to meet the notice requirements.
- 7.4 Barnet Homes will report this to the Land Valuation Tribunal where required.
- 7.5 Under the Council's Constitution, Part 2D Cabinet is responsible for the following functions;
- Development of proposals for the budget (including the capital and revenue budgets, the fixing of the Council Tax Base, and the level of Council Tax) and the financial strategy for the Council;
 - Monitoring the implementation of the budget and financial strategy;
 - Recommending major new policies (and amendments to existing policies) to the Council for approval as part of the Council's Policy Framework and implementing those approved by Council;
 - Approving policies that are not part of the policy framework;
 - Management of the Council's Capital Programme;
 - All key decisions - namely:
 - an executive decision which is likely to result in the Council incurring expenditure which is, or the making of savings which are, significant having regard to the budget for the service or function to which the decision relates; or
 - an executive decision which is likely to be significant in terms of its effects on communities living or working in an area of two or more wards of the Borough;
 - a decision is significant for the purposes of above if it involves expenditure or the making of savings of an amount in excess of £1m for capital expenditure or £500,000 for revenue expenditure or, where expenditure or savings are less than the amounts specified above, they constitute more than 50% of the budget attributable to the service in question;
 - award of contracts over £500,000 and all matters reserved to the Executive under the Contract Procedure Rules this may be done via the Procurement Forward Plan.

8. Equalities and Diversity

- 8.1 Adequate insurance arrangements are essential to provide the Council with budgetary certainty to enable delivery of services for the benefit of all members of the community.
- 8.2 To achieve this, all procedures and practices, including services procured from external providers, will take due regard of the Council's equalities obligations.
- 8.3 A specific EQIA is not required.

9. Background Papers

- 9.1 The procurement of insurance from 1 October 2023 had been approved in the Procurement Forward Plan by Policy and Resource Committee 22 February 2023.
- 9.2 <https://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=692&MId=11162&Ver=4>