

**Report for:
ACTION**

Item Number: 6

Contains Confidential or Exempt Information	NO
Title	Property Insurance Procurement
Responsible Officer(s)	Emily Hill – Interim Strategic Director, Corporate Resources
Author(s)	Ewan Taylor – Audit & Risk Manager
Portfolio(s)	Councillor Donnelly
For Consideration By	Portfolio Holder Decision
Date to be Considered	22 February 2023
Implementation Date if Not Called In	07 March 2023
Affected Wards	All
Keywords/Index	Property Insurance, Procurement

Purpose of Report:

To seek authority to issue a tender for property insurance and obtain delegated authority for the Interim Strategic Director, Corporate Resources, to award the property insurance contract on the completion of the procurement exercise.

1. Recommendations for DECISION

It is recommended that Cabinet:

1. Authorises the Interim Strategic Director, Corporate Resources to invite and evaluate tenders for a property insurance contract for a period of four years with the option to extend for up to two years to be funded from the existing revenue budget of £750,000 per annum within Finance.
2. Delegates authority to the Interim Strategic Director, Corporate Resources upon completion of the tender process to award the contract to the most advantageous tenderer in line with the evaluation criteria if suitable tenders are received.

2. Reason for Decision and Options Considered

The council maintains a variety of insurance policies, of which property is one. This includes housing stock, commercial, environment, education, social services, and general properties. The main objective of this procurement is to achieve value for money.

The current property insurers contract expires on 30 September 2023. To ensure continued cover, it is necessary to carry out a procurement exercise for a new contract starting 1 October 2023 within the existing budget provision.

The route proposed is an Open procedure using the Find a Tender Service. Such a procedure will maximise the number of potential bidders. As part of the options appraisal the use of frameworks were explored but were discounted primarily due to limiting potential bidders and all include a commission element.

It is proposed the decision will be based upon a weighting criteria of price 60% and quality 40%. The quality criteria include added value, claims handling and assessment of policy cover.

A period of six (split into four plus two) years is proposed, in order to provide the insurer with a sufficiently lengthy commitment but with break options at year 4 allowing the Council to assess the service performance and determine the appropriateness of continuing the contract.

3. Key Implications

Property insurance is essential for the council. This procurement will renew the insurance cover for the property estate from 1 October 2023.

There is a potential financial and operational risk if the insurance is not renewed and any issue occurs with an Ealing property, such as a fire or total loss to a building.

4. Financial

The insurance budget for the Council is managed at a global level at £1.45m but contains a budget allocation within of £750,000 in 2023/24 for property insurance.

	2023/24	2024/25	2025/26	2026/27	2027/28 (Option to extend)	2028/29 (Option to extend)
	Revenue £	Revenue £	Revenue £	Revenue £	Revenue £	Revenue £
Insurance budget	750,000	750,000	750,000	750,000	750,000	750,000
Contract value	750,000	750,000	750,000	750,000	750,000	750,000
(Saving)/ Pressure	0	0	0	0	0	0

No new funds are being sought and it is intended this cost will be funded through the existing insurance budget. Total value is £4.5m (if the 2-year extension is used).

It is expected that the overall procurement value will be in line with the existing budget. In the event that it is higher, the council have the option to review the

level of deductibles. This procurement will allow the council to assess and confirm value for money in this decision if necessary.

5. Legal

The procurement will be conducted in accordance with the Public Contracts Regulations 2015 (as amended) and the council's Contract Procedure Rules.

6. Value for Money

In 2022/23 property insurance cover was renewed. At this time the premium was £750,000. Advice from the council's insurance brokers indicates that we are currently experiencing hard market conditions and insurers are having to consider a wealth of information to consider risks. There has also been a significant rise in the cost of reinstating property and significant increased costs relating to labour and logistical services, but the full impacts of this is not currently known.

- There is an annual renewals process, which may result in increases (or decreases). These are monitored annually. We are looking through the procurement, to try and mitigate substantial increases. Fixed pricing was considered and may be requested, but these tend to err in the favour of insurers to mitigate their risk.
- Internal reviews. We are looking to increase benchmarking in this area, through networking with other local authorities and via the shared service arrangement Audit & Investigation have with the London Borough Hounslow.

7. Sustainability Impact Appraisal

No impact on the council's sustainability principles have been identified.

8. Risk Management

There is a risk that premiums are increased. The insurance market as a whole remains hard, and whilst we expect competition, we do not anticipate this will drive down the pricing; recent tenders for other Authorities are not showing low pricing and insurers need to address the impact of inflation on claims values and their operating expenses, and the impact of modest investment earnings. Additionally, reinsurance costs have continued to rise with the costs being ultimately passed on to policy holders.

Property insurance has been difficult; the quantity and depth insurers require about portfolios such as construction/exposure information (particularly on large/high value properties or those with unusual construction types) and how/when property valuations are undertaken.

Any increase in premiums may be mitigated with advice on appropriate deductible levels.

9. Community Safety

No direct impact to community safety has been identified.

10. Links to the Priorities for the Borough

The project seeks to confirm value for money for the council's property insurance. Overall insurance of the council's properties is essential to help mitigate the impact of incidents and ensure we can continue to deliver all of the council's priorities. The new provider is required to pay at least the Real Living Wage to its employees, as determined annually by the Living Wage Foundation, the new provider must comply with the Ealing Social Value requirements.

11. Equalities, Human Rights and Community Cohesion

This contract seeks to replace an existing contract with similar terms and conditions. As such there are not considered to be any implications and an Equality Impact Assessment has not been undertaken.

12. Staffing/Workforce and Accommodation implications

None

13. Property and Assets

No implications to the council's property values results from this insurance procurement.

14. Any other implications

No further implications have been identified.

15. Consultation

It is not considered that community consultation is required in this case. Consultation has been carried out with councils in London.

16. Timetable for Implementation

Procurement Stages	Date
Compile tender pack documents	February 2023
Finalise Tender Pack	March 2023
Publish Tender	March 2023
Final Bid deadline	May 2023
Evaluation completed	May 2023
Contract Award Decision	June 2023
JCB Award Recommendation Taken	June 2023
Cabinet Decision Taken	July 2023
Award decision letters issued	July 2023

Award contract	August 2023
Publish Award Notice	September 2023
Contract Start	October 2023

17. Appendices

None

18. Background Information

There is no background information relevant to this project.

Consultation

Name of consultee	Post held	Date sent to consultee	Date response received	Comments appear in paragraph:
Internal				
Abigail Acosta	Procurement Project Officer	14 Dec 2022	15 Dec 2022	Throughout
Andrew Shorter	Category Lead Procurement Hub	14 Dec 2022	15 Dec 2022	Throughout
Assaf Chaudry	Contracts Lawyer	14 Dec 2022	15 Dec 2022	Throughout
Mike Pinder	Assistant Director of Audit and Investigations	14 Dec 2022	14 Dec 2022	Throughout
Emily Hill	Interim Strategic Director, Corporate Resources	17 Jan 2023	17 Jan 2023	Throughout
Baljinder Sangha	Finance Manager	14 Dec 2022	16 Jan 2023	Throughout
External				
None				

Report History

Decision type:	Urgency item?
Key decision	No
Report no:	Report author and contact for queries:
	Ewan Taylor, Audit and Risk Manager, Extension 9991