

## London Borough of Hammersmith & Fulham

**Report to:** Strategic Director, Finance & Governance in consultation with the Cabinet Member for Finance and Commercial Services

**Date:** 05/02/2020

**Subject:** Approval of Engineering and Motor Insurance Contracts Award 2020-25

**Report of:** Neil Walker, Assistant Head of Insurance

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### Summary

This report sets out the proposed contract awards for sovereign insurance contracts for Engineering Inspection and Motor Insurance for contract commencement dates of 1<sup>st</sup> April 2020.

The strategy entailed a detailed tender process as a tri-borough collaborative procurement in conjunction with the Council's retained insurance advisors and with close engagement with LBHF officers to ensure the Council's requirements were fully incorporated, ensuring that each of the councils were priced according to its own risk profile but benefitted from bulk discounts sought from tenderers and efficiencies arising from sharing operational arrangements provided by the shared insurance service.

The Council is committed to protecting the safety and wellbeing of its residents, in line with the Council's vision to ensure it obtains best value for residents by being ruthlessly financially efficient. The over-arching aims of these tenders were to put in place appropriate engineering inspection and motor insurance cover arrangements for the Council and its residents and achieve financial efficiencies in the process of arranging the cover.

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### Recommendations

- 1. Appendices 2 and 3 to this report are exempt from disclosure on the grounds that they contain information relating to the **financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information**".*
2. It is recommended that the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services, approve the following contract awards:

2.1 Engineering Inspection – Zurich Municipal; at £97,077.86 excluding VAT for year 1 and based on a fixed rate for the first three years of the Long-Term Agreement, with an option for the contract to be extended for up to 2 further years.

2.2 Motor insurance – Zurich Municipal; at £11,992.78 including Insurance Premium Tax, for year 1 and based on a fixed rate for a 4-year Long-Term Agreement.

**Wards Affected:** All

### H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
Being ruthlessly financially efficient	Testing the market has ensured the best possible contract is awarded in consideration of our local taxpayers needs and expectations and in accordance with our priority of being Ruthlessly Financially Efficient.
Building shared prosperity	The delivery of a programme of engineering inspections is not something that can be easily adapted to include local people or businesses due to the highly specialised nature of the work involved. Zurich are happy to discuss how the Council envisages suppliers of engineering inspection services can affect local employment and opportunities for SMEs. As far as possible the engineers used in the inspection service will be from local areas thereby providing employment and minimising environmental damage from commuting.

### Financial Impact

The retendering exercise has resulted in net increased costs of £16,391 per annum.

The additional costs can be met from existing Insurance Service budgets.

### Legal Implications

1. This report is recommending the award of contract for the Council's motor insurance and also an inspection services contract.
  2. The motor insurance contract is in excess of the EU threshold for services over the proposed five-year term, while the inspection services contract was tendered together with the RB Kensington & Chelsea and City of Westminster requirements, and again the EU threshold for services will be exceeded when these are aggregated. Consequently, a full tendering exercise was required in accordance with the Public Contracts Regulations 2015 ("the 2015 Regulations") for both contracts.
  3. As the collaborative procurement was led by the RB Kensington & Chelsea, the tender process was run by them, pursuant to a waiver of LBHF own procedures set out in the Cabinet report approving the Procurement Strategy. It will be for the tri-borough insurance service to ensure that the contracts are in place prior to the 1<sup>st</sup> April; as noted in the Cabinet report, insurance contracts are put in place by the issue of standard documents by the insurers without formal execution by the insured, and a waiver of the requirement to execute a formal contract as a deed was granted by way of the earlier report.
  4. The decision-maker needs to be satisfied on the basis of the information in this report that the recommended award of contracts means that award is being made to the tenderers submitting the most economically advantageous tenders, and also that the awards are in the best interests of the Council.
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#### **Contact Officers:**

Name: Neil Walker  
Position: Assistant Head of Insurance  
Telephone: 07739 316319  
Email: Neil.Walker@rbkc.gov.uk

Name: Gary Ironmonger  
Position: Finance Manager  
Telephone: 020 8753 2109  
Email: Gary.Ironmonger@lbhf.gov.uk  
Verified by Emily Hill

Name: Deborah Down  
Position: Senior Associate with Sharpe Pritchard LLP on secondment to the Council  
Telephone: 020 7405 4600  
Email: [ddown@sharpepritchard.co.uk](mailto:ddown@sharpepritchard.co.uk)

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#### **Background Papers Used in Preparing This Report**

None

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## DETAILED ANALYSIS

### Proposals and Analysis of Options

1. The Engineering Inspection tender evaluation criteria was as follows:

- Price 40 points (40%)
- Service delivery 35 points (35%)
- System demonstration 15 points (15%)
- Social Value 5 points (5%)
- Added Value 5 points (5%)

2. The Motor Insurance tender evaluation criteria was as follows:

- Price 500 points (50%)
- Policy cover 200 points (20%)
- Claims Service 150 points (15%)
- Added Value 100 points (10%)
- Social Value 50 points (5%)

3. Tenders were invited on the basis that insurance contracts would be awarded to the tenderers submitting the most economically advantageous tender using the criteria above. Adverts were placed in the form of a European contract notice. The open procedure was used for Engineering Inspection and the Competitive Procedure with Negotiation (CPN) was used for Motor Insurance. The Engineering Inspection tender was originally intended to be a Competitive Procedure with Negotiation; however, it was ultimately decided this procedure was unnecessary for a contract based on a fee for inspection of statutory items, with little to negotiate. Motor negotiation meetings took place with all four bidders on 16<sup>th</sup> December 2019 and final bids were submitted by Protector, Risk Management Partners and Zurich Municipal by 20<sup>th</sup> December 2019. The negotiation process for the latter was led by the Council's insurance advisers and focused on policy coverage, claims service, added value and social value. The CPN process achieved policy cover enhancements and at the same time achieved price reductions from initial bid to final bid from some of the bidders. After close of tenders (final tenders in the case of the motor insurance), officers from the three boroughs evaluated the Engineering Inspection tenders received and officers from the three boroughs and the Council's insurance advisers evaluated the Motor Insurance tenders received.

4. Having completed the tender evaluation process, the proposal is to award the Engineering Inspection contract to Zurich Municipal. The Zurich quote is £97,077.86 per annum, excluding VAT, for a 3-year Long-Term Agreement with the option to extend by up to 2 further years. This total figure includes a 5% discount for a Long-Term Agreement and a £4,645.67 per annum discount for Zurich winning all three lots available (including City of Westminster and Royal Borough of Kensington & Chelsea). This total figure is £17,588.37 higher than the 2018/19 premium, however it is based on a fixed rate for at least the next three years. Additionally, the contract price formed

only 40% of the total evaluation due to the importance of applying significant weighting to the criteria based on successful delivery of the contract, thus ensuring the Council's compliance with its statutory obligations. Full options and analysis can be found in Appendix 2 – LBHF 2019 Engineering Inspection Master Tender Evaluation Matrix.

5. Having completed the tender evaluation process, the proposal is to award the Motor insurance contract to Zurich Municipal for a 4-year Long-Term Agreement. The Zurich quote is £11,992.78 per annum, including 12% Insurance Premium Tax. This total figure is £1,197.19 lower than the 2018/19 premium, which therefore delivers a premium saving and on a fixed rate basis for the next four years. Additionally, it is based on Zurich also being awarded the Motor insurance contracts for the Royal Borough of Kensington & Chelsea and the City of Westminster and terms have been received that would not have been achieved without a collaborative procurement process. Full options and analysis can be found in Appendix 3 – LBHF 2019 Motor Tender Master Evaluation Matrix.
6. The tenders have delivered a total annual increase of £16,391.18 per annum against 2018/19 premium spend:

<b>PREMIUM</b>	<b>2019/20</b>	<b>2020/21</b>	<b>% comparison</b>
ENGINEERING	£79,489.49	£97,077.86	+22.13%
MOTOR	£13,189.97	£11,992.78	-9.08%
<b>TOTAL</b>	<b>£92,679.46</b>	<b>£109,070.64</b>	<b>+17.69%</b>

Please Note: 12% Insurance Premium Tax included, where applicable, in all figures.

### **Reasons for Decision**

1. The Engineering Inspection contract was last tendered in 2014/15 and was due to be retendered. This service is required to comply with the Council's statutory obligations for certain items of plant such as Lifts and Boilers, ensuring they are certified as safe for continued service in compliance with the Health and Safety Executive regulations. This compliance testing must be carried out by certified and qualified engineers independent to those responsible for routine maintenance and repair services at the Council.
2. The Motor insurance contract was last tendered in 2014/15 and was due to be retendered. The Council has historically transferred some or all the financial risks associated with own damage to vehicles or claims by third parties in accordance with Common Law and the provisions of the Road Traffic Act to external insurance providers.
3. This report is presented to the Strategic Director, Finance and Governance, in consultation with the Cabinet Member for Finance and Commercial Services,

as delegated by the pre-tender strategy report approved by Cabinet in October 2019 (see Appendix 1).

### **Equality Implications**

1. There are no direct negative implications for groups with protected characteristics, under the Equality Act 2010, by the approval of these contract awards.
2. Implications completed by: Fawad Bhatti, Policy & Strategy Officer, Public Services Reform, tel. 07500 103617.

### **Risk Management Implications**

1. The engineering inspection contract is required to comply with the Council's management and mitigation obligations of certain statutory and safety risks for items of plant such as lifts and boilers, ensuring they are safe and certified as such for continued service in compliance with the Health and Safety Executive regulations. This compliance testing must be carried out by certified and qualified engineers independent to those responsible for routine maintenance and repair services at the Council. Testing the market has ensured that the best possible contract is awarded in consideration of our local taxpayers needs and expectations and in accordance with our priority of Ruthlessly Financially Efficient. Recommendations following inspections are actionable and the Council must ensure that they are completed in accordance with agreed timescales. A modest saving has been achieved from the motor insurance policy, again the tendering has been done in accordance with obtaining best value for local taxpayers.
2. Implications completed by: Michael Sloniowski, Risk Manager, tel. 020 8753 2587.

### **Procurement Implications**

1. The procurement was led by the Royal Borough of Kensington and Chelsea. As such, the LBHF CSOs have been waived. The procurement was run in accordance with the Regulations and full implications are comprised within the Legal section of this report.
2. Implications completed by: Andra Ulianov, Head of Contracts and Procurement, tel. 07776 672876.

### **Commercial Implications**

1. No specific local business implications.
2. Implications completed by: Albena Karameros, Economic Development Team, 07739 316957.

### **Consultation**

None

**List of Appendices:**

Appendix 1 - LBHF Insurance Tender Strategy for 2019-24

EXEMPT Appendix 2 – LBHF 2019 Engineering Inspection Master Tender Evaluation Matrix

EXEMPT Appendix 3 - LBHF 2019 Motor Tender Master Evaluation Matrix