

To: City Executive Board

Date: 3rd September 2008

Item No:

Report of: Heads of Finance

Title of Report: Award of Contract for Leaseholder Buildings Insurance Services

Summary and Recommendations

Purpose of report: To grant project approval and permission to award the contract for the provision of Leaseholder Buildings Insurance Services for Oxford City Council.

Key decision: Yes

Board Member: Councillor Ed Turner

Report Approved by:

Penny Gardner, Finance & Asset Management

Lindsay Cane, Legal and Democratic Services

Policy Framework: Oxford City Council Corporate Plan

- Transform Oxford City Council by improving value for money and service performance.

Recommendation(s): That the City Executive Board agrees to:

1. Grant project approval for the provision of leaseholder buildings insurance for the Council.
2. To seek City Executive Board approval to award the contract to Jardine Lloyd and Thompson to provide the broker service and the OCASO to provide the underwriting and claims handling service. This supplier has been selected following an open tender process in accordance with the UE procurement regime.
3. The proposed contract will be for 3 years starting on 1st October 2008 to take advantage of the long-term agreement discount.

Background

1. The Council has a number of flats sold to leaseholders on a right to buy basis. The Council still has the freehold on the flats and as we wish to protect our assets and ensure the buildings have adequate insurance cover, the council arranges the insurance policy. The premium is recharged to the leaseholder through their service charge.
2. The Council currently has an insurance service that covers leaseholder buildings insurance; this contract expires on the 30th September. The current service covers all standard risks
3. The current policy is held with Zurich Municipal.

Tender Process and Evaluation

4. An advertisement was placed in the local press, Oxford City Council's website and the trade journal "Insurance Times". A further advertisement was placed on OJEU (Official Journal of the European Union) in accordance with the EU Procurement regime. The reason for this is that we wanted to generate greater interest in our tender.
5. Although the insurance market is notoriously limited within the local authority environment we received 12 expressions of interest, which resulted in 2 being completed and returned.
6. Both tenderers met the evaluation criteria and were invited for interview. The evaluation panel considered a wide range of criteria including assisting the authority with customer focus, claims handling procedures and service standards as well as the price.
7. The panel unanimously agreed to recommend that the Council award the Insurance Services Contract to the tenderer that scored the highest marks. This tenderer is Jardine Lloyd Thompson and OCASO.
8. A list of the key points that Jardine Lloyd Thompson and OCASO can provide includes:

- Improved customer service for Leaseholders
- Greater range of covered risks as standard
- Provision of FAQs sheet for leaseholders and staff
- Provision of clear claims data and settlement information
- Help the Council manage risk and minimise losses
- Reduced workload for finance staff
- Ensuring claims are handled and funded properly
- A full policy to reflect our needs and the needs of the Leaseholder
- Appoint a highly experienced team
- Help attain best value
- A high financial rating for claims paying ability

Other Options

9. The Constitution and Procurement Strategy advises that the Executive Board considers what other options are available before giving major project approval and awarding a contract over 100K. These are detailed below.

10. Set up a partnership with other Local Authorities

The procurement team looked into this option but none of the other local authorities in the area own leasehold properties, so it was not possible to set up a partnership.

11. South East Centre of Excellence

The SECE are looking to start a project to open up the insurance market for local authorities as this is currently restricted, unfortunately the timings of this project did not fit with ours.

Benefits of this contract

12. The contract will include the insurance provider and a broker. OCASO are the insurance providers who deal with the underwriting services and handle the claims. OCASO will only work with a broker and therefore we also need to enter into a contract with Jardine, Lloyd & Thompson. However the cost for this arrangement is cheaper overall.

13. There will be improved customer service because we will no longer have to send out claim forms to the leaseholders. The leaseholder will be able to telephone the insurance company directly via a 24 hour helpline and have their queries answered directly and the claims dealt with more quickly. This will save time for both the finance staff and the leaseholder.

14. Under our current policy we have to differentiate between owner-occupied properties and sub-let properties. This is a time consuming process and relies on leaseholders informing us of changes in tenancy. OCASO and Jardine Lloyd and Thompson have stated we no longer have to differentiate between the two types of leaseholder because based on our current claims history tenants in sub-let properties do not present a greater risk than owner-occupiers. This again will save the finance staff time in administration and a financial saving for the leaseholders as those with multi occupancy tenancy and without assured short-hold tenancy agreements won't need to pay an additional premium.

15. We will get wider insurance cover as standard - communal areas and roofs are covered in the policy, which isn't in our current policy.

16. Jardine Lloyd and Thompson and OCASO will provide us will improved quality of information relating to our claims, which will help with risk management and organise regular review meetings to discuss all issues.

17. As the insurance market is currently competitive this has meant financial savings have also been made in this contract. These are shown in more detail in next section.

Financial Implications

18. This proposed contract has a cost of £63,762 for 2008/2009, this is a 29.5% saving on our previous years costs of £90,466.

19. The contract is subject to increase each year. The value of the properties are inflated by the Housing Rebuilding Cost Index prepared by the Royal Institution of Chartered Surveyors, and over which we have no control. The current annual percentage increase is 4.72% and is reflected in the cost above. This figure does fluctuate year on year. In 2005/06 it was 8.07%, 2006/07 6.23%, and in 2007/08 4.60%.

20. As all the premium is recharged to the Leaseholder there isn't a direct saving for the council. The indirect saving is detailed above with less administration duties for the finance staff.

21. This premium is recharged to the leaseholders through their service charges, therefore they are benefiting the most from this new contract. The saving of £26,644 equates to approximately £43 per property per year.

22. The Council will not benefit in monetary terms from the contract, but will benefit from less administration duties and better information.

Legal Implications

23. There are no legal implications as this contract has been tendered in accordance with the EU procurement regime.

Staffing Implications

24. There are no staffing implications in respect of this report.

Other means of achieving this objective

25. Other means of achieving this objective are explained in paragraph 3.

Recommendation

That the City Executive Board agrees to:

1. Grant project approval for the provision of leaseholder buildings insurance for the Council.
2. To seek City Executive Board approval to award the contract to Jardine, Lloyd and Thompson and OCASO to provide the service. This

supplier had been selected following an open tender process in accordance with the EU procurement regime.

3. The proposed contract will be for 3 years starting on 1st October 2008.

Appendices

Appendix 1 – Financial Summary

Appendix 2 – Tender Scores

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Background pages: None.

Financial Summary**Appendix 1**

Cover	Annual Premium £ (including IPT)	Previous Year Premium £ (including IPT)	Saving £	% saving on previous year's premium
Leaseholder Buildings Insurance	63,762	90,466	26,644	29.5%

Average saving per property per year

number of leasehold flats	620
average saving per property	£43

Provision of Leaseholder Insurance Services Tender 2008

TENDER EVALUATION

		Tender	
		JLT / OCASO	2
Section 3	Contact Details	24	24
Section 4	Applicants Business Details	30	30
Section 5	Financial Details	36	36
Section 6	Additional Questions	98	130
Section 7	Service Standards	164	166
	Presentation	36	24
	Total Quality	388	410
Section 9	Tender Pricing	720	573
	Total	1108	983