

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 21 February 2018	<b>Meeting Name:</b> Deputy Leader and Cabinet Member for Housing
<b>Report title:</b>		<b>Gateway 2 - Contract Award Approval</b> Leasehold and Ancillary Properties Building Insurance	
<b>Ward(s) or groups affected:</b>		All leaseholders and a number of freeholders	
<b>From:</b>		Strategic Director of Finance and Governance	

## RECOMMENDATION

1. That the Cabinet Member for Housing approve the award of the leasehold and ancillary properties building insurance contract to Zurich Insurance PLC (UK Branch) t/a Zurich Municipal commencing 1 April 2018 in the estimated sum of £4.2m per annum for a period of three years making a total estimated contract value of £12.6m (including insurance premium tax at 12%). This new contract has a specific extension duration period of up to two 12 month periods built into it therefore making a total estimated contract value of £21m. The year on year increase in premiums of the new contract will be linked to the RICS index as well as the policy's claim performance as set out in paragraph 55.
2. That the Cabinet Member for Housing approve the entering into of an agreement for services between Zurich and the council in relation to claims handling services for the period of the leasehold and ancillary properties building insurance contract as further detailed in paragraph 34.

## BACKGROUND INFORMATION

3. The leaseholder and ancillary properties buildings insurance contract relates to flats and maisonettes sold by the council under long lease or shared ownership terms. Tenders were invited for the provision of insurance protection and associated services as detailed in the following portfolios:
  - The main policy where flats have been sold (under the Right to Buy scheme or through other disposals).
  - A policy to insure under-leased blocks on a comprehensive basis (there are currently two), which the council is obliged to provide under the terms of the Head Lease.
  - A much smaller policy relating to mortgaged housing properties – currently one property – where the council is still providing a mortgage.

In addition, the council may need to nominate buildings insurers, as per the terms of houses sold on leases.

4. Tenderers had to submit bids for the whole of the portfolios outlined above.
5. As recommended in the Gateway 1 (9 May 2017) authority has been delegated to the Deputy Leader and Cabinet Member for Housing to award this contract.

## Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	01/02/2018
Briefed relevant cabinet member (over £100k)	09/05/2017
Approval of Gateway 1: Procurement Strategy Report	09/05/2017
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder Consultation)	26/04/2017
Invitation to tender	17/08/2017
Closing date for return of tenders	25/09/2017
Completion of evaluation of tenders	31/10/2017
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder Consultation)	01/12/2017
DCRB Review Gateway 2:	18/01/2018
CCRB Review Gateway 2:	25/01/2018
Notification of forthcoming decision – Five clear working days	19/02/2018
Approval of Gateway 2: Contract Award Report	27/02/2018
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	12/03/2018
Contract award	13/03/2018
Add to Contract Register	13/03/2018
TUPE Consultation period (if applicable)	N/A
Publication of award notice in Official Journal of European (OJEU)	27/03/2018
Contract start	01/04/2018
Publication of award notice on Contracts Finder	03/04/2018
Contract completion date	31/03/2021
Contract completion date – if extension(s) exercised	31/03/2023

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

- The main outcome of the process is to ensure that appropriate insurance cover is in place for the 13,600 units of council leasehold stock from April 2018. This is an absolute requirement as failure to insure would place the council in breach of the lease terms.

7. The award of the contract should both offer the greatest economic advantage to the council and its leaseholders, based on the standard evaluation to determine the most economically advantageous tender (MEAT) and guarantee sufficient quality of service to meet the council's requirements.

### **Key/Non Key decisions**

8. This award is a strategic procurement and is therefore a key decision.

### **Policy implications**

9. Under the terms of the lease, the council, as the freeholder, must insure its properties against the normal insurance perils. Without this covenant, Right to Buy and shared ownership purchasers and their assignees would find it impossible to obtain a mortgage. The most advantageous way for the council to do this is by placing the contract with a single insurer.
10. A further requirement in the tender was to also provide buildings insurance cover to two blocks, Falcon Point and Kellow House, where the council holds an underlease interest as it is not the freeholder. The leases for these properties require the council to insure the tenanted stock in the block as well.
11. The number of leaseholders at the commencement of the contract is estimated to be about 13,600. The contract sum will be recovered in full from leaseholders by the homeownership services through their service charges. There is therefore a neutral effect on the Housing Revenue account.
12. Due to the size of the contract, the council has been obliged to issue leaseholders a Notice of Intention and Notice of Proposal. Dates of these documents are given in the Project Plan, above.

### **Tender process**

13. A one stage competitive tender following the EU open procedure process was undertaken. Prior to advertising, an email was sent to major insurance providers, some of whom have made bids for the contract in the past, giving details such as dates and information on how to access the tender. The contract was then advertised via ProContract, the council's e-procurement system on 17 August 2017.
14. Six companies registered an interest through ProContract.
15. A copy of the council's most recent claims report from current insurance provider Zurich was made available for all potential bidders at the time of the contract's advertising. Not including duplications, bidders made 15-20 different queries via ProContract throughout the process. Overall these queries concerned rebuild costs, claims history, existing insurance cover and claims handling processes, and information regarding individual properties and/ or claims. Each query and information request was responded to by the Project Team as is evidenced on the ProContract portal. As well as the claims report indicated to above, bidders were also provided with a number of documents and additional commentary relating to specific properties and claims upon request. These included construction details regarding rebuild costs of properties within larger blocks, a breakdown of flat numbers and bedroom numbers within specific blocks, details of the increasing escape of water claims, LFB reports and the outcome of FRA

investigations following recent insurance claims due to fire damage. All queries were responded to even if, in some instances, the bidder's query was referred back to the tender documents, ProContract or Southwark's website.

16. The closing date for the return to tenders was 25 September 2017.
17. Despite a competitive tender through OJEU being undertaken, unfortunately there was only one tender return which came from Zurich, the current provider. The five remaining bidders opted out of the tender process with four citing the following reasons:
  - Unable to be competitive (provided by two companies)
  - Currently outside our appetite
  - Unable to supply
18. Despite being the only company to tender for the contract Zurich's bid was submitted as part of a competitive process and they would not have been aware that they were the sole bidder.
19. Given that only one tender had been submitted, officers also considered whether there were alternative procurement options, and reconsidered those originally outlined in the GW1, including self-insurance, but found that they still remained unfeasible. There is the potential to join future frameworks such as the Yorkshire Purchasing Organisation's (YPO), as administered by Crown Commercial Services (CCS), however the current agreement ends on 20 February 2020 and further advice needs to be sought on section 20 implications and potential dispensations that would need to be sought.
20. The council's current contract with Zurich is in its second year of a two 12 month extension period. There are no further extension provisions in the current contract to allow a further extension of the contract.

**Tender evaluation**

21. The evaluation panel consisted of officers from homeownership services, housing and modernisation's Commercial Manager and finance and governance's Insurance Manager. In addition advice was sought from the Head of Procurement and from the legal services section.
22. Stage 1 of the tender evaluation required the applicant to pass the council's initial checks. Applicants were required to achieve the minimum criteria set out below:

<b>Criteria</b>	<b>Maximum Score Available</b>
Tender has been submitted on time, is completed correctly and meets the requirements of the Invitation to Tender	Pass/Fail
Tender is sufficiently complete to enable them to evaluate in accordance with the Invitation to Tender	Pass/Fail

The Tenderer has not contravened any of the terms and conditions of the tender process – either provided in the Public Contract Regulations 2015 and/or the Invitation to Tender	Pass/Fail
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Applicants were also required to submit an Offence Certificate and a Certificate of Non-Collusion, Non-Canvassing and Conflict of Interest Certificate. Applicants that did not meet these requirements or submit the necessary certificates would have been rejected at this stage.

23. At stage 2 applicants were assessed on the basis of the Suitability Questionnaire, intended to ensure that organisations demonstrate their adequate economic and financial standing in order to be considered. Applicants were required to achieve the minimum criteria set out in the table below:

	<b>Section</b>	<b>Maximum Score Available</b>
	Potential supplier information	Info only
<b>1</b>	Grounds for mandatory exclusion	Pass/Fail
<b>2</b>	Grounds for discretionary exclusion	Pass/Fail
<b>3</b>	Economic and financial standing	Pass/Fail
<b>4</b>	Technical and Professional ability (4.1-4.7)	Pass/Fail
	Technical and Professional ability (4.8)	Info only
<b>5</b>	Modern Slavery Act 2015 requirements	Pass/Fail
<b>6</b>	Insurance	Pass/Fail

Only those tenderers reaching the required thresholds set out in the Suitability Questionnaire would be considered for stage 3 of the evaluation process.

24. Zurich, the sole tender submitted achieved a Pass at stages 1 and 2 and successfully progressed to stage 3, the price assessment evaluation.
25. The price submitted by Zurich for year one, and therefore the sum evaluated, was £3,699,277.17. This price excludes the amount payable to the government for IPT (currently 12%).
26. The criteria against which the price was scored and the weighting for each is set out in detail in Appendix 1.
27. The quality of the submissions was judged against six key criteria, as set out in Appendix 1.
28. Overall Zurich's quality submission was found to be very strong, particularly regarding cover enhancements, customer service and the handling of the claims process. For those areas where Zurich were only awarded a satisfactory score of 3 (see below), the council will work with the insurance provider to ensure that the contract adds additional value to homeowners.
- Value added services such as loss control grants – improve risk management and claims experience
  - Aligned to the council's digital communication strategy. For example Self Serve options made available to the Council and homeowners to track claims. Online reporting tools made available to the council

- Delivery of the contract adds social value to the borough
29. The evaluation criteria was based on a MEAT combined price : quality score with 70% of the marks being allocated for the price and 30% for the quality of the service. A summary of Zurich's score is set out below, with a more detailed summary set out in Appendix 1.

<b>Tenderer</b>	<b>Price %</b>	<b>Quality %</b>	<b>Total %</b>
Zurich	50	20.6	70.6

**Plans for the transition from the old to the new contract**

30. The contract to be let under this procurement must be let in accordance with the consultation requirements set out in section 20 of the Landlord and Tenant Act 1985, as amended by S151 of the Commonhold and Leasehold Reform Act 2002. This is to enable costs incurred through these contracts to be recharged to leaseholders through collection of annual service charges. All homeowners will have been informed of the new arrangements in advance through the council's consultation procedures. Dates of these communications are given in the project plan, above. There will also be opportunity to include details of the new contract as part of the standard yearly billing runs to leaseholders.
31. The existing contract is managed by homeownership services (see also Plans for monitoring and management of the contract section, below) who also handle the initial processing of claims. Leaseholders will therefore see little change in terms of channels of communication. Procedures have been put in place within homeownership services to ensure that a clear distinction is made between claims under the old and new insurance contracts, in order to minimise any chance of disruption.
32. As the contract will remain with the current insurance provider there are expected to be minimal implications.

**Plans for monitoring and management of the contract**

33. The existing insurance contract is monitored by the Buildings Insurance Officer, supported by the Business Systems and Preassignment Managers. It is planned that this arrangement will be continued for the duration of the new contract. It is not anticipated that the council will see any substantial operational changes as a result of the new contract.
34. As part of the award, the council will also enter into a separate services agreement with the insurer which will set out the arrangements for the council administering claims in the first instance. The council will send out claim forms, receive them back together with quotes from leaseholders' nominated contractors and scan the documents to the insurer. The staff will liaise with leaseholders as well as acting as a link between the leaseholder, insurer and relevant council departments in order to resolve any queries.
35. The assessment criteria specified that the council will have access to reports generated from the insurer's IT system; this will ensure that up to date monitoring information will always be available to council staff.

36. Regular monitoring meetings between relevant council officers and the insurer will be held at least quarterly or more frequently if required.
37. Given the impact of escape of water claims on the claims history and the increased premium for 2018/19, the creation of a specialist leaks from above team could help to improve claims performance thus reducing premiums for future years by 10%. Based on current figures that would be a saving of £30,000.00. It would also mitigate against the chance of the premium going up as a result of poor claims performance, and demonstrate to home owners that the council has put resources where they are needed.

**Identified risks for the new contract**

38. The risk log below lays out identified risks, with scoring following that used for the GW1. Likelihood and impact ratings are scored from 1-5 with 1 being the lowest risk and 5 being the greatest. The overall score is the likelihood rating multiplied by the impact rating. As in the GW1 the maximum score indicating the highest risk would be 25 and any risk with a score exceeding 16 would be deemed unacceptable.

Risk	Assessment impact and mitigation	Likelihood	Impact	Overall
		1-5	1-5	Score
Insurer goes out of business	<p>Credentials and viability of insurers have been considered in assessment process.</p> <p>Monitoring through life of contract to ensure coverage is maintained.</p> <p>According to the most recent Mint UK company report Zurich are considered 'secure' with a 0.9% likelihood of failure forecast.</p>	2	5	10
Unexpected contract price increase from year to year	<p>If the claims experience of the policy deteriorates and results in higher premiums, the increase can either be recharged to home owners as a service charge or the council may adopt a flexible approach to funding the additional claims by establishing a subrogation fund.</p> <p>The creation of a specialist leaks from above team could help to reduce premiums for future years and would mitigate against the chance of the premium going up as a result of poor claims performance. See paragraph 37, above.</p>	2	4	12
The single bid means the tender process is	The bid was made in the context of a competitive tender process within the	3	2	6

Risk	Assessment impact and mitigation	Likelihood 1-5	Impact 1-5	Overall Score
uncompetitive and does not represent best value	<p>European Union.</p> <p>The contract remains best value for the council and its home owners compared to other options for insurance considered at the Gateway 1 stage.</p> <p>The latest benchmarking for home owner premiums is from 2016/17 and is not a like-for-like comparison. However, the council will work with benchmarking groups to ensure appropriate benchmarking activities are carried out for 2018/19.</p>			

### Community impact statement

39. The contract will have an impact on leaseholders and a small number of shared ownership properties as they will have to contribute towards the contract cost in their service charges.
40. The premium payable (inclusive of IPT) by 10,324 home owners will increase compared to the current cost as per the ranges below (number of homeowners quoted as at 1.4.2017):

0-10%: 2153  
10-20%: 4160  
20-30%: 4011

The increases range between £6.80 and £78.96.

The premium payable (inclusive of IPT) by 3,531 home owners will decrease as per the ranges below (number of homeowners quoted as at 1.4.2017):

0-10%: 905  
10-20%: 2131  
20-30%: 339  
30-40%: 156

The building insurance premium billed as a service charge will increase/ decrease for home owners from 1 April 2018.

### Social Value considerations

41. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the



tender responses, evaluation and commitments to be delivered under the proposed contract.

### **Economic considerations**

42. The award of the contract may bring additional economic benefit locally: when making a claim against the policy, leaseholders will be able to obtain quotes from local contractors of their choice for carrying out internal repairs. Should the leaseholder not wish to obtain quotes, the contract permits the insurer to instruct their own nominated contractor.

### **Social considerations**

43. All tenderers were asked to submit a statement of their policies and procedures regarding equal opportunities, equality and diversity. Zurich expressed a satisfactory commitment to providing equal opportunities in their annual report.
44. As anticipated in the GW1 owing to the nature of this industry and geographic location (outside Greater London), the council's requirement that organisations pay the LLW was not applicable.
45. Zurich scored satisfactorily for their response to question 4 of the quality assessment, regarding the social value the contract may add to the borough. Their tender described the work of registered charity Zurich Community Trust (UK) Limited as well as the wide range of volunteering opportunities Zurich offers. Zurich is also signed up to the CommunityMark.

### **Environmental/Sustainability considerations**

46. All exchanges of information in relation to this procurement were carried out via the council's e-procurement system. During the course of the contract the provider used digital resources, including secure electronic mail and databases in order to eliminate the unnecessary use of paper.
47. Exchanges of information over the life of the contract will be via email, conforming to the council's Paper-Lite policy.
48. Although not considered as part of the assessment process, the recommended bidder has pledged to identify ways of allowing customers to make green choices.

### **Market considerations**

49. Based on recent advice, although it is difficult to predict the future, but given very low interest rates, the weak recovery in the Eurozone and continuing high claims inflation, it is likely this is adding up to a hard market phase in the insurance sector which may be reflected in the lack of bids for this tender (see paragraph 17).
50. Claims experience may also be a factor with insurers focussing on the account profitability, given Zurich's terms linking the claims performance to premium uplifts if the claims value as a percentage of the premium rises above a threshold. Also, high volumes of escape of water claims are being seen currently so an increase in rates is being seen generally across the market (see paragraph 17).

## Staffing implications

51. There are no additional resource issues as homeownership services already have a Buildings Insurance Officer who is responsible for the administration of the contract.
52. The Buildings Insurance Officer is supported by a manager who has extensive experience in managing similar buildings insurance contracts. In addition, other staff within the service have been trained in dealing with queries from both the insurer and leaseholders; therefore sufficient cover is in place in the absence of the Building Insurance Officer. The leaks from above team, as mentioned in paragraph 37, is being set up to tackle the titular issue as part of a wider council concern and is not specific to this contract. This service will therefore be managed and resourced from elsewhere within the council.

## Financial implications

53. The contract will run over a period of three years commencing 1 April 2018, with an option to extend for two twelve month extensions. The estimated total contract value is £4.2m per annum (including insurance premium tax at 12%). This makes a total estimated contract value of £21m, which takes into account current variables of insurance premium tax.
54. The premium payable by homeowners in future years will be linked to the policy's claim performance. This is measured using the loss ratio, which is the value of claims paid out by the insurer expressed as a percentage of the total premiums paid to the insurer:

Loss Ratio	Premium adjustment
0-45%	10% reduction in base premium
46-67%	No change
68-100%	10% increase
Above 100%	20% increase

55. It should be noted that the premium is also subject to an insurance premium tax uplift from 10% to 12% from June 2017 and changes to the building cost index as set by the Royal Institute of Chartered Surveyors. Index linking is a standard requirement for most mortgage lenders.
56. The cost of the main policy is recharged in full to the leaseholders as a part of their annual service charges. Appendix 2 lists the different premium types and cost (excluding Insurance Premium Tax). The council pay the cost of the policy to insure the two under-leased blocks as an obligation of the Head Lease. The cost of the policy relating to mortgaged housing properties is recharged to the mortgagee. There are no budgetary consequences as a result of this contract procurement as there is a neutral effect on the Housing Revenue Account.
57. In accordance with paragraph 34, Zurich will make a payment to the council for services which the council provides in respect of administering claims of 15% of the contract value.
58. The cost to the council of administering the contract will be met from existing budgeted staff resources.

59. As outlined in in the Gateway 1 alternative procurement options had been explored prior to tendering but found to be unfeasible.

### **Legal implications**

60. The Landlord & Tenant Act, 1987, allows leaseholders to request a summary of insurance cover. The council has to provide a summary to the leaseholder which includes the insured amount, name of the insurer and the risks covered. Leaseholders can then apply in writing to the landlord to afford reasonable facilities to inspect the policy, see evidence of payment of premiums for that and previous periods and take copies or extracts.
61. Please see concurrent from the Director of Law and Democracy.

### **Consultation**

62. Home Owners' Council was consulted on 4 April 2017. It was invited to submit queries and suggestions regarding the contract, and given the opportunity to assist in how it would like the contract to be administered.
63. The contract was subject to statutory consultation with the leaseholders as detailed in the Project Plan, above. This involved a two stage process, with the first stage (a notice of intention) consulting the leaseholders on the council's intention to enter into a long term agreement for the provision of buildings insurance, and the second stage (a notice of proposal) detailing the results of the tender process. The outcomes of the consultation are noted in the supplementary advice from the Director of Exchequer.

### **Other implications or issues**

64. The claims experience for the policy is currently high which has contributed to both the lack of interest in the tender and the premium increase in addition to the potential policy claims performance indicators (see paragraph 17).
65. It should be noted that 76.4% of claims relate to escape of water which supports the view that there are improvements which need to be made in that area. It is therefore important that the council addresses the repairing issues around leaks from above to mitigate the risk of home owner premiums increasing in future years.

For claims from 1 April 2013 to 9 October 2017

74.6% of claims related to escape of water  
20.89% of the above were repeat claims for escape of water  
58.3% of total costs paid out related to escape of water claims

66. Additional resources may be required to effectively manage issues around escape of water claims to mitigate against future increases in premium.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (H&M17/114/SR)**

67. The Strategic Director of Finance and Governance notes that the proposed contract runs from April 2018 to March 2021. With regard to 2018-19, Appendix A of the HRA Rent-Setting and Budget report agreed by Cabinet on 23 January 2018 contained specific commitments for an increase in building insurance premiums of £600,000 (£3.6m to £4.2m); matched by an increase in premiums charged out to leaseholders of the same amount. As the premiums are fully recovered from leaseholders via their variable service charge payments, this increase is fiscally neutral in terms of setting a balanced HRA budget for the forthcoming financial year.

### **Head of Procurement**

68. This report seeks the approval of the Cabinet Member for Housing to award the contract for leasehold and ancillary properties building insurance to Zurich insurance PLC for a period of up to five years (three years with two 1 year extensions) at an estimated total contract value of £21m.
69. This report also seeks the approval of the Cabinet Member for Housing to enter into an agreement for services with Zurich in relation to claims handling and as laid out in paragraph 2.
70. Paragraphs 17 through 20 as well as the risk table in paragraph 38 explain that Zurich were the only organisation to submit a bid during the process and detail actions taken by officers to consider alternative approaches and to ensure value for money.
71. Paragraph 17 details reasons given for not submitting a tender by organisations which expressed an interest in the tender
72. Paragraphs 30 through to 32 detail the plans in place to ensure effective transition from the old to the new contract.
73. Paragraph 44 explains that London Living Wage was not deemed applicable to this contract due to the nature of the industry and the geographical locations involved.

### **Director of Law and Democracy**

74. This report seeks the approval of the cabinet member for housing to the award of contract for the leasehold and ancillary properties buildings insurance contract, and agreement for claims handling as further detailed in paragraphs 1 and 2. As this is a strategic procurement, the decision to approve this award is reserved to the cabinet, but as noted in paragraph 5, the gateway 2 decision has been delegated to the cabinet member.
75. The scope and value of these insurance services (at an estimated value of £21m) means that this procurement was subject to the full tendering requirements of the Public Contract Regulations 2015. As noted in paragraph 13, a one stage competitive tender following the EU open procedure was undertaken, meeting those EU tendering requirements. Whilst only 1 tender was received, this was evaluated in accordance with the council's stated evaluation

methodology, and it is officers view that the submission from Zurich should be recommended for award.

76. Details of the consultation undertaken in relation to this procurement is noted at paragraphs 62-63 of this report. The council has a statutory and common law duty to consult on certain areas of service delivery and the formulation of proposals or decisions. To meet legal requirements, consultation must be undertaken when proposals are still at a formative stage, it must be meaningful and include sufficient reasons for the proposal and allow adequate time for interested parties to consider and respond. The outcome of the consultation must be conscientiously taken into account when the decision is taken. As noted in paragraph 63, the contract is also subject to statutory consultation with leaseholders and the outcome of that statutory consultation is detailed in paragraph 70 for consideration by the decision maker.
77. Contract standing orders 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved estimates or is otherwise approved by the council. Paragraphs 53-59 confirms the financial implications of these awards.

#### Director of Exchequer

78. The insurance contract is a Qualifying Long term Agreement under the terms of the Commonhold and Leasehold Reform Act 2002 and Notices were served under schedule 2 of the regulations.
79. The regulations require that where tenders are invited under the OJEU regulations, only one proposal is provided with the Notice. Notice of Intention was served on all leaseholders affected on 26 April 2017. Notice of Proposal was served on 12 December 2017. Leaseholders expressed some concern about the lack of market interest in this contract, however the procurement team advise that the premiums offered are reasonable in the market, and the consultation regulations allow for a situation where only one tender is received in an OJEU process. The observation period was closed on 17 January 2018.

#### BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 – Procurement Strategy Approval Leasehold and Ancillary Building Insurance	Preassignment Team 160 Tooley Street London SE1	Georgina Brown, Business Systems Manager 020 7525 4367
Link: <a href="http://moderngov.southwark.gov.uk/documents/s68311/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20Leasehold%20and%20Ancillary%20properties%20Buildings%20Insu.pdf">http://moderngov.southwark.gov.uk/documents/s68311/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20Leasehold%20and%20Ancillary%20properties%20Buildings%20Insu.pdf</a>		

#### APPENDICES

No	Title
Appendix 1	Tender Evaluation
Appendix 2	Pricing Schedule Response

## AUDIT TRAIL

<b>Lead Officer</b>	Duncan Whitfield, Strategic Director of Finance and Governance	
<b>Report Author</b>	Louise Turff, Homeownership Services Manager	
<b>Version</b>	Final	
<b>Dated</b>	20 February 2018	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	Yes	Yes
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet</b>	Yes	Yes
<b>Date final report sent to Constitutional Team</b>		20 February 2018

**BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2**

Contract Name	Leasehold and Ancillary Premises – Buildings Insurance
Contract Description	Buildings Insurance
Contract Type	Services
Lead Contract Officer (name)	Duncan Whitfield, Strategic Director of Finance and Governance
Lead Contract Officer (phone number)	020 7525 7180
Department	Finance and Governance
Division	Finance and Governance
Procurement Route	EU Procurement
EU CPV Code (if appropriate)	
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed
Supplier(s) Name(s)	Zurich Insurance PLC (UK Branch) t/a Zurich Municipal
Contract Total Value	£21m
Contract Annual Value	£4.2m
Contract Start Date	1 April 2018
Initial Term End Date	31 Mar 2021
No. of Remaining Contract extensions	2
Contract Review Date	31 Mar 2020
Revised End Date	31 Mar 2023
SME/ VCSE (If either or both include Company Registration number and/or registered charity number)	
Comments	
London Living Wage	N/A

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.

**APPENDIX 1**

**Leasehold and Ancillary Properties Building Insurance**

<b>PRICE – 70%</b>	<b>Maximum Score Available</b>	<b>Weighting</b>	<b>Zurich Score</b>	<b>Zurich Total Weighted Score</b>
1. Tender sum for year one	5	30	5	30
2. Pricing elements	5	30	2	12
3. Value for money	5	10	4	8
<b>PRICE SUB TOTAL</b>				<b>50</b>
<b>QUALITY – 30%</b>	<b>Maximum Score Available</b>	<b>Weighting</b>	<b>Zurich Score</b>	<b>Zurich Total Weighted Score</b>
1. Value added services such as loss control grants – improve risk management and claims experience	5	5	3	3
2. Cover enhancements (wider policy wordings)	5	5	4	4
3. Aligned to the council’s digital communication strategy ( <a href="https://www.southwark.gov.uk/business/modernise-strategy">https://www.southwark.gov.uk/business/modernise-strategy</a> ). For example Self serve options made available to the council and homeowners to track claims. Online reporting tools made available to the council	5	10	3	6
4. Delivery of the contract adds social value to the borough	5	2	3	1.2
5. Customer service feedback reports and outcome of any ombudsman complaints to inform regular reviews of the claims process	5	3	4	2.4
6. Claims process maximises recoveries from third parties	5	5	4	4
<b>QUALITY SUB TOTAL</b>				<b>20.6</b>



## APPENDIX 2

### PRICING SCHEDULE PORTFOLIO A – BED RATED PREMIUMS

Please complete the tables below with the bed rated premium for each category. All premiums are to be quoted net of Insurance Premium Tax.

Height of building	Property type	No of bedrooms								
		0	1	2	3	4	5	6	7	8
Up to 4 storeys	Flat – Converted	240.83	244.24	299.23	303.08	307.15	388.43			
Up to 4 storeys	Flat – Purpose built	240.83	244.24	299.23	303.08	307.15	388.43			
Up to 4 storeys	Maisonette – Converted			240.24	243.32					
Up to 4 storeys	Maisonette – Purpose built	193.35	196.08	240.24	243.32	246.60	311.85			384.28
Between 5 and 8 storeys	Flat – Converted	240.83	244.24	299.23	303.08					
Between 5 and 8 storeys	Flat – Purpose built	240.83	244.24	299.23	303.08	307.15	388.43			
Between 5 and 8 storeys	Maisonette – Converted	193.35								
Between 5 and 8 storeys	Maisonette – Purpose built	193.35	196.08	240.24	243.32	246.60	311.85	311.85	311.85	
More than 9 storeys	Flat – Converted				303.08					
More than 9 storeys	Flat – Purpose built	240.83	244.24	299.23	303.08					
More than 9 storeys	Maisonette – Converted									
More than 9 storeys	Maisonette – Purpose built	193.35	196.08	240.24	243.32	246.60				
N/A	Freehold House - shared ownership					309.05				