

17/75  
DECISION  
NOW MADE



**Notice of KEY Executive Decision**

<b>Subject Heading:</b>	Six month contract extension for main insurance portfolio from 1 <sup>st</sup> January to 30 <sup>th</sup> June 2018
<b>Cabinet Member:</b>	Councillor Clarence Barrett
<b>SLT Lead:</b>	Debbie Middleton
<b>Report Author and contact details:</b>	Paula McLoughlin 01708 432116, paula.mcloughlin@onesource.co.uk
<b>Policy context:</b>	Insurance/Risk Management
<b>Financial summary:</b>	The cost of the extension is £650k and is funded from revenue budgets and specific recharges
<b>Reason decision is Key</b>	Indicate grounds for decision being Key: (a) Expenditure or saving (including anticipated income) of £500,000 or more
<b>Date notice given of intended decision:</b>	23 <sup>rd</sup> November 2017
<b>Relevant OSC:</b>	O & S Board
<b>Is it an urgent decision?</b>	no
<b>Is this decision exempt from being called-in?</b>	No.

**The subject matter of this report deals with the following Council Objectives**

Communities making Havering	[X]
Places making Havering	[X]
Opportunities making Havering	[X]
Connections making Havering	[X]

## Key Executive Decision

### Part A – Report seeking decision

#### **DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION**

To agree a six month extension to the existing 10 year (5+3+2) insurance portfolio contract to enable a joint procurement exercise with London Borough of Bexley.

London Borough of Havering entered into a contract for the insurance portfolio covering assets and liabilities on the 1<sup>st</sup> January 2008 for a period of five years with an option to extend up to another five years. This contract expires on 31<sup>st</sup> December 2017.

The insurance contract and service is managed by oneSource and the opportunity therefore arises to tender jointly with one or more partner boroughs. A joint tender may be advantageous in respect of the economies of scale and increased competition in the market. There are also administrative benefits to conducting a single process rather than separate ones for each borough.

We plan to seek to align the procurement process for the partner boroughs over the next five years and continue to identify synergies which could continue to align cover, self-retention levels and indemnity limits.

On considering the timetable and structure of the insurance programmes for each borough the contract end dates for Bexley and Havering currently have more synergy and are more easily aligned in that Bexley's contract ends on 30<sup>th</sup> June 2018. This means that a six month extension to Havering's contract will align the renewal dates and enable a joint tender to progress with the intended start date of 1<sup>st</sup> July 2018. The option of moving Bexley's renewal date to 1<sup>st</sup> January was considered but this would technically be a breach of contract and attract short term rates due to the effective cancellation of a policy and require the refund of the long term agreement discount of 10% over the period of the contract which is a current annual spend of £700k. The extension of Havering's contract by six months will not attract such penalty and the cost of this is £650k, i.e. half of the previous annual premium and the insurers have agreed not to apply further inflation increase as the contract allows. The new contract start date of 1<sup>st</sup> July falls in a relatively good period for the insurance market in that capacity is still generally readily available and is a quieter time for the market which may attract more interest.

Newham's insurance programme is more complex and fragmented with separate contract periods expiring Nov 2018 and Nov 2020 and does not lend itself to alignment at this stage. A plan to align Newham's' programme as contract dates expire will allow flexibility to align this with maximum potential benefit and in the best interests of all partner boroughs s151 officers for all partner boroughs have already been consulted on this proposal and have indicated their agreement both at the briefing and by way of emailed consent.

In order to facilitate this joint tender process it is essential that Havering's contract is extended for six months to align the contract inception date and subsequent annual renewal dates to 1<sup>st</sup> July. This will ensure Havering still has the benefit of vital insurance covering assets and liabilities until the inception of the new contract.

#### **AUTHORITY UNDER WHICH DECISION IS MADE**

Constitution Part 3 Section 3.3, Contract Powers (b)  
Constitution Part 4 , Contract procedure Rules, section 19.1 (iii).

Key Executive Decision

**STATEMENT OF THE REASONS FOR THE DECISION**

To enable a joint procurement exercise with London Borough of Bexley which will save time and resource as opposed to two separate procurements and may lead to better overall value for money. This will also facilitate the first stage in alignment of insurance programmes and timetable across the oneSource boroughs with Bexley and Havering aligning at the first available opportunity.

**OTHER OPTIONS CONSIDERED AND REJECTED**

An individual procurement exercise for London Borough of Havering for a contract start date from 1<sup>st</sup> January 2018 was rejected in order to benefit from the joint tender opportunity with Bexley under the oneSource joint committee arrangement.  
Termination of Bexley's contract to align with Havering to tender for a new contract date from 1<sup>st</sup> January 2018 rejected due to potential risk of a penalty of up to £300k in relation to breach of the long term agreement in Bexley's contract.

**PRE-DECISION CONSULTATION**

Report to s151 officers of oneSource joint committee.

**NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER**

Name: Paula McLoughlin

Designation: Principal Risk & Insurance Manager



Signature:

Date: 28/9/17

## Key Executive Decision

### **Part B - Assessment of implications and risks**

#### **LEGAL IMPLICATIONS AND RISKS**

This decision papers seeks approval to extend the existing insurance portfolio contract for 6 months from 31 December 2017.

Officers have advised that the original contract allowed for an extension of up to 5 years, which took place in 2012.

The Council's Contract Procedure Rules (19.1 iii) provide that a contract variation or modification which was not allowed for in the original procurement may be approved where:

- (i) the need for modification has been brought about by circumstances which the Council could not have foreseen;
- ii) the modification does not alter the overall nature of the contract;
- (iii) any increase in price does not exceed 50% of the value of the original contract or framework agreement.

In addition, Regulation 72 (i) (c) Public Contract Regulations 2015, provides that Contracts and framework agreements may be modified without a new procurement procedure in essentially the same circumstances as detailed in the Contract Procedure Rules above.

The Contract Procedure Rules and Public Contract Regulations 2015 requirements above appear to be satisfied in this instance.

#### **FINANCIAL IMPLICATIONS AND RISKS**

The annual cost of the premium contract is £1.300m and 50% of the expiring annual premium will therefore cost £0.650m. The premium includes approximately £0.100m charge to Commercial Properties/specific recharges and £1.200m charged to the Insurance Fund held within the General Fund.

The full year Insurance General Fund budget is currently £1.200m and the Budget Strategy for 2018-19 is not forecasting any changes to that budget.

As a result of the contract extension in 2018-19, £0.600m will be charged to the Insurance Fund. The remaining budget will utilised to fund 50% of the new annual contract. The value of which is currently unknown and will not be finalised until approximately May 2018 and therefore any variance to budget requirement (saving or pressure) cannot be reflected in current round of MTFS. However as stated in the main body of the report a joint tender may be advantageous in respect of the economies of scale with increased competition in the market.

#### **HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)**

None

Key Executive Decision

**EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

n/a

**BACKGROUND PAPERS**

None

Key Executive Decision

**Part C – Record of decision**

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

**Decision**

Proposal agreed

**Details of decision maker**

Signed

*J. Oldale*

Name: *JULIE OLDALE.*

Cabinet Portfolio held:

CMT Member title: s151 Officer

Head of Service title

Other manager title:

Date: 30<sup>th</sup> November 2017

**Lodging this notice**

The signed decision notice must be delivered to the proper officer, Andrew Beesley, Committee Administration & Interim Member Support Manager in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on 4/12/2017.

Signed *J. S. [Signature]*