

**WEST DUNBARTONSHIRE COUNCIL****Report by Chief Officer – Supply, Distribution and Property****Tendering Committee: 23 February 2022**

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**Subject: Contract Authorisation Report – Insurance Services for Right to Buy Block Buildings Administered by West Dunbartonshire Council**

**1. Purpose**

- 1.1** The purpose of this report is to seek the approval of the Tendering Committee to authorise the Chief Officer - Regulatory and Regeneration to conclude the award of the contract for Insurance Services for Right to Buy Block Buildings Administered by West Dunbartonshire Council.

**2. Recommendations**

- 2.1** It is recommended that the Tendering Committee:
- a) Authorise the Chief Officer - Regulatory and Regeneration to conclude on behalf of West Dunbartonshire Council (the Council), the award of the contract for Insurance Services for Right to Buy Block Buildings Administered by the Council to Protector Insurance.
  - b) Note that the contract shall be for a period of three years with the option of two x one year extensions and at a value of £2,805,378 ex VAT over three years at the current annual premium offered and £4,675,630 ex VAT should the contract be extended calculated at the current annual premium offered. The estimated commencement date of the contract is 1 April 2022.

**3. Background**

- 3.1** Historically the Council has arranged and administered the procurement of a block buildings insurance policy for privately owned ex-Council properties purchased in terms of former 'Right to Buy' legislation. The main purpose of this is to ensure that appropriate insurance cover is in place for privately owned ex-Council properties in blocks where the Council retains ownership of one or more properties. In addition to providing competitively priced insurance for homeowners, this approach minimises the risk of uninsured losses to the Council or other owners in the event of loss or damage to premises.
- 3.2** If the Council retain an interest within the block it will require to be insured under the block policy. If the Council no longer has such an interest, then either individual owners or all owners within the block can choose to insure separately.
- 3.3** Having the Insurance Services for Right to Buy Block Buildings cover in place for scheme members protects the Council's interests and gives assurance that appropriate cover is in place.

**3.4** The approval to procure and the overall budget for Insurance Services for Right to Buy Block Buildings Administered by the Council was approved at the Corporate Services Committee on 24 November 2021. No financial implications for the Council are expected given the recommended approach where the cost of the insurance is passed to the property owners (scheme members) on an annual basis. As the Council is responsible for the management and administration of the scheme, the Council receives a proportion of the policy premium from the Insurer to cover this cost.

**3.5** This procurement exercise has been conducted in accordance with the Council's Standing Orders and Financial Regulations and the Public Procurement Regulations for Services. A Contract Strategy document was also approved on 25 November 2021.

#### **4. Main Issues**

**4.1** Two procurement routes were considered, an open tender and a mini competition under a framework agreement (FA), due to the time constraints the only viable option was to procure through a mini competition.

**4.2** The Contract Strategy identified the Crown Commercial Services dynamic purchasing system RM6138 for insurance service providers as the best route to market.

**4.3** A mini competition invite was issued to the 19 insurance providers utilising the DPS RM6138 with three providers expressing an interest and with one provider submitting a response by 23 December 2021. The submission was evaluated by representatives from Resources Insurance Team, Housing Asset, Arthur J Gallagher Insurance Brokers and the Corporate Procurement Unit against a set of award criteria which was based on Commercial / Quality ratio of 60% / 40%. The scores relative to the award criteria are as follows:

Insurance Services for Right to Buy Block Buildings Administered by the Council		Protector Insurance
(Quality)	Sub Section Weighting	Weighted Score (40%)
Service Delivery Methodology	12%	9.9%
Claims Handling Provision	12%	11.4%
Contract Management and Performance	6%	3.6%
Contract Transfer and Implementation Plan	6%	4.2%
Social Benefits in Procurement	2%	0%
Commitment to Fair Working Practices	1%	0.75%
Sustainability	1%	0.5%
Quality Sub Total	40%	30.35%
Commercial Sub Total	60%	60%
Total Score	100%	90.35%

**4.4** It is recommended that the contract is awarded to Protector Insurance, of Manchester, who has provided the only tender but still economically advantageous. The contract shall be for a period of three years with the options of two one year extensions and at a value of £2,805,378 ex VAT over three years at the current annual premium offered and £4,675,630 ex VAT should the contract be extended at the current annual premium offered. The value of the contract is comparable with the previous premiums paid, with a very minimal reduction on the annual premiums secured.

**4.5** Protector Insurances offer has included an annual premium adjustment clause applying a scale to calculate the new annual premium against the net earned loss ratio rate change. The net earned loss ratio is directly related to the claims made by scheme members in any one year The table below by example presents the calculation for year 2 renewal against the offered net earned premium which excludes the Insurance Premium Tax (12%), Crown Commercial Services Management Levy (0.45%), Insurance Services Brokerage fee (3.5%) and the Councils discount rebate for administering the scheme of 25% to give net earned year value of £593,220

Net Earned Loss Ratio Rate Change:	Net earned premium (excluding IPT and commission/ISB and Council Admin) year 1 £593,220	Reduction/Increase	New net earned premium
0%-24.99% Up to -10%	Claims in previous year £0 to £148,304 would attract a 10% reduction in premium.	£59,322 reduction	£533,898
25%-49.99% Up to -5%	Claims in previous year £148,305 to £296,550 would attract a 5% reduction in premium.	£29,661 reduction	£563,559
50%-74.99% 0%	Claims in previous year £296,610 to £444,914 would attract no change % in premium.	No change	£593,220
75%-99.99% Up to +20%	Claims in previous year £444,915 to £593,219 would attract a 20% increase in premium.	£118,644 increase	£711,864
100%-124.99% Up to +30%	Claims in previous year £593,220 to £741,524 would attract a 30% increase in premium.	£177,966 increase	£771,186

125% and above	Claims in previous year £741,525 would be negotiable but the Insured is not obliged to accept an increase in excess of 40%.	£237,288 (40%)	£830,508
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**4.6** Protector Insurance has committed to paying all staff as a minimum the real Living Wage (£9.50 per hour) and promotes Fair Working Practices across their organisation. Protector Insurance has not committed to deliver any social benefits as a direct result of delivery of this contract, however social benefits will be discussed with Protector Insurance and any actions to take any social benefits forward will be agreed and will be monitored.

## **5. People Implications**

**5.1** There are no people implications as a result of this report.

## **6. Financial and Procurement Implications**

**6.1** Financial costs in respect of this contract will be met from the approved General Revenue budget of Resources, Financial Administration and Control Insurance Section.

**6.2** No financial implications for the Council are expected given the recommended approach where the cost of the insurance is passed to the property owners (scheme members) on an annual basis. As the Council is responsible for the management and administration of the scheme, the Council receives a proportion of the policy premium from the Insurer to cover this cost.

**6.3** This procurement exercise was conducted in accordance with the agreed Contract Strategy produced by the Corporate Procurement Unit in close consultation with Resources Insurance Team, Housing Asset Sold Properties, and the Council's insurance broker and the provisions of Contract Standing Orders, the Financial Regulations and relevant Public Procurement Regulations.

## **7. Risk Analysis**

**7.1** The properties covered by the current insurance policy were required to accept such a condition as part of the sale of Council houses in terms of former 'Right to Buy' legislation in order to minimise the risk to remaining Council housing. The recommended approach maintains this risk mitigation

**7.2** Protector Insurance has no known links to Serious and Organised Crime which would have significant political and reputational ramifications for the Council.

**7.3** Should the Tendering Committee decide not to proceed as recommended then this will delay the project, may have financial implications and reputational ramifications.

**8. Equalities Impact Assessment (EIA)**

**8.1** An equalities screening was undertaken and the results confirmed there are no equalities impact

**9. Consultation**

**9.1** The Resources Insurance Team, Housing Asset Sold Properties, Finance Services and Legal Services along with the Councils insurance broker have been consulted on the contents of this report.

**10. Strategic Assessment**

**10.1** The Insurance Services for Right to Buy Block Buildings administered by the Council will contribute to the delivery of the Council's strategic priorities:

**Name:** Angela Wilson

**Designation:** Chief Officer – Supply, Distribution and Property

**Date:** 9 February 2022

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**Appendices:** None.

**Background Papers:** Contract Strategy  
EIA Screening

**Wards Affected:** All Council Wards.

