

18/19  
DECISION  
NOW MADE



### Notice of KEY Executive Decision

<b>Subject Heading:</b>	<b>Leaseholder Insurance Tender – award of five year contract from 31/3/18</b>
<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 costs of the contract are based on the number and type of leasehold properties. Based on current levels estimated costs are £338k plus 12% IPT totalling £380k per year (this equates to approx. £1.9m over the life of the contract, (excluding any indexation and IPT increases.) The total annual cost is to be recharged to leaseholders.
<b>Reason decision is Key</b>	Although to be recharged to leaseholders, this is expenditure of over £500,000
<b>Date notice given of intended decision:</b>	Dec 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 approve the award of the contract on behalf of the Right to Buy and residential leaseholders, in accordance with lease agreements in place and in particular the Council's obligations within them.

Following an OJEU Open tender process, bids have been received and evaluated based on price and quality.

The bid prices for the first annual policy period within the contract is as follows

<i>Bidder</i>	<i>Price per annum excluding IPT@12%</i>
<i>Ocaso</i>	<i>£423,400.11</i>
<i>Protector</i>	<i>£427,372.00</i>
<i>Zurich Municipal</i>	<i>£338,975.06</i>

Based on both price and quality evaluation, Zurich Municipal is the preferred bidder.

Insurance Premium Tax has increased to 12% from 10%. Annual renewal at existing rates is agreed within the five year long term agreement, subject to market acceptable provisos around claims performance and index linking on an annual renewal basis within the contract period of five years.

Zurich Municipal is the existing insurer so there is no additional cost of change and continuity of cover will be maintained.

Leaseholders have been consulted both prior to tender and on the tender results, and whilst some queries were raised regarding the extent of cover proposed, and a suggestion received that an online quote from Direct Line be obtained, there have been no adverse observations. The second consultation closed on 28<sup>th</sup> February 2018.

The team working on this has been Paula McLoughlin, Principal Risk & Insurance Manager, Angela Farmer, Insurance Officer, appointed broker JLT with advice from Suzanne Wightwick, Procurement and the Home Ownership team.

Tender outcome and award decision letters will be issued to bidders on 5<sup>th</sup> March 2018, with insurers appointed on 16<sup>th</sup> March 2018.

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

Constitution Part 3 Section 3.3, Contract Powers (b)  
Members of the Senior Leadership Team (SLT) have delegated authority to award all contracts with a total contract value of between £500,000 and £5,000,000.

Key Executive Decision

**STATEMENT OF THE REASONS FOR THE DECISION**

To provide buildings insurance on behalf of the Right to Buy and residential leaseholders, in accordance with lease agreements in place and in particular the Council's obligations within them.

The council is legally obliged to arrange cover on behalf of the leaseholders.

The current contract expires on 31/3/18 and the council must ensure that arrangements for appropriate buildings cover are in place.

**OTHER OPTIONS CONSIDERED AND REJECTED**

Self insuring was considered but the Council has a legal obligation to provide this insurance, with a reputable insurer to the leaseholders and, to fail to do so could result in a legal challenge and financial liability for any uninsured losses. A full OJEU compliant tender was recommended to obtain the best response from the market. Three bids were received and neither of the alternative bids scored favourably in comparison to the recommended bidder.

**PRE-DECISION CONSULTATION**

Leaseholders were consulted as part of the two stage process under s20 of the Landlord & Tenant Act 1985. (Section 151 of the Commonhold and Leasehold Reform Act 2002) substitutes)

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

Name: Paula McLoughlin

Designation: Principal Risk & Insurance Manager



Signature:

Date: 26/2/18

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

**LEGAL IMPLICATIONS AND RISKS**

Insurance and Risk Management seek to procure these services in accordance with the Council's responsibilities as a landlord.

The Public Contracts Regulations 2015 require contracts over the relevant financial threshold to be advertised via the Official Journal of the European Union (OJEU), and to be let competitively in accordance with transparent and non-discriminatory criteria.

The procurement process followed by the Council has already been set out in the body of this report and appears to be a fully compliant procedure. The tenders received were evaluated in accordance with the Council's pre-determined best price-quality ratio of 70% cost and 30% quality.

Section 151 of the Commonhold and Leasehold Reform Act 2002 substitutes the content of Section 20 of the Landlord and Tenant Act 1985. Furthermore, the Service Charges (Consultation Requirements) (England) Regulations 2003 set out the appropriate amount to charge tenants through service charges and the 'Consultation Requirements' that the Council is required to comply with.

Due to the the public procurement process, it would not be appropriate for tenants to nominate a supplier from whom the Council should try to obtain an estimate. Therefore, the consultation process is slightly different to where there is no obligation to advertise the contract opportunity in the OJEU.

The Council is instead required to give notice of its intention to enter into a qualifying long term agreement to each leaseholder who will be asked to contribute through their service charge. In such a Notice, the Council must invite the making, in writing, of observations in relation to the relevant matters.

Officers have confirmed that leaseholders were consulted at two stages of the procurement process.

**FINANCIAL IMPLICATIONS AND RISKS**

The costs of the contract are based on the number and type of leasehold properties and is estimated to be £380k per year plus indexation and IPT increases. The total annual cost is to be recharged to leaseholders

The tender result represents a 27% increase in the annual premium compared to the current premium. Whilst this is a considerable increase, a formal tender process was undertaken and the leaseholders were consulted on the outcome. As the Council is required to provide Leasehold insurance it is recommended that the contract is awarded.

Within the term of the contract increases are permitted at renewal to reflect the increased rebuilding costs and this is based on the RICS index. An average of three months index figures, preceding renewal terms being prepared is applied. Additional properties "sold" and insured under the scheme will also prompt an increase as well as increase to the government levied IPT rate.

Key Executive Decision

**Sam Gable** Strategic Finance Business Partner

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

No HR implications or risks arising directly.

**EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

None.

**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



Name: D Middleton

Cabinet Portfolio held:  
CMT Member title: s151 Officer  
Head of Service title  
Other manager title:

Date: 8th March 2018

**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 8/3/2018

Signed J. J. R. R.