



**Havering**  
LONDON BOROUGH

## Notice of Non-key Executive Decision

<b>Subject Heading:</b>	<b>Procurement of Leasehold Buildings Insurance Contract</b>
<b>Decision Maker:</b>	<b>Dave McNamara, Director of Finance, s151 Officer</b>
<b>Cabinet Member:</b>	<b>Councillor Christopher Wilkins</b>
<b>SLT Lead:</b>	<b>Dave McNamara, Director of Finance, s151 Officer</b>
<b>Report Author and contact details:</b>	<b>Paula McLoughlin, Principal Risk &amp; Insurance Manager, 01708 432116, paula.mcloughlin@onesource.co.uk</b>
<b>Policy context:</b>	<b>Insurance/Risk Management</b>
<b>Financial summary:</b>	<b>Anticipated cost of £3m across life of contract to be recharged to leaseholders</b>
<b>Relevant OSC:</b>	<b><i>Overview &amp; Scrutiny Board</i></b>
<b>Is this decision exempt from being called-in?</b>	<b>The decision will be exempt from call in as it is a Non key Decision</b>

**Non-key Executive Decision**

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

Communities making Havering	<input checked="" type="checkbox"/>
Places making Havering	<input type="checkbox"/>
Opportunities making Havering	<input type="checkbox"/>
Connections making Havering	<input type="checkbox"/>

## Part A – Report seeking decision

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

To approve the commencement of a tender process to seek bids for the provision of buildings insurance on behalf of all the Right To Buy (RTB) and residential leaseholders, including shared owners, in accordance with the obligations of the Council within the lease agreements. The total estimated value is £3,000,000 over a 5 year term (subject to current inflation rates). It should be noted that this cost is recharged to leaseholders.

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

Constitution Part 3 Section 3.3 (Powers of Members of the Senior Leadership Team)  
Contract Powers (a) To approve commencement of a tendering process for all contracts above a total contract value £500,000.

### **STATEMENT OF THE REASONS FOR THE DECISION**

Within the Council's housing stock, there are a significant number (currently approx. 2600) of privately owned properties for which the Council is the Freeholder, for example former tenanted flats/maisonettes sold by the Council under the Right to Buy legislation or shared ownership properties.

Under the leasehold or shared ownership agreement, the Council is obligated to provide Buildings Insurance. This ensures a consistent approach from the insurance provider in the event that an incident occurs affecting multiple properties in a block and protects the Council's interest in the structure as freeholder.

Approval is being sought to commence an Open Tender process for the provision of Leaseholder Insurance on behalf of Leaseholders and in accordance with lease agreements in place.

An Open Tender, rather than the use of an existing framework, procedure will achieve optimal response from the market as advised by the incumbent Insurance Broker.

The current contract for the provision of leaseholder insurance expires on 31 March 2023.

There is no ability to extend as there is a limit of five years on this contractual arrangement.

The council has an obligation under the lease to provide the insurance.

### **Non-key Executive Decision**

The cost of the contract will be fully recharged to Leaseholders via service charges administered by the Home Ownership service. It should be noted that, due to current market conditions, inflation in rebuilding costs/supply chain pressures, the impact of severe weather events and ongoing market concern post Grenfell, it is anticipated that the insurance policies offered will be more expensive than previous years.

The specification is designed to ensure flexibility for additions and deletions during the policy year with an annual declaration to account for new Right to Buy sales and buy back for regeneration or increasing social housing stock. This will include scope for the anticipated increase in units insured due to new build regeneration projects (12 Estates) over the contract term.

The bids will be evaluated on 70% price and 30% quality across policy cover, claims handling and added value & innovation.

### **OTHER OPTIONS CONSIDERED AND REJECTED**

Self-insuring was considered and discounted. The Council has a legal obligation to provide this insurance, with a reputable insurer, to the leaseholders/shared owners and to fail to do so could result in a legal challenge and financial liability for any uninsured losses.

Therefore, the alternatives are either a full open procedure or use an existing framework. A framework route will limit the potential market as it will be limited to existing contracts in place with other Authorities. It would attract a management fee which would be additional cost for the leaseholders/shared owners.

The council has an existing appointed Insurance Broker, so use of one of the frameworks would require appointment of the existing broker as a separate process initially, incurring additional costs and process.

Any framework provider will have the opportunity to respond via the open procedure. The market is limited, with some providers withdrawing their products and has hardened significantly since the fire at Grenfell and extreme weather events. An open procedure will give wider access to the market and encourage bids from potential new suppliers.

### **PRE-DECISION CONSULTATION**

Leaseholders/shared owners will be consulted in a two part process under the Notice of Intention to Enter into Qualifying Long-Term Agreements, given under Section 20 of the Landlord and Tenant Act 1985 (as amended by the Commonhold and Leasehold Reform Act 2002) and Schedule 2 of the Service Charges (Consultation Requirements) (England) Regulations 2003, prior to the invitation to tender and before the contract award decision. The consultation is currently at Stage 1 to be completed prior to publishing the Invitation to Tender.

**Non-key Executive Decision**

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

Name: Paula McLoughlin

Designation: Principal Risk & Insurance Manager

Signature:



Date: 02/09/22

## 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 Council has power under section 1 of the Localism Act 2011 to agree the recommendation in this report.

The value of the proposed procurement is well above the threshold for services. Compliance with Part 2 of the Public Contracts Regulations 2015 is therefore required.

The Public Contracts Regulations 2015 require contracts over the relevant financial threshold to be advertised on the UK's e-notification service, 'Find a Tender' (FTS) and to be let competitively in accordance with transparent and non-discriminatory criteria. Officers intend to use the Open procedure in accordance with Regulation 27.

The Council must carry out a Consultation procedure as set out in the body of this report. Due to the public procurement process, it would not be appropriate for leaseholders 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 on FTS.

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.

### **FINANCIAL IMPLICATIONS AND RISKS**

The cost of the insurance is recharged to leaseholders, The premiums are collected with service charges by Housing, Home Ownership. Collection and arrears sit with Housing for this new contract term. An element of the premium is retained by the council for the cost of administering the policy and the cost of tendering is included in running costs. There are adequate resources within the current budget.

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

None arising from this decision.

### **EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS**

None arising from this decision. Insurance is provided to all leaseholders and they are consulted at key stages of the process in line with regulations. Insurance will be procured on bedroom rating which is a fair methodology.

**Non-key Executive Decision**

**ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS**

None arising from this decision.

**BACKGROUND PAPERS**

None

**Non-key Executive Decision**

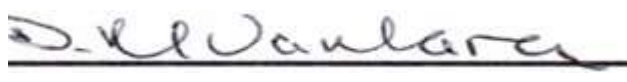
**Part C – Record of decision**

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: Dave McNamara  
Section 151 Officer

Date: 11/10/22

**Lodging this notice**

The signed decision notice must be delivered to Democratic Services, in the Town Hall.

**For use by Committee Administration**

This notice was lodged with me on \_\_\_\_\_

Signed \_\_\_\_\_