

Report to the Cabinet

Report reference: C-023-2021/22

**Date of meeting: 08 November
2021**

Portfolio: Cllr Sunger – Corporate Services

Subject: Leaseholder Buildings Insurance Tender - July 2022

**Responsible Officer: Andrew Small - Strategic Director/S151 Officer
(01992 564278). Karen Dawson – Insurance Officer**

Democratic Services: Adrian Hendry (01992 564246).



**Epping Forest
District Council**

Recommendations for Cabinet approval:

- (1) Approve the procurement and re-tender of the Leaseholder residential building insurance contract on a three-year long-term agreement (LTA) with the option of extending for a further two years to be effective from 1st July 2022; and**
- (2) Approve delegation of the contract decision and final award of contract to the Strategic Director/S151 in consultation with the Director of Housing and Property**

Executive Summary:

As Freeholder the Council is obliged to arrange building insurance on behalf of its residential leaseholders in accordance with the terms of the lease.

The Council tendered the leaseholder building insurance in July 2015 on a five-year long-term agreement (LTA) with the option to extend for a further two years. The current arrangement expires 30 June 2022.

Owing to the value of this contract which currently stands at approximately £90,000 p.a there is a requirement to undertake a full Tender exercise on the open market to ensure we obtain the most comparatively advantageous terms. It is recommended that we Tender for a three-year long-term agreement (LTA) with the option of extending for a further two years, making the overall total value of this contract to be in the region of £450,000.

The current insurance provider is Zurich Municipal Insurance.

There are a limited number of providers in the insurance market who specialise in Leaseholder residential buildings insurance for Public Sector risks and EFDC are engaging a specialist broker to market the risk on a full OJEU open tender basis to ensure we maximise the attractiveness of the proposition and thus providing competitive challenge to Zurich Municipal Insurance rates currently being charged.

Consultation under S20 of the Leaseholder Reform Act 2002 will be undertaken by the Home Ownership Team and Insurance Specialist.

Reasons for Proposed Decision:

The current insurance arrangement expires on the 30 June 2022 creating a need to re-tender the Leaseholder residential building insurance, to ensure we are achieving value for money and to

comply with the Procurement rules owing to the significant expenditure involved. Failure to ensure that insurable risks are insured with external providers would expose the Council to significant financial risk and put us in breach of our contractual obligations under the lease agreement.

Cabinet approval is required as this is a key decision.

Other Options for Action:

The Leaseholder current building insurance policy ceases 30 June 2022 and there are no other options but to undertake a full open Tender exercise.

Report:

1. Key background:

- 1.1 As freeholder, Epping Forest District Council is obliged to arrange buildings insurance on behalf of its residential leaseholders in respect of leasehold properties sold under Right to Buy legislation.
- 1.2 The Leaseholder building insurance was last tendered in July 2015 on a five-year long-term agreement (LTA) with the option to extend for a further two years. The current arrangement will expire on the 30 June 2022.
- 1.3 The current insurance policy is provided by Zurich Municipal Insurance.

2. The Proposal:

- 2.1 The proposals included within this report relate to the Leaseholder building insurance arrangements currently in place with Zurich Municipal Insurance.
- 2.2 Owing to the value of this contract which currently stands at approximately £90,000 p.a there is a requirement to undertake a full Tender exercise on the open market to ensure we obtain the most comparatively advantageous terms. It is recommended that we Tender for a three-year long-term agreement (LTA) with the option of extending for a further two years, which will provide best value to Leaseholders whilst providing financial security and stability.
- 2.3 Prior to tendering the contract a Notice of Intention to enter into a Long-Term Agreement is to be issued to all leaseholders and Recognised Tenant's Associations in accordance with Section 20 of the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold reform Act 2002 (the "Act").
- 2.4 When re-tendering the contracts, it is proposed that quotations will be invited on the current terms enjoyed by Leaseholders, with a further option at a higher premium whereby the leaseholder will benefit from accidental damage cover.
- 2.5 The Council will use the services of a specialist insurance broker, A J Gallagher, to provide specialist advice and assistance through-out the re-tendering process to ensure that the most appropriate quotation options are included. The broker will also be undertaking the evaluation of the Tenders along with the Council procurement team and insurance specialist.
- 2.6 Further consultation under Section 20 will be undertaken prior to final award of the contract.

Resource Implications:

The insurance premium is initially paid from the insurance budget then recharged to the HRA. The cost of the insurance is then charged to leaseholders on a pro rata basis according to their sum insured, as part of their annual service charge, resulting in a zero cost to the Council.

Legal and Governance Implications:

Procurement will be undertaken in accordance with the Public Contracts Regulations 2015 and carried out with external insurance brokers to ensure compliance is maintained for an advantageous competitive Tender.

Consultation will be carried out with leaseholders in accordance with the Landlord and Tenant Act 1985 as amended by the Commonhold and Leasehold Reform Act 2002.

Safer, Cleaner and Greener Implications:

Not applicable

Consultation Undertaken:

None

Background Papers:

None

Risk Management:

Insurance is a key finance transfer mechanism which forms part of the Council Risk Management considerations. If insurance is not placed externally with insurers this would put the Council at significant financial risk for assets it owns as freeholder as well as breach of contract with its Leaseholders.

There is a risk of a challenge to the Section 20 Notice by a leaseholder. The mitigation is to ensure that an open tender is run in accordance with legal and procurement advice. Experience of previous tenders for this contract suggests that this risk is very low.

There is a risk that the insurer may fail. The risk of supplier failure is mitigated, as the supplier's financial status and standing will be required to meet minimum standards both at inception and for the duration of the contract.

Equality Impact Assessment:

An Equality Impact Assessment is not required as the Public Sector Equality Duty does not apply to this decision.