
REPORT FOR: CABINET

Date of Meeting:	12 September 2019
Subject:	Authority to Procure Buildings Insurance for Residential Leaseholders
Key Decision:	Yes The proposed procurement will involve revenue expenditure in excess of £500,000
Responsible Officer:	Dawn Calvert Director of Finance
Portfolio Holder:	Cllr Adam Swersky Portfolio Holder for Finance & Resources
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

The purpose of this report is to seek Cabinet approval to re-tender the contract for the provision of buildings insurance for residential leaseholders and to award the contract under delegated Authority.

Recommendations:

Cabinet is requested to:

1. Grant approval to procure buildings insurance for residential leaseholders.
2. Delegate authority to the Corporate Director of Resources, following consultation with the Portfolio Holder for Finance and Resources, to award the contract for buildings insurance for residential leaseholders.

Reason:

As freeholder, the Council is obliged to arrange buildings insurance for its residential leaseholders under the terms of the lease. The long-term agreement (LTA) with existing insurers expires on 31 March 2020. Therefore it is necessary to re-tender the contract on behalf of leaseholders.

Section 2 – Report

Introductory paragraph

As freeholder, Harrow Council is obliged to arrange buildings insurance for residential leaseholders in respect of leasehold properties sold under Right to Buy legislation.

The contract was last tendered in 2017 following which the Council entered into a three year long-term agreement (LTA) with Zurich Insurance.

The current LTA expires on 31 March 2020 and as a result it is necessary to re-tender the contract on behalf of Harrow's residential leaseholders.

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").

The minimum specification to be requested will be equivalent to the insurance cover available under the existing contract.

In drafting the specification for the new contract input will be sought from leasehold services and the views of the Harrow Federation of Tenants and Residents Associations (HFTRA) will also be taken into account to ensure that the contract continues to adequately protect the interests of the Council's leaseholders.

Subject to Cabinet approval to re-tender the contract, further leaseholder consultation would take place before approval is requested to award the contract.

Options considered

The Council, as freeholder, is obliged to arrange buildings insurance for residential leaseholders under the terms of the lease. The existing long-term agreement (LTA) with insurers expires on 31 March 2020. If the contract is not re-tendered ahead of the expiry of the LTA the leaseholders will have no buildings insurance in place, therefore there is no alternative to re-tendering the contract.

Ward Councillors' comments – Not Applicable

Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? No

The key risk associated with the proposed procurement of this contract is that a procurement challenge is made, which could jeopardise the commencement date of the contract and potentially leave leaseholders uninsured. The risk of a challenge will be mitigated as far as possible, as the tender would be run in accordance with EU procurement rules supported by legal and procurement advice.

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.

Procurement Implications

The proposed procurement will be carried out in accordance with the Public Contract Regulations 2015 and the Council's own Contract Procedure Rules.

There are a very limited number of insurers in the market with an appetite to underwrite this class of business, therefore an open tender is deemed to be the most appropriate procurement method.

The proposed evaluation criteria is:

Price: 70%

Quality (including social value): 30%

The proposed evaluation criteria is based on previous experience of similar tenders and takes into account that the extent of the insurance cover offered by the various insurers is broadly the same.

It is proposed that tenders are requested for a term of 3 years with the option to extend for a further 2 years. This will provide best value for leaseholders whilst providing security and financial stability.

The proposed timeline is to commence the procurement in October 2019 with the contract to be awarded in March 2020 after completion of the required leasehold consultation.

The new contract will start on 1 April 2020.

Legal Implications

From a governance perspective the renewal of this contract is a business as usual activity. However Cabinet approval is required in view of the value of the procurement.

The procurement will be carried out in accordance with the Public Contracts Regulations 2015 and the Council's own Contract Procedure Rules.

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

Financial Implications

The contract is tendered on behalf of leaseholders and the cost of the insurance is recharged to them in full

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.

The annual cost of the insurance in 2018/19 was £189k.

Equalities implications / Public Sector Equality Duty

There are no equality implications to this decision as follows.

- You are developing a new policy, strategy, or service – No
- You are making changes that will affect front-line services – No
- You are reducing budgets, which may affect front-line services – No
- You are changing the way services are funded and this may impact the quality of the service and who can access it – No
- You are making a decision that could have a different impact on different groups of people – No
- You are making staff redundant or changing their roles - No

Council Priorities

This proposal meets the Council priorities in terms of Modernising Harrow Council by aiming to deliver excellent value for money services.

Section 3 - Statutory Officer Clearance

Name: Sharon Daniels	<input checked="" type="checkbox"/>	on behalf of the * Chief Financial Officer
Date: 26/7/19		

Name: Stephen Dorrian	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 19/07/2019		

Name: Lisa Taylor	<input checked="" type="checkbox"/>	on behalf of the * Head of Procurement
Date: 23/7/19		

Name: Charlie Stewart	<input checked="" type="checkbox"/>	Corporate Director
Date: 30 July 2019		

MANDATORY**Ward Councillors notified:****NO, as it impacts on all Wards****EqIA carried out:****NO**

This proposal is to renew an existing insurance contract for all of the Council's residential leaseholders.

EqIA cleared by:**Section 4 - Contact Details and Background Papers**

Contact: Karen Vickery, Service Manager – Insurance

Direct Dial: 020 8424 1995

E-mail: Karen.vickery@harrow.gov.uk

Background Papers: None

Call-In Waived by the Chair of Overview and Scrutiny Committee**NO**