

Contract for the Insurance of Leasehold Flats (2023-2028)

Date: 18th July 2022

Report of: Deputy Insurance Manager, Financial Services, Resources

Report to: Chief Officer Financial Services

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

In 2013 the Council let the contract for the provision of insurance cover for Leasehold Flats to Avid Insurance Company subject to a 5 year long term agreement.

This contract is due to expire on 31 March 2023 and therefore a new contract is required.

The terms of the lease between the Council and the leaseholders provides that the Council will arrange insurance of the fabric of the leased flat including fixtures and fittings and that the cost of such insurance will then be recharged by the Council to individual leaseholders proportionate to the value of the leased flat.

Recommendations

- a) The Chief Officer Financial Services is recommended to approve the authority to procure a contract for insurance cover for Leasehold Flats. The contract is to commence on 1st April 2023 for a period of five years.

What is this report about?

- 1 Under the terms of leasehold arrangements the Council has to arrange insurance for the fabric, fixtures and fittings of leasehold flats and then recover the cost from leaseholders individually.

If the contract is not awarded, leaseholders will be left with no insurance cover on the fabric, fixtures and fittings of leasehold flats and the Council will be in breach of its obligations under the terms of the lease.

There is no alternative 'in house' provider of insurance and there will not be any existing contractual arrangements when the current contract expires.

The risk is not one that the council would wish to assume for itself.

What impact will this proposal have?

- 2 This will ensure that the leaseholders will have appropriate insurance in place to protect them against damage to the fabric and fixtures and fittings of the leasehold property they have purchased from the council.

It will also ensure that the council is not in breach of its legal obligation to arrange insurance for the properties as per the terms of the lease.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 3 The council is arranging provision of insurance which may not be available for home owners directly. This provides the leaseholders with financial protection in the event of loss or damage which is caused by an insured peril. With leaseholders having the reassurance that insurance is in place it will not cause them any undue anxiety and stress from not being insured.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted?

Yes

No

- 4 The council will issue the relevant statutory notices to leaseholders at the appropriate times within the procurement process to ensure that they are involved in the consultation process.

Procurement consultation with PACS has been ongoing since May 2022 to ensure that requirements for the procurement of the contract will be fully met.

Consultation with the Leasehold Section of the Council has been ongoing since May 2022 to ensure that the correct procedure is undertaken for statutory consultation.

What are the resource implications?

- 5 Payment of the insurance premium is made annually by the Council's Insurance Section. The premium cost is then recovered through annual recharges to the Resources Directorate, who recover the cost of the insurance from leaseholders individually.

Officer time in the Insurance Section is required prior to each renewal as up to date property information needs to be gathered and sent to insurers to ensure adequate cover is in place for each annual policy period. This can be managed within the currently available resource.

Officers in the Leasehold Section maintain a database of leasehold properties to be insured and supply this information to the Insurance Section. They also arrange for premiums to be collected as part of the annual service charge to Leaseholders. Again this is currently managed within the available resource.

What are the key risks and how are they being managed?

- 6 Procuring the insurance will fulfil the statutory requirements and legal obligations of the Council under the lease to arrange insurance for leasehold flats.

Having the insurance in place will negate the possibility of the Council being called upon to meet any losses sustained in leasehold flats as a result of any of the perils insured under the policy.

What are the legal implications?

- 7 The value of the contract is expected to be approximately £1.25m over the five year period, although it is anticipated that this sum will be recovered through the recharge arrangements outlined above.

The decision is classed as a Key Decision and is eligible for call-in.

If the insurance is not in place, the council will be in breach of its obligations under the terms of the lease.

Options, timescales and measuring success

What other options were considered?

- 8 The alternative option was that the council assume the risk, however, due to the potential financial costs involved this was not a viable alternative to arranging insurance externally.

How will success be measured?

- 9 By completing the tender exercise and obtaining cover via the Most Economically Advantageous Tender the council will ensure that best value for money is obtained for both the council and individual leaseholders

What is the timetable and who will be responsible for implementation?

- 10 The existing contract expires on 31st March 2023, therefore a new contract is required to commence on 1st April 2023.

The expected date of the decision is not before 1st February 2023 and the final date for implementation of the decision is 15th March 2023

The Deputy Insurance Manager is responsible for implementing the decision.

Appendices

- None

Background papers

- None