

CABINET

20 MARCH 2012

Title: Re-tendering of Contract for Leasehold Property Insurance Services	
Report of the Cabinet Member for Housing	
Open Report	For Decision
Wards Affected: None	Key Decision: Yes
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Accountable Divisional Director: Ken Jones, Divisional Director Housing Strategy	
Accountable Director: Darren Henaghan, Corporate Director of Housing & Environment	
Summary: <p>The current contract for the provision of Insurance Services for Leaseholders expires on 29 September 2012 and this report sets out proposals to tender the contract on a three-year term with an option to extend up to a further two years.</p> <p>In readiness for the expiry of the current contract for the provision of Insurance Services on 29 September 2012, officers will tender the contract using the “Open Procedure” in accordance with European Procurement Directives.</p> <p>There is a limited market for the provision of Insurance Services for Local Authorities and an independent Insurance Broker has been engaged to ensure the widest possible selection of insurance companies are available to quote. Insurers expressing an interest in this contract will be short listed following a comprehensive evaluation. The Insurer to be appointed will have to prove they offer the best value for money solution for the Council and Leaseholders but, given the current market and claims trends, the probability is that premiums will be increased.</p>	
Recommendation(s) The Cabinet is recommended to : (i) Approve the re-tendering of the contract for the provision of Insurance services in respect of the Council’s leasehold property; and (ii) Advise, in accordance with the Constitution (Contract Rules 3.6.4), whether Cabinet would wish to be further informed or consulted on the progress of the procurement and award of contract, or would be content for the Corporate Director of Housing and Environment, in consultation with the Corporate Director of Finance and Resources, to award the contract upon conclusion of the procurement process and any extension options that are deemed to be in the best interest of the Council and Leaseholders.	

Reason(s)

To enable the Council to obtain insurance on the best terms available in the current market for Leaseholders and ensure continuity of insurance cover in respect of Council Leasehold property, assisting the Council in being a well run organisation, working towards raising Household Incomes under the theme of Better Homes.

1. Introduction and Background

- 1.1 The existing contract for the Council's Leasehold Property insurance programme is with Zurich Municipal (ZM) and expires on 29 September 2012. ZM were appointed as the Council's insurers after a tender process in line with the European procurement directives in 2007. The market for Local Authority insurance in 2007 was limited; however there are now a number of new insurers that are willing to quote on Local Authority Leasehold Property insurance programmes.
- 1.2 The current contract was for 3 years with an option for a further 2 years. This option was exercised as it was felt to be in the best interests of the Council and Leaseholders at that time, given the state of the insurance market rates, to ensure value for money. However we now have to tender as the Council is coming to the end of the extension option. To ensure the widest possible selection of insurance companies from the limited Insurance Market are available to quote, an insurance broker has been engaged as it is a specialist area and some Insurers will only deal with an Insurance Broker intermediary. The Specialist Insurance Broker has been contracted to procure both the Council's main insurance contract and this contract.

2. Proposal and Issues

Tender Process

- 2.1 The contract, which will be reviewable annually, is estimated to be valued at approximately £1.8million over a 3 year term. Due to the limited market and the anticipated low response, the 'Open procedure' will be used which means that tendering procedures are preceded by the placing of a notice advertising the contract with all those expressing an interest being invited to submit a tender.
- 2.2 It is confirmed that the relevant provisions of the "Contracts Guidance Notes", "Contracts Rules", "Contracts Codes of Practice" and the "Financial Rules" of the Council's Constitution and the EU Procurement Rules will be fully adhered to.
- 2.3 Insurance services is a Part A Service and must be awarded in accordance with the provisions of EU Regulations and are subject to the full regime (Directive 92/50/EEC for Service Contracts).

Tender Evaluation

- 2.4 The contracts will be awarded on the basis of the best value for money offer to the contracting authority of those able to meet or exceed the service specification and cover requirements in the following breakdown:

Price	60%
Quality	40%

- 2.5 Quality shall be made up of technical and financial capability and capacity from areas such as financial appraisals, experience with the leaseholder market, quality of documentation and value added services, customer care, fraud control and complaints proceedings.
- 2.6 All interested insurers will have to demonstrate, when submitting their quotations, their ability to meet the criteria outlined above.
- 2.7 The evaluation panel will consist of representatives from Insurance, the appointed Insurance Broker, Home Ownership Service within Housing & Environment Department and any other relevant persons who may have an interest.

3. Options Appraisal

- 3.1 The Council does have the option not to pursue this contract but this would be to the considerable detriment of leaseholders and is not therefore recommended. Although there may be an increase in premiums charged to Leaseholders, these will be lower than if individual leaseholders attempted to obtain cover for themselves.

4. Leaseholder Consultation

- 4.1 In line with Housing regulations and legislation, consultation with leaseholders will be undertaken by letter. The letter shall invite the leaseholders to express any opinions they have with regards to the provider and service. A second phase of consultation shall invite leaseholders to comment on the chosen provider and raise any concerns. The consultation shall be straightforward and factual with leaseholder rights clearly explained. The letter shall be made available in other formats, such as large print, if requested.

5. Financial Implications

Implications completed by: Jo Moore, Finance Group Manager

- 5.1 There are no direct financial implications to the Council arising from this proposal. Any increase or savings on present leasehold insurance premiums obtained due to current insurance market conditions will be passed directly to Leaseholders.
- 5.2 Elevate has agreed that for this contract there will be no liability for gain share.

6. Legal Implications

Implications completed by: Antonia Asielue, Senior Lawyer, Procurement and Contracts.

- 6.1 This report is seeking Cabinet's approval to undertake a re-tendering exercise in relation to the provision of insurance services in respect of the Council's leasehold property, in anticipation of the expiry of the existing contract in September 2012.
- 6.2 Under the Public Contracts Regulations, 2006 ("the EU Regulations") insurance services are classified as Part A services and are therefore subject to the full rigour of the EU public procurement regime. As the value of the contract is above the EU

threshold for services (currently £173,934), a full EU competitive tendering process is required to be undertaken.

- 6.3 This report confirms that the contract will be advertised in the Official Journal of the European Union (OJEU), and that the Open Procedure – a procedure whereby all organisations that submit an expression of interest in relation to the contract are invited to tender for the contract - will be followed.
- 6.4 It is anticipated that the cost to the Council of providing insurance cover in relation to leasehold property under the proposed contract, will be recovered from leaseholders via Service Charges payable by leaseholders.
- 6.5 Under Section 20 of the Landlord and Tenant Act, 1985, a notice of the intention to re-tender the contract must be given to leaseholders and consultation must be carried out with leaseholders in accordance with the Landlord and Tenant Act 1985 prior to award of the contract. This is imperative; otherwise the full cost of provision of the insurance cover will not be legally recoverable from leaseholders. This report confirms that the statutory leaseholder notices will be issued and that consultation with leaseholders will be undertaken in respect of this contract.
- 6.6 Under the Council's Contract Rules, a Corporate Director has the power, in the absence of direction to the contrary from Cabinet, to award contracts of above £50k in value provided this is undertaken in consultation with the Council's Section 151 officer (currently the Corporate Director of Finance and Resources).
- 6.7 The Legal Practice confirms that there are no legal reasons preventing Cabinet from approving the recommendations of this report.

7. Other Implications

7.1 Risk Management

The Leaseholders' Insurance Programme provides buildings and third party insurance cover for leaseholders in previously Council-owned properties. If buildings cover is not provided the Council will not be complying with its Landlord's obligations and will have to bear the risk of what otherwise would be covered by insurance.

7.2 Customer Impact

Although it is a condition of the leases for all properties sold under the Right to Buy that the Council as landlord is responsible for insuring the building in which the property is situated, the Council is still providing a valuable contribution to social inclusion, enabling access to markets and savings that a lone leaseholder may not have while at the same time ensuring that appropriate insurance cover is in place on leasehold properties. Although there may be an increase in premiums charged to Leaseholders, these will be lower than if individual leaseholders were able to obtain cover for themselves.

Background Papers Used in the Preparation of the Report: None

List of Appendices: None