

Brighton & Hove City Council

Strategy, Finance & City Regeneration Committee

Agenda Item 27

Subject: Residential Leasehold Buildings Insurance Tender

Date of meeting: 13th July 2023

Report of: Executive Director for Governance, People & Resources

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Ward(s) affected: All

For General Release

1. Purpose of the report and policy context

1.1 The Council as Landlord has a legal and contractual obligation to provide buildings insurance for Residential Leasehold properties; the current buildings insurance policy will expire on 31st March 2024. This report seeks approval to procure a buildings insurance contract for residential leasehold properties.

2. Recommendations

That Strategy, Finance & City Regeneration Committee:

2.1 grants delegated authority to the Executive Director Governance, Finance & Resources to procure a contract for buildings insurance for residential leasehold properties.

2.2 grants delegated authority to Executive Director for Governance, Finance & Resources to grant an extension to the contract.

3. Context and background information

3.1 In April 2020 the council entered into an insurance contract for residential leasehold properties with Avid Insurance Services for 3 years with an option to extend upto 2 years. With all insurance policies, prices are only fixed for one year and renewal terms are provided and reviewed by external insurance brokers to ensure value for money. Either party can withdraw at renewal however a longer-term tender process provides a level of assurance to a bidder of the intention to have a longer term relationship which supports better value for money.

- 3.2 In March 2023, Avid notified the council it was unable to renew the insurance contract commencing 1st April 2023 as they were unable to secure insurance cover following their insurance providers withdrawal from public sector and housing association markets. This was not formally confirmed until late March 2023.
- 3.3 There are very limited insurers offering residential leasehold buildings insurance for council housing and so, as an emergency measure and to avoid a period of no insurance, the council arranged a 1-year contract with the council's current buildings insurer (Protector).
- 3.4 Building Insurance premiums are increasing rapidly, in line with the increasing costs experienced in the construction industry. However the 1-year agreement was a step increase in cost of around 50% and these premiums are passed onto to the councils circa 2,250 leaseholders.
- 3.5 It is proposed to procure a contract for 3 years with a potential to extend by a further 2 years to provide the best value for the councils' residential leaseholders.

4. Analysis and consideration of alternative options

- 4.1 The council has an obligation to provide building insurance to residential leasehold properties. In order to obtain best value insurance with effect from 1st April 2024 for the leasehold properties the council will undertake a procurement.
- 4.2 In order to provide cost stability for Leaseholders and to maximise best value, the council will look to enter into a long-term agreement with the new provider. The council could agree a shorter term but this is likely to result in higher premiums.

5. Community engagement and consultation

- 5.1 The council has an obligation to consult with leaseholders when entering into long term (greater than 1 year) arrangements. In conjunction with the RTB & Leasehold Manager two stages of consultation will commence with Leaseholders, these will each be for 35-40 days.
- 5.2 The first stage is planned to begin on 31st July 2023 (pre tender) and the second stage will commence following the return of bids and the preferred candidate and likely costs are known.

6. Conclusion

- 6.1 The current insurance arrangements are to expire on 31st March 2024 following the end of the 1-year contract with Protector
- 6.2 The council has a legal and contractual obligation to provide Buildings Insurance for residential leasehold properties
- 6.3 The council requires insurance in place to ensure any risk of potential claims against the council is significantly reduced

7. Financial implications

- 7.1 The cost of residential leasehold insurance is passed onto residential leaseholders through their service charges. The insurance premium for 2023/24 is £0.734m.

Name of finance officer consulted: James Hengeveld Date consulted 09/06/2023

8. Legal implications

- 8.1 This procurement must be carried out in compliance with the Council's Contract Standing Orders and the Public Contracts Regulations 2015.

Name of lawyer consulted: Alice Rowland Date consulted 14/06/2023

9. Equalities implications

- 9.1 There are no Equalities Implications

10. Sustainability implications

- 10.1 There are no Sustainability implications

11. Other Implications

Social Value and procurement implications

- 11.1 Questions in respect of Social Value, Ethical Trading & Corporate Responsibility will be included in the tender documentation and taken into consideration at evaluation stage

Crime & disorder implications:

- 11.2 There are no Crime & Disorder implications arising from this tender

Public health implications:

- 11.3 There are no Public Health implications from this Tender

