

Report for: Cabinet Member Signing – March 2025

Title: Leaseholder Building Insurance Arrangements

Report authorised by : Taryn Eves
Director of Finance

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Ward(s) affected: All

**Report for Key/
Non Key Decision:** Key Decision

1. Describe the issue under consideration

- 1.1 The report seeks approval from Cabinet to award a contract for the provision of the Leaseholders' Building Insurance Service from 1st April 2025 for a period of five years with a break clause at the end of year three and year four.

2. Cabinet Member Introduction

- 2.1 It is essential that the Council makes best arrangements to fulfil its responsibilities and the proposals in this report are after consideration of cost efficiency and service delivery.

3. Recommendations

- 3.1 In accordance with Contract Standing Order 9.07.1(d) it is recommended that Cabinet Member for Finance and Local Investment approve the award of the contract for the provision of the Leaseholder Building Insurance Service from 1 April 2025 for a period of five years with a break clause at the end of year three and year four to Insurer 1 (identified in Appendix A).
- 3.2 To note that the agreement to the above recommendation is subject to the outcome of S20 notice, a summary of which will be tabled as a late appendix by the 24th March after the end of the consultation.

4. Reasons for decision

- 4.1 The current insurance contract commenced on 1 April 2022 and was based on a 3-year agreement, with an option to extend by a further 2 years, expiring on 31st March 2027. However, the current insurer decided not to extend the agreement due to poor claims experience. Thus, it is necessary to ensure that the new contract is in place from 1 April 2025 to avoid any gap in insurance cover for the Council and leaseholders.

5. Alternative options considered

- 5.1 The Council as the freeholder of the property it owns is required to put appropriate insurance arrangements in place. Procurement of stand-alone cover for leaseholder insurance was carried out via Open tender process.
- 5.2 Historically, leaseholder insurance tender was run utilising the Crown Commercial Services framework (Pro 5 Insurance Framework) but this resulted in reduced competition compared to tenders in recent years. As a result, for this tender, the Council decided to use the Open tender process.

6. Background information

- 6.1 Haringey, along with eight other London boroughs (Croydon, Camden, Harrow, Islington, Kingston-upon-Thames, Lambeth, Sutton and Tower Hamlets) work as a formal consortium, Insurance London Consortium (ILC), to share best practice in Risk Management and to procure insurance services. In the case of the Leaseholder insurance contracts, Haringey's arrangements are not in line with the rest of the ILC members' contract durations and will only re-tender its leaseholder contracts in three years' time. It was therefore necessary to undertake a stand-alone tender process, outside the ILC, which was managed in-house via the Council's online tender portal and with the support of external insurance brokers. It is Council's intention to bring Leasehold insurance arrangements in-line with the ILC in future, subject to it being beneficial for the Council and its leaseholders.
- 6.2 A full consultation process with leaseholders was carried out in compliance with statutory leaseholder legislation and requirements. Haringey's Home Ownership Team assisted in managing the leaseholder consultation process for this tender.
- 6.3 A tender evaluation exercise was completed with assistance from external insurance brokers. Evaluation criteria applied to all compliant bids received is set out in Table 1 below:

Table 1

Criteria	Evaluation Weighting
Price	60%
Quality	40%

- 6.4 Two bids were received via Haringey's e-tendering portal. The Price and Quality scores were combined, and the outcome is set out in Table 2 below:

Table 2

Bidder	Price (maximum 60%)	Quality (maximum 40%)	Total (maximum 100%)
Insurer 1	60	31.92	91.92
Insurer 2	42	31.19	73.19

- 6.5 All bids were assessed as being compliant, however Insurer 1 scored the highest points and met all quality and value for money standards, and it is therefore recommended the contract be awarded to Insurer 1 (identified in Appendix A).
- 6.6 The result of this tender is a saving of £670,224.88 in annual premium compared to 2024/25 premium costs. The annual premium of £2,703,603.26 net of 12% Insurance Premium Tax is divided among almost five thousand leaseholders. Each leaseholder's share is according to the sum insured of their property and therefore most of the leaseholders will see a small saving in their annual premium. This is a good result in the current very tough market conditions. Premium quoted reflects an increase in the number of properties insured, very poor and loss-making claims experience and highly inflationary & restricted labour and building material costs
- 6.7 It is not possible to provide a realistic total contract value, as any change in premium costs from 1 April 2025 will be due to several unpredictable factors, such as change in the numbers and types of properties insured, RICS recommended inflationary percentage increase in index linking to increase the total building sum insured reflecting higher costs of repairs, increase in insurance premium tax to name the few.
- 6.8 The decision to insure is driven by our general obligations under the various local government acts including the 1972 Local Government Act to protect the financial position and stability of the authority and protecting it against catastrophic financial losses which is achieved through insurance/risk transfer.
- 6.9 Contract monitoring will be ongoing and will include monthly monitoring reports and monitoring review meetings with the providers every 6 months. The Council's Risk and Insurance Manager will ensure that key risk areas are identified and reviewed with the provider to ensure that claims experience can be managed more proactively in the new contract.
- 7. Contribution to the Corporate Delivery Plan 2022-2024 High level Strategic outcomes'?**
- 7.1 By undertaking a competitive open tender process, the outcome of the procurement exercise continues to meet the objective of improving value for money for the Council and its leaseholders.
- 7.2 This was achieved by way of a review of our current leasehold building insurance arrangements and a full marketing and retender exercise to identify

the most economically advantageous tender to protect the interest and financial position of its leaseholders.

- 7.3 Our current insurance arrangement was then compared with the tender returns and as part of Quality evaluation we reviewed the new policy wordings, any extensions and/or restrictions of cover, policy enhancements & added value.
- 7.4 The Leasehold Building Insurance policy provides good value for money and cover for a whole spectrum of risks such as, fire, lightning, explosion, flooding, theft, rioting, terrorism, alternative accommodation, accidental damage, subsidence. The policy offers adequate protection to the Council and its leaseholders.
- 7.5 Council is not anticipating any decommissioning or handover issues, as claims made under the existing policy years will continue to be dealt with under the old arrangements. In addition, the contract is being awarded to a well-known public sector insurer with whom Haringey has previously insured, also reducing the mobilisation risk.

8. Carbon and Climate Change

Not Applicable

9. Statutory Officers comments (Director of Finance (procurement), Head of Legal and Governance, Equalities)

9.1 Finance

The contract value and associated 12% Insurance Premium Tax is **£3,028,035.65** for the first year of the contract. Subsequent years' contract costs will take into account changes in the number of properties insured, annual inflationary price increases, and the annual claims experience.

There is no cost to the Council in relation to this contract. Haringey Council will pay the insurer in full and then recharge individual premiums to each leaseholder.

9.2 Strategic Procurement

Strategic Procurement were consulted in the preparation of this report.

A compliant procurement process has been undertaken in accordance with CSO 9.01.2a) with a winning bid selected based on the selection criteria stated within the tender documents.

Strategic Procurement supports the recommendations stated in section 3 of this report.

9.3 Legal

The Assistant Director of Legal and Governance (Monitoring Officer) has been consulted in the preparation of the report.

The report indicates and Strategic Procurement has confirmed that a competitive procurement process was carried out in accordance with the Council's CSO 9.01.2(a) (open tender procedure) which is a compliant procurement procedure under the Public Contracts Regulations 2015.

Pursuant to the Council's CSO 9.07.1(d) Cabinet has power to approve the award of a contract where the value of the contract is £500,000 or more.

Pursuant to the provisions of the Council's CSO 16.02, the Leader may allocate a decision reserved for Cabinet to the Cabinet Member having the relevant portfolio responsibilities and as such the recommendation in paragraph 3 of the report to seek approval from the Cabinet Member for Finance and Local Investment to award the contract is in line with the provisions of the Council's CSO provided that such a decision has been allocated to the Cabinet member by the Leader.

The Assistant Director for Legal and Governance sees no legal reasons preventing Cabinet from approving the recommendations in the report.

9.4 Equality

The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:

- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation.
- advance equality of opportunity between people who share those protected characteristics and people who do not.
- foster good relations between people who share those characteristics and people who do not.

As contracted provider of Haringey Council, the awarded insurance services will be required to demonstrate a strong commitment to equality and fairness in their actions and work practices, and adherence to the Equality Act 2010.

This report deals with the Council's Leasehold insurance arrangements; continued improvements in managing insurance policies and risk

management will therefore improve services to the Council and its leaseholders.

10. Use of Appendices

Appendix A – Tender Evaluation Financial Report (exempt).

11. Background papers

None