

	Officer Key Decision
	Report to the Corporate Director of Resident Services
	Lead Cabinet Member for Housing, Homelessness and Renter Security
Interim Authority to Award for a Contract for Leasehold Property Insurance	

Wards Affected:	All Wards
Key or Non-Key Decision:	Key Decision
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt - Appendix 1 and 3 are exempt from publication in that it contains exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information
List of Appendices:	Appendix 1 - Exempt Appendix 2 – Evaluation Score Appendix 3 – Exempt
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Name: Kate Daine Job Title: Head of Housing and Neighbourhoods Email: Kate.daine@brent.gov.uk Name: Esther Abe Job Title: Insurance Manager Email: Esther.abe@brent.gov.uk

1.0 Executive Summary

- 1.1. This report concerns the future provision of the council's Leasehold Insurance Services contract. This report requests interim authority to award a contract in respect of Leasehold Property Insurance to start on the 01st November 2023.

2.0 Recommendation(s)

- 2.1. That the Corporate Director of Resident Services, in consultation with the Lead Member for Housing, Homelessness and Renter Security:
- 2.1.1 Approves the interim award of the contract for Leasehold Property Insurance to Arthur J. Gallagher Insurance Brokers Ltd in the sum of £1,244,935.38 in the first contract year and £4,979,741.52 for a further period of four years, making a total of £6,224,676.90 over the contract period if there are no

changes to the leasehold property portfolio, inflation and / or risk levels in the market.

2.1.2 An interim award is required in this instance so as to commence consultation with the leaseholders via the statutory Section 20 Landlord and Tenant Act 1985, Stage 2 Notice.

2.1.3 As shown in the table below, the average building insurance premium for each leaseholder has increased by 37% when compared to last year's costs. The price increase can be attributed to a variety of factors. The current leasehold insurance market is extremely unpredictable due to a lack of providers, inflation, and change of portfolio as officers do not have up to date valuations and the insurer feels this is more. It could also be attributed to an increase in construction costs because of the hardening market; a rise in general property claims can have an influence on the overall property insurance market.

	2022/23 Premium Cost	New Tender Cost	
Bedroom Size	Annual Premium Inc Terrorism & 12% IPT Unit Price	Annual Premium Inc Terrorism & 12% IPT Unit Price	Average Increase %
Bedsit	£153.91	£211.36	37.33%
1 Bed	£209.66	£288.03	37.38%
2 Bed	£270.87	£372.12	37.38%
3 Bed	£350.36	£481.31	37.38%
4 Bed	£561.55	£771.43	37.38%
5 Bed	£646.58	£888.16	37.36%

3.0 Detail

3.1 Contribution to Borough Plan Priorities & Strategic Context

The award of this contract contributes to the Prosperity and Stability in Brent priority area of the Council's Borough Plan 2023-27. By competitively tendering for this requirement the Council has secured value for money leasehold insurance for its residents which will protect them against loss in the event that risks materialise.

3.2 The current contract for Leasehold Property Insurance is due to expire on the 31st October 2023. In the circumstances it was proposed to procure replacement Leasehold Property Insurance to cover the following perils:

- Storm and flood
- Escape of water or oil from fixed systems
- Riot and civil commotion
- Malicious damage
- Theft or attempted theft
- Subsidence heave or landslip
- Impact
- Falling trees or aerials
- Accidental damage
- Property Owners Liability

- Terrorism

- 3.3 As part of the tender, officers also included the option for insurers to provide accidental damage cover for properties. However, no suppliers submitted tenders on this basis.
- 3.4 The procurement of insurance policies can be complex and the use of brokers is common in this area across both the public and private sectors. Marsh Limited have therefore been engaged to provide professional support, access to specialist limited markets and input into the tender process. Marsh Ltd are the Council's Risk and Insurance adviser.
- 3.5 Aligning the presentation of Brent's risk profile favourably with market expectations will put the Council in a position to benefit from keen premium rates and terms & conditions. On this basis, the opportunity was openly advertised and tenders were invited on the basis of a 3 year initial contract period with an option to extend to a further 2 years at the Council's discretion.

The Tender Process

- 3.6 The contract for Leasehold Property Insurance (the Contract) will be let using the supplier's insurance policy for an initial period of three years with the option to extend for a further two years.
- 3.7 Advertisements were placed on the Find a Tender Service on the 24th May 2023 to seek initial expressions of interest, which elicited 13 initial enquires but only two actual tender submissions.
- 3.8 The open procedure was used for this Procurement as there are limited viable supplies in the market. There was no shortlisting of providers, but all providers were required to complete a Selection Questionnaire demonstrating that they meet the Council's financial standing, technical capacity, technical expertise, industry and regulatory compliance requirements.
- 3.9 The tendering instructions stated that the Contract would be awarded on the basis of the most economically advantageous offer to the Council and leaseholders and that in evaluating tenders, the Council would have regard to the following evaluation criteria:

Criteria	Weighting (%)
Price	60
Quality	40
Sub Criteria under Quality	
Policy Cover	20
Social Value	10
Claims Handling	7.5
Added Value and Innovation	2.5

Evaluation Process

- 3.10 The tender evaluation was carried out by a panel of officers from the Insurance team as well as the insurance consultant firm Marsh Limited. At tender evaluation stage, the panel evaluated against the evaluation criteria detailed at section 3.9 in this report.
- 3.11 All tenders had to be submitted electronically by no later than the 28th June 2023 at 12:00. Tenders were opened on 28th June and 2 valid tenders were received. Each

member of the evaluation panel read the tenders and carried out an initial independent evaluation of how well they considered each of the award criteria was addressed in the tender.

- 3.12 The evaluation panel then met on the 19th and 20th July 2023 and each submission was marked by the whole panel against the tender award criteria. This resulted in consensus scores being allocated for each submission.
- 3.13 The names of the tenderers are contained in Appendix 1 (exempt). The scores received by the tenderers are included in Appendix 2. It will be noted that Contractor A was the highest scoring tenderer. Officers therefore recommend the award of the Contract to Contractor A; Arthur J. Gallagher Insurance Brokers Ltd.
- 3.14 It is anticipated that the Contract will commence on the 1st November 2023 subject to the Council's observation of the requirements of Section 20 Stage 2 and subsequently the mandatory standstill period noted below.

4.0 Stakeholder and ward member consultation and engagement

- 4.1 Under the terms of the lease, the Council is responsible for insuring the building against destruction or damage by fire, tempest, flood and other risks against which it is normal practice to insure. As stated above in paragraph 5.2, the Council is required (pursuant to section 20 of the Landlord and Tenant Act 1985) to consult with its leaseholders when entering into any Qualifying Long Term Agreement (QLTA).
- 4.2 The statutory consultation with Council Leaseholders will take place in two stages:
 - **First Stage - Notice of Intention:** 20 March 2023 to 24 April 2023
 - **Second Stage - Notice of Proposals / Estimates:** 11 September – 14 October 23

Both notices are to be completed in accordance with Schedule 2 to the Service Charges (Consultation Requirements) (England) Regulations 2003 ('the 2003 Regulations').

- 4.3 The purpose of the first notice is to provide leaseholders with general information about the proposed contract and to invite their written observations on it, which the Council is required to have regard to. This notice was issued on the 20 March 2023 and 6 observations were received and responded to by the Council. A summary of the observations and responses is set out in Appendix 3.
- 4.4 The purpose of the second notice is for the Council to send leaseholders information about the proposed agreement, including the name of every contractor involved in that agreement and the leaseholders' estimated contributions (if known; otherwise the estimated costs or if these are also not known at the time, the Council should provide this information to the leaseholders once received). The second notice should also include a copy of the proposal itself, or the option to inspect it, inviting written observations from the leaseholders on the same. The Council would need to respond to such observations within 21 days and has between 11 September – 14 October 23 to individually respond to written observations from the leaseholders.

5.0 Financial Considerations

- 5.1 The annual cost of the contract in its first year is estimated at £1.24m and will be funded from the Housing Revenue Account (HRA). Annual cost including inflationary

uplifts are fully recoverable through service charges to leaseholders, resulting in a balanced position for the Council provided those service charges are issued correctly and in time, failure to do so will result in serious financial risk to the HRA.

6.0 Legal Considerations

- 6.1 The estimated value of the Contract over its lifetime is in excess of the Public Contracts Regulations 2015 (the “PCR 2015”) threshold for Services and the award of the Contract is therefore governed by the PCR 2015. Section 3 of the report outlines how the Contract was procured in accordance with the PCR 2015.
- 6.2 The award of the Contract is subject to the Council’s own Standing Orders and Financial Regulations in respect of High Value Contracts given the estimated valued at £6,224,676.90 over the term of the Contract.
- 6.3 Cabinet on 13 March 2023 delegated authority to the Corporate Director of Resident Services in consultation with the Lead Member for Housing, Homelessness and Renter Security to award the Contract. Officers are currently seeking an interim authority to award the Contract in order to commence stage 2 consultation with leaseholders in accordance with Section 20, Landlord and Tenant Act 1985.
- 6.4 The Council must observe a mandatory minimum 10 calendar day standstill period under the PCR 2015 before the Contract can be awarded. Therefore once the Corporate Director has determined which tenderer should be awarded the Contract, all tenderers will be issued with written notification of the Contract award decision. A minimum 10 calendar day standstill period will then be observed before the Contract is concluded – this period will begin the day after all Tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the PCR 2015. The standstill period will run concurrently with the Council’s usual call-in process. Subject to there being no call-in, after the standstill period ends, the successful tenderer will be issued with a letter of acceptance and the Contract can commence.
- 6.5 The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE 2006) are unlikely to apply to the proposed Contract.
- 6.6 Given that this is a Qualifying Long-Term Agreement (QLTA) for the purposes of Section 20 of the Landlord and Tenant Act 1985 (as amended), the consultation procedure set out in the Service Charges (Consultation Requirements) (England) Regulations 2003 (‘the 2003 Regulations’) must be followed. The applicable provision in the 2003 Regulations is Schedule 2, as this is a QLTA where Public Notice is required to be given (via the Find a Tender Service at (<https://www.findtender.service.gov.uk/Search>)). In accordance with the requirements the Council openly advertised the tender via the Find a Tenders Portal and utilised the Open Procedure to encourage bids from interested organisations. Two organisations submitted bids to the Council.
- 6.7 The purpose of the consultation procedure is for leaseholders to be kept informed at the key stages of entering into a new contract for Building Insurance services in Brent, and to permit leaseholders to make written observations within stipulated time periods, to which the Council is required to have regard.

7.0 Equality, Diversity & Inclusion (EDI) Considerations

- 7.1 Pursuant to s149 Equality Act 2010 (the “Public Sector Equality Duty”), the Council must, in the exercise of its functions, have due regard to the need to:
- (a) eliminate discrimination, harassment and victimisation and other conduct prohibited under the Act
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it
- 7.2 The Public Sector Equality Duty covers the following nine protected characteristics: age, disability, marriage and civil partnership, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 7.3 Having due regard involves the need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic and the need to consider taking steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes removing or minimising disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.
- 7.4 There is no prescribed manner in which the Council must exercise its public sector equality duty but having an adequate evidence base for its decision is necessary.
- 7.5 The proposals in this report have been subject to screening and officers believe that there are no adverse equality implications.

8.0 Climate Change and Environmental Considerations

- 8.1 There was a 10% evaluation score associated with Social Value and three themes in this area were selected. Providers were asked how they plan to provide social value through this contract.
- 8.2 The Social Value criteria and weightings were as follows:
A Cleaner, More Considerate Brent 4%
A Borough where We Can All Feel Safe, Secure, Happy and Health 3%
A Future Built for Everyone, an Economy Fit for All 3%
- 8.3 As part of their tender response Arthur J. Gallagher Insurance Brokers Ltd have agreed to provide funding by way of a donation to support one of Brent’s community organisations (Harlesden Neighbourhood Forum or Brent Cyclone Campaign), to arrange a day’s litter picking within the borough and provide sponsorship to a local event (a gardening workshop or a re-use and repair pop-up event).

9.0 Human Resources/Property Considerations (if appropriate)

- 9.1 This service is currently provided by an external contractor and there are no implications for Council staff arising from retendering the Contract.

10.0 Communication Considerations

- 10.1 Please see section 4 of this report.

Related documents: Authority to Tender Report presented to Cabinet (16/03/2023)

Report sign off:

Peter Gadson
Corporate Director of Resident Services