

# Officer Decision Making

Monday, 13th September, 2021  
at 10.00 am

**PLEASE NOTE TIME OF MEETING**

This meeting is not open to the public

**Decision Maker**

**Executive Director Finance & Commercialism**

13 September 2021

**Contacts**

Democratic Support Officer

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## AGENDA

Agendas and papers are available via the Council's website

**1 RIGHT TO BUY - LEASEHOLD FLATS - BUILDINGS INSURANCE** (Pages 1 - 4)

Report of the Risk and Insurance Manager seeking approval.

Friday, 3 September 2021

Service Director – Legal and Business Operations

# Agenda Item 1

<b>DECISION-MAKER:</b>	EXECUTIVE DIRECTOR FINANCE AND COMMERCIALISATION AND SECTION 151 OFFICER
<b>SUBJECT:</b>	LEASEHOLD FLATS BUILDINGS INSURANCE
<b>DATE OF DECISION:</b>	13 <sup>th</sup> SEPTEMBER 2021
<b>REPORT OF:</b>	RISK AND INSURANCE MANAGER

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	Executive Director Finance and Commercialisation	
	<b>Name:</b>	John Harrison	Tel: 023 8083 4897
	<b>E-mail</b>	john.harrison@southampton.gov.uk	
<b>Author:</b>	<b>Title</b>	Risk and Insurance Manager	
	<b>Name:</b>	Peter Rogers	Tel: 023 8083 2835
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<b>STATEMENT OF CONFIDENTIALITY</b>	
Not applicable	
<b>BRIEF SUMMARY</b>	
The current agreement with insurers for the provision of buildings insurance for leasehold flats (those originally purchased from the council under the 'Right to Buy' scheme) expires on 31st March 2022 and a new contract is required to be in place on 1st April 2022 to ensure continuity of cover. It is a condition of the lease that the council arranges this buildings insurance cover, with the cost being collected from individual leaseholders as part of their annual service charge.	
<b>RECOMMENDATIONS:</b>	
(i)	To approve the procurement of a new contract for the provision of buildings insurance for 'right to buy' leasehold flats from 1st April 2022.
<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	To ensure that the Council meets its' obligation in terms of arranging buildings insurance on behalf of leaseholders.
2.	To ensure continuity of cover for individual leaseholders.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
3.	No alternative options have been considered as it is a condition of the lease that the council arranges this buildings insurance cover on behalf of leaseholders
<b>DETAIL (Including consultation carried out)</b>	
4.	Under the terms of the standard lease the council is required to arrange buildings insurance in respect of leasehold flats (those originally purchased from the council under the 'Right to Buy' scheme). The cost of this insurance

	cover is then collected from individual leaseholders as part their service charge.
5.	Just over 2,000 leasehold flats are currently insured under the existing buildings insurance policy noting that this figure would be expected to increase over time as properties continued to be purchased from the council under the 'Right to Buy' scheme.
6.	The current buildings insurance policy is with Ocaso S.A. and was put in place on 1st April 2019 under a 3 year agreement with a 2 year extension option. Ocaso has however recently advised that they are withdrawing from the UK insurance market and will not be renewing any existing policies once they reach their annual expiration date. It is therefore necessary to have a new arrangement in place for 1 <sup>st</sup> April 2022.
7.	The selection and appointment of an insurer will be undertaken in accordance with the Public Contract Regulations 2015 and using the 'Find a Tender Service' (the UK e-notification service where notices for new procurements are required to be published with effect from 1st January 2021) the detail of which will be developed in consultation with the council's appointed insurance broker and with the council's Procurement Team.
8.	In accordance with Section 20ZA of the Landlord and Tenant Act 1985 the council will be required to consult with leaseholders at appropriate points in the procurement process namely: <ul style="list-style-type: none"> <li>• Before the tender is offered (Notice of Intention);</li> <li>• During the tender (Notice of landlords' proposals); and</li> <li>• Award of contract stage (Notice of the award of contract)</li> </ul> Advice has been obtained from Legal Services regarding the required wording of these communications.
<b>RESOURCE IMPLICATIONS</b>	
<b><u>Capital/Revenue</u></b>	
10.	The annual cost of the cover (circa £300k) is charged to Housing who then collect this from individual leaseholders as part of their service charge. The scheme therefore operates on a cost neutral basis, but noting that the cost to leaseholders includes a service charge which reflects the cost to the council of administering the scheme.
<b><u>Property/Other</u></b>	
11.	None
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
12.	Section 20ZA of the Landlord and Tenant Act 1985 requires that the council consults with leaseholders who will be required, under the terms of their lease, to contribute through their service charge account to the costs incurred under a Qualifying Long Term Agreement ('QLTA'). A QLTA is defined under Section 20ZA and applies where the duration of a contract will exceed 12 months and where the contribution of any one leaseholder exceeds £100 in any accounting period.
<b><u>Other Legal Implications:</u></b>	

13.	none
<b>RISK MANAGEMENT IMPLICATIONS</b>	
14.	Failure to have in place an appropriate insurance contract on 1 <sup>st</sup> April 2022 would result in there being a gap in cover for leaseholders and mean that the Council had not complied with its obligations under the terms of the leases.
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
15.	None

<b>KEY DECISION?</b>	Yes
<b>WARDS/COMMUNITIES AFFECTED:</b>	none
<u>SUPPORTING DOCUMENTATION</u>	
<b>Appendices</b>	
1.	Not applicable

**Documents In Members' Rooms**

1.	Not applicable
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**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
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**Data Protection Impact Assessment**

<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>Yes</b>
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**Other Background Documents**

**Other Background documents available for inspection at:**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	Not applicable

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