

<b>Item No.</b> 9.	<b>Classification:</b> Open	<b>Date:</b> 17 April 2012	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 1 - Procurement Strategy Approval Leasehold and Ancillary properties Buildings Insurance	
<b>Ward(s) or groups affected:</b>		All leaseholders and a small number of freeholders	
<b>Cabinet Member:</b>		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

## **FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT**

Southwark's leases provide that the council, as landlord, should insure the flat and the building in which it is situated. This type of arrangement is a prerequisite of being able to obtain a mortgage and is therefore essential if our leaseholders are to be able to buy and sell their flats. The buildings insurance should be comprehensive, covering the full reinstatement of flat and block for a comprehensive range of perils. The current contract started in April 2010 and was for three years (with the possibility of two one year extensions). The terms of the current insurance cover together with recent claims experience indicate that it would be prudent to test the market now rather than risk waiting to the end of the possible five year term. This will be the third procurement of comprehensive buildings insurance cover for our leaseholders and, similar to the previous two exercises, will involve detailed consultation with leaseholders who pay the full cost via their service charges. The report (at paragraph 12) contains some 17 requirements agreed with leaseholder representatives. The increase in the number of leaseholders over the years together with the cost of insurance premiums means that for the first time the contract process falls within the remit of a cabinet decision.

The report (at paragraph 4) also indicates three other, very minor ancillary issues covered by the buildings insurance contract.

## **RECOMMENDATIONS**

### **Recommendations for the Cabinet**

1. That the cabinet approves the procurement strategy outlined in this report for the leasehold and ancillary properties buildings insurance contract for a period of 3 years, with an option to extend for 2 twelve month extensions, making an estimated contract value of £17m.
2. That the cabinet notes in the event that tender bids are significantly higher than the current contract price, the option to extend the current contract may be exercised and would form the subject of a separate Gateway 3 report.

## **Recommendation for the Leader**

3. That the Leader of the council delegates authority to the cabinet member for housing management to award the contract for the reasons set out in paragraph 10.

## **BACKGROUND INFORMATION**

4. The leaseholders and ancillary properties buildings insurance contract relates to flats and maisonettes sold by the council under long lease terms. There are (3) separate policies within the contract covering;

- The main policy where flats have been sold (under the Right to Buy scheme or through other disposals e.g. auction sales, social home buy)
- A policy to insure under-leased blocks on a comprehensive basis (there are currently 3)
- A much smaller policy relating to mortgaged housing properties - currently (3) premises - where the council is still providing a mortgage.

In addition, the council may need to nominate buildings insurers, as per the terms of houses sold on leases.

5. The terms of the current lease requires the council as the freeholder:

Clause 4 (6) "To insure the building to the full insurance value thereof against destruction or damage by fire, tempest, flood and other risks against which it is normal practice to insure, or to make other appropriate and adequate arrangements and in the event of destruction or, damage by any such risk as aforesaid to rebuild or reinstate the property and the building"

6. The most advantageous way to do this is by placing a contract with a single insurer. This ensures that a standard approach can be followed for both the leaseholders and the council. As well as funding the cost of claims, the successful insurer will provide a claims handling and management service.
7. The contract was last awarded in 2009 when Acumus, who are brokers, were awarded the contract which commenced on 1 April 2010. The contract was for an initial period of three years ending 31 March 2013, with the option to extend the contract for two years following annual reviews. This "long term agreement" is the usual practice that has been followed for the last two tenders for this contract. In the past, this has allowed the successful bidder to offer a discounted rate in return for a three year contract and gives both parties an opportunity to end the contract. Insurers may wish not to take up the option to extend should the claims experience be higher than expected.
8. The estimated cost of the new contract is £3.4m per annum for a period of three years, making a contract value of £10.2m (including Insurance premium tax, which is currently 6%). The contract will commence on 1 April 2013. However, it should be noted that it is normal insurance practice for insurers to include a break clause whereby they can withdraw from a contract should the claims experience be higher than expected and this risk will have to be considered during the tender process.

9. The contract will have provision for 2 twelve month extensions, making a potential total estimated contract value of £17m.
10. Due to the tight time constraints that will have to be met as detailed in the latter part of the procurement project plan, it is essential that the council has appropriate insurance cover for its leasehold stock from 1 April 2013 otherwise it will be in breach of 12,900 leases of flats.

### **Summary of the business case/justification for the procurement**

11. The council's leasehold portfolio totals 12,900 properties, making it the second largest local authority flat portfolio in the country. Although there is a limited market for these contracts, the size of the portfolio will attract international insurers and leaseholders should benefit from economies of scale in the premiums payable from those that submit tenders. However, our claims experience has been adversely affected by recent major fires.
12. Leaseholder representatives were closely involved in the procurement of the current contract and will be for the new contract. The main requirements suggested by the leaseholder representatives and council officers from the previous tender process are detailed below and will be included as part of the new tender documents:
  - Premiums to be based on bed numbers
  - Premiums to be further sub divided based on whether the property is a flat or maisonette, purpose built or converted and consideration be given to the height of the block
  - Premiums to be based on a unit price
  - Premiums to be fixed for the duration of the contract with an annual increase linked to the house building cost index
  - No excess on claims, apart from subsidence, when a maximum excess per block would apply
  - Leaseholders to have the option of selecting their own chosen contractor to carry out repairs
  - Claims to initially be administered by council officers
  - A fixed sum insured for all flats
  - Agreement of how to account for new sales and buy backs during the course of the year
  - Agreement as to how to treat leaseholder improvements.
  - Agreement over the rate of commission payable to the council.
  - Agreement over communal claims to be made by the council.
  - Agreement that leaseholders can make a claim for internal works only through the home ownership & TMI division.
  - Agreement that the insurer will be the nominated insurer for houses sold on leases.
  - A separate schedule and rates for where the whole block has to be insured.
  - Participation in compiling a leaseholder's insurance handbook.
  - The council is the insured party with the leaseholder (and their mortgagees) noted as interested parties

Any new suggestions by the leaseholder representatives will also be considered for inclusion in the tender documents.

13. Although there is an option to extend the existing contract beyond 31 March 2013, the council does not want to take this action. Acumus are insurance intermediaries and therefore the council does not directly contract with insurers, so Acumus approach the insurance market on the council's behalf. Adverse claims experience in year 1 of the contract and the high reserves placed for the two major fires in 2009 resulted in the threat of substantially increased premiums in years 2 and 3. Although satisfactory terms were eventually reached for both years of the current contract, the council needs to ensure that they have direct relationships with the insurance company to ensure satisfactory insurance terms going forward. Depending on the premium, a fixed price for 3 years is desirable.
14. It is possible that if the council takes up the option to extend the contract for one year from 1 April 2013, terms offered by Acumus through their underwriters could result in a substantially higher price. The council is reliant on Acumus obtaining the best price, so has no control over their process. Renewal terms are based primarily on the cost of claims paid out with insurers and underwriters requiring the latest available claim cost data prior to the renewal date. The council cannot allow the situation to arise where Acumus offer unsatisfactory renewal terms to the council in early 2013 as there would be insufficient time to appoint an alternative insurer.
15. It should be noted that the contract with Acumus includes a break clause as part of their long term agreement. The effect of this is that the insurer is able to increase premiums should the cost of claims paid out be higher than expected in future years of the contract.
16. Council officers have worked closely with Acumus in introducing procedures to progress and finalise claims from leaseholders and also minimise the cost of claims. This has included investigating the repairs history concerning the cause of the claim and assisting Acumus in seeking recovery from third parties where their costs have increased due to delays or negligence in taking remedial action. The total number of claims made for the last five full years has been consistent, but the total claims submitted for 2011/12 up to 31 December 2011 was only 50% of the total for previous years. The average cost of the current years settled claims has also reduced by 10% compared to the first year of the current contract with Acumus. These are important factors that insurers will consider when tendering for a new contract.
17. One of the main factors in the reduced number and cost of the current year's claims is that Acumus have been more robust investigating claims. Council officers have been pro-active in liaising with officers in housing services by requesting inspections and repair orders to be raised to remedy the cause of the claim. Council officers have also assisted by working closely with Acumus initiating subrogation action – where the insurer attempts to recover their costs from the party that was liable for the claim. A separate budget has been set up under the Investment Manager to contribute towards any of the insurers' costs where it has been agreed that the council were responsible for delays in undertaking repairs, thus increasing the cost of the claim. It is proposed that this practice be continued as successful subrogation action will lower claim costs. The council is therefore taking all reasonable steps to ensure the most favourable renewal terms.
18. The claims experience has been consistent for the last five years ranging between £1.3 and £1.7m annually, apart from 2009/10 when there were two major fires at Lakanal and Sumner Road. Based on the claims experience for

2011/12 up to 31 December 2011, projected claim costs for 2011/12 will be under £1.3m. However, this does not take into account the likelihood of higher claims during the winter months and unforeseen events such as fires. If this trend can be continued for the period up to tendering, favourable renewal terms should be obtainable.

### **Market considerations**

19. Insurance premiums have been low as the global insurance market has been soft and experts consider that this will move into a hard market resulting in higher premiums, on all types of insurance policies following previous historical cycles.
20. The requirements of this contract make it highly specialised with few companies having the capacity, funding and knowledge to administer the contract. Although the contract was widely advertised at the previous tender in 2009, only four tenders were received, two from brokers and two from insurers.
21. The timing of the previous tender was unfortunate in the light of the major fires referred to above and this had an adverse affect on tender prices. It is hoped that the prices achieved in this current tender process will be more competitive.

### **Proposed procurement route**

22. A competitive tendering exercise will be followed through an EU open procedure.

### **Options for procurement including procurement approach**

23. Although the contract sum is large, it is impractical to join in with other authorities in letting a new contract as other authorities will have different lease terms, stock numbers and types, and expiry dates for their contracts. Also, the cost of claims settled in respect of other local authorities may be higher than for Southwark claims, which would have a negative effect on the premiums paid by Southwark leaseholders.
24. Under the terms of the current lease, the council can “make other appropriate and adequate arrangements” rather than insure the building with a provider. The council can therefore opt to self insure and set up a reserve pool to meet the costs of any claims. However, extra staff with insurance experience would need to be recruited to administer claims both within the home ownership & TMI division and also housing services. Contracts would also need to be tendered for the services of a loss adjuster to act on the council’s behalf unless there were sufficient competencies already in place within housing services. These issues cannot be easily overcome without a change to the staffing resources within the council. Self insuring also places the council under a greater risk should the cost of claims be more than is received in service charges from leaseholders and is something the council has no control over. The insurance premiums charged to leaseholders may therefore fluctuate significantly from one year to the next. Apart from these considerations, the earlier form of lease (under which over 5,000 flats were sold) requires the council to insure the whole block for the full range of perils. Self insuring is therefore not considered a feasible option.
25. The council cannot consider doing nothing as such inaction would place it in breach of the terms of 12,900 leases.

26. As with the last two contracts leasehold representatives will be involved in the contract specification, by advising how they would like the contract to be administered. They will also be part of the evaluation panel, although they will have no decision making powers.

**Identified risks and how they will be managed**

27. The risk log below lays out identified risks. Likelihood and impact ratings are scored from 1-5 with 1 being the lowest risk and 5 being the greatest. The overall score is the likelihood rating multiplied by the overall score. The maximum score indicating highest risk would be 25 with an unacceptable risk deemed to have a score exceeding 16.

<b>Risk</b>	<b>Assessment impact and mitigation</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Overall Score</b>
Price is significantly higher than the current contract	Although the contract cost will be recovered through the annual service charges, the tender will seek bids for a fixed price for the duration of the contract  The council will continue to be pro-active in liaising with the insurer to reduce the cost of claims	4	2	8
Insurer goes out of business	The credentials and financial viability of the bidders will be considered as part of the tender evaluation process	2	5	10
Obtaining sufficient returned tenders to make the process competitive	Contact known insurers contracted with other local authorities	3	5	15
Unexpected contract price increase from year to year	Tender document to be specific in definition of fixed price for the duration of the contract with an annual increase to be linked to the house building cost index. Terms and conditions of the contract to be examined by Legal Services before awarding contract	1	5	5
Tender price is	As part of the statutory	2	5	10

Risk	Assessment impact and mitigation	Likelihood	Impact	Overall Score
significantly higher than the current contract price	<p>consultation process, Notices of Intention are sent to all leaseholders. Provision will be included to advise leaseholders that should the tender price be significantly higher than expected, Acumus will be asked to provide a price for an additional year of the current contract</p> <p>Acumus to provide prices from their underwriters. If acceptable, extend the current contract under the option available</p>			
Failure to consult with leaseholders under Section 151 of the Commonhold and Leasehold Reform Act 2002	Meet dates set out in the procurement project plan Tender process is being managed by The home ownership & TMI division who are also responsible for the statutory consultation with leaseholders	1	4	4
Failure to meet the European procurement regulations	Meet dates set out in the procurement project plan Ensure that the procedures are transparent and comply with legislative requirements	1	4	4
Failure to have all the information available at the required times	Keep leaseholder representatives informed and liaise with relevant council officers	2	4	8
Changes to internal procedures and processes should a new insurer be appointed from 1 April 2013	Frequent communications with the insurer at a senior level. Ensure there is a smooth transition from one insurer to another. Communications to leaseholders and 'old' insurer, if relevant to ensure client team have processes in place to cover situation where both	2	2	4

Risk	Assessment impact and mitigation	Likelihood	Impact	Overall Score
	old and new claims are being processed by different insurers during transition period			

**KEY ISSUES FOR CONSIDERATION**

**Key /Non Key decisions**

28. This report is a strategic procurement and is therefore a key decision.

**Policy implications**

- 29. It is unlikely that many insurers will be interested in tendering as there is a limited market for this type of local authority scheme. Due to the size of the contract, the legislation requires the council to consult with all leaseholders. A Section 20 Notice of Intention must be served advising leaseholders of the nature of the contract. Leaseholders have a period of 30 days to make comments. As this contract will be subject to an EU open procedure, leaseholders are not entitled to nominate insurers. This first stage of the consultation process has to be undertaken before the contract can be advertised.
- 30. Notices of Proposal have to be sent to all leaseholders before awarding the contract advising them of the successful tenderer with details of the premiums they will pay from the commencement of the contract.

### Procurement project plan (key decisions)

<b>Activity</b>	<b>Complete by:</b>
Forward Plan (if Strategic Procurement)	10 Feb 2012
DCRB/CCRB/CMT Review Gateway 1: Procurement strategy	12 Mar 2012 15 Mar 2012
Notification of forthcoming decision - Five clear working days (if Strategic Procurement)	10 April 2012
Issue Notice of Intention	2 May 2012
Approval of Gateway 1 by Cabinet. Procurement strategy report (this report)	17 April 2012
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	1 May 2012
Completion of tender documentation	18 May 2012
Advertise the contract	6 June 2012
Closing date for expressions of interest	n/a
Completion of short-listing of applicants	n/a
Invitation to tender	n/a
Closing date for return of tenders	3 Aug 2012

<b>Activity</b>	<b>Complete by</b>
Completion of evaluation of tenders	31 Aug 2012
Completion of any clarification meetings	28 Sept 2012
Issue Notice of Proposal if procurement to continue or commence Gateway 3 process if appropriate	5 Nov 2012
DCRB/CCRB/CMT Review Gateway 2: Contract award report	14 Jan 2013 24 Jan 2013
Notification of forthcoming decision (five clear working days)	1 Feb 2013
Approval of Gateway 2: Contract Award Report	2 Feb 2013
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	12 Feb 2013
Alcatel Standstill Period (if applicable)	22 Feb 2013
Contract award	23 Feb 2013
Contract start	1 April 2013
Contract completion date	31 March 2016

## **TUPE implications**

31. The appointment of a new contractor in this proposed retender will amount to a Service Provision Change. There are no TUPE implications for the council as an employer because the council's contract management and administrative function will remain with the council and these activities will not form part of the contract specification. TUPE is likely to apply in relation to the incumbent and new contractor. However until due diligence is carried out definitive advice on TUPE cannot be provided. This due diligence work needs to be carried out before the tender process commences as its results need to be included in the tender pack.

## **Development of the tender documentation**

32. The tender will be based on the previous tender documentation, but amended as necessary following comments by leaseholder representatives. The Corporate Risk & Insurance Manager), Departmental Procurement Officer and a Legal Services Officer will be involved in finalising the tender documentation to ensure compliance with best practice.
33. Whilst the council has its own standard form of contracts, there are specific contracts used in the insurance market. Advice will be sought from the Corporate Risk & Insurance Manager on the wording used in other Council insurance contracts to protect the council's interest. The wording used in the insurers draft agreement and terms and conditions will be reviewed by Legal Services for the same reason.

## **Advertising the contract**

34. The contract will be advertised in OJEU and relevant insurance journals recommended by the Corporate Risk & Insurance Manager. Where individual leaseholders nominate insurers, they will be directed to the OJEU notice.

## **Evaluation**

35. The contract will be awarded on the basis of MEAT (Most Economically Advantageous Tender) based on a price/quality ration of 70:30, using an EU Open procedure
36. A larger weighting has been given to the price due to the highly specialised nature of the contract and limited market for bidders to be in a position to submit a tender. The leasehold representatives will be fully involved in the assessment process and their main criteria will be the price.
37. The Evaluation panel will consist of the Accountant (Debtors) and Pre Assignment Manager from the Home Ownership & Tenant Management Initiatives Division, the Corporate Risk & Insurance Manager and a manager from Corporate Procurement. The range of council officers with different specialities and competencies is considered appropriate for this type of contract. The leaseholder representatives will also be fully involved in the assessment process, although not involved in the final decision.

38. The evaluation criteria will be based on price and quality, as follows;

Price

- Overall price for year 1-3

Quality

- Experience of similar contracts in the public sector, particularly mixed tenure blocks
- Suitably qualified staff available to manage claims
- Claims handling strategy
- Information technology and data exchange capabilities
- Quality control over sub insurers used

**Community impact statement**

39. It will have an impact on leaseholders and a small number of freeholders as they will have to contribute towards the contract cost in their service charges.

**Sustainability considerations**

40. There are no sustainability issues

**Economic considerations**

41. In addition to the OJEU Notice, the contract will be advertised in relevant trade journals. As part of the statutory consultation process, leaseholders are allowed to suggest their own (local) insurer. However, as public notice of this contract will be given, leaseholders cannot nominate providers and will be advised to direct any interested providers to the OJEU Notice.

42. The terms of the contract, should leaseholders have to make a claim under the policy, will permit them to submit quotes from (local) contractors of their own choice to carry out repairs to the internal parts of their property. The contract also allows the insurer to instruct their own nominated contractor should the leaseholder not want to obtain their own quotes.

**Social considerations**

43. Tenderers will be asked to submit a statement of their policies and procedures regarding equal opportunities, equality and diversity. These will be evaluated and measured against the council's policies.

**Environmental considerations**

44. All exchanges of information in the tender document and during the course of the contract will be by e-mail, thus complying with the council's policy on "paper lite". The returned tenders will be a hard copy in accordance with contract standing orders.

### **Plans for the monitoring and management of the contract**

45. The contract will be for a fixed sum for the duration of the contract, perhaps with an allowance for inflation based on the house building cost index – depending on the tender price. The financial risk will fall on the insurer should the value of claims exceed the contract sum paid by the council.
46. The council will require access to the insurers IT system detailing claims and action taken. The system will include details of the cost of claim (payments and any reserve) and actions taken by the insurer to finalise the claim. The system should be in such a format that reports can be run by the council for each claim and for specific periods.
47. Regular monitoring meetings between relevant council officers and the insurer will be held at least quarterly or more frequently if required.
48. The contract will be administered in the first instance by council staff. They will send out claim forms, receive them back together with quotes from leaseholders' nominated contractors and scan the documents to the insurer. The staff will liaise with leaseholders and act as a link between the leaseholder and insurer to resolve any queries.
49. Council staff will also liaise with housing services where claims have been caused by a failing in a neighbouring tenanted property e.g., where a leaseholder has a leak originating from the flat above them. Housing services staff will be requested to prioritise a repair to tenanted properties so that the authorisation can be given to leaseholders to instruct their nominated contractor to start repairs to their property. This will benefit leaseholders as claims are progressed quicker and it will assist in minimising the cost of the claim. As claim costs form the basis of bids from insurers, procedures in controlling costs from escalating will have a beneficial effect on future contracts.

### **Staffing/procurement implications**

50. There are no additional resource issues as the home ownership & TMI division already has a buildings insurance officer who is responsible for the administration of the contract.
51. The buildings insurance officer is supported by a manager who has experience of this contract since 2006. In addition, other staff in the team have been trained in dealing with queries from Acumus and leaseholders.

### **Financial implications**

52. The annual cost of the contract will be fixed with an annual inflation allowance specified by the house building cost index.
53. The cost of the contract is recharged in full to the leaseholders as a part of their annual service charges. The contract price includes a commission payable to the council to cover the cost of the administering the contract, paying the insurer in full at the beginning of the financial year and taking the financial responsibility for bad debts on the service charges. There are therefore no budgetary consequences as a result of this contract procurement as there is a neutral effect on the Housing Revenue Account.

## **Legal implications**

54. The Landlord & Tenant Act, 1987, allows leaseholders to request a summary of insurance cover. The council has to provide a summary to the leaseholder which includes the insured amount, name of the insurer and the risks covered. Leaseholders can then apply in writing to the landlord to afford reasonable facilities to inspect the policy, see evidence of payment of premiums for that and previous periods and take copies or extracts.
55. These are further contained in the supplementary advice from the Strategic Director of Communities, Law and Governance.

## **Consultation**

56. Home owners council were consulted on 15 February 2012. Two leaseholder representatives were nominated to assist in how they would like the contract administered and will be part of the evaluation process.
57. Statutory consultation will be carried out with leaseholders by sending Notices of Intention and Notices of Proposal as detailed in the Project procurement plan.
58. Home owners council will be updated as necessary during the course of the tendering.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

59. This report seeks the approval of the cabinet to the procurement strategy for the leasehold and ancillary properties buildings insurance contract for a period of 3 years, with an option to extend for 2 twelve month extensions, making an estimated contract value of £17m as outlined in this report.
60. The report asks the cabinet to note that in the event that tender bids are significantly higher than the current contract price, the option to extend the current contract may be exercised and would form the subject of a separate Gateway 3 report.
61. Contract standing orders 5.4 requires all reasonable steps to be taken to obtain at least 5 tenders following a publicly advertised competitive tendering process for non-construction works and services over £75,000 and construction works and services over the EU threshold.
62. Paragraph 22 of this report confirms that an open stage tendering procedure is proposed which will comply with EU regulations and CSO tendering requirements.
63. It is considered that these services are Part A services under the Public Contracts Regulations 2006. As the estimated value of this contract exceeds the relevant EU threshold it must also be tendered in accordance those Regulations.

64. The contract is classified as a strategic procurement and therefore CSO 4.4.2a) requires the cabinet or cabinet committee to approve the proposed procurement process, after taking advice from the Corporate Contracts Review Board (CCRB).
65. The Leader of the council is asked to delegate the remaining decision making of contract award to the cabinet member for housing management.

#### **Finance Director**

66. The Finance Director notes the content of this report. Costs are fully recoverable from leaseholders under the terms of their leases and as such the effect on the HRA is neutral. However, it is incumbent on the Council to achieve the most financially beneficial terms possible on behalf of Southwark leaseholders

#### **Head of Procurement**

67. This report is seeking approval to procure insurance cover for leasehold and ancillary properties for a period of 3 years with the option of 2 twelve month extensions. The report explains the need to have insurance cover rather than self insure in order to meet the cost of claims.
68. The proposed procurement strategy will follow an EU open procedure due to a limited market for this type of service. The evaluation criteria will be set at 70:30 (price and quality ratio) in line with the gateway guidance.
69. The procurement timeline is achievable provided the necessary resources are lined up to carry out the required activities e.g. evaluation. It is important that there is appropriate governance arrangements in place for this project as this will help ensure the project delivers on time and continuity of insurance services is maintained.
70. The report confirms that in the event that the procurement process does not secure value for money, consideration will be given to extending the current contract. Such an extension would be the subject of a gateway 3 report and would follow normal contract standing orders in relation to approval.

#### **Head of Home Ownership Unit**

71. The council is required under the terms of the lease to make arrangements to insure the building against the normal range of perils. This has been achieved by placing a contract with a recognised insurer.
72. The current contract ends on 31 March 2013 and although there is an option to extend the contract, for two additional one year periods, the council does not wish to pursue this option for the reasons set out in this report. It is therefore necessary to re-tender the contract now so that there is continuing insurance cover from 1 April 2013.
73. The cost of the new contract will be recovered in full through the leaseholders' annual service charges, so there is no effect on the HRA.
74. As part of the council's statutory obligation, full consultation will take place with leaseholders through the issue of Notices of Intention and Notices of Proposal.

## BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Statutory notices, leaseholder responses, claims experience details	Home Ownership & TMI Division, 376 Walworth Road London SE17 2NG	Dave Coombs, Accountant (Debtors) 020 7525 1424

## APPENDICES

No:	Title:
None	

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management		
<b>Lead Officer</b>	Gerri Scott , Strategic Director of Housing Services		
<b>Report Author</b>	Martin Green, Home Ownership & TMI Division		
<b>Version</b>	Final		
<b>Dated</b>	4 April 2012		
<b>Key Decision?</b>	Yes	<b>If yes, date appeared on forward plan</b>	February 2012
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
	<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
	Strategic Director of Communities, Law & Governance	Yes	Yes
	Finance Director	Yes	Yes
	<b>Contract Review Boards</b>		
	Departmental Contracts Review Board	Yes	Yes
	Corporate Contracts Review Board	Yes	Yes
	<b>Cabinet Member</b>	Yes	Yes
	<b>Date final report sent to Constitutional Team</b>		4 April 2012