



Committee Report

PURPOSE: Final Decision Report

KEY OR NON-KEY DECISION: Key decision over £500k

COMMITTEE: Strategy and Resources Committee

DATE: 14 October 2024

TITLE: The Leaseholder Residential Property Insurance for 2025-2027

Ward(s) City Wide

Officer presenting the report: Richard Young **Job title:** Head of Strategic Finance

Committee Chair: Cllr Tony Dyer

Executive Director lead: Paul Martin Chief Executive Officer

Proposal origin: BCC Staff

Purpose of Report: To seek approval for the procurement of a minimum 1 year insurance arrangement commencing from 1st April 2025 for the Council's Leasehold and Right to Buy Scheme. The expected value will exceed the £500,000 procurement threshold.

Evidence Base / Options to consider:

1. Due to a withdrawal of Zurich our principal supplier from residential leaseholder market in 2023, the market options have been limited and as such interim arrangements have been pursued to enable cover to be sourced on an annual basis with a full tender to occur in 2026, when it is anticipated that the market in this regard will be further developed. The insurance market for this category of insurance is currently extremely challenging with very few suppliers providing this insurance cover currently.
2. The intention is to apply for a 1+1 year term to allow for other insurers that may enter the market. This will be via a compliant approach to the market using our brokers to achieve best value.
3. The properties to which the cover will be applied is as summarised here: 1,867 units of flats and houses. The overall cost of the insurance cover has increased - this is due to the increases in sum insured property valuations, change in valuation approach and additional properties added to the portfolio in the previous insurance period. The most recent valuation indicated an upward movement – increasing the valuation from £280 to £527 million. It is anticipated that, given the current trends, insurance premiums are likely to increase further. The council will seek to contain

the cost with the current envelope for this cover however it may be necessary to utilise the corporate insurance fund which is earmarked for this purpose if the costs cannot be contained.

4. The current average cost of cover for each leaseholder is approximately £316 a year. This compares to approximately £280 during 2023/24. (11% increase). The approximate 13% increase in premium per leaseholder is following a valuation review that has increased property values by 11%.
5. The Cost for 2023/24 was £511,824.41 Incl. IPT [Insurance Premium Tax]
6. The current 2024/25 cost was £591,157.19 incl. IPT [Insurance Premium Tax], this may increase or decrease subject to a compliant approach to the market and is to be funded from the Insurance Budget after recharges to the Housing Revenue Account. On current estimates the 2025/26 cost is likely to be in the region of £656k. This is based on the assumption of a further +11% increase in line with market uplifts in prices.

Officer Recommendations:

That the Committee:

1. Authorise the Director Finance in consultation with the Cabinet Member Finance, Governance, Property and Culture to take all steps required to procure and award a 1+ 1 year contract insurance arrangement for leaseholders and the Right to Buy Scheme as outlined in this report.
2. Authorises the Director Finance to invoke any subsequent extensions/variations specifically defined in the contract(s) being awarded as outlined in this report.

Corporate Strategy alignment:

1. Being an effective development organisation supporting residents of Bristol City Council

City Benefits:

1. It an essential requirement of a landlord to provide building insurance cover for Leaseholders and Right to Buy scheme

Consultation Details:

1. Under the Landlord and Tenant Act, as amended by the Commonhold & Leasehold Act 2002 Leaseholders need to be consulted. It is likely that an application to the First Tier Tribunal will be required to request dispensation from Section 20 Consultation as Buildings Insurance would be considered a Long Term Qualifying Agreement under the legislation.

Background Documents:

[Cabinet Decision, 23 January 2024: Procurement of Insurance Cover for the Council's Leasehold Flats](#)

Revenue Cost	£0.7m	Source of Revenue Funding	Insurance Revenue Budget (GF)
Capital Cost	£Nil	Source of Capital Funding	
One off cost <input type="checkbox"/>	Ongoing cost <input checked="" type="checkbox"/>	Saving Proposal <input type="checkbox"/>	If yes - existing or new saving? Choose an item. OR Income generation proposal <input type="checkbox"/>

Professional comments section:

1. Finance Advice: This report requests approval for the procurement of a minimum 1 year insurance arrangement commencing from 1st April 2025 for the council's Leasehold and Right to Buy Scheme with an estimated total revenue cost of circa £656,000, based on an assumed 11% uplift from the 24/25 cost of £591,000. The final revenue cost will be subject to tender and the contract commitment for the council can be limited to one year if necessary. There is a risk that changes to properties such as increases in property values and additional properties being added to the portfolio during the insurance period may result in an increase in insurance cover. Insurance cover for the council's Leasehold and Right to Buy Scheme is managed within the Resources Directorate however costs are fully recharged to the Housing Revenue Account (HRA) and subsequently recharged to leaseholders where appropriate. Any pressure on the HRA will need to be managed within the overall budget envelope. The increase to insurance premiums is being monitored as part of the MTFS refresh.

Finance Business Partner: Kathryn Long, Finance Business Partner – Resources, 17 September 2024

2. Legal Advice: The procurement process must be conducted in line with the 2015 Procurement Regulations/Procurement Act 2023 and the Councils own procurement rules. Legal services will advise and assist officers with regard to the conduct of the procurement process and the resulting contractual arrangements.

Legal Team Leader: Husinara Jones, Team Manager/Solicitor, 27 August 2024

3. Implications on IT: There are no material IT implications arising from this activity.

IT Team Leader: Tim Borrett, Director: Policy, Strategy and Digital, 4 September 2024.

4. HR Advice: The recommendations have no HR implications.

HR Partner: James Brereton, Head of Human Resources, 27 August 2024

APPENDICES

Appendix A – Further essential background / detail on the proposal	NO
Appendix B – Equality Impact Assessment (EqIA)	YES
Appendix C – Environmental Impact Assessment	YES
Appendix D – Decision Risk Assessment	NO
Appendix E – Exempt Information	NO
Appendix F – Details of consultation carried out - internal and external	NO
Appendix G – Options appraisal matrix	NO
Appendix H – Business case / financial analysis	NO