

TITLE	Procurement of Commercial Property Owner's Insurance Cover
FOR CONSIDERATION BY	The Executive on Thursday, 24 September 2020
WARD	None Specific;
LEAD OFFICER	Deputy Chief Executive - Graham Ebers
LEAD MEMBER	Executive Member for Finance and Housing - John Kaiser

PURPOSE OF REPORT (INC STRATEGIC OUTCOMES)

Insurance provides financial protection to the Council and its tenants in respect of loss of, or damage to, the economic investment, commercial, retail, industrial, town centre and other similar properties (e.g. Peach Place, Elms Field) that are owned by the Council.

N.B. The Council is required, under covenants or conditions contained in all of the leases, to arrange this insurance.

RECOMMENDATION

The Executive is recommended to approve:

- 1) the procurement (by way of open competitive tender) of the insurance cover;
- 2) delegation of the design of the contract specification to the Deputy Chief Executive;
- 3) delegation to the Deputy Chief Executive, in consultation with the Executive Member for Finance and Housing, authority to award the contract(s) to the successful bidder(s) following completion of the evaluation process.

EXECUTIVE SUMMARY

Following recent investment purchases, the regeneration of the town centre and Elms Field, and combined with industrial estates and retail premises owned for many years, the Council now has a commercial, retail and industrial properties portfolio of some £120,000,000.

Insurance cover has been placed with a number of insurers as the investment portfolio has grown. It is proposed that the Council will now seek to leverage the size and variety of the whole portfolio to secure high quality cover at a competitive price with a single insurer. This will achieve the best value for the Council and for its tenants.

A tender process must be completed. The new policy will commence on 30th June 2021 to run in-line with the Council's primary insurance programme.

It is proposed to retender the cover on either:

1. a 3 year + 2 year basis (i.e. an initial term of 3 years with 1 possible extension of up to 2 years); or
2. a 5 year basis.

The premium is estimated to be between £450,000 and £625,000 over 5 years and therefore requires Executive approval.

Ongoing advice is taken from the Council's appointed insurance brokers as to which contract term is most advantageous given the likely state of the commercial and public sector insurance markets as we move in to late 2020/early 2021.

BACKGROUND

The Council's current insurance cover has been placed with a number of different insurers as the investment portfolio has grown and the town centre (Peach Place) and Elms Field properties have been completed. Some properties are unattractive to insurers (e.g. plastics factory, hotel, cinema) and have therefore had to be insured at short notice with insurers willing to accept the risk.

The Council will now seek to use the size and variety of the whole portfolio to secure high quality cover at a competitive price with a single insurer; the 'attractive risks' (e.g. offices, town centre retail) mitigating the 'unattractive risks'. This overall spread of risk will be more attractive to the insurance market and is expected to reduce the overall premium.

The Council is required under the terms of the leases with its tenants to arrange the cover. This process will also demonstrate that the Council has sought the best value insurance cover available.

BUSINESS CASE

It is important for the Council to protect itself and its tenants from the financial consequences of loss of, or damage to, these properties – especially major fire or flood damage. Further, adequate and sufficient insurance cover is a key element of the Council's approach to risk management.

Regardless of the overall duration of the contract, the cover is renewed on an annual basis and changes may be incorporated at each renewal. Therefore, there is always the ongoing opportunity to ensure that the contract remains cost effective and provides the necessary insurance cover that the Council requires.

No other options are available: providing the insurance is a requirement of the leases.

There are minimal financial implications to the Council from procuring the insurance cover as the premiums are charged out to the tenants. However, it is necessary to demonstrate to tenants that the best value insurance cover available has been purchased.

Cover is to commence from 30th June 2021.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe funding pressures, particularly in the face of the COVID-19 crisis. It is therefore imperative that Council resources are focused on the vulnerable and on its highest priorities.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Nil	Yes	Revenue
Next Financial Year (Year 2)	Not known at this stage	Yes	Revenue
Following Financial Year (Year 3)	Not known at this stage	Yes	Revenue

Other Financial Information	
It should be noted that the price is subject to influences such as changes any in the risk profile, external factors affecting the insurance market, and any further changes to the rate of Insurance Premium Tax (currently 12%).	
Stakeholder Considerations and Consultation	
None required	
Public Sector Equality Duty	
An EQA has not been undertaken: no groups will be disadvantaged by the decision.	
Climate Emergency – <i>This Council has declared a climate emergency and is committed to playing as full a role as possible – leading by example as well as by exhortation – in achieving a carbon neutral Wokingham Borough by 2030</i>	
No impact	
List of Background Papers	
Procurement Business Case	
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