



In accordance with the Procurement and Contracts Rules and Procedures (PCRP) (see section 3.1.1): a formal business case is required for any procurement with a total value above £50,000. The level of approval required for the Business Case depends on the type of procurement and total ascertainable value of the contract, as indicated in the table below:

1. Level of Approval

State “YES” in the applicable box at either Level 1 or Level 2:

Type of Procurement	Level 1		Level 2	
	Assistant Director & Director	“Yes”	Assistant Director, Director & Executive Approval	“Yes”
Goods and Services	£50k – £500k		> £500k	Yes
Schedule 3 Services	£50k – £663k		> £663k	
Works	£50k – £4,733k		> £4,733k	

NOTE: Executive meetings (Level 2) are held each month but the submission of papers is strictly controlled, resulting in a cycle of at least 6-weeks – speak to Democratic Services for assistance.

2. Project Information

Project / Contract Title	Commercial Property Owner’s Insurance Cover
Project / Contract Description	Damage to Buildings and Loss of Rent insurance cover to protect the Council’s and tenants’ interest in those commercial, industrial and retail investment properties owned by the Council. <i>The Council is required under the terms of the leases to procure this insurance cover.</i>
Expected Start Date & Duration (months)	Commencing 30.06.2021; the duration is likely to be 36 or 60 months.
Any Extension/s Allowed (months) (e.g.: 1 x 24m / 1 x 12m + 1 x 12m)	The intention is to seek quotations on (1) a 3-year plus 2-year extension basis and (2) a 5-year basis. <i>Advice will be taken from the Council’s appointed insurance brokers as to which contract term is most advantageous.</i>
Total Ascertainable Value	Estimated at between £450,000 and £625,000 over 5 years.
Procurement Procedure (Open, Restricted, other agreed procedure) Summarise the advice from your consultation with Procurement	Open procedure in order to secure the maximum possible interest from the insurance market.
Budget Available (please state the value and add any specific comments or notes)	N/a: see below.
Source of Funding (revenue or capital or specified other)	The premium is invoiced out to the individual tenants.
If procurement is for software, specify outcome of your consultation with IMT and/or Digital & Change	N/a

3. Project Justification

Link to Service or Corporate Objectives:

The insurance provides financial protection – it is essentially a ‘loss financing mechanism’ – in respect of loss of, or damage to, economic investment, commercial, retail, industrial, town centre and other similar properties that are owned by the Council.

It is therefore a key financial risk control mechanism that protects the Council’s, and tenants’, limited resources; it provides peace of mind and reassurance to the authority and tenants.

Note that the Council is required, under covenants or conditions contained in all of the leases, to arrange this insurance.

Project Specific Objectives, Appraisal of Options and Project Timetable:

The Council’s current insurance cover has been placed with a number of insurers as the investment portfolio has grown and the town centre 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 leverage 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.

It will also mean that there is an insurer ‘on standby’ that is ready and willing to insure new properties as they are purchased by the Council or built.

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.

It will be essential for the Council to:

- emphasise the positive aspects of the risk that is being presented to the insurance market;
- its level of engagement with the risk;
- detail any risk improvements undertaken and show how it is managing and improving the overall risk;
- describe in detail the Council’s approach to risk management for the properties to be insured.

Evidence of good risk management practice is becoming much more important to insurers when they are considering whether to quote and on what terms.

The tender will be conducted by the Council’s insurance brokers with full oversight by the Council’s property, insurance and procurement specialists, as a fully compliant OJEU-level Open Procedure.

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

Cost Benefit Analysis:

The Council owns buildings with a total 'insurance value' (i.e. Sum Insured) of c. £120,000,000 including rental income. More properties are likely to be added to the portfolio in future. 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.

As stated, the Council is required under the terms of the leases to arrange this cover and the premiums are invoiced to the individual tenants. As such, the Council does not bear the cost of this insurance cover other than the costs of administration, or if a property is empty and there is therefore no tenant to whom the premium can be charged.

Contract Management:

The insurance is procured by Business Services on behalf of Commercial Property in order to comply with the covenants and conditions within the leases requiring the Council to arrange the cover. It is monitored, reviewed and revised as necessary on an ongoing basis to ensure that it provides comprehensive and suitable cover.


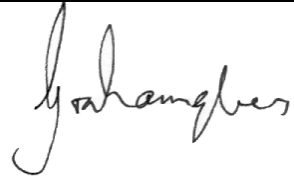
4. Approval

This Business Case is for approval:

- (1) to enter in to the procurement process; and
- (2) to design the contract specification; and
- (3) for delegated authority to the project team to award the contract(s) to the successful bidder(s).

Note: If Level-2 approval is required, the document should be signed by Assistant Director and Director at Level-1 first, and then presented to the Executive for final approval.

Level 1

<i>Position</i>	<i>Department</i>	<i>Signature</i>
Assistant Director	Commercial Property	
Director	Deputy Chief Executive / Director, Resources & Assets	

Level 2

NOTE: Level 1 approval must be completed first.

Please state the date of the relevant Executive meeting or Individual Executive Member Decision at which the Business Case has been approved.

<i>Date of Executive meeting / approval</i>
Executive Approval