


## REPORT TO CABINET

14 October 2020

<b>Subject:</b>	<b>Procurement of Leasehold Building Insurance and Tenants Contents Insurance</b>
<b>Presenting Cabinet Member:</b>	<b>Cllr Wasim Ali – Cabinet Member for Resources and Core Services</b>
<b>Director:</b>	<b>Rebecca Maher – Acting S151 Officer</b>
<b>Contribution towards Vision 2030:</b>	
<b>Key Decision:</b>	Yes
<b>Forward Plan (28 day notice) Reference:</b>	15 September 2020
<b>Cabinet Member Approval and Date:</b>	24 September 2020
<b>Director Approval:</b>	22 September 2020
<b>Reason for Urgency:</b>	Urgency provisions do not apply
<b>Exempt Information Ref:</b>	Exemption provisions do not apply
<b>Ward Councillor (s) Consulted (if applicable):</b>	This is a boroughwide initiative
<b>Scrutiny Consultation Considered?</b>	Scrutiny has not been consulted
<b>Contact Officer(s):</b>	Narinder Phagura Finance Business Partner Narinder_Phagura@sandwell.gov.uk

**DECISION RECOMMENDATIONS**

## **That Cabinet:**

1. Authorise the Acting Section 151 Officer to carry out a procurement exercise by competitive tender and to award a contract to the successful tenderer for an insurance policy for leasehold flats for a period of three years, commencing 1 April 2021, with the option to extend for up to two additional years, for signature of contract by the Director of Law and Governance.
2. That an exemption be authorised to rule 8.7 of the Procurement and Contract Procedure Rules (PCPR) 2018-2019 (or subsequent amendments) to allow a contract to be awarded to the successful tenderer in the event the required minimum number of tenders, as required under the PCPR, are not received.
3. Approve the renewal of the tenants' contents insurance scheme via the Northern Housing Consortium arrangements for the period 1 April 2021 to 31 March 2022, which is placed with Royal Sun Alliance

## **1 PURPOSE OF THE REPORT**

### **Leasehold Insurance**

- 1.1 The current contract for insurance cover of leasehold / right to buy flats expires on 31 March 2021.
- 1.2 This report is seeking approval to commence a tender process and award a contract/ Long Term Agreement (LTA) to provide insurance policy cover for lessees of council flats who have a lease with the council. Securing a LTA insurance policy involves the purchase of cover from an external insurance provider to provide cover to leaseholders for the property they have leased from the council. As the freeholder and landlord, the council procures this insurance in order to ensure its assets are protected.
- 1.3 The cost of this insurance forms part of the service charge that the council charges to the leaseholder, which is administered by the Home Ownership Unit.
- 1.4 The service will be tendered on a three-year contract with an option to extend for a further two years (3+1+1), subject to satisfactory performance.

- 1.5 The annual value of the policy is in the region of approximately £100,000 excluding Insurance Premium Tax (currently at 12%) per annum, giving a contract value in the region of approximately £340,000. The value of the contract will fluctuate depending upon the number of Right to Buy leasehold properties at any given point.

### **Tenants Contents Insurance (TCI)**

- 1.6 In terms of TCI, the council, who is a member of the Northern Housing Consortium (NHC) has used the NHC framework to provide access to the council's tenants to contents insurance cover for the period from 1 April 2018 to 31 March 2021. The Rent Control team is currently considering the continued future provision of this service. In the event that this continues, approval is being sought to continue use of the NHC framework agreement for a further year until 31 March 2022 to enable the continued access of contents insurance for the council's tenants.

## **2 IMPLICATIONS FOR SANDWELL'S VISION**

- 2.1 If approved, this report will contribute to the following ambitions:
- Ambition 8- Create environments in the six towns where people choose to live
  - Ambition 10 – a reputation for getting things done

## **3 BACKGROUND AND MAIN CONSIDERATIONS**

### **Leasehold Insurance**

- 3.1 The current LTA for leaseholders expires on 31 March 2021. Approval is being sought to proceed with the procurement of a LTA for leasehold/ right to buy insurance policy cover for the period 1 April 2021 up to 31 March 2024, with the option to extend for a further two years.
- 3.2 Securing a LTA insurance policy involves the purchase of cover from an external insurance provider to provide cover to leaseholders for the property they have leased from the council. As the freeholder and landlord, the council procures this insurance in order to ensure its assets are protected. The cost of this insurance forms part of the service charge that the council recharges to the leaseholder, which is administered by the Home Ownership Unit.

- 3.3 The council, will be carrying out an open OJEU tender during November, advertised via the council's In-Tend system and will be working with the Procurement team and its appointed broker to agree award criteria and to evaluate all tenders received.
- 3.4 The tenders will request various options for cover such as:
- Option 1- a policy excess of £100
  - Option 2 – a policy excess of £nil (current basis)
- 3.5 As with most insurance tenders, quotes submitted at tender are usually only valid for a specified time. As such, approval is being sought for responsibility to be delegated to the Acting Director of Finance for the decision to award a contract resulting from these procurement exercise.
- 3.6 Whilst the procurement will be carried out as an open market tender and should therefore attract sufficient bids, certain insurers are moving away from covering this risk, which could result in the number of minimum bids required to demonstrate compliance with the council's Procurement and Contract Procedure Rules (rule 8.7), not being met. As such, approval is also being sought for an exemption to be authorised this rule 8.7 to allow a contract to be awarded to the successful tenderer in the event that the required minimum number of tenders, are not received.

### **Tenants Contents Insurance**

- 3.7 Historically and currently, under its anti-poverty banner, the council has been involved in arranging and securing (not providing) insurance cover for council housing tenants' personal contents. The TCI scheme administered by the council, was introduced to assist tenants overcome financial exclusion they faced including reasons such as not having a bank account; inability of the tenant to fund a policy excess; high premiums for properties in high risk areas; etc. The Rent Control team is currently considering the future provision of this service beyond 31 March 2021.

- 3.8 Securing an annual agreement/ policy involves the purchase of TCI from an external insurance provider (via a broker) to provide cover to tenants who have signed up to the agreement, and who then pay the premium directly through their rent collection accounts to the council/ Rent Control. Premiums are then remitted by Rent Control to the broker on a monthly basis. Rent Control and Home Ownership Unit are responsible for the policy premium payments, invoicing to tenants and the day to day scheme administration. The insurance team is involved in arranging the insurance each year by working with the Rent Control, the Home Ownership Unit and the council's appointed broker.
- 3.9 In terms of this procurement, the council, who is a member of the Northern Housing Consortium (NHC) has used the NHC framework for tenant's contents insurance for the period from 1 April 2018 to 31 March 2021. Approval is now being sought to continue use of the NHC framework agreement for a further year until 31 March 2022.

## **4 THE CURRENT POSITION**

- 4.1 The current LTAs which have been in place since 1 April 2018 expire on 31 March 2021.

## **5 CONSULTATION WITH CUSTOMERS AND OTHER STAKEHOLDERS**

### **Leasehold Insurance**

- 5.1 The procurement of the insurance requires two separate consultations to take place with leaseholders, one at the beginning of the process and one at the end.
- 5.2 The first consultation informs leaseholders of the council's intention to enter into a long term agreement for the provision of buildings insurance. As the procurement will be an open OJEU tender then the option for leaseholders to nominate suppliers from whom the council should obtain quotes, does not need to be granted.
- 5.3 The second consultation for 30 days will be to allow leaseholders to make observations on the proposals being put forward in respect of the insurance to be provided under the agreement based on the estimates received during the tender process.

## **Tenants Contents Insurance**

- 5.4 There is no legal requirement for the council to procure this insurance cover. The cover is purchased on behalf of the council's housing tenants and the council acts as an agent to arrange and secure this cover for its council housing tenants' personal contents. The tenants have a choice of whether they wish to access the policy and as such, no consultation is required.

## **6 ALTERNATIVE OPTIONS**

- 6.1 Without the procurement of the insurance, the only other option available to the council is to request leaseholders to take out suitable insurance themselves and to provide the council with assurance that suitable cover has been taken out. This however is not a suitable option as it is not in compliance with the lease agreement which states that the landlord will insure the building on behalf of the leaseholder.
- 6.2 The procurement exercise will look at options around coverage and also the level of deductible (excess) to ensure that a suitable and value for money policy is procured.
- 6.3 In terms of TCI, the council has the option of not providing this service and inform tenants to seek their own contents insurance. This is currently under consideration by the Rent Control team. The approval is therefore being sought on the basis that the council continues to provide this service.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 The value of the contract excluding insurance premium tax will be in the range of £350,000 and £400,000 (depending on the number of properties as at 1 April 2021 for the three year period and is charged to the HRA. The Home Ownership Unit recharges this to leaseholders, which is also credited to the HRA.
- 7.2 For the TCI, the premiums charged to tenants through their rent account are credited to the HRA and the relevant amount is then remitted to the broker on a monthly basis to pay for the cover on an instalment basis.

7.3 There are no significant risks arising from this report.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

### **Leasehold Insurance**

- 8.1 There is no legal requirement for the council to insure its freehold assets. As noted above, the insurance cover is in place to ensure the council has adequate protection of its freehold assets.
- 8.2 The Council has to comply with the Public Contracts Regulations 2015 and the Council's own Procurement and Contract Procedure Rules 2018/19. In terms of this procurement, the council, will carry out the process in compliance with the Official Journal of the European Union (OJEU).
- 8.3 The tender process will be run by the council's corporate procurement team using the council's In-Tend system from the period 1 November to 30 November 2020.
- 8.4 The contract will be awarded to the most economically advantageous tender with regard to both quality and price, with weightings to be agreed with the Procurement Services Manager and taking into consideration the advice and guidance of the insurance broker. Tenders will be evaluated by procurement services, risk and insurance services and the council's appointed broker.

### **Tenants Contents Insurance**

- 8.5 The Council has to comply with the Public Contracts Regulations 2015 and the Council's own Procurement and Contract Procedure Rules 2016/17. In terms of this procurement, the council, who is a member of the Northern Housing Consortium (NHC) has used the NHC framework for tenant's contents insurance.
- 8.6 NHC and its appointed broker carried out an 'Open' procurement process in accordance with the Public Contract Regulations 2015.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 There are no equality implications arising from the recommendations being sought. The leaseholder insurance is charged to all leaseholders.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 Data protection is addressed within the Council's contract for the service.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 There are no implications from the recommendations being sought on crime and disorder.

## **12 SUSTAINABILITY OF PROPOSAL**

- 12.1 As the costs of procuring the insurance is passed onto leaseholders, there are no significant sustainability issues.

## **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

- 13.1 There are no implications on health and wellbeing.

## **14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

- 14.1 The recommendations if approved, will ensure that the council's assets are appropriately protected through insurance cover.

## **15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 15.1 The proposals will ensure that the council's assets are appropriately protected through insurance. Delegated responsibility is being requested to ensure that the insurance can be put in place in a timely manner on the basis of the evaluation carried out and the prices quoted (which will only be valid for a specified time).



15.2 In terms of the TCI, the proposals will ensure that Sandwell's tenants continue to have access to appropriate insurance to protect assets owned by the tenant.

## **16 BACKGROUND PAPERS**

16.1 None.

## **17 APPENDICES**

17.1 None.

**Rebecca Maher**  
**Acting S151 Officer**