



**Author/Lead Officer of Report:**  
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**Report of:** Laraine Manley, Executive Director, Place

**Report to:** Councillor Paul Wood, Cabinet Member for Housing & Neighbourhoods

**Date of Decision:** 11 September 2020

**Subject:** Leasehold Buildings Insurance Contract

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
- Expenditure and/or savings over £500,000	<input checked="" type="checkbox"/>
- Affects 2 or more Wards	<input checked="" type="checkbox"/>
Which Cabinet Member Portfolio does this relate to? Place, Housing & Neighbourhoods Service	
Which Scrutiny and Policy Development Committee does this relate to? (Insert name of Committee)	
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
If YES, what EIA reference number has it been given? Reference number will be generated when EIA logged on Sharepoint.	
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-	
<p><i>"The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended)."</i></p>	

**Purpose of Report:**

To seek authority to procure a contract for Leasehold Buildings Insurance for the period 1<sup>st</sup> April 2021 to 30 March 2026. To provide Buildings insurance cover for all Sheffield City Council leaseholder flats and maisonettes originally purchased under Right to Buy legislation. In addition to explore insurance costs for a future estimated 200 Shared Ownership Properties.

**Recommendations:**

That the Cabinet Member

- i. Considers the report.
- ii. Approves the procurement of a new contract for Leasehold Buildings Insurance to include Shared Ownership Properties (as required) within the tender.

**Background Papers:****Insurance Specification 2020  
Equalities Impact Assessment**

<b>Lead Officer to complete:-</b>		
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.	Finance: <i>(Insert name of officer consulted)</i> <b>Karen Jones</b>
		Legal: <i>(Insert name of officer consulted)</i> <b>David Cutting</b>
		Equalities: <i>(Insert name of officer consulted)</i> <b>Annemarie Johnston</b>
2	<b>EMT member who approved submission:</b>	<i>(Insert name of relevant Executive Director)</i>
3	<b>Cabinet Member consulted:</b>	<i>(Insert name of relevant Cabinet Member)</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.	
	<b>Lead Officer Name:</b> Catherine Hill	<b>Job Title:</b> Leasehold Services Manager
	<b>Date:</b> 17/08/2020	

## **1. PROPOSAL**

- 1.1 The leasehold service, in conjunction with Commercial Services, proposes to procure a 5 year contract for the period 1<sup>st</sup> April 2021 – 30<sup>th</sup> March 2026 via an open tender procedure. To provide Buildings Insurance cover for all Leaseholders of Sheffield City Council living in ex Council flats and maisonettes originally purchased under Right to Buy legislation. In addition to explore insurance costs for an estimated 200 Shared Ownership Properties to be built in the next 5 years. The preferred outcome would be to include Shared Ownership Properties in the insurance contract. To undertake a separate procurement process would incur additional costs for the Council.
- 1.2 The Council has approximately 2,600 leaseholders and all Right to Buy leases contain the same clauses.
- 1.3 Clause 4(i) of the Lease requires the Council to provide Buildings Insurance for its lessees.  
Part III Section 1 (1) of the lease requires the leaseholder to pay their portion of insurance cover for the coming year, invoiced as part of Annual Service Charges in March each year.
- 1.4 The current Buildings Insurance policy, procured through an open tender process for a 5 year period, ends on 31<sup>st</sup> March 2021. To comply with the terms of the Lease insurance cover must be provided by the Council and a new 5 year contract in place by 31<sup>st</sup> March 2021.
- 1.5 The corporate process for the tendering of all contracts is to be followed and the process overseen by Finance & Commercial Services. The Tender will be evaluated on the basis of Most Economically Advantageous Tender, which is a balance of price and quality using the following weighted criteria; 70% Price, 30% Quality.
- 1.6 A member of the Leasehold Forum will be on the evaluation panel alongside Officers from the Leaseholder team and Finance and Commercial Services.

## **2. HOW DOES THIS DECISION CONTRIBUTE ?**

- 2.1 All Right to Buy leases contain the same clause requiring the Council to provide Building Insurance. The Policy covers all leaseholders in flats & maisonettes purchased originally under Right to Buy legislation on the same terms. The amount paid by each individual leaseholder is calculated based on the value of the property. All leaseholders are invoiced as part the Annual Service Charge and all leases require the lessee to pay the Council for Buildings Insurance.

The excess, currently £100, is paid by any leaseholder who claims against the insurance policy regardless of circumstances and size of claim. The excess is £100 for each and every claim but increases to £1,000 in respect of Subsidence.

### **3. HAS THERE BEEN ANY CONSULTATION?**

- 3.1 The Commonhold and Leasehold Reform Act 2002, Section 151 requires landlords to consult leaseholder if they intend to enter into a long term agreement to provide services, e.g. Buildings Insurance.
- 3.2 Failure to follow the correct consultation procedure and timescales limits the landlord's ability to recover cost. The Council's Leasehold Service will carry out consultation with all affected leaseholders, who will receive by post a Notice of Intention, Notice of Proposal and S20 notice. Statutory consultation requires the Council to have regard to any observations made by Leaseholders received at each stage of the process.

### **4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION**

#### **4.1 Equality of Opportunity Implications**

- 4.1.1 All Right to Buy leases contain the same clause requiring the Council to provide Building Insurance. The Policy covers all leaseholders in flats & maisonettes purchased originally under Right to Buy legislation on the same terms. The amount paid by each individual leaseholder is calculated based on the value of the property. All leaseholders are invoiced as part the Annual Service Charge and all leases require the lessee to pay the Council for Buildings Insurance.
- 4.1.2 The excess, currently £100, is paid by any leaseholder who claims against the insurance policy regardless of circumstances and size of claim. The excess is £100 for each and every claim but increases to £1,000 in respect of Subsidence.

- 4.1.3 Overall there are no significant equalities impacts, positive or negative from this proposal.

The Tender will be evaluated on the basis of Most Economically Advantageous Tender, which is a balance of price and quality using the following weighted criteria; 70% Price, 30% Quality.

- 4.1.4 Buildings insurance is calculated each year of the 5 year contract period for individual properties based on the value of that individual property. There is no cross subsidy between properties. A leaseholder can claim against the Policy whether or not they have paid the annual service charge.

#### **4.2 Financial and Commercial Implications**

- 4.2.1 The tender will be conducted inline with relevant UK procurement rules and regulations governing the award of a tender with a value greater than £500,000. Undertaking a full procurement of the contract through tender and evaluation will ensure that the Council has fully tested the market to ensure the contract represents Value for Money in terms of

both cost to individual leaseholders and the quality of customer service.

- 4.2.2 The Council will pay the premium to the company and then recover costs through the annual service charge to leaseholders. If included insurance for Shared Ownership properties would be recovered under the terms of their Lease.
- 4.2.3 The Council are left net neutral, leaseholders are covered under the Buildings Insurance policy and have each paid their allotted share. We have made neither a profit nor a loss. The £50k commission received by the Council fully covers administration costs.

The same principal would be applied to Shared Ownership properties.

#### 4.3 Legal Implications

- 4.3.1 The Localism Act 2011 provides local authorities with a “general power of competence” which enables them to do anything that an individual can do as long as the proposed action is not specifically prohibited. The Council also has a specific power to do anything (whether or not involving the expenditure, borrowing or lending of money or the acquisition or disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to, the discharge of any of their functions (s111(1) Local Government Act 1972).The proposed insurance supports the Council’s statutory functions by providing financial certainty in the ability to repair or rebuild property damaged by insured perils and is therefore incidental to the Council’s statutory functions.
- 4.3.2 If the procurement process, including the required statutory leaseholder consultation, has not been completed and a contract awarded by 31st March 2021 then the Council will be in breach of Clause 4 (i) of the Lease and unable to recover the costs from leaseholders.
- 4.3.3 The Council is at risk of a challenge to First Tier Tribunal on the cost of Buildings Insurance if it does not obtain a contract which can be demonstrated to provide value for money based on the evaluation criteria, or if statutory consultation is not undertaken correctly. This is both a financial and reputational risk for the Council.
- 4.3.4 An OJEU compliant competitive tender process is consistent with the requirements of the Public Contracts Regulations 2015 and Contract Standing Orders.

#### 4.4 Other Implications

- 4.4.1 Leasehold flats and maisonettes are spread citywide in mixed tenure blocks of leaseholders and tenants. Buildings insurance ensures that leaseholders are able to have repairs carried out promptly and to a high standard following a claim. This protects the Councils asset of the block as a whole.

## **5. ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 Extend existing contract – The current contract was procured for an initial period of 3 years with the option to extend for a further 2 years. A soft market testing procurement process was undertaken and the contract extended for a further 2 years. The contract cannot be extended beyond 31<sup>st</sup> March 2021 and must be retendered.
- 5.2 Allow existing contract to expire and allow leaseholders to purchase their own individual buildings insurance, – SCC would be in breach of the terms of Lease.
- 5.3 Tender through the Procurement Framework – leaseholders were not consulted on framework when it was originally set up. The Council would be unable to charge leaseholders for Buildings Insurance procured through the Framework.

## **6. REASONS FOR RECOMMENDATIONS**

- 6.1 The Council can demonstrate compliance with UK procurement rules and regulations in the awarding of the contract. The contract will be in place by 1<sup>st</sup> April 2021. The Council can demonstrate that Statutory consultation requirements have been followed. It will obtain a value for money contract based on considerations of both quality of customer service and cost to individual leaseholders. The Council complies with its obligations under the terms of the Lease.