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Report of: *Interim Executive Director for Place*

Report to: *Co-operative Executive*

Date of Decision: *16 February 2022*

Subject: *Retender of Tenants Contents Insurance Scheme*

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 type="checkbox"/>
- Affects 2 or more Wards	<input checked="" type="checkbox"/>
Which Cabinet Member Portfolio does this relate to? <i>Place</i>	
Which Scrutiny and Policy Development Committee does this relate to? Overview & Scrutiny Management 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? 1021	
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“The (report/appendix) is not for publication because it contains exempt information under Paragraph (insert relevant paragraph number) of Schedule 12A of the Local Government Act 1972 (as amended).”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 tender for a broker to arrange (through an insurance provider), contents insurance policies for Sheffield City Council tenants for the period 1st April 2023 to 31 March 2026, and contract with that broker on terms that allows Sheffield City Council to administer the Tenants Contents Insurance Scheme (the ‘Scheme’).

Recommendations:

That the Cooperative Executive -

- i. Notes the contents of the report.
- ii. Approves the council undertaking a full tender for a broker to arrange (through an insurance provider), contents insurance policies for Sheffield City Council tenants for the period 1st April 2023 to 31 March 2026, and contract with that broker on terms that allows Sheffield City Council to administer the Tenants Contents Insurance Scheme (the 'Scheme').
- iii. To the extent not already delegated to them by the Leader's Scheme of Delegation, delegate authority to the Executive Director of Place, in consultation with the Director of Legal and Governance and Director of Finance and Commercial Services to prepare and execute all required documentation and take steps to implement these recommendations.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

Lead Officer to complete:-	
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>Karen Jones</i>
	Legal: <i>Marcia McFarlane</i>
Equalities: <i>Louise Nunn</i>	
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: <i>Mick Crofts – Approved at Portfolio Leadership Team Meeting 12 January 2022</i>
3	Cabinet Member consulted: <i>Councillor Josie Paszek on behalf of Councillor Paul Wood</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.
	Lead Officer Name: <i>Rachel Dawson</i>
	Job Title: <i>Operations and Development Manager</i>

Date: *29 November 2021*

1. PROPOSAL

- 1.1 Sheffield City Council ('The Council') currently participates in a scheme that makes contents insurance available to its tenants. The scheme offers tenants the opportunity to purchase affordable contents insurance at competitively priced rates per £1000 insured and other benefits such as no excess in the event of a claim, accidental damage included as standard and a "new for old" replacement.
- 1.2 The Council administers the scheme via its current broker AON and their recommended insurer Aviva. The Council's contract with AON allows the Council to receive a commission that covers the cost of administering the scheme only; and for the Council informs tenants of the scheme, provides information about the scheme and where required the Council assists with completing the relevant policy documents. Tenants decide whether the scheme suits their needs and if so, enter separate agreements with the insurer; the Council has no contract with the insurer. This scheme is an important facility for some tenants who may not be able to secure contents insurance elsewhere due to their financial means or poor credit rating and the associated support with forms is also very helpful to tenants.
- 1.3 In 2015 the Council contracted with AON under a fixed price agreement for the period 1st April 2015 to 1st April 2018, with the option to extend on the same rates for a further two years which took the contract to 2020. Due to disruption caused by Covid 19 pandemic the council extended the contract further to 31 March 2022 with tenants receiving more favourable terms. An additional extension until 31 March 2023 has been agreed to allow time for a full tender process.
- 1.4 Some SCC tenants may be unable to secure contents insurance elsewhere due to financial means or poor credit rating.
- 1.5 The Association of British Insurers are deeply concerned about the low levels of renters, particularly low-income renters, who do not have tenant content insurance in place. There is currently a Treasury Working Group in place looking at specific interventions to improve the situation. It is widely viewed that those without contents insurance in place are less financially resilient. One of the main hurdles identified in the Treasury Working Group was a lack of availability to a scheme to all tenants. Although the Council is not legally obligated to provide a scheme, it is in both the tenants and the Councils best interest.
- 1.6 The proposal is for the Council to undertake a full tender process to test the 'Tenants Contents Insurance' market, identify and contract with a provider for the best possible terms for the Council's tenants, with the new contract between the Council and broker starting on 1 April 2023. Regardless the terms for tenants, the Council will only recover it's administration costs.

- 1.7 The new contract will allow Sheffield City Council to continue giving our tenants the opportunity to purchase affordable contents insurance by collecting charges from Sheffield City Council tenants who sign up to the scheme and supporting those tenants to make an application to the Tenants Contents Insurance Scheme.
- 1.8 As a Local Authority and Social Landlord the Council must be open and transparent in commercial dealings. The Tenants Contents Insurance market has developed since the Council first entered the current contract and provision has undoubtedly changed since then. Going to tender for this insurance provision will be a good commercial opportunity to explore the wide possibilities of insurers in this market, get competitive quotations which will inevitably benefit our tenants. The Council is not a party to the insurance policy with tenants.
- 1.9 Alternatively there is the possibility of using the NHC (Northern Housing Consortium) Framework however this few participants and we are concerned the tender could miss other competitive specialist insurers not on the Framework.
- 1.10 The tender will include robust specification and evaluation methodology. The successful provider will be required to explore social value in the context of their industry; this could include considerations on claims handling, how quickly tenants insurance claims are settled, the quality of communications with our tenants, the insurers complaints procedure and any social value investments connected with the premiums tenants will pay.
- 1.11 As there may be a period of exit from current arrangements and mobilisation of the new arrangements the tender should be out to market by January 2022 to enable contract start of 1 April 2023.

2. HOW DOES THIS DECISION CONTRIBUTE ?

- 2.1 By seeking the best value option for our tenants we are supporting the Councils "One Year Plan". It helps us achieve the Councils priorities under the "Our Council" theme (Support our diverse communities in recovering from the impact of Covid by taking visible action to fight poverty and inequality), and the "Communities and Neighbourhoods" theme (Neighbourhoods that are clean, green, safe and thriving).
- 2.2 Having in place a product that allows access to Tenants Contents Insurance for all Council tenants, removes an inequality that may otherwise exist for those who may be unable to access contents insurance on the open market due to financial means and / or poor credit rating

- 2.3 Having a product that offers at least the benefits that the current product offers, such as zero excess, replacement on a new for old basis, accidental damage as standard, replacement locks and keys, will help our tenants become financially resilient and reduce the impact on their home should they be unable to pay their rent in the event of a crisis. Many of our tenants do not have savings and would be unable to meet their current financial obligations in such event as a fire or flood.

3. HAS THERE BEEN ANY CONSULTATION?

- 3.1 At this point we have not consulted with tenants. However, as part of the tender process, we would like to involve tenant representatives in the evaluation of tender applications and involve them in the decision making process.

4. RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

4.1 Equality of Opportunity Implications

- 4.1.1 Positive – Removes inequality that currently exists on the open market for tenants sourcing contents insurance

4.2 Financial and Commercial Implications

- 4.2.1 This contract would not cost SCC, nor would it bring in an income. As part of the contract SCC would agree a commission amount to cover the administration of the product. There may be commercial implications if we do not go out to tender the open market for a contract that gives exclusivity to SCC tenants. The value of the contract will depend on uptake, but based on the current number of tenants with Tenants Contents Insurance at the rates they currently have it, the contract over three years would be valued over £1.1 million.

4.3 Legal Implications

- 4.3.1 There is no legal duty on the council to provide Tenants Contents Insurance Service. The Council can choose to have this scheme and may do so using powers under the Localism Act 2011 which gives local authorities a “general power of competence” that allows them to do anything that an individual can do as long as the proposed action is not specifically prohibited.

The Council’s proposed actions under this report are not prohibited by law, notably there is no prohibition to Council making this scheme available to tenants, informing tenants of the Scheme or assisting them with completing policy forms. The Council is not undertaking Regulated Activities under the Financial Services and Market Act 2000 (Regulated

Activities) Order 2001.

These proposals involve the insurance broker contracting with the council under terms that require careful consideration, further the Broker and their recommended insurance provider must be regulated by the Financial Conduct Authority.

These arrangements may cause the Council to undertake “data processing” for the provider as described under the UK – General Data Protection Regulations 2018 (UK-GDPR). If so, the Council must comply with UK-GDPR data processing obligations and Data Processing agreements the Council may have agreed.

The total amount payable by tenants as premiums is likely to exceed the threshold set in the Public Contracts Regulations 2015, therefore the procurement and contract award should comply with those regulations.

Further, the process and contract award must comply with the Council’s Constitution and in particular its Contracts Standing Orders.

4.4 Other Implications

- 4.4.1 There would be an implication on Commercial Services who would manage the tender process

5. **ALTERNATIVE OPTIONS CONSIDERED**

- 5.1 The other options considered and discounted are –
- To end the tenants contents insurance offer via SCC on 31 March 2022 when the contract with AON and Aviva ends. As at 1 February 2022 this would leave 3989 SCC tenants without a Tenants Contents Insurance offer and they would have to source an alternative product
 - To recontract with the incumbent AON and Aviva. This would mean no market testing and we would not be sure we are offering the best product for SCC tenants. We would also not be offering a commercial opportunity to all providers on the market. This would contravene SCC regulations
 - To use a framework provider to secure a product. However the only framework providers at the moment are sole product frameworks and would not allow our incumbent or other providers to be involved in the tender process

6. **REASONS FOR RECOMMENDATIONS**

- 6.1 We recommend SCC go out to full tender to ensure we test the full

Tenants Contents Insurance market. We recommend involving tenants' representatives in the evaluation and decision making process to ensure the tenants voice is heard, and commercial services, financial services and legal services to ensure we are commercially, financially and legally compliant. We believe this is the only way to ensure we have in place the best product for our tenants, to enable them to be financial resilient in future.