

## Cabinet

<b>Report Title</b>	Procurement of Leasehold Right to Buy Building Insurance
<b>Date of Meeting</b>	30 July 2025
<b>Report Author</b>	Narinder Phagura
<b>Lead Officer</b>	Alex Thompson
<b>Lead Cabinet Member(s)</b>	Councillor Paul Moore
<b>Why is this a key decision?</b>	<div>1. Expenditure over £1 Million+ Yes</div> <div>2. Significant impact on 2 or more wards Yes</div>
<b>Wards Affected</b>	All wards
<b>Identify exempt information and exemption category</b>	Exemption provisions do not apply
<b>Is the report urgent?</b>	No
<b>Reasons for urgency (only where applicable)</b>	N/A
<b>Appendices (if any)</b>	None

### 1. Executive Summary

- 1.1 This report seeks approval to delegate authority to the Executive Director Finance and Transformation to award a long-term agreement LTA to provide buildings insurance cover for lessees of council flats, upon completion of a compliant procurement process. Approval is also sought for an exemption under rule 8.10 of the Procurement and Contract Procedure Rules 2024 (or any subsequent amendments) to allow a contract to be awarded to the successful tenderer in the event that the required minimum number of three tenders are not received.

## **2 Recommendations**

The Cabinet is recommended to:-

- 2.1 Delegate authority to the Executive Director for Finance and Transformation in consultation with the Cabinet Member for Finance and Resources to award a Long-Term Agreement for insurance cover for sold leasehold flats.
- 2.2 Approve an exemption under rule 8.10 of the Procurement and Contract Procedure Rules 2024 (or subsequent amendments) to allow a contract to be awarded to the successful tenderer if the required minimum number of three tenders are not received.
- 2.3 Approve any variations to the Contract/ Long-Term Agreement up to a maximum of 10% of the Contract value, should they be necessitated.

## **3. Proposals – Reasons for the recommendations**

- 3.1 The current contract for buildings insurance cover of leasehold / right to buy flats expires on 31 March 2026.
- 3.2 This report is seeking approval to commence a tender process and award a contract/ Long Term Agreement (LTA) to provide buildings insurance cover to lessees of Sandwell council flats. 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 to ensure its own assets are protected from any property risks arising from the leaseholder, which contributes to the Council Plan priority of Living in Sandwell.
- 3.3 Despite the procurement of a Long-Term Agreement, as with all insurance cover policies, a renewal process must be undertaken annually to assess whether the level of risk and therefore rate charged has changed.
- 3.4 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 Team.
- 3.5 The service will be tendered by carrying out a mini competition under the YPO Insurance Placement DPS 1198 Customer Access Framework Agreement on a three-year contract with an option to extend for a further two years (3+2), subject to satisfactory performance. Using this framework agreement will ensure that the procurement is compliant with all procurement regulations and also that only reputable insurers are considered, customised cover requirements are met in a dynamic and fluid insurance market for this risk.
- 3.6 The annual value of the policy is in the region of approximately £275,000 including Insurance Premium Tax (IPT) currently at 12% per annum, giving a contract value in the region of approximately £1.375m. The value of the contract will fluctuate depending upon the number of Right to Buy leasehold properties at any given point.
- 3.7 As with most insurance tenders, quotes submitted at tender are usually only valid for a specified time (usually 30- 90 days). As such and given the

consultations that will be required (see section 5 below), approval is being sought for delegated authority to the Executive Director of Finance and transformation to award the LTA to the successful supplier.

- 3.8 Whilst the procurement will be carried out via a mini competition under the YPO framework agreement as noted above, a number of 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 not being met. Therefore, approval is also being sought for an exemption to allow a contract to be awarded to the successful tenderer in the event that the required minimum number of tenders, are not received.
- 3.9 As noted above, due to the volatile nature of the risk profile for which insurance cover is being sought, insurers require an annual renewal process to be undertaken to assess the level of risk and rate being charged. As such, if the level of risk / claims history is deemed to have increased from that at tender stage, insurers may require a change/ increase in the rate applied and hence cost of cover. It is for this reason that approval is also being sought for any variations to the LTA up to a maximum of 10% of the contract value.

#### **4 Alternative Options Considered**

- 4.1 In all cases, 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.
- 4.2 The other options that have been considered are:

**Option 1-** to carry out an open procurement process under the new Procurement Act 2023 via Find a Tender. This has been dismissed on the grounds that this will attract tenders from insurers that are not reputable or have the capacity to provide the cover requirements needed. In addition, it would also require additional council resources to carry out and evaluate the tenders. The framework eliminates this as it has the advantage of pre-qualifying suppliers.

**Option 2-** request leaseholders to take out suitable insurance themselves. This would require the leaseholders to provide the council with evidence and 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. In addition, the council would need additional resources to ensure that insurance cover had been taken out by all leaseholders; that there was consistency in cover provided; that premiums had been paid and that policies have not been cancelled thereafter.

**Option 3** -The council could ask for nominations from leaseholders for a contractor to supply the service. However, it is unlikely that the leaseholders would know of a suitable provider that satisfied the appropriate criteria which was not already on the YPO framework.

## **5. Consultation**

- 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 30-day 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 a mini competition under the YPO framework agreement, 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 tenders received during the procurement process.

## **6. Financial Implications**

- 6.1 The value of the current contract including insurance premium tax is £1.375m (based upon current rates which could decrease/ increase depending on the claims history and the number of leasehold flats requiring insurance). The Home Ownership Unit recharges these premiums to the leaseholders.
- 6.2 There may be some financial implications arising from who has responsibility to carry out and fund reinstatement valuations and the frequency of these to ensure that there is appropriate insurance cover in place. Paragraph 8.3 has further details on these risks and the measures being taken to mitigate these risks.
- 6.3 **To be updated once legal have undertaken review**

## **7. Legal and Governance Implications**

- 7.1 Statutory obligations relating to the Council's finances fall within s.151 of the Local Government Act 1972 which includes amongst other things the requirement that the Chief Finance Officer makes appropriate arrangements for the protection of the council's assets. The required insurances will be procured in full compliance with the Council's Contracts and Procurement Procedure Rules and all relevant legislative requirements relating to the conduct of procurement activities and will be undertaken through the YPO framework.

## **8. Risks**

- 8.1 To identify any key risks associated with the procurement and decisions being sought, soft market testing has been carried out by the broker to ascertain the appetite of insurers to tender for the required insurance cover. The key risk associated with the recommendations being sought is:
  - There is a risk that without quality, sufficiently detailed and up to date information and data being available as part of the tender process, insurers

may decide not to tender and underwrite the risk or that they will be unable to adequately assess the risk to submit an appropriate tender quote. To mitigate this will require timely collaboration and assistance between Housing, Home Ownership Team, Asset Management and the Risk and Insurance team to ensure robust data is provided.

In particular, insurers will require up to date information on reinstatement valuations. Discussions are taking place with external valuers to establish how these valuations can be obtained in a timely manner.

**9. Equality and Diversity Implications (including the public sector equality duty)**

- 9.1 As the lease agreement between the lessee and the council as landlord requires all lessees to take out the insurance, and the relevance check has been completed, an Equality Impact assessment is not required.

**10. Other Relevant Implications**

- 10.1 Procuring insurance on behalf of leaseholders will ensure that council land and property is protected from risks arising from leaseholders. Given the value of the insurance programme, as advised by brokers and the council's procurement team, a compliant procurement exercise will be undertaken using the YPO Framework agreement. This will also ensure compliance with the Council's Contracts and Procurement Procedure Rules and all relevant legislative requirements relating to the conduct of procurement activities

**11. Background Documents**

None

**12. How does this deliver the objectives of the Strategic Themes?**

- 12.1 This report supports and contributes to the strategic outcome for Living in Sandwell. By having suitable buildings insurance cover in place for leasehold flats, will ensure council property is protected and that council tenants are protected from building risks resulting from leaseholders in these flats.

## Relevance Check

**Budget Reduction/Service Area:**

**Service Lead**

**Date:**

In what ways does this Budget reduction have an impact on an outward facing service? How will the service feel different to your customers or potential customers?

There is no budget reduction, all premiums are charged to the leaseholders

If not, how does it impact on staff e.g. redundancies, pay grades, working conditions? Why are you confident that these staff changes will not affect the service that you provide?

There are no staff impacts as the procurement is for leaseholders

Is a Customer Impact Assessment needed? No