



Committee Name: Cabinet

Committee Date: 13/10/2021

Report Title: The award of contract for leaseholder insurance

Portfolio:	Councillor Gail Harris, Portfolio holder for social housing
Report from:	Executive director of community services
Wards:	All wards
OPEN PUBLIC ITEM	

Purpose

To consider delegating authority to award a contract for leaseholder insurance.

Recommendation:

To:

- 1) approve the delegation of the decision to award the contract for leaseholder insurance to the Director of Community Services, in consultation with the portfolio holder for Social Housing; and
- 2) award the contract for the period commencing 1 April 2022 for a term of three years with an option to extend for an additional two.

Policy Framework

The Council has three corporate priorities, which are:

- People living well
- Great neighbourhoods, housing and environment
- Inclusive economy

This report meets the people living well corporate priority

Report Details

Background

1. Leaseholder insurance covers residential leasehold properties for buildings material damage. There is a requirement, under the leases entered into by the leaseholders, that this cost is borne by the leaseholder rather than the council. Contents insurance is to be sourced privately by the leaseholders.
2. The current contract for leaseholder insurance is provided by Ocaso SA, who were awarded a five year contract from 01 August 2018, with break clauses. The contract with Ocaso SA was aligned to the rest of the Council insurance arrangements and now has an annual renewal of 01 April 2022.
3. Ocaso SA have notified the Council insurance brokers that they intend to withdraw from the public sector leasehold housing market and as a result do not intend to invite renewal of this insurance for the period of cover commencing 01 April 2022 leaving the Council no option but to retender this insurance provision.
4. Cambridgeshire County Council provides insurance services to Norwich City Council and manages this contract on our behalf. Cambridgeshire will take responsibility for the procurement of the insurance contract supported by the Council's home ownership team.

Tender process

5. In order to provide leaseholder insurance provision Cambridgeshire County Council will need to tender for a new supplier. This will be advertised as an open opportunity during October 2021, the procurement exercise shall comply with the Public Contract Regulations 2015.
6. The current contract is for enhanced cover, including accidental damage, and has an excess of £100. Suppliers will be requested to submit tenders with a level of cover of not less than that currently provided.
7. Due to changes in the housing market predominantly driven by the events at Grenfell Tower insurers are more selective on risk and the insurance team are finding that premiums are increasing significantly, to try and arrest any significant costs increases to leaseholder they will invite potential providers to issue insurance terms on existing basis and also with higher levels of leaseholder excess.
8. To ensure value for money for leaseholders, the evaluation of submitted tenders will seek a minimum overall weighting of 60% for price and 40% quality criteria.
9. Full leaseholder consultation will be required, which is due to commence on 01 December 2021. This allows for nomination rights, any non-broker nominations will be advised and given the opportunity to submit a tender.

Timescales

10. Tight timescales apply. A provisional supplier will be selected by the end of December 2021. Once the delegated decision to award the contract has been made, a further period of 30 days leaseholder consultation is required before the Council issues an intention to award.
11. Delegated authority to approve the contract award is requested due to the timing of Cabinet meetings during the coming months and the need for the compliant consultation process with leaseholder to be undertaken.

Consultation

12. The provision of leasehold insurance is subject to the consultation provisions contained within the Housing Act 1988. To ensure compliance and appropriate consultation the Home Ownership Team will commence the consultation with interested parties.

Implications

Financial and Resources

13. Any decision to reduce or increase resources or alternatively increase income must be made within the context of the council's stated priorities, as set out in its Corporate Plan 2019-22 and Budget.
14. There are no proposals in this report that would reduce or increase resources. The current contract value per annum is £245,000 although it is expected the contract value will increase, therefore insurance costs associated with leasehold housing will increase.
15. The contract shall be between the council and the winning supplier however, the full cost of the premiums are recharged to leaseholders resulting in a zero overall cost to the Council.

Legal

16. Failure to have in place appropriate cover for the leasehold housing stock will result in the Council being in breach of the requirements within the leases it has entered into with the leaseholders.
17. Cambridgeshire County Council in undertaking insurance services for Norwich City Council shall undertake the procurement exercise and be responsible for ensuring the appropriate legislation is adhered to.

18. Statutory Considerations

Consideration:	Details of any implications and proposed measures to address:
Equality and Diversity	No impact
Health, Social and Economic Impact	Predicted that policy renewal will result in higher premiums for leaseholders.
Crime and Disorder	No impact
Children and Adults Safeguarding	No impact
Environmental Impact	No impact

Risk Management

Risk	Consequence	Controls Required
Council fails to ensure leasehold housing and is in breach of lease agreements with leaseholders resulting in complaints	Potential litigation, negative reputational impacts, financial and wellbeing harm to leaseholders	Arrange appropriate insurance cover for leasehold buildings
Council fails to adequately consult with leaseholders in respect of the insurance purchase for their properties resulting in challenge under the Housing Act	Failure to recover some or all of the premiums from leaseholders resulting in financial risk to the council	Full consultation in line with requirements of Section 20 of the Housing undertaken
Council fails to arrange appropriate cover resulting in claims by leaseholders not being met	Potential litigation, negative reputational impacts, financial and wellbeing harm to leaseholders	The Council will seek insurance cover to a standard no less comprehensive than existing and will ensure leaseholders are made aware of insurance policy limitations

Other Options Considered

19. There are no other reasonably viable options.

Reasons for the decision/recommendation

20. The Council is being recommended to approve this procurement in order to ensure the Council complies with its duties under lease agreements and also to ensure that the financial interests of leaseholders in respect

of their housing continue to be protected in the event of an insured loss such as fire or flood.

Background papers: None

Appendices: None

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