

Report to Cabinet

08 November 2017

Report of Head of neighbourhood housing

Subject Award of a contract for council tenants' contents insurance

Item

10

KEY DECISION

Purpose

To seek approval to award a contract for council tenants' home contents insurance following a mini-tendering exercise via the ESPO framework

Recommendation

To award the contract to Aon UK for 5 years.

Corporate and service priorities

The report helps to meet the corporate priority a healthy city with good housing

Financial implications

The contract generates income via commission on the premiums collected with rent and paid over to the insurance broker. In 2018/19 the commission expected will be approximately £26k.

Ward/s: All Wards

Cabinet member: Councillor Harris – deputy leader and social housing

Contact officers

Andy Bays, housing income manager 01603 213655

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Background documents

None

Report

Background

1. The council has offered tenants a contents insurance scheme for around 20 years. The scheme intends to provide an easy to access product, with premiums added to the weekly rent for flexibility and affordability.
2. Some tenants believe that the council will cover their belongings against fire, burst pipes or other household damage but this is not the case, unless the council has been negligent. The scheme also provides cover for common rechargeable repairs resulting from lost keys, broken glass and broken sanitary ware.
3. Through the councils focus and activities to increase financial inclusion, there is an awareness of the social value of providing affordable contents insurance. Access to affordable financial products such as banking, savings, credit and insurance are the key aims of preventing financial exclusion. Research shows that:
 - Around 70% of social housing tenants have no form of contents insurance compared to 20% of private households¹
 - Households with no home contents insurance were more than three times as likely to be burgled than those with insurance²
 - These facts are set against the background of a decline in the number of working adults having contents insurance.³
4. Through successive procurement the council has been able to obtain an enhanced level of cover, reduce the cost of premiums and has sought to protect the benefits currently provided which are:
 - Accidental damage and personal possessions cover *at no additional cost*
 - A highly competitive premium of £0.088p per week per £1,000 of cover
 - Low cost starter cover for tenants over 60
 - No premium increase or excess in the event of a claim.
 - A range of optional enhanced cover at additional cost
 - A competitive commission rate to cover the council's administration costs, currently 32%.
5. Take up of the current scheme is around 12% of tenants, (1637 policies as at 4 September 2017). 57 tenants over 60 years of age take advantage of the low

¹ Helping Tenants Protect Their Possessions, Association of British Insurers

² Financial Inclusion Annual Monitoring Report, School of Social Policy, Birmingham University

³ Financial Inclusion Annual Monitoring Report, School of Social Policy, Birmingham University

level cover beginning at £6,000 and 156 use the optional additional cost cover for garden sheds, hearing aids, wheelchairs & mobility scooters.

6. The most popular level of cover, for contents value of £10,000 will cost £0.88p per week, (annual equivalent £44.00). This compares favourably with the other schemes with whom accidental damage and personal possessions cover would be additional cost options. Equivalent £10,000 cover with other housing providers is:

- Ipswich £1.43pw
- Circle Anglia £1.63pw
- Great Yarmouth BC £1.52pw
- Orbit £1.61pw

7. The claim rate is fairly low. In the first six months of 2017 there have been 41 claims totalling £25k, (average £623). Claims arise from accidental damage in over half of cases with escape of water in 16% and 'fire and related causes' in 10% of claims. Interestingly, 'theft including damage' accounts for only 5% of claims.
8. The council provides scheme administration by supplying and receiving application and claim documentation, collecting premiums and paying over to the scheme provider. In return the council receives a commission providing income to cover administration costs. The council's contract to provide insurance is therefore with an insurance broker, the insurance policy exists between our tenants and the insurance provider.

Procurement process

9. The opportunity was advertised on the council's e-tendering portal on 11 August 2017. It was advertised to the suppliers that were on a selected Crown Commercial Services framework to be used for this tender who indicated that this was an area of insurance they would be interested in bidding on. Two submissions were opened on 20 September 2017.
10. The quality evaluation was conducted by the relevant council department, whose needs are covered by this tender and members of the tenants' involvement panel. This was facilitated by procurement, using the agreed evaluation criteria as set out in the invitation to tender issued to the suppliers.
11. This is to be a five year contract.

Tender evaluation

12. The selection process was based on a quality and price evaluation with 50% of the marks available awarded to each criterion.
13. Quality criteria included the extent of policy cover; maximum level of cover and scheme accessibility.

14. For price, suppliers were asked to provide the best price per £1,000 cover available and commission rate paid to the council.
15. Both suppliers successfully passed the quality criteria assessment with full marks so the evaluation was carried out based 100% on price.
16. Both suppliers offered lower tenant's premiums than the current rate of £0.09p per £1,000 of cover with Aon UK's scoring the maximum (see Table 1, below).

Table 1- Evaluation of price

Company	Price	Price score	Commission rate	Commission score	Overall score
Aon UK	£0.0616	40	26%	10	50
JLT Specialty Ltd	£0.0770	30	12.5%	4.60	34.60

17. Table 2, below shows the final evaluation with Aon UK scoring the maximum available for quality and price.

Table 2- Final evaluation

Company	Quality score	Price score	Overall score
Aon UK	50	50	100
JLT Specialty Ltd	50	34.60	84.60

Recommendation

18. Cabinet is asked to approve the award of the contract for tenant's home contents insurance to Aon UK for five years. The competitive tender process has shown that this bid represents best value.

Integrated impact assessment



NORWICH
City Council

The IIA should assess **the impact of the recommendation** being made by the report

Detailed guidance to help with the completion of the assessment can be found [here](#). Delete this row after completion

Report author to complete

Committee:	Cabinet
Committee date:	8 November 2017
Director / Head of service	Bob Cronk
Report subject:	Award of a contract for council tenants' contents insurance
Date assessed:	11/10/2017
Description:	A contract for council tenants' contents insurance

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The tender process ensures that the Council achieves the best value for money at that particular time.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The service offers easy access to insurance for citizens often excluded from mainstream financial services
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<u>S17 crime and disorder act 1998</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Insurance can prevent financial hardship in the event of an unexpected expense arising from the risks covered.

	Impact			
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments

	Impact			
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. There is a risk that the appointed supplier could fail during the duration of the contract. This is low risk due to the relatively short nature of the contract and the planned nature of the service. In addition to this the Council is not investing in the supplier and so the risk is one of service continuity rather than financial.

Recommendations from impact assessment	
Positive	
Negative	
Neutral	
Issues	