



## **North Devon Council**

Report Date: Monday, 4 November 2024

Topic: Insurance Layer for Brynsworthy Environment Centre

Report by: Adam Tape, Head of Governance

### **1. INTRODUCTION**

1.1. This report is to update Members with regard to the insurance position of our Brynsworthy site and to seek a decision on whether a second insurance layer should be procured.

### **2. RECOMMENDATIONS**

2.1. That Members note the report outlining the insurance position relating to our Brynsworthy site and the associated financial risk

2.2. That Members determine whether the second insurance layer be procured based on the resource implications set out in section 5 of the report

2.3. Subject to recommendation 2.2, and given there is a limited market and a specialist provider would be required, that Members agree to waive contract procedure rules for the award of the second insurance layer.

### **3. REASONS FOR RECOMMENDATIONS**

3.1. For Members to be aware of the current insurance position for our main site, the financial risks associated with this and the potential solution to mitigate that risk

### **4. REPORT**

4.1. The Brynsworthy Environment Centre (BEC) has a reinstatement value of circa £15.9m. This is the amount it would cost to rebuild in essence the same provision again from scratch, which includes demolition or site clearing costs and professional fees. The Council's insurance would normally cover the full reinstatement value of our properties.

4.2. From the 1<sup>st</sup> April 2024, our current property insurer, Risk Management Partners (RMP), introduced a first loss limit on BEC for £5m in total, with an increased premium of £125,860 for the year, including Insurance Premium Tax (12%). Waste recycling operations are increasingly being seen as a high risk activity by insurers, who are looking to limit their exposures in this activity

4.3. In July 2024, we were able to purchase an additional £5m insurance layer, taking the total insurance cover to £10m for the site. The premium for this additional layer (£5m over the original £5m) was £154,000 for a 12 month period, including IPT. The insurance layer is provided by a number of Insurance Companies that share a proportion of the risk.

4.4. At the end of September 2024, our Insurance Broker, Arthur J Gallaghers, advised that a further £5m layer would be available, to take us to the full

£15m reinstatement value. This layer could be taken out as a 12 month policy at an indicative cost of £125,440. Including IPT or for a 5 month period at an indicative cost of £52,250 to take us to 1<sup>st</sup> April 2025, when there is a natural break in the insurance contract. Note, the quote may be subject to change. In doing this the Broker put the Council's requirements out for quotes across the insurance market and so this has been exposed to competition, just not strictly in compliance with the Council's requirement to tender, or to use a compliant framework agreement or other collaborative procurement process, as set out in the Contract Procedure Rules.

- 4.5. Our Broker is already preparing for a retender of our property portfolio lot for April 2025, having conversations with Underwriters in the Local Authority sector, with the aim of seeking an insurer who will cover the full reinstatement value, without the need for additional insurance layers. Accordingly this opportunity will be offered out to the market at large via a compliant procurement process in the near future and as such the proposal before Members is a short term fix to ensure the Council is appropriately protected.
- 4.6. In addition, we have also engaged a Risk/Insurance Consultant, who has undertaken an insurance risk assessment of our property portfolio and is seeking alternative insurance cover from outside the normal local authority market, including companies that specialise in waste management cover. If such cover was to become available we may look to start prior to 1<sup>st</sup> April 2025. Should this be the case then both insurance layers can be cancelled giving 30 days' notice with a pro-rata refund.
- 4.7. Members should note that the significant capital works to the BEC processing hall, includes fire suppression systems, including water cannons. These are scheduled to be operational during November 2024. This would substantially reduce the risk of a catastrophic fire or loss of the entire building. This investment should also help to reassure the insurance market on going.
- 4.8. Inadequate insurance coverage has been added to our corporate risk register this financial year. This final insurance layer would mitigate the risk in relation to the BEC site.

## 5. RESOURCE IMPLICATIONS

- 5.1. The insurance cost of the BEC site alone for the 2024/25 financial year is circa £280,000 to date, with the original premium and the first insurance layer.

Layer	Period	Cover	Insurer	Premium (annual) before Taxes	IPT – 12%	Total Annual Premium
Primary	01.04.2024-31.03.2025	£5m Property	RMP via AJG	£112,375.00	£13,485.00	£125,860.00
1 <sup>st</sup> Excess	25.07.2024-24.07.2025	£5m excess of Primary £5m	Faraday Syndicate VIA AJG London Market Broking	£137,500.00	£16,500.00	£154,000.00
2 <sup>nd</sup> Excess	INDICATION – Not yet placed	£5m excess of £10m	INDICATION	£112,000.00	£13,440.00	£125,440.00
Total				£361,875.00	£43,425.00	£405,300.00

5.2. We have an insurance earmarked reserve, prudently built up from the prior year budget underspends. This has helped to mitigate the cost pressures to date. The current reserve balance stands at £95,000. This would cover the 24/25 cost of the second insurance layer (£52k), taking us to the 1<sup>st</sup> April 2025 when the new insurance contract would commence.

5.3. If Members decide to take out the second insurance layer for a full 12 months, to allow flexibility should the full reinstatement value not be secured via the tender process, then part of the 25/26 costs of £73,000 would be unfunded and an additional cost pressure for next year's budget.

5.4. An appropriate level of insurance budget would need to be built into the 2025/26 budget setting process

## 6. EQUALITIES ASSESSMENT

6.1 There are not any equalities implications anticipated as a result of this report, as the purpose of this report is to present the Council's financial position only.

## 7. ENVIRONMENTAL ASSESSMENT

7.1. There are no environmental implications arising from this proposals.

## 8. CORPORATE PRIORITIES

8.1. What impact, positive or negative, does the subject of this report have on:

8.1.1. This report links to the financial security corporate objective



## 9. CONSTITUTIONAL CONTEXT

9.1. The decision in respect of the recommendations in this report can be made by this Committee pursuant to delegated powers provided in Part 3 Annexe 1 paragraph 1 and also Part 4 Contract Procedure Rules, para 4.3(b) of the Constitution.

## 10. STATEMENT OF CONFIDENTIALITY

This report contains no confidential information or exempt information under the provisions of Schedule 12A of 1972 Act.

## 11. BACKGROUND PAPERS

The background papers are available for inspection and kept by the author of the report

## 12. STATEMENT OF INTERNAL ADVICE

The author (below) confirms that advice has been taken from all appropriate Councillors and Officers:

Adam Tape, Head of Governance