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**MARLBOROUGH
DISTRICT COUNCIL**

4 July 2024

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Ask For: Mike Porter

Notice of an Extraordinary Council Meeting – Thursday, 11 July 2024

Pursuant to clause 22, schedule 7 of the Local Government Act 2002, an Extraordinary Meeting of the Marlborough District Council will be held in the Council Chambers, 15 Seymour Street, Blenheim on **Thursday, 11 July 2024 commencing at 8.30 am.**

BUSINESS

As per Order Paper attached.

MARK WHEELER
CHIEF EXECUTIVE



**Order Paper for an
EXTRAORDINARY COUNCIL MEETING
to be held in the Council Chambers, 15 Seymour Street, Blenheim
on THURSDAY, 11 JULY 2024 commencing at 8.30 am**

Open Meeting

1.	Karakia	Page	1
2.	Apologies	Page	1
3.	Declaration of Interests	Page	1
4.	Finalisation of Insurance Renewal 2024-25	Pages	2 - 4

Marlborough District Council

**Order Paper for an
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1. Karakia

Tēnā koutou, tēnā koutou, tēnā koutou katoa
E te Atua tō mātou Kai-hanga,
ka tiāho te maramatanga me te ora, i āu kupu kōrero,
ka tīmata āu mahi, ka mau te tika me te aroha;
meatia kia ū tonu ki a mātou
tōu aroha i roto i tēnei huihuinga.
Whakakī a matou whakaaro ā mātou mahi katoa,
e tōu Wairua Tapu.
Āmine.

God our Creator,
when you speak there is light and life,
when you act there is justice and love;
grant that your love may be present in our meeting.
So that what we say and what we do may be filled with your Holy Spirit.
Amen.

2. Apologies

3. Declaration of Interests

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

4. Finalisation of Insurance Renewal 2024-25

(Report prepared by Greg Townsend/Geoff Blake)

C500-009-002-000-24

Purpose of report

1. To update Council on the insurance cover finalised and put in place prior to 30 June 2024 and the costs associated.

Executive Summary

2. Insurance renewals for the 2024-25 year were particularly challenging given changes in insurers risk assessments for the NZ market. These challenges were explained to the last Audit & Risk Sub-Committee meeting which gave direction to officers in terms of essential cover.
3. Cover has been achieved for all categories sometimes at lower levels but at significantly increased cost, \$1.2m (35%) more than the 2023-24 year. A 20% increase had been budgeted.
4. Significant Three Waters revaluation has resulted in an increased value of cover required, influencing premiums.
5. The late withdrawal of some insurers led to changes in Professional Indemnity and Public Liability cover.
6. Some of this is already incorporated in our budget for 2024-25 and 2025-26 but an additional \$0.55m for 2024-25 and an additional \$300k for 2025-26 is required to cover the increased premiums.
7. It is recommended that this is funded by rates, an average increase of 0.64% from 2023-24 rates and a further 0.30% from 2024-25.

RECOMMENDATIONS

1. That Council note the insurance cover received and confirmed for the period from 4pm on 30 June 2024 to 4pm on 30 June 2025; and
2. That Council approve the premium costs associated with the confirmed level of cover; and
3. That Council agree to fund the \$548K additional budget required from Rates for 2024-25; and
4. That Council agree to fund the \$300K additional budget required from Rates for 2025-26.

Background/Context

8. At the Audit and Risk Sub-Committee held on 18 April 2024 the following recommendations were tabled and accepted:
 - *That the Audit and Risk Sub-Committee notes insurers may reduce their offers for one or more lines of cover compared to previous years*
 - *That the Audit and Risk Sub-Committee supports:*
 - (a) *Continued efforts to obtain maximum cover for the best price; and*
 - (b) *The use of Top of the South Group and individual council caps and /or other mechanisms, to reduce premiums where possible and prudent.*
9. The first bullet point above summarises the difficulty in obtaining cover, in particular for Professional Indemnity (PI) and Public Liability (PL), and the possibility that reduced cover from new sources would be required.

Assessment/Analysis

10. Significant work was undertaken as a Top of the South consortium together with Marsh (Council's brokers) to achieve cover at the best levels possible for the best price.
11. The revaluation of Three Waters assets has led to a greater value of cover required (\$0.8 bn to \$1.2 bn below), which has been driven by significant construction cost inflation in recent years.
12. Quotes were also received from AON for PI and PL which proved to be better value for money than the traditional Marsh organised cover.
13. Final quotes were received, evaluated and confirmed on 26 and 27 June, with cover required from 4pm on 30 June 2024, noting Friday 28 June was a public holiday.
14. Increased premiums were quoted as previously advised and cover was confirmed prior to the deadline.
15. A summary of Council's cover is represented below:

Insurance Type	Broker	23/24 Cover \$	24/25 Cover \$	24/25 Budget
Material Damage	Marsh	775,432,423	1,180,602,809	
Business Interruption	Marsh	5,923,304	6,988,130	
Motor Vehicle	Marsh	4,071,338	4,409,107	
Marine Hull	Marsh	1,101,365	1,101,365	
Standing Timber (MDC not MRF)	Marsh	1,777,723	1,777,723	
Personal Accident	Marsh	Various	Various	
Statutory Liability	Marsh	2,500,000	2,500,000	
Employers Liability	Marsh	1,000,000	1,000,000	
Hall Hirers Liability	Marsh	2,000,000	2,000,000	
Crime	Marsh	1,000,000	1,000,000	
Environmental Impairment	Marsh	1,000,000	1,000,000	
Public Liability	AON	300,000,000	15,000,000	
Professional Indemnity	AON	300,000,000	15,000,000	
Harbour Masters Liability (HML)	AON 24-25	50,000,000	25,000,000	
Wreck Removal (WR)	AON 24-25	50,000,000	10,000,000	
UAV/Drone	AON	Included in PL	TBA	
Total Premium	Marsh / AON	\$3,443K	\$4,609K	\$4,374K
Variance to Budget				+\$235K

16. In addition to the above cover, staff are pursuing further cover titled "Excess Layer" which increases the total cover for PL and PI and HML/WR. AON are working on this and will advise cover available and premiums. Staff estimate an additional cost of \$300K for this cover, which requires additional budget.
17. Later this year, at 1 November, Council's Local Authority Protection Programme (LAPP) cover, which insures underground, and river protection infrastructure is up for renewal. Advice received is for Council to expect significant premium increases, which staff assess as up to 40% over the prior year.

18. Council's budget has already incorporated a significant part of this expected increase and a further budget of \$13K has been calculated as being required.
19. In total an additional budget of \$548K is required to achieve the above levels of cover.
20. It is expected that there will be a further increase in LAPP premiums for the 2025-26 year. \$300K is required for this additional increase.

Option One (Recommended Option) – Fund the Increase from Rates

21. As this increase in insurance cost is an ongoing operational cost it is recommended that the increase required be funded by rates from the 2024-25 financial year.
22. Given the nature of the insurance and allocation of the premiums funding from General Rates is appropriate.
23. It is also recommended that the 2025-26 increase for LAPP be rates funded.
24. This represents an average increase of 0.64% for 2024-25 and 0.30% for 2025-26.

Advantages

25. Operational costs are funded by operational income.
26. Bigger rates increases are avoided, resulting from insurance increases, for future years.

Disadvantages

27. Rates are increased over and above that identified at the Council meeting of 24 June 2024.

Option Two – Fund the increase for 2024-25 through Reserves

28. Use the Forestry and Land Development reserve to absorb the impact of the increased cost for 2024-25.
29. This reserve is already in decline and consideration would need to be given to reducing already approved expenditure that is utilising this reserve.

Advantages

30. There would be no impact on 2024-25 rates.

Disadvantages

31. Reserves are already significantly depleted, and this would exacerbate the problem.
32. This would only be delaying the impact on rates as a bigger increase will be required in 2025-26 to ensure future sustained funding.
33. An already approved project would not be able to be funded from this reserve.

Author	Greg Townsend, Contract & Risk Policy Manager / Geoff Blake, Chief Financial Officer
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