

Regional Council Agenda

NOTICE IS GIVEN that the next meeting of the Regional Council will be held via Zoom only (Audio Visual Meeting) on:

Tuesday 19 October 2021 COMMENCING AT 11.30 am (or at the conclusion of Komiti Maori)

This meeting will be live streamed and recorded.

The Public section of this meeting will be livestreamed recorded and uploaded to Bay of Plenty Regional Council's website. Further details on this can be found after the Terms of Reference within the Agenda.

Council

Membership

Chairperson	Chairman Doug Leeder
Deputy Chairperson	Cr Jane Nees
Members	All Councillors
Quorum	Seven members, consisting of half the number of members
Meeting frequency	Six weekly or as required for Annual Plan, Long Term Plan and other relevant legislative requirements

Purpose

- Enable democratic local decision-making and action by, and on behalf of, Bay of Plenty communities.
- Meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses.
- Set the overarching strategic direction for Bay of Plenty Regional Council as an organisation.
- Hold ultimate responsibility for allocating financial resources across the Council.

Role

- Address Local Electoral Act matters and Local Government Rating Act matters.
- Oversee all matters relating to identifying and contributing to community outcomes.
- Consider and agree on matters relating to significant new activities or areas of involvement such as infrastructure which are not the responsibility of a specific committee.
- Provide regional leadership on key issues that require a collaborative approach between a number of parties.
- Review and decide the Council's electoral and representation arrangements.
- Consider issues of regional significance which are not the responsibility of any specific standing committee or that are of such regional significance/high public interest that the full Council needs to decide on them.
- Adopt Council's Policy on Significance and Engagement Policy.
- Develop, adopt and implement the Triennial Agreement, Code of Conduct and Standing Orders.

- Consider and agree on matters relating to elected members' remuneration.
- Appoint the Chief Executive, and review their contract, performance and remuneration at least annually.
- Approve all delegations to the Chief Executive, including the authority for further delegation to staff.
- Oversee the work of all committees and subcommittees.
- Receive and consider recommendations and matters referred to it by its committees, joint committees, subcommittees and working parties.
- Approve membership to external bodies and organisations, including Council Controlled Organisations.
- Develop, adopt and review policies for, and monitor the performance of, Council Controlled Organisations.
- Monitor and review the achievement of outcomes for the Bay of Plenty Community.
- Review and approve strategic matters relating to the sale, acquisition and development of property for the purposes of meeting Council's organisational requirements and implement Regional Council policy.
- Address strategic corporate matters including property and accommodation.
- Consider and agree on the process to develop the Long Term Plan, Annual Plan and Annual Report.
- Adopt the Long Term Plan, Annual Plan and budgets variations, and Annual Report.
- Adopt Council policies as required by statute (for example Regional Policy Statement and Regional Land Transport Strategy) to be decided by Council or outside of committee delegations (for example infrastructure policy).
- Develop, review and approve Council's Financial Strategy and funding and financial policies and frameworks.
- Institute any proceedings in the High Court that are not injunctive proceedings.
- Exercise the powers and duties conferred or imposed on Council by the Public Works Act 1981.

Delegations from Council to committees

- Council has a role to monitor the functioning of all committees.
- Council will consider matters not within the delegation of any one Council committee.
- Council may at any time, revoke or modify a delegation to a Council committee, either permanently, for a specified time or to address a specific matter, if it considers there is good reason to do so.
- The delegations provided to committees may be further delegated to subcommittees unless the power of further delegation is restricted by Council or by statute.

- It is accepted in making these delegations that:
- The committees, in performing their delegated functions, powers or duties, may, without confirmation by the Council, exercise or perform them in a like manner and with the same effect as the Council itself could have exercised or performed them.
- The delegated powers given shall at all times be subject to their current policies and principles or directions, as given by the Council from time to time.
- The chairperson of each committee shall have the authority to exercise their discretion, as to whether or not the delegated authority of the committee be used where, in the opinion of the chairperson, circumstances warrant it.

Powers that cannot be delegated

Under Clause 32 Schedule 7 of the Local Government Act 2002, Council must make the following decisions:

- Make a rate.
- Make a bylaw.
- Borrow money or purchase or dispose of assets, other than in accordance with the long-term plan.
- Adopt the long-term plan, annual plan, or annual report.
- Appoint a chief executive.
- Adopt policies required to be adopted and consulted on under the Local Government Act 2002 in association with the long-term plan or developed for the purpose of the local governance statement.
- Adopt a remuneration and employment policy.

Livestreaming and Recording of Meetings

Please note the Public section of this meeting is being livestreamed and recorded and will be uploaded Bay of Plenty Regional Council's web site in accordance with Council's Live Streaming and Recording of Meetings Protocols which can be viewed on Council's website. The recording will be archived and made publicly available on Council's website within two working days after the meeting on www.boprc.govt.nz for a period of three years (or as otherwise agreed to by Council).

All care is taken to maintain your privacy; however, as a visitor in the public gallery or as a participant at the meeting, your presence may be livestreamed and recorded. By remaining in the public gallery, it is understood your consent is given if your image is inadvertently broadcast.

Opinions expressed or statements made by individual persons during a meeting are not the opinions or statements of the Bay of Plenty Regional Council. Council accepts no liability for any opinions or statements made during a meeting.

Bay of Plenty Regional Council - Toi Moana

Governance Commitment

**mō te taiao, mō ngā tāngata - our environment and our people
go hand-in-hand.**

We provide excellent governance when, individually and collectively, we:

- Trust and respect each other
- Stay strategic and focused
- Are courageous and challenge the status quo in all we do
- Listen to our stakeholders and value their input
- Listen to each other to understand various perspectives
- Act as a team who can challenge, change and add value
- Continually evaluate what we do

**TREAD LIGHTLY, THINK DEEPLY,
ACT WISELY, SPEAK KINDLY.**

Recommendations in reports are not to be construed as Council policy until adopted by Council.

Agenda

E te Atua nui tonu, ko mātau ēnei e inoi atu nei ki a koe, kia tau mai te māramatanga ki a mātau whakarite mō tēnei rā, arahina hoki mātau, e eke ai te ōranga tonu ki ngā āhuatanga katoa a ngā tangata ki tō mātau rohe whānui tonu. Āmine.

“Almighty God we ask that you give us wisdom in the decisions we make here today and give us guidance in working with our regional communities to promote their social, economic, environmental and cultural well-being. Amen”.

- 1. Opening Karakia**
- 2. Apologies**
- 3. Public Forum**
- 4. Items not on the Agenda**
- 5. Order of Business**
- 6. Declaration of Conflicts of Interest**
- 7. Reports**
 - Decisions Required**
 - 7.1 Infrastructure Insurance Renewal** **8**
- 8. Consideration of Items not on the Agenda**
- 9. Closing Karakia**



Report To: Regional Council

Meeting Date: 19 October 2021

Report Writer: Kirsty Brown, Rivers and Drainage Assets Manager

Report Authoriser: Chris Ingle, General Manager, Integrated Catchments
Laverne Mason, Integrated Catchments Programme Manager

Purpose: To seek approval of the 2021/2022 infrastructure insurance renewal process.

Infrastructure Insurance Renewal

Executive Summary

Since 2009 Council has procured its insurance policies through the Bay of Plenty Shared Services Ltd (BOPLASS) joint procurement forum. This joint procurement provides benefits to Council which includes a more attractive insurance programme for insurance underwriters, and has resulted in reduced premium costs.

Market conditions, flood events and asset revaluations have triggered steady increases in the premium for infrastructure insurance cover over the past few years. A review of infrastructure insurance is being carried out and is due to be presented to the 21 October 2021 Risk and Assurance Committee meeting.

The 2021/2022 renewal procedure is underway and approval is sought for the payment process for this year's premium including delegated authority to the Chief Executive to accept and approve payment of the 2021/2022 annual infrastructure insurance premium.

Recommendations

That the Regional Council:

- 1 Receives the report, Infrastructure Insurance Renewal.**
- 2 Delegates to the Chief Executive authority to approve and pay the 2021/2022 annual infrastructure insurance premium.**

1. Introduction

Council procures its insurance through the BOPLASS insurance forum which enables insurance cover to be obtained with the benefits of group purchasing. Aon is the appointed BOPLASS insurance forum’s brokers.

Market conditions continue to harden as a result of international and national events. The insurance category that has been most impacted is infrastructure insurance. As a result, a review of our infrastructure insurance arrangements is being undertaken by Aon and the findings of this review are to be presented to the Risk & Assurance Committee meeting on 21 October 2021.

During the past year the Rivers and Drainage infrastructure insurance value has increased to \$425 million. On this basis, Aon have advised that the estimated premium for 2021/2022 will be approximately \$793,500 which exceeds the Chief Executive’s financial delegation.

The timeframe for receiving quotes and placing insurance cover is extremely tight. To meet the 1 November 2021 renewal date, delegated authority is sought for the Chief Executive to approve and pay the 2021/2022 annual infrastructure insurance premium.

1.1 Alignment with Strategic Framework

Safe and Resilient Communities	We support community safety through flood protection and navigation safety.
A Vibrant Region	We invest appropriately in infrastructure to support sustainable development.
The Way We Work	We deliver value to our ratepayers and our customers.

1.1.1 Community Well-beings Assessment

Dominant Well-Beings Affected			
<input checked="" type="checkbox"/> Environmental Medium - Positive	<input checked="" type="checkbox"/> Cultural Medium - Positive	<input checked="" type="checkbox"/> Social Medium - Positive	<input checked="" type="checkbox"/> Economic Medium - Positive

Floods are New Zealand’s most regular and significant natural hazard. Our river and drainage schemes provide flood protection and land drainage to some of the most productive land and inhabited areas in the region. Flood protection infrastructure provides assurance to the region’s economy and local communities.

Our river and drainage schemes provide important, long term infrastructure which supports our community by protecting people, property and livelihoods from flooding and land drainage issues. This is vital to the wellbeing of our communities.

2. **Current Market Conditions**

Global insurance markets have been severely impacted by natural disaster events, COVID-19 and major cyber-attacks and this has driven a hardening of the global insurance market and increased the rating pressure over the past couple of years. During 2020, natural disaster catastrophe losses were above average and in addition many markets faced claims from the concurrent COVID-19 event. The last decade has featured record-breaking instances of each individual peril including earthquakes, tsunamis, tropical cyclones, severe convective storms, inland flooding, wildfires, drought and extreme heat and cold.

In 2020, according to Insurance Council of New Zealand data, local insurers paid \$239 million in weather-related claims, dominated by flooding. Flood losses are no longer seen as catastrophe risk; but becoming foreseeable risks. The impact of climate change is making pricing natural catastrophe risk more difficult, with forward-looking modelling now running alongside historical data by insurers. Insurers are focusing on climate change and its impact on risk profiles. Insurers are looking very closely at regions and areas susceptible to flood or sea inundation and imposing underwriting discipline when considering risks.

In New Zealand, insurers largely exclude cover for infectious diseases; therefore, the impact of COVID-19 on the local insurance market is forecast to be relatively minor. New Zealand insurance companies are doing all they can to compensate for the global pricing pressure and are looking to keep domestic premium increases as low as possible. This is good news for the majority of our insurance policies, but does not mitigate the potential price increases for our infrastructure insurance premium in the future, as this insurance is procured in the international markets rather than in New Zealand.

Offshore Insurers see increasingly frequent and severe flood losses in New Zealand as a significant threat to the stability of underwriting programmes and are therefore cautious of taking on these risks. They are now seeking specific information relating to flood risks and are starting to impose limits and higher deductibles where underwriting determines a higher risk.

Despite these factors it is worth noting a reduction in the 2020/21 premium (and the baseline for this renewal) staff were able to secure by:

- Initiating a review of the BOPLASS allocation formula.
- Reducing the contingency sum built in for all assets.

3. **2021/2022 Renewal**

3.1 **Current arrangement**

In the event of a natural disaster, central government will pay up to 60% of repair costs for essential infrastructure. This arrangement is conditional on the local authority being able to show that the damaged assets have been properly maintained and that the local authority can meet the remaining 40% e.g. setting aside reserves or insurance cover.

Council achieves its 40% share via flood damage reserves and infrastructure insurance cover. This is obtained on the international markets through the BOPLASS forum. It covers Council's flood protection and drainage assets for damage caused by earthquake, natural landslide, flood, tsunami, tornado, volcanic

eruption, hydrothermal and geothermal activity, subterranean fire and business interruption.

Total value of loss covered is \$500M for the BOPLASS group, however for BOPRC there is a sub-loss limit of \$60M (meaning that even though the overall cover for the group is \$500M, BOPRC can only claim up to \$24M in an event, this figure being 40% of \$60M). There is also a \$1.5M (\$600,000 @40%) excess for each claim.

BOPRC’s infrastructure premium for 2020/2021 was approximately \$729,000 (for the year 30 October 2020 to 1 November 2021).

The biggest claim Council has made is the April 2017 flood event. This four-year repair project was substantially completed in 30 June 2021 for approximately \$38M. While the insurance claim is still being assessed it is expected that revenue recovery will be as follows:

Source	Anticipated revenue recovery (net of excess)	Comment
National Emergency Management Agency (NEMA)	\$10.4 - \$10.7 M	<p>Threshold (excess equivalent) must be met before eligible costs can be claimed.</p> <p>Threshold (net capital value of the region x 0.002%)</p>
Infrastructure Insurance	\$5.7 - \$7.0 M	<p>Negotiations with underwriters still continuing.</p> <p>Includes business interruption related to infrastructure repairs.</p> <p>Material damage insurance and associated business interruption claims are additional.</p>

3.2 Valuation and Premium

Council has a formal process of updating Rivers and Drainage asset valuation data on an annual basis. The primary purpose of the valuation is to provide information for insurance purposes and to calculate the level of capital depreciation.

As well as market conditions driving premium costs up, there has also been an increase in our rivers and drainage asset values which also impacts the infrastructure insurance premium. The increases in assets value are due to:

- Increased construction costs.
- Creation of new assets and betterment to existing assets through the April 2017 Flood Repair Project.
- Significant Long Term Plan/Annual Plan capital works programme (e.g. Rangitāiki Floodway Project).
- Improved asset data.

During the past year, Rivers and Drainage infrastructure insurance value has increased from \$390 million to \$425 million. On this basis, Aon have advised that the estimated premium will be approximately \$793,500 which exceeds the Chief Executive's financial delegation. It is noted that budget provision of \$800,000 has been made for Year 1 LTP 2021/31).

The timeframe for receiving quotes and placing insurance cover is very tight, with only a two week period between quotes being available and the insurance cover needing to be placed. To meet the 1 November 2021 renewal date, we are seeking delegated authority to the Chief Executive to approve and pay the 2021/2022 annual infrastructure insurance premium.

3.3 Infrastructure Insurance Review

Due to the steady increase in infrastructure insurance premiums over the years and the likelihood this pattern will continue, a review of how we insure our flood protection and drainage assets is currently underway. This review is being led by our insurance broker's Aon.

The main objectives of the review include:

- Quantifying the frequency and financial consequences of flood damage to flood protection assets and clean-up costs.
- Identifying flood protection assets most at risk of damage from flood to inform asset management, resilience strategies and risk financing.
- Ensuring cost-effective and sustainable flood risk financing by reviewing financial risk tolerance, flood risk retention and disaster reserving strategies.

4. Considerations

4.1 Risks and Mitigations

If the 1 November 2021 renewal date is missed, significant infrastructure will be uninsured for natural hazard events. To mitigate against this risk, delegated authority is sought for the Chief Executive to meet the 1 November 2021 deadline.

4.2 Climate Change

Climate change predictions include rising sea levels and greater frequency and intensity of extreme weather events. In light of these predictions, Council recognises the importance of managing existing flood protection and drainage infrastructure assets, and that long term flood resilience planning is required. This also includes implementing effective adaptations and promoting new catchment and river management approaches.

4.3 Implications for Māori

Our flood protection and land drainage activity is vital to our role of providing services that support safe and resilient communities. This includes well-being benefits for Māori and our river scheme work often supports the strong spiritual bonds Māori have to awa, whenua and the natural world. Operationally, our current environmental code of practice recognises and provides for iwi management

planning and other means of involving Māori in decision making within river environments.

Council acknowledges that relationships it has with Māori are central to the fulfilment of its statutory responsibilities and will continue to utilise a range of different mechanisms to engage with the wider Māori community and ensure Māori values and interests are appropriately represented in the decision-making process.

4.4 Community Engagement



INFORM **Whakamōhio**

To provide affected communities with balanced and objective information to assist them in understanding the problems, alternatives and/or solutions.

4.5 Financial Implications

There is currently no material unbudgeted financial implications and this fits within the allocated budget.

Based on advice and information from Aon during the LTP planning stage, the budget for infrastructure insurance for Year 1 is \$800,000 with annual increases of 10% for the following years.

5. Next Steps

If approval is given under Recommendation 2 of this report, the Chief Executive will approve placement of the insurance and payment of the 2021/2022 annual Rivers and Drainage infrastructure insurance.

The results of the infrastructure insurance review will be presented to the 21 October 2021 Risk & Assurance Committee for consideration.