

Regional Council

NOTICE IS GIVEN

that the an extraordinary meeting of the **Regional Council** will be held in **Mauao Rooms, Bay of Plenty Regional Council Building, 87 First Avenue, Tauranga** on:

Thursday, 22 November 2018 commencing at 9.30 am.

Fiona McTavish
Chief Executive
19 November 2018



Regional Council

Terms of Reference

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.

Membership

All councillors are members of the Regional Council.

Quorum

In accordance with Council standing order 10.1(a), the quorum at a meeting of the Regional Council is seven members, consisting of half the number of members.

Meeting frequency

Six-weekly.

Role of Council

- 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.
- Develop, adopt and review Council's Policy on Significance and decision-making policy and processes.
- Develop, adopt and implement the Triennial Agreement and the Code of Conduct.
- Consider and agree on matters relating to elected members' remuneration matters.
- Appoint the Chief Executive Officer, 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.
- Establish committees, subcommittees, and working parties and appoint members.
- 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.
- 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 approved Regional Council policy.
- Address strategic corporate matters including property and accommodation.
- 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.
- Consider and agree on the process to develop the Long Term Plan, Annual Plan 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).
- Delegate to commissioners to exercise the powers, functions and duties of the Council as a consent authority under the Resource Management Act 1991 including to hear and decide a consent application.
- Monitor Council's financial and non-financial performance in-year.
- Develop, review and approve Council's Financial Strategy and funding and financial policies and frameworks.

Delegations from Council to Committees

- Full Council has a role to monitor the functioning of all committees.
- Full Council will consider matters not within the delegation of any one Council committee.
- Full 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, Full 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.

Public Forum

1. A period of up to 15 minutes may be set aside near the beginning of the meeting to enable members of the public to make statements about any matter on the agenda of that meeting which is open to the public, but excluding any matter on which comment could prejudice any specified statutory process the council is required to follow.
2. The time allowed for each speaker will normally be up to 5 minutes but will be up to the discretion of the chair. A maximum of 3 public participants will be allowed per meeting.
3. No statements by public participants to the Council shall be allowed unless a written, electronic or oral application has been received by the Chief Executive (Governance Team) by 12.00 noon of the working day prior to the meeting and the Chair's approval has subsequently been obtained. The application shall include the following:
 - name of participant;
 - organisation represented (if any);
 - meeting at which they wish to participate; and matter on the agenda to be addressed.
4. Members of the meeting may put questions to any public participants, relevant to the matter being raised through the chair. Any questions must be asked and answered within the time period given to a public participant. The chair shall determine the number of questions.

Membership

Chairman:	D Leeder
Deputy Chairman:	J Nees
Councillors:	N Bruning, W Clark, J Cronin, S Crosby, D Love, T Marr, M McDonald, A Tahana, P Thompson, L Thurston, A von Dadelszen, K Winters
Committee Advisor:	T Nerdrum-Smith

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 Acceptance of Late Items

5 General Business

6 Confidential Business to be Transferred into the Open

7 Declarations of Conflicts of Interests

8 Reports

8.1 Infrastructure Insurance Renewal

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9 Public Excluded Section

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Resolution to exclude the public

THAT the public be excluded from the following parts of the proceedings of this meeting.

The general subject of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48(1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General Subject of Matter to be Considered	Reason for passing this resolution in relation to this matter	Grounds under Section 48(1) LGOIMA 1987 for passing this resolution
9.1 Kaituna River Re-diversion Project - proposed settlement offer	To carry out commercial and industrial negotiations	Good reason for withholding exists under Section 48(1)(a)

9.1 Kaituna River Re-diversion Project - Proposed Settlement Offer

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APPENDIX 1 - 2018 11 13 - Confidential - Proposed settlement offer without prejudice

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10 Confidential Business to be Transferred into the Open

11 Readmit the Public

12 Consideration of General Business

13 Closing Karakia

Reports



Report To: Regional Council
Meeting Date: 22 November 2018
Report From: Mat Taylor, General Manager, Corporate

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 include a more attractive insurance programme for insurance underwriters, and has resulted in reduced premium costs.

Market conditions and asset revaluations have triggered an increase in the premium for Council's infrastructure insurance cover, and for the first time this premium exceeds the Chief Executive's financial delegation.

The purpose of this report is to seek approval for the placement of infrastructure insurance and the associated premium cost.

Recommendations

That the Regional Council:

- 1 Receives the report, Infrastructure Insurance Renewal;**
- 2 Approves the annual renewal of Council's Infrastructure Insurance Policy at the cost of \$445,000;**
- 3 Approves the additional premium (estimated at \$110,000) for the expected \$60m asset value increase once the valuations have been peer reviewed.**

1 Background

In 2008 the BOPLASS insurance forum was established, and in 2009 the forum carried out a joint procurement process to engage insurance brokers to manage the respective BOPLASS Councils' insurance programmes. As a result of this process Aon was appointed as the BOPLASS insurance forum's brokers. A subsequent brokerage procurement process was carried out in 2015 (jointly with Manawatu-Wanganui Local Authority Shared Services) and Aon's proposal was again successful. In 2018 a right of renewal for Aon's brokerage contract was exercised for a further two year term.

One of the benefits Aon has for BOPLASS is that they now have a strong Council client base, representing approximately 50 Councils within New Zealand. This large Council client base means they have an in-depth understanding of the unique insurance requirements and issues for Councils, particularly in the liability and infrastructure insurance areas.

Aon's services include:

- presenting the Group's insurance programme to the insurance market,
- providing advice on policy options and suitable providers,
- providing advice on insurance market conditions,
- providing advice on risk exposures,
- providing training courses for Council staff, and
- managing insurance claims.

In providing these services Aon must act solely in the interests of the BOPLASS Group Councils.

2 Joint Procurement Benefits

Since the engagement of Aon in 2009, the BOPLASS Councils have procured their insurance cover under Group Policies rather than as individual Councils. This approach saved the group over \$800,000 in insurance premiums in the first year, and the benefits of this group purchasing approach continue to be realised.

3 Infrastructure Insurance

The infrastructure insurance programme provides cover for Council's flood protection assets for damage caused by earthquake, natural landslip, flood, tsunami, tornado, volcanic eruption, hydrothermal and geothermal activity, subterranean fire and business interruption.

Aon places 40% of the risk into the insurance markets with the remaining 60% subject to the central government funding support which is administered by MCDEM. Based on loss modelling Council's estimated maximum loss and limit of insurance for any one event is \$60m. The total limit for BOPLASS for any one event is \$500m.

The New Zealand insurance market is unable to provide insurance coverage for infrastructure assets as they can only write the traditional fire and perils/all risks coverage and not Natural Catastrophe coverage on its own. Bay of Plenty Regional Council, like other New Zealand councils would find it difficult to access the overseas insurance markets on its own and is best placed to obtain coverage as part of a wider LASS Group due to combined values and common interests to leverage the market.

In 2014 BOPLASS joined the Aon inter-lass initiative with a total of 24 councils and assets worth approximately \$8 billion combined together to present a package which is attractive to the London insurance market. This inter-lass insurance group has now grown to 44 councils in 8 different group placements totalling \$40b of assets.

Market conditions and asset revaluations have triggered an increase in the premium for Council’s infrastructure insurance cover, and for the first time the premium for this year’s placement exceeds the Chief Executive’s financial delegation.

3.1 Market Conditions

The global insurance market has been hit by a number of natural catastrophe events (such as hurricanes in the Caribbean, California wildfires and Tsunamis in Indonesia) in both 2017 and again this year. Insurers are therefore looking carefully at their capital allocation and, conscious of remaining profitable, the market has ‘hardened’ such that the price of insurance has increased.

This hardening market has meant that Aon has had to seek out additional capacity within Asia Pacific as well as the London market.

At 18% across the BOPLASS Group, the increase in rate for this year’s premium is still significantly less than what Aon has seen elsewhere in New Zealand with Council clients who have suffered natural disaster losses - especially with local insurance markets proposing rate increases anywhere between 10-40% depending on risk, location and loss history. The Edgumbe loss has not assisted with the pricing as this is still fresh in insurers’ minds and has seen an increase in their reserve.

3.2 Infrastructure Valuations

The value of Council’s infrastructure assets in 2017 was declared as \$228m. During the insurance renewal process, an early estimate of \$250m was declared in anticipation of the annual valuation of the infrastructure assets being completed. This estimate was based on the value of infrastructure repairs which have been undertaken as a result of the 2017 Edgumbe and wider Eastern Bay flood event.

The draft 2018 annual valuation of the infrastructure assets is currently with WSP-Opus for peer-review. At present the ODRC valuation is forecast to increase by approximately \$60m between 1 July 2017 and 1 July 2018. This is due to significant increases with construction costs; creation of new and the betterment of existing assets resulting from the April 2017 flood repair works; and a full unit rate review. This increase will have a further impact on the premiums.

4 Insurance Renewal

Council’s infrastructure insurance premiums have fluctuated significantly over the past few years. These fluctuations are due to both global and national natural disaster events which have occurred around the time the insurance placements are made. Aon have worked hard to mitigate rising costs by travelling to London to meet with groups of insurance underwriters to personally present the BOPLASS insurance programme to them, and to answer any questions of concern that the underwriters have had.

Despite this mitigation, overall the infrastructure insurance premiums are likely to continue to increase in the future as a result of the impacts of climate change in relation to the occurrence and severity of extreme weather events.

Premiums for the past three years have been as follows:

2015/2016	2016/2017	2017/2018
\$245,000	\$186,000	\$390,000

On an asset value of \$250m, this year's premium has been calculated at \$445,000. This amount is due for payment within the next couple of weeks. Once the 2018 annual valuation has been finalised through the peer review, and the information has been passed to insurers, there will need to be a premium adjustment to cover the additional \$60m asset value. On a pro-rata estimate basis, this additional cost would be approximately \$110,000.

Approval is now sought to renew the infrastructure renewal policy, at the initial cost of \$445,000, and approve the future payment of the additional premium (estimated at \$110,000) for the asset value increase.

5 Council's Accountability Framework

5.1 Community Outcomes

This proposal directly contributes to the Safe and Resilient Community Outcome in the council's Long Term Plan 2018-2028.

5.2 Long Term Plan Alignment

Infrastructure insurance provides financial protection of critical assets for the Flood Protection and Control Activity in the Long Term Plan 2018-2028.

Current Budget Implications

The increased infrastructure insurance premiums will be funded by an expected underspend within the current budget for the Flood Protection and Control Activity in Year 1 of the Long Term Plan 2018-2028. The budget provided specifically for insurance for this financial year was \$260,000.

Future Budget Implications

The budget for Years 2 onwards of the Long Term Plan 2018-2028 for the Flood Protection and Control Activity will need to be adjusted through the Annual Plan processes to allow for the expected ongoing increases in infrastructure insurance costs. The increase for Year 2 will be from \$235,000 to \$600,000.

Kirsty Brown
Acting Rivers and Drainage Asset Manager

for General Manager, Integrated Catchments

Annabel Chappell
Property Manager

for General Manager, Corporate

15 November 2018

