

AGENDA:

Meeting of the RISK AND POLICY COMMITTEE

WEDNESDAY 13 DECEMBER 2017

commencing at 1.00pm

at the Clocktower
Palmerston Street, Westport

Risk Committee Members:

- Cr P Rutherford (Chair)
 - Cr G Hart
 - Cr J Cleine
 - Cr S Roche
 - Cr R Nahr
-

Terms of Reference

Risk and Policy Committee

Purpose

- To identify, assess, monitor and manage risk. The Risk and Policy Committee is to oversee, report and make recommendations to the Council in respect of financial and non-financial risks faced by Council.
- To develop, review and recommend strategies, plans and policies to the Council that advance the Council's vision and goals, and comply with the purpose of the Local Government Act.
- Develop and recommend bylaws to the Council.
- Develop and approve submissions to government, local authorities and other organisations
- Review and monitor Council Health and Safety strategies, plans and policies.

Delegated Powers

- Review the risk identification and management processes developed by management to confirm it is consistent with Council's Strategy.
- Review management's assessment of risk (bi-monthly) and provide an update to Council.
- Oversee and monitor management's documentation of material risk.
- Assess the steps management has implemented to manage and mitigate identifiable risk, including the use of insurance.
- Review annually (at a minimum) Council policies for risk assessment and risk management.
- Recommend all strategies, policies and plans.
- Approve all submissions made by the Buller District Council to other Councils, central government and other bodies, other than those of a technical nature which have been delegated to staff.
- In relation to bylaws, approve for consultation and consider submissions.
- The Risk and Policy Committee will report to Council immediately after each Committee meeting, providing information on all matters within its duties and responsibilities.

Reporting to Council

Reporting Timeline

Bi-monthly dashboard report

Frequency of Meetings

Bi-monthly

Membership

Chair - Phil Rutherford

Members - Greg Hart

- Jamie Cleine

- Sharon Roche

- Robyn Nahr

RISK AND POLICY COMMITTEE

FOR THE MEETING OF 13 DECEMBER 2017

INDEX

ITEM:		PAGE:
	Apologies	
1.	Members Interest	4
2.	Confirmation of Minutes	5
3.	Insurance Report - 2017/2018.....	9
4.	Bylaw and Policy Reviews – To be circulated.....	15

RISK AND POLICY COMMITTEE

FOR THE MEETING OF 13 December 2017

Report for Agenda Item No 1

Prepared by - Mike Duff
- Group Manager Assets and Infrastructure

MEMBERS INTEREST

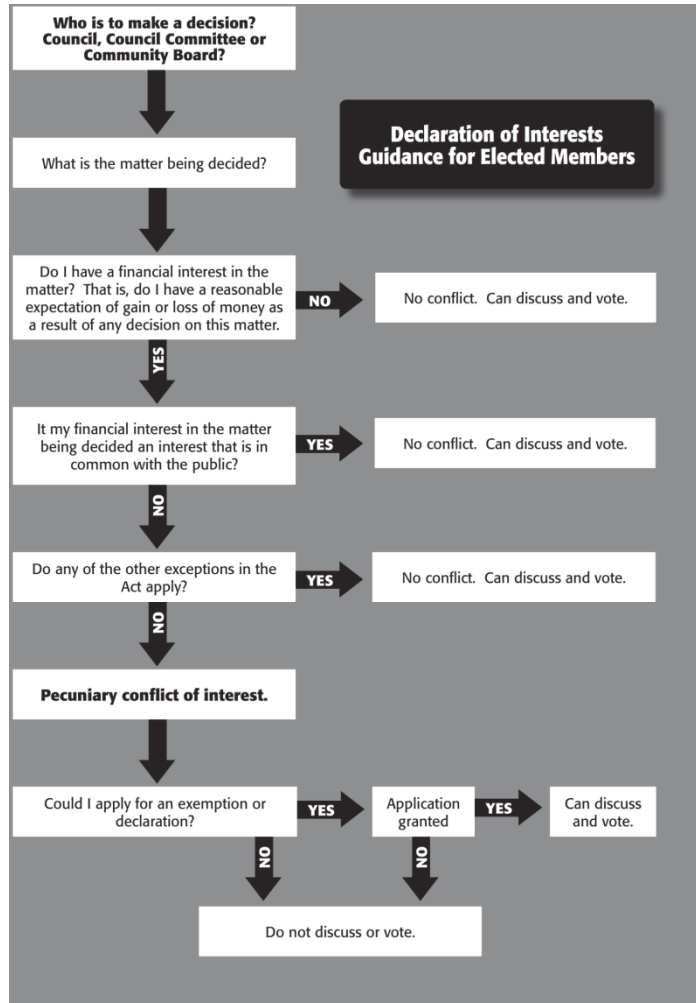
Councillors are encouraged to consider the items on the agenda and disclose whether they believe they have a financial or non-financial interest in any of the items in terms of Council's Code of Conduct.

Councillors are encouraged to advise the Personal Assistant, Operations, of any changes required to their declared Members Interest Register.

The following flowchart may assist Councillors in making that determination (Appendix A from Code of Conduct).

RECOMMENDATION

That Councillors disclose any financial or non-financial interest in any of the agenda items.



RISK AND POLICY COMMITTEE
FOR THE MEETING OF 13 DECEMBER 2017

Report for Agenda Item No 2

Prepared by - Mike Duff
- Group Manager Assets and Infrastructure

CONFIRMATION OF MINUTES

Minutes of the meeting held on 20 June 2017.

DRAFT RECOMMENDATION

That the minutes from the meeting held 20 June 2017 are confirmed.

MINUTES OF THE MEETING OF THE BULLER DISTRICT COUNCIL RISK AND POLICY COMMITTEE, HELD IN THE CLOCKTOWER, PALMERSTON STREET WESTPORT ON TUESDAY 20 JUNE 2017 COMMENCING AT 3.00 PM.

PRESENT:

His Worship the Mayor Garry C Howard, Crs PJ Rutherford (Chairperson), GW Hart, SP Roche, RM Nahr, JW Cleine and MJ Hill.

IN ATTENDANCE

Cr GT Neylon, Chief Executive (A Gowland-Douglas), Group Manager Assets and Infrastructure (M Duff), Team Leader Planning and Policy (RP Townrow), Co-Ordinator 3 Waters (SM Murphy) and Office Administrator (L Hartigan).

APOLOGIES:

None.

1 MEMBERS' INTERESTS

No interests were declared.

2 CONFIRMATION OF MINUTES

Resolved: That the minutes of the meeting held on 7 December 2016 be confirmed.

SP Roche/JW Cleine

Carried Unanimously

3 BYLAW REVIEWS – LIVESTOCK MOVEMENTS BYLAW, PUBLIC LIBRARIES BYLAW AND CULTURAL AND RECREATIONAL FACILITIES BYLAW.

It was recommended that the word permission be removed from the Livestock Movement Bylaw and replaced with approval, and Clause 11.3 (b) to now read *“when the movement is taking place on a road that is not a State Highway, and in accordance with the traffic management plans included as Appendix B when it is taking place on a road that is a State Highway”*.

Resolved: That the Risk Committee endorse the attached draft documents with the alterations to the Livestock Movements Bylaw for inclusion on the agenda of the June Council meeting.

SP Roche/RM Nahr

Carried Unanimously

4 PUBLIC WATER SUPPLY BYLAW 2017

A lengthy discussion centred on the draft Public Water Supply Bylaw 2017 and it was recommended that all new or replacement connections to the water supply network must have a backflow prevention device.

The Catchment Protection to have Waimangaroa, Ngakawau/Hector, Mokihinui, Little Wanganui, and Inangahua added as water supplies Council administer.

It was noted that the NZ Fire Service is now called Fire and Emergency New Zealand so this change needs to be made to the draft document.

Cr Hill left the meeting at 5.p.m.

The Co-ordinator 3 Waters to amend alterations to the draft document for presentation to the August Council meeting. Prior to the Council meeting a copy of the amended Bylaw to go to the Chairperson Risk and Policy and Councillor Jamie Cleine.

Resolved: That subject to changes the draft Public Water Supply Bylaw 2017 to go to Council for adoption.

GC Howard/SP Roche

Carried Unanimously

5 POLICY REVIEWS – COMMUNITY GRANTS POLICY, NZLGA ANNUAL CONFERENCE AND ZONE MEETINGS POLICY, OLD SEWER CONNECTIONS POLICY AND WEEDSPRAYING POLICY

It was recommended that the word Community be removed from the Community Grants Policy now to be Grants Policy and the Committee to meet no less than twice a year and the reference to partners to be removed from the NZLGA Annual Conference and Zone Meetings Policy.

Resolved: That the Committee recommend to full Council that the *Community Grants Policy, NZLGA Annual Conference and Zone Meeting Policy, Old Sewer Connections Policy and Weedspraying Policy* continue, with the minor amendments as shown in the attached.

PJ Rutherford/SP Roche

Carried Unanimously

6 **ACTION LIST**

The Team Leader Planning and Policy spoke on the Action List advising the Banning of Liquor in Public Places was to be included in the next Risk Committee workshop. The Trading in Public Places Bylaw is to be presented at another workshop.

The Chief Executive to meet with the Council's Compliance and Emergency Officer and Mr Kevin Stechman from the Westport Fire Brigade regarding clarification on Council's role in enforcing/responding to complaints regarding Fires in the Open Air Bylaw.

Baches on Road Reserve will be discussed at a workshop when the Property and Reserves Officer, Rick Barry, is available to attend.

Resolved: That the report be received for information.

JW Cleine/RM Nahr

Carried Unanimously

There being no further business the meeting concluded at 5.20 p.m.

Confirmed: Date:

RISK AND POLICY COMMITTEE

13 DECEMBER 2017

Agenda Item No 3

Prepared by - Wendy Thompson
- Financial Accountant

Reviewed by - Dean Phibbs
- Manager Corporate Services

INSURANCE REPORT - 2017/2018

Report Summary

To provide the Policy and Risk Committee with an update on Council's insurance position for 2017/2018.

Recommendation/Draft Resolution

That Council receive the report for information purposes.

Council Insurance

The following information is based on extracts from reports by Council's insurance broker, including:

- Annual Renewal Report which details specific policies, the amount of cover and premium comparisons for information purposes, and
- Earthquake Loss Estimate Analysis for Infrastructure Assets Report which provides estimates of damage/loss associated with a significant natural disaster.

Material Damage

The premium for the 2017/18 year has increased 12% from the prior year. This is driven by both an increase of fire service levies from the integration of the Rural Fire Service into FENZ, and a rise in the natural disaster levies following on from the

Kaikoura earthquakes in late 2016.

Both 2016/17 and 2017/18 sums insured and insurer premiums paid are outlined in the following table.

	2016	2017
Sum Insured	\$74,956,872	\$76,471,580
Insurer Premium	\$190,310	\$213,857

Our Natural Disaster Deductible remains at the reduced level negotiated last year, as follows:

	2016	2017
Pre-1935 Buildings	5.0% of sum insured	5.0% of sum insured
Post-1935 Buildings	2.5% of sum insured	2.5% of sum insured

The excess level for non-Natural Disaster losses, for example fire or storm damage, remain unchanged as follows:

Residential Dwellings	\$5,000
Weather Perils	\$25,000
All other claims	\$10,000

Commercial Motor

The 2017/18 renewal rate has increased to 0.954% (2016/17: 0.817%). Excesses remain the same at 1% of sum insured, subject to a minimum of \$500 for drivers over 21 years old and \$1,000 for drivers under 21 years old.

A summary of the 2016/17 and 2017/18 sums insured and premiums follow:

	2016	2017
Sum Insured	\$881,669	\$931,825
Insurer Premium	\$7,203	\$8,890

Crime

This premium has increased 6.9% from last year with no changes to the sum insured and excess levels.

	2016	2017
Sum Insured	\$250,000	\$250,000
Excess	\$5,000	\$5,000
Premium	\$2,900	\$3,100

General Liability

The basis of insurance cover remains the same as last year with insurance cover placed with NZI 40% (Lead), Zurich Insurance 30% and AIG 30%. Cover has been offered on the same basis as last year but the premium has doubled.

	2016	2017
Sum Insured	\$5,000,000	\$5,000,000
Excess	\$2,000	\$2,000
Premium	\$2,081	\$4,500

Professional Indemnity

The basis of insurance cover remains the same as last year with insurance cover placed with NZI 40% (Lead), Zurich Insurance 30% and AIG 30%. Cover has been offered on the same basis as last year but the premium has increased.

	2016	2017
Sum Insured	\$5,000,000	\$5,000,000
Excess	\$10,000	\$10,000
Premium	\$13,875	\$14,570

Statutory Liability and Employers Liability

The Insurers remain status quo in respect of these policies, being NZI 60% and QBE 40%. Premiums and excess levels have risen for both these insurance types.

	2016	2017
Statutory Liability Limit	\$500,000	\$500,000
Employers Liability Limit	\$500,000	\$500,000
Statutory Liability Excess	\$1,000	\$2,000
Employers Liability Excess	\$500	\$2,000
Total Premium	\$2,081	\$2,455

Airport Owner/Operator Liability

This policy has been renewed with Tokio Marine Kiln in line with the rest of the Council's Aviation Liability policies.

	2016	2017
Limit of Indemnity	\$20,000,000	\$20,000,000
Excess	\$2,500	\$2,500
Premium	\$1,175	\$1,100

Insurance of Infrastructure Assets

In May 2016 Council made the decision to look at other options for insuring its infrastructure assets. The way that central government supports local government in protecting its assets is undergoing change and more suitable insurance options have been adopted by a number of other Councils. For 2016/2017 Buller District Council joined a number of other Councils in obtaining insurance through its broker, Aon. This has resulted in better cover and premiums savings.

	2016
Value Insured	\$60,000,000
Premium	\$53,512
Excess	\$250,000

Earthquake Loss Estimate Analysis

In June 2017, Council received the Earthquake Loss Estimate Analysis for Infrastructure Assets Report produced by Aon New Zealand. The focus of this report is on loss from earthquakes and includes an assessment on both the likelihood of an earthquake and the vulnerability to earthquake induced liquefaction damage.

The report was commissioned as a result of Treasury Department's review of the Crown's risk financing and insurance arrangements. Following on from the Canterbury earthquake experiences and the recognition of significant underinsurance of infrastructure assets in this region, the understanding and quantification of natural hazard risk for these types of assets is now seen as critical.

The main benefit of the report is the assurance it gives Council that our current insurance provides adequate cover to reinstate the three waters infrastructure assets following a severe earthquake. This risk and loss assessment also achieves compliance with Treasury expectations.

Earthquake Assessment

Buller District assets are spread across a region containing fault lines which have average recurrence intervals (ARI) of less than 10,000 years with a typical magnitude of 7.4. The two scenarios that have been assessed are for 500 and 1,000 year average recurrence intervals. The table below outlines the material damage loss estimates for the majority of assets that form the water reticulation systems; being water supplies, wastewater schemes and stormwater reticulation.

The majority of damage is expected to be caused by the effects of shaking and liquefaction. Council's current cover of \$60 million exceeds the mean loss expectancy as

outlined below and significantly exceeds the 40% required under the current 60/40 infrastructure reinstatement cost sharing with the Crown.

MM Shaking Intensity	Average Recurrence Interval	Mean Loss Expectancy
Destructive (MM 9.5)	500 years	\$37 million
Very Destructive (MM 10)	1,000 years	\$51 million

The Modified Mercalli Intensity Scale (MM) is a qualitative measure of earthquake intensity at the surface; compared to the Richter Magnitude Scale which is a mathematical measurement of earthquake magnitude.

2016/2017 ANNUAL REPORT

The following extract is from Council's 2016/2017 Annual Report which breaks down insurance into Council functional areas:

Insurance of Assets

The cost of the Canterbury earthquakes has highlighted the importance of good risk management and the part insurance and/or risk financing plays when it comes to rebuilding public assets. In many instances, councils can provide services in the future only through the continuing use of their assets. Public entities have had to think carefully about how they are managing their risks and how they are using the insurance and risk finance options available to them.

Water, Waste Water and Stormwater Assets

The total value of this asset category in the financial statements as at 30 June 2017 is \$64,448,000 (2016: \$63,139,000) (cost/revaluation). These activities have a total asset value for insurance purposes of \$116,710,060 (2016: \$116,336,511). Of this \$23,586,996 (2016: \$23,586,996) of mainly above ground infrastructure plant is fully insured for replacement value. Council insures 40% of the remaining assets of \$92,749,515 (2015: \$92,749,515) via Lloyds of London with the remaining 60% being fully funded by Central Government.

Roading and Footpath Assets

The total value of these assets in the financial statements at 30 June 2017 is \$200,672,000 (2016: \$200,216,000) (cost/revaluation). These activities are not insured by Council and do not have an asset value for insurance purposes for this activity of assets.

Council would receive a minimum of 62% subsidy from the NZTA (the NZTA financial assistance rate is currently under review and may change) with the remaining portion of the loss likely to be loan funded by Council to replace the

assets. There is no self-insurance fund maintained by Council for replacement of roading assets in the event of a loss.

Wharves, Vessels and Maritime Navigation Assets

The total value of these assets in the financial statements as at 30 June 2017 is \$6,384,000 (2016: \$6,488,000) (cost/revaluation). These assets have an asset value for insurance purposes of \$8,001,735 (2016: \$8,001,735). Vessels and hydrographical equipment are fully insured for \$3,344,000 (2016: \$3,344,000).

The remaining assets comprising wharves and land based navigational assets \$4,657,735 (2016: \$4,657,735) are partially insured. Council insures 40% of the value of these assets with Lloyds of London.

The remaining 60% of the insurance value of these assets is self-insured by Council. There is currently no self-insurance fund maintained by Council for replacement of these assets in the event of a loss.

Buildings, Plant & Equipment & Other Assets

The total value of these assets in the financial statements as at 30 June 2017 is \$30,126,000 (2016: \$28,935,000) (cost/revaluation). This activity has a total asset value for insurance purposes of \$52,511,035 (2016: \$51,251,369). This includes assets such as non-infrastructure assets, Council plant and buildings and airport assets, excluding runways.

Vehicles

The total value of assets in this category in the financial statements as at 30 June 2017 is \$1,002,000 (2016: \$1,030,000) (cost/revaluation). This activity has a total asset value for insurance purposes of \$931,825 (2016: \$881,669). All vehicles are insured for market value. The Council is insured for all glass related claims.

RISK AND POLICY COMMITTEE
FOR THE MEETING OF 13 DECEMBER 2017

Report for Agenda Item No 4

Prepared by - Rachel Townrow
- Team Leader Planning and Policy

Reviewed by - Craig Scanlon
- Manager Community and Environment

BYLAW AND POLICY REVIEWS

To be circulated.