

STAFF REPORT

TO: Chair and Members, Corporate Services Committee
FROM: Murray Staite
DATE: 9 March 2009
SUBJECT: Disaster Fund Policy Review

Purpose of Report

To consider revising the criteria surrounding Councils general disaster fund

Background

Both the general disaster fund and rivers disaster fund were started in 1997 with a cash injection from the 1997 special 8 million port dividend of \$750,000 to the rivers disaster fund and \$1,250,000 to the general disaster fund.

The intention of the fund is

- a) To provide an immediate cash resource
- b) To contribute to the costs of reinstatement of Council owned services/assets following a major unforeseen event.
- c) To provide a measure of self-sufficiency

Since 1997 the general disaster fund has received contributions and interest of \$1,317,355 and has paid out \$2,057,225 in claims. The balance of this account now stands at \$510,130.

In considering this report it is important to recall that Council is a member of the LAPP fund since October 2007. The LAPP fund covers Council for significant major disasters and requires an excess of approximately \$284,000 per claim

The current Council Disaster Fund policy is attached as Appendix A.

Discussion

The balance of the general disaster fund now stands a \$510,130 with a pending claim of \$498,000 approved by Engineering Services yet to be considered by the Corporate Services Committee. If this claim of \$498,000 is approved the fund will stand at \$12,130. With the balance so low it will effectively be wiped out, despite additions from interest and general rates.

If Council wishes to retain a general disaster fund of sufficient capacity to assist with unique and non-regular events the fund needs to be reinstated to a reasonable level,

a budget needs to be established for ongoing annual storm events in departmental budgets and the contingency threshold for making a claim lifted.

It is also important to note the wording in the current policy that this fund is to be considered a "last resort fund."

Reinstatement of the fund

If the current recommendation from the Engineering Services committee is accepted by the Corporate Services committee, a cash injection from another source is required to bring the fund up to a critical mass.

This could be achieved by allocating \$500,000 of original port dividend money from the rivers disaster fund to the general disaster fund. If we recall that \$750,000 was used to commence this fund the \$500,000 being proposed to be transferred is not money received from the river rate. A balance of \$500,000 would also ensure that there was sufficient funds available to meet any excess required if a claim on the LAPP fund was made.

After the proposed transfer of \$500,000 the rivers disaster fund would be \$1,179,650 which should be sufficient to cover a moderate flood event.

The rivers disaster fund since inception has received \$1,807,650 in contributions with \$878,000 used to cover flood events.

Departmental budget allowance

Given that the majority of events that give rise to a claim on the general disaster fund occur on an annual basis we need to consider whether this annual work should be met from an allowance in a departmental budget or be provided for from the general disaster fund. With the stated intention of the fund to provide for the unforeseen, events that occur on an annual basis should be covered from existing budgets and not this fund.

After discussions with Councils Engineering Services Manager it was agreed that an allowance be made in departmental budgets for annual ongoing storm events with the general disaster fund being used for more unforeseen and non-regular events.

Contingency threshold

The existing threshold requires the fund to pay out as long as the first \$100,000 is met from existing departmental budgets. This \$100,000 was set some years ago and given that an allowance is now being included in departmental budgets the contingency threshold could now be lifted to \$200,000

Lifting the limit to say \$200,000 would also mean that storm events would have to be more serious in nature to receive funding from this fund. This would be more in line with the intention of the fund.

Recommendation

That the general disaster fund contingency threshold be lifted to \$200,000
and

That \$500,000 be transferred from the rivers disaster fund to the general disaster
fund.

Murray Staite
Corporate Services Manager

GENERAL DISASTER FUND FOR COUNCIL ASSETS

Category: [Finance Policies](#)

1. Introduction

Council has resolved to create a General Disaster Fund to fund reinstatement of services (assets) following a major unforeseen event, such as natural disaster.

2. Purpose

The purposes of the Fund are:

a) To provide an immediate cash resource

The fund should be maintained as a cash investment in accordance with the guidelines of Council's Treasury Management Policy

b) To contribute to the costs of reinstatement of Council owned services/assets following a major unforeseen event.

To contribute implies that the total value of the Fund does not necessarily need to be used for any single event. Reinstatement implies that it is critical for the service capability to be reinstated urgently. The degree of reinstatement would need to be determined on a situation basis whereby the reinstatement could be staged from emergency service capability to full or improved service capability.

Service/assets relates to the service capability which has been diminished as a consequence of the event. Generally this will relate to damage or destruction of an infrastructural asset. An infrastructural asset includes road, water works, land drainage, drainage works including stormwater and sewerage drain, as more specifically defined in the Local Government Act 2002, and harbour or coastal protection works.

Council assets are those assets 100% owned by the Tasman District Council. The fund is not available for protecting or repairing non Council property.

c) To provide a measure of self-sufficiency.

Council has various obligations under Central Government's Disaster Recovery Plan. The Plan is designed to shift the burden of recovery from, and reinstatement of infrastructural assets as a consequence of, a natural disaster. Under the Plan Local Authorities, inter alia, are required to maintain adequate reserves, funding or insurances meet those obligations.

Insurance coverage of certain service capability may not be available or economic. Council will be required to self-assess risks and consider building reserves to cover these risks.

3. Coverage

The Fund should provide coverage over Council owned property and infrastructural assets, the costs of reinstatement or prevention of potential reduction in service capability arising from an unforeseen event and the costs incurred in a civil defence or an adverse event emergency.

Types of adverse events may include:

- Earthquakes
- Tsunami/tidal waves
- Drought / hail/ snow
- Wind storms
- Fire
- Slips / subsidence
- Chemical spill or environmental disaster
- Flood Damage throughout Tasman District

The coverage specifically excludes any events related to:

- Operational breakdown / failure
- Maintenance expenditure
- Reinstatement of river works within X and Y classified river areas

4. Use Of The Fund

The fund may be used for:

- a) Contributing to the costs incurred in any Civil Defence or adverse event emergency;
- b) Contributing to the costs of reinstatement of service capability which arises from a defined, major, short duration, unforeseen natural event.
- c) Contributing to the costs of any emergency preventative works required to protect service capability.

5. Contingency

The first \$100,000 of any claims within a financial year is to be funded from annual operating budgets.

6. Criteria

- a) All calls on the Fund should be authorised by resolution of Council but with a delegation to the Mayor and Chief Executive to spend up to \$100,000 to ensure an immediate and adequate level of service capability is restored or preventative works undertaken to minimise any threat to service capability.
- b) This is a "last resort fund". Prior to the use of this fund Council should first use

up alternative funds or assess more appropriate funding sources such as:

- available contingencies
 - current year budget/s
 - depreciation or other reserves
 - loans
 - funding from external agencies eg Land Transport NZ or Central Government.
- c) Factors to consider in determining the extent to which the Fund should be called on:
- I. The impact or potential draw-off from the Fund particularly for a single event.
 - II. The degree of replacement/improvement service capability included in the reinstatement.
 - III. The programmed replacement cycle of the asset and any proposed change in service capability required.
 - IV. The premise that capital works are funded from capital expenditure budgets and maintenance from operational budgets.
 - V. The size of any local community or private contribution.
 - VI. The scale and magnitude of the event.
- d) Any draw-off from the Fund should be considered for reimbursement from:
- I. Subsequent loan funds raised for reinstatement purposes.
 - II. Any insurance proceeds
 - III. Any other proceeds received by Council in respect to the event.