



ATTACHMENTS

**Audit and Risk Committee Meeting
Under Separate Cover
Wednesday, 26 August 2026**

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Rotorua Lakes Council



Debt and interest rate risk positions

July 2026

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Rotorua Lakes Council

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We have tested the Dashboard for logic and consistency, but have not completed a full internal review of the Dashboard. In any event, it is not possible to ensure that any Dashboard is 100% free of errors and will perform correctly under all possible scenarios, and accordingly we give no such guarantee.



Debt forecast scenarios

Rotorua Lakes Council

MonthEnd

July 2026

Currency

NZD

1. Main debt forecast

\$506,758,894

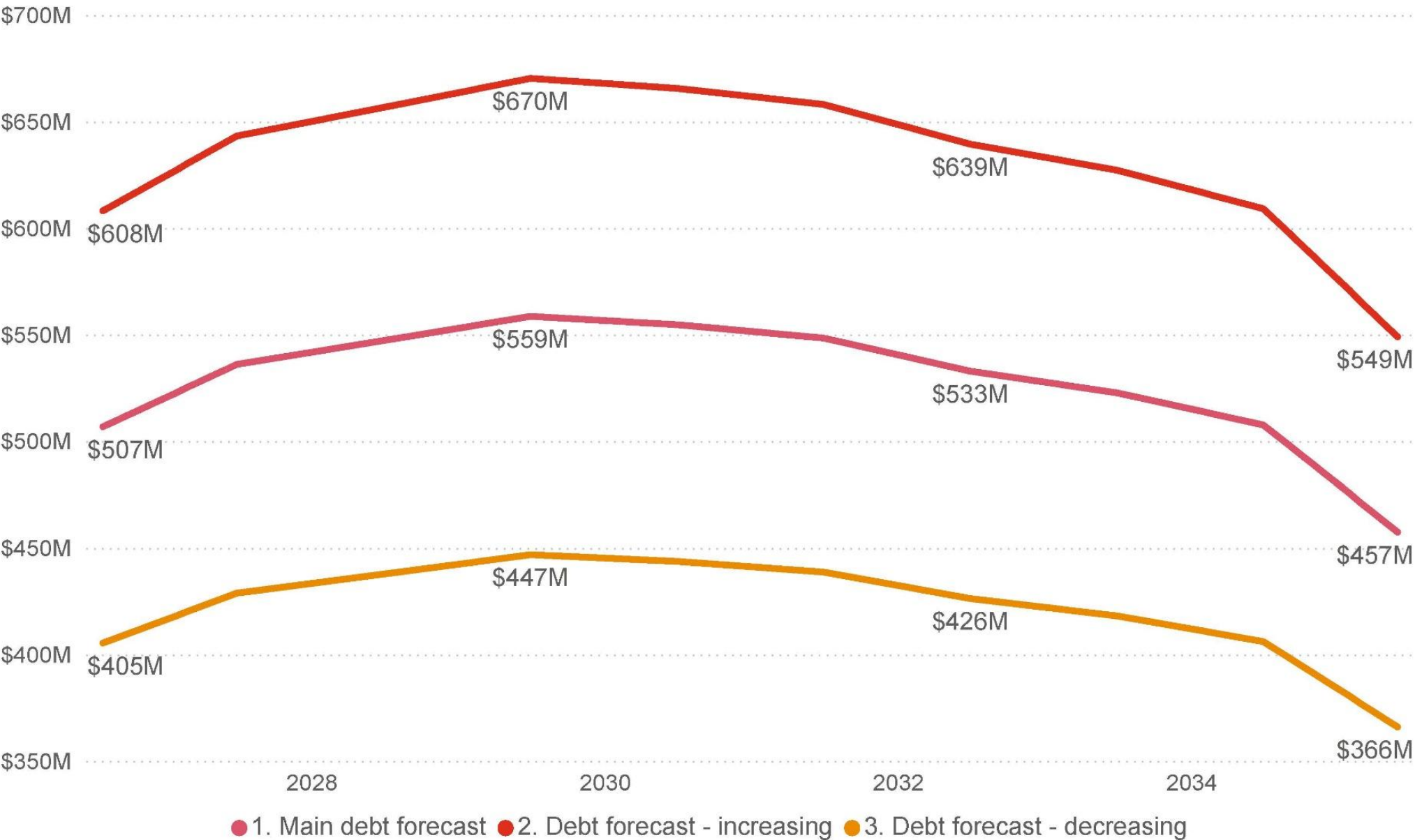
2. Debt forecast - increasing

\$608,110,672

3. Debt forecast - decreasing

\$405,407,115

Debt forecast by scenario name



Treasury summary - positions and compliance

Rotorua Lakes Council

MonthEnd

Currency

July 2026

NZD

1. Main debt forecast

2. Debt forecast - increasing

3. Debt forecast - decreasing

Interest rate risk



Funding risk



Counterparty credit limits

Counterparty	Compliant?
ANZ	✓
BNZ	✓
Kiwibank	✓

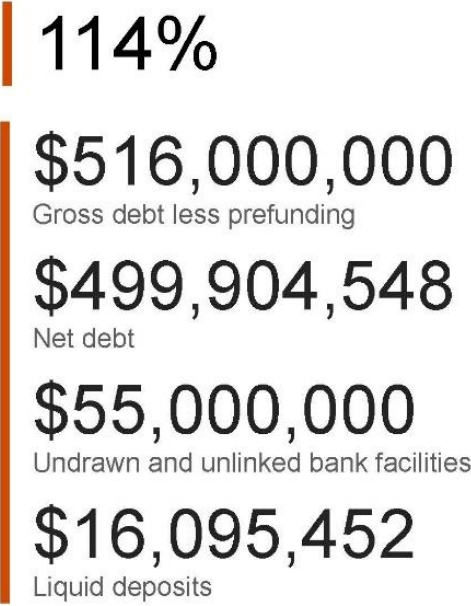
Liquidity risk



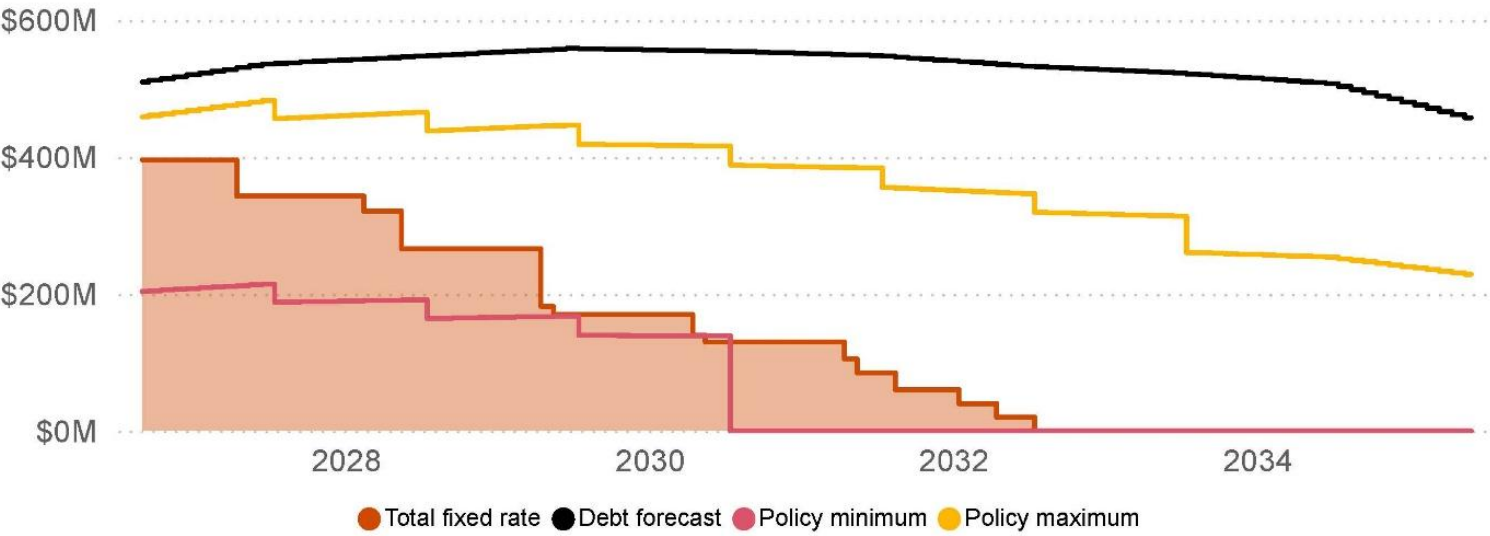
Investments



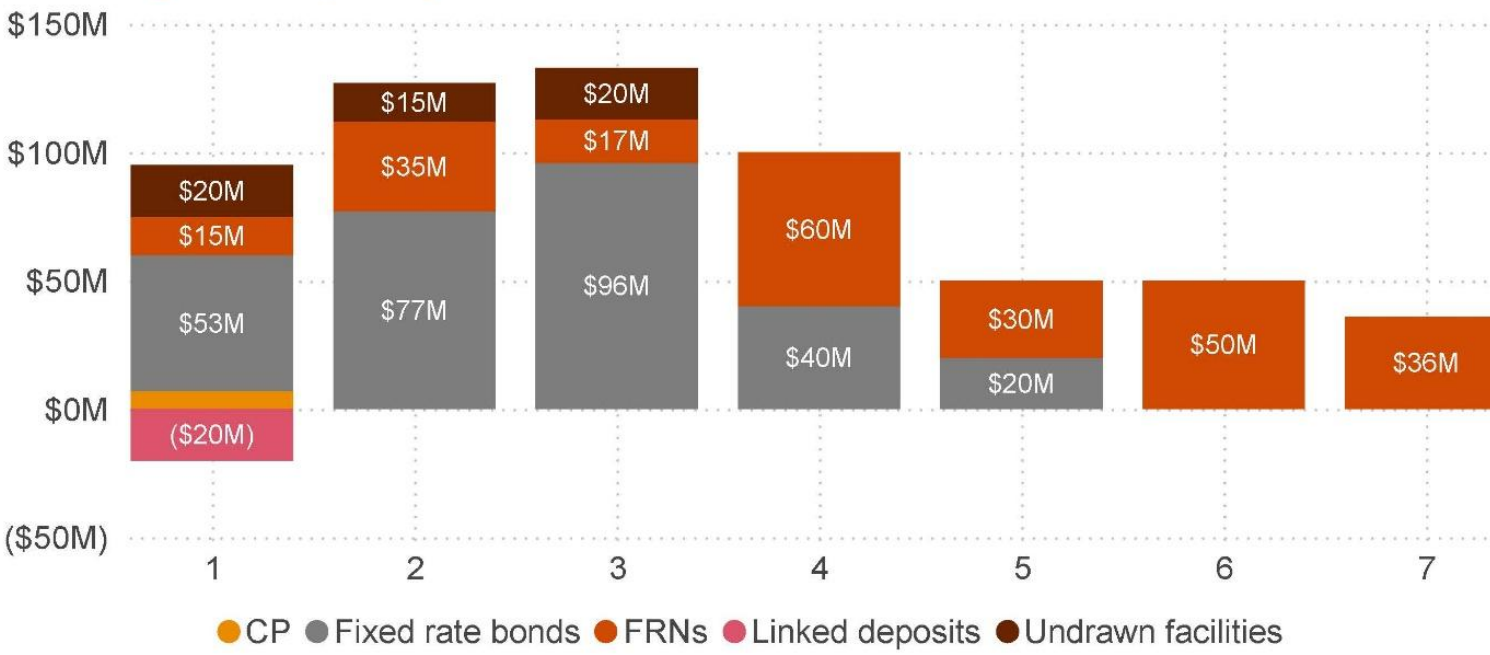
Liquidity ratio



Interest rate risk profile



Funding and liquidity risk timeline



Treasury summary - positions

Rotorua Lakes Council

MonthEnd

Currency

July 2026

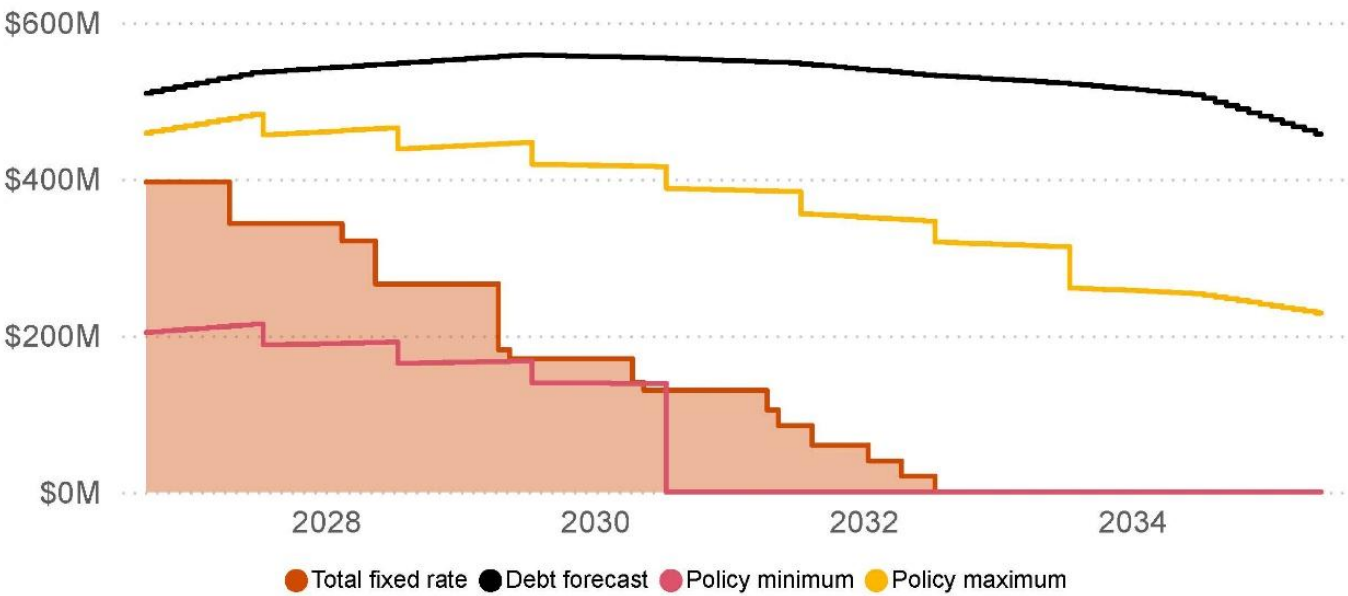
NZD

1. Main debt forecast

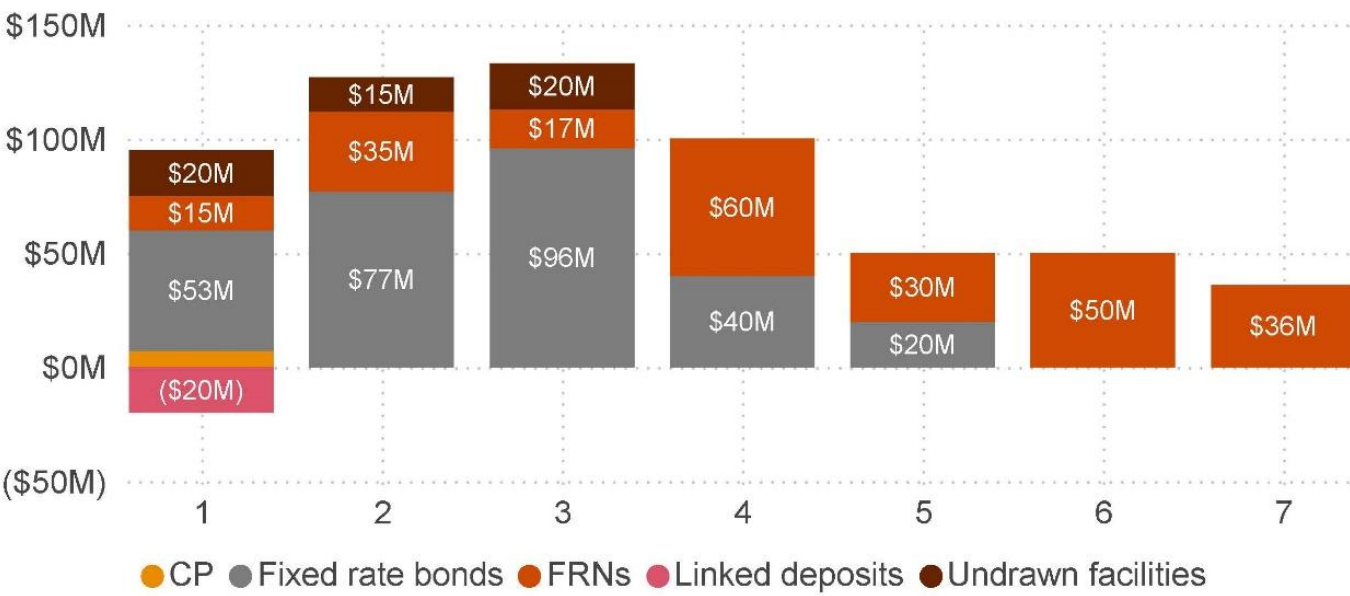
2. Debt forecast - increasing

3. Debt forecast - decreasing

Interest rate risk profile



Funding and liquidity risk timeline



Interest rate summary

#	Bucket	Min	Max	Actual
1	0 - 12	40%	90%	73%
2	12 - 24	35%	85%	60%
3	24 - 36	30%	80%	44%
4	36 - 48	25%	75%	29%
5	48 - 60	0%	70%	22%
6	60 - 72	0%	65%	9%
7	72 - 84	0%	60%	0%
8	84 - 96	0%	50%	0%
9	96 - 108	0%	50%	0%

Counterparty credit limits

Counterparty	Total exposure	Total limit	Compliant?
ANZ	\$7,794,774	\$30,000,000	✓
BNZ	\$23,666,284	\$30,000,000	✓
Kiwibank	\$22,250,000	\$30,000,000	✓

Funding summary

Bucket (years)	Policy	Actual
0 - 3	15% - 60%	59%
3 - 7	25% - 85%	41%
7 - 15	0% - 60%	0%
Total		100%



Counterparty credit overview

Rotorua Lakes Council

Select all	ANZ	BNZ	Kiwibank
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MonthEnd

July 2026

MtM date

Latest month end

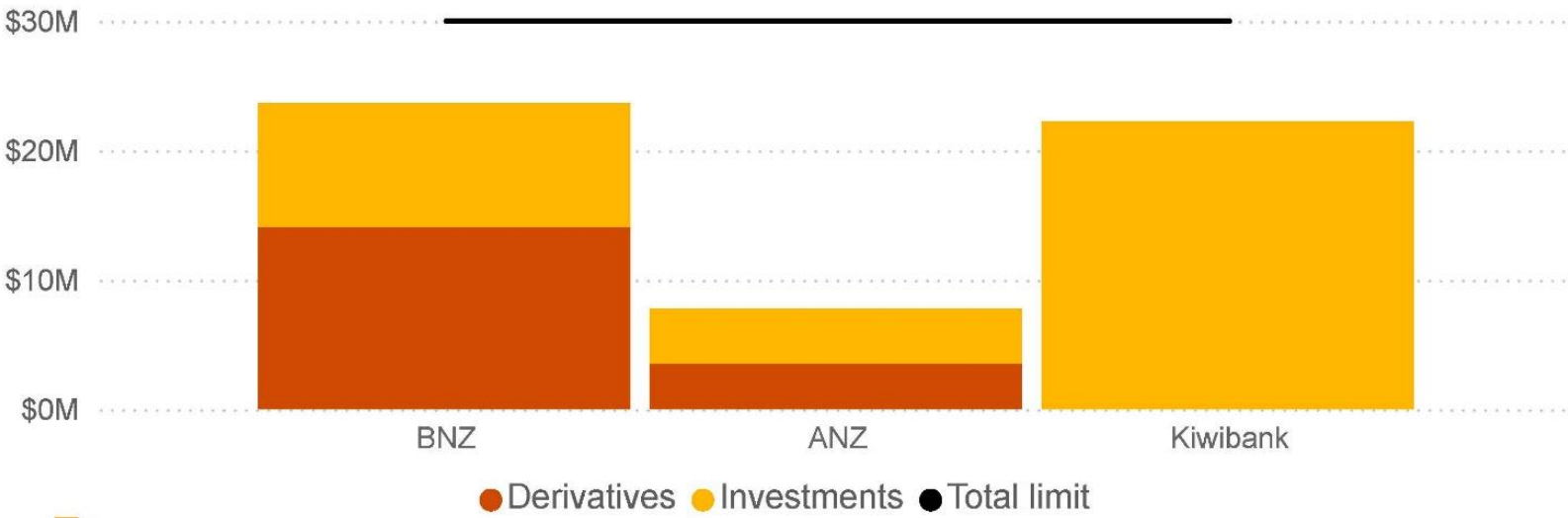
Currency

NZD

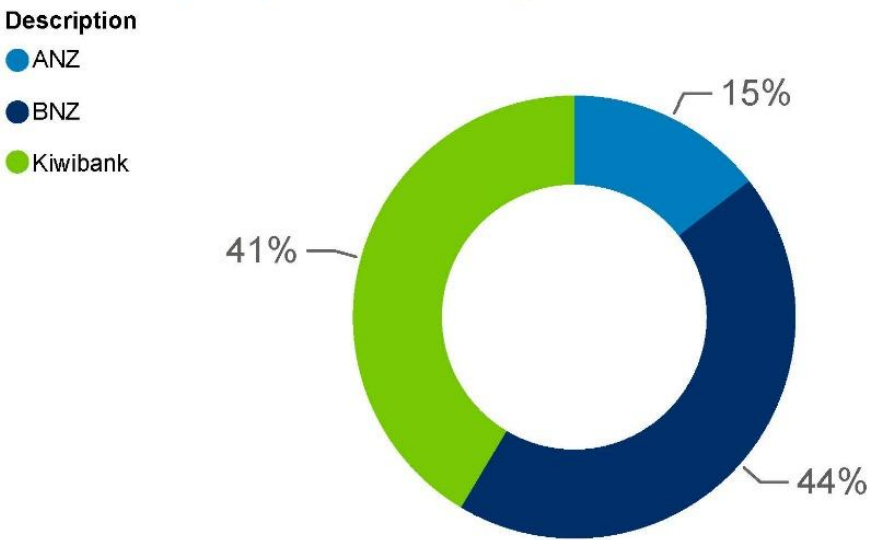
Counterparty credit limits

Counterparty	Investments exposure	Investment limit	MtM	Derivatives exposure	Derivatives limit	Total exposure	Total limit	Compliant?
ANZ	\$4,265,000	\$0	\$455,426	\$3,529,774	\$0	\$7,794,774	\$30,000,000	✓
BNZ	\$9,580,452	\$0	\$846,946	\$14,085,832	\$0	\$23,666,284	\$30,000,000	✓
Kiwibank	\$22,250,000	\$0		\$0	\$0	\$22,250,000	\$30,000,000	✓

Counterparty credit usage, by bank



Counterparty credit composition



Interest rate risk position

Rotorua Lakes Council

MonthEnd

July 2026

Currency

NZD

1. Main debt forecast

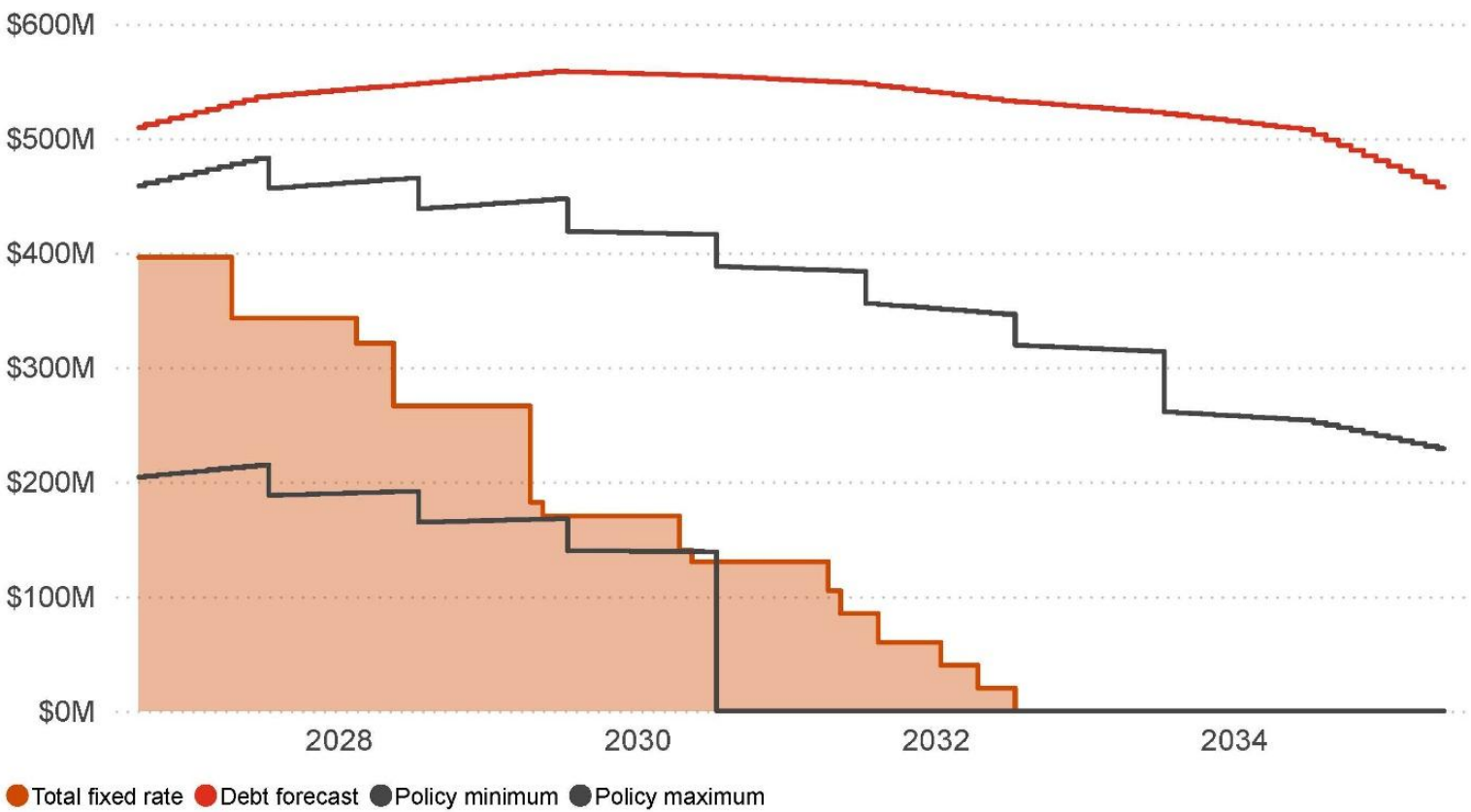
2. Debt forecast - increasing

3. Debt forecast - decreasing

Interest rate summary

#	Bucket	Min	Max	Actual
1	0 - 12	40%	90%	73%
2	12 - 24	35%	85%	60%
3	24 - 36	30%	80%	44%
4	36 - 48	25%	75%	29%
5	48 - 60	0%	70%	22%
6	60 - 72	0%	65%	9%
7	72 - 84	0%	60%	0%
8	84 - 96	0%	50%	0%
9	96 - 108	0%	50%	0%

Interest rate risk timeline



\$516,000,000

Gross debt less prefunding

\$396,000,000

Total fixed rate instruments

77%

Current hedged (%)

4.20%

Current WA fixed rate

3.20

WA fixed term (years)

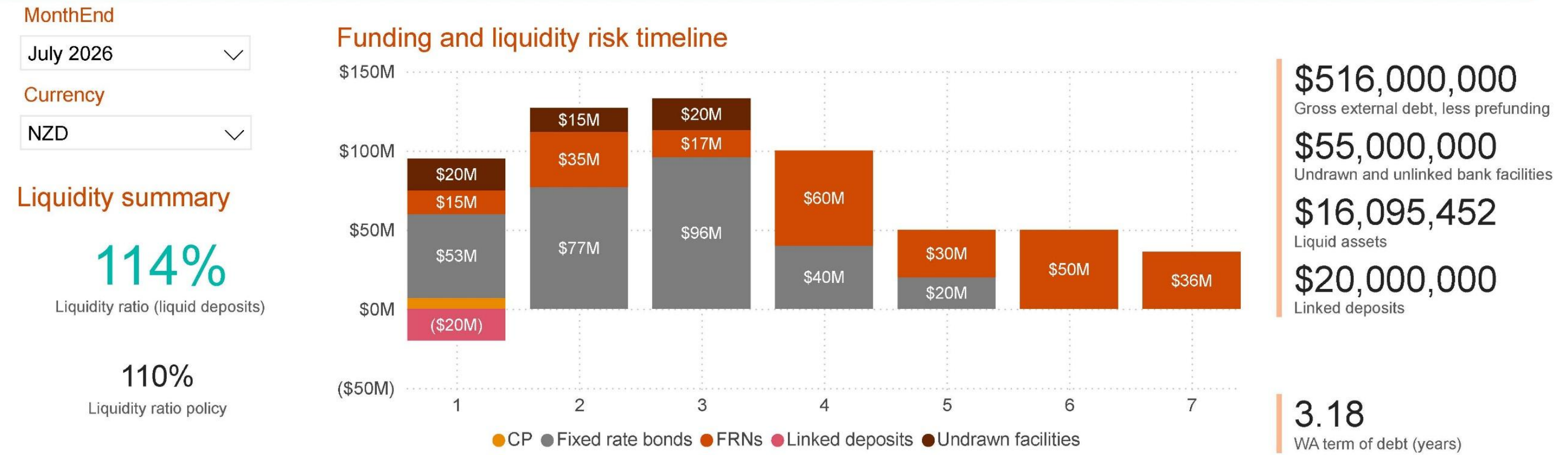
List of instruments

Instrument	Counterparty	Notional (\$)	Start date	Maturity date	Interest rate
Swap	ANZ	25,000,000	15 April 2026	15 April 2031	3.52%
Swap	BNZ	25,000,000	29 August 2025	29 August 2031	3.48%
Swap	BNZ	20,000,000	15 October 2024	16 January 2032	4.02%
Swap	BNZ	20,000,000	15 October 2024	15 April 2032	3.95%



Funding and liquidity risk position

Rotorua Lakes Council



Funding summary

Bucket (years)	Maturing in period (\$)	Policy	Actual
0 - 3	\$335,000,000	15% - 60%	59%
3 - 7	\$236,000,000	25% - 85%	41%
7 - 15	\$0	0% - 60%	0%
Total	\$571,000,000		100%



List of instruments

Instrument	Counterparty	Drawn (\$)	Limit (\$)	Maturity	Margin	Con
Fixed Rate Bond	LGFA	13,000,000	13,000,000	15 April 2027		
Fixed Rate Bond	LGFA	10,000,000	10,000,000	15 April 2027		
Fixed Rate Bond	LGFA	20,000,000	20,000,000	15 April 2027		
Fixed Rate Bond	LGFA	10,000,000	10,000,000	15 April 2027		
Floating Rate Note	LGFA	15,000,000	15,000,000	15 April 2027	0.64%	
Commercial Paper (non	LGFA	7,000,000	7,000,000	7 May 2027	0.20%	



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Rotorua Lakes Council

Fitch Ratings affirmed Rotorua Lakes Council's Issuer Default Rating (IDR) at 'AA-' in February 2026 based on the Standalone Credit Profile (SCP) of 'aa-', which reflects a 'High Midrange' risk profile and 'aa' category financial profile. Fitch does not incorporate any other risk or support factors in the rating, so the IDR reflects the SCP.

Key Rating Drivers

'aa-' Standalone Credit Profile: Rotorua Lakes' SCP reflects a 'High Midrange' risk profile, a financial profile in the 'aa' category and comparison with both domestic and international peers.

'High Midrange' Risk Profile: The risk profile is based on a combination of 'Stronger' and 'Midrange' risk factors. The 'High Midrange' assessment reflects Fitch's view that there is low risk of Rotorua Lakes' ability to cover debt servicing with the operating balance weakening unexpectedly over the scenario horizon — the fiscal year ending June 2026 (FY26) to FY30 — due to lower revenue, higher expenditure, or an unexpected rise in liabilities or debt-servicing requirements.

'aa' Financial Profile: We project a modest decline in the council's leverage over the scenario horizon to FY30, reflected in the payback ratio of 8.3x in FY30 in our rating case. The payback ratio — Fitch's primary metric in the analysis — aligns with the 'aa' rating category benchmark of 5.0x to 9.0x and is contingent upon the council's ability to continue to build its operating balance and manage its capital spending and debt accumulation in line with expectations.

We expect the council's capex to average NZD102 million on average for FY26–FY30, or around NZD57 million on a net basis, driving a rise in net adjusted debt to rise to NZD546.1 million in FY30, from NZD448.9 million in FY25. Secondary metrics include the synthetic debt-service cover ratio (DSCR) of 1.4x in FY30, in the 'bbb' category, and the fiscal debt burden of 226%, in the 'bb' category. The 'aa' financial profile category indicated by the primary metric is not affected by the weaker secondary metrics.

Neutral Additional Rating Factors: Fitch does not apply any extraordinary support factors to the Long-Term IDR. The ratings also do not reflect any additional risk factors.

Public Finance

Local and Regional Governments
New Zealand

This report does not constitute a new rating action for this issuer. It provides more detailed credit analysis than the previously published Rating Action Commentary, which can be found on www.fitchratings.com.

Ratings

Local Currency

Long-Term IDR	AA-
Short-Term IDR	F1+

Outlooks

Long-Term Local-Currency IDR	Stable
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Issuer Profile Summary

Rotorua Lakes is a district in New Zealand's Bay of Plenty region on the North Island. It has a population of around 78,000 and a diverse economy led by tourism, agriculture, forestry and fishing, and manufacturing sectors.

Financial Data Summary

(NZDm)	FY25	FY30rc
Payback ratio (x)	9.8	8.3
Synthetic coverage (x)	1.1	1.4
Fiscal debt burden (%)	258.7	226.1
Net adjusted debt	449	546
Operating balance	46	66
Operating revenue	174	242
Debt service	48	72
Mortgage-style debt annuity	41	48

rc: Fitch's rating-case scenario

Source: Fitch Ratings, Fitch Solutions, Rotorua Lakes Council

Applicable Criteria

International Local and Regional Governments
Rating Criteria (August 2024)

Related Research

Fitch Affirms New Zealand's Rotorua Lakes Council at 'AA-'; Outlook Stable (February 2025)

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Public Finance
Local and Regional Governments
New Zealand

Rating Synopsis

Rotorua Lakes Council LT IDR Derivation Summary

KRF attribute	Key Risk Factors (KRF)						Risk Profile	Financial Profile Assessments				Standalone Credit Profile (SCP)	From SCP to LTLC IDR			
	Revenue		Expenditure		Liabilities & Liquidity			Primary metric	Secondary metrics		Financial Profile Score		Intergovernmental lending	Ad hoc support	Sovereign Rating	LT IDR Outlook
	Robustness	Adjustability	Sustainability	Adjustability	Robustness	Flexibility		Payback Ratio (x)	Synthetic DSCR (x)	Fiscal Debt Burden (%)						
Stronger							Stronger	aaa	aaa	aaa	aaa	aaa		AAA	AAA	
							aaa	aaa	aaa	aaa	aa+			AA+	AA+	
							aa	aa	aa	aa	aa-			AA	AA	
Midrange							Midrange	aa	aa	aa	aa	a+		A+	A+	
							a	a	a	a	a			A	A	
							bbb	bbb	bbb	bbb	bb+			B+	B+	
Weaker							Low Midrange	bbb	bbb	bbb	bbb	bb		B	B	
							bb	bb	bb	bb	bb			B-	B-	
							b	b	b	b	b			C	C	

Higher Influence KRF

Lower Influence KRF

Source: Fitch Ratings

The six key risk factors, combined according to their relative importance, collectively represent the risk profile of the local and regional government (LRG). The risk profile and financial profile assessment, which measures the LRG's debt burden and debt service requirements amid a reasonable economic or financial downturn over the rating horizon, are combined in the SCP. The SCP, together with some additional factors not captured in the SCP, such as extraordinary support or rating cap, produces the IDR.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

An upward revision of the SCP could lead to positive rating action. The SCP may be raised by a positive reassessment of the council's risk profile or a sustained improvement in the payback ratio to closer to 7.0x in our rating-case scenario.

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A weakening of the SCP could lead to negative rating action. This could be caused by a negative reassessment of the council's risk profile or a sustained deterioration in the payback ratio to more than 9.0x in our rating-case scenario.

Issuer Profile

The Rotorua Lakes district, with a population of about 78,000 and spread across more than 2,615 km, is a small yet diverse economic area in New Zealand's North Island. The district economy has a range of sectors, with strength in agriculture, forestry and wood processing, manufacturing, tourism and commercial construction.

The district economy contracted slightly by 0.4% in 2025; however, these industries continue to provide a robust base supporting overall economic performance despite the district's modest size. The district unemployment rate of 6.6% is slightly above the national level of 5%, which is typical for the district.

Following a record high average house value in 2022, Rotorua Lakes' average house value contracted slightly in 2025 by 1.6%. The metric currently hovers between NZD600,000 and NZD700,000 – high compared to pre-Covid-19



pandemic levels. Still, Rotorua Lakes' average house value remains cheaper than the national level, at about two-thirds. The overall increase in property values reflects broader trends in the New Zealand housing market and provides a wealth effect that may stimulate local consumer spending and investment.

Socioeconomic Indicators

	Rotorua Lakes	New Zealand
Population, 2025 (m)	0.078	5,325
GDP per capita, 2025 (NZD)	63,474	81,071
GDP growth, 2025 (%)	-0.4	-0.9
Unemployment rate, 2025 (%)	6.6	5.0

Source: Fitch Ratings, Infometrics, Rotorua Lakes Council

Risk Profile Assessment

Risk Profile: High Midrange

Fitch assesses Rotorua Lakes' risk profile at 'High Midrange', reflecting the following combination.

Risk Profile Assessment

Revenue Robustness	Revenue Adjustability	Expenditure Sustainability	Expenditure Adjustability	Liabilities & Liquidity Robustness	Liabilities & Liquidity Flexibility	Implied operating environment score	Risk Profile
Stronger	Stronger	Midrange	Stronger	Stronger	Midrange	aa	High Midrange

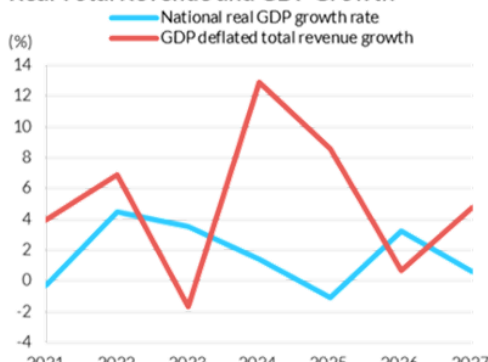
Source: Fitch Ratings

Revenue Robustness: Stronger

Rotorua Lakes' fiscal stability is anchored by consistent rate revenue, a reliable framework for central government grants, and a stable operating environment. Rates constitute the largest share of Rotorua Lakes' revenue, contributing just under 66% of the council's aggregate revenue in FY25, and rose by an 8.5% CAGR over the preceding five years. This is indicative of a broadening tax base, increasing property values, and rate increases by the council.

Furthermore, the predictability of central government grants enhances the council's revenue robustness. Grants are often subject to predictable legislative frameworks, which serves as a solid foundation for fiscal planning and investment in public services and infrastructure. We believe Rotorua Lakes has conditions that are conducive to maintaining or potentially improving its fiscal position, without significant volatility that could affect revenue streams or operational efficiency, and that it has a robust capacity to generate consistent revenue to meet operating needs.

Real Total Revenue and GDP Growth



Source: Fitch Ratings, Rotorua Lakes Council

Revenue Breakdown, FY25

	Operating revenue (%)	Total revenue (%)
Rates	84.6	65.5
Fees and Charges	5.4	4.2
Transfers	4.3	3.3
Other operating revenue	5.7	4.4
Operating revenue	100.0	77.4
Interest revenue	-	1.4
Capital revenue	-	21.3
Total revenue	-	100.0

Source: Fitch Ratings, Fitch Solutions, Rotorua Lakes Council

Revenue Adjustability: Stronger



Fitch's estimates indicate that Rotorua Lakes possesses considerable fiscal leeway, as its capacity to generate additional revenue through rate adjustments is robust. Specifically, the potential revenue increase could more than compensate for a hypothesised 2% revenue drop, by a margin of over 200%. Its fiscal capacity is a strong indicator of revenue adjustability and leads to a 'Stronger' assessment under Fitch's LRG criteria. The assessment reflects Rotorua Lakes' strong revenue control, a pivotal aspect of its financial resilience and creditworthiness.

The legislative framework for LRGs in New Zealand provides a significant degree of autonomy in fiscal management, particularly via the adjustment of rates. Councils are not subject to statutory caps or limits on their ability to increase rates and set rates in consultation with constituents. Rotorua Lakes has demonstrated its willingness and ability to raise rates to enable improved service levels and to respond to fiscal requirements.

Ratepayer affordability is a practical ceiling to rate rises, indicating a responsible approach to fiscal management that takes account of the financial burden on taxpayers. Rotorua Lakes' capability to hike rates provides a fiscal tool to address both anticipated and unforeseen budgetary needs. Fitch's analysis indicates that residential rates typically constitute 3%–4% of the local mean annual household income for most council areas, implying that rate increments, while serving as additional costs, do not impose an excessive financial strain on households when viewed within the wider tax framework.

The central government proposed in late 2025 to implement a rate cap, applicable to property taxes and exempting water rates. The proposal has not passed into law despite broad support from constituents; therefore, we have not incorporated it into our analysis at this time.

Expenditure Sustainability: Midrange

Rotorua Lakes' expenditure growth has remained closely aligned with revenue growth — excluding debt-funded capital items — which indicates fiscal discipline. This has led to a 'Midrange' assessment of the council's expenditure sustainability, suggesting that it maintains a relatively balanced fiscal position, although tighter control on expenditure growth would further strengthen alignment with revenue growth.

The council's expenditure responsibilities focus on essential local services that do not generally fluctuate with economic cycles. The central government takes responsibility for high-cost and often variable services, such as healthcare, education and social welfare. The council's primary expenditures are directed towards stable and predictable local infrastructure and services, including water supply, sewerage, stormwater systems, roads, waste collection and area development. Its Fitch-adjusted operating expenditure increased by a CAGR of 7.3% in the five years to FY25, tracking closely against the 8.6% CAGR for operating revenue.

The council funds operating expenditure primarily through operating revenue, which is indicative of prudent budgetary planning. Capex, on the other hand, is partly financed through borrowings, reflecting a common approach among councils to fund long-term infrastructure that supports growth and service improvements, given the long-term benefits and matching of costs with ratepayers over time.

Real Total Expenditure and Revenue Growth



Source: Fitch Ratings, Rotorua Lakes Council

Expenditure Breakdown, FY25

(%)	Operating expenditure	Total expenditure
Staff Cost	33.8	16.5
Other operating expenditure	66.2	32.2
Operating expenditure	100.0	48.6
Interest expenditure	-	7.6
Capital expenditure	-	43.7
Total expenditure	-	100.0

Source: Fitch Ratings, Fitch Solutions, Rotorua Lakes Council

Expenditure Adjustability: Stronger

Rotorua Lakes' operating expenses show a moderate proportion of inflexible costs. Personnel expenses, which comprised 33% of its Fitch-adjusted operating expenditure in FY25, are largely considered fixed costs. We believe goods and services offer moderate flexibility, given the high quality of existing services by international standards. Conversely, capex offers more flexibility and can be adjusted relatively quickly if necessary. In FY25, capex represented 44% of the council's total revenue, a figure Fitch anticipates will moderate to about a third by FY30.



The LRG policy framework mandates the balancing of operating budgets, a key aspect of annual and long-term planning for councils such as Rotorua Lakes. This requirement ensures councils justify any budgetary deficits, thereby mitigating the risk of substantial or prolonged fiscal imbalances. Our assessment indicates that about 60% of Rotorua Lakes' total expenditure is either mandatory or committed, falling below the 70% benchmark that Fitch uses for a 'Stronger' assessment under the LRG criteria. This reflects a level of budgetary flexibility within the fiscal framework, providing some capacity to adapt to changing financial circumstances.

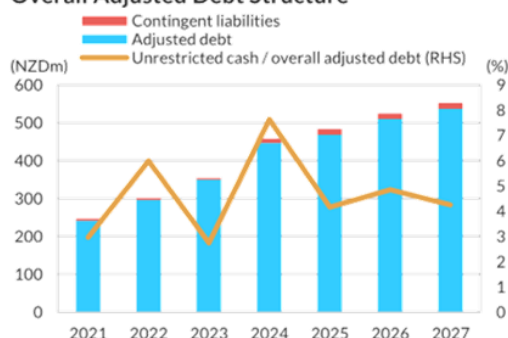
Liabilities and Liquidity Robustness: Stronger

Fitch assigns a 'Stronger' assessment given the prudent financial market discipline within the sector, LGFA's supportive funding structure and Rotorua Lakes' comprehensive financial management controls, including financial covenants, monitoring and effective management of interest-rate risk without foreign-exchange exposure.

We regard risk controls within New Zealand's LRG sector as robust, with councils like Rotorua Lakes operating under their own risk-management policies subject to comprehensive reporting and budgetary frameworks. Rotorua Lakes adheres to self-imposed debt-affordability benchmarks, capping net council borrowings at 250% of revenue, and limits debt-service costs to 10% of revenue. The council's prudent approach to debt management is reflected in its significant reliance on fixed-rate borrowings, which comprised 67% of its debt portfolio at FYE25, thereby mitigating interest-rate risk and carrying no exposure to foreign-exchange risk.

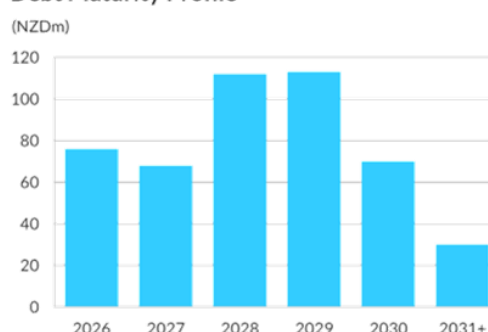
All of Rotorua Lakes' borrowings at FYE25 were sourced from New Zealand Local Government Funding Agency Limited (LGFA) (AA+/Stable), which offers councils access to more flexible and cost-effective funding options than direct market sourcing. The council's liquidity position is bolstered by access to alternative debt sources, including undrawn committed bank facilities totalling NZD45 million at FYE25.

Overall Adjusted Debt Structure



Source: Fitch Ratings, Rotorua Lakes Council

Debt Maturity Profile



Source: Fitch Ratings, Rotorua Lakes Council

Liabilities and Liquidity Flexibility: Midrange

Rotorua Lakes demonstrates a structured approach to its liquidity management. Unrestricted cash of NZD20.1 million at FYE25 and NZD45 million of committed bank facilities available from Bank of New Zealand (A+/Stable) support its immediate financial flexibility. In addition, the council's strategic reliance on the LGFA for the majority of its borrowing needs further strengthens its liquidity profile through the efficiency, flexibility and risk mitigation the LGFA provides.

The council's self-imposed borrowing cap reflects a conservative fiscal management ethos and is below LGFA's higher ceiling of 280%. While the council operates within its stricter internal parameters, the higher LGFA ceiling provides additional headroom and, therefore, greater fiscal flexibility. LGFA's role centralises funding for New Zealand councils, offering both long- and short-term borrowing options. This institutional arrangement underpins Rotorua Lakes' debt and liquidity management by providing a predictable and stable borrowing environment. The cost efficiencies and reduced refinancing risk from LGFA's funding mechanisms are substantial relative to the council's alternative of direct market borrowing.

The 'Midrange' assessment reflects the council's balanced fiscal management, underscored by the strategic use of available borrowing instruments and liquidity reserves. However, the absence of a formal emergency liquidity support mechanism or an explicit guarantee by the central government creates a degree of uncertainty, requiring the council to rely on its own robust liquidity planning and access to diverse funding sources to safeguard against unforeseen fiscal pressures. This self-reliance requires a prudent approach to liquidity management, ensuring that its financial obligations can be met under varying economic conditions.



Public Finance
Local and Regional Governments
New Zealand

Debt Analysis

	FY25
Fixed rate (% of direct debt)	67
Debt in foreign currency (% of direct debt)	0
Apparent cost of debt (%)	4
Weighted average life of debt (years)	3.3

Source: Fitch Ratings, Rotorua Lakes Council

Liquidity

(NZDm)	FY25
Total cash, liquid deposits and sinking funds	20
Restricted cash	0
Cash available for debt service	20
Undrawn committed credit lines	45

Source: Fitch Ratings, Rotorua Lakes Council

Financial Profile Assessment

Financial Profile: aa category

Financial Profile Score Summary

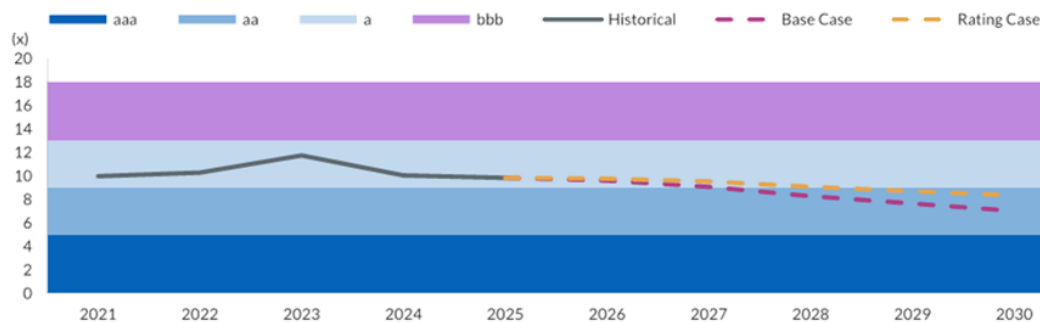
	Primary Metric Payback Ratio (x)	Secondary Metrics	
		Coverage (x)	Fiscal debt burden (%)
aaa	$X \leq 5$	$X \geq 4$	$X \leq 50$
aa	$5 < X \leq 9$	$2 \leq X < 4$	$50 < X \leq 100$
a	$9 < X \leq 13$	$1.5 \leq X < 2$	$100 < X \leq 150$
bbb	$13 < X \leq 18$	$1.2 \leq X < 1.5$	$150 < X \leq 200$
bb	$18 < X \leq 25$	$1 \leq X < 1.2$	$200 < X \leq 250$
b	$X > 25$	$X < 1$	$X > 250$

Note: Yellow highlights show metric ranges applicable to Issuer
Source: Fitch Ratings

Fitch's rating-case scenario projects a modest decline in the leverage over the scenario horizon to FY30, reflected in the payback ratio of 8.3x in FY30, down from 9.8x in FY25. Payback is the primary metric used in the financial profile assessment, measuring net adjusted debt against the operating balance. The payback ratio aligns with the 'aa' rating category benchmark of 5.0x to 9.0x and is contingent upon the council's ability to continue to build its operating balance and manage its capital spending and debt accumulation in line with Fitch's expectations. We expect gross capex to average NZD102 million a year during FY26–FY30, or around NZD57 million on a net basis, driving a rise in net adjusted debt to NZD546.1 million in FY30, from NZD448.9 million in FY25.

Secondary metrics include the synthetic DSCR of 1.4x in FY30, in the 'bbb' category, and the fiscal debt burden of 226%, in the 'bb' category. The 'aa' debt sustainability score indicated by the primary metric is not affected by the weaker secondary metrics.

Payback Ratio - Fitch's Base and Rating Case Scenarios



Source: Fitch Ratings, Rotorua Lakes Council

This is a text exhibit 'Base and Rating Case Scenario Assumptions Summary Text'. See instructions in side pane.

Scenario Assumptions Summary

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Assumptions	FY21 - FY25 Average	FY26 - FY30 Average	
		Base Case	Rating Case
Operating revenue growth (%)	8.6	7.2	6.8
Tax revenue growth (%)	8.5	8.1	7.7
Current transfers received growth (%)	13.1	-3.8	-4.3
Operating expenditure growth (%)	7.3	6.1	6.6
Net capital expenditure (NZDm)	-66	-57	-57
Apparent cost of debt (%)	3.6	3.9	4.0

Outcomes	FY25	FY30	
		Base Case	Rating Case
Payback ratio (x)	9.8	7.0	8.3
Synthetic coverage ratio (x)	1.1	1.6	1.4
Fiscal debt burden (%)	258.7	211.5	226.1

Source: Fitch Ratings, Rotorua Lakes Council

SCP Positioning and Peer Comparison

Analytical Outcome Guidance

Risk Profile			Financial Profile			
Stronger	aaa or aa	a	bbb	bb	b	
High Midrange	aaa	aa	a	bbb	bb	b
Midrange		aaa	aa	a	bbb	bb or below
Low Midrange			aaa	aa	a	bbb or below
Weaker				aaa	aa	a or below
Vulnerable					aaa	aa or below
Suggested analytical outcome (SCP)	aaa	aa	a	bbb	bb	b

Source: Fitch Ratings

Rotorua Lakes has a 'High Midrange' risk profile, similar to domestic peers. Its financial profile is at the weaker end of the 'aa' category, leading to its 'AA-' rating being weaker compared with similarly rated domestic peers.

The peer comparison table below shows a mix of peers with SCPs of 'aa' and 'aa-'. All peers have 'High Midrange' risk profiles. Three New Zealand council peers with 'aa-' SCPs – Timaru District Council (AA-/Stable), Queenstown Lakes District Council (AA-/Negative) and Waipa District Council (AA-/Stable) – have similar primary metrics of 8.8x, 8.2x, and 8.7x, and are in the 'aa' category. Secondary metrics are generally in the 'bbb' or 'bb' categories, similar to Rotorua Lakes. Internationally, French peer City of Strasbourg (A+/Stable) has a similar payback ratio of 8.8x and comparable secondary metrics.

Rotorua Lakes shows a weaker primary metric than the 'aa' SCP issuers when compared with French peer Region of Occitanie (A+/Stable) and domestic peer Far North Council (AA/Stable), but and similar secondary metrics

The peer comparison supports a final SCP of 'aa-' for Rotorua Lakes based on the relative positioning of each of the rating metrics.

	Risk Profile	Financial Profile Score	SCP	Sovereign Rating	LT IDR
Rotorua Lakes Council	High Midrange	aa	aa-	AA+	AA-
Queenstown Lakes District Council	High Midrange	aa	aa-	AA+	AA-
Timaru District Council	High Midrange	aa	aa-	AA+	AA-
Waipa District Council	High Midrange	aa	aa-	AA+	AA-
Far North District Council	High Midrange	aa	aa	AA+	AA
Region of Occitanie	High Midrange	aa	aa	A+	A+

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City of Strasbourg	High Midrange	aa	aa-	A+	A+
Source: Fitch Ratings, Rotorua Lakes Council					

Long Term Rating Derivation

From SCP to LT LC IDR : Factors Beyond the SCP

SCP	Sovereign LT LC IDR	Support			Rating Cap	Leeway above Sovereign (notches)	LT LC IDR
		Intergovern. Financing	Ad hoc Support	Floor			
aa-	AA+	-	-	-	-	-	AA-

Source: Fitch Ratings, Rotorua Lakes Council

Rotorua Lakes' final IDR is driven by its 'aa-' SCP. No other rating factor affects the final rating.

Short Term Rating Derivation

The Short-Term Local-Currency IDR is 'F1+' under Fitch's criteria, as the Long-Term Local-Currency IDR lies between 'AAA' and 'AA-'.

ESG Considerations

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/topics/esg/products/esg-relevance-scores.



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Appendix A: Financial Data

Rotorua Lakes Council	FY21	FY22	FY23	FY24	FY25	FY26rc	FY27rc	FY28rc	FY29rc	FY30rc
(NZDm)										
Fiscal Performance										
Taxes	102	110	119	129	147	160	173	186	199	213
Transfers received	6	6	7	7	7	5	6	6	6	6
Fees, fines and other operating revenues	14	15	18	18	19	20	20	21	22	22
Operating revenue	122	131	144	154	174	185	199	212	226	242
Operating expenditure	-99	-104	-115	-113	-128	-135	-145	-155	-165	-176
Operating balance	24	27	29	41	46	50	54	58	62	66
Interest revenue	1	1	1	2	3	1	1	1	1	1
Interest expenditure	-7	-8	-11	-17	-20	-20	-21	-22	-22	-21
Current balance	17	20	19	25	29	30	34	36	41	45
Capital revenue	21	28	22	42	48	44	46	48	43	46
Capital expenditure	-70	-86	-100	-120	-115	-110	-109	-93	-97	-102
Capital balance	-49	-57	-78	-78	-67	-66	-63	-44	-53	-57
Total revenue	143	160	167	197	224	230	245	261	270	288
Total expenditure	-176	-198	-226	-250	-263	-265	-275	-269	-283	-299
Surplus (deficit) before net financing	-32	-38	-59	-53	-39	-36	-29	-8	-13	-11
New direct debt borrowing	98	84	83	232	50	107	93	39	66	59
Direct debt repayment	-84	-29	-29	-136	-28	-66	-66	-46	-48	-51
Net direct debt movement	14	55	54	96	22	41	27	-7	18	8
Overall results	-19	17	-5	43	-17	5	-2	-15	6	-4
Debt and Liquidity										
Short-term debt	28	80	24	28	76	66	68	92	113	50
Long-term debt	214	217	327	419	393	444	469	438	436	507
Intergovernmental debt	0	0	0	0	0	0	0	0	0	0
Direct debt	242	297	351	447	469	510	537	530	549	557
Other fitch-classified debt	0	0	0	0	0	0	0	0	0	0
Adjusted debt	242	297	351	447	469	510	537	530	549	557
Guarantees issued (excluding adjusted debt portion)	0	0	0	0	0	0	0	0	0	0
Majority-owned GRE debt and other contingent liabilities	5	4	4	11	14	15	15	15	15	16
Overall adjusted debt	247	301	354	458	483	525	552	545	564	572
Total cash, liquid deposits, and sinking funds	7	18	10	35	20	25	23	8	14	10
Restricted cash	0	0	0	0	0	0	0	0	0	0
Unrestricted cash	7	18	10	35	20	25	23	8	14	10
Net adjusted debt	234	279	341	412	449	485	514	522	535	546
Net overall debt	240	283	345	423	463	499	529	537	550	562
Enhanced net adjusted debt	234	279	341	412	449	485	514	522	535	546
Enhanced net overall debt	240	283	345	423	463	499	529	537	550	562

rc - rating case

Source: Fitch Ratings, Rotorua Lakes Council

Rotorua Lakes Council



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Appendix B: Financial Ratios

Rotorua Lakes Council	FY21	FY22	FY23	FY24	FY25	FY26rc	FY27rc	FY28rc	FY29rc	FY30rc
Fiscal Performance Ratios										
Operating balance/operating revenue (%)	19.3	20.7	20.2	26.7	26.3	26.8	27.1	27.2	27.2	27.2
Current balance/current revenue (%)	14.0	14.8	13.1	16.3	16.2	16.2	16.9	17.1	17.9	18.7
Operating revenue annual growth (%)	6.2	7.2	10.0	6.9	12.8	6.7	7.3	6.8	6.7	6.7
Operating expenditure annual growth (%)	9.6	5.3	10.7	-1.8	13.3	6.0	6.8	6.8	6.7	6.7
Surplus (deficit) before net financing/total revenue (%)	-22.4	-23.6	-35.5	-26.8	-17.2	-15.5	-11.9	-3.1	-4.7	-4.0
Surplus (deficit) before net financing/GDP (%)	-0.7	-0.8	-1.2	-1.1	-0.8	-0.7	-0.6	-0.2	-0.2	-0.2
Total revenue annual growth (%)	6.1	11.5	4.3	18.1	13.8	2.4	6.8	6.4	3.6	6.4
Total expenditure annual growth (%)	9.4	12.7	14.3	10.5	5.2	0.9	3.5	-2.0	5.3	5.6
Debt Ratios										
Primary Metrics										
Payback ratio (x) (Net adjusted debt to operating balance)	10.0	10.3	11.7	10.0	9.8	9.8	9.5	9.1	8.7	8.3
Enhanced payback ratio (x)	10.0	10.3	11.7	10.0	9.8	9.8	9.5	9.1	8.7	8.3
Overall payback ratio (x)	10.2	10.4	11.9	10.3	10.1	10.1	9.8	9.3	8.9	8.6
Enhanced overall payback ratio (x)	10.2	10.4	11.9	10.3	10.1	10.1	9.8	9.3	8.9	8.6
Secondary Metrics										
Fiscal debt burden (%) (Net debt-to-operating revenue)	192.0	212.7	236.8	267.7	258.7	261.8	258.7	245.9	236.1	226.1
Synthetic debt service coverage ratio (x)	1.2	1.2	1.0	1.1	1.1	1.1	1.2	1.2	1.3	1.4
Actual debt service coverage ratio (x)	0.3	0.7	0.7	0.3	1.0	0.6	0.6	0.8	0.9	0.9
Other Debt Ratios										
Liquidity coverage ratio (x)	0.6	0.9	1.2	0.3	1.7	0.8	0.9	1.2	1.0	1.1
Direct debt maturing in one year/total direct debt (%)	11.6	26.9	6.7	6.3	16.2	12.9	12.7	17.4	20.6	9.0
Direct debt (annual % change)	5.9	22.7	18.2	27.5	4.9	8.7	5.4	-1.3	3.5	1.4
Apparent cost of direct debt (interest paid/direct debt) (%)	3.0	3.1	3.5	4.3	4.4	4.1	4.0	4.1	4.0	3.8
Revenue Ratios										
Tax revenue/total revenue (%)	71.1	68.9	71.2	65.4	65.5	69.7	70.4	71.2	73.6	74.1
Current transfers received/total revenue (%)	4.2	3.6	4.4	3.8	3.3	2.4	2.2	2.2	2.1	2.1
Interest revenue/total revenue (%)	0.5	0.4	0.7	0.8	1.4	0.3	0.3	0.2	0.2	0.2
Capital revenue/total revenue (%)	14.4	17.7	13.0	21.1	21.3	19.1	18.8	18.5	16.0	15.8
Expenditure Ratios										
Staff expenditure/total expenditure (%)	16.5	14.7	14.2	14.0	16.5	-	-	-	-	-
Current transfers made/total expenditure (%)	1.3	1.3	0.7	0.4	0.3	-	-	-	-	-
Interest expenditure/total expenditure (%)	4.0	4.2	5.0	6.9	7.7	7.6	7.6	8.1	7.6	7.0
Capital expenditure/total expenditure (%)	39.8	43.3	44.2	48.0	43.7	41.4	39.7	34.4	34.2	34.2

rc - rating case

Source: Fitch Ratings, Rotorua Lakes Council

Rotorua Lakes Council



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Appendix C: Data Adjustments

Net Adjusted Debt Calculations

FY25: Net adjusted debt of NZD449 million = Direct debt of NZD469 million + Other Fitch-classified debt (nil) – Fitch-calculated, unrestricted cash, liquid deposits and sinking funds of NZD20 million.

Synthetic Coverage Calculation

Fitch's synthetic coverage calculation assumes a mortgage-style amortisation over 15 years of the entity's net adjusted debt, using its average cost of debt. This synthetic calculation is used to assess New Zealand LRGs' debt sustainability.

Specific Adjustments

Gains and losses on revaluation, depreciation and amortization, gains and losses on disposals, impairment of non-financial assets, and other non-cash items are excluded from revenue and expenses. Term deposits are also considered as cash.



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RLC – Health & Safety Management System – Annual Review 2025/26

Rotorua Lakes Council

Health, Safety & Wellbeing Management System

Annual Review 2025/26

Reporting Period:	1 July 2025 – 30 June 2026
Prepared By:	Jesse Jarlov - Health, Safety & Wellbeing Manager
Reviewed By:	Clint Brickhill – Chief People Officer
Submitted To:	Executive Leadership Team Audit & Risk Committee
Date:	22 July 2026

Executive Summary Dashboard

Indicator	Result
Notifiable Incidents	0
Lost Time Injuries	11
Total Events Reported	693
Risk Assessments Completed	10,080
Assurance Targets Achieved	100%
Monthly Injury Rate Trend	Improving
SafePlus Actions Completed, to date	12 of 33

Overall HSMS Status



RLC – Health & Safety Management System – Annual Review 2025/26



RLC – Health & Safety Management System – Annual Review 2025/26

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Executive Summary

The annual review of Rotorua Lakes Council's (RLC) Health, Safety and Wellbeing Management System (HSMS) indicates that the system continues to mature and is generally operating effectively. Significant progress has been made during the reporting period in strengthening governance, risk management, assurance, reporting, and worker participation arrangements. RLC recorded no notifiable incidents, assurance targets were achieved, injury rates reduced during the period, and substantial progress was made against the SafePlus implementation programme.

The organisation reported 693 health and safety events, including 96 injuries, 11 Lost Time Injuries (LTIs), 4 Medical Treatment Injuries (MTIs), 247 incidents and 335 near misses. While injury performance improved over the year, injury prevention remains a key focus area, particularly in relation to manual handling related injuries, vehicle-related risks, and psychosocial hazards including violence and aggression.

The review identified several opportunities to further improve the effectiveness of the HSMS. These include improving investigation quality, strengthening the management of critical risks, enhancing contractor management processes, improving event closure performance, addressing data quality limitations, and developing a more mature approach to psychosocial risk management. Leadership capability in incident investigation and risk management remains an important development area.

Overall, there is confidence that significant progress has been made since the SafePlus assessment. Continued leadership focus on critical risk management, accountability, assurance, and workforce wellbeing will further strengthen the organisation's health, safety and wellbeing performance over the coming year.

Purpose and Scope of Review

This annual review provides an assessment of the effectiveness of Rotorua Lakes Council's Health, Safety and Wellbeing Management System (HSMS) for the period 1 July 2025 to 30 June 2026.

The purpose of the review is to evaluate the performance of the HSMS, identify strengths and opportunities for improvement, assess progress against strategic objectives and SafePlus recommendations, and provide assurance to Executive Leadership regarding the effectiveness of health, safety and wellbeing arrangements.

The review considers:

- Incident and injury performance.
- Risk management activities and risk profile.
- Critical risk controls and assurance activities.
- Contractor health and safety performance.

RLC – Health & Safety Management System – Annual Review 2025/26

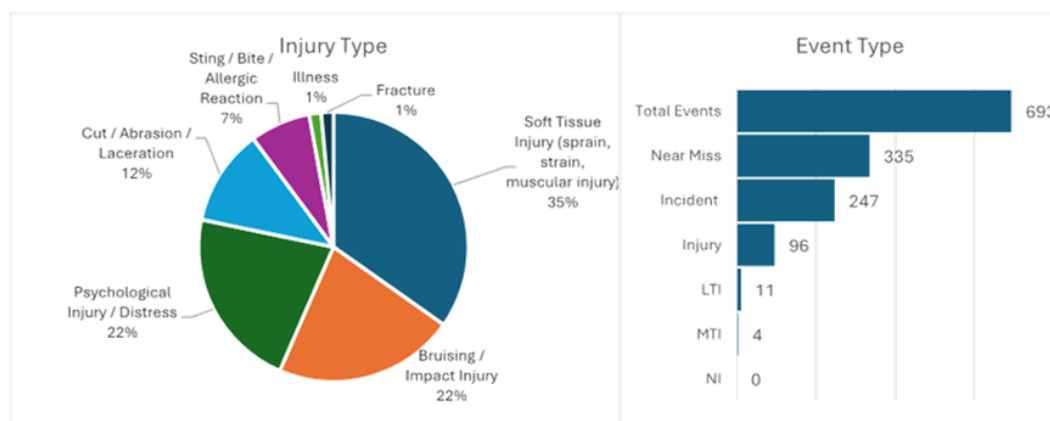
- Worker engagement and participation.
- Officer Due Diligence
- Training, competency and capability.
- Emergency preparedness and response.
- Return-to-work and rehabilitation processes.
- Occupational health monitoring.
- Vehicle and driver safety performance.
- Wellbeing programme outcomes.
- Progress against the SafePlus Implementation Plan.

The review has been completed with reference to the Health and Safety at Work Act 2015, HSW policies, SafePlus assessment outcomes, and good practice principles. The review also supports Officers in demonstrating appropriate due diligence through monitoring the performance and effectiveness of the HSMS.

Incident and Injury Performance

During the reporting period, no Notifiable Incidents were recorded. However, 11 Lost Time Injuries (LTIs) occurred. While these incidents were generally of a lower severity and primarily involved strains, sprains, and other soft tissue injuries, the number remains higher than desired and highlights the need for continued focus on injury prevention initiatives and effective risk controls.

Encouragingly, the overall injury trend is improving. The average injury rate reduced from 9.6 injuries per month during the first six months of the reporting period (July–December) to 6.1 injuries per month during the second six months (January–June). This downward trend suggests that efforts to strengthen incident and injury performance are having a positive impact, although further work is required to sustain this improvement and reduce injury rates further.



Incident Data Quality

The current workflow for ACC documentation limits Health, Safety and Wellbeing's ability to accurately verify lost time associated with workplace injuries. To improve the quality and reliability of injury reporting, all ACC-related documentation should be provided directly to the HSW team. This will enable more accurate tracking and validation of lost time hours, strengthen injury data integrity and improve confidence in the calculation and reporting of key performance measures such as the Lost Time Injury Frequency Rate (LTIFR).

There are several data quality and reporting concerns that warrant attention. The number of lost time injuries (LTIs) exceeds medical treatment injuries (MTIs), which may indicate under-reporting of MTIs or incorrect incident classification. Actions are required to improve future data quality.

Approximately 15–20% of reported events are not health and safety related, including stolen items (e.g., fuel cards and straps), missing equipment, administrative issues, asset faults where no exposure occurred, and customer complaints with no associated risk element. This suggests an opportunity to improve reporting quality.

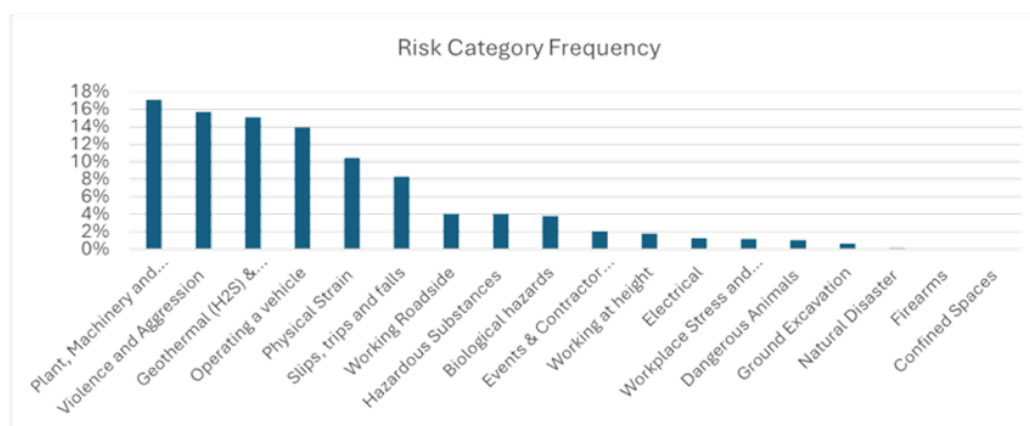
Operational H&S Risk Profile and Risk Management Performance

Risk Profile

Analysis of event reporting data indicates that the most frequently reported risk categories were Plant, Machinery and Equipment (17%), Violence and Aggression (16%), Geothermal and Environment (15%), Operating a Vehicle (14%), and Physical Strain (10%). Together, these categories account for a significant proportion of all reported events and represent the primary areas of reported operational risk exposure across the organisation.

Qualitative feedback from employee engagement and consultation activities, however, suggests that risks relating to workload and fatigue, psychosocial wellbeing, and psychological safety may be underrepresented in event reporting and should continue to be recognised as important organisational risk areas.

RLC – Health & Safety Management System – Annual Review 2025/26



The organisation's risk management framework continues to mature. The consolidation of risk registers and standardisation of risk controls have improved consistency across the organisation, providing greater clarity and alignment in risk management practices and supporting more effective risk identification, assessment, monitoring, and control. This is reflected in strong engagement with risk management activities, with an average of 840 risk assessments completed each month, exceeding the organisational target of 750. While this demonstrates positive participation, activity remains inconsistent across some areas, indicating opportunities to further improve adoption and recording practices.

Since the consolidation and review of the organisational H&S risk register in 2025, no new operational H&S risks have been identified. Event reporting trends, workforce feedback, and assurance activities generally align with the organisation's existing risk profile, suggesting that current critical risks remain appropriately identified. Current control measures are generally effective and provide reasonable confidence that key risks are being managed. While no notifiable incidents occurred during the reporting period and some positive injury trends have been observed, the organisation recorded 11 Lost Time Injuries (LTIs) and injury rates remain higher than desired. These results indicate that further improvement is required to strengthen control effectiveness, address recurring injury causes and achieve the organisation's health and safety performance objectives. Continued monitoring and focused improvement efforts will be essential to drive sustained reductions in workplace harm.

Several opportunities for improvement were identified through the review of reporting and assurance data. Only 5% of events categorised as Geothermal and Environment were directly related to geothermal or hydrogen sulphide (H₂S) exposure, suggesting the category is being applied more broadly than intended. In addition, violence and aggression-related incidents are currently recorded across multiple event categories, limiting the ability to accurately analyse trends. Improving categorisation practices would enhance the quality, consistency, and usefulness of reporting data.

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While the organisation has established critical risk categories and standard controls, critical risk assurance remains a key area for further development. Greater focus is required on validating the effectiveness of critical controls through assurance activities, critical control verification, and the implementation of Bowtie-based risk management approaches. Strengthening these processes will provide greater confidence that controls are operating as intended and are effectively managing critical risk exposures across the organisation.

Risk Assessment Activity

As stated above, risk assessment activity exceeded the organisational target during the reporting period. However, risk assessment activity is not evenly distributed across the organisation. While some departments consistently complete and record assessments, others show limited or no recorded activity. This indicates either inconsistent application of the process or a lack of formal recording within the system. For example, there were no risk assessments completed in period within the Destination Development group.

Improving consistency across all areas remains a key opportunity. The HSW quality assurance programme should extend to include periodic risk assessment review, and dashboard reporting of risk assessments by group.

RLC's Critical Health & Safety Risks

Emerging Risks

No significant new operational health and safety risks were identified during the reporting period. Current reporting trends generally align with the organisation's established risk profile.

However, existing areas require increased attention:

- **Psychosocial Risks:** Employee feedback indicates growing concerns regarding workload, burnout, psychological safety, workplace relationships, and leadership capability. These risks are not currently reflected proportionately in event reporting data and may be underreported.
- **Violence and Aggression:** Violence and aggression continues to represent a significant operational risk, particularly in customer-facing and enforcement-related roles. Improved categorisation and targeted assurance are required to better understand trends and effectiveness of controls.
- **Contractor Management:** Greater oversight and assurance are required to ensure contractor safety arrangements remain effective and consistently applied.
- **Workforce Capability:** Investigation quality reviews highlight capability gaps in root cause analysis and incident investigation methodologies, limiting organisational learning.
- **Asset and Facilities Management:** Ongoing challenges remain in resolving building and facility-related health and safety issues in a timely manner, particularly where responsibility overlaps between operational areas, property, and health and safety functions.

These risks do not currently warrant changes to the organisational risk register but should remain areas of strategic monitoring during 2026/27.

Worker Engagement and Participation

The Health, Safety and Wellbeing (HSW) Committee continues to operate effectively, meeting monthly under the unified committee structure established in 2025. The committee provides an important forum for consultation, worker participation, incident review, and discussion of health and safety matters across the organisation.

Attendance and engagement remain positive, and committee actions have contributed to several health and safety improvements throughout the year. A notable example was the committee's role in raising concerns regarding chemical storage practices at the Nursery. Through worker feedback and committee discussion, the issue was brought to management's attention and subsequently reviewed, resulting in improvement actions being identified.

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While the committee continues to add value, there are opportunities to further strengthen its contribution to the organisation's health and safety assurance framework. Areas for development include greater involvement in assurance activities, workplace inspections, critical control verification, and supporting incident investigation reviews. Expanding the committee's role in these areas would help strengthen worker participation and provide additional oversight of the effectiveness of health and safety controls.

Alignment with the wider Council group is further supported through the HSW Manager's participation in the RotoruaNZ Health and Safety Committee and a dedicated one-day-per-week presence at their premises.

In addition, the organisation continues to operate a dedicated Wellbeing Committee, which meets regularly to support the delivery of wellbeing initiatives and WorkWell objectives, promoting worker wellbeing and a positive health, safety and wellbeing culture across the organisation.

Employee Feedback and Survey Results

Results of the 2026 Engagement Survey results indicate that employees' overall perception of HS&W in council is largely unchanged since the 2025 survey. Further analysis of the written survey responses indicate that Health, Safety and Wellbeing (HSW) management is reasonably strong in traditional safety areas, but that the organisation needs to mature its approach to psychosocial risk, workload management and people leadership; employees are looking for a more holistic and integrated approach to HSW, rather than one focused predominantly on physical safety. The top themes include:

1. **Workload and burnout risk** due to under-resourcing.
2. **Mental wellbeing** needs more attention alongside physical safety.
3. **Psychological safety** concerns around speaking up, bullying and trust.
4. **Work-life balance and flexibility** are highly valued and should be protected.
5. **Supportive teams and managers** are a major wellbeing strength.
6. **Workplace environment improvements** (noise, comfort and facilities) would support wellbeing.
7. **Leadership visibility, communication and recognition** have a significant impact on employee wellbeing.

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Average Question Score by Category



Health and Safety - 2026



Health and Safety - 2025



H&S Assurance Activity

Assurance activity targets were fully achieved for the 6 months the program has been in place.

Assurance Activity	Monthly Avg	Target	Status	Proposed Target	Frequency
Risk Assessments	840	750	Achieved	800	monthly
Critical Control Audit	7	5	Achieved	no change	monthly
Contractor Audit	20	5	Achieved	20	monthly
Safety Audit	253	250	Achieved	no change	monthly
Drug Testing	100%	100%	Achieved	no change	monthly
Wellbeing Participation	22%	10%	Achieved	no change	quarterly
Compliance Training	83%	80%	Achieved	no change	monthly

While most assurance targets were achieved or exceeded during 2025/26, only selected targets are proposed to increase for 2026/27. Current performance has been supported by significant involvement from the HSW team in completing assurance activities; however, sustained achievement of these results will require greater adoption and embedding of expectations across the business, particularly by leaders and contract managers undertaking assurance activities as part of their routine responsibilities.

Given the consistently strong performance achieved, the monthly target for risk assessments is proposed to increase from 750 to 800, and contractor audits from 5 to 20 per month. Critical control audit targets are proposed to remain unchanged, recognising that current levels are appropriate and that further increases should only be considered once assurance expectations are more consistently embedded across operational teams.

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Targets for safety audits, drug and alcohol testing, wellbeing participation, and compliance training are also proposed to remain unchanged, as current performance levels are considered appropriate and sustainable. The wellbeing participation measure will be amended from a monthly to a quarterly target to reflect changes to the wellbeing programme, with activities being delivered on a more staggered basis throughout the year rather than through monthly events.

Random drug and alcohol testing produced no positive results, indicating full compliance among those tested. However, the programme's overall effectiveness is limited by its current coverage, as some safety-critical roles are excluded from testing due to provisions within certain employment agreements. As a result, the positive testing outcomes provide assurance for the groups tested, but do not provide complete assurance that drug and alcohol risks are being effectively managed across all safety-sensitive areas of the business.

Contractor Health and Safety Performance

Five notifiable events were reported to WorkSafe by RLC contractors during the period, with one later identified as not requiring notification.

Contractor management remains an area for improvement, with work currently underway to strengthen oversight. A key initiative in progress is the centralisation of Contractor Safety Site-Specific Safety Plan (SSSP) reviews and contractor induction records. Once implemented, this process will provide greater visibility of who is undertaking work for the organisation, confirm that contractors have completed the required inductions, and ensure SSSPs are reviewed and readily accessible for reference as part of contractor monitoring activities.

Contractor assurance activities exceeded established targets and an average contractor audit compliance pass rate of 96%. However, most assurance checks continue to be undertaken by the Health, Safety and Wellbeing (HSW) team. To strengthen contractor ownership, accountability, and the long-term sustainability of the assurance programme, contract managers and other operational staff need to take a more active role in planning and completing assurance activities, with the HSW team providing support, guidance, and oversight rather than being the primary driver.

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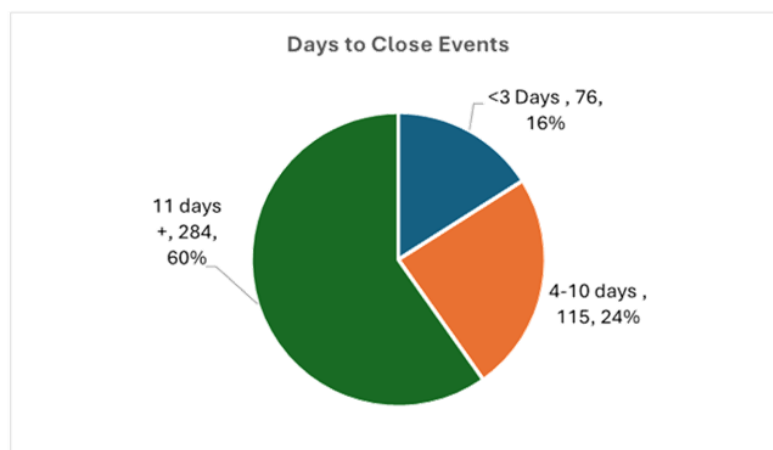
Council Controlled Organisation (CCO) – Rotorua NZ

A key issue requiring resolution is the increasing divergence between Council and RotoruaNZ's (CCO) health and safety management systems. While Council currently provides a dedicated 0.5 FTE health and safety resource to support RotoruaNZ, its health and safety management system has continued to evolve independently and now differs in several areas from Council's framework. This creates a risk that additional health and safety resources may be required in future, while Council retains limited control or oversight of the system being implemented. The existence of separate management systems is not inherently problematic; however, it is important that roles, responsibilities, accountabilities, resource commitments, and service expectations are clearly defined and understood by both parties.

To address this, greater clarity is required regarding the support Council will provide, the expectations placed on RotoruaNZ, and the outcomes to be delivered through a more formalised Service Level Agreement. In summary, the increasing divergence between the two systems highlights the need for more defined accountabilities and agreed resourcing and support expectations.

Reporting & Investigation

Event closure performance remains below the organisational target of 10 days. Of the 693 events during the reporting period, 40% were closed within the target timeframe. The remaining events (60%) took 11 days or more to close. Some extended closure timeframes were attributable to more significant events, such as lost time injuries requiring detailed investigation, engagement with external parties, or corrective actions that could not be fully implemented within 10 days. Anecdotally, several other events remained open in Vault despite being completed, impacting closure performance.



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While monthly follow-up reporting to Health and Safety Representatives and automated Vault escalations have been introduced to improve timely closure, a high proportion of events continue to exceed the 10-day target, indicating that current controls are not yet achieving the desired level of compliance.

In addition to timeliness concerns, quality assurance reviews of completed investigations have identified opportunities to improve investigation quality and the depth of learning derived from events. Investigation findings are frequently attributed to broad causes such as failure to follow procedure, unaware of potential risk, and inattention/lack of awareness. While these factors may contribute to an event, they often describe what happened rather than why it happened. Consequently, investigations are not consistently identifying the underlying organisational, system, leadership, environmental, or process factors that contribute to incidents. This limits the organisation's ability to identify meaningful trends, implement effective corrective actions, and prevent recurrence.

To address this, leaders and managers require additional support and capability development in incident investigation techniques, including root cause analysis and the identification of contributing factors beyond individual behaviour. While the HSW team could undertake a greater proportion of investigations directly, doing so would remove ownership of investigations from accountable managers, reduce opportunities for operational learning, and weaken accountability for managing risk within their areas of responsibility. Instead, the preferred approach is to build investigation capability across the business while maintaining clear accountability with leaders and managers.

Training, Competency and Capability

Mandatory training completion rates have continued to perform above target. This has been supported by a proactive monitoring process and ongoing engagement with leaders to ensure training requirements are completed within required timeframes.

The organisation is well equipped to assist with the implementation of the risk-based traffic management framework, replacing the former CoPTTM model. While the industry training framework is still being finalised, RLC has taken a proactive approach by developing an interim training and competency verification process in consultation with experienced traffic management consultants. This ensures we continue to meet compliance obligations and maintain workforce capability throughout the transition period.

Return to Work / Rehabilitation

A review of Council's Return to Work (RTW) processes has identified a lack of clarity regarding the respective roles and responsibilities of the Health, Safety and Wellbeing (HSW) team and Human Resources Business Partners (HRBP) in managing workplace injury and rehabilitation cases. This has resulted in inconsistencies in the coordination and oversight of RTW activities, creating gaps in case management and reducing confidence that employees are receiving timely and structured support throughout their recovery and return to work.

To address this, the RTW Policy and supporting procedures are currently under review. The proposed approach will see HSW take responsibility for initiating and coordinating the RTW process for all workplace injury cases, ensuring appropriate rehabilitation planning, monitoring, and liaison with employees, managers, medical providers, and ACC. Responsibility would remain with HSW unless the case develops into a broader employment matter requiring HRBP involvement. This clearer delineation of responsibilities will strengthen accountability, improve case management consistency, and support better recovery and return to work outcomes for injured employees.

Emergency Preparedness & Response

A programme of work is currently underway to review and update Council's Emergency Management Plans (EMPs). As part of this initiative, a new standardised EMP template has been developed to align with current best practice and provide a consistent approach to emergency management across Council facilities. The template incorporates a broader range of emergency scenarios and response requirements than previous versions. To date, two updated EMPs have been completed and submitted to Fire and Emergency New Zealand (FENZ) for approval.

The review has highlighted that many existing EMPs have not undergone a comprehensive update for several years. While the Library EMP was last reviewed in 2019, plans for several other facilities are significantly older. The current programme aims to address these gaps by ensuring all emergency plans are contemporary, compliant, and capable of effectively supporting emergency response and evacuation activities.

The remaining EMPs will be reviewed, updated, and submitted to FENZ by the end of the calendar year. Once complete, this work will establish a consistent and robust emergency management framework across Council facilities and improve organisational preparedness for a range of emergency situations.

In addition, following a hoax bomb threat in June, Council is reviewing its bomb threat response procedures to assess the effectiveness of current processes, decision-making responsibilities, communication protocols, and evacuation arrangements. Lessons

identified through this review will be incorporated into the updated EMPs, ensuring any improvements are embedded within Council's broader emergency management framework and further strengthening preparedness for security-related incidents.

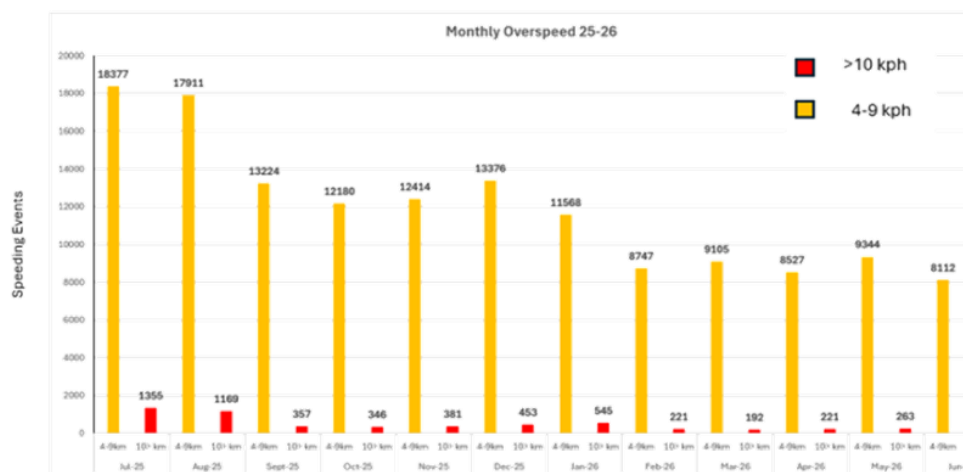
Vehicle Safety and Driver Behaviour

Fleet telematics data shows a significant improvement in speed compliance over the reporting period, with overspeed events reducing across both monitored categories. Events in the 4–9 km/h overspeed range decreased from 18,377 in July 2025 to 8,112 in June 2026, representing a reduction of approximately 56%. Higher-risk overspeed events, where vehicles exceeded the speed limit by more than 10 km/h, reduced even more significantly, falling from 1,355 events in July to 161 events in June, an 88% decrease.

The data indicates that the implementation of the Speed Monitoring Policy has been effective in reducing speeding, particularly in relation to events exceeding 10 km/h over the posted speed limit. However, while the policy has successfully influenced the behaviours it targets, it currently focuses only on higher-level speeding events. A substantial number of lower-level overspeed events continue to occur, with more than 8,000 instances recorded in the 4–9 km/h category during June alone. Although individually less severe, the frequency of these events indicates that speeding remains a significant fleet safety risk and suggests there is an opportunity to further strengthen expectations around safe driving.

To continue improving fleet safety performance, consideration should be given to lowering the threshold at which formal intervention is triggered. Adopting a 5 km/h threshold for formal action would align performance management more closely with the identified risk profile and reinforce the expectation that drivers comply with posted speed limits at all times. This would enable earlier intervention, helping to reduce the overall volume of speeding events and further improve safety outcomes across the fleet.

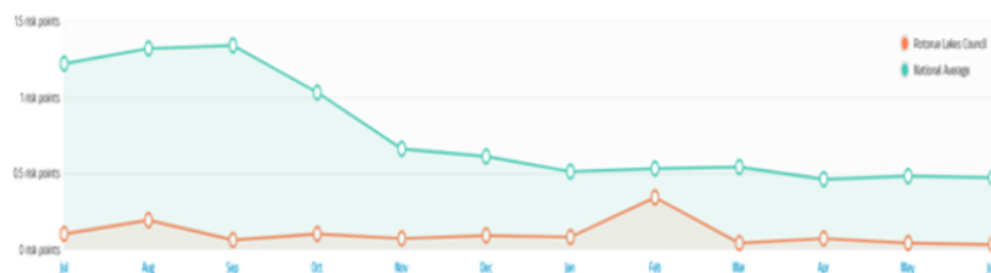
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Argus Benchmark Data

Vehicle Speeding - Risk points per 100km (Average per Vehicle per Month)

Risk Points per 100km (Average per Vehicle per Month)



Wellbeing Programme Performance

The WorkWell Committee continues to play an active role in supporting employee wellbeing across Council, meeting regularly to guide initiatives, coordinate activities, and deliver an annual calendar of wellbeing events. Participation in wellbeing activities has remained strong, consistently exceeding the organisational target of 10% staff participation per month, demonstrating ongoing engagement and interest from employees.

Council has been part of the Toi Te Ora WorkWell Programme for the past six years and currently holds Gold Accreditation, reflecting a longstanding commitment to workplace health and wellbeing.

Toi Te Ora is introducing a new Platinum WorkWell Programme, and Council intends to apply to transition to this next level of accreditation. The new framework presents an

opportunity to further mature Council's wellbeing approach. Under the revised model, the committee will be able to focus on four core wellbeing priorities rather than the previous eight, while retaining the flexibility to address additional areas identified as important to our workforce. This change will provide greater autonomy for the WorkWell Committee, with less direct oversight from the Toi Te Ora Advisor and increased ability to design and deliver initiatives that are tailored to Council's specific needs and challenges.

This evolution aligns well with the emerging psychosocial risks and wellbeing themes identified through the recent employee engagement survey. It provides an opportunity for Council to move beyond activity-based wellbeing initiatives and adopt a more strategic, targeted approach that addresses the factors having the greatest impact on employee health, wellbeing, engagement, and performance. By leveraging the flexibility offered through the Platinum framework, the WorkWell Committee is well positioned to deliver meaningful and sustainable wellbeing outcomes for staff.

Occupational Health Monitoring

The organisation's occupational health monitoring programme is operating effectively, with workers participating in pre-employment health assessments and scheduled annual health monitoring undertaken by occupational health nurses. These activities provide assurance that health risks associated with work-related exposures are being identified and managed appropriately.

Following the integration of InfraCore, a review identified gaps in its occupational health and biological monitoring arrangements, with monitoring programmes not being as robust or comprehensive as expected. To address this, a structured, risk-based approach is being applied to assess exposure risks, identify monitoring requirements, and progressively incorporate affected workers into the organisation's occupational health monitoring programme.

Officer Due Diligence

The 2025 SafePlus assessment identified an opportunity to further strengthen health and safety governance through targeted training for Officers and the development of a formal due diligence framework. These initiatives are intended to ensure a consistent understanding of Officer responsibilities under the Health and Safety at Work Act (HSWA) and provide a structured approach to meeting due diligence obligations.

During the reporting period, a significant step towards addressing this recommendation was the introduction of regular Health, Safety and Wellbeing (HSW) reporting to the Audit and Risk Committee. As elected members are considered Officers under HSWA,

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this reporting provides Councillors with increased visibility of health and safety performance, critical risks, incidents, assurance activities, and improvement initiatives. This contributes directly to the six due diligence duties of Officers by supporting them to:

- **Acquire and keep up-to-date knowledge of health and safety matters** through regular reporting and discussion of key HSW issues.
- **Understand the nature of the organisation's operations and associated risks** through insights into operational activities, critical risk controls, incidents, and emerging hazards.
- **Ensure appropriate resources and processes are available and used** by providing governance oversight of HSW programmes, initiatives, and investment requirements.
- **Ensure processes are in place for receiving and considering information about incidents, hazards and risks** through structured reporting and escalation mechanisms.
- **Ensure processes are implemented for complying with legal duties and obligations** by monitoring assurance activities, audits, corrective actions, and compliance requirements.
- **Verify the provision and use of resources and processes** through performance monitoring, governance review, and engagement with health and safety matters.

Further demonstrating due diligence in practice, the Chief Executive and Health, Safety and Wellbeing Manager jointly undertook two site visits during the year. These visits provided an opportunity to engage directly with workers, observe work activities and safety controls, discuss operational risks, and gain first-hand assurance that health and safety systems and processes are being effectively implemented. This visible leadership commitment strengthens governance oversight and supports the verification aspects of Officer due diligence.

SafePlus Assessment – H&S Implementation Progress

The annual review of the Health and Safety Management System (HSMS) indicates good progress has been made against the SafePlus Implementation Plan, with 12 of 33 actions completed. Significant improvements have been achieved in governance, assurance and risk management foundations.

Key achievements during the review period include the development of the HSW Strategy, establishment of a formal assurance programme, review of the Health and Safety Committee structure, unification of the HSW team, consolidation of the organisational risk register, and development of incident management processes.

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These initiatives have strengthened organisational oversight, accountability and consistency across the HSMS.

The primary opportunities for further improvement relate to critical risk management, including implementation of Bowtie analysis, review of the Health and Safety Risk Management Policy, integration of risk management tools and validation of critical controls. Additional future priorities include development of an Officer due diligence framework, formal escalation pathways for unresolved health and safety issues, and further integration of health and safety considerations into organisational decision-making processes.

The progress achieved to date demonstrates that the organisation is responding positively to the SafePlus recommendations and is building a more proactive, risk-focused and continuously improving health and safety management system.

Key Achievements During the Review Period

Key achievements during the review period include:

- Zero WorkSafe notifiable incidents recorded.
- Reduction in average monthly injury rates from 9.6 injuries per month to 6.1 injuries per month.
- Establishment of a formal health and safety assurance programme.
- Achievement of all established assurance programme targets.
- Development and promotion of HSW Strategy.
- Development of integrated health and safety dashboards and event reporting systems.
- Successful integration of Vault & Safety Culture health and safety systems.
- Completion of 12 of 33 SafePlus implementation actions.
- Consolidation of multiple risk registers into a single organisational framework.
- Establishment of organisational critical risks and standardised critical controls.
- Improved health and safety reporting capability and access to performance data.
- Development of updated Emergency Management Plans for Civic Centre and RotoruaNZ facilities.
- Increased participation and engagement in wellbeing initiatives.
- Significant improvements in fleet speed compliance following implementation of the speed monitoring policy.
- Continued successful operation of unified HSW and Wellbeing Committee structures.

Challenges and Areas for Improvement

The review identified several ongoing challenges requiring continued attention:

- Injury rates, while improving, remain higher than desired, particularly manual handling - soft tissue injuries.
- Violence and aggression continues to be a significant operational risk requiring enhanced monitoring and assurance.
- Vehicle-related risks remain among the highest reported operational risks.
- Event reporting data quality requires improvement, including event categorisation and injury classification.
- Event investigations are often completed at a superficial level and do not consistently identify underlying organisational or system causes.
- Event closure timeframes remain below target, with many overdue investigations and delayed system closeout.
- Contractor management processes require further strengthening and centralisation.
- Diverging HSMS approaches across RLC and CCO partners (RotoruNZ) may result in unclear HSMS ownership, accountability gaps, and insufficient resourcing to effectively implement and sustain health, safety and wellbeing requirements.
- Emergency Management Plans require completion and ongoing review.
- Psychosocial risk management maturity remains lower than traditional physical safety management.
- Some safety-critical roles remain outside current random drug and alcohol testing arrangements.
- Facilities-related health and safety issues are not always resolved efficiently due to fragmented reporting and ownership arrangements between Property and operational teams.

Continuous Improvement Actions

Critical Risk Management

- Complete Bowtie analysis for all critical risks.
- Develop critical control validation and verification processes.
- Increase violence and aggression assurance activities.
- Monitor and report on speeding data monthly, including the identification and analysis of top-tier speeding offenders.
- Complete a gap analysis of safety-sensitive positions not currently covered by random drug & alcohol testing.
- Complete gap analysis of risk assessment completion across work areas.
- Complete remaining SafePlus actions.
- Complete contractor management procedure improvements.

Leadership and Accountability

- Introduce regular reporting of overdue investigations and corrective actions to senior leadership.
- Recommend to the Executive team the inclusion of a monthly assurance audit target (including contractor inspection) for all people-leaders.
- Develop investigation capability through leader training and coaching.

Assurance and Monitoring

- Implement revised H&S assurance.
- Expand quality assurance reviews of investigations and risk assessments.
- Increase operational leader participation in assurance activities.

Governance

- Develop the Officer due diligence framework duties in accordance with SafePlus assessment recommendations.
- Establish a more formalised Service Level Agreement, including more defined accountabilities, and agreed resourcing and support expectations.

Worker Participation & Engagement

- Establish and implement clearly defined Health and Safety Representative duties, with role expectations documented, communicated, and consistently applied across workgroups.

Systems and Data

- Establish formal escalation pathways for unresolved health and safety issues.
- Improve event categorisation and reporting quality within Vault.
- Introduce investigation timeframe allocation during event triage.
- Improve injury classification and lost-time data validation processes.
- Consolidate current violence and aggression related categories into one category.
- Implement revised return to work procedures.
- Workflow ACC documentation to HSW team to enable accurate recording of lost time hours.
- Report in monthly dashboard RTW plans in progress and LTIF/LTIFR.

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Wellbeing and Psychosocial Risk

- Develop and Implement Wellbeing Roadmap with targeted actions to address key areas for improvement based on survey feedback.
- Strengthen psychosocial risk assessment and monitoring processes.
- Implement a structured wellbeing support programme to strengthen mental wellbeing awareness, encourage early intervention, and improve access to appropriate support services.

Emergency Preparedness

- Complete review of all Emergency Management Plans.
- Finalise bomb threat response improvements.
- Undertake emergency response exercises using updated procedures.

Conclusion

The organisation has made considerable progress during the review period, particularly in strengthening governance, assurance, reporting, risk management foundations and worker participation. Progress against the SafePlus implementation programme demonstrates a positive commitment to continuous improvement and a more proactive approach to managing health and safety risks.

The findings of this annual HSMS review indicate an overall internal performance rating of Developing/Performing. This represents a positive advancement from the 2025 SafePlus assessment outcome of Developing, reflecting the substantial work undertaken to address identified improvement opportunities and strengthen key system elements. While further maturity is required in several areas, the organisation is demonstrating clear evidence of improved capability, greater system integration and a more consistent approach to health, safety and wellbeing management.

There is reasonable confidence that current controls are managing risks effectively, as evidenced by the absence of notifiable incidents, strong assurance results and improving injury performance. However, the review also highlights several areas requiring ongoing leadership attention, including critical risk management maturity, investigation quality, contractor oversight, psychosocial risk management, event closure performance, and accountability for timely resolution of safety issues.

Overall, the organisation is transitioning from a compliance-focused approach toward a more mature, risk-based health, safety and wellbeing system. Continued investment in leadership capability, assurance, critical risk management and organisational learning will be essential to sustaining this progress and achieving further improvements in health, safety and wellbeing outcomes.



Infrastructure Insurance Guide

Local Government Clients



2025-26

Prepared by Aon, April 2026

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1. Summary

1.1 Purpose of this guide

This document provides a high-level explanation of the Local Authority Infrastructure Insurance Policy 2025-26. It is designed to help councils understand:

- What the policy does and does not cover.
- How limits, sub-limits and deductibles work (including the 40% insurance share).
- How the Infrastructure programme interacts with Central Government 60/40 cost-sharing.
- What councils should do before and after an event to support efficient, successful claims.

It is a guide only. The actual contract of insurance is the policy wording, policy schedule, endorsements and the Schedule of Values (SoV). Where there is any inconsistency between this guide and the insurance contract, the insurance contract prevails.

1.2 How this guide relates to the policy wording and schedule

Capitalised terms used in this guide (e.g. Sum Insured, Limit of Liability, Council Sub-Limit) have the meanings given in the Infrastructure policy wording. Full definitions are set out in Section 6 of the wording and reproduced in Appendix 1 of this guide for convenience.

If you are unsure about coverage, interpretation or claims, you should contact your Aon broker in the first instance.



2. Changes from the 2024-25 to 2025-26 Wording

2025-26 wording – summary of key updates

The 2025-26 Infrastructure wording operates in the same way in practice as the 2024-25 wording. The main components of cover (40% insurance share, Council Sub-Limits, Additional Coverages and the relationship to the Limit of Liability and deductibles) are unchanged. The 2025-26 wording primarily:

Clarifies the “Maximum amount payable” section (Section 3.1)

- more explicitly confirms that the insurer’s liability is limited to the 40% share of:
 - the overall Limit of Liability;
 - each Council Sub-Limit; and
 - each applicable Sub-Limit.
- confirms that Claims Preparation Costs remain covered at 100% of the stated sub-limit, not restricted to 40%.

Re-states how Additional Coverages sit alongside Sums Insured and Council Sub-Limits

- re-emphasises that:
 - Section 1 coverages - Property in the Incidental Course of Construction or Erection, Expediting Costs, Extra Expense, Automatic Acquisitions and Unspecified Items - apply in addition to Sums Insured but are still subject to each council’s Sub-Limit; and
 - Section 2 coverages - AICOW, Enablement Costs and Claims Preparation Costs - apply in addition to either the Sum Insured or Council Sub-Limit(s) and are shared across all councils but remain constrained by the Limit of Liability.

Updates to the Extra Expense clause

- the Extra Expense clause has been broadened to respond to costs associated with reinstatement or replacement of damaged Property Insured (previously reinstatement only); and
- new wording has been added to include costs for retaining walls and other site improvements, and for preparing or clearing a site or location where these are necessary to reinstate or replace damaged Property Insured.

No material change to event period, perils or core coverages

- the 2025-26 wording retains the 168-hour aggregation period for flood events, the same Natural Catastrophe Event definition and the same set of Additional Coverages (AICOW, Enablement, Extra Expense, Expediting, Automatic Acquisitions, Unspecified Items, Claims Preparation Costs, etc.). There is no change to the underlying risk being insured, the insured perils, or the 40%/60% framework.

**Endorsements carried forward**

- the endorsement section continues to include market-standard exclusions (e.g. war, terrorism, radiation, communicable disease) and negotiated land / land improvement wording similar to the 2024-25 placement. There are no new endorsements that materially reduce the scope of cover; any refinements are largely presentational and designed to make the application of existing exclusions clearer.

Summary

- there are no material changes to how the 2025-26 policy would respond to a claim compared with 2024-25. The wording has been further tidied to reduce ambiguity and to clearly express the existing intent around the 40% share, Limits of Liability, Council Sub-Limits and the treatment of Claims Preparation Costs.



3. Scope of Policy Coverage

3.1 Insuring Clause – What is Covered

The Insuring Clause provides that:

The insurer will indemnify the insured for direct physical loss or Damage to Infrastructure assets, and for certain specified Business Interruption losses (AICOW, Expediting Costs, Enablement Costs), caused by a covered Natural Catastrophe Event, subject to the policy's terms, conditions, exclusions, Sums Insured, Sub-Limits, Council Sub-Limits and the Limit of Liability.

3.2 Infrastructure assets typically insured

Infrastructure assets that are typically insured under this policy are:

- Three waters: water supply, wastewater, and stormwater.
- River management and flood protection assets.
- Other below-ground and linear infrastructure.
- Some ancillary/legacy assets where councils elect to include them.

Infrastructure can be both above-ground and below-ground. The allocation of assets between Infrastructure and MDBI programmes should be based on their predominant exposures:

- Assets exposed only to natural catastrophe (e.g. underground pipes, stopbanks, detention dams and pipe bridges) are generally suited to the Infrastructure policy.
- Assets exposed to wider perils (e.g. treatment plants, pump stations, buildings) are often better insured under MDBI, which covers a wider range of causes of damage (e.g. fire, explosion or vehicle impact) but at 100% rather than 40%.

Where a site has both above- and below-ground components, councils should determine which policy best matches the primary risk profile. In all cases, asset values and locations need to be accurately declared on the relevant SoV. Assets not declared on the SoV are assumed to be either uninsured or intentionally retained.

If a site or asset is insured on a typical MDBI policy, this usually covers all assets that are declared and included in the reinstatement valuation (both above- and below-ground), up to the site boundary.



4. Policy / Programme Limit and Sub-Limits

4.1 Overall Limit of Liability

The Limit of Liability is the programme's maximum insurance capacity for any one Event, stated in 100% terms.

Example:

- If the Limit of Liability is NZD 300m (100%), insurers will pay up to NZD 120m (40%) in total across all councils for that Event, subject to Council Sub-Limits and Sub-Limits.

This overall limit is set with reference to:

- Loss modelling and risk analysis.
- Underwriter appetite and insurance capacity.
- Affordability and councils' risk appetite.

4.2 Council Sub-Limits

Each participating council has a Council Sub-Limit that caps the maximum amount payable for that council's losses in any one Event.

In simple terms, for each council:

- Each damaged asset is limited by its own Sum Insured.
- The sum of all damaged assets (including relevant asset-level sub-limits) is then capped by that council's Council Sub-Limit.
- All councils' claims together are then capped by the programme Limit of Liability.

Council Sub-Limits are set by each council, with Aon's support, based on:

- Exposure and loss modelling results.
- Risk appetite (how much loss council is prepared to retain).
- Insurance capacity and pricing.

4.3 Other Sub-Limits

The policy also includes coverage-specific Sub-Limits for AICOW, Enablement Costs, Extra Expense, Expediting Costs, Automatic Acquisitions, Unspecified Items and Claims Preparation Costs.

Key points:

- Some Sub-Limits are effectively per council (for example, Expediting Costs up to a percentage of that council's Sub-Limit).
- Other Sub-Limits (for example AICOW, Enablement Costs and Claims Preparation Costs) are shared across all councils impacted by an Event and apply in addition to either the Sum Insured or Council Sub-Limits but are still constrained by the overall Limit of Liability.



- All Sub-Limits are shown in the Schedule in 100% terms. In practice, insurers will pay 40% of those limits, with the single exception of Claims Preparation Costs, which are payable at 100% of the Claims Preparation Costs sub-limit (subject to reasonableness and the overall Limit of Liability).

It is important to ensure that the applicable sub-limits are set appropriately as there are potential events that can create losses greater than policy limit and sub-limits.

We also recommend that all councils review their programme / policy and sub limits prior to each renewal to ensure they are adequate.

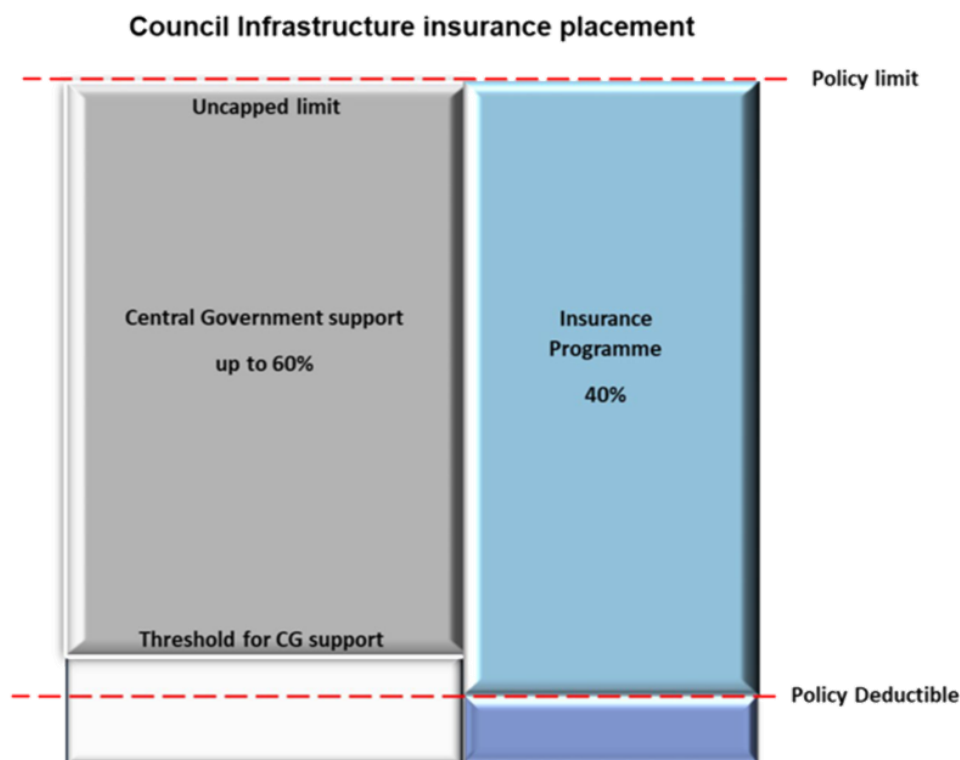


Figure 1: Sample council Infrastructure placement showing deductible and limit. Note the limits/deductibles on the policy are shown as 100% (the red dotted line), but the placement (and application) is 40%. So, for a \$100m policy limit, a council has up to \$40m available from the insurance policy and a \$1m deductible means that \$400k will be the deductible the insurers will apply to the insured portion.



5. Understanding the Local Authority Infrastructure Policy 2025-26

5.1 Reinstatement vs Indemnity – The “Two Paths”

The policy is designed primarily to fund reinstatement (new-for-old) where council reinstates or repairs damaged assets with reasonable dispatch.

Reinstatement (default path)

If council reinstates or repairs damaged assets with reasonable dispatch:

- For a total loss, the policy responds to the cost of replacing the asset with a similar asset “as new”.
- For a partial loss, it responds to the cost of repairing the damaged portion so that the overall asset is restored to an “as new” condition.
- Settlements are subject to Sums Insured, Sub-Limits, Council Sub-Limits, the Limit of Liability, deductibles and all policy terms.

Indemnity

If reinstatement is not commenced and carried out with reasonable dispatch, or if council elects not to reinstate, the insurer’s liability is limited to the indemnity value at the time of loss – essentially the depreciated “as was” value of the asset.

If council chooses to take a cash settlement and not reinstate, it should expect settlement on an indemnity basis and should factor that into decision-making.



6. Maximum Amount Payable and Deductible

6.1 Maximum Amount Payable

Under Section 3.1 of the policy:

- The maximum amount payable by the insurer during the Period of Insurance is the 40% share of the overall Limit of Liability.
- If multiple items are included in the SoV, the insurer's liability for each item is limited to 40% of the Sum Insured for that item.
- If a Sub-Limit or Council Sub-Limit applies, the maximum payable is 40% of that sub-limit or Council Sub-Limit, except for Claims Preparation Costs, which are covered at 100% of the stated sub-limit.
- Where multiple Sub-Limits and/or Council Sub-Limits apply, they may stack, but the total payable cannot exceed 40% of the Limit of Liability (again, except for Claims Preparation Costs).

6.2 Deductible

The Deductible (sometimes called the excess) is specified in the Schedule and applies to the first part of any claim – that is, the amount (in 100% terms) that must be exceeded before the policy responds.

The deductible is defined within the policy wording as follows:

3.2 Deductible

This Policy is subject to the applicable Deductible to each Natural Catastrophe Event set out in the Schedule per Event.

Should more than one Deductible apply under this Policy for any claim or series of claims arising from one Event, the Deductibles shall not be aggregated, and the highest single Deductible shall apply.

The applicable Deductible shall apply to 100% of any loss, meaning it applies to both the 40% insured portion (where insurers have a percentage share of the risk) and the 60% portion where the Insured may (or may not) receive a payment from central government.

Examples of the deductible being applied:

- If a council has a \$1m deductible and suffers a \$900k loss, there is no claim (the loss falls entirely within the deductible).
- If the loss is \$1.1m, the deductible still applies to the first \$1m, leaving \$100k of net claimable costs. Assuming the loss is accepted by insurers, the Infrastructure Policy would respond for 40% of \$100k = \$40k.

The deductible shall apply to 100% of the loss in respect of any claim rather than the 40% portion insured by Insurers.

In practical terms, councils should treat the deductible as a self-insured layer: many small and medium-sized events will fall wholly within it. Knowing your current deductible and reflecting it in financial planning and risk modelling is essential.



6.3 Above-deductible losses – worked example

Assume:

- Deductible: \$500,000 (100%)
- Total reinstatement costs (100%): \$1,000,000

Step 1 – Apply the deductible (100% terms):

- Total reinstatement costs: \$1,000,000
- Less deductible: (\$500,000)
- Net claimable costs (100%): \$500,000

Step 2 – Apply the 40% insurance share

- Insurance settlement (subject to policy terms): $40\% \times \$500,000 = \$200,000$

In this scenario, council would typically look to:

- recover \$200k from the Infrastructure Policy (40% share);
- seek up to 60% of eligible costs from Central Government under the 60/40 approach and NEMA's criteria; and
- fund any residual amount and ineligible costs itself.

It is important to note that insurers and Central Government apply different eligibility rules and cost definitions. As a result, the final contribution split may not equate to an exact 60/40 split across every cost category.

6.4 Below-deductible losses and NEMA thresholds

Where total eligible costs do not exceed the Infrastructure policy deductible, no payment is made by insurers. However:

- councils may still be able to claim up to 60% of qualifying costs from Central Government (subject to prevailing thresholds and criteria), with the remaining 40% funded by the council;
- councils should understand any relevant NEMA threshold(s) that apply to them (e.g. minimum aggregate loss level to trigger support); and
- the same standards of documentation and cost coding should be applied for below-deductible events as for insured events.

6.5 Group limit of liability and allocation if the limit is exceeded

When the overall group Limit of Liability is approached or exceeded by aggregate claims from multiple councils:

- each council's claim is first assessed at 100% terms (using Sums Insured and Council Sub-Limits) and deductibles are applied;



- if the sum of these net claims (100%) is less than or equal to the Limit of Liability (100%), each council's claim is assessed in the usual way, with the insurer paying 40% of each council's validated net claim;
- if the sum of net claims (100%) is greater than the Limit of Liability (100%), the group limit is allocated pro-rata across councils based on their share of the total net claims, and the 40% share is applied to those adjusted amounts.

Allocation is driven by:

- declared values (Sums Insured);
- deductibles and sub-limits; and
- the relative scale of each council's loss.

As large events can exhaust the group limit, councils in a group arrangement are encouraged to have a Memorandum of Understanding (MOU), prepared with independent legal advice, that sets out how any shortfall will be managed and apportioned among members.



7. Key Policy Highlights

The following is a non-exhaustive list of the additional coverages available within the infrastructure policy. Some apply in addition to the Sum Insured for an asset but remain subject to the Council Sub-Limit; others (AICOW, Enablement, Claims Preparation Costs) apply in addition to Sum Insured or Council Sub-Limits and are shared across councils, subject to the Limit of Liability.

Please refer to your specific policy schedule for details on the limit amounts. It is recommended that these limits are reviewed on a regular basis to ensure they are sufficient. Below each of the additional coverages below is an example of how the clause may operate in the event of a claim. It is important to note that these examples are generic, they are not specific and whether the coverage is available to any specific claim depends on the facts of your claim.

Additional Increased Cost of Working (AICOW) and Enablement Costs

Policy definition:

5.12 Additional Increase in Cost of Working and Enablement Costs

5.12.1 Coverage Provided

The insurance under this specification is limited to (i) Additional Increase in Cost of Working and (ii) Enablement Costs and the amount payable as indemnity there under shall be:

- (a) In respect of Additional Increase in Cost of Working: the Additional Increase in Cost of Working necessarily incurred during the Indemnity Period in consequence of the physical loss or damage for resuming or maintaining the Business;
- (b) In respect of Enablement Costs specifically for Water Supply, Wastewater and Stormwater (Threewaters) or flood protection systems property only the additional expenditure necessarily and reasonably incurred for the sole purpose of maintaining functionality of these systems whilst effecting a repair in consequence of the physical loss or damage.

This coverage is subject always to the Sub-limit stated in the Schedule of this Policy.

5.12.2 Definitions

(a) Indemnity Period

The period beginning with the occurrence of the physical loss or damage and ending not later than the INDEMNITY Period (as stated in the Schedule) thereafter during which the results of the Business shall be affected in consequence of the physical loss or damage.

(b) Business

Business shall mean all activities undertaken, or intended to be undertaken, by the Insured at an Insured Location including Water Supply, Wastewater, Stormwater and Flood Protection systems operator.

Example of application:

AICOW and Enablement Costs are Business Interruption covers. This means that they are only available if Damage occurs to an asset declared on the SoV (the Material Damage component of the insurance policy needs to be triggered).

Examples where AICOW and Enablement Costs can be applied include:

- temporary detention or storage structures to allow reinstatement of permanent assets;
- bypass pipes and pumps installed to keep networks functioning until full repairs can be made.

**Note:**

The indemnity period (the time-period where this coverage can be applied) is 36 months from the date of loss.

The start date of this time-period can be delayed if access to a location is denied for an extended period due to a red-zone type edict by either the Emergency Services or by a Central Government entity.

Automatic Acquisitions

Policy definition:

5.1 Automatic Acquisitions

This Policy insures property commissioned or acquired by the Insured after the inception date of this Policy for a period of ninety (90) days from the date of such commission or acquisition of such property, or until agreement is reached that the property will not be covered by this policy, whichever is sooner.

This policy does not insure property at such newly acquired property that are proved to be insured in whole or in part by any other insurance policy. If such property is not reported to the Insurer(s) after ninety (90) days of acquisition, it will not be covered by this Policy.

Upon expiry of the ninety (90) day period, the terms and Conditions of coverage of any such acquisition are to be agreed by the Insurer(s).

This coverage is subject to the Sub-Limit stated in the Schedule of this Policy.

Example of application:

Assets that are either built (commissioned) or acquired are automatically covered for 90 days. However, agreement to cover these assets beyond 90 days must be agreed with the underwriters. The value of asset that can be covered under this agreement is 5% of the total declared in the Schedule of Values or \$10,000,000 (whichever is greater).

Claims Preparation Costs

Policy definition:

5.13 Claims Preparation Costs

It is understood that this Policy covers such reasonable professional fees as may be payable by the Insured, and such other reasonable expenses necessarily incurred by the Insured and not otherwise recoverable, for preparation, negotiation and settlement of claims under this Policy and the Insurer(s) shall indemnify the Insured for such reasonable fees and expenses.

Subject always to the Sub-limit stated in the Schedule.

The Claims Preparation Costs clause provides cover for:

- reasonable professional fees;
- other reasonable expenses necessarily incurred and not otherwise recoverable; and
- For the preparation, negotiation and settlement of claims under the Infrastructure Policy.


Key points:

- Claims Preparation Costs are subject to a specific sub-limit in the Schedule (e.g. NZD 1.5m each and every loss).
- This is the only sub-limit that is not limited to 40% - insurers reimburse 100% of eligible claim preparation costs up to the stated sub-limit.
- Eligible costs generally include reasonable professional fees and other expenses directly related to the preparation, presentation, negotiation and settlement of Infrastructure Policy claims.

Aon Risk Accounting and NEMA support

Aon recommends early engagement of Aon's Risk Accounting Team (or other professional claim preparers) for significant events. This team:

- works with council staff to gather and structure the necessary information.
- prepares and submits Infrastructure claims to Loss Adjusters and insurers.
- helps identify and evidence all recoverable cost categories (reinstatement, AICOW, Enablement, Extra Expense, Claims Preparation Costs).

Professional fees incurred for preparing the Infrastructure Policy claim are generally recoverable under the Claims Preparation Costs sub-limit, subject to reasonableness and overall limits.

Where council also uses the team to support NEMA or Central Government 60% claims, those NEMA-related preparation costs are usually fully at council cost, as Government support is normally focused on direct reinstatement costs and not claim preparation fees.

Expediting costs

Policy definition:
5.6 Expediting Costs

This Policy covers the reasonable and necessary costs incurred to pay for the temporary repair of insured Damage to Property Insured and to expedite the permanent repair or replacement of such Damaged property.

This Additional Coverage does not cover costs:

- recoverable elsewhere in this Policy; or
- of permanent repair or replacement of Damaged property.

This coverage is subject always to the Sub-limit stated in the Schedule of this Policy.

Example of application:

Following a loss, a part needed for repair is only available from overseas. The options are to either fly the component or send it via ship. Flying is more expensive, but by expediting the transfer, this reduces the overall cost / impact of the loss to the business and reduces the overall quantum of the claim.



Extra Expense

Policy definition:

5.9 Extra Expense

Indemnity under this Policy shall in be extended to include Extra Expenses incurred by the Insured as a result of Damage to Property Insured.

Extra Expense shall mean the following:

- (i) the reasonable extra expenses incurred, caused by the effect of escalation in the costs of labour, plant, equipment, materials and services due to demand during reinstatement or replacement of the Damaged Property Insured.
- (ii) the reasonable extra costs for the acceleration of the reinstatement or replacement of the Damaged Property Insured or to expedite repairs or progress at a faster rate than previously achieved to help mitigate escalation in costs.
- (iii) costs incurred in constructing retaining walls and/or other site improvements which are necessary to reinstate or replace Damaged Property Insured.
- (iv) costs incurred in preparing or clearing a site or location for reinstating or replacing the Damaged Property Insured.

In no event shall Extra Expense include:

- a. loss or expenses indemnifiable elsewhere in this Policy
- b. by reason of any improvement or change in methods of working or construction;
- c. in redesigning the Property Insured, or incurred as a result of such redesign

The Insured agrees to use any reasonably obtainable sources, to reduce the Extra Expense incurred under the Policy.

This coverage is subject always to the Sub-limit stated in the Schedule of this Policy.

Example of application:

Extra expense caters for potential 'demand surge' that can occur following a large loss. There have been several instances where contractor costs have increased during a claim's recovery period simply because of the lack of local resource and these costs have been recovered during the claims settlement process.

Under the updated wording:

- The Extra Expense clause has been broadened to respond to costs associated with reinstatement or replacement (previously reinstatement only); and
- New wording has been added to include costs for retaining walls and other site improvements, and for preparing or clearing a site or location where these are necessary to reinstate or replace damaged Property Insured.



Unspecified Items

Policy definition:

5.8 Unspecified Items

Provides cover for infrastructural assets that the Insured may not have listed on their Schedules of Values (which could arise due to the large geographical areas and legacy issues of council 'inheriting assets'). Provided that notice be given to the Insurers immediately the Insured's officer responsible for insurance becomes aware of the error.

This coverage is subject always to the Sub-limit stated in the Schedule of this Policy.

Example of application:

Councils sometimes find they own assets they didn't realise following a loss. An example would be a pipe and valve set that was discovered post loss that was not recorded on council's asset management system. These assets are potentially insured if notification is provided to insurers of their discovery in a timely fashion.

Land

Natural land is excluded. Land improvements are included, see below:

4.2.1 Land, however this exclusion shall not apply to the cost of reclaiming, restoring or repairing land improvements. Land improvements as described hereunder include, but are not limited to, any alteration to the natural condition of the land by grading, landscaping, earthen dikes or dams, as well as additions to land such as roadways, quarries, pavements and other such facilities. Land improvements do not include landfill(s). This exclusion does not apply to pipes and underground assets.

Therefore, assets such as access roads, stopbanks, drainage ditches and berms are potentially insurable if they are declared on the Schedule of Values and their replacement values are suitable (i.e., sufficient for reinstatement).

Event Duration

6.4 Event – an Event shall mean a loss or series of losses resulting from Damage arising out of one Natural Catastrophe Event during any period of 72 consecutive hours. However, in the case of Damage caused directly by Flood, an Event shall mean a loss or series of losses arising out of one Flood during any period of 168 consecutive hours.

The policy has a 72-hour clause for all perils except for flood (168 hrs). This means that multiple loss events that occur within a 72-hr (or 168 hrs) period are considered as a single event and only one deductible would apply.

An example of this would be an earthquake and initial aftershocks. However, after 72 hours, subsequent earthquake events would be treated as distinct.

Since floods can take time to reach their maximum flood level, and then it can take several days for flooding to subside to allow for damage assessment, a longer duration period is appropriate.



Property in the Incidental Course of Construction or Erection

Policy definition:

5.7 Property in the Incidental Course of Construction or Erection

This Policy covers physical loss or damage to property or structures in the incidental course of construction or erection, and materials or supplies in connection with all such property in the incidental course of construction or erection at the insured location.

This coverage is subject always to the Sub-limit stated in the Schedule of this Policy.

Example of application:

This cover is available within the policy but is not recommended to be used (unless no other insurance coverage is available). The limit associated with this coverage is generally low and because the policy is placed on a 40% basis and only covers Natural Disaster it does not provide the insurance protection that a typical available through a standard construction/erection insurance policy.



8. Claims Preparedness and Notification

This section brings together:

- the claims notification guidance in the policy wording;
- Aon's preferred processes; and
- practical guidance for asset managers.

8.1 Who to notify and when

- Provide early notification of all known or suspected damage, even if information is incomplete.
- For Infrastructure assets, notify your Aon broker / claims contact, who will:
 - notify Infrastructure insurers; and
 - arrange appointment of the nominated Loss Adjuster where appropriate.
- A single consolidated notification from each council, listing Infrastructure and other affected assets, is acceptable. Aon will allocate assets to the appropriate programme in the background.
- Clearly identify critical Infrastructure or essential services so they can be prioritised for assessment and response.

8.2 Acting as a prudent uninsured – practical obligations

Both the Infrastructure and MDBI programmes expect councils to act as a prudent uninsured. In practice this includes:

1. Prevent and minimise further loss

- Make sites safe.
- Take reasonable steps to prevent additional damage (pumping out water, temporary traffic management, shoring, fencing, tarping).
- Do not delay urgent safety or protection measures while waiting for insurer approval, but document decisions and associated costs carefully.

2. Preserve evidence (where safe)

- Take clear photos and videos of damage to Infrastructure and associated assets.
- Retain key damaged components (e.g. culverts, valves, gates, eroded sections of stopbanks) until adjusters agree they can be disposed of.

3. Maintain access and co-operate

- Allow Loss Adjusters and experts reasonable access.
- Provide requested information and documentation promptly.
- Do not admit liability or negotiate with third parties without insurer involvement.

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8.3 After an event – what asset managers should do

Immediately after addressing safety:

Contact your internal claims lead / Aon with:

- Date/time of the event.
- Event type (flood, earthquake, wind, landslip, etc.).
- Affected areas or networks.

Start a site/asset impact list:

- Site/location name and GIS reference.
- Asset types at each site (e.g. pump station, length of stopbank, pipeline segment).
- Quick status: total loss / major damage / minor damage / inspection only.

Record evidence:

- Photos and/or drone imagery (with date/time/location).
- Short notes on what happened at each site (e.g. river overtopping, debris blockage, scour).

8.4 Information to Prepare for Aon and the Loss Adjuster

For each materially affected asset, aim to provide:

- Asset ID and description (aligned, where possible, with the Infrastructure SoV).
- Location (address, GIS point or clear description).
- Description of damage and suspected cause.
- Event date/time window (for aggregation).
- Emergency and temporary works undertaken and by whom.
- Initial view of reinstatement options and likely order-of-magnitude cost, if known.
- Reinstatement value from your asset register / SoV, and where available, age / remaining life / condition (helpful for indemnity/reinstatement decisions).
- For Business Interruption-type costs, please code separately (see Section 8.5).

Once an initial list of affected assets is available, Aon and the Loss Adjuster will:

- Confirm which policy responds to each asset (Infrastructure vs MDBI) and the applicable deductibles.
- Confirm when Additional Coverages may be relevant.
- Work with you on documentation and claim strategy, prioritising high-value and critical-service assets.



8.5 Cost categories to track separately

To support efficient claim preparation and maximise recoveries, ask your finance team to create specific cost codes for each event, at a minimum covering:

- Permanent reinstatement works – capital repairs and rebuild of damaged Infrastructure assets.
- Temporary works / Enablement / Extra Expense – e.g. temporary pumps, diversions, bypasses, temporary flood defences, dewatering, access works.
- Additional operating costs (AICOW) – overtime, additional staff, alternative service arrangements, extra transport costs to maintain services.
- Claims Preparation Costs – reasonable professional fees and other expenses directly related to the preparation, presentation, negotiation and settlement of Infrastructure Policy claims (for example, external claim consulting or loss accounting support).

Clear separation of these categories makes it easier for insurers, adjusters and Aon's Risk Accounting team to:

- Attribute costs to the correct coverage clause.
- Demonstrate reasonableness.
- Support both Infrastructure and any NEMA / 60% claims.



Appendix 1: Policy term definitions

6 Definitions

The words that appear in capital letters (and any derivatives of them) listed below have specific meanings wherever they appear within the policy and the Schedule.

6.1 Council Sub-limit – the maximum amount payable under this Policy within the Limit of Liability in respect of a specific Council as specified in the Schedule.

6.2 Damage – physical loss or physical damage or physical destruction, unforeseen and unintended by the Insured. 'Damaged' and 'Destroyed' shall have the corresponding meaning.

6.3 Deductible - the deductible specified in the Schedule which shall apply to the first part of a claim. The excess shall apply to 100% of the loss in respect of any claim rather than the 40% portion insured by Insurers.

6.4 Event – an Event shall mean a loss or series of losses resulting from Damage arising out of one Natural Catastrophe Event during any period of 72 consecutive hours. However, in the case of Damage caused directly by Flood, an Event shall mean a loss or series of losses arising out of one Flood during any period of 168 consecutive hours.

6.5 Flood means the covering of normally dry land by water:

6.5.1 that has overflowed, escaped or been released from the normal confines of any of the following:

- (a) a lake, river, creek or another natural watercourse, whether or not it has been altered or modified;
- (b) a reservoir;
- (c) a canal;
- (d) a dam; or

6.5.2 that has escaped or been released from natural or engineered drainage system(s) due to accumulation of rainwater from rain precipitation;

6.5.2 due to accumulation or runoff of surface water or ground water from rain, hail or snow precipitation.

6.6 Indemnity Period – the Indemnity Period stated in the Schedule.

6.7 Insurer – The insurer or insurers named in the Schedule.

6.8 Limit of Liability – the maximum amount payable by the Insurer under a section or sections of the Policy as stated in the Schedule.

6.9 Natural Catastrophe Event - includes but isn't limited to earthquake, natural landslip, flood, tsunami, tornado, windstorm, volcanic eruption (or volcanic activity), hydrothermal & geothermal activity and subterranean fire.

6.10 Policy - this document, the Schedule and any endorsements which attach.

6.11 Period of Insurance – The period that commences and ends at the times and dates specified in the Schedule and any extension of this period as agreed to by the Insurer.

6.12 Property Insured – property insured by this Policy as described in the Schedule.

6.13 Schedule – The policy schedule which attaches to this Policy or any variation by way of endorsement.

6.14 Schedule of Values – the asset schedule (or asset schedules) provided to underwriters which attaches to this Policy.

6.15 Sub-limit – the maximum amount payable set out in the Schedule in respect of a specific clause of this Policy.

6.16 Sum Insured – The total sum insured for each item stated in the Schedule of Values.



Appendix 2: Background to the programme and 60/40 operation

Why councils purchase Infrastructure Insurance

The Guide to the National Civil Defence Emergency Management (CDEM) Plan states that the maximum Government contribution for eligible damaged essential infrastructure is generally limited to 60 percent of the rebuild or repair cost, above a threshold laid out in section 33 of the Guide to the National CDEM Plan.

Eligibility for the 60 percent Government contribution

Eligibility for the 60 percent contribution is subject to the local authority:

- Having adequately protected itself through asset and risk management (including mitigation, where appropriate), and proper maintenance of infrastructure assets; or
- Having made sound financial provisions (such as reserve funds and/or effective insurance) to a level sufficient to ensure the local authority could reasonably be expected to meet its obligation to provide for its own recovery.

These requirements are intended to ensure that councils:

- Take reasonable steps to manage and mitigate risk; and
- Do not rely solely on Central Government to fund Infrastructure recovery.

40% insurance contribution – role of the programme

The Infrastructure Insurance Programme is designed to provide up to a 40 percent funding contribution through insurance settlements, complementing Central Government's contribution (which may be up to 60 percent of eligible costs) where criteria are met.

In broad terms:

- The Infrastructure Policy responds contractually to 40% of eligible insured costs (above the deductible), subject to limits and conditions.
- Central Government may then, at its discretion, contribute up to 60% of the residual eligible Infrastructure costs under the 60/40 cost-sharing framework.
- Councils must fund any remaining or ineligible costs themselves.

Further details on Government funding assistance can be found in official NEMA/CDEM guidance, including:

- Factsheet on insurance cover and Government funding assistance relating to the rebuild or repair of damaged below-ground and above-ground essential infrastructure.
- Factsheet on local authority thresholds for reimbursement.



[Insurance cover and Government funding assistance relating to the rebuild or repair of damaged below ground and above ground essential infrastructure](#)

[Eligibility for essential infrastructure repair or rebuild](#)

Differences between the 40% insurance contribution and Central Government 60%

The claims settlement approach used by the National Emergency Management Authority (NEMA) is fundamentally different from insurance:

- Insurance responds to direct physical loss or Damage from a defined insured Event, under a contract with specified terms, limits and exclusions.
- NEMA support is based more on loss of function, essentiality and criticality, and is assessed under Government policy and Cabinet decisions, not an insurance contract.

In practical terms:

- Insurance is contractual, subject to the wording and schedule, and is triggered when covered Damage occurs.
- NEMA funding is discretionary, subject to eligibility criteria, thresholds and specific event-by-event decisions by Central Government, and the Government portion is not constrained by the insurance Limit of Liability.
- Not all costs or assets that are insured will necessarily qualify for 60/40 support, and vice versa.

Further details on the NEMA claims process (including response and recovery claims) are provided in NEMA's guidelines and factsheets:

[Eligibility for essential infrastructure repair or rebuild](#)

[Approval of projects into essential infrastructure recovery programmes for 60:40 funding](#)

If councils have specific questions about eligibility or interpretation of Government policy, we recommend they engage directly with Central Government (NEMA / relevant agencies), with Aon available to support where appropriate.



Appendix 3: Insurance Programme structures

Group vs Stand-alone Placements

Most councils place their Infrastructure insurance as part of a group programme, which:

- Aggregates risk and purchasing power.
- Shares a single Limit of Liability and certain shared sub-limits.
- Provides individual Council Sub-Limits within that programme.
- Uses a common policy wording to promote consistency and certainty.

Some councils may have stand-alone Infrastructure placements. The same principles in this guide still apply, but the Limit of Liability, Council Sub-Limits and deductibles will be specific to that council.

How limits are structured at a high level

At a high level, the Infrastructure programme has three main layers of limits:

- An overall Limit of Liability for the programme (expressed in 100% terms).
- Individual Council Sub-Limits within that programme.
- A set of Sub-Limits for particular coverages (e.g. AICOW, Enablement Costs, Extra Expense, Expediting Costs, Automatic Acquisitions, Unspecified Items, Claims Preparation Costs).

Under the wording, the insurer's liability is limited to the 40% share of these limits and sub-limits, except for Claims Preparation Costs, which are covered at 100% of the Claims Preparation Costs sub-limit.



Appendix 4: Aspects to consider in terms of Asset Data and Risk Quantification (Loss Modelling)

Asset data

The foundation of any MDBI policy is the assets that are being insured (defined as the Schedule of Values (SoV) which forms part of the contract of insurance). This approach is the same for the Infrastructure Insurance policy. Accurate and comprehensive asset data is fundamental to:

- designing an appropriate insurance programme; and
- achieving successful claims outcomes.

Underwriters need to understand:

- what is being insured;
- where it is located; and
- its reinstatement value.

Anything omitted from the SoV is generally treated as uninsured or intentionally retained by council. It is important that these assets are still identified, and that any associated risks and exposures are understood, as they remain potential liabilities on the Council's balance sheet.

Valuations

Asset valuations should reflect insurance reinstatement costs, not accounting book values. Inadequate or out-of-date valuations can:

- lead to under-insurance and partial claim payments;
- distort loss modelling and limit selection; and
- complicate negotiations with underwriters and adjusters.

Claims are settled based on the Sums Insured for the asset as declared in the Schedule of Values (refer to sections 6.14 and 6.16 in the wording for the definition of these terms, policy term definitions are also provided as Appendix 1 in this document). It is therefore paramount, that the values being declared at renewal, within the Schedule of Values, are representative of the cost of reinstatement.

Examples of inadequate valuations include:

- using financial values instead of insurance reinstatement valuations;
- using simple averaging (e.g., taking a reinstatement value and dividing this by total length) which ignores the reality that reinstatement costs are not always linear;
- failing to consider actual reinstatement requirements – for example higher build standards, retaining walls (noting that natural land is not insured), and material or construction cost changes.



Changes in risk-understanding

Risk understanding evolves over time (e.g. the NSHM 2022 update indicating higher shaking hazard for many locations). Councils should ensure that:

- loss models and risk assessments incorporate the latest scientific and hazard information, including secondary perils triggered by shaking (e.g. liquefaction); and
- programme design and limit selection remain fit-for-purpose.

Loss Modelling

To help understand risk we ideally need to quantify it. Loss modelling is a useful aid to decision making when defining a risk transfer strategy. Loss modelling is basically the process of using data and computer-assisted calculations to:

- estimate potential losses for a range of events from potential risks;
- inform appropriate Council Sub-Limits and the overall Limit of Liability; and
- support cost-benefit analysis of different insurance structures.

As good practice, loss modelling should be reviewed at least every three years, or more frequently if there are significant changes to exposure, valuations or hazard understanding.

There are various approaches to loss modelling, and not all approaches are the same. Aon would recommend that any loss modelling carried out on linear infrastructure assets uses the latest science and risk understanding, especially the 2022 NSHM update.

Please reach out to your Aon contact if you would like to find out more around Aon's Valuation, Loss Modelling and Risk Consulting services.

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