

Audit & Risk Subcommittee Agenda 6 December 2023



Meeting conducted in the Council Chamber, Lvl 2 Philip Laing House
144 Rattray St, Dunedin
Meetings may be viewed live on the [ORC Official YouTube Channel](#)

Members:

Cr Tim Mepham, Co-Chair
Mr Andrew Douglas, Co-Chair (Independent member)
Cr Alexa Forbes
Cr Gary Kelliher
Cr Kevin Malcolm
Cr Gretchen Robertson (ex officio)
Cr Kate Wilson

Senior Officer: Richard Saunders, Chief Executive

Meeting Support: Kylie Darragh, Governance Support Officer

06 December 2023 09:00 AM

Agenda Topic	Page
1. WELCOME	
2. APOLOGIES	
3. PUBLIC FORUM	
No requests from members of the public to address the Audit and Risk Subcommittee were received prior to publication of the agenda.	
4. CONFIRMATION OF AGENDA	
Note: Any additions must be approved by resolution with an explanation as to why they cannot be delayed until a future meeting.	
5. DECLARATIONS OF INTEREST	
Members are reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have. ORC Councillors Declarations of Interests are published on the website.	
6. PRESENTATIONS	
Currently there are no presentations scheduled for this meeting.	
7. CONFIRMATION OF MINUTES	3
That the minutes of the Audit and Risk Committee meeting held on 21 September 2023 be confirmed as a true and accurate record.	
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	To facilitate a discussion, or 'deep dive', into Council's management of the Infrastructure Resilience strategic risk.	
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9.5	ORC TRANSPORT ACTIVITIES PROCUREMENT STRATEGY	53
10.	RESOLUTION TO EXCLUDE THE PUBLIC	58
	That the public be excluded from the following items under LGOIMA 48(1)(a):	
1.1	Confidential Minutes Audit and Risk Subcommittee 21 September, 2023	
3.1	Insurance Disclosure Update	
3.2	Strategic Risk Register	
3.3	Managed Fund Report - September	
3.4	Audit Management Letter - Initial Response	
11.	CLOSURE	



Audit and Risk Subcommittee MINUTES

Minutes of an ordinary meeting of the Audit and Risk Subcommittee held in the Council Chamber, Level 2 Philip Laing House, 144 Rattray Street, Dunedin on Thursday 21 September 2023, commencing at 12:30 PM.

PRESENT

Cr Tim Mepham *(Co-Chairperson)*
Mr Andrew Douglas *(Co-Chairperson, online)*
Cr Alexa Forbes
Cr Kevin Malcolm
Cr Gretchen Robertson *(Ex officio member)*
Cr Kate Wilson

1. WELCOME

Cr Tim Mepham welcomed the Committee and staff and opened the meeting with a karakia at 12:30PM. Councillors in attendance were Cr Andrew Noone and Cr Alan Somerville. Staff present included Richard Saunders (Chief Executive) Nick Donnelly (GM Corporate Services), Amanda Vercoe (GM Governance, Culture and Customer), Sarah Munro, Manager, Finance, Kylie Darragh (Governance Support).

2. APOLOGIES

Resolution: Cr Malcolm Moved, Cr Wilson Seconded:

That the apologies for Gary Kelliher be accepted.

MOTION CARRIED

3. PUBLIC FORUM

Chris Hawkins spoke on the Investment Policy. There was an opportunity for questions and Chair Cr Mepham thanked Chris for attending.

Adam Currie from 350 Aotearoa spoke on the Investment Policy. There was an opportunity for questions and Chair Cr Mepham thanked Adam for attending.

4. CONFIRMATION OF AGENDA

It was noted that the Public Excluded part of the meeting would be held first.

RESOLUTION TO EXCLUDE THE PUBLIC

Resolution: Cr Forbes Moved, Cr Wilson Seconded:

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- Minutes of the PE Audit and Risk Committee Meeting 2023.06.22
- Annual Report and Audit Management Letter
- Cyber risk
- Managed Fund Report
- Strategic Risk Register
- HSW: Deep dive on Contractor Management

MOTION CARRIED

The Committee moved to Public Excluded at 1:10PM

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
<i>Minutes of the PE Audit and Risk Committee Meeting 2023.06.22</i>	To protect information where the making available of the information— would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the	Section 48(1)(a); Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting

	<p>subject of the information – Section 7(2)(b)(ii)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— would be likely otherwise to damage the public interest – Section 7(2)(c)(ii)</p> <p>To avoid prejudice to measures that prevent or mitigate material loss to members of the public – Section 7(2)(e)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	<p>only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>Annual Report and Audit Management Letter</p>	<p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)</p>	<p>Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>

<p>Cyber Risk</p>	<p>To prevent the disclosure or use of official information for improper gain or improper advantage – Section 7(2)(j)</p>	<p>Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>Managed Fund Report</p>	<p>To protect information where the making available of the information— would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information— would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)</p> <p>To avoid prejudice to measures that prevent or mitigate material loss to members of the public – Section 7(2)(e)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	<p>Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>Strategic Risk Register</p>	<p>To avoid prejudice to measures that prevent or mitigate material loss to members of the public – Section 7(2)(e)</p>	<p>Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings</p>

	To prevent the disclosure or use of official information for improper gain or improper advantage – Section 7(2)(j)	of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.
HSW: Deep Dive on Contractor Management	To protect the privacy of natural persons, including that of deceased natural persons – Section 7(2)(a)	Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.

The meeting reconvened in public at 1:47PM

5. DECLARATIONS OF INTERESTS

Members were reminded of the need to stand aside from decision-making when a conflict arises between their role as an elected representative and any private or other external interest they might have. Councillor Declarations of Interests are published on the [ORC website](#).

6. CONFIRMATION OF MINUTES

Resolution: Cr Malcolm Moved, Cr Forbes Seconded

That the minutes of the (public portion of the) meeting held on 22 June 2023 be received and confirmed as a true and accurate record.

MOTION CARRIED

7. ACTIONS (STATUS OF SUBCOMMITTEE RESOLUTIONS)

- **AR23-116** Richard Saunders (Chief Executive) has spoken to Andrew Douglas regarding the internal audit, which is now delayed until after Christmas, action is in progress.

8. MATTERS FOR CONSIDERATION

8.1. Waka Kotahi Procedural Audit of Otago Regional Council

This report informed Council of the outcome of Waka Kotahi, NZ Transport Agency's Procedural Investment Audit of ORC for the period 1 July 2019 to 30 June 2022. Lorraine Cheyne presented the paper was available to respond to questions.

Resolution AR23-127: Cr Wilson Moved, Andrew Douglas Seconded

That the Audit and Risk Subcommittee:

1. *Receives this report.*

MOTION CARRIED

8.2. Quarterly People and Safety Reporting

This report summarised the year-to-date information on health, safety and wellbeing (HSW) and people (HR) at ORC (Otago Regional Council).

Quarterly reporting Amanda Vercoe (General Manager Governance, Culture and Customer), Mark Olsen (Manager People and Safety), and Gina Watts (Team Leader Health, Safety and Wellbeing) were available to respond to questions.

Resolution AR23-128: Cr Wilson Moved, Cr Forbes Seconded

That the Audit and Risk Subcommittee:

1. *Notes this report.*

MOTION CARRIED

8.4. Treasury Management Policy and Statement of Investment Policy and Objectives

This paper was taken ahead of 8.3

This paper is presented to Council to consider amendments to Council's Treasury Management Policy and Statement of Investment Policy and Objectives to include considerations regarding ethical investing.

Nick Donnelly (General Manager Corporate Services and CFO) spoke to the report and outlined the options for the Audit and Risk Committee. The decisions will be finalised for Council adoption. The original motion was amended as a drafted option 3:

That the Audit and Risk Subcommittee:

1. *Notes this report and the attached Draft Treasury Management Policy and Draft Statement of Investment Policy and Objectives.*
2. *Approves the administrative changes that have been made to the documents.*
3. *Directs staff to make any changes required to include a preferred option for a Responsible Investing Policy to be added to the Statement of Investment Policy and Objectives.*
4. *Recommends the Treasury Management Policy and Statement of Investment Policies and Objectives (following the above amendments) are presented to Council for consideration and approval.*

Resolution AR23-130: Cr Forbes Moved, Cr Robertson Seconded Preferred Option 3 – Common Plus Additional Exclusions

Additional exclusions and the impact on the investible universe are:

- ESG controversy, pornography and predatory lending – don't materially impact the investible universe, approximately 1% excluded in total.
- Nuclear power, thermal coal and oil and gas-
- Gambling and alcohol may have a material impact depending on the level of involvement and thresholds applies.
 - o Gambling operations would exclude 1.6% (at a 10% revenue threshold) and all related activities would exclude 2.6% (at a 10% revenue threshold).
 - o Alcohol producer would exclude 2.9% (at a 10% revenue threshold) and all related activities would exclude 15.8% (at a 10% revenue threshold).

MOTION CARRIED

Cr Malcolm voted against the amendment to the recommendation.

8.3. Revised Audit & Risk Work Programme 2023

The Audit and Risk Subcommittee is governed by its Terms of Reference which define the purpose and responsibilities of the Subcommittee. This paper outlines the proposed work programme to be covered at Audit and Risk Subcommittee meetings in the 2023 calendar year to ensure the responsibilities outlined in the Terms of Reference are fulfilled.

Nick Donnelly (General Manager Corporate Services and CFO) presented the report and assured Councillor that this is a work in progress, he was available to respond to questions.

Resolution AR23-129: Cr Malcolm Moved, Andrew Douglas Seconded

That the Audit and Risk Subcommittee:

1. **Notes** this report.
2. **Endorses** the proposed work programme for the remainder of the 2023 calendar year.

MOTION CARRIED

8.5. Treasury Report

This report presented the quarterly Treasury Reporting Dashboard from Council's Investment Advisor, Bancorp, as at 30 June 2023.

Nick Donnelly (General Manager Corporate Services and CFO) presented the report to the Committee and responded to questions.

Resolution AR23-131: Cr Robertson Moved, Andrew Douglas Seconded

That the Audit and Risk Subcommittee:

1. **Notes** this report and the attached Bancorp Treasury Reporting Dashboard – 30 June 2023.

MOTION CARRIED

Cr Wilson left the meeting at 3:04 pm.

8.6. Insurance Update

This report was an update of Council’s shared residual membership liability to New Zealand Mutual Liability Riskpool (Riskpool).

Nick Donnelly (General Manager Corporate Services and CFO) presented in Janet Ashton's absence and answered questions.

Resolution AR23-132: Cr Malcolm Moved, Cr Forbes Seconded

That the Audit & Risk Subcommittee

- 1) **Notes** this report.

MOTION CARRIED

9. NOTICES OF MOTION

No notices of motion were raised.

10. CLOSURE

There was no further business and Chairperson Mepham said a karakia and declared the meeting closed at 3:15 pm.

Chairperson

Date

Audit & Risk Subcommittee Agenda 6 December 2023 - ACTIONS (Status of Subcommittee Resolutions)

Meeting Date	Document	Item	Status	Action Required	Assignee/s	Action Taken
22/06/2023	Audit and Risk Subcommittee 2023.06.22	CEO2301 Internal Audit Options for Otago Regional Council	Assigned	Co-Chairs of the Committee to work with the Chief Executive Officer to commence an internal audit programme in the 23/24 year and report results back to the Committee. AR23-116	Chief Executive, Councillor, Andrew Douglas	28/11/2023 Governance Support Officer The Internal Audit will commence early 2024

9.1. CS2345 Treasury Report

Prepared for: Audit and Risk Subcommittee
Report No. CS2345
Activity: Governance Report
Author: Nick Donnelly, General Manager Corporate Services and CFO
Endorsed by: Nick Donnelly, General Manager Corporate Services and CFO
Date: 6 December 2023

PURPOSE

- [1] To present the quarterly Treasury Reporting Dashboard from Council's Investment Advisor, Bancorp, as at 30 September 2023.

EXECUTIVE SUMMARY

- [2] The latest Bancorp Treasury Reporting Dashboard is reported to each meeting of the Audit and Risk Subcommittee.
- [3] Council has \$25.0M of core debt through the Local Government Funding Agency (LGFA). All borrowing is compliant with Council's Treasury Management Policy.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes** this report and the attached Bancorp Treasury Reporting Dashboard – 30 September 2023.

BACKGROUND

- [4] Council borrows core debt through the Local Government Funding Agency (LGFA). As at 30 September 2023 the amount borrowed is \$25.0M. This debt is structured over a mix of commercial paper, floating rate notes and fixed rate bonds to meet the requirements of Council's Treasury Management Policy.
- [5] Bancorp Treasury Services are engaged as Council's advisor and reports on the structure of Council's core debt and adherence to Council's TMP.

DISCUSSION

- [6] As at 30 September 2023 Council had \$25.0M of core debt funded by the LGFA across 5 tranches of \$5M each.
- [7] All borrowing is noted to be compliant with Council's Treasury Management Policy.
- [8] The amount of core debt is in line with the amount included in Council's Long-term Plan 2021-31 and Annual Plan 2023-24. The weighted average cost of funds of 5.96% as at 30 September 2023 is in line with the assumption used in the Annual Plan 2023-34 of 6.0%.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [9] Council's Financial Strategy outlines that Council will borrow core debt from the LGFA. The Treasury Management Policy (TMP) sets the rules for how that borrowing is structured to ensure liquidity and interest rate risk is managed.

Financial Considerations

- [10] Debt and interest assumptions are outlined in Council's Long-term Plan and Annual Plan. This is covered in the discussion section of this report.

Significance and Engagement

- [11] Not applicable.

Legislative and Risk Considerations

- [12] There are no legislative considerations.
- [13] There is inherent risk associated with borrowing. These risks are outlined in the Treasury Management Policy which provides a framework for prudent debt management and sets external borrowing limits, counterparty exposure limits, liquidity limits and interest rate exposure limits.

Climate Change Considerations

- [14] Not applicable.

Communications Considerations

- [15] Not applicable.

NEXT STEPS

- [16] Not applicable.

ATTACHMENTS

1. Bancorp Treasury Reporting Dashboard - 30 September 2023 [9.1.1 - 8 pages]
-



Treasury Reporting Dashboard

30 September 2023

STRICTLY PRIVATE AND CONFIDENTIAL



BANCORP

BANCORP TREASURY SERVICES LIMITED

Audit and Risk Subcommittee 2023.12.06



Economic Commentary

2

Global (for the September 2023 quarter)

Traditionally, September and October are known as months of high volatility, and September lived up to its reputation as central bankers struggled to allay inflationary fears as traders and speculators adopted a 'risk-off' environment. US financial markets had a volatile September 2023, with stocks and bonds both falling sharply, which contributed to higher yields and a stronger US-dollar. The Nasdaq fell -7.5% as investors attempted to diversify away from the 'magnificent 7' while the S&P500 fell -6.7% to record its worst monthly performance since March 2020. The DJI fell -5.3%. Bond markets also struggled to attract buyers, which saw rates increase sharply throughout the month, with the 10-year US Treasury yield reaching a 17-year high of 4.554% while the 2-year is threatening to breach its 14-year high at 5.27%.

At its September meeting, the Federal Reserve ("Fed") maintained its benchmark Fed funds range at 5.25%-5.50%; however, the pause could easily have been classified as a 'hawkish pause' as the central bank also indicated it expects one further rate hike before year-end while the 'dot-plots' suggested fewer rate cuts in 2024 and 2025 than previously indicated. Conversely, the Fed's decision to pause its hiking cycle in September was also seen as an acknowledgement there are growing concerns about the risk of a recession with Chair Jerome Powell emphasising, "*We have come very far, very fast. We are taking advantage of the fact that while we have moved quickly, we now have to move a little more carefully as we find our way to the right level of restriction to get inflation back down to 2%,*" before adding, "*we must proceed carefully!*" Overall, the Fed's September meeting was a cautious one with the central bank clearly concerned about the risks of a recession while also remaining committed to fighting inflation.

The European Central Bank ("ECB") stuck to its guns and raised their key interest rates for a 10th consecutive time with a 25bp hike, lifting the deposit rate to a record 4.00% and the main refinancing rate to 4.50%, its highest level since 2001. With a 'dovish' tone, the central bank signaled that it is likely done with the current tightening cycle, as inflation has started to decline, although they also warned they see inflation remaining persistently high while ECB President Christine Lagarde acknowledged she "*can't say*" if European rates have peaked. Policymakers also cut their growth and core inflation forecasts for every year through to 2025. Meanwhile the Bank of England ("BOE") surprised markets by easing back on its aggressive hiking cycle for its first pause, holding the cash rate at 5.25%, although it was a fine line with the MPC voting 5-4. Governor Andrew Bailey had the casting vote and said at the post meeting press conference that "*the good news is that inflation in the UK is coming down (although the) BOE has to stay the course on the inflation fight.*"

Despite a raft of stimulatory measures announced, the outlook for the Chinese economy still looks problematic, with the 5.0% growth target under threat as record youth unemployment and falling house prices continue to undermine consumer confidence and thus domestic demand. Fresh concerns at property developers Evergrande Group, China Oceanwide Holdings, and Country Garden have seen executives detained as defaults loom. Bank loans to property developers were down 25% in August from a year ago, and with Chinese President Xi trying to move his country away from debt fuelled growth, it seems that the issues facing the Chinese economy aren't going to go away anytime soon.

Global bond yields moved sharply higher in September as concerns mount that inflation would be stickier than previously expected, and the market struggled to absorb the increased issuance by the US, which is needed to fund the increasing budget deficit. The benchmark US 10-year Treasury bond yield started September at 4.09% and has since climbed relentlessly to its current level of 4.74%, a yield not seen since 2007.



BANCORP

Audit and Risk Subcommittee 2023.12.06



Economic Commentary

New Zealand (for the September 2023 quarter)

3

	OCR	90 day	2 years	3 years	5 years	7 years	10 years
30 June 2023	5.50%	5.70%	5.47%	5.09%	4.69%	4.55%	4.50%
30 Sept 2023	5.50%	5.74%	5.72%	5.48%	5.22%	5.17%	5.18%
Change	+0%	+0.04%	+0.25%	+0.39%	+0.53%	+0.62%	+0.68%

In the August *Monetary Policy Statement* ("MPS"), the RBNZ again left the OCR at 5.50% and, in a reiteration of the July MPR stated that "*The Committee agreed that the OCR will need to remain at a restrictive level for the foreseeable future.*" However, the RBNZ was confident that "*consumer price inflation will return to within its target range*". The MPS could be summed up as being slightly more hawkish than anticipated with the projected track for the OCR increasing from 5.5% to 5.6% (which implies a 40% probability of an increase to 5.75%) and pushing out the timing of the projected OCR cuts to early 2025. The justification for this appears to be in the wording "*measures of core inflation remain too high*" and "*In the near term, there is a risk that activity and inflation measures do not slow as much as expected.*" Some commentators have interpreted the slight upward revision to the OCR track and the pushing out the timing of the first cut as a bit of a warning to the market not to unnecessarily pre-empt the easing as there is still a way to go on the inflation fighting front.

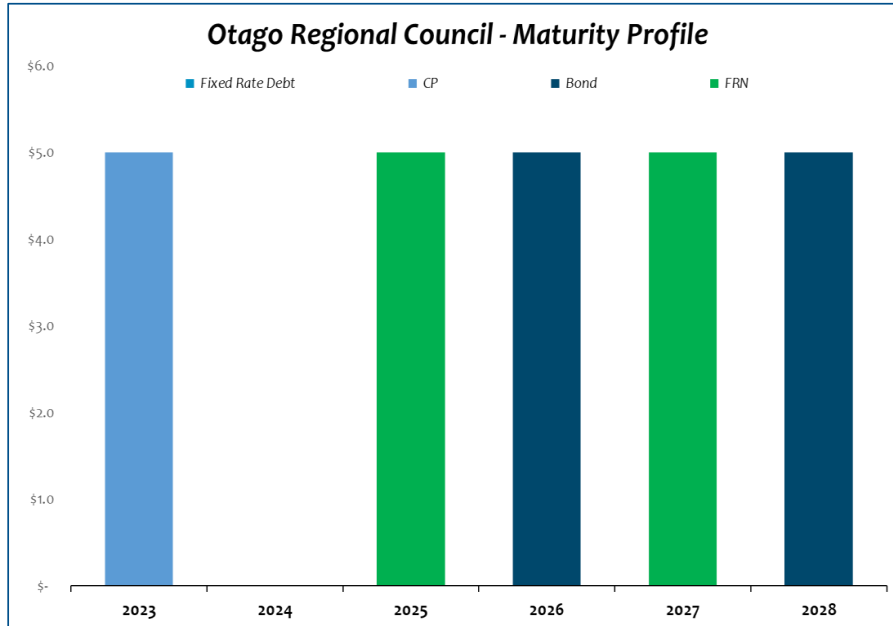
Ahead of the general election, the New Zealand Treasury's Half Year Economic and Fiscal Update (HYEFU) highlighted the Treasury will require an additional NZD9bn over the next 4 years, however, the expected borrowings were not as severe as initially forecasted, which is a positive. The Treasury is forecasting local economy will avoid a 'double dip' recession, which was supported by the Q2 GDP print which exceeded expectations at 0.9% while, for the year to June, GDP reached 1.8%, but that was where the good news ended with March 2024 growth downgraded from 2.2% to 1.2%, the unemployment forecast was upgraded to 4.6% from 4.1%, while the 2023-2024 budget deficit is expected to reach NZD11.4bn, although return to a surplus has been extended by a year to 2027. Ultimately, the HYEFU suggests businesses should prepare for a slower growing economy and higher interest rates while consumers should be prepared for a higher cost of living and a tighter labour market.

New Zealand's Q2 GDP came in far higher than expectations, at 0.9% for the quarter, against expectations of 0.4%. For the year to June, GDP was up 1.8% against expectations of 1.2%. The technical recession was also revised away as March quarter GDP was increased slightly on review to be flat for the March quarter. The industries that saw the greatest gains were mining, utilities, public administration and safety, recreation, and other.

Following the stronger than expected GDP print, markets are now pricing in one more rate hike from the RBNZ to take the OCR to 5.75% by April 2024, and then for it to decline to 5.50% by October 2024 and 5.25% by February 2025. Swap rates have moved sharply higher during the quarter, due primarily to moves in the US bond market, but also aided by the stronger than expected local GDP data. The 2-year rate climbed from 5.33% to 5.76%, currently it is at 5.72%, while the 10-year rate rose from 4.36% to 5.18%.

Funding and Liquidity

4



Policy Compliance	Compliant
Have all transactions been transacted in compliance with policy?	Yes
Is fixed interest rate cover within policy control limits?	Yes
Is the funding maturity profile within policy control guidelines?	Yes
Is liquidity within LGFA control limits?	Yes

Debt
\$25.0m
 External Council Drawn Debt, excluding on-lending to Port Otago

LGFA Debt
\$25.0m
 Funds Drawn from LGFA , excluding on-lending to Port Otago

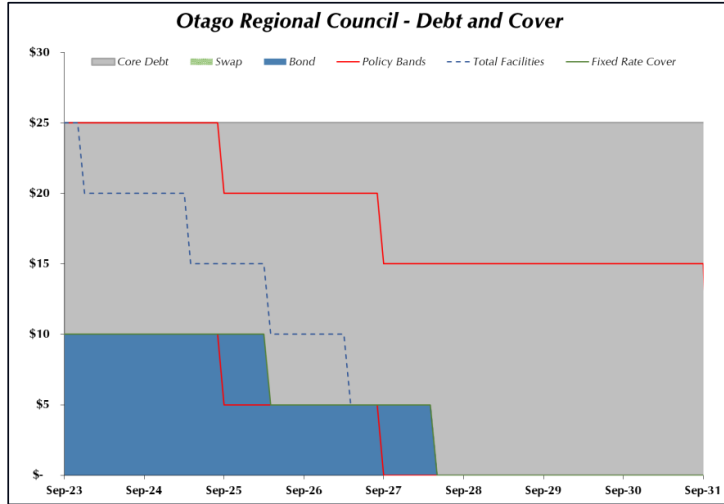
Liquidity = cash deposits and managed fund
\$33.86m

Liquidity Ratio based on Council debt
235.44%

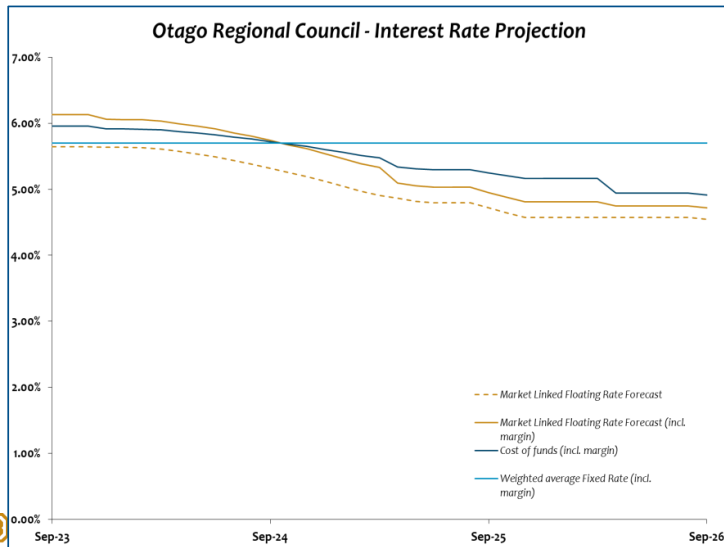
Cost of Funds as at 30 September
5.96%

Interest Rate Risk Management

5



Current % of Debt Fixed	40.0%
Current % of Debt Floating	60.0%
Value of Fixed Rate (m)	\$10.0
Weighted Average Cost of Fixed Rate Instruments	5.70%
Value of Floating Rate (m)	\$15.0
Current Floating Rate	5.65%
Current Floating Rate (incl margin)	6.14%
All Up Weighted Average Cost of Funds Including Margin	5.96%
Total Facilities In Place	\$25.0



Fixed Rate Hedging Bands			
	Minimum	Maximum	Policy
0 - 2 years	40%	100%	Compliant
2 - 4 years	20%	80%	Compliant
4 - 8 years	0%	60%	Compliant

LGFA lending

As at 30 September

6

As at 30 September 2023, Otago Regional Council had \$25.0 million of core debt, all of which is sourced from the LGFA using Commercial Paper (“CP”), Floating Rate Notes (“FRN’s”) and Fixed Rate Bonds (“FRB’s”). Details of the debt as at 30 September is as follows.

Instrument	Maturity	Yield	Margin	Amount
LGFA CP	12-Dec-23	5.86%	0.20%	\$5,000,000
LGFA FRN	15-Apr-25	6.21%	0.56%	\$5,000,000
LGFA FRB	15-Apr-26	5.70%	N/A	\$5,000,000
LGFA FRN	15-Apr-27	6.35%	0.70%	\$5,000,000
LGFA FRB	15-May-28	5.70%	N/A	\$5,000,000

LGFA Borrowing Rates

As at 30 September

7

Listed below are the credit spreads and applicable interest rates as at 30 September 2023 for Commercial Paper ("CP"), Floating Rate Notes ("FRN") and Fixed Rate Bonds ("FRB"), at which the Otago Regional Council could source debt from the Local Government Funding Agency ("LGFA").

Maturity	Margin	FRN (or CP Rate)	FRB
3-month CP	0.20%	5.91%	N/A
6-month CP	0.20%	6.03%	N/A
April 2024	0.52%	6.23%	6.40%
April 2025	0.58%	6.29%	6.44%
April 2026	0.58%	6.29%	6.15%
April 2027	0.72%	6.43%	6.07%
May 2028	0.87%	6.58%	6.06%
April 2029	0.99%	6.70%	6.12%
May 2030	1.09%	6.80%	6.17%
May 2031	1.13%	6.84%	6.20%
April 2033	1.19%	6.90%	6.25%
May 2035	1.24%	6.95%	6.32%
April 2037	1.25%	6.96%	6.42%

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9.2. CS2347 Legislative Compliance

Prepared for:	Audit and Risk Subcommittee
Report No.	CS2347 Legislative Compliance
Activity:	Governance Report
Author:	Janet Ashcroft, Legal Counsel
Endorsed by:	Nick Donnelly, General Manager Corporate Services and CFO
Date:	6 December 2023

PURPOSE

- [1] To receive Council's six-monthly legislative compliance report.

EXECUTIVE SUMMARY

- [2] Since August 2022 Council has used ComplyWith as a legislative compliance tool to review and monitor ORC performance against its legislative framework and to identify areas where improvement or action is required. It enables Council staff to clearly understand what the law requires and provides an effective process to identify and track legal risks.
- [3] Our most recent survey was completed on 10 November 2023 and covered the period 24 April 2023 to 24 October 2023.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes** this report.

BACKGROUND

- [4] Council as a creature of statute, derives its functions, duties, and responsibilities from a range of Acts, Regulations, and other legislative instruments. Council must ensure it is compliant with these instruments. To do this, it must periodically review its performance against this legislative framework to ensure ongoing compliance.
- [5] A legislative compliance framework is required to reduce the risk of consequences for the Council, such as:
- Loss of reputation
 - Loss of accreditation
 - Civil and criminal proceedings
 - Investigation and censure from monitoring bodies (e.g., The Ombudsman, Auditor General, Minister of Local Government, Minister for the Environment).
- [6] ComplyWith creates an 'Obligations Register' by mapping and allocating legislative obligations to staff roles from team leaders and above. It enables staff to remain current with their legal compliance obligations and any relevant legislative changes. The Obligations Register sets out compliance content for each role at Council and outlines

key legislation and regulations that apply. The content is updated by ComplyWith, usually within a week of law changes taking effect which ensures that our obligations are up to date and fit for purpose.

- [7] The Legal Team provides an overview of ComplyWith as part of its induction training for new starters at Council and provides on-going refresher training for staff with obligations. We use ComplyWith to identify legal risks across our organisation and as evidence that we are taking reasonable steps to manage legal compliance risk and exercise due diligence.
- [8] ComplyWith Surveys are utilised twice yearly to identify areas where improvement or action is required by providing a snapshot of Council's current position. The first ComplyWith survey was undertaken in August 2022 and the second in April 2023.
- [9] Attached is a copy of the ComplyWith report from 24 April 2023 to 24 October 2023/our November 2023 survey.
 - a. The surveyed results continue to demonstrate a very high level of legislative compliance of **99.98%**: of the 1165 obligations answered; 20 responses showed partial compliance and two non-compliance, and of the 22, three have since been resolved and 14 have action plans in place.
 - b. However other key takeouts require action from staff:
 - i. 104 of the questions answered requested that the obligation be re-allocated to another staff member; and
 - ii. 138 questions (over eight staff) were not completed.
 - c. The mixed results, while a concern, are a reflection of staff capacity issues coupled with a large number of internal movements capacity.
 - d. Plans are already in place to shift the survey away from Oct/Nov to a less time pressured time of year (to survey in say February and August 2024).
 - e. The benefits of this will be less time between this survey and the next (so unanswered questions do not sit un-checked for long) and also allow time for wrap around support to be put in place - for key messaging and communications to come from our Executive Leadership Team and for refresher training of our staff from the legal team and other senior staff.
 - f. In the short-term direct reports such as Managers and General Managers will be reviewing their team's results to better understand why questions were answered the way they were, were not answered or re-allocations requested. They will be actively managing their teams partial and non-compliant responses, their corrective actions and action plans.
 - g. Additionally, the Legal Team will be on hand to follow up outstanding non-compliances and escalate where appropriate to achieve compliance now, and to manage future risks. We will also look to consider internal audits (a quasi/mini survey) across teams within our directorates following the next

survey for teams carrying higher risk functions at Council and as part of that to require participants to provide examples or upload documents confirming compliance with the obligations.

CONCLUSION

[10] This report updates the Audit & Risk Committee on Council's legislative compliance risk.

CONSIDERATIONS

Strategic Framework and Policy Considerations

[11] There are no policy considerations arising from this report.

Financial Considerations

[12] There are no financial implications associated with this report.

Significance and Engagement Considerations

[13] No matters in this report trigger the Council's significance policy or require additional or specific consultation.

Legislative and Risk Considerations

[14] It is important that Council has an appropriate system in place to identify areas of risk of non-legislative compliance so that these can be addressed before there are issues.

Climate Change Considerations

[15] There are no climate change considerations associated with this report.

Communications Considerations

[16] There are no communication considerations associated with this report.

ATTACHMENTS

1. ComplyWith Legal Compliance Survey dated 14 November 2023 (24 April 2023 - 24 October 2023) [9.2.1 - 8 pages]



Legal Compliance (24 Apr 2023 - 24 Oct 2023)



Author:
Janet Ashcroft Legal Counsel

To:
The Audit and Risk Subcommittee

Purpose:
Reporting on our recent legal compliance survey

Date:
14 Nov 2023

Period covered 24 Apr 2023 - 24 Oct 2023	People finished 36 / 44	Responses completed 1269 / 1407	Unique obligations 927
----------------------------------------------------	-----------------------------------	-------------------------------------------	----------------------------------

Introduction

This report gives a summary of the key results of our recent six-monthly compliance survey at ORC.

The ComplyWith platform is used for our legal compliance programme. This tool is used by over 170 organisations across Aotearoa, New Zealand, including most of the regulators.

The Obligations Register gives our people clarity about the legal obligations they need to know about, and law change alerts keep them updated.

Legal obligations are mapped to responsible roles across ORC and reported on in the survey to give assurance and help identify legal compliance risks.

Summary

Four staff did not participate in the survey and an additional four did not complete their questions. Consequently only 90% of the 1407 obligations surveyed are reported on.

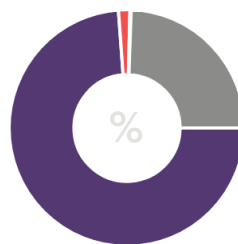
The results we do have demonstrate high compliance; of the 22 non-compliances 3 have been resolved and 14 have action plans in place.

Non-compliances that have not already been resolved are tracked as Corrective Actions within ComplyWith.

Details of these are provided over the next few pages.

Results:

	Full Compliance	937		74%
	Partial	20		2%
	Zero	2		0%
	Did Not Arise	310		24%



Status of corrective actions:

3	Resolved	
14	Action plan	
5	No action plan	

Overview of key results

Buildings & Workplace

- **Under the Building Act a building owner must give prior written notice to a territorial authority of change of use, extension of building life, or subdivision of land affecting building:** Advice is being taken about our Wanaka site, as a tenant's use may deviate from the resource consent held.
- **A workplace must meet the general requirements to provide suitable and sufficient ventilation, lighting, toilets, drinking water, hand-washing facilities, break facilities, rest facilities for unwell workers, and seating for workers who can work while seated (or to rest if work can't be done seated).** Queenstown has a boil water notice in place due to QLDC water contamination. As a consequence, bottled water is being supplied to our staff until QLDC resolve (which is expected Dec 2023).

Finance

- **Financial management – Balanced operating budget requirement.** Council have followed the Annual Plan and a balanced budget has been discussed with auditors and councillors and included in audit management letter. Ongoing review required for future Annual Plan, LTP and by auditors.
- **Writing-off unpaid rates:** Disclosed in the Annual Report as a requirement but not deemed material for disclosure by auditors. This is to be recorded to make reporting easier in the future.
- **Make reasonable efforts to locate an owner and pay unclaimed money to Inland Revenue by the required date:** Current balances have been returned to bank account the funds were received from and there is a plan in place to return historical balances.

Health and Safety at Work

- **The health and safety risks associated with remote or isolated work (including mental health risks) must be managed in line with the prescribed risk management process.** To address these risks two-way communication devices have been procured, and a trial of the devices and a tracking system undertaken. A service level agreement is being finalised. The Lone, Remote & Isolated Worker Policy is to be reviewed and updated. Work on this is to be undertaken from December 2023 and is expected to be completed this financial year.

New Zealand Geographic Board (Nga Pou Taunaha o Aotearoa) Act 2008

Official geographic names must be used for all geographic features and Crown protected areas in official documents. An audit is planned and will be undertaken once dedicated resourcing is available.

Governance

- **A Registrar must be appointed to compile and maintain the members' pecuniary interest register and give advice and guidance to members.** Following the departure of the previous Registrar a new appointment is to be made by the CEO.

Transportation

- **Regional Speed Management Plans must be prepared in line with the Land Transport Rule: Setting of Speed Limits 2022 and any deadlines set by the Transport Agency.** The preparation of the Regional Speed Management Plan will not meet the specified time-frame as Territorial Authority's have experienced delays. The Transport Agency has been granted an extension for the State Highways component but has yet to adjust the deadline ORC needs to meet.
- **ORC is required to establish and maintain processes for Māori to contribute to the preparation of the Regional or State Highway Speed Management Plan (as applicable) and consider the ways in which Māori capacity to contribute to plan preparation can be developed. Relevant information must be provided to Māori for these purposes.** ORC requires resources/staff to meet this obligation.
- **Meetings must be publicly notified in line with section 46 LGOIMA.** Not all ORC Regional Transport Committee (RTC) meetings have been advertised separately to being advertised as a joint meeting with Environment Southland's RTC. Work is underway with Governance to ensure that RTC meetings are notified along with all Council meetings.
- **Procure outputs for approved land transport activities in line with the procurement procedures.** The requirement for ORC land transport procurement to be in line with the Waka Kotahi procurement manual may not always have been observed by the previous Manager.

Employment

- **A remuneration and employment policy must be reviewed at least 3yearly.** A revised draft of the Policy is under review, it has been consulted on, feedback is being considered and the Policy should be finalised shortly.
- **At the time Employees sign an employment agreement they must be given information about their holiday and leave entitlements, and where to go for further information.** The letter of offer template is being updated to rectify this.

Biosecurity Act 1993

- **Appointments (Warrants) - Authorised/Accredited persons must have appropriate experience, technical competence, and qualifications.** The development of a warranting process is in creation and will be used prior to the authorising or accrediting of any further biosecurity staff.

Public Records Act 2005

- **Create and maintain full records of affairs:** A large number of documents are stored in OneDrive and Microsoft Teams which are unmanaged. This issue will be resolved with the introduction of a new Share Point system, which will bring all documents from Objective, OneDrive and Teams into a structured record keeping repository, making the information available to all staff and meeting our legal and business requirements.
- **A local authority record that is no longer in current use or is 25 years old (a local authority archive) must be classified as open access or restricted access: ss 45 and 46 Public Records Act:** All records that are older than 25 years have been classified, but some more recent records that are no longer in use are still to be classified. As part of the transition to the new records keeping system, work will be done to complete the classification of those records no longer in active use.
- **Compliance with storage standards issued by the Chief Archivist:** Some records are stored in an area that does not meet all obligations. Once we move to new premises the bulk of records held on site will have been transferred to offsite storage.

Policy Statements and Plans

- **If a Regional Policy Statement (RPS) or plan provision has not been the subject of a proposed RPS or plan, a review, or a change in the past 10 years, the provision must be reviewed. If a change to the provision is required it must be proposed using the correct process, and if not required, the provision must be publicly notified as if it were a change.** The new RPS was notified in 2021, with freshwater provisions re-notified in 2022. The new Land and Water Regional Plan is scheduled to be notified by 30 June 2024. The reviews of Air and Coast Plans are scheduled and budgeted for in the LTP.

Climate Change Response Act 2002 and Climate Change (Unit Register) Regulations 2008

- **Provide climate change adaption information when required.** We are drafting our climate change strategy which will help us scope out our internal processes and provide answers to some of these questions. An internal climate change working group is being created with terms of reference approved by ELT.
- **Emissions Trading Registrar Holding account - Take the required action if holder or representative no longer a qualified person.** We plan to close the account as it is not relevant to ORC.

Privacy Act 2020

- **We must deal with personal information in line with the Privacy Principles.** CCTV was signage removed from the PLH reception area without authorisation from Support Services. The removal was identified within 3months and the sign reinstated.

Reallocations

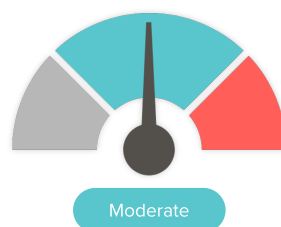
104 requests for reallocations were received from 15 respondents. This is up from 71 requests to reallocate received in the April 2023 survey. Legal is working through these requests but are treating the high number as a risk due to this being the third survey undertaken and many of the obligations are not new to the respondents.

Corrective Actions

45 Corrective actions are currently unresolved. Of these 19 are from the current survey. 25 actions from previous surveys have not been resolved and are overdue according to the respondents action plan. Increased training and engagement is needed to resolve these non-compliances.

Key law changes since 1 September 2022

- List key other areas of non-compliance, ideally one area per bullet point



- **05/10/23:** New requirements for withholding retention money under construction contracts were introduced.
- **24/08/23:** Natural and Built Environment Act 2023 and Spatial Planning Act 2023 came into force.
- **13/06/23:** The time limit to raise a sexual harassment personal grievance was extended to 12 months (from 90 days), and new employment agreements must refer to that time limit.
- **13/06/23:** A health and safety committee must be established if requested by 5 or more workers or a health and safety representative.
- **05/04/23:** The ban in the Commerce Act on misusing substantial market power was extended to conduct that is likely to substantially lessen competition.
- **01/04/23:** Taxable supply information for GST replaced the requirement for tax invoices.
- **01/12/22:** The Fair Pay Agreements Act sets a process for bargaining for minimum employment terms for all employees in an industry or occupation.
- **01/07/22** Protected Disclosures (Protection of Whistleblowers) Act 2022



Legal Compliance (24 Apr 2023 - 24 Oct 2023)



We are using **ComplyWith**, a legal compliance management tool, to identify and monitor our legal compliance risks.



Map responsibilities

Legal obligations have been carefully mapped to the responsible roles within our business.



Identify legal risks

Responsible roles have completed an online compliance survey, enabling them to proactively identify legal risks and issues.



Track unresolved risks

The corrective actions function allows us to monitor risks, set action plans, and send reminders about unresolved issues.

What do the survey results mean?

Responsible roles rate our compliance with our legal obligations using the response scale below. When partial or zero compliance is reported, the current status of the compliance issue is also required to be entered.

Response scale



The obligation arose and was **fully complied with**.



The obligation arose, there was more than zero compliance but **not full compliance** (explanation mandatory).



The obligation arose, but there was **no compliance at all** with it (explanation mandatory).



The circumstances giving rise to the **obligation did not occur** during the period covered by the survey.



The obligation should be **allocated to another role**, or it should be deleted because it **does not apply** at all.

Status of compliance issues



The issue has been **resolved**, no further action required.



There is an **action plan in place**. There will be updates towards resolution.



There is **no action plan in place** yet. An explanation is required to be given.

Want to know more?

To learn more about the legal compliance programme, or to access a copy of the full survey results, please ask the author of this report.

Legislation in this survey

Accident Compensation Act 2001
 Animal Welfare Act 1999 and Animal Welfare (Records and Statistics) Regulations 1999
 Aquaculture Reform (Repeals and Transitional Provisions) Act 2004
 Biosecurity Act 1993, Regulations, and the National Bovine TB Pest Management Plan
 Building Act 2004
 Child Support Act 1991
 Children's Act 2014
 Civil Defence Emergency Management Act 2002
 Climate Change Response Act 2002 and Climate Change (Unit Register) Regulations 2008
 Commerce Act 1986 and Regulations
 Conservation Act 1987
 Construction Contracts Act 2002
 Contract and Commercial Law Act 2017 - Part 4 (Electronic transactions)
 Copyright Act 1994
 COVID-19 Public Health Response Act 2020
 Crimes Act 1961
 Criminal Records (Clean Slate) Act 2004
 Defamation Act 1992
 Delegations Compliance
 Electricity Act 1992 and Regulations
 Employment Relations Act 2000
 Equal Pay Act 1972
 Fair Trading Act 1986
 Family Violence Act 2018 (Part 2 Information sharing and Part 9 Public registers only)
 Fire and Emergency New Zealand Act 2017 and (Fire Safety, Evacuation Procedures and Evacuation Schemes) Regulations 2018
 Gas Act 1992 and Regulations
 Government Roadway Powers Act 1989
 Harmful Digital Communications Act 2015
 Hazardous Substances and New Organisms Act 1996
 Health and Safety at Work (Asbestos) Regulations 2016
 Health and Safety at Work (Hazardous Substances) Regulations 2017
 Health and Safety at Work Act 2015, General Risk Regulations 2016, and Worker Engagement Regulations 2016
 Health and Safety in Employment (Pipelines) Regulations 1999
 Health and Safety in Employment Regulations 1995
 Heritage New Zealand Pouhere Taonga Act 2014
 Holidays Act 2003
 Human Rights Act 1993
 Immigration Act 2009 and Immigration Advisers Licensing Act 2007
 Income Tax Act 2007, Tax Administration Act 1994, and GST Act 1985 - Overview obligations
 Juries Act 1981
 KiwiSaver Act 2006
 Land Drainage Act 1908 (Part 3 only)
 Land Transport Act 1998
 Land Transport Management Act 2003
 Legislation Act 2019 and Legislation (Publication) Regulations 2021
 Local Authorities (Members' Interests) Act 1968
 Local Electoral Act 2001 and Local Electoral Regulations 2001



Local Government (Rating) Act 2002
 Local Government Act 1974
 Local Government Act 2002 and Local Government (Financial Reporting and Prudence) Regulations 2014
 Local Government Members (2023/24) Determination 2023
 Local Government Official Information and Meetings Act 1987
 Marine and Coastal Area (Takutai Moana) Act 2011 and Ownership of Structures Regulations 2015
 Marine Mammals Protection Act 1978 and Marine Mammals Protection Regulations 1992
 Marine Reserves Act 1971 and Marine Reserves Regulations 1993
 Maritime Transport Act 1994 (and parts of the Maritime and Marine Protection Rules)
 Minimum Wage Act 1983 and Minimum Wage Order
 Natural and Built Environment Act 2023
 New Zealand Geographic Board (Nga Pou Taunaha o Aotearoa) Act 2008
 Parental Leave and Employment Protection Act 1987
 Plumbers, Gasfitters, and Drainlayers Act 2006
 Privacy Act 2020 and Privacy Regulations 2020
 Protected Disclosures (Protection of Whistleblowers) Act 2022
 Protected Objects Act 1975
 Public Audit Act 2001
 Public Records Act 2005
 Public Works Act 1981
 Rating Valuations Act 1998 and Regulations
 Resource Management (NES for Air Quality) Regulations 2004
 Resource Management (NES for Assessing and Managing Contaminants in Soil to Protect Human Health) Regulations 2011
 Resource Management Act 1991 and Regulations
 Road User Charges Act 2012 and Road User Charges Regulations 2012
 Search and Surveillance Act 2012
 Secret Commissions Act 1910
 Shop Trading Hours Act 1990
 Smokefree Environments and Regulated Products Act 1990
 Social Security Act 2018 and Social Security Regulations 2018
 Soil Conservation and Rivers Control Act 1941
 Spatial Planning Act 2023
 Student Loan Scheme Act 2011
 Trade Marks Act 2002 and Trade Marks Regulations 2003
 Unclaimed Money Act 1971
 Unsolicited Electronic Messages Act 2007
 Victims' Rights Act 2002
 Wages Protection Act 1983
 Water Services Act 2021 and Water Services (Drinking Water Standards for New Zealand) Regulations 2022
 Wildlife Act 1953

9.3. A&R2307 People and Safety Quarterly Report

Prepared for: Audit and Risk Subcommittee
Report No. A&R2307
Activity: Governance Report
Author: Gina Watts, Team Leader HSW, Kelly Stuart, People Services Lead, Mark Olsen, Manager People and Safety
Endorsed by: Amanda Vercoe, General Manager Governance, Culture, Customer
Date: 6 December 2023

PURPOSE

- [1] This report summarises year to date information on health, safety and wellbeing (HSW), and people and culture (HR) at ORC (Otago Regional Council).

EXECUTIVE SUMMARY

- [2] ORC’s approach to health, safety and wellbeing is continuing to deepen and strengthen. Notable highlights over the last few months are that we are seeing very positive engagement and continuous improvement via the Health & Safety Committees and great participation in our various wellbeing initiatives.
- [3] The People & Culture team are continuing to maintain day to day support, advice and service delivery whilst progressing key priorities including collective bargaining with the PSA union, review of the Remuneration Policy and conducting staff interviews to inform future staff benefits to improve staff retention.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes this report.**

HEALTH, SAFETY AND WELLBEING

Summary of ORC’s Critical Risks

Critical Risk	Residual Risk	Current work on controls (in addition to existing controls)	Change
Contractor Management	Moderate	Contractor Safety Framework is currently under review	No change to risk level
Vehicle/Vessels	Moderate	Alcohol and drug policy to be considered	No change to risk level
Lone, Remote, or Isolated Work	Moderate	Lone Worker Safety Management – System Guide is under development; this is to replace the current Lone, Remote and Isolated Working Policy	No change to risk level
Fatigue	Moderate	Mental Health Strategy Upcoming review of Fatigue Management Policy and	No change to risk level

		toolbox	
Violence and Aggression	Moderate	Revision of duress procedures is in development	No change to risk level
Fall from height or between levels	Moderate	Working from height project is underway	No change to risk level
Mental Health	Moderate	Mental Health Strategy to be developed	No change to risk level
Hazardous Substances	Low	Recurring audit regime is in place	No change to risk level
Water Hazards	Low	Working around water guideline is under development	No change to risk level

Note critical risk levels will be redefined in quarter four 23/24.

- [4] Refer to appendix 1 ‘Critical Risk Profiles’ for critical risk profiles .

HEALTH AND SAFETY PERFORMANCE REPORTING

Current State – Year To Date

- [5] 43 reports have been completed year to date (1 July – 15 November 2023) 27 reports in quarter one, and 15 in quarter 2 to date (1 September – 15 November); 33 incidents and near misses relating to ORC staff & 7 relating to contractors. Of the reports completed within this period, 30% are near-misses, 56% minor incidents, 12% moderate incidents and 2% currently undefined (severity level not yet determined).

ORC Events

- [6] 13 incident and near misses relating to ORC staff occurred during quarter 2 to date (15 November). 6 were vehicle-related, of those reported 5 were near misses relating to other driver behaviour, environmental conditions and parking practices. 1 vehicle related incident involved damage to a vehicle. 4 incident reports were related to occurrences of violence, aggression, or abuse. Other reported events related to unsafe behaviour, slip, trip and fall at the same level and unsafe equipment/ equipment failure.
- [7] Post-incident/near-miss actions and controls have included:
- Vehicle related incidents/ near miss: team safety discussions regarding parking practices and ongoing investigation looking at adjustment to parking procedures/signage at site, and adjustment to tyre type to better suit vehicle operating environments (team specific).
 - Violence, aggression, and abuse-related incidents/ near miss: organisational safety messaging during rates and penalty periods and communication of guidelines for managing aggressive or threatening phone calls, in addition to event debriefs and offering of support to staff involved.
 - Other controls included adjustment to storage practices to minimise slip trip fall hazards and equipment maintenance.
- [8] 5 hazard reports have been completed year to date (15 November); 1 hazard report was completed in quarter 2, this hazard was related to a potentially unsafe shelving structure/ sharp shelf corner, this hazard was investigated and noted that the shelving construction was partially completed; shelving has since been completed.

Contractor Events

- [9] Three contractor incidents occurred within quarter 2 to date; 1 slip trip fall incident relating to wilding pines operation, 1 vehicle-related incident reported by a member of the public in relation to bus operations and 1 incident of property damage relating to building security services. **Refer to the Audit and Risk Incident and Near Miss Dashboard 23 24.*

Legislative Compliance

- [10] Our obligations under the Health & Safety at Work Act were reviewed via the legislative compliance survey (ComplyWith) which is conducted across ORC. There were no areas of non-compliance and only one partial compliance identified, for Lone, Remote and Isolated work. Work is underway to fully implement the online lone worker management system, this system has been trialled and is now in place for identified at risk workers. Work is underway to review and update the related procedures and training; once these items are in place, partial compliance will be adjusted to full compliance.

Worker Participation & Engagement

- [11] The Health and Safety Committee continues to meet quarterly to discuss any risk areas and ideas for improvement. The final Health and Safety Committee meeting for the calendar year will take place at the end of November where annual committee objectives and ongoing meeting structure will be set.
- [12] The Engineering Team have recently completed work related to pump station fall arrest systems, this included installation of the system, procurement of appropriate Personal protective equipment and safety training.
- [13] The Health and Safety Committee and HSR (Health and Safety Representatives) group have provided valuable contributions to the Health, Safety and Wellbeing (HSW) newsletter, a new initiative aimed at enhancing staff engagement with HSW activities and information. Issue three (Spring) has recently been released which included a positive safety summary for recent safety improvements completed by the Engineering Team, workstation assessments & ergonomics, safety alert, HSR contributions and upcoming wellbeing initiatives.

Training and Development

- [14] A total of 66 safety training courses have been completed year to date (15th November), 16 safety training courses have been completed in quarter 2 so far. Figure 1 and 2 shows the number of participants per course.

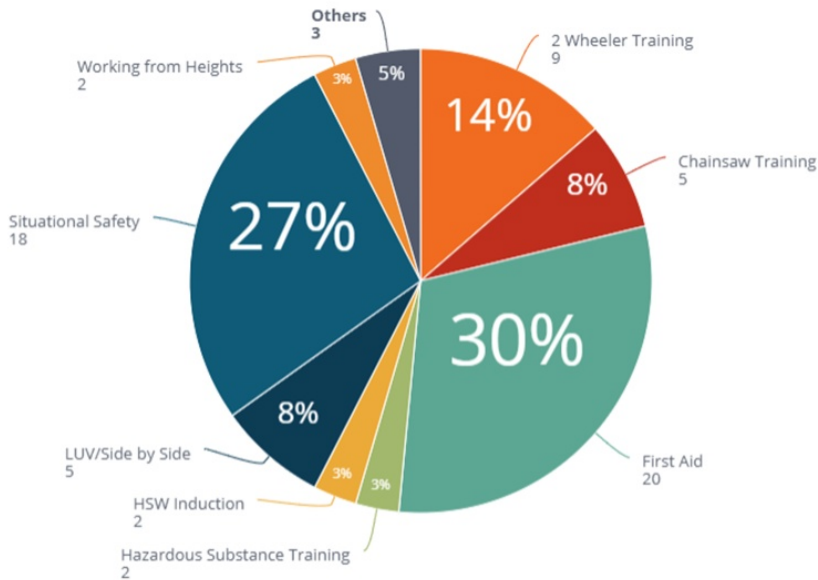


Figure 1: Training Participation Numbers Year to Date Summary (1st July – 15th November)

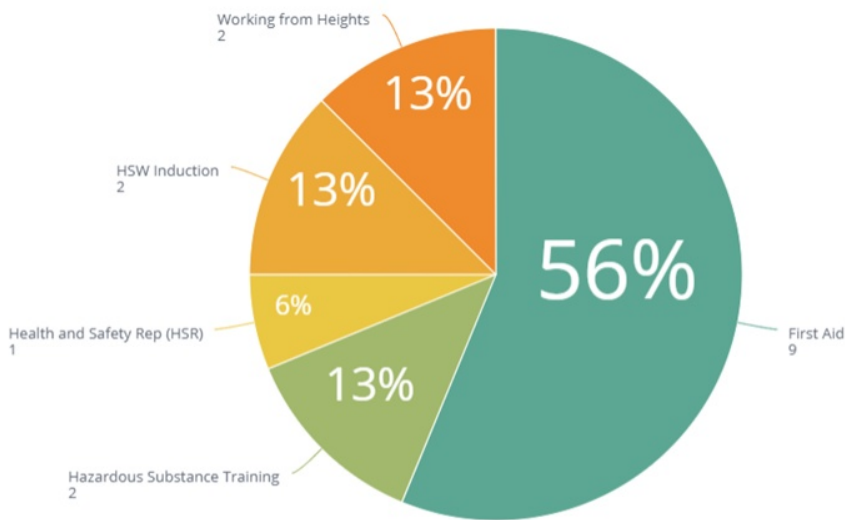


Figure 2: Training Participation Numbers Quarter Two 2023/2024

Employee Wellbeing

[15] Notable wellbeing activities in quarter 2 included Mental Health Awareness Week, an initiative that was a part of this week included a compliments initiative aimed at employee connection, where staff could acknowledge colleagues by submitting a compliment; 240 compliments were received. Feedback from this initiative was very positive. An overview of initiatives is summarised below, noting some are still under consideration. A planting day pilot took place in early October; a multi-beneficial initiative for health & wellbeing, team building, community relationships and for the Otago environment.

Table 1: Wellbeing Initiatives July - December

Wellbeing Initiative	Proposed Date	Status	Statistics
15 minute challenge	June - August	Completed	104 participants
Ergonomic webinar	August 22nd	Completed	26 participants
Mental Health Awareness Week	September	Completed	250 compliments received. 38 views to MHAW (Mental Health Awareness Week) article.
Planting Day Pilot	October	Completed	35
Introduction to Investing	October	Completed	15 attendees
Blood Donation	November	Completed	3 Attendees
Wellbeing Leave	December	TBC	
Festive wellbeing	December	TBC	

Other Focus Areas for Continuous Improvement

- [16] During October, we presented to ELT on the Lone Worker Monitoring System. After a successful trial in Environmental Monitoring and Environmental Implementation this is now being rolled out to other relevant teams across ORC.
- [17] The team are working to a comprehensive work plan for FY24. The Health Safety & Wellbeing Strategy is currently being drafted and will be presented to ELT in late January.

PEOPLE AND CULTURE

Key projects and activities for July to November 2023

- [18] The design of the **Performance Plans** template was reviewed and updated, with refreshed guidance materials and optional refresher training sessions for people leaders. New employee performance plans have now been agreed for the 2023/24 year and feedback on the revised approach has been very positive.
- [19] We have completed staff consultation on the draft updated **Remuneration Policy** and currently reviewing and considering the feedback received. Any further recommended changes to the Policy will be presented to ELT in December.
- [20] The People & Culture team have conducted a series of **staff interviews** (30 in total) with a range of people from across ORC to understand what they value in terms of ORC’s current staff benefits, and what would be of value to them in future to inform any future changes to staff benefits and initiatives to improve staff retention. The results of this work and recommendations will be reported to ELT early next year.
- [21] We have been reviewing our current approach to **engagement surveys** and considering different providers / options. A paper with our recommended option will go to ELT later this month with the survey likely to be in March or April next year.
- [22] Project planning for an **HR System** is continuing with increased emphasis on determining our requirements. At the recent Regional Councils & Unitary Authorities HR Special Interest Group (SIG) Forum in Palmerston North, a number of other regional councils are in the process of changing from their existing HR System to a new system. This reinforced to us the importance of being clear on our requirements.

[23] **Recruitment support** and preparation of employment documentation is ongoing and a significant time commitment.

Other Highlights

[24] The People & Safety Manager gave a presentation at the first workshop with the staff led team working on a new mission, values and behaviours for ORC.

[25] The team are working to a comprehensive work plan for FY24. The People & Culture Strategy is currently being drafted and will be presented to ELT in late January.

Human Resources Dashboard Reporting

[26] Workforce snapshot information

- 321 total staff, 293 permanent / 28 fixed term
- Average tenure is 4.4 years, median tenure is 2.2 years
- Average annual leave balance, 18.8 days
- Average sick leave taken, 5.9 days (last 12 months)
- Annual staff turnover of 21.8% (for the 12 months to 14 November 2023). Turnover of 3.5% for Q1 2023/24.

[27] Workforce mobility

Q1 2023/24

- 3 Internal sideways moves
- 9 Internal promotions/upwards moves
- 6 Internal secondments commenced

[28] Recruitment snapshot

Q1 2023/24

- Roles that have been advertised: 47
- Roles successfully filled: 25
- 567 job applications received, an average of 12 per role.

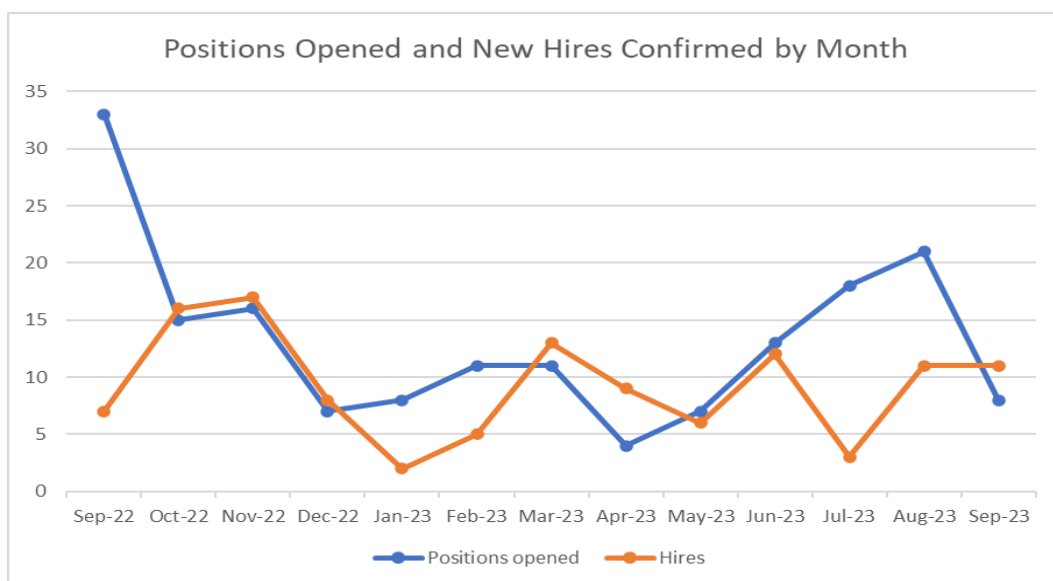


Figure 3: Monthly number of positions opened and new hires from Sept 2022 to Sept 2023

[29] FTE Report



23/24 FTE Report as at pay period ending 10/11/2023

Report generated on 23 November 2023 at 5:03:09 PM

Directorate	Homebase Desc	Staff Name	Position Description	Employee Status	FTE	Bgt FTE
☐ Chief Executive					2.0	2.0
☐ Corporate Services					50.0	56.5
☐ Governance, Culture & Customer					23.0	26.7
☐ Operations					81.0	95.0
☐ Regulatory & Communications					83.4	90.0
☐ Science, Environmental Monitoring & Policy					62.2	69.0
☐ Transport					10.5	13.0
Total					312.0	352.2

CONSIDERATIONS

Strategic Framework and Policy Considerations

[30] Nil.

Financial Considerations

[31] Nil.

Significance and Engagement Considerations

[32] Nil.

Legislative and Risk Considerations

[33] Nil.

Communications Considerations

[34] Nil.

ATTACHMENTS

Incident reporting dashboard

Critical Risk Profiles November 2023

1. HSW Critical Risks Profiles [9.3.1 - 6 pages]
2. Audit-and- Risk- Incident-and- Near- Miss- Report-11-17-2023 1 [9.3.2 - 3 pages]

Health, Safety & Wellbeing Critical Risk Profiles as of 15 November 2023

Author: Gina Watts, Team Leader Health, Safety & Wellbeing

Nine critical risks are outlined within Otago Regional Council's Critical Risk Management Plan, including lone remote or isolated working, falls from height or between levels, water hazards, contractor management, hazardous substances, vehicle/vessel driving/operation, mental health, fatigue, and violence and aggression.

There will be additional layers of detail that sit beneath these risk profiles that are managed by managers, team leaders and staff. That information (risk assessments, task analysis, job safety analysis) will ensure the understanding and management of these risks are relevant to the specific activities and tasks undertaken through the layers of the business.

Contractor Management			
Risk Description	<p>Inadequate contractor management risks the health and safety of employees, contractors, visitors, and members of the public.</p> <p>The risk arises when the contractor engager fails to effectively plan, monitor, and control the activities of contractors working on their premises or carrying out work on their behalf.</p> <p>A range of potential hazards and risks may arise from inadequate contractor prequalification, training, supervision, and communication.</p>	Initial risk level	High
What we know about this risk in our business	<p>Contractor engagement occurs across the Otago Regional Council including construction, maintenance, and specialised tasks such as aviation, public transport, and pest management.</p> <p>We've had 58 contractor related incidents in the past 2 years. 60% percent of these incidents were minor, 14% moderate, 25% near miss occurrences and 1% major.</p>	Residual risk level	Moderate
How we manage the risk	Contractor Health and Safety Policy including prequalification selection procedures, procurement policy & planning processes, organisational induction for onsite contractors, H&S assurance check regimes, regular review of contractor H&S plans, and staff training in contractor safety.		
Control development	The contractor safety framework is currently under review		

Vehicles – Driving Operations

Risk Description	There is a risk people could be harmed while driving to jobs, meetings and site visits. Drives can be long because we cover a large region. People also occasionally drive to places like mines, ports and commercial sites, off-road and rural areas, and places with extreme temperature fluctuations, ice, snow, and sunstrike. CODC vehicle operation in an emergency. Driving, therefore, requires on and off-road capability and involves the use of various types of vehicles. All staff who drive for work are exposed, particularly those who drive in remote locations or off-road.	Initial risk level	High
What we know about this risk in our business	We've had 33 driving-related incidents in the past 2 years. These involved property damages and minor injuries. Investigations indicated that driver behaviour was a key contributing factor.	Residual risk level	Moderate
How we manage this risk	Fatigue management policy: Driving/ working time restrictions, break/rest and overnight requirements to manage fatigue risks. Recruitment policy (recruitment processes asks if any health issues could impact ability to drive). Organisational inductions. Training, Safe Operating Procedures, vehicle servicing, vehicle GPS tracking with 24/7 impact/rollover alert monitoring service, incident reporting		
Control development	Alcohol and Drug Policy to be developed		

Lone, Remote or Isolated Work			
Risk Description	Work can be remote because of the nature of work, location, and time, such as visiting sites, inspecting sites, working in remote sites, or responding to calls after hours. The potential risks associated with performing work activities increase significantly when the activity is performed in remote, or isolated situations as assistance may not be readily available to an employee in the event of an injury, ill health, or an emergency. Whether a situation is a high or low risk will depend on the location, type of work, interaction with the public, or the consequences of an emergency, accident, injury, etc. Given that there are a wide variety of situations where employees can be working alone with varying levels of risk.	Initial risk level	High
What we know about this risk in our business	Lone, remote, and isolated work and the risks it presents occurs across Council operations including teams such as environmental monitoring and environmental implementation. Lone, Remote and isolated work has not been a contributing factor to incident reports in the past 2 years.	Residual risk level	Moderate
How we manage this risk	Emergency response planning, task-specific training, Lone Remote or Isolated Work Policy, worker welfare checks 'buddy' system, vehicle fleet use GPS monitoring. 2-way communication with emergency response procedures tailored to the team level. Personal Locator Beacon to be carried.		
Controls development	Lone Worker Safety Management – System Guide is under development; this is to replace the current Lone Remote and Isolated Working Policy		

Fatigue			
Risk Description	Fatigue related hazards pose significant health and safety risks. Fatigue occurs when individuals experience physical and or mental exhaustion, leading to impaired decision-making, and increased likelihood of accidents or errors.	Initial risk level	High
What we know about this risk in our business	ORC fatigue risk factors include long hours/shift work (emergency responses, flood etc), nature of work (physical or cognitive demands), personal factors (workload/work pace), and lone, remote, or isolated work.	Residual risk level	Moderate
How we manage this risk	Administrative: roster planning during emergency/flood response, fatigue management policy & toolbox, leave arrangements to be used to manage fatigue as needed. Wellbeing programme including EAP for all staff support and coping skills, workload management including managing long hours and work travel. Role-specific training, role-specific risk management and assessment, support from management, organisational return to work/ stay at work support pathways.		
Controls development	Mental Health Strategy (commencing 2024) Upcoming review of Fatigue Management Policy and toolbox		

Violence & Aggression			
Risk Description	This risk refers to any behaviour or action that involves physical or verbal aggression, threats, harassment, intimidation, or any other form of violence, whether initiated by an employee, customer, or any other individual present in the workplace environment.	Initial risk level	High
What we know about this risk in our business	ORC staff interact with individuals and communities on a wide range of issues, including contentious matters such as policy decisions, enforcement actions, or public service delivery. These interactions, coupled with other factors, can potentially escalate into situations where violence and aggression become a significant concern. We've had 26 violence and aggression related in the past 2 years, 73% of these incidents were minor, 19% moderate and 8% near miss, most of the violence and aggression incidents are experienced within the Customer Experience, Compliance and Transport Teams.	Residual risk level	Moderate
How we manage this risk	Occupational Violence and Aggression Policy, de-escalation training, duress and emergency management procedures, provision of fit for purpose workplace layout (e.g. wide and high customer service counters), Security and duress systems (e.g. duress alarms and CCTV at customer-facing points), EAP for staff support & debrief post-incident to reduce further harm, reporting and investigation, team/task specific safe operating procedures, support from management, reducing frustration points/known triggers for customers/ members of the public where possible.		

Controls development	Revision of duress procedures is in development (all customer facing sites) PLH duress procedure review completed – September
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Falls from height or between levels			
Risk Description	Working at height means working in a place where a person could be injured if they fell from one level to another, this can include when working on the ground near an excavation.	Initial risk level	High
What we know about this risk in our business	This risk is applicable to pump stations at weed screens and installation works completed by the Environmental Monitoring Team. Contributing factors include adverse working conditions (e.g., weather, housekeeping, terrain), unsafe practices/behaviour, unsafe/faulty equipment, and working at an exposed edge. No incidents have been related to this risk in the last 2 years.	Residual risk level	Moderate
How we manage the risk	Railing and fall arrest system installation and height safety training were completed in July/August, minor adjustments have now been completed. Pump station fall arrest engineering controls include uniraill systems, fixed anchors, cable retractors, and fall arrest cable systems. Personal protective equipment and height safety training has been completed.		
Control development	Safe operating procedures development alongside training. Ladder selection and use Safe Operating Procedure completed November 2023.		

Psychosocial / Mental Health			
Risk Description	Mental health harm or mental ill-health is the significant cognitive, emotional, or behavioural impact arising from, or exacerbated by, work-related risk factors. Mental health harm may be immediate or long-term and can come from single or repeated exposure. Psychosocial risks can be grouped into four key areas; task (<i>demands, role clarity, workplace environment, remote and isolated work</i>), individual (<i>role autonomy, development opportunities, work-life balance, meaning and purpose</i>), social (<i>workplace culture, support, violence and aggression, workplace relationships</i>), and organisational (<i>psychological safety, organisational justice, reward and recognition, change</i>).	Initial risk level	High
What we know about	Psychosocial risk factors are present across the organisation, and current information on mental health is gathered via high-level (anonymous)	Residual risk level	Moderate

this risk in our business	<p>reporting from EAP, Incident data, wellbeing survey data and engagement survey.</p> <p>The Health, Safety and Wellbeing Team have developed four Stay at Work plans in the last 2 years to support employee mental wellbeing.</p> <p>We have had x1 incident relating to mental health in the last 2 years, this incident was related to personal factors and was not directly work-related</p>		
How we manage the risk	Employee assistance programme, leave arrangements, flexible work options, manager support and leadership training, and communication from senior leadership regarding staying mentally well. Staff awareness training and workshops, staff wellbeing programme.		
Control development	<p>Stay at work & return to work procedure</p> <p>Mental health strategy</p>		

Water Hazards			
Risk Description	Working around waterways is one of the most potentially hazardous activities that staff will encounter. The primary hazards associated with rivers, streams and oceans include drowning, slipping (losing footing and control), being caught by snags or whirlpool currents, polluted water, and hypothermia.	Initial risk level	High
What we know about this risk in our business	<p>Working around water and the risks it presents occurs across Council operations and includes boating, flood response, environmental monitoring, pollution response, community education and infrastructure inspection and maintenance.</p> <p>Working around water has not been a contributing factor to incident reports in the past 2 years.</p>	Residual risk level	Low
How we manage the risk	Role-specific training – RiverSafe, maintenance regimes, safe operating procedures for specific tasks. Assurance check regimes, personal protective equipment; custom waders, life jackets, footwear, thermal protection, and 2-way communication devices.		
Control development	Working around water guideline under development.		

Hazardous Substances			
Risk Description	Hazardous substances are substances that are explosive, flammable, oxidising, toxic, corrosive, or toxic to the environment. A hazardous	Initial risk level	Moderate

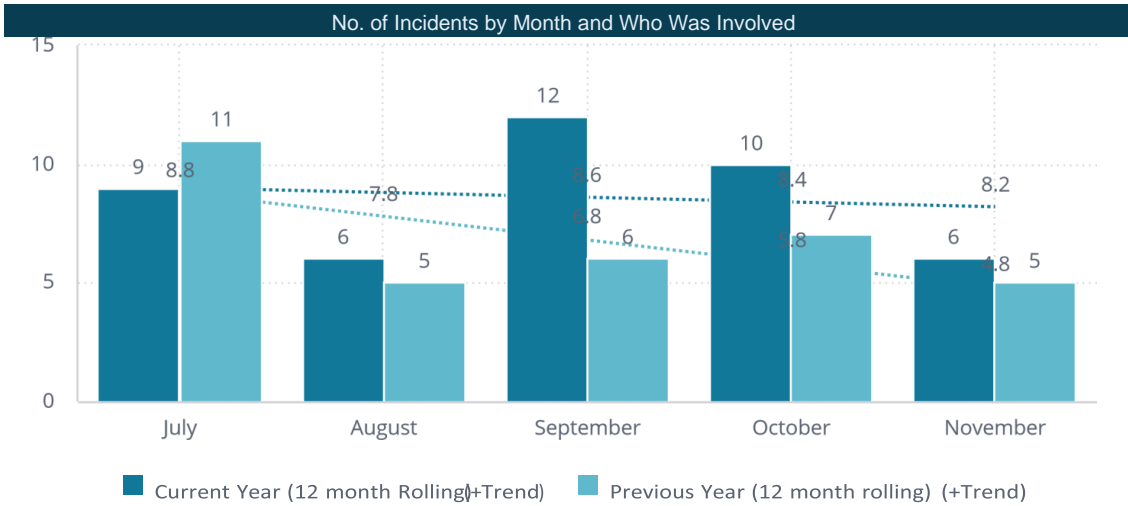
	substance may be a single chemical or a mixture of both hazardous and non-hazardous chemicals.		
What we know about this risk in our business	<p>The Engineering, Environmental Monitoring and Environmental Implementation Teams are the predominant users of hazardous substances. Hazardous substances that ORC use include agricultural substances for weed control (flood banks, monitoring stations), preservation chemicals (specimen and sample preservation), fuels, oils, aerosols, and general cleaning products. Minimum quantities are stored at sites.</p> <p>There has been 1 minor incident related to hazardous substances in the last 2 years which was related to a broken hazardous substance container.</p>	Residual risk level	Low
How we manage the risk	<p>Personal protective equipment including respirators, protective eyewear, coveralls, non-porous footwear, safety equipment such as eye wash stations and first aid equipment, health monitoring & respirator fit testing, safety/technical data sheets are maintained at each site, safety plans, emergency response plans and safe operating procedures. Training: Hazardous substance awareness training, GrowSafe training. Assurance check regimes during site visits, hazardous substance policy & procedure, and elimination of hazardous substances from ORC depots where possible.</p>		
Control development	<p>Upcoming review of hazardous substance policy & procedure</p> <p>Health monitoring procedure</p>		

Audit and Risk Incident and Near Miss Report 17 Nov 2023 04:37:25 Incident

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Incident / Near Miss Dashboard

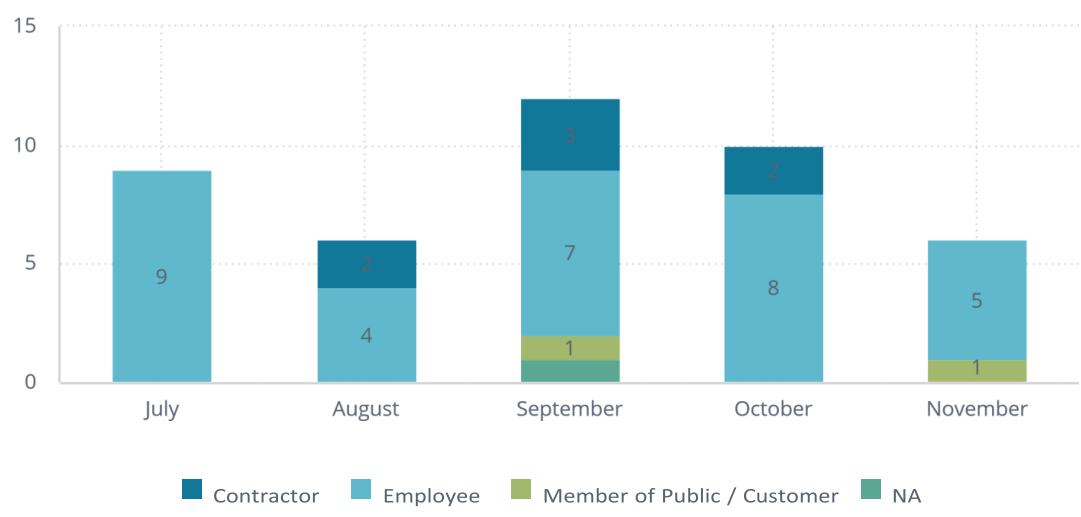
- See bottom of screen for a list of records.
- Click on a graph segment to filter the rest of the dashboard based on that selection.
- To see other data relating to a segment right-click and 'Drill' to the desired field.
 - Access other filters using the right-hand filters panel.
 - NOTE: counters may be affected by any filters you apply.



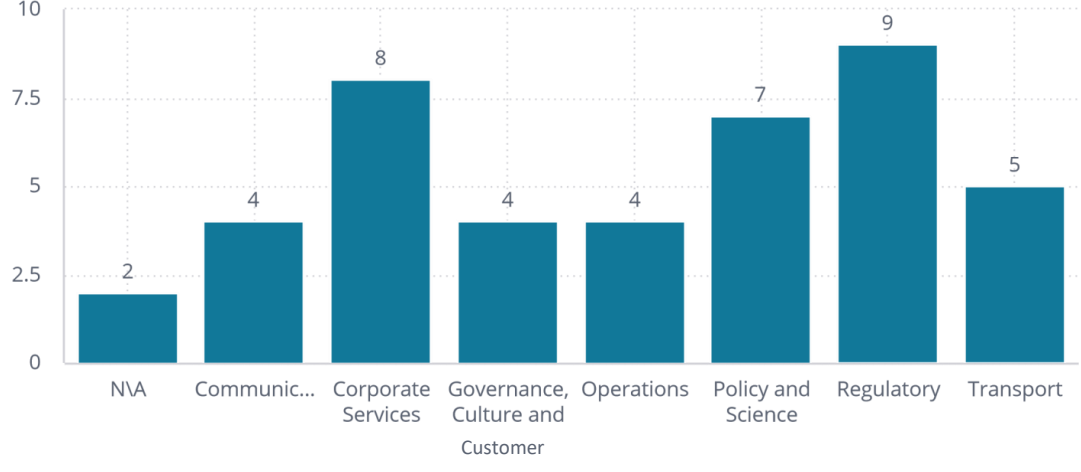
Audit and Risk Incident and Near Miss Report 17 Nov 2023 04:37:25 Incident

Filters Incident Date 7/1/23 to 11/15/23 | TimeZone New Zealand Standard Time

No. of Incidents by Month and Who Was Involved

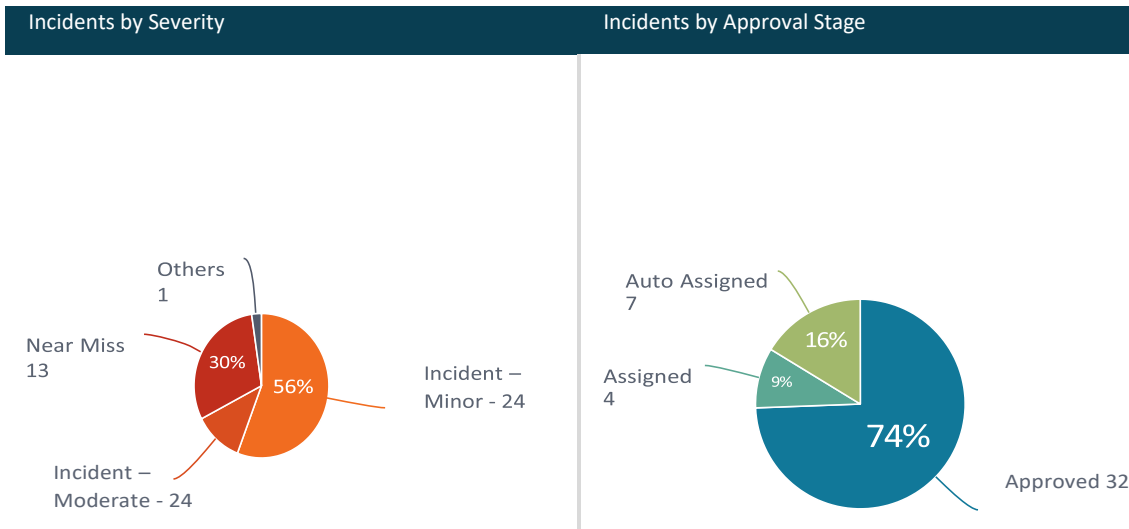
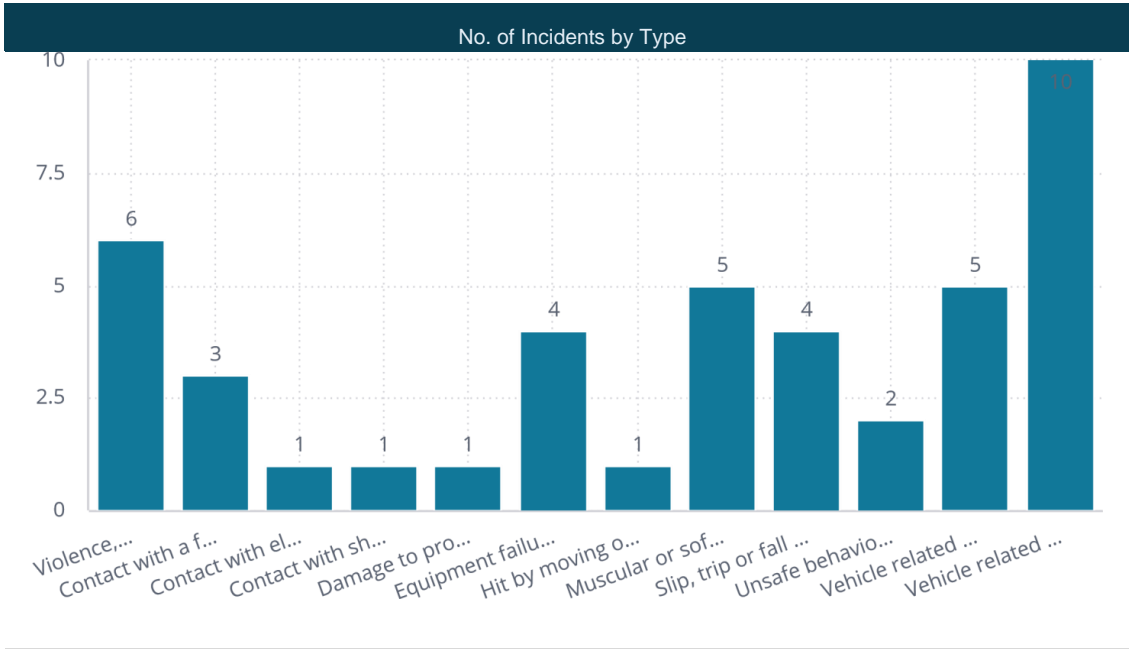


Incidents by Org Unit



Audit and Risk Incident and Near Miss Report 17 Nov 2023 04:37:25 Incident

Filters Incident Date 7/1/23 to 11/15/23 TimeZone New Zealand Standard Time



9.4. ENG2301 Infrastructure Resilience Risk Deep Dive

Prepared for:	Audit and Risk Subcommittee
Report No.	A&R2303
Activity:	Engineering Report
Author:	Michelle Mifflin, Manager Engineering, Pam Wilson, Principal Technical Advisor
Endorsed by:	Gavin Palmer, General Manager Operations
Date:	20 November 2023

PURPOSE

- [1] To facilitate a discussion, or ‘deep dive’, into Council’s management of the *Infrastructure Resilience* strategic risk.

EXECUTIVE SUMMARY

- [2] The attached document provides an overview of the risk environment, and the risk drivers and consequences. It also outlines current risk preventions, existing controls, an assessment of controls and Council’s risk improvement plan.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes** the attached deep dive on Council’s ‘Infrastructure Resilience’ strategic risk.

BACKGROUND

- [3] Risk management is the act of identifying, evaluating, planning for, and then ultimately responding to threats. The goal is to be prepared for what may happen and have a plan in place to respond appropriately.
- [4] Over the past year Council has been working on refreshing its Strategic Risk Register and has begun the process to take a ‘deep dive’ into each of the 18 strategic risks.
- [5] The Strategic Risk Register provides information to assist Audit & Risk to carry out its oversight of high-level risk management including:
- a. Critiquing the strategic risk profile and considering if the appropriate strategic level risks have been included and correctly described.
 - b. Considering if the assessment of the risks appropriately reflects the strategic risk profile of ORC.
 - c. Ensuring updates to the Risk Register where discussions with management identify these are appropriate.

DISCUSSION

- [6] The attached document provides an overview of the risk environment, and the risk drivers and consequences. It also outlines current risk preventions, existing controls, an assessment of controls and the risk improvement plan.
- [7] This overview will allow the Audit and Risk sub-committee to understand how Council is currently managing the risks posed by Infrastructure Resilience and to facilitate discussion or any changes or improvements that the sub-committee may wish to recommend.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [8] There are no strategic or policy decisions required.

Financial Considerations

- [9] Financial risk and the affordability of ongoing, renewals, repairs and maintenance, as well as respond to damage during and post events.

Significance and Engagement Considerations

- [10] There are no significance or engagement considerations.

Legislative and Considerations

- [11] There are no legislative considerations.

Infrastructure Resilience Considerations

- [12] The infrastructure Resilience considerations are covered in the content of the paper.

Communications Considerations

- [13] There are no communications considerations.

NEXT STEPS

- [14] Any changes made to the risk descriptions, preventions, assessment of controls or risk improvement plan will be captured and implemented.

ATTACHMENTS

1. Strategic Risk Deep Dive Template Infrastructure [9.4.1 - 2 pages]

Strategic Risk Deep Dive – Infrastructure Resilience

Risk Description: Key infrastructure fails through deterioration or natural hazard event.

Risk Category: Strategy and Planning

Risk Name: Infrastructure Resilience

Executive Sponsor: Chief Executive

Executive Oversight: General Manager, Operations

Last Update: 22 June 2023

Assessment	Date	Impact	Likelihood	Inherent risk rating	Impact	Likelihood	Residual risk rating
	April 2023	Severe	Likely	Critical	Severe	Rare	High

Risk Environment Discussion	Causes/Consequences
<p>Otago Regional Council's flood protection, land drainage and river management infrastructure has been constructed over a period of 150 years. As such, Otago Regional Council may not have as comprehensive understanding of the construction method or quality of materials and construction for some of this older infrastructure. This increases the risk that unknown factors may contribute to the integrity of this infrastructure.</p> <p>Also, as infrastructure ages the condition can degrade, or the technology becomes redundant. Factors such as installation, operational environment and manufacturing defects can also reduce the useful life of infrastructure. Continuing to operate and maintain infrastructure beyond its intended useful life also increases the frequency and cost of maintenance, increases the risk of failure, and often does not enable forward planning to design and construct solutions to modern standards.</p> <p>Floodbanks have several potential failure modes including overtopping during flood conditions, slope and foundation stability (under flood, non-flood and seismic conditions), and seepage through the floodbank or its foundation. The condition of a floodbank can degrade over time due to the development of seepage paths or as a result of damage during high flows, increasing the risk of a floodbank breaching during a flood. Overtopping can also occur due to reduced scheme capacities, potentially through gravel migration/river behaviour, overtopping or failure.</p> <p>Understanding infrastructure condition and performance, alongside routine inspection and maintenance activities, is a key component of sound asset management practices that enable the Otago Regional Council to make risk-based decisions about forward work programmes, including renewals and increases in levels of service if required. Work is also ongoing as part of business as usual activities to collect and validate asset data that also contributes to Otago Regional Council's knowledge of its infrastructure over time.</p> <p>The Otago region also comprises a diverse and dynamic environment ranging from flat coastal lowlands and intensively used alluvial floodplains, through to large sparsely populated and steep mountainous areas. As such, Otago is exposed to a broad range of natural hazards including flooding, landslides, debris flows, seismic activity, coastal erosion, tsunamis and storm surge. These natural hazards have the potential to diminish the condition and/or performance of flood protection, drainage and river management infrastructure, having both short and longer term impacts depending on the scale of the natural hazard event/s.</p> <p>Climate change is also changing environmental factors such as precipitation, wind patterns and sea level. These in turn will impact on the scale and frequency of natural hazards events, challenging the levels of service that flood protection, drainage and river management infrastructure can provide. Scheme performance and risk assessments are currently underway, or are due to commence, to better understand the residual risk and further inform discussions with Council and communities around this risk, future levels of service, and subsequent decision making.</p> <p>There are also increasing community expectations to provide greater levels of protection to areas of land where there is already an inherent level of flood risk. Changes in settlement trends and associated land use changes are subsequently leading to increasing pressures on existing flood protection, drainage and river management infrastructure to perform to meet community expectations.</p> <p>Financial risk and the ability to fund ongoing repairs and maintenance, as well as insure Otago Regional Council's flood protection, drainage and river management infrastructure, is also a factor in infrastructure resilience. Central Government funding exists to support post-event recovery, however this is only made available for significant events where set criteria and financial thresholds are met. Other avenues of Central Government funding are often explored and applied for alongside other Regional Councils.</p>	<p>Causes:</p> <p>Weather events that are prolonged and/or cause excessive super design flows.</p> <p>Infrastructure age and condition factors that decrease resilience or risk of failure of flood protection, drainage or river management infrastructure.</p> <p>Poor asset management practices that do not inform Otago Regional Council's understanding of the condition and performance of its flood protection, drainage and river management infrastructure, and do not enable risk-based decision making on renewals or increases in levels of service (including resilience).</p> <p>Natural hazards events that result in damage to flood protection, drainage and river management infrastructure, and impact on the ability of this infrastructure to perform during and after an event.</p> <p>Climate change challenging the levels of service that flood protection, drainage and river management infrastructure can provide.</p> <p>Changes in settlement trends and associated land use changes that place pressure on existing infrastructure to perform, or perform to a higher standard, in areas where there is an inherent level of flood risk.</p> <p>Financial risk and the affordability of ongoing repairs and maintenance, as well as respond to damage during and post events.</p> <p>Consequences:</p> <p>The consequences if this risk occurred may include:</p> <ul style="list-style-type: none"> - Damage to critical assets (power, telecommunications, transport, and other lifeline infrastructure such as water and wastewater services). - Disruption and loss to communities, including loss of property and life, and impact on community welfare. - Lack of confidence in Otago Regional Council. - High and unplanned expenditure.

RISK PREVENTIONS (Actions taken to minimise the likelihood that a risk will occur)	EXISTING CONTROLS	ASSESSMENT OF CONTROLS	RISK IMPROVEMENT PLAN (Strategy to prepare for and lessen the effects of threat)
Asset management practices and procedures are embedded and maintained as business as usual activities.	Asset Management Plan in development. Ongoing asset validation and data collection. External technical input to condition inspections (e.g. floodbanks and structures) where this expertise is necessary to inform condition records. Ongoing monitoring of scheme performance through levels of service statements, measures and targets described in Long-term Plan and reported in Quarterly Reporting (Opal and internal reports).	Partially effective.	Ongoing improvement and embedment of these practices. Existing software available to support these asset management practices through the maintenance of an asset register and supporting data requires upgrade.
Risk management approach to prioritising and scheduling infrastructure repairs, upgrades and renewals and subsequent investment over the lifetime of the infrastructure.	Infrastructure Strategy identifies significant issues and preferred option for addressing, along with the timing of key decisions and investment programme. Long-term Plan contains key programmes of work based on this approach where appropriate.	Partially effective.	The key programmes of work to have clear decisioning points for Council to understand when decisioning is required on significant infrastructure investment. This is being addressed in the new Infrastructure Strategy, particularly around the timing of such decisions and the investment required.
Completion of scheme performance and risk assessments to establish residual risk associated with scheme performance. This includes analysis of the Probable Maximum Flood to inform understanding of scale of risk.	Scheme risk assessment underway for Lower Taieri with further planning underway to address in relation to other schemes.	Partially effective.	The risk assessment and impacts across the schemes (and communities) to be available to communities to strengthen the knowledge of the hazards environment that settlement around schemes presents. Important to present 'what impact' looks like to communities. Incorporation of risks and impacts into key functions across ORC, such as CDEM to have preparedness and knowledge on the extent of impacts.
Monitoring settlement trends and associated land use changes, particularly in the form of increasing residential development in proximity to waterways with existing flood risk, and land drainage schemes.	Engaging proactively with territorial authorities and central government (where appropriate) on the development of policies, district plan reviews and implementation. Be proactive in collaborating with territorial authorities, communities and stakeholders in relation to land use change. Seeking designation over key infrastructure as district plan reviews occur across the region (Waitaki in progress, Clutha to commence).	Partially effective.	Drainage scheme modelling to be completed to better enable both consistent, fair and objective review of resource consent and bylaw applications. Continue seeking designation over key flood protection and drainage infrastructure.

<i>RISK PREVENTIONS</i> (Actions taken to minimise the likelihood that a risk will occur)	<i>EXISTING CONTROLS</i>	<i>ASSESSMENT OF CONTROLS</i>	<i>RISK IMPROVEMENT PLAN</i> (Strategy to prepare for and lessen the effects of threat)
Seeking additional funding sources (in addition to rates). Successful funding is used to help expedite and fund repairs in the recovery phase of a flood event, or for bringing important resilience work forward in the Long-term Plan.	NEMA funding sought where required thresholds are met to assist in funding recovery from flood events. Actively seek funding from Central Government to improve resilience of infrastructure. Collaborate with River Special Interest Group on joint submissions to Central Government where appropriate.	Partially effective.	Pursue government funding opportunities to address any new threats, or gaps between expected service and community needs. Ensure Council aware of options and what we are currently funding.
Understanding natural hazards and climate change impacts on the performance of flood protection, land drainage and river management infrastructure.	Clutha adaptation programme of work is in early stages (led by Natural Hazards) with planning underway for other areas as required.	Partially effective.	Upskill and build staff capability with training and development to improve risk-based decision making for climate change issues.
Flood preparedness, response and planning.	Collaborative approach to flood response across ORC teams – Environmental Monitoring, Natural Hazards and CDEM.	Partially effective.	Preparation of Engineering Flood Preparedness and Response Plan to set out roles, responsibilities, tools and procedures utilised in preparation, response and recovery phases of an event, and ensure alignment with Flood Manual.

Related Strategic Risks: (9) Climate Change, (10) Natural Hazards, (11) Business Disruption, (12) Infrastructure Resilience, (14) Statutory Compliance.

9.5. OPS2349 ORC Transport Activities Procurement Strategy

Prepared for: Audit and Risk Subcommittee

Report No. OPS2349

Activity: Transport - Public Passenger Transport
Transport - Transport Planning

Author: Jack Cowie, Transport Planner

Endorsed by: Pim Borren, General Manager Transport
Richard Saunders, Chief Executive

Date: 20 November 2023

PURPOSE

- [1] To receive early input into the 2024-27 Procurement Strategy for transport activities

EXECUTIVE SUMMARY

- [2] Transport staff are developing a new Procurement Strategy for transport activities in order to meet Waka Kotahi requirements and ensure a strategic approach to transport procurement.
- [3] Although much of this Strategy is routine in nature, early feedback from elected members is sought on a key strategic question that we wish to address in the strategy. This is with regards to ownership of strategic public transport assets such as bus depots or vehicles.
- [4] In a changing and uncertain public transport environment, ownership of key strategic assets could play a role in de-risking the delivery of public transport services and maintaining a competitive market for public transport contracts. However, this will come with its own risks.
- [5] In this paper Transport staff are seeking to draw attention to this matter and seek early feedback for Procurement Strategy development.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes** this report, and

Either (select one)

- 2) **Supports** capital investment in depot/vehicle assets as a possible strategy for ensuring best value for money and competitive markets for public transport contracts
OR
 - 3) **Opposes** capital investment in depot/vehicle assets as a possible strategy for ensuring best value for money and competitive markets for public transport contracts
OR
-

- 4) *Notes capital investment in depot/vehicle assets as a possible strategy for ensuring best value for money and competitive markets for public transport contracts*

BACKGROUND

- [6] The Otago Regional Council is an Approved Organisation (AO) under the Land Transport Management Act 2003, undertaking a variety of transport activities funded through the National Land Transport Fund (NLTF).
- [7] A key element of delivering these activities is the procurement of suppliers. As an AO to attract co-funding, ORC must take a *strategic approach to procurement* in order to obtain *best value for money spent*, which is defined as:
- the most effective combination of cost, quality, benefit and risk to meet a requirement.*
- [8] In order to demonstrate a strategic approach to procurement, ORC must have an endorsed Procurement Strategy for transport activities. This strategy needs to meet requirements set out in the Waka Kotahi Procurement Manual, and be endorsed both by ORC and Waka Kotahi.
- [9] The current Strategy expires on April 14. Transport staff will seek council approval of the new Strategy at the February 8 Public and Active Transport Committee meeting, which will give the required 40 working days for Waka Kotahi to subsequently approve the Strategy.
- [10] Early work on this Strategy has been undertaken by Transport staff. Many elements of the strategy are routine operational matters and do not require input from elected members.
- [11] However, Transport staff have identified areas where feedback from elected members will help guide the Strategy's development and ensure a meaningful document. These are around risks and the strategic implications of the changing legislative and policy environment of public transport; a change of government in Wellington; and electrification of the bus network.
- [12] The strategic environment of public transport has recently undergone significant change, with the outgoing government having passed the Land Transport Management (Regulation of Public Transport) Amendment Act 2023.
- [13] This forms the legislative basis of the Sustainable Public Transport Framework (SPTF), which replaces the Public Transport Operating Model (PTOM).
- [14] The SPTF involves a change in emphasis in public transport, with a focus on maintaining and improving driver wages and conditions, and reducing the emphasis on

market competition (without removing the mandate to deliver best value for money spent). New definitions in the legislation also give Council greater latitude to disentangle network planning from contracting.

DISCUSSION

[15] With a change in government in Wellington, there are uncertainties as to how the implementation of SPTF will proceed. However, it can be considered unlikely that all the work of the SPTF will be undone. Just as many elements of the previous PTOM model are maintained in SPTF, many technical changes in the SPTF are likely to remain. However, the future policy changes that can be considered most likely are:

- a. A reduced emphasis, or change in approach to, driver wages and conditions
- b. A return to emphasising the importance of competitive markets in delivering *best value for money spent*

[16] It is not ORC's role to implement these changes until government actually makes them, but it would be prudent and realistic to account for the possibility of changes in the Procurement Strategy so that it remains a fit-for-purpose document.

[17] This uncertainty in the policy environment is especially important because of some of the changes that are envisioned to occur to Otago's bus networks, namely:

- a. Implementation of increased service levels identified in the Fares and Frequencies Business Case (Dunedin) and the Queenstown Public Transport Business Case.
- b. The continued transition to zero-emissions buses

[18] Current technologies support battery-electric for achieving fleet decarbonisation within the government timeframe of 2035, but battery-electric buses require more depot space per bus, expensive charging equipment, access to high-capacity power supply, and may potentially involve an increased number of buses.

[19] This points to the need for bigger, centralised depots. At present, this means that operators have to invest significant capital into their operations. An operator who lacks the funds for such investment will be unable to compete for contracts, and an operator who is able to fund such investment could develop a dominant market position, threatening the competitiveness of future tendering.

[20] From ORC's perspective, this would not achieve *best value for money spent*.

[21] For this reason, we seek feedback (at a high level, without any commitments) on the following question:

Should ORC seek to make capital investments (e.g. ownership of depots, equipment at depots, direct ownership of public transport vehicles or transfer of ownership at the end-of-contract) in order to reduce contracting risks and maintain a competitive market for public transport services?

[22] Capital investments in depots and/or buses would represent a reduction in contracting risks, in exchange for other risks that arise from asset ownership. This matter is considered by the Queenstown Public Transport Services Business Case (QPTSBC) but has not seen similar consideration in Dunedin. The recommendation from the QPTSBC is for public ownership of electric bus depot facilities.

[23] No major decision is being sought in this paper, nor will the Procurement Strategy itself be a commitment to any action in this area. However, staff consider it appropriate to raise this question now so that the committee is aware of the question and can give early feedback to guide the drafting of the Procurement Strategy.

OPTIONS

1. The Procurement Strategy draft will support capital investment in depot/vehicle assets as a strategy for ensuring best value for money and competitive markets for public transport contracts

OR

2. The Procurement Strategy draft will not support capital investment in depot/vehicle assets as a strategy for ensuring best value for money and competitive markets for public transport contracts is not supported

OR

3. (Status quo): The Procurement Strategy draft will not support capital investment in depot/vehicle assets as a possible strategy for ensuring best value for money and competitive markets for public transport contracts, without giving a position

OPTIONS ANALYSIS

[24] Option 1 would mean that the Procurement Strategy would be drafted to include a positive view on capital investment in depots/buses as a potential strategy to reduce procurement risk.

[25] Option 2 would mean that the Procurement Strategy would be drafted to give a negative view on capital investment in depots/buses as a potential strategy to reduce procurement risk.

[26] Option 3 would mean that the Procurement Strategy would be drafted to give neither a positive or negative view on capital investment in depots/buses; the possibility would be mentioned with no conclusion drawn.

[27] This would only represent a preliminary opinion driving a high-level strategic document; it would not be a commitment to any course of action.

CONSIDERATIONS

Strategic Framework and Policy Considerations

[28] The development of the Procurement Strategy occurs under the current Regional Public Transport Plan.

[29] Under the policy *“Transition to a lower-emission public transport network”*, ORC will ensure *“Ensure that the procurement of contracted services results in greater fleet and operational efficiency”*.

[30] Under the policy *“Support and advocate for sustainable approaches to the introduction of new physical and other supporting infrastructure”*, ORC will *“Consider long-term, sustainable approaches when planning and designing physical infrastructure provision”*.

Financial Considerations

[31] While there are no direct financial implications of this report, Council’s transport Procurement Strategy will guide future procurement and support *value for money spent* in procurement activities

Significance and Engagement Considerations

[32] Not applicable

Legislative and Risk Considerations

[33] There are no immediate legislative or risk considerations emerging from consideration of this paper, as this will only lead to a statement of intent in a strategy.

[34] However, the views of the Committee on this paper will give an indication of thinking on future risks Council may take on; in particular balancing procurement risks (which could be reduced by asset ownership) with the inherent risks of asset ownership.

Climate Change Considerations

[35] The questions under consideration are related to potential increases in public transport service levels and electrified bus depots. Emissions reduction is a key motivation for these desired improvements, and a Procurement Strategy which supports strategic clarity on how these improvements will be implemented, will increase the probability of these improvements being delivered.

Communications Considerations

[36] Not applicable

NEXT STEPS

[37] Transport staff will take on board feedback from the committee and finalise a draft Procurement Strategy to bring to the 8 February 2024 Public and Active Transport Committee meeting.

ATTACHMENTS

Nil

That the public be excluded from the following parts of the proceedings of this meeting, namely:

- Minutes of the PE Audit and Risk Committee Meeting 2023.09.21
- 3.1 Insurance Disclosure Update
- 3.2 Strategic Risk Register
- 3.3 Managed Fund Report
- 3.4 Audit Management Letter – Initial Response

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

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48(1) for the passing of this resolution
<p>Minutes of the PE Audit and Risk Committee Meeting 2023.09.21</p>	<p>To protect information where the making available of the information—would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information—would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information—would be likely otherwise to damage the public interest – Section 7(2)(c)(ii)</p> <p>To avoid prejudice to measures that prevent or mitigate material loss to members of the public – Section 7(2)(e)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	<p>Section 48(1)(a); Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds:</p> <p>(a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>

<p>3.1 Insurance Disclosure Update</p>	<p>To protect information where the making available of the information—would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To avoid prejudice to measures that prevent or mitigate material loss to members of the public – Section 7(2)(e)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p>	<p>Section 48(1)(a); Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>3.2 Strategic Risk Register</p>	<p>To avoid prejudice to measures that prevent or mitigate material loss to members of the public – Section 7(2)(e)</p> <p>To prevent the disclosure or use of official information for improper gain or improper advantage – Section 7(2)(j)</p>	<p>Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>
<p>3.3 Managed Fund – September Report</p>	<p>To protect information where the making available of the information—would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information – Section 7(2)(b)(ii)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities – Section 7(2)(h)</p> <p>To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information—would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should</p>	<p>Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.</p>

	continue to be supplied – Section 7(2)(c)(i)	
3.4 Audit Management Letter – Initial Response	To protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information—would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied – Section 7(2)(c)(i)	Subject to subsection (3), a local authority may by resolution exclude the public from the whole or any part of the proceedings of any meeting only on 1 or more of the following grounds: (a) that the public conduct of the whole or the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist.

This resolution is made in reliance on [section 48\(1\)\(a\)](#) of the Local Government Official Information and Meetings Act 1987 and the particular interest or interests protected by [section 6](#) or [section 7](#) of that Act or [section 6](#) or [section 7](#) or [section 9](#) of the Official Information Act 1982, as the case may require, which would be prejudiced by the holding of the whole or the relevant part of the proceedings of the meeting in public.