

Audit & Risk Subcommittee Agenda 21 March 2024



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: Trudi McLaren, Governance Support Officer

21 March 2024 01:00 PM

| Agenda Topic | Page |
|--|------|
| 1. WELCOME | |
| 2. APOLOGIES Apology received from Cr Gretchen Robertson | |
| 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 6 December 2023 be confirmed as a true and accurate record. | |
| 8. ACTIONS (Status of Subcommittee Resolutions) | 9 |
| 9. MATTERS FOR CONSIDERATION | 10 |

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| 9.1 | AUDIT AND RISK WORK PROGRAMME 2024 | 10 |
| | This paper outlines the proposed work programme to be covered at Audit and Risk Subcommittee meetings in the 2024 calendar year to ensure the responsibilities outlined in the Terms of Reference are fulfilled. | |
| | 9.1.1 Audit and Risk Work Programme 2024 | 13 |
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| | The purpose of this report summarises year to date information on health, safety and wellbeing (HSW), and people and culture (HR) at ORC (Otago Regional Council). | |
| | 9.2.1 Audit and Risk Incident and Near Miss Dashboard 23 24 Summary Q 3 | 22 |
| | 9.2.2 HSW Critical Risks Profiles as of 14 Feb 24 (1) | 25 |
| 9.3 | TREASURY REPORT | 31 |
| | The purpose of this report is to present the quarterly Treasury Reporting Dashboard from Council's Investment Advisor, Bancorp, as at 31 December 2023 | |
| | 9.3.1 2023.12.31 Bancorp Treasury Reporting Dashboard December 2023 | 33 |
| 9.4 | DEEP DIVE - STRATEGIC ENGAGEMENT | 41 |
| | The purpose of this paper is to facilitate a discussion, or 'deep dive', into Council's management of the Community Engagement strategic risk. | |
| | 9.4.1 Strategic Risk Deep Dive Community Engagement (1) | 44 |
| 9.5 | INTERNAL AUDIT | 47 |
| | The Terms of Reference for this Audit & Risk Committee includes responsibility over Internal Audit. Previously this Committee has discussed and agreed to commence Internal Audit activity. This paper provides an update and next steps. | |
| | 9.5.1 Appendix 1 | 50 |
| 10. | RESOLUTION TO EXCLUDE THE PUBLIC | 52 |
| | That the public be excluded from the following items under LGOIMA 48(1)(a): | |
| 1.1 | Confidential Minutes Audit and Risk Subcommittee 6 December, 2023 | |
| 2.1 | Managed Fund Report | |
| 2.2 | Strategic Risk Register | |
| 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 Wednesday 6 December 2023, commencing at 9:00 AM.

PRESENT

Mr Andrew Douglas *(Chairperson)*
Cr Tim Mepham
Cr Alexa Forbes
Cr Gary Kelliher
Cr Kevin Malcolm
Cr Gretchen Robertson *(Ex officio member)*
Cr Lloyd McCall *(In attendance)*

1. WELCOME

Chairperson Mr Andrew Douglas welcomed Councillors, members of the public and staff to the meeting at 9:00am with a karakia. Staff present included Richard Saunders (Chief Executive), Pim Boren, online (GM Transport) Nick Donnelly (GM Corporate Services), Anita Dawe (GM Policy and Science), Gavin Palmer (GM Operations), Joanna Gilroy (Acting GM Regulatory), Amanda Vercoe (GM Governance, Culture and Customer), Kylie Darragh (Governance Support)

2. APOLOGIES

There were no apologies for this meeting.

3. PUBLIC FORUM

No requests to address the Subcommittee under Public Forum were received.

4. CONFIRMATION OF AGENDA

It was noted by the Chief Executive that item 9.5 ORC Transport Activities Procurement Strategy is to be removed and placed on next Wednesday's Council agenda due to the delegation not sitting with this Subcommittee. With that change noted the agenda was confirmed.

5. DECLARATIONS OF INTERESTS

The Chair reminded the Subcommittee of the need to stand aside from decision making when a conflict arises.

6. PRESENTATIONS

No presentations were scheduled for this meeting.

7. CONFIRMATION OF MINUTES

Resolution: Cr Mepham Moved, Cr Forbes Seconded

That the minutes of the (public portion of the) meeting held on 21 September 2023 be received and confirmed as a true and accurate record.

MOTION CARRIED

8. ACTIONS (STATUS OF SUBCOMMITTEE RESOLUTIONS)

Open actions from resolutions of the Committee were reviewed.

- Richard Saunders confirmed that due to workload the Internal Review is now scheduled for the next calendar year.

9. MATTERS FOR CONSIDERATION

9.1. Treasury Report

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

Nick Donnelly, General Manager Corporate Services and CFO was available to respond to questions.

Resolution AR23-133: Cr Wilson Moved, Cr Mepham Seconded

That the Audit and Risk Subcommittee:

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

MOTION CARRIED

9.2. Legislative Compliance

This report provided Otago Regional Council's six monthly legislative compliance report to the Audit and Risk Subcommittee.

Janet Ashcroft, Legal Counsel, was present to respond to questions. It was noted to the committee that non-compliant areas are low (0.02%) and the next steps is to work through if this is a capacity issue or due to non-allocation.

Resolution AR23-134: Cr Malcolm Moved, Cr Wilson Seconded

That the Audit and Risk Subcommittee:

1. *Notes this report.*

MOTION CARRIED

9.3. People and Safety Quarterly Report

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

Gina Watts, Team Leader HSW, Kelly Stuart, People Services Lead, Mark Olsen, Manager People and Safety and Amanda Vercoe, General Manager Governance, Culture, Customer were present to respond to questions on the report.

Resolution AR23-135: Andrew Douglas Moved, Cr Kelliher Seconded

That the Audit and Risk Subcommittee:

1. *Notes this report.*

MOTION CARRIED

9.4. Infrastructure Resilience Risk Deep Dive

This paper sought to facilitate a discussion, or 'deep dive', into Council's management of the Infrastructure Resilience strategic risk.

Michelle Mifflin, Manager Engineering, Pam Wilson, Principal Technical Advisor and Gavin Palmer, General Manager Operations were available to respond to questions on the report.

Resolution AR23-136: Cr Wilson Moved, Cr Kelliher Seconded

That the Audit and Risk Subcommittee:

1. *Notes the attached deep dive on Council's 'Infrastructure Resilience' strategic risk.*

MOTION CARRIED

10. RESOLUTION TO EXCLUDE THE PUBLIC

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 |
|---|---|---|
| Minutes of the PE Audit and Risk Committee Meeting 2023.09.21 | <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> | 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>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.

12. CLOSURE

There was no further business and Chairperson Douglas moved the meeting to Public Excluded at 10:15a.m.

Chairperson

Date

Audit & Risk Subcommittee Agenda 21 March 2024 - ACTIONS (Status of Subcommittee Resolutions)

| Meeting Date | Document | Item | Status | Action Required | Assignee/s | Action Taken | Due Date |
|--------------|--|---|-------------|--|---|--|------------|
| 22/06/2023 | Audit and Risk Subcommittee 2023.06.22 | CEO2301 Internal Audit Options for Otago Regional Council | In Progress | 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 08/03/2024 Governance Support Officer Reporting is to be through the Audit and Risk Subcommittee. | 30/06/2024 |

9.1. CS2403 Audit and Risk Work Programme 2024

| | |
|----------------------|---|
| Prepared for: | Audit and Risk Subcommittee |
| Report No. | CS2403 |
| Activity: | Governance Report |
| Author: | Nick Donnelly, General Manager Corporate Services and CFO |
| Endorsed by: | Nick Donnelly, General Manager Corporate Services and CFO |
| Date: | 21 March 2024 |

PURPOSE

- [1] 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 2024 calendar year to ensure the responsibilities outlined in the Terms of Reference are fulfilled.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes** this report.
- 2) **Endorses** the proposed work programme for the 2024 calendar year.

BACKGROUND

- [2] It is intended to hold ordinary Audit and Risk Subcommittee meetings quarterly in March, June, September, and December 2024. The meeting in September will be held the week prior to the September Council meeting and will include the review of the Annual Report prior to the Report going to Council for adoption.
- [3] The responsibilities of the Audit and Risk Subcommittee as defined in the Terms of Reference are covered under the headings of:
- Audit and Annual Report
 - Risk Management
 - Health, Safety and Wellbeing
 - Investment Management
 - Legal Compliance
 - Other (any other matters referred by Council or the Finance Committee)
- [4] A proposed timetable to cover these matters is attached.

DISCUSSION

- [5] Audit and Risk Subcommittee meetings are scheduled to be held the month following Finance Committee meetings which allows finance matters to be referred to Audit and Risk for further consideration.

- [6] In the previous triennium Audit and Risk Subcommittee meetings were held two weeks ahead of Finance Committee meetings. This didn't align well with the intended work programme especially around the time the Annual Report was adopted. The move in timing of meetings to follow Finance Committee meetings worked well in 2023 and is proposed to continue in 2024.
- [7] The work program is the same as a revised version adopted in September 2023. Some items are included in all agendas i.e., Health, Safety and Wellbeing, Risk Register while others are only considered every second meeting i.e., Legislative Compliance, Insurance Disclosures or annually i.e., Annual Report.
- [8] A review of the Investment Manager is noted to be completed in December 2024. JB Were was appointed Investment Manager in December 2018 and commenced management of the fund in January 2019. December 2024 marks the end of their second three-year period as Investment Manager.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [9] Not applicable.

Financial Considerations

- [10] There are no financial considerations. The cost of the proposed work programme is included in existing budgets under the assumption it is completed by existing staff. No provision has been made for engagement of external consultants to undertake any of the work programme.

Significance and Engagement

- [11] Not applicable.

Legislative and Risk Considerations

- [12] There are no legislative or risk considerations in setting the work programme itself.
- [13] Specific pieces of work defined in the programme are included to ensure the Audit and Risk Subcommittee has oversight over various legislative requirements i.e., statutory reporting and audit requirements under the Local Government Act 2002 and health and safety requirements under the Health and Safety at Work Act 2015.
- [14] The Terms of Reference of the Audit and Risk Subcommittee include responsibility for maintaining oversight of Council's management of risk. Not having a defined work programme and not adhering to that programme increases the risk that the Audit and Risk Subcommittee will not fulfil its purpose and responsibilities including risk management.

Climate Change Considerations

- [15] Not applicable.

Communications Considerations

[16] Not applicable.

ATTACHMENTS

1. Audit and Risk Work Programme 2024 [9.1.1 - 1 page]

| AUDIT AND RISK SUBCOMMITTEE | | | | | | |
|--|--|---|-----|--------------------|------------------------|------------------------|
| Purpose: | | | | | | |
| To provide advice about governance, risk management and internal control matters, external reporting and audit matters. | | | | | | |
| Terms of Reference | Responsibility | Comments / Agenda Items | Mar | Jun | Sep (Annual Report) | Dec |
| Audit and Annual Report | Review the external Auditor’s audit plan, audit management letter and management response to any issues raised during the external audit | Audit plan presented prior to year end (Auditors to attend) | | Auditors to attend | | |
| | | Audit management letter (Auditors to attend) | | | Auditors to attend | |
| | | Management response (initial response November, follow up February if required) | | | | |
| | Consider changes in accounting policies, standards or reporting requirements and make recommendations for Council adoption | Matters under consideration prior to year end | | | | |
| | Oversee internal control processes and procedures including financial policies, delegations and sensitive expenditure. | As required | | | | |
| | Review the draft Annual Report including the Statement of Service and Performance and Financial Statements and make recommendation for Council adoption. | Draft Annual Report | | | | Annual Report |
| | Oversee any internal audit functions or reviews and consider any matters referred to it by that function | As required | | | | |
| Risk Management | Ensure a corporate risk management framework is in place and review risk reports | Risk report | | | | |
| | Review Council’s insurance matters and annual renewal process | Insurance renewal prior to 1-July renewal | | | | |
| | | Insurance disclosures (six monthly) | | | | |
| | Oversee liquidity and interest rate risk including compliance with the Treasury Management Policy and lending covenants | Treasury report | | | | |
| | Review the Treasury Management Policy and SIPO and recommend changes to Council | At least every 3 years | | | Sep-2026 | |
| | Review Council’s business continuity and disaster recovery matters | As required | | | | |
| Health, Safety and Wellbeing | Review Council’s adherence to the Health and Safety at Work Act 2015 including monitoring health and safety performance, incidents and response | Safety and wellbeing quarterly report | | | | |
| Investment Management | Review the performance of Council’s investment portfolio including the long-term managed fund | Managed fund quarterly performance reports provided to each meeting (Fund Manager to report in person annually) | | | | Fund Manager to attend |
| | Oversee the performance of Council’s investment manager including compliance of the managed fund with the Statement of Investment Policies and Objectives (SIPO) | | | | | |
| | Oversee the Investment Manager appointment process and make recommendations to Council on that appointment | Investment Manager review required every 3 years | | | | Dec-2024 |
| Legal Compliance | Review Council’s adherence to legislation that affects Council | Legislative compliance and mandatory documents register | | | | |
| | | Corporate policy overview | | | | |
| | Receive and consider updates on legislation that Council is required to operate under and/or enact | Report as legislation changes occur | | | | |
| Other | Review any other financial matters referred to the Subcommittee by Council or the Finance Committee | As required | | | | |

Key:

meeting this item will be covered in

item as required or by request at any meeting

9.2. A&R2401 People and Safety report

Prepared for: Audit and Risk Subcommittee
Report No. A&R2401
Activity: Governance Report
Author: Gina Watts, Team Leader HSW, Kelly Stuart, People Services Lead, Mark Olsen, Manager People and Safety
Endorsed by: Amanda Vercoe, GM Governance, Culture & Customer
Date: 21 March 2024

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 continuing to see very positive engagement and continuous improvement via the Health & Safety Committees and great participation in our various wellbeing initiatives.
- [3] Notable People & Culture highlights in the last quarter include the All Staff awards, strong response to ORC job vacancies so far in 2024 and a continuing reduction in staff turnover as shown in the staff turnover trend graph.

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 planned for development in March / April. | 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 toolbox | No change to risk level |
| Violence and Aggression | Moderate | Revision of duress procedures completed. Early development of duress procedures for Whare Runaka. | No change to risk level |
| Fall from height or between levels | Moderate | Working from height project is completed. | 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 |

Red font above refers to changes since last report

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

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

HEALTH AND SAFETY PERFORMANCE REPORTING

Current State – Year To Date

[4] 66 reports have been completed year to date (1 July 2023 to 14 February 2024), 28 reports in quarter one, 26 in quarter 2 and 12 in quarter 3 to date (14th February); 46 incidents and near misses relating to ORC staff and 12 relating to contractors. Level of incident severity ranged; 65% minor incidents, 23% near misses, 9% moderate incident and 3% currently undefined (severity level not yet determined).

ORC Events

[5] 8 incident and near misses relating to ORC staff occurred in quarter 3 to date (14 February). 3 incidents were related to muscular or soft tissue sprains, all 3 of these incidents relating to discomfort/pain were experienced at a workstation. 1 incident involved a non-ORC vehicle colliding with an ORC vehicle at an intersection, this incident did not result in any physical injury and was due to driver error by a member of the public. Of the other incidents/near misses reported 1 related to landowner aggression over the phone, 1 crushing incident which involved a finger getting caught in a trailer, 1 near miss relating to equipment failure (door mechanism), 1 hazardous substance incident relating to a minor spill (<5ml), and 1 medical incident relating to dehydration.

[6] Post incident/near miss controls and actions have included:

- Muscular or soft tissue: key controls implemented for these incidents included occupational health professional intervention, equipment adjustment, and an organisational wide seminar that covered early warning signs, how to set up a workstation to be ergonomically friendly and included other healthy habit tips.

- Crushing: Staff briefing during relevant team meeting covering plant risk and use procedure.
- Medical: team discussions regarding break and hydration practices
- Aggression: Staff wellbeing debrief, work adjustment
- Equipment failure: equipment replacement, and inspection of other equipment in circulation to identify any similar faults.
- Non-ORC Vehicle: wellbeing debriefs, continual offering of vehicle safety training courses.

[7] No hazard reports were received in quarter 3 to date (14 February 2024).

Contractor events

[8] 3 contractor incidents occurred in quarter 3 to date (14 February), 2 near misses occurred in relation to project delivery operations (Wallaby / Pines) relating to equipment damage/malfunction, and 1 relating to third party behaviour and operating environment. 1 occurrence of violence and aggression occurred within bus operations, this incident did not result in any physical harm and was reported to the police.

Legislative Compliance

[9] 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

[10] The Health and Safety Committee continues to meet quarterly to discuss any risk areas and ideas for improvement. The first Health and Safety Committee meeting of the year is to take place on the 19th February and will include the following agenda items.

- During December, Road and roadside work and the risk it poses to Council was presented to the Executive Leadership Team. This risk was identified during a Health and Safety Committee meeting in December. A working group has been established which includes worker representative across the business, this working group will work together to develop traffic management plans for the business. In addition to traffic management plan development, the Health, Safety and Wellbeing team will work with a TMP professional to identify and implement the required training and equipment to keep staff safe.
- Sun safety was another topic raised during health and safety committee meetings last year, with a special regard to monitoring skin health. The team developed and undertook ultraviolet risk assessment with the business late last year and are assessing improvement areas such as: sun safety knowledge/ education, personal protective equipment, and skin health monitoring. The final recommendations will be presented to the Executive Leadership team for endorsement.

[11] Feedback on the health and safety committee objectives are being reviewed and will be confirmed at the next committee meeting.

Training and Development

[12] A total of 73 training courses have been completed year to date (14th February), 13 safety training courses have been completed in quarter 3 so far (4wd, first aid). Refer to figure 1 for an overview of completed training (note 4WD training took place on the 13/14 Feb, this data is not yet reflected within the graph below).

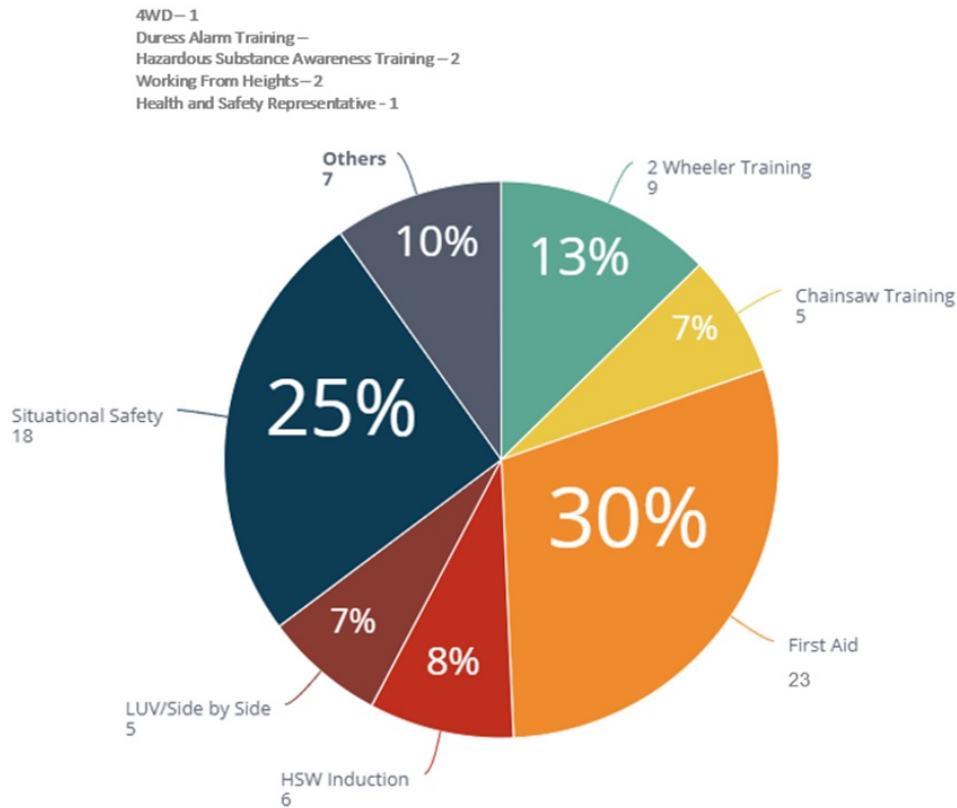


Figure 1: Training Participation Numbers Year to Date Summary (1st July 2023– 14th February 2024) *see exclusion note above.

Wellbeing

[13] An initiative that took place at the end of quarter 2 was the 3 hours of wellbeing leave, an offering aimed at supporting wellbeing in a way that worked for each individual; this was very successful with a total of 264 staff making use of the leave. This is an initiative that brings a buzz to ORC; feedback received was positive with staff using their leave for a wide range of activities.

[14] Notable wellbeing activities in quarter 3 have included Healthy Habits Seminar, a seminar designed to connect staff with advice for optimal workstation setup, tips to avoid fatigue and techniques to get a good night’s sleep; 65 staff attended this seminar on the day a recording is also available for staff to refer to. This month we are participating in the Aotearoa Bike challenge, a initiative where individuals and

workplaces compete nationally to earn the most points by riding and encouraging others to do the same. So far those in the Otago Regional Council team have biked a total of 1833km!

[15] Upcoming wellbeing initiatives include:

- March: Forsyth Barr Investing Lab – Economics 101, all about understanding the foundational economic principles.
- April: Influenza vaccination campaign
- May: Wellbeing discount card refresh

Table 1: Wellbeing Initiatives: July 2023 – February 2024

| 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 attendees |
| Introduction to Investing | October | Completed | 15 attendees |
| Blood Donation | November | Completed | 3 Attendees |
| Wellbeing Leave | December | Completed | 264 staff up took offering / 79% of staff |
| Healthy Habits Seminar | January | Completed | 65 attended |
| Aotearoa Bike Challenge | February | Underway | TBC |
| Forsyth Barr Investing Lab – Economics 101 | March | Upcoming | 22 registered |

PEOPLE AND CULTURE

Key projects and activities in the last quarter (November 2023 to March 2024)

[16] The return to work in 2024 has seen a **high volume of recruitment activity**. We are really encouraged by the number and quality of applicants we have been receiving for most positions – particularly in the corporate / support functions and have successfully filled a high proportion of vacancies over the last month.

[17] An updated **Remuneration Policy** has been published, following staff feedback.

[18] We have selected a preferred option for **engagement surveys** and are in the process of getting this setup ready for a staff survey in the second half of 2024.

[19] A draft **People & Culture strategy** is being socialised and refined ready for presenting to ELT this month.

Other Highlights

[20] We introduced **recognition of long-service** milestones alongside the annual staff awards i.e. recognising people who reached milestones in 2023 (5 years, 15 years etc).

Human Resources Dashboard Reporting

[21] Workforce snapshot information

- 337 total staff, 309 permanent / 25 fixed term. FTE is 326.22
- Average tenure is 4.5 years, median tenure is 2.2 years
- Annual staff turnover for permanent and fixed-term of 18.1% and Annual staff turnover of permanent staff is 14.5% (for the 12 months to 14 February 2024). Turnover of 1.04% for Q2 2023/24.
- Average sick leave taken, 5.7 days (last 12 months)
- Average annual leave balance, 15.4 days

[22] Workforce mobility - Q2 2023/24

- 5 Internal sideways moves
- 3 Internal promotions/upwards moves
- 1 Internal secondment commenced

[23] Recruitment snapshot - Q2 2023/24

- Roles that have been advertised: 27
- Roles successfully filled: 29
- 432 job applications received, an average of 16 per role.

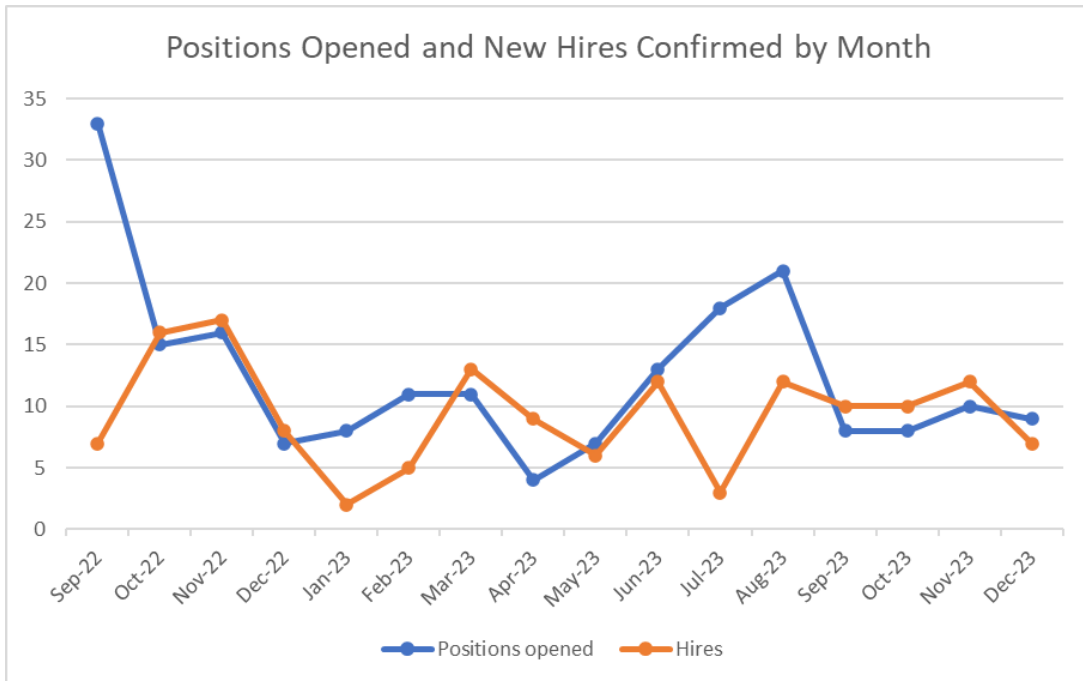


Figure 3: Monthly number of positions opened and new hires from Sept 2022 to Dec 2023

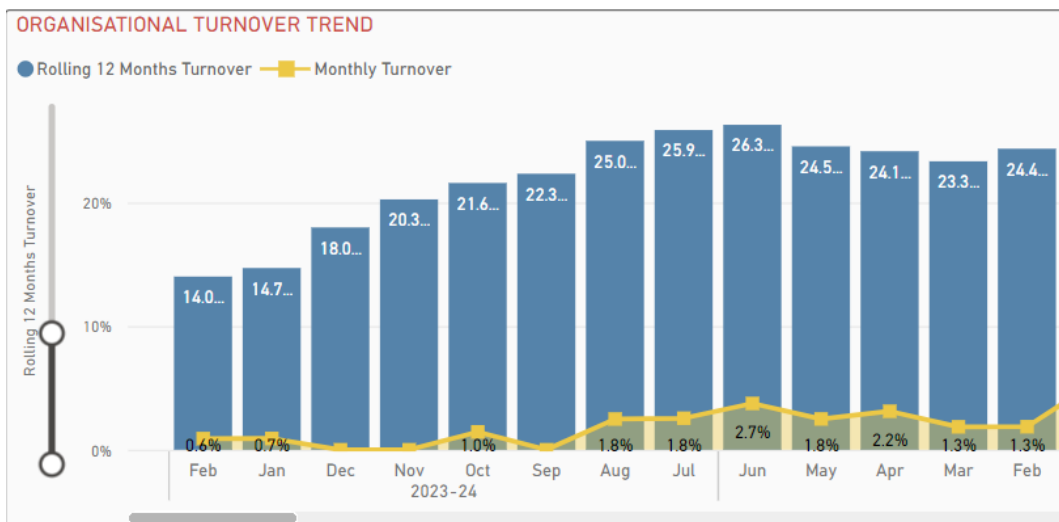


Figure 4: Staff Turnover Trend over the last 12 months

[24] FTE Report



23/24 FTE Report as at pay period ending 01/03/2024

Report generated on 6 March 2024 at 5:29:00 PM

| Directorate | Homebase Desc | Staff Name | Position Description | Employee Status | Location | FTE | Bgt FTE |
|--|---------------|------------|----------------------|-----------------|----------|--------------|--------------|
| ☐ Chief Executive | | | | | | 2.0 | 2.0 |
| ☐ Corporate Services | | | | | | 54.3 | 56.5 |
| ☐ Governance, Culture & Customer | | | | | | 28.0 | 26.7 |
| ☐ Operations | | | | | | 90.5 | 95.0 |
| ☐ Regulatory & Communications | | | | | | 86.2 | 90.0 |
| ☐ Science, Environmental Monitoring & Policy | | | | | | 63.8 | 69.0 |
| ☐ Transport | | | | | | 9.0 | 13.0 |
| Total | | | | | | 333.8 | 352.2 |

CONSIDERATIONS

Strategic Framework and Policy Considerations

[25] Nil

Financial Considerations

[26] Nil

Significance and Engagement

[27] Nil

Legislative and Risk Considerations

[28] Nil

Climate Change Considerations

[29] Nil

Communications Considerations

[30] Nil

ATTACHMENTS

1. Audit and Risk Incident and Near Miss Dashboard 23 24 Summary Q 3 [9.2.1 - 3 pages]
2. HSW Critical Risks Profiles as of 14 Feb 24 (1) [9.2.2 - 7 pages]

Audit and Risk Incident and Near Miss Report 15 Feb 2024 04:38:07 Incident

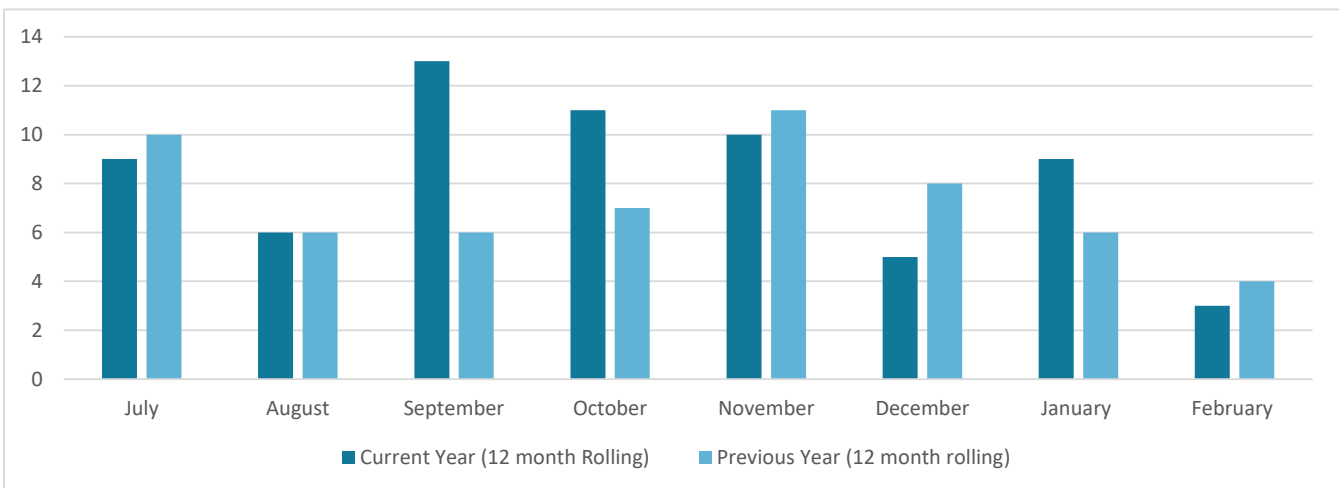
Filters Incident Date 7/1/23 to 7/1/24 | TimeZone New Zealand Standard Time

Incident / Near Miss Dashboard

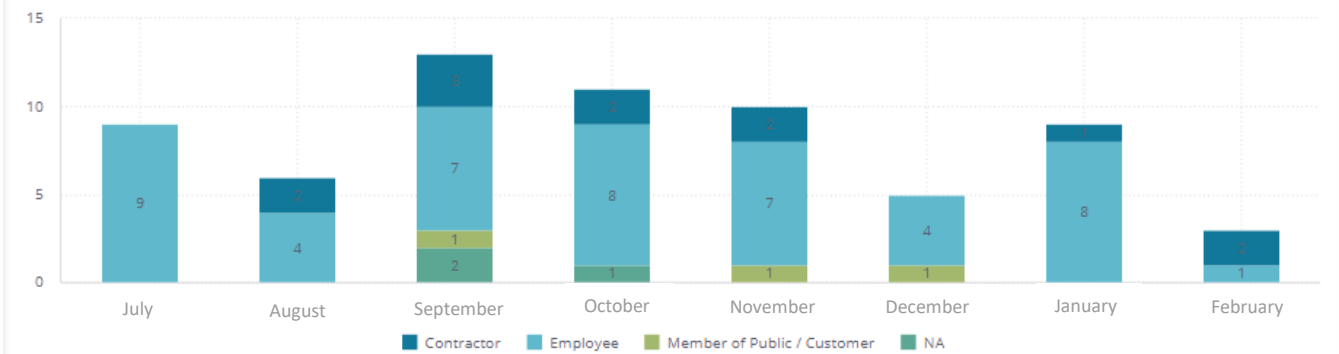
- See bottom of screen for a list of records.
- Click on a graph segment to filter the rest of the dashboard based on that selection.
- To see other data relating to a segment right-click and 'Drill' to the desired field.
 - Access other filters using the right-hand filters panel.
 - NOTE: counters may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



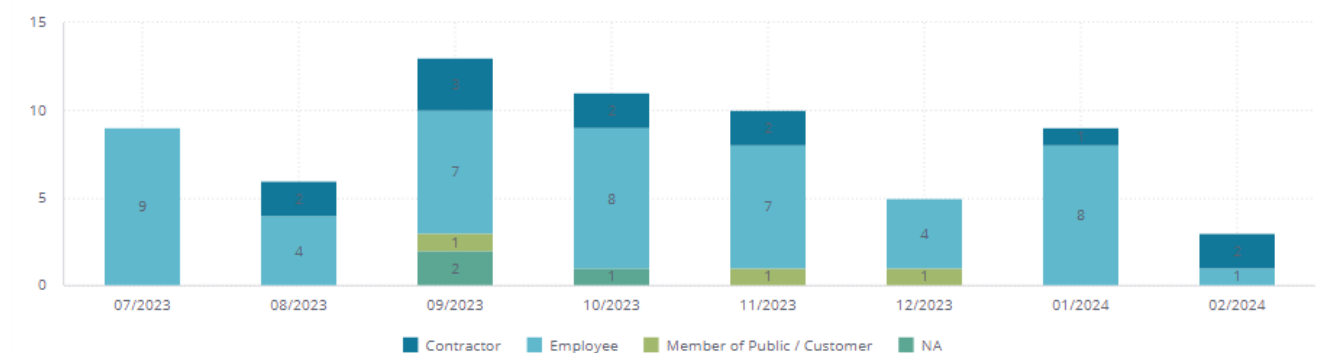
No. of Incidents by Month



No. of Incidents by Month and Who Was Involved

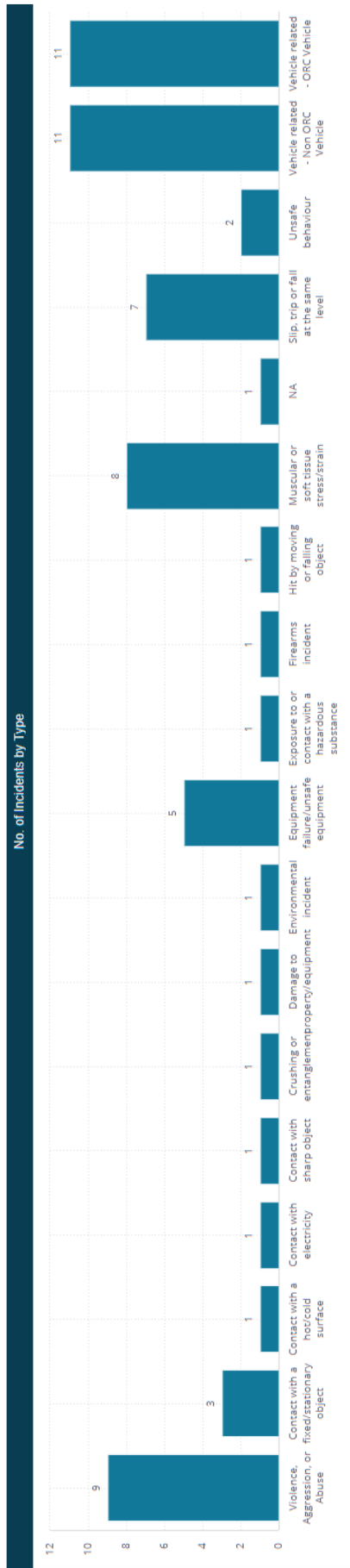


No. of Incidents by Month and Who Was Involved



Audit and Risk Incident and Near Miss Report 15 Feb 2024 04:38:07 Incident

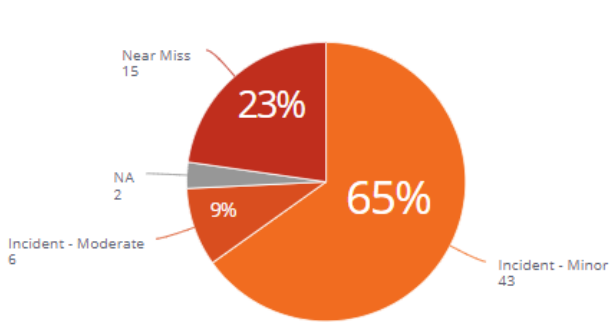
Filters Incident Date 7/1/23 to 7/1/24 TimeZone New Zealand Standard Time



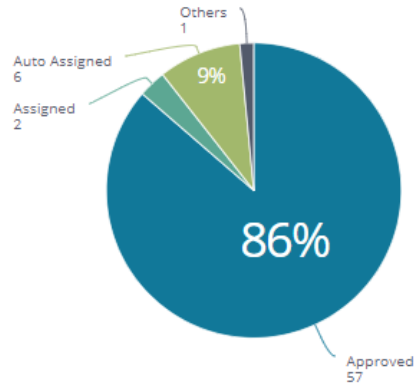
Audit and Risk Incident and Near Miss Report 15 Feb 2024 04:38:07 Incident

Filters Incident Date 7/1/23 to 7/1/24 | TimeZone New Zealand Standard Time

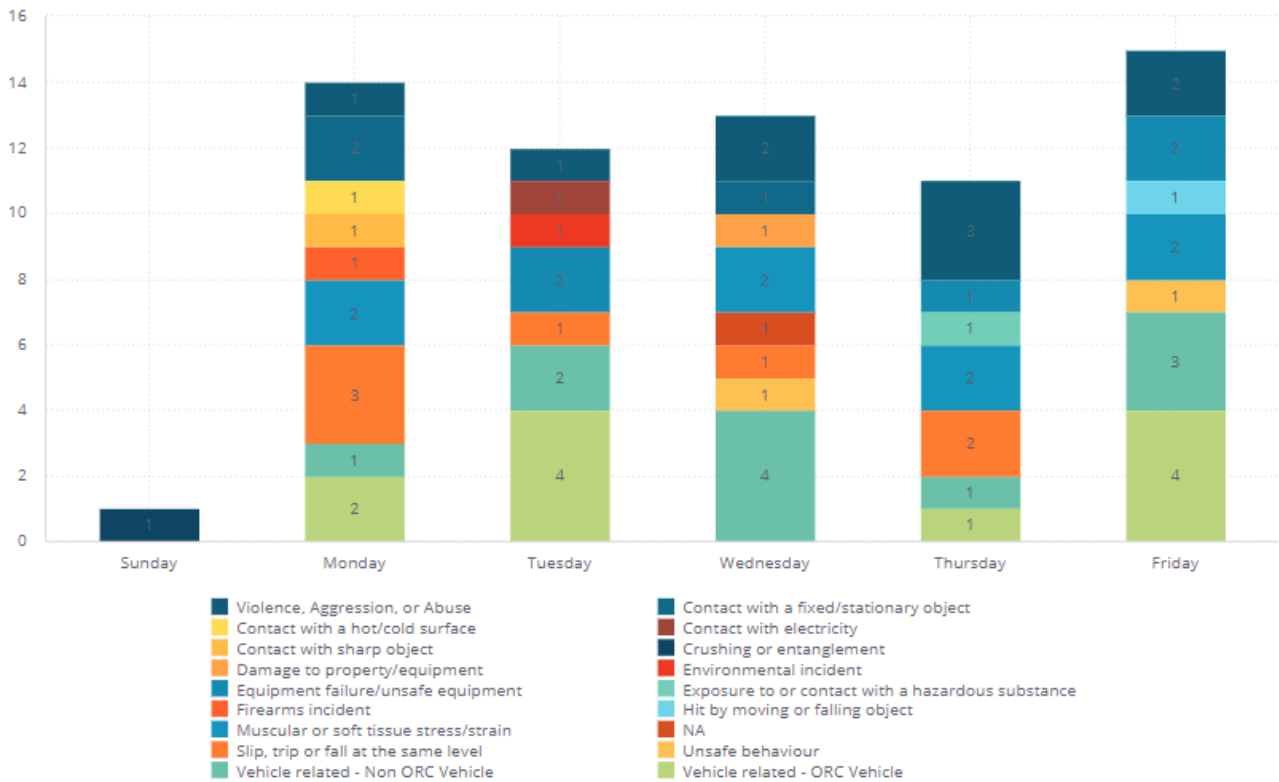
Incidents by Severity



Incidents by Approval Stage



No. of Incidents by Weekday by Incident Type



Health, Safety & Wellbeing Critical Risk Profiles as of 14 February 2024

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 63 contractor related incidents in the past 2 years. 62% percent of these incidents were minor, 13% 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. CDEM 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 37 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 |
|-----------------------------|--|

| 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 unirail 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 |

| | | | |
|--|--|----------------------------|------------|
| | <p>substance may be a single chemical or a mixture of both hazardous and non-hazardous chemicals.</p> | | |
| <p>What we know about this risk in our business</p> | <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> | <p>Residual risk level</p> | <p>Low</p> |
| <p>How we manage the risk</p> | <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> | | |
| <p>Control development</p> | <p>Upcoming review of hazardous substance policy & procedure</p> <p>Health monitoring procedure</p> | | |

9.3. CS2404 Treasury Report

| | |
|----------------------|---|
| Prepared for: | Audit and Risk Subcommittee |
| Report No. | CS2404 |
| Activity: | Governance Report |
| Author: | Nick Donnelly, General Manager Corporate Services and CFO |
| Endorsed by: | Nick Donnelly, General Manager Corporate Services and CFO |
| Date: | 21 March 2024 |

PURPOSE

- [1] To present the quarterly Treasury Reporting Dashboard from Council's Investment Advisor, Bancorp, as at 31 December 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.
- [4] Interest rate risk management on page 5 of the report shows interest rate cover is within the permitted policy limit, however, the fixed amount is getting close to the minimum. As that minimum is reached interest rate swaps will be initiated to ensure policy compliance is maintained.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes this report and the attached Bancorp Treasury Reporting Dashboard – 31 December 2023.**

BACKGROUND

- [5] Council borrows core debt through the Local Government Funding Agency (LGFA). As at 31 December 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.
- [6] 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

- [7] As at 31 December 2023 Council had \$25.0M of core debt funded by the LGFA across 5 tranches of \$5M each.
- [8] All borrowing is noted to be compliant with Council's Treasury Management Policy.

- [9] 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 5.97% as at 31 December 2023 is in line with the assumption used in the Annual Plan 2023-34 of 6.0%.

CONSIDERATIONS

Strategic Framework and Policy Considerations

- [10] 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

- [11] 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

- [12] Not applicable.

Legislative and Risk Considerations

- [13] There are no legislative considerations.
- [14] 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

- [15] Not applicable.

Communications Considerations

- [16] Not applicable.

NEXT STEPS

- [17] Not applicable.

ATTACHMENTS

1. 2023.12.31 Bancorp Treasury Reporting Dashboard December 2023 [9.3.1 - 8 pages]



Treasury Reporting Dashboard

31 December 2023

STRICTLY PRIVATE AND CONFIDENTIAL



BANCORP

BANCORP TREASURY SERVICES LIMITED



Economic Commentary

2

Global (for the December 2023 quarter)

The December quarter saw what has been described as epic moves in the benchmark US 10-year Treasury bond. The markets started the quarter with expectations of one further rate increase as the Fed reiterated its commitment to fighting inflation, concerns about the ability of the market to attract sufficient buyers to purchase US bonds as a result of the ever-increasing US deficits and continuing fallout from Fitch's downgrade of the US credit rating in early August.

These factors saw the 10-year yield hit 17-year highs, peaking at 5.02% on the 20th of October, however since then the fall in US bond yields has been startling, with the market moving from 'higher-for-longer' outlook, to one of 'we have seen the top and then to pricing in six rate cuts at one point', the US 10-year bond closed the year at 3.76%, which represented a remarkable 1.26% fall in 72 days.

The Fed released a dovish statement on the 13th of December, where it appeared to pivot from the prospect of raising rates in earlier statements to talk of three rate cuts in 2024, the market then seized on this statement and as indicated above moved to price into six rate cuts at one point. However, many commentators make a good argument that economic data has not yet validated these significant market moves, and it is premature given that the battle against inflation is far from won and that the concerns around government bond issuance and the possibility of further US credit rating downgrades continue.

Despite the above, from a global perspective, the US still stands out as one of the few bright lights as we enter 2024. China continues to struggle to recover from the lifting of its Covid-19 restrictions, with China consumer prices declining for a third month in December, highlighting persistent deflationary pressures. These factors remain a concern for global growth given China's standing as the world's second-largest economy.

European inflation has fallen significantly from the 10.6% highs seen in late 2022, November inflation had fallen to 2.4% (on an annual basis) but increased back to 2.9% in December after seven straight monthly declines as food prices rose and support for high energy bills ended in some countries. The rise in price levels fueled debate over how soon interest rate cuts could be expected from the European Central Bank.

Across the Tasman, the Reserve Bank of Australia continued to increase its cash rate to 4.35% in November. However, at its December meeting, it kept rates unchanged, stating that any further moves would be data-dependent, however, its tone was seen as relatively hawkish. There is a widely held perception that it sits six to twelve months behind the rest of the world in its inflation settings. Like New Zealand though it has high levels of immigration which has increased aggregate demand which may see inflation higher than it would be otherwise.

Geopolitical issues also weigh on the global economy with the Ukraine and Russian war dragging on and with the tragic events in Palestine spilling over into tensions in the Red Sea. The impact on the global economy is strained supply lines and higher shipping costs.

Economic Commentary

New Zealand (for the December 2023 quarter)

| | OCR | 90 day | 2 years | 3 years | 5 years | 7 years | 10 years |
|-------------|-------|--------|---------|---------|---------|---------|----------|
| 30 Sep 2023 | 5.50% | 5.74% | 5.72% | 5.48% | 5.22% | 5.17% | 5.18% |
| 31 Dec 2023 | 5.50% | 5.63% | 4.64% | 4.32% | 4.09% | 4.07% | 4.14% |
| Change | +0% | -0.11% | -1.08% | -1.16% | -1.23% | 1.10% | -1.04% |

December was a significant quarter, with the shape of the new government being known, a continuing hawkish Reserve Bank of New Zealand (“RBNZ”), a market which is challenging the RBNZ’s stance by pricing in multiple rate cuts, poor economic data and a divergence in views amongst economists.

The new coalition government’s first piece of legislation was to change the RBNZ’s mandate back to a single mandate, requiring the RBNZ’s Monetary Policy Committee to target inflation, not price stability and “maximum sustainable employment”. The change is not expected to materially impact the RBNZ’s monetary policy settings.

On 29th November, the RBNZ’s *Monetary Policy Statement* stated that “The Committee is confident that the current level of the OCR is restricting demand. However, ongoing excess demand and inflationary pressures are of concern, given the elevated level of core inflation. If inflationary pressures were to be stronger than anticipated, the OCR would likely need to increase (rates) further”.

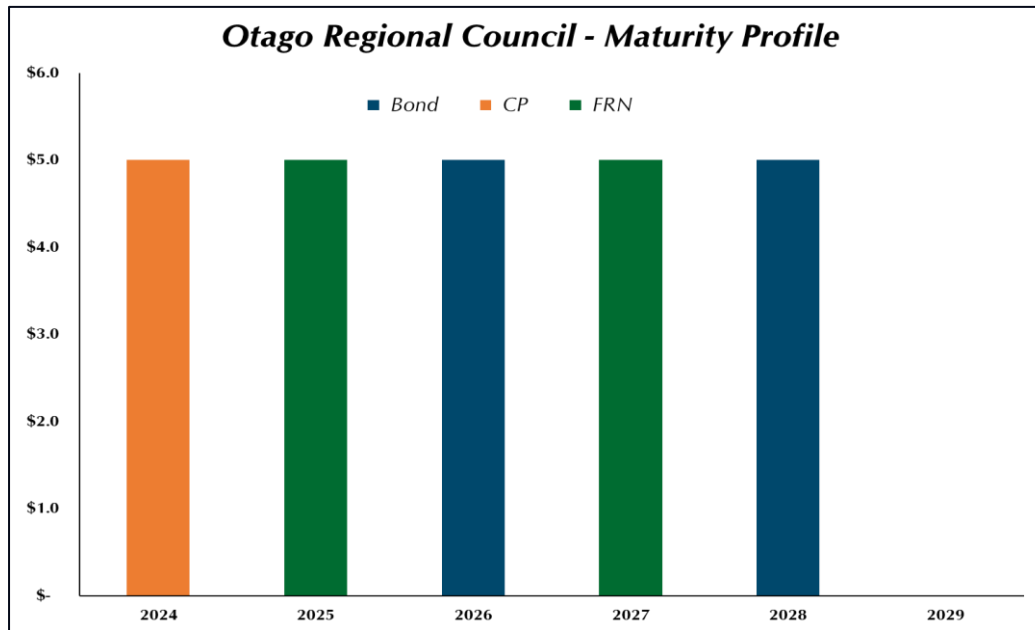
However, this statement was effectively ignored by the market, as it instead focussed on the sharp fall in US Treasury bonds and then the higher-than-expected local unemployment data (September quarter unemployment up from 3.60% to 3.90%). This was followed by the release in December of the shocking third quarter GDP data which saw GDP contract by 0.3% versus expectations of a 0.3% increase. Even worse, Q2 GDP was revised downwards from 0.9% to 0.5%, occurring in a backdrop of soaring migration (at levels not seen since 1947) and the downward revision to the Q1 data once again put the country into recession for the six months ending 31st March 2023. The market then moved to a stance where it was pricing in 4-5 rate cuts in 2024.

In looking at the bank’s economists’ views, we have a clear divergence in views, with some banks picking multiple rate cuts in 2024, with others such as Westpac and ANZ being much more cautious on the inflation outlook, particularly the sticky nature of non-tradeable inflation. By the end of December, the markets were pricing in the first OCR cut in May 2024 and for it to fall to 4.0% by May 2025.

Swap rates saw significant levels of volatility, with the reference 5-year swap rate peaking at 5.40% in early October and falling to a low of 4.06% in late December (in very thing trading). The downward momentum was initiated by falling US Treasury bond yields, a change to the Fed’s dot plots (which inferred 3 rate cuts in 2024 and then by the shocking NZ Q3 GDP data).

The new government’s policy agenda will be of interest with tax cuts potentially providing support to the economy which may see inflation remain higher for longer.

Funding and Liquidity



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

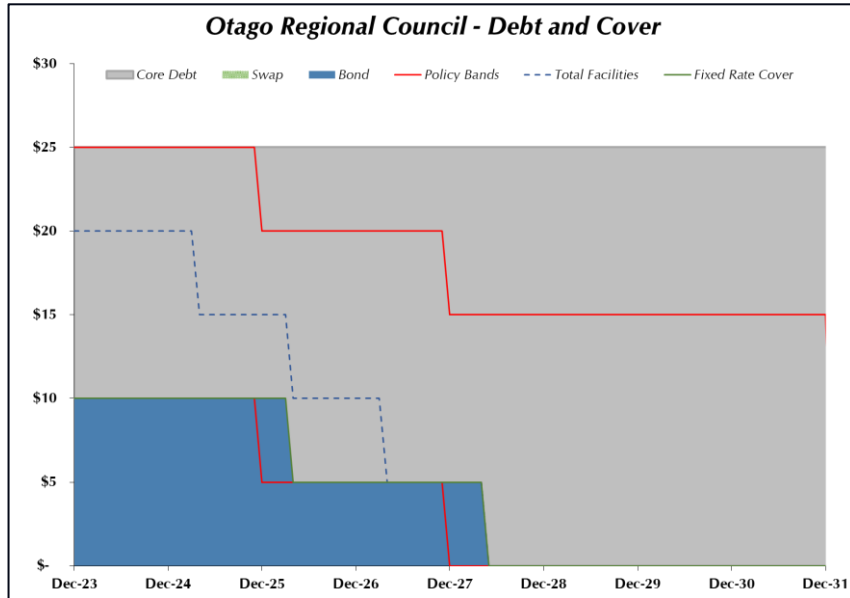
Liquidity = cash deposits, term deposits and managed fund
\$57.81m

Liquidity Ratio based on Council debt
331.24%

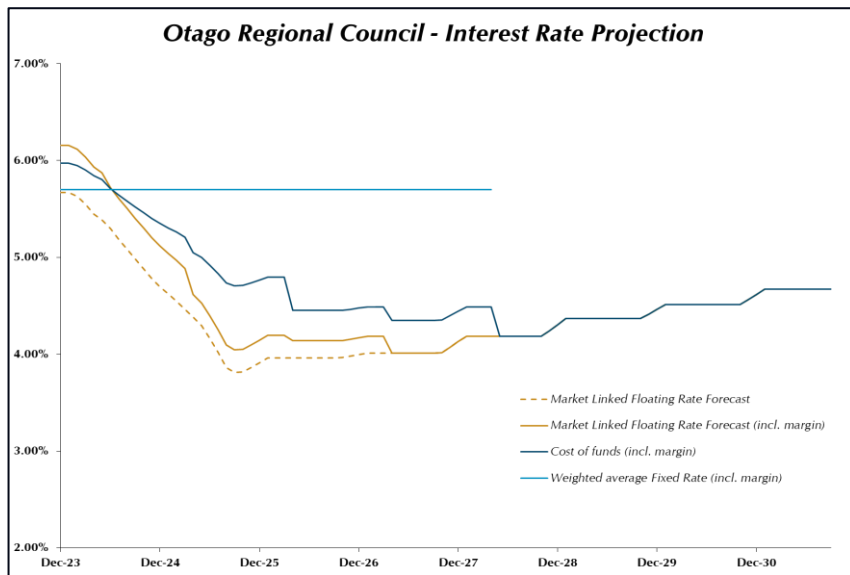
Cost of Funds as at 31 December
5.97%

| 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 |

Interest Rate Risk Management



| | |
|---|--------|
| 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 Forward Starting Cover | \$0.0 |
| Value of Floating Rate (m) | \$15.0 |
| Current Floating Rate | 5.67% |
| Current Floating Rate (incl margin) | 6.16% |
| All Up Weighted Average Cost of Funds Including Margin | 5.97% |
| 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 31 December

6

As at 31st December 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 December is as follows.

| Instrument | Maturity | Yield | Margin | Amount |
|------------|-----------|-------|--------|-------------|
| LGFA CP | 10-Jun-24 | 5.87% | 0.20% | \$5,000,000 |
| LGFA FRN | 15-Apr-25 | 6.27% | 0.56% | \$5,000,000 |
| LGFA FRB | 15-Apr-26 | 5.70% | N/A | \$5,000,000 |
| LGFA FRN | 15-Apr-27 | 6.41% | 0.70% | \$5,000,000 |
| LGFA FRB | 15-May-28 | 5.70% | N/A | \$5,000,000 |

LGFA Borrowing Rates

As at 31 December

7

Listed below are the credit spreads and applicable interest rates as at 31st December 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% | 5.83% | N/A |
| 6 month CP | 0.20% | 5.91% | N/A |
| April 2024 | 0.49% | 6.12% | 6.18% |
| April 2025 | 0.55% | 6.18% | 5.98% |
| April 2026 | 0.61% | 6.24% | 5.68% |
| April 2027 | 0.71% | 6.34% | 5.58% |
| May 2028 | 0.86% | 6.49% | 5.59% |
| April 2029 | 0.93% | 6.56% | 5.57% |
| May 2030 | 0.97% | 6.60% | 5.59% |
| May 2031 | 1.09% | 6.72% | 5.71% |
| April 2033 | 1.13% | 6.76% | 5.81% |
| May 2035 | 1.22% | 6.85% | 5.95% |
| April 2037 | 1.24% | 6.87% | 6.06% |

Disclaimer

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9.4. GOV2401 Deep Dive - Strategic Engagement

| | |
|----------------------|--|
| Prepared for: | Audit and Risk Subcommittee |
| Report No. | A&R2303 |
| Activity: | Governance Report |
| Author: | Kate Pettit, Senior Advisor Strategic Engagement |
| Endorsed by: | Andrea Howard, Manager Executive Advice Amanda Vercoe, General Manager Governance, Culture and Customer |
| Date: | 21 March 2024 |

PURPOSE

- [1] To facilitate a discussion, or 'deep dive', into Council's management of the *Community Engagement* 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 'Community Engagement' strategic risk.
- 2) **Notes** that a draft *Community Engagement Framework* will be presented to the *Regional Leadership Committee* in May, for Council discussion and feedback.
- 3) **Notes** that an implementation update on *He Mahi Rau Rika - Significant, Engagement and Māori Participation Policy* will be presented to the *Regional Leadership Committee* in May.

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.
- [6] Previously, there has been a tendency to conflate communications and engagement within the council. Consequently, this resulted in some confusion regarding the execution of different types of engagement, delineation of staff roles and responsibilities and the skills and expertise necessary for carrying out effective engagement practices. Below outlines the distinctions between the two separate areas of work programming:
- Communications typically involves the one-way exchange of information from an organisation to the community and stakeholders. It focusses on delivering messages through various channels.
 - Engagement involves a two-way interaction where the organisation actively seeks input, feedback, and participation from the community and stakeholder. It aims to foster dialogue, collaboration, and relationships by involving stakeholders in decision-making processes and activities.

DISCUSSION

- [7] 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.
- [8] This overview will allow the Audit & Risk Sub-committee to understand how Council is currently managing the risks posed by community engagement and to facilitate discussion or any changes or improvements that the sub-committee may wish to recommend.

CONSIDERATIONS

Strategic Framework and Policy Considerations

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

Financial Considerations

- [10] There are no financial considerations. Any desire to increase Council's response to community engagement would be considered through other mechanisms (e.g., the long-term planning process).

Significance and Engagement Considerations

- [11] There are no significance or engagement considerations, but this work will influence Council's approach to its formal engagement obligations and opportunities as outlined in *He Mahi Rau Rika*.

Legislative and Considerations

- [12] There are no legislative considerations.

Climate Change Considerations

- [13] There are no specific climate change considerations, although efficient engagement with communities is a key part of any climate change response.

Communications Considerations

- [14] There are no communications considerations.

NEXT STEPS

- [15] 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 Community Engagement (1) [9.4.1 - 3 pages]

Strategic Risk – Community Engagement

Risk Description: Not engaging effectively with the wider Community.

Risk Category: Decision-Making
Executive Sponsor: Chief Executive
Last Update: March 2024

Risk Name: Community Engagement
Executive Oversight: General Manager, Governance, Culture and Customer

| Assessment | Date | Likelihood | Impact | Inherent risk rating | Likelihood | Impact | Residual risk rating |
|------------|------------|------------|--------|----------------------|------------|----------|----------------------|
| | March 2024 | Likely | Major | High | Possible | Moderate | Medium |

| Risk Environment |
|--|
| <p>Community engagement stands as a cornerstone of Council’s governance framework, playing a pivotal role in fostering transparency, accountability, and inclusivity in decision-making processes.</p> <p>Community engagement, as defined by the International Association for Public Participation (IAP2), is an intentional process with the specific purpose of working to shape the decisions, or actions of members of the community, stakeholders or organisation in relation to a problem, opportunity or outcome.</p> <p>Effective community engagement is not merely a procedural necessity but a fundamental driver of good governance. It serves as a conduit through which diverse voices are heard, perspectives are considered, and decisions are informed by the collective, rather than the singular.</p> <p>Expectations surrounding community engagement have evolved, driven by growing demands for transparency, responsiveness, regulatory need, and genuine participation in decision-making processes. In today’s dynamic societal landscape, where stakeholders are increasingly empowered and informed, the council faces heightened scrutiny from community and stakeholders, requiring proactive efforts to build and maintain trust. Successful engagement yields many advantages for stakeholders, communities and councils alike. These include heightened awareness of the council’s role and purpose, fortified council relationships, integration of local expertise and principles, facilitation of active involvement, and bolstering a sense of community belonging and resilience.</p> <p>Effective engagement efforts should be sustainable over the long-term, remaining accountable to communities, leading to sustainable decisions and improved outcomes. Failure to effectively engage with communities presents a strategic risk for Council as it can erode credibility, legitimacy and social license, amplify reputational risk and present political, operational and legal risks.</p> <p>Allocating sufficient resources and prioritising meaningful engagement, the Council can mitigate strategic risks while strengthening its relationship with the community and stakeholders, fostering a culture of openness and accountability, and ultimately enhancing capacity to make informed, equitable and sustainable decisions that reflect the needs, values, and aspirations of the communities it serves.</p> <p>Community engagement practices must adhere to various regulations, laws and policy, such as those related to public consultation processes or environmental regulations. Additionally, they should align with international and national frameworks to uphold equal opportunity rights for participation (Children’s Rights and the Environment - UNCRC General Comment 26 / New Zealand Disability Strategy, UNCRRD / Better Later Life - He Oranga Kaumātua 2019 to 2034). This necessitates that community engagement initiatives accommodate diverse needs and ensure inclusivity, across all segments of society. By doing so, Council not only fulfils its legal obligation, but also fosters inclusive and participatory decision-making processes that reflect the diverse voices and perspectives of the community.</p> <p>The council has established robust engagement principles, underlining the strategic importance of effective community engagement and participation in He Mahi Rau Rika, the council Significance, Engagement and Māori Participation policy, and its forthcoming strategic directions. These principles aim to foster trust, support enduring relationships, and enhance community health and wellbeing through inclusive decision-making processes. Despite the organisations strong commitment to effective participation practices and a culture of shared engagement ownership, there is an absence of a cohesive engagement framework articulating best practice expectations and guidance for practical implementation.</p> <p>Previously, there has been a tendency to conflate communications and engagement within the council. Consequently, this resulted in some confusion regarding the execution of different types of engagement, delineation of staff roles and responsibilities and the skills and expertise necessary for carrying out effective engagement practices. Below outlines the distinctions between the two separate areas of work programming:</p> <ul style="list-style-type: none"> - Communications typically involves the one-way exchange of information from an organisation to the community and stakeholders. It focusses on delivering messages through various channels. - Engagement involves a two-way interaction where the organisation actively seeks input, feedback, and participation from the community and stakeholders. It aims to foster dialogue, collaboration, and relationships by involving stakeholders in decision-making processes and activities. <p>Community engagement professionals possess a distinct skillset and expertise and involves significant investment. It is a multifaceted discipline that requires nuanced understanding of diverse communities, the ability to foster meaningful dialog and at times collaboration demanding dedicated resources and commitment to building trust and relationships within communities. Successful community engagement also requires considerable time investment that requires comprehensive planning, the cultivation of mutual understanding and respect, and knowledge of diverse engagement methods and processes.</p> <p>Although the council boasts a well-resourced communications department and pockets of localised staff resourcing in community, such as the catchment advisors, there remains a notable lack of allocated community engagement expertise across the council to support a variety of community engagement projects effectively. Consequently, there has been a reliance on staff members to take ownership of managing community engagement processes. This occurs in addition to their primary responsibilities, often with limited time and resources at their disposal. In addition, the use of external consultancies undoubtedly bring valuable expertise and resources to the council’s engagement efforts, it’s crucial to maintain a cohesive and consistent approach across all engagement activities. By integrating external expertise with an ORC Engagement Framework ensures the council’s engagement efforts with the community are harmonised and aligned with overarching goals and values, the council can also maximise its impact of its engagement efforts while preserving the integrity and coherence of its overall approach.</p> <p>Addressing the gap in expertise and resources is paramount to ensure the council can engage with communities effectively while also managing other operational priorities. Allocating adequate resources and addressing capacity constraints should be prioritised to enhance community engagement efforts, fostering trust, transparency and collaboration with stakeholders and community. This strategic focus will enable the council to navigate the complexities of community engagement more effectively and mitigate the associated risks of increased costs, inefficiencies, a lack of local understanding, missed opportunities, and reduced responsiveness.</p> <p>The Council has intensified its efforts to foster effective community engagement throughout the region with the recent appointment of a Senior Advisor for Strategic Engagement. Currently, an extensive program is underway to elevate operational effectiveness, with detailed work programming outlined below. However, it is essential to recognise that executing this work program entails a substantial change process uplifting internal capability and capacity, demanding considerable time and resources.</p> |

| Causes/Consequences |
|---|
| <p>Causes:</p> <ul style="list-style-type: none"> Limited representation from diverse stakeholder groups in community engagement processes. Insufficient visibility and transparency in work programmes and decision-making between the Council and community. Community resistance to change processes or new initiatives/policies/plans. Limited resources including staff time, expertise and bugetary constraints to carry out an effective community engagement cycle and respond to community and stakeholder needs. Not effectively identifying who needs to be engaged with thorough robust stakeholder analysis processes. Community engagement planning not started early enough in a project cycle and/or is planned for without enough consideration to resourcing the design, implementation and evaluation. Lack of a consistent organisational approach to community engagement. Community engagement practices don’t adhere to regulations, laws, policy or international and national frameworks. <p>Consequences:</p> <ul style="list-style-type: none"> Lack of diverse representation can undermine legitimacy of decision-making, overlooking important perspectives and needs, resulting in decisions that are not inclusive of the community as a whole, leading to community dissatisfaction or legal challenges. Unable to capture/lack of diversity of thinking and on-the-ground, local expertise channeled into projects and decision-making. Community does not understand or support ORC decision-making, leading to a lack of trust and decreased public participation, and hinder future attempts at relationship building and community engagement. Projects are delayed, hindering the successful implementation of projects, and can result in wasted resources. Damage to Council reputation and social license. Insufficient resources may result in ad-hoc, reactive and ineffective engagement efforts, leading to missed opportunities for meaningful dialog and collaboration and unintended consequences which negatively impact community. Stakeholder management is impacted by poor relationship health of council-community relationships. Community engagement is ad-hoc, on a project by project basis and follows a pattern of reinventing the wheel. There is no Team ORC cohesive approach, style and tone which represents the whole organisation. A lack of systems and processes for internal coordination, collaboration and experiential learning opportunities which can lead to silo working. Legal implications, such as court apperances and fines, impacting on public perception and reputation. |

Audit & Risk Subcommittee Agenda 21 March 2024 - MATTERS FOR CONSIDERATION

| 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 lesson the effects of a threat) |
|--|--|----------------------------|---|
| <p>The development of ORC’s Significance, Engagement and Māori Participation Policy, <i>He Mahi Rau Rika</i>, is the guiding process document around community engagement.</p> <p>He Mahi Rau Rika sets out ORC’s organisational commitments, approach to engagement, including commitments and practice principles. It outlines ‘how’ ORC will engage and the factors that will be considered when ORC is deciding ‘when’ to engage.</p> | <p>He Mahi Rau Rika – Significance, Engagement and Māori Participation Policy. He Mahi Rau Rika</p> | <p>Partially effective</p> | <p>Implement and embed He Mahi Rau Rika to its full potential to serve as a foundational policy underpinning a unified and cohesive organisational approach.</p> <p>Develop and implement a Community Engagement Framework, that emphasises intentional community involvement in decision-making by fostering genuine two-way dialog that supports enduring relationships with communities and stakeholders.</p> |
| <p>Key stakeholder analysis and development of a tiered key stakeholder list for the 2024-34 LTP.</p> <p>Development and implementation of early engagement with key stakeholders for the 2024-34 Long-Term Plan</p> <ul style="list-style-type: none"> - Surveys - 1:1 stakeholder meetings <p>The purpose of this engagement will be as follows:</p> <ul style="list-style-type: none"> - Update key stakeholders on future plans and priorities. - Understand key stakeholders’ views on ORC’s past performance. - Provide an opportunity for key stakeholders to outline their future needs and aspirations, and - Identify how best to engage with key stakeholders through the rest of the LTP process. <p>Key stakeholder priorities and feedback shared with the LTP Project Team and ELT.</p> | <p>Implementation of 2024-34 early engagement plan with key stakeholders.</p> <p>Monitor the health of Council-key stakeholder relationship based on stakeholder engagement feedback.</p> <p>He Mahi Rau Rika provides organisational practice principles which outlines ‘who’, ‘why’, ‘how’ and ‘when’ to engage. He Mahi Rau Rika</p> <p>Methods of continued engagement identified with key stakeholders for the LTP process and throughout the rest of the year.</p> | <p>Effective</p> | <p>Continue relationship building with key stakeholders through regular contact.</p> <p>Open channels of communication for key stakeholders to their relationship manager and/or senior advisor strategic engagement.</p> <p>Monitor relationship health of key stakeholders.</p> <p>Share key stakeholder analysis and relevant information regarding key stakeholders priorities with other directorates.</p> <p>Identify opportunities for strategic engagement activities with key stakeholders.</p> |
| <p>Undertake a review of ORC engagement, the BERL draft engagement framework and other external community engagement reports and move to implement recommendations.</p> <p>Current development of Community Engagement Framework.</p> <p>Current development of community engagement practice delivery toolkit, best-practice engagement guidance and processes.</p> <ul style="list-style-type: none"> - Test of first iteration of practice delivery toolkit on Clutha Delta Natural Hazards Adoption (ongoing). <p>Development of the Methods Matrix tool – showcasing and exploring a variety of engagement methods.</p> | <p>Newly created position of Senior Advisor Strategic Engagement.</p> <p>He Mahi Rau Rika provides organisational commitments and approach to engagement, providing a foundation on which to build the Community Engagement Framework. He Mahi Rau Rika</p> <p>ORC’s Strategic Directions commit to effectively engaging communities to achieve its vision for Otago.</p> <p>A renewed commitment and increased focus on effective community engagement is woven into the forthcoming 2024-34 Strategic Directions.</p> | <p>Partially effective</p> | <p>Implement recommendations from review.</p> <p>Set up internal working group for ORC’s Community Engagement Framework and practice delivery toolkit to ensure internal collaboration and functionality.</p> <p>Embed proactive risk management and evaluation mechanisms to assess the effectiveness of engagement efforts into practice delivery toolkit.</p> <p>Implement and embed Community Engagement Framework across the organisation.</p> <p>Encourage engagement projects to utilise the Methods Matrix to adopt engagement methods that are transparent, provide accessible, information and integrate methods to actively seek feedback from the community which contributes toward decision-making.</p> |
| <p>Ensure adequate resource allocation for community engagement at an organisational level.</p> <p>Minimise internal capacity constraints and increase capability across the council.</p> | <p>He Mahi Rau Rika – Significance, Engagement and Māori Participation Policy. He Mahi Rau Rika</p> <p>He Mahi Rau Rika sets out ORC’s organisational commitments, approach to engagement, including commitments and practice principles. It outlines ‘how’ ORC will engage and the factors that will be considered when ORC is deciding ‘when’ to engage.</p> <p>ORC’s Strategic Directions commit to effectively engaging communities to achieve its vision for Otago.</p> <p>A renewed commitment and increased focus on effective community engagement is woven into the forthcoming 2024-34 Strategic Directions.</p> | <p>Partially effective</p> | <p>Prioritise community engagement as a strategic priority and allocate sufficient resources, including funding staff capacity and training.</p> <p>Additional 1.0 FTE funding – Engagement Advisor (proposed LTP).</p> <p>Identify community engagement training for internal staff.</p> <p>The development of an ‘Engagement Centre of Excellence’ – a one-stop shop for case studies, international research and bit-sized training.</p> <p>Leverage technology for more accessible engagement process. e.g. SocialPinPoint, Engagement HQ.</p> <p>Where needed, provide co-ordinated training and assistance to existing community facing roles in order to improve general engagement and share knowledge and expertise amongst staff.</p> |
| <p>Exploration and identification of an opportunity to create an internal coordination tool and spatial mapping function through the IRIS Next Gen software implementation.</p> <p>Identification of stakeholder management and community engagement mapping needs for IRIS Next Gen software.</p> | <p>Implementation of CRM.</p> <p>Implementation of IRIS Next Gen.</p> | <p>Ineffective</p> | <p>Collaboration with the IT team to design stakeholder management functionality within CRM software.</p> <p>Collaborate with the IT project manager to identify opportunities for spatial mapping functionality with IRIS Next Gen software to capture all engagement activities, not just regulatory.</p> |
| <p>Identification of key relationships and opportunities to support ORC broaden engagement reach and develop mechanisms for equitable and inclusive engagement practices. Examples include;</p> <ul style="list-style-type: none"> - Otago Water Resource Users Group - Central Otago Winegrowers Association - Grey Power - University of Otago - EnviroSchools - Disabled Persons Alliance | <p>Development of Targeted Engagement Register – directory of processes and mechanisms for targeted engagement with key stakeholders, community groups and other organisations.</p> <p>Development of ‘Guide to Inclusive Engagement’ which outlines best-practice, national and international frameworks.</p> | <p>Partially effective</p> | <p>Identify further opportunities and implement mechanisms to actively engage with less heard and underrepresented groups.</p> <p>Identify opportunities and continue to develop relationships and introduce processes and mechanisms which ensure diverse engagement representation, including targeted outreach opportunities.</p> |

Audit & Risk Subcommittee Agenda 21 March 2024 - MATTERS FOR CONSIDERATION

| RISK PREVENTIONS <i>(actions taken to minimise the likelihood that a risk will occur)</i> | EXISTING CONTROLS | ASSESSMENT OF CONTROLS | RISK IMPROVEMENT PLAN <i>(strategy to prepare for and lessen the effects of a threat)</i> |
|---|--|-------------------------------|---|
| <p>Enhance the presence of ORC within the community to promote awareness and clarity regarding Council role and purpose and increase the public perception of ORC.</p> <p>Utilize diverse methods to increase visibility and interact with the community without any predefined agenda. This approach fosters transparency and enables the community to become acquainted with ORC.</p> | <p>Councillors presence in the community, attending days out in the field, meeting stakeholders, attendance at engagement activities.</p> <p>ORC's everyday advocates – field staff, customer service team, and all staff in regular contact with the community.</p> <p>Engagement drop-ins – many community members come and enquire about other topics.</p> <p>Communications team – key messaging, media coverage, telling the ORC story.</p> <p>Internal communications team – enabling Team ORC and once consistent voice by sharing work programmes and stories, enabling staff awareness.</p> | <p>Effective</p> | <p>Implement further initiatives such as regular community drop-ins / information sessions / public webinars / ECO fund applications.</p> <p>Introduce an evaluation method to measure value of enhanced presence and public awareness.</p> <p>Implementation of the Community Engagement Framework which sets out an organisational wide approach to engagement.</p> |

Related Strategic Risks: (1) Governance/Management, (2) Organisational Strategy, (3) Delivery Implementation, (7) External Change.

9.5. CEO2401 Internal Audit

Prepared for: Audit and Risk Subcommittee

Report No. CEO2401

Activity: Governance Report

Author: Richard Saunders, Chief Executive

Endorsed by: Richard Saunders, Chief Executive

Date: 18 March 2024

PURPOSE

- [1] The Terms of Reference for this Audit & Risk Committee includes responsibility over Internal Audit. Previously this Committee has discussed and agreed to commence Internal Audit activity. This paper provides an update and next steps.
- [2] It is important that Governance receives independent assurance that controls are in place and operating as intended within an organisation (this is the role of Internal Audit).

EXECUTIVE SUMMARY

- [3] It is recommended that a first internal audit be undertaken in the area of Asset Management.
- [4] It is also recommended that an Internal Audit Programme be developed which covers a 3-year period, with a focus on the audits which can occur in the first 12 months. The objective being approximately three internal audits undertaken per year.

RECOMMENDATION

That the Audit and Risk Subcommittee:

- 1) **Notes** this report.
- 2) **Recommends** that staff complete an internal audit in the area of Asset Management and report back to the Audit and Risk Committee.
- 3) **Requests** that staff develop a three year internal audit programme (2024/25 to 2026/27) and report back to the Audit and Risk Committee for endorsement of the programme.

BACKGROUND

- [5] What is internal audit?
 - An independent assurance activity
 - Designed to add value and improve an organisation's operations
 - Helps an organisation accomplish its objectives
 - Evaluates the effectiveness of internal controls
 - Looks across policy, process, systems
 - Works alongside an organisation's risk management framework

DISCUSSION

[6] **What would a common internal audit programme include?**

The Council Risk Register can be used to steer the direction for what areas may require an internal audit. For example, an area with high inherent risk where there is a reliance on the controls operating adequately – the internal audit will check that those controls are operating as intended.

See Appendix for examples of common internal audits.

[7] **To develop an Internal Audit Programme with a three-year view**

It is common for an organisation to develop an Internal Audit Programme outlining the internal audits to be conducted over the next three-year period. There is a focus on those internal audits conducted over the next 12 months.

It is common to undertake approximately three internal audits per year.

[8] **First internal audit**

It is recommended that a first internal audit be undertaken in the area of Asset Management.

One of the reasons for selecting this area is because of the flood events which occurred in the North Island and the subsequent focus on how asset infrastructure responded during those events. It is also on the ORC risk register.

[9] **Resource**

The internal audit(s) will be conducted by an independent third party.

Larger organisations are known to have their own internal audit staff, otherwise they are contracted to third parties to perform. As the internal audit programme at ORC is new using independent parties to undertake these audits is considered the best approach.

OPTIONS

[10] The Committee can choose to support the recommendation as set out in the proposed resolutions. Alternatively the Committee may suggest an alternate topic for the first internal audit.

[11] There is an option available not to go ahead with an internal audit programme however this is not recommended by staff.

CONSIDERATIONS

Strategic Framework and Policy Considerations

[12] The internal audit process will ensure that ORC has the necessary policies in plan for the given audit topic.

Financial Considerations

- [13] Internal audit is not specifically funded in the 2023/2024 year. It can be managed within existing budgets. In the future the internal audit programme should have dedicated funding within ORC budgets.

Significance and Engagement

- [14] This paper does not trigger He Mahi Rau Rika, ORC's significance and engagement policy.

Legislative and Risk Considerations

- [15] Internal audits are a mechanism to ensure that ORC is appropriately managing both its legislative responsibilities and the risk that exists due to the functions that we are required to undertake.

Climate Change Considerations

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

Communications Considerations

- [17] There are no communications considerations associated with this report.

NEXT STEPS

- [18] Should the recommendations be approved staff will commence the internal audit programme including the development of a three-year plan.

ATTACHMENTS

1. Appendix 1 [9.5.1 - 2 pages]

Appendix

Examples of common internal audits are shown in the table below.

| Review | Objective |
|---------------------------------------|--|
| Asset management planning | To assess the adequacy and effectiveness of the framework to manage and monitor key assets and the maturity of that framework. |
| Contracts management | To assess the effectiveness of the implementation of the contracts management framework and the operation of key controls and processes. |
| CDEM Administering Authority | Review systems, processes in place to provide emergency response resource to CDEM. Includes consideration of fit with business continuity, succession planning, etc. |
| Compliance process | To identify if there are appropriate systems and processes in place to ensure we are able to adequately monitor landowner actions, compliance with covenants/ encumbrances in favour of Council, and Council's own compliance with consent conditions. |
| Payroll | To assess the robustness and effectiveness of controls in place to mitigate key risks in relation to payroll processes (including staff reimbursements). |
| Protected Disclosures (Whistleblower) | Review Council's Protected Disclosures guidance and process, and ensure it is sufficiently compliant with the updated Protected Disclosures (Protection of Whistleblowers) Act (2022). |
| Rates process review | Review Council's in-house rates collection function, to ensure it is able to effectively and efficiently collect rates in an appropriately controlled manner. |
| Forecasting & budgeting | Review Council's forecasting, budgeting, and monitoring processes. Ensure these are fit for purpose and sufficiently support annual planning/long term planning processes. |
| Sensitive expenditure | To review the reasonableness of sensitive expenditure incurred in the Council and compliance with policies and procedures for staff and councillors. |

Delegations

To assess the level of compliance with Council's policy and decisions in relation to financial and non-financial delegations and to determine whether key controls are operating effectively. Includes permanent and temporary delegations processes.

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 2023.12.06
- 1.1 Insurance Disclosure Update
- 2.1 Managed Fund Report
- 2.2 Strategic Risk Register

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 2023.12.06</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> |

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|------------------------------------|---|---|
| <p>2.1 Managed Fund Report</p> | <p>To protect information where the making available of the information would be likely to unreasonably prejudice the commercial position of the person who supplied the information or is the subject of it - 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 - 7(2)(c)(i)</p> <p>Withholding of the information is necessary to avoid prejudice to measure that prevent or mitigate material loss to members of the public - 7(2)(e)</p> <p>To enable any local authority holding the information to carry out, without prejudice or disadvantage, commercial activities - 7(2)(h)</p> <p>To prevent the disclosure or use of official information for improper gain or improper advantage - 7(2)(j)</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>2.2 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> |

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.

