

New Zealand Government

# QUARTERLY REPORT

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**Quarter 2: 1 October to 31 December 2014**



**WORKSAFE**  
NEW ZEALAND | MAHI HAUMARU  
AOTEAROA

# SNAPSHOT OF QUARTER

Workplace health and safety highlights for the quarter include:








- The Adventure Activity regime has come into force, with WorkSafe NZ registering 273 providers so far, and inspectors seeing a high level of compliance. Work is ongoing to continue the registration progress and ensure the regime is working as intended.
- The Independent Forestry Review findings were released in October 2014, with a focus on leadership, worker participation, clear certifications and standards, and information sharing.
- Occupational Health targets have now been approved. Work is underway to design and deliver specific interventions.
- WorkSafe NZ has continued to review draft regulation material and consider implementation and operational implications for the Health and Safety at Work legislation.
- The National Construction Roadshow was completed. Great feedback was received, especially around the new guidance on "Absolutely Essential Health and Safety Toolkit for Small Construction Sites".

## Leadership and Engagement

WorkSafe NZ has undertaken significant engagement over the quarter, including with sector leaders, councils, boards, and management teams. This included Brightwater Engineering, the Forestry Industry Contractors Association, Naylor Love Construction, the Mighty River Power Board, Southern Cross Hospital Board, Z Energy, NZ Safety Leaders' Summit, and the Employers and Manufacturers Association. Gordon MacDonald also attended the Chartered Accountants Australia/NZ CFO Forum and Site Safe awards. Two stakeholder events were held in Auckland and Wellington, and following the September Board meeting in Auckland approximately 25 invited stakeholders joined the Board for a social function. The High Hazards Unit also held a series of workshops on how duty-holders might practically implement of some of the key provisions of the new mining regulations, with over 200 total attendees.

A WorkSafe NZ Managers' Forum was held in December 2014, with workshops held on leadership, quality assurance, and the interface between assessments and investigations. Sessions were also held on the forestry focus group decision-making matrix, future operational intelligence capability, the Safety Star Rating Scheme, progress towards the new legislation, and the ICT programme.

## Performance Dashboard – Recent Results

2014-15 as at 31 December		
	Fatalities <sup>1</sup>	22 confirmed (11 Agriculture, 3 Construction, 8 other) <sup>2</sup> .
	Serious Harm <sup>2</sup>	1,569 notifications received for triage (522 fewer than in the same 2013-14 year period).
	Inspector Numbers	153 Health and Safety Inspectors, 16 High Hazard Unit Inspectors. (Target of 180 Health and Safety Inspectors by 2016)
	Prosecutions	81% of files (26/31) recommended for prosecution met quality standards. 64 prosecutions initiated YTD, 81 currently underway.
	Assessments	5,624 assessments undertaken (1236 below forecast) 75% in priority sectors (on target). 1,252 Canterbury assessments undertaken (above forecast).
	Budget	\$3.5m surplus, primarily due to timing variances. This is expected to reduce by year-end (see page 8).
	OIAs	87% of responses (145/166) completed on time (target 90%).

<sup>1</sup> Based on incidents notified to WorkSafe NZ.

<sup>2</sup> Note latest official data results on page 6.

# KEY PRIORITIES UPDATE

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The updates below relate to key Ministerial and WorkSafe NZ Board priorities.

## Our areas of focus

### **Working Safer reforms**

Solid work continues with implementing the Government's *Working Safer* reforms. Our initial focus has been on establishing WorkSafe NZ and building the capacity and capability required to develop on our expanded and new functions. Our recruitment has had a strong focus on strengthening our guidance and standards and technical services teams (see page 7).

We are working closely with the Ministry of Business, Innovation and Employment (MBIE) to support the development of the Health and Safety at Work Bill and extensive work is underway to develop the supporting regulations and guidance. Our focus is increasingly on building and consolidating our capacity to implement the new regulatory system.

We have been visiting a number of major hazard facilities, engaging with other government agencies, (see page 3), and increased our presence in Canterbury. Our work in Canterbury has seen a significant increase in assessments and enforcement activity, along with the development of guidance and tools for areas like asbestos. We are also working with ACC on injury prevention initiatives, including the *Safer Farms* programme being launched in February 2015.

A media section of our website now includes press releases and up to date workplace fatalities and serious harm statistics. We are looking to expand this with more data, including prosecution results.

### **Implementing the Regulatory Framework**

WorkSafe NZ is working to ensure effective implementation of the new legislation. We have a separate programme group tasked with ensuring that systems, information, and support exist when the new legislation is in place. Areas of focus include:

1. Development of a broad set of guidance material adapted and tested for its suitability and effectiveness for target groups, including businesses, in place well in advance of the legislation coming into effect.
2. Intensive communications plans using a range of channels to provide appropriate information to the general public, workers, Persons Conducting a Business or Undertaking (PCBUs), and special interest groups and businesses including volunteers, small business, and high-risk industries.
3. Training and support for WorkSafe NZ staff and inspectors.
4. Engagement with other agencies to ensure effective coordination and support for each other to deliver consistent and aligned approaches to compliance with the new legislation.

## Targeting highest risk

### **Forestry**

WorkSafe NZ has maintained a strong focus on the sector, including the release of the amended Approved Code of Practice and continued intensive assessment and enforcement activity. The operational focus this quarter has continued on the most hazardous activity in forests – tree felling. Between August 2013 and December 2014 we undertook over 600 specialist tree felling assessments and issued 730 notices (including 108 prohibition notices) in relation to those assessments.

The Independent Forestry Review findings were publicly released on 31 October 2014, focussing on leadership, worker participation, clear certifications and standards, and information sharing. WorkSafe NZ has been working with other agencies to encourage industry leadership to establish the Forestry Industry Safety Council and develop its action plan. High levels of industry engagement continue while we also develop our immediate work on the ground to ensure our operational presence remains strongly felt.

On 16 January 2015 a year passed since the last forestry fatality. The number of serious harm injuries in the industry is still of concern, but it is encouraging to see early signs of progress.

### ***Adventure Activities***

The Adventure Activities regime came into force from 1 November 2014, and the sector has widely accepted the new regime. As at 3 February 2015 the scheme had registered 275 operators. 77 of the 352 operators subject to the regulations have not yet completed registration, and cannot legally provide adventure activities until registered.

Overall, inspectors have found a high level of compliance. As at 3 February 2015 there have been 312 visits undertaken by inspectors and 17 written warnings issued.

### ***Occupational Health***

In November 2014 the WorkSafe NZ Board approved targets to reduce occupational disease in New Zealand. WorkSafe NZ has committed to achieving a 50 per cent reduction in the incidence of pleural cancer (mesothelioma), asbestos related lung cancer, and asbestosis by 2040. Other targets on workplace controls are yet to be finalised, but work programmes will concentrate on noise and clean air programmes in agriculture, forestry, construction, manufacturing, and some service sector workplaces. Scoping is also underway for recruitment of an Occupational Health senior manager position in WorkSafe NZ.

### ***Prosecutions in the media***

Between October and December 2014 WorkSafe NZ issued 14 sentencing releases to highlight successful prosecutions. There were a number of high-profile cases in that time, which helped lift the profile of WorkSafe NZ as a regulator.

Media monitoring and calls to the WorkSafe NZ media phone suggest we are getting regular coverage from these releases, particularly online and on radio, and to a lesser degree in newspapers and occasionally on television. The coverage often appears to be based solely on WorkSafe NZ's statements, allowing WorkSafe NZ to highlight key safety messages. All three radio networks (Radio NZ, NZME., and Mediaworks) regularly request interviews to provide audio to supplement the press release.

### ***Major Hazard Facilities (MHF)***

The MHF Team visited nine facilities that may have hazardous substances above upper tier MHF thresholds. These visits included presentations to senior managers about what may be involved in developing a safety case, and an initial inspection of key systems required by the proposed MHF regulations. An objective was to enable early identification of matters that may impede the safety case process.

### ***Working together***

#### ***Other government agencies***

WorkSafe NZ is leading engagement with public sector agencies to ensure that they are prepared to implement the health and safety reforms and have adequate support. This process will involve working with public sector agencies to identify the key risks that they face and how agencies can manage those risks.

WorkSafe NZ will actively support agencies involved in high-risk activities (high-consequence and high-probability activities, e.g. emergency services), and will provide targeted support for those agencies involved in moderate risk activities. WorkSafe NZ will support agencies with guidance, workshops, and sharing best practice. We have also met with public sector Chief Executives to prepare senior public sector leaders for the role that they will need to play in implementing the health and safety reforms.

## ***Safety Star Rating Scheme***

The Safety Star Rating Scheme project team recently held workshops with over 200 workers, health and safety managers, senior business leaders, and chief executives in Wellington, Auckland, and Christchurch to seek their views on the design of the scheme. In addition, 159 people completed an online survey.

The response from stakeholders to the Scheme was generally positive. People were enthusiastic about the health and safety assessment tool as they felt it would give a truer picture of a business' health and safety performance than existing programmes.

The Safety Star Rating Scheme assessment was also trialled in one large and one small business, and both were supportive. One commented that the assessment had 'hit the nail on the head' and that the issues raised were incredibly insightful.

In May Ministers will receive a proof-of-concept paper to help them consider whether to proceed to a road test of the Safety Star Rating Scheme in 60 businesses of different sizes and in various industries.

## **Strengthening our organisation**

### ***ICT Business Capabilities Programme***

The ICT Business Capabilities Programme is on track and slightly under budget, with the first project to replace the legacy system in the Analysis and Design stage. This stage will produce high-level requirements and business processes to support a procurement process scheduled for April/May 2015 in order to select a product and vendor. The ICT programme is also working closely with the Regulatory Framework programme to ensure the requirements to meet the new legislation are encompassed in the new system.

Three proposals from the MBIE Independent Quality Assurance panel are being assessed and selection of a provider is on track to be secured by early March 2015. It is expected the successful firm will provide five or six review points throughout the life of the programme. This will provide independent assurance to the Audit Risk and Finance Committee (on behalf of the Board) on the progress of the programme.

### ***Strategic Planning and Reporting***

A WorkSafe NZ Board strategy day was held on 18 November 2014, focussing on WorkSafe NZ's key priorities and resourcing requirements. Wider 2015-16 business planning is underway.

WorkSafe NZ's inaugural Annual Report was tabled in the House on 25 November 2014, along with the Statement of Intent 2014-18 and Statement of Performance Expectations 2014-15. Copies of the report are available on WorkSafe NZ's website.

# FOCUS FOR NEXT QUARTER

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Our focus in Quarter 3 will include:

## **Our Delivery**

- The launch of *Safer Farms* in early February, including web and print advertising, and the website [www.saferfarms.org.nz](http://www.saferfarms.org.nz). The site includes resources, tools, and guidance for farmers with information about hazards on their farms, their obligations as employers, and how to establish health and safety systems relevant to their particular circumstances.
- Work on the Forestry Intervention Plan, including the establishment of the Forestry Industry Safety Council.
- Designing programmes of work to make progress towards our Occupational Health targets.

## **Strategy and Design**

- Strategic prioritisation work to support the Funding Review of WorkSafe NZ led by MBIE. The Review will analyse the match of current funding received to actual activities. It will then explore whether future funding streams will be adequate for the evolving level and mix of WorkSafe NZ outputs and the capability required.
- Continuing work on the operational design phase of preparing for the new regulatory framework, including training, business processes, operational policy, ICT scoping, and designing tools (fact sheets, good practice guides, and approved codes of practice).

## **Other Business**

- Preparing for WorkSafe NZ's Annual Review hearing in front of the Transport and Industrial Relations Committee, with the date set for 12 March 2015. Responses to initial written questions were sent to the Committee on 2 February 2015.
- A refreshed organisation structure being put into effect from 16 February 2015 with the arrival of three new General Managers: Kirstie Hewlett (Strategy and Stakeholder Engagement), Phil Parkes (Operational Policy), and Phillip Jacques (Corporate). Stephen Williams is acting in the role of General Manager, Assessments.

# HEALTH AND SAFETY IMPACTS

We want our work to have a positive impact on New Zealand's workplace health and safety system. Our Statement of Intent 2014-18 outlines the health and safety outcomes that we seek, including the Government's targets for reducing workplace health and safety harm by 2016 and 2020<sup>3</sup>. We will include updates in our Quarterly Reports as they become available throughout the year. This quarter Statistics New Zealand released the latest official data about New Zealand's workplace fatalities and injuries.

## Early positive indications that fatalities and injuries are reducing

The latest results show that the rate of work-related fatalities continued to decrease<sup>4</sup>. Compared with baselines, the rates of serious injury and injury resulting in more than a week off work also reduced. While it is too early to draw conclusions, these are early positive signs, particularly as the economy is growing (e.g. in the high-risk sector of construction). For more information see MBIE's report *Working Safer: Progress Towards the 2020 Targets*.

### Fatal work-related injury

The rate of work-related fatalities continued to decrease in 2012<sup>3</sup>. The rate fell from 3.6 per 100,000 people in employment in the previous year to 3.1 in 2012, a 15% reduction. The 2012 rate (three-year average of the years 2011 to 2013) is still higher than the baseline, reflecting the high number of workplace deaths that occurred in the February 2011 Canterbury earthquake.

Work-related fatalities	2010 (average 2009-2011)	2011 (average 2010-2012)	2012 (average 2011-2013)	2016 target	2020 target
Rate	4.0*	3.6*	3.1	2.5	2.1
Difference to baseline (2.74)*	46% higher*	33% higher*	13% higher	10% lower	25% lower

\* The deaths from Pike River are included in the rates, but not in the baseline, to ensure change is measured.

### Rate of serious work-related (non-fatal) injury

The rate of serious work-related (non-fatal) injuries continued to decrease in 2013. The rate fell from 16.1 per 100,000 people in employment in the previous year to 15.8 in 2013, a 2% reduction. The rate of serious work-related injuries was also 2% lower in 2013 than the baseline.

Work-related serious injury	2011	2012	2013	2016 target	2020 target
Rate	16.4	16.1	15.8	14.5	12.1
Difference to baseline (16.09)	2% higher	0.1% lower	2% lower	10% lower	25% lower

### Rate of work-related injuries resulting in week away from work

The rate of ACC work-related claims resulting in more than a week away from work levelled off, with an increase of 2% in 2013 from the previous year. The rate is 4% lower in 2013 than the baseline.

Work-related injury (week away from work)	2011	2012	2013	2016 target	2020 target
Rate	7.9	7.9	8.1	7.6	6.3
Difference to baseline (8.41)	6% lower	6% lower	4% lower	10% lower	25% lower

WorkSafe NZ has created a new system for monitoring work-related injury forecasting and targeting (SWIFT) to provide comprehensive data which is timelier than the official data. We will increasingly use the more timely data from SWIFT while also continuing to monitor the official data closely.

<sup>3</sup> In 2012 the Government set targets for reducing workplace fatalities and serious injuries by at least 10% by 2016 and 25% by 2020.

<sup>4</sup> The fatality indicator uses a three-year average, so the most recent data covers 2011-2013.

# OUR ENABLERS

## Building Internal Expertise and Capacity

WorkSafe NZ has built increased expertise and capacity across all areas of the organisation, strongly focussed in technical expertise across mining, petroleum and geothermal, and major hazard facilities, as well as increased capacity in its inspectorate functions. Inspector numbers are on track to achieve the target of 180 inspectors by 30 June 2016. Research and evaluation expertise has been established and will continue to build over the next year.

A reorganisation of senior leadership roles will result in increased senior health and safety regulatory expertise, operational policy and practice development expertise, and a greater strategic focus on stakeholder engagement.

## Training and development

A comprehensive learning framework for inspectorate roles has been developed and the majority of the Level 1 and Level 2 programmes are now in place. All new and existing inspectors will participate in all three levels of this programme over the next four years. The Level 3 programmes are yet to be developed. WorkSafe NZ has had active involvement in the review of regulatory and compliance qualifications available on the New Zealand Qualifications Framework and our inspectorate learning framework will be directly linked to these qualifications once this work is complete.

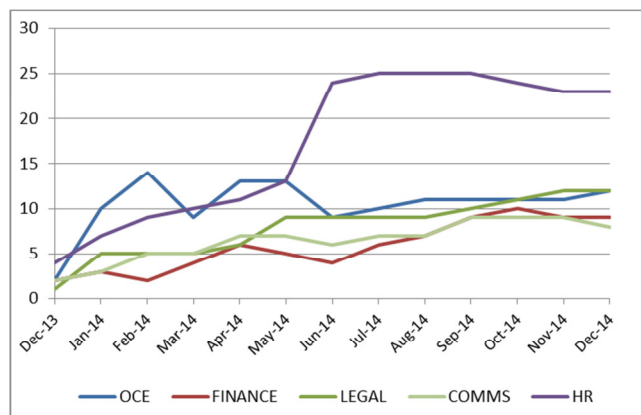
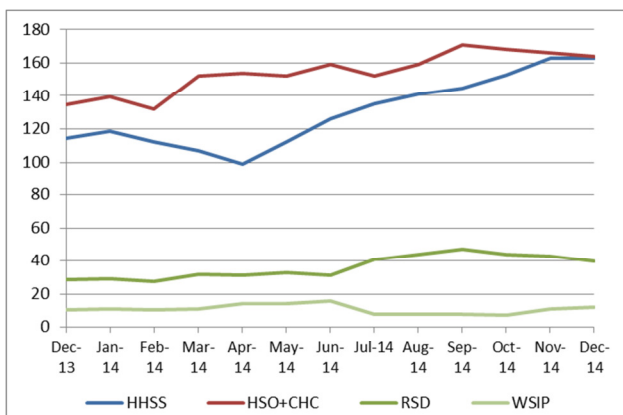
A core leadership development programme for new and emerging leaders is now in operation. This programme focuses on building core leadership and management capability across all key areas of performance. The focus of the leadership development programme has now shifted to more advanced and targeted leadership development initiatives.

## Staff (as at 31 December 2014)

Branch	Total Staff	Branch	Total Staff
High Hazards and Specialist Services	180	Office of the Chief Executive	15*
Health and Safety Operations	156	Corporate/Finance	16
Christchurch/Canterbury Rebuild	29	Legal	13
Regulatory Support and Design	53	Communications	8
Working Safer Implementation Programme	23	Human Resources	25
<b>Total</b>		<b>518</b>	
		<b>(443 Permanent/Temporary employees; 42 contractors; 33 employees yet to start)</b>	

\* Includes two new General Managers to start in January 2015.

## Number of WorkSafe NZ Employees December 2013 – December 2014





## Inspectorate\* (as at 31 December 2014)

	Chief Inspectors	Managers	Response / Assessment / Investigations Inspectors	Assistant Inspectors	Trainee Inspectors	Duty Holder Review Officers	Admin Support / Others	TOTAL
Response & Investigations	1	9	31	8	-	6	6	61
Assessment – Northern	1	6	15	5	11	-	7	45
Assessment – Central	1	6	15	9	12	-	8	51
Assessment – Southern	1	5	14	2	7	-	7	36
Canterbury Rebuild	-	4	4	8	6	-	3	25
<b>Total</b>	<b>4</b>	<b>30</b>	<b>79</b>	<b>32</b>	<b>36</b>	<b>6</b>	<b>31</b>	<b>218</b>

153 Health and Safety Inspectors

Inspector Current Warrant Status	No Warrant	HSE Warrant only	HSE and HSNO Warrant	TOTAL
Response & Investigations	7	14	24	45
Assessment – Northern	11	99	11	31
Assessment – Central	12	15	9	36
Assessment – Southern	7	4	12	23
Christchurch Rebuild	6	10	2	18
<b>Total</b>	<b>43</b>	<b>52</b>	<b>58</b>	<b>153</b>

\* Excludes High Hazards Unit. 3 Quarry Inspectors in the HHU are included in the 180 target for June 2016.

## Finance

The year to date position is a \$3.5m surplus, split as follows:

- Energy Safety – \$0.9m
- Workplace Health and Safety – \$2.6m.

There are no specific issues and risks to report.

Financial Performance (1 October 2014 to 31 December 2014)					
\$000	YTD Actual (Q2)	YTD Budget	Variance	Estimated Outturn (year-end estimate)	SPE* Budget (year-end estimate)
<b>Revenue</b>					
Revenue Crown	42,795	43,430	(635)**	87,061	84,854
Interest Revenue	441	409	32	769	269
Other Revenue	1,611	540	1,071	1,336	-
<b>Total Revenue</b>	<b>44,847</b>	<b>44,379</b>	<b>468</b>	<b>89,166</b>	<b>85,123</b>

### Financial Performance (1 October 2014 to 31 December 2014)

\$000	YTD Actual (Q2)	YTD Budget	Variance	Estimated Outturn (year-end estimate)	SPE* Budget (year-end estimate)
<b>Expenditure</b>					
Personnel	26,089	27,250	1,161	53,627	49,700
Other Expenditure	14,651	15,612	961	34,546	34,123
Depreciation	528	457	(71)	827	1,000
Capital Charge	-	-	-	-	300
<b>Total Expenditure</b>	<b>41,268</b>	<b>43,319</b>	<b>2,051</b>	<b>89,000</b>	<b>85,123</b>
<b>Surplus/(Deficit)</b>	<b>3,579</b>	<b>1,060</b>	<b>2,519</b>	<b>166</b>	<b>-</b>

\* Note that previous reports used the interim Statement of Intent 2013-17, not the Statement of Performance Expectations 2014-15.

\*\* The Crown revenue variance is a temporary timing difference in the cash disbursement profile, due to October baseline update changes.

We forecast a year to date surplus of \$1 million at 31 December, the actual result is a surplus of \$3.5 million. This has largely been driven by timing variances in personnel costs (including training capability) due to delays in the new legislation enactment, and other expenditure which includes consultancy professional fee expenditure. We expect year to date underexpenditure to reduce in the second half of the financial year, with an underspend of within 3% at 30 June 2015.

The estimated outturn (re-forecast budgets approved by the WorkSafe NZ Board in October) reflects changes, including one-off funding in 2014-15 for Adventure Activities and revenue re-categorisation, since the Statement of Performance Expectations 2014-15 budget was finalised. These changes are also reflected in the estimated outturn expenditure.

### Changes in Equity (as at 31 December 2014)

\$000	YTD Actual (Q2)	Estimated Outturn (year-end estimate)	SPE* Budget (year-end estimate)
Equity at beginning of year	10,948	10,948	7,771
Energy Safety 2013-14 surplus	-	1,114**	-
Transfer of assets from MBIE	37	62	-
Capital contribution from the Crown	-	1,876***	7,500
Net Surplus/(Deficit)	3,579	166	-
<b>Equity as end of the period</b>	<b>14,564</b>	<b>14,166</b>	<b>15,271</b>

\* Note that previous reports used the interim SOI, not the SPE.

\*\* MBIE recently confirmed that the requirement to refund any surplus from Energy Safety activity to levy payers was revoked with the passage of the WorkSafe New Zealand Act 2013. Instead, surpluses or deficits will be retained by WorkSafe NZ and recorded in a separate memorandum account to Workplace Health and Safety activity. While these surpluses do not need to be repaid at the end of each financial year, they cannot be used for anything other than Energy Safety activities.

\*\*\* The capital contribution from the Crown includes \$1.876 million of the \$8.428 million additional capital contingency funding drawdown for the 2014-15 year that was approved by joint Ministers on 5 September 2014. Due to delays to the new Health and Safety Reform Bill, and after assessing our cash position for the remainder of the year, a request for an in principle carry forward of \$6.552 million of the \$8.428 million to 2015-16 will be requested as part of the March Baseline Update.

<b>Summary Balance Sheet (as at 31 December 2014)</b>			
<b>\$000</b>	<b>YTD Actual (Q2)</b>	<b>Estimated Outturn (year-end estimate)</b>	<b>SPE* Budget (year-end estimate)</b>
<b>Assets</b>			
Bank – Current Account	3,970		
Bank – Saving Account	423		
Bank – Investments	15,000	12,500	6,471
Debtors	441		
Fixed Assets	3,392	10,153	3,500
<b>Total</b>	<b>23,226</b>	<b>22,653</b>	<b>19,971</b>
<b>Liabilities</b>			
Creditors and Payables	3,345	3,720	3,500
Employment Liabilities	4,149	4,767	1,200
GST	1,168	-	-
<b>Total</b>	<b>8,662</b>	<b>8,487</b>	<b>4,700</b>
<b>Equity</b>			
Opening equity	10,948	10,948	7,771
Movement in equity	37	3,052	7,500
YTD surplus	3,579	166	-
<b>Grand Total</b>	<b>14,564</b>	<b>14,166</b>	<b>15,271</b>

\* Note that previous reports used the interim SOI, not the SPE.