Council Report | Te Rīpoata Kaunihera ā-rohe

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Audit, Finance & Risk Committee
11 March 2021

Report for Agenda Item | Rīpoata moto e Rāraki take 3

Department: Corporate Services

Title | Taitara Risk Management Update

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

1   The purpose of this report is to provide a governance update regarding the progress of the deployment of the new QLDC Risk Management Framework.

RECOMMENDATION | NGĀ TŪTOHUNGA

2   That the Audit, Finance & Risk Committee:

    1.   **Note** the contents of this report.

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CONTEXT | HOROPAKI

3   In early 2019 a new Risk Management Framework was developed and deployed for QLDC. This framework consisted of a new QLDC Risk Management Policy, new Techone Risk Module system and a new QLDC Risk Register.

4   The following objectives were associated with the deployment of the Risk Management framework:

- Establish a risk appetite model that allows the Risk Management framework to be tailored to the QLDC context;
- Develop a clear, streamlined governance reporting process;
- Simplify the process of risk management with clear objectives, roles and responsibilities, principles and process guidelines; and
- Build a healthy risk management culture across all management and governance tiers.

5   The Risk Management Policy requires regular reporting to both the Executive Leadership Team and the Audit, Finance & Risk Committee to ensure that good risk governance practices are maintained and that progress towards the above objectives remains on track.

6   This report seeks to support the governance role of the Audit, Finance & Risk Committee by providing updates on the following topics:

- Changes to Organisation Risk Register
- Significant Changes to Council Risk Context
- Office of Attorney General (OAG) QLDC Risk Report
- United Nations Disaster Risk Reduction (UNDRR) Ten Essentials for Resilience workshop report
- Development of our Risk Management Culture
- Treatment progress for key organisation risks

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

Changes to Organisation Risk Register:

7   No new risks have been made to the QLDC Risk Register since the last update to Audit, Finance & Risk Committee on 15 October 2020.

Significant changes to Council Risk Context:

8   Council continues to operate in an environment of high volatility, uncertainty, complexity and ambiguity (VUCA). This challenging context is exemplified through the following areas of focus the organisation is actively managing:

- Supporting the COVID-19 recovery of the district
- Developing the Council's Ten-Year Plan, which involves achieving a difficult balance between desired expenditure and fiscal constraints

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- Delivering a response to the declared climate emergency and the recent Climate Change Commission recommendations
- Preparing the organisation for the impending Central/Local Government Three Waters Reform programme
- Preparing the organisation for the impending replacement of the Resource Management Act with the new Natural and Built Environments Act (NBA), the Strategic Planning Act (SPA) and the Climate Change Adaptation Act (CCAA).
- Managing the delivery of an ambitious capital spend programme
- Managing the delivery of an increasingly complex level of services for the district's communities without over-burdening staff

9   Each of the above areas involve significant risk, however they are just a small sample from the wide array of challenges that Council is actively managing. Adding to this concern is the likelihood that the scale and complexity of risks that Council will be required to manage will increase in the future.

10 In recognition of this challenging risk context, QLDC has been the subject of two recent investigations into its risk and resilience maturity. The first is an externally initiated case study assessment of QLDC's risk management practices by the Office of the Attorney General (OAG). The second is an internally initiated assessment of 'Resilience to Disaster' risk. Both studies provided feedback about the maturity of QLDC's risk management practices and resilience capacity, as well as providing some valuable direction-setting for ongoing development.

Office of Attorney General (OAG) QLDC Risk Report

11 In November 2020 QLDC participated in an OAG case study project focussed on local government risk management. The primary purpose of the case studies was to identify examples of good risk management practices that the OAG can share with the wider local government sector. The case studies involved reviewing key council risk management documents and speaking with council staff, elected members and members of the Audit, Finance & Risk Committee.

12 In January, the OAG project team released the case study notes from their assessment of the QLDC approach to risk management (see Appendix A). Elements from this QLDC report will be combined with those from the three other case study councils in a report that will be provided to Parliament in May.

13 The OAG report is included as an attachment to this briefing memo. Key areas of positive feedback include:

- Positive commentary regarding the improvements made to QLDC's risk management processes, policy and functional risk register in recent years
- Supportive commentary about "risk culture" in terms of organisational commitment, staff attitudes towards improvement and the inclusion of risk considerations into decision-making.
- Positive feedback with regards to how "improved risk management practices assisted QLDC to have an effective response to the COVID-19 pandemic and to respond and adapt to the challenges presented".

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QUEENSTOWN LAKES DISTRICT COUNCIL

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14 Key recommendations and considerations for improvement include:

- Re-commencing meetings of the Risk Management Working Group (likely to be re-named the Risk & Resilience Group)
- Inclusion of climate mitigation/adaptation considerations as part of standard reporting to Council to further embed climate in the risk management and decision making framework, including for significant projects and proposals in the Ten Year Plan. (Note this is a specific action within 1b of the Climate Action Plan).
- Improve the knowledge and understanding of councillors in regards to risk management processes.
- Periodic reporting of the full risk register to the Council.

15 The organisation has already commenced implementation of these recommendations.

United Nations Disaster Risk Reduction (UNDRR) Ten Essentials for Resilience workshop report

16 On 13 October 2020 a Queenstown Lakes "Resilience Workshop" was run based on the UNDRR Ten Essentials for Resilience framework. This Framework provides an internationally recognised method of evaluating a city's current level of disaster resilience.

17 The final draft of this report has been recently received and is still under review by council officers. The report compiles a significant body of information across the 10 areas of assessment, including a scoring model that rates organisational maturity for each area. While scoring is interesting, the value of the assessment is more in the detailed summary of findings from the interagency discussion around the strengths and gaps in resilience capacity. The report includes an extensive list of improvement actions for consideration which are being reviewed to assess how they should be assimilated into existing or new work programmes.

18 Looking forward, the Ten Essential for Resilience framework has been replaced with the Making Cities Resilient (MCR20130) framework. The MCR2030 approach is built around a three-stage 'resilience roadmap' that guides cities in how to improve their levels of resilience and sustainability. The roadmap helps cities understand where they are on this resilience journey and provides guidance, networking opportunities and extensive resources to help support their progress.

19 The MCR2030 framework is aligned with the Paris Accord and is partner to the C40 Cities initiative which supports cities to collaborate effectively, share knowledge and drive meaningful, measurable and sustainable action on climate change. The MCR2030 framework may therefore be a strong potential vehicle for supporting our Adaptation Planning which is a key requirement of our Climate Action Plan[1]. Council officers will undertake further investigation to evaluate the value and feasibility of participating within the MCR2030 programme to support QLDC's resilience development and Climate Action adaptation planning.

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[1]https://www.qldc.govt.nz/media/tqbhrnqc/4a-climate-action-plan.pdf (page 6)

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Risk Culture Development:

20 An objective that was given to the original Risk Management Working Group, and which was adopted into the Risk Management Policy was to *"Build a healthy risk management culture across all management and governance tiers"*. In simple terms this relates to increasing organisational maturity to identify risks and then manage their assessment, prioritisation and treatment through a Risk Assessment process model[2]. While still important, this process model can struggle for relevance in such a dynamic and disruptive environment where risks are unpredictable, interrelated and compounding.

21 An alternative but complementary approach is to focus on developing resilience or adaptive capacity, which relate to our ability to live with and adapt to disruption. This shifts the cultural paradigm from one of attempting to predict and control disruption, to being prepared and adapting to its inevitable occurrence. This concept fits well with community resilience messaging that is a key part of both disaster risk reduction and climate change adaptation planning.

22 QLDC is making strong progress with developing its adaptive capacity and embedding a high resilience culture into the organisation. This focus will continue with dual focus on:

- *Organisation Resilience* - the factors that support an organisation to be response ready, adaptive and agile to change, and able to collaborate effectively both internally and externally with other organisations.
- *Individual Resilience* – the factors that support individuals to adapt to shock and stress, learn from experience, be emotionally aware, capable of supporting their own wellbeing and mental health, and ready and able to collaborate together for support and to develop social capital.

Treatment progress for key organisation risks:

23 The following sections provide an update on the progress of key organisation risk treatment activity:

- COVID-19 Recovery Risk
- Emergency Management Risk
- Climate Change Risk
- Procurement Risk

24 **COVID-19 Recovery Risk (RISK00046):** QLDC is continuing to play a lead role in helping support the recovery from the COVID-19 pandemic. The QLDC Recovery team was initiated in the week after the EOC activation and has been working with central government, business sector, health sector, NGO and social service agencies and the community to support the district's recovery. Underpinning the Recovery work programme is a strong focus on data and intelligence to help understand and track key recovery indicators. Recovery Intelligence reports are provided regularly to the Executive, Council, partners and the community and the latest report can be found here.

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[2] Refer to ISO 31000:2018

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25 **Emergency Management Risk (RISK00046):** Current Emergency Management focus areas include, but are not limited to the following:

- **Mt Iron Wildfire Risk**- an inter-agency project has been launched that is focused on reducing the risk of wildfire to the Mt Iron community and surrounding Wānaka communities. The project recognises that Mt Iron has been designated by FENZ as a Red Zone area, due to the critical wildfire risk factors (topography, vegetation coverage, high number of rural/urban properties, high level of recreation usage) and that these factors will only escalate over time due to the predicted impacts of climate change[3]. Recent wildfire examples in Pigeon Valley Nelson (2019), Australia (2020) and Ohau Village (2020) underscore the critically of this risk. FENZ are the lead agency for this project and Terms of Reference and Project Plan have been developed to help structure the effort. Community meetings have been conducted to help listen to concerns from the community and share information regarding the various risk reduction and readiness activities that are being focused on.

- **Flood Risk**- Emergency Management Otago and Otago Regional Council are making good progress with their flooding risk mitigation and readiness activities across the district. A specific focus area is Glenorchy where risk reduction activity (clearance of lagoon channels, installation of new monitoring systems) as well as community meetings have been conducted to help support resilience to future high rainfall events. The Emergency Management team will also commence work with flood zone retailers in Wānaka and Queenstown CBD's to refresh existing advice and plans.

- **Earthquake Risk**- On Monday 22 February an Alpine Fault 8 (AF8) workshop was run to help support the operational planning for a major earthquake scenario. The workshop involved a review of the latest seismic scientific evidence and modelling regarding potential impact and vulnerabilities. The workshop also presented information on the 2021 AF8 work programme for developing the operational plans to support the [South Island Alpine Fault Earthquake Response (SAFER)](#) framework. This work programme will involve collaborative planning with sector groups and key support agencies to help ensure that the district is well-prepared for a co-ordinated response to a major seismic event.

26 **Climate Change Risk (RISK00019):** In response to the declared climate and ecological emergency QLDC has developed a Climate Action Plan (CAP) which provides a detailed plan for driving both mitigation and adaptation response to climate change risk. Strong progress continues to be made with regards to the deployment of key CAP actions and these are detailed within the Climate Action Update report which is included as a standing item in the Audit, Finance & Risk Committee agenda.

27 **Procurement Risk (RISK00022):** Concerns related to the compliance of practice with the organisation's Procurement Policy and Guidelines have been a key area of focus for Elected Members. An investigation into this matter has been undertaken and a report on these findings has been submitted as an agenda item for the Audit, Finance & Risk Committee. Supporting this dedicated investigation is a body of work that it in progress to improve the management of our information assets (e.g. policies, procedures, guidelines etc). This work will provide a foundation for enhancing quality control,

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[3] Otago Regional Council- Otago Climate Change Risk Assessment

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compliance assurance and continuous improvement across our policy and procedure knowledge base.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

28 This matter is of **low** significance, as determined by reference to the **Council's Significance and Engagement Policy** because it will:

- Not significantly impact on the environment, culture and people of the District
- Not significantly effect individuals, organisations, groups and sectors in the community
- Not be inconsistent with existing policy and strategy
- Will not significantly impact the objectives set out in the Financial Strategy, Ten Year Plan and Annual Plan

29 As the significance of this matter is low and only for noting, no consultation with the community or local iwi is required.

RISK AND MITIGATIONS | NGĀ RARU TŪPONO ME NGĀ WHAKAMAURUTANGA

30 This matters relates to the management of <u>all</u> Strategic and Operational risks that are documented within the QLDC Risk Register. The development of the Risk Management Policy and work of the Risk Management Group helps to support the development of a more engaged and capable risk culture across the Council, leading to more effective risk identification, evaluation and mitigation outcomes.

31 While being a risk treatment activity in itself, the development of the various Response policies and plans framework does carry some risk that they will be misaligned and poorly connected (RISK00038 Lack of Alignment- Strategy and Policies). The risk of this misalignment will be mitigated by ensuring that all policies align fully with best practice standards and recognised response models/systems such as:

- *ISO: 31000 Risk Management Principles and Guidelines*
- *AS/NZS 5050:2010- Business Continuity-Managing Disruption*
- *CIMS4 Edition 3- Coordinated Incident Management System*

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

32 There are no financial implications associated with this matter.

COUNCIL EFFECTS AND VIEWS | NGĀ WHAKAAWEAWE ME NGĀ TIROHANGA A TE KAUNIHERA

33 The following Council policies, strategies and bylaws were considered:

- QLDC Risk Management Policy
- Climate Action Plan

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- 30 Year Infrastructure Strategy

34 The recommended option is consistent with the principles set out in the above policy.

35 This matter supports the Ten Year Plan/Annual Plan through ensuring that effective mitigations are in place that support risks that could impact plan objectives.

LOCAL GOVERNMENT ACT 2002 PURPOSE PROVISIONS | TE WHAKATURETURE 2002 0 TE KĀWANATAKA Ā-KĀIKA

36 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Can be implemented through current funding under the Ten Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

ATTACHMENTS | NGĀ TĀPIRIHANGA

A	Office of Attorney General (OAG) QLDC Risk Report