

**QLDC Council
7 March 2019**

Report for Agenda Item: 8

Department: Corporate Services

Risk Management Policy

Purpose

To provide the Council with an update in relation to QLDC's risk management process and to adopt the revised Queenstown Lakes District Council Risk Management Policy ("the Policy").

Recommendation

That Council:

1. **Note** the contents of this report; and
2. **Adopt** the updated Queenstown Lakes District Council Risk Management Policy dated 7 March 2019.

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22 February 2019

Reviewed and Authorised by:



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22 February 2019

Background

- 1 In December 2014, the Council adopted a framework and a risk register that details seven strategic risks:
 - a. SR1 Current and future development needs of the community (including environmental protection).
 - b. SR2 Business capability planning – delegation ownership and business continuity.
 - c. SR3 Management practise – working within legislation.
 - d. SR4 – Comprehension/disclosure of conflict in decision making processes (staff and elected members).

- e. SR5 Staff capacity (internally and contractually) to meet organisational needs.
 - f. SR6a Assets critical to service delivery (infrastructure assets).
 - g. SR6b Asset critical to service delivery (property).
 - h. SR7 Planning, training and capacity for emergency response.
- 2 For each of the strategic risks a mitigation plan was also adopted to monitor the controls in place.
- 3 In the March 2017 Audit, Finance and Risk Committee meeting, the following principles were noted:
- a. In order to continue to mature the risk management culture across the organisation in partnership with the Audit, Finance and Risk Committee, it is timely to re-affirm key principles, review structures and tools and launch development initiatives.
 - b. QLDC is an organisation where discussion of risk is inherent to every decision, project and operational activity. Risk management should not focus purely on compliance, but should be central to strategy, governance, performance management, project management, quality management and continuous improvement. Risk management is an effective lever to drive change, as well as to apply the brakes.
 - c. It is essential to align risk management with the strategic framework of values, outputs and outcomes outlined within the Ten Year Plan.
 - d. This approach will be most effectively driven from the top down, with the Audit, Finance and Risk Committee providing an important public forum for the discussion of significant, strategic risks and overview of the processes that will support effective mitigation and management. It will be an invaluable forum to monitor risk management performance, test key concepts and collaborate on new ideas.
- 4 It was also outlined that the following actions would be undertaken to refresh and update the model:
- a. Re-establish the context for the risk framework, establishing the impact of rapid growth on the tools and parameters offered
 - b. Explore opportunities to define risk appetite at a governance and Executive Leadership Team level.
 - c. Review all of the tools provided and make recommendations for adjustment as appropriate (i.e. risk appetite, likelihood and consequence structures).
 - d. Create a process for the removal and addition of risks from the Strategic Risk Register, the Strategic Risk Mitigation Plans and Operational Risk Registers.
 - e. Convene an organisational Risk Management Working Group (**RMWG**) with a membership of key, senior managers representative of all divisions. This

group will meet monthly to review strategic and operational risk mitigation plans, reporting to the Executive Leadership Team. It will lead the development of risk management culture throughout the organisation, through effective process, technology, training, communications and engagement activities

Progress and Development of RMWG

- 5 The RMWG has continued with its programme of work, scheduled to provide quarterly updates to the Audit, Finance and Risk Committee and to align with the Information and Communications Technology project road map.
- 6 The RMWG has identified the following objectives, which guide the work programme of the group:
 - a. Establish a risk appetite model that allows the Risk framework to be tailored to the QLDC context;
 - b. Develop a clear, streamlined reporting process;
 - c. Simplify the process of risk management with clear objectives, roles and responsibilities, principles and process guidelines; and
 - d. Build a healthy risk management culture across all management and governance tiers.
- 7 The outputs from this work programme include the following completed tasks:
 - a. The RMWG facilitated a series of workshops across all divisions in early 2018, to introduce Tier 3 managers to the core concepts of the new risk management framework.

The workshop addressed:

 - i. Project objectives
 - ii. Project Background
 - iii. Key concepts in the new risk management framework
 - iv. Categories for the new risk register
 - b. An output from these workshops was a preliminary list of identified organisational risks from the perspective of each directorate.
 - c. These identified risks were then collated into a single organisation risk register, which was reviewed by the RMWG to ensure the risks were meaningful and understandable, but not too granular.
- 8 An assessment of software systems to support the new risk register has been undertaken. The recommendation from this exercise was to adopt a Risk Management Module. The implementation of this software has now progressed. To date, the key milestones of this project implementation are:

- a. The module has now been launched into the live production environment;
 - b. The full risk register currently contains 55 risks. These risks have been allocated a Risk Owner, Risk Category, Directorate, Main Responsible Officer and Inherent Risk score. Meetings have taken place with each of the Main Responsible Officers who are in the process of inputting all the existing controls and treatment plans;
 - c. The assignment of Risk Owner has been restricted to the Executive level roles. This assignment entails accountability for the risk, but the treatment responsibilities and system edit access will be managed at the Main Responsible Officer role level; and
 - d. A change management plan has been developed and focuses on the objectives associated with embedding a culture shift in the organisation. It also includes:
 - i. Training, communications and engagement
 - ii. Implementation of new software
 - iii. Management understanding of responsibilities and methodologies
 - iv. All staff understanding of risk management principles
- 9 The responsibility for driving the progression of the overarching Risk Management Framework (i.e. policy, procedures, training documents, software systems), is now shared between the following members of the Strategy and Development Team, Corporate Services:
- a. The Operational Improvement Manager (Bill Nicoll) holds responsibility for developing and deploying the integrated risk management framework and driving the change program to enable it to be effectively implemented and embedded into Council business practices and organisation culture.
 - b. Policy & Performance Manager (Anita Vanstone) holds functional responsibility for reporting to the Audit, Finance & Risk Committee and ELT along with leading the Risk Management Working Group

Updated Risk Management Policy

- 10 The re-assignment of the RMWG leadership responsibilities, release of the updated ISO 31000:2018(E) standard and adoption of the Techone Risk Module has driven a need to undertake a detailed review our Risk Management documentation. This has led to the development of an updated Policy, which is appended as **Attachment A**.
- 11 The Audit, Finance and Risk Committee recommended the Policy be adopted by Council on the 14 December 2018.
- 12 Upon adoption, all reporting to the Council and its Committees will be updated to use the new risk management framework and the new risk register. The Policy and

Performance Manager will finalise details with the Governance team to amend relevant templates and processes.

Options

- 13 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002:
- 14 Option 1 (Recommended) Adopt the revised Risk Management Policy.

Advantages:

- 15 Accords with the requirements of ISO 31000:2018(E) standard;
- 16 Provides an opportunity for Council to update the Risk Management objectives, responsibilities, principles and procedures to provide a more robust and integrated procedural framework;
- 17 Introduces a Risk Appetite model that will provide the Council, Audit, Finance & Risk Committee and Executive team with the tools to tune the Risk framework to the unique strategic context of QLDC; and
- 18 Will align with the feature set of the TechOne Risk module thereby ensuring no disconnect between policy requirements and system functionality. Adds value to the TechOne system investment.

Disadvantages:

- 19 Time and resourcing required by Council to finalise change management programme.
- 20 Option 2 – Retain the revised Risk Management Policy in draft format only.

Advantages:

- 21 Affords additional time to ensure alignment with the finalised functionality of the TechOne Risk Module after it has completed its User-Acceptance Testing;

Disadvantages:

- 22 Delays to the RMWG program of work.

Significance and Engagement

- 23 This matter is of high significance, as determined by reference to the Council's Significance and Engagement Policy because:
- **Importance:** the matter is of high importance to the District
 - **Community interest:** the matter is of considerable interest to the community
 - **Existing policy and strategy:** there is better opportunity for the Risk Management Framework to align with existing policies and strategy;

- **The impact on the Council's capability and capacity:** This will assist compliance with the objectives of the Financial Strategy, Ten Year Plan and Annual Plan.

Risk

24 This matter relates to the management of all Strategic and Operational risk, as documented in the Council's risk register. The risk level for this matter is therefore classed as High, to align it with the highest of the existing Strategic Risk levels (SR1). This matter will support the Council be ensuring that all risks are effectively mitigated to enable the Council to deliver levels of service and key projects stated in the Long Term Plan.

Financial Implications

25 There are no financial implications outside of the agreed budget.

Council Policies, Strategies and Bylaws

26 The report relates to the Council's Risk Management Framework, which includes the Risk Management Policy.

27 This matter is included in the Ten Year Plan 2018-2028 (to be adopted) by means of risk disclosures.

Local Government Act 2002 Purpose Provisions

28 The content of this paper:

- 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 by ensuring that the risk events that could prevent the Council delivering these services/functions are mitigated;
- Can be implemented through current funding under the 10-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

A Risk Management Policy, Revision 2 dated 7 March 2019