

Audit, Finance & Risk Committee

6 March 2025

Report for Agenda Item | Rīpoata moto e Rāraki take [1]

Department: Assurance, Finance & Risk

Title | Taitara: Risk and Compliance Update March 2025

Purpose of the Report | Te Take mō te Pūroko

The purpose of this report is to provide a governance update regarding the status of the Queenstown Lakes District Council (QLDC) risk context, an update on the development of QLDC's insurance strategy, and the overall programme of works being undertaken within the Assurance and Risk Team.

Executive Summary | Whakarāpopototaka Matua

During the reporting period, the Assurance and Risk Team commenced third quarter (Q3) risk review meetings with Tier 3 Managers to identify emerging risks, review existing risks, and document treatment plans. At these meetings external compliance obligations (legislative requirements) are also discussed with Managers.

At the time of writing, the TechOne Risk Register has 34 Tier 1 Risks (\leftrightarrow^1), 357 Tier 2 Risks (\downarrow^{139}), 147 treatment plans (\uparrow^{138}), associated with 218 risks (\uparrow^{125} - increase in risks with active treatment plans). **Attachment A** provides a summary of Tier 1 risks recorded in the TechOne Risk Register and **Attachment B** is a risk dashboard, including all risks with a rating of 'Very High'. There have been no material changes in risk context during the reporting period.

The Risk Management Policy was considered at a Council workshop in February 2025. The policy has been updated to:

- Reflect risk hierarchy and the interrelationships between risks
- Incorporate a 'three lines of defence model/three lines model' into the Risk Management Framework
- Provide a renewed understanding of risk appetite and its definition and representation

Attachment C is the proposed updated Risk Management Policy, which would replace the existing policy. It is recommended that the Audit, Finance & Risk Committee recommend that Council adopts the proposed policy and revokes the existing policy.

Since the December 2024 report, two working groups have been formed to support the management of the existing collective infrastructure insurance policy (there are 8 participating councils, including

1. \uparrow = Increase from last reporting period, \downarrow = Decrease from last reporting period, \leftrightarrow No change

QLDC). The working groups include officers from councils who are members of the collective insurance policy ('participating councils'). One group is focused on a legal agreement, which establishes the principles governing policy operation and payment mechanisms, while the other is addressing loss modelling to enhance the accuracy of setting each councils' sub limit and overall programme limit under the policy. The recommendations for the working groups will inform the November 2025 insurance renewal, with recommendations to be reported to this committee prior.

Recommendation | Kā Tūtohuka

That the Audit, Finance & Risk Committee:

1. **Note** the contents of this report; and
2. **Recommend** to Council that it adopts the proposed Risk Management Policy (v4) and revokes the existing Policy (v3).

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17 February 2025

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18 February 2025

Context | Horopaki

1. This report seeks to support the governance role of the Audit, Finance & Risk Committee by providing updates on the following topics:
 - a. QLDC Risk Management Framework and Work Programme
 - b. Material Changes in Council Risk Context

Analysis and Advice | Tatāritaka me kā Tohutohu

QLDC Risk Management Framework and Work Programme

2. Since the last report, the Assurance and Risk Team has commenced third quarter (Q3) risk review meetings with Tier 3 Managers to identify emerging risks, review existing risks, and document treatment plans. At these meetings, external compliance obligations (legislative requirements) are also discussed with Managers.
3. At the time of writing, the TechOne Risk Register has 34 Tier 1 Risks (\leftrightarrow^1), 357 Tier 2 Risks (\downarrow^{139}), 147 treatment plans (\uparrow^{138}), associated with 218 risks (\uparrow^{125} - increase in risks with active treatment plans). As summarised in **Attachment A**, of 34 Tier 1 Risks, two have a residual risk rating that is 'very high'; RISK10013 'unexpected change in cost or funding' and RISK10021 'Ineffective operations, maintenance or renewal of property or infrastructure assets leading to failure(s)'. **Attachment B** provides a dashboard view of the QLDC Risk Register and a summary of all risks with a risk rating of 'very high'.
4. Both RISK10013 and RISK10021 have treatment plans in place, with current and future controls to mitigate the level of risk exposure. The relevant controls that have been implemented for RISK10013 and RISK10021 were outlined in the September 2024 Risk and Compliance update to the Audit, Finance & Risk Committee. In relation to RISK10021, the status of legislative compliance (including consents) relating to infrastructure maintenance and operations will be reported to the Infrastructure Committee. No material changes in the risk profile have been identified for this reporting period (material changes will be reported to the Committee).
5. The Risk Management Policy was considered at a Council workshop in February 2025. The policy has been updated to incorporate feedback from the workshop and:
 - Reflect risk hierarchy and the interrelationships between risks;
 - Incorporate a 'three lines of defence model/three lines model' into the Risk Management Framework;
 - Provide a renewed understanding of risk appetite and its definition and representation; and
 - Update consequence matrix to 'normalise' consequence ratings, removing embedded risk appetite and to create subcategories.

6. **Attachment C** is the proposed updated Risk Management Policy, which would replace the existing policy. It is recommended that the Audit, Finance & Risk Committee recommend that Council adopt the proposed policy and revokes the existing policy.
7. Since the December 2024 report, two working groups chaired by QLDC officers have been formed to support the management of the existing collective infrastructure insurance policy. The working groups include officers from the 8 participating councils who are members of the collective insurance policy. One group is focused on a legal agreement, which establishes the principles governing policy operation and payment mechanisms, while the other is addressing loss modelling to enhance the accuracy of setting each council's sub limit and overall programme limit under the policy. The recommendations for the working groups will inform the November 2025 insurance renewal, with recommendations reported to this committee prior. This foundational work will ensure clarity, fairness, and consistency in how councils collaborate, manage risks, and respond to shared losses under the infrastructure insurance policy.
8. Options have not been presented as this report is for noting purposes only.

Material Changes in Council Risk Context

9. At the time of writing, there were no material changes in the Council risk context. However, of note during the reporting period:
 - At the 23 January 2025 Council workshop, an update was provided on the 'Local Water Done Well' programme and future service delivery model options. This work is connected to the existing Tier 1 RISK10019 'Central Government reforms impact on Council achieving its objectives'. At the time of writing, the existing risk rating, 'moderate' had been maintained.
 - The World Economic Forum, published 'The Global Risks Report 2025' in January 2025. **Attachment D** provides a high-level summary of the findings provided in that report. The Leadership Group (QLDC Managers) considered a summary of that report in February 2025, which will enable a review of existing risks, as well as the ability to reflect on any emerging risks that QLDC needs to respond to. Any changes in QLDC's risk profile that have been identified as a result of the report will be discussed with Tier 3 managers during quarterly risk reviews (currently in progress).

Consultation Process | Hātepe Matapaki

Significance and Engagement | Te Whakamahi I kā Whakaaro Hiraka

10. This matter is of low significance, as determined by reference to the Council's Significance and Engagement Policy 2024 because it will not:
 - significantly impact on the environment, culture, and people of the district
 - significantly affect individuals, organisations, groups, and sectors in the community

- be inconsistent with existing policy and strategy
- significantly impact the objectives set out in the Financial Strategy, Long Term Plan and Annual Plan.

Māori Consultation | Iwi Rūnaka

11. As the significance of this matter is low, no consultation with the community or local iwi is required.

Risk and Mitigations | Kā Raru Tūpono me kā Whakamaurutaka

12. This matter relates to the management of all strategic and operational risks that are documented within the QLDC Risk Register. The QLDC Risk Management Framework and risk management maturity work programme helps to support the development of a more engaged and capable resilience culture across the Council, leading to more effective risk identification, evaluation and mitigation outcomes.

Financial Implications | Kā Riteka ā-Pūtea

13. There are no financial implications associated with this matter.

Council Effects and Views | Kā Whakaaweawe me kā Tirohaka a te Kaunihera

14. The following Council policies, strategies and bylaws were considered:
- Our Vision and Mission – QLDC – considered during risk identification, analysis, evaluation and treatment planning.
 - QLDC Risk Management Policy
 - Climate Action Plan
 - QLDC Long Term Plan
 - QLDC Spatial Plan
 - 30 Year Infrastructure Strategy
15. The recommended option is consistent with the principles set out in the Risk Management Policy.
16. This matter supports the Long Term 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 o te Kāwanataka ā-Kiaka

17. Section 10 of the Local Government Act 2002 states the purpose of local government is (a) to enable democratic local decision-making and action by, and on behalf of, communities; and (b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future, by providing a Risk Management Framework that supports QLDC in

achieving its strategic and operational objectives. As such, the recommendation in this report is appropriate and within the ambit of Section 10 of the Act.

18. The recommended option:

- Can be implemented through current funding under the Annual Plan and Long Term Plan;
- Is consistent with the Council's plans and policies; and
- Would not significantly alter 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 | Kā Tāpirihaka

A	Tier 1 Risk Summary
B	Risk Dashboard
C	Proposed Risk Management Policy (v4)
D	High-level Summary of the Global Risk Report