

Audit, Finance & Risk Committee
17 June 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 resilience 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
 - Development of our Resilience Culture
 - Treatment progress for key organisation risks

ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

- 7 **Changes to Organisation Risk Register:** The following changes have been made to the QLDC Risk Register since the last update to the Audit, Finance & Risk Committee on 11 March 2021:
 - A. **UPDATE- “RISK00019- Ineffective mitigation response to the declared climate and ecological emergency”.** The title of this risk has been updated from “Ineffective planning for climate change affects” to improve the clarity of the risk that Council carries in terms of delivering upon its commitment to the declared climate and ecological emergency. The new description also allows us to separate out the risks associated with Climate Change mitigation from adaptation, which represent two distinct areas of focus.
 - B. **NEW – “RISK00059- Ineffective planning to support Climate Change Adaptation”.** This new risk has been adopted to provide a specific risk reference to the challenges associated with climate change adaptation. This area of Council focus is rapidly growing in both urgency and complexity, with the effects of climate change now clearly impacting our environment and communities. A summary of the groundwork we are laying to prepare and support the district to meet these challenges is detailed

in section 12, along with a brief summary of three key Climate Change Adaptation projects that QLDC is partnering or leading.

- C. **NEW – “RISK00060- Ineffective recovery from a major emergency event”**. This new risk has been adopted to provide a specific reference to the challenges associated with leading a recovery programme from a major emergency event. Previously the risks associated with ineffective recovery were assumed within “RISK00046- Ineffective Civil Defence response to a major emergency event”, however our experience of COVID-19 has illustrated that recovery capability and capacity needs to be considered and managed separately from Civil Defence response activation.
- D. **NEW- “RISK00061- Ineffective response to legislative changes and reforms”**. This new risk has been adopted to provide a specific reference to the challenges Council faces with the significant programme of legislative reforms that is being driven from central government. Within the next three years several major transformation reforms will be enacted which will place significant stress on the shape of Council and how it operates. These key reforms include:
- [Central/Local Government Three Waters Reform programme](#)
 - [Future for Local Government Review](#)
 - [Replacement of the Resource Management Act](#) with the new Natural and Built Environments Act (NBA), Strategic Planning Act (SPA) and Climate Change Adaptation Act (CCAA).

8 **Significant changes to Council Risk Context:** The recommended risk register changes are an acknowledgement and response to several of the key challenges that QLDC is facing. The Local Government sector is facing a highly volatile and uncertain risk context which is placing significant stress on all Councils across the country. QLDC operates at a heightened level of exposure to these stressors due to the nature of the district’s environment, economy and the needs of the community it serves. Examples of the key risks faced by QLDC include, but are not limited, to the following:

- Supporting the continued economic and community recovery from COVID-19.
- Developing a Council’s Ten-Year Plan that balances between desired expenditure and fiscal constraints.
- Coordinating an effective response to the Declared Climate and Ecological Emergency as well as managing the significant transitional changes associated with the Climate Change Commission recommendations.
- Responding to the evolving hazardscape of the district which includes new modelling for AF8 earthquake (75% probability in next 50 years), new Glenorchy river morphology modelling, updated risk assessments for Gorge Road hazards and increased focus on wildfire risk. While Council is not always the lead agency i.e. FENZ is the lead agency in the event of fire and ORC is the lead agency for environmental hazard, it has a key role to play in terms of building community resilience and advocacy for mitigation and planning.
- Preparing the organisation for major legislative reforms.
- Managing the delivery of an ambitious capital programme.
- Managing the delivery of an increasingly complex level of services for the community without overburdening the capacity of Council staff.

- 9 **Resilience Culture Development:** QLDC is focussed on developing a high resilience culture into the organisation to help ensure that the organisation is agile and adaptative to change. This cultural shift involves an acceptance that disruption will occur and focusses attention on the need to be ready and prepared to absorb and adapt to any disruptive impact. To help enable this culture shift, multiple areas of activity are occurring at both an *organisational* and *individual* level:
- 10 **Organisation Resilience** relates to the factors that support the organisation to be response ready, adaptive, agile to change, and able to collaborate effectively both internally and externally with other organisations. A selection of key initiatives that will contribute to the development of our organisational resilience include:
- **Information Management Strategy-** Information is one of the most critical assets for Council so it is imperative that systems and culture are aligned to support and enable best practice information management. An Information Management Strategy is under development to help guide our progress and ensure that we are good stewards of the data and information that we hold on behalf of the community. This initiative will help build the resilience of the organisation by ensuring that right information flows freely and openly to support adaptive and agile decision-making, effective collaboration, unlocking of improvement and innovation and effective strategic and operational planning.
 - **Cyber Security Programme-** The risk of cyber security (RISK0005) has been highlighted by recent events with Waikato District Health Board and remains as one of our significant organisation risks. In 2020 QLDC partnered with Spark/CCL to collaboratively deliver a Cybersecurity work programme to further increase our resilience and digital health and safety. This has been undertaken with leading industry experts to create a cybersecurity framework which will develop policy, assess vulnerabilities, establish enhanced security protocols and undergo testing to ensure that our systems can withstand and mitigate the risks associated with a cyber-attack. Key deliverables from this programme include:
 - **Governance, Organisation & Assurance:** Governance charter development, cyber security risk oversight and security performance metrics.
 - **Security Operations:** Review of current patching and vulnerability management practices. Adoption of Public Cloud Security Risk Assessment advice.
 - **Policies, Plans & Procedures:** Validation of list of critical data-sets and transition into a risk-led prioritised data classification asset register. Development of QLDC cyber security incident response plan and associated ‘play-books’. Development of QLDC data-centre security policy. Development of QLDC cloud security risks and mitigations guidance.
 - **People:** Develop and deliver QLDC staff-awareness training. Deploy and implement Multi Factor Authentication.
 - **Workforce Strategy-** QLDC’s workforce strategy sets out to identify what could be required of our workforce in the future, and the activities we will undertake to get there. With change and disruption expected to continue to define our external environment, the key principles and priorities for this strategy focus on developing a workforce that is flexible, adaptable and change-ready in order to prepare for an respond to changes as they occur. The workforce strategy sets out the programme of

work to identify and close competency gaps, and ensure we remain competitive as labour markets also change and evolve.

- **Engagement Survey work programme-** Studies have shown that resilience is positively influenced to workplace engagement, meaning that there is co-benefit and similar cultural drivers for both resiliency and employee engagement. A culture that encourages problem-solving, collaboration and continuous improvement tends to lift engagement levels as well as empowering employees to see negative events in a more development-focused and solution-orientated light. As such, the work programme for our latest engagement survey results will play a key role in supporting the ongoing development of our organisation resilience.

11 **Individual Resilience** relates to the factors that support individuals to absorb and adapt to shock and stress, learn from experience, be capable of supporting their own physical and mental health and be open to supporting and collaborating with others. Some key areas of activity that will support the development of individual resilience include:

- **GoodYarn Programme Rollout-** GoodYarn is a mental health literacy programme that is being rolled out under a peer-to-peer model by an internal team of voluntary facilitators. Pilot workshops have been delivered to staff from H&S Committee, The Family and HR with highly positive feedback. The content is sensitive as it focusses on matters than can be deeply personal such as mental illness and suicide, however it promotes a positive message around de-stigmatising, sharing and supporting colleagues, family and whanau that is being very well received.
- **Wellbeing Programme-** QLDC is committed to supporting the wellbeing of its staff through its investment in Learning & Development programmes, its enabling of key employee groups such as Health & Safety Committee and The Family and the supporting of mental wellness initiatives such as Mental Health Awareness Week and the Five Ways to Wellbeing. Promotion of these initiatives will continue as a key driver for supporting the resilience levels of staff.

12 **Risk Treatment Update:** The following update provides a summary of some of the key areas of treatment activity for the new “RISK00059- Ineffective planning to support Climate Change Adaptation”.

13 Climate change adaptation relates to how well we are prepared and how resilient we are to the effects of climate change. This can relate to sudden onset events such as a severe wind or snow systems, or chronic stressors over an extended period of time such as drought or wildfire conditions. Adaptation to these shocks and stresses requires collaborative planning across risk management, natural hazard management, land-use planning, infrastructure planning, insurance management, community development and emergency management.

14 A briefing document has been prepared which explains how our strategic commitment to Resilience/ Aumangea (Vision 2050, TYP, Spatial Plan, Infrastructure Strategy etc) underpins our commitment to Climate Adaptation planning. This commitment extends to developing a District Adaptation Plan, however given that the National Adaptation Plan (NAP) will not be released until 2022 and the Climate Change Adaptation Action (CCAP) the following year in 2023, the timeframes for progressing this will be rescheduled to

await and align with the national direction that will be mandated by the Ministry for Environment.

15 In the interim, several important Climate Adaptation projects are currently underway within the district. Council is committed to partnering or leading these in support of the effected communities who are impacted by the risks from these climate impacted hazards. These projects include:

- **Glenorchy Natural hazards project** – This project is being led by the [Otago Regional Council](#) in collaboration with consultants from NIWA, University of Canterbury and Tonkin & Taylor. The project is focussed on multiple natural hazard threats that surround the Glenorchy township, with future climate, river morphology and landscape changes being modelled. An [Adaptation Pathways](#) approach is being used to assess the risk to the township and the analysis for future planning options and community decision-making.
- **Mt Iron Wildfire Risk Reduction Project**- This multi-agency project has been launched in help drive risk reduction mitigations and community preparedness for the threat of a wildfire outbreak on Mt Iron. The project recognises that Mt Iron has been designated by FENZ as a Red Zone area, due to the critical risk factors (topography, vegetation coverage, high number of rural/urban properties, high level of recreation usage). These risk factors will only escalate over time due to the predicted impacts of climate change and ongoing kanuka growth. The project is being coordinated through a multi-agency partnership between FENZ, Emergency Management Otago, QLDC, DOC, [SCION](#) and the recently formed Mt Iron Community Response Group.
- **Gorge Road Natural Hazards**- this [Natural Hazard review project](#) is focused on determining an appropriate means of managing the risk from two alluvial fans located on the western side of Gorge Road. These fans are vulnerable to heavy rainfall events so have a specific climate change risk associated with them. A Steering Group have been established to support the project which is led by the QLDC Policy Planning team with technical stakeholders from across QLDC and ORC Natural Hazards team, BECA and GNS.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

16 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

17 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

18 This matters relates to the management of all 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 resilience culture across the Council, leading to more effective risk identification, evaluation and mitigation outcomes.

FINANCIAL IMPLICATIONS | NGĀ RITENGA Ā-PŪTEA

19 There are no financial implications associated with this matter.

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

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

- QLDC Risk Management Policy
- Climate Action Plan
- Vision 2050
- QLDC Ten Year Plan
- QLDC Spatial Plan
- 30 Year Infrastructure Strategy

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

22 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 O TE KĀWANATAKA Ā-KĀIKA

23 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 by mitigating the risk of disruption and reducing the likelihood of negative consequences;
- 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.