

**Audit, Finance & Risk Committee**  
**14 June 2022**

**Report for Agenda Item | Rīpoata moto e Rāraki take [3]**

**Department: Corporate Services**

**Title | Taitara Risk & Resilience Update**

**PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO**

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The purpose of this report is to provide a governance update regarding the status of the QLDC risk context, the progress of the resilience culture development and treatment updates on key organisational risks.

**RECOMMENDATION | NGĀ TŪTOHUNGA**

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That the Audit, Finance & Risk Committee:

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

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## CONTEXT | HORPOAKI

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- 1 In early 2019 a new Risk Management Framework was developed and deployed for QLDC. This framework consisted of a new [QLDC Risk Management Policy](#) and a new [QLDC Risk Register](#).
- 2 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 and resilience culture across all management and governance tiers.
- 3 The Risk Management Policy requires regular reporting to both the Executive Leadership Team and the Audit, Finance and Risk Committee to ensure that good risk governance practices are maintained and that progress towards the above objectives remains on track.
- 4 This report seeks to support the governance role of the Audit, Finance and Risk Committee by providing updates on the following topics:
  - A. Changes to Organisation Risk Register
  - B. Significant Changes to Council Risk Context
  - C. Development of our Risk and Resilience Culture
  - D. Treatment progress for key organisation risks

## ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

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### A. Changes to Organisation Risk Register:

- 5 No new risks have been added to the QLDC Risk Register since the last update to Audit, Finance & Risk Committee on 3 March 2022.

### B. Significant Changes to Council Risk Context:

- 6 Although no new risks have been added to the QLDC Risk Register within the last reporting cycle, the following risks are noted as being of significance to Council at the present time:
  - **RISK00061**- Ineffective Response to Legislative Reforms and Changes

- **RISK00002**- Major Disruption to Council facilities and services
  - **RISK00019**- Ineffective mitigation response to the declared climate and ecological emergency
  - **RISK00059**- Ineffective planning to support Climate Change Adaptation
  - **RISK00013**- Core infrastructure is Insufficient- Delays in capital delivery programme
- 7 An overview of the treatment activity to mitigate the risk associated with Capital Works program delivery (RISK0013) is summarised in separate report which is a standing item for the Audit, Finance and Risk committee.
- 8 A high-level overview of treatment progress for RISK00061, RISK00002 and the Climate Change risks of RISK00019/59 is included in section D of this report along. An update on the broader Climate Action programme is also provided in separate report which is a standing item for the Audit, Finance and Risk committee.

### C. Development of our Risk and Resilience Culture

- 9 Council is committed to a wide range of programmes and targeted initiatives that will strengthen the resilience and adaptive capacity of the organisation.
- 10 This focus on resilience is important as it acts as a counterweight to the uncertainty, volatility and disruptive challenges that are besetting local government. It reflects an acceptance that the future will be disruptive and that the best pathway forward is to be ready and prepared to absorb shocks, respond to changes, and quickly adapt to new strategic priorities and operational demands.
- 11 For Council, the focus on resilience needs to be applied at the district, organisation and individual level:
- **District level**- the commitment to district level resilience is clearly embedded in the Vision 2050 outcome of “Disaster-Defying Resilience”. It is also a strategic driver of our Spatial Plan, 30 Year Infrastructure Strategy and the draft 2022-2025 Climate & Biodiversity Plan. It also underpins the response frameworks for Business Continuity, Civil Defence Emergency Management and Covid-19 recovery.
  - **Organisation Level**- there is a clear commitment for Council to be an organisation that is responsive, adaptive and agile to change. This requires a focus on well-designed organisational structures, effective processes, transparent information systems, and embedded workplace norms that prioritise the value of collaboration, transparent information sharing, responsiveness, and continuous improvement.
  - **Individual Level**- Council is strongly committed to enabling a resilient workforce who are well supported to manage their own wellbeing and to provide support to

the friends, colleagues and whanau. A broad programme of initiatives, training programmes and self-development workshops to assist staff to manage their own wellbeing and identify and provide support to those who show signs of distress have been deployed. A number of internal teams (e.g. The Family, GoodYarn, Health & Safety Committee, Social Club) help drive and embed improved levels of social connection, fun, empathy and mental health literacy into the organisation. These initiatives are of particular importance to help cope with the stresses associated with Covid-19, high workload demands and the significant reform programme facing local government.

- 12 A workforce review is currently in progress that will support the fulfilment of these resilience objectives. through evaluate potential changes to the organisation structure, resourcing levels and ways of working. A desired outcome of this review is to ensure that the organisation is resilient, flexible, adaptable and change ready. A Proposal for Change has been circulated and a consultation period for feedback from all staff has recently concluded.
- 13 In addition to the workforce review a number of other work programmes are in progress across Council which both mitigate risk mitigation and support resilience development at an organisation and staffing level. These include, but are not limited to, the following:
  - Cyber Security Programme (RISK00005)
  - IT Business System investment programme (RISK00001/0003/00004)
  - Engagement Survey work programme (RISK00049)
  - Policy Review programme (RISK00038)
  - Staff Wellbeing programme (RISK00047)

#### D. Key Risk Treatment Progress:

- 14 The following section provides a high-level overview of the treatment progress that is associated with key risks on the QLDC risk register.

#### > **“RISK00061- Ineffective Response to Legislative Reforms and Changes”**

- 15 This risk reflects the uncertainty that 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 a substantial level of stress on Council. When viewed collectively, they represent a transformational shift for the entire local government sector. These key reforms include, but are not limited to:
  - [Three Waters Reform programme](#)
  - [Future for Local Government Review](#)

- [Replacement of the Resource Management Act \(RMA\)](#) with the new Natural and Built Environments Act (NBA), Strategic Planning Act (SPA) and Climate Change Adaptation Act (CCAA)
- [Climate Change Reforms](#)

16 In order to monitor, influence, prepare and respond to these reforms a Reform Working Group of relevant senior managers has been established which provides regular updates on the progress of the key reform programmes. The most notable updates since the last Audit, Finance & Risk Committee report are in relation to Three Waters and the Climate Change reforms.

#### **Three Waters Reform:**

- 17 The government has accepted 44 of the Three Waters working group's 47 recommendations for changes to its water infrastructure reform programme. The group's recommendation that public ownership be strengthened by providing councils with a form of shareholding has been accepted. A table outlining the Working Group's recommendations and Government's response can be found here: [Summary Table of Working Group recommendations and Government response 2022\(dia.govt.nz\)](#).
- 18 Following the Government's decision to accept most of the working group's recommendations, the Water Services Entities Bill is on track to be introduced to the House in mid-2022, and consultation on the Bill will open when it is referred to Select Committee shortly after.
- 19 The Three Waters National Transition Unit (NTU) has been created by the Government to implement their decisions on three waters reform, including the implementation of four new water services entities by 1 July 2024. The NTU has created four Transition Reference Groups to inform and advise on the work required to create the new entities. The four groups are: People and Workforce, Finance and Corporate Services, Commercial and Legal and Asset Management (Operations and Stormwater).
- 20 Membership of the Transition Reference Groups includes people from the NTU, local government and key industry stakeholders. QLDC Finance Manager Paddy Cribb has been chosen from candidates across New Zealand to be a part of the Finance and Corporate Services Group. The Finance and Corporate Services Group is advisory in nature. Its role is to provide expert advice to the Finance and Corporate Services Workstream Lead to inform the planning of the finance transition. The Group will also provide intelligence and advice on the financial implications of transition from the perspective of local government.

#### **Climate Change Reforms**

- 21 On 6 May 2022 the Government released the draft National Adaptation Plan for consultation. This Plan will set the direction for how New Zealand will adapt to the unavoidable impacts of climate change, and address key climate risks up to 2028. Council is on the front line in preparing for and dealing with climate impacts and risks and there

are two climate adaptation projects from the district referenced as case studies in the plan – Glenorchy Head of the Lake and Mt Iron Wildfire Risk Reduction.

- 22 Included within the consultation is early direction setting for the legislative framework for managed retreat. Council has statutory responsibilities for decisions on how to use and manage land that is subject to natural hazards and climate change is raising the risk that managed retreat may be required due to both slow onset (e.g. sea rise) as well as sudden onset events (e.g. flood, debris flow). The legislative framework and funding to support these types of scenarios does not currently exist but will be established as part of the resource management reforms with a new Climate Change Adaptation Act (CCAA).
  - 23 On 16 May 2022 the Government published its first National Emissions Reduction Plan. This Plan contains strategies, policies and actions for meeting the first emissions budget period and contributing to global efforts to limit global temperature rise to 1.5°C above pre-industrial levels. The Emissions Reduction Plan includes actions relating to system settings for reducing emissions, including approaches for empowering Māori, ensuring an equitable transition and working with nature. It also includes plans for reducing emissions in key emitting sectors, including the energy and industry sectors. [Emissions reduction plan | Ministry for the Environment](#)
  - 24 Council is fully committed to the engagement and ensuing consultation programme for all reform programmes, and is awaiting further details of the proposed changes. To ensure Council has sufficient capability and capacity to meet this challenge, additional funding in the Annual Plan and new roles within the workforce review have been recommended.
- > **RISK00002- Major Disruption to Council facilities and services**
- 25 The risk of disruption to Council facilities and services continues to remain high due to the Covid-19 Omicron outbreak that the community is facing.
  - 26 Planning around the continuity of key council services has been a major focus. Risk mitigation actions such as a shift to a 50% office occupancy model, closure of non-critical public-facing areas, shifting of Council and Committee meetings to video conference and updating of mask wearing guidance have been enacted.
  - 27 The continuity planning for essential services has also been reviewed to ensure that services such as waste management, regulatory services, 3 waters management and roading maintenance can continue to operate as normal.
  - 28 QLDC has also worked in conjunction with the SDHB and local primary care providers to make vaccination boosters widely available for staff.
  - 29 The effective organisational response to this latest Covid-19 disruption is a positive indicator of the adaptive capacity of the organisation to respond to a major business continuity disruption.



- > **RISK00019 Ineffective response to the declared climate and ecological emergency**
  - > **RISK00059 Ineffective planning to support Climate Change Adaptation**
- 30 The risks associated with Climate Change remain a high priority due to the significance of the consequences and transformational requirements at a district, national and international level.
- 31 The district's 2019-2022 Climate Action Plan details the wide programme of activity that is associated with the response to these risks. A summary of this broad programme is provided in the separate Climate Action Update report. This includes a detailed overview of the development of the 2022-2025 Climate and Biodiversity Action Plan which was released for public consultation in March and is under final editorial review.
- 32 Included within the draft 2022-2025 Climate and Biodiversity Action Plan are actions that are focussed on Climate Change adaptation. This is a specific area of risk management which relates to how well we are prepared for the impacts of climate change. This is a broad resilience building programme for the district, but it also involves a focus on specific natural hazard projects that will have an increased level of consequence or likelihood due to climate change. These projects include:
- 33 **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. Key updates include new river flowing monitoring station on Rees River, the completion of a two-day workshop to evaluate Dart-Rees floodplain hazard mitigations, the finalisation of liquefactions report, and upcoming presentations with Elected Members and community.
- 34 **Mt Iron Wildfire Risk Reduction Project**- This multi-agency project was launched to drive risk reduction mitigations and improved 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). The project is being coordinated through a multi-agency partnership between FENZ, Emergency Management Otago, QLDC, DOC, [SCION](#) and the Mt Iron Community Response Group. Key updates include the recent public release of [SCION Research reports](#) on Mt Iron and wildfire mitigation, presentations about Mt Iron at a [National Wildfire Seminar](#), the deployment of fire warden kits through the Mt Iron Community Response Group. The most significant update relates to the proposed Council purchase of a major Mt Iron land owning. If approved, this major investment will result in a new reserve being established which will drive a programme of reserve management planning and wildfire risk mitigation investment. This will be led by the QLDC Parks team, however it will be supported by a Wildfire Project Control Group which has been established to support the programme of wildfire risk mitigation across all Council Reserves in the district.

35 **Gorge Road Natural Hazards-** this [Natural Hazard 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 they have a climate change risk associated with them. A Steering Group was established in 2021 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. This steering group supported the delivery of a series of community consultation sessions in November 2021 and is helping to review the hazard management recommendations that will soon be presented to Council.

## CONSULTATION PROCESS | HĀTEPE MATAPAKI:

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### > SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

36 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

37 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

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38 This matters 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 | NGĀ RITENGA Ā-PŪTEA

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39 There are no financial implications associated with this matter.

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

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40 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

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

42 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**

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43 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. This report serves that purpose by mitigating the risk of disruption and reducing the likelihood of negative consequences;

44 The recommended option:

- 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.