

**Audit, Finance & Risk Committee**  
**2 July 2020**

**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**

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- 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**

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- 2 That the Audit, Finance & Risk Committee:
  1. **Note** the contents of this report.

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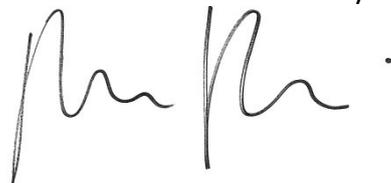


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## CONTEXT | HOROPAKI

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- 3 In early 2019 a new Risk Management Framework was developed and deployed for Council. This framework consisted of a new [QLDC Risk Management Policy](#), new Techone Risk Module system and a new [QLDC Risk Register](#).
- 4 The management of the framework is led by the Risk Management Group (RMG), which includes senior manager stakeholders from across all Council directorates. The RMG is tasked with delivering the following objectives:
  - 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 RMG provides regular reporting to both the Executive Leadership Team and Audit, Finance and Risk Committees to ensure that good risk governance practices are maintained over the QLDC Risk Management Framework and that progress towards the above objectives remains on track.
- 6 This report seeks to support this governance role by providing updates on the following topics:
  - Changes to Organisation Risk Register
  - Significant Changes to Council Risk Context (i.e. the risk environment in which the Council operates and seeks to achieve its objectives)
  - Risk Culture Development
  - Treatment progress for key organisation risks

## ANALYSIS AND ADVICE | TATĀRITANGA ME NGĀ TOHUTOHU

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### Changes to Organisation Risk Register:

- 7 No new risks or changes to existing risks have been made to the QLDC Risk Register since the last Audit, Finance and Risk Committee on 5<sup>th</sup> March 2020. T

### Significant changes to Council Risk Context:

- 8 The period since the last Audit, Finance and Risk Committee has been singularly dominated by the **COVID-19 Pandemic**. This health emergency has profoundly impacted the lives and economic activity of all global citizens, including those within the Queenstown Lakes District community.
- 9 The rapid escalation and dynamic nature of the pandemic event has caused disruption on a global, national, regional, local and organisational scale. Nations, regions, communities,

organisations and individuals have had to adapt to a rapidly changing context that has threatened and impacted both health and economic stability.

10 When the AFR Committee met on 5<sup>th</sup> March 2020, New Zealand had three confirmed COVID-19 positive cases in Auckland. On Saturday March 14<sup>th</sup> the Queenstown Lakes District registered its first COVID-19 positive patient. This event triggered the activation of the following Council COVID-19 functions:

- CDEM Emergency Operation Centre (EOC)
- QLDC Business Continuity Response Team
- QLDC Recovery Team structure with Economic and Social Recovery workstreams

11 Each of these functions has focussed on a key element of the council's duty to provide leadership throughout the COVID-19 Pandemic and safeguard the welfare and continuity of Council services to the community. This has involved a significant investment by Council in terms of staffing, resourcing and financial expenditure to ensure that all current and future challenges associated with COVID-19 are managed as effectively as possible. The financial commitment for the EOC Response alone is in excess of \$2.5M NZD, the majority of which has been associated with the unprecedented level of welfare support required by our local community. The costs associated with this and other areas of emergency expenditure are being submitted to the National Emergency Management Agency (NEMA) for reimbursement.

12 Each of the Council COVID-19 functions is operating under its own activation timeline. The Business Continuity Response was the first to be activated (with the deployment of social distancing, enhanced cleaning and hygiene protocols) and will be the first to stand-down now that the country has shifted to Alert Level 1. The EOC Response team is now under a state of transition with leadership roles shared between QLDC staff and Emergency Otago Group. The activation period for the EOC remains contingent on the ongoing welfare needs of the community along with the direction setting from a regional and national perspective. The Recovery Team are anticipated to be activated for an extended period to help support the profound social and economic challenges that the district now faces.

13 A debriefing review will be organised for each function at an appropriate time to allow the lessons from the COVID-19 emergency to be identified and injected back into the organisation. This activity will be a central driver for improvement to ensure that the Council continues to remain focussed and prepared for future challenges.

14 The timeliness of activation and effectiveness with how each function established a team structure, action plan and operational cadence is a strong testament to both the adaptive capabilities of QLDC staff and the resilience of the organisation. This resilience in part has been driven by the focus that the Council has placed on building a healthy proactive risk management culture which anticipates and prepares for disruption.

#### **Risk Culture Development:**

15 The development of a "QLDC risk culture" is being enabled through a focus on Organisational Resilience. Organisational Resilience relates to the "ability to absorb the effects of uncertainty and disruption, minimise adverse impacts, respond effectively,

maintain or recover functionality, and adapt in a way that allows for learning and thriving.”<sup>1</sup> The concept of resilience encourages us to seek out and address areas of vulnerability, so that we are better equipped to deal with the impact of shocks and stresses to the organisation and community that we serve.

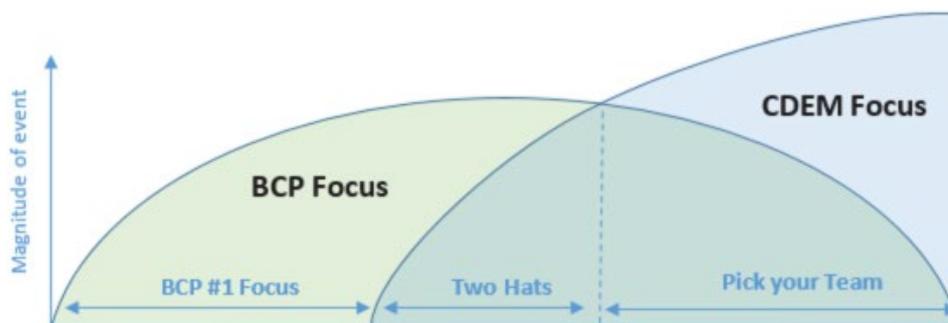
- 16 The implemented Risk Management framework provides a key foundation for our Organisation Resilience as it supports the identification, categorisation and prioritisation of areas of potential vulnerability. This helps ensure that we have sound practices in place for identifying areas of concern, reducing the likelihood that they will occur, while also being fully prepared for the potential of them happening.
- 17 As evidenced by COVID-19 disruption risk is a key concern for Council. Disruption events by their nature are unpredictable in scale and magnitude, so the focus needs to be on improving the adaptive capacity of the organisation through adopting agile and scalable response frameworks that can be applied to any disruptive event. This was a key focus pre COVID-19 and will continue be a focus as we leverage the learnings from the past three months.

#### **Treatment progress for key organisation risks:**

- 18 The following sections provide an update on the progress of treatment initiatives for the following key organisation risks:
- Business Continuity Risk
  - Significant Incident Risk
  - Emergency Management Risk
  - Climate Change
- 19 **Business Continuity Risk:** A new draft Business Continuity Management Policy was developed prior to COVID-19 along with a specific Pandemic Business Continuity Plan (BCP).
- 20 The BCM policy defines the guiding principles, team structures and action plan requirements for effectively managing any Business Continuity disruption.
- 21 The Pandemic BCP outlines the specific BCP action plan to manage a Pandemic emergency. Included within this plan was a four stage Alert Level framework to guide the Council BCP response which aligned well with the Central Government framework that was released on March 21<sup>st</sup>. Also included within the Pandemic BCP was the following model to demonstrate how the Council would need to balance its focus and resourcing on both BCP and CDEM. This model accurately reflected the reality of the fast moving COVID-19 response with a dedicated BCP team being activated simultaneously with the CDEM Emergency Operations Centre.

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<sup>1</sup> National Disaster Resilience Strategy: Section 4.2



WHITE	YELLOW	ORANGE	RED
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Key Attributes	BCP	CDEM
Led by:	Executive Sponsor	Local Controller
Managed by:	Response Leader	Response Manager
Team in Charge:	BCP Response Team	EMT (Emergency Management Team)
Guided by:	BCP- Pandemic (this document)	CDEM Response Plan- Pandemic

- 22 A key pillar to an effective BCP response is having a robust and reliable Technology platform. The Knowledge Management team have lead a significant investment to ensure that our critical technology systems are adaptive to such an event and ready to support an en-masse work from home protocol. This investment provided the foundation to ensure that the Council organisation and Emergency Operations Centre were able to remain operational throughout the COVID-19 response.
- 23 A more detailed overview of the COVID-19 BCP response will be provided as part of the QLDC Organisational Health Safety and Wellbeing report.
- 24 **Significant Incident Risk:** A new policy for Significant Incident Management is under development. This policy defines the guiding principles and procedural framework that will enable QLDC to effectively manage significant, non-emergency level incidents that impact the community. The structure of the policy closely mirrors the Business Continuity Management Policy, however it has a more outward looking focus on incidents that impact the community and involve external stakeholders (e.g. Council contractors) in the response process.
- 25 **Emergency Management Risk:** Prior to COVID-19 a review of all QLDC CDEM information resources had been completed, the organisation structure for both EOC and Wānaka Incident Control Centre (WICC) had been reviewed and a new cloud based Incident Management Response system (D4H) had been implemented and tested. These initiatives all helped support the transition to a virtual mode of operation throughout the COVID-19 response once Alert Level 4 was activated on March 26<sup>th</sup>. The challenges of managing a complicated and highly dynamic emergency event while adhering to the Alert Level 4 requirements were significant, however they were overcome through the capabilities of staff and the technology platforms that were in place. The learnings from this EOC response will be embedded into the CDEM procedural framework, EOC Pandemic

Response Plan and D4H system to ensure that we are effectively prepared for a future emergency event.

- 26 This preparedness will be supported by an increased resourcing investment by Emergency Management Otago. Two new Emergency Management Officers (EMOs) have been appointed to support the district with its emergency management preparedness along with additional fixed term role. This increase in staffing will support the deployment of a work programme to drive a heightened level of planning and community resilience development across the district.
- 27 **Climate Change Risk:** QLDC has declared a climate and ecological emergency to reflect the seriousness and commitment in places upon the need to mitigate and adapt to the effects of climate change. A significant risk treatment investment has been made to develop a Climate Action Plan which will guide the district wide response to this challenge. Reporting on the progress of the Climate Action Plan will be provided separately to this update as a standing item in the Audit Finance & Risk Committee Agenda.

## CONSULTATION PROCESS | HĀTEPE MATAPAKI:

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### > 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

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- 30 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 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**

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32 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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33 The following Council policies, strategies and bylaws were considered:

- QLDC Risk Management Policy

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 O TE KĀWANATAKA Ā-KĀIKA**

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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 by [explain how it will help];
- 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.