Council Report | Te Rīpoata Kaunihera ā-rohe

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QUEENSTOWN LAKES DISTRICT COUNCIL

Audit, Finance & Risk Committee
3 March 2022

Report for Agenda Item | Rīpoata mot e Rāraki take 3

Department: Corporate Services

Title | Taitara Risk & Resilience Update

PURPOSE OF THE REPORT | TE TAKE MŌ TE PŪRONGO

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

That the Audit, Finance & Risk Committee:

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

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14/02/2022   14/02/2022
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CONTEXT | HORPOAKI

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, new Techone Risk Module system 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

A.   Changes to Organisation Risk Register:

5   No new risks have been added to the QLDC Risk Register since the last update to Audit & Risk Committee on 14th October 2020.

B.   Significant Changes to Council Risk Context:

6   The Local Government sector continues to face a highly volatile and uncertain future which is placing significant stress on all Councils across the country. Much of this uncertainty is driven by external factors outside of the control of individual Councils (e.g. Covid-19 response and recovery, central government reform programmes, climate action transition programmes).

Council Report | Te Rīpoata Kaunihera ā-rohe

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7   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

8   An overview of the treatment activity to mitigate the risks associated with Climate Change (RISK00019/59) and Capital Works program delivery (RISK0013) is summarised in separate reports which are standing items for the Audit, Finance and Risk committee.

9   A high-level overview of treatment progress for RISK00061 and RISK00002 is included in section D of this report.

C. Development of our Risk and Resilience Culture

> **Office of Auditor General (OAG) Report: Observations on Local Government Risk Management Practices**

10   As previously reported, QLDC has been the subject of an OAG case study into local government risk management practices along with three other Councils (Auckland, Waipa and Environment Canterbury).

11   The report for this study was embargoed at the time of the last Audit, Finance & Risk Committee meeting on 14th October but has now been presented to parliament and released to the public. A copy of this report can be found here: https://oag.parliament.nz/2021/risk-management.

12   The report provides a comprehensive overview of risk management maturity across the local government sector along with findings and recommendations relating to risk management best practice which will be incorporated into risk management work programme.

> **Resilience Culture Development**

13   In response to the uncertainty and disruptive challenges it faces Council is committed to a wide range of programmes and targeted initiatives that will strengthen the resilience and adaptive capacity of the organisation.

14   This focus on resilience is important as it is a counterweight to uncertainty. It reflects an acceptance that the future will be disruptive and that the best pathway forward is to be

Council Report | Te Rīpoata Kaunihera ā-rohe

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ready and prepared to absorb shocks and quickly adapt to new strategic priorities and operational stressors.

15   This commitment to 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 our Climate Action Plan. It also underpins our response planning frameworks for Business Continuity and Civil Defence Emergency Management.

16   To build a resilient organisation focus needs to be applied at capability and capacity building at both the organisational and individual levels:

- **Organisation Resilience** relates to the organisational elements and ways of working that support the organisation to be open, transparent, adaptive and agile to change. It involves a focus on well-designed organisational structures, effective processes and information systems, and work place norms that prioritise collaboration, networking, information sharing, improvement and innovation.

- **Individual Resilience** relates to the factors that support individuals to manage shock and stress, learn from experience, self-manage their own physical and mental health and be open to empathising with and supporting their colleagues through difficult circumstances.

17   The Workforce Review is a significant work programme that will drive this resilience development. This programme is focused on reviewing the design of the organisation structure to ensure it is flexible, adaptable and ready to face the future challenges that lie ahead. The programme has entered the detailed design phase which includes evaluation of the optimal directorate location and design of key functional areas relating to assurance including risk management, procurement, and compliance.

18   In addition to the workforce review a number of other work programmes and strategic projects are in progress across Council which directly support our resilience development. These include the following:

- Cyber Security Programme

- Information Management Strategy development

- Engagement Survey work programme

- Security Improvement programme

- Staff Wellbeing programme

- Goodyarn mental health literacy programme

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D. Key Risk Treatment Progress:

19 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"**

20 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 potentially 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

21 In order to monitor, influence, prepare and respond to these reforms a Reform Working Group of relevant senior managers has been established. The implications of the reform work programme are being considered through the workforce review and the role of the group will be part of that advice.

22 Being change-ready and prepared for these local government reforms is a priority and key driver for the Workforce Review work programme.

23 Council is fully committed to the engagement and ensuing consultation programme for the other reform programmes, and is awaiting, like all other Local Government stakeholders, further details of the proposed changes.

> **RISK00002- Major Disruption to Council facilities and services**

24 The risk of disruption to Council facilities and services remains very high due to the Covid-19 Omicron outbreak that the community is facing.

25 The Council Business Continuity Planning (BCP) team have been activated since early March 2020 and the experience and maturity gained over this lengthy period has ensured that the recent transitions to the Covid-19 Protection Framework (2nd December 2021) and Red level setting for the entire country (24th January 2022) have been effectively managed.

26 Each of these key transition points has involved proactive communication to all staff to explain the changes and provide guidance on the specific requirements and consequences

Council Report | Te Rīpoata Kaunihera ā-rohe

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for Council services. Highly challenging and ambiguous policy settings around vaccination mandates and vaccination passport requirements have also been worked through. This has also included a formal consultation process to investigate the options of mandatory vaccination for all Council staff.

27 Support for public-facing staff members who have experienced abuse or aggressive behaviour has also been a focus for Council. While it is understood that there are diverging views within the community over the national Covid-19 response policy setting, any anti-social behaviour directed towards staff is unacceptable. In response, public and social media messaging has been shared that calls for a halt to this type of behaviour and the promotion of positive community values when interacting with Council staff.

28 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, division of teams into separate "bubbles", closure of non-critical public-facing areas, shifting of Council and Committee meetings to video conference and updating of mask wearing guidance were enacted with the Red level setting to reduce the risk of an exposure event.

29 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.

30 QLDC has also worked in conjunction with the SDHB and local primary care providers to make vaccination boosters widely available for staff.

31 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.

> **Climate Change Risks**

32 The risks associated with Climate Change are captured under RISK00019 (Ineffective mitigation response to the declared climate and ecological emergency) and RISK00059 (Ineffective planning to support Climate Change Adaptation) and remain a high priority due to the significance of the call for action at a district, national and international level.

33 The district's Climate Action Plan details the wide programme of activity that is associated with the response to these risks. A summary of the progress of this programme is provided in the separate Climate Action Update report which is standing item for the Audit, Finance and Risk committee.

34 This report provides a detailed overview of the development work that has been undertaken over the past 10 months to formulate the draft 2022-2025 Climate and Biodiversity Action Plan. This draft plan will be released for public consultation in March.

35 Included within the draft plan is a programme of actions that are focussed on Climate change adaptation. This is a specific area of risk management which relates to how well we are prepared and how resilient we are to the impacts of climate change. This can relate to sudden onset events such as a severe wind or snow systems, or chronic stressors over

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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.

36   The Ministry for the Environment (MfE) have responsibility for providing national legislation and guidance to support the significant level of adaptation planning that is required across the country. MfE are required by the Climate Change Response Act 2002 to publish a National Adaptation Plan by August 2022 (this being 2 years after the publication of the first National Climate Change Risk Assessment). They expect to consult on a draft National Adaptation Plan in early 2022. MfE's intention is that consultation on the National Adaptation Plan will inform thinking on the Climate Adaptation Act which will provide legislative structure to support local government planning.

37   While we await this national direction setting, Council is committed to several important Climate Adaptation projects which are currently underway within the district. These projects include:

38   **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 and the coordination of an upcoming multi-agency workshop to evaluate hazard mitigation options for the Dart-Rees floodplain.

39   **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. The December 2021 newsletter update on the project can be found here which includes an overview of the new wildfire resource materials that have been developed by FENZ and distributed throughout the community by the Response Group. To support this project a Wildfire Project Control Group has been established that will involve key stakeholders from QLDC, FENZ, DOC and fire management specialists which looks at the broader challenge of wildfire risk mitigation across the district.

40   **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

Council Report | Te Rīpoata Kaunihera ā-rohe

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supported the delivery of a series of community consultation sessions in November 2021 to share the latest hazard information, engineering reports and social and economic assessment information with the community.

CONSULTATION PROCESS | HĀTEPE MATAPAKI:

> SIGNIFICANCE AND ENGAGEMENT | TE WHAKAMAHI I KĀ WHAKAARO HIRAKA

41 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

42 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

43 This matters relates to the management of <u>all</u> 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

44 There are no financial implications associated with this matter.

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

45 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

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

Council Report | Te Rīpoata Kaunihera ā-rohe

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47 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 0 TE KĀWANATAKA Ā-KĀIKA

48 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.