

RANGITĪKEI DISTRICT COUNCIL

RISK APPETITE AND TOLERANCE POLICY

Council's Risk Appetite and Tolerance Policy is an integral part of Council's Risk Management Framework.

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Risk Appetite and Tolerance Policy

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1. INTRODUCTION

Key Principles

- Council acknowledges that a level of Risk exists in everything it does.
- All managers are responsible for the identification and management of risks within their area and throughout Council.

Commentary

Risk is an inherent part of Council's activity. The exposure to, and tolerance of, risk differs across Council's operations. Council's Executive Leadership Team (ELT) recognises that its level of risk acceptance & tolerance must be set at a level that encourages innovation and organisational development.

ELT has identified certain levels of risk it is ordinarily prepared to accept in pursuit of Council's objectives.

This Policy provides details regarding ELT's risk appetite and tolerance with regards to the types of risk as stated in section 5.2 of Council's Risk Management Strategy:

1. Legislative/Governance/Regulatory Risks
2. Climatic Risks
3. Reputational Risks
4. Environmental Risks
5. Cultural Risks
6. Finance Risks
7. Asset failure (Infrastructure) Risks
8. Operational Risks
9. People Risks

2. RISK APPETITE STATEMENT

Risk Appetite : General Principles

Council has the following five levels of Risk Appetite in respect of its nine different risk categories:

1. Minimal (see below)
2. Low
3. Moderate
4. High
5. Unmonitored

Council has minimal or no appetite for risk which will:

- a) Compromise the safety & welfare of staff, contractors and/or members of the community
- b) Cause significant and irreparable damage to the environment
- c) Have a significant financial impact on Council's long term financial sustainability
- d) Result in a major disruption to the delivery of key Council services
- e) Result in widespread and sustained damage to the Districts' reputation and key relationships
- f) Result in major breaches of legislative requirements and/or significant successful litigation against the District
- g) Significantly impact on the District's ability to recruit and retain staff.

Council may have a greater appetite for its other risks as highlighted in this Policy.

Risk Appetite : In Practice

Council:

- delivers an extensive and diverse range of services to a growing and diverse population and range of visitors whilst operating in a highly dynamic, and sometimes volatile, environment; and
- has an ongoing obligation to maintain, and where necessary improve, levels of service to the community; and
- constantly seeks to improve operational efficiencies.

Accordingly Council recognises that some appetite for risk is required for it to achieve its key outcomes.

Section 4 of this Policy provides commentary on Council's key risk categories and their associated levels of risk appetite. Summary:

RISK APPETITE				
Minimal	Low	Moderate	High	Unmonitored
People Risks	Legislative / Governance / Regulatory Risks	Asset Failure (infrastructure) Risks		
	Climatic Risks	Operational Risks		
	Reputational Risks			
	Environmental Risks			
	Cultural Risks			
	Financial Risks			

3. RISK TOLERANCE STATEMENT

Council's Risk Tolerance Statement should be considered in conjunction with rest of Council's Risk Management Framework.

ELT acknowledges that it is not possible, practical nor desirable to eliminate all of the risks associated with the delivery of its services: a degree of risk is inherently linked with 'undertaking Council business' and innovation.

Risk Tolerances operationalise the Risk Appetite assessments by providing examples of 'what is' and 'what is not' tolerated under each risk category.

The Risk Appetite and Tolerance Summaries in Section 4 of this Policy provides guidance on:

- Expectations for mitigating, accepting and pursuing certain types of risk; and
- Boundaries and thresholds for acceptable risk taking; and
- Actions to be taken or consequences for, acting beyond certain risk tolerances

Council's Risk Tolerance approach is linked to Council's Risk Appetite assessments as shown in Section 4 of this Policy.

4. RISK APPETITE & TOLERANCE SUMMARIES

The Risk Appetite and Tolerance Summaries in the following section include an assessment of each area's Risk Appetite and Tolerances with reference to the following Table:

RISK APPETITE	RISK TOLERANCE APPROACH	COMMENTARY
Minimal	Avoid	Council is not willing to accept risk as these risks are highly significant. As a priority Council applies all practical measure to prevent/avoid the risk
Low	Cautious	Council expects significant impact to Council's viability, reputation and/or service should the risk eventuate Council has appropriate control measures in place to mitigate/monitor the risk
Moderate	Open	Council expects moderate impact to Council's viability, reputation and/or service should the risk eventuate. Council has appropriate ('moderate level') control measures in place to mitigate/monitor the risk
High	Risk Positive (Monitored)	Council expects minor impact to Council's viability, reputation and/or service should the risk eventuate. Council has appropriate ('lower level') control measures in place to mitigate/monitor the risk
Unmonitored	Risk Positive (Unmonitored)	Council expects inconsequential impact to Council's viability, reputation and/or service should the risk eventuate. Council has unmonitored control measures in place to mitigate the risk

Risk Appetite and Tolerance Summaries

LEGISLATIVE/GOVERNANCE/REGULATORY RISK	
RISK OVERSIGHT OFFICER	Group Manager Democracy & Planning Group Manager Regulatory
RISK APPETITE	Low
RISK TOLERANCE	Cautious
<p>Context:</p> <p>Council is committed to a high standard of governance and meeting legislated and regulatory requirements in a consistent and fair manner.</p> <p>Council has minimal appetite for significant breaches of legal obligations or contractual agreements that result in fines, penalties or reputational damage.</p> <p>Council will seek innovative approaches to governance practices subject to compliance with legislation and protection of our interests</p>	
<p>Council will tolerate</p> <ul style="list-style-type: none"> • Decisions made on merit in accordance with Council values that are not in line with professional advice. • Minor technical breaches that have been considered by Council. • Temporary non-compliance due to unrealistic regulatory timeframes and/or other extenuating factors. • Risks which may give rise to isolated complaints that are incidental to normal business activities despite best efforts to avoid or mitigate • Streamlined governance processes subject to effective controls remaining in place • Accidental breaches which do not result in serious harm 	<p>Council will not tolerate</p> <ul style="list-style-type: none"> • Corrupt or fraudulent conduct by staff, councillors or contractors • Unreasonable delays when reporting, investigating or correcting any fraudulent, improper, unethical or corrupt conduct. • Any instances where Council Officials knowingly break the law, fail to comply with legal obligations or recklessly breach internal policies and/or recognised 'best practice'. • Material breaches of legislation or the Code of Conduct • Failure to consider expert/professional legal advice. • Unauthorised release of confidential information. • Any behaviour which gives rise to extensive litigation and indictable offences. • Failure to comply with Government Directions or orders • Reckless or deliberate breaches of legislation whether or not these result in serious harm
<p>Associated Strategic Risk/s: (For more information see Strategic Risk Register)</p> <ul style="list-style-type: none"> • Legal and political environment requires excessive resources. • Changes to governmental legislation are transformational. • Regulatory effectiveness is questioned. • Trust and confidence is tarnished. 	

CLIMATIC RISK	
RISK OVERSIGHT OFFICER	Group Manager Democracy & Planning Group Manager Community Services
RISK APPETITE	Low
RISK TOLERANCE	Cautious
Context: to be completed	
<p>Council will tolerate</p> <ul style="list-style-type: none"> to be completed 	<p>Council will not tolerate</p> <ul style="list-style-type: none"> to be completed
<p>Associated Strategic Risk/s: (For more information see Strategic Risk Register)</p> <ul style="list-style-type: none"> Climate change responsiveness is ineffective. Trust and confidence is tarnished. 	

REPUTATIONAL RISK

RISK OVERSIGHT OFFICER

Chief Executive
Group Manager Democracy & Planning

RISK APPETITE

Low

RISK TOLERANCE

Cautious

Context:

Council recognises the importance of protecting and proactively enhancing its reputation.

Council does however understand that negative publicity may occur where there is competing priorities and interests in the Community.

Council has a minor (cautious) appetite for significant impacts on Council's reputation.

Council will tolerate

- Moderate adverse local media and social media scrutiny or a number of complaints relating to action which delivers longer term benefits to the community.
- Isolated minor incidents, concerns and complaints that can be resolved by management.

Council will not tolerate

- Improper, unethical, corrupt, unprofessional behaviour or failure to exercise respect and duty of care in accordance with our Council values and policies.
- Material breaches of the Code of Conduct.
- Failure to uphold the probity of council decision-making.
- Any failure to avoid or appropriately manage conflicts of interest.
- Failure to act in a fair, honest, transparent and accountable manner.
- Decision-making that is not open, honest and transparent and reflects the long-term interests of the community.
- Failure to notify members of the Executive Leadership Team of significant incidents that may impact Council reputation within 24hrs of the incident occurring.
- Complaints that are not responded to in a prompt and professional manner within 10 working days.

Associated Strategic Risk/s: (For more information see Strategic Risk Register)

- Failure to honour the commitments of Te Tiriti o Waitangi.
- Trust and confidence is tarnished.
- Insufficient capability and capacity to fulfil agreed commitments.
- Legal and political environment requires excessive resources.
- Capital programme falters.
- Financial stability is lost.
- Regulatory effectiveness is questioned.
- Climate change responsiveness is ineffective.
- Business continuity is compromised.
- Obligations with health and safety are not met.
- Changes to government legislation are transformational.
- Obligations with environmental protection are not met.

ENVIRONMENTAL RISK

RISK OVERSIGHT OFFICER

Chief Operating Officer
Group Manager Democracy & Planning

RISK APPETITE

Low

RISK TOLERANCE

Cautious

Context :

Council recognises the importance of conserving and enhancing our environment and understands that sustainability considerations in all council decisions is important.

Council has a cautious appetite for environmental impacts arising from normal business activities, however, is open to innovative practices for the betterment of the environment.

Council will tolerate

- Environmental impacts offset by other activity resulting in a net environmental benefit.
- Minor environmental impacts from uncontrollable or unforeseen events or being necessary to deliver enduring benefits to our community well being into the future.
- Changes to procedures and practices to accommodate improved environmental outcomes
- Minor cost impacts in the selection of products, services that have a significant positive impact on the environment
- Minor unforeseen incidents or injuries that arise from time to time

Council will not tolerate

- Decisions that do not appropriately consider the principles of ecologically sustainable development or the Council value of Sustainability.
- Failure to minimise significant impacts on biodiversity and reduce our ecological footprint.
- Decisions, activities and practices that result in long term or irrevocable environmental damage or negative climate impacts, threatens biodiversity, including extinction of flora and fauna, or is hazardous to human life.
- Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable.
- Failure to meet environmental commitments or legal requirements resulting in EPA fines or penalties.

Associated Strategic Risk/s: (For more information see Strategic Risk Register)

- Obligations with environmental protection are not met.
- Trust and confidence is tarnished.
- Climate change responsiveness is ineffective.

CULTURAL RISK	
RISK OVERSIGHT OFFICER	Chief Executive Group Manager Democracy & Planning
RISK APPETITE	Low
RISK TOLERANCE	Cautious
<p><i>Context :</i> Council recognises the importance of demonstrating respect and engaging with our Cultural partners. Council has a minimal appetite for work practices, actions or inactions that compromise the Cultural obligations of Council.</p>	
<p>Council will tolerate</p>	<p>Council will not tolerate</p> <ul style="list-style-type: none"> • Actions or behaviours that are deliberate and willingly contravene the xxxxxxxx. • Actions which do not align to RDC values. • Activities that result in reasonably foreseeable and preventable loss of confidence in Council by its cultural partners.
<p>Associated Strategic Risk/s: (For more information see Strategic Risk Register)</p> <ul style="list-style-type: none"> • Failure to honour the commitments of Te Tiriti o Waitangi. • Trust and confidence is tarnished. 	

FINANCIAL RISK	
RISK OVERSIGHT OFFICER	Group Manager Corporate Services
RISK APPETITE	Low
RISK TOLERANCE	Cautious
<p><i>Context:</i></p> <p><i>Council recognises the financial risks involved in delivering a wide range of services, programs and capital projects</i></p> <p><i>Council has a cautious appetite for variation in financial performance as long as long-term financial sustainability is not threatened</i></p>	
<p>Council will tolerate</p> <ul style="list-style-type: none"> • Minor unforeseen and unavoidable budget variations for divisional budgets • Minor unforeseen and unavoidable cost variations in capital projects (as long as these are monitored on a holistic basis). • Minor losses, or capital outlays, attributable to new processes or innovation to improve services to meet community needs (as long as they are accompanied by the appropriate reporting to Elected Members). • Calculated financial risks to deliver infrastructure, improve service delivery or promote ecological sustainability. • Minor cost impacts of the implementation of weighted scoring in procurement to benefit local competent suppliers. 	<p>Council will not tolerate</p> <ul style="list-style-type: none"> • Financial activities and/or investment practices that contravene legislated or policy requirements • Failure to maintain or implement effective systems, processes and controls which adequately protect Council from fraudulent activity • Fraudulent or corrupt financial transactions. • Available funds being below target for an extended period of time • A lack of strategy to provide/maintain a Balanced Budget and manageable debt levels. • A capital budget that does not reflect the needs of maintaining/developing Council's infrastructure
<p>Associated Strategic Risk/s: <i>(For more information see Strategic Risk Register)</i></p> <ul style="list-style-type: none"> • Financial stability is lost. • Trust and confidence is tarnished. 	

ASSET FAILURE (INFRASTRUCTURE) RISK

RISK OVERSIGHT OFFICER

Chief Operating Officer

RISK APPETITE

Moderate

RISK TOLERANCE

Open

Context :

Council is committed to continuous improvement in order to provide good-performing, reliable infrastructure services that provide benefits to our Community.

Council is open to taking some moderate levels of risk to enhance our District's infrastructure.

Council will tolerate

- Moderate financial and reputational impacts arising from the implementation of new or innovative technologies.
- Moderate impacts leading to short term disruption to community due to implementation of construction procedures which provide value for money provided community has been informed
- Moderate short-term financial impact on capital costs of projects where there are demonstrated long term sustainable gains.
- Moderate impacts to infrastructure due to implementation of new technology, innovation initiatives or projects.
- Unforeseen interruptions of up to 2 days to critical infrastructure from uncontrollable events where Council responds and communicates promptly to impacted stakeholders.
- Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project

Council will not tolerate

- Failure of third-party contractors to provide services within budget and agreed timeframes.
- Non-completion of a significant portion of new or renewal infrastructure projects beyond financial year (or scheduled completion period if project runs across multiple years).
- Significant delays to projects that are considered within Council control
- Asset failure significantly earlier than the projected lifespan of the asset
- Failure to administer and manage contracts appropriately
- Significant foreseeable variations in contract price due to aspects of the project within the control of Council
- Failure to escalate critical infrastructure damage or issue within 2 hours.
- Failure to develop plans to respond to a disruption and ensure continuity of operational infrastructure.
- Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, Councillors or Employees.

Associated Strategic Risk/s: *(For more information see Strategic Risk Register)*

- Capital programme falters.
- Trust and confidence is tarnished.

OPERATIONAL RISK	
RISK OVERSIGHT OFFICER	Chief Executive Group Manager Community Services
RISK APPETITE	Moderate
RISK TOLERANCE	Open
<p><i>Context:</i></p> <p><i>Council delivers a range of community services, events and facilities which contribute to our District.</i></p> <p><i>Council is open to creativity and innovation and is willing to take some level of risk to deliver efficiencies, enhance capabilities and provide a service to be proud of to our community.</i></p> <p><i>Council is open to taking moderate risk to enhance service delivery in some circumstances.</i></p>	
<p>Council will tolerate</p> <ul style="list-style-type: none"> • Unforeseen interruptions of up to 2 days to critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders. • Unforeseen interruptions to less-critical business functions of up to 7 days from uncontrollable events where Council responds and communicates promptly to impacted stakeholders. • Moderate reputational impact from community complaints relating to service quality or new initiatives to deliver enduring benefits to our community. • Moderate impacts to service delivery due to implementation of new technology, innovation initiatives or projects. • Moderate impacts arising from innovations and ideas that contribute to the continual improvement of the delivery of Council services. 	<p>Council will not tolerate</p> <ul style="list-style-type: none"> • Failure to significantly meet our service commitments and community expectations • Failure to demonstrate a commitment to delivering quality services to our Community, Councillors, Customers and Employees/ • Failure to document and follow policies and procedures that impairs the quality of service delivery or results in service interruptions. • Failure to develop plans to respond to a disruption and ensure continuity of critical business functions. • Failure to escalate to a member of the Executive Leadership Team a critical business function outage within 2 hours.
<p>Associated Strategic Risk/s: <i>(For more information see Strategic Risk Register)</i></p> <ul style="list-style-type: none"> • Business continuity is compromised. • Insufficient capability and capacity to fulfil agreed commitments. • Trust and confidence is tarnished. 	

PEOPLE RISK

RISK OVERSIGHT OFFICER

Group Manager People & Performance

RISK APPETITE

Minimal

RISK TOLERANCE

Avoid

Context :

Council demands a safe and healthy workforce that treats everyone fairly.

Council expects employees to undertake duties in a manner that is consistent with the organisational values and performance commitments

Council has minimal appetite for work practices, actions or inactions that compromise the wellbeing and safety of people including staff, contractors, volunteers and community or which compromise the delivery of performance commitments

Council will tolerate

- Minor unforeseen incidents or injuries that arise from time to time while undertaking normal activities.
- Minor morale issues relating to improving workforce performance, organisational changes, or relationships
- Minor staff grievances that can be dealt with through normal internal mechanisms.
- Practices that are not in line with best practice if safety and duty of care is not compromised.
- Genuine mistakes that result in continuous improvement and learning opportunities.
- Minor variations to delivery outputs, providing these are clearly communicated so that expectations continue to be met

Council will not tolerate

- Actions or behaviours that are deliberate and willingly contravene the Code of Conduct and/or Health, Safety and Wellbeing policies and procedures.
- Actions and behaviours which do not align to RDC values.
- Practices that knowingly compromise staff wellbeing, workplace or community safety (including discrimination, harassment or bullying).
- Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, Councillors or Employees.
- Events that occur arising from deliberately reckless actions and careless behaviour.
- Knowing about unsafe infrastructure and work environments and not acting.

Associated Strategic Risk/s: *(For more information see Strategic Risk Register)*

- Obligations with health and safety are not met.
- Trust and confidence is tarnished.