

# Rautaki Whakahaere Tūraru

# Risk Management Strategy

2023



*making this place home*

# Risk Management Strategy

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## 1. BACKGROUND

1.1. Council's Risk Management Framework includes the following key elements:

- Risk Management Strategy
- Risk Management Policy
- Risk Appetite and Tolerance Policy
- Risk Registers
  - Strategic Risk Register
  - Key Operational Risk
  - Department Risk Registers
  - Project Risk Registers

1.2. This Risk Management Strategy is accordingly a vital part of Council's Risk Management Framework.

### **Note : Workplace Health, Safety and Wellbeing Risks (WHSW Risks)**

**Council has a zero tolerance for WHSW Risks. These risks are managed as a separate, but parallel, risk management framework under the guidance of Council's People and Performance department**

1.3. All staff, contractors and elected members have a responsibility for managing risks in accordance with Council's Risk Management Framework.

1.4. Key elements of ISO 31000 Risk Management have been incorporated into this Strategy.

## 2. KEY PRINCIPLES

2.1. Risk Management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.

2.2. Council will implement a structured, relevant and comprehensive approach to risk management. This approach will ensure that effective Risk Management:

- will be an integral part of all Council activities; and
- will incorporate appropriate and timely involvement of relevant stakeholders; and
- will be continually improved through learning and experience.

### 3. INTRODUCTION

- 3.1. Council operates in a complex environment and faces multiple dynamic and evolving challenges in delivering against its priorities. It is vital, therefore, for Council to have robust arrangements in place to identify, understand and address the risks that we face.
- 3.2. This Risk Management Strategy sets out a clear direction for how Council will identify, assess, manage and report these risks.
- 3.3. This requires Council to be risk aware, not risk averse, ensuring that key decisions are taken with a sound understanding of relevant risks and how these are to be controlled.
- 3.4. This also requires risk management to be embedded appropriately in our policies, procedures and practices.

### 4. RISK IDENTIFICATION

- 4.1. Risks exist at all levels throughout Council and it is vital for these risks to be identified and managed at the appropriate level.
- 4.2. All staff, contractors and volunteers have an obligation to report all risks to their supervisor or other appropriate officer in a timely fashion.
- 4.3. Once identified, reported and assessed, each risk must be managed at the appropriate level. Proper management of a risk should result in the risk becoming a lower threat to Council.

### 5. TYPES OF RISK

- 5.1. Different events/occurrences will result in different risks to Council. These risks take many different forms and the potential impact of these is not always obvious.
- 5.2. The most common types of risk that Council is exposed to are often classified as being of the following nature:
  - Legislative/Governance/Regulation – the political environment in which Council operates changes
  - Climatic – changing climatic conditions present significant challenges to Council
  - Reputational – Council action/inaction has a poor reputational impact on Council
  - Environmental – particular events could have negative impact on the Environment
  - Cultural – Council action/inaction results in negative Cultural impact(s)
  - Financial – change in circumstance has negative financial impact on Council
  - Asset Failure – key infrastructure asset of Council fails
  - Data Loss – Council's ability to securely manage its data/information is compromised
  - Operational – the ability of one or more Council Departments to perform its operational function is compromised
- 5.3. The first seven of these risks are all, either directly or indirectly, included in Council's Strategic Risk Register and therefore directly overseen by a member of ELT. Further commentary regarding these risks is included in Council's Risk Appetite and Tolerance Policy.

As stated in the Operational Risk category above, each Department/Project will be subject to a wide range of more specific risks that need to be identified and managed at a more 'local level'.

- 5.4. As noted in Section 1, Council also manages Workplace Health, Safety and Wellbeing Risks under a separate framework.

## 6. RISK ASSESSMENT

- 6.1. Once identified each Risk must be assessed, recorded as required and managed in accordance with Council's Risk Management Framework.
- 6.2. When assessing a Risk, two features of the Risk need to be considered:
  - Its Impact (Consequence)
  - Its Likelihood (Probability)
- 6.3. The consideration of these factors provides each particular Risk with its Inherent Risk Assessment. The Inherent Risk Assessment is the 'raw' risk assessment that can be mitigated through management action.
- 6.4. Generally, each risk will be managed by applying at least one of the following treatments:
  - Avoid** Choose to avoid the actions/inactions that cause the risk
  - Reduce** Reduce the risk (to a more acceptable level) by applying some mitigating measures
  - Transfer** Transfer the risk to an external third party (eg via insurance or the outsourcing of a project). Some of these techniques may give rise to 'secondary risks' (eg risk that an external project manager fails to deliver)
  - Accept** Accept the risk (being aware of the risk will often result in the risk being closely monitored)
- 6.5. Management action can often reduce the Likelihood and/or Consequence of each Risk. This results in a Mitigated Risk Assessment which is ordinarily lower than the Inherent Risk Assessment.
- 6.6. The following matrix provides an assessment for each Risk. Council supervisors and managers should be familiar this type of matrix : if not, they should seek guidance from their Group Manager and/or the Group Manager responsible for overall risk management:

Likelihood / Frequency	Consequence to Council				
	Insignificant	Minor	Moderate	Major	Significant
Almost Certain	Low	Moderate	High	Extreme	Extreme
Likely / Probable	Low	Moderate	Moderate	High	Extreme
Possible	Low	Low	Moderate	Moderate	High
Unlikely	Minimal	Low	Low	Moderate	Moderate
Highly Unlikely	Minimal	Minimal	Low	Low	Low

## 7. RISK RECORDING AND MANAGEMENT

7.1. Risks are recorded, and managed, as determined by the nature of the risk:

### **Strategic Risks**

As referred to in S1.1 Strategic Risks are those risks that have the highest impact possible impact on Council. They are typically connected to external events/occurrences and have a potential impact across all areas of Council's strategies and operations.

Due to their nature, Council's strategic risks will often be similar to those of other Councils.

Council's Strategic Risks are managed by the Executive Leadership Team in conjunction with Council's Audit and Risk Committee.

The Strategic Risk Register is maintained by the Executive Assistant to the Mayor and CEO and is updated after ELT discussion.

### **Key Operational Risks**

A Key Operational Risk is one that, if left untreated, could have a significant impact on more than one Department of Council.

The Key Operational Risk Register is maintained by the Assistant to the Group Manager Corporate Services and is updated on advice from members of ELT.

### **Departmental Risks**

A Departmental Risk is one that, if left untreated, could have a significant impact on a Department of Council.

Each Departmental Risk Register is maintained by the respective Departmental Head and discussed with the respective ELT member/CEO as required.

### **Key Project Risks**

A Key Project Risk is one that, if left untreated, could have a significant impact on a Project of Council. Large Projects may be sufficiently significant to be classified as either a Departmental Risk, Key Operational Risk or even Strategic Risk. Further information regarding Key Project Risks is included in the Appendix to this Strategy.

## 8. RISK ESCALATION

8.1. All staff members have a responsibility to advise their supervisor (and/or other officers as necessary) whenever they feel a Risk warrants discussion.

8.2. This responsibility extends to matters that are not currently identified as a Risk.

## 9. OTHER

9.1. The Executive Leadership Team may identify certain areas of Council business that warrant development of a specific Risk Register. Such Risk Registers will be managed in accordance with the broad principles of the Risk Management framework. An example of this is Cyber Security – this is managed as a specific topic.

## APPENDIX 1 : KEY PROJECT RISKS

Unlike other risk categories mentioned in this Strategy, the nature of Key Project Risks will be relatively common between different Projects. The following list provides examples of common types of risk that are typically associated with Projects (Note this list is not exhaustive and several of the examples below are interconnected):

- Health and Safety considerations
- Likely impact of external hazards
- Cost sensitivity
- Reliance on skilled labour/scarce resources (and other Procurement related considerations)
- Potential for scope creep
- Lack of clarity amongst all stakeholders regarding Key Deliverables
- Timeframes
- Possible need to include formal legal input and/or to obtain Approvals from external organisations
- Reliance on external parties to deliver the Project (including the need to coordinate activities of multiple third parties)
- Level of unknowns involved
- Level of pre-planning conducted
- Degree of ongoing, timely management information throughout the life of the Project (and proper oversight thereof)
- Political involvement/interference
- Inconsistent leadership/management of the Project
- Different 'sources of truth' regarding documentation/Project progress reporting
- Lack of stability within project team
- Interference/demands from other external parties (eg funding agencies, regulatory agencies, other councils)

## APPENDIX 2: ROLES AND RESPONSIBILITIES

<b>All staff, contractors and elected members</b>	Advise supervisor (or other manager) of newly identified risks and/or changes in the nature of known risks
<b>Supervisors</b>	Proactively manage their respective Department/Project Risk Registers (possibly via the involvement of a Departmental Risk Champion)
<b>Executive Leadership Team</b>	Proactively manage the Key Operational Risk Register and Strategic Risk Register