



# Risk Management Policy

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# 1 Introduction

The Risk Management Policy sets out the basis for managing risk across the Council. The assessment of risk is an ever present and vital component of decision-making at all levels.

This Policy is intended to provide a pragmatic and integrated approach to risk management for the organisation, and has been prepared using guidance laid down in ISO 31000:2018.

## 1.1 Risk Areas

The Council measures risk impacts against the following areas:

Risk Area	Description
People & Capability	Factors relating to staff morale, retention and recruitment. This includes the ability to source skills from external parties.
Service Delivery	Disruptions to services, activities and projects.
Reputational	How the Council is viewed <del>in the eyes of</del> by the public <del>and other stakeholders</del> , and the potential for negative publicity.
Legal Compliance	The Council is subject to a wide array of complex legislation. Breaches can result in varying levels of legal action and intervention.
Financial & Investment	Financial loss and over-expenditure.
Health, Safety & Wellbeing	The potential for harm to come to people, both physically and psychologically.
Environmental	Damage to built <del>structures</del> and natural environments.
Cultural	The appropriate consideration of cultural factors in decision-making, and avoidance of giving offence.
Political	<del>Impacts on the Council's relationship and reputation with central government. Potential for loss of confidence from elected members, and inappropriate political intervention in operational matters.</del>

## 1.2 Key Relevant Documents

The Risk Management Policy should be read in conjunction with the below policies:

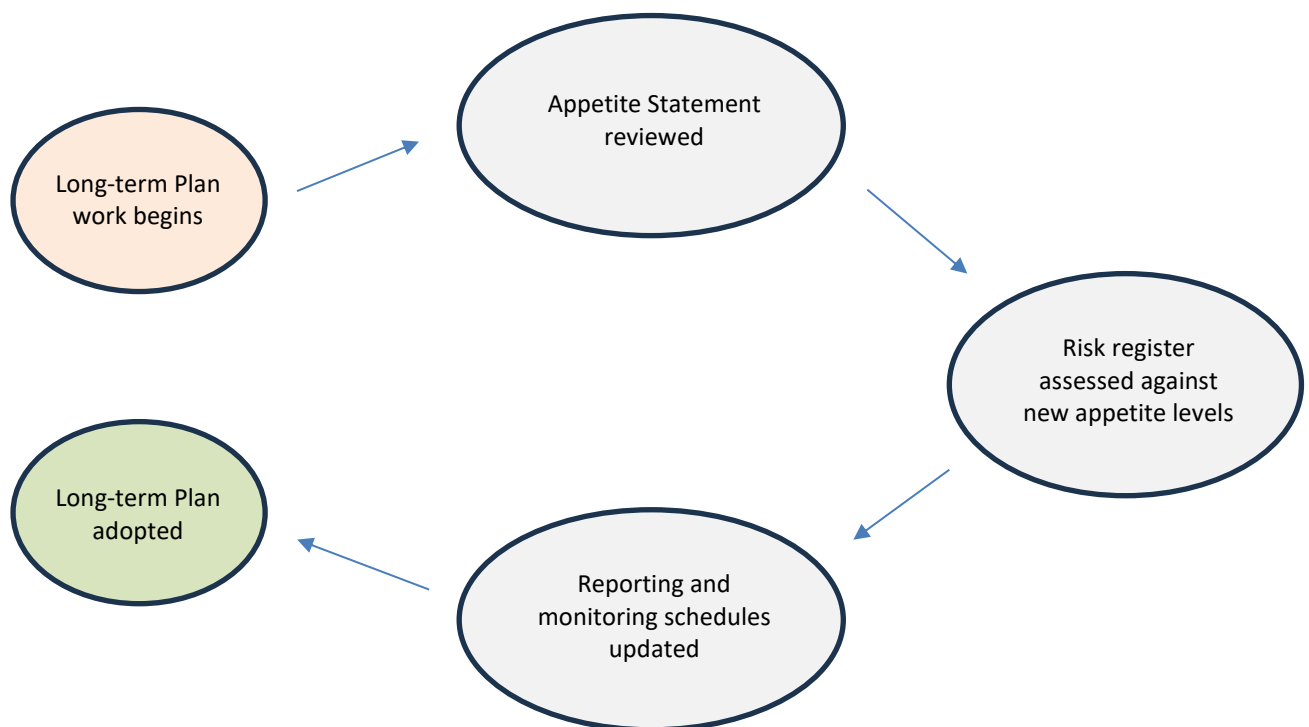
- Child Protection Policy
- Conflicts of Interest ~~and Gifts~~ Policy
- Fraud ~~and Corruption~~ Policy
- Health, Safety and Wellbeing Policy
- Information Management Policy
- Investment Policy
- Liability Management Policy
- People Safety Monitoring Policy
- Significance and Engagement Policy
- Wellbeing Policy

### 1.3 Definitions

Term	Description
<b>Control</b>	A preventative measure, or treatment, that decreases the likelihood and/or impacts of a risk.
<b>Event</b>	A risk that has occurred, <u>or an ongoing issue. Also called an 'issue'.</u>
<b>Impact</b>	The consequences of a risk occurring.
<b>Inherent risk</b>	<u>The level of risk before any controls are considered. A risk score that does not take any controls into account.</u>
<b>Likelihood</b>	The estimated chance of a risk occurring <u>with</u> in a 12-month period.
<b>Opportunity</b>	<u>Positive uncertainty that could improve outcomes or objectives if it occurs. The opposite of risk.</u>
<b>Owner</b>	The individual <u>staff member</u> responsible for managing a risk or control.
<b>Residual risk</b>	<u>The level of risk remaining after controls have been applied. A risk score that factors in the effectiveness of one or more controls.</u>
<b>Risk</b>	<u>Negative uncertainty that could damage outcomes or objectives if it occurs. The opposite of opportunity. Uncertainty – anything that could happen, but has not happened yet.</u>
<b>Risk Assessment Tool</b>	A tool that <u>officers-staff</u> use to enter risks onto the Risk Register.

### 1.4 Review Cycle

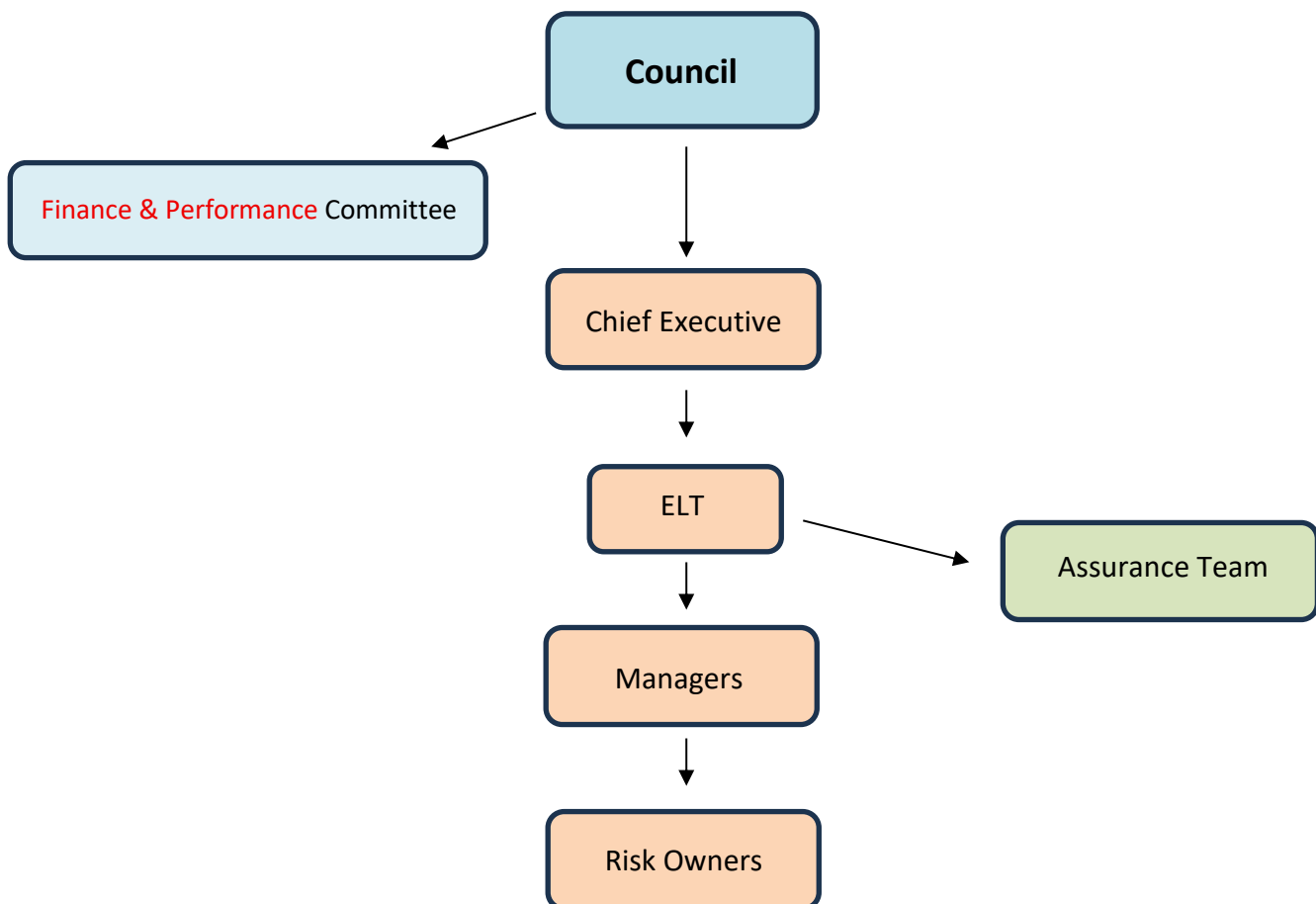
This Policy is subject to formal review every three years, and is aligned with the Long-term Plan. The Council's risk management procedures are also subject to minor adjustments at an operational level.



## 2 Responsibilities

The Council's risk management governance structure is illustrated below. While individual risks typically have a single owner in order to encourage accountability, collective oversight is provided by managers, the Assurance team, executive leadership, and Governance.

Level	Roles
<b>Council</b>	Elected members are responsible for articulating strategic risks, and ensuring that an appropriate risk management framework is in place.
<b>Audit &amp; Risk Finance &amp; Performance Committee</b>	Responsible for <del>proposing the Council's appetite for risk, and</del> providing governance oversight of risk management procedures <u>and receiving regular updates on risk and assurance.</u>
<b>Chief Executive</b>	Responsible for ensuring that decisions and directives from Governance are implemented by staff, and that staff are sufficiently resourced.
<b>Executive Leadership Team (ELT)</b>	General Managers are responsible for the day-to-day monitoring of strategic risks, and ongoing oversight of operational risks. Approval of risks that are outside of the Council's appetite.
<b>Assurance Team</b>	Responsible for implementing adjustments to the risk management framework and monitoring its effectiveness.
<b>Managers</b>	Approval of risks and controls that are within the Council's appetite.
<b>Risk Owners</b>	Individual staff will take responsibility for risks within their area, and for relevant controls and control improvement plans.



## 2.1 Training and External Advice

Council officers are responsible for ensuring that elected members receive adequate training on risk management, particularly towards the beginning of the electoral triennium and prior to the Appetite Statement being reviewed. Where beneficial and cost-effective, it may be prudent to seek external advice from third-party experts in risk management.

It is also incumbent on the Assurance Team to ensure that ~~officers~~ staff who are required to interact with the Risk Management Framework are appropriately briefed and trained. The Assurance Team will make themselves freely available to staff in order to provide guidance and expertise.

## 3 Risk Appetite Statement

The Council's risk appetite is broken down into 9 key risk areas, and reflects the level of risk that elected members are prepared to accept in the pursuit of positive outcomes and opportunities. The current Risk Appetite Statement is attached to this Policy (Appendix 1).

This statement is intended to be a **guide** only. Its purpose is to assist elected members in adopting a consistent approach to risk and decision-making, setting in place appropriate approval levels, and helping staff with assessing whether a proposal is likely to align with the Council's appetite for risk.

### 3.1 Assessing a Risk's alignment with the Risk Appetite

Risks that are beyond the Council's risk appetite require General Manager approval.

For the purpose of determining whether a risk is within or beyond the Council's appetite, a risk's impact levels can be compared against the equivalent appetite levels. For example, the impact level of 4 (Moderate) aligns with the appetite level of 3 (Cautious). This is shown in the below table and demonstrated in two scenarios:

Impact Level	Appetite Level
16 – <del>Worst-Case</del> Critical	5 – Ambitious
8 – Severe	4 – Open
4 – Moderate	3 – Cautious
2 – Minor	2 – Minimalist
1 - Insignificant	1 – Averse

#### Scenario 1

A risk is assessed as having an impact level of **4 (Moderate)** in the Health, Safety & Wellbeing risk area, and the Council's stated appetite level for this area is **2 (Minimalist)**. In this case, the risk is *beyond* the Council's risk appetite and will require General Manager approval.

#### Scenario 2

A risk is assessed as having an impact level of **8 (Severe)** in the Political risk area, and the Council's current appetite level for this area is **4 (Open)**. In this case, the risk is *within* the Council's risk appetite.

The Risk Assessment Tool will automatically assess whether a risk is within or beyond the Council's current appetite for risk.

There are exceptional circumstances that may justify the Council accepting a risk that is assessed to be beyond the current risk appetite, such as when:

- The potential outcomes of a proposed course of action outweigh the elevated risk ~~are likely to be very positive~~;
- External influences are beyond the Council's control;
- The risk will only be beyond the appetite level for a short time (e.g., due to new controls); or
- The risk is unavoidable.

## 4 Types of Risk

The Council distinguishes between three types of risk:

Type of Risk	Description
<b>Strategic</b>	Strategic risks are those that threaten the organisation's strategic priorities. Ongoing monitoring of these risks and their controls falls to Executive Leadership, and they are reported to the <u>Finance &amp; Performance</u> <del>Audit &amp; Risk</del> Committee.
<b>Operational</b>	Operational risks are owned by individual staff. Extreme and High risks are reported to the <u>Finance &amp; Performance</u> <del>Audit &amp; Risk</del> Committee.
<b>Project</b>	Project risks are managed independently of the risk register by project teams, with the project manager generally assuming ownership. Project risks that continue to be relevant after the completion of a project will either become operational or be transferred to a third-party.

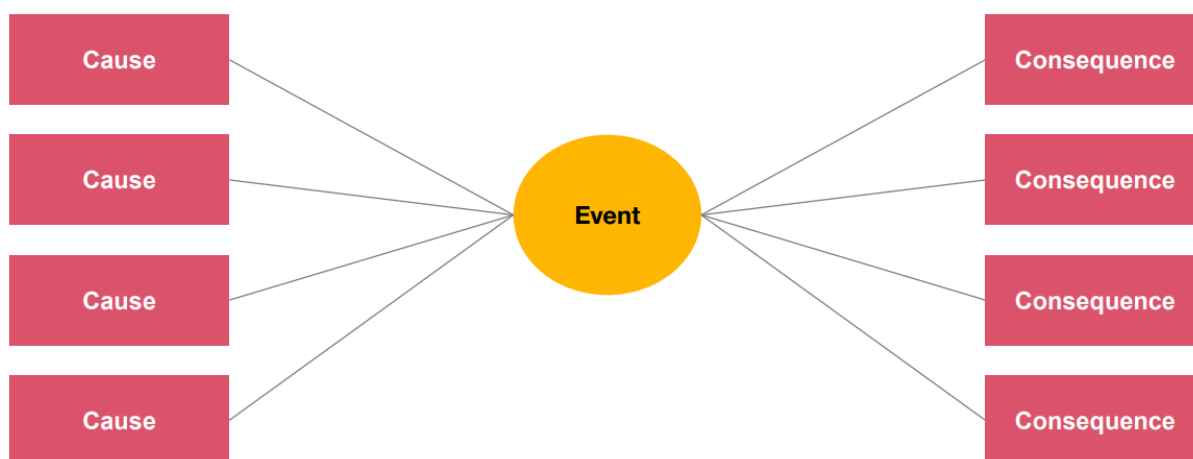
## 5 Risk Assessment

Risk assessment is generally split into three phases:

1. Identification
2. Analysis
3. Evaluation

### 5.1 Identification

This is largely an intuitive exercise, and involves thinking about what types of risk might present themselves when implementing certain decisions or carrying out BAU work. A helpful model that may assist with the identification of risk is called the "Bowtie method", illustrated below:



This model breaks down a risk into its **causes** which should be prevented, the **event** (i.e., when the risk happens) which needs to be identified and **consequences** which should be responded to.

## 5.2 Analysis

Risk analysis involves considering the likelihood and potential impacts of a risk, as well as the effectiveness of any existing or proposed controls. Controls are a key component of risk analysis, as they may reduce the likelihood of a risk occurring, lessen its consequences, or improve the Council's ability to identify and respond to the risk at an earlier stage.

Analysis may be either qualitative or quantitative depending on the nature, complexity and significance of the risk. In many cases, a descriptive assessment of the risk and its alignment with the Council's risk appetite may be more meaningful than a full metric-based assessment.

Where appropriate, risks may quantifiably be assessed using the Council's Risk Matrix to determine: This is the quantifiable phase of the process and has two parts:

1. An inherent risk score – the level of risk before controls are applied; and A risk is measured against both its likelihood and impacts to get an **inherent** risk score ('raw' risk that does not take account of any possible controls).
2. A residual risk score – the level of risk remaining after controls are applied. Controls are explored and taken into account, and the risk is then re-measured against its likelihood and impacts in order to get a **residual** risk score.

A Risk Matrix is used to assess the severity of a risk, by multiplying the **likelihood** (1– Rare, to 5– Almost Certain) and **impact** (1– Insignificant, to 16– Worst Case). This provides a Risk Score between 1 (Very Low) and 80 (Extreme).

The Council's Risk Matrix is attached to this Policy (Appendix 2).

The **Risk Assessment Tool** is available a user friendly aid designed to assist staff with this process in undertaking risk analysis where appropriate.

## 5.3 Evaluation

The purpose of risk evaluation is to support decision-making, and involves the consideration of further actions in response to the risk analysis. For example:

- Are there control improvement plans that should be put in place to further reduce the risk?

- How should the risk be justified in pursuit of seeking a positive outcome or opportunity?
- Should objectives be reconsidered if the risk is too great?

## 6 Controls

Selecting the most appropriate controls involves balancing the potential risk reduction that will be gained against the costs, effort or disadvantages of implementing them. It is often not feasible to implement all identifiable controls, and personal judgement will be required in selecting which ones provide sufficient value.

### 6.1 Effectiveness and Status of Controls

Controls should ~~effectively~~ reduce the likelihood and/or impacts of an ~~inherent~~ risk. There are several ways this can ~~take place~~occur, including:

- Avoiding certain activities;
- Removing sources of the risk;
- Sharing the risk with other parties (e.g., insurance, contractual agreements);
- Reducing risk outcomes through mitigating practices or systems; and
- Implementing measures that help to identify eventuating risks earlier.

The status of controls refers to whether they are actively in place, in the process of being implemented, or are planned (see Section 6.2). Controls will ~~therefore~~ have one of the below categorisations within the Risk Register:

- ~~Current and fully~~Fully effective;
- Partially effective ~~(requires updating)~~; or
- Planned

### 6.2 Control Improvement Plans

The implementation and monitoring of controls is an ongoing process and the owner of a risk typically (but not always) bears ownership of its associated controls.

The implementation of new controls, or the enhancement of existing ones, is an ongoing activity that is subject to formal review (every 6 to 12 months depending on the risk's severity). ~~At a minimum, control~~Control improvement plans should identify the following:

- Costs and resources;
- Benefits;
- ~~Responsibility~~Who is responsible for implementing; and
- ~~Estimated~~Due dates.

Due to the interrelated nature of Council activities, it may be appropriate for other staff to play a role in the planning and implementation of control improvement plans.

These plans can be recorded within the relevant risk's entry in the risk register – they do not require additional documentation.

## 7 Monitoring, Review and Reporting

### 7.1 Monitoring and Review

While the monitoring of risks and their controls is an ongoing exercise, they should be formally reviewed every 6 to 12 months depending on the residual risk score (see below table). Approval levels are required for this review – including manager level approval, and General Manager approval for ~~these~~ risks that sit beyond the Council’s risk appetite.

This is also an ~~appropriate time~~ opportunity for the effectiveness of existing controls to be re-considered and ~~an opportunity for~~ new controls to be identified.

### 7.2 Reporting

Operational risks are subject to reporting, with the levels and schedule of this being determined by the residual risk score, as below:

Risk Score	Review Schedule	Reporting Levels
Extreme	6 monthly	Executive Leadership – <del>quarterly</del> <u>6 monthly</u>
High	6 monthly	<del>Audit &amp; Risk</del> <u>Finance &amp; Performance</u> Committee – 6 monthly
Medium	6 monthly	Executive Leadership – annually
Low	Annually	Nil
Very Low	Nil – risks of this severity are not entered onto the risk register, but are managed as part of regular work	Nil

The review period and reporting schedule will be automatically calculated when a risk is entered onto the risk register via the Risk Assessment Tool. This will notify risk owners of the appropriate actions required and create approval workflows within the risk register.

## Appendix 1 – Risk Appetite Statement ~~2026~~ 2024

Risk appetite is the level of risk that we are willing to accept in the pursuit of positive outcomes.

A higher appetite generally means that the Council and officers can make more aspirational decisions, be innovative and pursue future opportunities. Nevertheless, there will be certain risks that the Council is not prepared to accept and MDC’s appetite varies across different areas of risk. These levels are reflected in the below table.

Maintaining an optimistic risk appetite is contingent upon having effective mechanisms in place to accurately assess risk severity, and understanding all potential benefits when considering decisions.

MDC expects all decision-makers to take the following risk appetite levels into account:

Risk Areas	Averse	Minimalist	Cautious	Open	Ambitious
People & Capability	Open				
Service Delivery	Cautious-Open				
Reputational	Cautious				
Legal Compliance	Averse-Minimalist				
Financial & Investment	Cautious				
Health, Safety & Wellbeing	Minimalist				
Environmental	Open Cautious-Open				
Cultural	Cautious				
Political	Open				

**Appetite levels** are defined as:

Ambitious	Due to the potential for very high reward, the Council is willing to aspirationally seek out positive outcomes and try new ways of conducting business.
Open	The Council is prepared to proactively take risks in this area where there is the potential for high reward and value for money.
Cautious	Opportunities will be broadly considered, but only where a careful analysis of risk-reward provides a solid justification for decision-making.
Minimalist	Risk-taking is only considered where it is essential to achieving the Council’s core objectives and priorities.
Averse	The Council has no appetite for risks in this area. No opportunities will warrant risk-taking, regardless of the possible benefits.

**People & Capability** – The Council has an OPEN appetite. Morale is a constantly evolving factor in organisational capability, and increasing staff’s commitment to MDC is vital to ensuring that performance is at its highest levels. New initiatives in organisational culture, staff management and recruitment, can result in increased performance and more valuable contributions from MDC staff.

**Service Delivery** – The Council has a CAUTIOUS to OPEN appetite. Continuous improvement in MDC's processes, systems and tools, are essential to increasing the range of services we offer and in providing value for ratepayer money. Trying new ways of doing things carries inherent risks to our service delivery, but are crucial in ensuring that the way MDC delivers its services remain relevant and efficient.

**Reputational** – The Council has a CAUTIOUS appetite. MDC's reputation is a raw measure of how the community perceives us. While it's important that the community is happy with the job that elected members and staff are doing, many decisions are complex and will have long-term payoffs, potentially risking public criticism in the short-term.

**Legal Compliance** – The Council has an AVERSE to MINIMALIST appetite. While legal compliance is not optional, failure to comply can often be accidental and/or minor. There can also be ambiguity with competing pieces of legislation or national policy, and at times it may be worth pursuing a positive outcome in spite of the risk of non-compliance.

**Financial & Investment** – The Council has a CAUTIOUS appetite. Many decisions that MDC implements have uncertain financial impacts. Where appropriate, risks of financial loss or overspend are appropriate in the pursuit of positive opportunities.

**Health, Safety & Wellbeing** – The Council has a MINIMALIST appetite. Risks in this category can be unavoidable (driving MDC vehicles, for instance). While they need to be controlled for as much as possible, avoiding all HS&W risks is impossible. Some risks may be acceptable if positive outcomes could potentially increase staff health, safety and wellness instead.

**Environmental** – The Council has a CAUTIOUS to OPEN appetite. Environmental outcomes are often influenced by changing legislation, national direction, and policy. While the Council is prepared to pursue positive environmental opportunities, these decisions require careful consideration of potential risks and future regulatory change.

~~There is often tension between environmental outcomes and social or economic outcomes. At times it may be necessary to accept risks to natural and built environments in the quest for positive outcomes in other areas.~~

**Cultural** – The Council has a CAUTIOUS appetite. MDC has many diverse communities, whose interests are not always perfectly aligned. There may be occasions where it's necessary to accept risks in this space in order to pursue positive outcomes and opportunities for specific communities, or for the District as a whole.

**Political** – The Council has an OPEN appetite. Central government decisions can have a significant impact on local government. The Council is prepared to engage proactively with the government of the day and adapt to changes in legislation, national direction, and policy where this supports positive outcomes for the community.

~~MDC processes are complicated, with a lot of external influences affecting how we do our work. This complexity naturally gives rise to risks around both elected members and staff performance. These risks have to be accepted in many situations, and the strong positive relationship between members and staff act as a buffer to any failings on either party.~~

## Appendix 2 – Risk Matrix

Likelihood		Risk <u>Level</u> (Score)				
5	Almost Certain	Low (5)	Medium (10)	High (20)	Extreme (40)	Extreme (80)
4	Likely	Low (4)	Medium (8)	High (16)	Extreme (32)	Extreme (64)
3	Possible	Very Low (3)	Low (6)	Medium (12)	High (24)	Extreme (48)
2	Unlikely	Very Low (2)	Low (4)	Medium (8)	High (16)	Extreme (32)
1	Rare	Very Low (1)	Very Low (2)	Low (4)	Medium (8)	High (16)
Impact		1	2	4	8	16
		Insignificant	Minor	Moderate	Severe	<b>Critical Worst Case</b>