



RISK MANAGEMENT POLICY



NAPIER
CITY COUNCIL
Te Kaunihera o Ahuriri

Adopted by	Napier City Council	
Relevant Legislation	Local Government Act 2002	
NCC Documents Referenced	Risk Management Strategy	476649
	Audit and Risk Committee Charter	1407859
	Health and Safety Policy	466437

Purpose

This policy replaces the Napier City Council (NCC) Corporate Risk Management Framework Policy adopted on 5 April 2017.

This policy provides a conceptual framework based on the AS/NZS ISO 31000 Framework for risk management. A separate Risk Management Strategy sets out Napier City Council’s approach to maturing risk capability, while this document outlines the framework for risk management on an ongoing basis.

Scope

The policy describes the framework for managing risk, including risk impact categories, risk appetite, authority for acceptance of risk above stated appetite, responsibilities, integration with other planning processes and how risks will be monitored and reported.

Policy

Background

NCC is working towards an Enterprise Risk Management (ERM) model that is aligned to the Risk Standard, AS/NZS ISO 31000 (‘the Standard’). The Standard recommends that organisations should have a framework that integrates the process for managing risk into the organisation’s overall governance, strategy and planning, management, reporting processes, policies, values and culture.

The AS/NZS ISO 31000 Risk Management - Principles and Guidelines, defines a Risk Management Framework as a: “set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation”.

With commitment from NCC’s Executive Leadership Team, the Risk Management Policy supports risk management practice, reporting, responsibilities and accountabilities at all management levels.

Mandate and Commitment

To ensure the ongoing effectiveness of the risk management framework there will be active and ongoing support, mandate and commitment by the Council and Executive Leadership Team to its implementation.

Risk Management Strategy

A separate document, NCC's Risk Management Strategy, outlines the goals for risk maturity at NCC, based on a risk management model and maturity matrix, and how NCC plans to work towards and measure progress against stated goals.

In adopting this Policy, NCC delegates to the Audit and Risk Committee (in accordance with schedule 7, clause 32(1) of the Local Government Act 2002), responsibility for adopting NCC's Risk Management Strategy, and for reviewing that strategy as appropriate, but no less than annually.

Risk Management

The sections below define the external and internal parameters within which risks will be managed at NCC, and set the scope and risk criteria for risk management processes.

Risk Impact Categories

The Risk Impact Categories are those areas against which the consequences/impacts of risk are measured at NCC and are listed and described in the table below.

Risk Impact Category	Description
Environmental & Sustainability	Harm to the environment or heritage asset or area, or risk to the long-term viability of an asset or resource.
Financial	Financial loss that may or may not be managed within the existing budget and may or may not impact a service.
Health, Safety and Wellbeing	Harm or injury to people with potential time loss and/or medical expenses. This includes social impacts and well-being of the community.
ICT, Infrastructure and Assets	Damage to assets/infrastructure with financial consequences. Loss of utilities/ICT systems resulting in disruption to services.
Legislative Compliance	Breach of legislation and compliance requirements that may or may not result in legal action and financial penalties.
Reputation/Image	Media exposure that may or may not impact reputation and image and may or may not require action or intervention.
Service Delivery	Disruption to a service or major project in progress that may result in delays to delivery.

Risk Appetite

The ISO Guide 73:2009, Risk Management – Vocabulary defines risk appetite as “The amount and type of risk that an organisation is willing to pursue or retain”. It is the responsibility of Council to set the appetite, and review that it is fit for purpose on an annual basis. Risk appetite for residual risk has been identified for each Impact Category for NCC in the following table.

Impact Category	Level of residual risk NCC is willing to retain in the pursuit of its objectives			
	Low	Moderate	High	Extreme
Environmental & Sustainability	●			
Financial		●		
Health and Safety and Well-being	●			
ICT, Infrastructure and Assets	●			
Legislative Compliance	●			
Reputation/Image		●		
Service Delivery	●			

Regarding health and safety risks to people in the workplace, NCC is bound by the Health and Safety at Work Act 2015 section 30, and NCC’s approach to complying with those duties is set out in the Napier City Council Health and Safety Policy.

Where the identified risk/hazard has the potential to cause immediate danger to people, the situation must be stabilised before the issue is escalated in accordance with the risk escalation process.

Authority for Acceptance of Risk above stated appetite

The aim is to apply control measures to minimise residual risks to the prescribed tolerance level or below. Residual risks that are above the prescribed tolerance level are to be escalated and assigned to the appropriate level within NCC. The assigned authority for control and management (including retention) of residual risk above the prescribed tolerance for NCC risks is shown in the table below.

Impact Category	Authority for Continued Tolerance/Retention of NCC Risks			
	Low	Moderate	High	Extreme
Environmental & Sustainability	Executive Director	Executive Director	Chief Executive	Council
Financial	Executive Director	Executive Director	Chief Executive	Council
Health and Safety and Well-being	Executive Director	Chief Executive	Chief Executive	Council
ICT, Infrastructure and Assets	Executive Director	Executive Director	Chief Executive	Council
Legislative Compliance	Executive Director	Chief Executive	Chief Executive	Council
Reputation/Image	Executive Director	Chief Executive	Chief Executive	Council
Service Delivery	Executive Director	Executive Director	Chief Executive	Council

Organisation and its Context

This policy sets the direction for risk management at NCC by:

- providing the mandate and structure (based on AS/NZS ISO 31000 Risk Management - Principles and Guidelines) for how risk will be managed at NCC (including approved risk appetite);
- giving delegated authority for the Audit and Risk Committee to approve the Risk Management Strategy (under LGA Schedule 7 Section 32).

The Risk Management Policy is reviewed annually and is endorsed by the Audit and Risk Committee for adoption by Council.

Refer to the Risk Management Strategy for considerations related to the internal and external context.

Roles and Responsibility

Roles and responsibilities for risk management at NCC are defined below.

- Council has a governance role for risk management at NCC providing both direction and control.
- The Audit and Risk Committee will deliver on its mandate as outlined in its delegations including acting in a risk monitoring advisory and improver role for Council. Refer to the

Audit and Risk Committee Charter in the NCC Local Governance Statement.

- The Chief Executive has overall oversight of risk management providing direction and advice to mitigate Council exposure, and promoting a risk management culture.
- The ELT has responsibility for management of strategic and operational risks, and promoting a risk management culture.
- The Risk Sponsor is responsible for reporting to the Audit and Risk Committee.
- The Risk and Assurance Lead provides proactive support and training to executive directors, managers and staff for the ongoing development of a risk management culture.
- Managers and Team Leaders are accountable for operational risk management within business units.
- All staff will have an awareness of the risk management framework; and associated actions.
- Contractors will adhere to Council's policies and procedures.

Integration with Organisation Processes

Environmental scanning and identification of strategic and operational risks, controls and treatment actions are incorporated into the Long Term Plan and Annual Plan development processes. Project risks are managed and reported within individual projects.

Resourcing

The table below summarises resourcing and budget requirements.

Area	Resources	Budget
Risk Controls and Treatment Actions	Internal and External Resources	Operational and capital budgets (individual activities)
Risk Management Training	Internal and External Resources	Operational budget
Risk Management Audit	External provider	Operational budget
Risk Management System	External provider	Operational budget

Communication and Reporting

The table below summarises the risk reporting requirements at NCC.

Report	Frequency	Audience
Risk Treatment Action Status Report ¹	Monthly	Executive Managers Leadership Team,
	Quarterly	Audit and Risk Committee
Incident Report ²	Monthly	Executive Managers Leadership Team,
	Quarterly	Audit and Risk Committee
Strategic Risk Report	Quarterly	Executive Leadership Team, Audit and Risk Committee
Operational Risk Report	Quarterly	Executive Managers Leadership Team,
Risk Management Audit Report	Annual	Executive Leadership Team, Audit and Risk Committee, Council

Monitoring and Review

Risks will be formally monitored, reviewed and reported on by the Risk Owner.

Continual Improvement of Framework

The programme of work for improvement is defined in NCC's Risk Management Strategy. The Strategy will be revised as appropriate based on assessment of progress.

Processes

Processes will be described in user guidelines and, where possible, follow the Risk Standard, AS/NZS ISO 31000:20018

Policy Review

The review timeframe of this policy will be as required, but no longer than every three years.

¹ For all extreme organisational and high strategic risks.

² Relates to Health & Safety risks

Document History

Version	Reviewer	Change Detail	Date
0	Director Corporate Services	Development and adoption of the 'Corporate Risk Management Framework Policy'	2017
1	Director Corporate Services	Development of the alternative 'Risk Management Policy', replacing the above.	2022

Appendix A: Glossary of Terms

Term	Definition
Consequences	Outcome of an event affecting objectives (AS/NZS ISO 31000).
Control	Measure that is modifying risk (AS/NZS ISO 31000).
Exposure	The risk exposure is a qualitative value of the sum of the consequences of an event multiplied by the probability of that event occurring.
Likelihood	Chance of something happening (AS/NZS ISO 31000)
Operational Risk	Risks at a business unit and function level that could have an effect on the successful achievement of the group and business unit outcomes and objectives. Potentially these risks could have a significant financial, reputational and/or service delivery impact on the business unit as a whole.
Project Risk	Risks that could have an effect on the successful achievement of the project's outcomes/objectives in terms of service delivery, benefits realisation and engagement with key stakeholders (service users, third parties, partners etc.).
Residual Risk	Risk remaining after risk treatment (AS/NZS ISO 31000)
Risk	Effect of uncertainty on objectives. (AS/NZS ISO 31000)
Risk Appetite	The amount and type of risk that an organisation is prepared to pursue, retain or take.
Risk Appetite/Tolerance	An organisation's or stakeholder's readiness to bear the risk after risk treatment in order to achieve objectives.
Risk Management	Coordinated activities to direct and control an organisation with regard to risk (AS/NZS ISO 31000 - 2009).

Risk Owner	Person or entity with the accountability and authority to manage a risk (AS/NZS ISO 31000 - 2009).
Risk Treatment	Process to modify risk (AS/NZS ISO 31000).
Stakeholder	Person or organisation that can affect, be affected by, or perceive themselves to be affected by, a decision or activity. (AS/NZS ISO 31000)
Strategic Risk	<p>Risks that could affect or prevent the Council achieving its objectives.</p> <p>These are:</p> <ol style="list-style-type: none"> 1. risks that could potentially have a Council-wide impact and/or 2. risks that cannot be managed solely at a business unit level because higher level support/intervention is needed.

Appendix B: Consequence Criteria Rating

Impact Category	Insignificant	Minor	Moderate	Major	Severe
Environmental and Sustainability	<p>Negligible damage that is contained on-site.</p> <p>AND</p> <p>The damage is fully recoverable with no permanent effect on the environment or the asset. It will take less than 6 months for the resource to fully recover.</p>	<p>Minor damage to the environment or heritage asset or area that is immediately contained on-site. It will take less than 2 years for the resource or asset to fully recover or it will only require minor repair.</p> <p>OR</p> <p>Disturbance to scarce or sensitive environmental or heritage asset or area.</p>	<p>Moderate damage to the environment or a heritage listed asset or area, which is repairable. The resource or asset will take up to 10 years to recover.</p>	<p>Irreversible and extensive damage is caused to a non-Heritage Listed area or asset but that has heritage values.</p> <p>OR</p> <p>Irreversible and extensive damage is caused to a non-environmentally significant area or asset.</p> <p>OR</p> <p>Significant damage is caused to a Heritage Listed area or asset that involves either extensive remediation or will take more than 10 years to recover.</p> <p>OR</p> <p>Significant damage is caused to an environmentally significant area or asset from which it</p>	<p>Irreversible and extensive damage is caused to a World Heritage Listed Area, a National Heritage Listed Site, a Register of the National Estate Site or a Council Heritage Listed area or asset.</p> <p>OR</p> <p>Irreversible and extensive damage is caused to a Matter of National Environmental Significance under the Act (e.g. endangered species, RAMSAR wetland, marine environment).</p>

Impact Category	Insignificant	Minor	Moderate	Major	Severe
				will take more than 10 years to recover.	
Financial	Minimal financial impact requiring no action or approval within local authority levels. Less than \$10,000.	A financial loss that can be managed within existing department budget. \$10,000 to less than \$100,000.	A financial loss that can be managed within existing organisational budget. \$100,000 to less than \$1M.	A financial loss resulting in potential reduction in a service. \$1M to less than \$5M.	A critical financial loss resulting in closure or significant reduction in a service. Greater than \$5M.
Health, Safety and Wellbeing	Minor injury or ailment that does NOT require medical treatment by a physician or a qualified first aid person	Injuries or illness requiring medical attention with no long-term effects. OR Exposure of public and staff to a hazard that could cause minor injuries or minor adverse health effects	One or more injuries or illness requiring hospitalisation with some long-term effects. OR Public or staff exposed to a hazard that could cause injuries or moderate adverse health effects	One or more serious casualties or illness with long-term effects. OR Public or staff exposed to a hazard that results in major surgery or permanent disablement.	One or more fatalities or life threatening injuries or illness. OR Public or staff exposed to a severe, adverse long-term health impact or life-threatening hazard.
ICT, Assets/Infrastructure	Some damage where repairs are required however facility or infrastructure is still operational. Loss of utilities/systems resulting in minor IT disruption to a service for up to 12 hours.	Short term loss or damage where repairs required to allow the infrastructure to remain operational using existing internal resources. Loss of utilities/systems resulting in minor IT	Short to medium term loss of key assets and infrastructure where repairs required to allow the infrastructure to remain operational. Cost outside of budget allocation. Loss of	Widespread, short term to medium term loss of key assets and infrastructure. Where repairs required to allow the infrastructure to remain operational. Cost significant and outside of budget	Widespread, long term loss of substantial key assets and infrastructure. Where infrastructure requires total rebuild or replacement. Failure of utilities/systems resulting in the loss of

Impact Category	Insignificant	Minor	Moderate	Major	Severe
		disruption to a service (>12 hours - 24 hours).	utilities/systems resulting in IT disruption to a department for up to 12 hours.	allocation. Loss of utilities/systems resulting in serious IT disruption to several services or more than 1 department for up to 12 hours.	function for several departments (> 12 hours).
Legislative Compliance	Minor technical breach but no damages. No monetary penalty AND/OR Internal query.	Minor technical non-compliances and breaches of regulations or law with potential for minor damages or monetary penalty. AND/OR Special audit by outside agency or enquiry by Ombudsman.	Compliance breach of regulation with investigation or report to authority with prosecution and/or possible fine. AND/OR Non-compliance with Corporate/Council Policy	Major compliance breach with potential exposure to large damages or awards. Prosecution with 50% to maximum penalty imposed. District or Environmental court. OR Multiple compliance breaches that together result in potential prosecution with 50% to maximum penalty imposed	Serious compliance breach with potential prosecution with maximum penalty imposed. High Court or criminal action. OR Multiple compliance breaches that together result in potential prosecution with maximum penalty imposed
Reputation/Image	Customer complaint. AND/OR Not at fault issue, settled quickly with no impact.	Non-headline community media exposure. Clear fault. Settled quickly by NCC response. Negligible impact.	Negative local (headline) and some regional media coverage. Council notification. Slow resolution.	Negative regional (headline) and some national media coverage. Repeated exposure. Council involvement. At fault or unresolved complexities	Maximum multiple high-level exposure. Sustained national media coverage. Direct Council intervention. Loss of credibility and public /

Impact Category	Insignificant	Minor	Moderate	Major	Severe
				impacting public or key groups.	key stakeholder support.
Service Delivery	<p>Some non-essential tasks will not be able to be achieved.</p> <p>AND/OR</p> <p>Unable to provide service for <1 business day.</p> <p>AND/OR</p> <p>Major Project in progress delay for < 1 month.</p>	<p>Less than 5% of essential tasks will not be achieved.</p> <p>AND/OR</p> <p>Unable to provide service for 1-3 business days.</p> <p>AND/OR</p> <p>Major Project in progress delay for 1 - 2 months.</p>	<p>5% - 10% of essential tasks will not be achieved</p> <p>AND/OR</p> <p>Unable to provide service for 3-10 business days.</p> <p>AND/OR</p> <p>Major Project in progress delay for 2-3 months.</p>	<p>10% - 20% of essential tasks will not be achieved.</p> <p>AND/OR</p> <p>Unable to provide service for 10-20 business days.</p> <p>AND/OR</p> <p>Major Project in progress delay for 3-6 months.</p>	<p>Greater than 20% of essential tasks will not be achieved.</p> <p>AND/OR</p> <p>Unable to provide service for >20 business days.</p> <p>AND/OR</p> <p>Major Project in progress delay for > 6 months.</p>



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