

Risk Appetite Statement

Department:	Business Support
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Purpose:

This Risk Appetite Statement defines the level of risk acceptable or tolerable to Central Otago District Council (CODC) and the approach to managing and monitoring risks that fall outside this defined appetite. This document aligns with, and must be read in conjunction with, the Risk Management Policy.

Principles and objectives:

Council recognises that defining risk appetite is a tool that will support the management and analysis of risks across the organisation. To support the efficacy of the Risk Management Policy, this Risk Appetite Statement defines the level of risk that Council is willing to take in pursuit of achieving objectives and delivering required services.

Scope:

This Risk Appetite Statement must be read and understood by:

- Managers and team leaders;
- Group and general managers;
- Elected Members; and
- Appointed Members.

Definitions:

Term	Definition
Risk Appetite	The amount of risk an organisation is willing to take in pursuit of achieving objectives. This Risk Appetite Statement confirms Council's risk appetite in qualitative statements.
Risk	A threat to the achievement of objectives. Measured by the combination of impact and likelihood of the risk occurring.

Policy:

Utilising Risk Appetites

The definition of risk appetites within this Risk Appetite Statement is only one element of increasing Council's risk maturity. In order to support the management of risk throughout the organisation, this Risk Appetite Statement must be utilised by the target audience to enhance and guide discussion about risks associated with decisions being made.

Risk Appetite Statement

Council's risk appetites are documented in the below table, providing statements for each appetite category. Council's risk appetites are informed by our risk impact criteria and risk matrix, which can be found at Appendices A and B.

Risk Appetite Category	Category Description	Risk Appetite Statement	Risk Appetite
Operational	This category includes all operational risks detailed within departmental Operational Risk Registers.	<p>Council has a low appetite for operational risk.</p> <p>Risk exposure through day to day, business as usual activities is actively mitigated through Council's operational control environment.</p>	Low
People and Health & Safety	This category includes risks relating to the wellbeing, satisfaction, and retention of staff. The category also includes risks relating to Health & Safety of staff, contractors, and users of Council facilities.	<p>Council has a medium appetite for 'people and health & safety' key risks.</p> <p>Due to the activities being undertaken by Council staff and contractors, and at Council's public facing facilities, Council understands that a certain level of risk must be accepted in order to continue effectively managing these activities and facilities.</p>	Medium
Service Delivery and Assets	This category includes risks relating to the failure or damage of Council assets, and the ability of Council to deliver services to the district.	<p>Council has a medium appetite for 'service delivery and assets' key risks.</p> <p>Council understands that the appetite for risk in this area is balanced with a need to keep costs within a reasonable range.</p>	Medium
Legislative and Regulatory Compliance	This category includes risks with a distinct focus on adherence to legislation and regulation.	<p>Council has a low appetite for 'legislative and regulatory compliance' key risks.</p> <p>Council aims to achieve compliance with all legislation and regulation and understands that there are critical pieces of legislation and regulation that would result in significant impacts if adherence was not achieved.</p>	Low

Risk Appetite Category	Category Description	Risk Appetite Statement	Risk Appetite
Reputation and Relationships	This category includes risks relating to maintaining or building effective relationships with stakeholders. The category also includes risks relating to Council's reputation and standing within the district, regionally, and nationally.	<p>Council has a medium appetite for 'reputation and relationships' key risks.</p> <p>Council understands that relationships with the many stakeholders are key to success. Council agrees that setting a medium appetite for this risk category reflects the possibility that necessary decisions are not well received by district residents.</p>	Medium
Environment	This category includes risks relating to the district's natural environment, ecosystems, and landscapes.	<p>Council has a medium appetite for 'environmental' key risks.</p> <p>Council acknowledges the importance of maintaining a thriving natural environment which can be enjoyed by this district's residents and visitors.</p>	Medium
Systems, Data, and Information	This category includes risks relating to the appropriateness and security of our information systems, and the security and management of data and information.	<p>Council has a low appetite for 'systems, data, and information' key risks.</p> <p>Council seeks to ensure its information systems operating environment is secure and fit for purpose, ensuring that all data and information is appropriately managed.</p>	Low

Risk Appetite Category	Category Description	Risk Appetite Statement	Risk Appetite
Financial Operations	This category includes risks with a distinct focus on budgets, spending, and financial losses.	<p>Council has a low appetite for 'financial operations' key risks.</p> <p>Council acknowledges that financial prudence and ensuring the use of public funds is appropriate are key to maintaining public trust. Council has a low appetite for budgetary overspends and unexpected losses.</p>	Low
Financial Sustainability	This category includes risks relating to Council's long-term financial sustainability, debt levels, and financial strategy.	<p>Council has a low appetite for 'financial sustainability' key risks.</p> <p>Council strives to manage finances in a way that protects the longevity of the organisation and ability to deliver on long-term goals. Council's appetite for risks that could impact our financial sustainability is therefore low.</p>	Low

Risk Appetite Summary

Risk Appetite Category	Risk Appetite				
Operational	Very Low	Low	Medium	High	Very High
People and Health & Safety	Very Low	Low	Medium	High	Very High
Service Delivery and Assets	Very Low	Low	Medium	High	Very High
Legislative and Regulatory Compliance	Very Low	Low	Medium	High	Very High
Reputation and Relationships	Very Low	Low	Medium	High	Very High
Environment	Very Low	Low	Medium	High	Very High
Systems, Data, and Information	Very Low	Low	Medium	High	Very High
Financial Operations	Very Low	Low	Medium	High	Very High
Financial Sustainability	Very Low	Low	Medium	High	Very High

Out of Appetite Process

When a risk is assessed at a residual level as out of appetite, the following steps will be taken, depending on risk type.

Operational Risks

Out of appetite operational risks are reported to the Executive Leadership Team (ELT). The risk owner must recommend whether they believe the risk should be accepted or treated. ELT must review the recommendation and agree or disagree with the approach suggested.

When ELT agrees to accept an operational risk as out of appetite, these acceptances are reported to the Audit and Risk Committee for information.

When ELT agrees that a risk should be treated by taking further action to reduce risk exposure, it is the responsibility of the risk owner to manage the implementation of this additional action.

Out of appetite operational risks will continue to be assessed on a six-monthly basis, as part of the standard operational risk assessment process. ELT will review out of appetite risks annually.

Key Risks

Key risks are placed in a risk appetite category. If a key risk's residual risk assessment is out of appetite for its associated category, ELT must decide whether the risk should be accepted or treated.

The Audit and Risk Committee will review out of appetite key risks and provide feedback as to whether the suggested approach of acceptance or treatment is deemed appropriate. '

Out of appetite key risks will continue to be reviewed and assessed by ELT quarterly, as part of the standard risk assessment process.

Out of appetite risks will be noted in quarterly reporting to the Audit and Risk Committee.

Review

Council's risk appetite statement will be reviewed in line with the Risk Management Policy.

Related documents:

This Risk Appetite Statement must be read and utilised in conjunction with the Risk Management Policy. In order to be fully effective, this Risk Appetite Statement must be understood in the context of wider risk management activity throughout the organisation.

Appendix A

Risk Matrix

Likelihood	Almost Certain (5)	Low (5)	Medium (10)	High (15)	Very High (20)	Very High (25)
	Highly Likely (4)	Low (4)	Medium (8)	High (12)	High (16)	Very High (20)
	Possible (3)	Low (3)	Low (6)	Medium (9)	High (12)	High (15)
	Unlikely (2)	Very Low (2)	Low (4)	Low (6)	Medium (8)	Medium (10)
	Rare (1)	Very Low (1)	Very Low (2)	Low (3)	Low (4)	Low (5)
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Extreme (5)
				Impact		

Appendix B

Risk Impact Criteria

Impact and Score	Financial Operations	Financial Sustainability	People and Health & Safety	Service Delivery and Assets	Legislative and Regulatory Compliance	Reputation and Relationships	Environment	Systems, data and information
Extreme 5	Capex overspend of >50% of approved budget Unanticipated costs or losses of > \$1 million	Council is unable to obtain an appropriate credit rating, or when holding a credit rating, this is downgraded. Council's long-term financial outlook is extremely poor with results expected to negatively impact the district and ratepayers.	H&S incident resulting in one or more fatalities. Long term severe health effects, including life-changing injuries for one or more individuals. Site shut down, investigation, and notification to Worksafe or other agency. Significantly increased attrition, increased long-term staff absence, and/or significant drop in staff wellbeing.	Key services not available to the majority of the community for over a week. Severe service degradation ongoing for over a month. Critical assets destroyed or rendered unusable for several months.	Breaches result in legal action and/or penalties for Council or officers of Council. Compliance failures result in severe restrictions placed upon two or more areas of core Council business.	National adverse political or media comment. Long-term loss of confidence in Council's capability and standing. New and existing relationships compromised, requiring significant time and effort to repair.	Irreversible and extensive damage to significant natural environments and ecosystems. Widespread irreversible damage to landscapes. Permanent loss of one or more species.	Loss of access to critical systems for over 1 week, non-critical over 2 weeks. Permanent loss of critical data. Data leak/breach of confidential information relating to all Council functions.
Major 4	Capex overspend of >25% of approved budget Unanticipated costs or losses of \$250k - \$1m	Council is able to achieve a low credit score that allows low levels of borrowing and shows us as a vulnerable or unattractive borrower. Council's long-term financial outlook is poor.	H&S incident involving multiple casualties requiring hospitalisation. Long-term severe health effects, including life-changing injuries, for an individual. Site shut down, investigation, and notification to Worksafe or other agency. Long-term staff dissatisfaction, slight increase in long-term staff absence, and/or minor drop in staff wellbeing.	Key services not available to a significant portion of the community for less than a week. Severe service degradation ongoing for less than a month. Critical assets rendered unusable for several weeks.	Breaches result in legal action being taken against Council and/or officers of Council. Compliance failures result in substantial restrictions placed on one core Council activity.	Regional adverse political or media comment for more than a week. Loss of confidence in Council's capability and standing lasting several months. New and existing relationships somewhat compromised, requiring additional oversight to improve.	Long-term and significant damage to natural environment and ecosystems taking >5 years to recover and significant restorative work. Localised irreversible damage to landscapes. Long-term reduction in one or more species.	Loss of access to critical systems for less than 1 week, non-critical less than 2 weeks. Data loss/leak of confidential information relating to one Council function.
Moderate 3	Capex overspend of >10% of approved budget Unanticipated costs or losses of \$100k - \$250k	Council is able to achieve a lower than desired, but reasonable credit rating. Council's long-term financial stability is negatively impacted, with the outlook less favourable than previously modelled.	H&S incident involving one or more casualties requiring urgent medical attention. Medium-term health effects for one or more people. Investigation and possible site shut down and/or notification to Worksafe or other agency. Medium-term staff dissatisfaction, slight increase in medium-term staff absence.	Key services not available to some of the community for less than a week. Moderate service degradation for less than a month. Multiple non-critical assets rendered unusable for at least a week.	Breaches require significant attention or corrective action. Compliance failures result in restrictions placed upon limited areas of core Council business.	Regional adverse political or media comment for less than a week. Public dissatisfaction lasting from days to weeks. New and existing relationships require increased attention but are not compromised.	Widespread damage to local natural environment and ecosystems taking several years to recover and extensive restoration work. Localised reversible damage to landscapes. Temporary reduction of more than one species.	Loss of access to critical systems for less than 1 day, non-critical less than a week. Data loss/leak of confidential information relating to one Council function.
Minor 2	Capex overspend of >5% of approved budget Unanticipated costs or losses of \$30k - \$100k	Council is able to achieve and continue to maintain the desired credit rating. Council's long-term financial stability is called into question, but the outlook remains unchanged.	H&S incident requiring first aider attention resulting in short-term, minor negative health impacts. Internal investigation required, without need for external notification. Short-term staff dissatisfaction, slight increase in short-term staff absence.	Short-term reduced service delivery that does not compromise community outcomes. Small number of non-critical assets unusable for less than a week.	Breach or compliance failure that requires minor remedial action. No restrictions placed on activities.	Local adverse political or media comment for less than a week. Limited dissatisfaction. No impact on new or existing relationships.	Minor damage including temporary pollution or contamination of localised natural environment or ecosystem. Minor reversible damage to landscapes. Temporary reduction of one species.	Loss of access to non-critical systems for less than 1 day. Data loss/leak of non-confidential information relating to more than one Council function.
Insignificant 1	Opex or capex overspend of less than \$30k	Council's short-term stability is impacted, but long-term financial stability is not affected.	H&S incident resulting in momentary or limited health impact. No assistance required. Brief, minor staff dissatisfaction.	Service delivery delays with no negative impact on the community Assets remain in use, but with superficial damage.	Compliance failure that does not result in a breach, with no disruption to performance of duties.	Negative personal views about Council publicly shared with negligible impact on Council's reputation. Public confidence and stakeholder relationships are unaffected.	Brief, non-hazardous and short-term impact on localised natural environment or ecosystem. Minor short-term reversible damage to landscapes	Non-critical systems or data interrupted for less than 4 hours. Data loss/leak of non-confidential information relating to one Council function.