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Risk Management Policy

Purpose

1. The Policy outlines Council's risk management philosophy, risk threshold and approach to managing risk. It also sets out the principles which guide Council's risk philosophy and the structures and processes necessary to implement, support and sustain effective risk management across Hamilton City Council.
2. The Policy provides a framework to effectively manage risks inherent to the Council's operation which can affect the achievement of its goals and objectives by:
 - Ensuring risk-based information is available to support good decision-making
 - Providing assurance that risks are being appropriately addressed and managed
 - Ensuring compliance with legislation and regulations

Scope

The scope of this policy applies to all Hamilton City Council employees.

Definitions

| Definition | Detail |
|-----------------------------|---|
| Council | The Hamilton City Council elected members. |
| Hamilton City Council (HCC) | The Hamilton City Council as an organisation. |
| Level of risk | The magnitude of a risk or combination of risks expressed in terms of the combination of consequences and their likelihood. |
| Project | A series of interrelated activities undertaken to accomplish a specific goal or end result with specific start and end points (not ongoing). |
| Public annoyance | The result of something that disturbs or aggrieves the public; something the public finds irritating or troublesome. |
| Risk attitude | Council's approach to assess and eventually pursue, retain, take or turn away from risk. |
| Risk management | Coordinated activities to direct and control Council with regard to risk. |
| Risk management framework | A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout Council. |
| Risk threshold | The amount and type of risk that Council is willing to accept in pursuit of its objectives. |
| Risk tolerance | The maximum risk that Council is willing to take regarding each relevant risk. |

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| Extreme risk | A risk which is almost certain or likely to occur which will result in major or catastrophic consequences. |
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Principles

3. Risk management will be governed by a common set of principles, aligned to the joint AS/NZS ISO 31000:2018 Risk Management Standard. These principles should be considered for all risk management activities undertaken within Hamilton City Council:
 - a. **Integrated** – risk management is an integral part of all the Council’s activities.
 - b. **Structured and comprehensive** – the Council’s approach to risk management contributes to consistent and comparable results.
 - c. **Customised** – the Council’s risk management framework and processes are customised and proportionate to the external and internal context related to the Council’s objectives.
 - d. **Inclusive** – appropriate and timely involvement of the Council’s stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management to inform decision-making, prioritise actions and distinguish alternative courses of actions.
 - e. **Dynamic** – risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
 - f. **Best available information** – the inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly considers any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
 - g. **Human and cultural factors** – significantly influence all aspects of risk management at each level and stage.
 - h. **Continual Improvement** – risk management is continually improved through learning and experience.

Risk management statement

4. Risk management is the responsibility and duty of everyone at Hamilton City Council. The process of identifying and managing risks remains at the core of all processes to ensure that Council is able to meet its long-term goals and strategy.

Everyone at Council should be empowered to identify risks and have the tools available to be able to bring these to the attention of Management and Council. This Policy will ensure that events that might create, enhance, prevent, degrade, accelerate or delay the achievement of objectives, are identified, reported early and managed appropriately.

Risk management overview

1. Council will determine and oversee the risk management structure and ensure it is functioning effectively and efficiently.
2. Council’s requirements and priorities in respect of risk management will be communicated throughout Hamilton City Council.
3. Potentially significant risks identified by personnel can be communicated upwards to Council through the Chief Executive.
4. Council will determine the level of significance that they would like to review, e.g. extreme, very high, and high risk. Risks will be rated on a five-point rating scale at Hamilton City Council (extreme, very high, high, medium, and low).
5. Council should identify and address risks at a governance level which would affect its ability to meet the governance and stewardship role for Hamilton City Council.
6. Hamilton City Council’s risk management guidelines are consistent with the ISO 31000:2018 Risk

Management Standard.

Risk threshold and tolerance

7. Setting risk threshold and tolerance is the responsibility of Council.
8. At Council level, risk threshold is a driver of strategic risk decisions. At an executive level, risk threshold translates into a set of procedures to ensure that risk receives adequate attention when making tactical decisions. At an operational level, risk threshold dictates operational constraints for routine activities.
9. Setting risk threshold starts with the outcome targets Council wishes to achieve, taking into account:
 - a. Current and future potential risk exposures.
 - b. An analysis of risk/ opportunities
 - c. Current and future potential resources.
 - d. Council's desired risk position in the public sector, given the reputation it wants to achieve/maintain, likely sector developments and the positioning and expected strategies of other sector participants/stakeholders.
10. Council sets a risk threshold at an overarching level for all activities undertaken. All risks undertaken should be done so in line with the risk management framework. All risks identified must be assessed against key Council consequence areas to ensure the impact on Council can be clearly understood. This will include consequence areas such as financial, political, reputational, compliance, and safety and wellbeing.
11. In executing its chosen strategies Council encourages intelligent risk taking, grasping of new opportunities and the use of innovative approaches to further the interests of its business and help achieve its stated outcomes provided the resultant risk exposure is within Council's risk tolerance limits.
12. Additional care is needed in taking any action which could:
 - a. impact on the reputation of Council, and HCC
 - b. impact on service delivery to ratepayers
 - c. impact the safety and wellbeing of HCC people and the public
 - d. undermine the achievement of HCC's objectives
 - e. result in financial loss
 - f. result in the disclosure of sensitive information when dealing with Official Information requests.
13. The following risk evaluation guidelines must be considered when considering opportunities or making decisions.

| Class | Tolerance | Threshold All risks with an overall rating of Very High or Extreme should be reported to Council |
|--|--|--|
| Financial | Operational and capital expenditure budgets should be closely monitored to ensure these are kept within reasonable limits. | Significant financial loss in operational budget in excess of: Opex increase or reduction in revenue: the lesser of 10%-15% (or \$10k-\$100k) of Opex budget |
| Strategic / Political | The risk is aligned to political changes and confidence at a local or national level. | Activity will be detrimental to the organisation if it progresses as it will not be aligned with local or central political strategic imperatives. Loss of political confidence. |
| Regulatory / Compliance | All risks can stand up to legal challenges | The activity is unable to comply with regulations, compliance or adverse audit findings. Extensive fines/penalties likely. |
| People, Health, Safety and wellbeing | No circumstances are expected to adversely impact the safety and wellbeing of staff, contractors and the public. The risk does not anticipate | Significant health and safety concerns requiring additional measures and resources. Injuries could be significant. |
| Community and Wellbeing | The impact of an activity on the community is localised, short term, reversible and involves no public safety issues | Widespread dissatisfaction from the community with a risk of damage to HCC's reputation caused by poor communication or stakeholder engagement. |
| Technology | Risks with technology issues and data are easily retrievable | Significant loss of data and impact. Data is at risk of not being retrievable. |
| Operational | Operational activities will be affected in one area of service delivery. No material loss. | Widespread reduction in service delivery / disruption or outage has a detrimental effect on stakeholders |
| Reputation | All risks identified should be considered for reputational impact on HCC and Council. | Persistent negative national media coverage which could continue to escalate. |
| Disaster event, including hazards, exposure and vulnerability | The organisation has risk mitigations in place for preparedness and risk transfer (insurance) which can respond to and recover from the impacts of a likely disaster | Emerging or impending threat of disaster, with the likelihood of loss of life, injury or destruction and damage in a given period of time |
| Environmental | Any minor environmental damage caused by the activity can be managed through consent and planning process | The activity will cause widespread or major environmental damage with significant cost and reputation. |

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| Projects | All projects can be adequately managed to ensure they are completed within budget and do not incur overruns. These projects should also be completed within the agreed scope and timelines while delivering on the agreed objectives and assessed for reputational consequence on Council. | Project budget severely impacted or requires significant additional funding, key milestones cannot be met, scope change impacts achieving desired results |
|-----------------|--|---|

The resultant risk ratings after the assessment of consequences and likelihood, as well as the actions required for these risks are outlined in Schedule 1.

Reporting extreme risks.

14. In the case that a risk assessment results in an 'extreme' inherent or residual risk score, the risk is to be reported to the Chief Executive and Council immediately and subsequently reviewed and reported as outlined in Schedule 1.

Review of risk management

15. Risk management performance will be reviewed regularly to ensure that the desired outcomes or benefits are being achieved.
16. Council will receive reports from the Chief Executive of significant risks at Council on a regular basis. Council will review the risks as well as any mitigations/controls in place.
17. Feedback regarding the effectiveness of these controls will be independently provided by Internal Audit on a periodic basis as determined by Internal Audit, or as requested by Council.
18. Audit New Zealand or other external parties may be requested to provide independent assurance on the effectiveness of controls in place at Council, as well as any other risk mitigation processes as required by Council, or as mandated by New Zealand legislation.

Implementation

Risk management responsibilities

19. Council are responsible for:
 - a. Evaluating risks to the delivery of the Long-Term Plan (LTP).
 - b. Determining the strategic approach to risk.
 - c. Setting the risk threshold.
 - d. Setting risk tolerance levels commensurate with the risk threshold.
 - e. Establishing the structure and practices for risk management.
 - f. Understanding the most significant risks.
 - g. Setting Council risk policies.
 - h. Triennially considering the need for an independent review of the risk management framework.
 - i. Forming its own view on the strategic risks for Hamilton City Council.
 - j. Reviewing the quality of risk information, reports and effectiveness of risk assurance practices.

References

AS/NZS ISO 31000:2018 Risk Management – Principles and guidelines

Schedule 1 - Risk rating and reporting

The following tables provide the limits within Hamilton City Council's overall risk threshold which the organisation is expected to operate within and expected responses for each level of risk.

| | | CONSEQUENCE | | | | |
|------------|----------------|-------------|----------|---------|-------|--------------|
| | | Minor | Moderate | Serious | Major | Catastrophic |
| LIKELIHOOD | Almost Certain | H | H | VH | E | E |
| | Likely | M | H | VH | VH | E |
| | Possible | L | M | H | VH | VH |
| | Unlikely | L | M | M | H | VH |
| | Rare | L | L | L | M | H |

This matrix is used to map the likelihood and consequence levels of a risk and provide a pictorial representation of the relativity of that risk to other risks within an Activity Group and can also be used for mapping key risks across Hamilton City Council.

'Action required' table

The following table details the required actions for each risk:

| ACTION REQUIRED FOR RISK | |
|--------------------------|---|
| E | <p>Extreme Risk – Immediate action required: risk escalated as appropriate. Action Plans and management responsibility specified with close scrutiny required.</p> <p>Only the Chief Executive and/or Council can accept this level of risk.</p> |
| VH | <p>Very High Risk – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required.</p> <p>The relevant GM, sponsor, risk manager and programme manager can accept this level of risk.</p> |
| H | <p>High Risk – Senior Leadership Team attention advised. Action Plans and management responsibility specified with periodic scrutiny required.</p> <p>The relevant General Manager (GM), Risk Owner, Unit Manager or Action Owner can accept this level of risk.</p> |
| M | <p>Medium Risk – Management responsibility specified. Managed by specific monitoring and procedures.</p> <p>The relevant Risk Owner, unit manager or Action Owner can accept this level of risk.</p> |

L

Low Risk – Manage by routine procedures. Unlikely to require specific application of resources.

The relevant activity manager can accept this level of risk.

Risk Review and Reporting Table

The following table details the required level to which the different risk levels must be reviewed and reported.

| RISK LEVEL | STRATEGIC AND ORGANISATIONAL RISKS | REVIEW PERIOD (Minimum) | REPORTING PERIOD (Minimum) |
|------------------|------------------------------------|-------------------------|--------------------------------------|
| Extreme | Council | Quarterly | Strategic Risk & Assurance quarterly |
| | Senior Leadership Team | Monthly | Monthly |
| Very High | Council | Quarterly | Strategic Risk & Assurance quarterly |
| | Senior Leadership Team | Monthly | Monthly |
| High | Senior Leadership Team | Quarterly | Monthly |
| Medium | Wider Leadership Group* | Six-monthly | Monthly / as Required |
| Low | Wider Leadership Group* | Six-monthly | Monthly / as required |

**Wider Leadership Group is to be interpreted as any staff member with specific business responsibilities, including but not limited to, General Managers, Unit Managers, Team Leaders and Project Managers.*

By using this matrix, a decision can be made as to the level of escalation for management acceptance that is required and the frequencies with which accepted risks are to be reviewed and reported.