

Risk Management Framework – Risk Appetite

Meeting: Kaipara District Council
Date of meeting: 24 June 2020
Reporting officer: Sue Davidson, GM Sustainable Growth & Investment

Purpose/Ngā whāinga

To approve the schedule of Risk Appetite Statements as part of the Risk Management Framework.

Executive summary/Whakarāpopototanga

The Audit, Risk & Finance Committee recently approved a Risk Management Framework for Council, however asked that Council discuss, provide input and approve the Risk Appetite Statements for inclusion in the Risk Management Framework. Discussion has occurred and it is no surprise that Council is conservative and the appetite for risk tends to be low.

Recommendation/Ngā tūtohunga

That the Kaipara District Council

- a) Approves the Risk Appetite Statements for inclusion in the Council's Risk Management Framework (these are the statements in Appendix 5 of the attached Risk Management Framework).

Context/Horopaki

Managing risk is part of Governance and Leadership and is fundamental as to how the organisation is managed at all levels and contributes to Council's aim of continuous improvement.

The risk management process is not an isolated function and can be applied to any activity, including decision-making and interaction with stakeholders. Effective identification, analysis, evaluation and treatment of defined risks, assessment of their impact on Council's reputation and development of a proactive risk culture are critical to Council achieving its objectives and meeting overall community expectations. The goal of risk management is not to eliminate all risks, but rather to proactively manage risks involved in Council's functions and services and to create and protect value for our stakeholders and community.

The Council recently adopted a Risk Management Framework with which to identify, evaluate and mitigate risks.

Part of the evaluation process involves evaluating how much risk the Council is willing to accept in achieving its objectives – this is the risk appetite. The initial part of the evaluation is in establishing the context for the risk-What is the source/type of the risk and what is the Risk Appetite. This analysis is done first before you look to the treatment.

While the Audit, Risk and Finance Committee had delegations to adopt the Risk Management Framework (Attachment 1) they agreed that Appendix 5 Risk Appetite Statements be reviewed and approved by Council. The Committee believed the Council should discuss and approve the overall risk appetite statements that the organisation can bear in a given risk profile. This discussion occurred at the briefing on the 3 June 2020.

Discussion/Ngā kōrerorero

Examples were discussed at the briefing and the Risk Appetite Statements have been adjusted to reflect the input given at the briefing. As expected, much of the appetite for risk is conservative as would be expected of a Council.

Options

Option 1 Council approve Appendix 5 of Attachment 1 Risk Appetite Statements to be included in the Risk Framework.

Option 2 Councillors make changes to the Risk Appetite Statements in Appendix 5 of Attachment 1

Policy and planning implications

The Risk Framework is an important policy of Council as it helps all parts of Council business evaluate and mitigate risk. Understanding the risk appetite of Council is part of the process

Financial implications

The costs of not evaluating risk or not evaluating it correctly could have detrimental consequences. The Risk Appetite Statements provide direction in what costs may have to be applied to meet the Council's risk appetite.

Risks and mitigations

Understanding the Council's risk appetite will help to mitigate risk as it aids employees in selecting what opportunities or paths, they should explore

Significance and engagement/Hirahira me ngā whakapāpā

The decisions or matters of this report do not trigger the significance criteria outlined in council's Significance and Engagement Policy.

Next steps/E whaiake nei

Training will be provided on the Risk Management Framework to Council staff.