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## City of Greater Geraldton

# 4.24 RISK APPETITE & TOLERANCE

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### SUSTAINABILITY THEME

Governance

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### OBJECTIVES

To ensure that the City understands and manages risk within acceptable risk appetite and tolerance levels.

### POLICY STATEMENT

The City's risk appetite & tolerance policy provides guidance on the City's willingness to assume, or be exposed to a level of risk in order to achieve its objectives. It is linked to the Corporate Business Plan and the Community Strategic Plan and informs the business planning process.

### POLICY DETAILS

#### 1. Establishing Risk Appetite and Tolerance

- 1.1. Risk is an inherent part of any organisations business operations. The exposure to and tolerance to risk differs across the City's operations. The City recognises that its level of risk appetite and risk tolerance must be set at a level that encourages entrepreneurship and innovative organisational development. However, the City is also committed to building a sound foundation of quality control systems and a culture that identifies and manages risk associated with the level of risk appetite and tolerances set by the Council.
- 1.2. The City has defined its risk appetite through the development and endorsement of the City's risk assessment and acceptance criteria. The criteria are included within the risk management framework and procedures and are subject to ongoing review in conjunction with this policy.

#### 2. Risk Appetite Criteria

- 2.1. As a public authority the City has a natural and in some cases statutory predisposition to a conservative appetite for risk. In particular the City has little or no appetite for risk which will;
  - 2.1.1. Have a significant negative impact on Council's long-term financial sustainability.
  - 2.1.2. Result in major breaches of legislative requirements and/or significant successful litigation against the City.
  - 2.1.3. Compromise the safety and welfare of staff, contractors and/or members of the community.
  - 2.1.4. Cause significant and irreparable damage to the environment.
  - 2.1.5. Result in major disruption to the delivery of key City services.
  - 2.1.6. Result in widespread and sustained damage to the City's reputation.
  - 2.1.7. Significantly impact on the City's ability to recruit and retain staff.

The City provides a large and diverse range of services to a rapidly growing population. In order to provide these services the City must accept some level of risk.

The City therefore has some appetite for risks that need to be taken in order to;

**2.1.8.** Improve efficiency, reduce costs and/or generate additional sources of income.

**2.1.9.** Maintain and where necessary improve levels of service to the community.

The level of risk that is acceptable will be assessed and determined on a case-by-case basis.

### **3. Risk Tolerance Criteria**

**3.1.** Risk tolerance represents the practical application of the City's risk appetite and is typically aligned to categories of risk such as strategy, financial, service or reputation.

**3.2.** Risk tolerance is the boundaries or level of risk outside of which the City is not prepared to venture in the pursuit of its long term strategic objectives.

**3.3.** The City's risk management framework defines the required process that must be followed in establishing the levels of acceptable risks and the levels of authority associated with the risk.

### **4. Consideration of Complex Risk Exposures**

**4.1.** Where the City is considering undertaking a new function, project or investment that has risk consequences or rewards with far-reaching impacts on the community or City operations, a comprehensive risk assessment must be undertaken in accordance with the Risk Management Framework.

**4.2.** In the case of specific high risk functions (such as financial investment) the City must establish specific risk management guidelines that details the acceptable level of risk.

## **KEY TERM DEFINITIONS**

**Risk Appetite** – The amount and type of risk that the City of Greater Geraldton is willing to pursue or retain.

**Risk Tolerance** – Is defined, as the level of risk the City of Greater Geraldton is willing to accept after risk treatment in order to achieve its specific objectives.

**Risk Management** – Is the systematic process that involves establishing the context of risk management, identifying risks, analysing risks, treating risk, periodic monitoring and communication.

## **ROLES AND RESPONSIBILITIES**

The Chief Executive Officer (CEO) is responsible for the implementation of this policy, and for the allocation of roles, responsibilities and accountabilities.

The City of Greater Geraldton risk management framework outlines in detail all roles and responsibilities associated with managing risk within the City.

## **WORKPLACE INFORMATION**

CP 4.7 Risk Management

CP 2.1 Investment

City of Greater Geraldton Risk Management Framework  
 Department of Local Government & Communities Integrated Planning Guidelines  
 AS/NZS 31000:2009 Risk Management – Principles and Guidelines  
 Local Government (AUDIT) Regulations 1996 REG 17  
 City of Greater Geraldton Corporate Business Plan  
 City of Greater Geraldton Strategic Community Plan

#### POLICY ADMINISTRATION

Directorate		Officer	Review Cycle	Next Due
Corporate and Commercial Services		Manager Corporate Services	Biennial	2020
Version	Decision Reference	Synopsis		
1.	CCS378 - 27 November 2018	New policy designed to support CP 4.7 Risk Management		