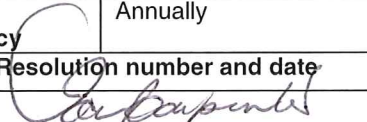
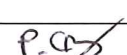


Council Policy CP 036 Risk Tolerance & Appetite Policy			
Officer	Risk Management Officer	Owner	Director Corporate Services
Review Frequency	Annually	Next Review	March 2013
Council Resolution number and date		CS055 27 March 2012	
Mayor		Chief Executive Officer	

## OBJECTIVES

The purpose of this policy is to establish the City's compliance with best practice risk management principles.

## SCOPE

This policy applies to all operations of the City of Greater Geraldton.

## DEFINITIONS

**CEO:** means the Chief Executive Officer of a local government.

**Councillor:** means a person who holds the office of councillor on a council.

**Mayor:** means a mayor elected by the electors to hold the office of Mayor.

**Employee:** means

- A person by whom work is done under a contract of employment
- An apprentice or trainee.
- A person employed as a contractor.

**Risk:** the chance of something happening that will have an impact on the achievement of the City's objectives. Risk is measured in terms of consequences and likelihood.

**Risk Appetite:** risk the City is prepared and willing to pursue, retain, take or expose itself to in the pursuit of its objectives.

**Risk Tolerance:** the boundaries of risk taking outside of which, the organisation is not prepared to venture in the pursuit of its long term objectives.

**Consequence:** the outcome of an event expressed qualitatively or quantitatively, being a loss, injury, disadvantage or gain. There may be a range of possible outcomes associated with an event.

**Likelihood:** A qualitative description of probability or frequency.

## POLICY PRINCIPLES

a) Risk is an inherent part of an organisation's operation. 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 the risks associated with the level of risk appetite and tolerance set by the Council.

b) In determining the level of risk that the City can tolerate the City will implement the risk management principles outlined in *AS/NZ31000:2009 Risk Management Principles & Guidelines* which details the measuring of the probability and potential impact of that risk using a Likelihood x Consequence Matrix to calculate a risk level of **Extreme**, **High**, **Medium** and **Low** as shown in appendix 1 *CGG Risk Appetite & Tolerance Matrix*.

c) Negative risks that are **Extreme** or **High** are outside of the City Council's risk appetite and tolerance and must be managed to reduce the level of risk exposure. Where this level of risk cannot be reduced, express approval is to be obtained from the CEO to proceed with options for accepting, terminating, sharing or transferring the risk.

d) Risks that are **Moderate** or **Low** are generally within the risk appetite and tolerance acceptable to CGG with adequate controls, managed by specific procedures and subject to semi-annual monitoring.

e) Positive risks that are **Extreme** or **High** which could represent innovative opportunities to improve services, rather than simply adopting traditional safer options. These opportunities need to be maximised by identification of critical success factors and mitigation to ensure these are achieved. Ongoing monitoring and review to ensure opportunities are maximised is necessary.

## **RISK APPETITE CRITERIA**

Risk appetite is the amount and type of risk that the City is prepared to pursue, retain or take. It is expressed in the form of a risk appetite statement which covers a number of critical risk categories. 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 risks which will:**

- a) Have a significant negative impact on Council's long term financial sustainability
- b) Result in major breaches of legislative requirements and/or significant successful litigation against the City
- c) Compromise the safety and welfare of staff, contractors and/or members of the community
- d) Cause significant and irreparable damage to the environment
- e) Result in major disruption to the delivery of key City services
- f) Result in widespread and sustained damage to City's reputation
- g) Significantly impact on the City's ability to recruit and retain staff

However, 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 which need to be taken in order to:**

- a)** Improve efficiency, reduce costs and/or generate additional sources of income
- b)** 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.

## **RISK TOLERANCE CRITERIA**

### **CONSEQUENCE**

In measuring the consequences of impact, refer to the CGG Risk Appetite & Tolerance Matrix which details different potential consequences descriptors i.e.

- (i)** Safety & Health (Physical & Psychological)
- (ii)** Financial Impact
- (iii)** Service Interruption
- (iv)** Reputation
- (v)** Environment
- (vi)** Legal / Compliance

### **LIKELIHOOD**

Measuring likelihood can be achieved using one of two methods:

- (i)** An approach based upon likelihood of an event occurring over a period of years,
- (ii)** Alternatively (particularly where timescales are minimal), an approach based upon probability expressed as a percentage.

**LOW RISK** is the responsibility of the Operational Manager responsible for the affected department.

Acceptable Risk with adequate controls, managed by routine procedures and subject to annual monitoring.

**MODERATE RISK** is the responsibility of the Director responsible for the affected department.

Monitor Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring.

**HIGH RISK** is the responsibility CEO.

Urgent Attention Required, Risk acceptable with excellent controls, managed by senior management / executive and subject to monthly monitoring.

**EXTREME RISK** is the responsibility CEO with advice to Council.

Unacceptable Risk only acceptable with excellent controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring.

## **ROLES & RESPONSIBILITIES**

The CEO is responsible for the implementation of this policy.

Directors, Manager, Supervisors, Senior Staff (all Management) are responsible for the implementation of this Risk Tolerance Policy.

The Risk Management Committee is responsible for developing and reviewing the Risk Tolerance Policy

Employees are responsible for identifying, treating and reporting all risks to their line managers in accordance with the organisations Risk Management Policy and Procedures.

## **WORKPLACE INFORMATION**

AS/NZ ISO 31000:2009 Risk Management – Principles and Guidelines

## Appendix 1 CGG Risk Appetite & Tolerance Matrix

Likelihood Tolerance Criteria ↑ Likelihood Failure Increases →		A	Greater than 90% chance of occurrence	More than once per year	The event is expected to occur in most circumstances	Almost Certain	1 A1 Moderate (Mitigate)	2 A2 High (Fix Now!)	3 A3 High (Fix Now!)	4 A4 Extreme (Avoid!)	5 A5 Extreme (Avoid!)
		B	60%-90% chance of occurrence	At least once per year	The event will probably occur in most circumstances	Likely	B1 Low (Lowest Priority)	B2 Moderate (Mitigate)	B3 High (Fix Now!)	B4 High (Fix Now!)	B5 Extreme (Avoid!)
		C	40%-60% chance of occurrence	At least once in 3 years	The event should occur at some time	Possible	C1 Low (Lowest Priority)	C2 Moderate (Mitigate)	C3 Moderate (Mitigate)	C4 High (Fix Now!)	C5 High (Fix Now!)
		D	10%- 40% chance of occurrence	At least once in 10 years	The event could occur at some time	Unlikely	D1 Low (Lowest Priority)	D2 Low (Lowest Priority)	D3 Moderate (Mitigate)	D4 Moderate (Mitigate)	D5 High (Fix Now!)
		E	Less than 10 % chance of occurrence	Less than once in 15 years	The event may only occur in exceptional circumstances	Rare	E1 Low (Lowest Priority)	E2 Low (Lowest priority)	E3 Low (Lowest Priority)	E4 Low (Lowest Priority)	E5 Moderate (Mitigate)
		Likelihood x Consequence = Risk Tolerance						Insignificant	Minor	Moderate	Major
Consequences Tolerance Criteria			SAFETY / HEALTH (Physical)			Negligible injuries	First aid injuries	Medical type injuries	Lost time injury	Fatality, permanent disability	
			SAFETY / HEALTH (Psychological)			Temporary, no leave taken, short term impact	Sick leave, short term impact, recovery 1-3 weeks	Significant, non-permanent, longer term illness, recovery 1-6 months	Longer term illness, severe trauma, extended incapacity	Death, permanent severely disabling illness, e.g. Post-Traumatic Stress Disorder	
			FINANCIAL IMPACT			Less than \$5,000	\$5,000 - \$50,000	\$50,001 - \$500,000	\$500,001 - \$2.5M	More than \$2.5M	
			SERVICE INTERRUPTION			No material service interruption	Short term temporary interruption – backlog cleared < 1 day	Medium term temporary interruption – backlog cleared by additional resources	Prolonged interruption of services – additional resources; performance affected	Indeterminate prolonged interruption of services – non-performance	
			REPUTATION			Un - substantiated, low impact, low profile or 'no news' item	Substantiated, low impact, low news item	Substantiated, public embarrassment moderate impact, moderate news profile	Substantiated, public embarrassment, high impact, high news profile, third party actions	Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions	
			ENVIRONMENT			Contained, reversible impact managed by on site response	Contained, reversible impact managed by internal response	Contained, reversible impact managed by external agencies	Uncontained, reversible impact managed by a coordinated response from external agencies	Uncontained, irreversible impact	
			LEGAL / COMPLIANCE			No noticeable regulatory or statutory impact	Some temporary non compliances	Short term non compliance but with significant regulatory requirements imposed	Non-compliance results in termination of services or imposed penalties	Non-compliance results in litigation, criminal charges or significant damages or penalties	

