

# Enterprise Risk Management

Framework Settings Review

&

Calculating Risk

# Proposed Risk Appetite Settings by Category

Risk Open	Risk Receptive	Risk Neutral	Risk Cautious	Risk Averse
<p>Prepared to undertake substantial risks in pursuit of significant rewards, actively seeking opportunities with inherent uncertainties.</p>	<p>Open to engaging in calculated risks, favouring innovative strategies and new ventures while carefully considering potential benefits and potentially negative outcomes.</p>	<p>Adopts a balanced approach to risk, equally weighing potential gains and losses, with decisions grounded in comprehensive risk assessments.</p>	<p>Inclined to avoid risks unless necessary, prioritising stability and security, with a strong emphasis on mitigating potential adverse outcomes.</p>	<p>Exhibits a strong preference for avoiding risks, favouring safe and predictable outcomes, and generally eschewing actions that could lead to negative outcomes.</p>
<u>Categories</u>				
	<ul style="list-style-type: none"> <li>• Stakeholder Relationships and Reputation</li> </ul>	<ul style="list-style-type: none"> <li>• Staff Retention and Capability</li> <li>• Service Delivery</li> <li>• Cyber Security and Information Systems</li> <li>• Capital Project Delivery</li> </ul>	<ul style="list-style-type: none"> <li>• Asset Management</li> <li>• Natural Hazards</li> <li>• Emergency Management and Business Continuity</li> <li>• Legal and Compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Financial Management</li> <li>• Health &amp; Safety</li> </ul>

# Risk Rating Matrix– P.8 of Framework

RISK MATRIX					
Likelihood	Consequence				
	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Very Low Risk	Medium Risk	High Risk	Extreme Risk	Extreme Risk
Likely	Very Low Risk	Low Risk	High Risk	High Risk	Extreme Risk
Possible	Very Low Risk	Low Risk	Medium Risk	High Risk	High Risk
Unlikely	Very Low Risk	Low Risk	Medium Risk	Medium Risk	High Risk
Rare	Very Low Risk	Very Low Risk	Low Risk	Medium Risk	Medium Risk

# Consequence Table – P.9 of Framework

CONSEQUENCE TABLE P.9 of Framework

Impact	Service Delivery	Health & Safety	Environmental	Economic	Reputation
Severe	Failure to deliver critical services for more than 7 days, affecting essential operations (e.g., emergency services, waste management)	Loss of life; Multiple serious injuries or irreversible severe disability	Permanent or large-scale damage or degradation, irrecoverable loss of biodiversity or natural resources	Loss of > \$5M	Extreme and sustained loss of community confidence; negative international media coverage; long-term trust impact
Major	Significant disruption to key services lasting several days, impacting large sections of the community	Serious harm (e.g., major injuries requiring hospitalisation, multiple surgeries)	Significant damage over a large area, long-term recovery expected (e.g., 2-5 years of restoration efforts)	Loss between \$1M and \$5M	Sustained negative national media coverage; community trust severely impacted; requires major reputation rebuilding
Moderate	Moderate disruptions to services, causing notable inconvenience to a substantial portion of the community for up to 7 days	Injury requiring medical treatment, recovery expected (e.g., broken bones, serious illness)	Recoverable environmental damage, substantial but limited to specific areas, recovery in 1-2 years	Loss between \$500K and \$1M	Negative national media coverage lasting several days; moderate loss of confidence; requires strategic intervention
Minor	Minor interruptions to services, localised impact, short-term inconvenience to a small section of the community	First aid or minor medical treatment required (e.g., minor cuts, bruises)	Localised environmental impact, minor or recoverable damage within months	Loss between \$100K and \$500K	Local media coverage with limited negative public feedback; temporary impact on public perception within a small segment of the community; manageable through engagement.
Insignificant	Isolated and minimal service delivery issues, no widespread impact	Minor injuries that do not require medical treatment	Minimal environmental damage, quickly recoverable (e.g., within days or weeks)	Loss less than \$100K	Minor feedback from individuals or small groups, short-lived local media or political attention

# Likelihood Table – P.10 of Framework

Likelihood	Probability of occurrence in next 12 months	Description	Rating
Almost Certain	80% - 100%	The risk is expected to occur in most circumstances. There is strong evidence or current indicators suggesting it is imminent or already happening. This may include recurring issues or patterns of events that make the occurrence highly predictable.	5
Likely	50% - 80%	The risk is probable and can be reasonably anticipated based on past occurrences or current trends. There are consistent factors or conditions that make this risk likely to happen but not certain. The threat has occurred multiple times in similar contexts.	4
Possible	30% - 50%	The risk might occur under certain circumstances. While not guaranteed, it has a realistic chance of happening based on historical data or similar situations. The occurrence may depend on a combination of factors or specific triggers being present.	3
Unlikely	5% - 30%	The risk is not expected to occur under normal circumstances, but there is a small possibility. Historical evidence may show limited instances of occurrence, and it would likely require an unusual combination of events or conditions to manifest.	2
Rare	0-5%	The risk is extremely unlikely to occur except in highly exceptional or unforeseen circumstances. There may be little to no historical evidence of this happening, and it would likely require extraordinary factors or one-off events for it to materialise.	1

# Enterprise Risk Assessment Report by New Category Settings

- Groups all identified risks across the organisation by category and consolidates the 'root risks' and actions.
- Summarises the raw and residual risks across the category.
- Indicates trends over time.

Rotorua Lakes Council currently manages 174 enterprise risks across critical areas, with challenges such as ageing infrastructure, funding constraints, skilled staff retention, cybersecurity vulnerabilities, emergency preparedness gaps, complex regulations, supply chain dependencies, environmental pressures, and stakeholder expectations. To mitigate these risks, the Council has implemented strategic asset and financial management plans, staff retention initiatives, enhanced emergency and continuity planning, regular safety audits, stronger cybersecurity, refined project management, and increased stakeholder engagement. This period shows a positive trend with reduced risk levels across many areas, indicating effective mitigations. Financial management and emergency preparedness remain high-priority, with added focus on resilience and strengthened controls in these areas.

Risk Matrix					
Likelihood	Insignificant	Minor	Moderate	Major	Severe
Almost Certain	Very Low Risk	Medium Risk	High Risk	Extreme Risk	Extreme Risk
Likely	Very Low Risk	Low Risk	High Risk	High Risk	Extreme Risk
Possible	Very Low Risk	Low Risk	Medium Risk	High Risk	High Risk
Unlikely	Very Low Risk	Low Risk	Medium Risk	Medium Risk	High Risk
Rare	Very Low Risk	Very Low Risk	Low Risk	Medium Risk	Medium Risk

Raw Risk by Category					
Likelihood	Insignificant	Minor	Moderate	Major	Severe
Almost Certain					
Likely			1-5,7-11		6
Possible					
Unlikely					
Rare					

Residual Risk by Category					
Likelihood	Insignificant	Minor	Moderate	Major	Severe
Almost Certain					
Likely					
Possible				6	
Unlikely			1-5, 7-11		
Rare					

Cat Ref	Risk Category	Root Risks underlying risk that can cause multiple downstream issues across various aspects of our organisation.	Raw Risk Level	Residual Risk Level	Actions Proactive specific measures or strategies implemented to mitigate, transfer, accept, or avoid identified risks within our organisation.	Trends Changes this quarter
1	Asset Management (includes asset failure)	Non-compliant discharge of wastewater; Obsolete facility components; Insufficient geothermal system management	High Risk	Medium Risk	Infrastructure upgrades to mitigate compliance risks; Establishment of an asset maintenance programme; Consistent condition monitoring	Baseline
2	Capital Project Delivery	Inadequate funding for critical projects; Delays due to resourcing issues	High Risk	Medium Risk	Engagement with funding agencies; Recruitment of specialised project managers; Development of project contingency plans to address delays	Baseline
3	Cyber Security & Information Systems	System functionality gaps; Cybersecurity vulnerabilities; Potential data privacy breaches	High Risk	Medium Risk	Enhanced staff training on cybersecurity; Regular system and data audits; Re-evaluation of policies for IS security	Baseline
4	Emergency Management & Business Continuity	Civic centre security concerns; Insufficient preparedness for natural disasters	High Risk	Medium Risk	Implementation of Security Action Plan; BCP training sessions; Routine emergency response drills; Physical security upgrades to high-risk sites	Baseline
5	Financial Management	Funding uncertainties for strategic projects; Revenue stream fluctuations; Financial sustainability issues	High Risk	Medium Risk	Enhanced engagement with government funding sources; Real-time monitoring for early risk identification; Budget forecast refinements	Baseline
6	Health & Safety Compliance	Health risks due to non-compliant facilities; Potential for workplace incidents; Limited emergency preparedness	Extreme Risk	High Risk	Upgrades to health compliance infrastructure; Comprehensive H&S training; Monitoring of workplace safety standards	Baseline
7	Reputational Risks	Risks of public relations issues due to internal actions; Potential public backlash over project delays	High Risk	Medium Risk	Implementation of communication strategies; PR training for spokespersons; Creation of protocols to manage and respond to public concerns	Baseline
8	Staff Retention and Capability	Challenges in retaining skilled staff; Recruitment delays; Skills gaps in critical areas	High Risk	Medium Risk	Improvement of onboarding programmes; Upskilling initiatives; Creation of competitive salary packages to retain skilled professionals	Baseline
9	Supply Chain and Procurement	Risks due to dependency on specific suppliers; Potential for supply chain disruptions; Increased costs of resources	High Risk	Medium Risk	Diversification of supplier pool; Implementation of long-term procurement contracts; Periodic review of supplier performance and contingency plans	Baseline
10	Environmental and Sustainability Risks	Increased regulatory requirements; Environmental compliance risks; Public pressure for sustainable practices	High Risk	Medium Risk	Engagement with environmental agencies; Development of sustainability initiatives; Creation of policies for waste reduction and energy efficiency	Baseline
11	Regulatory Compliance	Risks of non-compliance with new legislation; Potential for fines and legal challenges	High Risk	Medium Risk	Regular legal reviews to ensure compliance; Staff training on regulatory updates; Strengthened monitoring systems for adherence to new regulations	Baseline