

### **Risk Framework / Standard**

The adopted risk management process is consistent with Australian/New Zealand Standard AS/NZ 4360 which defines risk assessment and management.

Risk Management Context – The key risk criteria adopted for assessing the consequences of identified risks are:

- Community Health and Safety.
- Loss of Service – Extent/Duration.
- Service Deliver – Customer Impact.
- Invercargill City Council Financial Impact.
- Financial Community.
- Corporate Image and Reputation.
- Legal Compliance.

Risk Analysis – The likelihood and impact ratings used to determine initial risk ratings are defined in Tables 1 and 2 respectively.

Code	Descriptor	Description (probability)
A	Almost Certain	The event <b>could occur</b> in most circumstances, eg 90%+ chance of occurring in the next 12 months (or in 9 out of every 10 years).
B	Very Likely	The event <b>will probably occur</b> in most circumstances, eg 70% chance of occurring in the next 12 months (or in 7 out of 10 years).
C	Likely	The event <b>should occur at some time</b> , eg 50% change of occurring in the next 12 months (or in 5 out of every 10 years).
D	Unlikely	The event <b>could occur</b> at some time, eg 20 – 30% change of occurring in the next 12 months (or in 2 – 3 out of every 10 years).
E	Rare	The event <b>may occur</b> only in <b>exceptional circumstances</b> , eg up to 10% chance of occurring in the next 12 months (or once in 10 years).
F	Extremely Rare	The event may occur only in extremely exceptional circumstances, eg up to 2% chance of occurring in the next 12 months (or once or less in 50 years).

Table 1 – Risk Probability Ratings

Area of Impact	Weighting	Factor	6 Extreme	5 Major	4 Moderate	3 Low	2 Minor	1 Insignificant
<b>Legal – Compliance</b>	<b>0.20</b>	<b>Legal</b>	Imprisonment, substantial fines or liable for damages > \$500K	Significant fines or liable for damages > \$100K - \$500K	Fines or damages or liable for damages > \$20K to \$100K	Fines or damages or liable for damages > \$5K to \$20K	Fines and minor offence prosecution	Complaints
		<b>Environmental</b>	Catastrophic environmental damage. Prosecution. Impact permanent	Serious environmental damage. Prosecution. Impact not fully reversible.	Serious environmental damage. Prosecution. Impact reversible within 10 years.	Environmental damage. Prosecution. Impact reversible 3 year.	Environmental damage. Prosecution probable. Impact reversible 1 year.	Minor localised damage. Prosecution possible. Impact reversible within 3 months.
<b>Corporate Image – Reputation</b>	<b>0.10</b>	<b>Political</b>	Appointment of a Commissioner	Decision process break down.	Council decision deferred.	Council decision delayed.	Breakdown in relationships.	Adverse local political comment.
		<b>Image</b>		Negative national media coverage > 2 days.	Negative local media coverage for >5 days.	Negative local media coverage for <5 days.	Local media coverage.	Customer feedback only.

Area of Impact	Weighting	Factor	6 Extreme	5 Major	4 Moderate	3 Low	2 Minor	1 Insignificant
		<b><i>Councillor – Management Time</i></b>		Mayor – Councillors required to manage situation.	Senior Executive time required to manage situation.	Level 3 Managers required to manage situation.	Staff required to manage situation.	No formal response required.
<b>Service Delivery – Customer Impact</b>	<b>0.15</b>	<b><i>Service Delivery</i></b>	Loss of water supply and sewerage capability for several days for large portion of city.	Water supply and sewerage out for several days for a catchment or area.	Water supply and sewerage out for one day.	Water supply and sewerage out for group <50 customers for greater than one day.	Water supply and sewerage out for <4 hours.	Supply limited but operating for water and sewerage service.
			Large portion (>50%) of customer base affected.	Affects large number of (>100) of customers.	Affects limited (<100) customers.	Affects limited (20 – 75) customers.	Small isolated group (<20) affected.	Small group (<5) affected.
				Loss of confidence in Council to operate.	Loss of confidence in Council staff.	Problem escalates to a number of surrounding areas.	Systematic customer complaints.	Isolated customer complaints.

Area of Impact	Weighting	Factor	6 Extreme	5 Major	4 Moderate	3 Low	2 Minor	1 Insignificant
<b>Invercargill City Council Financial Impact</b>	<b>0.20</b>	<b>Financial</b>	Unplanned loss or cost to reinstate >5M	Unplanned loss or cost to reinstate \$1M to \$5M.	Unplanned loss or cost to reinstate >\$250K to \$1M.	Unplanned loss or cost to reinstate >\$50K to \$250K.	Unplanned loss or cost to reinstate >\$10K to \$50K.	Unplanned loss or cost to reinstate <\$10K.
<b>Financial Community</b>	<b>0.15</b>	<b>Financial</b>	Long term additional rate requirement >1M per year.	Long term additional rate requirement <500K per year.	Significant total loss of \$2M.	Significant total loss of \$500K.	Rates deferment of other projects to meet costs.	Budgeted work reorganised within year.
<b>Community Health and Safety</b>	<b>0.20</b>		Multiple loss of life.	Single loss of life or widespread long term hospitalisation.	Hospitalisation of a small group.	Medical treatment required.	Minor injuries.	Complaints.

Table 2 – Impact Ratings

**Risk Evaluation** – The matrix of likelihood and consequence of failure ratings shown in Table 3 below is used to assess the level of risk, ranking events as low, moderate, high or critical risk.

Likelihood	Consequences					
	1	2	3	4	5	6
A	H	H	C	C	C	C
B	M	H	H	C	C	C
C	L	M	H	H	C	C
D	L	L	M	H	H	C
E	L	L	L	M	H	H
F	L	L	L	M	H	H

**Table 3 – Risks Priority Rating Matrix**

This allows all asset and corporate risks to be compared and ranked. The risk policy specifies the following broad treatment strategy for the levels of risk:

L = Low Risk

- Manage by routine procedures.

M = Moderate Risk

- Management responsibility must be specified.

H = High Risk

*Risk and management strategy identified in AM plan*

- Failure management plans available

C = Critical Risk

*Risk and management strategy identified in AM plan*

- Failure management plan specifically addressing event in place