

RANGITĪKEI DISTRICT COUNCIL

RISK APPETITE AND TOLERANCE POLICY

Council's Risk Appetite and Tolerance Policy is an integral part of Council's Risk Management Framework.

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Risk Appetite & Tolerance Policy

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1. INTRODUCTION

Rangitikei District Council's (RDC) Risk Appetite & Tolerance Policy establishes the level and types of risk that Council is willing to accept in pursuit of its strategic objectives and community outcomes. The Policy supports consistent, informed decision-making by defining Council's appetite for risk across its key risk categories and setting the boundaries within which risks may be accepted, managed, or escalated.

This Policy forms part of Council's Risk Management Framework and should be read in conjunction with the RDC Risk Management Strategy. Together, these documents provide the governance framework for managing strategic, operational, and project risks across the organisation.

Key Principles

- Risk management is integral to good governance and the achievement of Council's strategic and operational objectives.
- Risk appetite and tolerance support informed decision-making by balancing opportunities and threats.
- Managers are responsible for identifying and managing risks within their areas of responsibility.
- Risk decisions should align with Council's strategic objectives, legislative obligations, and community expectations.
- Council's approved risk appetite is applied through the Strategic Risk Register, Operational Risk Registers, and Project Risk Registers.

Commentary

Risk is an inherent part of Council's activities. The level of risk Council is prepared to accept varies depending on the nature of the activity, the potential consequences, and its impact on Council's strategic objectives and community outcomes.

Council maintains a risk-aware rather than risk-averse culture. It recognises that appropriately managed risk supports innovation, organisational improvement, and better outcomes for the community. At the same time, Council has little or no appetite for risks that could result in significant harm to people, major legislative

breaches, substantial financial loss, or serious damage to Council's reputation.

Council's Executive Leadership Team has established risk appetite levels across the following key risk categories:

1. Failure to honour the commitments to the Te Tiriti o Waitangi
2. Trust and confidence are tarnished
3. Insufficient capability and capacity to fulfil agreed commitments
4. Political environment creates significant change.
5. Capital programme falters.
6. Financial stability is lost.
7. Regulatory effectiveness is questioned.
8. Climate change responsiveness is ineffective.
9. Business continuity is compromised.
10. Obligations with Health, safety and wellbeing are not met.
11. Obligations with environment protection are not met.

2. RISK APPETITE STATEMENT

Council's risk appetite defines the amount and type of risk that it is willing to pursue, retain, or accept in achieving its strategic objectives and delivering services to the community. Risk appetite supports informed decision-making by providing a consistent framework for evaluating risks, balancing opportunities with potential consequences, and determining when risks require treatment or escalation.

Council's risk appetite recognises that different activities require different approaches to risk. While Council encourages innovation, continuous improvement, and responsible decision-making, it has little or no appetite for risks that could result in unacceptable harm to people, significant legislative non-compliance, substantial financial loss, irreversible environmental damage, or serious reputational harm.

Risk Appetite Levels

Council has established five levels of risk appetite that are applied across its key risk categories:

1. Minimal
2. Low
3. Moderate
4. High
5. Extreme

The level assigned to each risk category reflects the degree of risk Council is generally prepared to accept when pursuing its strategic objectives and community outcomes.

Minimal Risk Appetite

Council has minimal or no appetite for risks that would:

- Compromise the health, safety, or wellbeing of staff, contractors, volunteers, or the community.
- Result in significant or irreversible environmental harm.
- Materially threaten Council's long-term financial sustainability.
- Cause prolonged disruption to critical Council services.
- Result in major legislative or regulatory breaches.
- Cause significant or lasting damage to Council's reputation, public trust, or key relationships.

- Seriously impact Council's ability to attract, retain, or support its workforce.

Application of Risk Appetite

The risk appetite levels assigned to each risk category are summarised in Section 4 of this Policy and are applied through Council's Strategic Risk Register, Operational Risk Registers, and Project Risk Registers. These appetite levels provide the basis for determining appropriate risk tolerance, treatment, monitoring, and escalation.

3. RISK TOLERANCE STATEMENT

Risk tolerance defines the acceptable limits within which Council is prepared to operate while pursuing its strategic objectives. It represents the level of variation from expected performance that Council is willing to accept before additional controls, management action, or escalation are required.

Risk tolerance supports the application of Council's approved risk appetite by establishing practical thresholds for decision-making. These thresholds assist managers and decision-makers in determining when risks can be accepted, when additional treatment is required, and when risks must be escalated through Council's governance framework.

Council recognises that it is neither practical nor desirable to eliminate all risks associated with delivering services and achieving community outcomes. Accordingly, risk tolerances provide a balanced approach that supports innovation and continuous improvement while ensuring unacceptable risks remain outside Council's approved appetite.

The Risk Appetite and Tolerance Summaries in Section 4 apply these principles to each of Council's key risk categories by outlining:

- Council's level of risk appetite.
- The corresponding risk tolerance approach.
- Activities and behaviours Council will tolerate.
- Activities and behaviours Council will not tolerate.
- The strategic risks supported by each category.

4. RISK APPETITE & TOLERANCE SUMMARIES

The Risk Appetite and Tolerance Summaries in the following section include an assessment of each area's Risk Appetite and Tolerances with reference to the following table:

RISK APPETITE	RISK TOLERANCE APPROACH	COMMENTARY
Minimal	Avoid	Council is not willing to accept risk as these risks are highly significant extreme. As a priority, Council applies all practical measures to prevent or avoid the risk.
Low	Cautious	Council expects significant impact to Council's viability, reputation and/or service should the risk eventuate. Council has appropriate control measures in place to mitigate/monitor the risk.
Moderate	Open	Council expects moderate impact to Council's viability, reputation and/or service should the risk eventuate. Council has appropriate ("moderate level") control measures in place to mitigate/monitor the risk.
High	Risk Positive (Monitored)	Council expects minor impact to Council's viability, reputation and/or service should the risk eventuate. Council has appropriate ("lower level") control measures in place to mitigate/monitor the risk.
Extreme	Risk Positive (Unmonitored)	Council expects inconsequential impact to Council's viability, reputation and/or service should the risk eventuate. Council has unmonitored control measures in place to mitigate the risk.

Legislative / Governance / Regulatory Risk

Risk Oversight Officer	Group Strategy, Community & Democracy Group Manager Regulatory.
Risk Appetite	Low
Risk Tolerance	Cautious
Context Council is Committed to maintaining high standards of governance and complying with all applicable legislative, regulatory, and contractual obligations. Council has a minimal appetite for deliberate or significant non-compliance that could result in legal action, regulatory intervention, financial penalties, contractual breaches, or reputational damage. Council supports continuous improvement and innovation where these remain consistent with legislative requirements and sound governance Compliance with applicable legislation is mandatory. This includes, but is not limited to, the Local Government Act 2002, Health and Safety at Work 2015, Privacy Act 2020, and the Public Records Act 2005. Deliberate or systemic breaches are not tolerated.	
Council will tolerate • Decisions made in good faith, on their merits and consistent with Council's values, even where they differ from professional advice. • Minor or technical non-compliance where it is promptly identified, disclosed, and corrected and does not result in significant legal, regulatory, financial or reputational consequences. • Isolated complaints arising from normal Council activities where reasonable steps have been taken to avoid or mitigate the issue. • Improvements to governance processes, provided appropriate controls remain in place.	Council will not tolerate • Corrupt, fraudulent, dishonest, or unethical conduct by elected members, employees, contractors, or volunteers. • Deliberate or reckless breaches of legislation, regulations, or Council policies. • Material breaches of Council's Code of Conduct or governance obligations. • Failure to appropriately consider legal, regulatory, or professional advice when making decisions • The unauthorised disclosure of confidential, sensitive, or protected information. • Failure to promptly report investigate, or address suspected fraud, corruption, or other serious misconduct. • Failure to comply with Lawful government directions, regulatory requirements or statutory obligations. • Any unlawful conduct that results in preventable harm to people, community, the environment, or Council.
Associated Strategic Risk/s • Legal and political environment requires excessive resources. • Changes to governmental legislation are transformational. • Regulatory effectiveness is questioned. • Trust and confidence is tarnished.	

Climatic Risk

Risk Oversight Officer	Group Manager Strategy, Community & Democracy
Risk Appetite	Moderate
Risk Tolerance	Cautious
Context Council cannot eliminate climatic-related risk, but should avoid unmanaged exposure, non-compliance, and foreseeable failures to adapt. Council recognises that climate change may affect infrastructure, service delivery, community wellbeing, environmental outcomes, financial sustainability and long-term planning. Council will take a proportionate and evidence-based approach to understanding, adapting to and responding to climate-related risks, while balancing affordability, community priorities, statutory obligations and intergenerational impacts.	
Council will tolerate • A measured level of climate-related risk where impacts are understood, monitored and managed within approved plans and budgets. • Temporary or minor service disruption arising from severe weather or climate-related events where appropriate preparedness, response and recovery arrangements are in place. • Uncertainty in climate projections where decisions are based on the best reasonably available information and are reviewed as knowledge changes. • Phased adaptation or resilience improvements where immediate intervention is not practical or cost-effective, provided the residual risk remains acceptable and is actively monitored. • Innovation and trials aimed at improving climate resilience, provided risks are assessed and appropriate controls are in place. • Differences between desired levels of climate resilience and what can reasonably be achieved within available funding, resources and statutory constraints, where these trade-offs are transparent and appropriately approved	Council will not tolerate • Knowingly failing to meet statutory or regulatory obligations relating to climate, environmental management, emergency management or infrastructure planning. • Material climate-related risks being ignored, inadequately assessed or excluded from significant planning, investment or asset-management decisions. • Failure to take reasonable action where there is a credible and foreseeable risk of serious harm to people, critical infrastructure, essential services or the environment. • Decisions that knowingly create unacceptable or avoidable long-term exposure for the Council or community without transparent consideration of future consequences. • Misrepresentation, concealment or withholding of material climate-risk information from decision-makers or the community.
Associated Strategic Risk/s • Climate change responsiveness is ineffective • Trust and confidence are tarnished	

Reputational Risk

Risk Oversight Officer	Chief Executive Group Manager Strategy, Community & Democracy
Risk Appetite	Moderate
Risk Tolerance	Cautious
Context Council is committed to maintaining public trust and confidence through transparent governance, ethical decision-making, and responsible conduct. Protecting Council's reputation is fundamental to maintaining community confidence and delivering effective services.	
Council will tolerate - Public or media scrutiny arising from lawful, ethical, and transparent decisions made in the public interest. - Constructive criticism, complaints, or community concern that can be appropriately managed through normal Council processes. - Reputational impacts associated with decisions that deliver long-term benefits to the community, where those decisions have been made in good faith and are supported by appropriate evidence. - Isolated incidents that have limited reputational impact and are addressed promptly through appropriate management action.	Council will not tolerate - Improper, unethical, corrupt, or dishonest conduct, or behaviour that is inconsistent with Council's values, Code of Conduct, or policies. - Material breaches of the Code of Conduct. - Failure to appropriately identify, declare, or manage conflicts of interest. - Decision-making that is unlawful, lacks transparency, or is inconsistent with the principles of good governance. - Deliberately misleading the public, elected members, regulators, or other stakeholders. - The unauthorised disclosure of confidential or sensitive information. - Failure to promptly escalate significant incidents that may have a material impact on Council's reputation.
Associated Strategic Risk/s: (For more information see Strategic Risk Register) - Trust and confidence is tarnished. - Insufficient capability and capacity to fulfil agreed commitments. - Legal and political environment requires excessive resources. - Capital programme falters. - Financial stability is lost. - Regulatory effectiveness is questioned. - Climate change responsiveness is ineffective. - Business continuity is compromised. - Obligations with health and safety are not met. - Changes to government legislation are transformational. - Obligations with environmental protection are not met.	

Environmental Risk

Risk Oversight Officer	Chief Executive Group Manager Assets & Infrastructure
Risk Appetite	Low
Risk Tolerance	Cautious
Context Council recognises its responsibility to protect and enhance the natural environment while delivering essential services to the community. Council has a low appetite for activities that result in significant or avoidable environmental harm but supports practical and innovative approaches that improve environmental outcomes and contribute to long-term sustainability. Environmental considerations are integrated into Council's planning and decision-making processes to support sustainable service delivery, climate resilience, and compliance with applicable environmental legislation.	
Council will tolerate • Minor, short-term environmental impacts where they are unavoidable, appropriately managed, and do not result in significant or lasting harm. • Environmental impacts that are appropriately mitigated or offset, resulting in an overall positive environmental outcome. • Changes to Council's operations, procedures, or practices that improve environmental performance or support long-term sustainability. • Environmental risks associated with innovation or infrastructure projects, provided appropriate controls are in place and applicable legislative requirements are met.	Council will not tolerate • Decisions or activities that result in significant, avoidable, or irreversible environmental harm. • Deliberate or reckless breaches of applicable environmental legislation or regulatory obligations. • Failure to appropriately consider environmental impacts in Council's decision-making. • Activities that unnecessarily threaten biodiversity, natural ecosystems, or environmental sustainability. • Failure to implement agreed mitigation or adaptation measures where significant environmental risks have been identified. • Environmental practices that result in significant regulatory action, prosecution, or loss of community confidence.
Associated Strategic Risk/s: • Failure to meet statutory environmental obligations. • Loss of public trust and confidence due to poor environmental stewardship. • Long-term environmental degradation or loss of biodiversity. • Reduced resilience to climate change and environmental hazards. • Increased regulatory action, financial costs, or reputational damage resulting from environmental incidents.	

Cultural Risk

Risk Oversight Officer	Chief Executive Group Manager Strategy, Community & Democracy Group Manager Corporate Services
Risk Appetite	Low
Risk Tolerance	Cautious
Context Council is committed to respectful engagement with mana whenua, iwi, hapū, and the diverse communities of the Rangitikei District. Council has a low appetite for decisions or actions that damage cultural relationships, trust, or community confidence.	
Council will tolerate • Minor, unintentional shortcomings in engagement or consultation processes where they are identified early, addressed promptly, and appropriate steps are taken to rebuild relationships. • Opportunities to learn from engagement experiences to strengthen future relationships and improve cultural understanding.	Council will not tolerate • Decisions or actions that are inconsistent with Council's values or commitments to respectful cultural engagement. • Activities that result in a significant and avoidable loss of trust or confidence with mana whenua, iwi, hapū, or cultural communities. • Failure to appropriately engage with mana whenua or affected cultural communities where legislation, Council policy, or the nature of the decision requires it. • Disrespectful, discriminatory, or culturally unsafe behaviour by staff, elected members, contractors, or volunteers.
Associated Strategic Risk/s: • Loss of trust and confidence with mana whenua, iwi, hapū, and cultural communities. • Failure to meet statutory obligations relating to Māori participation and engagement. • Damage to relationships with cultural partners and stakeholders. • Council decisions or policies that do not appropriately consider cultural perspectives or values. • Reputational damage arising from poor cultural engagement or decision-making.	

Financial Risk

Risk Oversight Officer	Group Manager Corporate Services.
Risk Appetite	Low
Risk Tolerance	Cautious
Context Council is committed to maintaining long-term financial sustainability while delivering services to the community. Council has a low appetite for financial risks that could impact its financial position, service delivery, or long-term sustainability.	
Council will tolerate • Minor, unplanned budget or project cost variances that are appropriately monitored and managed. • Calculated financial risks that support infrastructure investment, service delivery, innovation, or long-term community outcomes. Planned use of financial reserves, contingencies, or external funding in accordance with Council's financial policies. • Reasonable investment in innovation, technology, or sustainability initiatives that improve long-term efficiency or resilience. • Procurement decisions that support broader community outcomes where they are consistent with Council policy.	Council will not tolerate • Fraudulent, corrupt, or dishonest financial activities or transactions. • Deliberate misrepresentation, omission, or falsification of financial information, reporting, or forecasts. • Breaches of applicable financial legislation, regulations, or Council's financial policies. • Failure to maintain effective financial controls or appropriately manage the risk of fraud. • Decisions that significantly compromise Council's long-term financial sustainability or ability to deliver essential services. • Failure to maintain prudent debt, liquidity, or investment practices.
Associated Strategic Risk/s: • Loss of long-term financial sustainability. • Reduced ability to deliver services and infrastructure to the community. • Loss of public trust and confidence in Council's financial stewardship. • Failure to maintain balanced budgets and prudent debt levels. • Increased financial pressure resulting in reduced organisational resilience.	

Asset Failure (Infrastructure) Risk

Risk Oversight Officer	Chief Executive Group Manager Infrastructure and Group Manager Corporate Services
Risk Appetite	Moderate
Risk Tolerance	Open
Context Council is committed to maintaining reliable and resilient infrastructure that supports the delivery of essential services to the community. Council has a low appetite for infrastructure risks that compromise service delivery, public safety, or the long-term performance of Council assets.	
Council will tolerate • Temporary interruptions to infrastructure or services arising from unforeseen events, provided they are effectively managed and communicated. • Minor budget or project cost variations within approved contingencies. • Controlled delays to asset renewal or capital projects where appropriate mitigation measures are in place. • Calculated risks associated with innovation, technology, or improved construction methods that deliver long-term benefits. • Temporary impacts on the community during infrastructure works where they are planned, communicated, and support improved long-term outcomes.	Council will not tolerate • Failure to meet statutory obligations or agreed service levels for critical infrastructure. • Significant and avoidable failures of Council assets resulting from poor planning, maintenance, or asset management. • Significant project delays or cost overruns that are within Council's control and are not appropriately managed. • Failure to effectively manage or administer contracts that compromises project delivery or service outcomes. • Failure to appropriately respond to or escalate significant infrastructure incidents. • Failure to maintain appropriate business continuity and emergency response arrangements for critical infrastructure.
Associated Strategic Risk/s: • Failure to deliver the capital programme. • Loss of public trust and confidence in Council's infrastructure management. • Loss or prolonged disruption of critical infrastructure resulting in impacts on the community or the environment. • Deferred maintenance or asset renewal leading to declining service levels and increased long-term costs. • Increased project costs and delays resulting from poor project planning or management.	

Operational Risk

Risk Oversight Officer	Chief Executive Group Manager Strategy, Community & Democracy
Risk Appetite	Moderate
Risk Tolerance	Open
Context Council is committed to delivering reliable and efficient services to the community. Council has a low appetite for operational risks that disrupt service delivery, reduce efficiency, or impact community confidence.	
Council will tolerate • Temporary interruptions to business operations arising from unforeseen events, provided they are appropriately managed and communicated. • Temporary reductions in productivity or operational efficiency resulting from the implementation of new technologies, automation, or process improvements. • Calculated operational risks associated with innovation or continuous improvement that deliver long-term organisational benefits. • Controlled impacts associated with staff turnover or resource constraints where appropriate mitigation is in place. • Community feedback or complaints relating to service delivery or new initiatives where they are managed appropriately and used to support continuous improvement.	Council will not tolerate • Failure to maintain essential services or restore critical business functions within agreed timeframes. • Failure to implement or maintain effective business continuity and operational resilience arrangements. • Repeated or significant service delivery failures resulting from poor planning, inadequate resources, or ineffective risk management. • Failure to comply with statutory obligations or mandatory service delivery requirements. • Failure to appropriately manage or respond to known operational risks that result in material harm to the community or Council. • Sustained operational failures resulting from inadequate governance, internal controls, or staff capability.
Associated Strategic Risk/s: • Failure to maintain essential service delivery or business continuity. • Loss of public trust and confidence due to ongoing operational failures or poor service delivery. • Reduced organisational resilience and ability to respond to changing operational demands. • Non-compliance with statutory or regulatory obligations. • Reduced organisational performance resulting in increased costs and inefficient service delivery.	

People Risk

Risk Oversight Officer	Group Manager Corporate Services Manager – People and Culture
Risk Appetite	Minimal
Risk Tolerance	Avoid
Context Council is committed to providing a safe, healthy, and inclusive workplace that supports the wellbeing and performance of its people. Council has a low appetite for people risks that compromise health and safety, wellbeing, or the ability to attract, retain, and support a capable workforce.	
Council will tolerate • Minor incidents or injuries arising from normal operations, provided they are reported, investigated, and appropriate corrective action is taken. • Minor wellbeing, morale, or workplace relationship issues that are managed through established Council processes. • Genuine mistakes that provide opportunities for learning and continuous improvement. • Temporary reductions in performance or productivity arising from organisational change or continuous improvement initiatives. • Practices that differ from recognised best practice where they remain safe, lawful, and do not compromise Council's duty of care.	Council will not tolerate • Deliberate or reckless behaviour that endangers the health, safety, or wellbeing of staff, contractors, volunteers, elected members, or the public. • Bullying, harassment, discrimination, victimisation, or other behaviour that is inconsistent with Council's values or Code of Conduct. • Deliberate or repeated breaches of health and safety legislation, policies, or procedures. • Failure to identify, report, investigate, or appropriately respond to health and safety incidents, hazards, or near misses. • Knowingly allowing unsafe workplaces, work practices, or infrastructure to remain unaddressed. • Systemic failures to support workforce wellbeing, capability, or legal obligations.
Associated Strategic Risk/s: • Obligations with health and safety are not met. • Trust and confidence are tarnished.	