Policy Register

Risk Management Policy

Policy Classification	-	**Risk Management**
Policy N°	-	**POL/568**
Policy Status	-	**Current**
Responsible Service Unit	-	**Chief Legal and Governance Office**
Authorised by	-	**Council**
Date Adopted	-	**22 March 2022**
Next Review Date	-	**2025**

This policy is part of a suite of policies adopted by Council or the Executive Management Team (EMT).

New or replacement policies can be created and developed within Service Units but can only be added to Council's Policy Register by Governance Services following the approval of the policy by Council or the EMT.

Contents

1. POLICY PURPOSE

Council acknowledges its responsibility to effectively manage risks in all areas of its business activities. The purpose of this policy is to outline Manningham City Council's (Council's) risk management framework, including key elements such as:

- roles and responsibilities for managing risk

- risk management process – the guide for assessing and rating the level of risk in terms of likelihood and consequence, and determining whether a level of risk is tolerable or requires further reduction

- monitoring, reviewing, reporting and on risk arrangements assurance processes to measure and improve the effectiveness of controls

- organisational culture and capability

- guidance for decision making to create and protect value.

2. POLICY BENEFITS

Council is committed to achieving its strategic objectives and statutory responsibilities through implementing an effective risk management framework. The core benefits of this policy are to:

- provide guidance for decision making to create and protect value by establishing the right balance between the cost of control and the risks that Council is willing to accept (risk appetite)

- ensure a consistent and effective approach to risk management by providing structured methods for the exploration of threats, opportunities and resource allocations

- encourage and empower staff to proactively manage and treat risk

- demonstrate increased application of risk management principles into strategic planning, corporate governance, project management, resource allocation, decision making and operational service delivery

- foster and encourage a risk aware culture where risk management is seen as a positive attribute of decision making rather than a corrective measure

- promote stakeholder confidence and trust through process transparency

3. RISK MANAGEMENT FRAMEWORK

Risk management is the combination of organisational systems, processes and culture that facilitate the identification and management of risk in order to protect the organisation and assist in the successful pursuit of its strategies and performance objectives.

It is the policy of Council that all directorates implement the risk management framework. This will assist Council's service delivery and operational functions to create and protect value and safeguard Council's assets, infrastructure, people, finances and reputation.

The key elements of the Risk Management Framework are:
- Risk Management Strategy

- Risk Management Policy
- Risk Register (Riskware system)
- Compliance Plan Procedure
- Risk Assessment Procedure
- Risk Management Incident and Near Miss Procedure
- Risk Management Maturity Tool
- Executive Risk Committee
- Audit and Risk Committee

4.   RISK MANAGEMENT AND PLANNING

The Council recognises risk management as an integral part of good management practice and decision making. Accordingly, the Council applies the risk management process as part of its strategic planning to facilitate more effective problem solving, decision making and service delivery.

It is envisaged that:
- At a strategic level, critical services and functions that support the Council Plan, and statutory responsibilities of local government, will be used as a basis for determining strategic risks, together with other external factors including emerging risks and megatrends
- At an operational level, Business Plans, Service Plans and audits will assist to determine relevant operational risks. This will be further informed by other strategic plans not addressed in the Business Plans

5.   COMMITMENT TO A RISK MANAGEMENT CULTURE

Council recognises the importance of organisational culture as an intrinsic platform for the effective embedding of the risk management framework through engagement, ownership and application of processes.

The Risk Management Culture Maturity Model has been created to monitor the cultural development and integration of risk management through measurement of performance indicators. The Executive Risk Committee will be responsible for identifying target maturity states appropriate for achievement of organisational objectives and resourcing levels and monitoring performance.

6.   ROLES AND RESPONSIBILITIES

The development of a suitable structure to ensure the appropriate oversight and accountability in risk management is critical. Council has authorised the following levels of responsibility:

Role	Responsibility
Council	• Approve the Risk Management Strategy and Risk Management Policy • Nominate members to participate on the Audit and Risk Committee • Receive Audit and Risk Committee minutes and a six monthly report from the Audit and Risk Committee Chair • Receive the six monthly Strategic Risks Register report from management
Audit & Risk Committee	• Monitor the risk framework, systems and processes adopted by Management to ensure strategies appropriately identify, address and manage key risks throughout the organisation • Review Council's risk exposure and recommend to Council any preventative actions. • In conjunction with the Executive Risk Committee oversee risk activities related to risks residually rated as high or very high • Consider the adequacy of actions taken to ensure that material business risks have been dealt with in a timely manner to mitigate exposures to Council through risk treatment reporting. • Approve and monitor the internal auditor's annual plan to ensure adequate coverage of risk.
Chief Executive Officer	• Responsible for Risk Management Framework within Council • Lead and promote a strong risk management culture • Chair the Executive Risk Committee • Ensure overall accountability, authority and resources for managing risks
Corporate Counsel & Group Manager Governance & Risk	• Ensure the design, and oversees the implementation and maintenance of the Risk Management Framework. • Presents monitoring reports to the Executive Management Team as required • Supervises the Strategic Risk and Assurance Advisor

Executive Risk Committee	• Executive governance oversight of the development, implementation, monitoring and promotion of the risk management framework • Review, monitor and approve Council's Strategic Risk Register on a six monthly basis, with attention to new and emerging risks (megatrend influencers) • Regularly monitor the currency of operational Risk Registers and confirm the appropriateness of risk treatments for high and very high risks • Monitor Council's three lines of defence assurance activities • Review Risk Management Reports including Incident and Near Miss reports • Report meeting minutes to the Audit and Risk Committee
Directors & Managers	• Promote and engender a strong risk management culture in key planning and operational decision making, ensuring that risks are identified in a timely manner and managed effectively. • Report all high and very high risks to the CEO or Executive Risk Committee for determination • Undertake review of strategic risks and treatment plans. • Ensure operational risk registers are reviewed, monitoring the effectiveness of risk controls • Prioritise resources to high and very high rated risks and implement controls or risk treatments as appropriate
Risk & Assurance team	• Undertake the development, facilitation and implementation of the risk management framework • Improve organisational capability through the provision of risk training, awareness initiatives and advice across the organisation • Provide reports on the risk registers, incidents and assurance activity as required to the Executive Risk Committee and Audit and Risk Committees • Monitor risk registers and ensure they are updated at least six monthly. • Provide advice and assistance to all Council staff in relation to the Risk Management Framework and its application • Monitor and report to Council's high risk exposures and emerging trends to the Executive Risk Committee • Develop and deliver Council's Compliance Plan
Internal Auditor	• Ensure the three year internal audit plan takes into consideration identified high and very high rated strategic and operational risks • Review effectiveness of risk controls and provide assurance to the CEO and the Audit and Risk Committee
Risk Owners	• Identify, assess, manage, monitor and review risks • Apply appropriate levels of risk tolerance and control • Meet risk management framework and system timelines
Risk Control Owners	• Develop, implement, monitor and review effective controls
Risk Treatment Owners	• Develop, implement, monitor, review and update treatments, meeting system timelines

7.   RISK MANAGEMENT PROCESS

The process of risk management involves establishing the context, identifying, and assessing, treating, monitoring, reviewing, recording and reporting risk.   The risk management process methodology follows the AS ISO 31000:2018 risk management approach.

Risk assessment and treatment involves risk identification, risk analysis, evaluation of risk treatment options and implementation of the appropriate treatment options. Throughout this process there should be communication and consultation with key stakeholders as well as regular review and monitoring to ensure the process is functioning effectively to mitigate risks to tolerable levels.
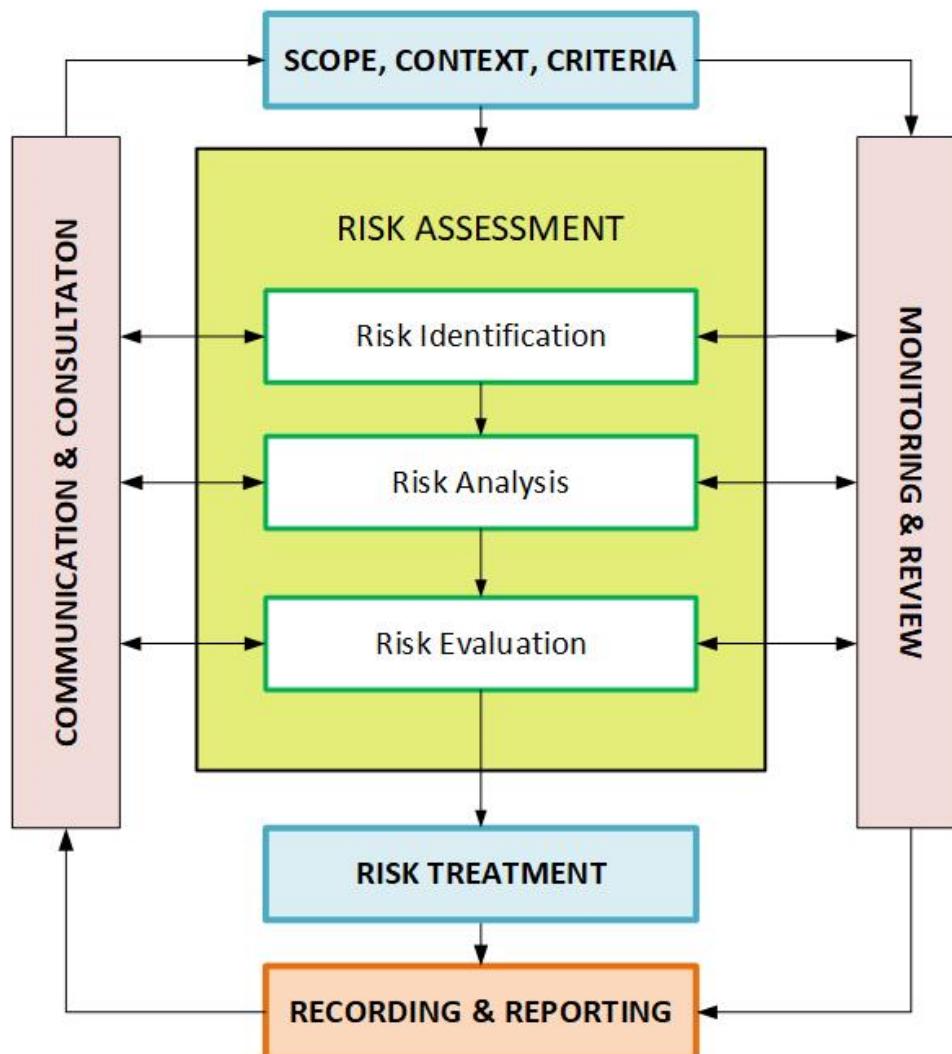

Figure 1: AS ISO 31000:2018 Risk Management Process

The key output of the risk management process is the risk assessment. The risk assessment process considers both strategic organisational wide risks and operational risks.

- **Strategic risks** are significant enough to prevent Council from achieving; the strategic objectives outlined in the Council Plan and other strategies, statutory responsibilities or have a material impact.

- **Operational risks** are the key risks resulting from inadequate or failed internal processes, people or systems or from external events which could jeopardise the achievement of business plans, organisational objectives or statutory/policy responsibilities

Figure 2: Manningham's risk assessment process

8.   RISK ASSESSMENT METHODOLOGY

Risk is usually expressed in terms or risk sources, potential events, their consequences and their likelihood. The level of risk is expressed in terms of a combination of the consequences of an event and the associated likelihood of occurrence. The risk assessment matrix is used to determine current and residual risk levels using consequence and likelihood tables.

8.1   Risk Consequence Categories

The following risk categories are sources of risk and may not be mutually exclusive. They are used to classify risks and assist to determine potential consequences or impacts.

Financial Sustainability	This is the risk of changes in the Council's financial condition and circumstances, such as negative impacts on the balance sheet assets and liabilities, its funding, income, investments and spending levels.
Service Delivery	This is the risk arising from the nature of the Council's business and operations, for example, the risk of a failure to deliver statutory or other services to residents, failure to provide the required quality in services, or failure to provide appropriate services in the event of an emergency.
Asset / Infrastructure	This relates to the risk/s arising from the potential deterioration, damage or destruction of Council assets and road infrastructure. This includes both financial costs of repair and/or replacement and the impact that loss of access to the asset has on service delivery.
Corporate Information / Systems	This is the risk arising from the loss of critical data essential to deliver function, loss of access to critical systems and unauthorised access to critical data.
Legal and Compliance	This is the risk of successful legal action being taken against the Council, or of the Council breaching the law in its activities and operations, and is also the risk of losses, possibly fines, and other sanctions arising from non-compliance with laws and regulations.
Environmental	This is the risk arising from Council actions or inactions leading to detrimental impacts on the natural environment.
Reputation	This is the risk of a significantly adverse or damaging perception of the Council by the general public and Manningham's residents. This usually is an outcome from other risks, rather than a risk in itself, i.e. conduct of a Councillor, employee, volunteer or poor governance.
People	This is the risk arising from our people and the public being exposed to hazards and risks arising from Council operations and the potential for injury and illness. It also considers situations when staff are unavailable to deliver critical services.
Public Value	Public value used to measure outcomes and align our resource priorities to deliver optimal economic, social and environmental benefit for the community, are not considered or delivered, and/or negative consequences occur. Negative impact/s to the community can be transitory to long term in duration and result in loss of trust.

8.2 Risk Consequence Table

Where a risk assessment has more than one consequence category, the assessment must be based on the highest consequence category. Although this table addresses negative outcomes, the converse applies for positive outcomes.

Risk Rating	Financial Sustainability	Service Delivery	Asset / Infrastructure	Corporate Information /Systems	Legal and Compliance	Environment	Reputation	People	Public Value
Catastrophic (5)	>$10M pa loss of revenue or increase in expense	Two or more critical services are undeliverable for at least 3 months. One or more major roads are unusable for at least 3 months	A number of critical assets/roads are impaired which cease critical service delivery (internally and externally) for over 3 months	Not able to access critical service delivery systems for over 3 months	Criminal prosecution by regulator and civil litigation commenced in one of the superior courts i.e. County, Supreme or Federal court of Australia	Irreversible damage. Extensive detrimental long term impacts on the environment and community	Lengthy constant negative national media coverage resulting in: • Loss of public trust • Minister sacks Council • CEO and EMT depart	One or more fatalities. Over 40% of staff unavailable	Long term harm to the community (public value outcomes) e.g. loss of human life, community uprooted, loss of livelihoods, generational inequity, long lasting psychological impacts, entrenched loss of trust.
Major (4)	<$10M> $5M pa loss of revenue or increase in expense	One or more critical services are undeliverable for between 1 to 3 months. One or more major roads not usable for 1 to 3 months. One critical service not deliverable for over 3 months	A number of critical assets/roads are impaired which ceases or interrupts critical service delivery (internally and externally) for over 1 to 3 months	Not able to access critical service delivery systems for 1 to 3 months	Major regulatory or contract breaches and litigation. Liability fine and implications for Directors/ Managers	Long-term and widespread environmental damage taking greater than 5 years to recover and requiring significant restorative work	Lengthy constant negative state media coverage resulting in: • Councillor removed • CEO or EMT depart A number of senior managers depart	One or more serious injury/ Disabilities. 20 to 40% of staff unavailable	Significant medium to long term detriment to the community (public value outcomes) e.g. mental health impacts, people forced to leave their homes, business closures, damage to cultural or heritage sites, disruption to transport.

Risk Rating	Financial Sustainability	Service Delivery	Asset / Infrastructure	Corporate Information /Systems	Legal and Compliance	Environment	Reputation	People	Public Value
Moderate (3)	<$5M > $500K pa loss of revenue or increase in expense	A critical service is undeliverable or a critical road is unusable for at least 4 weeks A multiple of non-critical services are not deliverable lasting longer than 1 month	Impairment to one or more critical assets/roads which interrupts critical service delivery (internally and externally) for 1 to 4 weeks	Limited access to critical service delivery systems for 1 to 4 weeks	Regulatory or contract breaches causing investigation / report to authority and moderate fines and prosecution	Significant environmental damage taking several years to recover and requiring moderate restoration work	Ongoing local media coverage over several days, resulting in: • A director is sacked Service Unit Manager/s depart	Injury requiring hospitalisation to one or more persons 10 to 20% of staff unavailable	Omission or failure resulting in medium term negative impact to one or more public benefit outcomes e.g. deterioration of health conditions, short-term downturn in tourism
Minor (2)	<500K> $100K pa loss of revenue or increase in expense	A disruption to any service or road lasting less than 7 days	Damage to a critical asset/road which interrupts critical service delivery (internally and externally) for less than 7 days	Limited access to critical service delivery systems for up to 7 days	Minor regulatory or contract breaches causing minor fines and likely prosecution	Minor environmental damage such as remote temporary pollution	Local media coverage resulting in: • A number of complaints to Council • Staff member sacked	Significant medical treatment, lost time injury 3 to10% of staff unavailable	• Failure to achieve identified community need in public value outcome/s, causing temporary impact • Can be remedied through retrospective actions
Negligible (1)	<$100K pa loss of revenue or increase in expense	A disruption to any services or road that causes an inconvenience	Damage to a critical asset/road which causes an inconvenience to service delivery (internally and externally)	Critical service delivery systems interrupted for less than 1 day	Negligible regulatory breaches that are detected early and rectified Insignificant legal issues & non-compliance	Brief, non - hazardous, transient pollution or damage	A negative individual article in a local newspaper/TV program causing limited public inquiries	First Aid or Minor medical treatment <3% of staff unavailable	• Lost opportunity for low value public benefit gain • Inconsequential and transitory impact

8.3   Risk Likelihood Table

The likelihood assessment categorises the chance of something happening. The likelihood assessment process is as follows:

- **Current risk assessment**: categorises the current likelihood of the risk occurring given the effectiveness of existing specific controls.

- **Residual risk assessment**: categorises the residual likelihood of the risk occurring given the effectiveness of existing specific controls and treatment plans.

Likelihood		Description	Negative Event Frequency
5	Almost Certain	The uncertain event is expected to occur in most circumstances	Once a month
4	Likely	The uncertain event will probably occur in most circumstances	Several times a year
3	Possible	The uncertain event should occur at some time	Once a year
2	Unlikely	The uncertain event could occur at some time	Once every three years
1	Rare	The uncertain event may occur only in exceptional circumstances	Once every 10+ years

8.4   Risk Assessment Matrix

Utilising the likelihood and consequence determines the current and residual risk rating within the risk assessment matrix.

Risk Assessment Table

Consequence

Likelihood	1 Negligible	2 Minor	3 Moderate	4 Major	5 Catastrophic
5 - Almost Certain	Medium	Medium	High	Very High	Very High
4 - Likely	Low	Medium	High	High	Very High
3 - Possible	Low	Medium	Medium	High	Very High
2 - Unlikely	Low	Low	Medium	Medium	High
1 - Rare	Low	Low	Medium	Medium	High

9. RISK APPETITE AND TREATMENT

Risk Appetite is the overall amount of risk Council considers is acceptable. The risk assessment process applies the approved risk likelihood and risk category criteria to determine the current risk rating. The Risk Treatment Plan Appetite Table and frequency of reporting, serve as the fundamental standards by which risks and decisions are judged as acceptable or unacceptable.

Risk tolerance is the boundary set for risk taking in order to achieve Council's objectives and may be expressed in various ways depending on the nature of the risk. Risk tolerances are maintained through the governance, legal, strategy, policy and process frameworks of Council.

A current risk rating determines whether a treatment plan is required. The following Treatment Plan Appetite Table outlines what is required regarding residual risk ratings. Treatment plans should be documented in the risk register and monitored.

Treatment Plan Appetite Table

Current Risk Rating	Required Treatment	Required Treatment Description
Very High	Needs Active Management	Escalation upon identification. A risk treatment plan must be established and implemented urgently to reduce the residual risk to High.
High	Needs Regular Monitoring	A treatment must be prepared, primarily focused on strengthening controls, paying close attention to the ongoing maintenance of excellent/good controls.
Medium	Needs Periodic Monitoring	A treatment process should be adopted, primarily focused on monitoring risks in conjunction with a review of existing control procedures.
Low	No Major Concerns	Business As Usual. Systems of control and monitoring apply and are adequate.

10. REPORTING

10.1 Approval and Reporting of Risks

On-going reporting of individual risks is according to the following thresholds. All risks should be managed to ensure the residual risk is as low as reasonably practicable.

Risk register reports will help the CEO monitor strategic risks and Directors monitor their Directorate operational risks, and update their risk treatment plans.

Level of Risk	Reporting Timing	Monitoring Authority
Very High	Monthly	Strategic and Operational Risks – CEO/Executive Management Team and Audit and Risk Committee (every meeting)

High	Quarterly	Strategic Risks – CEO/Executive Risk Committee Operational Risks – CEO/Director/Executive Risk Committee
Medium	Six Monthly	Strategic Risks – CEO/Strategic Risk and Assurance Advisor Operational Risks – Director/Manager
Low	Yearly	Strategic Risks – Strategic Risk and Assurance Advisor Operational Risks - Manager

10.2   Reporting Risk Incidents or Near Misses

Reporting of risk events in a central database enables analysis of trends and loss information. The thresholds established for reporting individual risk events are as described below. The Risk Management Incident and Near Miss Procedure further describes the requirements for risk incident reporting.

If Risk Rating	Report To:
Negligible - Low	Risk Owner
Minor - Medium	Director
Moderate - High	CEO/ Executive Risk Committee
Major - High	CEO/Executive Risk Committee
Very High	CEO/ Executive Risk Committee/ Audit & Risk Committee/ Councillors

10.3   Risk Systems

Riskware is the database for recording strategic and operational risks. Use of this system as the primary risk register is mandatory.

11.   MONITORING

The Local Government Performance Reporting Framework requires the six monthly reporting of Strategic Risks to the Council. Reporting to the Audit and Risk Committee and Executive Risk Committee will be undertaken according to their respective Charter and Terms of Reference work plans.

12.   REGULAR REVIEW OF THE RISK MANAGEMENT FRAMEWORK

The Risk Management Framework will be reviewed on a three yearly cycle to ensure it continues to reflect Council's risk appetite, risk processes and maturity.

13.   KEY DEFINITIONS

The risk management 'glossary' is based on the AS ISO 31000:2018

Term	Definition
Control	Includes but is not limited to, any process, policy, device, practice or other conditions and/or actions which maintain and/or modify risk
Critical Service or Asset	A critical service is a major resource intensive service required to be delivered in a set timeframe and set quality. Failure to deliver significantly impacts Council and the community. A critical asset is an asset that is required to deliver the critical service.
Current Risk	Level of risk given the existing set of controls are operating to design
Risk Management Framework	The components for designing, implementing, monitoring, reviewing and continually improving risk management that will be consistently applied entity wide across Council, at both a strategic and operational level
Event	Occurrence or change of a particular set of circumstances
Consequence	Outcome of an event affecting objectives. A single event can result in more than one consequence.
Likelihood	Chance of something happening
Operational Risk	are the key risks associated with normal business functions which could jeopardise the achievement of service plans, organisation objectives or statutory/policy responsibilities
Residual Risk	The remaining level of risk after risk treatment measures have been applied
Risk	Effect of uncertainty on objectives and usually expressed in terms of risk sources, potential events, their consequences and their likelihood
Risk Analysis	Process to comprehend the nature of risk and to determine the level of risk.
Risk Appetite	The amount and type of risk an organisation is prepared to accept in order to achieve its objectives
Risk Category	Source of risk used to assess consequence
Risk Source	Element which alone or in combination has the potential to give rise to risk.
Risk Evaluation	Process of comparing the results of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.
Risk Identification	A process of finding, recognising and describing risks.
Risk Management Process	The systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.
Risk Owner	Person with the accountability and authority to manage a risk
Risk Tolerance	Is the boundary set for risk taking **in order to achieve** Council's **objectives** and may be expressed in various ways depending on the nature of the risk**. Risk tolerances are** maintained through the governance, legal, strategy, policy and process frameworks of Council.
Risk Treatment	Process of selection and implementation of measures to modify risk. Once implemented they become controls.
Strategic Risk	Significant enough to prevent Council from achieving; its strategic objectives outlined in the Council Plan and other strategies, statutory responsibilities or have a material impact

14. RELATED STRATEGY, POLICY, PROCEDURE

Risk Management Strategy
Incident and Near Miss Procedure
Compliance Plan Procedure

15. RELATED LEGISLATION, STANDARD AND GUIDES

Local Government Act 2020
Australian Standard AS ISO 31000:2018 Risk management – Guidelines
Victorian Government Risk Management Framework

16. ADMINISTRATIVE UPDATES

The Responsible Officer may make minor administrative changes to this policy at any time, provided they do not materially alter this policy. Examples of minor administrative changes include changes to names of Manningham Council departments or a minor amendment to legislation that does not have material impact. Where any change or update may materially change the intent of this policy, it must be considered by the Executive Management Team.

17. DOCUMENT HISTORY

Policy Title:	Risk Management Policy
Responsible Officer:	Andrew McMaster
Resp. Officer Position:	Chief Legal and Governance Officer
Next Review Date:	2025
To be included on website?	Yes

Last Updated	Meeting type? - Council or EMT	Meeting Date	Item N°
22/03/2022	Council	22/03/2022	
25/07/2017	Council	25/07/2017	
19/06/2015	Council	19/06/2015	