# Council Policy

## Risk Management Policy 2019

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| **Department/Unit:** *Department Name* | **First Implemented:** *New Policy*<br>**Effective From:** *25 June 2019*<br>**Review Date:** *25 June 2023*<br>**Version:** *1*<br>**Trim Reference:** *E6104* | **Origin:**<br>Responsible Officer<br>*Governance and Risk Coordinator*<br>Authorising Officer:<br>*Endorsed by Council – 25 June 2019* |

## PURPOSE/OBJECTIVE

The purpose of this policy is to outline Mansfield Shire Council's (Council) overall intention and direction in relation to risk management. This document is intended to provide direction to staff in the management, identification, assessment and report of risk.

## POLICY STATEMENT

Mansfield Shire Council is committed to the process of identifying, quantifying and managing risk to minimise the effect on the objectives of the Council.

Risks are categorised as either strategic, operational or project based – where the "Risk" is defined in terms of the ***effect of uncertainty on objectives***:

- *Strategic* – the effect on Council's Strategic objectives;
- *Operational* –the effect on departmental business plans/objectives;
- *Project* – the effect on specific project objectives.

There are nine areas identified where Council objectives may be impacted:

- *Reputation* – complaint level, disruption to partnership or relationships, media or image impact or impact on social or community expectations.

- *Outcome* – objectives regarding the outcome or output itself or to the timeliness of the outcome or output. Includes the impact on quality or community outcomes.

- *Asset management* – ensuring suitable, maintainable and sustainable assets are in good condition into the future.

- *Project Management* – projects are delivered to a quality standard, on time and with value for money.

- *Financial* – the cost operationally of achieving the outcome and the long term financial viability or strategic impact

- *Governance* – in line with Acts or on a regulatory basis

- *People* – impact on people in a safety, wellbeing or as resources for the organisation

- *Environment* – impact on flora or fauna, air quality, water quality or land impact

- *Risk Aversion* – how risk perception will affect the decision-making process on future outcome

Risks are categorised as Low, Medium, High and Extreme based on consequence and the likelihood of the consequence occurring. The level of risk will define the intervention level and control required:

- *Extreme* – Activities with a residual risk rating of **Extreme** are unacceptable and should cease until suitable controls are put in place to lower the risk, or CEO approval is obtained.

- *High* - Activities with a residual risk rating of **High** require authorisation by Senior Executive staff. The activity must be aligned with the Council Plan. Senior Executive staff will closely monitor the activity with clearly defined responsibilities for the relevant department.

- *Medium* - Activities with a residual risk rating of **Medium** are acceptable with manager approval or documented knowledge.

- *Low* - Activities with a residual risk rating of **Low** are acceptable subject to routine management of controls

Controls are implemented to mitigate the risk using the hierarchy of control.

The Audit Committee will oversee the risk exposure of Council by advising management on appropriate risk management processes and adequate risk management systems to assure alignment of the Risk Management Framework with ISO 31000.

This Risk Management Policy will be reviewed in line with the four-year Council Plan.


**DEFINITIONS**

| | |
|---|---|
| **Consequence** | Outcome of an event affecting objectives |
| **Likelihood** | Chance of something happening |
| **Inherent Risk** | Represents the amount of risk that exists in the absence of controls |
| **Objectives** | Those things that the organisation would like to achieve, deliver or provide. Objectives are broken into different aspects. |
| **Residual Risk** | The amount of risk that remains after controls are accounted for |
| **Risk** | Effect of uncertainty on objectives |

| | |
|---|---|
| **Risk Management** | Coordinated activities to direct and control an organisation with regard to risk. |
| **Risk Management Framework** | Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. |
| **Risk Management Policy** | Statement of the overall intention and direction of an organisation related to risk management. |
| **Risk Management Process** | Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk. |

## SCOPE

This policy applies to all Council employees, Councillors, contractors, consultants, volunteers and other authorised personnel of Mansfield Shire Council.

## RESPONSIBILITIES

Overall responsibility for the application of this Policy is held by the Chief Executive Officer.  Managers are responsible for ensuring their staff comply with the principles, practices and any associated procedures of this policy.  Management, employees, contractors and volunteers are to be familiar with, and competent in, the application of this Policy, and are accountable for the delivery of this policy within their areas of responsibility.

The Governance & Risk Coordinator is the owner of this policy.  Any reviews of this Policy must be made in consultation with the Governance & Risk Coordinator.

Risks are reported and monitored through the Risk Register. The Risk Register records actions taken on risks and provides for corrective actions to be monitored and escalated as appropriate. In general, the areas of responsibility for risks are as follows:

| Position | Responsibility |
|---|---|
| Councillors | Councillors are responsible for budgets, projects and goals for the organisation. Councillors should be aware of the risks associated with the decisions they make. Councillors have an impact on how ratepayers perceive the organisation and its effectiveness. |
| Audit & Risk Committee | The Audit Committee is responsible for the oversight of the risk management process across Council. |
| Internal Audit | Internal Audit provides an independent review function to Council. Internal Audit, in accordance with the Internal Audit Strategy approved by the Audit & Risk Committee, evaluate, test and report on the design and effectiveness of internal controls in place to manage the key risks of Council. |

| CEO (Chief Executive Officer) | The CEO is ultimately responsible for risk management of the organisation and is the risk owner of Council's strategic risks. The success or otherwise of managing risk will be influenced by how well the principles are embedded in all levels of management and the organisation. The CEO is the link between Councillors and Officers. |
|---|---|
| Managers | The Manager of each department is the risk owner for strategic, operational and project risks within their departments control. |
| Risk & Governance Coordinator | Responsible for providing advice to risk owners, training and monitoring of the Risk Register. Reviews the framework in conjunction with the organisation to allow for continuous improvement of the framework. This is done as required and as each four-year Council Plan is developed. |
| OHS Officer | Has ownership and carriage of the OHS manual and resulting incident and hazard registers.  Responsible for ensuring all relevant staff have completed OHS induction and subsequent training where required. |
| Coordinators, Team Leaders and Supervisors | These positions may include the risk owners for operational and project related activities. The risk owners are also responsible for consultation in the risk management process. They also monitor controls implemented to manage their risks. |
| Employees, contractors and volunteers | Understand and observe Council's Risk Management Policy and processes. All employees should be aware of the risk process and principles. They must participate in the consultative process and actively put forward both positive and negative risks/solutions/controls for their area of expertise. |
| Contractors | All contractors must comply and work within Council's risk management process. They must demonstrate that they have addressed risks associated with the work that they perform for Council. |

## REFERENCES / RELATED POLICIES

AS/NZS ISO 31000:2018 Risk Management – Guidelines
Mansfield Shire Council Plan 2017-2020
Mansfield Shire Council Occupational Health and Safety Policy
Mansfield Shire Council Risk Register

## IMPLEMENTATION

This Policy is effective from 25 June 2019

## REVIEW DATE

This Policy is to be reviewed by 25 June 2023.

## AUTHORISATION TO IMPLEMENT POLICY

Signed: _____          Witnessed: _____

              Councillor                           Chief Executive Officer

Approval dated:  25 June 2019

**Mansfield Shire Council reserves the right to review, vary or revoke this Policy at any time.**

# RISK MANAGEMENT
# FRAMEWORK & PROCEDURES

The following procedures are designed to ensure that all decisions relating to this policy are made in a consistent and open manner.

The international standards emphasise that for risk management to be effective it is important the risk management process is:

- value creating
- an integral part of organisational processes
- part of the decision-making process
- systematic, structured and timely
- able to address uncertainty
- based on the best available information
- tailored
- transparent and inclusive
- takes human and cultural factors into account
- dynamic, repetitive and responsive to change
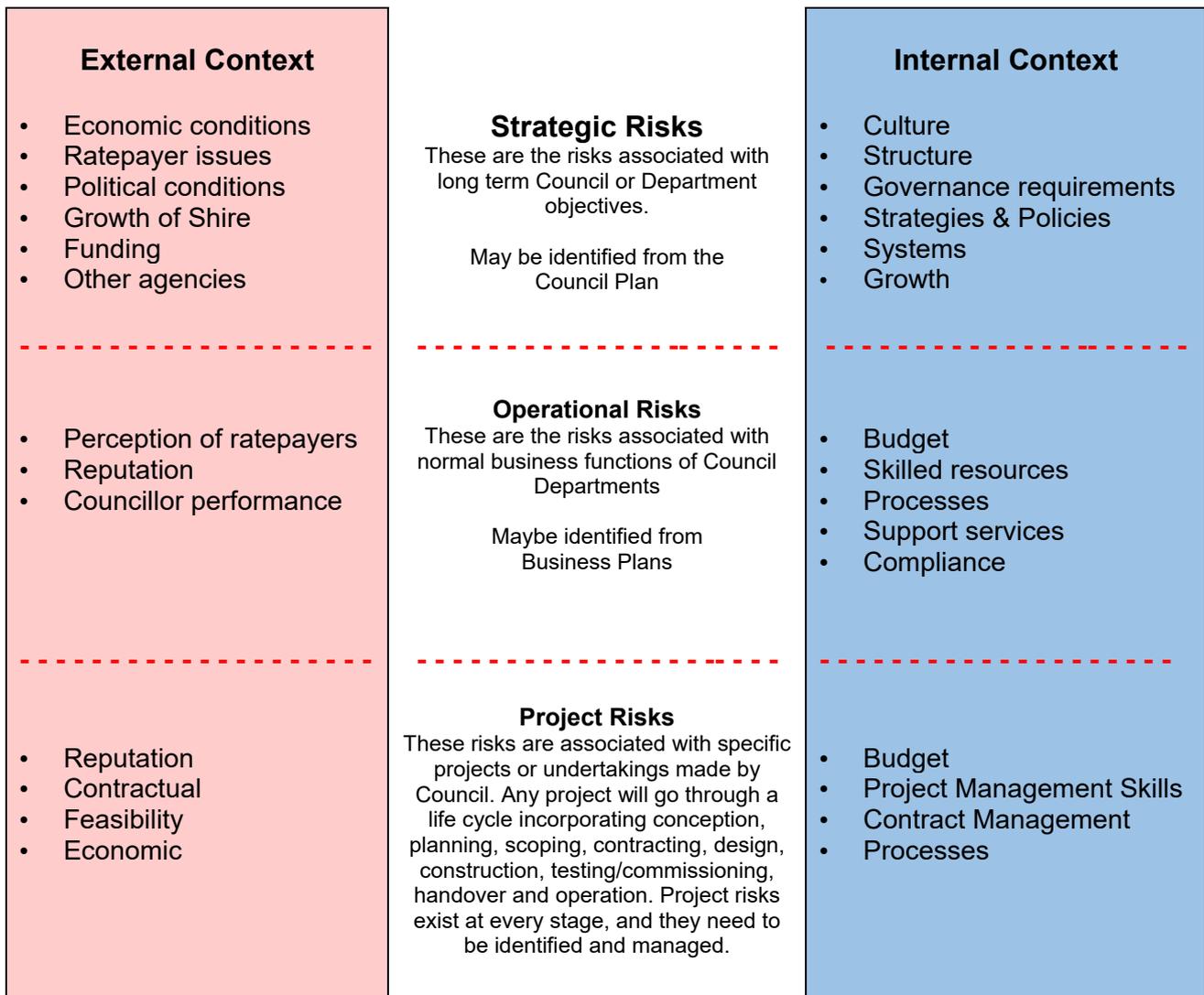- facilitates continual improvement and enhancement of the organisation

## 1. RISK MANAGEMENT PROCESS
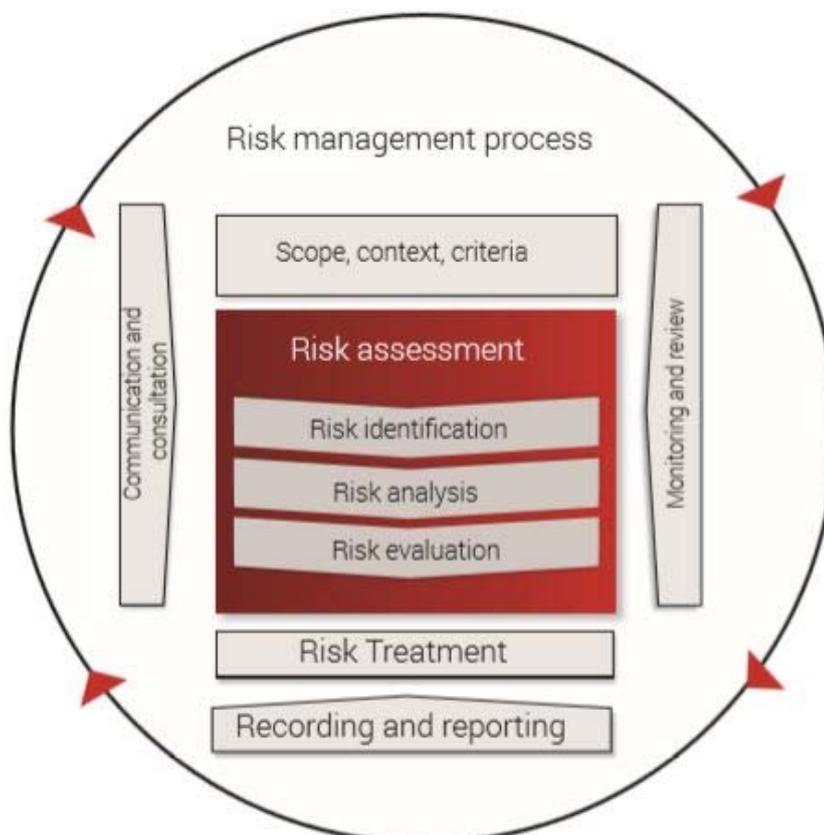
## 1.1 SCOPE, CONTEXT, CRITERIA

Risks are categorised as either strategic, operational or project based – where the "Risk" is defined in terms of the **effect of uncertainty on objectives** as defined in the policy statement. The diagram below gives some examples of risks based on external and internal context.

| External Context | Strategic Risks | Internal Context |
|---|---|---|
| • Economic conditions<br>• Ratepayer issues<br>• Political conditions<br>• Growth of Shire<br>• Funding<br>• Other agencies | **Strategic Risks**<br>These are the risks associated with long term Council or Department objectives.<br><br>May be identified from the Council Plan | • Culture<br>• Structure<br>• Governance requirements<br>• Strategies & Policies<br>• Systems<br>• Growth |
| • Perception of ratepayers<br>• Reputation<br>• Councillor performance | **Operational Risks**<br>These are the risks associated with normal business functions of Council Departments<br><br>Maybe identified from Business Plans | • Budget<br>• Skilled resources<br>• Processes<br>• Support services<br>• Compliance |
| • Reputation<br>• Contractual<br>• Feasibility<br>• Economic | **Project Risks**<br>These risks are associated with specific projects or undertakings made by Council. Any project will go through a life cycle incorporating conception, planning, scoping, contracting, design, construction, testing/commissioning, handover and operation. Project risks exist at every stage, and they need to be identified and managed. | • Budget<br>• Project Management Skills<br>• Contract Management<br>• Processes |

The context in which a risk exists is important particularly considering the relationship, perceptions and values of stakeholders as this shapes the risk appetite of the organisation.

### 1.1.1 External Context

Mansfield Shire is experiencing a period of growth and this is forecast to continue across areas such as population, residential property, property values and the general economy.

Ongoing residential subdivisions continue to increase Council's asset base as road and drainage infrastructure is handed over, and the volume of services required to new properties for waste and other services will continue to increase.

Council will continue to develop strategic plans for growth including:
- Open space
- Planning scheme reviews
- Road and infrastructure management
- Economic development

A popular retirement area, the Mansfield Shire's aged resident population is expected to continue to grow, putting pressure on aged services. Funding models and the availability of alternate service providers will be key factors in determining the level of services that continue to be delivered by Council in this area.

The demographics of the growth in each area of the Shire will be a driver for Council's future objectives. The funding sourced for the infrastructure and operational requirements for this growth will also be an influence in future plans. This will affect the Council plan and particularly the strategic risks of the organisation.

### 1.1.2  Internal Context

Local Government is a complex, multi business enterprise that has constant conflicts in allocating limited resources to build/maintain infrastructure and deliver community programs. In many instances, the community expectations are higher than what can be delivered. Internally risks in a strategic, operational and project context are driven in a finite funding environment with some ability to generate additional funding through government grants.

### 1.2 RISK ASSESSMENT

### 1.2.1 Risk identification

Risks identified are documented in the Risk Register and ranked based on consequence and the likelihood of the consequence occurring. It is important when documenting a risk to identify what uncertainty exists (i.e. the event), the cause of this uncertainty and the effect of this event on objectives. In general, this will influence objectives around an aspect from the following areas:

- Reputational – impact to reputation or image or a perception in the wider community or to other Councils or to stakeholders of Council

- Outcome – the objective is specifically around the provision of a service, an output, its quality or timeliness of delivering this outcome.

- Asset management – the impact is on the ability of the Council to ensure suitable, maintainable and sustainable assets are available into the future.

- Project Management – projects are delivered to a quality standard, on time and with value for money.

- Financial – the monetary cost of the objective.

- Governance - the potential for a penalty if not compliant to a regulatory requirement (e.g. the Local Government Act or the OHS Act).

- People – safety, psychological wellbeing or social, physical or mental health impact of the objective, or the influence of people resources on the objective.

- Environment – impact on flora, fauna, air quality, water quality or land impact.

- Risk taking – the potential that being averse to risk-taking will impact of the future objectives of the Council.

Generally, it is best to align the risk with the aspect where it has the most impact. This means that the aspect which has the highest consequence and is most likely will influence the level of risk determined from the risk matrix.

### 1.2.2 Risk Analysis

There are five levels of consequence identified which are ranked from 1 to 5 based on whether the outcome of interaction is Negligible, Minor, Moderate, Major or Critical. Similarly, there are 5 levels of likelihood which vary from A to E with Certain, Likely, Possible, Unlikely and Rare as the categories. A matrix leads to the identification of the risk as Low, Medium, High and Very High. Additionally each cell in the matrix has a number representing the risk score. This number helps differentiate different risks within the one rank and can assist in prioritising the order in which risks should be addressed.

| Likelihood scales | Guidance: Likelihood of occurring within the risk realisation period taking into account existing controls |
|---|---|
| Almost Certain | Will occur in most circumstances with a high level of known incidents recorded / experienced |
| Likely | Could occur in most circumstances with regular incidents known recorded / experienced |
| Possible | Might occur at some time with occasional yet random incidents recorded / experienced |
| Unlikely | Could occur at some time with a few infrequent yet random incidents recorded / experienced |
| Rare | May occur only in exceptional circumstances incidents are highly unheard of recorded / experienced |

### 1.2.3 Risk Evaluation

Based on the outcomes of the risk analysis, the purpose of risk evaluation is to decide:

- whether a risk needs treatment

- whether an activity should be undertaken

- priorities for treatment.

Ultimately the decision as to whether a risk requires treatment and the level of priority assigned to treatment rests with where the risk sits within the Risk Matrix below:

**Risk Matrix**

| CONSEQUENCE | LIKELIHOOD | | | | |
|---|---|---|---|---|---|
| | A<br>Certain | B<br>Likely | C<br>Possible | D<br>Unlikely | E<br>Rare |
| 1. Negligible | M | M | L | L | L |
| 2. Minor | H | M | M | L | L |
| 3. Moderate | H | H | M | M | L |
| 4. Major | E | H | H | M | M |
| 5. Critical | E | E | H | H | M |

**Risk Evaluation**

| Risk Level | Level of priority assigned to Risk Evaluation |
|---|---|
| E | Activities with a residual risk rating of **Extreme** are unacceptable and should cease until suitable controls are put in place to lower the risk, or CEO approval is obtained. If CEO approval is given, Council is to be informed of the extreme risk. |
| H | Activities with a residual risk rating of **High** require authorisation by Senior Executive staff. The activity must be aligned with the Council Plan. Senior Executive staff will closely monitor the activity with clearly defined responsibilities for the relevant department. |
| M | Activities with a residual risk rating of **Medium** are acceptable with manager approval or documented knowledge. |
| L | Activities with a residual risk rating of **Low** are acceptable subject to routine management of controls. |

## 1.3 RISK TREATMENT

Once a risk is identified, there are three treatment options to be considered. Selection of the treatment will depend on the risk appetite and whether continuing with the activity or program is acceptable to Council.

| Risk Treatment Options | |
|---|---|
| Treat the Risk | Evaluate the risk versus benefit in pursuing an opportunity. Reduce the probability of a risk occurring. Reduce the severity of the impact the risk may create. Involve other stakeholders. Insure against negative outcomes. Implement controls. |
| Tolerate the Risk | In the context in which the risk exists it is considered to be acceptable to Council. |
| Shift the Risk | Engage a specialist to continue the service. Remove the risk source. Don't start or continue with the activity or program. |

The level of risk, the available controls (and resources to provide these) and the effectiveness of the controls may influence the treatment option selected.

In considering a control it is best to look at the effectiveness of the control. Controls where exposure to a risk is eliminated are better than a procedural or administrative control.

This is represented in the following table:

| **Hierarchy of Control** - Interventions identified may be a mixture of the hierarchy in order to provide as low as reasonably practicable (ALARP) exposure. | | |
|---|---|---|
| Most effective | **Elimination** | Eliminate the risk by preventing exposure to the consequence. Redesign the process to eliminate the risk. |
| | **Substitution** | Provide an alternative that can provide the same outcome but is less risk. |
| | **Engineering Controls** | Provide or construct a physical barrier or guard. |
| | **Administrative Controls (also known as Procedural Control)** | Develop policies, procedures practices or guidelines in consultation with employees to mitigate the risk. Provide training, instruction and supervision about the risk. |
| Least effective | **Personal Protective Equipment (PPE)** | Personal equipment designed to protect the individual from the hazard. |

## 1.4 RECORDING AND REPORTING

Risks identified should be reported to the relevant manager and the Governance & Risk Coordinator as soon as practical after identification.

The Governance & Risk Coordinator will record the risk on the Risk Register, in accordance with these procedures and in consultation with the relevant manager.

## 1.5 MONITOR AND REVIEW

Councils risk and reporting information flows are as follows:

- The Governance & Risk Officer will provide a Risk report including the Risk Register to the Audit and Risk Advisory Committee quarterly.

- Senior Leadership Group (SLG) will review the Risk Register quarterly.

- Executive Management Team (EMT) will review the Risk Register on an annual basis to provide strategic advice on continual improvement.

## 1.6 COMMUNICATION AND CONSULTATION

It is essential that all participants and stakeholders in the activities of Council are aware of this risk management procedure and are consulted in its development, implementation and evaluation.

The focus for communicating the results of this risk management procedure includes each of the internal and external stakeholders listed below in the Council Risk Assurance Program.

## Council Risk Assurance Program

| Risk Assurance | Undertaken by | Focus Overview | Reports to |
|---|---|---|---|
| External Audit | Victorian Auditor General's Office (VAGO) | **Focus**: Reports on the organisations financial performance and position in accordance with the standing directions for the Minister of Finance under the *Financial Management Act 1994* on an annual basis together with any other relevant audits identified by VAGO from time to time. | Parliament |
| Internal Audit | Council appointed internal auditor | **Focus:** Independent monitoring of Council's application of internal and external policies in the management of its risks.<br>The Internal program is developed every 3 years and its structure is determined by the outcomes of Council's Strategic Risk Register. | Audit & Risk Advisory Committee |
| Mandatory Compliance Audit | Auditors appointed by State Government Agency | **Focus:** Reports on Council's performance and compliance with various mandatory legal obligations applicable to both State and Commonwealth Government initiatives and programs e.g. Worksafe | Council |

# Appendix 1 - Risk Matrix

| | | | | | | | People | | | | Likelihood Criteria | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Reputation** | **Outcome** | **Asset Management** | **Project Management** | **Financial** | **Governance** | | **People** | **Environment** | **Risk Aversion** | **A Certain** | **B Likely** | **C Possible** | **D Unlikely** | **E Rare** |
| Partnership/ Relationship/ Feedback/ Media exposure/ Benchmarking | Impact on quality or community. Ability to meet objectives/ fulfil requirements | Suitable, maintainable, in good condition, serviceable into the future | Projects are delivered to a quality standard, on time and with value for money | Operational – effect on operating budget and long term financial viability | Compliance with acts and regulations | Safety/ Wellbeing & Culture | Right people attracted, resourced, developed, deployed and retained | Climate, sustainability/ recovery | Impact on future outcomes | Almost certain to occur in most cases | Likely to occur frequently | Possible and likely to occur at some time | Unlikely to occur but could happen | May occur in rare and exceptional cases |
| **1. Negligible** — Isolated example, disagreement, 0-2 complaints, local or internal gossip, 1-5% below quantile | Local rather than community impact. Some negotiation by management to rebalance of priorities or delays. Service delivery affected <1 day. | Some adaptation of facility is required to suit purpose. Maintenance is prioritised due to funding constraints | Specification, tender or selection process compromised to allow timeframe or objectives to be met. Project commitments will absorb 10% of contingency | Likely to impact on budget or funded activities <2% of budget | No noticeable regulatory or statutory impact. Breach of By-law. | First aid injury. Happy, motivated, mostly engaged workforce | No difficulty attracting the right people. Turnover <6%. | No or little environmental impact | Failure to identify risks involved | 1A Medium (11) | 1B Medium (7) | 1C Low (4) | 1D Low (2) | 1E Low (1) |
| **2. Minor** — > 1 disagreement, 2-10 complaints, local media queries (letter to ed), 5-10% below quantile | More than one locality impacted. Day-to-day management to rebalance priorities or reschedule more than one activity. Objective begins to be impacted. Service delivery affected 1 day-1 week. | Capital works program required to allow assets to meet requirements for the community. Some underutilisation of assets. | Only adequate spec, and minimal compliance to procurement policy. Supervision required to prevent delays. Milestones out by >1week. Project at 10-50% of contingency. | Some financial loss. Requires monitoring and possible corrective action within existing resources. 2-5% of budget. Readily absorbed costs with effort to minimise impact ($100k-M$1) | Some temporary minor non-compliance that can be rectified. Breach of Regulation | Medical treatment required. Some disengagement from Workplace, some absenteeism. Some levels of dissatisfaction. | Some difficulty attracting the right people, >10 permanent positions vacant. Turnover <8% | Minor environmental damage to immediate area | Stakeholders not identified, Risk assessment process not well applied or understood. Risk treatments not identified | 2A High (16) | 2B Medium (12) | 2C Medium (8) | 2D Low (5) | 2E Low (3) |
| **3. Moderate** — Loss of grant, disengaged, 10+ complaints, local news and radio prolonged 10-25% below quantile | Community backlash or rejection, Management effort/ focus <1 week. Rescheduling of milestone/s to allow achievement of objective/s. 11-30% service disruption. Service Delivery affected 1 week - 1 month. | Significant Renewal Gap. Facilities are aging and insufficient funds to maintain or renew. Definite underutilisation of facilities by the community. | Administrative errors, supervision and oversight required to keep project on track. Milestones out by >1 month. Project 50-100% of contingency. | Significant financial loss. Impact may be reduced by reallocating resources. Spending is avoided. 5-10% of budget. Additional management intervention and effort required (M$1-M$3) | Medium term non-compliance that can be rectified. Breach of Statute Law | Medical treatment involving lost time (<10days). Pockets of disengagement from workplace, patterns of absenteeism and presenteeism. | Difficult to attract the right people. Some contract staff engaged, >5 permanent positions vacant each week for +3-months. >2 senior roles vacant. Turnover <15% | Environmental damage restricted to local area | Slow progress because avoiding risk. Avoiding spending. Avoiding decisions | 3A High (20) | 3B High (17) | 3C Medium (13) | 3D Medium (9) | 3E Low (6) |
| **4. Major** — Responsibilities withdrawn, external investigation (coroner/IBAC), 50+ complaints, State media coverage, 25-50% below quantile | Widespread community impact. Management effort>1 week. Rescheduling of goals to negotiate delay. Likely an objective or component will not be met. 31-70% service disruption. Service Delivery affected >1 month | Assets require replacement but no funding available. Assets difficult to be adapted to meet the needs of the community. Assets are surplus to the needs of the community. | Significant supervision and oversight required to keep project on track. Milestones out by >6 months. Project at 100-150% of contingency. | Major financial loss. Requires significant adjustment to approved/ funded projects/ programs 10-20% of budget. Critical need for management intervention and effort (M$3-M$7) | Non-compliance results in penalties being applied. Breach of Constitutional Law | Medical treatment involving >10 days off work or in hospital. Disengagement is affecting output, people generally not motivated/ apathetic workforce. Absenteeism high. | Using contract staff to fill vacancies long term. Multiple senior roles, <30% of teams missing one employee, >10 permanent positions vacant each week for +6-mths. Turnover <20% | Environmental damage affecting portion of Shire | Opportunities lost for community because risks seen as more significant than the outcome of the project. Not able to identify risk treatments to manage risk. | 4A Extreme (23) | 4B High (21) | 4C High (18) | 4D Medium (14) | 4E Medium (10) |
| **5. Critical** — Administrator engaged, Council sacked, external investigation (Royal Commission), National/ International media coverage, bottom of state or 50% below quantile | Multiple widespread community impacts. 100% concentrated management effort or not able to deliver. Rescheduling of goal and objectives. >70% service disruption. | Assets are not capable of providing the service intended. Do not meet community expectation. No funding is available for asset renewal | Spec not delivering on outcome. "Proper Planning and Preparation Prevents Poor Performance" not met. Milestones not achievable. Project >150% of contingency. | Huge financial loss. Significant budget overrun with no capacity to adjust within existing budget/ resources. May attract adverse findings from external regulators or auditors >20% of budget. Potentially disastrous impact on business or key area (>M$7) | Non-compliance results in exposing Council to severe penalties and litigation. Breach of Common Law | Death or Permanent Disability. | Not attracting staff to roles. All levels of organisation with vacancies - most teams affected (>30% of teams have vacancies). Turnover >20%. | Major environmental disaster significantly affecting Council operations. | Progress stopped because Risk considered more important than activity | 5A Extreme (25) | 5B Extreme (24) | 5C High (22) | 5D High (19) | 5E Medium (15) |

*Consequence Criteria* (rows 1–5)