

## Risk Management Policy

<b>POLICY STATEMENT:</b>	<p>1.1 Council recognises that risk management is an integral part of good management practice and is committed to establishing an organisational culture that ensures risk management is embedded in Council activities and business processes.</p> <p>1.2 Council will evaluate potential benefits alongside potential risks as a routine part of its business planning processes. Where the balance of advantage favours a particular activity or initiative, the identified risks will be planned for and managed, taking account of broader Council objectives and priorities.</p> <p>1.3 Risks will be managed at the operational level in accordance with this policy and within risk management processes established by Council.</p>
<b>DEFINITIONS:</b>	<p>2.1 Risk is the chance of something happening that will have an adverse impact on the achievement of Council in meeting its desired objectives. Risk is measured in terms of the likelihood of something happening and the severity/impact of the consequences arising from an event.</p> <p>2.2 Risk management is the culture, processes and structures that are directed towards realizing potential opportunities whilst managing adverse effects.</p> <p>2.3 Risk management process is 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.</p>
<b>OBJECTIVE:</b>	<p>3.1 The objectives of this policy are to ensure:</p> <ul style="list-style-type: none"> <li>• Council and senior management are in a position to make informed business decisions based on risk assessment;</li> <li>• risks are able to be identified, prioritised and managed in a coordinated manner;</li> <li>• strategic planning processes are improved as a result of a structured consideration of risk;</li> <li>• sound business opportunities that benefit Council are identified, without exposing Council to unacceptable levels of risk;</li> <li>• compliance with relevant legislation;</li> <li>• Council resources are safeguarded (eg. people, finance, property, information and reputation);</li> <li>• the community is protected against losses, both physical and financial, that are controllable by Council, and</li> <li>• continual improvement of Council.</li> </ul> <p>3.2 This policy will be supported by a complementary Risk Management Framework.</p>
<b>SCOPE AND RESPONSIBILITIES:</b>	<p>4.1 This policy applies to all Councillors, employees, contractors, and representatives.</p> <p>4.2 Council will oversee risk management within Council, on the advice of the General Manager.</p> <p>4.3 The Audit Panel will review the risk management framework as per its Charter, and provide advice to Council on any issues.</p> <p>4.4 The General Manager will be responsible for the implementation of risk management within Council, and for responding to and reporting on significant risks that may emerge from time to time.</p>

	<p>4.5 Departmental Managers will be responsible for implementing risk management within their portfolio areas, and will report regularly to the General Manager on any significant risks or risk areas.</p> <p>4.6 All staff will be responsible for the management of risk relevant to their areas of responsibility. This role may range from identifying and reporting risks associated with their own positions to participation in the risk management process.</p>
<p><b>PROCEDURE: (POLICY DETAIL)</b></p>	<p>5.1 Risks will normally be identified, evaluated and managed by responsible officers and reported in accordance with Council’s decision-making processes. Council’s strategic risks will be maintained in a strategic risk register and will be the subject of regular reports to Council through the Audit Panel.</p> <p>5.2 Risk identification, evaluation and management in respect of particular operational and financial activities will be undertaken in accordance with Council’s Risk Management Framework.</p> <p>5.3 Risks will be assessed with reference to Council’s strategic priorities, taking into account the likelihood of the risk occurring, the potential impact and the range of implications it may have for Council.</p> <p>5.4 Where an unacceptable risk is identified, relevant Council staff with management responsibilities in areas that may be affected will be informed of it. Managers will be required to take action, as required, to address the matter and inform staff or other persons within their area of responsibility, about the matter.</p> <p>5.5 The Council, through the Audit Panel shall ensure that there is ongoing review of its risk management system to ensure the continued sustainability and effectiveness of its Risk Management Policy.</p> <p>5.6 Risk management strategies will be included in Annual Plans.</p>
<p><b>GUIDELINES:</b></p>	<p>6.1 The Risk Management Strategy will be implemented based on the following principles:</p> <ul style="list-style-type: none"> <li>• creating and protecting Council’s value,</li> <li>• as an integral part of Council processes,</li> <li>• as an integral part of decision making,</li> <li>• explicitly addressing uncertainty,</li> <li>• is systematic, structured and timely,</li> <li>• is based on the best available information,</li> <li>• is tailored,</li> <li>• takes human and cultural factors into account,</li> <li>• is transparent and inclusive, and</li> <li>• is dynamic, iterative and responsive to change.</li> </ul> <p>6.2 Types of risks that need to be managed include:</p> <ul style="list-style-type: none"> <li>• strategic,</li> <li>• financial,</li> <li>• reputational</li> <li>• operational, and</li> <li>• hazard.</li> </ul> <p>6.3 Council will include in its strategic risk register, a risk profile which examines the nature, likelihood and consequences of adverse events occurring, prioritising identified risks and determining the level of risk that it is prepared to tolerate.</p> <p>6.4 The strategic risk register will be updated on a regular basis.</p>

<b>COMMUNICATION:</b>	7.1 All Councillors and employees will be briefed on this policy as part of individual induction programs and on an on-going basis. Council will educate staff on good risk management practices.
<b>LEGISLATION:</b>	8.1 The following legislation should be considered in conjunction with this policy: <i>Local Government Act 1993 (Tasmania)</i> <i>Work Health and Safety Act 2012 (Tasmania)</i> <i>ISO31000:2009 Risk Management Principles and Guidelines</i> <i>AS/NZS 4360:1999 Risk Management</i>
<b>RELATED DOCUMENTS:</b>	9.1 Kingborough Council Strategic Plan 2015 - 2025 9.2 Long Term Asset Management Plan 9.3 Individual Asset Management Plans
<b>AUDIENCE:</b>	10.1 The Risk Management policy applies to all Councillors, employees, contractors, and representatives. The policy is publicly accessible via Council's website.

# **KINGBOROUGH COUNCIL**

## **RISK MANAGEMENT FRAMEWORK**

November 2018

This should be read in conjunction with the Kingborough Council Risk Management Policy, the Strategic Risk Register and Risk Appetite Statement.

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## **FORWARD**

Council's Risk Management Strategy aims to improve the effectiveness of risk management across all functional activities of Council.

Effective risk management allows Council to:

- have increased confidence in achieving our priorities and outcomes;
- constrain threats to acceptable levels;
- make informed decisions about exploiting opportunities;
- more effectively manage capital investment and operational planning;
- refine and enhance Council's Asset Management capacity;
- ensure that we get the right balance between rewards and risks; and
- improve partnership working arrangements and corporate governance.

Ultimately, effective risk management will help to ensure Council maximises its opportunities and minimises the impact of the risks it face, thereby improving Council's ability to deliver priorities, improve outcomes for residents and mitigating legal action and financial claims against Council and any damage to its reputation.

This Strategy explains Kingborough Council's approach to risk management, and the framework that will operate to ensure that risks are effectively managed.

Gary Arnold  
**GENERAL MANAGER**

## 1. Introduction

Managers within Council recognise that the management of risk is a daily task. However, we require an overall strategy to ensure that a risk management framework and culture is embedded throughout Council.

Risk management is a critical element of Council's operations. Council has limited human, financial and material resources. Prudent decision making in relation to their use is critical in assisting Council to achieve its vision of developing Kingborough as a **“vibrant, diverse and connected community, with well managed natural and physical assets and a wide range of economic and lifestyle opportunities”**.

To this end, not only must Council staff identify and minimise threats to the safe and effective use of Council resources, they also have an obligation to identify and to make the most of opportunities ensuring the most efficient delivery of services to the community.

In order to develop a strong internal risk management culture, it is vital to align the risk management process with the organisation's culture, processes, structure and strategy.

It is essential that the organisation understands its internal context which can include, but is not limited to:

- governance, organisational structure, roles and accountabilities,
- policies, objectives, and the strategies that are in place to achieve them,
- capabilities, understood in terms of resources and knowledge (eg capital, time, people, processes, systems and technologies),
- the relationships with and perceptions and values of internal stakeholders,
- the organisation's culture,
- information systems, information flows and decisions making processes (both formal and informal),
- standards, guidelines and models adopted by the organisation, and
- form and extent of contractual relationships.<sup>1</sup>

## 2. Statement of Commitment

The major risk for most organisations is that they fail to achieve their strategic, business or project objectives, or are perceived to have failed their stakeholders. Council is committed to managing its risk by identifying, analysing, evaluating, treating, monitoring and communicating all risks that may directly or indirectly impact on its ability to achieve its the vision and strategic objectives.

This strategy demonstrates Council's commitment, by detailing the risk management framework for all staff, contractors, committees and volunteers engaged in the delivery of Council services and programs and defining the responsibilities for contemporary risk management processes.

Organisations aiming at being an effective manager of risk should comply with the following principles.

- (a) Risk management creates and protects value – by contributing to the demonstrable achievement of objectives and improvement of performance in, for example, human health and safety, security, legal and regulatory compliance, public acceptance, environmental protection, product/service quality, project management, effectiveness in operations, governance and reputation.
- (b) Risk management is an integral part of all organisational processes – not a stand-alone activity that is separate from the main activities and processes of the organisation. Risk management is part of the responsibilities of management and integral to all organisational processes, including strategic planning and all project and change management processes.
- (c) Risk management is part of decision making – by helping decision makers make informed choices, prioritise actions and distinguish between alternate courses of action.

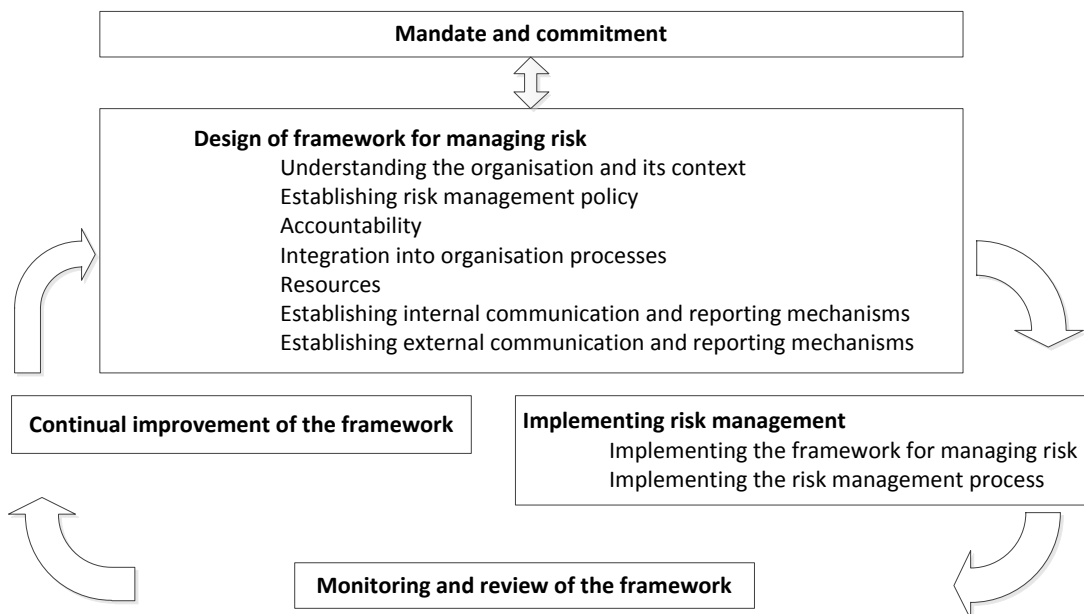
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<sup>1</sup> ISO 3100:2009, Sec 5.3.3, pp 15-16.

- (d) Risk management explicitly address uncertainty, the nature of that uncertainty and how it can be addressed.
- (e) Risk management is systematic, structured and timely – which contributes to efficiency and consistent, comparable and reliable results.
- (f) Risk management is based on the best available information – however, decision makers should inform themselves of, and should take into account, any limitations of the data or modelling used or the possibility of divergence among experts.
- (g) Risk management is tailored – and aligned with the organisation’s external and internal control and risk factors.
- (h) Risk management takes human and cultural factors into account – by recognising the capabilities, perceptions and intentions of external and internal people that can facilitate or hinder achievement of the organisation’s objectives.
- (i) Risk management is transparent and inclusive – through appropriate and timely involvement of stakeholders and, in particular, decision makers at all levels of the organisation, so that risk management remains relevant and up-to-date. Involvement also allows stakeholder to be properly represented and to have their views taken into account in determining risk criteria.
- (j) Risk management is dynamic, iterative and responsive to change – by continually sensing and responding to change. As external and internal events occur, context and knowledge change, monitoring and review of risks take place, new risks emerge, some change and some disappear.
- (k) Risk management facilitates continual improvement of the organisation – from development and implementation of strategies to improve their risk management maturity alongside all other aspects of the organisation.<sup>2</sup>

The success of risk management depends on the effectiveness of the management framework providing the foundations and arrangements that will embed it throughout the organisation at all levels. The framework ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant organisation levels.<sup>3</sup>

The dependency of the management framework components in managing risk is shown in the following figure.



**Fig 1.3: Relationship between the components of framework for managing risk**  
 Source: Based on ISO 31000; 2009, Fig 2, p 9

<sup>2</sup> ISO 3100:2009, Sec 3, pp 7-8.  
<sup>3</sup> ISO 3100: 2009, Sec 4.1, p 8.



### **3. Scope and Key Stakeholders**

This Risk Management Strategy will be implemented across all Council services, functions and activities, whether directly controlled by Council or delivered through third party arrangements. All employees, contractors, partner organisations and volunteers engaged in the conduct of Council business are to apply consistent, proactive and systematic risk management practices in the delivery of Council services and use of resources. Successful risk management relies on input and commitment from all stakeholders.

The risk management process outlined within this Strategy applies primarily to the strategic and business risk management areas of Council.

### **4. Objectives and Outcomes**

The objectives of this Strategy are to:

- fully integrate risk management into the culture of Council and into Council's strategic planning, performance management processes, templates and procedures;
- ensure that the framework for identifying, evaluating, controlling, reviewing, reporting and communicating risks across Council is implemented and understood by all staff;
- communicate to stakeholders Council's approach and commitment to risk management;
- improve co-ordination of risk management activity across all Council activities;
- ensure that the Council through its Executive Management Team and external regulators are provided with the necessary assurance that Council is committed to mitigating its risks and complies with contemporary corporate governance practices; and
- ensure consistency throughout Council in the identification and management of risk.

The principle outcomes of the Strategy are:

- achievement of Council's strategic and operational objectives through the identification, evaluation and prioritising of Council's risks with a view to reducing, mitigating, transferring or eliminating them;
- more effective allocation and use of resources;
- protecting Council's corporate image as a professional, responsible and ethical organisation and as an employer of choice;
- minimising Council's exposure to loss and litigation;
- protecting and enhancing Council's reputation;
- protecting Council's financial and physical assets; and
- maintaining a commitment to employee Work Health & Safety programs.

### **5. Responsibilities**

All employees, contractors and volunteers are to be familiar with and competent in the application of Council's risk management policy and strategy. Managers and supervisors are accountable for adherence to this Strategy within their areas of responsibility.

#### **Council**

- Endorse the risk framework that has been established.
- Review the strategic risks and establish the risk appetite that forms the basis for how risks are rated and managed.

#### **Audit Panel**

- Review the risk management framework and risk matrix to ensure that it is current, comprehensive and meets relevant standards.
- Review whether the risk management framework is being adhered to, and that associated procedures exist for the effective identification, assessment, management and reporting of Council's significant risk

areas including, but not limited to, financial, legislative, compliance, fraud, business and environmental risks.

- Monitor the organisational performance in managing the risks identified in the strategic and operational risk register.
- Review the impact of the Council's risk management framework on its control environment and insurance arrangements, including workers compensation.
- Review whether a sound and effective approach has been followed in establishing the Council's business continuity planning arrangements, including whether disaster recovery plans have been tested periodically.
- Review the Council's fraud control plan and satisfy itself that the Council has appropriate policies, processes and systems in place to deter, capture and effectively investigate fraud related information.
- Determine if Council has appropriately considered legal and compliance risks as part of its risk assessment and management arrangements.
- Review the effectiveness of the system for monitoring compliance with relevant laws, regulations and associated Government policy.

#### **General Manager**

- Maintain overall responsibility and leadership for the effective management of all types of risks across Council operations.
- Define responsibility and authority for officers with involvement in risk management.
- Recognise, actively encourage and adopt Risk Management as a key function of the Council.

#### **Managers / Supervisors**

- Ensure risks are managed in accordance with the relevant risk register and to relevant standards.
- Prepare and implement risk management procedures for each area of operations.
- Employ risk management principles and practises to ensure that loss control and prevention is a priority.
- Monitor and report on practices and processes to ensure appropriateness to current conditions and standards.
- Actively participate in training provided.
- Implement risk management audit recommendations.

#### **Employees, Contractors, Volunteers and Representatives**

- Familiarisation with Council's Risk Management Policy and Strategy.
- Actively participate in training provided in relation to risk management.
- Use risk management principles and practices while undertaking daily tasks.
- Take notice of and implement recommendations from risk management audits conducted in the workplace.

#### **Chief Financial Officer**

- Develop, review and maintain Council's risk management policies, systems, and procedures.
- Recommend new processes to manage risk.
- Review and monitor Council risk management performance measures.
- Monitor recommendations and outcomes from risk management audits.
- Provide a central liaison point for staff and management in relation to risk management.

### **6. Risk management Process**

The risk management procedure to be applied within Council will be based on relevant Australian Standards, particularly AS/NZS ISO 31000:2009, Risk management - Principles and guidelines. .

Council's risk management process consists of seven steps:

- 1) knowing the strategic and operational priorities;
- 2) defining risks;
- 3) scoring risks;
- 4) treating risks;
- 5) compiling a risk database and register;
- 6) monitoring and reporting risks; and
- 7) reviewing risks.

### **6.1 Knowing the strategic and operational priorities**

The starting point for risk management is a clear understanding of what Council is trying to achieve. Risk management is about managing the threats that may hinder delivery of our priorities and maximising the opportunities that will help to deliver them. Effective risk management must therefore be clearly aligned to the business planning processes, and will take into account the environment within which Council operates.

### **6.2 Defining Risks**

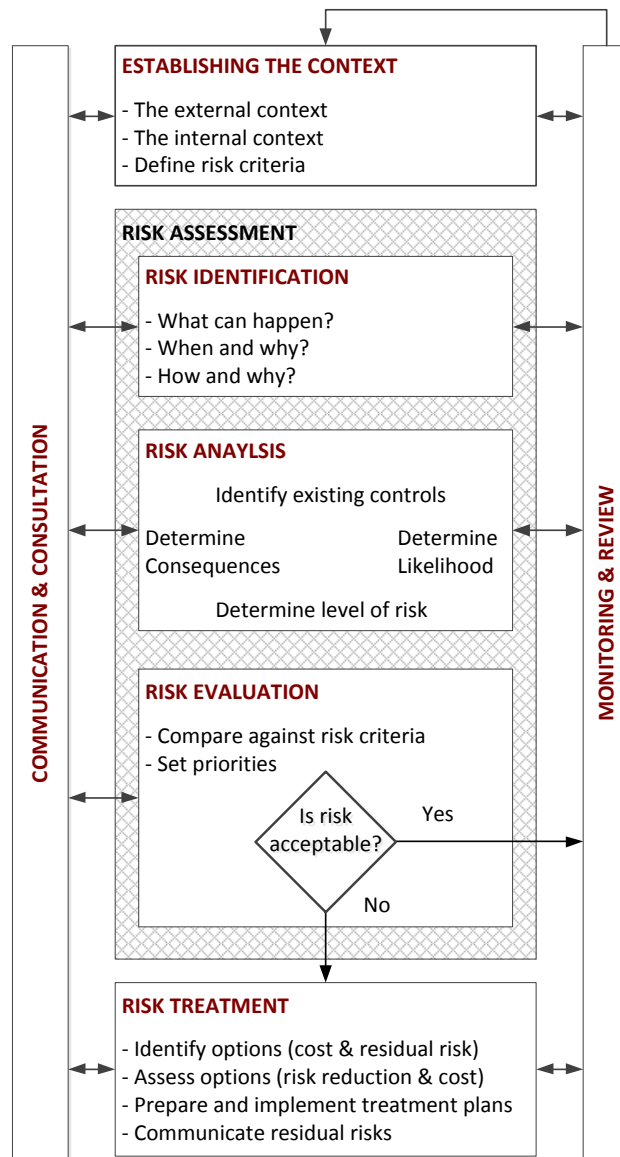
There are many ways of identifying risks depending upon the type of risk being considered. These include:

- interviews or facilitated workshops with all stakeholders;
- reviewing published information;
- checklists for similar events/activities/projects;
- an examination of previous events/activities/projects; and
- taking advantage of past experiences in undertaking an event/activity/project.

Types of risks include:

- product and service delivery;
- people;
- financial and economic;
- technology and information management;
- leadership and corporate governance;
- assets and security;
- ethics and corporate image; and
- environment.

The risk management process is based on the fundamentals of International Standard ISO 31000:2009. It is an analysis and problem solving technique designed to provide a logical process for the selection of treatment plans and management actions to protect the community against unacceptable risks.



**Fig 1.5: Risk Management Process – Detail**  
 Source: Based on ISO 31000; 2009, Fig 3, p 14

In order to effectively manage identified risks, they must first be rated.

### 6.3 Rating Risks

In order to decide on the best treatment option and to prioritise the treatment of identified risks, the risk must first be rated. Risks are rated by identifying the likelihood of the event occurring and the impact or consequences of the event if it did occur.

When rating a risk the impact on the following needs to be considered:

- achievement of strategic priorities;
- reputation;
- work, health and safety of employees, residents, service users, contractors, volunteers, etc;
- ability to deliver services (eg - in particular key services); and
- financial (eg - budgets, claims, fines, penalties etc.).

Council uses a five-by-five matrix to determine its risk rating as follows:

LIKELIHOOD (probability)	CONSEQUENCES				
How likely is the event to occur at some time in the future?	What is the severity of the injuries/potential damages/financial impacts (if the risk event actually occurs)?				
	Insignificant	Minor	Moderate	Major	Catastrophic
	No injuries	Some injuries	External medical	Extensive injuries	Death or major injuries
	No Env damage	Low Env damage	Medium Env damage	High env damage	Toxic Env damage
	<\$1,000	<\$10,000	<\$100,000	<\$1,000,000	>\$1,000,000
<b>Almost Certain</b> (expected in most circumstances - 100%)	<b>MODERATE RISK</b>	<b>HIGH RISK</b>	<b>HIGH RISK</b>	<b>CRITICAL RISK</b>	<b>CRITICAL RISK</b>
<b>Likely</b> (probably in most circumstances - 10%)	<b>MODERATE RISK</b>	<b>MODERATE RISK</b>	<b>HIGH RISK</b>	<b>HIGH RISK</b>	<b>CRITICAL RISK</b>
<b>Possible</b> (might occur at some time - 1%)	<b>LOW RISK</b>	<b>MODERATE RISK</b>	<b>HIGH RISK</b>	<b>HIGH RISK</b>	<b>CRITICAL RISK</b>
<b>Unlikely</b> (could occur at some time - 0.1%)	<b>LOW RISK</b>	<b>MODERATE RISK</b>	<b>MODERATE RISK</b>	<b>HIGH RISK</b>	<b>HIGH RISK</b>
<b>Rare</b> (exceptional circumstances only - 0.01%)	<b>LOW RISK</b>	<b>LOW RISK</b>	<b>MODERATE RISK</b>	<b>MODERATE RISK</b>	<b>HIGH RISK</b>

## 6.4 Treating Risks

There are four general approaches to treating risk:

- (i) avoid,
- (ii) reduce,
- (iii) transfer, or
- (iv) accept.

- Avoiding the risk – not undertaking the activity that is likely to trigger the risk.
- Reducing the risk – controlling the likelihood of the risk occurring, or controlling the impact of the consequences if the risk does occur.
- Transferring the risk – handing the risk on elsewhere, either totally or in part (eg - through insurance).
- Accepting the risk – acknowledging that the ability to take effective action against some risks may be limited or that the cost of taking action may be disproportionate to the potential benefits gained.

Assessment of each treatment option is used to provide the basis for selecting the best option to manage each risk identified.

Risk treatment is concerned with actions taken to reduce the impact or likelihood of risks not wholly avoided or transferred (retained risks).

## 6.5 Strategic Risk Register

A risk register lists potential risks identified, how serious the problem is, how it can be fixed, who is responsible for what and by when. The aim of the register is to proactively raise the profile of what risks exist within Council.

The Strategic Risk Register is provided in Appendix A. This document provides a high level snapshot of Council's risks by listing the risks identified in Section 7 and applying the likelihood and consequence rating for each risk. An overall risk rating is then arrived at.

Note that all of Council's strategic risks are rated as either moderate or high, with no risks rated as low or critical. Council has strategies in place for all risks and these are included in the comments column of the Register.

## **6.6 Risk Appetite**

Risk appetite is the amount and type of risk that an organisation is willing to accept to achieve a desired outcome / objective.

In the evaluation of a risk, following the completion of the risk analysis, the Council's risk appetite statement provides guidance in the risk treatment vs. risk toleration decision.

The purpose of the risk appetite statement is to:

- Assist in determining whether a risk can be tolerated at the current level, or if risk treatments should be implemented.
- Target risk treatment at those risks that exceed the stated risk appetite.
- Ensure risks are not tolerated outside the risk appetite where cost effective treatment can occur.
- Ensure risks that can continue to be tolerated are not subjected to further excessive risk treatment.

### **Applying the Risk Appetite Statement**

In the evaluation of a risk, following the completion of the risk analysis, the risk appetite statement provides guidance in the risk treatment vs. risk toleration decision.

The purpose of the risk appetite statement is to:

- Assist in determining whether a risk can be tolerated at the current level, or if risk treatments should be implemented.
- Target risk treatment at those risks that exceed the stated risk appetite.
- Ensure risks are not tolerated outside the risk appetite where cost effective treatment can occur.
- Ensure risks that can continue to be tolerated are not subjected to further excessive risk treatment.

Refer to the Council's Risk Appetite Statement in Appendix B.

## **6.7 Monitoring and Reporting Risks**

The Executive Management Team is responsible for ensuring that key risks on the Strategic Risk Register are managed and that progress made with risk mitigation measures is monitored.

Department Managers are responsible for ensuring that key risks in the Strategic Risk Register relating to their area of responsibility are managed and that the 'high risks' feature as a standing item on the management team meeting agendas.

Service specific business risks must be included within the respective service plans and be monitored through the performance and risk management arrangements of the Department to which it relates.

## **6.8 Reviewing Risks**

All risks should be reviewed and reported at least annually in conjunction with the annual planning processes.

Everyone in Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. However, the ultimate responsibility for managing risk lies with the General Manager.

Risk management audits are conducted periodically as required by external bodies, or can be initiated by the General Manager or by a recommendation to Council by the Audit Panel.

Risk management performance measures are set by Council through recommendations by the Audit Panel and are to be reviewed on a regular basis.

## **6.9 Fraud Control**

Council has developed a Fraud Control and Corruption Prevention Policy and has recently undertaken a self-assessment of fraud control risks. Council considers that the development of an anti-fraud culture and strong internal controls will provide an appropriate mitigation against the risk of fraud.

## Appendix A:

<b>Strategic Risk Register</b>						
Ref	Risk title	Details	Causes/Consequences	Risk rating	Risk mitigation controls	Mitigated risk rating
1	Kingson Park	<p>Uncertainty surrounding the delivery of the large-scale project, including</p> <ul style="list-style-type: none"> <li>• Accuracy of financial modelling;</li> <li>• Achieving sound return on investment (ROI);</li> <li>• Mitigating the impact of external factors</li> </ul>	<p>• Negative impact on the financial sustainability of Council and its ability to deliver services to community.</p> <ul style="list-style-type: none"> <li>• Low ROI.</li> <li>• Risk to Council's reputation through not meeting community expectations.</li> </ul>	Critical (Critical 7; High 2; Medium 3; Low 1)	<ul style="list-style-type: none"> <li>• RFP's to determine revenue from sale of land being finalised</li> <li>• Expenditure on the project becoming clearer.</li> <li>• Use of Probity Advisor to ensure appropriate governance.</li> <li>• Consultation with community on playground and open space development</li> </ul>	High
2	Financial Sustainability and Funding Model	<p>Failure of Council to maintain financial sustainability in the long term due to inadequate modelling, planning and monitoring processes.</p> <p>Inability of Council to raise sufficient revenue or charge fees to cost recover sufficient to support the cost structure of Council.</p> <p>Risk of reliance on external funding sources such as Federal government grants and dividends</p> <p>Cost shifting or deferral of responsibility from State or Federal Government to Local Government.</p>	<ul style="list-style-type: none"> <li>• Resulting in negative impacts on the financial sustainability of Council and its ability to deliver services to the community.</li> <li>• Resulting in significant resource requirements for Council which can be unfunded.</li> <li>• Lack of control over financial outcomes (eg Taswater Dividend)</li> <li>• Resource and staffing ramifications, due to changing responsibilities and need for varied skills and knowledge.</li> </ul>	Critical (Critical 10, High 3)	<ul style="list-style-type: none"> <li>• LTFP to achieve surplus by 2021 and reviewed.</li> <li>• Annual budget in line with LTFP.</li> <li>• Council has control in setting rates and fees.</li> <li>• Operational grants are consistent.</li> </ul>	Moderate
3	Strategic Planning and Service Provision	<p>The risk of failing to meet future infrastructure and services needs to support a vibrant and supported community.</p>	<p>Potential for inadequate consultation and/or planning with the community to understand future needs.</p> <p>Impact on the people within the municipality.</p> <p>Financial or reputational impact on Council due to the inability to meet the needs of the community.</p>	Critical (Critical 13, High 3)	<ul style="list-style-type: none"> <li>• Community stakeholder management through communication and consultation.</li> <li>• Engagement strategy currently being developed.</li> <li>• Strategic planning process includes substantial community engagement.</li> </ul>	Moderate
4	Facilities and property management	<p>Inability of Council to effectively manage facilities, land and leased premises owned by Council.</p>	<p>Resulting in potential for financial and legal impacts due to inadequately maintained facilities or land and/or breach of lease agreements.</p> <p>Potential for loss of revenue from ineffectively managed leases.</p>	High (High 9; Medium 5)	<ul style="list-style-type: none"> <li>• A Building and Maintenance Group has been established to manage buildings.</li> <li>• A system of regular inspections and maintenance of properties in undertaken</li> <li>• A review of lease arrangements is currently underway.</li> </ul>	Moderate



Ref	Risk title	Details	Causes/Consequences	Risk rating	Risk mitigation examples from previous risk register	Control effectiveness	Mitigated Risk Rating
5	Information management and security	<p>The ability of Council to ensure effective, efficient and robust information management and technology systems to support business operations.</p> <p>The risk of internal or external security threats to Council's data, information or systems, including cyber risks.</p>	<p>Potential for inefficient or ineffective business systems of Council and resultant financial and resourcing impacts.</p> <p>Resulting in major business disruption, inability to access and produce required information in a timely manner, loss of key data and potential for production of inaccurate data due to poor integration of systems.</p> <p>Potential for loss of data, information or systems causing business disruption, financial consequences and reputation damage.</p>	High (Critical 1, High 8, Medium 4)	<ul style="list-style-type: none"> <li>Replacement of Core Systems underway. Specification requires tight integration eliminating any existing data duplication or double handling resulting in a seamlessly integrated ERP system.</li> <li>Pathway property and regulatory system well utilised and maintained at the latest release date. Re-training undertaken by functional area as required.</li> </ul> <p>System security has been improved by two factor authentication for remote login and monthly external security vendor checks of security strategy.</p> <ul style="list-style-type: none"> <li>Appropriate backup and system redundancy in place</li> </ul>	Substantially Effective	Moderate
6	Environmental and Emergency Management	<p>Ability of Council to manage environmental risks impacting the municipality and Council assets – including environmental compliance and emergency management for natural disasters.</p> <p>Inadequate environmental management by Council including:</p> <ul style="list-style-type: none"> <li>Failure to plan for, adapt to and manage the impacts of climate change</li> <li>Management of environmental assets and pests</li> <li>Changing standards for environmental performance (including waste management).</li> <li>Value placed and decision making regarding natural assets.</li> </ul> <p>Potential impact of inadequate emergency management on Kingborough Council and the Kingborough community resulting from an environmental / natural disaster including flood, bushfire, storm, and coastal erosion.</p> <p>Inadequate emergency management introduces the risk of ineffective planning, response and communication of emergency management strategies and community recovery strategies.</p>	<p>Resulting in poor environmental outcomes for the Kingborough municipality and the loss of value ascribed to natural resources.</p> <p>Resulting in potential for climate change impacts to adversely affect the assets and people within Kingborough.</p> <p>Potential for damage to natural environment</p> <p>Resulting in serious damage/loss to the Kingborough community including people, assets, and community function.</p> <p>Failure / inability to provide essential services and continued essential Council operations during emergencies.</p> <p>Financial loss and legal ramifications.</p> <p>Injury to employee or community member.</p> <p>Damage or loss of natural resources.</p> <p>Potential for community dissatisfaction with Council's planning and response resulting in reputation impact.</p> <p>Loss of Council assets including data.</p>	High (Critical 3, High 6, Medium 3)	<ul style="list-style-type: none"> <li>Well established programs in place delivered by experienced skilled staff.</li> <li>Effective public awareness programs in place with good community networks.</li> <li>Waste management strategies being developed.</li> <li>Emergency Management Officer employed to manage our emergency management commitments.</li> <li>Council's emergency management mitigation continues in consultation with the community (e.g. Kingston Beach Study).</li> <li>A number of policies have been developed to address natural hazards</li> <li>Council has an emergency management plan and standard operating procedures.</li> <li>Bushfire Management Officer appointed to minimise the risk in Council owned land.</li> </ul>	Substantially Effective	Moderate

Ref	Risk title	Details	Causes/Consequences	Risk rating	Risk mitigation examples from previous risk register	Control effectiveness	Mitigated Risk Rating
7	Infrastructure management	<p>Uncertainty surrounding the ability to deliver, manage and fund the infrastructure and assets of Council.</p> <ul style="list-style-type: none"> <li>Ability to fund required infrastructure and maintenance.</li> <li>Ability to manage development in the municipality consistent with infrastructure constraints / planning.</li> <li>Ability to manage projects, contracts and third parties to achieve infrastructure objectives.</li> <li>Ability of Council to manage the standard of the assets to acceptable condition.</li> </ul>	<p>Resulting in the potential for:</p> <ul style="list-style-type: none"> <li>Insufficient or inadequately maintained infrastructure;</li> <li>Financial impacts of large / unforeseen infrastructure requirements</li> <li>Inability to fund ongoing maintenance of infrastructure;</li> <li>Reduction in service delivery of Council.</li> <li>Council assets not meeting legislative, regulatory or community standards.</li> <li>Loss of strategic benefits from project.</li> <li>Potential for financial, reputational and legal impacts resulting from failure of projects.</li> </ul>	<b>Critical (Critical 9, High 3)</b>	<ul style="list-style-type: none"> <li>Asset management plans regularly updated.</li> <li>Long term asset management plans updated yearly to reflect changes in capital and maintenance requirements for existing assets and to account for new assets.</li> <li>Relationships with various service authorities maintained</li> <li>Regular revaluations and indexation of assets undertaken to reflect changing cost of construction and condition of asset stock.</li> <li>Strong project management approach with close monitoring of expenditure and everything is well documented.</li> <li>External expertise is sourced where necessary. Including legal advice.</li> <li>Providing ongoing public information and involving community in decision making when appropriate.</li> <li>Close financial oversight and external grants sourced whenever possible.</li> <li>Code of Tenders and Contracts provides policy direction.</li> <li>Well defined contract management process in place.</li> <li>Procurement Officer position provides advice across Council.</li> </ul>	Substantially Effective	High
8	Legislative and regulatory compliance	<p>Ability of Council to identify and maintain compliance with relevant regulations including WH&amp;S, Fair Work, Local Government Act, taxation, environmental regulation, and public safety. Includes the ability of Council to maintain Council assets to standards</p>	<p>Significant legal, reputational and financial ramifications for Kingborough Council.</p> <p>Injury or death of employee/councillor.</p> <p>Significant workers compensation costs and impact on staff.</p> <p>Resulting in injury or death of a member of the public due to Council's failure of responsibility.</p> <p>Financial costs of resources required to ensure compliance.</p> <p>Poor outcomes for members of the municipality and/or the community as a whole.</p>	<b>Critical (Critical 10, High 2)</b>	<ul style="list-style-type: none"> <li>Strong WHS focus with specialised Council Officer overseeing compliance.</li> <li>Strong systems to support compliance with building and planning regulations.</li> <li>Compliance checklist has been developed with an annual sign-off by Managers.</li> <li>Experienced Managers ensuring compliance with regulations.</li> </ul>	Substantially Effective	Moderate

**Appendix B:**

# **KINGBOROUGH COUNCIL**

## **RISK APPETITE STATEMENT**

May 2018

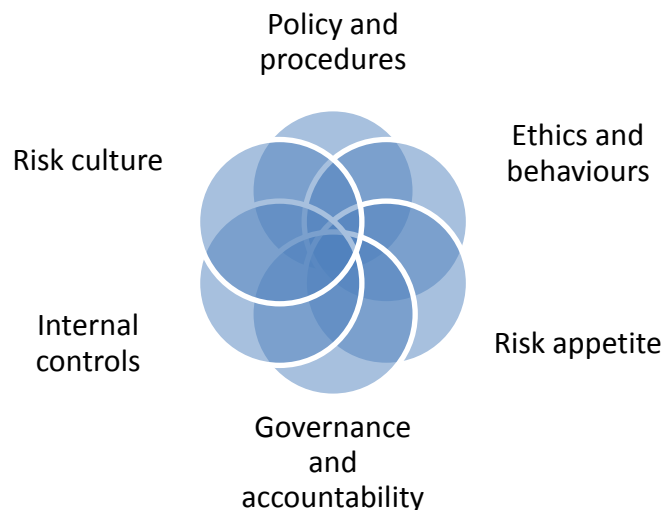
This should be read in conjunction with the Kingborough Council Risk Management Policy and Framework.

## RISK APPETITE

Risk appetite is the **amount** and **type** of risk that an organisation is willing to accept in order to achieve a desired outcome / objective.

The Council has a strategic plan which outlines the key objectives and goals of Council into the future – it is how the Council has defined success. In order to achieve these objectives, Council must take on risk. With scarce resources, Council must also make trade-offs between priorities. Risk appetite is a tool which assists Council in having clear guidance on what types of risks are appropriate, what level of risk the Council is comfortable with, and which objectives and risks are most important to Council and must be prioritised for attention. Risk appetite statements include an overall statement, and a risk appetite level for each category of risk eg. reputation, safety, financial, etc.

A strong risk management framework includes the following elements: risk appetite is one of those elements.



Why have a defined risk appetite?

- Facilitates a shared understanding of the acceptance of risk
- Provides guidance to Councillors, management and staff on expectations and acceptable risks
- Assists in resolving tensions in the business plan and priorities
- Provides guidance for budget allocation - the allocation of scarce resources to reducing risk (risk mitigation strategies) and supporting internal controls

There are different levels to risk appetite, for example:

- Low risk appetite – only desire to take minimal or limited risks (or no risk) to pursue organisational objectives
- Medium risk appetite – Will take a moderate level of risk to pursue organisational objectives
- High risk appetite – Will take on a high level of risk to pursue organisational objectives

## RISK APPETITE STATEMENTS

The following risk appetite statements have been developed for consideration by Council based on the results from the workshop.

Overall risk appetite	
Overall risk appetite statement	Council has, by its nature, a low appetite for risk given that many of the functions of Council are regulated under the <i>Local Government 1993</i> . The Council will however tolerate and pursue some risk consistent with the objective of providing efficient and effective Council services, and providing infrastructure, development and policy decisions which will benefit the ratepayers, both current and future, of the Kingborough municipality.
Sub-risk category risk appetite	
Financial	Council has a moderate risk appetite for financial risk in pursuit of Council objectives. In relation to budget management and cost control, Council has a low risk appetite for variances to the approved budget for matters that are within Council's control. In relation to key projects, Council has a higher risk appetite and understands that major projects will inherently involve more risk. The Council will consider all decisions based on robust business cases / analysis and is willing to take on financial risk in order to deliver the infrastructure required for a growing municipality.
Legal	The Council has a low appetite for legal and compliance risks consistent with its role in local government. Resources will be applied to ensure both Council and stakeholders comply with the legal and regulatory environments.
Safety	Council has a low risk appetite for anything that may impact the safety of councillors, Council staff and the community.
Stakeholder	Council has a moderate risk appetite to stakeholder risk. This is consistent with the local government environment and the wide range of stakeholder interests in the objectives and decisions of Council. Council will make decisions based on the information and analysis available and will be prepared to make decisions which may impact some stakeholder groups if it is felt the decision is in the best interests of the municipality or the Council.
Reputation	Council has a moderate risk appetite to reputation risk. Consistent with stakeholder risk, Council will make decisions based on the information and analysis available and will be prepared to make decisions which may impact the reputation of Council if it is felt the decision is in the best interests of the municipality or the Council. Council will however take steps to ensure that internal processes and the management of Council projects is performed well to minimise the risk of reputation damage as a result of Council actions or activities.
Environment	Council has a moderate risk appetite in relation to the environment. While the target risk level is no or limited damage to the environment, Council accepts that some damage may occur in a limited resource environment.