

# **KINGBOROUGH COUNCIL**

## **RISK MANAGEMENT FRAMEWORK**

November 2020

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

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## **FORWARD**

Council's Risk Management Framework 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 governance practices.

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

This Framework explains Kingborough Council's approach to risk management, and the processes 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 regular task. However, we require an overall plan 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 framework with the organisation's culture, processes, and structure.

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 vision and strategic objectives.

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

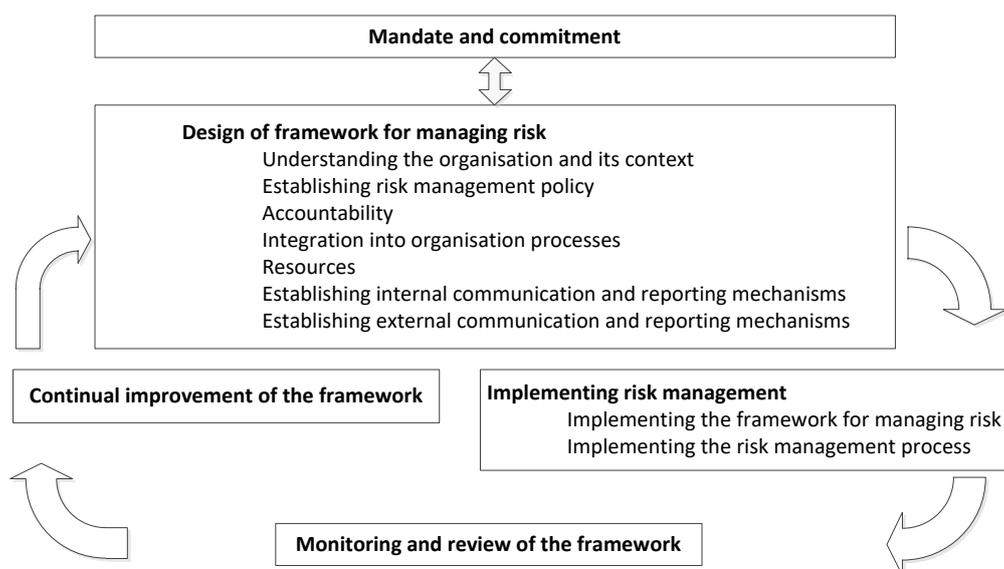
The success of risk management depends on the effectiveness of the management framework providing the foundations and arrangements that will embed it throughout the organisation at all levels. The framework ensures that information about risk derived from the risk management process is adequately reported and used as a basis for decision making and accountability at all relevant organisation levels.<sup>2</sup>

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

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

<sup>2</sup> ISO 3100: 2009, Sec 4.1, p 8.



**Fig 1.3: Relationship between the components of framework for managing risk**

Source: Based on ISO 31000; 2009, Fig 2, p 9

### 3. Scope and Key Stakeholders

This Risk Management Framework 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 Framework applies primarily to the strategic and business risk management areas of Council.

### 4. Objectives and Outcomes

The objectives of this Framework 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 Framework are to achieve:

- 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;

- protection of Council's corporate image as a professional, responsible and ethical organisation and as an employer of choice;
- minimisation of Council's exposure to loss and litigation;
- protection of and enhancing Council's reputation;
- protection of 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 framework. Managers and supervisors are accountable for adherence to this framework 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 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.
- 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.
- Ensure that all Council committees have adopted the risk management framework.

### Managers / Supervisors

- Ensure risks are identified and 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.

- Implement risk management audit recommendations.

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

- Familiarisation with Council's Risk Management Policy and Framework.
- 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 framework, policies, systems, and procedures.
- Review the risk matrix to ensure it is current.
- 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**

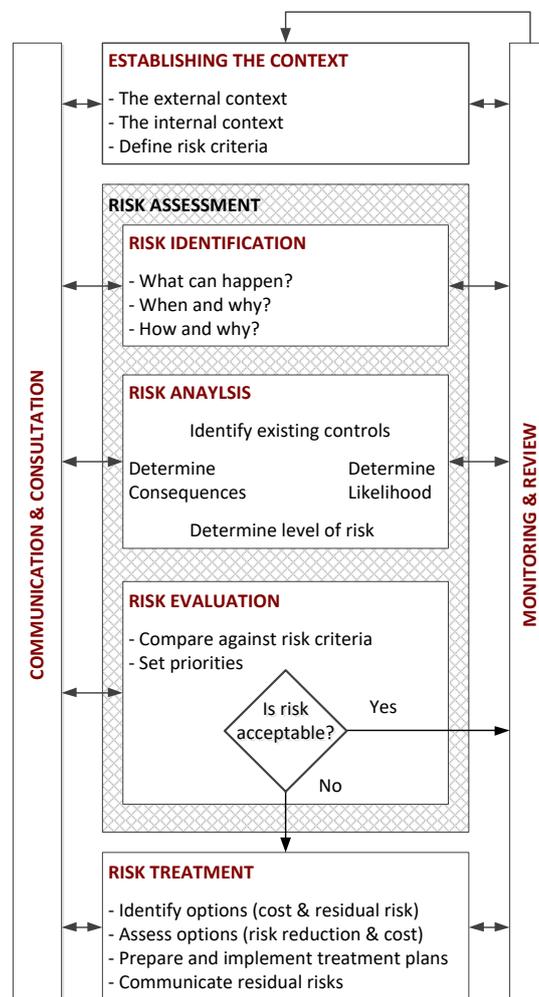
There are many ways of identifying risks depending upon the type of risk being considered. These include:

- 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 quality and service delivery;
- public and employee safety;
- financial and economic;
- technology, cyber risk and information management;
- legal, compliance and regulatory;
- staff recruitment, performance management leadership and culture;
- reputation, fraud and corruption; 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;
- health and safety of employees, residents, service users, contractors, volunteers, etc;
- ability to deliver services (eg - in particular key services);
- financial (eg - budgets, claims, fines, penalties etc.); and
- legal and regulatory

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)?				
	<b>Insignificant</b>	<b>Minor</b>	<b>Moderate</b>	<b>Major</b>	<b>Catastrophic</b>
	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>

An alternate table for reviewing and classifying risks is provided in Appendix C, the risk management impact matrix.

### 6.4 Treating Risks

There are four general approaches to treating risk:

- avoid,
  - reduce,
  - transfer, or
  - 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. It is also responsible to predict emerging risks and to ensure they are reported to the Audit Panel.

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.

A risk management framework action plan is to be developed each year and reporting provided to the Audit Panel at each meeting.

### **6.9 Risk Mitigation Controls**

Risk mitigation controls involves identifying the most appropriate response to reduce the inherent risk level to a status level acceptable to Council. Controls are designed to mitigate the risk by reducing the likelihood of negative risks occurring and/or reducing the impact of risks should they occur.

#### **Control Effectiveness**

Controls should be evaluated as to how effective they mitigate or reduce the level of inherent risk. The following table should be used to rate control effectiveness.

<b>Control Rating</b>	<b>Description</b>
Effective	No control design, implementation or operational weakness are detected.
Partially Effective	A small number of control design, implementation or operational weaknesses are detected, however the overall control environment remains strong.
Ineffective	Several control design, implementation or operational weaknesses are detected. The operational control environment for the risk is compromised.
Poor	No controls are in existence.

Controls should be evaluated as to how effective they currently are, not on the basis of controls to be introduced at a future date.

The effectiveness of all controls in place should be considered in their totality. Both controls in place to prevent and detect the risk event should be considered when determining control effectiveness.

Desired control effectiveness in a cost / benefit decision. There will be instances where almost complete risk coverage is the desired control effectiveness. For other risks, it may be suitable to have controls in place that provide intermediate risk coverage only if the cost outweighs the benefits to Council of reducing the risk.

### **6.10 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:**

**Strategic Risk Register**

Ref	Risk title	Details	Causes/ Consequences	Risk rating	Risk mitigation controls	Control effectiveness	Mitigated risk rating
1	Kingston Park	Uncertainty surrounding the delivery of the large-scale project, including:	<ul style="list-style-type: none"> <li>Negative impact on the financial sustainability of Council and its ability to deliver services to community.</li> </ul>	Critical (Critical 7; High 2; Medium 3; Low 1)	A land sale agreement has been agreed providing Council a minimum revenue amount.	Partially effective	High
		<ul style="list-style-type: none"> <li>Accuracy of financial modelling;</li> <li>Achieving sound return on investment (ROI);</li> </ul>	<ul style="list-style-type: none"> <li>Low ROI.</li> </ul>		<ul style="list-style-type: none"> <li>Expenditure on the project becoming clearer.</li> </ul>		
		<ul style="list-style-type: none"> <li>Mitigating the impact of external factors</li> </ul>	<ul style="list-style-type: none"> <li>Risk to Council's reputation through not meeting community expectations.</li> </ul>		<ul style="list-style-type: none"> <li>Governance structures in place including the use of a Probity Advisor to ensure appropriate governance.</li> </ul>		
		<ul style="list-style-type: none"> <li>Delays in project delivery and sales revenue due to the impact of COVID-19.</li> </ul>	<ul style="list-style-type: none"> <li>Financial impacts of delayed revenue streams and community dissatisfaction due to delayed projects.</li> </ul>		<ul style="list-style-type: none"> <li>Consultation with community on playground and open space development</li> <li>Access to interest free loans have delayed the requirement to pay interest on the loans.</li> </ul>		
2	Financial Sustainability and Funding Model	Failure of Council to maintain financial sustainability in the long term due to inadequate modelling, planning and monitoring processes.	<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> </ul>	Critical (Critical 10, High 3)	<ul style="list-style-type: none"> <li>LTFP to provide a strategy to move to an underlying surplus over time.</li> </ul>	Partially effective	High
		Inability of Council to raise sufficient revenue or charge fees to cost recover sufficient to support the cost structure of Council.	<ul style="list-style-type: none"> <li>Resulting in significant resource requirements for Council which can be unfunded.</li> </ul>		<ul style="list-style-type: none"> <li>Annual budget in line with LTFP.</li> </ul>		
		Risk of reliance on external funding sources such as Federal government grants and dividends	<ul style="list-style-type: none"> <li>Lack of control over financial outcomes (eg: Taswater Dividend)</li> </ul>		<ul style="list-style-type: none"> <li>Council has control in setting rates and fees.</li> </ul>		
		Cost shifting or deferral of responsibility from State or Federal Government to Local Government.	<ul style="list-style-type: none"> <li>Resource and staffing ramifications, due to changing responsibilities and need for varied skills and knowledge.</li> </ul>		<ul style="list-style-type: none"> <li>Operational grants are consistent.</li> </ul>		
		Impacts of COVID-19 on the financial sustainability of Council	<ul style="list-style-type: none"> <li>Delay in the return to an underlying surplus impacting the financial sustainability of Council.</li> </ul>		<ul style="list-style-type: none"> <li>Interest free loans to provide short-term liquidity support.</li> </ul>		
3	Strategic Planning and Service Provision	Potential for inadequate consultation and/or planning with the community to understand future needs.	<ul style="list-style-type: none"> <li>Resulting in potential for financial and legal impacts due to inadequately maintained facilities or land and/or breach of lease agreements.</li> </ul>	Critical (Critical 13, High 3)	<ul style="list-style-type: none"> <li>Community stakeholder management through communication and consultation.</li> </ul>	Substantially Effective	Moderate
		Impact on the people within the municipality.	<ul style="list-style-type: none"> <li>Potential for loss of revenue from ineffectively managed leases.</li> </ul>		<ul style="list-style-type: none"> <li>Engagement strategy being used to guide community consultation.</li> </ul>		
		Financial or reputational impact on Council due to the inability to meet the needs of the community.			<ul style="list-style-type: none"> <li>Strategic planning process includes substantial community engagement.</li> </ul>		
4	Facilities and property management	Inability of Council to effectively manage facilities, land and leased premises owned by Council.		High (High 9; Medium 5)	<ul style="list-style-type: none"> <li>A Building and Maintenance Group has been established to manage buildings.</li> </ul>	Substantially Effective	Low
					<ul style="list-style-type: none"> <li>A system of regular inspections and maintenance of properties undertaken</li> <li>All building related policies have been reviewed.</li> </ul>		
					<ul style="list-style-type: none"> <li>A register of all leases and licences is in place.</li> </ul>		

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	The ability of Council to ensure effective, efficient and robust information management and technology systems to support business operations.	Potential for inefficient or ineffective business systems of Council and resultant financial and resourcing impacts.	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> </ul>	Substantially Effective	Moderate
			Resulting in major business disruption, inability to access and produced required information in a timely manner, loss of key data and potential for production of inaccurate data due to poor integration of systems.				
		The risk of internal or external security threats to Council's data, information or systems, including cyber risks.	Potential for loss of data, information or systems causing business disruption, financial consequences and reputation damage.				
6	Environmental and Emergency Management	Ability of Council to manage environmental risks impacting the municipality and Council assets – including environmental compliance and emergency management for natural disasters.	Resulting in poor environmental outcomes for the Kingborough municipality and the loss of value ascribed to natural resources.	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 strategy in place.</li> <li>Emergency Management Officer employed to manage our emergency management commitments.</li> <li>Stormwater Engineer employed to mitigate the risk of inappropriate discharge into waterways.</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> <li>A number of flood studies have been undertaken.</li> </ul>	Substantially Effective	Moderate
		Inadequate environmental management by Council including:	Resulting in potential for climate change impacts to adversely affect the assets and people within Kingborough.				
		<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> </ul>	Potential for damage to natural environment				
		<ul style="list-style-type: none"> <li>Changing standards for environmental performance (including waste management).</li> </ul>	Resulting in serious damage/loss to the Kingborough community including people, assets, and community function.				
		<ul style="list-style-type: none"> <li>Value placed and decision making regarding natural assets.</li> </ul>	Failure / inability to provide essential services and continued essential Council operations during emergencies.				
		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.	Financial loss and legal ramifications.				
			Injury to employee or community member.				
			Damage or loss of natural resources.				
			Potential for community dissatisfaction with Council's planning and response resulting in reputation impact.				
			Loss of Council assets including data.				

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>	Critical (Critical 9; High 3)	<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>	Critical (Critical 10, High 2)	<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> <li>LGAT informs Council of changes to legislative requirements</li> <li>Professional associations provide information on changes to particular legislative requirements.</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
9	Staff Resources	<p>Lack of staff resources to meet the expectations of the municipality resulting from:</p> <ul style="list-style-type: none"> <li>• Staff struggling to undertake the functions of their role in an appropriate timeframe.</li> <li>• No back-up for staff that are on extended leave.</li> <li>• Limited business continuity.</li> <li>• Limited ability to manage the impacts of a pandemic.</li> </ul> <p>Impacts of the pandemic on staff.</p>	<p>Resulting in the potential for:</p> <ul style="list-style-type: none"> <li>• Stressed staff and potential breaches of legislated timeframes;</li> <li>• A reluctance for staff to take leave breaks and the break down of services when extended sick leave is incurred;</li> <li>• No back-uo to cover staff being unavailable to undertake their role.</li> </ul> <p>Limited leave being utilised leading to tired staff.</p>	Critical	<ul style="list-style-type: none"> <li>• Lack of staff considered as part of the annual budget review process.</li> <li>• The use of external EAP to support staff that are struggling to cope with both internal and external pressures.</li> <li>• Workforce Plan identifies the future resource requirements of Council.</li> <li>• Small surveys on specific issues undertaken as needed.</li> <li>• A number of HR Policies are in place to support and protect staff.</li> <li>• HR policies in place to provide a good working environment.</li> <li>• Staff committees used to enable consultation with employees.</li> </ul>	Partially Effective	High

**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.

## Appendix C:

## Risk Management – Impact Matrix

Consequence Scale							
Level	Label	Financial Impact	Legal Impact	Safety	Stakeholder Impact	Reputation Impact	Environmental
5	Catastrophic	>\$1,000,000	Significant prosecution and fines. Very serious litigation including calls action.	Death or major injury of Council employee or member of the public.	Long term interruption to service	Newsworthy public relations issue; media outcry; Minister involved.	Toxic damage.
4	Major	<\$1,000,000	Major breach of regulation. Litigation or challenge to Council.	Extensive injuries.	Short term interruption to service	Significant adverse media.	High environmental damage.
3	Moderate	<\$100,000	Serious breach of regulation requiring report to or investigation by authority.	External medical assistance required for injuries.	Disruptive service. Large number of stakeholders / community members experience impact	Serious complaints involving community lobbying.	Medium damage.
2	Minor	<\$10,000	Minor legal issues, non-compliances and breaches of regulation.	Some injuries requiring low level medical care.	Small number of stakeholders / community members experience impact.	Large volume of complaints dealt with by staff	Low and isolated damage.
1	Insignificant	<\$1,000	Very minor noting of minor non-compliance with regulation.	Minor injuries.	Inconvenience or nuisance.	Minor, isolated complaints dealt with by staff.	Negligible impact.