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Related legislation:	Local Government Act 2020		
Related strategic documents, policies, or procedures:	<ul style="list-style-type: none"> • Occupational Health and Safety Act 2004 • Occupational Health and Safety Policy • ISO31000:2018 Risk Management - Guidelines • Risk Management Framework • Risk Management Procedure 		

Date	Version Number	Details of Version	Modified by
25/02/2020	1	Development of policy to align with AS ISO 31000:2018	Risk and Safety Officer

1. Purpose

The purpose of this policy is to define Mount Alexander Shire Council's commitment to risk management, and to facilitate understanding and proactive management of the effects of uncertainty on achievement of Council's objectives.

“The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation and supports the achievement of objectives.”¹ Risk management is an important element in supporting Council's Vision of *Mount Alexander: innovative, creative, connected*.

2. Scope

This policy applies to the Councillors and employees (including full time, part time, casual employees, agency staff and students). The policy is also applied in the management of contractors, volunteer groups and consultants of Mount Alexander Shire Council.

3. Policy

Mount Alexander Shire Council is committed to enterprise wide risk management and will proactively manage risk in accordance with the *Australian Standard AS ISO 31000:2018: Risk management - guidelines* which documents the principles, framework, and process for achieving best practice in risk management.

ISO 31000:2018 defines risk as “the effect of uncertainty on objectives. An effect is a deviation from the expected. It can be positive, negative, or both, and can address, create or result in opportunities or threats.”

To support this commitment we will:

- Review strategic risks that can cause a shift in strategic objectives
- Integrate risk management into decision making about core business operations and potential changes to services or programs through a Risk Appetite Statement
- Assign authority, responsibility and accountability for managing risk at appropriate levels within the organisation and document this in the Risk Management Framework which outlines how risk management aligns to ISO31000:2018
- Ensure the necessary resources are allocated to managing risk.

¹ Standards Australia Limited/Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*, p2

4. Risk calculation matrices

The methodology for the calculation of risk ratings is not prescribed by Australian Standard AS ISO 31000:2018. Therefore, the Standards Australia, *HB266:2010 Guide for managing risk in not-for-profit organisations*² has been referenced in developing Council's risk matrix.

The risk calculation matrices are in the Appendices. They are:

- Appendix A: the nature and magnitude of consequences of threat risk
- Appendix B: the nature and magnitude of consequences of opportunity risk
- Appendix C: the likelihood of events or consequences occurring
- Appendix D: the threat matrix
- Appendix E: the opportunity matrix.

The matrices represent the inherent risk; this can be modified through risk controls and treatments which are applied through the risk assessment process.

5. Definitions of Abbreviations and Terms Used

Term	Definition
Consequence	The outcome of an event affecting objectives. A consequence can be certain or uncertain and can have positive or negative direct or indirect effect on objectives. ³
Control	A measure that maintains and/or modifies risk. ⁴
Inherent risk	The measure of risk in its natural state, where the only factors preventing its occurrence or limiting its impact are factors outside the control of the organisation.
Likelihood	The chance of something happening. ⁵
Residual risk	The measure of risk when the effect of the existing control systems and structures within the organisation are taken into account.
Risk	The effect of uncertainty on objectives. An effect is a deviation from the expected. It can be positive, negative, or both, and can address, create or result in opportunities or threats. ⁶

² Standards Australia Limited/ Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*

³ Standards Australia Limited/Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*, p2

⁴ Standards Australia Limited/Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*, p2

⁵ Standards Australia Limited/Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*, p2

⁶ Standards Australia Limited/Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*, p1

Term	Definition
Risk management	Coordinated activities to direct and control an organisation with regard to risk. ⁷
Risk Appetite	The amount of risk an entity is willing to accept or retain in order to achieve its objectives. It is a statement or series of statements that describes the entity's attitude towards risk taking.
Risk Tolerance	The levels of risk taking acceptable to achieve a specific objective or manage a category of risk. Risk tolerance represents the practical application of risk appetite and is typically aligned to categories of risk such as strategy, financial, people or reputation.

6. Human Rights Statement

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights and Responsibilities Act (2006). Mount Alexander Shire Council is committed to consultation and cooperation between management and employees. Mount Alexander Shire Council will formally involve the Workplace Consultative Committee in any workplace change that may affect employees.

⁷ Standards Australia Limited/Standards New Zealand, *ISO 31000:2018 Australian Standard Risk Management Guidelines*, p1

7. Appendix A: Threat Consequence Criteria

Consequence Criteria				
1: Insignificant	2: Minor	3: Moderate	4: Major	5: Extreme
HEALTH, SAFETY AND WELLBEING (Councillor, employees, volunteers, contractors, community, clients)⁸				
First-aid treatment or minor medical treatment	Medical treatment that results in lost injury time <2 weeks	Short-term hospitalisation to one or more persons	Extensive injury or impairment to one or more people	Fatality and/or severe irreversible disability to one or more people
FINANCIAL IMPACT				
<\$25K loss	\$25K to <\$100K	\$100K to <\$250K loss	\$250K to <\$1M loss	>\$1M loss
OPERATIONS (Service delivery)				
Negligible disruption in standard or breadth of services	Short term disruption in standard or breadth of services (within financial year)	Medium term disruption in standard or breadth of services (1 financial year)	Long term disruption in standard or breadth of services (over 1 and less than 3 financial years)	Demonstrable and sustained significant disruption in standard or breadth of services (over 3 financial years or ongoing)
REPUTATION				
Insignificant negative impact on reputation	Minor sensitivity / damage to reputation	Moderate sensitivity / damage to reputation	High sensitivity / damage to reputation	Significant sensitivity and irreparable damage to reputation
No negative impact on staff turnover	Loss of reputation as an employer of choice within the Shire	Loss of reputation as an employer of choice across within central Victorian councils	Loss of reputation as an employer of choice across within Victorian local government	Loss or improvement of reputation as an employer of choice outside the local government sector
SOCIAL IMPACT FROM BUSINESS CONTINUITY EVENT				
Insignificant social impact	Temporary localised disruption to social wellbeing	Ongoing localised disruption to social wellbeing	Ongoing widespread disruption to social wellbeing	Widespread long term severe impact on social wellbeing

⁸ Based on Standards Australia/Standards New Zealand, *HBB266:2010 Guide for managing risk in not-for-profit organizations*, p49

Consequence Criteria				
1: Insignificant	2: Minor	3: Moderate	4: Major	5: Extreme
LEGAL AND COMPLIANCE⁹				
Minor legal issues, or breach of regulations	Breach of regulations. Minor fine or legal costs. Minor litigation	Breach of regulation with investigation by authority and possible moderate fine. Litigation and legal costs up to \$1M	Major breach of regulation with punitive fine. Significant litigation involving many weeks of senior management time and up to \$5M legal costs	Major litigation costing >\$5M. Investigation by regulatory body resulting in long term interruption of operations. Possibility of custodial sentence
Insignificant negative impact on compliance with legislation, regulation, accreditation, standards, and policy	Short term and/or minor compliance breach with legislation, regulation, accreditation, standards, and policy	Medium term and/or moderate breach of compliance with legislation, regulation, accreditation, standards, and policy	Long term and/or major breach of compliance with legislation, regulation, accreditation, standards, and policy	Extreme breach of compliance with legislation, regulation, accreditation, standards, and policy
ENVIRONMENT				
Insignificant negative environmental impact	Minor environmental harm with no ongoing damage	Moderate environmental damage requiring short term remediation	Major environmental damage requiring medium term remediation	Extreme environmental damage requiring long term remediation

⁹ Standards Australia/Standards New Zealand, *HBB266:2010 Guide for managing risk in not-for-profit organizations*, p49

8. Appendix B: Opportunity Consequence Criteria

Consequence Criteria				
1: Insignificant	2: Minor	3: Moderate	4: Major	5: Outstanding (positive)
HEALTH, SAFETY AND WELLBEING (Councillors, employees, volunteers, contractors, community, clients)¹⁰				
Negligible improvement to health, safety and wellbeing of our staff and/or community	Short term and/or isolated improvement to health, safety and wellbeing of our staff and/or community	Medium term and/or broad improvement to health, safety and wellbeing of our staff and/or community	Long term and/or significant improvement to health, safety and wellbeing of our staff and/or community	Demonstrable and sustained significant improvement to health, safety and wellbeing of our staff and/or community
FINANCIAL IMPACT				
<\$25K gain	\$25K to <\$100K gain	\$100K to <\$250K gain	\$250K to <\$1M gain	>\$1M gain
OPERATIONS (Service delivery)				
Negligible improvement in standard or breadth of services	Short term improvement in standard or breadth of services (within financial year)	Medium term improvement in standard or breadth of services (1 financial year)	Long term improvement in standard or breadth of services (over 1 and less than 3 financial years)	Demonstrable and sustained significant improvement in standard or breadth of services (over 3 financial years or ongoing)
REPUTATION				
Negligible positive impact on reputation	Highly regarded across the Shire	Highly regarded within Central Victorian councils	Highly regarded within Victorian local government	Highly regarded by State Government
No positive impact on staff	Improvement of reputation as an employer of choice within the Shire	Improvement of reputation as an employer of choice across within central Victorian councils	Improvement of reputation as an employer of choice across within Victorian local government	Improvement of reputation as an employer of choice outside the local government sector

¹⁰ Based on Standards Australia/Standards New Zealand, *HBB266:2010 Guide for managing risk in not-for-profit organizations*, p49

LEGAL AND COMPLIANCE ¹¹				
Minor financial dividend from legal and/or compliance issue.	Minor financial dividend from legal and/or compliance issue.	Financial dividend up to \$1M from legal and/or compliance issue.	Financial dividend up to \$5M from legal and/or compliance issue.	Financial dividend >\$5M from legal and/or compliance issue.
Negligible impact on compliance with legislation, regulation, accreditation, standards, and policy	Short term and/or isolated improvement to compliance with all legislation, regulation, accreditation, standards, and policy	Medium term and/or broad improvement to compliance with all legislation, regulation, accreditation, standards, and policy	Long term and/or significant improvement to compliance with all legislation, regulation, accreditation, standards, and policy	Full compliance with all legislation, regulation, accreditation, standards, and policy
ENVIRONMENT				
Insignificant positive environmental impact	Isolated improvement to environment	Broad improvement to environment	Significant improvement to environment	Demonstrable and sustained significant improvement to environment

¹¹ Standards Australia/Standards New Zealand, *HBB266:2010 Guide for managing risk in not-for-profit organizations*, p49

9. Appendix C: Likelihood Criteria

Level	Descriptor	Example Detail Description
5	Almost Certain	<ul style="list-style-type: none"> • There is greater than 90% chance of the consequence occurring within the next year. • Consequence is expected to occur in most times during normal operations. • Consequence could occur within days or weeks.
4	Likely	<ul style="list-style-type: none"> • There is 60% to 90% chance of the consequences occurring within the next year. • Consequence will probably occur in most circumstances. • Consequence could occur within weeks or months.
3	Possible	<ul style="list-style-type: none"> • There is 40% to 60% chance of the consequences occurring within the next year. • Consequence may occur under specific circumstances but there is a distinct possibility it won't occur.
2	Unlikely	<ul style="list-style-type: none"> • There is 10% to 40% chance of the consequences occurring within the next year. • Consequence may occur but it is not anticipated. • Consequence could occur within years to decades. • No evidence of previous incidents.
1	Rare	<ul style="list-style-type: none"> • There is less than 10% chance of the consequences occurring in the very long term. • Consequence would only occur under exceptional circumstances. • Consequence is considered a one-in-100 year event.

10. Appendix D: Threat risk matrix

Likelihood criteria	Consequences criteria				
	Insignificant	Minor	Moderate	Major	Extreme
	1	2	3	4	5
5 (Almost Certain)	5 Medium (1C5L)	10 High (2C5L)	15 High (3C5L)	20 Extreme (4C5L)	25 Extreme (5C5L)
4 (Likely)	4 Low (1C4L)	8 Medium (2C4L)	12 High (3C4L)	16 High (4C4L)	20 Extreme (5C4L)
3 (Possible)	3 Low (1C3L)	6 Medium (2C3L)	9 Medium (3C3L)	12 High (4C3L)	15 High (5C3L)
2 (Unlikely)	2 Low (1C2L)	4 Low (2C2L)	6 Medium (3C2L)	8 Medium (4C2L)	10 High (5C2L)
1 (Rare)	1 Low (1C1L)	2 Low (2C1L)	3 Low (3C1L)	4 Low (4C1L)	5 Medium (5C1L)

11. Appendix E: Opportunity risk matrix

Likelihood criteria	Consequences criteria				
	Outstanding	Major	Moderate	Minor	Insignificant
	5	4	3	2	1
1 (Rare)	High (5C1L)	Medium (4C1L)	Low (3C1L)	Low (2C1L)	Low (1C1L)
2 (Unlikely)	High (5C2L)	Medium (4C2L)	Low (3C2L)	Low (2C2L)	Low (1C2L)
3 (Possible)	High (5C3L)	High (4C3L)	Medium (3C3L)	Low (2C3L)	Low (1C3L)
4 (Likely)	Outstanding (5C4L)	Outstanding (4C4L)	High (3C4L)	Medium (2C4L)	Low (1C4L)
5 (Almost Certain)	Outstanding (5C5L)	Outstanding (4C5L)	High (3C5L)	Medium (2C5L)	Medium (1C5L)