Council Policy 7.1

Risk Management

Policy Objective

The objective of this Policy is to state the Eastern Metropolitan Regional Council’s (‘EMRC’s’) intention to identify potential risks before they occur so that impacts can be minimised or opportunities realised; ensuring that the EMRC achieves its Strategic and Corporate objectives efficiently, effectively and within good corporate governance principles.

Legislation / Standards

AS/NZS ISO 31000:2018 Risk management – Guidelines

Policy Statement

It is the EMRC’s Policy to achieve best practice (aligned with AS/NZS ISO 31000:2018 Risk management – Guidelines), in the management of all risks that may affect the EMRC meeting its objectives.

Risk management functions will be resourced appropriately to match the size and scale of the EMRC’s operations, and will form part of the Strategic, Operational, and Project responsibilities and be incorporated within the EMRC’s Integrated Planning Framework.

This policy applies to Council Members, Executive Management and all employees and contractors involved in any EMRC operations.

The following points provide detail on the objective specifics:

## Optimises the achievement of the EMRC’s values, strategies, goals and objectives.

## Aligns with and assists the implementation of EMRC Policies.

## Provides transparent and formal oversight of the risk and control environment enabling effective decision-making.

## Reflects risk versus return considerations within the EMRC’s risk appetite.

## Embeds appropriate and effective controls to mitigate risk.

## Achieves effective corporate governance and adherence to relevant statutory, regulatory and compliance obligations.

## Enhances organisational resilience.

## Identifies and provides for the continuity of critical operations.

Key Policy Definitions

**Risk** Effect of uncertainty on objectives.

 **Note 1** An effect is a deviation from the expected – positive or negative.

 **Note 2** Objectives can have different aspects (such as financial, health and safety and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product or process).

**Risk Management** Coordinated activities to direct and control an organisation with regard to risk.

**Risk Management Process** Systematic application of management policies, procedures and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Roles and Responsibilities

The CEO is responsible for the:

* Implementation of this Policy.
* Measurement and reporting on the performance of risk management.
* Review and improvement of this Policy and the EMRC’s Risk Management Framework at least triennially, or in response to a material event or change in circumstances.

The EMRC’s Risk Management Framework outlines in detail all roles and responsibilities under CEO delegation associated with managing risks within the EMRC.

Risk Assessment and Acceptance Criteria

The EMRC has quantified its broad risk appetite through the EMRC’s Risk Assessment and Acceptance Criteria. The criteria are included within the Risk Management Framework and as a component of this policy.

All organisational risks are to be assessed according to the EMRC’s Risk Assessment and Acceptance Criteria to allow consistency and informed decision-making. For operational requirements such as projects or to satisfy external stakeholder requirements, alternative risk assessment criteria may be utilised, however these cannot exceed the organisation’s appetite and are to be noted within the individual risk assessment.

Monitor and Review

The EMRC will implement and integrate a monitor and review process to report on the achievement of the risk management objectives, the management of individual risks and the ongoing identification of issues and trends.

This Policy will be kept under review by the EMRC’s Leadership Team. It will be formally reviewed triennially.

**Financial Considerations**

Funding will be provided to properly resource risk management activities as identified through the annual budgeting process.

Risk Assessment and Acceptance Criteria

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| **Eastern Metropolitan Regional Council Measures of Consequences** |
| **Rating (Level)** | **Health / People** | **Financial Impact** | **Service Interruption** | **Compliance** | **Reputational** | **Property** | **Environment** | **Project Time** | **Project Cost** |
| **Insignificant****(1)** | Near miss. Minor first aid injuries | Less than $20,000 | No material service interruption | No noticeable regulatory or statutory impact | Unsubstantiated, low impact, low profile or ‘no news’ item | Inconsequential damage. | Contained, reversible impact managed by on site response | Exceeds deadline by 10% of project timeline | Exceeds project budget by 10% |
| **Minor****(2)** | Medical type injuries | $20,001 - $500,000 | Short term temporary interruption – backlog cleared < 1 day | Some temporary non-compliances | Substantiated, low impact, low news item | Localised damage rectified by routine internal procedures | Contained, reversible impact managed by internal response | Exceeds deadline by 15% of project timeline | Exceeds project budget by 15% |
| **Moderate****(3)** | Lost time injury <30 days | $500,001 - $1.5 Million | Medium term temporary interruption – backlog cleared by additional resources  | Short term non-compliance but with significant regulatory requirements imposed | Substantiated, public embarrassment, moderate impact, moderate news profile | Localised damage requiring external resources to rectify | Contained, reversible impact managed by external agencies | Exceeds deadline by 20% of project timeline | Exceeds project budget by 20% |
| **Major****(4)** | Lost time injury >30 days | $1.5 Mil - $3 Million | < 1 week | Non-compliance results in termination of services or imposed penalties | Substantiated, public embarrassment, high impact, high news profile, third party actions | Significant damage requiring internal and external resources to rectify | Uncontained, reversible impact managed by a coordinated response from external agencies | Exceeds deadline by 25% of project timeline | Exceeds project budget by 25% |
| **Catastrophic****(5)** | Fatality, permanent disability | More than $3 Million | Prolonged interruption of services – additional resources; performance affected | Non-compliance results in litigation, criminal charges or significant damages or penalties | Substantiated, public embarrassment, very high multiple impacts, high widespread multiple news profile, third party actions | Extensive damage requiring prolonged period of restitutionComplete loss of plant, equipment and building | Uncontained, irreversible impact | Exceeds deadline by 30% of project timeline | Exceeds project budget by 30% |

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| **Measures of Likelihood** |
| **Level** | **Rating** | **Description** | **Frequency** |
| **1** | **Almost Certain** | The event is expected to occur in most circumstances (>90% chance) | More than once per year |
| **2** | **Likely** | The event will probably occur in most circumstances (>50% chance) | At least once per year |
| **3** | **Possible** | The event should occur at some time (20% chance) | At least once in 3 years |
| **4** | **Unlikely** | The event could occur at some time (<10% chance) | At least once in 10 years |
| **5** | **Rare** | The event may only occur in exceptional circumstances (<5% chance) | Less than once in 15 years |

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| **Risk Matrix** |
| **Consequence** | **Insignificant** | **Minor** | **Moderate** | **Major** | **Catastrophic** |
| **Likelihood** |  | **1** | **2** | **3** | **4** | **5** |
| **Almost Certain** | **1** | **Moderate (5)** | **High (10)** | **High (15)** | **Extreme (20)** | **Extreme (25)** |
| **Likely** | **2** | **Low (4)** | **Moderate (8)** | **High (12)** | **High (16)** | **Extreme (20)** |
| **Possible** | **3** | **Low (3)** | **Moderate (6)** | **Moderate (9)** | **High (12)** | **High (15)** |
| **Unlikely** | **4** | **Low (2)** | **Low (4)** | **Moderate (6)** | **Moderate (8)** | **High (10)** |
| **Rare** | **5** | **Low (1)** | **Low (2)** | **Low (3)** | **Low (4)** | **Moderate (5)** |

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| **Risk Acceptance Criteria** |
| **Risk Rank** | **Description** | **Criteria** | **Responsibility** |
| **Low** | **Acceptable** | **Risk acceptable with adequate controls, managed by routine procedures and subject to annual monitoring** | **Supervisor / Team Leader** |
| **Moderate** | **Monitor** | **Risk acceptable with adequate controls, managed by specific procedures and subject to semi-annual monitoring** | **Service Manager** |
| **High** | **Urgent Attention Required** | **Risk acceptable with effective controls, managed by senior management / executive and subject to monthly monitoring** | **Executive Leadership Team** |
| **Extreme** | **Unacceptable** | **Risk only acceptable with effective controls and all treatment plans to be explored and implemented where possible, managed by highest level of authority and subject to continuous monitoring** | **CEO and Council** |

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| **Existing Control Ratings** |
| **Rating** | **Foreseeable** | **Description** |
| **Effective** | There is **little** scope for improvement | Processes (Controls) operating as intended and aligned to Policies / Procedures.Subject to ongoing monitoring.Reviewed and tested regularly. |
| **Adequate** | There is **some** scope for improvement | Processes (Controls) generally operating as intended, however inadequacies exist. Limited monitoring.Reviewed and tested, but not regularly. |
| **Inadequate** | There is a **need** for improvement or action | Processes (Controls) not operating as intended.Processes (Controls) do not exist, or are not being complied with. Have not been reviewed or tested for some time. |

**Adopted/Reviewed** 08 December 2020

**Next Review** Following the Ordinary Elections in 2021

**Responsible Team** Business Support