

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)

#1 Draft Enterprise Risk Management (ERM) Policy - 2150-020



Policy: 2150-020

Enterprise Risk Management (ERM) Policy

Head of Power

Local Government Act 2009
Local Government Regulation 2012

Related Legislation

Work Health and Safety Act 2011
Work Health and Safety Regulation 2011

Objective

The objective of this policy is to outline Council's commitment to a strategic, consistent and proactive enterprise-wide approach to risk management and embedding a positive risk culture throughout the organisation.

In doing so, Council seeks to achieve an appropriate balance between managing threats and realising opportunities in order to maximise its ability to achieve its strategic vision and objectives, and to deliver quality services and projects for the community.

This policy and associated procedure fulfils Council's obligations under s164(1) of the Local Government Regulation 2012.

Definitions

Councillors means the Mayor and Councillors of the Moreton Bay Regional Council.

Employees means all employees of Moreton Bay Regional Council, whether employed on a permanent, temporary, or part-time basis and includes volunteers and contractors.

Risk means the effect of uncertainty on objectives. It is measured in terms of a combination of the likelihood of an event and its consequence. In this regard, risk includes:

- a) potential threats to achieving those objectives (negative risk or loss), and
- b) potential opportunities to achieving those objectives (positive risk or gain).

Risk appetite means the level of risk that Council is willing to accept, at any point in time, in achieving its strategic objectives, and when delivering services and projects for the community.

Risk management means coordinated activities to direct and control organisational risk.

Risk register means the centralised reporting tool used to record risk, controls, and opportunities.

Application

This Policy applies to all Councillors and Council employees.

Policy Statement

Risk management is an essential part of sound management practice and good corporate governance. It improves decision-making, planning and accountability thereby increasing Council's ability to achieve its goals and objectives.

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)



Policy: 2150-020 - Enterprise Risk Management (ERM) Policy

Risk can be negative, positive or both, and can relate to, create or result in threats and opportunities. Council recognises its responsibility to make informed decisions with respect to the activities that it undertakes by appropriately considering both potential threats and opportunities. Council also accepts that investing in innovation requires risk taking which is key to the region's future. Therefore, Council is committed to:

- Adopting a best practice risk management approach consistent with the risk management principles and framework outlined in the Australian/New Zealand Standard for Risk Management - Guidelines (AS/NZS ISO 31000:2018).
- Maintaining an effective governance system and clarity of roles and responsibilities at all levels of the organisation in relation to risk.
- Incorporating risk management into strategic, operational and financial planning processes including all new services and projects to ensure alignment with Council objectives and risk appetite.
- Developing a positive risk culture and awareness through enhanced education, training, communication and reporting of risk.
- Developing and maintaining a robust risk management process that provides a consistent and systematic way of identifying, analysing, evaluating and treating risks in line with Council's risk appetite.
- Maintaining effective risk management systems and tools including detailed risk registers which enable the organisation to effectively record, monitor and manage risks including risk assessment ratings, risk controls and treatment plans.
- Prioritising its risk so that resources are devoted to managing extreme and high risks within appropriate timeframes. This includes ensuring that the best mix of insurance and risk financing strategies are chosen to cover Council's legal liabilities and protect Council assets.
- Enabling the realisation of opportunity and innovation related risk through the risk management process.
- Monitoring and improving risk management activities and their effectiveness through a program of continuous improvement.

Levels and Categories of Risk

Council has identified three levels of risk that form part of the risk management process:

Levels	Description
Strategic risks	Organisation-wide risks which may impact on Council's ability to deliver on its vision and strategic objectives as stated in the Community Plan and Corporate Plan.
Service delivery risks	Risks that may impact on Council's ability to function effectively and deliver its services and programs as stated in the Operational Plan and Asset Management Plan.
Project risks	Risks that may impact on Council's ability to deliver a particular project or event as stated in the Budget and Capital Works Program.

In each of the three levels, nine categories of risk have been identified:

Category	Description
People and Culture	Risks associated with human resource management, organisational culture and change management. This includes non-workplace health and safety risks that impact on the ability of employees to attend work and perform their duties (i.e. industrial action etc).
Health and Safety	Risks associated with protecting the health, safety and wellbeing of employees, volunteers, contractors and others within Council's duty of care. This covers workplace health and safety risks that impact on the ability of employees to attend work and perform their duties (i.e. injury, illness, pandemic etc).

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)



Policy: 2150-020 - Enterprise Risk Management (ERM) Policy

Category	Description
Financial Sustainability	Risks associated with the financial management of Council and its ability to fund Council services now and into the future. This covers risks related to revenue, expenditure, budget management, investments and debt management and accuracy of financial information.
Legal and Governance	Risks associated with Council either knowingly or unknowingly breaching legislation, regulations, policies or procedures. This covers risks related to fraud and corruption or being exposed to liability in relation to any matter.
Reputation	Risks associated with Council's perceived or actual reputation with the community, government, regulators, the media, Council employees, or other stakeholders. This covers risks of a political nature.
Service Delivery	Risks associated with the daily operational management of Council and its ability to deliver services to the community. This also covers risks related to the effectiveness of internal services, systems and processes, and business continuity.
Information and Technology	Risks associated with the provision of ICT infrastructure, services and systems for Council and the community. This covers risks related to the loss or theft of data and information, and cyber security.
Asset Management	Risks associated with the planning, design, construction and maintenance of Council infrastructure and assets. This covers risks related to fit for purpose considerations and the damage or loss of assets and property.
Environment	Risks associated with Council's operations that have potential or actual negative environmental, ecological or cultural heritage impacts, regardless of whether these are reversible or irreversible in nature. This also covers risks associated with the impact of climate change on Council's assets and operations.

Risk Appetite

Council has an obligation to its stakeholders to ensure that it does not accept high levels of risk that might impact on community wellbeing, amenity or the ongoing sustainability and viability of Council. Accordingly, Council generally has a low appetite for unmitigated risks across all of its operations, assets and objectives. However, given the significant growth that the Moreton Bay Region will experience in coming years, Council will need to take some calculated risks to ensure that infrastructure and services meet the needs of its current and future communities.

Risk Principles

Council has identified the following principles as a guide to identify and proactively address risks and opportunities and define its risk appetite.

Principles	Description
Integrated	Council should integrate its risk management efforts into all parts and activities of Council.
Structured and comprehensive	Creating and following a comprehensive, structured risk management approach leads to the most consistent and desirable risk management outcomes.
Customised	Council's risk management approach should be customised to Council's objectives, and the external and internal context in which the organisation operates.

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)



Policy: 2150-020 - Enterprise Risk Management (ERM) Policy

Principles	Description
Inclusive	To be most effective, risk management should involve all stakeholders, allowing the different knowledge sets, views, and perceptions of all stakeholders to be considered and implemented into risk management efforts.
Dynamic	The risk management framework should assist Council to anticipate, identify, acknowledge, and respond appropriately to changes in risk.
Best available information	Effective risk management is done by considering information from the past and present as well as anticipating the future. Therefore, (1) the information from the past and present must be as reliable as possible, and (2) consideration should be given to the limitations and uncertainties with that past and present information. All relevant stakeholders should receive necessary information in a timely and clear manner.
Human and cultural factors	Council must be aware of the human and cultural factors that the risk management effort takes place in and know the influence these human and cultural factors will place on the risk management effort.
Continual improvement	Through experience and learning, Council must strive to continually improve its risk management efforts.

Related Documents

Business Continuity Policy and Plan
Enterprise Risk Management Procedure
Fraud and Corruption Control Policy and Plan
Investment Policy
Workplace Health and Safety Policy and Directives

Review and Evaluation

Risk data and trends will be periodically reported to Committee, as appropriate.

This policy will be reviewed for applicability, effectiveness, and consistency with relevant legislation, Council resolutions, and other related Council documents. Reviews of this policy will occur as required, or at least once every four years.

The effectiveness of this policy will also be formally measured via the conduct of periodic internal audits.

Responsibility

This policy is to be:

- (1) implemented by Manager, Governance and Executive Services; and
- (2) reviewed and amended in accordance with the "Review Triggers" by Director, Finance and Corporate Services.

Policy: 2150-020			Official Version: A4680431
Document Control			
Version / Reviewed	Version Adoption (Council meeting / Minute Page) Reviewed (revision comment)	Date	Word version reference
Version 1	Coordination Committee (10/2961)	14.12.2010	A4607172
Version 2	CEO Approval (11.12.2015 - A12926487) minor amendments and intent remains unaltered	11.12.2015	A12925856
Version 3	DRAFT	xx.xx.2020	A20099426

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)

#2 Extract from Council Enterprise Risk Management Procedure

Appendix 2: Extract from Council Enterprise Risk Management Procedure

3. COUNCIL'S RISK AND OPPORTUNITY APPETITE

3.1 Definition of Risk

Council's ERM Policy states that **risk** is the effect of uncertainty on objectives. It is measured in terms of a combination of the likelihood of an event and its consequence. In this regard, risk includes:

- a) potential threats to achieving those objectives (negative risk or loss), and
- b) potential opportunities to achieving those objectives (positive risk or gain).

The implementation of Council's ERM framework will be dependent on the organisation's risk and opportunities appetite.

3.2 Risk Appetite

Council's risk appetite is defined as the amount and type of risk it is willing to accept in the achievement of its strategic vision and objectives, and delivery of its services and projects. Council's risk appetite has 4 levels as outlined in Table 1.

Table 1: Risk Appetite Levels

Level of Risk Appetite	Description
Risk Averse	All reasonably practical and affordable control measures to minimise, and where possible, eliminate the risk are in place. Zero appetite is the most risk averse risk appetite.
Cautious	The focus is on risk mitigation rather than a benefit associated with taking the risk. Willing to consider safe approaches to gaining a benefit.
Open	Willing to consider risk taking in order to gain a benefit, provided that effective measures are in place to monitor the risk and limit significant adverse outcomes.
Eager	Eager for risks to be taken in order to gain highly valued benefit. Focus in on achieving the benefit, with enthusiasm for innovation and an acceptance of the potential for failure.

Table 2 is a visual overview of Council's baseline risk appetite for the nine (9) categories of risk outlined in Council's ERM Policy. This will be reviewed annually as part of the annual budget and operational planning process, or more frequently to adapt to changing conditions (such as the COVID-19 pandemic).

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)

Table 2: Baseline Risk Appetite

Moreton Bay Regional Council's Risk Appetite				
Risk Category	Risk Averse	Cautious	Open	Eager
People and Culture			←→	
Health and Safety	←→			
Financial Sustainability		←→		
Legal and Governance	←→	←→		
Reputation		←→	←→	
Service Delivery		←→	←→	
Information and ICT	←→	←→		
Asset Management	←→	←→		
Environment		←→		

3.3 Opportunity Appetite

Council's opportunities appetite is defined as the types of opportunities Council will pursue in the achievement of its strategic vision and objectives, and delivery of its services and projects. Generally, Council's opportunities appetite also reflects its appetite as an organisation for innovation. Council's opportunities/innovation appetite has 3 levels as outlined in Table 3.

Table 3: Opportunities Appetite Levels

Types of Opportunities/Innovation	Description
Core	Opportunities/innovation initiatives that optimise existing core services, assets and/or products for existing customers.
Adjacent	Opportunities/innovation initiatives that expand existing services, assets and/or products based on fresh insights into customer needs. Adjacent innovation initiatives may involve leveraging existing capabilities and putting those capabilities to new uses or generating new revenue streams.
Transformational	Opportunities/innovation initiatives that facilitate the development of new services, assets and/or products (also called breakthroughs or game changers).

Council's ambition is to achieve a 70-20-10 focus on core, adjacent and transformational opportunities/innovation initiatives (see Table 4). The assessment of opportunities should be undertaken at the inception phase of an innovation initiatives with support for making critical go-no-go decisions with Council along the way.

Table 4: Opportunities Appetite Ambition

Moreton Bay Regional Council's Opportunities Appetite			
	Core	Adjacent	Transformational
Innovation	←→		
	70%	20%	10%

ITEM 1.4 - ENTERPRISE RISK MANAGEMENT POLICY - A20864074 (Cont.)

The above tables demonstrate that Council has the lowest appetite for risks/opportunities which may:

- compromise the safety and welfare of Council employees;
- compromise compliance with legislation and regulation;
- compromise the security of Council's ICT systems and information;
- breach the trust of the community as a result of theft, fraud, corruption or deliberate misconduct;
- result in major disruption to the delivery of key council services; and
- result in significant loss of key council assets.

Council is more open to risks/opportunities associated with:

- new approaches to enhance Council's position as an employer of choice in the local government sector;
- improving employee engagement and performance;
- improving efficiency, reducing costs and/or generating additional sources of revenue;
- improving or enhancing levels of service to the community;
- innovations in the delivery and maintenance of Council infrastructure and assets;
- using new 'smart' technology and data to enhance community access to information as well as improve service and asset management; and
- supporting and growing the Moreton Bay Region economy to recover from the COVID-19 pandemic.

Factors that may influence Council's risk and opportunities appetite include, but are not limited to:

- emergency responses and events;
- legislative environment;
- expectations of the community and council stakeholders;
- Council's corporate plan, budget, organisational plans and strategies;
- organisational culture;
- financial health;
- partnerships with other organisations, where Council is not leading the initiative; and
- level of risk maturity.