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RELATED STRATEGIC DOCUMENTS, POLICIES OR PROCEDURES:	Risk Management Framework Risk Management Implementation Plan Risk Management Procedure Risk Appetite Statement Occupational Health and Safety Policy ISO 31000:2018 Risk Management Guidelines
RELATED LEGISLATION:	Local Government Act 2020 Occupational Health and Safety Act 2004 Occupational Health and Safety Regulations 2017

EVIDENCE OF APPROVAL:

Signed by  Chief Executive Officer

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**Policy documents are amended from time to time, therefore you should not rely on a printed copy being the current version. Please consult the policies on the Loddon Shire website (Council Policies) or Intranet (Organisational Policies) to ensure that the version you are using is up to date.**

**This document is available in alternative formats (e.g. larger font) if requested.**

## 1 PURPOSE

The purpose of this policy is to define Loddon Shire Council's commitment to risk management, and to help understand and proactively manage 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."<sup>1</sup>

Risk management is an important element in supporting the Community Vision of "*Creating a community where everyone is welcome and has the opportunity to live, work and thrive*", and Council's Vision of "*Loddon will be a resilient, sustainable and prosperous community of communities*".

## 2 SCOPE

This policy applies to the Councillors and employees (including full time, part time and casual, agency staff and students). The policy is also applied in the management of contractors, volunteer groups and consultants of Council. The Audit and Risk Committee is a key stakeholder of this policy.

## 3 POLICY

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."

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.

To support this commitment we will:

- review strategic risks that can cause a shift in the strategic objectives documented in the Council Plan
- integrate risk management into decision making about core business operations and potential changes to services or programs by communicating Council's appetite for risk in the 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 for the whole organisation and to support officers responsible for managing risks relevant to their roles
- communicate this policy through the organisation by providing it on Council's website and discussing it at leadership group meetings
- consider whether the policy should be reviewed before its scheduled date should the internal and/or external environment change

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

- identify and report a suite of key risk indicators that monitor our progress and maturity in risk management as per Recording and Reporting section of the Risk Management Framework

## 4 RISK MATRICES CALCULATIONS

The methodology for calculating risk ratings is not documented in *ISO 31000:2018*. Therefore, the *Standards Australia, HB266:2010 Guide for managing risk in not-for-profit organisations*<sup>2</sup> has been referenced in developing Council's risk matrix.

The risk calculation matrices are in:

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

The threat risk matrix represents the inherent risk; this can be modified through risk controls and treatments which are applied through the risk assessment process, which is documented in the Risk Management Framework.

## 5 DEFINITIONS OF TERMS OR ABBREVIATIONS 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. <sup>3</sup>
Control	A measure that maintains and/or modifies risk. <sup>4</sup>
Inherent risk	Represents the amount of risk that exists in the absence of controls. <sup>5</sup>
Likelihood	The chance of something happening. <sup>6</sup>
Residual risk	Is the amount of risk that remains after controls are accounted for. <sup>7</sup>
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. <sup>8</sup>

## 6 HUMAN RIGHTS STATEMENT

It is considered that this policy does not impact negatively on any rights identified in the Charter of Human Rights Act. Loddon Shire Council is committed to consultation and cooperation between management and employees. The Council will formally involve elected employee Health and Safety Representatives in any workplace change that may affect the health and safety of any of its employees.

<sup>2</sup> Standards Australia Limited/ Standards New Zealand, HB266:2010: Guide for managing risk in not-for-profit organizations

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

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

<sup>5</sup> <https://www.fairinstitute.org/blog/inherent-risk-vs.-residual-risk-explained-in-90-seconds>, Accessed: 1 March 2022

<sup>6</sup> Standards Australia Limited/ Standards New Zealand, ISO 31000:2018 Australian Standard Risk Management Guidelines, p2

<sup>7</sup> <https://www.fairinstitute.org/blog/inherent-risk-vs.-residual-risk-explained-in-90-seconds>, Accessed: 1 March 2022

<sup>8</sup> Standards Australia Limited/ Standards New Zealand, ISO 31000:2018 Australian Standard Risk Management Guidelines, p1

## 7 REVIEW

The Director Corporate will review this policy for any necessary amendments no later than 4 years after adoption of this current version.

## APPENDIX A: CONSEQUENCE CRITERIA

1. Insignificant	2. Minor	3. Moderate	4. Major	5. Extreme
<b>Financial impact<sup>9</sup></b>				
<\$25K loss	\$25K to <\$100K loss	\$100K to <\$250K loss	\$250K to <\$1M loss	>\$1M loss
<b>People Impact (Councillors, employees, volunteers, contractors, community, clients)<sup>9</sup></b>				
No lost time injury	Lost time injury <1 week	Lost time injury >1 week and <2 weeks	Lost time injury >2 weeks and <4 weeks	Lost time injury >4 weeks
First-aid treatment not requiring medical treatment	Medical treatment required at hospital or doctor's surgery	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
<b>Reputation impact<sup>9</sup></b>				
Results in local gossip: complaint to employee	Results in regional gossip: Complaint to management	Results in regional media coverage; Senior manager departs	Results in state media coverage; or CEO departs	Results in national media coverage: or CEO departs and Councillors are removed
No negative impact on staff turnover	Reputation damage as an employer of choice within the Shire	Reputation damage as an employer of choice within Central Victoria	Reputation damage as an employer of choice within Victorian local government	Reputation damage as an employer of choice outside local government
<b>Service output impact<sup>9</sup></b>				
Negligible disruption in standard or breadth or service	Short term disruption in standard or breadth or services (less than six months)	Medium term disruption in standard or breadth of services (six months to less than one year)	Long term disruption in standard or breadth of services (over one year and less than two years)	Sustained significant disruption in standard or breadth of service (over two years or ongoing)
<b>Management impact<sup>9</sup></b>				
Requires some management attention over several days	Requires some senior management attention over many days up to a few weeks	Requires senior management time over several weeks	Requires considerable senior management time over several weeks to a few months	Requires significant senior management time over several months

<sup>9</sup> Based on Standards Australia/Standards New Zealand, HBB266:2010 Guide for managing risk in not-for-profit organizations, p49

1. Insignificant	2. Minor	3. Moderate	4. Major	5. Extreme
<b>Legal and compliance impact<sup>9</sup></b>				
Minor legal issues or minor breach of regulations	Breach of regulations with minor fine or legal costs, or minor litigation	Breach of regulations with investigation by regulator and possible moderate fine. Litigation and costs up to \$500K	Major breach of regulations with significant fines. Litigation involving many weeks of senior management time and costs up to \$1M	Major litigation costing over \$1M. Investigation by regulator 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
<b>Environment impact</b>				
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

## APPENDIX B: LIKELIHOOD CRITERIA

Level	Description	Example, detailed description		
5	<b>Almost certain</b>	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	<b>Likely</b>	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	<b>Possible</b>	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.	Consequence could occur within months to years.  No evidence of previous incidents.
2	<b>Unlikely</b>	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.
1	<b>Rare</b>	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.

## APPENDIX C: RISK MATRIX

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