

Council Policy ENTERPRISE RISK AND OPPORTUNITY MANAGEMENT

Corporate Plan Reference:	<i>Excellence as a Council</i>
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Policy Author:	Governance Manager

POLICY STATEMENT

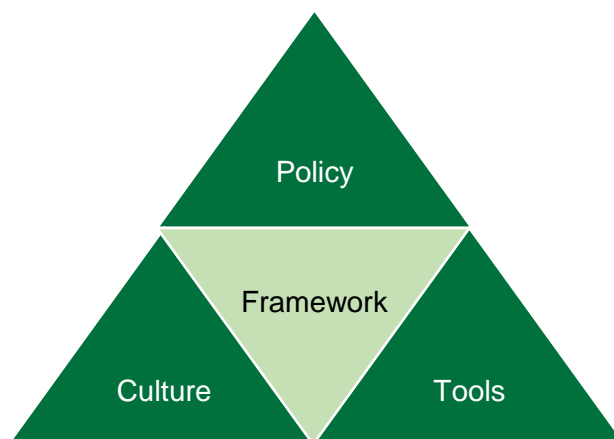
Managing risk and opportunity is part of good leadership and governance and is fundamental to how Council is managed at all levels. A robust framework which involves both risk and opportunity provides greater scope for innovation and possibility. Equally, Council recognises that innovation involves risks, and if managed and understood it can provide opportunities to create new ways to benefit the community and achieve Council's objectives.

An important component of Council's culture is that risks and opportunities are considered a part of normal business activity and that risks are managed consistently and systematically within a context of regulatory obligations, competing resources, financial and community priorities.

This Policy is formulated to align with the *Local Government Act 2009* and section 164(1) of the *Local Government Regulation 2012*, which requires Council to keep a written record of:

- a) risk exposure;
- b) the extent to which the risks are relevant to financial management; and
- c) the control measures adopted to manage those risks and comply with the Australian Standard *AS/NZS ISO 31000:2018 Risk Management Guidelines* ("the Australian Standard").

This Policy sets out Council's overall intention with respect to risk and opportunity management and is part of a broader suite of Risk and Opportunity Management documents. As such, the Enterprise Risk and Opportunity Management Framework (EROMF) and related tools also support the Australian Standard and provide organisational context.



This Policy will be reviewed annually.

PURPOSE

The purpose of this Policy is to:

- establish Council’s commitment to effective risk and opportunity management and to provide a clear picture of what constitutes effective risk and opportunity management,
- ensure that sound risk management principles and procedures are integrated into Council’s strategic and operational planning and key decision-making processes, and
- assign responsibility across Council in order to implement this Policy.

Essentially, the intent of this Policy is to ensure Council adopts a systematic approach to the identification, management, mitigation and monitoring of risks and opportunities in alignment with this Policy, Council’s strategic objectives and the Australian Standard AS/NZS ISO 3100.

SCOPE

This Policy applies to Councillors, all Council employees, volunteers and authorised non-Council employees (e.g., contractors) who conduct activities and functions on behalf of Council (collectively referred to in this document as “**employees**”).

TYPES OF RISK

Council has identified three types 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 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 Branch Plans.
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.

RISK MANAGEMENT PRINCIPLES

Risk management principles are the foundation for effectively managing risk across Council. Adherence to these principles enables Council to leverage opportunities, manage the effects of uncertainty on its activities and safeguard the community, the environment, property, resources and Council’s reputation.

Principle	Commitment
Creates value	Risk and opportunity management helps Council to identify, manage and control the inherent risk of its activities and decisions, and therefore aims to reduce adverse impacts on people, the environment, assets, and a range of risk categories in the pursuit of its goals. It is applied in a targeted way and is used to improve decision-making, performance and resource allocation as well as identifying priorities and encouraging innovation, which in turn sets the tone for how Council will protect and create value through quality decision-making.

Principle	Commitment
Structured & comprehensive	Council's approach to managing current, emerging, and potential risks is structured and comprehensive to improve outcomes, accountability and consistency.
Customised & Dynamic	Council adopts a fit for purpose risk management approach that is flexible, adaptable and customised to the context within which Council operates.
Integrated & inclusive	Council fosters a culture where employees understand their role and responsibilities to proactively manage risks as part of everyday business operations and have confidence in making decisions within acceptable risk levels.
Best available information	The inputs to good risk and opportunity management include engaging with the right people and expertise and obtaining timely and relevant information to assist in decision making, such as current and historical data, lessons learned, industry trends, benchmarking and future expectations.
Continual improvement	Council reduces the impact of risks by proactively seeking and implementing ways to continually improve risk and opportunity management through formal review, learning and experience.

RISK APPETITE

Risk appetite is the amount and type of risk that Council is willing or able to absorb, accept or retain in the pursuit of its objectives and in making both strategic and operational decisions. Risk appetite varies and is a broad and general position. Defining Council's risk appetite establishes boundaries for prudent decision-making and risk taking. It creates 'freedom' within boundaries by promoting flexibility and accountability to management and the community.

Given the requirement of risk management to be iterative, adaptive and customised, risk appetite and tolerance statements are to be used only as a tool or a guide for decision making and planning purposes. Naturally, there will be exceptions and other considerations which warrant taking a different risk appetite position and this requires a case-by-case assessment.

Council's risk appetite levels are defined below.

ZERO	MINIMAL	MODERATE	OPEN
(Little to no appetite)	(Small appetite)	(Medium appetite)	(Larger appetite)
Avoid exposure to risks, even when potential outcome benefits are higher	A general preference for safer options with small amounts of adverse exposure	Options are selected based on outcome benefits with a reasonable degree of protection	Seek opportunity and outcome benefits while monitoring potential exposure

Council's risk appetite approach is to minimise its exposure to risk relating to categories of risk, which are summarised below and may be adjusted periodically.

Risk appetite level:				Risk Category:
ZERO	MINIMAL	MODERATE	OPEN	HEALTH AND SAFETY

Risk Appetite Statement

Council aims to maintain a safe place to work for its employees and for the public utilising our places and facilities by eliminating risks as reasonably possible. Council understands that some operations and services contain inherent risks, however, there is no appetite for compromising safety, particularly in the event of a serious injury or fatality, or for any deviations from the WH&S System Management Plan, Disaster Management Plan, and statutory WH&S provisions. Council has no appetite to take risks that do not adequately prioritise the safety of our workforce, volunteers, contractors and/or members of the community.

Risk Tolerance Statement

Council will NOT tolerate:

- Actions or behaviours that are deliberate and willingly contravene the Councillor or Employee *Codes of Conduct* or WHS policies and procedures.
- Activities that result in reasonably foreseeable and preventable injuries or illnesses to our community or employees.
- Unsafe work environments.

Council will tolerate:

- Minor unforeseen incidents or injuries, which are reported and reviewed, that arise from time to time while undertaking normal activities, resulting in little to no impact on a person’s ability to perform normal activity.

Council encourages:

- Reporting and rectifying risks relating to safety and non-compliance in line with Council *WHS Policy* and related guidelines.

ZERO	MINIMAL	MODERATE	OPEN	LEGAL AND COMPLIANCE
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Risk Appetite Statement

Council will conduct its operations in an ethical and honest manner and has no appetite for engaging in illegal activities including fraud and corruption, or of non-compliance with legislation, regulations or professional standards. Council will continue to develop, implement, maintain and review a strong governance framework. Council will make decisions that align to its corporate goals, policies and/or strategies.

Risk Tolerance Statement

Council will NOT tolerate:

- Corrupt or fraudulent conduct by its employees.
- Unreasonable delays when reporting, investigating, or correcting any fraudulent, improper, unethical or corrupt conduct.
- Employees knowingly breaking the law, failing to comply with legal obligations or recklessly breaching internal policies.
- Unauthorised release of confidential information or privacy breaches.
- Failure to consider expert / professional legal advice.

Council will tolerate:

- Litigation risks (for example where Council is defending its planning scheme) where decisions are supported by a risk and opportunity assessment and considered by Council.
- Minor impacts and isolated complaints, despite best efforts to avoid or mitigate risk, resulting from normal business activity.

Council encourages:

- An organisational culture that fosters compliance and immediate reporting to the Governance Branch of potential or actual claims, cases, allegations or incidents.
- Recording and monitoring strategic and operational risks at least quarterly.



Risk Appetite Statement

Council aims to make a significant, sustainable and socially responsible contribution to the community and is very protective of the natural environment. There is considerable acceptance for decisions that promote ecologically sustainable development having regard to Council’s vision and desired environmental outcomes. Council will apply the precautionary approach to environmental decision making where there is uncertainty, to avoid or minimise harm.

Risk Tolerance Statement

Council will NOT tolerate:

- Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable.
- Failure to meet environmental commitments or legal requirements resulting in EPA fines or penalties.
- Decisions or activities that do not appropriately consider or are out of alignment with the *Noosa Environment Strategy* or *Sustainability Principles* without Council consideration and/or that result in long-term or irrevocable environmental damage, climate impacts and threats to biodiversity, including extinction of flora and fauna.

Council will tolerate:

- Minor environmental impacts from uncontrollable or unforeseen events or to deliver enduring benefits to our community well into the future.
- Single unforeseen events that can be reversed.
- Activities or decisions that do not significantly impact Council’s corporate emissions or the Noosa community’s emissions.

Council encourages:

- Business activities and decisions that are undertaken in alignment with the *Noosa Environment Strategy* and *Noosa Planning Scheme*.



Risk Appetite Statement

Council has a cautious approach to safeguarding from both internal and external threats, malicious attacks, unauthorised access or a cyber-extortion event. Council’s aim is to protect its ICT systems and services through appropriate internal controls, a cyber-aware workforce, effective governance, regular reviews, and consistent management of our third-party providers. If private or confidential data is exposed, Council will meet its privacy and other statutory obligations.

Risk Tolerance Statement

Council will NOT tolerate:

- Lack of preparation or planning in response to a cyber-attack.
- Significant threats to assets arising from external malicious attacks.
- Misuse, inappropriate distribution, or loss of sensitive or confidential Council information due to the actions of employees.

Council will tolerate:

- Cyber threats which have a minor impact and do not compromise the integrity, confidentiality or availability of Council information or assets.
- A cyber threat which results in disruption to infrastructure or systems for no more than 1 day, or loss of information requiring less than 1 day re-work.

Council encourages:

- Timely remediation of identified cyber security control weaknesses.
- Employees to play their part and apply technical and behavioural security controls to reduce Council’s exposure to cyber security risks.



Risk Appetite Statement

Council has a responsibility to ensure that it has sufficient resources now and into the future to provide levels of service that are both affordable and at a level considered appropriate by the community. Council has no appetite to make decisions or engage in activities that have a significant negative impact on Council achieving its financial sustainability objectives over the short and medium term, and which result in council failing to meet its financial sustainability ratios/targets. Council accepts that it must respond to and consider the changing environment of local government and respond to increasing cost pressures by taking advantage of revenue diversification opportunities where possible. Council has up to a moderate risk appetite and may take some entrepreneurial risks in exploring these opportunities.

Risk Tolerance Statement

Council will NOT tolerate:

- Financial activities and/or investment practices that contravene legislative or policy requirements.
- Failure to maintain or implement effective systems, processes and controls which adequately protect Council from fraudulent activity.
- Actions that have a significant negative impact on long term financial sustainability and do not comply with the *Council Debt Policy* and *Financial Sustainability Policy* (Operating surplus ratio 0-10% and the net financial liabilities ratio less than 60%).
- Fraudulent actions or corrupt behaviour of employees or councillors.

Council will tolerate:

- Minor unforeseen and unavoidable cost variations in capital projects within the established contingency.
- Minor losses or capital outlays, attributable to new processes or innovation to meet community needs, provide better outcomes and increased value for money.
- Calculated financial risks to deliver infrastructure, improve service delivery or promote long-term financial sustainability, which may result in a reduction of Council's budgeted net operating position or capital budget by up to 2% or which result in a single loss or liability of up to \$50,000.

Council encourages:

- Employee awareness of the financial impact of their activities and decisions.
- A culture of communication and reporting with respect to financial impacts and risks.
- Sound investment decisions.
- The development and use of effective internal controls including monthly budget status reporting and quarterly budget reviews.
- Compliance with Council's *Fraud and Corruption Control Policy*.



Risk Appetite Statement

Council is open to opportunities which increase economic prosperity in the Shire aligned to Council's sustainability principles, Local Economic Plan, Noosa Plan and Noosa Tourism strategy and in line with financial sustainability requirements.

Risk Tolerance Statement

Council will NOT tolerate:

- Decisions that are significantly out of alignment with Council's future *Economic Strategy* and/or *Sustainability Principles* (which are: sustainably managed resources, good governance, protective of unique environment, values diversity, accessibility and affordability, inclusive, connected and resilient, encourages participation and information sharing, quality places and programs, enhancing wellbeing, creative, active lifestyles).
- Council decisions which cause a sustained reduction in GRP.

Council will tolerate:

- Minor unforeseen impacts of its decisions on economic development.

Council encourages:

- Council decisions to pursue opportunities which enhance Noosa's economic resilience and/or prosperity, within the boundaries of the 10 risk appetite and tolerance statements.
- Engagement and partnership with Noosa's business community for the benefit of the Shire.



Risk Appetite Statement

Having regard to ethical decision making, Council decisions will be based on good governance, engagement principles and a strong governance framework. Council has a low appetite to take risks which may impact its reputation. Council believes the community should have a voice which should be listened to, and for this reason it will be open to providing opportunities for increased community engagement, greater transparency and in doing so is prepared to accept criticism and negative media attention where the potential outcome benefits are high.

Risk Tolerance Statement

Council will NOT tolerate:

- Improper, unethical, corrupt, unprofessional behaviour or failure to act in accordance with Council values and policies.
- Failure to act or make decisions in a fair, honest, transparent and accountable manner.
- Failure to avoid or appropriately manage conflicts of interest.
- Failure to consult or involve the community in significant changes or key decisions.
- Failure to promptly notify Director(s) of significant incidents that may impact Council's reputation.
- Failure to respond to complaints in a prompt and professional manner.

Council will tolerate:

- Isolated minor incidents, concerns and complaints that can be resolved by management.
- Moderate adverse local media or social media scrutiny where actions or decisions have been carefully considered and documented.
- Minor complaints relating to action which delivers longer-term benefits to the community.

Council encourages:

- Employees to engage with the community in alignment with the Community Engagement Framework (currently under review).



Risk Appetite Statement

Council has no appetite to accept misconduct or continued employee underperformance, nor any tolerance for unethical conduct, discrimination or actions or decisions which contravene basic human rights. Council aims to support, develop, foster and utilise the full potential of its employees and values a culture built on the shared values of 'community, innovation and sustainability'. Council is open to finding new ways to attract, retain and develop employees which may include up to a moderate appetite and accepting some level of risk.

Risk Tolerance Statement

Council will NOT tolerate:

- Actions which do not align to Council values or Councillor and Employee *Codes of Conduct*.
- Practices that knowingly compromise staff well-being, workplace or community safety (including discrimination, harassment or bullying).
- Management issues or poor culture resulting in significant increased employee turnover or absenteeism or a significant reduction from the previous employee satisfaction survey.

Council will tolerate:

- Minor morale and staff grievances that can be dealt with via internal processes, due to innovation or change management processes which result in improved outcomes.

Council encourages:

- A culture of inclusion, respect, communication and transparency.
- A diverse recruitment strategy for employees by considering other sectors and experiences that would benefit Council.



Risk Appetite Statement

Council's assets and infrastructure will be managed appropriately so that they can deliver services to the community in accordance with established service levels. Council has no appetite to compromise on standards that impact on public safety. Council has up to a moderate appetite and will accept some level of risk over non-core or non-essential assets and infrastructure. Council will ensure adequate resources are allocated to the maintenance and renewal of assets and that there is alignment between asset management plans, the corporate plan and long-term financial plan and annual budget.

Risk Tolerance Statement

Council will NOT tolerate:

- Asset failure significantly earlier than the projected life span of the asset.
- Failure to promptly escalate critical infrastructure damage or issues.
- Failure to develop plans to respond to a disruption and ensure continuity of operational infrastructure.
- Failure to administer and manage contracts appropriately due to aspects of the project within Council's control.
- The asset sustainability ratio being less than 90%.

Council will tolerate:

- Moderate impacts to infrastructure due to implementation of new technology, innovation initiatives or projects.
- Reduced capability of or disruption to assets requiring minor programmed repair or replacement.
- Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project.

Council encourages:

- Proactive asset management and reporting of issues.



Risk Appetite Statement

Council encourages innovative service delivery, which is reflected in Council’s vision and purpose, and is open to exploring new opportunities that enhance service delivery to the community. Council has no appetite to engage in operations that would significantly disrupt essential services. Council may consider adjustments in levels of service with an understanding of community expectation and need and in line with financial sustainability requirements. Council may permit minor disruption for short periods if the long-term benefit outweighs the consequences.

Risk Tolerance Statement

Council will NOT tolerate:

- Failure to deliver services within the boundaries of Council’s service commitment, key performance indicators or other required metrics and/or community expectations.
- Failure to develop plans to respond to a disruption and ensure continuity of critical business functions.
- Failure to promptly escalate a critical business impact or outages.

Council will tolerate:

- Unforeseen interruptions to critical services for up to 1 day. Council responds and communicates promptly to impacted stakeholders.
- Moderate impacts arising from innovations and ideas that contribute to creating a flexible workforce.
- Moderate impacts to service delivery from new technology, services, projects or innovation that improve Council services over the medium to long term.

Council encourages:

- A culture which values quality customer service, engagement and responsiveness.

ROLES AND RESPONSIBILITIES

Councillors and employees contribute to effective risk management within their area of influence. The EROMF will provide a targeted and integrated approach and indicate the specific accountabilities and responsibilities related to the risk and opportunity management process, decision making and strategic and operational planning.

Councillors:

- adopt Council’s *Enterprise Risk and Opportunity Management Policy*,
- actively participate in strategic and tactical decision-making processes,
- ensure that strategic risks and opportunities are identified, managed and controlled appropriately, and
- appoint the Audit and Risk Committee to provide independent assurance, oversight, and monitoring to Council with respect to the risk management function.

The Chief Executive Officer (CEO) and Executive Team:

- endorse the *Enterprise Risk and Opportunity Management Policy* for Council adoption,
- approve the supporting *Enterprise Risk and Opportunity Management Framework* and monitor implementation,
- provide leadership and commitment in the management of opportunities and strategic, service delivery and project risk, including annual review and endorsement of Council’s risk appetite and tolerances, and 6 monthly review of the *Strategic Risk Register*,
- emphasise that risk and opportunity management is a core responsibility for all employees,
- allocate appropriate resources for risk and opportunity management and consider capabilities and constraints on existing resources,

- identify individuals who have the accountability and authority to manage risks (risk owners), where appropriate,
- integrate risk and opportunities in a targeted way across the organisation, and
- build a transparent and dynamic risk and opportunity culture and generally champion risk management within Council.

Employees:

- adhere to the *Enterprise Risk and Opportunity Management Policy*,
- maintain an awareness of their operational environment as well as current and potential risks and opportunities, particularly in their area of expertise and industry,
- identify new and emerging risks and apply the risk and opportunity management process in their area of work, including regular review, ownership, monitoring, escalation and reporting, and
- if an employee is identified as a risk owner, then they are required to manage and monitor the risk.

Governance Branch:

- periodically review the *Enterprise Risk and Opportunity Management Policy* and the EROMF,
- provide periodic updates to the Audit and Risk Committee regarding Council’s strategic risks and the risk management function, and
- educate employees on the application of the Policy and associated Framework, tools and templates.

KEY TERMS

Term	Meaning
Risk	The effect of uncertainty on objectives.
Risk appetite	The amount of risk exposure, or potential adverse impact that Council is willing to accept, tolerate, or be exposed to at any point in time in pursuit of its strategic objectives.
Risk criteria	The terms of reference against which the significance of a risk is evaluated.
Risk culture	Refers to the behaviours that lead to how employees think about and manage risk.
Risk management	Coordinated activities to direct and control Council’s practices regarding risk.
Risk management framework	The foundations and arrangements for designing, implementing, monitoring, reviewing, integrating, and continually improving risk management.
Risk management policy	A statement of the overall intentions and direction of Council related to risk management.
Risk management process	The systematic application of management policies, procedures and practices to the tasks of communicating, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk.

Term	Meaning
Risk appetite statement	A qualitative position description for established risk categories that collectively communicate Council’s overall attitude to risk, to be used a tool or guide in planning and decision making.
Risk tolerance	Quantitative and specific measures that provide an indication as to whether a risk is acceptable, having regard to Council’s risk appetite statement and any adopted key performance indicators.

RELEVANT LEGISLATION & DOCUMENTS

Local Government Act 2009 (QLD)

Local Government Regulation 2012 (QLD)

Human Rights Act 2019 (QLD)

AS/NZS ISO 31000:2018 Risk management – principles and guidelines

Organisational Enterprise Risk and Opportunity Management Framework

Council Human Rights Policy

HUMAN RIGHTS COMPATIBILITY STATEMENT

In developing this policy, the subject matter has been considered in accordance with the requirements of the Queensland *Human Rights Act 2019*. It is considered that the subject matter does not conflict with any human rights and supports a human rights approach to decision making by Council.

This policy should be read in conjunction with the *Human Rights Act 2019 (QLD)* and Council’s Human Rights Policy.

Version control:

Version	Reason/ Trigger	Change (Y/N)	Endorsed/ Reviewed by	Date
1.0	New	n/a	Council	28/08/2014
2.0	Review	Y	Council / Audit & Risk Committee	15/09/2022