



**Brighton  
Council**

**POLICY NAME:** Risk Management Strategy

**POLICY NO:** AP04A

## **PURPOSE OF STRATEGY**

Brighton Council is actively committed to the prevention and control of risks throughout the municipality to achieve efficiency, improve relationships, reputation and performance in order to maintain and enhance the quality of living for its residents, employees and visitors.

The primary purpose of this strategy is to promote an integrated, holistic approach to enterprise risk management and to ensure that all risks that could affect the achievement of our objectives are identified, assessed and treated to an acceptable level. The embedding of the risk management framework in to our strategic and operational decision-making process helps us to make informed decisions for the benefit of Council and our stakeholders.

Management of risks within Council will be undertaken in accordance with the Australian/New Zealand Standard *AS/NZS ISO 31000:2018 Risk Management – Guidelines ('the Standard')*. A complementary Risk Management Policy (AP04) supports this strategy.

## **RISK MANAGEMENT PRINCIPLES**

The Standard sets out eight principles which provide guidance on the characteristics of effective and efficient risk management, communicating its value and explaining its intention and purpose.

### **1. Integrated**

Risk management is an integral part of all organisational activities.

### **2. Structured and Comprehensive**

A structured and comprehensive approach to risk management contributes to consistent and comparable results.

### **3. Customised**

The risk management framework and process are customised and proportionate to the organisation's external and internal context related to its objectives.

### **4. Inclusive**

Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.

## 5. Dynamic

Risks can emerge, change or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.

## 6. Best available information

The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.

## 7. Human and cultural factors

Human behaviour and culture significantly influence all aspects of risk management at each level and stage.

## 8. Continual improvement

Risk management is continually improved through learning and experience.

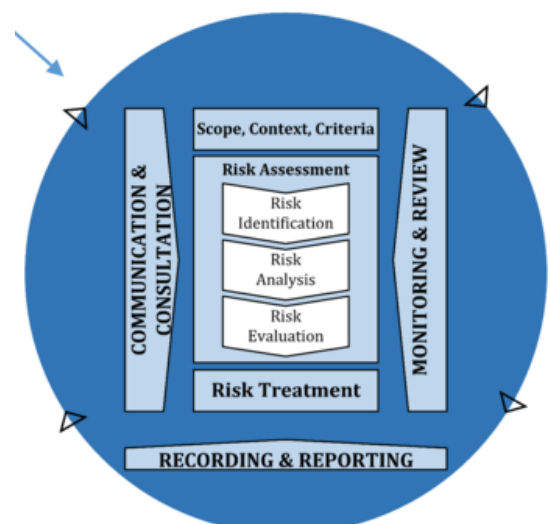
## FRAMEWORK FOR MANAGING RISK

The framework will assist integrating risk management into significant activities and functions. The effectiveness of risk management depends on its integration into the governance of the organisation including decision making. This requires support from stakeholders, particularly top management.



## RISK MANAGEMENT PROCESS:

The Risk Management process involves the systematic application of policies, procedure and practices to the activities of communicating and consulting, establishing the context and assessing, treating, monitoring, reviewing, recording and reporting risks that may impact on Council objectives.



## **COMMUNICATION AND CONSULTATION:**

Communicate and consult with workers and external authorities as appropriate at each stage of the risk management process.

Communication and consultation aims to: bring different areas of expertise together for each step of the risk management process; ensure that different views are appropriately considered when defining risk criteria and when evaluating risks; provide sufficient information to facilitate risk oversight and decision-making; builds a sense of inclusiveness and ownership among those affected by risk.

## **ESTABLISHING THE SCOPE, CONTEXT AND CRITERIA:**

Establishing scope, context and criteria is to customise the risk management process, enabling effective risk assessment and appropriate risk treatment. Scope, context and criteria involve defining the scope of the process and understanding the external and internal context.

## **RISK ASSESSMENT**

Risk assessment is the overall process of risk identification, risk analysis and risk evaluation. It should be conducted systematically, iteratively and collaboratively, drawing on the knowledge and views of stakeholders. It should use the best available information supplemented by further enquiry as necessary.

## **IDENTIFY RISK**

The purpose of risk identification is to find, recognise and describe risks that might help or prevent an organisation achieving its objectives. Relevant, appropriate and up to date information is important in identifying risks. By a structured systematic process, identify what, why and how adverse things can arise as the basis for future analysis. Identify sources of risk, areas of impacts, events (including changes in circumstances) and their causes and potential consequences. The aim of this step is to generate a comprehensive list of risks based on those events that might create, enhance, prevent, degrade, accelerate or delay the achievement of the objectives.

The following factors should be considered: -

Tangible and intangible sources of risk; causes and events; threats and opportunities; vulnerabilities and capabilities; changes in external and internal context; indicators of emerging risks; the nature and value of assets and resources; consequences and their impact on objectives; limitations of knowledge and reliability of information; time related factors; biases, assumptions and beliefs of those involved.

The organisation should identify risks, whether or not their sources are under its control. Consideration should be given that there may be more than one type of outcome, which may result in a variety of tangible or intangible consequences.

## **ANALYSE RISK**

The purpose of risk analysis is to comprehend the nature of risk and its characteristics including, where appropriate, the level of risk. Risk analysis involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness. An event can have multiple causes and consequences and can affect multiple objectives. Risk analysis should consider factors such as,

likelihood of events and consequences, nature and magnitude of consequences, complexity and connectivity, time related factors and volatility, effectiveness of existing controls and sensitivity and confidence levels.

## EVALUATE RISK

The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk criteria to determine where additional action is required. This can lead to :

- Do nothing
- Consider risk treatment options
- Undertake further analysis to better understand the risk
- Maintain existing controls
- Reconsider objectives

Decisions should take into account the wider context and the actual and perceived consequences to external and internal stakeholders. The outcome of risk evaluation should be recorded, communicated and then validated at appropriate levels of the organisation.

## RISK TREATMENT

Risk treatment involves selecting and implementation of one or more options to address risk. Risk treatment involves an iterative process of :

- Formulating and selecting risk treatment options
- planning and implementing risk treatment
- assessing the effectiveness of that treatment
- deciding whether the remaining risk is acceptable
- if not acceptable, taking further treatment

The selection of risk treatment options involves balancing the potential benefits derived in relation to the achievement of the objectives against costs, effort or disadvantages of implementation. Treatment options are not necessarily mutually exclusive or appropriate in circumstances. Options may involve one or more of the following:

- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk
- Taking or increasing the risk in order to pursue an opportunity
- Removing the risk source
- Changing the likelihood
- Changing the consequence
- Sharing the risk (eg through contracts, buying insurance)
- Retaining the risk by informed decision

Risk treatment can also introduce new risks that need to be managed.

Risk Treatment plans specify how the chosen treatment options will be implemented, so that arrangements are understood by those involved, and progress against the plan can be monitored. It should clearly identify the order in which risk treatment should be implemented.

## MONITORING AND REVIEW

Monitor and review the performance of the risk management system and changes that might affect it. Both monitoring and review should be a planned part of the risk management process and involves regular checking. Responsibilities for monitoring and review should be clearly defined. The results of monitoring and review should be recorded and reported as appropriate.

## RECORDING AND REPORTING

The risk management process and its outcomes should be documented and reported through appropriate mechanisms. It aims to communicate risk management activities and its outcomes across the organisation, provides information for decision making, improves risk management activities, assists interaction with stakeholders, including those with responsibility and accountability for risk management activities.

## RISK MATRIX – CONSEQUENCES SCALE

LEVEL	DESCRIPTOR	DESCRIPTION
1	Insignificant	No Medical treatment, no financial loss, minor effects in all areas
2	Minor	First aid Treatment
3	Moderate	On-going medical treatment, high financial loss, environment effected, serious beaches, national media attention
4	Major	Fatality, major financial loss, long-term environment effected, international media attention
5	Catastrophic	Multiple fatalities, extreme financial loss and business closure, public outcry with international media attention, prosecution with class actions

## RISK MATRIX – LIKELIHOOD SCALE

LEVEL	DESCRIPTOR	DESCRIPTION
A	Almost Certain	Is expected to occur in most circumstances
B	Likely	Will probably occur in most circumstances
C	Possible	Might occur at some time
D	Unlikely	Could occur at some time
E	Rare	May occur only in exceptional circumstances

	<b>Impact:</b>				
<b>Likelihood</b>	Insignificant 1	Minor 2	Moderate 3	Major 4	Catastrophic 5
<b>A</b> (Almost Certain)	H	H	E	E	E
<b>B</b> Likely	M	H	H	E	E
<b>C</b> Moderate	L	M	H	E	E
<b>D</b> Unlikely	L	L	M	H	E
<b>E</b> Rare	L	L	M	H	H

### RISK MATRIX – LEGEND

<b>LEVEL</b>	<b>DESCRIPTION</b>
E	Extreme risk, immediate action required
H	High risk, senior management attention required
M	Moderate risk, management responsibility must be specified
L	Low risk, manage by routine procedure

### ROLES & RESPONSIBILITIES

All employees, contractors and volunteers are to be familiar with and competent in the application of Council's Risk Management Policy and Strategy. Managers and supervisors are accountable for adherence to this strategy within their areas of responsibilities.

#### COUNCIL

Council accepts the following responsibilities:

- Have in place a written policy on risk management and review and amend as required,
- Provide adequate budgetary provision for risk financing.

#### GENERAL MANAGER

The General Manager accepts the following responsibility;

- Maintain overall responsibility for the effective management of all types of risks across Council's operations.

## DEPARTMENT MANAGERS

The Department Managers accepts the following responsibilities;

- Ensure liability risks to the public and Council's assets and operations are adequately protected through appropriate risk financing and loss control programs and measures. This covers the loss areas of industrial plant and property (including motor vehicles), liability, financial and business interruption;
- Provide risk management related information as requested.
- Ensure the provision of a safe and healthy work environment and the implementation of appropriate safe work practices and control measures in accordance with the *Workplace Health and Safety Act 2012*, its amendments, and related Codes of Practice and Standards.
- Supervise and audit contractors to ensure that the minimum risk management related policies, procedures and information that apply are those of the Council that are current throughout the period of the contract.

## RISK MANAGEMENT TEAM

The Risk Management Team accepts the following responsibilities;

- Develop and revise risk management related policies and procedures annually,
- Continuously monitor Council's performance on risk related matters,
- Contribute to the development and maintenance of the hazard and incident recording and investigation and reporting systems for Council,
- Recommend and assist Council and Department Managers in implementing prevention and loss control programs, and maintain records,
- Recommend to Council, and manage on its behalf, the risk financing budget, including renewal of insurances,
- Manage claims, with assistance of the insurance brokers on behalf of Council and the Department Managers;
- Provide reports to Council and Department managers on all risk management performance measures and levels,
- Conduct risk management training need analyses and provide satisfactory information services.

## EMPLOYEES AND CONTRACTORS

Employees and contractors accept the following responsibilities;

- Perform duties in a manner which is within an acceptable level of risk to their own health and safety, other employees, Council's customers or the community in general.
- Make loss control/prevention a priority while undertaking daily tasks in Council's operations.
- Report any illness, injury, hazard, near miss or incidents and losses as soon as they are detected to their respective Manager or Supervisor.
- Provide risk management related information as requested.

## TERMS & DEFINITIONS

For the purpose of this document, the following terms and definitions apply.

### RISK:

Effect of uncertainty on objectives

- An effect is a deviation from the expected – positive/negative or both, and can address, create or result in opportunities and threats
- Objectives can have different aspects and categories (such as financial, health and safety, and environmental goals) and can apply at different levels (such as strategic, organisation-wide, project, product and process)
- Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood
- Uncertainty is the state, even partial, of deficiency of information related, to understanding or knowledge of an event, its consequence, or likelihood

### RISK MANAGEMENT:

Co-Ordinated activities to direct and control an organisation with regard to risk.

### STAKEHOLDER:

Person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity.

- The term "interested party" can be used as an alternative to "stakeholder".

### RISK MANAGEMENT PROCESS:

Systematic application of management policies, procedure and practices to the activities of communicating, consulting, establishing the context, and identifying, analysing, evaluating, treating, monitoring and reviewing risk.

### RISK SOURCE:

Element which alone or in combinations has the potential to give rise to risk.

### EVENT:

Occurrence of change of a particular set of circumstances

- An event can be one or more occurrences, and can have several causes and several consequences
- An event can also be something that is expected which does not happen, or something that is not expected which does happen
- An event can be a risk source

### CONSEQUENCE:

Outcome of an event affecting objectives

- A consequence can be certain or uncertain and can have positive or negative direct or indirect effects on objectives
- Consequences can be expressed qualitatively or quantitatively
- Initial consequences can escalate through cascading and cumulative effects

**LIKELIHOOD:**

Chance of something happening

- In risk management terminology, the word “likelihood” is used to refer to the chance of something happening, whether defined, measured or determined objectively or subjectively, qualitatively or quantitatively, and described using general terms or mathematically (such as probability or a frequency over a given time period).
- The English term “likelihood” does not have a direct equivalent in some languages; instead the equivalent of the term “probability” is often used. However, in English “probability” is often narrowly interpreted as a mathematical term. Therefore, in risk management terminology, “likelihood” is used with the intent that it should have the same broad interpretation as the term “probability” has in many languages other than English.

**CONTROL:**

Measure that maintains and/or modifies risk.

- Risk analysis provides the basis for risk evaluation and decisions about risk treatment
- Risk analysis includes risk estimation.

**RISK CRITERIA:**

Terms of reference against which the significance of risk is evaluated.

- Risk criteria are based on organisational objectives, and external and internal context
- Risk criteria can be derived from standards, laws, policies and other requirements.

**LEVEL OF RISK:**

Magnitude of risk or combination of risk, expressed in terms of the combination of consequences and likelihood

**RISK EVALUATION:**

Process of comparing the result of risk analysis with risk criteria to determine whether the risk and/or its magnitude is acceptable or tolerable.

- Risk evaluation assists in the decision about risk treatment

**RISK TREATMENT:**

Process to modify risk - Risk treatment can involve:

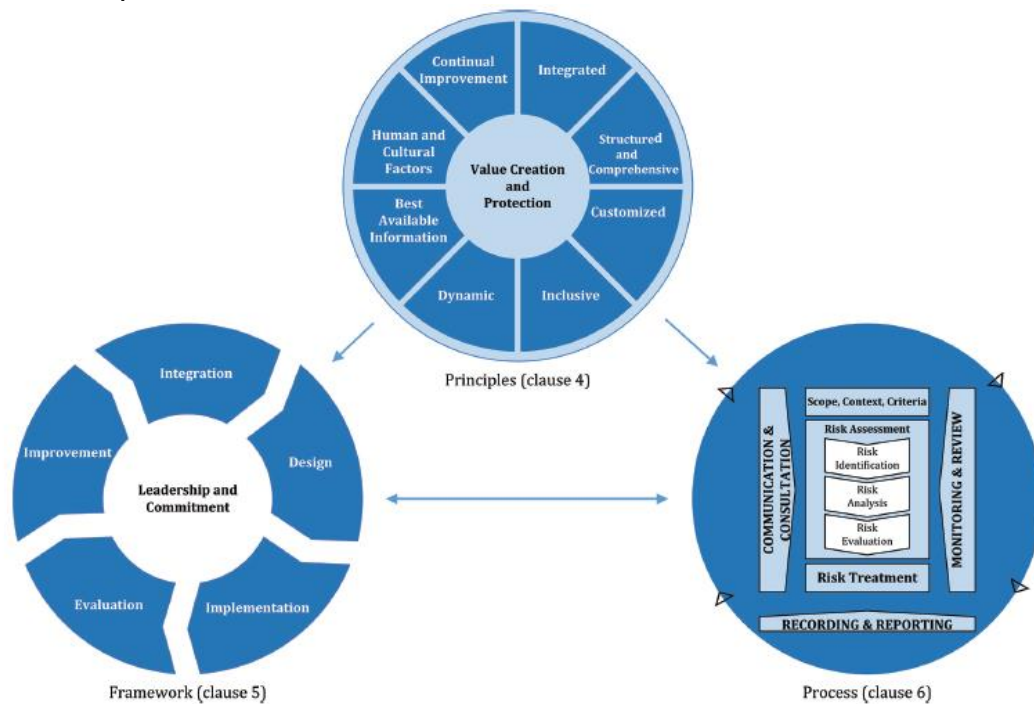
- Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- Taking or increasing risk in order to pursue an opportunity
- Removing the risk source
- Changing the likelihood
- Changing the consequences
- Sharing the risk with another party or parties (including contracts and risk financing); and
- Retaining the risk by informed decision.

Risk treatments that deal with negative consequences are sometimes referred to as “risk mitigation”, “risk elimination”, “risk prevention”, and “risk reduction”. Risk treatments can create new risks or modify existing risks

**CONTROL:**

Measure that is modifying risk

- Controls include any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk.
- Controls may not always exert the intended or assumed modifying effect.

**PRINCIPLES, FRAMEWORK AND PROCESS****REFERENCES:**

*Work Health & Safety Act 2012*

Work Health & Safety Policy WHS01

AS/NZS ISO 31000:2018 Risk Management –Guidelines