# RISK MANAGEMENT FRAMEWORK

| Name of Policy: | Risk Management Framework | | |
|---|---|---|---|
| Policy Code: | Not applicable | | |
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| Review Timeframe: | Two Years | | |
| Next Scheduled Review Date: | November 2021 | | |
| Related Legislation: | Local Government Act 1993 | | |
| Associated Policies/Documents: | *AS ISO 31000:2018 Risk Management - Guidelines* | | |
| Responsible Department: | Corporate & Business Systems (Governance) | | |

## Key Definitions

The key risk management terminology used within the Framework is defined at Annexure A.

## Document Control

| Version No. | Date | Revision Details | Author | Approver |
|---|---|---|---|---|
| 1.0 | March 2017 | MidCoast Council Draft Created | Manager Governance | Council |
| | November 2018 | Reviewed by Policy Working Group | Manager Governance | Council |
| | 19 December 2018 | Adopted by Council | Manager Governance | Adopted by Council resolution, min no. 408/18 |
| 2.0 | 29 November 2019 | Reviewed to reflect AS ISO31000-2018 Risk Management Guidelines; inclusion of Climate Change RA criteria and minor amendments to formatting | Manager Governance and Risk & Insurance Co-ordinator | Endorsed by Audit Risk & Improvement Committee 29/11/19 |
| | 18 December 2019 | As above<br><br>(note: a copy of the abovementioned Climate Change RA criteria was added to this document as Annexure C following adoption by Council) | Manager Governance and Risk & Insurance Co-ordinator | Adopted by Council resolution, min no. 433/19 |

# Contents

## Introduction

Council recognises that risk is inherent in carrying out all of its business strategies and operations and that without a robust system for identifying and managing risks, the organisation is vulnerable to uncertainties and lost opportunities and is unlikely to be resilient in the face of change or adversity.

Council will therefore seek to ensure that risk management is a key consideration in all business practices and decision making processes.

Council acknowledges that risk management does not only involve managing the adverse effects of risk, it also means realising potential and beneficial opportunities for both Council and the wider community.

Council's Risk Management Framework will therefore provide the foundations and organisational arrangements necessary to embed a proactive, structured and consistent approach to risk management throughout the organisation.

Ultimately Council seeks to achieve an environment where, with the provision of ongoing guidance and training, Council staff retain the risk management skills to effectively contribute to the pursuit of objectives, whilst endeavouring to protect Council, its staff, its community, key stakeholders and natural and constructed assets from the adverse effects of risks.

Council will therefore communicate risk management and foster a vibrant risk management culture that empowers all staff to make well informed evidence based decisions, prioritise actions and distinguish between alternative courses of action in their daily business activities so as to ensure positive outcomes for both Council and the community.

Council's Framework will align with the principles and processes defined in *AS ISO 31000:2018 Risk Management - Guidelines.*

Council will maintain a risk management framework appropriate to the size, culture and complexity of its operations and environment and through regular review Council will ensure that its Risk Management Framework continues to remain effective and relevant to the organisation.

Council will apply a staged approach to the implementation of this Framework in accordance with available resources and priorities.


## Mandate and Commitment

Council's Risk Management Policy confirms Council's commitment at a strategic level to a proactive and structured enterprise-wide approach to risk management in accordance with *AS ISO 31000:2018 Risk Management - Guidelines.*

This Framework establishes Council's commitment to implementing appropriate risk management practices throughout the organisation in accordance with the Standard so as to achieve its risk management objectives.


## Scope

Council's Risk Management Framework applies to all levels of the organisation - Council staff, management, Councillors, key stakeholders, contractors, service providers and the like. It extends to all of Council's current and future strategic and operational activities, business practices, policies, strategies, plans and procedures, as well as new opportunities for the organisation and the community.

## Principles, Framework & Process

Council recognises the need to apply the Principles, Framework and Process detailed in *AS/NZS ISO 31000:20018 Risk Management - Guidelines* to ensure the management of risk in an efficient, effective and consistent manner.
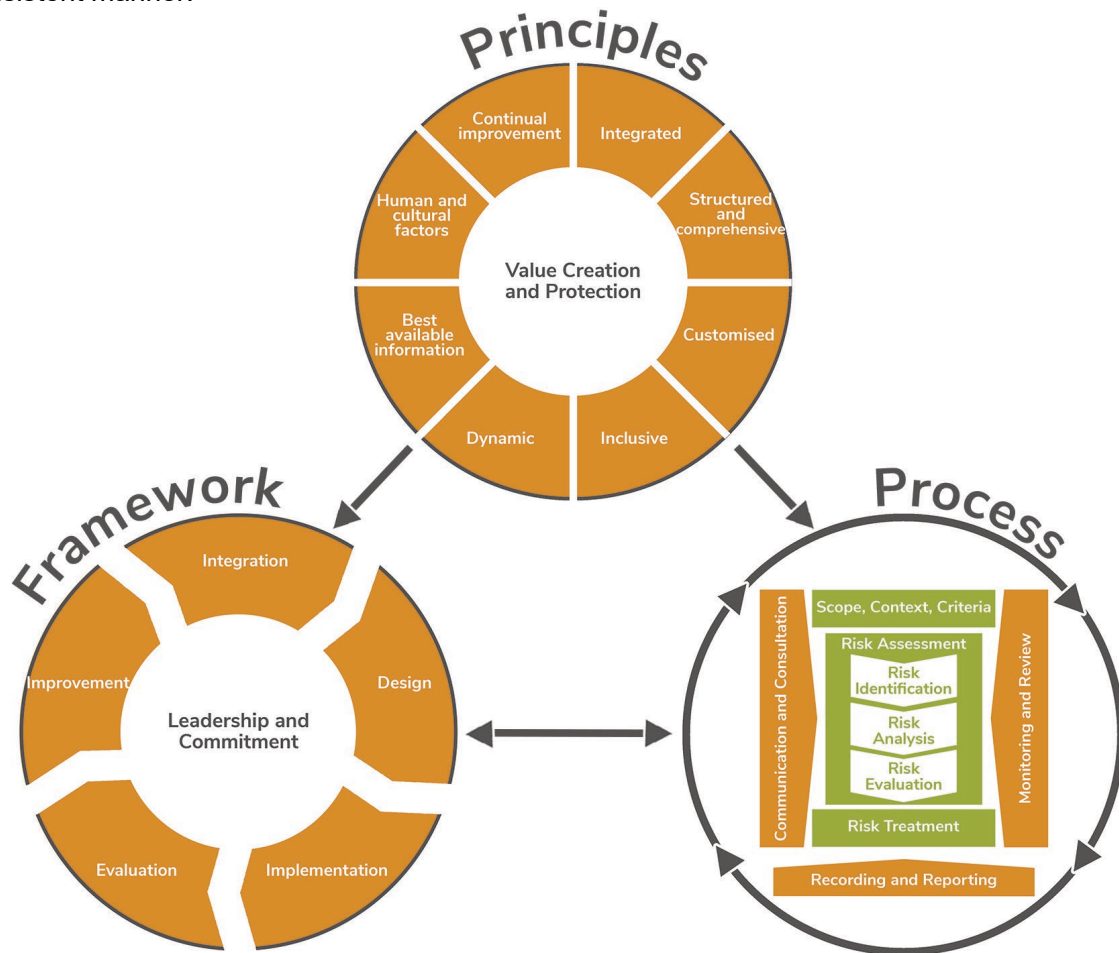


## Objectives

Through the implementation of an integrated and consistent approach to risk management, Council aims to achieve the following risk management objectives:

1. An organisational culture of reliable, informed, evidence based planning and decision making
2. A consistent approach to the identification, assessment and treatment of risks
3. Improved communication on matters of risk to enhance decision making
4. Proactive and adaptive management practices
5. Support achievement of Council's strategic objectives
6. Effective allocation and use of resources for risk treatment
7. Enhanced identification of opportunities and threats
8. Enhanced organisational resilience and continuity of service
9. Improved operational effectiveness and efficiency
10. Staff accountability for risk identification and treatment
11. Improved corporate governance, controls and performance
12. Improved community and stakeholder confidence and trust by providing assurance that risks are appropriately managed
13. Reduced liability exposure and financial loss
14. Safeguarding of Council's resources - its people, finance, property and reputation

## Implementation

In order to achieve its risk management objectives, this Framework will be implemented by undertaking the following activities:

1. Integration of the risk management process into all Council strategic and business planning processes and associated plans and activities
2. Defining a structured and consistent approach to the risk management process in accordance with *AS ISO 31000:2018 Risk Management - Guidelines*
3. Providing easily accessible procedures, tools (risk assessment criteria) and guidance for staff to adequately identify, document, understand and manage risks
4. Undertaking risk management education and training of staff at all levels of the organisation
5. Establishing risk management resources, including the Risk Management Working Group, to facilitate implementation of the Framework
6. Defining risk management roles and responsibilities to ensure all staff manage risks relevant to their area of operation and accept accountability for their decisions
7. Building a positive and proactive risk aware culture throughout the organisation
8. Monitoring, reporting and reviewing risks on an ongoing basis
9. Reviewing the Risk Management Framework in accordance with defined success measures
10. Ensure that Council's Risk Management Framework informs its internal audit function.

## Integration

Council will integrate risk management into its strategic and operational functions. Organisational strategies, plans and programs will be aligned with this Framework, including in the following business areas:

# Risk Management Culture

Council will effectively communicate and engage with staff at all levels of the organisation to build a positive risk aware culture that encourages all staff to proactively manage risks.  Council will do this by:

- 'Setting the tone at the top' - ensuring Council's leadership promote and commit to risk management in a positive and proactive manner and communicate this with all staff
- Tailoring risk management training to ensure it is relevant to different levels of the organisation
- Engaging with staff about the benefits of risk management
- Communicating risk management roles and responsibilities
- Providing risk management support, ongoing guidance and resources to staff, including easily accessible risk management tools and systems
- Integrating risk management into strategic and business planning processes
- Participation in Statewide Risk Management Audits and regional risk initiatives.

# Risk Management Initiatives

Considering implementation of risk management initiatives to raise the profile of risk management throughout the organisation and encourage staff to proactively manage risk, such as:

- Establishing 'risk management champions' in each Council division to promote risk management activities and initiatives; and
- Using a portion of Council's Statewide Risk Management Incentive Bonus, implementing an internal program of risk management grant funding for a range of risk management initiatives, including projects and trials, controls to eliminate particular risk and specialist risk consultant engagements.

# Education and Training

Council will facilitate risk management training for staff in a manner that is commensurate with roles and responsibilities. Risk management training will be conducted as time and budget permits, however guidance will be provided on an ongoing basis by Council's Risk Management Team.

Council's training and guidance will include providing staff with the following:

- A general understanding of the principles and benefits of risk management;
- Practical guidance in undertaking and documenting the risk assessment process, using Council's adopted risk assessment and evaluation criteria, tools, templates and systems; and
- An understanding of Council's risk appetite and actions required to effectively consider risk management options.

# Key Risk Categories

Council will undertake risk management with due consideration of the following adopted key risk categories:



| Key risk category | Types of risk |
|---|---|
| **Financial** | Risks that have a financial impact on the organisation (revenue, expenses, assets, liabilities, reserve) |
| **Worker Health & Wellbeing** | Risks that impact the health and safety of staff, as well as contractors & volunteers, including work health and safety issues, resourcing, human resources, industrial relations, organisational culture, staff values, public accountability |
| **Public Health & Wellbeing** | Risks that impact the health and safety of the community |
| **Service Delivery & Infrastructure** | Risks that impact the ability to deliver internal and external services (includes assets and technology) |
| **Compliance** | Risks that impact compliance with legislation and regulatory requirements. |
| **Environment** | Risks that impact the natural environment, including environmental performance and adverse outcomes relating to air, fauna, flora, heritage, water, waste, noise, hazardous materials |
| **Reputation** | Risks that impact Council's reputation in the community and media, as well as with the government |
| **Project Risk (Budget & Timeframe)** | Risks that impact the ability to deliver project outcomes within budget and timeframe |

## Risk Appetite

Council will have a responsible approach to risk management, seeking to recognise and manage its exposure to risks in accordance with its vision, mission and values.  In pursuing the achievement of its objectives and governance responsibilities, Council will accept a degree of risk commensurate with the potential reward and with consideration of Council's role and responsibilities within the community.   Council's risk appetite in relation to its adopted key risk categories is therefore as follows:

| | Appetite or willingness to accept risk | | |
|---|---|---|---|
| | **Minimal**<br>Preference for options that avoid risk or have low inherent risk | **Cautious**<br>Preference for safe options with relatively low degree of residual risk for potential reward | **Open**<br>Willingness to consider all options with an enthusiasm for innovation, preference for options that provide for an acceptable level of reward |
| Financial | | ✓ | |
| Worker health & wellbeing | ✓ | | |
| Public health & wellbeing | ✓ | | |
| Service delivery & infrastructure | | | ✓ |
| Compliance — *Statutory* | ✓ | | |
| Compliance — *Regulatory* | | ✓ | |
| Environment | ✓ | | |
| Reputation | | | ✓ |
| Project risk | | | ✓ |

Council has no tolerance for risks that may compromise the safety and welfare of staff, the community, contractors and volunteers.  Similarly, Council has no appetite for risks that cause significant and irreparable damage to the environment and seeks to preserve and enhance it for future generations.

Council places great importance on compliance and has little appetite for any breaches in legal, regulatory or professional requirements.  However as it is acknowledged that regulatory compliance is often discretionary in nature, Council will give due consideration to associated public health, safety and environmental risks, as well as the opportunity to educate the community.

Council has minimal appetite for risks that may have a significant adverse impact on its long term financial sustainability, however Council encourages entrepreneurship and has a moderate appetite for risks arising from economic and property development opportunities.

Council is mindful that reputational risk is inherent in all its business activities, however although Council will take a cautious approach, it will not be constrained by reputation related risk in pursuing innovation.

Council has considerable appetite for improvements and innovation in service delivery, technology and the efficiency of operations and project delivery.

Council's Risk Assessment Criteria will align with Council's risk appetite and will be used to undertake the Risk Management Process.

## Risk Management Process

The Risk Management Process is the systematic application of management policies, procedures and practices to the tasks of establishing context, identifying, analysing, evaluating, treating, monitoring and communicating in relation to risk.

Council will apply the following Process as defined by *AS ISO 31000:2018 Risk Management - Guidelines*:
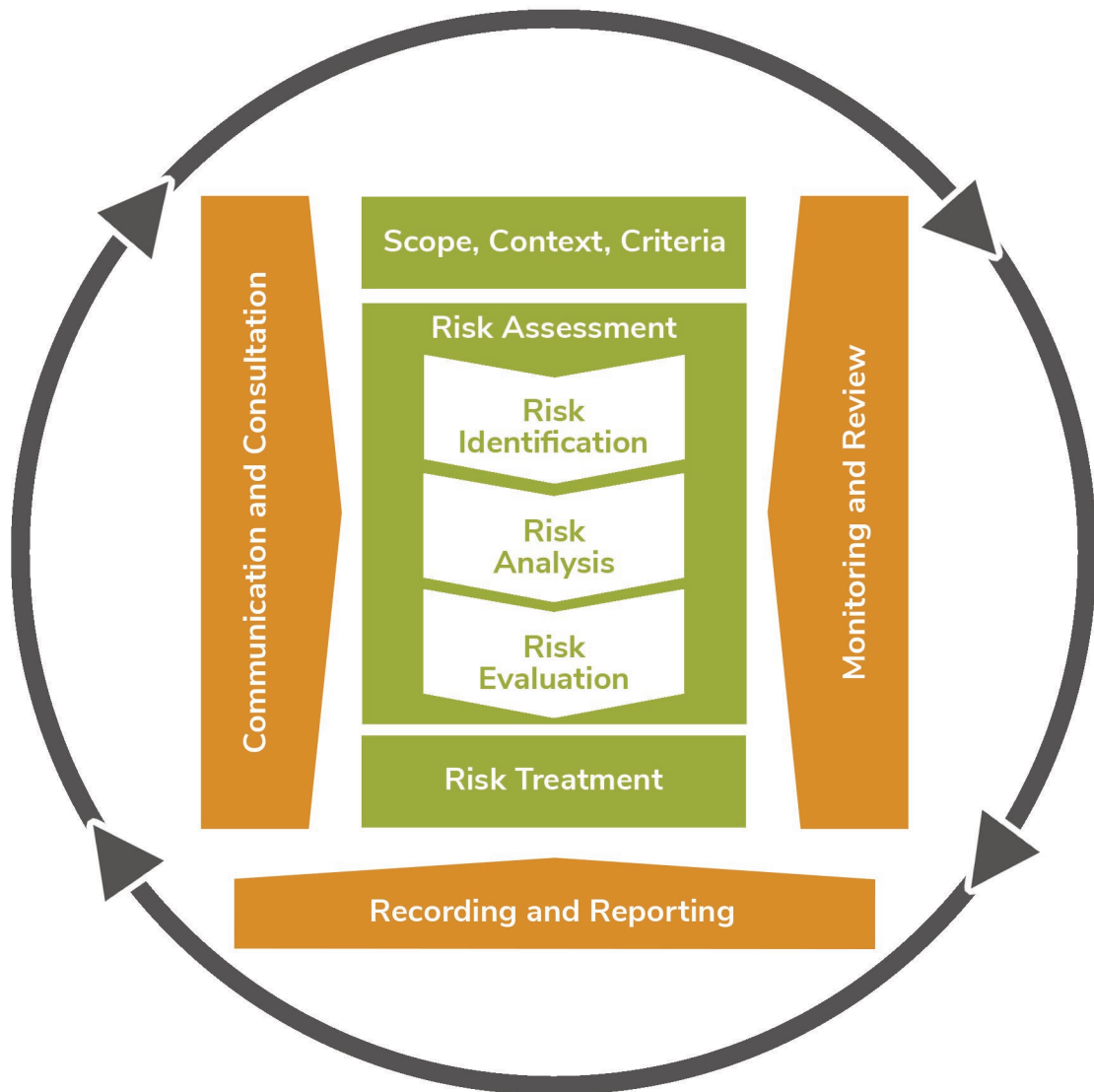


The Process will be undertaken and documented using Council's risk assessment templates and criteria.

Council's Risk Management Team will provide practical assistance to Council staff in completing and documenting each step of the process, however a basic overview of the process is on the next page.

# Risk management process overview

| | | |
|---|---|---|
| **Step 1** | **Communication and Consultation** | Communication and consultation with relevant internal and external stakeholders is to be undertaken at all stages of the risk assessment process to bring different areas of expertise together, ensure different views are appropriately considered, provide sufficient information to facilitate risk oversight and decision making and to build a sense of inclusiveness and ownership among those affected by the risk. It involves promoting awareness and understanding, as well as seeking feedback and information to support decisions made throughout the process. |
| **Step 2** | **Establishing the scope, context and criteria** | This part of the process is undertaken to gain an understanding of the purpose of the risk assessment and factors that may require consideration throughout the process.  It includes establishing and defining the scope of the activity being assessed and associated boundaries of the risk assessment; the relevant objectives to be considered and any relevant relationships to other projects, processes and activities; desired outcomes from the steps to be taken; decisions that need to be made; the internal and external environment; resources required and associated responsibilities; risk assessment criteria, tools and techniques to be applied and records to be kept throughout the risk assessment process. |
| **Step 3** | **Risk Assessment** | ***The risk assessment process comprises the following key steps:*** |
| | **1. Risk Identification** | Identifying risks involves consideration of what, how, why and when events might occur that could have an impact on achieving the objectives of the activity or operation being assessed. During this process consideration is to be given to Council's adopted **Risk Categories**.  A variety of methods can be used to identify risks, such as brainstorming and SWOT analysis.  Relevant, appropriate and up to date information is important to identifying risks. |
| | **2. Risk Analysis** | Risk analysis is undertaken to determine and understand the level of risk being faced. It involves a detailed consideration of uncertainties, risk sources, consequences, likelihood, events, scenarios, controls and their effectiveness.  Risk analysis provides input to risk evaluation, decisions on whether risk needs to be treated and how, and on the most appropriate risk treatment and methods.<br><br>Risk analysis should be undertaken using Council's adopted **Risk Assessment Criteria**. |
| | **3. Risk Evaluation** | The purpose of risk evaluation is to support decisions.  It involves comparing the results of the risk analysis with the Council's established risk criteria to determine if the level of risk is acceptable or additional action is required in order to continue with the activity or operation being assessed.  Options may be to do nothing; consider risk treatment options; undertake further analysis; maintain existing controls; reconsider objectives; and it should consider the wider context and the action and perceived consequences to both internal and external stakeholders. |
| **Step 4** | **Risk Treatment** | Risk Treatment involves the development and implementation of additional controls, such as systems and procedures, to address the risk.  Risk Treatment involves an iterative process of formulating and selecting risk treatment options; planning and implementing risk treatment; assessing the effectiveness of the treatment; deciding on whether the remaining risk is acceptable and if not acceptable, taking further treatment. Depending on the activity or operation that is being assessed and the priority of the risk, risk treatment strategies can involve the development and implementation of long or short term risk treatment action plans.<br><br>**Risk Evaluation (Step 3)** and **Risk Treatment (Step 4)** should be undertaken with consideration of Council's adopted risk appetite, **Preferred Risk Treatment Options and ALARP**. |
| **Step 5** | **Monitoring and Review** | Monitoring and review of the risk management process, its implementation and outcomes ensures its continued quality and effectiveness and identifies opportunities for improvement.  It will ensure that identified risks and controls remain relevant, controls remain effective and that any new risks are appropriately identified, recorded and managed appropriately.  It should be a planned and documented part of each stage of the process and associated responsibilities should be clearly defined. |
| **Step 6** | **Recording and Reporting** | The risk management process and its outcomes are required to be documented and reported regularly to ensure continued communication in relation to risk management activities and outcomes, to provide information for decision-making, to improve risk management activities and to assist interaction with stakeholders. |

## Risk Assessment Form

To ensure a consistent approach to documenting risk, Council staff will document the risk assessment process using Council's standard Risk Assessment Form template. The level of detail recorded will be commensurate with the activity or project scope, level of risk and resource availability. Council's Risk Assessment Form is maintained by Council's Risk & Insurance Co-ordinator and a copy is available in Smartsheet or upon request.

## Risk Assessment Criteria

The risk management process will be undertaken in accordance with Council's following adopted criteria to assess strategic and operational risks (unless exceptions below apply). The criteria are aligned with Council's organisational key objectives and risk appetite.

| Table 1 | Risk Consequences Rating | To determine the types and severity of risk consequences that could arise |
|---|---|---|
| Table 2 | Risk Likelihood Rating | To determine how likely it is that the risk will occur |
| Table 3 | Control Effectiveness Rating | To calculate the effectiveness of controls on reducing the likelihood and consequences of the risk |
| Table 4 | Risk Rating Matrix *(risk rating calculation tool)* | To calculate the overall Inherent Risk Rating (prior to controls) and Residual Risk Rating (after controls); Risk Rating = Consequence Rating x Likelihood Rating |
| Table 5 | Preferred Risk Treatment Options and ALARP | To establish the preferred risk treatment option to manage the risk and determine whether escalation is necessary |

### Exceptions to risk assessment criteria

#### Water and sewerage risks

Risk Assessments undertaken by MidCoast Water (MCW) prior to amalgamation with MidCoast Council will continue to be relevant until a transition to the risk assessment criteria adopted within this Framework can be achieved. A copy of the previous MCW Risk Assessment Criteria is included at Annexure B.

As water and sewerage operations are specialised in nature, specific 'public health & safety' and 'service delivery & infrastructure' descriptors have been incorporated into Council's risk consequence rating criteria. All new water and sewerage operational risk will therefore be assessed in accordance with the criteria adopted in this Framework, or as necessary, in accordance with criteria that is specifically prescribed by external regulators (eg. the Australian Drinking Water Guidelines and Australian Guidelines for Water Recycling). Where this is necessary, approval for use of the alternative criteria is required to be obtained from the Director Infrastructure & Engineering prior to application.

#### Work health & safety risks

Work health and safety risks at the higher strategic, divisional and operational level will be assessed in accordance with the criteria defined in this Framework. However onsite operational WHS risks will be assessed in accordance with the criteria defined in Council's *Work Health & Safety Management System*.

#### Climate change risks

Climate change risks at the strategic level will be assessed in accordance with the criteria defined in this Framework. However the likelihood and consequence of operational climate change risks will be assessed in accordance with the criteria defined in the NSW Government Office of Environment & Heritage '*Guide to Climate Change Risk Assessment for NSW Local Government'* and the Australian Government Department of Environment & Heritage Australian Greenhouse Office *'Climate Change Impacts & Risk Management; A Guide for Business and Government'*. Council's Risk Rating Matrix and Preferred Risk Treatment Options (ie. Tables 4 and 5 in this Framework) will still apply to the assessment and evaluation of these risks. This approach aligns with Statewide Mutual and the key objective of applying these criteria is to substantiate the methodology used should Council's decisions be called into question from a legal standpoint.

A copy of the Risk Assessment Criteria is included at Annexure C.

# Table 1: Risk consequence rating

| Risk Categories<br>What could be the consequences if the risk occurs? | | | Consequence Rating | | | | |
|---|---|---|---|---|---|---|---|
| | | | Insignificant<br>1 | Minor<br>2 | Moderate<br>3 | Major<br>4 | Severe<br>5 |
| **Organisational & Operational** | **Financial** | Risks that have a financial impact on the organisation (revenue, expenses, assets, liabilities, reserve) | Negligible financial loss < $10,000 | Minor financial loss $10,000 - $100,000 | Substantial financial loss $100,000 - $500,000 | Significant financial loss $500,000 - $3million | Major financial loss >$3million |
| | **Worker health & wellbeing** | Risks that impact the health and safety of staff, as well as contractors & volunteers | Insignificant injury; no first aid required; no impact on staff morale / performance | Minor injury; first aid required; minor impact on individual staff morale / performance | Injury or illness requiring medical attention; several days leave; short term impact on staff morale / performance | Long term illness or injury; extensive medical attention and leave required; medium term impact on staff morale/ performance within multiple business areas | Fatality; permanent disability, illness or disease; long term impact on staff morale/performance across organisation |
| | **Public health & wellbeing** | Risks that impact the health and safety of the community | Insignificant injury; no medical treatment required | Short term isolated incidents of illness or injury; first aid required | Medium term illness or injury; medical attention required; health impacts in single Council locality | Long term illness or injury; long term medical attention required; health impacts in multiple Council localities | Fatality; permanent disability; illness or disease; widespread health impacts across LGA |
| | | | *Water & sewerage operations* | | | | |
| | | | Results indicating poor performance leading to non-conformance.<br>No effect on public health | Some customers (neighbouring households) exposed to contaminated drinking water | Customers in multiple streets within a suburb/town exposed to contaminated drinking water or sewage | Illness affecting customers in many streets within a suburb/town attributable to drinking water contamination or sewage exposure | One or more fatalities and/or a widespread illness (multiple suburbs/towns) attributable to drinking water contamination or sewage exposure |
| | **Service delivery & infrastructure** | Risks that impact the ability to deliver internal and external services (includes assets and technology) | Isolated, insignificant impact on service delivery; minimal inconvenience to customers | Short term minor impact on service delivery; some inconvenience & customer dissatisfaction | Medium term disruption to delivery of several services; moderate inconvenience & increased customer dissatisfaction | Long term disruption to delivery of several services, incl. some key services; significant inconvenience & high level customer dissatisfaction | Ongoing inability to deliver key services; widespread customer dissatisfaction; threat to viability of organisation |
| | | | *Water & sewerage operations* | | | | |
| | | | Continuity of supply: disruption to an individual customer for 4 hours:<br>**OR**<br>Continuity of operations: insignificant and/or short term (days) effects on an element of operations | Continuity of supply: disruption to multiple customers (approx. 20 neighbouring households) for 4 hours; **OR** Continuity of operations: minor and/or short term (days) effects on an element of operations | Continuity of supply: disruption to multiple of customers (many streets) for 4 hours;<br>**OR**<br>Continuity of operations: moderate and/or short-medium term (weeks/months) effects on an element of operations | Continuity of supply: disruption to <5% of customers for 4 hours;<br>**OR**<br>Continuity of operations: major and/or medium term (weeks) effects on an element of operations | Continuity of supply: disruption to >5% of customers for 4 hours;<br>**OR**<br>Continuity of operations: Long term (months) effects on an element of operations |
| | **Compliance** | Risks that impact compliance with legislation and regulatory requirements | Isolated non-compliance of minimal significance; minor fine; internal staff warning | Minor breach of legal obligations; improvement notice; minor fine / penalty | Substantial breach of legal obligations; adverse finding; substantial fine / penalty | Significant breach of legal obligations; adverse finding with long term significance; significant fine / penalty | Major breach of legal obligations; adverse findings against Council and / or individuals; major fines or penalties (>$1mil); possible imprisonment; dismissal of Council |
| | **Environment** | Risks that impact the natural environment | Insignificant, immediately reversible impacts on the environment | Limited short to medium term, quickly reversible impacts on the environment | Potentially significant medium term reversible impacts on the environment | Severe, medium to long term potentially irreversible impacts on the environment | Critical, long term irreversible impacts on the environment |
| | **Reputation** | Risks that impact Council's reputation in the community and media, as well as with the government | Isolated complaints from members of the community; one off insignificant enquiries from local media and/or on social media | Minor unfavourable local and/or social media attention; heightened concern and criticism from narrow group/s within the community | Short-term adverse local and / or social media attention; moderate community dissatisfaction; potential government agency concern | Significant adverse local / state media attention; public outcry and community dissatisfaction across multiple Council localities; potential government agency enquiry | Sustained adverse local, state and/or national media attention; severe widespread dissatisfaction and loss of community trust; potential loss of Government support & adverse intervention |
| **Project** | **Project Budget** | Risks that impact the ability to deliver project outcomes within budget | Insignificant impact on budget manageable within allocated budget | Marginal budget over-run; manageable within contingency funding | Substantial budget over-run requiring additional funding and/or resources | Significant budget over-run requiring allocation of significant funding and resources | Critical budget over-run; threat to viability of project |
| | **Project Timeframe** | Risks that impact the ability to deliver project outcomes within timeframe | Insignificant impact on project milestones | Marginal impact on project milestones, manageable within resources | Substantial impact on project milestones; potential impact project delivery date | Critical impact on project milestones; requiring review of implementation date | Major over-run affecting many milestones; threat to ability to deliver critical project outcomes on time |

## Table 2: Risk likelihood rating

| Likelihood Rating | | Description | Estimated Probability |
|---|---|---|---|
| Almost Certain | 5 | The event is expected to occur in most circumstances in the current environment; frequent past event history | >90% |
| Likely | 4 | The event will probably occur in most circumstances in the current environment; some recurring past event history | 61-90% |
| Possible | 3 | The event might occur at some time; some past warning signs or previous event history | 21-60% |
| Unlikely | 2 | The event could occur at some time, no event history | 2-20% |
| Rare | 1 | The event may occur but only in exceptional circumstances; no past event history | <2% |

## Table 3: Control effectiveness rating

| Effectiveness Rating | Description | Quantification |
|---|---|---|
| Effective | Control is mostly reliable, efficient and effective; will significantly reduce the risk likelihood and/or consequences; fully documented processes and well communicated. | up to 99% effective |
| Somewhat effective | Control is somewhat effective; will have some effect on reducing risk likelihood and/or consequences; additional action required to improve existing controls and/or possibly implement some additional controls; improved documentation and/or communication of controls required. | up to 60% effective |
| Ineffective | Control is not reliable, efficient or effective; will not reduce the risk likelihood and/or consequence; reliable, effective and efficient controls to be developed and implemented; controls need to be documented and communicated. | 0% effective |

## Table 4: Risk rating matrix

*Risk Rating = Consequence Rating x Likelihood Rating*

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

## Table 5: Preferred Risk Treatment Options (including ALARP)

| Residual Risk Rating | Preferred Risk Treatment Options | Minimum reporting / escalation level for decision to cease activity, continue activity or take other necessary actions |
|---|---|---|
| **Extreme** | **Preferred treatment options: Avoid**<br>→ Cease activity, process or task until further directed.<br>→ Requires immediate escalation and active management through additional and effective treatment measures to reduce risk before proceeding.<br>→ Detailed planning required in consultation with the Director (and/or MANEX/GM) to prepare a risk management plan. | **Director**<br><br>(escalate MANEX / GM as deemed necessary) |
| **High** | **Preferred Treatment Options: Avoid, Transfer or Mitigate**<br>→ Subject to discussions with Manager (and/or Director), consider ceasing activity, process or task temporarily to consider alternative options or review risk treatment strategies to enhance adequacy and effectiveness.<br>→ Consider implementation of additional or improved controls to reduce the risk to ALARP.<br>→ Continue to monitor control effectiveness. | **Manager**<br><br>(escalate to Director as deemed necessary) |
| **Medium** | **Preferred Treatment Options: Mitigate or Accept**<br>→ Subject to discussions with Supervisor, Co-ordinator or Team Leader (and/or Manager), review risk treatment strategies to determine their adequacy and effectiveness.<br>→ Consider implementation of additional or improved controls to reduce the risk to ALARP.<br>→ Continue to monitor control effectiveness. | **Supervisor, Co-ordinator or Team Leader**<br><br>(escalate to Manager as deemed necessary) |
| **Low** | **Preferred Treatment Options: Accept and identify corrective action**<br>→ Manage by existing routing procedures and work practices.<br>→ Continue to monitor control effectiveness. | **Responsible staff**<br><br>(escalate as deemed necessary) |

## ALARP – As low as reasonably practicable

ALARP involves weighing the benefits and opportunities to be gained from managing the risk and continuing with the proposed activity against the effort, time and resources needed to control the risk.

When determining if additional treatment options should be implemented, consideration should be given to the level of risk that would remain if additional controls were implemented.

- **Unacceptable** - where the cost or resource required to implement further risk treatment is grossly disproportionate to the risk control improvement gained, a decision should be made to cease the activity altogether or find an alternative course of action (except in cases where overriding factors mean there is no choice but to implement the identified additional control measures).

- **Acceptable** - **ALARP** - *aim for this level of risk treatment* - where the cost, resources and effort required to implement additional risk treatment is acceptable and worthwhile given the risk control improvement gained and resulting benefits achieved from continuing with the activity, operation or project being assessed.

## Records Management

Adequately recording the risk management process will:

- Ensure compliance with the State Records Act 1998 (NSW) and associated Council policies
- Ensure the integrity of the process and support good corporate governance practices by demonstrating due diligence
- Provide an audit trail and evidence of a structured approach to risk identification and analysis;
- Provide a record of why decisions were made, including to assist in the defence of claims brought against Council; and
- Facilitate risk management reviews and reporting.

Until Council's corporate systems are harmonised or other risk management systems become available, Council will utilise Smartsheet, excel and existing corporate record keeping systems to record risk assessments, risk registers and associated documents, as well as to monitor and report on risks.

## Risk Registers

Council will develop and maintain organisational Risk Registers to:
- Ensure that all internal and external risks and opportunities have been captured so that Council has a current and comprehensive understanding of its risks, as well as assurance that risks are being managed within Council's risk appetite; and
- Allow for effective risk and control evaluation, analysis, treatment, monitoring and reporting.

Collaboratively the following Risk Registers will form Council's risk profile and will inform process improvement opportunities across the organisation.

| Register Type | Responsibility |
|---|---|
| **Strategic Risk Register** | Council's Risk Management Team will hold workshops at a Divisional level and with the Executive Management Team (MANEX) to develop a Strategic Risk Register. MANEX is responsible to adequately maintain, monitor, review and report on the Strategic Risk Register in accordance with the Review and Reporting Schedule included in this Framework. |
| **Divisional Risk Register** | Council's Risk Management Team will hold workshops at a Divisional level to develop a Divisional Risk Register. Each Division (Director and Management team) is responsible to adequately maintain, monitor, review and report on their Divisional Risk Register in accordance with the Review and Reporting Schedule included in this Framework. |
| **Operational Risk Register** | Council's Risk Management Team will hold workshops at a Management level to develop Operational Risk Registers for each Department. Each Manager is responsible to adequately maintain, monitor, review and report on their Operational Risk Register in accordance with the Review & Reporting Schedule included in this Framework. *It is acknowledged that team input is vital to ensuring adequate identification and assessment of Operational Risks and it is therefore recommended that regular review of risks and controls at this level be included as a standing item on Team meeting agendas.* |
| **Project / Activity Risk Register** | Council staff are required to undertake and document risk assessments where considered necessary in relation to day to day activities, operations and specific projects and the like so as to ensure risks are adequately addressed. Council's Risk Management Team will assist with this process. Circumstances that may warrant the development of specific risk assessments may include, but are not limited to: <br>▪ At the planning stages and during Council managed projects, including construction projects and major events; <br>▪ Where a new process is planned or an existing process is being reviewed. <br>▪ Following a significant incident, near miss or the like. <br>▪ When required by Council policy or procedure. <br>▪ As deemed necessary for inclusion in reports to Council in relation to matters such as requests for additional significant funding allocations and high risk projects. |

Risk Registers will be made available to the Audit, Risk & Improvement Committee as necessary.

## Resources and Committees

| Resource / Committee | Responsibilities |
| --- | --- |
| **Audit, Risk & Improvement Committee (ARIC)** | Council's Audit, Risk & Improvement Committee (ARIC) is an independent advisory Committee to Council to promote good governance and practice throughout the organisation. Its role is to monitor, review and advise the Council on matters of accountability and internal control affecting the operations of Council.<br><br>The role and responsibilities of the Committee are governed by its adopted Charter which defines its purpose, composition, structure, authority, scope of activities and reporting requirements. |
| **Risk Management Working Group** | Council's Risk Management Working Group comprises Council's Risk Management Team and at a minimum one Management representative from each Council Division (as nominated by the Director).<br><br>The Group is committed to achieving best practice in effective risk management across the organisation.  The Group is responsible to provide leadership and support in the implementation and review of Council's Framework.<br><br>The Group will review, approve and regularly communicate with staff in relation to risk management initiatives, as well as allocate appropriate funding in support of risk management initiatives and programs.  It will consider emerging risk issues that may impact on Council's strategic objectives and take action to promote a risk aware culture throughout the organisation.<br><br>The role and responsibilities of the Group are governed by its Charter which defines its purpose, composition, structure, authority, scope of activities and requirements associated with reporting to MANEX. |
| **Risk Management Team** | This Team comprises Council's Risk & Insurance Co-ordinator and Risk & Claims Officer and is overseen by the Manager Governance.  Its role is to implement the Risk Management Framework and promote risk management throughout the organisation so as to build a positive and proactive risk aware culture. |
| **Risk Champions** | Council will aim to establish 'Risk Champions' within the various Divisions of Council to promote and assist with risk management activities and initiatives across the organisation. |

## Roles, Responsibilities and Accountability

All Council staff are responsible to ensure they take an active role in the management of risks relative to their area of operation in accordance with this Framework.  Risk management responsibilities will be included in staff position descriptions and accountability will be monitored.

The risk management responsibilities at the various levels of the organisation are defined below.

| Roles | Responsibilities |
|---|---|
| **All Staff and Volunteers** | All employees and volunteers are required to undertake risk management training, identify and manage risks in their area of operation and responsibility in accordance with this Framework and to report risk related incidents in a timely manner. |
| **Council (Councillors)** | Council is responsible to set the organisational risk appetite and recognise the need for risk management resources to support the achievement of risk management objectives.<br><br>Council will appropriately consider risk management issues raised in reports and make informed decisions based on the associated risks and potential opportunities. Council will give due consideration to risk management reports from Council's Audit, Risk & Improvement Committee. |
| **General Manager** | The General Manager is ultimately responsible to ensure there is an adequate risk management system in place that is consistent with Council's business, ethical and professional standards.  The General Manager is responsible to ensure the resources are available to effectively implement and maintain Council's Risk Management Framework. |
| **Management Executive (MANEX)**<br><br>*Directors and General Manager* | MANEX is responsible to advise on Council's risk appetite, promote risk management across the organisation and ensure risk management is embedded in their area of operation. MANEX will ensure the allocation of appropriate resources for the implementation and maintenance of Council's Risk Management Framework and is responsible for the development, ongoing review and refinement of Council's Strategic Risk Register. |
| **Managers (Extended MANEX)** | Managers are responsible to manage risk in their respective areas of accountability and responsibility and to support employees in identifying, managing and communicating risk. Managers are responsible for the development and ongoing review of Operational Risk Registers within their area of accountability in accordance with this Framework.  Managers are responsible for promoting risk management in support of an organisational risk aware culture. |
| **Risk Management Team**<br><br>*Risk & Insurance Co-ordinator and Risk & Claims Officer, overseen by Manager Governance* | The Risk Management Team is responsible for developing and maintaining risk management protocols, procedures and tools and for providing risk management training and support throughout the organisation. They are responsible for regular reporting to MANEX concerning risk management activities and facilitating the development and review of risk registers across the organisation.<br><br>The Risk Management Team is also responsible for coordinating and providing direction to Council's Risk Management Working Group. |

# Review and Reporting Structure

Council's risk review and reporting structure will be implemented to assist in:

- Monitoring Council's performance in mitigating risks and seizing positive opportunities
- Informing decision making, identifying improvement opportunities and improving performance
- Ensuring changing circumstances are considered against risk priorities and any additional risks are identified, documented and assessed appropriately
- Reviewing relevance and effectiveness of existing risk controls
- Measuring the success of Council's Risk Management Framework.

Review by Council's Audit, Risk & Improvement Committee is considered essential in ensuring the independent and holistic review of Council's performance and to provide assurance to the General Manager and Council that risks are being appropriately managed.

Reviews and reports will be co-ordinated by Council's Risk Management Team in accordance with the following schedule, however it is noted that additional and/or specific risk management reporting may be required from time to time.

## Strategic risk register

Council's Management Executive (MANEX) is responsible to review Council's Strategic Risk Register.

The Strategic Risk Register will be reviewed on a minimum annual basis and as high level risks emerge. Reviews will be reported to Council's Audit, Risk & Improvement Committee.

## Divisional risk registers

Council's Directors and their relevant Management Teams are responsible to review Council's Divisional Risk Registers.

The Divisional Risk Registers will be reviewed on a minimum annual basis and as high level risks emerge. Reviews will be reported to Council's Risk Management Working Group and escalated to MANEX and/or Council's Audit, Risk & Improvement Committee as necessary.

Directors will include the review of divisional risks, controls and associated risk treatment action plans on their Management team meeting agendas. This will facilitate a consultative approach to ensuring risks remain relevant, controls continue to be effective and that any new or emerging risks are identified and managed adequately.

## Operational risk registers

Managers are responsible for the review of Operational Risk Registers. Operational Risk Registers will be reviewed on a minimum annual basis and as high level operational risks emerge. Reviews will be reported to MANEX and where required to Council's Audit, Risk & Improvement Committee.

Council Managers will include the review of operational risks, controls and associated risk treatment action plans on their team meeting agendas. This will facilitate a consultative approach to ensuring risks remain relevant, controls continue to be effective and that any new or emerging risks are identified and managed adequately.

## Risk management framework

Council's Risk Management Framework will be reviewed on a minimum annual basis by Council's Risk Management Team to ensure its continued effectiveness and relevance and to identify improvement opportunities. Where significant amendments to the Framework are recommended, approval will be required by MANEX and a report presented to Council.

## Performance and Success Measures

The performance and success of Council's Risk Management Framework will be assessed with consideration of the following five key attributes of enhanced risk management:

Continual improvement

Full accountability for risks

Application of risk management in all decision making

Continual communication

Full integration in Council's governance structure

Council's Risk Management Team may use various methods to measure and report on the strengths and weaknesses of Council's performance, including:

- Organisational surveys to monitor risk management awareness and knowledge
- Statistics on staff participation in risk management training
- Analysis of data gathered from organisational risk reporting and internal audit results, as well as incident and claim statistics.

A review of Council's performance will assist in identifying improvement opportunities in relation to this Framework and will be reported to MANEX and Council's Audit, Risk & Improvement Committee as necessary.

# Annexure A - Definitions

The key risk management terminology used within the Framework is in accordance with *AS ISO 31000:2018 Risk Management - Guidelines* and *ISO Guide 73:2009 Risk Management - Vocabulary*. ISO also maintains a terminological database at the following address: http://www.iso.org/obp

| Risk Term | Definition |
|---|---|
| **Risk** | Risk is the effect of uncertainty on objectives, where an effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats. Risk is usually expressed in terms of risk sources, potential events, their consequences and their likelihood. |
| ***Types of Risk*** *(as defined by MidCoast Council)* | ***Strategic Risks*** *Risks (either internal or external) which may impact upon the ability of the organisation to achieve its strategic objectives as set out in Council's Community Strategic Plan.* ***Divisional Risks*** *Risks (either internal or external) which may impact upon the ability of the Division to meet its objectives and key service delivery commitments.* ***Operational Risks*** *Risks which may impact upon the ability to achieve day to day service delivery commitments.* |
| **Risk management** | Co-ordinated activities to direct and control an organisation with regard to risk |
| **Risk management policy** | Statement of the overall intentions and direction of an organisation related to risk management |
| **Risk management framework** | A set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation. The foundations include the policy, objectives, mandate and commitment to manage. The organisational arrangements include plans, relationships, accountabilities, resources, processes and activities. Risk management framework is embedded within the organisation's overall strategic and operational policies and practices. |
| **Risk management plan** | Scheme within the risk management framework specifying the approach, the management components and resources to be applied to the management of risk. Components typically include procedures, practices, assignment of responsibilities, sequence and timing of activities. |
| **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 |
| **Communication & consultation** | Continual and iterative processes that an organisation conducts to provide, share or obtain information, and to engage in dialogue with stakeholders regarding the management of risk |
| **Stakeholder** | A person or organisation that can affect, be affected by, or perceive themselves to be affected by a decision or activity |
| **Establishing the context** | Defining the external and internal parameters to be taken into account when managing risk, and setting the scope and risk criteria for the risk management policy |
| **Risk criteria** | Terms of references against which significance of a risk is evaluated. Risk criteria are based on organisational objectives and external and internal context |
| **Risk assessment** | The overall process of risk identification, risk analysis and risk evaluation |
| **Risk identification** | The process of finding, recognising and describing risks. Risk identification involves the identification or risk sources, events, their causes and their potential consequences. Risk identification can involve historical data, theoretical analysis, informed and expert opinions, and stakeholders needs |
| **Risk description** | A structured statement of risk usually containing four elements, events, causes and consequences |
| **Risk source** | Element which alone, or in combination, has the potential to give rise to risk |

| Risk Term | Definition |
|---|---|
| Event | Occurrence or change of a particular set of circumstances. An event can have one or more occurrences, and can have several causes and several consequences. An event can be a risk source |
| Hazard | Source of potential harm. Hazard can be a risk source |
| Risk owner | Is the person or entity with the accountability and authority to manage a risk |
| Risk analysis | Process to comprehend the nature of risk and to determine the level of risk. Risk analysis provides the basis for risk evaluation and decisions about risk treatment, and includes risk estimation |
| Likelihood | The chance of the risk happening |
| Exposure | Extent to which an organisation and/or stakeholder is subject to an event |
| Consequence | The outcome of an event. A consequence can be certain or uncertain and can have positive or negative direct or indirect effects on objectives |
| Risk matrix | Tool for ranking and displaying risks by defining ranges |
| Level of risk (risk rating) | Magnitude of a risk or combination of risks, expressed in terms of the combination of consequence and their likelihood |
| Risk evaluation | Process comparing the results 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 appetite | The amount and type of risk that an organisation is willing to pursue or retain |
| Risk treatment | Is the process to modify a risk. Risk treatment options include:<br>▪ Reducing the risk by lowering the likelihood and/or consequences of the risk.<br>▪ Sharing elements of the risk with key stakeholders.<br>▪ Eliminating the risk by avoiding the risk or removing the risk source.<br>▪ Taking or increasing the risk in order to pursue an opportunity or retaining the risk by informed decision.<br>Risk treatments that deal with negative consequences are sometimes referred to as "risk mitigation", "risk elimination", "risk prevention" and "risk reduction" |
| Control | Measure that maintains and/or modifies risk. Controls include, but are not limited to, any process, policy, device, practice, or other conditions and/or actions which maintain and/or modify risk. |
| Inherent risk | The level of risk that exists prior to the implementation of risk control measures |
| Residual risk | The level of risk remaining after risk control measures have been taken |
| Monitoring | Continual checking, supervising, critically observing or determining the status in order to identify changes from the performance level required or expected. Monitoring can be applied to a risk management framework, process, risk or control |
| Review | Activity undertaken to determine the suitability, adequacy and effectiveness of the subject matter to achieve established objectives. Review can be applied to a risk management framework, process, risk or control |
| Risk reporting | Form of communication intended to inform particular internal or external stakeholders by providing information regarding the current state of risk and its management |
| Risk register | Record of information about identified risks. The term "risk log" is sometimes used instead of "risk register" |
| Risk profile | Description of any set of risks. The set of risks can contain those that relate to the whole organisation, part of the organisation or as otherwise defined |
| ALARP | 'As Low as Reasonably Practicable' - ALARP involves weighing the benefits and opportunities to be gained from managing the risk and continuing with the proposed activity against the effort, time and resources needed to control the risk |

# Annexure B – former MidCoast Water Risk Assessment Criteria

Below is a copy of the Risk Assessment Criteria previously applied to risk assessments developed by the former MidCoast Water.

| Likelihood of the risk occurring in the next 3 years | | |
|---|---|---|
| **Rating** | **Description** | **Estimated Probability** |
| Almost Certain | Almost certain it will occur in current environment | > 90% |
| Likely | Is likely to occur in the current environment | 61 - 90% |
| Possible | Will possible occur in the current environment | 21 - 60% |
| Unlikely | Is unlikely to occur in the current operational environment | 2 - 20% |
| Rare | May occur in rare circumstances only | < 2% |

| MIDCOAST WATER | Consequences of Risk Event Occuring | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Environment | Work Health & Safety | Public Health | Financial | Supply/Services | Reputation | Compliance and Legal | Business Continuity |
| **Level** | | | | | | | | |
| **Catastrophic** | Widespread or severe impacts to environment, threatened species and/or long term effects on waters, ecological community or native vegetation. (recovery >3 years) | One or more fatalities and/or repeated incidents resulting in permanent injury causing significant incapacitation | One or more fatalities and/or a widespread illness (multiple suburbs/towns) attributeable to drinking water contamination or sewage exposure | Direct damages or unplanned losses > $400,000 | Continuity Supply: disruption to >5% of customers for 4 hours; OR Continuity of operations: Long term (months) effects on an element of operations | Severe dissatisfaction across all stakeholder groups and/or sustained (>1 week) adverse local/ national media attention across multiple media channels Event occurring to exposure to >5% of customers | Breach of law & or regulations with threat of severe consequences such as prosecutions, wide-spread litigation, severe fines, and major remedial works imposed | Loss of critical business infrastructure, historical & current records and majority of key objectives cannot be achieved. Signnificant impact on resources. |
| **Major** | Major impacts to environment, threatened species or habitat, and/or major pollution to waters or disturbance to large area of native vegetation. (>6 months) | Worksafe NSW notification non-disturbance incident. Injury resulting in significant impairment with long term (years) recovery | Illness affecting customers in many streets within a suburb/ town attributable to drinking water contamination or sewage exposure | Direct damages or unplanned losses $80,000 - $400,000 | Continuity Supply: disruption to <5% of customers for 4 hours; OR Continuity of operations: major and/or medium term (weeks) effects on an element of operations | Major dissatisfaction across multiple stakeholder groups and/or adverse local/national media attention across multiple media channels Event occurring to exposure to <5% of customers | Breach of law with major consequences such as litigation, fines, extensive reporting, and external audit regimes imposed, remedial works imposed. | Major loss of critical business infrastructure OR Permanent loss of a critical business function or organisational knowledge. Some key objectives cannot be achieved |
| **Moderate** | Moderate impacts to environment, isturbance of threatened species or habitat, damage to heritage asset, and/or moderate pollution to waters or damage to native vegetation. (>2 weeks) | Worksafe NSW notificable. Injury requiring hospital treatment/ and or injured worker unable to undertake normal duties within 90 days of injury | Customers in multiple streets within a suburb/town exposed to contaminated drinking water or sewage | Direct damages or unplanned losses $20,000 - $80,000 | Continuity Supply: disruption to multiple of customers ( many streets) for 4 hours; OR Continuity of operations: moderate and/or short-medium term (weeks/months) effects on an element of operations | Moderate stakeholder dissatisfaction and/or adverse local/social media attention Events occurring exposing multiple streets within a suburb/town | Breach of law & or regulations with moderate consequences such as threat of litigation, small fine, regulatory action, or breach of licence requiring audits/ extensive reporting. | Moderate loss of a critical business function OR Moderate loss of critical business function or organisational knowledge. Isolated objecitves cannot be achieved |
| **Minor** | Minor effects to environment and/or disturbance of native vegetation or minor pollution to waters. (>1 day) | Injury requiring first aid or medical treatment and/or injured worker unable to undertake normal duties within 7 days of injury | Some customers (neighbouring households) exposed to contaminated drinking water | Direct damages or unplanned losses $4,000 - $20,000 | Continuity Supply: disruption to multiple customers ( approx. 20 neighbouring households) for 4 hours; OR Continuity of operations: minor and/or short term (days) effects on an element of operations | Minor stakeholder dis-satisfaction and/or local media attention and minor reporting. Event occurring exposing some customers (neighbouring households) | Breach of law and/or regulation with minor consequences such as non-compliances or legal issues, regulator notifications, and/or reporting. | Minor loss of a critical business function OR Minor loss of business functions or critical organisational knowledge Limited objectives cannot be achieved. |
| **Insignificant** | Effects are limited to a small area, witha rapid recovery. (<1 day) | No risk of injury or illness; possible near miss. | Results indicating poor performance leading to non-conformance. No effect on public health | Direct damages or unplanned losses < $4,000 | Continuity Supply: disruption to an individual customer for 4 hours; OR Continuity of operations: insignificant and/or short term (days) effects on an element of operations | Stakeholder and/or public or media enquiries leading to no conformance against defined processes. | Potential breach of law and/ or regulation with limited effects | Short of resource or required replacement of resource or infrastructure Delay on objectives realised |

| MCW RISK MATRIX | | | | | |
|---|---|---|---|---|---|
| | | Consequences | | | |
| | | Insignificant | Minor | Moderate | Major | Catastrophic |

| Likelihood | | Insignificant | Minor | Moderate | Major | Catastrophic |
|---|---|---|---|---|---|---|
| | Almost Certain | Low | High | Very High | Very High | Extreme |
| | Likely | Low | Medium | High | Very High | Very High |
| | Possible | Low | Medium | Medium | High | Very High |
| | Unlikely | Low | Low | Medium | Medium | High |
| | Rare | Low | Low | Low | Medium | Medium |

| RISK RESPONSE TABLE (Preferred Treatment and Escalation) | | |
|---|---|---|
| Residual Risk Score / Rating | Preferred Treatment Options | Residual Risk Escalation / Escalation Level* |
| Extreme | Preferred Treatment Options: **Avoid** <br> Requires immediate escalation and active management through effective treatment to reduce risk before proceeding. | General Manager |
| Very High | Preferred Treatment Options: **Avoid, Transfer or Mitigate** <br> Requires immediate escalation and active management through continual monitoring. Review treatment strategies systematically to determine their adequacy and effectiveness against the required outcomes. <br> Further controls are needed unless impractical or financially non-viable. | Executive Manager |
| High | Preferred Treatment Options: **Avoid, Transfer or Mitigate** <br> Requires escalation through routine reporting and active management through systematic monitoring. Review treatment strategies routinely to determine their adequacy and effectiveness against the required outcomes. <br> Additional controls may be required to protect MidCoast Water's interests and business. | Group Manager |
| Medium | Preferred Treatment Options: **Mitigate or Accept** <br> Accept when Risk has been reduced to As Low As Reasonably Practicable (ALARP) <br> Manage by specific monitoring or response procedures, with clear management responsibilities. | Immediate Manager |
| Low | Preferred Treatment Options: **Accept and identify corrective action** <br> Manage by existing routine procedures and work practices. | |

*\* Escalation is only required after you have identified treatment options and been unable to reduce the residual risk. Escalation is not required if the inherent risk is high but you have treatments in place that reduce the residual risk. Refer to the Risk Management Assessment Process Map Tool.*

Given Council's organisational structure the following positions now relate to the above Escalation Levels:

| Residual Risk Rating | Escalation Level |
|---|---|
| *Extreme* | *General Manager* |
| *Very High* | *Director* |
| *High* | *Manager* |
| *Medium* | *Supervisor, Coordinator or Team Leader* |
| *Low* | *Responsible staff* |

# Annexure C – Climate Change Risk Assessment Criteria

The Likelihood and Consequence Rating criteria to be applied to the assessment of operational climate change risks are as follows:

## Table 1: Risk consequence rating

| Success Criteria | | Consequence Rating | | | | |
|---|---|---|---|---|---|---|
| | | Insignificant | Minor | Moderate | Major | Catastrophic ('Severe') |
| | | 1 | 2 | 3 | 4 | 5 |
| A | **Public Safety** Maintain public safety | Appearance of a threat but no actual harm | Serious near misses or minor injuries | Small numbers of injuries | Isolated instances of serious injuries or loss of life | Large numbers of serious injuries or loss of lives |
| B | **Local economy & growth** Protect & enhance the local economy | Minor shortfall relative to current forecasts | Individually significant but isolated areas of reduction in economic performance relative to current forecasts | Significant general reduction in economic performance relative to current forecasts | Regional stagnation such that businesses are unable to thrive and employment does not keep pace with population growth | Regional decline leading to widespread business failure, loss of employment and hardship |
| C | **Community & lifestyle** Protect existing community structures and the lifestyle enjoyed by the people of the region | There would be minor areas in which the region was unable to maintain its current services | Isolated but noticeable examples of decline in services | General appreciable decline in services | Severe and widespread decline in services and quality of life within the community | Region would be seen as very unattractive, moribund and unable to support its community |
| D | **Environment & sustainability** Sustain and enhance the physical and natural environment | No environmental damage | Minor instances of environmental damage that could be reversed | Isolated but significant instances of environmental damage that might be reversed with intensive efforts | Severe loss of environmental amenity and danger of continuing environmental damage | Major widespread loss of environmental amenity and progressive irrecoverable environmental damage |
| E | **Public administration** Ensure sound public administration and governance | There would be minor instances of public administration being under more than usual stress but it could be managed | Isolated instances of public administration being under severe pressure | Public administration would be under severe pressure on several fronts | Public administration would struggle to remain effective and be seen as in danger of failing completely | Public administration would fall into decay and cease to be effective |

## Table 2: Risk likelihood rating

| Likelihood Rating | | Recurrent risk | Single event |
|---|---|---|---|
| **Almost Certain** | 5 | Could occur several times per year | More likely than not: probability greater than 50% |
| **Likely** | 4 | May arise about once per year | As likely as not: 50/50 chance |
| **Possible** | 3 | May arise about once in 10 years | Less likely than not but still appreciable: probability less than 50% but still quite high |
| **Unlikely** | 2 | May arise about once in 25 years | Unlikely but not negligible: probability noticeably greater than zero |
| **Rare** | 1 | Unlikely during the next 25 years | Negligible: probability very small, less than zero |

This criteria is defined in the NSW Government Office of Environment & Heritage '*Guide to Climate Change Risk Assessment for NSW Local Government*' (2011) and the Australian Government Department of Environment & Heritage Australian Greenhouse Office *'Climate Change Impacts & Risk Management; A Guide for Business and Government'*. This approach aligns with Statewide Mutual and the key objective of applying these criteria is to substantiate the methodology used should Council's decisions be called into question from a legal standpoint.

Council's Risk Rating Matrix and Preferred Risk Treatment Options (including escalation) will still apply to the assessment and evaluation of these risks.