



Risk Management Framework



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Risk Management Framework

1. Introduction

The City of Fremantle (The City) is a local government area south of Perth, Western Australia (WA) covering an area of circa nineteen square kilometres. It has a vision and seven key focus areas:

Vision ¹	
Fremantle: 'a destination City'	A city that is clever and creative, inspiring and inclusive. A city that welcomes and celebrates all people and cultures. A city that encourages innovation, prosperity and achievement. A compassionate city that cares for the wellbeing of our people and the environment we share; and A City that thrives on diversity, that dares to be different – and delivers on its promises.

#	Key Focus Areas ²
1	Economic development
2	Environmental responsibility
3	Transport and connectivity
4	Character, culture and heritage
5	Places for people
6	Health and happiness
7	Capability

The City has developed a 'Corporate Business Plan' to address these key focus areas. However, there will always be a level of uncertainty associated with delivering The City's vision, key focus areas and the activities that support those areas. In this context, it is envisaged that a systematic and structured approach to risk management will enable The City to effectively deal with the uncertainty that could affect it.

¹ Corporate Business Plan
2019 - 23

² Strategic Community Plan
2015 - 25



This Risk Management Framework (RMF) will be integrated into The City processes. The RMF describes the policy, responsibilities, approach and processes for managing risk within The City. It includes a description of the resources and processes to ensure the RMF is monitored, reviewed and continually improved.

2. Mandate and Commitment

The City is committed to implementing practical and comprehensive risk management, ensuring effective risk management remains central to The City's activities. This RMF reflects contemporary good practice and sound corporate governance. It is consistent with AS ISO 31000:2018 (*the Risk Management Standard*) and has been developed in the context of the Local Government Act 1995 and associated regulations.

For clarity, this RMF applies to all City activities. It encompasses full-time, part-time, temporary and contracted employees; applies to City-wide risk and includes consideration of visitors, third parties and key stakeholders/interested parties.

2.1 Principles

For risk management to be effective, it needs to create and protect value. The City ensures risk management contributes to the demonstrable achievement of objectives and aids in improving performance, efficiency in operations and the promotion of good governance, trust and credibility. It is:

- **Integrated into organisational processes.** Risk management at The City is not considered a stand-alone activity that is separate from other activities and processes. It is evident within the papers prepared for Elected Members by Management, and papers prepared for Management by staff. As such, it is a demonstrable part of The City's planning and delivery processes.
- **Structured and comprehensive.** The City's Elected Members, Executive Leadership and Management expect the approach to risk management to deliver consistent, comparable and reliable results which can then be monitored and managed. This is evident with the use of standard templates and reporting mechanisms.



- **Customised.** The City's internal and external context, and the principles, framework and process have been tailored to meet the demands of the risk profile. This customisation ensures that the optimum amount of risk management work is undertaken to support risk-based decision making.
- **Inclusive.** Risks are discussed regularly, and either accepted as a necessary part of conducting business or actively managed to prevent or reduce the severity of disruptions or impacts to objectives. Appropriate and timely involvement of stakeholders ensures that risk management remains relevant and contemporary, allowing stakeholders to be properly represented and have their views considered.
- **Dynamic.** Risk management at The City has been established to continually sense and respond to change. As internal and external events occur, the context and knowledge change, monitoring and review of risks take place, new risks emerge, some change and others disappear. Risk management at The City has been structured to deal with this in a proactive, iterative and responsive manner.
- **Based on the best available information.** The City ensures inputs into the management of risks are based on information sources such as experience, stakeholder feedback, observation, horizon scanning and expert judgement. The City endeavours to ensure sources used for risk-based decision making are the most contemporary and comprehensive international, national, state and local government-focussed materials available.
- **Continually taking human and cultural factors into account.** The City recognises the capabilities, perceptions and intentions of external stakeholders and internal personnel can facilitate or hinder the achievement of objectives, and these are considered in The City's approach to risk management through the language, documentation and processes that are used. The aim is always to use understandable and accessible language.
- **Continually improved.** Risk management is used at The City to continually help make more informed choices, better prioritise actions and distinguish when alternative courses of action are available. Incidents and learned lessons inform the strategies which are then employed to continually improve the RMF and risk management maturity.



2.2 Risk Management Policy

The City's Risk Management Policy (*Appendix 1*) sets out the commitments, and the enabling actions required to meet those commitments. It seeks to ensure that The City transparently meets its performance and conformance requirements in an accurate and timely manner.

2.3 Roles and Responsibilities

The specific roles and responsibilities in relation to risk management are outlined below:

Elected Members

- Are responsible for the identification and management of strategic and governance-related risks associated with The City
- Establish the expected risk management performance and conformance levels of the City, including the risk appetite and tolerance levels (*in consultation with the CEO*)
- Ensure the risk assessments adequately inform the strategic vision, key focus areas and activities of The City.

Audit & Risk Management Committee

- Provides assurance and advice to Council as to whether the RMF, principles and processes are being appropriately conducted.
- Ensure the content of the RMF and risk registers are contemporary and robust.
- Facilitates the oversight of audit recommendations, control improvements and risk treatments
- Meet the risk-related responsibilities set out in their Terms of Reference.



Chief Executive Officer (CEO)

- Is accountable to the Elected Members for the overall operations of The City, including the management of risk
- Sets the risk appetite and tolerance levels for The City and is responsible for identifying the emerging/strategic risks associated with the strategic direction (*in consultation with the Elected Members*)
- Ensures a credible RMF and risk assessments exist which comprehensively address the governance, strategic, operational and project risks of The City
- Establishes and ensure regular reviews of the RMF, including the risk register, incidents and lessons learned
- Continually monitors, reviews and advises on material risks to the City including through provision of a risk-based Internal and External program of review and assurance
- Is the custodian of the RMF, principles and process.

Executive Leadership Team Members & Managers

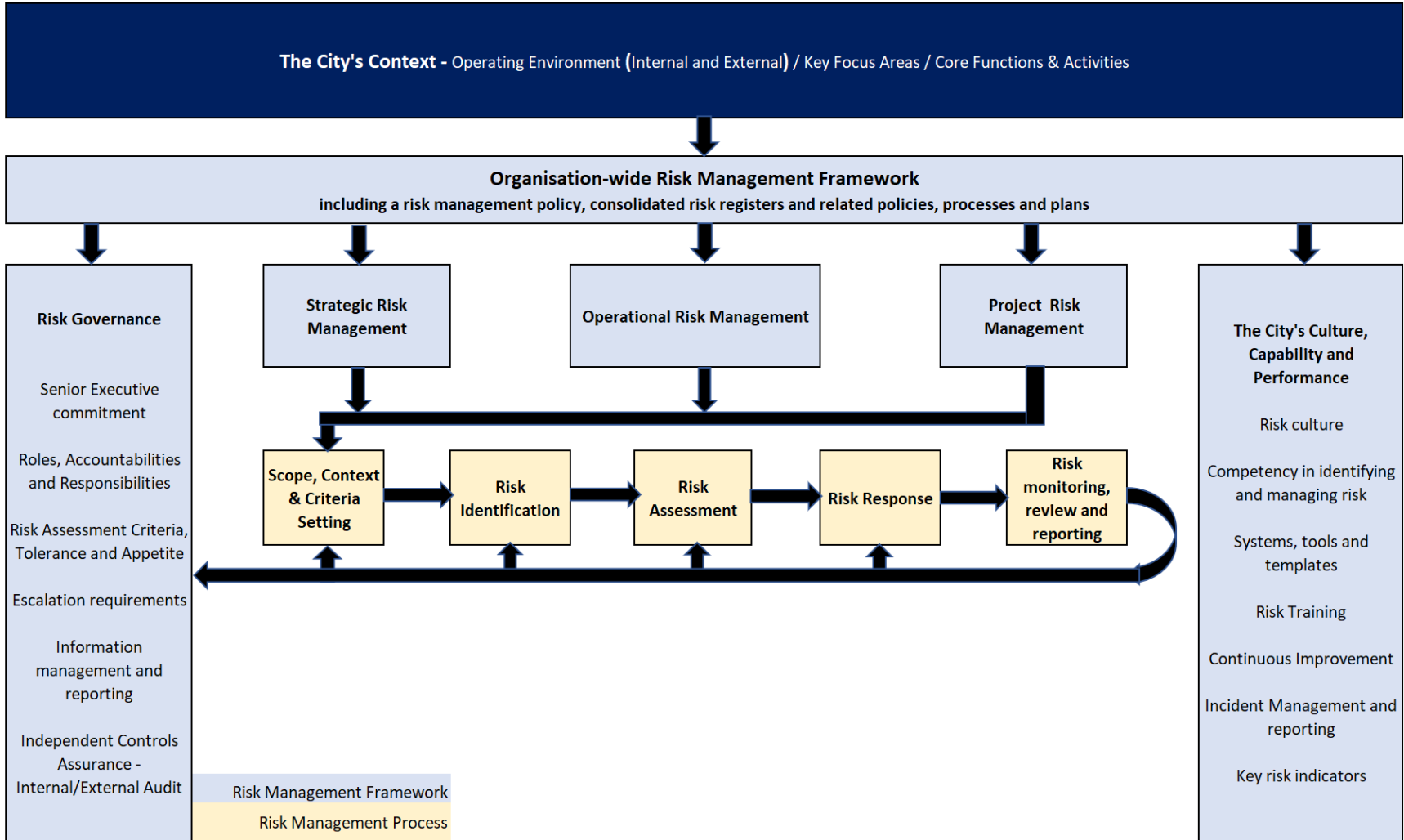
- Work collaboratively with the CEO to develop individual, functional and City-wide competence, capability and capacity in risk management
- Integrate risk management into day-to-day management activities.

Officers/Staff

- Constructively contribute and fully participate in risk management as required.



3. Integrated Risk Management





3.1 Strategic and Governance Risks

These risks relate to the ability of The City to achieve its key focus areas and outcomes. The focus on identifying strategic and governance-related risk is to consider:

- emerging or present threats or opportunities associated with uncertainties within the external environment
- emerging or present strengths or weaknesses associated with uncertainties within the internal environment
- the expectations and management of stakeholders and key interested parties
- issues of funding and sustainable funding models.

Risk Identification	Managing the risk	Ongoing Monitoring
Governance and Strategic Risks		
<p>Proactive: Risks are identified and assessed by the Elected Members and CEO as part of the strategic planning and review process. Risks are also identified and assessed as part of any papers/business cases presented to Elected Members and associated committees.</p> <p>Reactive: Risks may be identified at any time in response to an internal or external event or situation. The CEO will add the risk to the risk register, as appropriate. The CEO has carriage of the Risk Register and is responsible for ensuring all existing and emerging risk information is relevant and up-to date.</p>	<p>Risk ownership, responsibility for the assurance of controls and implementation of actions are owned by the CEO. Actions may be assigned to Executive Leaders, Managers, other Officers/Staff as required and appropriate.</p> <p>Responsibilities and timeframes for actions are agreed and documented in the risk register and integrated into planning and reporting documentation (e.g. <i>The City's Corporate Business Plan</i>).</p>	<p>As a minimum, all governance-related and strategic risks are monitored and reviewed on a quarterly basis by the Elected Members.</p> <p>Any residually SIGNIFICANT OR EXTREME level strategic risks are reported to the Elected Members.</p>



3.2 Operational Risks

The key risks associated with the successful delivery of activities and services are identified at the CEO and Executive Leadership Team level. These are also articulated, assessed, monitored and reviewed in accordance with the defined risk management process and captured in the Risk Register.

Risk Identification	Managing the risk	Ongoing Monitoring
Operational Risks		
<p>Proactive: Risks are identified and assessed as part of Planning/Review processes and the Executive Leadership Team and Management meetings.</p> <p>Risk is also identified as part of all options papers/business cases requiring material decisions.</p> <p>Reactive: Risks may be identified at any time in response to an internal or external event or situation. The CEO has responsibility for ensuring that the Operational risks on the Risk Register are kept up to date.</p>	<p>Risk ownership is allocated to the CEO, the Board / Audit & Risk Management Committee as required.</p> <p>Control ownership is allocated to the relevant Officer.</p> <p>Responsibilities and timeframes for actions are agreed and documented in the risk register.</p>	<p>All operational risks are reviewed and updated for quarterly monitoring at regular Executive Leadership and Management meetings.</p> <p>Risks are reported in line with the defined reporting mechanisms.</p>

3.3 Project Risks

The management of project risks is carried out in accordance with any associated Project Management Framework (PMF) in use but, as with all risks, project related risk are identified, assessed, managed and reported in accordance with the process documented in this RMF and each project will be separately identified (and split out as necessary) in the risk register. The degree of risk management effort and level of risk information captured is commensurate with the size, complexity and inherent risk profile of the project.

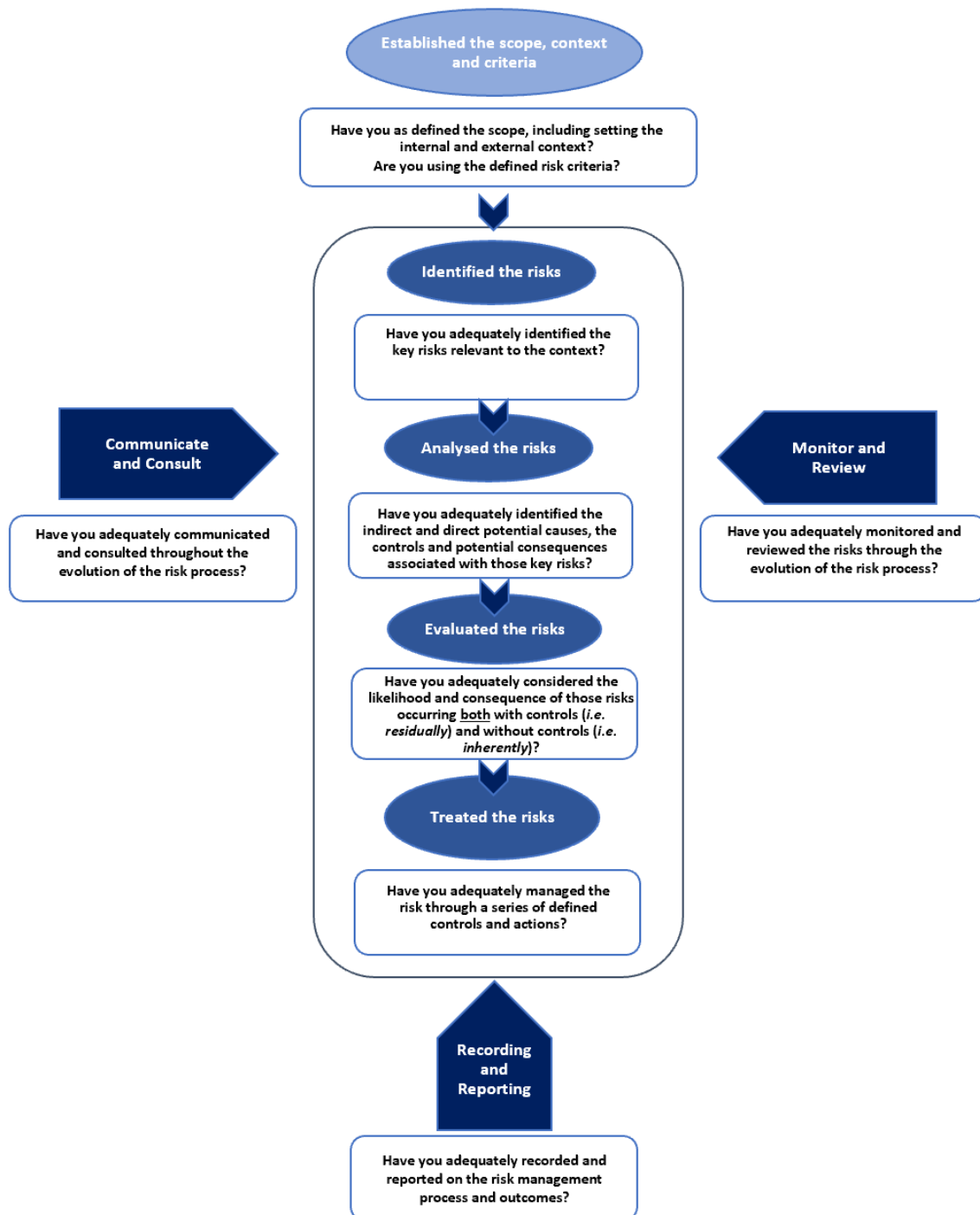


Risk Identification	Managing the risk	Ongoing Monitoring
Project Risks		
<p>Proactive:</p> <p>Risks are identified and assessed as part of all Project Planning/Review processes and The City’s Project Management meetings.</p> <p>Risks are also identified as part of all project-related options papers or business cases requiring material decisions.</p> <p>Reactive:</p> <p>Risks may be identified at any time in response to an internal or external event or situation. The CEO and/or nominated Risk Owner will ensure that the risk is added to the risk register, as appropriate.</p>	<p>Risk ownership is allocated to the CEO or a Project Director, Executive Leader, Manager or Officer by the CEO.</p> <p>Responsibility for controls and action are allocated to the relevant project team member.</p> <p>Responsibilities and timeframes for actions are agreed and documented in the risk register.</p>	<p>Project risks are monitored, reviewed and updated by the risk owners.</p> <p>Risks are reported to the CEO, Board or in accordance with the specific Project Governance Framework.</p>



4. Risk Management Process

The risk management process is typically defined as “the systematic application of management policies, procedures and practices to the activities of communicating and consulting, establishing the context, identifying, analysing, evaluating, treating, monitoring and reviewing risk”. The process aligns with the AS ISO 31000: 2018 Standard (the Risk Management Standard), and is as follows:



The above is more fully explained in Appendix 4.



5. Capability & Support

5.1 Resources

The City acknowledges the need to allocate appropriate resources for risk management. This includes consideration and planning for the following:

- Recruitment of the CEO, Executive Leaders, Managers, Officers and staff
- Within role descriptions and performance management to include assessment of risk management skills, experience and competence relevant to their role
- Training of the Elected Members, CEO, Executive Leaders, Managers, Officers and staff in risk management relevant to their role; and
- Tools to be used for managing risk, including the use of electronic information and knowledge management systems.

5.2 Management of risk information

The City recognises risk information needs to be accessible, practical and compliant with relevant information management legislation and guidelines. A simple excel workbook is used to ensure:

- Consistent application of the risk management process and terminology
- Ease of reporting
- Greater visibility over risk and actions, and
- Improved accountability.

5.3 Support

The CEO ensures that there is the necessary support to identify, manage and report on key risks to The City, and sources external support on an '*as needs*' basis and as part of the established outsourced model.

5.4 Monitoring and communication of the RMF

The performance of the RMF is monitored by the Audit and Risk Management Committee and improvement recommendations made as required. The RMF, and any subsequent modifications, are communicated to The City's interested parties/stakeholders as required personnel. Appendix 5 includes an annual 'Schedule of Activities'.



Appendix 1: Risk Management Policy

The City of Fremantle (The City) is committed to ensuring that all planning and delivery is conducted in a manner that effectively mitigates and manages risk and allows opportunities to be realised. To ensure this approach is adopted and embedded within The City, the principles, framework and process outlined in AS ISO 31000: 2018 (*i.e. the Risk Management Standard*) are applied, and alignment is sought with Local Government-based risk management requirements.

The main objectives for The City are as follows:

- To give greater visibility and transparency of risks to relevant interested parties
- To ensure that all the risks identified are within the stated appetite and tolerance of the Elected Members and Executive
- To ensure the ongoing, unimpeded capacity of The City to fulfil its vision, mission, strategic objectives and activities
- To protect the community that The City serves, our staff and other key stakeholders and interested parties, from adverse incidents, to reduce exposure to loss and to mitigate and manage losses should they occur
- To ensure that all individuals, interested parties and stakeholders are made aware of the need to identify and manage risk and to promote a culture of participation in that process, and
- To ensure compliance with statutory requirements and alignment with relevant standards.

The enabling actions to allow these objectives to be realised include:

- Committing to common risk principles that are reviewed and renewed periodically
- Identifying, assessing and managing risks with reference to The City's risk appetite and tolerance
- Embedding simple, flexible, meaningful and prudent risk management practices within existing procedures, practices, delegations of responsibility and accountability
- Ensuring risk management practices and processes are implemented in a way that facilitates continuous improvement in decision making, and evidence performance improvement outcomes
- Recognising risk management as an integral part of good corporate governance and management practice through a commitment to deliver risk-related education, training and continuing professional development, and
- Evidencing that the management of risk is embedded in The City's planning, reporting, decision making and management practices to the extent that risk management becomes an obvious and inextricable component of operations.

City of Fremantle Risk Management Framework



This Policy applies to the whole of The City including the Elected Members, Executive Leaders, Management, Officers, Contractors and interested parties/stakeholders who are expected to act in accordance with the objectives of the Policy.

The CEO, supported by the Audit & Risk Management Committee, has the overall responsibility for the implementation of this Policy.



Appendix 2: Common Risk Definitions & Terms

ALARP - 'As Low As Reasonably Practicable' - The concept of weighing up a risk against the trouble, time and money needed to control it.

Business Continuity Management (BCM) and Business Continuity Plan (BCP) - BCM is a process that allows The City to recover from an event that significantly disrupts activities. A BCP is the principal output of the BCM process. A BCP is, in effect, a control for certain risks the consequences of which could disrupt core functions.

Causes - The multiple factors, either direct or indirect, that may give rise to a risk / risk event.

Consequences - The multiple impacts or outcomes of a risk / risk event occurring.

Consequence Categories - These are key impact areas, which if affected because of a particular risk event, could have a significant impact on the ability of The City to deliver outcomes.

Consequence Rating - The level of impact from the risk occurring in any given consequence category, ranging from 1-5.

Control - A procedure, system, activity or process that reduces the likelihood and/or consequences of a risk. A risk may have more than one control, and a control may address more than one risk.

Controls Rating - A qualitative, common-sense measure of the adequacy of controls in addressing a risk. There are three ratings given for The City controls (i.e. 'Fully Effective', 'Adequate' and 'Inadequate or Unknown').

Controls Assurance - The process whereby control ratings are verified through a series of questions regarding their relevance and effectiveness.

Critical Success Factor (CSF) - A factor which is essential for the successful performance of a key activity.

Impact Range - A measurement of how widespread the consequences of a risk may be. This measurement can assist in the assessment of controls and the formulation of treatments.

Implementation or Action Plan - A plan created to establish how the Risk Management Process is to be implemented.

Key Activity - Any high-level activity or function that is instrumental to The City delivering required outcomes or performing its mission.

Key Dependency - Relationship with or reliance upon another party essential to delivering outcomes or services. Key dependencies can be within The City or external.

Likelihood - A measure of how likely it is that a certain consequence will eventuate, ranging from very unlikely to almost certain.



Likelihood rating - The likelihood of the risk occurring with the level of consequence identified, ranging from 1-5.

Level of Risk (LOR) - Determined by multiplying the consequence rating with the likelihood rating for risks.

Monitor - An ongoing process of surveillance of the internal and external environments to ensure that risks continue to be effectively and appropriately managed.

Operational (Context) - Deals with Operational Risks: those risks associated with normal, ongoing operations and activities.

Opportunity - An occasion or situation in which it is made possible to do something that you want or must do.

Predicted Control Rating - An assessment of how the controls would rate following the implementation of the proposed TAP.

Predicted LOR - The predicted level of risk following the implementation of the proposed TAP. Proposed by multiplying the predicted consequence and predicted likelihood ratings. See comments under 'Level of Risk (LOR)'.

Project (Context) - Deals with Project Risks: those risks associated with defined projects and other discreet undertakings.

Residual Risk - The risk that remains after controls are considered (*i.e. risk level after controls*).

Review - Periodic assessment of a specific aspect of the Risk Management Process or a particular group of risks to determine if there have been gradual changes over time.

Risk (or Risk Event) - (from AS ISO 31000:2018) 'the effect of uncertainty on objectives'.

Risk Acceptance Criteria - Specific standards that delineate under what conditions risks of a certain level can be accepted. The higher the risk rating, the higher the standard of controls, monitoring, and ownership required.

Risk Assessment - A step in the risk management process which involves assigning values (Risk Ratings) to individual risks and deciding how to manage them.

Risk Analysis - A process that assigns a Risk Rating to each risk by evaluating the effectiveness of existing controls and assigning values for Likelihood and Consequences for various scenarios.

Risk Register - A means of recording, monitoring and reporting on risks, controls and risk treatment plans.

Risk Evaluation - A decision-making process which evaluates the Risk Rating against the Risk Assessment Criteria.

Risk Categories - The categorisation of risks within The City by type, are often based on source of risk.



Risk Decision - The decision made after risk evaluation, balancing risk and reward.

Risk Identification - 'Critical Success Factors' and key dependencies are used to identify risks.

Risk Management - The practice of systematically identifying, understanding, and managing the risks encountered by The City.

Risk Owner - The person specifically assigned to manage the risk, including monitoring the risk, its controls and any treatments that are implemented.

Risk Ranking - A ranking of the level of risk compared to The City's 'Risk Acceptance Criteria Table'. Ranks are labelled as 'low', 'moderate', 'significant' or 'High'. This allows the risk owner to determine required action to be undertaken to enable acceptance of the given risk.

Risk Rating (or Level of Risk) - The value assigned to the risk which represents the product of 'consequences' and 'likelihood'.

Risk Reference Tables - The collective term used for the various risk measurement and evaluation tools.

Risk Tolerance - The degree of risk that The City is willing to accept to achieve objectives.

Strategic (Context) - Deals with Strategic Risks: risks which concern The City as a whole and are associated with long term objectives. It is conducted as an integral part of the strategic planning process.

Treatment and **Treatment Action Plan (TAP)** - A treatment is measure that is designed and implemented to further reduce the consequences and/or likelihood of a risk. Once a treatment is fully implemented and effective (*i.e.* 'in place'), it will become a Control. A TAP is the plan formulated for the selected treatments to ensure they are fully and properly implemented. TAPs should identify owners, participants, resources, schedule, and Performance Indicators.



Appendix 3: Risk Assessment Criteria & Risk Appetite Statement
MEASURES OF (POSITIVE OR NEGATIVE) CONSEQUENCE OR IMPACT

LEVEL	RANK	PEOPLE (P)	FINANCIAL ³ (F)	STAKEHOLDERS & REPUTATION (S&R)	PERFORMANCE (P)	LEGAL & COMPLIANCE (L&C)	COMMUNITY/ SOCIAL (C/S)	ENVIRONMENTAL/ HERITAGE (E/H)	COMMERCIAL/ ECONOMIC ⁴ (C/E)
1	Insignificant Downside	(Physical / mental) injury requiring first aid but no expected adverse physical / psychological / mental impacts.	<\$10,000	Isolated individual's issue-based complaint and no media coverage.	Inability to operate / provide services for < day and/or service delivery impacts managed through normal business practices.	Breach of process/procedures with no noticeable adverse operational, regulatory or statutory impacts.	Low localised event with no broader social / community impacts.	Low localised event with no broader environmental or heritage impacts.	Decline of economic activity and/or loss of value < 1% dispersed across the City.
2	Minor Downside	(Physical / mental) injury requiring medical treatment, or 'Restricted Work Injury' <10 days.	\$10,000-\$250,000	Local stakeholder impacts or issue-based concerns.	Inability to operate / provide services for 1 – 3 days and/or impact requires additional effort or response or redirection of resources to respond.	Some temporary non-compliances, audit or regulator findings.	Event impacts on ability to meet local social / community expectations.	delay impacting on ability to meet environmental and/or heritage expectations.	Decline of economic activity and/or loss of value 1 – 10% dispersed across City.
3	Moderate Downside	(Physical / mental) Lost Time Injury (LTI) > 1 day requiring medical treatment, or Restricted Work Injury > 10 days.	\$250,000-\$1m	Stakeholder impacts and concerns publicly expressed with reduced organisational confidence in the City.	Inability to operate / provide services for 3 – 7 days and/or impact requires short term significant additional resources to respond.	Short term non-compliance but with significant requirements imposed and / or significant internal audit findings.	Community backlash / rejection by multiple community groups.	Short term but recoverable environmental degradation. Significant but rectifiable damage to valued heritage asset.	Decline of economic activity and/or loss of value 10 – 25% dispersed across City.
4	Major Downside	Permanent injury, disability and/or health impact (including serious psychological / mental injury requiring long term professional medical treatment, counselling or intervention).	\$1m - \$4m	Considerable and prolonged key stakeholder impact and dissatisfaction publicly expressed / Criticism and loss of confidence and trust by multiple stakeholders with the City integrity in question. Significant, sustained adverse social and print media attention.	Inability to operate / provide critical services for 7 – 14 days and/or impact requires long term significant additional resources to respond.	Non-compliance results in prohibition of services or imposed penalties / suspension of local government / significant external audit or regulator investigations and / or intervention and litigation.	Negative societal impacts to the detriment of most community groups within the City.	Severe damage, loss or impairment (> 1 year to remediate or recover) of a significant ecosystem / threatened species (flora and/or fauna). Large scale damage or partial loss requiring long term remediation of a valued heritage asset.	Decline of economic activity and/or loss of value 25 – 50% dispersed across City. AND/OR Reduction and loss of key commercial sectors in the City.
5	Critical Downside	Death(s) or permanent injuries, disabilities and/or health impacts (including permanent or long-term psychological/mental damage requiring extensive remedial intervention).	>\$4m	Significant adverse key stakeholder impacts and condemnation / Consistent ongoing loss of confidence and trust in the City's capabilities and intentions. Widespread, negative, sustained social and media with potential dismissal of Council, Elected Members and/or key Executives.	Inability to operate / provide critical services > 14 days and/or the impact cannot be managed within the City's existing or accessible, additional resources.	Non-compliance results in criminal charges / removal of Executive / Elected Members / class action litigation / long-term remediation and/or disqualification from providing services.	Irreversible negative societal impacts to the detriment of all community groups within the City.	Permanent loss of significant ecosystem or threatened / vulnerable species (flora and/or fauna). Permanent, total and irreplaceable loss of national and internationally valued state heritage.	Decline of economic activity and/or loss of value > 50% AND/OR Permanent and complete loss and cessation of key commercial sectors in the City.

³ Loss of revenue / unbudgeted incurred cost

⁴ Based on notional relationship of 1% of rates = \$400,000.



LEVEL	RANK	PEOPLE (P)	FINANCIAL GAIN / SAVING (F)	STAKEHOLDERS & REPUTATION (S&R)	PERFORMANCE (P)	LEGAL & COMPLIANCE (L&C)	COMMUNITY / SOCIAL (C/S)	ENVIRONMENTAL/ HERITAGE (E/H)	COMMERCIAL/ ECONOMIC (C/E)
1	Insignificant Upside	(Physical / mental) benefits to isolated individuals.	<\$10,000	Isolated individual's positive feedback with no media coverage.	Normal business practices improved in the short term.	Isolated but noticeable improvements in (regulatory, statutory or contractual) process/procedural impacts.	Low localised improvements with broader social / community impacts.	Low localised improvements with broader positive environmental or heritage impacts.	Incline of economic activity and/or increase of value < 1% dispersed across the City.
2	Minor Upside	Minor (physical / mental) benefits to isolated functions within the City.	\$10,000-\$250,000	Local community positive feedback with positive local media coverage.	Improvements in the effectiveness and efficiency of multiple business practices in the short term.	Noticeable improvements in legal (regulatory, statutory or contractual) compliances.	Observable and short-term meetings of local social / community expectations.	Observable and short-term ability to meet environmental and/or heritage expectations.	Incline of economic activity and/or increase of value 1 – 10% dispersed across City.
3	Moderate Upside	Moderate (physical / mental) benefits to multiple functions within the City.	\$250,000-\$1m	Positive community impacts publicly expressed. Stakeholders publicly express increased organisational confidence in the City.	Short- or medium-term improvements in the effective and efficient delivery of critical services or programs. Successful delivery of one or more critical outcomes with limited need to allocate greater resources.	Multiple, noticeable improvements in legal (regulatory, statutory, contractual) impacts recognised publicly and professionally.	Observable, measurable and direct short to medium social / community improvements with support by multiple community groups.	Observable, measurable and direct short to medium term environmental and/or heritage expectations delivered in a timely manner.	Incline of economic activity and/or increase of value 10 – 25% dispersed across City.
4	Major Upside	Widespread (physical / mental) benefits to the majority of functions within the City.	\$1m -\$4m	Considerable and prolonged positive key stakeholder impact and satisfaction publicly expressed / increased confidence and trust by multiple stakeholders with the City's integrity demonstrably strengthened. Significant, sustained positive social and print media attention.	Long term viability improved. Majority of critical outcomes achieved, or a single critical outcome achieved. Positive benefits do not require long term significant City resources to respond. Demonstrable evidence of better practice status.	'Beyond Compliance' approach and outcomes considered as the City meeting State-based 'Best in Sector'.	Tangible, measurable direct and indirect medium to long term social / community improvements with support by the majority of the City's community.	Tangible, measurable, direct and indirect medium to long term positive environmental / heritage impacts and benefits.	Incline of economic activity and/or increase of value 25 – 50% dispersed across City. AND/OR Increase and addition of key commercial/industrial sectors in the City.
5	Compelling Upside	Compelling and widespread (physical / mental) benefits to the entire City.	>\$4m	Compelling, positive key stakeholder impacts and support / Consistent increasing confidence and trust in the City's capabilities and intentions. Widespread, positive, sustained social and media with improved credibility of Council/Elected Members and key Executives.	Long term viability certain. All services, programs and activities delivered effectively and efficiently. All required outcomes achieved. Compelling evidence of 'Best Practice' status.	Beyond Compliance' approach and outcomes considered as the City meeting national best practice.	Positive tangible and sustainable long-term City-wide impacts with positive benefits for social amenity to the vast majority of the City's community.	Positive tangible and sustainable long-term City-wide impacts with positive environmental / heritage benefits.	Incline of economic activity and/or increase of value > 50%. AND/OR Permanent development and maintenance of key commercial/industrial sectors in the City.



MEASURES OF LIKELIHOOD

LEVEL	DESCRIPTOR	DESCRIPTION	PROBABILITY
1	Rare	The event may occur only in exceptional circumstances.	<5%
2	Unlikely	The event could occur at some time.	5-25%
3	Possible	The event should occur at some time.	25-75%
4	Likely	The event will probably occur in most circumstances.	75-95%
5	Almost certain	The event is expected to occur in most circumstances.	>95%

EXISTING CONTROL ENVIRONMENT (FOR RISK OR OPPORTUNITY)

LEVEL	DESCRIPTOR	DESCRIPTION
E	Excellent	Controls are excellent, appropriate and fully effective. They operate to defined Australian Standards and the overall control environment provides assurance that the risk or opportunity is being managed. Control objectives are being fully met and no improvements to controls have been identified.
A	Adequate	The overall control environment is adequate, appropriate and effective. It provides reasonable assurance that the risk or opportunity is being managed. Certain controls may require improvement to ensure that the overall environment will continue to operate effectively.
I	Inadequate	Numerous specific controls weaknesses or gaps were noted. Overall control environment is not adequate or effective and fails to provide reasonable assurance that risks, and opportunities are being managed and control objectives are being met. The control environment needs improvement.

RISK MATRIX

Significant Positive Impact (5)	Moderate (5)	Moderate (10)	Significant (15)	Compelling (20)	Compelling (25)
Major Positive Impact (4)	Moderate (4)	Moderate (8)	Significant (12)	Compelling (16)	Compelling (20)
Moderate Positive Impact (3)	Low (3)	Moderate (6)	Moderate (9)	Significant (12)	Significant (15)
Minor Positive Impact (2)	Low (2)	Moderate (4)	Moderate (6)	Moderate (8)	Moderate (10)
Insignificant Positive Impact (1)	Low (1)	Low (2)	Low (3)	Moderate (4)	Moderate (5)
	Rare (1)	Unlikely (2)	Possible (3)	Likely (4)	Almost Certain (5)
Insignificant Negative Impact (1)	Low (1)	Low (2)	Low (3)	Moderate (4)	Moderate (5)
Minor Negative Impact (2)	Low (2)	Moderate (4)	Moderate (6)	Moderate (8)	Moderate (10)
Moderate Negative Impact (3)	Low (3)	Moderate (6)	Moderate (9)	Significant (12)	Significant (15)
Major Negative Impact (4)	Moderate (4)	Moderate (8)	Significant (12)	Extreme (16)	Extreme (20)
Critical Negative Impact (5)	Moderate (5)	Moderate (10)	Significant (15)	Extreme (20)	Extreme (25)



CRITERIA FOR MANAGING RISK



LEVEL OF DOWNSIDE / UPSIDE	CRITERIA FOR MANAGEMENT	REPORTING TO	WHO IS RESPONSIBLE
Compelling Upside	Vigorously pursue with excellent control environment (Subject to alignment with appetite)	Ongoing reporting to CEO & Relevant Committee	Executive Leadership Team
Significant Upside	Actively pursue with adequate control environment (Subject to alignment with appetite)	Monthly reporting to Executive Leadership Team Quarterly reporting to Relevant Committee	Executive Leadership Team
Moderate Upside	Static embrace of opportunity with adequate controls (Subject to alignment with appetite)	Quarterly reporting to Relevant Committee	Owner
Low Downside / Low Upside	Acceptable with adequate controls (subject to alignment with appetite)	Annual reporting to Relevant Committee	Owner
Moderate Downside	Acceptable with adequate controls (subject to alignment with appetite)	Quarterly reporting to Relevant Committee	Owner
Significant Downside	Requires excellent controls Refer to Senior Executive for acceptance decision	Monthly reporting to Executive Leadership Team Quarterly reporting to Relevant Committee.	Executive Leadership Team
Extreme Downside	Refer to Senior Executive for acceptance decision	Immediate and ongoing reporting to CEO & Relevant Committee	Executive Leadership Team



Risk Appetite Statement (RAS 2b)

The City of Fremantle (the City) has a **‘vision’** which is articulated in its Strategic Community Plan (SCP)⁵. The plan envisages Fremantle as “a *destination city*”:

- *A city that is clever and creative, inspiring and inclusive*
- *A city that welcomes and celebrates all people and cultures*
- *A city that encourages innovation, prosperity and achievement*
- *A compassionate city that cares for the wellbeing of our people and the environment we share*
- *A city that thrives on diversity, that dares to be different.”*

To effectively work toward this vision, the City commits to the proper identification, analysis, assessment and treatment of risk through a robust risk management framework (RMF). This ensures all risks are effectively managed and controlled. To determine our risk appetite the following criteria has been applied:

ALARP	Risk is reduced to ‘As Low As Reasonably Practicable’. There is no appetite for any breaches of controls or standards.
Low	Some appetite for low risks in this area however no appetite for substantive risks at any time.
Moderate	Moderate levels of risk are subject to there being a full understanding of the potential benefits and risks, the required authorisation is obtained, and the controls are adequate, in place and effective.
High	Higher levels of risk subject to there being a full understanding of the potential benefits and risks, the required authorisation is obtained, and the controls are excellent, fully in place and effective.

People

The City understands that across the activities and services delivered there are health and safety exposures present which need to be managed. For staff, these include mental health and physical hazards in the offices, depots, field and whilst home working. The City seeks to reduce the likelihood of negative people (i.e., health and safety) consequences to **‘ALARP’**.

The safety and health of employees, contractors, consultants, partners, clients and third parties are paramount. The City has no tolerance for consent, connivance or neglect that jeopardises the health, safety or welfare of any stakeholders/interested parties.

⁵ <https://www.fremantle.wa.gov.au/strategic-community-plan-0>



The City has an expectation of a '*precautionary*' approach being demonstrated supported by effective and auditable management systems to evidence management of health, safety and welfare-related risks. This approach is considered to apply both organisationally and in the wider realm of public safety.

Finance

The City recognises the ongoing balance to be struck between the levels of rates and the service provision offered to the ratepayers of Fremantle. The City will actively seek new revenue sources and will strive to be more efficient through innovation. Innovation, for example in the events that are delivered, places that are activated and infrastructure or amenities provided requires a level of failure and accompanying financial loss to be acknowledged and a level of downside risk to be acceptable. From a financial loss perspective, there is a '**low**' appetite.

Stakeholders & Reputation

The City recognises that the notion of being viewed by stakeholders as credible and relevant player relies on an ability to act collaboratively and take opportunities. However, effective collaboration with stakeholders also relies on the City managing expectations and pushing back against demands for '*unfunded*' service delivery where the City has the discretion to do so. From a stakeholder and reputation perspective, there is a '**moderate**' appetite.

Performance

The City is cognisant of the need to balance strategy against its capacity for execution. Principally, this is in striking the appropriate balance between new projects and existing operating activities and between the City's customer facing and back of house operations and resource allocation.

The City has an appetite to embrace any economies of scale or shared services which would benefit community representation and the service provision to that Fremantle community.

The City will only employ and work with competent and capable personnel and suppliers to apply better practice management methodologies and to deliver all the required outcomes expected. It is recognised that organisational characteristics and increasing expectations of '*innovation*' in the provision of services and activities requires the continued development by the City of relationships and partnerships with new entities and the development of new ways of working. From an organisational performance perspective, the City accepts a '**moderate**' appetite is required.



Legal & Compliance

From the perspective of compliance, the City will not tolerate fraud, corruption or acts or decisions that put the financial stability or reputation of the City at risk. As such, the City will not tolerate exceedance to expense limits, budgets or agreed expenditure and expects to have, as a minimum, adequate controls in place to manage all governance, risk and compliance-related challenges. the City will not tolerate misconduct, wilful breaches of confidentiality, unauthorised disclosure of sensitive and confidential data or a lack of transparency in our reporting to stakeholders. Any unforeseen errors or inaccuracies that might impact our stakeholders, compliance or reputation will be reduced to '**ALARP**'.

It is the expectation of the City that the individuals who work for it consistently and continually operate in an ethical, accountable and responsible manner over the long term. the City recognises that exhibiting its core values of excellence, trust, engagement and valuing people need to be married up with robust governance to ensure the City is conforming and performing to expectations. These are non-negotiables. In that context, the City has determined it has a '**low**' appetite for legal and compliance-related damage.

Community / Social

The City recognises the balance to be struck between meeting the community needs of the metropolitan and regional communities, and the pressure for infill growth with the retention of key historical sites. Whilst the City has an appetite for infill growth, the timing of the projects and the density of those projects could threaten Fremantle's unique identity and creativity. That unique identity of Fremantle means gentrification cannot come at the expense of diversity and inclusion. From a community / social perspective, the City accepts a '**moderate**' appetite is required.

Environmental / Heritage

The appetite of the City is to strike the optimum in balancing development with retention of Fremantle environment and heritage. The City has a '**low**' appetite for compromising the flora, fauna or heritage artifacts of the area which would impact environment / heritage.

Commercial / Economic

The City acknowledges the need to manage the number of visitors to Fremantle (e.g., doubling residents on any given day) whilst recognising their commercial and economic importance. There is an appetite for a larger population within the City for future sustainability, and to embrace the maintenance of a 'Port City' that leverages flag ship government projects (e.g., Westport). The City accepts a '**moderate**' appetite is required.



Appendix 4: Risk Management Process

Communication and consultation

Communication and consultation with external and internal stakeholders/interested parties is an essential and valuable part of the risk management process at The City. A collaborative approach is preferred as it provides the opportunity for different perspectives and expertise.

Establishing the context (including scope and criteria)

Prior to commencing risk management, the context for the activity is clearly specified. This includes defining:

- the purpose of the risk exercise and the expected outcomes;
- the scope, boundaries, assumptions and interrelationships;
- the environment, objective, strategy, activity, process, function, project, product, service or asset under consideration; and
- the risk assessment methodologies or approach.

Once this is determined, the essential personnel who need to be involved in the assessment are identified.

Risk identification

The context defined in the previous step is used as the starting point for identifying risks. A practical and effective approach to risk identification is to consider what is critical to the successful achievement of the objectives related to that particular context, and what are the potential opportunities or 'roadblocks' arising from areas of uncertainty (*e.g. assumptions, limitations, external factors, etc*). Included in this consideration are any internal or external events or situations which may give rise to a risk, and any risks identified through internal or third-party audits, assessments and reviews. Typically, risks are worded either with the use of 'critical success factors' (CSFs) or through 'cause-event-consequence' (CEC) statements:

- 1) CSFs. When considering an activity, consider what is critical that you get right about the activity (*e.g. with Elected Member reporting, it may be timeliness and accuracy*), and word the risk based on this critical activity (*e.g. failure to ensure timely and accurate Elected Member reporting*);
- 2) CECs. Consider the event that you are most concerned about (*e.g. timely reporting*), the principal potential cause (*e.g. Inadequate reporting systems*) and the principal potential consequence (*e.g. sub-optimal decision making*). These can then be constructed into a statement (*e.g. Inadequate systems cause untimely reporting leading to suboptimal decision making*).



Risk analysis and evaluation (assessment)

For each risk, possible causes of the risk eventuating are identified. Each risk may have one or more causal factors which can either directly or indirectly contribute to it occurring. Identifying the range of causes assists in understanding the risk, identifying the most appropriate controls, evaluating the adequacy of existing controls and designing effective risk treatments. This step also considers the potential consequences of the risk, including knock-on or cascading effects. Comparing the level of risk with the contents of the risk assessment criteria determines the acceptability of the risk. Risk analysis is undertaken with varying degrees of detail, depending on the risk, the purpose of the analysis, and the information, data and resources available. Analysis is qualitative, semi-quantitative or quantitative, or a combination of these, depending on the circumstances. Such techniques are comprehensively considered in 'ISO 31010: Risk Assessment Techniques', a companion to the Risk Management Standard. Risk analysis and evaluation involves identifying and evaluating any existing controls and analysing the risk in terms of consequences and likelihood, considering the effectiveness of the controls (i.e. 'Residual Risk').

Controls

Controls are the measures that are currently in place (*i.e. at the time of the risk assessment*), that materially reduce the consequences and/or likelihood of the risk. Controls are tangible, auditable and documented. A 'Hierarchy of Control' is applied which ensures the most effective controls are considered first (*e.g. eliminate entirely, substitute it, isolate it and engineer it out prior to relying on administrative controls*).

Level of Risk

The Level of Risk (LoR), or Risk Rating, is calculated by multiplying the consequence and likelihood ratings. For any risk, there may be several different consequence/likelihood scenarios. Within each category there may be multiple scenarios ranging from 'minor but likely' to 'catastrophic but rare'.

The City rate what is the realistic worst-case scenario. In some instances, it may be appropriate to rate the same consequence category more than once. Where there are multiple ratings for a risk, the highest combination of consequence/likelihood is taken as the LoR. The LoR is then compared to the defined risk criteria to assist the risk owner in determining whether a risk requires further treatment.

The City captures three different 'Levels of Risk' – Inherent risk (*i.e. before controls are applied*), Residual risk (*i.e. after controls are applied*) and 'Post-treatment' (*i.e. a prospective level of risk considering further treatments*).



Consequence

A risk that eventuates may impact The City to a greater or lesser extent across multiple areas. Consequences of the risk can be assessed across the relevant consequence categories, which are defined in the risk assessment criteria tables (see Appendix 3).

Likelihood

This describes how likely it is that a risk will eventuate with the defined consequences. Likelihood can be assessed in terms of probability or frequency, depending on what is most appropriate for the risk under consideration. When you are rating the likelihood of a risk, ask “*How likely is it for this risk to occur, given the existing controls, to the level of consequence identified?*” (See Appendix 3)

Risk Acceptance/Treatment Decision

Once a risk has been analysed and evaluated, the risk owner makes an informed decision to do one of the following:

- Accept the risk – the opportunity outweighs the risk; the existing controls meet the criteria specified in the Risk Assessment Criteria and the risk is within the defined tolerance and appetite of The City;
- Avoid the risk – do not carry on with the activity that is associated with the risk;
- Treat the risk – reduce the consequence, likelihood or both and/or improve the controls rating by strengthening existing controls or developing new controls so that the risk can be accepted. Note: Any risks associated with health and safety are managed to a level which is “as low as reasonably practicable” (ALARP).
- Transfer the risk – reducing the financial impacts of insurable risk to the organisation through contracts (*e.g. of insurance*).

Risk-based decisions are made in line with the criteria outlined in the risk assessment criteria tables (Appendix 3).

Monitoring and review

Risk monitoring, review, reporting and recording are integral parts of the planning, management and oversight activities of The City. These are specified in ‘Integrating Risk Management’, Section 3 of this RMF.



Appendix 5: Schedule of Activities

The following are The City risk-management related activities over the year:

Month	Internal Activities	Notes	External Activities
January	Compliance Audit Return (CAR), including risk management attestation		
February			Community consultation for Strategic Development Plan, including consideration of public/community risk
March	Risk-based projects agreed as part of the Corporate Business Plan / Service Unit Plans Consideration of workforce allocation for risk management as part of Workforce Review. Consideration of budget for risk management-related items as part of budgeting process.		
April			
May	Risk responsibilities reviewed as part of the Delegations Review		
June	Review of CAR actions, including risk-based actions		
July			
August			
September			
October			
November	Establishment of Audit & Risk Management Committee	Following Elections	
December			Public provision of Annual Report, including risk management status.