



# RISK MANAGEMENT PROCEDURES

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## 1. PURPOSE

This procedure documents the application of the structured risk management methodology to be used to assess; prioritise; treat and monitor risks identified in accordance with AS ISO 31000:2018 Risk Management - Guidelines and Council's Enterprise Risk Management Framework.

## 2. SCOPE

This procedure applies to all Mount Isa City Council ("Council") councillors, employees, volunteers, agents and contractors (including temporary contractors of Council).

## 3. OVERVIEW

This Procedure details how Council will identify, measure, treat, monitor risks.

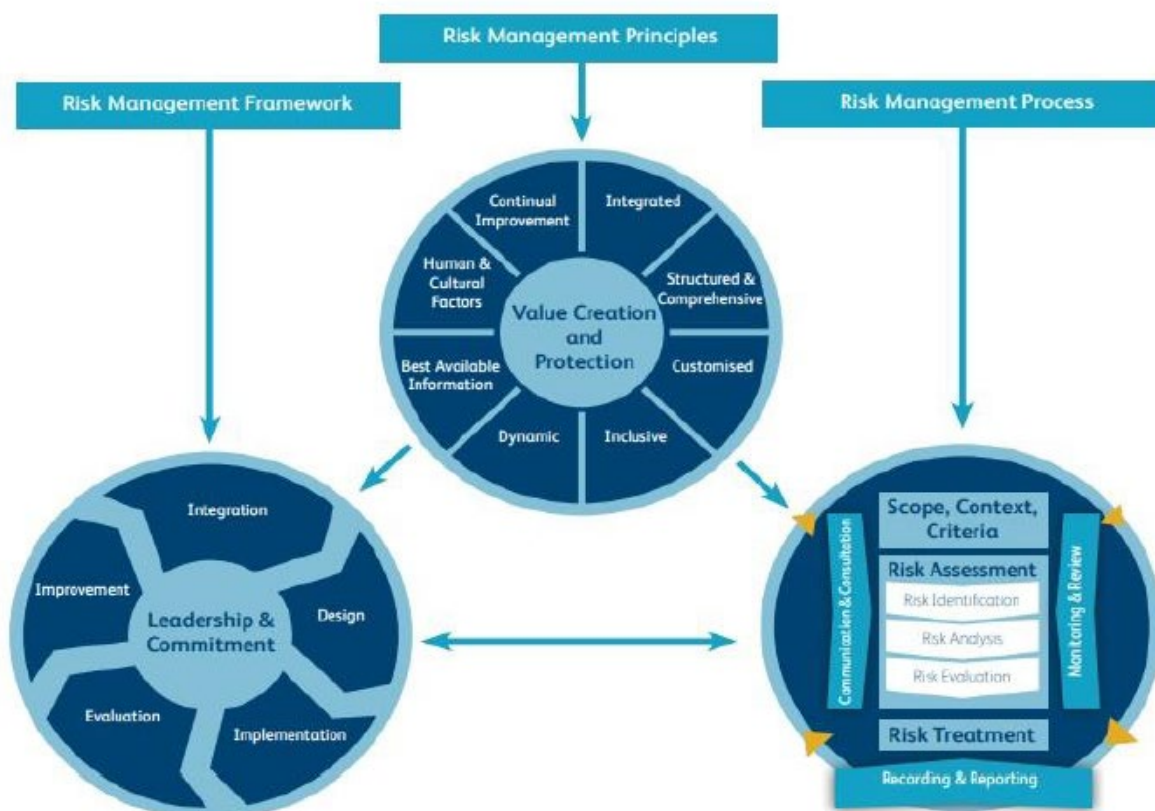
## 4. INTRODUCTION

Risk management is the application of management policies and processes to enable the systematic identification, analysis, treatment and monitoring of risk. Risk management activities inform decision making, support the achievement of objectives and the prevention of harm.

The management of risk is an integral aspect of Council's culture, reflected in its policies, systems and processes. This includes strategic business planning, performance management and overall governance to ensure sound financial management and effecting service delivery for ratepayers and the community.

Council is responsible for ensuring it considers and implements appropriate risk management strategies to manage risk. The adoption of a systematic approach to risk management is critical as expectations of the community and the standard of service delivery increases.

**Figure 1. Principles, framework and risk management process from AS ISO 31000:2018**



## 5. RISK MANAGEMENT PRINCIPLES

For risk management to be effective, Council shall comply with the following principles.

- a) **Integrated** – Risk management is an integral part of all organisational activities.
- b) **Structured and comprehensive** – A structured and comprehensive approach to risk management contributes to consistent and comparable results.
- c) **Customised** – The risk management framework and process are customised and proportionate to the organisation's external and internal context related to its objectives.
- d) **Inclusive** – Appropriate and timely involvement of stakeholders enables their knowledge, views and perceptions to be considered. This results in improved awareness and informed risk management.
- e) **Dynamic** – Risks can emerge, change or disappear as an organisation's external and internal context changes. Risk management anticipates, detects, acknowledges and responds to those changes and events in an appropriate and timely manner.
- f) **Best available information** – The inputs to risk management are based on historical and current information, as well as on future expectations. Risk management explicitly takes into account any limitations and uncertainties associated with such information and expectations. Information should be timely, clear and available to relevant stakeholders.
- g) **Human and cultural factors** – Human behaviour and culture significantly influence all aspects of risk management at each level and stage.
- h) **Continual improvement** – Risk management is continually improved through learning and experience.

## 6. APPROACH

### 6.1 Context

The definition of a risk is the 'effect of uncertainty on objectives'. The first step is to determine the context within which our objectives are being pursued. That is, the external or internal environment in which Council seeks to achieve the particular objective.

The external environment in which Council operates requires it to consider the following aspects:

- The business, social, regulatory, cultural, technological, economic, natural, competitive, financial, legal and political environment
- Council's strengths, weaknesses, opportunities and threats
- Relationships with external stakeholders, their perceptions and values
- Key business drivers and trends having an impact on the objectives of Council

The following are examples of how the external environment can impact on and increase the level of risk management required of local government:

- The increasingly litigious society in which we live where individuals accept no responsibility for their own actions and where Courts place the duty of care entirely on the shoulders of local government
- The impacts of financial crisis on businesses and individuals and their inability to absorb increased rates, fees and charges
- The increasing emphasis on environmental sustainability and the requirement for Councils to manage greenhouse gas emissions and reduce their carbon footprint and
- The increase in regulatory and accountability requirements imposed by other levels of government

In understanding and defining its internal context, Council is required to examine the following key areas:

- Culture, perceptions and values
- Relationships with and the perceptions and values of internal stakeholders
- Organisational structure, roles and accountabilities
- Capabilities in terms of resources and knowledge such as people, systems, processes; capital, time and technologies
- Policies, objectives and the strategies that are in place to achieve them
- Information systems, information flows and decision-making processes (both formal and informal)
- Standards, procedures and models adopted by Council
- Form and extent of contractual relationships

Council has identified two levels of risk:

**i. Strategic Risks**

From the 5-year Corporate Plan, Key Result Areas and Long-term Strategies. Risks from the annual Operational Plans affecting whole of Council and/or whole of Department, including priority projects.

**ii. Operational Risks**

From Workgroup-specific operations, services, initiatives, projects, events and “business as usual” items.

Risks in any of these categories include those potentially arising from or related to internal, external, project-related, financial, technical, compliance, sustainability, work health and safety or reputational issues.

Other Risk Treatment Plans and registers may exist (e.g. Asset Management Risk Register, Safety Management System, Risk Treatments, Business Continuity Plans) but all plans / registers will work within the same Risk Management Framework and Policy but may differ in content and detail.

## 6.2 Objectives

The Council's strategic organisational objectives are as outlined in its Corporate and Operational Plans and these objectives will be further refined as Council undertakes the preparation of its long-term Financial Management Plans as required by the Local Government Act 2009. However, there are a number of factors that will influence Council's ability to achieve its objectives.

The process of 'establishing the context' sets out the basic parameters within which Council's risks will be managed. It is concerned with defining the organisational objectives, both the internal and external environment in which these objectives are pursued as well as establishing the risk management context.

## 6.3 Stakeholders

To gain a complete understanding of the context of Council's risks, it is important to analyse stakeholders. Stakeholders may assist in the management of risk or if their objectives conflict with Council's, they could be considered a source of risk. Key external and internal stakeholders that need to be considered include:

- Senior management
- Council employees
- Employees families
- Elected members
- Local businesses
- The community

- Community interest groups and other representative organisations
- Legislators and regulators
- Contractors and suppliers
- Emergency services
- Financial institutions
- The media

By considering all the above factors and developing an understanding of how they can impact on the achievement of Council's strategic objectives and how they will help ensure that Council takes advantage of opportunities while also mitigating threats to its objectives and operations.

## 7. PROCESS

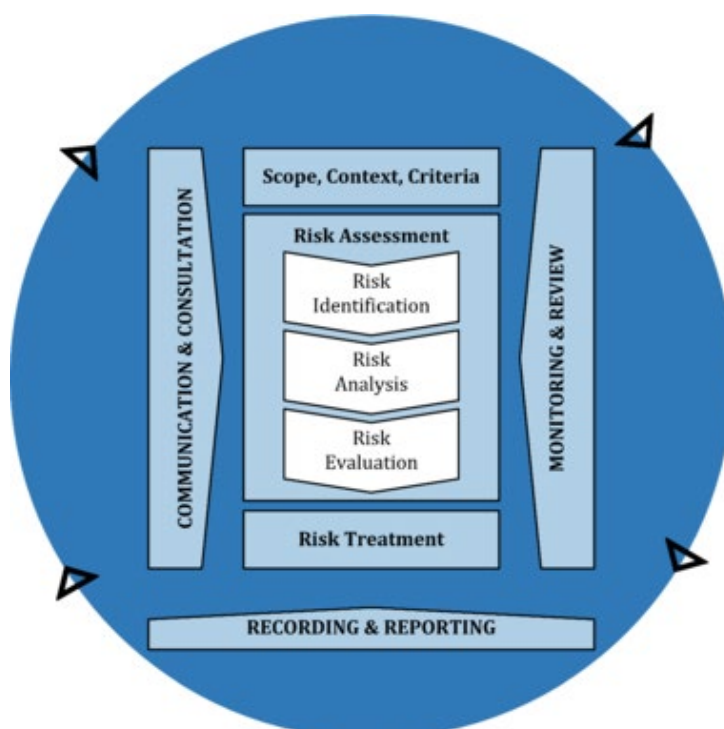
Risk Management is the process of identifying, analysing and responding to risk factors (those factors that may potentially cause loss, damage or injury) prior to and throughout:

- 1) the delivery of a strategy
- 2) delivery of services / events
- 3) the life of a project
- 4) management of safety and other compliance issues

Risk Management is applied in the best interests of Council, employees and the community it serves. Proper risk management implies control of possible, foreseeable future events and is proactive rather than reactive. Risk Management may expose opportunities as well as threats.

The process adopted by Council to manage risks are in accordance with AS ISO 31000:2018-Risk Management-Guidelines. This process is the application of the structured risk management methodology to be used to assess; prioritise; treat and monitor risks identified. The risk management process may capture inherent risk (prior to taking into account controls in place), residual risk (after taking into account controls in place), or both.

**Figure 2. Risk Assessment Process**



The main elements of an effective Risk Management approach are as follows:

- a) Communicate and Consult
- b) Establish the Context
- c) Risk Assessment:
  - Identify Risks
  - Analyse Risks
  - Evaluate Risks
- d) Treat Risks
- e) Monitor and Review

## 7.1 Communicate and Consult

It is an essential part of the risk management process to develop and implement an effective framework to communicate and consult with all relevant stakeholders, internal and external as appropriate, at each stage of the risk management process and concerning the process as a whole. The level of communication and consultation will vary depending on the level of interest and or influence of that particular stakeholder individual or group. Communication and consultation are necessary at every stage of the risk management process.

## 7.2 Establish the Context

Stage one of the processes establishes the strategic, organisational and risk management context in which the rest of the process will take place. This includes the criteria, against which risk will be evaluated, the risk appetite of the organisation and corrective actions for the different rating achieved in the assessment of the risks.

In considering context, it is necessary to consider the broader external environment in which the organisation operates and not just internal matters.

A written statement of context is to be documented and communicated at the appropriate levels within the organisation.

## 7.3 Risk Assessment

### 7.3.1 Identify Risks

At this stage, the organisation identifies what, why and how things can arise, that may affect the organisation, as the basis for further analysis. This is done at both strategic and operational levels of the organisation. It is important to identify all potential risks because a risk not identified cannot be managed.

A Risk Assessment template can be found at *Appendix 1*.

To enable Council's risks to be identified, documented, recorded and compared on a consistent basis, a set of Risk Groups and Risk Areas has been developed. These groups and areas should be used for all risk identification and recording activities at strategic and operational levels. Refer to Appendix 2 for further information.

The risk identification process includes identifying sources of risks as well as their causes, together with the relevant circumstances which can have an impact on the objectives, and the nature of that impact. Risk identification can often be simplified to two basic questions being:

- what can happen
- how and why might it happen?

### 7.3.2 Analyse Risk

This stage should include an assessment of inherent risk, being the risk without considering any existing controls. This provides two benefits or insights:



- a view of the efficacy of the controls
- an identification of those risks that will have a significant consequence should the controls fail

The residual risk level is the assessment of the risk remaining after existing controls in place (existing processes and procedures). If the assessed level of an inherent risk does not reduce when the residual risk level is assessed, then this may indicate the controls are ineffective, and possibly a waste of money.

It may also be considered that the assessed inherent risk level is an acceptable level, and the controls are superfluous. Removal of the controls may be warranted, with no further action apart from periodic monitoring and review.

On the other hand, the residual risk level may be unacceptable where it remains outside the Council's risk tolerance or other criteria, and further treatment is required. In that case, the assessment of the risk in light of proposed treatments might be called the proposed or target risk level.

Risks are analysed in terms of likelihood and consequence in the context of those controls. The analysis will consider the range of potential risk exposure consequences and how likely those consequences are to occur. The consequence and likelihood are then combined to produce an estimated level of risk known as the Overall Risk Rating.

## **Possible causes of risk**

Various sources of risk include, but are not limited to:

- Risks to strategic and operational initiatives and projects
  - Ineffective decision making
  - Failure to provide services
  - Some activity not being managed as projects
  - Too many projects going on at one time
  - Conflicting project priorities
  - Impossible schedule commitments
  - No functional input into the initiation and planning phases
  - Lack of specific responsibilities for achievement of outcomes
  - Poor control of design changes
  - Ineffective teamwork
  - Poor control of customer changes, community expectations and service levels
  - Poor understanding of the project manager's role or role performance issues
  - Lack of integration of activity into and across Integrated Planning Framework
  - Resources are overcommitted
  - Lack of cost accounting by people in the field
- External risks
  - Unpredictability
  - Unforeseen regulatory requirements
  - Natural disasters
  - Vandalism, sabotage or unpredicted side effects
  - Political influence
  - Media risks
  - Pandemics



- Global megatrends
- Sustainability risks
  - Financial sustainability - risks to income or expenditure, asset and balance sheet management
  - Economic sustainability – risks to the nurturing of economic strength of the region
  - Environmental sustainability – risks to safeguarding the local environment
  - Social sustainability – risks to the well-being, health, resilience and security of the community
  - Organisational sustainability - risks to the business capability and reputation of the organisation, and safety of staff, contractors and community
- Work health and safety risk
  - Plant / engineering design, maintenance, guarding, procedures or use
  - Environment such as chemicals, dust, waste, lighting, noise, temperature
  - People factors – inadequate training, supervision or communication, provision of unsafe equipment
  - Materials such as poor work practices, housekeeping, cleaning, handling and disposal
  - Practices such as timing, rushing jobs, ergonomic design or non-compliance with procedures
- Financial risks
  - Changes to regional or national economy
  - Lack of asset management
  - Unsustainable creditor/debtors
  - Liquidity or cash-flow issues
  - Fraud or corruption
  - Inflation, deflation, interest rates or investment
  - Flawed forecasting or modelling
  - Insurance risks
- Technical risks
  - Technology changes
  - Risks stemming from design process
- Compliance risks
  - Legislation
  - Contract law or regulation
  - Complaints management and potential litigation
  - Labour or workplace problems
  - Code of Conduct issues

## Determining Likelihood

In determining the likelihood of each risk, the following ratings and definitions have been applied. In making your assessment you must remember that some events happen once in a lifetime, other can happen almost every day. Judgement is required to determine the possibility and frequency that the specific risk is likely to occur.

**Table 1. Likelihood Table**

Rating	Description	Definition - Likelihood of Occurrence
1	Rare	Will only occur in exceptional circumstances
2	Unlikely	Not likely to occur within the foreseeable future, or within the project lifecycle
3	Possible	May occur within the foreseeable future, or within the project lifecycle
4	Likely	Likely occur within the foreseeable future, or within the project lifecycle
5	Almost Certain	Almost certain to occur within the foreseeable future, or within the project lifecycle

## Determining Consequence

In determining the consequence of each risk, the following ratings and definitions have been applied. There are five levels used to determine consequence and when considering how risks may impact on the organisation it is also important to think about the non-financial elements as well.

**Table 2. Consequence Table**

Description	Qualitative Definition - Consequence
Insignificant	An event, where the impact can be absorbed; no injuries; low financial loss
Minor	An event, the consequences of which can be absorbed but management effort is required to minimise the impact; first aid treatment; low-medium financial loss
Moderate	A significant event, which can be managed under normal circumstances; medical treatment; medium financial loss
Major	A critical event, which with proper management can be continued; extensive injuries; loss of production capability; major financial loss
Catastrophic	A disaster, which could lead to the collapse of the organisation; death; huge financial loss

Quantitative parameters have been developed to enable the organisation to consistently assign consequence ratings to potential risks. These quantitative measures assign the organisation's risk tolerance parameters applicable to each of the five consequence levels. This approach ensures that all staff can rate the consequence of a risk occurring against the organisation's established parameters, instead of their own personal choice. These quantitative parameters are listed in the Consequence Matrix below.

**Table 3. Consequence Matrix**

Consequence	Rating	Operational – Business Continuity	Environmental	Information Technology	Strategic/Corporate Governance – Reputation - Political	Human Resources	Infrastructure, Asset & Property	WH & S	Financial and Economic
<b>Catastrophic</b>	<b>5</b>	The continuing failure of Council to deliver essential services. The removal of key revenue generation.	Widespread and irreversible environmental damage attributed by the courts to be negligent or incompetent actions of MICC.	Widespread, long-term loss of IT network/ hardware.	Loss of State Government support with scathing criticism and removal of the Council. National media exposure. Loss of power and influence restricting decision making and capabilities.	Staff issues cause continuing failure to deliver essential services.	Widespread, long-term loss of substantial key assets and infrastructure.	Fatality or significant irreversible disability.	<b>Huge financial loss</b> >\$1M revenue (excluding capital revenue)
<b>Major</b>	<b>4</b>	Widespread failure to deliver several major strategic objectives and service plans. Long-term failure of Council causing lengthy service interruption.	Severe environmental impact requiring significant remedial action. Penalties and/or direction or compliance order incurred.	Widespread, short to medium term loss of IT network/ hardware.	State media and public concern/ exposure with adverse attention and long- term loss of support from MICC Shire residents. Adverse impact and intervention by State Government.	Staff issues cause widespread failure to deliver several major strategic objectives and long-term failure of day-to-day service delivery.	Widespread, short to medium term loss of key assets and infrastructure.	Extensive injuries. Lost time of more than 4 working days.	<b>Major financial loss</b> Between \$1M and \$500,000 revenue (excluding capital revenue)
<b>Moderate</b>	<b>3</b>	Failure to deliver minor strategic objectives and service plans. Temporary & recoverable failure of Council causing intermittent service interruption for a week.	Moderate impact on the environment; no long term or irreversible damage. May incur cautionary notice or infringement notice.	Short to medium term loss of key IT network/ hardware.	Significant state-wide concern/ exposure and short to mid-term loss of support from MICC residents. Adverse impact and intervention by another local government & LGAQ.	Staff issues cause failure to deliver minor strategic objectives and temporary and recoverable failure of day-to-day service delivery.	Short to medium term loss of key assets and infrastructure.	Medical treatment. Lost time of up to 4 working days.	<b>Moderate financial loss</b> Between \$500,000 and \$250,000 revenue (excluding capital revenue)
<b>Minor</b>	<b>2</b>	Temporary and recoverable failure of Council causing intermittent service interruption for several days.	Minor environmental damage such as remote temporary pollution.	Minor loss/damage. Repairs required	Minor local community concern manageable through good public relations. Adverse impact by another local government.	Staff issues cause several days interruption of day-to-day service delivery.	Minor loss/damage. Repairs required.	First aid treatment. No lost time.	<b>Minor financial loss</b> Between \$250,000 and \$5,000 revenue (excluding capital revenue)
<b>Insignificant</b>	<b>1</b>	Negligible impact of Council, brief service interruption for several hours to a day.	Brief, non- hazardous, transient pollution or damage.	Damage where repairs are required however equipment still operational.	Transient matter, e.g. Customer complaint, resolved in day-to-day management. Negligible impact from another local government.	Staff issues cause negligible impact of day-to-day service delivery.	Damage where repairs are required however facility or infrastructure is still operational.	No injury.	<b>Insignificant financial loss</b> Less than \$5,000 revenue (excluding capital revenue)

## Determining the overall Risk rating

After the consequence and likelihood ratings have been determined they are combined in a matrix to determine the overall risk rating for each risk. The extent of the consequences and the extent of the likelihood risks will be assessed using a scale containing Low, Moderate, High and Extreme.

The table below illustrates how the combination of the consequence and likelihood generates the overall risk rating.

**Table 4. Risk Assessment Matrix**

RISK CALCULATOR					
Likelihood	Consequence				
	Insignificant No injury, no-low \$ cost	Minor First aid treatment, low- medium \$ cost	Moderate Medical treatment, medium-high \$ cost	Major Serious injuries, major \$ cost	Catastrophic Death, huge \$ cost
Almost Certain Expected to occur at most times	M	H	E	E	E
Likely Will probably occur at most times	M	M	H	H	E
Possible Might occur at some time	L	M	M	H	E
Unlikely Could occur at some time	L	L	M	M	H
Rare May occur in rare conditions	L	L	M	M	H

## Strategic Risks

Key Result Areas:

1. Risks to the development and maintenance of community capacity
2. Risks to the achievement of economic health for the Mount Isa communities
3. Risks to the maintenance of a healthy natural environment and sustainable management of resources and growth
4. Risks to the achievement of sound decisions and community confidence
5. Risks to the availability of fit for purpose sustainable infrastructure
6. Risks to the achievement of the long-term financial plan
7. Unrealistic expectations from stakeholders, customers, community
8. Unusual external political influences

Council or generic risks such as:

1. Not applying sustainability principles in:

- a) Financial - income / expenditure, asset and balance sheet management to ensure community expectations are financially viable
  - b) Economic - nurturing the economic strength of the region to ensure economic diversification and growth
  - c) Environmental - safeguarding the local environment
  - d) Social - the well-being, health, resilience and security of the community
  - e) Organisational - the business capability of the organisation, including the well-being of the workforce
2. A lack of leadership
- a) Inadequate management, lack of accountability
  - b) Leadership behaviour inconsistent with The Council Way
  - c) Too much management
  - d) Autocratic management
  - e) Unmanaged and/or too much “change”
  - f) Complex organisational structure
3. Inconsistency between Corporate and Operational Plans and budgets
- a) Untimely or lack of reporting
  - b) Ineffective decision making
4. Lack of financial acumen
- a) Lack of asset management
  - b) Unsustainable creditor/debtors
  - c) Liquidity/cash-flow issues
  - d) Fraud/corruption
  - e) Inflation/deflation/interest rates/investment
  - f) Flawed forecasting/modelling
  - g) Insurance risks
5. Not delivering on Customer Service Strategy
6. Not managing service levels
7. Not achieving Council's Safety Management System standards
- a) Plant / engineering design, maintenance, guarding, procedures or use
  - b) Environment such as chemicals, dust, waste, lighting, noise, temperature
  - c) People factors – inadequate training, supervision or communication, provision of unsafe equipment
  - d) Materials such as poor work practices, housekeeping, cleaning, handling and disposal
  - e) Practices such as timing, rushing jobs, ergonomic design or non-compliance with procedures
8. Not delivering on ICT Strategic Plan
- a) Inadequate sharing and use of data and knowledge

9. Not delivering on the Workforce Strategy
  - a) High turnover senior management
  - b) Lack of succession planning
  - c) Lack of skills/experience – key roles
  - d) Low staff engagement
10. Not developing and maintaining the Business Continuity Plan
11. Lack of governance / legislative compliance and transparency
  - a) Legislation / compliance
  - b) Contract law or regulation
  - c) Labour or workplace problems
  - d) Code of Conduct issues
  - e) Complaints management and potential litigation
  - f) Ongoing investigations, challenges from external bodies
  - g) Lack of continuous improvement in policy, procedure and practices
12. Technological change

### Operational Risks

Department or Work-group level risks to service delivery or achievement of initiatives

1. Not meeting customer service standards
2. Not achieving optimum asset utilisation
3. Not achieving budget / over-ambitious budgets
4. Not controlling fraudulent activity
5. An inappropriate workplace culture
  - a) Team Behaviour inconsistent with The Council Way
  - b) Ineffectual teamwork
6. Conflicting priorities
7. Late surprises
8. Not managing leave accruals
9. Not achieving project outcomes
  - a. Lack of a project plan
  - b. Unclear project roles and accountabilities
10. Lack of financial basics, cost controls, costing models and purchasing standards

### Evaluate Risks

The purpose of risk evaluation is to support decisions. Risks need to be evaluated and prioritised to ensure that management effort is directed towards resolution of the most significant organisational risks first. The initial step in this risk evaluation stage is to determine the effectiveness, and or existence of, controls in place to address the identified risks, and whether additional action is required. This can lead to:

- do nothing further
- consider risk treatment options
- undertake further analysis to better understand the risk
- maintain existing controls
- reconsider objectives

The following table will assist to determine the effectiveness, and or existence of, controls in place to address the identified risks.

Control Assessment	Description
<b>Adequate</b>	<ul style="list-style-type: none"> <li>• The controls address the identified risk and there is little scope for improvement.</li> <li>• There is no convincing cost/benefit justification to change the approach.</li> </ul>
<b>Opportunities for Improvement</b>	<ul style="list-style-type: none"> <li>• The controls contain some inadequacies and scope for improvement can be identified.</li> <li>• There is some cost/benefit justification to change the approach.</li> </ul>
<b>Inadequate</b>	<ul style="list-style-type: none"> <li>• The controls do not appropriately address the identified risk and there is an immediate need for improvement actions.</li> <li>• There is a significant cost/benefit justification to change the approach.</li> </ul>

Establish and compare identified risks with established risk tolerance levels.

- Extreme Risks are not tolerated / Work Health and Safety risks are not tolerated
- High, medium and low risk levels may be tolerated according to managers recommendation and Executive Manager approval (CEO approval for strategic risks), according to the nature of the risk and risk appetite
  - **Priority 1** Risks are E Risks after existing or residual risk controls are applied
  - **Priority 2** Risks are H, M or L Risks that are rated above the Tolerance Level after existing or residual risk controls are applied
  - **Priority 3** Risks are H, M or L Risks that are rated at or below the Tolerance Level after existing or residual risk controls are applied

If a Priority 1 or 2 Risk, develop responses to the risk (Risk Treatment focused on cause)

- Assessing possible remedies to manage the risk or prevent the risk from occurring
  - What existing controls are available to apply to this this risk?
  - What can be done to reduce the likelihood and/or impact of this risk?
  - What else can be done to manage the risk, should it occur?
  - Capture opportunities for improvement
- Council's Safety Management System provides six control options for Work Health and Safety Risks
  - Elimination
  - Substitution
  - Isolation



- Engineering
- Administration
- PPE

Develop a Contingency / Risk Mitigation Plan or preventative measures for such risks

- Allocate responsibility and action those ideas that were identified to reduce or eliminate risk likelihood and impact
- Those tasks identified to manage the risk, should it occur, are developed into short contingency plans for application should the risk occur, thereby reducing the need to manage the risk by crisis

Following the process of identification, analysis and evaluation of risks and controls, the outcomes are to be communicated with all relevant stakeholders and agreements reached with the various risk owners prior to being documented in the Risk Register.

### 7.3.3 Risk Register

Two Risk Registers have been developed to record and assess each risk identified as part of the risk identification stage.

The application of the stages of the risk assessment process noted above ensure there is consistency in the determination of the current risk severity level, taking into account the existing controls and their level of effectiveness in mitigating or addressing the risk. Refer to Appendix 3 for Council's Risk Registers, being the Strategic Risk Register and the Operational Risk Register.

### 7.3.4 Risk Profile diagram

At the completion of the assessment process, a risk profile diagram will be developed to highlight each of the risks identified and their overall risk rating.

The risk profile diagram will highlight to the CEO and senior executive the key risk exposures and number of risks within each rating range across the organisation. The risks will be categorised as **Extreme, High, Medium** and **Low** to assist management to target those risks that have the greatest potential impact on the organisation. Refer to Table 4. Risk Assessment Matrix

## 7.4 Treat Risks

After evaluating each risk and appropriate controls, it is the responsibility of the manager to implement the suitable treatment. Treatment needs to be appropriate to the significance and priority of the residual risk. As a general guide:

- a) **Control the risk** – by either reducing the likelihood of occurrence or the consequences e.g. Implement procedures for specified tasks.
- b) **Retain the risk** – where the risk cannot be avoided, reduced or transferred. In such cases, usually the likelihood and consequence are low. These risks should be monitored, and it should be determined how losses, if they occur, will be funded.
- c) **Transfer the risk** – involves shifting all or part of the responsibility to another party who is best able to control it (such as an insurer who bears the consequence of losses e.g. Motor vehicle insurance for Council vehicles).
- d) **Avoid the risk** – decide not to proceed with the policy, program or activity or choose an alternative means of action.

Determine the most effective treatment options by considering the:

- Cost/benefit of each option including the cost of implementation (do not consider financial considerations only; organisational, political, social and environmental factors should also rank)
- Use of proven risk controls

- Anticipated level of risk remaining after implementation of risk treatment. The final acceptance of this risk will be a matter for the appropriate Manager to decide

The approach for treatment of risks is:

Control Assessment	Description
<b>Adequate</b>	<ul style="list-style-type: none"><li>• The controls address the identified risk and there is little scope for improvement.</li><li>• There is no convincing cost/benefit justification to change the approach.</li></ul>
<b>Opportunities for Improvement</b>	<ul style="list-style-type: none"><li>• The controls contain some inadequacies and scope for improvement can be identified.</li><li>• There is some cost/benefit justification to change the approach.</li></ul>
<b>Inadequate</b>	<ul style="list-style-type: none"><li>• The controls do not appropriately address the identified risk and there is an immediate need for improvement actions.</li><li>• There is a significant cost/benefit justification to change the approach.</li></ul>

Once treatment options for individual risks have been selected, they should be assembled into action plans, risk treatment plans or strategies. The outcome of an effective risk treatment plan is knowledge of the risks Council can tolerate and a system that minimises those risks that it cannot tolerate.

Implementing a formal, documented treatment plan (where none exists) has the benefit of reducing the likelihood of a claim arising in the first place (or perhaps removing the risk), but at the least may provide significant evidence of a reasonable response to identified risks.

The decision to accept a risk will be determined by the agreed table indicating proposed corrective action and the risk appetite criteria established by the Council. For MICC a Low risk is accepted and only requires monitoring should circumstances change. For other risks, a specific management plan may be required to be developed and implemented which may include consideration of funding. Risk treatment strategies need also be considered to ensure that no new risks are introduced.

Refer to *Appendix 4* for Risk Treatment Plan.

### Control the Risk

In Council, controls generally include the following:

- corporate policies or procedures
- administrative or operational policies or procedures
- standards or specifications
- codes of practice
- management plans, systems or structures
- regulations or other organisational protocols
- legislation

The existence and proper application of these and other controls at all levels helps to ensure that Council operates efficiently, effectively and ethically.

## Assessing Controls

Formal controls are likely to be in place already for many risk exposures. The degree and effectiveness of existing controls over risks needs to be considered to allow a definitive risk ranking process. These controls need to be identified clearly and their effectiveness assessed. Major risks that are not subject to effective controls may cause catastrophic consequences. Some controls are informal, and their effectiveness may be anecdotal, so there is an important need to establish whether the control process is adequate, and the extent to which it is followed.

## The Control Matrix

It is not only necessary to identify controls but also to assess them. This assessment process is used to confirm that the control is in place and to validate the effectiveness, or otherwise, of each relevant identified control. The control practices matrix below provides a convenient way of doing this.

To assess control practices in place, the following questions apply:

- Does the control address the risk effectively?
- Is the control officially documented and communicated?
- Is the control in operation and applied consistently?

The matrix set out below should be used to score the control related responses to the above questions. Scores are to be added to give a total control rating.

		Does the control address the risk effectively?	Is the control officially documented and communicated?	Is the control in operation and applied consistently?	
	Yes =	1	1	1	
Answer /	Partly =	3	2	2	
Response	No =	6	3	3	
	Add Scores	+	+	+	= Total Control Rating

For example, a control that addresses the risk, is officially documented, and is in operation would score 3 (1+1+1), a perfect score.

To help staff to describe and attribute a control rating to the scores derived from the control practices matrix, the following indicative ratings can also be used:

SCORE	RATING	DESCRIPTION
7-12	Poor	At best, control addresses risk, but is not documented or in operation; at worst, control does not address risk and is neither documented nor in operation.
5-6	Fair	Control addresses risk at least partly, but documentation and/or operation of control could be improved.
4	Good	Control addresses risk but documentation and/or operation of control could be improved.
3	Excellent	Control addresses risk, is officially documented and in operation.

### 7.5 Monitor and Review

This stage establishes a process to monitor and review the performance of the risk management system implemented and changes that might affect the performance or give rise to new risks that will require assessment.

Both monitoring and reviewing should be a planned part of the risk management process and tailored to the needs of the organisation and the significance of the risks identified. It should be undertaken on at least an annual basis.

The continual process of monitoring and reviewing is required to ensure ongoing effective risk treatments and the continual improvement of the risk management standards.

**Monitoring** – assess whether current risk management objectives are being achieved.

Council can use inspections, incident reports, self-assessments and audits to monitor its risk management plan.

**Review** – assess whether the current risk management plan still matches Mount Isa City Council's risk profile. The risk management plan may be reviewed by studying incident patterns, legislative changes and organisational activities.

Possible methods for review:

Monitoring and review procedures should be determined as part of the risk management plan. As a guide, some possible methods of review include the following options:

- self-assessment
- physical inspections
- checking and monitoring success of actions and the extent to which the risk remains
- audit and reassessment of risk to achieving specified objectives
- Document Reviews
- Consultation
- Reporting of errors or complaints
- Claim and event history

When completing the review process, it is important the context in which the original risk was developed is reassessed. The review should also be informed by reports and recent events and include consideration of:

- Completeness of the register
- Continued existence of controls
- Adequacy of controls
- Risk ratings
- Treatment strategies
- Risk owner
- Risk review date

Results should be incorporated throughout performance management, measurement and reporting activities.

## 8. RISK DOCUMENTATION, MAINTENANCE AND REPORTING

The preparation, maintenance and retention of risk management documentation has several advantages. In summary it allows:

- accountability, and support, for decisions taken
- subsequent reviews to be completed to consider the effectiveness of risk management plans
- reviews to highlight good and poor results to ensure all staff within Council learn from the collective risk management experiences of the entire organisation
- documentation to be used to assist with the management of future similar projects, activities, work groups, etc.
- communication between all interested parties; for example
  - Audit and Risk Management Committee
  - Executive Management Team
  - Council
  - later justification for actions taken if project activity is not as successful as planned
  - all members of a risk management team to understand their role, the strategy adopted, and the outcomes expected

This communication process allows for continued accountability and responsibility. All risk management plans require documentation and must be retained.

### Reporting

The reporting structure below allows for the appropriate monitoring of results of risk management processes on an annual basis.

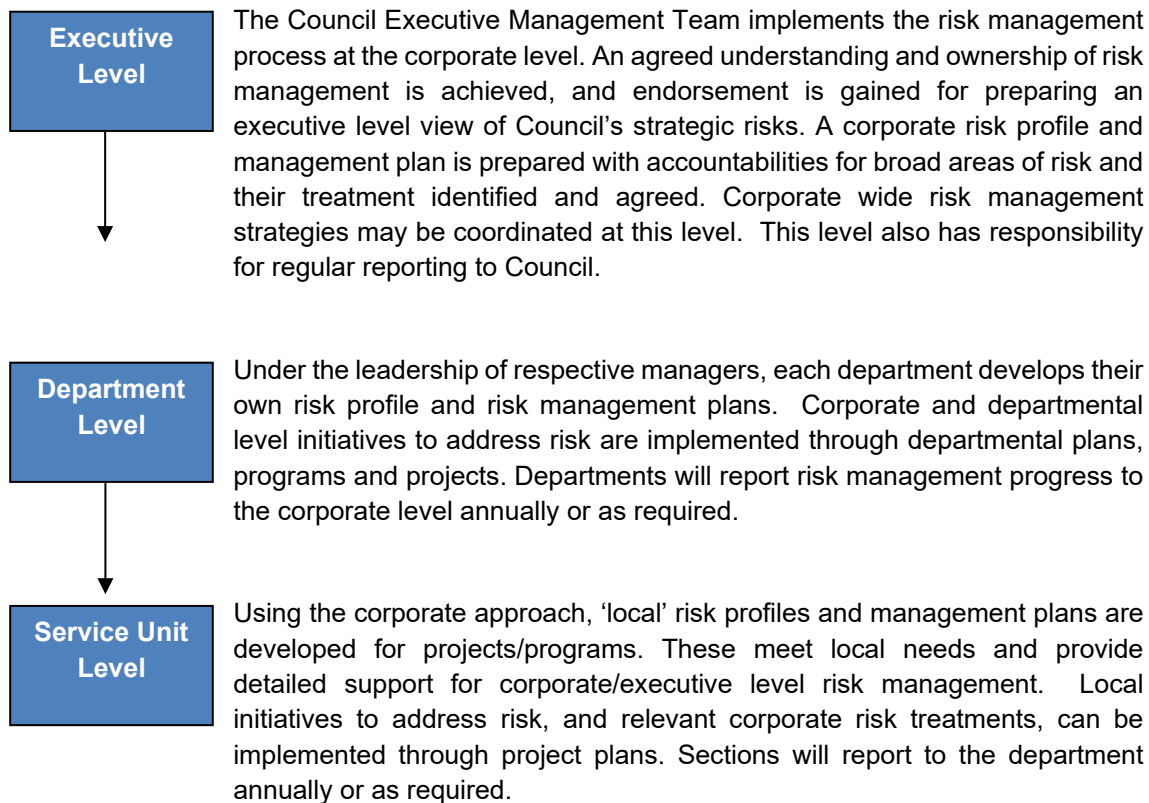
To ensure that all relevant Council personnel are fully informed of the status of risk management processes in place, it is necessary to have a clear reporting structure with an agreed frequency of reporting also documented.

The risk management reporting process can be illustrated as follows:



### 9. IMPLEMENTATION

Once a standard risk management process has been developed, it must then be implemented throughout Council. At the highest level this process involves three key phases summarised below.



Council's approach to the implementation of risk management is to focus on the areas in priority order. This approach is based upon an initial rating of Council's risks and risk management practices on an organisation-wide basis, focused on areas of key importance. This ensures resources are focused on key areas or high-risk areas that require the most urgent risk management.

### 10. COMMUNICATION

The Risk Management Policy, Framework and Procedures, Registers and associated documents and procedures will be held in a secure central repository and will be accessible to stakeholders according to their authority levels.

The existence, nature and location of the central repository will be shared with staff at all levels to encourage their awareness of how the organisation is managing its risks.

Following reviews of the Policy, Framework and Procedures as specified and any changes as a result will be communicated to the relevant Risk Owners and other stakeholders to ensure that the Risk Management process remains dynamic and relevant.

### 11. ROLES AND RESPONSIBILITIES

#### Councillors

Councillors have a broad responsibility under the *Local Government Act 2009* and *Local Government Regulations 2012* which includes the principle of good governance. This in turn includes the responsibility to manage risks prudently and ensure Council staff can supply all information necessary for effective decision making.

## **Executive and other Managers**

Management have a responsibility to:

- determine the strategic direction and create an environment for risk management to operate effectively
- maintain a risk aware culture within the organisation through advocacy, leadership and mandate
- ensure the risk management objectives are achieved
- ensure the availability of resources and information necessary to support the operation and monitoring of the risk processes
- implement Council's risk management process including risk identification, risk tolerance, assessment and treatment of inherent and subsequently residual risk in their respective Departments
- capitalise on opportunity for improvements that arise as a result of risk identification
- maintain the relevant risk registers
- report regularly on risks, which includes the level of risk, treatment and management of these risks
- ensure all staff are aware of the risk management policy and that relevant staff receive risk specific training to effectively implement risk management principles and processes
- measure the effectiveness of the risk management process

## **Coordinator Governance and Disaster Management**

Coordinator Governance and Disaster Management has a responsibility to:

- provide specific advice and support for those employees responsible for managing risk and for specifying all risk management training within Council
- review and further develop risk management processes, ensuring a consistent corporate approach is taken in the management of risk across Council
- report quarterly to the Executive Management Team and six monthly to the Audit and Risk Management Committee on risk management performance
- institute the timely review of the policy

## **Council Officers, Contractors and Volunteers**

Council Officers, Contractors and Volunteers have a responsibility to:

- apply Council's Risk Management Policy, Framework and Procedures to manage operational risks and implement plans for the prudent management and mitigation of risks within their own area of responsibility
- follow and adopt lawful directions with respect to the collation and application of risk treatments and mitigation, including that of Council's Safety Management System
- provide risk treatment information as required to the Corporate Governance Coordinator

## **Audit and Risk Management Committee**

Audit and Risk Management Committee has a responsibility to:

- provide ongoing advice and feedback to the CEO on strategic issues and support a commitment to the implementation of the Risk Management Framework across Council, including the establishment of risk tolerance levels



- contribute to the review of processes ensuring a consistent corporate approach is taken in the management of risk across Council
- promote good risk management practices throughout Council
- ensure internal audit plans are aligned to data and information arising from risk assessments;
- review Risk Registers on a periodical basis and advise on the adequacy of control measures
- receive, consider and action Risk Management Reports from Management and/or Corporate Governance Coordinator

### **12. APPLICABLE LEGISLATION AND REGULATION**

Under *Local Government Regulation 2012*, Council is required to keep a record of the risks the local government is exposed to and the control measures adopted to manage those risks (s164).

### **13. RELATED DOCUMENTS**

- Enterprise Risk Management Framework
- Enterprise Risk Management Policy
- Risk Appetite Statement


## APPENDIX 1: RISK ASSESSMENT TEMPLATE

RISK ASSESSMENT			
DATE		Description of hazard/risk location:	
Persons likely to be affected:		Description of the hazard/risk/issue:	
<input type="checkbox"/> Employees			
<input type="checkbox"/> Public			
<input type="checkbox"/> Other _____			
<p><b>Persons Conducting the Assessment:</b></p> <p><b>Name:</b>            1. _____ 2. _____ 3. _____</p> <p><b>Signed:</b>            1. _____ 2. _____ 3. _____</p> <p><b>Position Title:</b>    1. _____ 2. _____ 3. _____</p>			

## Risk Management Procedures

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RISK CALCULATOR					
Likelihood	Consequence				
	Insignificant No injury, no-low \$ cost	Minor First aid treatment, low- medium \$ cost	Moderate Medical treatment, medium- high \$ cost	Major Serious injuries, major \$ cost	Catastrophic Death, huge \$ cost
Almost Certain Expected to occur at most times	M	H	E	E	E
Likely Will probably occur at most times	M	M	H	H	E
Possible Might occur at some time	L	M	M	H	E
Unlikely Could occur at some time	L	L	M	M	H
Rare May occur in rare conditions	L	L	M	M	H

RISK ASSESSMENT CALCULATOR			
	Identify the hazard/risk of the work		
	Assess the likelihood and consequence of the hazard/risk		
	Control the hazards/risks using control measures considering the hierarchy of control		
	Monitor the effectiveness and use of implemented control measures		
Risk Score Legend		Hierarchy of Control	
E	Extreme risk, immediate action required	ELIMINATION	Eliminate the process, material or substance completely
H	High risks, prioritised action required	SUSTITUTION	Replace the process, material or substance with a safer one
M	Moderate risk, planned action required	ISOLATION	Isolate the person(s) from the process, material or substance
L	Low risk, actioned by routine procedures	ENGINEERING	Design or re-design the process, material or substance
		ADMINISTRATION	Limit exposure to the risk by job rotation, work procedure and/or providing adequate training
		PPE	Use of personal protective equipment

## Risk Management Procedures

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### APPENDIX 2: RISK GROUPS AND RISK AREAS

Operations		
Abusive behaviour	Confidentiality	Project Management
Advice	Continuous improvement	Roads
Business continuity	Customer Service	Safety
Client management	Documentation	Security
Communication	Efficiency	Supervision
Community expectations	Fraud	Transport
Community services	Motivational/morale	Travel
Complaints	Policies & Procedures	Workplace practices
Property/Asset Management		
Asset management	Facilities management	Product/service liability
Budget allocations	Fleet management	Replacement plans
Buildings	Fraud	Reporting
Capital asset management	Inventory control	Security
Compliance	Maintenance programs	Standards/guidelines
Contractual management	Power failure	Theft
Damage/vandalism	Procurement	
Equipment management	Product development	
Financial		
Accounts payable	Economic development	Payroll
Accounts receivable	Finance system failure	Policies & Procedures
Budgets	Fraud	Reconciliations
Capital expenditure	Funding	Reporting
Cash flow	Insurance	Revenue loss
Contract management	Interest	Standards/guidelines
Credit risk management	Internal controls	Taxation
Debt management	Investment	
Delegations of authority	Legislative compliance	
Human Resources		
Career development	Leave entitlements	Staff development
Compensation	Legislative compliance	Staff turnover
Discrimination	Loss of corporate knowledge	Succession planning
Dismissal	Loss of staff	Training and development
Equity and diversity	Performance management	Workforce behaviour
Harassment	Recruitment/selection	Workforce planning
Induction	Remuneration	
Industrial relations	Skills and knowledge	

## Risk Management Procedures

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Workplace Health and Safety		
Bomb threat	Industrial action	Safe work practices
Claims management	Injury/accidents management	Safety/security
Contingency planning	Legislation	Storage
Ergonomics	Noise	Stress
Evacuation	Policies & Procedures	Waste management
Fire safety	Rehabilitation	WorkCover
Corporate/Strategic		
Audit and compliance	Disaster recovery	Organisational effectiveness
Bureaucratic risk	Duty of care	Policies & Procedures
Business planning	Environmental	Political
Change management	Ethics/behaviour	Public relations
Change of government	Freedom of information	Public safety
Communication	Leadership	Reputation
Community expectations	Legislative change	Risk management
Competition	Legislative compliance	Social equity
Confidentiality	Litigation	Strategic planning
Corporate governance	Media management	Volunteers
Credibility	Natural disaster	
Decision making	Organisational behaviour	
Information Management		
Access	Data base integrity	Relevance
Capacity/reliability	Data management	Reporting
Change management	Infrastructure	Security systems
Compatibility	Integration	Skill levels
Communication system	Licenses and agreements	Spatial
Confidentiality	Obsolescence	System management
Contract management	Policies & procedures	Telecommunications
Contingency/recovery	Records management	
Environmental		
Alleviation	Evacuation	Pollution
Biodiversity	Field Operations	Security
Bushfire	Facilities	Sewerage
Climate	Legislation	Storage
Contamination	Natural resources	Vulnerability
Chemicals	Parks & forests	Waste management
Compliance	Pests	Water
Energy	Pesticides	

**APPENDIX 3: RISK REGISTERS**

- Strategic Risk Register
- Operational Risk Register

## Risk Management Procedures

RESOLUTION: OM04/09/25 VERSION: V3

### APPENDIX 4: RISK TREATMENT PLAN TEMPLATE

Date: ..... Compiled by: .....

Function/Activity: .....

Risk	Possible Treatment Options	Preferred Options	Risk Rating BEFORE Treatment	Risk Rating AFTER Treatment	Cost/benefit Analysis A: Accept B: Reject	Person Responsible for Implementation	Timeframe	How will it be monitored?
1 Marquee Collapse <u>(EXAMPLE ONLY)</u>	<ul style="list-style-type: none"> <li>Not install Marquees</li> <li>Have installer complete a checklist/inspection of the Marquee once erected.</li> <li>Ensure First Aid qualified personnel are employed at the event.</li> <li>Obtain from the Installers a wind speed that once reached, the marquee must be taken down.</li> </ul>	<ol style="list-style-type: none"> <li>Have installer complete a checklist/inspection of the Marquee once erected.</li> <li>Obtain from the Installers a wind speed that once reached, the marquee must be taken down.</li> </ol>	Medium	Low	A	Event Organiser Sam Smith	Immediate and on-going as required.	<ul style="list-style-type: none"> <li>Event Organiser to advise Installers of requirement for checklist to be completed prior to event.</li> <li>Checklist to be retained once completed by the event organiser.</li> <li>Procedure for dismantling of marquee to be developed based on wind speed prior to event.</li> </ul>



## APPENDIX 5: TERMINOLOGY AND DEFINITIONS

<b>Term</b>	<b>Definition</b>
<b>Australian Standard</b>	Australian Standard AS ISO 31000:2018 Risk Management – Guidelines
<b>Consequence</b>	The outcome of an event affecting objectives (impact/magnitude). An event can lead to a range of consequences. A consequence can be certain or uncertain and can have a positive or negative effect on objectives. Consequences can be expressed qualitatively or quantitatively.
<b>Enterprise Risk Management (ERM)</b>	Is a comprehensive, structured approach to identifying, assessing and managing an organisation's risk to achieve its strategic objectives. It involves integrating risk management into all aspects of the organisation's operations and decision-making processes to minimise negative impacts and capitalise on opportunities.
<b>Event</b>	Occurrence or change of a particular set of circumstances
<b>Framework</b>	Set of components that provide the foundations and organisational arrangements for designing, implementing, monitoring, reviewing and continually improving risk management throughout the organisation.
<b>Frequency</b>	Number of events or outcomes per defined unit of time
<b>Level of risk</b>	Magnitude of a risk or amalgamation of risks expressed in terms of the combination of consequences and their likelihood
<b>LG Act</b>	<i>Local Government Act 2009 (Qld)</i>
<b>LGMS</b>	Local Government Mutual Services, umbrella brand for the Queensland local government LGM Liability, LGM Assets and LGW Workcare member-owned mutual self-insurance schemes
<b>Likelihood</b>	The chance of something happening, whether defined, measured or determined objectively or subjectively (probability or frequency).
<b>Operational risk</b>	The effect of uncertainty on achieving operational objectives that relate to specific program or service objectives and are generally established through the Annual Operational Plan and/or specific program or service plan
<b>Project risk</b>	The effect of uncertainty on achieving project deliverables and objectives
<b>Risk</b>	any action or event that has the potential effect of uncertainty on the achievement of objectives.
<b>Risk analysis</b>	Process to comprehend the nature of risk and to determine the level of risk
<b>Risk appetite</b>	Qualitative statements that indicates the amount and type of risk that the Council is willing to accept, pursue, avoid or retain in achieving its objective
<b>Risk assessment</b>	Overall process of risk identification, risk analysis and risk evaluation
<b>Risk criteria</b>	Terms of reference against which the significance of a risk is evaluated
<b>Risk culture</b>	Refers to behaviours that lead to how every person thinks about and manages risk
<b>Risk description</b>	Structured statement of risk usually containing four elements, sources, events, likelihood and consequences.
<b>Risk evaluation</b>	Process of comparing the results of risk analysis with risk criteria to determine whether the risk is acceptable or tolerable

## Risk Management Procedures

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<b>Risk governance</b>	The culture and arrangements developed to manage the uncertainties in achieving objectives
<b>Risk identification</b>	Process of finding, recognising and describing risks
<b>Risk management policy</b>	Statement of the overall intentions and direction of the Council related to risk management
<b>Risk management process</b>	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 the risk
<b>Risk Owner</b>	The person with the accountability and authority to manage a risk. The owner may delegate some duties in relation to managing the risks for which they are responsible, however they are ultimately accountable for the risks allocated to them.
<b>Risk profile</b>	A description of any set of risks. The set of risks can relate to the whole or any part of Council.
<b>Risk rating</b>	An assessed level of risk determined by mapping the likelihood and consequence of a risk event.
<b>Risk Register</b>	A list of identified and assessed risks directly related to a particular department or to the whole of Council. Risk Registers can be held at either Strategic, Operational or Project level.
<b>Risk source</b>	Element which alone or in combination has the intrinsic potential to give rise to a risk
<b>Risk Treatment</b>	The process to modify existing risks or create new risks. Some options for treating a risk can include: Retaining, Transferring, Sharing, Avoiding or Controlling.
<b>Risk Treatment Action Plans</b>	The plans outline the steps to be taken to reduce unacceptable risks to achievable and acceptable levels. This includes details on current controls; required risk treatments; improvement opportunities; resources; timing; reporting and accountabilities. Action Plans must be reviewed on a regular basis to ensure controls are actually working.
<b>Risk tolerance</b>	Quantitative and specific measures that provide indication as to whether or not a risk is acceptable having regard to the Council's risk appetite and any adopted key performance indicators
<b>Safety Management System</b>	Councils Work Health and Safety System
<b>Schemes</b>	LGW Workcare, LGM Assets and LGM Liability mutual self-insurance schemes
<b>Stakeholder</b>	Person or organisation that can affect, be affected by or perceive themselves to be affected by a decision or activity
<b>Strategic risk</b>	Effect on uncertainty on achieving strategic objectives that apply across internal organisational boundaries and are established through strategic plans including but not limited to Council's Corporate Plan.