



# ENTERPRISE RISK MANAGEMENT STRATEGY

Building our capacity to manage the significant risks to  
operations and the organisation itself

2018 - 2021

<b>Version No.</b>	Version 1.0 5 July 2018
<b>Endorsement:</b>	20 June 2018 Risk Management Committee
<b>Authorisation:</b>	5 July 2018 Executive
<b>Expiry date:</b>	30 June 2021
<b>Responsible officer:</b>	Risk & Performance Manager
<b>Policy owner:</b>	Risk & Performance Manager

## 1. Purpose

Describes Melton City Council's (Council) strategy for the implementation of its Enterprise Risk Management (ERM) Framework (the Framework) for the period 1 July 2018 to 30 June 2021.

The 2018 – 2021 ERM Strategy (the Strategy) is one of three linked documents; their respective contents are as follows:



## 2. Scope

The Strategy applies across all of Council.

## 3. Definitions/Glossary

Word/Term	Definition
ERM	Enterprise Risk Management – How risk management as a set of coordinated activities is applied at Council to manage the significant risks to operations and the organisation itself
ERM Framework	Describes how Council will manage the significant risks to its operations and the organisation itself.
ERM Strategy	Council's strategy for the implementation of its ERM Framework
Leaders	In the context of this Strategy (only) refers to those with responsibility for managing significant risks and, therefore, having a Risk Register login: Executive, managers, coordinators and other staff as nominated by managers.
Risk Register	Council's online risk register application

## **4. Current context**

### **a. Background**

Council has had a systematic approach to ERM since 2008. In 2014 it conducted an extensive review and implemented a new Policy, Framework and Strategy; these simplified and consolidated the contents of the Risk Register and introduced the three levels of strategic, corporate and operational risks.

Due to the previous vendor withdrawing support for its platform, Council moved the Risk Register in 2017 onto the Nimblex platform. As a result of the organisational commitment required to implement this, when the 2014 – 2017 ERM Strategy expired, the Risk Management Committee agreed to wait 12 months to replace it with another three year strategy.

A risk culture survey conducted within the organisation in 2018 tested our 'risk management maturity' against the model developed in 2011. It showed that over 50% of respondents thought that risk was an essential part of leadership, and now considered business as usual. 70% rated their knowledge and skill within the risk management context as 'good' or 'fair'. The most common suggestion for improvement related to improved training.

### **b. JLT report**

Council contracted JLT Australia in 2018 to review its strategic and corporate risk controls and report on their completeness and effectiveness. The report recommended some changes to Council's risk system and some actions to address risk control deficiencies. The Risk Management Committee considered these and agreed to a majority of recommendations contained in the report.

### **c. Risk Management Maturity Model**

In March 2018, the Risk Management Committee reviewed the Risk Management Maturity Model developed in 2011. The Committee identified its organisational ERM maturity aspirations for three years hence, which were recast as objectives for this Strategy. These objectives are the qualities for which we are aiming in our people, systems and structures, within the risk management context, by mid-2021.

### **d. 2017 – 2021 Council and Wellbeing Plan**

The ERM Strategy aligns with Theme 5: 'A high-performing organisation demonstrating leadership and advocacy' of the current Council and Wellbeing Plan.

### **e. 2018 – 2036 Corporate Strategy**

Council has developed a 2018 – 2036 Corporate Strategy, to describe what kind of organisation it will be as it delivers on the Community Vision: 'Melton City 2036 – The City We Imagine'. The Corporate Strategy includes Vision and Mission statements, strategic themes and objectives. The organisation's vision is to be an 'agile and entrepreneurial community leader'; the inclusion of 'identifying and managing opportunities' aligns with this vision statement.

## 5. Guiding Principles

### a. Ensure the good work done to date is retained and built upon

The Strategy will implement the ERM Framework and reinforce organisational conformance with it, including training and induction.

### b. Take an incremental approach to continual improvement

The Strategy will contribute to ensuring the delivery of the agreed recommendations from the JLT report, and the objectives derived from the 2011 Risk Management Maturity Model. See Appendix 1.

### c. Embed risk awareness in our leaders

As a result of the Strategy, Council's leaders will be more aware of the high level threats to the organisation, and the threats relevant to their areas; they will also better understand how they contribute to protecting Council from those threats.

### d. Explore ERM as a way of identifying and managing opportunities

Embracing opportunities or 'upside risk' – the positive impacts of an uncertain future – aligns with the organisation's vision to be an agile and entrepreneurial community leader. The Strategy should drive investigation into how we might develop the capacity of leaders to identify and manage opportunities.

## 6. Reporting, Review and Evaluation

A progress report on the implementation of this Strategy will be presented to each quarterly Risk Management Committee meeting as a standing agenda item.

The Strategy will be reviewed at the end of 2018 – 2019 and 2019 – 2020.

The success of the Strategy will be formally evaluated in its last six months, as below.

Performance indicator	Measure	Target	Data source
Awareness of organisational risk processes	Self-rating by leaders (on a 5 point Likert scale) of their awareness of risk processes	4	Survey of all leaders
Conformance with organisational risk processes	Self-rating by leaders (on a 5 point Likert scale) of their conformance with risk processes	4	Survey of all leaders
Awareness of strategic and corporate risks	Self-rating by leaders (on a 5 point Likert scale) of their awareness of strategic and corporate risks  <i>As a support to this measure, respondents will be asked to provide examples of how they have contributed to the control of these risks.</i>	3	Survey of all leaders
Growth in ability to manage opportunities	Improvements to the ERM Policy and Framework, regarding Council's approach to opportunities, endorsed by the Risk Management Committee	1 each to the Policy and Framework	Risk Management Committee minutes

## 7. Responsibility/Accountability

### a. Executive

- Approve the Strategy
- Ensure the Strategy is implemented by:
  - Ensuring resources are allocated
  - Promoting and advocating for the Strategy and its implementation across the organisation
  - Maintaining awareness of its implementation
  - Undertaking their roles in its implementation, as specified by the Risk & Performance Manager
  - Supporting and holding managers accountable for their roles
- Participate in agreed risk programs.

### b. Risk Management Committee

- Review progress reports of the Strategy quarterly
- Review the evaluation of the Strategy.

### c. Managers, coordinators and other staff as nominated by managers

- Undertake their roles in the implementation of the Strategy, as specified by the Risk & Performance Manager
- Support and ensure staff accountability for their roles in implementation
- Promote and advocate for the Strategy and its implementation in their service unit
- Participate in risk programs as required.

### d. Risk & Performance Manager

- Develop the Strategy
- Approve budgets for the implementation of the Strategy
- Coordinate the implementation of the Strategy, including specifying roles for Executive, managers, coordinators and other staff as appropriate
- Report on the progress of the Strategy
- Evaluate the Strategy
- Support Executive, managers, coordinators and other staff as appropriate in its implementation.

## 8. References and links to legislation and other documents

Name	Location
2018 – 2036 Corporate Strategy	Under development
2018 risk survey results	ECM Doc Set Id 4547888
Enterprise Risk Management Policy	Policy intranet
Enterprise Risk Management Framework	Policy intranet
JLT report	ECM Doc Set Id 4545978
Agreed recommendations from the JLT report	ECM Doc Set Id 4547053 (22 May 2018 Risk Management Committee minutes)
Risk Management Committee minutes	ECM SubjectNew:

	Risk Management/Committees and Boards/Risk Management Committee agendas and minutes
Risk Management Maturity Model 2011	ECM Doc Set Id 4268104
Risk Register	<a href="https://ebms.com.au/v4/Melton/Login.aspx">https://ebms.com.au/v4/Melton/Login.aspx</a>

## Appendix 1

### a. ERM Objectives for mid-2021

<i>Domain</i>	<i>Aspect</i>	<i>Objective</i>
People	Attitudes	'RM is an essential part of leading and managing, and I use it to grow my business. It's everyone's job'
	Behaviours	Leaders incorporate risk in all decision-making
	Skills and knowledge	Self-rated as 'Good'
Systems	System type	Application that enables all staff to report risks, and line management to review risk controls
	Integration	Manual cross-referencing to other systems
	Data mining	Series of automated reports available to line management
	Transparency	Line management can see all risks
Structures	Accountability	Line management responsible for risks, Risk & Performance Manager responsible for system improvement and strategic advice
	Communication and consultation	With all internal stakeholders on a regular basis
	Reporting	Line management report on progress of Mitigation Actions and review of Current Controls; Risk & Performance Manager reports on system performance

### b. Agreed recommendations from the JLT report

- Change 'Risk Status' in the Risk Register to enhance understanding for users that it refers to Mitigation Action Status
- Investigate introducing the concept of 'residual risk' into Council's approach to ERM
- Enhance the descriptions of Current Controls and Mitigation Actions to make clear their intended effectiveness
- Amend descriptions of risk control effectiveness
- Review the risk rating matrix.

## Appendix 2 ERM Strategy Action Plan

<b>2018 – 2019</b>	
<i>Q1</i>	<ul style="list-style-type: none"> <li>• Deliver ERM refresher training to one target group</li> </ul>
<i>Q2</i>	<ul style="list-style-type: none"> <li>• Change Risk Status in Risk Register to reflect Mitigation Action Status</li> <li>• Investigate change of ERM Framework to include concept of residual risk</li> </ul>
<i>Q3</i>	<ul style="list-style-type: none"> <li>• Deliver one awareness raising activity to leaders regarding strategic and corporate risks and controls, and risks relevant to them</li> </ul>
<i>Q4</i>	<ul style="list-style-type: none"> <li>• Deliver one activity to develop leaders' capacity to identify and manage opportunities</li> <li>• Review the ERM Strategy</li> </ul>
<b>2019 - 2020</b>	
<i>Q1</i>	Either: <ul style="list-style-type: none"> <li>• Deliver ERM refresher training to one target group or</li> <li>• Review ERM induction for new starters</li> </ul>
<i>Q2</i>	<ul style="list-style-type: none"> <li>• Implement enhancements to Current Controls and Mitigation Actions</li> <li>• Amend descriptions of risk control effectiveness</li> </ul>
<i>Q3</i>	<ul style="list-style-type: none"> <li>• Deliver one awareness raising activity to leaders regarding strategic and corporate risks and controls, and risks relevant to them</li> </ul>
<i>Q4</i>	<ul style="list-style-type: none"> <li>• Deliver one activity to develop leaders' capacity to identify and manage opportunities</li> <li>• Engage external risk consultant to review strategic and corporate risks and their controls, for completeness and effectiveness</li> <li>• Review the ERM Strategy</li> </ul>
<b>2020 – 2021</b>	
<i>Q1</i>	<ul style="list-style-type: none"> <li>• Deliver ERM refresher training to one target group</li> </ul>
<i>Q2</i>	<ul style="list-style-type: none"> <li>• Review Council's risk rating matrix</li> <li>• Review Risk Register's functionality to support line management with automated reporting</li> </ul>
<i>Q3</i>	<ul style="list-style-type: none"> <li>• Deliver one awareness raising activity to leaders regarding strategic and corporate risks and controls, and risks relevant to them</li> <li>• Conduct evaluation activities (as per 6.)</li> <li>• Engage external risk consultant to review ERM Policy and Framework for fitness for purpose</li> </ul>
<i>Q4</i>	<ul style="list-style-type: none"> <li>• Deliver one activity to develop leaders' capacity to identify and manage opportunities</li> <li>• Document how Council identifies and manage opportunities in the ERM Policy and Framework</li> </ul>