

# STATEMENT

## C025 Risk Appetite & Tolerance

### Introduction

Risk Management is an essential component of Council's governance framework and supports the achievement of Council's goals and objectives. Effective risk management increases the probability of successful outcomes whilst protecting the reputation and sustainability of Council.

The risk appetite is the amount of risk an organisation is willing to accept in pursuit of its strategic goals. The Risk Appetite & Tolerance Statement (RATS) considers the most significant categories of potential risks to Council and provides an outline as to how much risk Council is willing to accept in this area.

### Risk Appetite

Council, its subcommittees, management and staff (including contractors and volunteers) will consult Council's Risk Appetite in both strategic and operational decision making. Council's vision and strategic objectives will necessitate that Council accept some risks that accompany growth, transformation, innovation and are proportionate with the potential reward.

Overall, Council has a balanced approach to its risk appetite aligned to its strategic objectives. Council's approach to risk appetite is to minimise our exposure to risks to our people and their safety, our reputation and corporate governance whilst accepting and encouraging an increased degree of risk in pursuit of our key strategic directives.

The overall level of risk that Council accepts can range from avoiding risks to eagerly taking risks. Where Council's appetite fits on this range can impact on its willingness to innovate, as well as its requirement to control risks. Council's overall risk appetite is 'Cautious' with certain categories of risks having different risk tolerances.

Council's risk appetite is further described in the below Risk Appetite Statement and Risk Tolerance Scale over the page.

Council categorises its level of risk appetite into four categories as can be seen below:

Risk Averse	Cautious	Open	Risk Positive
<ul style="list-style-type: none"> <li>No to very low appetite for taking risks</li> <li>Avoid risks and uncertainty</li> <li>Will not take risks to achieve potential rewards</li> </ul>	<ul style="list-style-type: none"> <li>Low appetite for risks.</li> <li>Prefer safe options.</li> <li>May impact on potential opportunities for reward.</li> </ul>	<ul style="list-style-type: none"> <li>Moderate appetite for risks.</li> <li>Willing to consider potential costs and benefits – rewards and risks – when deciding options.</li> </ul>	<ul style="list-style-type: none"> <li>Eager to engage with risks and choose options offering potentially higher rewards.</li> </ul>

### Overarching Risk Appetite Statement

Hindmarsh Shire Council's risk appetite is 'Cautious'. Council will consider options and choose one that is safe, but also may maximise its ability to innovate, deliver strategic priorities and services, and care for the safety and wellbeing of staff, while also providing an acceptable level of reward and value for the community it serves and for local government.

Risks will be managed in line with Hindmarsh Shire Council's risk appetite and risk tolerance scales and will be considered in all decision making and planning.

The Risk Appetite Statement summarises the Council's tolerance for risk in each of a whole range of activities it undertakes. For example, the Council's tolerance for risk in health and safety matters is very low; hence a highly cautious (low) appetite for that category. On the other hand, tolerance for risk in service delivery is conservative (relatively moderate). All of the activities undertaken by Council can be so classified in terms of risk appetite.

## Risk Tolerances

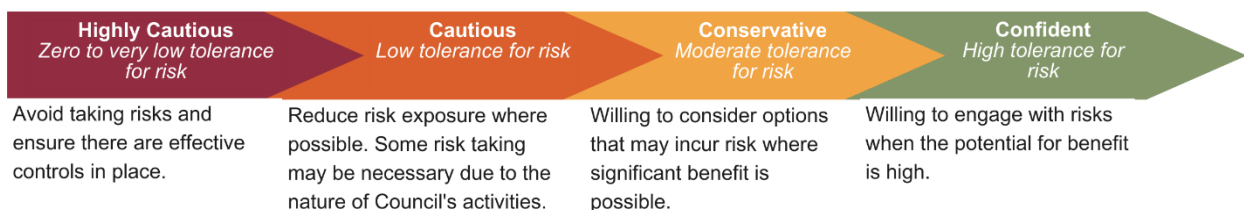
Risk tolerances are the boundaries set for risk taking. The risk appetite statement informs the development of risk tolerances for Council and provides guidance on how the Risk Appetite Statement is to be applied to everyday business actions and decisions.

While risk appetite is a qualitative statement, risk tolerances operationalise the statement by using quantitative measures where possible to better enable monitoring and review.

The Risk Appetite will set the tone for risk taking in general, whilst the tolerance informs:

- Expectations for mitigating, accepting and pursuing certain types of risk
- Boundaries and thresholds for acceptable risk taking
- Actions to be taken or consequence for acting beyond appropriate tolerances.

## Risk Tolerance Scale



Risk Category	Context	Tolerance Rating	Council will not tolerate	Council will tolerate	Opportunities
<b>Health &amp; Safety</b>	<i>We are committed to providing a safe workplace and physical environments for all staff, contractors, visitors and the community.</i>	<b>Highly Cautious</b>	<ul style="list-style-type: none"> <li>• Actions or behaviours that are deliberate and willingly contravene the organisations Codes of Conduct and OHS policies and procedures.</li> <li>• Practices that knowingly compromise staff wellbeing, workplace or community safety (including discrimination, harassment or bullying).</li> <li>• Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, Administrators or Staff.</li> <li>• Incidents that occur arising from untrained staff or failed internal processes.</li> <li>• Failure to communicate in line with emergency management obligations about incidents that may impact the health and safety of the community.</li> <li>• Unsafe infrastructure and work environments.</li> </ul>	<ul style="list-style-type: none"> <li>• Minor unforeseen incidents or injuries that arise from time to time while undertaking normal activities.</li> <li>• Practices that are not in line with best practice if safety and duty of care is not compromised.</li> </ul>	<ul style="list-style-type: none"> <li>• Practices and processes that ensure a safe and healthy work environment and infrastructure.</li> <li>• A positive workplace culture.</li> <li>• Retention and attraction of staff.</li> <li>• Reduced public liability and work cover claims.</li> <li>• Enhanced community wellbeing, safety and social inclusion.</li> <li>• Building trust in the community and transparency in decision making.</li> </ul>
<b>Organisational Culture</b>	<i>Council has minimal appetite for work practices, actions or inactions that compromise the wellbeing and safety of people including staff, contractors, volunteers and community.</i>	<b>Highly Cautious</b>	<ul style="list-style-type: none"> <li>• Behaviours and actions that do not align with the Hindmarsh Shire Council values.</li> <li>• Actions or behaviours that are deliberate and willingly contravene the organisational Codes of Conduct.</li> <li>• Practices that knowingly compromise staff well- being, workplace or community safety (including discrimination, harassment, or bullying).</li> <li>• Management issues or poor culture resulting in significant increased employee turnover or absenteeism</li> </ul>	<ul style="list-style-type: none"> <li>• Minor temporary reduction in morale relating to improving workforce performance.</li> <li>• Minor staff grievances that can be dealt with through normal internal mechanisms.</li> <li>• Minor morale and staff grievances due change within the organisation due to innovation or change management processes leading to more efficient and effective outcomes.</li> </ul>	<ul style="list-style-type: none"> <li>• Retention and attraction of staff.</li> <li>• A culture that aligns with the Hindmarsh Shire Council values.</li> <li>• Succession Planning.</li> </ul>

			<p>or a significant reduction from the previous employee satisfaction survey.</p> <ul style="list-style-type: none"> <li>• Events/incidents that occur arising from incompetent or undertrained staff.</li> </ul>		
<b>Infrastructure</b>	<i>We are committed to continuous improvement in order to provide excellent infrastructure that benefits our community.</i>	<b>Conservative</b>	<ul style="list-style-type: none"> <li>• Failure of third-party contractors to provide services within budget and agreed timeframes.</li> <li>• Non-completion of a significant portion of new or renewal infrastructure projects beyond financial year (or scheduled completion period if project runs across multiple years).</li> <li>• Significant delays to projects that are considered within Council control.</li> <li>• Asset failure significantly earlier than the projected lifespan of the asset</li> <li>• Failure to administer and manage contracts appropriately.</li> <li>• Significant foreseeable variations in contract price due to aspects of the project within the control of Council</li> <li>• Failure to escalate critical infrastructure damage or issue within 2 hours.</li> <li>• Failure to develop plans to respond to a disruption and ensure continuity of operational infrastructure.</li> <li>• Activities that result in reasonably foreseeable and preventable fatalities, harm, serious injuries or illnesses to our Community, Customers, Councillors or Employees.</li> </ul>	<ul style="list-style-type: none"> <li>• Moderate financial and reputational impacts arising from the implementation of new of innovative technologies.</li> <li>• Moderate impacts leading to short term disruption to community due to implementation of construction procedures which provide value for money provided community has been informed.</li> <li>• Moderate short-term financial impact on capital costs of projects where there are demonstrated long term sustainable gains.</li> <li>• Moderate impacts to infrastructure due to implementation of new technology, innovation initiatives or projects.</li> <li>• Unforeseen interruptions of up to 2 days to critical infrastructure from uncontrollable events where Council responds and communicates promptly to impacted stakeholders.</li> <li>• Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project</li> </ul>	<ul style="list-style-type: none"> <li>• Delivery of projects within budget and agreed timeframes.</li> <li>• Effective management of contracts and projects.</li> <li>• Improved infrastructure for our community.</li> <li>• Effective engagement and consultation with affected communities</li> <li>• Building the community's trust in Council's ability to delivery projects.</li> </ul>
<b>Service Delivery</b>	<i>We recognise that there may be levels of risk involved to deliver</i>	<b>Conservative</b>	<ul style="list-style-type: none"> <li>• Failure to significantly meet our service commitments and community expectations</li> </ul>	<ul style="list-style-type: none"> <li>• Unforeseen interruptions of up to 2 days to critical business functions from uncontrollable events where</li> </ul>	<ul style="list-style-type: none"> <li>• Exceeding community expectations and building</li> </ul>

	<i>efficiencies, enhance capabilities and provide services to our community.</i>		<ul style="list-style-type: none"> <li>• Failure to demonstrate a commitment to delivering quality services to our Community, Councillors, Customers and Employees.</li> <li>• Failure to document and follow policies and procedures that impairs the quality-of-service delivery or results in service interruptions.</li> <li>• Failure to develop plans to respond to a disruption and ensure continuity of critical business functions.</li> <li>• Failure to escalate a critical business function outage within 2 hours.</li> </ul>	<p>Council responds and communicates promptly to impacted stakeholders.</p> <ul style="list-style-type: none"> <li>• Unforeseen interruptions of up to 7 days to less critical business functions from uncontrollable events where Council responds and communicates promptly to impacted stakeholders.</li> <li>• Moderate reputational impact from community complaints relating to service quality or new initiatives to deliver enduring benefits to our community.</li> <li>• Moderate impacts to service delivery due to implementation of new technology, innovation initiatives or projects.</li> <li>• Moderate impacts arising from innovations and ideas that contribute and encourage creating a flexible workforce.</li> </ul>	<p>trust in our service commitments.</p> <ul style="list-style-type: none"> <li>• Introducing innovative and streamlined ways to improve our services to the community.</li> <li>• Prompt response and management of disruptions.</li> <li>• Enhancing sound and consistent levels of awareness, communication and engagement.</li> <li>• Ensuring that the Council has the right resources, staff capabilities and organisation structure to optimise performance.</li> </ul>
<b>Environmental</b>	<p><i>Council recognises the importance of conserving and enhancing our environment and understands that sustainability considerations in all council decisions is important.</i></p> <p><i>Council has a cautious appetite for environmental impacts arising from normal business activities, however, is open to innovative practices for the betterment of the environment.</i></p>	<b>Cautious</b>	<ul style="list-style-type: none"> <li>• Decisions that do not appropriately consider the principles of ecologically sustainable development.</li> <li>• Failure to minimise significant impacts on biodiversity and reduce our ecological footprint.</li> <li>• Decisions, activities and practices that result in long-term or irrevocable environmental damage or negative climate impacts, threatens biodiversity, including extinction of flora and fauna, or is hazardous to human life.</li> <li>• Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable.</li> <li>• Failure to meet environmental commitments or legal or legislative</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental impacts offset by other activity resulting in a net environmental benefit.</li> <li>• Minor environmental impacts from uncontrollable or unforeseen events or to deliver enduring benefits to our community well into the future.</li> <li>• Changes to procedures and practices to accommodate improved environmental outcomes.</li> <li>• Minor cost impacts in the selection of products, services that have a significant positive impact on the environment</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing our organisational carbon footprint.</li> <li>• Activities and practices that protect our environment from long term damage or negative climate impacts, as well as protecting biodiversity.</li> <li>• Assessing community expectations of changing environmental impacts on a regular basis.</li> </ul>

			requirements resulting in EPA fines or penalties.		
<b>Financial</b>	<p><i>Council recognises the financial risks involved in delivering a wide range of services, programs and capital projects.</i></p> <p><i>Council has a cautious appetite for variation in financial performance as long as long-term financial sustainability is not threatened</i></p>	<b>Cautious</b>	<ul style="list-style-type: none"> <li>Financial activities and/or investment practices that contravene legislated or policy requirements.</li> <li>Failure to maintain or implement effective systems, processes and controls which adequately protect Council from fraudulent activity.</li> <li>Fraudulent or corrupt financial transactions</li> <li>Actions that have a significant negative impact on long term financial sustainability.</li> <li>Available funds below target over a five-year period.</li> <li>A three-year average operating deficit.</li> </ul>	<ul style="list-style-type: none"> <li>Minor unforeseen and unavoidable budget variations of up to 4% favourable and 2%unfavourable for divisional budgets.</li> <li>Minor unforeseen and unavoidable cost variations in capital projects within the established contingency allocated to each project.</li> <li>Short Term (less than 12 months) negative performance from commercial business aspects if core services are not affected.</li> <li>Minor losses, or capital outlays, attributable to new processes or innovation to improve services to meet community needs.</li> <li>Calculated financial risks to deliver infrastructure, improve service delivery or promote ecological sustainability.</li> <li>Minor cost impacts of the implementation of weighted scoring in procurement to benefit local competent suppliers.</li> </ul>	<ul style="list-style-type: none"> <li>An underlying operating breakeven or surplus.</li> <li>An increase in external funding opportunities.</li> <li>Implement an integrated Project Management Framework and 10 Year Capital Works Plan to inform Council's Financial Plan.</li> <li>Embedded systems, processes and controls that effectively protect Council from fraudulent activity.</li> <li>Meeting or exceeding audit and compliance regulations and policies</li> <li>Meeting or exceeding community expectations.</li> <li>Explore avenues to diversify revenue streams through beneficial enterprise arrangements.</li> <li>Building trust and transparency in Council decision making with stakeholders.</li> </ul>
<b>Information Technology (Cyber Security)</b>	<p><i>Our assets (including information) are vital in maintaining our business practices and therefore Council has a cautious approach to safeguarding from both external and internal threats, misuse, modification and unintended damage.</i></p>	<b>Highly Cautious</b>	<ul style="list-style-type: none"> <li>Cybersecurity threats or events that could have been prevented through judicious application of technical and behavioural controls.</li> <li>Threats of financial or personal extortion that arise from any malicious cybersecurity breaches.</li> <li>An unprepared response in the event of an external cyber-attack.</li> <li>Significant threats to assets arising from external malicious attacks.</li> <li>Misuse, inappropriate distribution or loss of sensitive or confidential</li> </ul>	<ul style="list-style-type: none"> <li>Some cyber threats or events which, if they were successful, would have a minor or limited impact upon Council's business because they do not compromise the integrity, confidentiality or availability Council information or assets.</li> </ul>	<ul style="list-style-type: none"> <li>Effective back-up of data and information.</li> <li>Being prepared for potential cyber-attacks.</li> <li>Timely remediation of identified cyber security control weaknesses.</li> <li>Developing and embracing the latest security measures and information in line with government and industry developments and regulations.</li> </ul>



	<i>Council's aim is to protect our assets contained within our ICT systems and services. We will be successful through the application of appropriate internal controls, a cyber aware workforce, effective governance, timely remediation of identified control weaknesses, persistent review of the external threat landscape and consistent management of our third-party providers. Council has an open appetite for risks associated with Information Technology Systems.</i>		<ul style="list-style-type: none"> <li>council information due to the actions of staff.</li> </ul>		
<b>Information Technology - IMT Systems and Services</b>	<i>Council's aim is to protect our assets contained within our ICT systems and services. We will be successful through the application of appropriate internal controls, a cyber aware workforce, effective governance, timely remediation of identified control weaknesses, persistent review of the external threat landscape and consistent management of our third-party providers. Council has an open appetite for risks associated with Information Technology Systems.</i>	<b>Conservative</b>	<ul style="list-style-type: none"> <li>Prolonged unplanned outages of critical Council systems and services.</li> <li>Failure to maintain systems and services which adequately protect Councils data and information and maintain adequate audit trails.</li> <li>A lack of diligence in relation to information security, the procurement and implementation of ICT systems and services</li> <li>Data loss due to inappropriate data management processes.</li> <li>Poor information governance processes.</li> <li>Failure to maintain recovery plans in place and test plans on a regular basis.</li> </ul>	<ul style="list-style-type: none"> <li>Scheduled outages that are agreed to by the business owners and are regarded as part of normal business activities</li> <li>Implementation of new technologies which create new opportunities for business improvement and innovation of systems which also could involve some minor to moderate risk.</li> </ul>	<ul style="list-style-type: none"> <li>Secure Council systems and services.</li> <li>Effective data management practices and processes.</li> <li>Assessing and incorporating the latest information protection systems</li> </ul>
<b>Trust and Reputation</b>	<i>We recognise the importance of protecting our reputation and advocating for the needs of our community and local economy. We understand that negative publicity or community reactions may occur where there is competing priorities and interests in the Community.</i>	<b>Cautious</b>	<ul style="list-style-type: none"> <li>Improper, unethical, corrupt, unprofessional behaviour or failure to exercise respect and duty of care in accordance with our Council values and policies.</li> <li>Breaches of organisational Codes of Conduct.</li> <li>Failure to advocate for the needs of the community and the key objectives of the Council Plan and other key strategies.</li> <li>Failure to uphold the probity of Council decision-making.</li> <li>Any failure to avoid, disclose and appropriately manage conflicts of interest.</li> </ul>	<ul style="list-style-type: none"> <li>Moderate adverse local media and social media scrutiny or several complaints relating to actions which deliver longer term benefits to the community.</li> <li>Isolated minor incidents, concerns and complaints that can be resolved by management.</li> </ul>	<ul style="list-style-type: none"> <li>Increased community satisfaction.</li> <li>Positive publicity.</li> <li>Delivering services that align with Council Plan Objectives.</li> <li>Building trust with internal and external stakeholders and the community.</li> <li>Increasing transparency with the community in Council decision making</li> </ul>

			<ul style="list-style-type: none"> <li>• Failure to act in a fair, honest, transparent and accountable manner.</li> <li>• Failure to consult or involve the community in significant changes or key decisions.</li> <li>• Decision-making that is not open, honest and transparent and reflects the long-term interests of the community.</li> <li>• Failure to promptly notify Executive of significant incidents that may impact Council reputation.</li> <li>• Failure to respond to complaints in a prompt and professional manner and in accordance with Council policies and procedures.</li> </ul>		
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### Document Control

Risk Appetite and Tolerance Statement		<b>Policy Category</b>	COUNCIL
<b>Version Number</b>	1.0	<b>Policy Status</b>	DRAFT
<b>Approved/Adopted By</b>	COUNCIL	<b>Approved/Adopted on:</b>	
<b>Responsible Officer</b>	DCCS	<b>Review Date:</b>	
<b>Version History</b>	<b>Date</b>	<b>Version</b>	<b>Description</b>
	June 2024	1.0	Draft presented to Audit and Risk Committee
	July 2024	1.1	Draft presented to Council