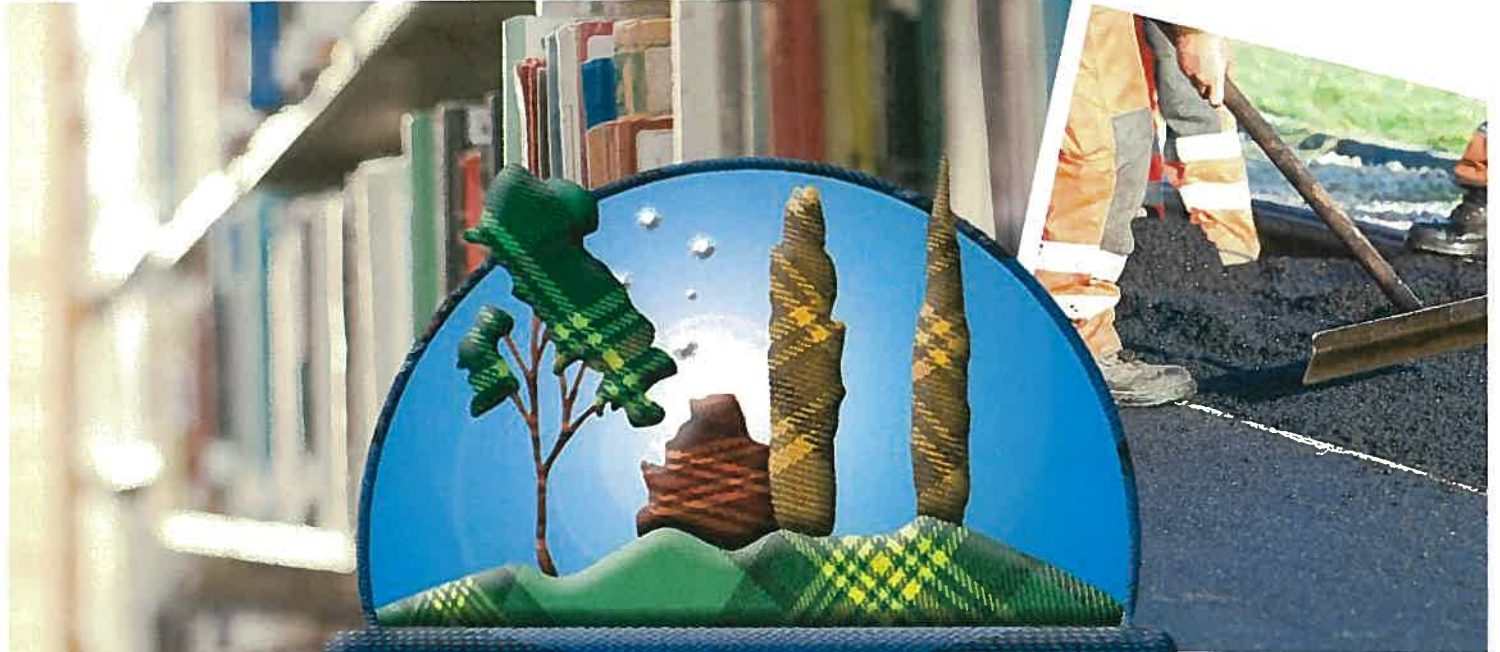




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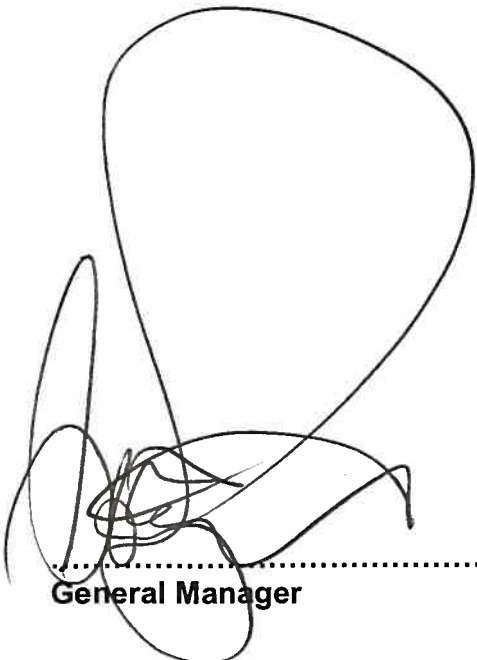
# **RISK APPETITE STATEMENTS**

Glen Innes Severn Council

Version: 1.0 | 17 May 2021

## DOCUMENT AUTHORISATION

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**General Manager**

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## EXECUTIVE SUMMARY

Risk Appetite is an articulation of an organisation’s willingness to take, retain or accept risk and, because it operates at strategic and operational levels, it is an integral part of any risk management capability. In order to influence strategies and objectives it should be considered and reviewed during Strategic Planning. Additionally, risk appetites are a key influence, along with the cost/benefit of mitigation considerations, when determining the Target Risk Ratings of specific risks. Understanding and applying effective risk appetite considerations is highly beneficial in managing risk.

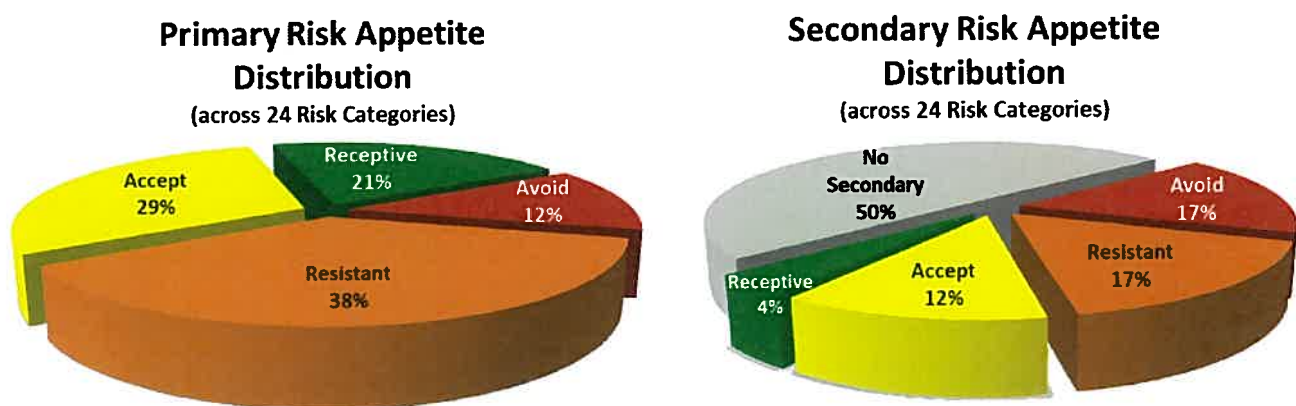
Glen Innes Severn Council has articulated its appetite for taking or retaining risk through qualitative Risk Appetite Statements that are based on nominated risk categories. Council has chosen to identify its risks within twenty-four risk categories, and has a primary and secondary risk appetite for half of the categories.

Through a workshop exercise involving Councillors and Directors, risk appetite levels have been determined for each of Council’s risk categories. The risk appetite levels produced are based on an ordinal scale of four levels: **Avoid**, **Resistant**, **Accept**, and **Receptive**. In this order, the levels provide an indication of an increasing willingness to take on, retain or accept risk, where Avoid is considered more conservative and Receptive is considered less conservative.

Glen Innes Severn Council has a primary risk appetite position that is marginally conservative. Twelve of its twenty-four Risk Categories have a primary risk appetite of **Avoid** (3 or 12%) or **Resistant** (9 or 38%), which represents 50% of all categories. The twelve remaining risk categories are split between **Accept** (7 or 29%) and **Receptive** (5 or 21%). The twelve risk categories with a secondary risk appetite level are distributed across all four levels, and marginally more conservative with **Avoid** (17%), **Resistant** (17%), **Accept** (12%), and **Receptive** (4%).

The distribution of primary and secondary risk appetites for Glen Innes Severn Council is indicative of a slightly conservative overall appetite towards taking risk, based on the overall distribution of both primary and secondary appetite positions. The distributions of primary and secondary levels of risk appetite for Council are illustrated in Chart 1.

Chart 1 – Glen Innes Severn Council Primary and Secondary Risk Appetite Distributions



An important caveat to well-articulated qualitative Risk Appetite Statements is that they are, by their nature, not readily measurable (quantitative). In order to fully operationalise the concept of risk appetite, the development of several representative risk tolerance metrics for each risk category is required. These tolerances will provide an adjustable and ongoing ability to measure whether Council continues to operate within its stated risk appetites.

## RISK APPETITE SUMMARY

The Risk Appetite Statements for Glen Innes Severn Council are based on the amount of risk that the Council is willing to take or retain in pursuit of its objectives over the life of the current Operational Plan. The Council has a strategic focus on multiple areas, and many different and varied operations are carried out to support the Local Government Area. As such, appetites for taking risk can vary across these different operations and strategic focus areas. Therefore, Council's Risk Appetite Statements have been developed against each of Council's risk categories. These Statements use a four-level ordinal scale to indicate the amount of risk Council is willing to take or retain for each category. Table 1 illustrates the four-level ordinal scale, with a definition for each.

Table 1: Risk Appetite Levels and Definitions

AVOID	RESISTANT	ACCEPT	RECEPTIVE
(little-to-no appetite)	(small appetite)	(medium appetite)	(larger appetite)
Avoidance of adverse exposure to risks even when outcome benefits are higher	A general preference for safer options with only small amounts of adverse exposure	Options selected based on outcome delivery with a reasonable degree of protection	Engagement with risks based more on outcome benefits than potential exposure

Table 2, provides a summary of Glen Innes Severn Council's risk appetite position across its identified risk categories. Each category has one coloured cell, which represents the Primary Appetite position and one 'greyed' cell, which represents the Secondary Appetite position for those categories with an identified secondary. These positions are defined as follows:

**Primary Appetite:** indicates a general appetite for taking, retaining or accepting risk for the given risk category.

**Secondary Appetite:** indicates an appetite-by-exception position for taking, retaining or accepting risk in specific circumstances. It is not necessary for all risk categories to have a Secondary Appetite position.

Table 2: Summary of Council's Risk Appetite positions

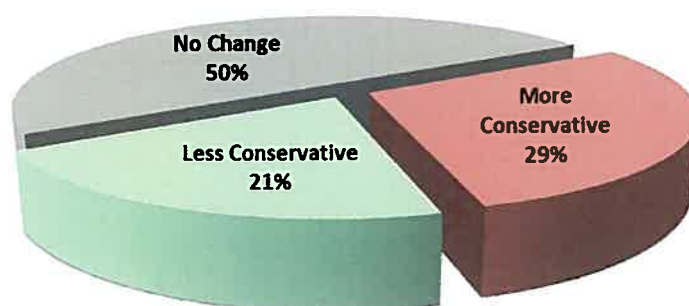
Category of Risk	Avoid	Resistant	Accept	Receptive
Business Interruption and Business Continuity	Secondary	Primary		
Community and Social		Secondary	Primary	
Economic			Primary	Secondary
Environmental and Public Health	Secondary		Primary	
Financial			Secondary	Primary
Fraud and Corruption	Primary			
Governance		Primary		
HR and Employees		Primary		
Industrial Relations	Secondary	Primary		
Information Technology	Secondary		Primary	

Category of Risk	Avoid	Resistant	Accept	Receptive
Insurance		Primary	Secondary	
Knowledge and Training			Primary	
Legal and Contractual		Primary		
Legislative and Regulatory		Primary	Secondary	
Natural Hazards		Secondary	Primary	
Outsourcing			Primary	
Political				Primary
Professional Indemnity	Primary	Secondary		
Project				Primary
Property and Infrastructure		Secondary		Primary
Public Liability		Primary		
Reputation		Primary		
Strategic Planning				Primary
Work Health and Safety	Primary			

Chart 2, provides an indication of whether the secondary risk appetite levels tend towards being more or less conservative in Council's risk appetite. As can be seen the 50% of Risk Categories that do have a secondary appetite position have a marginal tendency towards being more conservative. This tendency could be considered to be reasonably normal within the Local Government sector of NSW. Overall, Glen Innes Severn Council has a well distributed appetite for taking and retaining risk across its various strategic and operational areas of activity.

Chart 2 – Risk Appetite Change with Secondary Levels

### Risk Appetite Change with Secondary Level (across 24 Risk Categories)







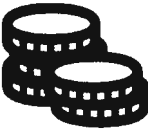


## RISK APPETITE STATEMENTS

The tables below contain the 'long-form' primary and secondary Risk Appetite Statements for each risk category of Glen Innes Severn Council. These statements are qualitative in nature and designed to provide an indication of Council's general position when deciding to take, retain or accept risk, in pursuit of its strategic objectives.


**Note:** The effectiveness of Risk Appetite Statements will be improved through the development of quantifiable Risk Tolerances from representative metrics for each risk category.


▲ ▲ ▲ ▲ ▲ - Indicates the Secondary Risk Appetite


Business Interruption and Business Continuity		
	Level	Risk Appetite Statement
 <p>Business Interruption &amp; Business Continuity</p>	Resistant	<p>In an effort to achieve its strategic outcomes Council prefers safer options and is <b>Resistant</b> to taking or retaining risk with regard to Business Interruption and Business Continuity, preferring to limit adverse exposures.</p> <p>▲ In specific circumstances Council will increase its control mitigation in an effort to <b>Avoid</b> certain risk exposures.</p>
Community and Social		
	Level	Risk Appetite Statement
 <p>Community &amp; Social</p>	Accept	<p>In consideration of Council's commitment to the Glen Innes Severn Community, it is willing to <b>Accept</b> some risk to achieve its strategic outcomes, as long as there remains a reasonable degree of protection.</p> <p>▲ In specific circumstances Council will become more <b>Resistant</b> to potential adverse exposures.</p>
Economic		
	Level	Risk Appetite Statement
 <p>Economic</p>	Accept	<p>Council recognises that effective and sustained economic understanding permeates throughout its operations and activities, and as such is willing to <b>Accept</b> economic activities with potential for positive outcomes, but with a reasonable degree of protection.</p> <p>▲ In certain circumstances Council will be more <b>Receptive</b> to risk where there is strong potential for beneficial outcomes.</p>


Environmental and Public Health		
	Level	Risk Appetite Statement
 Environmental & Public Health	Accept	<p>Environmental and Public Health are core priorities of Council, however in order to achieve strategic outcomes with these in mind, Council recognises that it needs to <b>Accept</b> risk where there remains a reasonable degree of protection.</p> <p>▲ Council does consider that in certain circumstances a more conservative position may be necessary and that it should <b>Avoid</b> risk where practicable.</p>
Financial		
	Level	Risk Appetite Statement
 Financial	Receptive	<p>As a general position, Council recognises that, in pursuit of its strategic outcomes, to move forward financially it needs to be <b>Receptive</b> to taking and retaining risk where there is potential for positive outcomes.</p> <p>▲ Council is, however, cognisant of the fact that in certain circumstances it will be prudent to <b>Accept</b> risk exposures only where there are reasonable protections.</p>
Fraud and Corruption		
	Level	Risk Appetite Statement
 Fraud & Corruption	Avoid	<p>Council maintains a determined position to <b>Avoid</b> adverse exposure to risk relating to Fraud and Corruption in the pursuit of its strategic outcomes.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category</p>
Governance		
	Level	Risk Appetite Statement
 Governance	Resistant	<p>Regarding Governance, in the pursuit of its strategic outcomes, Council prefers safer options and is <b>Resistant</b> to risks with a desire to only take on small amounts of adverse exposure, when necessary.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category</p>





HR and Employees		
	Level	Risk Appetite Statement
 HR & Employees	Resistant	<p>The Human Resources function and Employees are critical components to Council achieving its strategic outcomes. As such, Council prefers safer options and is <b>Resistant</b> to risks with a desire to only take on small amounts of adverse exposure, when necessary.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category</p>


Industrial relations		
	Level	Risk Appetite Statement
 Industrial Relations	Resistant	<p>Council is cognisant of the fact that Industrial Relations can be a challenging risk category and consequently is <b>Resistant</b> to taking or retaining risk in this area. Council has only a small appetite for risk and prefers safer options when it comes to Reputation.</p> <p>▲ Moreover, in some certain circumstances, Council recognises that it may need to be more conservative and in such cases will endeavour to <b>Avoid</b> taking or retaining risk even if potential benefits are high.</p>


Information Technology		
	Level	Risk Appetite Statement
 Information Technology	Accept	<p>As a general position Council is willing to <b>Accept</b> a medium amount of risk relating to Information Technology. Council will endeavour to maintain a view to outcome delivery whilst ensuring, as much as is practicable, a reasonable degree of protection in its activities.</p> <p>▲ In some circumstances, specifically cyber-security, Council recognises that it will need to be more conservative than normal and should <b>Avoid</b>, as much as is practicable, taking or retaining risk.</p>

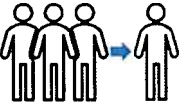
Insurance		
	Level	Risk Appetite Statement
 Insurance	Resistant	<p>Council recognises that Insurance is necessary for many of Council's activities and that there is a necessary balance between insurance coverage and expenditure. As such, Council has only a small risk appetite for regarding insurance and is <b>Resistant</b> to risk, preferring safer options.</p> <p>▲ In certain circumstances, Council will <b>Accept</b> some risk as long as there is a reasonable degree of protection.</p>


Knowledge and Training		
	Level	Risk Appetite Statement
 Knowledge & Training	Accept	<p>To achieve its strategic outcomes, as a general position, Council is willing to <b>Accept</b> risk relating to Knowledge and Training and is open to selecting options based on outcome delivery as long as there is a reasonable degree of protection.</p> <p>⚠ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>


Legal and Contractual		
	Level	Risk Appetite Statement
 Legal & Contractual	Resistant	<p>In the pursuit of its strategic outcomes Council is <b>Resistant</b> to taking or retaining risk regarding Legal and Contractual activities. Council has only a small appetite for risk and prefers safer options with only small amounts of adverse exposure.</p> <p>⚠ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>


Legislative and Regulatory		
	Level	Risk Appetite Statement
 Legislative & Regulatory	Resistant	<p>In the pursuit of its strategic outcomes Council is <b>Resistant</b> to taking or retaining risk regarding activities governed by Legislative and Regulatory requirements. Council has only a small appetite for risk in these areas and prefers safer options with only small amounts of adverse exposure.</p> <p>⚠ However, in some certain circumstances, Council recognises that it may be pragmatic to <b>Accept</b> some risk where there is a reasonable degree of protection.</p>





Natural Hazards		
	Level	Risk Appetite Statement
 Natural Hazards	Accept	<p>To achieve its strategic outcomes, as a general position, Council is willing to <b>Accept</b> some risk relating to Natural Hazards where it is pragmatic to do so and there is a reasonable degree of protection.</p> <p>⚠ In certain circumstances Council will prefer safer options and be <b>Resistant</b> to taking or retaining risk.</p>


Outsourcing		
	Level	Risk Appetite Statement
 <p>Outsourcing</p>	Accept	<p>To achieve its strategic outcomes, Council has a medium appetite and is willing to <b>Accept</b> risk relating to Outsourcing. Council recognises that to continually provide exceptional services to the community, it may need to outsource some activities as long as it can maintain a reasonable degree of protection.</p> <p>⚠ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>

Political		
	Level	Risk Appetite Statement
 <p>Political</p>	Receptive	<p>To achieve its strategic outcomes, Council is <b>Receptive</b> to risk relating to Political activities and will engage with risk based more on the outcome benefits than the potential exposures.</p> <p>⚠ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>

Professional Indemnity		
	Level	Risk Appetite Statement
 <p>Professional Indemnity</p>	Avoid	<p>Council recognises that Professional Indemnity of its staff is critical to their ability to provide full service to the extent of their capabilities and, as such, will <b>Avoid</b> risk in this category as much as is practicable.</p> <p>⚠ In some circumstances Council recognises that it may need to remain <b>Resistant</b> to risk but also take on a small appetite for risk with a preference towards safer options.</p>

Project		
	Level	Risk Appetite Statement
 <p>Projects</p>	Receptive	<p>Council recognises that the successful completion of Projects is necessary for it to achieve its strategic outcomes, and as such is <b>Receptive</b> to risk regarding Project activity.</p> <p>⚠ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>

Property and Infrastructure		
	Level	Risk Appetite Statement
 Property & Infrastructure	Receptive	<p>To achieve its strategic outcomes, Council is <b>Receptive</b> to risk relating to Property and Infrastructure, and will engage with risk based more on the outcome benefits than the potential exposures.</p> <p>▲ In some circumstances Council recognises that it may need to be more <b>Resistant</b> to risk and adjust to a small appetite for risk with a preference towards safer options.</p>
Public Liability		
	Level	Risk Appetite Statement
 Public Liability	Resistant	<p>In the pursuit of its strategic outcomes Council is <b>Resistant</b> to taking or retaining risk regarding Public Liability. Council has only a small appetite for risk in this areas and prefers safer options with only small amounts of adverse exposure.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>
Reputation		
	Level	Risk Appetite Statement
 Reputation	Resistant	<p>In the pursuit of its strategic outcomes Council is <b>Resistant</b> to taking or retaining risk regarding its Reputation. Council has only a small appetite for risk in this areas and prefers safer options with only small amounts of adverse exposure.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>
Strategic Planning		
	Level	Risk Appetite Statement
 Strategic Planning	Receptive	<p>To achieve its strategic outcomes, Council is <b>Receptive</b> to risk relating to Strategic Planning, and will engage with risk based more on the outcome benefits than the potential exposures.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>

Work Health and Safety		
	Level	Risk Appetite Statement
 <b>WH&amp;S</b>	<b>Avoid</b>	<p>Council recognises that Work Health and Safety is a discipline that transcends all of its operations and activities in some form, and as such, prefers to <b>Avoid</b> activities that would increase adverse risk exposures.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>



## CONCLUSION

The Risk Appetites expressed in this document will provide guidance to decision-makers as to where Council's general position is with regard to the level of risk it is willing to take or retain in pursuit of its strategic outcomes. The statements should be considered and reviewed during strategic planning and can be used when determining whether to increase or decrease control activity on specific risks, or whether to pursue opportunities. Additionally, it is better practice to review the Risk Appetite Statements thoroughly at least on an annual basis and also every time there is a substantial shift in Council's operating environment.

If more robust guidance is required then Council should implement quantifiable risk tolerances for each of its risk categories. These tolerances will provide guidance on whether the risk appetite levels are set appropriately as well as provide indicative measures of whether Council is operating within its expressed appetite level for taking risks.

The development of Risk Appetite Statements is a very good start to Glen Innes Severn Council's risk management journey. This work will help the Council to continue an upward trajectory towards risk management maturity, and ultimately facilitate a capability for robust, repeatable and consistent quality decision-making.

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