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RISK APPETITE STATEMENTS

Berrigan Shire Council

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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 an effective risk appetite considerations is highly beneficial in managing risk.

Berrigan Shire Council has articulated its appetite for taking, retaining or accepting risk through qualitative Risk Appetite Statements that are based on nominated risk categories. Council has chosen to identify its risks within ten risk categories that now contain primary and secondary (where appropriate) risk appetites.

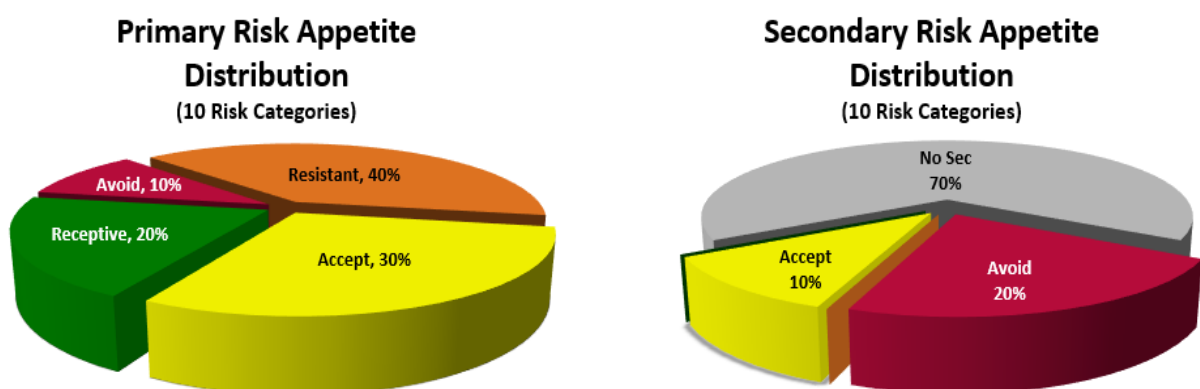
Through a workshop exercise involving Councillor’s and Council’s Executive Leadership Team, risk appetite levels have been determined for each of Council’s risk categories. The risk appetite levels produced are based on an ordinal scale of four levels: **Avoid**, **Resistant**, **Accept**, and **Receptive**.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

Berrigan Shire Council has primary risk appetite positions that are well-distributed across all appetite levels, and which could be considered slightly less-conservative. The ten categories have primary risk appetite positions of one at **Avoid** (10%), four at **Resistant** (40%), 3 at **Accept** (30%), and two at **Receptive** (20%). There are ththree risk categories with a secondary risk appetite level, distributed across two levels, and which tend to be more conservative with two at **Avoid** (20%), one at **Accept** (10%). There are seven categories without a Secondary appetite (70%).

The distribution of primary and secondary risk appetites for Berrigan Shire Council is indicative of a marginally conservative overall appetite towards taking, retaining or accepting 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 Diagram 1.

It should be noted that Risk Appetite Statements provide guidance only on Council’s appetite for risk with regard to certain risk categories. There are many variable that should be considered in decision making, and the organisation’s appetite for taking, retaining or accepting risk is only one of them.

Diagram 1 – Berrigan Shire 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 Berrigan Shire Council are based on the amount of risk that the Council is willing to take, retain or accept in pursuit of its objectives over the life of the current Community Strategic Plan 2027. 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, retain or accept for each category. Diagram 2 illustrates the four-level ordinal scale, with a definition for each.

Diagram 2: Risk Appetite Levels and Definitions

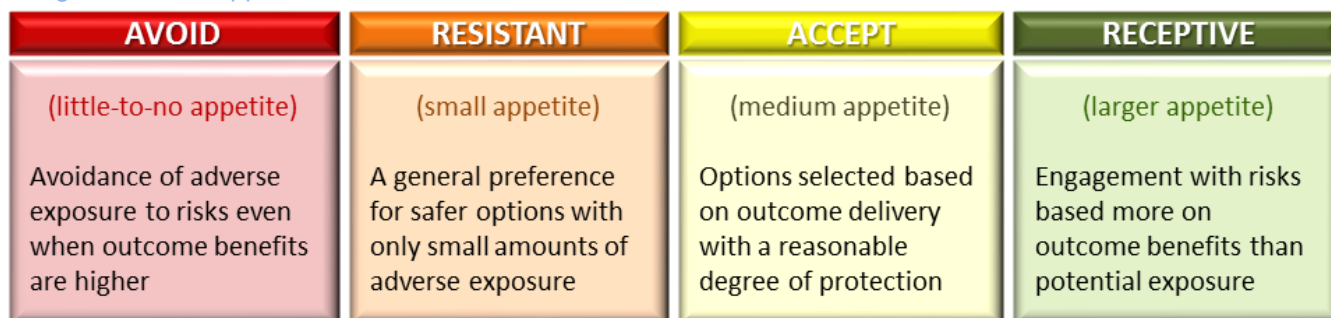


Table 1, provides a summary of Berrigan Shire Council’s risk appetite positions across its identified risk categories. Each category has one coloured cell, which represents the Primary Appetite position and one ‘greyed’ cell, which represents the Secondary Appetite position for those categories with an identified secondary appetite. 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 1: Summary of Council’s Risk Appetite positions


Category of Risk	Avoid	Resistant	Accept	Receptive
Legal	Secondary	Primary		
People & Culture			Primary	
Positive Consequences				Primary
Financial		Primary	Secondary	
Public Liability		Primary		
Work Health & Safety	Primary			
Natural Environment		Primary		
Built Environment (including plant & equipment)			Primary	
Community (Social & Cultural, Government, Reputation & Media)			Primary	
Technology	Secondary			Primary


RISK APPETITE STATEMENTS


The tables below contain the 'long-form' primary and secondary Risk Appetite Statements for each risk category of Berrigan Shire 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


Legal		
	Level	Risk Appetite Statement
 Legal	Resistant	<p>In the pursuit of its Strategic Outcomes, Council is Resistant to taking or retaining Legal risk. Council has only a small appetite for risk in this areas and prefers safer options with only small amounts of adverse exposure.</p> <p>▲ In certain circumstances, Council will be more conservative and seek to Avoid risk and adverse exposures, even if there is potential for outcome benefits.</p>


People & Culture		
	Level	Risk Appetite Statement
 People & Culture	Accept	<p>In order to achieve its Strategic Outcomes, Council recognises that it needs to Accept a medium amount of risk with regard to its People and Culture, so 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>


Positive Consequences		
	Level	Risk Appetite Statement
 Positive Consequences	Receptive	<p>To realise Positive Consequences, Council is Receptive to risks to its Strategic Outcomes, 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>


Financial		
	Level	Risk Appetite Statement
 Financial	Resistant	<p>Regarding its Financial activities, in the pursuit of its Strategic Outcomes, Council prefers safer options and is Resistant to taking, retaining or accepting risk. Council maintains a desire to only take on small amounts of adverse exposure, when necessary.</p> <p>▲ Council is, however, cognisant of the fact that in certain circumstances it will be prudent to Accept risk exposures so long as there is a reasonable degree of protection.</p>


Public Liability		
	Level	Risk Appetite Statement
 Public Liability	Resistant	<p>In the pursuit of its Strategic Outcomes, Council is Resistant to taking, retaining or accepting 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>

Work Health & Safety		
	Level	Risk Appetite Statement
 Work Health & Safety	Avoid	<p>Council recognises that Work Health & Safety is a discipline that transcends all of its operations and activities in some form in the pursuit of its Strategic Outcomes, and as such, prefers to Avoid activities that would increase adverse risk exposures even when outcome benefits are higher.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>

Natural Environment		
	Level	Risk Appetite Statement
 Natural Environment	Resistant	<p>Managing the Natural Environment will occasionally present opportunities for long and short-term improvement and occasionally a degree of risk is required to realise those opportunities. However, as a general position, Council will remain Resistant to risk regarding its Natural Environment and prefer 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>

Built Environment - including Plant and Equipment		
	Level	Risk Appetite Statement
 Built Environment	Accept	<p>With regard to its Built Environment (including plant & equipment), Council is willing to Accept a medium level of risk in order to achieve its Strategic Outcomes. Council will endeavour to select options based on outcome delivery, whilst maintaining a reasonable degree of protection.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category</p>

Community – including Social, Cultural, Government, Reputation and Media		
	Level	Risk Appetite Statement
 Community	Accept	<p>With regard to Community (including Social, Cultural, Government, Reputation & Media), Council is willing to Accept a medium amount of risk in order to achieve its Strategic Outcomes. Council will endeavor to select options based on outcome delivery whilst maintaining a reasonable degree of protection.</p> <p>▲ Council does not consider that a secondary risk appetite level is necessary for this Risk Category.</p>

Technology		
	Level	Risk Appetite Statement
 Technology	Receptive	<p>To achieve its Strategic Outcomes, Council has a larger appetite and is Receptive to risk relating to Technology. Council will seek to prudently engage with risk with increased consideration for the outcome benefits.</p> <p>▲ In some circumstances, particularly Cyber Security, Council recognises that it will need to be more conservative than normal and should Avoid, as much as is practicable, taking, retaining or accepting risk even when outcome benefits are higher.</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, retain or accept in pursuit of its Strategic Outcomes. The statements should be considered and reviewed during strategic planning and can be used as an influence 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 a semi-annual basis and also every time there is a substantial shift in Berrigan Shire 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.

It should be noted that Risk Appetite Statements provide guidance only on Council's appetite for risk with regard to certain risk categories. There are many variables that should be considered in decision making, and the organisation's appetite for taking, retaining or accepting risk is only one of them.

The development of Risk Appetite Statements is a very good start to Berrigan Shire 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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