

KINGBOROUGH COUNCIL

RISK APPETITE STATEMENT

November 2020

This should be read in conjunction with the Kingborough Council Risk Management Policy
and the Strategic Risk Register

RISK APPETITE

Risk appetite is the **amount** and **type** of risk that an organisation is willing to accept in order to achieve a desired outcome / objective.

The Council has a strategic plan which outlines the key objectives and goals of Council into the future – it is how the Council has defined success. In order to achieve these objectives, Council must take on risk. With scarce resources, Council must also make trade-offs between priorities. Risk appetite is a tool which assists Council in having clear guidance on what types of risks are appropriate, what level of risk the Council is comfortable with, and which objectives and risks are most important to Council and must be prioritised for attention. Risk appetite statements include an overall statement, and a risk appetite level for each category of risk eg. reputation, safety, financial, etc.

A strong risk management framework includes the following elements: risk appetite is one of those elements.



Why have a defined risk appetite?

- Facilitates a shared understanding of the acceptance of risk
- Provides guidance to Councillors, management and staff on expectations and acceptable risks
- Assists in resolving tensions in the business plan and priorities
- Provides guidance for budget allocation - the allocation of scarce resources to reducing risk (risk mitigation strategies) and supporting internal controls

There are different levels to risk appetite, for example:

- Low risk appetite – only desire to take minimal or limited risks (or no risk) to pursue organisational objectives
- Medium risk appetite – Will take a moderate level of risk to pursue organisational objectives

- High risk appetite – Will take on a high level of risk to pursue organisational objectives

RISK APPETITE STATEMENTS

The following risk appetite statements have been developed for consideration by Council based on the results from the workshop.

Overall risk appetite	
Overall risk appetite statement	Council has, by its nature, a low appetite for risk given that many of the functions of Council are regulated under the <i>Local Government 1993</i> . The Council will however tolerate and pursue some risk consistent with the objective of providing efficient and effective Council services, and providing infrastructure, development and policy decisions which will benefit the ratepayers, both current and future, of the Kingborough municipality.
Sub-risk category risk appetite	
Financial	Council has a moderate risk appetite for financial risk in pursuit of Council objectives. In relation to budget management and cost control, Council has a low risk appetite for variances to the approved budget for matters that are within Council's control. In relation to key projects, Council has a higher risk appetite and understands that major projects will inherently involve more risk. The Council will consider all decisions based on robust business cases / analysis and is willing to take on financial risk in order to deliver the infrastructure required for a growing municipality.
Legal	The Council has a moderate appetite for legal and compliance risks consistent with its role in local government. Resources will be applied to ensure both Council and stakeholders comply where it is practical with the legal and regulatory environments.
Safety	Council has a low risk appetite for anything that may impact the safety of councillors, Council staff and the community.
Stakeholder	Council has a low-risk appetite to stakeholder risk. This is consistent with the local government environment and the wide range of stakeholder interests in the objectives and decisions of Council. Council will make decisions based on the information and analysis available and will be prepared to make decisions which minimises the impact on stakeholder groups and is in the best interests of the municipality or the Council.
Reputation	Council has a low-risk appetite to reputation risk. Consistent with stakeholder risk, Council will make decisions based on the information and analysis available and will make decisions which are in the best interests of the municipality or the Council. Council will take steps to ensure that internal processes and the management of Council projects are performed well to minimise the risk of reputation damage as a result of Council actions or activities.
Environment	Council has a low-risk appetite in relation to the environment. The target risk level is no or limited damage to the environment however, Council accepts that some damage may occur in a limited resource environment.