

# Risk Appetite Statements

**Macedon Ranges Shire Council**

August 2023



**Macedon  
Ranges**  
Shire Council

# Contents

- 1. Executive Summary..... 1
- 2. Risk Appetite Summary ..... 3
- 3. Risk Appetite Statements ..... 4
- 4. Conclusion..... 6
- 5. Contacts ..... 6

# Executive Summary

Risk Appetite is the 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.

Macedon Ranges 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 seven Risk Categories that contain primary and secondary positions of risk appetites.

Through a workshop exercise involving the Mayor and Councillors, Council’s Executive Team, members of the Audit and Risk Committee, and members of the Risk Management Team, risk appetite levels have been determined for each of Council’s key Risk Categories. The risk appetite levels produced are based on an ordinal scale of four levels:

Avoid	
Resistant	
Accept	
Receptive	

In this order, the levels provide an indication of an increasing willingness to take, retain or accept risk, where Avoid and Resistant are considered more conservative, and Accept and Receptive are considered less conservative.

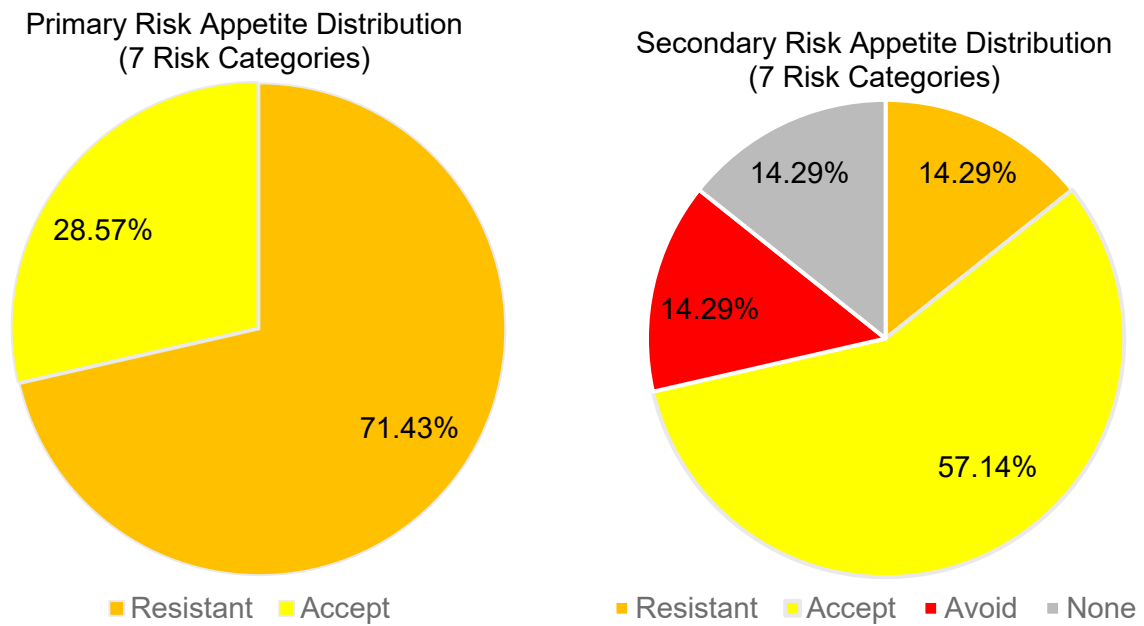
Macedon Ranges Shire Council has a primary risk appetite position that is considered reasonably conservative. Of seven risk categories, there are none with a primary risk appetite of Receptive or Avoid and only two with a primary risk appetite of Accept (~29%). The remaining five risk categories have a risk appetite level of Resistant (~71%). Six of the seven risk categories have a secondary risk appetite distributed across three of the four risk appetite levels (the exception being the Receptive level). Four of these six risk categories have a secondary position that is less conservative to the primary, and two are more conservative. The single risk category without a secondary risk appetite position is *Reputational*, which is a category that covers the threat to Council’s name and social positioning.

The distribution of primary and secondary risk appetite positions for Macedon Ranges Shire Council is indicative of a more conservative overall appetite towards taking, retaining or

accepting risk. 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 variables 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: Macedon Ranges 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 Macedon Ranges 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 Council Plan period. Appetites for risk can vary across the different operations in pursuit of strategic objectives. 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

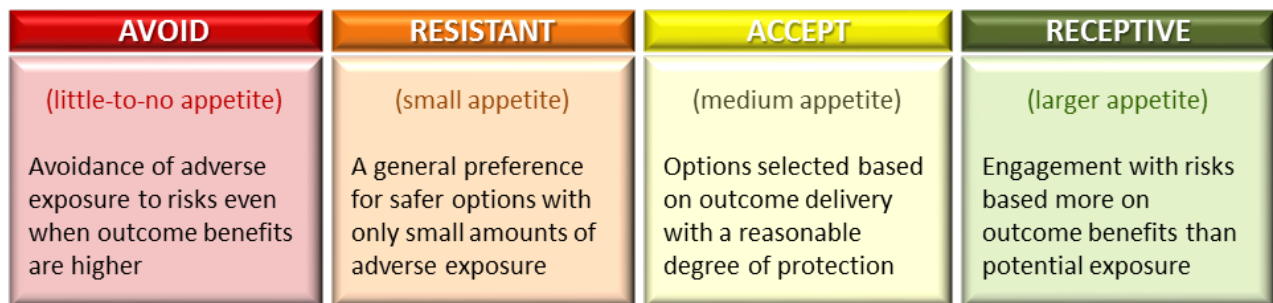


Table 1, provides a summary of Macedon Ranges Shire Council’s Risk Appetite positions across its identified Risk Categories. Each category has one coloured cell, which represents the Primary Appetite position and one ‘greyed’ cell, which represents the Secondary Appetite position for those categories 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


Risk Category	Avoid	Resistant	Accept	Receptive
Service Delivery		Secondary	Primary	
Compliance & Legal	Secondary	Primary		
Financial		Primary	Secondary	
Natural Environment		Primary	Secondary	
Asset Management		Primary	Secondary	
People		Primary	Secondary	
Reputational			Primary	


# Risk Appetite Statements


The tables below contain the primary and secondary Risk Appetite Statements for each of Macedon Shire council’s key Risk Categories. 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.


▲ ▲ ▲ ▲ ▲ - Indicates the Secondary Risk Appetite


Service Delivery		
	Level	Risk Appetite Statement
 Service Delivery	<b>Accept</b>	Regarding <b>Service Delivery</b> , Council has a medium appetite for risk in achieving its objectives and will <b>Accept</b> exposures based on outcome delivery with a reasonable degree of protection.  ▲ Council recognises that in certain circumstances it may need to be more <b>Resistant</b> to risk and prefer safer options.


Compliance & Legal		
	Level	Risk Appetite Statement
 Compliance & Legal	<b>Resistant</b>	To achieve its objectives, Council is <b>Resistant</b> to risk relating to its <b>Compliance &amp; Legal</b> activities and obligations. Council prefers safer options with only small amounts of adverse exposure.  ▲ However, in some circumstances, where appropriate, Council will <b>Avoid</b> exposure to risk as much as is practicable.

Financial		
	Level	Risk Appetite Statement
 Financial	<b>Resistant</b>	To achieve its objectives, Council is <b>Resistant</b> to risk relating to its <b>Financial</b> activities and obligations. Council prefers safer options with only small amounts of adverse exposure.  ▲ However, in certain circumstances, Council will <b>Accept</b> options based on outcome delivery where there remains a reasonable degree of protection.

Natural Environment		
	Level	Risk Appetite Statement
 <p>Natural Environment</p>	<b>Resistant</b>	<p>To achieve its objectives, Council is <b>Resistant</b> to risk relating to its <b>Natural Environment</b> activities and obligations. Council prefers safer options with only small amounts of adverse exposure.</p> <p>⚠ However, in certain circumstances, Council will <b>Accept</b> options based on outcome delivery where there remains a reasonable degree of protection.</p>

Asset Management		
	Level	Risk Appetite Statement
 <p>Asset Management</p>	<b>Resistant</b>	<p>To achieve its objectives, Council is <b>Resistant</b> to risk relating to its <b>Asset Management</b> activities and obligations. Council prefers safer options with only small amounts of adverse exposure.</p> <p>⚠ However, in certain circumstances, Council will <b>Accept</b> options based on outcome delivery where there remains a reasonable degree of protection.</p>

People		
	Level	Risk Appetite Statement
 <p>People</p>	<b>Resistant</b>	<p>Regarding activities aligned to <b>People</b>, Council is <b>Resistant</b> to adverse exposures and prefers safer options in order to achieve its objectives</p> <p>⚠ However, in certain circumstances, Council will <b>Accept</b> options based on outcome delivery where there remains a reasonable degree of protection.</p>

Reputational		
	Level	Risk Appetite Statement
 <p>Reputational</p>	<b>Accept</b>	<p>Regarding activities aligned to its <b>Reputational</b> nature, Council is willing to <b>Accept</b> options based on outcome delivery, with a reasonable degree of protection.</p> <p>▲ Council does not feel that a secondary risk appetite 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, retain or accept in pursuit of its objectives over the life of the current Council Plan period. 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 Macedon Ranges 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.

The development of Risk Appetite Statements will help Council to continue an upward trajectory towards risk management maturity, and ultimately facilitate a capability for robust, repeatable and consistent quality decision-making.

# Contacts

Name: Craig Hutley  
Title: Principal, Strategic Risk Consulting, Marsh Advisory, Pacific  
Practice Lead Queensland and Northern Territory  
Mobile: 0447 034 327  
Email: [craig.hutley@marsh.com](mailto:craig.hutley@marsh.com)





**Marsh Pty Ltd**  
ABN 86 004 651 512  
One International Towers Sydney  
100 Barangaroo Avenue  
Sydney, NSW Australia 2000  
PO Box H176  
Royal Exchange NSW 1215  
[www.marsh.com.au](http://www.marsh.com.au)

Marsh Pty Ltd (ABN 86 004 651 512, AFSL 238 983).

This document and any recommendations, analysis, or advice provided by Marsh (collectively, the "Marsh Analysis") are not intended to be taken as advice regarding any individual situation and should not be relied upon as such. The information contained herein is based on sources we believe reliable, but we make no representation or warranty as to its accuracy. Marsh shall have no obligation to update the Marsh Analysis and shall have no liability to you or any other party arising out of this publication or any matter contained herein. Any statements concerning actuarial, tax, accounting, or legal matters are based solely on our experience as insurance brokers and risk consultants and are not to be relied upon as actuarial, tax, accounting, or legal advice, for which you should consult your own professional advisors. Any modelling, analytics, or projections are subject to inherent uncertainty, and the Marsh Analysis could be materially affected if any underlying assumptions, conditions, information, or factors are inaccurate or incomplete or should change. Marsh makes no representation or warranty concerning the application of policy wording or the financial condition or solvency of insurers or reinsurers. Marsh makes no assurances regarding the availability, cost, or terms of insurance coverage. Although Marsh may provide advice and recommendations, all decisions regarding the amount, type or terms of coverage are the ultimate responsibility of the insurance purchaser, who must decide on the specific coverage that is appropriate to its particular circumstances and financial position.

Copyright © 2023 Marsh Pty Ltd. All rights reserved.