DIAMANTINA SHIRE COUNCIL

SUSTAINABLY DEVELOPING THE OUTBACK

RISK APPETITE STATEMENT 2025/2026

RISK APPETITE STATEMENT

PURPOSE

Council's Risk Appetite Statement defines the level of risk Council is willing to accept in pursuit of its strategic objectives and service delivery responsibilities.



This Risk Appetite Statement provides strategic guidance to support implementation of Council's Enterprise Risk Management Framework. It informs the establishment of target residual risk levels and supports strategic decision-making but does not determine operational escalation, reporting or treatment requirements.

APPLICATION OF RISK APPETITE

Risk appetite is applied through Council's Enterprise Risk Management Framework and Risk Rating Matrix to support consistent governance, escalation and treatment processes.

Risk appetite statements provide strategic direction only and do not assign risk levels.

Escalation and reporting requirements are determined solely by the assessed risk rating to ensure clarity, consistency and effective governance oversight.

Risk Category - Health and Safety

Risk Appetite Statement

Council has **no appetite** to compromise the health and safety of its employees, contractors, volunteers or members of the public. Council will ensure that health and safety risks are eliminated or, where elimination is not reasonably practicable, reduced so far as is reasonably practicable (SFAIRP) in accordance with legislative requirements.

Council acknowledges that some residual risk may remain after all reasonably practicable controls are implemented. Council's risk appetite applies only to this residual risk and does not override statutory obligations relating to hazard identification, risk assessment, or control.

Non-Negotiable Policy and Legislative Requirements

Council will not accept:

- Failure to identify hazards or assess health and safety risks in accordance with legislation
- Failure to implement controls so far as is reasonably practicable
- Deliberate or reckless breaches of WHS legislation, policies or procedures
- Unsafe work environments where risks are reasonably foreseeable and preventable

Key Risk Indicators (KRIs) and Escalation Thresholds

- Any serious injury, fatality, or notifiable incident
- Lost time injuries exceeding 7 days in total per annum
- Repeated safety incidents indicating ineffective controls or hazard management failures

Risk Category - Legal and Compliance

Risk Appetite Statement

Council seeks to minimise legal and compliance risk and will not knowingly engage in activities that involve unlawful conduct, deliberate non-compliance, or unethical behaviour.

Council acknowledges that, despite robust governance, controls, and legal compliance efforts, legal disputes, challenges, or complaints may still arise from lawful and properly made decisions. Council is prepared to accept this residual risk where decisions are made in good faith, supported by appropriate advice, and consistent with legislative and governance requirements.

Non-Negotiable Policy and Legislative Requirements

Council will not accept:

- Deliberate or reckless breaches of legislation or regulation
- Corrupt, fraudulent, or unethical conduct
- Failure to act on legal advice where required
- Unmanaged conflicts of interest or improper decision-making

Key Risk Indicators (KRIs) and Escalation Thresholds

- Regulatory breaches resulting in fines or prosecution
- External investigations or enforcement action
- Repeated audit findings indicating systemic non-compliance

Risk Category - Financial Management

Risk Appetite Statement

Council seeks to minimise financial management risk and will not knowingly engage in activities that compromise its long-term financial sustainability, statutory financial ratios, or legislative obligations. Council recognises that the delivery of services, infrastructure, and innovation may involve limited financial variability, including minor budget variations or short-term cost impacts. Council is prepared to accept this managed deviation from planned financial outcomes where risks are understood, justified, and controlled, and where decisions support long-term value for money and community outcomes.

Non-Negotiable Policy and Legislative Requirements

Council will not accept:

- Financial practices that breach legislation or Council policy
- Fraudulent or corrupt conduct
- Decisions that knowingly undermine Council's long-term financial sustainability
- Failure to maintain appropriate financial controls, delegations, and oversight

Key Risk Indicators (KRIs) and Escalation Thresholds

- Unbudgeted financial loss exceeding $50,000
- Net financial liabilities ratio exceeding 60%
- Operating surplus ratio outside 0–10%
- Repeated audit findings indicating financial control weaknesses

Risk Category - Environmental

Risk Appetite Statement

Council supports balanced decision-making for environmental risk where decisions involve balanced trade-offs between environmental protection, community needs, service delivery, economic development, and long-term sustainability. While Council's objective is to protect and enhance the natural environment, Council acknowledges that achieving broader community outcomes may require accepting limited, temporary, or localised environmental impacts, provided these impacts are understood, minimised, and managed responsibly. Council is prepared to accept some deviation from ideal environmental outcomes where the long-term benefits to the community are compelling, and risks are appropriately mitigated.

Non-Negotiable Policy and Legislative Requirements

Council will not accept:

- Deliberate or reckless breaches of environmental legislation or approval conditions
- Actions that cause irreversible or long-term environmental damage without explicit Council consideration
- Failure to apply the precautionary principle where there is significant uncertainty and potential for serious harm.

Key Risk Indicators (KRIs) and Escalation Thresholds

- Environmental incidents resulting in regulatory enforcement action or penalties
- Environmental impacts requiring remediation beyond Council's capacity or budget
- Repeated environmental incidents indicating control or planning failure

Risk Category - Cyber Security

Risk Appetite Statement

Council supports balanced decision-making for cyber security risk, recognising that cyber threats are persistent, evolving, and cannot be entirely eliminated. Council is prepared to accept a managed level of cyber risk, including limited-service disruption or data recovery activities, where risks have been reduced so far as is reasonably practicable through appropriate technical, administrative, and behavioural controls. Council's appetite does not extend to unmanaged or reckless cyber risk. Decisions involving cyber risk must balance security, service continuity, cost, and usability, particularly in the context of Council's operating environment and available resources.

Non-Negotiable Policy and Legislative Requirements

Council will not accept:

- Deliberate misuse, unauthorised access, or disclosure of confidential or personal information
- Failure to implement and maintain baseline cyber security controls
- Failure to respond appropriately to known cyber vulnerabilities or incidents

Key Risk Indicators (KRIs) and Escalation Thresholds

- System outages exceeding 4 hours
- Confirmed data loss or privacy breach
- Repeated cyber incidents indicating control failure or inadequate response

Risk Category - Economic Development

Risk Appetite Statement

Council supports balanced decision-making for economic development risk and recognises that pursuing growth, diversification, and long-term prosperity may involve uncertainty, variability in outcomes, and the potential for short-term underperformance.

While Council's objective is to strengthen the local economy, Council accepts that not all initiatives will deliver expected benefits and that some decisions may result in temporary reductions in activity or uneven impacts across sectors. Council is prepared to accept a reasonable level of deviation from desired economic outcomes where initiatives are aligned with strategic objectives, are supported by appropriate analysis, and are actively monitored.

Non-Negotiable Policy and Legislative Requirements

Council will not accept:

- Decisions that knowingly undermine long-term economic viability without Council consideration;
- Actions that are significantly misaligned with adopted economic or tourism strategies;
- Unmanaged economic risks that threaten Council's financial sustainability.

Key Risk Indicators (KRIs) and Escalation Thresholds

- Sustained reduction in local economic activity beyond agreed thresholds
- Failure of major initiatives without documented lessons learned or corrective action
- Economic impacts that materially affect Council's revenue base or service capacity

Risk Category - Reputation and Public Trust

Risk Appetite Statement

Council supports balanced decision-making for reputational and public trust risk, recognising that transparent decision-making, community engagement, and the pursuit of long-term community benefit may result in criticism, disagreement, or adverse media attention.

While Council's objective is to maintain public confidence and act with integrity, Council accepts that not all decisions will be universally supported and that some initiatives may generate short-term reputational impacts in pursuit of broader or longer-term outcomes. Council is prepared to accept a measured level of reputational risk where decisions are lawful, ethical, evidence-based, and aligned with Council's strategic objectives. This category includes risks associated with governance instability, loss of public confidence, and circumstances that may result in external intervention or reduced decision-making capability.

Non-Negotiable Policy and Governance Requirements

Council will not accept:

- improper, unethical, or corrupt behaviour
- failure to act in accordance with Council values, Codes of Conduct, or governance principles
- unmanaged or undisclosed conflicts of interest
- deliberate lack of transparency or failure to follow lawful decision-making processes
- failure to escalate or respond appropriately to incidents that may materially affect Council's reputation

Key Risk Indicators (KRIs) and Escalation Thresholds

- Sustained adverse local or regional media attention relating to Council decisions or conduct
- Significant loss of public confidence evidenced through formal complaints, petitions, or engagement outcomes
- Reputational issues triggering external investigation, intervention, or formal review
- Repeated governance or conduct issues indicating systemic control weaknesses

Risk Category - People and Culture

Risk Appetite Statement

Council supports balanced decision-making for people and culture risk, recognising that organisational change, workforce development, innovation, and service delivery in a remote operating environment may involve uncertainty, disruption, and variable workforce outcomes. While Council's objective is to maintain a safe, respectful, and high-performing workplace, Council accepts that achieving long-term workforce sustainability may involve temporary impacts such as staff turnover, morale fluctuations, capability gaps, or industrial complexity, particularly during periods of change or reform. Council is prepared to accept a managed level of deviation from optimal people and culture outcomes where risks are understood, justified, and actively managed.

Non-Negotiable Policy and Governance Requirements

Council will not accept:

- deliberate or reckless breaches of workplace health and safety, industrial relations, or employment legislation
- discrimination, harassment, bullying, or unethical conduct
- behaviour that contravenes Council values, Codes of Conduct, or human rights obligations
- unmanaged workplace practices that pose foreseeable and preventable risks to employee wellbeing or safety

Key Risk Indicators (KRIs) and Escalation Thresholds
• Sustained increase in employee turnover or absenteeism beyond agreed thresholds • Repeated workforce grievances or complaints indicating systemic issues • Significant decline in employee engagement or satisfaction measures • Workforce capacity or capability gaps that materially impact service delivery

Risk Category - Assets

Risk Appetite Statement
Council supports balanced decision-making for asset-related risk, recognising that the ownership, operation, maintenance and renewal of assets in a remote operating environment involves trade-offs, uncertainty, and competing resource priorities. While Council's objective is to maintain assets that are safe, reliable and fit for purpose, Council accepts that achieving long-term asset sustainability may involve temporary reductions in service levels, deferred renewal, or controlled deterioration of non-critical assets, particularly where resources are constrained or where greater community benefit can be achieved elsewhere. Council is prepared to accept a managed level of deviation from optimal asset performance where risks are understood, prioritised, and actively managed.
Non-Negotiable Policy and Legislative Requirements
Council will not accept: • asset management practices that knowingly compromise public safety • failure to comply with legislative or regulatory requirements relating to critical infrastructure • failure to escalate or respond to known critical asset failures • unmanaged asset risks that threaten Council's ability to deliver essential services
Key Risk Indicators (KRIs) and Escalation Thresholds
• Asset failures resulting in safety incidents or service outages exceeding agreed thresholds • Sustained decline in asset condition below agreed service levels for critical assets • Asset sustainability ratio falling below adopted targets • Repeated unplanned asset failures indicating systemic control or planning deficiencies

Risk Category - Service Delivery

Risk Appetite Statement
Council supports balanced decision-making for service delivery risk, recognising that innovation, service improvement, and responsiveness to changing community needs may involve temporary disruption, variability in service levels, or transitional impacts. While Council's objective is to deliver reliable and high-quality services, Council accepts that short-term interruptions, service redesign, or phased implementation may be necessary to achieve long-term efficiency, sustainability, or improved community outcomes. Council is prepared to accept a managed level of deviation from optimal service delivery outcomes where risks are understood, justified and aligned with Council's strategic priorities.
Non-Negotiable Policy and Governance Requirements
Council will not accept: • Unmanaged failure to deliver essential services without appropriate escalation and contingency arrangements • Decisions that knowingly place the community at risk due to service delivery failures • Failure to communicate appropriately with stakeholders during significant service disruptions • Disregard for statutory service delivery obligations
Key Risk Indicators (KRIs) and Escalation Thresholds
• Service interruptions exceeding 24 hours for critical services;

- Repeated service failures indicating inadequate planning or resourcing;
- Failure to meet statutory or Council-adopted service performance requirements;
- Sustained negative community feedback relating to service delivery outcomes.

The Risk Appetite Statement is not exhaustive and provides general guidance to support risk-informed decision-making across Council. Management and employees are expected to apply the Enterprise Risk Management Framework, approved risk criteria, escalation requirements and documented controls when managing risks. External obligations, budget constraints and the impact of external influences must be considered to determine the optimal treatment plan to manage a particular risk.

Risk appetite informs the setting of target residual risk levels for individual risks, which are achieved through the application of controls and monitored using key risk indicators.

ROLES AND RESPONSIBILITIES

Councillors and employees contribute to effective risk management within their area of influence. The Enterprise Risk Management Framework will provide a targeted and integrated approach and indicate the specific accountabilities and responsibilities related to the risk and opportunity management process, decision-making and strategic and operational planning.

Councillors

- adopt Council's Enterprise Risk Management Policy
- adopt Council's Enterprise Risk Management Framework
- actively participate in strategic and tactical decision-making processes
- ensure that strategic risks and opportunities are identified, managed and controlled appropriately, and
- appoint the Audit and Risk Committee to provide independent assurance, oversight, and monitoring to Council with respect to the risk management function.

The Chief Executive Officer (CEO) and Executive Team

- endorse the Enterprise Risk Management Policy for Council adoption,
- endorse the supporting Enterprise Risk Management Framework for Council adoption and monitor implementation
- provide leadership and commitment in the management of strategic, service delivery and project risk, including annual review and endorsement of Council's risk appetite and associated Key Risk Indicators and escalation thresholds, and six-monthly reviews of the Strategic Risk Register,
- emphasise that risk management is a core responsibility for all employees,
- allocate appropriate resources for risk management and consider capabilities and constraints on existing resources
- identify individuals who have the accountability and authority to manage risks (risk owners), where appropriate
- integrate risk in a targeted way across the organisation, and
- build a transparent and dynamic risk and opportunity culture and generally champion risk management within Council.

Employees

- adhere to the Enterprise Risk Management Policy
- maintain an awareness of their operational environment as well as current and potential risks, particularly in their area of expertise and industry

- identify new and emerging risks and apply the risk management process in their area of work, including regular review, ownership, monitoring, escalation and reporting, and
- if an employee is identified as a risk owner, then they are required to manage and monitor the risk.

Governance

- periodically review the Enterprise Risk Policy and the Enterprise Risk Management Framework
- provide periodic updates to the Audit and Risk Committee regarding Council's strategic risks and the risk management function, and
- educate employees on the application of the Policy and associated Framework, tools and templates.

KEY RISK INDICATORS AND ESCALATION THRESHOLDS

Key Risk Indicators and escalation thresholds support the operational application of Council's risk appetite statements. They provide clear, measurable thresholds that define acceptable levels of risk across key categories, enabling consistent decision-making, prioritisation of resources and timely escalation when risks exceed defined limits. By aligning Key Risk Indicators and escalation thresholds with strategic objectives, Council ensures risk is managed proactively and transparently, supporting both accountability and resilience.

These indicators operationalise Council's risk appetite by providing measurable thresholds for monitoring, escalation and review.

Risk Category	Key Risk Indicator / Escalation Threshold
Workplace and Public Safety	Injuries resulting in no more than 7 days lost time in total annually and no common law claims.
Legal and Compliance	Breaches that are contained, with no fines or litigation and no external investigation.
Financial	Minor monetary loss - $50,000 of revenue or budget
Environmental	Environmental impacts that are minor, contained on site, and repairable without external assistance.
Cyber	System outages not exceeding 4 hours, with no data loss or privacy breach.
Economic	Reduction in visitation or localised loss of business activity (1-3%)
Reputation and Public Trust	Issues limited to local community concern, resolved through standard public relations.
People and Culture	Staff issues that cause several days of interruption of day-to day service delivery.
Asset	Damage resulting in no more than 3 days of service disruption and repairs within existing operational budgets.
Service Delivery	Interruptions not exceeding 24 hours, with no failure to meet strategic objectives.

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 Risk Appetite Statements thoroughly at least annually and every time there is a substantial shift in Diamantina Shire Council's operating environment.

Key Risk Indicators and escalation thresholds assist Council in monitoring whether risk exposures remain within acceptable operational parameters. 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 and accepting risk is only one of them.

REVIEW AND APPLICATION

This Risk Appetite Statement is reviewed at least annually, or more frequently where there is a material change in Council's operating environment. Risk appetite informs the setting of target residual risk ratings, the prioritisation of treatments and escalation decisions across Council.

Key Risk Indicators are monitored through routine reporting and are used to support timely management action and governance oversight. This document is intended to be read in conjunction with the Enterprise Risk Management Framework and supporting risk registers.

SUPPORTING DOCUMENTATION

Legislation	*Local Government Regulation 2012*
Council Policies	Fraud and Corruption Control Policy Workplace Health and Safety Policy
Council Delegations	N/A
Supporting Documents	Enterprise Risk Management Policy Enterprise Risk Management Framework

VERSION CONTROL

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1	20 July 2026	Original: Resolution: CNL/26/187	330674