Attachment E



DRAFT Risk Appetite Statement

Purpose

This Risk Appetite Statement provides guidance about the amount of risk the City of Sydney (the City) is willing to take in order to achieve our strategic goals, while ensuring the protection of our assets, reputation and the wellbeing of our employees and community.

Scope

This Risk Appetite Statement applies to all people, functions, services and activities.

The elected Council and employees at all levels are responsible for risk management activities within their area and scope of responsibility. This includes understanding and acting within the City's risk appetite.

Definitions

Term	Meaning
Employees	All City employees including permanent, temporary and casual employees (whether full time or part time) and agency contractors.
Risk Appetite	The amount and type of risk that the City is willing to take in order to meet our strategic objectives. It is a statement or series of statements that describes the City's attitude towards risk taking.
Risk Tolerance	The levels of risk taking acceptable to achieve a specific objective or manage a category of risk. Risk tolerance represents the practical application of risk appetite and is typically aligned to categories of risk such as Financial, Environmental and Sustainability, Service Delivery, People, Infrastructure, Assets and Property, Reputation and Image and Legal and Compliance.

Our Strategic Goals

Sustainable Sydney 2030-2050: Continuing the Vision sets out our renewed vision for a green, global and connected city.

It expresses our aim for a sustainable future where everyone does their part to respond to the climate emergency and where we are a leader in our region for just and sustainable growth, creativity and innovation. It also envisages a city with a thriving 24-hour economy and opportunities for all, where the social, business, cultural and physical connections in our city help us reach our potential, adapt to change and withstand adversity.



There are 10 strategic directions that set our priorities for action and guide all of the work we do at the City of Sydney:

- Responsible governance and stewardship
- 2. A leading environmental performer
- 3. Public places for all
- 4. Design excellence and sustainable development
- 5. A city for walking, cycling and public transport
- 6. An equitable and inclusive city
- 7. Resilient and diverse communities
- 8. A thriving cultural and creative life
- 9. A transformed and innovative economy
- 10. Housing for all

Policy Statement

At the City we recognise that risk is an inherent part of our operations and decision-making processes and that risk is intrinsically linked with innovation.

We accept that in order to achieve our strategic vision and objectives that we must accept some risks that are proportionate to the potential reward, especially where growth, transformation and innovation is involved.

Our primary objectives in managing risk are to:

- Protect the wellbeing of our community, employees and stakeholders.
- Safeguard our people, assets, reputation and financial resources.
- Ensure compliance with applicable laws, regulations and standards.
- Enable innovation and growth while balancing potential risks.
- Optimise service delivery and operational efficiency.

Risk Appetite

Risk appetite is the degree of risk we are willing to accept in pursuit of our strategic goals and is characterised by the following principles:

- We are open to taking risks that align with our strategic objectives and are within our capacity to manage effectively.
- We encourage a culture of responsible risk taking to support innovation, excellence and continuous improvement.
- We identify and evaluate emerging risks to ensure timely and appropriate responses.

A balanced approach to risk appetite is needed to achieve these principles. The challenges in achieving this balance are:

 realisation of opportunities and allowing growth, transformation and innovation while avoiding unnecessary negative impacts; and



• avoidance of a risk averse culture which stifles growth, transformation and innovation rather than supporting it through the proper assessment and management of risk.

We categorise our level of risk appetite as follows:

No appetite	Minimal	Cautious	Open
No/ extremely limited appetite	Limited appetite	Moderate appetite	Open/ accepting appetite
	limited risk exposure	consider taking risk where effective mitigation can be	

It is acknowledged that from time to time we may intentionally decide to undertake activities that sit outside our usual risk appetite.

Risk Tolerance

The City's risk tolerance varies depending on the nature of the risk, its potential impact and our capacity to manage it effectively. Our risk tolerance is guided by the following principles:

- we maintain a low tolerance for risks that pose a significant threat to health, safety, wellbeing and the environment.
- we comply with our legal and regulatory requirements.
- we encourage considered risk taking that supports innovation, efficiency and the achievement of our strategic objectives.
- we avoid risks that may result in reputational damage or financial loss beyond our capacity to recover.

Implementation of the Risk Appetite Statement

This Risk Appetite Statement forms the basis of our approach to managing risk in our day-to-day activities. Implementation is supported by our Risk Management Policy and Procedures and other tools and templates.

Councillors and City employees are responsible for managing their risk environment within the scope of their responsibilities.

The City's Governance Risk and Compliance system houses our corporate risk registers. The City's work health and safety incident and risk management systems are contained within the Safety Management System.

Risks outside the appetite or agreed tolerance levels should be managed in line with this Risk Appetite Statement, the Risk Management Procedures and should be discussed with the relevant Divisional Director.



Risk Appetite and Tolerance Levels

For risk appetite and tolerance levels of key risk categories see Appendix 1.

Responsibilities

The Elected Council will:

- set the City of Sydney's Risk Appetite in consultation with the Audit Risk and Compliance Committee by adopting a Risk Appetite Statement
- consider Risk Appetite as part of their decision-making process.

The Audit Risk and Compliance Committee (ARCC) will:

- review and provide input to the City's Risk Appetite Statement before it is approved by the Council.
- review and advise on the effectiveness of the City's risk management framework and its implementation.

The Chief Executive Officer will:

- oversee the City's risk management framework, including this Risk Appetite Statement, and ensure it is effectively communicated, implemented and reviewed regularly
- promote and champion a culture that encourages proactive identification and management of risk, including opportunities for innovation.
- assign authority and accountability for risk management at appropriate levels and to appropriate staff and monitor these responsibilities.
- provide an annual attestation that the City's risk management framework complies with Office of Local Government Guidelines.

The Executive will:

- review this Risk Appetite Statement on an annual basis and submit any recommended changes to the Council for approval.
- submit the Risk Appetite Statement to the elected Council at least once every Council term (in the first 12 months of the Council term).

Directors and M3/M4 managers will:

- promote and champion a positive risk culture.
- implement the City's Risk Management Procedures, including this Risk Appetite Statement, in their area of responsibility.
- implement their risk management responsibilities within the Safety Management System.
- encourage the assessment and management of risk in their area of responsibility.
- where appropriate develop written guidance and provide training and development for employees.

Employees will:

- identify and manage risk within the scope of their responsibilities in accordance with the City's risk management framework.
- implement their risk management responsibilities within the Safety Management System.



Consultation

This Risk Appetite Statement has been developed in consultation with the ARCC, Executive and M3 managers.

References

Laws and Standards

- Local Government Act 1993 (sections 8B and 428A)
- Local Government (General) Regulation 2021
- Work Health and Safety Act 2011
- Office of Local Government Guidelines for Risk Management and Internal Audit for Local Government in NSW

Policies and Procedures

- City of Sydney Risk Management Policy
- City of Sydney Risk Management Procedure
- City of Sydney Safety Management System procedures

Review period

This Risk Appetite Statement is reviewed annually or whenever there is a significant change in the City's operating environment.

Approval Status

The Council approved this Risk Appetite Statement on [DD MONTH YYYY].

Approval History

Stage	Date	Comment	TRIM Reference
Original RAS	(Date, month, year)	Approved by Council	20XX/XXXXXX

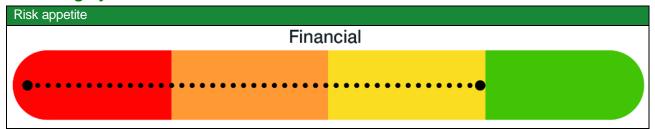
Ownership and approval

Responsibility	Role
Author	Manager Risk and Governance
Owner	Director Legal and Governance
Endorser	City of Sydney Executive and ARCC
Approver	City of Sydney Council



Appendix 1 - Risk Appetite and Tolerance Levels

Risk category - Financial



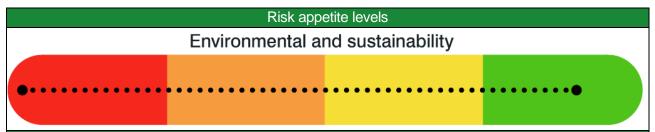
- The City has a responsibility to ensure that it has sufficient resources in the short, medium and long term to provide the levels of service that are both affordable and considered appropriate by the community.
- We maintain a cautious appetite to financial risks, aiming to minimise the likelihood and impact of
 significant financial losses. We prioritise the protection of our financial resources and our long-term
 financial sustainability. We strive to ensure that our financial decisions are well informed, based on
 sound financial analysis and are aligned with our strategic objectives.
- We acknowledge that some financial risks may be necessary to achieve our goals, particularly when
 investing in new initiatives that align with our strategic objectives. We carefully evaluate financial
 options and risks and consider the potential impact on our financial position, cash flow, and overall
 stability.
- We assess our capacity to absorb financial losses and maintain sufficient financial resources to mitigate the impact of most unexpected events.
- We have minimal appetite for operating deficits as our operating surpluses are the primary source of funds to renew our assets and our capital works program.
- We are committed to complying with all applicable laws, regulations and financial reporting standards.
 We have **no** appetite for financial losses arising from non-compliance with legal and regulatory requirements.
- We have **no** appetite for fraudulent or corrupt financial transactions.

Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
 Employees and Councillors to be responsible for the financial impact of their activities and decisions that ensures appropriate spending of public money A culture of communication and reporting with respect to financial impacts and risks Sound investment decisions Regular review of internal controls to support responsible financial management. 	 Minor unforeseen and unavoidable cost variations in projects within the established budgets, contingencies and forward estimates Minor losses or capital outlays attributable to new processes or innovation to meet community needs, provide better outcomes and/or increased value for money Calculated financial risks to deliver infrastructure, improve 	 Financial activities and practices that contravene legislation or policy Failure to have effective systems, processes and controls to protect against fraud and corruption Fraudulent or corrupt behaviour from employees, Councillors or suppliers Actions that have a significant negative impact on long term financial sustainability, the City's ability to meet financial



service delivery or promote long term financial sustainability which may result in a short-term deterioration in the operating result and financial	sustainability targets and KPIs, and intergenerational equity
position	

Risk category – Environmental and Sustainability



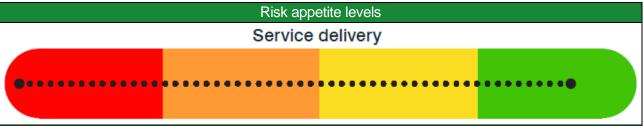
- We recognise the critical importance of environmental protection and sustainability in our operations and decision-making. We are committed to minimising our negative impact on the environment and striving for a more sustainable future. We accept that sometimes environmental protection (e.g. pollution) and environmental sustainability (e.g. cleaner energy) place us at opposite ends of the risk appetite spectrum.
- We are dedicated to actively identifying and addressing environmental risks associated with our
 activities and services. We prioritise prevention and proactive measures to minimise our ecological
 footprint, conserve resources and protect ecosystems.
- We have **no** appetite for decisions, activities and practices that result in long term or irrevocable environmental damage.
- We have minimal appetite for non-compliance with environmental laws, regulations and industry standards. In many cases we strive to exceed base level legal requirements and engage in sustainable practices that align with the best interests of the environment.
- We have an **open** appetite for changes to procedures and practices to accommodate improved environmental outcomes.
- We embrace innovative solutions and emerging technologies that enable us to minimise environmental
 risks and enhance sustainability. We actively explore and invest in sustainable alternatives, renewable
 energy sources and efficient resource utilisation.
- We have robust risk management in place to minimise environmental incidents, adapt to climate change impacts and to enhance our resilience against unforeseen challenges.

Risk tolerance			
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT	
		tolerate:	
Business activities and decisions that are undertaken in alignment with the 'City's Environmental Strategy 2021 – 2025' and 'Sustainable Sydney 2030 – 2050 Continuing the Vision	 Minor environmental impacts from uncontrollable or unforeseen events, or to deliver enduring benefits to our community well into the future Single unforeseen events that can be reversed 	 Activities and practices that knowingly compromise the environment, are reasonably foreseeable and preventable. Deliberate or reckless failure to meet regulatory or legal requirements. 	



Activities or decisions that do not significantly impact the organisation's emissions or those of the wider City of Sydney	Decisions or activities that are inconsistent with the City's Environmental Strategy 2021 – 2025 and Sustainable Sydney 2030 – 2050 Continuing the Vision
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Risk category - Service Delivery



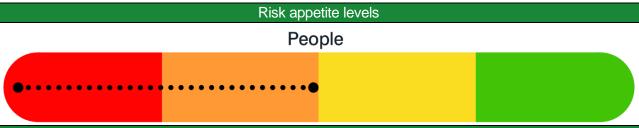
- We encourage innovation and aim to deliver high quality services in line with our Vision and Purpose.
- Our risk philosophy is centred around achieving a balance between innovation, community and user satisfaction and risk management, ensuring that we meet our strategic objectives while maintaining a robust control environment.
- We recognise that external threats, shocks and disasters may cause disruption to our services and core functions. We aim to enhance our resilience, crisis management and business continuity capabilities in readiness for these events.
- We recognise the increasing role that technology plays in the delivery of our services. We embrace
 innovative solutions and emerging technologies that enable us to improve services and utilisation of
 our resources. We encourage our people to develop the capability and mindset needed to support the
 application of this technology.
- We are **open** to exploring new opportunities and changing service levels to the community, taking into account community expectations, needs and our financial sustainability.
- We have minimal appetite for more than temporary disruption to our critical service functions, such as waste services and childcare services.
- We have minimal appetite for disruption to our regulatory functions, especially those that affect public safety, front line service and our core corporate functions and business systems.
- We have a **cautious to open** appetite for our strategic, community development, urban planning and creative functions and services.

Risk tolerance			
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:	
 Exceptional community and user service Maintenance of service availability, reliability and performance Continuous improvement in service quality and efficiency. 	Unforeseen interruptions to services within maximum allowable outages contained in our business continuity plans, where we respond and communicate promptly to impacted stakeholders.	 Ongoing failure to deliver critical services Absence of plans to respond to a disruption and support continuity of critical service and business functions 	



- New ways of working that result in improved services and/or improved community satisfaction.
- Our people to develop the capability and mindset needed to support the application of new technologies
- Moderate impacts to service delivery arising from new technology, services, infrastructure projects, maintenance works or innovation that improve our services over the medium to long term
- Moderate impacts arising from innovations and reforms that contribute to creating a flexible and productive workforce.
- Failure to promptly escalate a critical business impact or outage.

Risk category - People

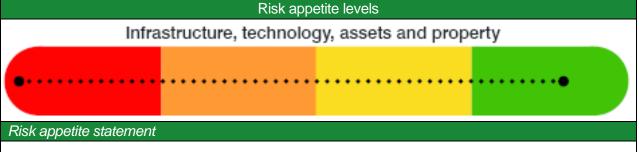


- We are committed to the health, safety and wellbeing of our workers, residents, visitors and others who interact with our assets, operations and services.
- We recognise that health and safety risks are inherent in all of our activities and operations and in the
 public domain for which we are responsible. We also recognise that many incidents, injuries and harm
 are preventable and that proactive risk management is crucial to achieving a safe and healthy
 environment for everyone.
- Our primary objective is to prevent harm, injuries and workplace illnesses to our workers, residents, visitors and other stakeholders.
- We acknowledge that achieving a risk-free environment is not feasible, especially in the public domain.
 We therefore aim to minimise health, safety and wellbeing risks within our organisation and in the public domain as far as reasonably practicable and in keeping with our legal obligations.
- We have **no** appetite for any activities or conditions that pose an immediate threat to life, such as
 uncontrolled hazards or disregard for safety regulations. We will prioritise immediate corrective actions
 to eliminate such risks promptly.
- We have **no** tolerance for any form of abuse or exploitation of people, including children.
- We have **no** appetite for any activities in our services for children and young people that pose a serious threat to their physical or psychological wellbeing. We will prioritise immediate corrective actions to eliminate such risks promptly.
- We have **minimal** appetite to take risks that jeopardise the safety of our workers, volunteers, contractors, children/young adults in our care, and broader members of the community.
- Where risks associated with activities and services can be effectively mitigated and there are reasonable benefits to the community, a minimal risk appetite can be considered.



Risk tolerance			
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:	
 Workplaces and public spaces that prioritise health and safety, foster wellbeing and comply with applicable legislative and regulatory requirements. Continuous improvement in health and safety by encouraging innovation, learning from incidents and near-misses and actively seeking opportunities to enhance safety. Workplace reforms that improve community services and or contribute to organisational sustainability. Consultation with our workers and community on matters that affect them. Collaboration with the NSW government and other third parties to improve health and safety in the public domain. Reporting and rectifying risks in accordance with policy and procedures Spaces, activities and services that foster diversity and inclusion 	 Minor unforeseen incidents or injuries that arise from time to time while undertaking work activities. Minor morale issues and staff grievances related to agreed organisational change due to innovation or change management processes Minor unforeseen incidents or injuries to people that arise from time to time while undertaking normal activities in the public domain, where the City has met our duty of care 	 Actions or behaviours that put people's safety at risk Failure to follow the Safety Management System including polices/procedures, risk management plans and legislative requirements Actions or behaviours that deliberately and/or willingly contravene the WHS Act 2011 and WHS Regulation 2017, the Code of Conduct or WHS policies and procedures, including bullying and harassment Activities that result in reasonably foreseeable and preventable injuries or illnesses to our workers or community Unsafe work environments or unsafe infrastructure Activities that place children/young adults in our care at risk from physical or psychological harm where effective mitigation is not in place 	

Risk category - Infrastructure, Technology, Assets and Property



- We recognise the need to strike a balance between risk taking and risk aversion to ensure the sustainable management of infrastructure, assets and their long-term resilience.
- We recognise the importance of prudent financial management when it comes to our assets and we strive to maintain a financially sustainable position. Our risk appetite acknowledges the need to balance investment in infrastructure with the Council's overall financial capacity. We allocate adequate resources to the maintenance and renewal of assets and ensure that there is alignment between asset management plans, the Delivery Program and our long-term financial plan.
- We place a high priority on ensuring the continuity of essential services delivered through infrastructure assets. Our risk appetite emphasises the need to protect and maintain critical



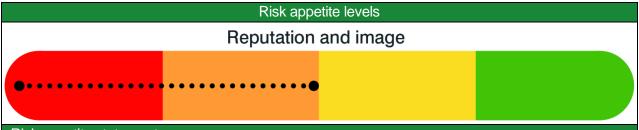
infrastructure to minimise disruption to services, meet community expectations and to ensure public safety.

- We acknowledge the diverse expectations of our stakeholders, including the community, ratepayers, regulatory bodies and elected officials. Our risk appetite considers stakeholder expectations and seeks to align infrastructure management practices with their needs, while maintaining a responsible and sustainable approach.
- We acknowledge our responsibility to protect and enhance the social and environmental wellbeing of our community. Our risk appetite emphasises the integration of sustainable practices into infrastructure asset management, considering environmental impacts, climate change resilience and community engagement.
- We manage our assets, infrastructure and property in accordance with established service levels.
- We have **no** appetite to compromise on standards that could potentially impact essential/critical infrastructure, assets or property.
- We recognise the intrinsic value of culture and heritage assets and the importance of their
 preservation. We adopt a cautious approach to risk taking, focusing on the protection, conservation
 and restoration of significant cultural and heritage resources to ensure their long-term viability and
 integrity.
- We have **minimal** appetite for data loss and/or privacy breaches resulting from cyber incidents.
- We have minimal appetite for change that detrimentally impacts on the cultural or heritage properties
 of significant items, structures or buildings.
- We have an open risk appetite and will accept some level of risk to enhance our infrastructure, assets or property.
- We aim to strike a balance between achieving our strategic objectives and ensuring the long-term sustainability of infrastructure assets; and preserving and promoting culture and heritage, embracing innovation, and ensuring the long-term sustainability and accessibility of cultural/heritage assets.

Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
 Proactive asset management and reporting of issues Detailed planning and programming of asset renewal to ensure appropriate resources are allocated in the long-term financial plan Innovation which optimally maintains or improves upon service levels and sustainability outcomes 	 Moderate impacts to infrastructure due to implementation of new technology, innovation initiatives or projects Short term disruption to assets for minor programmed repair or replacement Minor unforeseen and unavoidable cost variations in capital projects within the established contingency 	 Failure to promptly escalate critical infrastructure damage or issues Failure to develop plans to respond to a disruption and ensure continuity of operational infrastructure Failure to implement routine maintenance of our infrastructure and assets Poor administration and management of contracts Required asset renewal from being undertaken



Risk category - Reputation and Image



- We recognise the significance of our reputation as a valuable asset that influences stakeholder trust, business continuity and the short- and long-term achievement of our objectives.
- While we strive to maintain an impeccable reputation, we acknowledge that unforeseen
 events can occur. We also acknowledge that a diversity of views exist in our community and it
 will not always be possible to provide a positive outcome for every member of the community.
- We recognise the increasing role that technology plays in the delivery of our services. We
 embrace innovative solutions and emerging technologies that enable us to improve services
 and utilisation of our resources.
- In the event of a reputation damaging incident, we will promptly and honestly communicate the situation to affected stakeholders taking into account legal and regulatory requirements.
- We will respond swiftly to any incidents and we will prioritise the protection of our stakeholders' interests, demonstrate accountability and will work towards restoring trust and confidence.
- We improve our risk management by incorporating lessons learned from past reputationdamaging incidents. We regularly review and update our risk appetite to align with evolving circumstances and emerging threats.
- We foster a culture of ethics, integrity and responsible behaviour across our organisation. By creating a strong ethical foundation, we aim to minimise the likelihood of reputation-damaging incidents and enhance our ability to respond effectively when challenges arise.
- We have **no** appetite for unethical or corrupt conduct.
- We aim to strike a balance between achieving our strategic objectives, implementing change and embracing innovation, and protecting our reputation.
- We have minimal appetite to take risks which may impact our reputation where there are alternative avenues available.
- We have **minimal** appetite for risk that impacts our reputation, standing and brand with the community, media, stakeholders, investors, other levels of government and overseas.

Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
Employees to act in accordance with the Code of conduct and City values	Isolated or minor incidents, concerns and complaints that	Improper, unethical or corrupt behaviour or failure to act in



- Employees to engage with the community as guided by the 'Our approach to engaging the community'
- Proactive communication with the community and employees ahead of significant change/s.
- Prompt escalation of issues that may impact the City's reputation
- Employees to promptly notify a Director of significant incidents that may impact the City's reputation

- can be resolved by effective management
- Adverse media or social media scrutiny where actions or decisions have been carefully considered and documented.
- Adverse media or community complaints when implementing agreed actions within Sustainable Sydney 2030-2050: Continuing the Vision.
- Minor complaints relating to action which deliver longer term benefits to the community.

- accordance with Council policies
- Actions or behaviours that deliberately and/or willingly contravene the Code of Conduct or Council policies
- Failure to act or make decisions in a fair, honest, transparent manner
- Individuals failing to disclose and appropriately manage a conflict of interest
- Failure to consult or involve the community in significant changes or key decisions
- Failure to respond to complaints in a prompt and professional manner
- The release of services, programs and initiatives that fail to meet agreed standards that could adversely impact the City's brand or reputation

Risk category - Legal and Compliance



- We recognise that legal and compliance risks are inherent in our operations and can significantly impact our reputation, financial stability and legal standing.
- We make decisions that align with our corporate objectives, policies and strategies.
- We are committed to conducting our activities in full compliance with applicable laws, regulations and relevant industry standards.
- We encourage all employees to report legal or compliance concerns promptly. We maintain an open and transparent reporting culture including reporting compliance breaches to the Audit Risk and Compliance Committee.
- We maintain a register of our legal and regulatory requirements and we have systems and resources in place to meet our compliance obligations.
- We continually review and evolve all elements of our governance frameworks.
- We promote a culture of integrity, honesty and ethical behaviour in all aspects of our operations. We have **no** appetite for unethical practices or actions that may expose the organisation to significant legal or compliance risks.



 Consideration of expert and professional legal advice when making significant decisions.

- We have **no** appetite for engaging in illegal activities including fraud and corruption.
- We have minimal tolerance for non-compliance with policies and procedures and we will take reasonable steps to prevent, detect and promptly address non-compliance.
- Where there are clear benefits to the community in pursuing a course of action, we may adopt a
 minimal risk appetite. Where pursued this should be appropriately approved, recorded and effectively
 managed.

Risk tolerance		
The City of Sydney encourages:	The City of Sydney will tolerate:	The City of Sydney will NOT tolerate:
 Compliance with all applicable laws, regulations and other authority documents relevant to our operations. An organisational culture that fosters compliance and good governance Prompt reporting of potential or actual claims, cases, breaches, non - compliance, allegations or incidents Recording and monitoring strategic and operational risks on an ongoing basis 	 Litigation risks (for example where Council is defending its policies) where decisions are supported by a risk assessment and approved in accordance with delegations Minor impacts and isolated complaints, despite best efforts to avoid or mitigate risk, resulting from normal business activity 	 Corrupt or fraudulent conduct by its employees Unreasonable delays when reporting or investigating any fraudulent, improper, unethical or corrupt conduct Employees knowingly breaking the law, failing to comply with legal obligations or recklessly breaching internal policies Unauthorised release of confidential information or privacy breaches



Risk Appetite Summary Table

City of Sydney risk appetite

