



RISK APPETITE STATEMENT

15 May 2026

CONTENTS

1. Background	3
2. Purpose	3
3. City of Karratha Strategic Objectives	3
4. Definitions	4
5. Risk Appetite Definitions and Scale	4
6. Risk Appetite Definitions and Scale Applied to the Risk Categories	6
7. Overall Risk Appetite	7
8. Summary of Risk Appetite By Risk Category	8
9. Roles and Responsibility	11
10. Implementation of the Risk Appetite Statement	11
11. Risk Management Performance	11
12. Training	11
13. Approval and Amendment of the Risk Appetite Statement	11
14. Related Documents	12
15. Version Control	12

1. Background

The City of Karratha (“the City”) are committed to systematically, and diligently identifying, analysing, evaluating, monitoring and reporting our risks and opportunities that may arise that have an impact on achievement of the City’s strategy, and operations.

The City will accept a certain level of risk to achieve our strategic objectives and goals. Our risk appetite helps us operate within agreed boundaries, while acknowledging that innovation and creativity help us achieve our strategic priorities.

The City will strive to maximise our opportunities. Our risk appetite helps guide opportunities to create value and meet strategic and operational objectives, while ensuring we consider our areas of lowest appetite.

2. Purpose

The Risk Appetite Statement is a key governance document within the City’s Risk Management Framework. It supports early and informed discussions about risk appetite and risk tolerance, which are essential to effective risk management.

The Statement outlines the City’s appetite and tolerance for key strategic risk categories and provides a baseline for setting controls, monitoring and reporting risk levels, and assessing residual risk against approved thresholds. Where risks fall outside the approved appetite or tolerance, mitigation strategies are identified and implemented to return the City to acceptable levels.

The Risk Appetite Statement enables the City to:

- clearly communicate its risk appetite and tolerance to management, employees, the community and other stakeholders
- monitor and measure performance against agreed risk appetite and tolerance
- gain assurance that risks are being managed within approved limits
- mobilise resources and strategies where risks operate outside approved parameters
- clarify approval requirements where risks sit within tolerance and the duration for which this is acceptable.

3. City of Karratha Strategic Objectives

The Risk Appetite Statement aligns with the City’s Purpose, Vision and Strategic Goals, and provides a clear framework to guide decision-making and the management of risk in the achievement of organisational outcomes.

Vision

The City of Karratha’s vision is to be **Australia’s most liveable regional city — the place we are proud to call home.**

Strategic Goals

The City of Karratha has seven [Strategic Goals](#) that collectively set the direction for service delivery, investment, and long-term community outcomes. The City’s risk appetite supports progress against these goals by enabling informed, balanced decisions that appropriately manage risk while pursuing strategic opportunities.

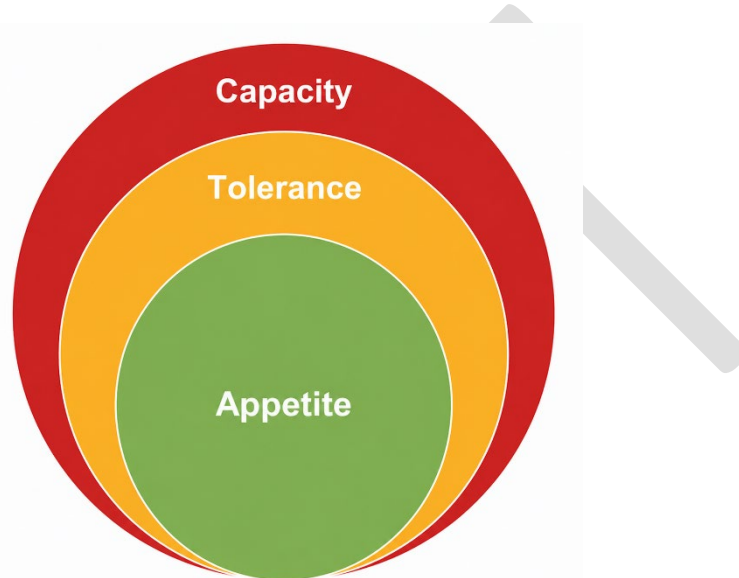
4. Definitions

Risk: The effect of uncertainty on objectives. They can be negative or positive.

Risk Capacity: The amount of risk the City is able to take on without jeopardising their strategic goals or financial stability.

Risk Appetite: The level of risk the City is willing to accept to achieve its strategic, business and operational objectives. This can be defined by entity, division, risk category or sub risk category. The approach by the City is to define risk appetite as the City's overall risk appetite, and by strategic risk category.

Risk Tolerance: Sets out the level of risk that the City is willing to accept in deviating from its risk appetite.



5. Risk Appetite Definitions and Scale

The overall level of risk that the City accepts can range from being averse to risks (i.e. avoiding risk) to being open to risk (i.e. pursuing risks). Where the City's risk appetite fits on this range can impact on its willingness to innovate, as well as its requirement to control risks.

The City categorises its risk appetite, risk tolerance and their alignment to the relevant risk ratings from the City's risk tables within the Risk Management Policy as set out in **Table 1**.


Table 1: Risk Appetite Definitions and Scale Table


Appetite	Intent	Risk Management Approach	Definition	Generally Accepted Response Time. Dependent Upon Decision	Risk Appetite Risk Rating	Risk Tolerance Risk Rating
Averse	Seek to avoid risk	Zero Tolerance/ Avoid	City will avoid or not operate in this area. No willingness to take on any risk.	Immediate response Remediation within 1 month.	None	Low
Tolerable	Minimise risk	Limited / Low Tolerance/ Cautious/ Conservative	City may operate in this area or in this way where the value is assessed as worthwhile, and only after risks have been effectively mitigated or uncertainty minimised.	Immediate to short term Remediation within 2 months.	Low	Moderate
Acceptable	Evaluate to pursue	Moderate / Medium Tolerance Confident	City will operate in this area or this way after risks have been effectively mitigated in order to pursue opportunities.	Short to medium term Remediation within 6 months.	Moderate	High
Open	Pursue	High Tolerance Innovate / Venture / Explore	City will operate in this area or in this way after all options are considered and the most appropriate option selected for an acceptable level of reward or value for money.	Medium to long term Remediation within 6-24 months, where relevant and appropriate.	High	Extreme

6. Risk Appetite Definitions and Scale Table Applied to the Risk Categories

The practical use of the above Risk Appetite Definitions and Scale Table to the current strategic risk categories is set out in **Table 2**.

Table 2: Risk Appetite Definitions and Scale Table Applied to the Risk Categories

Risk Appetite	Averse Risk Appetite	Tolerable Risk Appetite	Acceptable Risk Appetite	Open Risk Appetite
Risk Category				
1. Health	Staff undertaking high risk activities subject to proper controls being in place.	Staff undertaking activities with controlled and managed safety risks.	Staff undertaking activities under robust safety systems, with low residual risk and active monitoring.	Staff undertaking activities subject to proper controls being in place.
2. Financial	Activities that impact long term financial sustainability.	Activities with limited financial exposure and low impact on budgets or short-term performance.	Activities with low financial value that support efficiency, cost savings, or modest revenue growth.	Activities with a low value that are likely to provide economic or revenue growth opportunities.
3. Environmental (including climate change)	Inadequate environmental management, including failure to consider or mitigate climate-related risks, or hazards.	Activities that may result in minor, short-term environmental or climate-related impacts that are controlled and reversible.	Activities that maintain or improve environmental outcomes, support climate resilience and emission reduction, meet regulatory requirements, and deliver sustainability benefits.	Activities that have environmental, climate-related state and federal approvals and that will enable improved services/amenity to the wider community.
4. Reputation	Activities that create significant reputational damage or loss of trust.	Activities with low reputational sensitivity that may generate minor, short-term stakeholder concern but are manageable.	Activities aligned with organisational values and stakeholder expectations, with neutral or positive reputational outcomes.	Activities that strengthen reputation, credibility, and stakeholder trust while delivering benefits.
5. Service Interruption	Activities resulting in sustained disruption to core services.	Activities that may cause limited disruption to a small number of services with recovery plans in place.	Short-term, controlled service interruptions that enable improved service delivery or efficiency.	Time limited service disruption will enable improved delivery of services to the community in the future.

Risk Appetite	Averse Risk Appetite	Tolerable Risk Appetite	Acceptable Risk Appetite	Open Risk Appetite
Risk Category				
6. Governance & Compliance	Minor unintentional breaches that are rectified on a timely basis.	Moderate unintentional breaches that are rectified on a timely basis.	Controlled and justified breaches (e.g. emergencies) within legal/regulatory boundaries.	Significant unintentional breaches that occur in an exceptional situation with clear justification oversight.
7. Infrastructure Projects & Outcomes	Activities resulting in greater than maximum allowable cost or time variations.	Small, low-profile changes with limited cost, scope, or schedule impact.	Innovative or improvement initiatives delivering measurable benefits and scalable outcomes.	Innovation and continuous improvement initiatives with ongoing community benefit shared across other partners.

7. Overall Risk Appetite

The City's overall risk appetite is **Tolerable**. This means the City is prepared to accept low, well-understood risks that are effectively managed through existing controls and do not have a material impact on staff or community safety, service delivery, compliance, or reputation in pursuing its strategic objectives.

This risk appetite reflects the City's commitment to responsible governance, staff and community wellbeing, and long-term financial sustainability. It supports safe and financially sustainable decision-making that enables innovation and the delivery of strategic priorities, while maintaining a strong focus on psychosocial and physical safety, and an acceptable level of service and value.

The City acknowledges its environmental impacts and is committed to sustainable practices. It recognises that the community and natural environment are complex and influenced by external factors that may be beyond the City's direct control.

As a public authority, the City has a naturally conservative risk appetite, including where required by legislation.

The City will have an **Averse Risk Appetite** for risks which will:

- have a significant negative impact on City's long-term financial sustainability.
- result in major breaches of legislative requirements and/or significant litigation against the City.
- compromise the safety and welfare of staff, contractors and/or members of the community.
- cause significant and irreparable damage to the environment.
- result in major disruption to the delivery of key services.
- result in widespread and sustained damage to the City's reputation.
- significantly impact on the City's ability to recruit and retain staff.





8. Summary of Risk Appetite By Risk Category




While the City overall has a Tolerable Risk Appetite, a risk appetite and tolerance has been determined for each of the seven (7) strategic risk categories to outline the City's risk appetite and tolerance in the activities it undertakes, with certain risk categories having different risk appetites and tolerances. Activities and decisions undertaken by the City must be considered individually according to the relevant risk categories and their associated risk appetite and risk tolerance level and their relevant risk ratings.

The Risk Appetite Statement for each risk category is critical to manage risks within these risk thresholds, where possible. Where necessary, the City can move to risk tolerance thresholds for an approved period of time with necessary safeguards, and approval. Approval for risk tolerances are in Section 14 of this Risk Appetite Statement.

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9. Risk Appetite and Risk Tolerance Statements by Risk Category

	Risk Category	Risk Appetite Statement	Risk Appetite	Risk Appetite Rating	Risk Tolerance	Risk Tolerance Rating	Risk Tolerance
1	 Health	Averse Risk Appetite for risks in its people and human resourcing activities, ensuring that the commitment to positive culture, succession planning, psychosocial and safety of staff are maintained.	Averse	None	Tolerable	Low	Open Risk Appetite for: <ul style="list-style-type: none"> activities that support a positive workplace culture, enhance employee satisfaction and productivity, address labour shortages, and reduce dependency on key individuals. Acceptable Risk Appetite for: <ul style="list-style-type: none"> developing innovative workforce strategies provided they are well-managed to mitigate reputational or financial harm. limited short-term variation in routine, lower-risk activities where risks are well understood and managed through established controls, supervision, and monitoring. consideration of new options to attract and retain employees. Averse Risk Appetite for: <ul style="list-style-type: none"> activities that compromise its commitment to workforce diversity and inclusion. serious injury, illness, or harm to employees, contractors, or community.
2	 Financial	Tolerable Risk Appetite for financial risk where it supports strategic objectives and long-term sustainability, but will avoid significant financial losses, budget overruns, or ineffective use of public funds.	Tolerable	Low	Acceptable	Moderate	Acceptable Risk Appetite for: <ul style="list-style-type: none"> short-term fluctuations in revenue, expenditure, or project costs within approved budget thresholds. financial risks associated with budget reviews. activities that are likely to provide economic and revenue growth opportunities and partnerships that bring external funding or grants. Averse Risk Appetite for: <ul style="list-style-type: none"> any actions that are known, or upon reasonable investigation, ought to be known, to unacceptably threaten the long term financial sustainability. sustained deficits, significant cost overruns, or reserves depletion that may affect financial sustainability. non-compliance with financial delegations, procurement financial mgt legislation. risks that compromise financial integrity including fraud, corruption, misconduct, misuse or ineffective use of funds.
3	 Environmental	Tolerable Risk Appetite for risks in its environmental activities, ensuring that safety, amenity, preservation of natural and cultural environments and sustainable practices are at the forefront of consideration.	Tolerable	Low	Acceptable	Moderate	Acceptable Risk Appetite for: <ul style="list-style-type: none"> short-term variation where impacts are minor, temporary, and effectively managed through operational controls, acknowledging that some risks are outside of the City control. environmental risks that are managed collaboratively with external agencies who support the City's strategic objectives. risks associated with new ways to manage its increasing waste volume while fostering the circular economy. Tolerable Risk Appetite for: <ul style="list-style-type: none"> environmental risks prioritising vigilancy in decision-making, actively seeking and incorporating advice from stakeholders and environmental experts to minimise risks to the community and environment. Averse Risk Appetite for: <ul style="list-style-type: none"> sustained deviations that may result in significant environmental and cultural environments harm, or long-term ecological impacts. not meeting its obligations for the management of contaminated sites, sensitive or high-profile sites, waste services or the preparation, planning, response and recovery of hazards.
4	 Reputation	Averse Risk Appetite for actions that may negatively impact the reputation, stakeholder confidence and relationships within the City.	Averse	None	Tolerable	Low	Tolerable Risk Appetite for: <ul style="list-style-type: none"> actions or activities that have a sustained adverse impact on the City's reputation, where those risks are unavoidable through the application of good governance and practices. substantiated complaints from the community and/ or stakeholders. Averse Risk Appetite for: <ul style="list-style-type: none"> actions that could significantly damage public confidence, credibility, or stakeholder relationships. risks associated with behaviors that are unsafe or do not closely align with the professional standards and values of the City risks associated with behavior's that are illegal or unethical.

	Risk Category	Risk Appetite Statement	Risk Appetite	Risk Appetite Rating	Risk Tolerance	Risk Tolerance Rating	Risk Tolerance
5	 Service Interruption	Tolerable Risk Appetite for disruptions to critical services. To prioritise resilience, continuity planning, and timely recovery to ensure service delivery to the community. This includes information technology and key corporate systems disruptions. The City's information technology assets must be secure, routinely backed up and maintained.	Tolerable	Low	Acceptable	Moderate	<p>Tolerable Risk Appetite for:</p> <ul style="list-style-type: none"> temporary understaffing or skill gaps if mitigated by training, outsourcing, or automation. <p>Averse Risk Appetite for:</p> <ul style="list-style-type: none"> emergency service disruptions exceeding the maximum acceptable recovery time relating to public health. continued critical skill shortages that impact service delivery or security or safety. risks related to loss of City information, and loss of control over its IT infrastructure.
6	 Governance and Compliance	Averse Risk Appetite towards sustained breaches of legislation, regulatory requirements, and governance obligations. When non-compliances are identified they are to be risk rated and rectified on a timely basis	Averse	None	Tolerable	Low	<p>Acceptable Risk Appetite for:</p> <ul style="list-style-type: none"> the application and enforcement of legislation, regulatory requirement, local laws and policies favouring an educational and collaborative approach with the community. While enforcement actions will be taken to uphold compliance, the City prioritises working with residents to promote and encourage voluntary adherence to legislation and policies. <p>Tolerable Risk Appetite for:</p> <ul style="list-style-type: none"> isolated, non-material breaches that are promptly remediated. <p>Averse Risk Appetite for:</p> <ul style="list-style-type: none"> deliberate, systemic or negligent non-compliance, particularly where it could impact legal obligations, public trust, security and confidentiality of information.
7	 Infrastructure & Project Outcomes	Tolerable Risk Appetite for activities in delivering infrastructure and projects to support growth and community needs but manages risks relating to project delays, cost overruns, asset failure, and delivery challenges through strong planning and governance.	Tolerable	Low	Acceptable	Moderate	<p>Tolerable Risk Appetite for:</p> <ul style="list-style-type: none"> variation from infrastructure and project outcomes where changes relate to scheduling, delivery methods, or operational adjustments that do not materially affect services. all projects that provide for an acceptable level of reward and value for money, however the key objectives (timeframes, finances and strategic importance) will be determined and adhered to. outcomes or asset performance. new ways to maintain and improve our infrastructure to ensure a greater return for the City. <p>Averse Risk Appetite for:</p> <ul style="list-style-type: none"> deviations that result in significant cost overruns, major delays, or infrastructure that do not meet required standards or community needs. variations for significant or high-risk projects that exceed maximum acceptable cost or time. projects with no project governance and internal controls.

10. Roles and Responsibility

The Chief Executive Officer is ultimately responsible and accountable for compliance with the City Risk Appetite Statement. Acceptance of activities within risk tolerances (as opposed to risk appetite) are required to be approved by the Chief Executive Officer for a specified period of time, with relevant and appropriate safeguards.

The Executive and employees are responsible for managing their risk environment. This includes having appropriate controls and treatment action plans in place and monitoring their effectiveness.

11. Implementation of the Risk Appetite Statement

Risk registers are used to document the current and emerging risk, risk ratings, risk appetite and risk tolerances. Risks outside the risk appetite or risk tolerance levels should be managed and reported in line with this Risk Appetite Statement.

Risk appetite and risk tolerance also needs to be reported for discussion by the Manager Governance, at Executive meetings, Audit, Risk and Improvement Committee meetings and Council meetings in accordance with the Risk Management Framework.

12. Risk Management Performance

Performance Measure	Criteria	Target
Risk Review	Department managers actively participate in twice-yearly service based operational risk reviews within allocated three-month review period.	90%
Risk Appetite	Reduction in number of risk rating levels that exceed risk appetite from one reporting period to the next (6 monthly).	Downward trend
Risk Treatment	Completion of risk treatment actions by due date.	80%
Reporting	All scheduled risk management reports to ELT and ARIC are completed on time with accurate and up-to-date information.	100%

13. Training

Council, Executive, and Employees will be made aware of and trained in the Risk Appetite Statement on at least an annual basis to ensure there is an embedded and demonstrated positive risk culture within the City, as well as ensuring everyone understands their responsibilities for managing risks and being held accountable in line with their roles and responsibilities.

This shall be initiated and coordinated by the Manager Governance.

14. Approval and Amendment of the Risk Appetite Statement

The Executive will review the Risk Appetite Statement at least annually or whenever there is significant change to the City's strategic or operational environment.

The review will be performed by the Director Corporate Services, endorsed by the Executive Leadership Group and Audit, Risk and Improvement Committee, and approved and adopted by Council.

15. Related Documents

The following key governance documents are related to this Risk Appetite Statement:

- CG01 Risk Management Policy
- Strategic Risk Register
- Operational Risk Register

16. Version Control

Version	Summary of Changes	Approved by	Date

Printed copies of this document may not be up to date. Ensure you have the latest version before using this document.