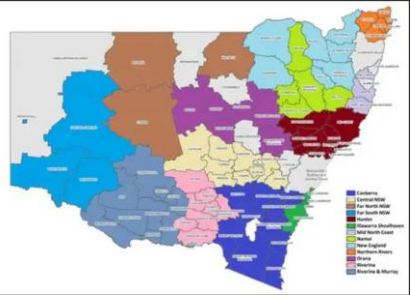


Operating Within Your Risk Appetite:

Building Risk Capability in NSW Local Government

RMIA **Jane Whiter** Interim CEO, President & Board Chair

The World you work in



128

Councils across NSW

44,900

Council Employees

11.3%

**Population Growth
(2015-2025)**

17

**Councils reporting
operating losses**

NSW local Government

NSW local government is large, complex and under increasing scrutiny: this is the environment where your risk practice must perform.

128 councils employ approximately 44,900 people, generating **\$1,140 revenue per capita** across communities from dense urban centres to remote rural areas

11.3% population growth over the last decade is driving rising demand on services and infrastructure [NSW Auditor-General (January 2026)]

17 councils reported operating losses; 19 had insufficient cash to cover 3 months of general expenses

Financial sustainability risk is real and risk teams sit right in the middle of it

Audience Warm Up: Who is in the room

Understanding the range of experience and council context in this rooms shapes how we learn together.



1.

**What best describes
your council?**

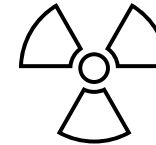
Metro – Regional – Rural/remote



2.

**How many people sit in
your risk or governance
function?**

Just me – 2-5 – 6 or more



3.

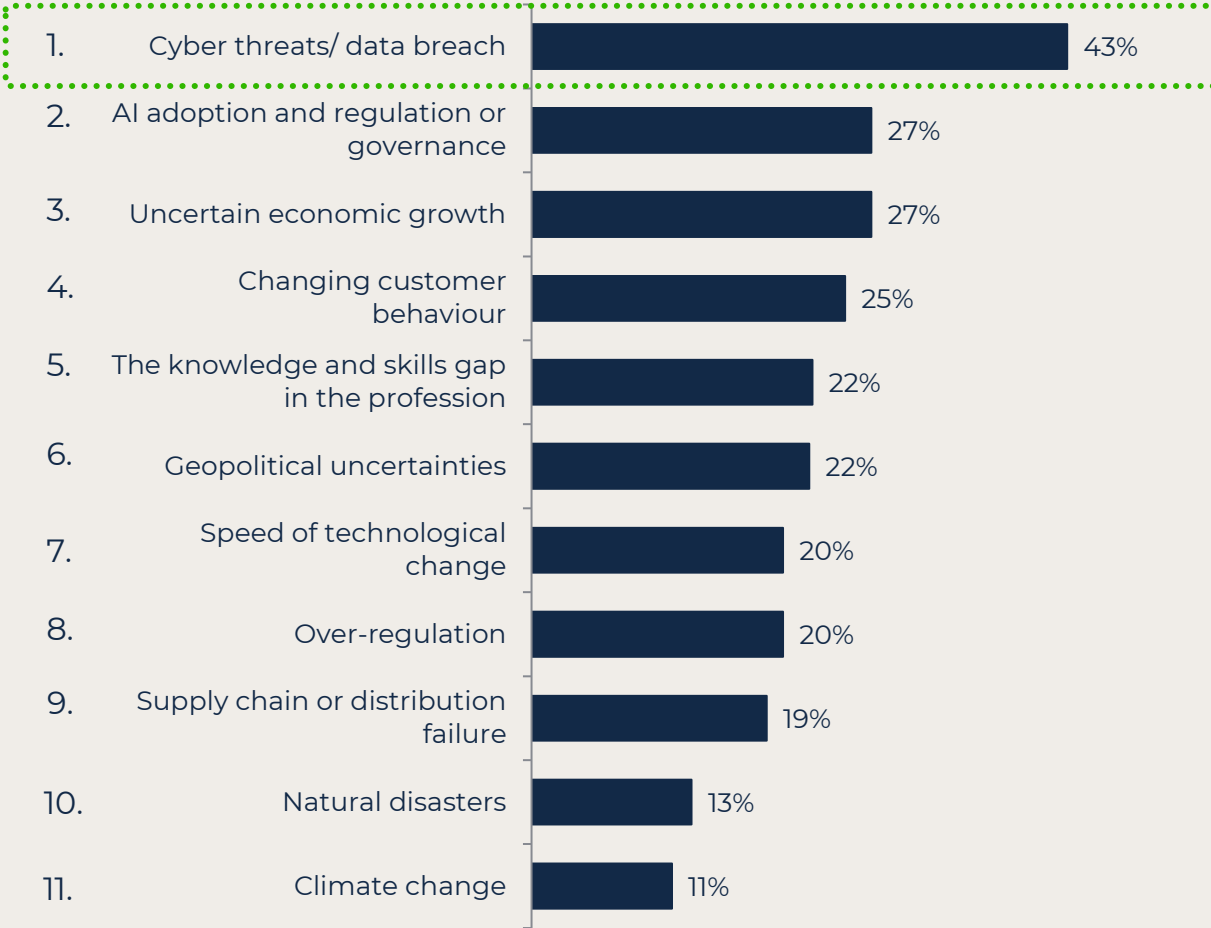
**How often do you feel you
have enough guidance to
make a confident risk
decision?**

Rarely – Sometimes - Usually

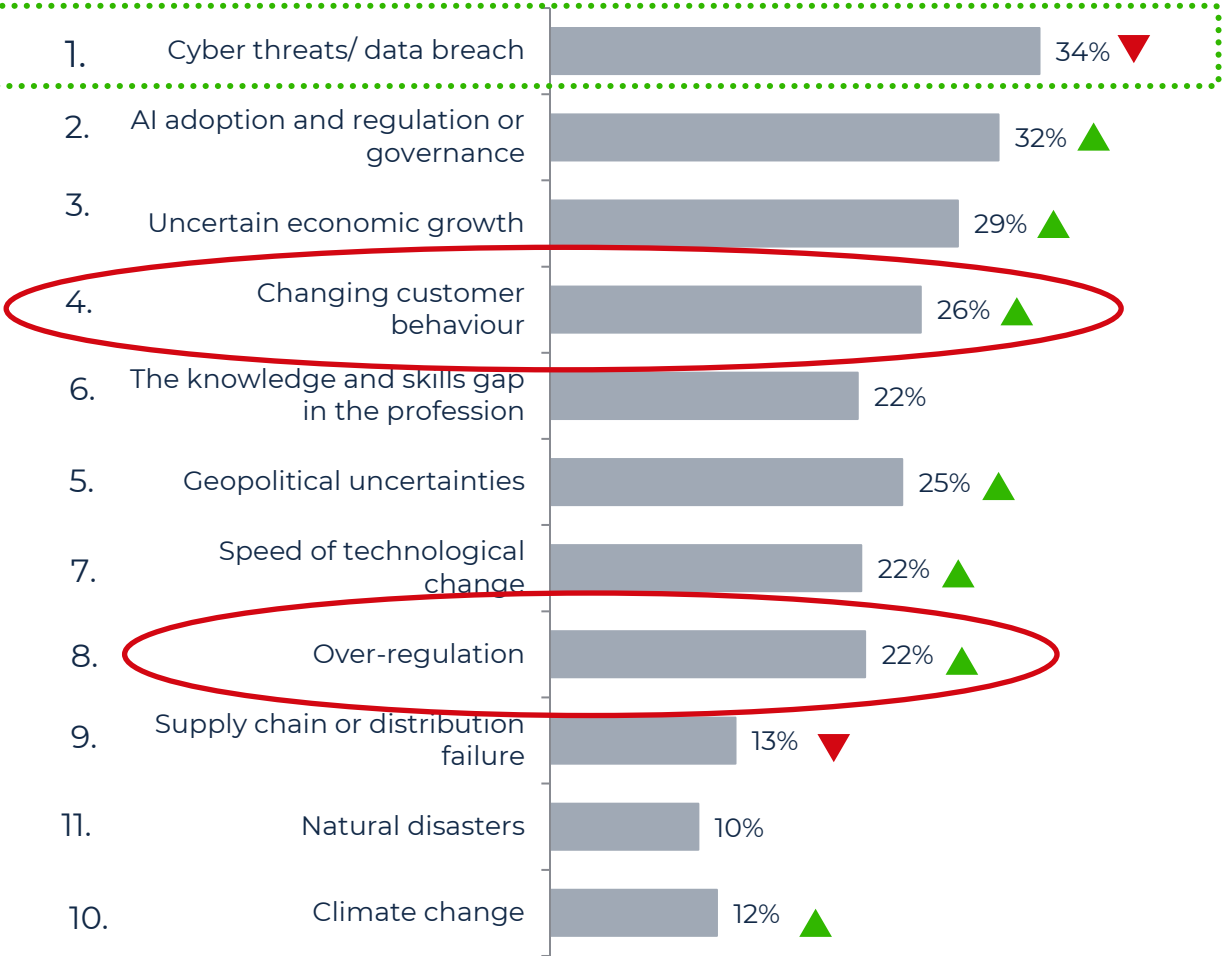
Risk Leaders are Focused on Emerging and Systemic Threats

Concerns about cyber threats remain dominant but AI and economic uncertainty are also of concern.

- Top threats in 2026 -



- Top threats over next 3 years -



Significantly ▲ higher ▼ lower than total

The Regulatory Stack

Local government sits at the intersection of three legislative tiers and the obligations don't always point in the same direction, they are in **Collision**.



Federal.

- Privacy Act
- Workplace Health & Safety
- Anti-Discrimination
- Environmental Law



State.

- Local Government Act 1993
 - ICAC Act
- Government Information (Public Access Act)
- Environmental Planning & Assessment Act
- Modern Slavery Act Obligation



Local.

- Community Strategic Plans
 - Delivery Program
 - Operational Plans
 - Code of Conduct

From 1 July 2024: All NSW councils required to have a risk management framework, internal audit function, and Audit Risk and Improvement Committee (ARIC)

From 2024–25 annual reports: General Managers and ARICs must formally attest to compliance.

The question is not whether to comply, it is how to govern intelligently across competing obligations.

Regulation is Expanding Both Accountability and Visibility

80% of RMIA members say regulation is making their role more challenging, increasing accountability and engagement.



“As an APRA Regulated entity, CPS230 required much more engagement of the 1LOA where knowledge from the 2LOA was able to be shared.”
Head of Risk, Insurance, 6+ years experience

“The regulatory changes relating to CPS 230 have increased the momentum for risk management across the board.”
Head of Risk, Banking, 10+ years experience

“The organisation has undertaken several risk management workshops and elevated risk monitoring and reporting to the executive board.”
Director of Risk, State Government, 15 + years experience

“Public scrutiny has shown the value of robust risk mechanisms.”
Risk Manager, Banking & Finance, 10+ years experience

Risk Appetite. The Starting Point, Not the Destination

Defining risk appetite is necessary but insufficient; the real work is making it operational for every level of the organisation.

- Most LGAs now have a risk appetite statement but how many frontline supervisors can explain what it means for their decisions?
- **The gap between written appetite and lived practice** is where governance failure occurs



Risk appetite is only meaningful when it changes how people act under pressure

Three Translation Challenges

1

Strategic Appetite

Translate into operational thresholds and tolerances



2

Thresholds

Translate into decision criteria for frontline staff



3

Decision Criteria

Translate into consistent, documented, defensible actions

Audience Activity

Pause: What Does Your Appetite Actually Say?

A brief peer exercise to surface where appetite statements are strong and where they break down in practice.

 **Think-Pair-Share 4 Minutes**

Reflection Questions

- 1 ***"Think of a decision made in your council recently that felt hard conflicting priorities, unclear risk guidance, or real pressure from stakeholders."***
- 2 ***"In pairs: Did your risk appetite statement help? Why or why not?"***

The hardest risk decisions arise when compliance, cost, service delivery, and political expectations all pull in different directions simultaneously.



Compliance vs Community Expectation

Meeting the letter of the law while responding to what residents actually need when legislative obligation and community expectation diverge, risk decisions become politically visible.



Cost vs Service Continuity

Financial sustainability risk versus the obligation to deliver budget pressure does not suspend the duty of service, creating real tension at decision points.



Speed vs Governance Rigour

Operational urgency versus proper process the pressure to act quickly can compress the governance steps that protect the organisation and the community.



Political Direction vs Risk Appetite

Elected member priorities that sit outside the organisation's stated tolerance navigating democratic direction while maintaining risk-informed governance.

Capability required: structured escalation | clear decision rights | documented reasoning

These tensions are not failures they are the normal environment of local government.

Source Report

Outsourcing small claims handling: How councils manage fairness and responsibility

Victorian Ombudsman Tabled in Parliament 18 March 2026



79 Victorian councils handle under excess public liability claims; more than half outsource to private claims handlers



Under excess claims: compensation sought is less than the council's insurance excess self-funded and often delegated to third parties

"Local councils cannot outsource their responsibility to treat people fairly"

Victorian Ombudsman Marlo Baragwanath



Governance lesson: Delegation transfers a task it does not transfer accountability



Key Findings

- 1 Transparency failures**
Some councils presented external claims handlers as independent, without disclosing they were council contracted
- 2 Financial interests over fairness**
Financial interests of councils appeared at times to take priority over fairness and the public interest
- 3 Unreasonable decisions**
Councils and handlers sometimes made unreasonable decisions on claims without adequate justification
- 4 Review rights withheld**
Councils failed to inform claimants of their right to seek review of decisions

ombudsman VICTORIAN

Find out more
or make a submission
ombudsman.vic.gov.au

What the Case Study Tells Us About Risk Governance

The Victorian Ombudsman findings reveal structural governance gaps that are equally relevant to NSW councils managing complex, outsourced, or delegated functions.

Four structural governance gaps



Issue 1 — Decision rights without oversight

Delegating to third parties without maintaining visibility of outcomes



Issue 2 — Risk appetite not translated

Council financial interests drove decisions inconsistently with fairness obligations



Issue 3 — No escalation pathway

Claimants had no clear route for review; councils had no mechanism to detect or correct poor decisions



Issue 4 — Governance accountability gap

Distance between executive policy and operational delivery created inconsistency



Apply to your context

Where in your council are functions delegated, internally or externally without clear governance checkpoints?

Delegation transfers a task. It does not transfer accountability.

Audience Reflection

2 minutes

"Where might a similar gap exist in your council?"

ombudsman VICTORIAN

Find out more
or make a submission

ombudsman.vic.gov.au

Source: Victorian Ombudsman: March 2026 Special Report

Governance Maturity Without Losing Agility

The goal is not more governance process it is better governance that enables faster, more confident, and more defensible decisions.

Common Trap

Responding to complexity with more documentation, committees, and approvals which slows delivery and increases risk-aversion.

- ▲ More documentation
- ▲ More committees
- ▲ More approvals

Maturity is evidenced in behaviour, not documentation.

What mature governance looks like in LGAs



Articulate the rationale

Staff can explain the reasoning behind decisions they made not just the outcome.



Early escalation

Escalation happens early, before a problem becomes a crisis, not after the fact.



Timely risk information

Risk information reaches decision-makers in time to genuinely influence outcomes.



Systematic learning

Mistakes are examined and learned from systematically..



NSW OLG ARIC requirements (from 1 July 2024) provide a structural foundation but structure alone does not create maturity.

HEALTH AND SAFETY RISK ASSESSMENT

YOUR COMPANY NAME HERE

RISK ASSESSMENT

WORKING ENTITY: [] DESCRIPTION: []

Enter the name of the work or activity being assessed

Enter a description of the work or activity being assessed

Risk Matrix

Assessment Date: []

Assessment No: []

Completed By: []

Review Date: []

LOW The level of risk is acceptable. Proceed with caution and avoid further changes

MID The level of risk is acceptable if it cannot be reduced further following a review by a competent person

HIGH The level of risk is unacceptable and additional control measures are required to reduce the overall level of risk to an acceptable level

The hazards and associated risks with this work/activity have been identified and given a hazard rating using semi-quantitative risk assessment methodology. The risk assessment ratings are a subjective estimate based on the knowledge of the assessor and identify the level of risk without controls and the level of residual risk once the control measures have been implemented. To calculate risk rating and residual risk rating, you should multiply the Likelihood (1-5), by the Severity (1-5).

Hazard Description	Who might be harmed & how	Risk Rating			Control Measures	Residual Risk Rating		
		Severity	Likelihood	Risk		Severity	Likelihood	Risk
Name of Hazard: Give a description of the hazard here	Employee Give a description of who might be harmed and how Contractors This could include more than one group of people Members of the Public Think about anyone that could be harmed by this work or activity and add this box accordingly	5	3	15	Control Measure 1: Enter any control measures you have in place or intend to put in place Control Measure 2: The boxes on the left are for the risk rating BEFORE control measures Control Measure 3: The boxes to the right are for the residual risk rating AFTER the suggested control measures Control Measure 4: To change the colour of a box, click on the shading icon on the home screen, it looks like a bin of paint being poured	4	3	12

Navigating Without Becoming Paralysed

Risk informed decision making is not about eliminating risk, it is about making timely, documented, defensible decisions in the face of uncertainty.

Excessive risk-aversion is itself a governance failure: delayed decisions, missed opportunities, and erosion of community trust.



Be Clear About the Decision

What is actually being decided, by whom, and under what authority?



Document the Reasoning

Not the outcome capture the risk logic used to reach the decision.



Know Your Escalation Trigger

Pre agree what conditions require escalation vs. delegation.

"Defensible" does not mean "risk free" it means the decision was made with **appropriate information, process, and accountability.**

Risk appetite vs. risk tolerance

If risk appetite represents the official speed limit of 70, risk tolerance is how much faster you can go before likely getting a ticket.



Moving beyond static frameworks requires embedding three interconnected capability enablers across the organisation.



Enabler 1

Clear Escalation Pathways and Decision Rights

- Who decides what at what threshold, with what evidence
- Documented and communicated not assumed



Enabler 2

Alignment Between Strategy and Execution

- Risk appetite visible in operational policies not just governance documents
- Executive and operational language aligned



Enabler 3

Tools and Behaviours That Support Risk-Informed Decisions

- Decision templates and risk registers used actively not just for audit
- Culture where asking "what is the risk?" is normal not a signal of weakness



Capability is not a framework it is what people do when the framework isn't in the room.

What You Can Take Back to Work

AUDIENCE INTERACTION — 4 MIN

"What is one thing you will do differently or look at more closely when you return to work?"

Leave today with three concrete actions that are achievable within your current role and organisational context.



Action 01

Review Your Decision Rights

Are they documented, understood, and appropriately set across your organisation?

Who decides what, at what threshold and does everyone know it?



Action 02

Test Your Appetite Statement

Can frontline staff translate it into a real decision? If not, close the gap.

Ask a frontline supervisor to explain what your risk appetite means for their next tough call.



Action 03

Map One Delegation

Pick one outsourced or delegated function and trace the governance accountability chain end to end.

Where does accountability live and where does it go missing?

 Risk capability is built through **practice, not policy** start with one change.