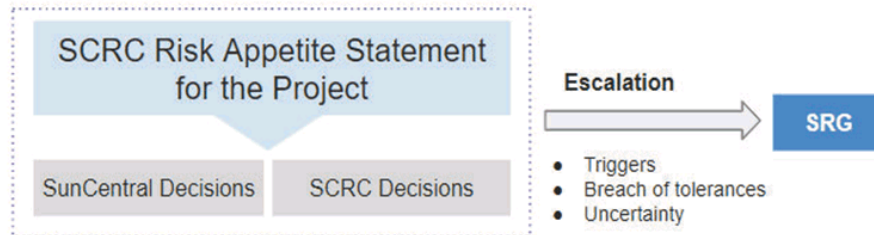

SCRC Risk Appetite Statement for the Maroochydore City Centre Project

<i>Approving authority</i>	Shareholder Representative Group (SRG)
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<i>Description</i>	This document sets out Sunshine Coast Regional Council's (SCRC) risk appetite statements for identified risk categories relating to the Maroochydore City Centre project (the Project) to achieve its strategic objectives.
Related documents	
SCRC Master Risk Management Manual SCRC Strategic Risk Register SCM Strategic Risk Register	

1. Purpose

SCRC's Risk Appetite Statement (RAS) forms an essential component of the SCRC Enterprise Risk Management Framework (ERMF). The purpose of this RAS is to:

- Ensure a consistent understanding of the risk appetite between SCRC and SCM;
- Support and inform decision making by SCRC relating to the Project;
- Guide SCM in their decision-making;
- Support monitoring and management of project risks; and
- Support achievement of the Project's intended benefits for the Community.



2. Definitions and Principles

Risk appetite is the amount of risk an organisation is willing to accept in pursuit of strategic objectives. Thus, it should define the level of risk at which appropriate actions are needed to reduce risk to an acceptable level. When properly defined and communicated, it drives behavior by setting the boundaries for running the business and capitalising on opportunities.

The following principles provide context for management and decision-makers in applying the RAS:

1. The RAS is not an exhaustive list that addresses every situation, but provides general guidelines. Management and staff are expected to apply common sense and good judgement in interpreting the risk appetite statements to make pragmatic, risk-based decisions in the best interest of SCRC and its stakeholders.
2. Appetite statements do not operate in isolation of each other and in some circumstances the appetite statements may appear to be competing. Where this is the case, a trade-off in risk will be required in order to achieve an optimal outcome.
3. In all cases, decisions should be taken that are in alignment with SCRC's Vision, Purpose and Values and in the interest of the Project's intended outcomes for the SCRC community.

3. RAS Structure

The RAS provides guidance on SCRC's risk appetite against a number of key risk categories for the Project and uses the following scale:

Averse / Zero	Cautious	Open	Eager
All reasonably practical and affordable measures to minimise and, in certain cases, to eliminate the risk where possible must be taken.	Safe approaches should be taken, but the cost of controls / mitigation should be carefully evaluated to ensure they achieve a reasonable outcome. A strong preference for strategies and plans that present minimal risk.	Can accept a degree of uncertainty in order to achieve an intended outcome providing that effective measures are in place to monitor the risk and limit adverse outcomes.	Comfortable for risks to be taken even if there is a high-degree of uncertainty in order to gain highly-valued reward/s.

- **Section 4** provides SCRC's high-level appetite against the Project agreed risk categories.
- **Section 5** provides statements on matters where SCRC has zero risk appetite. These are SCRC's non-negotiables.
- **Section 6** provides indicative decision types for which the RAS should be considered and applied against. Note that this list is not exhaustive and should be periodically updated as required.
- **Section 7** includes more specific guidance on what risks the organisation is willing to accept and / or activities it wishes to encourage, including tolerances.

4. Risk appetite against risk categories

The following table provides an indication of SCRC's willingness to encourage / discourage risk-taking in pursuit of the Project objectives against agreed risk categories (to be validated by SRG).

The below risks are categorised into SCM's role as "Lead" or "Support".

Ref	Risk Category	Risks relating to	Risk Appetite Level				SCM's Role
			Averse / Zero	Cautious	Open	Eager	
1	Project Financials						
1a	Strategic long-term sustainability	The Project not being cost neutral					Support
1b	Costs	Short-term annual budgetary performance					Lead
1c	Revenue / Cashflow	Land sales not meeting annual revenue budget (as forecast)					Lead
1d	Project Funding	Debt funding impacting rates / ratepayer					Support
2	Governance						
2a	Financial Sustainability of Council	Exceeding financial sustainability ratios					Support
2b	Contractual Compliance (Sales)	Deviations from standard contractual terms					Support
2c	Contractual Compliance (Procurement)	Non-compliance with contractual arrangements					Lead (where SCM is works contract Principal)
2d	Alignment to State Government expectations	Failure of the Project to align against broader State Government expectations: - Transport (State) Infrastructure - SEQ Regional Plan Outcomes - Employment Generation					Support

Ref	Risk Category	Risks relating to	Risk Appetite Level				SCM's Role
			Averse / Zero	Cautious	Open	Eager	
2e	Alignment to State Government expectations	Failure of the Project to align against broader State Government expectations: Ministerial Exemptions – Disposal of Land per Exemptions					Support
2f	Site maintenance and security (Site means - only land under control of SCM)	Non-compliant Workplace Health and Safety					Lead
2g	Site maintenance and security (Site means - only land under control of SCM)	Inadequate security monitoring					Lead
3	Economic						
3a	Employment	Failure to achieve job creation and employment generation targets					Support
3b	Within 25 Year Target	Delays to the Project schedule and/or milestones within the 25-year forecast life					Support
3c	Outside 25 Year target	Delays to the Project schedule exceeding the proposed 25-year forecast life					Support
4	Social and Community						
4a	Ownership and Engagement	Inadequate embracing by the community of the PDA as the new City Heart for the Sunshine Coast					Lead

Ref	Risk Category	Risks relating to	Risk Appetite Level				SCM's Role
			Averse / Zero	Cautious	Open	Eager	
4b	Traditional Owners	Lack of active and consistent participation of First Nations peoples					Support
4c	Transport (outside of project)	Failure to consider or accommodate external transport needs and requirements					Support
5	Environmental						
5a	Ensure compliance with the Environmental Protection Act (1994) and Associated legislation	- Non-compliance with Act and Regulations relating to works potentially affecting waterways, flora and fauna - Adverse amenity impacts relating to emissions - Inadequate measures to deal with contaminants					Lead (where SCM is works contract Principal)
6	Project Scope: City making objectives						
6a	Smart City	Adverse impacts to achieving smart city objectives					Support
6b	Transport	Adverse impacts to proposed transport needs					Support
6c	Land Use	Sub-optimal land use that doesn't contribute to city making objectives and/or achievement of financial returns					Lead (via recommendations to SCRC)
6d	Infrastructure – Sub-optimal	Sub-optimal infrastructure decisions defined in Project specifications					Support
6e	Infrastructure – Greater than optimal	Greater than optimal infrastructure decisions defined in Project specifications					Support

Ref	Risk Category	Risks relating to	Risk Appetite Level				SCM's Role
			Averse / Zero	Cautious	Open	Eager	
Non-negotiables							
7a	Health, Safety and Wellbeing (Land under SCM's Control)	Health, safety and wellbeing of staff, contractors, visitors and the public					Lead (where SCM is works contract Principal)
7b	Health, Safety and Wellbeing (Land under SCRC's Control)	Health, safety and wellbeing of staff, contractors, visitors and the public					Support
8	Reputation	Protection of the Project brand and SCRC's reputation					Lead (for matters under SCM's remit)
9	Integrity issues including fraud (for processes under the control of SCM)	Breaches of Code of Conduct, regulated professional business conduct or generally accepted minimum standards of ethical and professional conduct (including fraud and corruption).					Lead (where relevant for SCM's own processes and activities)
10	Automated Waste Collection Service (AWCS)	Failure to achieve the vision of the AWCS in the PDA.					Support
11	Regulatory Compliance	Failure to operate in accordance with obligations arising from legislative and regulatory requirements.					Lead

Uncontrollable risk categories

The below risk categories may impact the Project and SCM, however, there is an understanding that these are outside of control of SCRC, ~~or~~ the Project, or SCM.

- Political conditions/considerations; and
- Market and economic conditions;
 - Macro-economic;
 - Micro-economic;
 - Extreme activity by competitors; and
- Natural disasters; and
- Acts of terrorism and violence.

Notwithstanding that these are outside of control, the Project still needs to be ready and prepared for these circumstances

5. Rationale for non-negotiables

The following statements take priority over other statements and should be seen as 'non-negotiables'. Should any management decision potentially cause a non-negotiable to be outside of tolerance, the matter should be referred to SRG for guidance.

Risk Category	Implementation Guidance: SCRC....
Health, Safety and Wellbeing	- Is <u>averse</u> with regard to activities that could potentially harm the health, safety and wellbeing of our staff, contractors, visitors and the public with a focus on the prevention of high risk hazards. In order to achieve this: - We support a strong safety culture and expect staff, contractors, visitors and the public to take personal responsibility for their own wellbeing. - We are open to innovation and prudent investment in strategies to further protect staff, contractors, visitors and the public.
Reputation	- Recognises that reputation is critical to our brand and positioning with stakeholders and is <u>averse</u> to permit activities that: - puts our reputation in jeopardy; - could lead to adverse publicity; or - could lead to loss of confidence by our stakeholders.
Integrity Issues including fraud	Has <u>zero appetite</u> for willful breaches of its Code of Conduct, mandated or regulated professional, business conduct or generally accepted minimum standards of ethical and professional conduct (including fraud and corruption). SCRC will ensure our actions align with what is expected of the community.
Automated Waste Collection Service (AWCS)	Has a <u>zero appetite</u> for failure to implement the AWCS as a significant component of the Project. Given investment to date, SCRC will make decisions that contribute to the AWCS being implemented.
Regulatory Compliance	- Has a <u>zero appetite</u> for material breaches of statutes, regulation and professional standards. However, it is important to ensure that our approach to compliance is efficient and does not impede the achievement of our business objectives. - Encourages innovation as to how employees efficiently and effectively meet the requirements of internal policies and procedures. - Has <u>zero appetite</u> for criminal breaches, fraud and corruption, misuse of office or similar related activities.
Project Financials - long term sustainability	Has a <u>zero appetite</u> for decisions that could materially impact achievement of the Project long term sustainability where total project costs outweigh total project revenue.
Project Schedule - Timing outside of the forecast 25 years	Has a <u>zero appetite</u> for decisions that would cause the Project schedule and/or expected timing to exceed its forecast 25 year timeline.

6. Indicative decision/activity-types

The following decision/activity types relating to the Project should be considered in accordance with the RAS to help inform decision making.

- Land Sales;
- Setting Infrastructure Standards;
 - SCRC as the Project Owner;
 - SCRC as the whole-of-life asset owner;
- Departures/changes to the Development Scheme/Precinct Plans
- Planning Scheme Amendments;
- Stage Development Plans / Stage timing;
- Project Delivery Delays;
- Project Delivery Options;
- Design and construction consideration and approval; and
- Marketing activity.

7. RAS and triggers

The table below further builds on the high level RAS's in Section 4, by expanding on the risk description and identifying thresholds/indicators for which decisions should be escalated and agreed.

Risk Category	Qualitative Guidance	Risk Appetite Level	Tolerable ranges/ Trigger	Unacceptable	Escalation
Project Financials					
Costs	- SCRC are expected to apply sound financial management against the cost neutral principle of the project. - When SCRC requests amendments to the project specifications, this needs to be balanced with the long term financial sustainability of the project.	Cautious / Open	- Any changes to costs must be managed within the approved current year budget and agreed by SCM. - If the above is unable to be agreed then it must be escalated to the SRG for consideration.	Unauthorised variations to the project specifications which increase costs or decrease asset quality.	Who: SRG When: Prior to works being instructed or undertaken.
Revenue / Cashflow	- Revenue opportunities to be pursued on commercially competitive terms relative to the market. - Compliance with Ministerial Exemption conditions. - Consideration of City making objectives and project vision.	Cautious / Open	- Maximum of -10% (negative) variance on planned revenue across a reporting year. - An independent valuation must be obtained for each lot to be offered for sale. In the event that the price is less than the valuation, the reasons for the lower price must be clearly articulated in a memo to the SCRC CEO for his consideration.	- Maximum of -10% (negative) variance in planned revenue across 2 or more reporting years. - Revised revenue forecasts below planned revenue. - No valuation is obtained for the subject lot. - Not reported to the Minister under the conditions of the Ministerial Exemption.	Who: Council (budget review and approval) When: Budget reviews and Annual Budget approval. Who: SCRC CEO When: Before Contract signing. Who: Mayor When: Quarterly.

Risk Category	Qualitative Guidance	Risk Appetite Level	Tolerable ranges/ Trigger	Unacceptable	Escalation
Project Funding	When the Project forecast costs exceed revenues.	Adverse / Cautious	Any changes to the breakeven position of the project that may adversely impact ratepayers must be approved by Council.	Exceeding breakeven principle of the Project.	Who: Council When: Immediately when known
Governance					
Financial Sustainability of Council	Working with Queensland Treasury Corporation (QTC) to ensure Council's Long Term Financial Model maintains Council's Credit Rating and financial performance.	Cautious	Any changes to Council's Long Term Financial Model and Credit Rating must be approved by Council.	Any adverse impact to Council's Long Term Financial Sustainability	Who: Council When: Immediately When known
Contractual Compliance (Sales)	The use of standardised and approved contractual sales documents for the project are to be applied whenever negotiating on a land sale with third parties.	Cautious	Any proposed changes to standard terms and conditions should be referred for legal advice and consideration of the broader commerciality of the transaction for the project are required to be assessed.	Any changes to contractual conditions that exposes the project to increased financial, reputational or other adverse impact without prior consideration by Council's CEO.	Who: SCRC CEO When: Before Contract signing.

Risk Category	Qualitative Guidance	Risk Appetite Level	Tolerable ranges/ Trigger	Unacceptable	Escalation
Alignment to State Government Expectations	Continued alignment with the State Government's Plans / Expectations for the Region	Cautious	Any proposed changes to the State Government Planning instruments or long term commitments to the Region.	Any proposed changes to the State Government Planning instruments or long term commitments to the Region.	Who: Council When: Immediately When Known
Economic					
Employment	Targets set by State Government and Council to be monitored and reported every five (5) years.	Adverse / Cautious	-10% of established targets set.	>10% variance against established set targets.	Who: Council (via SRG) When: Every five (5) years
Within 25 Year Target	- Whilst it is understood that project milestones may be dynamic in nature, the primary expectation is on project delivery within the planned 25 year schedule. - Variations within reporting years are acceptable provided long term targets are achieved.	Open	- Any proposed changes to the schedule and/or milestones within the 25 year forecast life. - Project milestones may move across reporting periods providing that overall project completion remains within 25 year forecast	Any proposed changes which extend the project beyond the 25 year forecast life.	Who: Council When: Immediately When Known

Risk Category	Qualitative Guidance	Risk Appetite Level	Tolerable ranges/ Trigger	Unacceptable	Escalation
Social and Community					
Ownership and Engagement	Ensuring a strong and inclusive communication and engagement plan and broad activation strategy to encourage the Sunshine Coast community embraces the CBD as the new City Heart.	Cautious	Measure actual participation against forecast projections (including events and daily visitation).	Not meeting the forecast participation projections.	Who: Council When: Six Monthly
Traditional Owners	Ensuring a strong and inclusive communication and engagement plan and broad activation strategy to recognise the importance of Traditional Owners within the new CBD.	Cautious	- Measure the number of engagement activities involving traditional owner representation. - Recognition of traditional owners in place making and other significant activities.	No or limited involvement of Traditional Owners in each major activity.	Who: SRG / SCM When: As notified
Project Scope: City making objectives					
Smart City	Key deliverables for the project have been defined in the Maroochydore Infrastructure Service Standards (MISS) and as such, the expectations is that these features will be achieved within time and on budget.	Open	Some re-statement or de-scoping of smart city objectives is permissible where there is no significant impact on overall project outcomes or project reputation/branding.	- De-scoping of key components / features including the Automated Waste Collection System. - De-scoping of significant smart city infrastructure impacting on Council's Healthy Smart Creative aspirations.	Who: Council When: As soon as proposed / known.

Risk Category	Qualitative Guidance	Risk Appetite Level	Tolerable ranges/ Trigger	Unacceptable	Escalation
Transport	Key deliverables for the project have been defined in the Maroochydore Infrastructure Service Standards (MISS) and the Infrastructure Agreement (IA) and as such, the expectations is that these features will be achieved within time and on budget.	Cautious	Some re-statement or de-scoping of transport objectives / deliverables is permissible where there is no significant impact on overall project outcomes or public/active transport solutions.	No reduction in transport outcomes for the community within the project and / or immediate surrounds.	Who: Council When: As soon as proposed / known
Land Use	Key deliverables for the project have been defined in the Maroochydore PDA Development Scheme and Associated Precinct Plans and as such, the expectations is that the associated land uses will be in compliance with these documents.	Cautious	Changes in the density, scale, heights or massing of the land uses is permissible where there is no significant impact on overall project outcomes or city making objectives.	To lose the city making objectives by significantly reducing the density, scale, massing and height of the approved Development Scheme.	Who: Council When: As soon as proposed / known Who: State Government (in the event the density was to be increased) When: As soon as proposed / known
Infrastructure (Stormwater, Parks & Roads, etc.)	Key deliverables for the project are defined via the Australian Standards and / or specifications by professionals aligned to industry standards.	Cautious / Open	Some re-scoping of infrastructure deliverables is permissible where there is no significant impact on overall project quality, cost or outcomes.	- Any changes to specifications that do not comply with Australian Standards. - Any changes that result in the city making objectives not being met.	Who: SRG When: As soon as proposed / known