

**FEDERATION COUNCIL
RISK ASSESSMENT
RATING OPTIONS 2025/26**

	Baseline with intervention scenario		Alternate 2 scenario		Planned scenario	
Risk	Rate peg increase (no SRV) (Temporary SRV increase removed 1 July 2025 onwards)		Lock in temporary SRV		69.94% SRV increase	
Financial	<p>Increasing general rates by the rate peg will continue significant budget deficits over the four-year period (average \$6.1m per annum), affecting Council’s ability to maintain existing services and fund required asset renewal (capital projects).</p> <p>Will lead to reduced service quality, a need for severe cuts in Council services and a deterioration in the condition of Council roads and infrastructure.</p>		<p>Increasing general rates equivalent to locking in the temporary 19% and 17% increases levied in 2023/24 and 2024/25 will continue significant budget deficits over the four-year period (average \$4.6m per annum), affecting Council’s ability to maintain existing services and fund required asset renewal (capital projects).</p> <p>Will lead to reduced service quality, a need for significant cuts in Council services and a deterioration in the condition of Council roads and infrastructure. The shortfall would persist but might be manageable in the short term.</p>		<p>Increasing general rates by 69.94% over two years commencing 1 July 2025 (inclusive of the temporary 19% and 17% increases levied in 2023/24 & 2024/25) will continue moderate budget deficits over the four-year period (average \$1.4m per annum), affecting Council’s ability to fund required asset renewal (capital projects).</p> <p>Will lead to a need for minor cuts in Council services and a more moderate deterioration in the condition of Council roads and infrastructure. This would likely resolve financial issues in the short and medium term, pending no significant unexpected events.</p>	
	Four-year cumulative operating deficit: \$24.6m		Four-year cumulative operating deficit: \$18.5 million		Four-year cumulative operating deficit: \$5.5 million	
	Unrestricted cash exhausted: 2029/30		Unrestricted cash exhausted: 2030/31		Unrestricted cash exhausted: 2033/34	
	Asset renewal funded: 56% of recommended		Asset renewal funded: 66% of recommended		Asset renewal funded: 79% of recommended	
	Likelihood	Likely	Likelihood	Likely	Likelihood	Likely
	Consequence	Catastrophic	Consequence	Catastrophic	Consequence	Moderate
	Rating	Extreme (24)	Rating	Extreme (24)	Rating	High (17)

Risk	Baseline with intervention scenario		Alternate 2 scenario		Planned scenario	
	Rate peg increase (no SRV) (Temporary SRV increase removed 1 July 2025 onwards)		Lock in temporary SRV		69.94% SRV increase	
Political and Governance	Future financial crises may lead to non-compliance or breaches of mandatory requirements. Worst case scenario is that an administrator is appointed.		Adequate resources to undertaken legislative requirements will reduce the risk of non-compliances.		Adequate resources to undertaken legislative requirements will reduce the risk of non-compliances.	
	Likelihood	Possible	Likelihood	Possible	Likelihood	Possible
	Consequence	Major	Consequence	Insignificant	Consequence	Insignificant
	Rating	High (18)	Rating	Low (4)	Rating	Low (4)
Contractual and Legal	There may be no immediate legal risk; however, continuing significant budget deficits could result in future compliance issues with associated regulations.		This scenario provides a level of financial stability enabling Council to deliver on its short term contractual and legal obligations.		This scenario provides a level of financial stability enabling Council to deliver on its short to medium term contractual and legal obligations.	
	Likelihood	Likely	Likelihood	Likely	Likelihood	Possible
	Consequence	Minor	Consequence	Insignificant	Consequence	Insignificant
	Rating	Moderate (12)	Rating	Moderate (7)	Rating	Low (4)
Public Liability	Delayed maintenance and renewal of roads and other infrastructure assets increases the risk associated with asset failure, thereby impacting on the safety of the public and staff using Council assets.		Increasing the investment in maintenance and renewal of roads and other infrastructure assets, as well as inspections and risk assessments, reduces the risk associated with asset failure, thereby improving safety for the public and staff using Council assets.		Significantly increasing maintenance and renewal of roads and other infrastructure assets, as well as inspections and risk assessments, reduces the risk associated with asset failure, thereby improving safety for the public and staff using Council assets.	
	Likelihood	Almost certain	Likelihood	Likely	Likelihood	Likely
	Consequence	Moderate	Consequence	Moderate	Consequence	Minor
	Rating	High (20)	Rating	High (17)	Rating	Moderate (12)

	Baseline with intervention scenario		Alternate 2 scenario		Planned scenario	
Risk	Rate peg increase (no SRV) (Temporary SRV increase removed 1 July 2025 onwards)		Lock in temporary SRV		69.94% SRV increase	
Reputation	<p>To remain solvent Council would need to reduce operating expenditure by approx., \$8m through drastic service level reductions, such as ceasing all non-legislated services. While no real rate increase is politically favourable, the significant level of service reduction required in this scenario would likely be unpalatable to the community, causing public backlash.</p> <p>In addition, without additional funds, basic legislative service delivery is likely to be negatively impacted, with slower response times and reduced quality. This could lead to public dissatisfaction with deteriorating legislated services.</p>		<p>Moderate public backlash could be expected.</p> <p>Whilst at the outset in 2022 there was significant public backlash, extensive community engagement has been undertaken for 75-80% SRV increases. Following engagement by the University of Newcastle this has reduced to a proposed 69.94% SRV increase. This increase includes the temporary 19% and 17% increases levied in 2023/24 and 2024/25. The ratepayer impact in 2025/26 would be an increase on the previous year equivalent to the rate peg (4.8%).</p> <p>This is required to be balanced against Council's performance in maintaining roads and other infrastructure and the level of service reduction required. Engagement through this process has focused on additional SV funds being primarily used for asset maintenance and renewal, and to address Council's financial sustainability.</p> <p>In addition, service quality may continue to degrade if the increase does not sufficiently address rising operational costs.</p>		<p>Significant public backlash is almost certain, potentially leading to protests, political consequences and reputational damage.</p> <p>Whilst at the outset in 2022 there was significant public backlash, extensive community engagement has been undertaken for 75-80% SRV increases. Following engagement by the University of Newcastle in July 2024 this has reduced to a proposed 69.94% SRV increase. This increase includes the temporary 19% and 17% increases levied in 2023/24 and 2024/25. The ratepayer impact in 2025/26 would be an increase of 19% on the previous year and an 11% increase in the following year.</p> <p>This is required to be balanced against Council's performance in maintaining roads and other infrastructure. Engagement through this process has focused on additional SV funds being primarily used for asset maintenance and renewal, and to address Council's financial sustainability.</p> <p>Council would have the funding to maintain services, but at the risk of alienating community members.</p>	
	Likelihood	Likely	Likelihood	Unlikely	Likelihood	Possible
	Consequence	Moderate	Consequence	Moderate	Consequence	Moderate
	Rating	High (17)	Rating	Moderate (11)	Rating	High (15)

	Baseline with intervention scenario		Alternate 2 scenario		Planned scenario	
Risk	Rate peg increase (no SRV) (Temporary SRV increase removed 1 July 2025 onwards)		Lock in temporary SRV		69.94% SRV increase	
Property & Infrastructure	Roads and other infrastructure assets would continue to deteriorate as maintenance and renewal is significantly delayed. Funding would primarily provide for reactive maintenance and renewal program only. This would also increase the risk associated with asset failure, including safety of the public and staff using Council assets. Deteriorating infrastructure could eventually harm economic growth for local businesses.		Roads and other infrastructure assets would continue to deteriorate as maintenance and renewal is delayed. Maintenance programs would be prioritised. Funding would provide for reactive maintenance and limited renewal program. This may contain the risk associated with asset failure, including safety of the public and staff using Council assets. Council does not have funds to address the existing backlog of renewal that is required, nor the backlog that will grow as a consequence of delaying renewal.		Roads and other infrastructure assets would continue to deteriorate as renewal is delayed. Maintenance programs would be prioritised. High risk asset renewal would be prioritised. Funding would provide for reactive maintenance and comprehensive renewal program. This is likely to contain the risk associated with asset failure, including safety of the public and staff using Council assets. Council does not have funds to address the existing backlog of renewal that is required, nor the backlog that will grow as a consequence of delaying renewal.	
	Likelihood	Almost certain	Likelihood	Almost certain	Likelihood	Likely
	Consequence	Major	Consequence	Moderate	Consequence	Moderate
	Rating	Extreme (23)	Rating	High (20)	Rating	High (17)
Industrial Relations	Risk of negative impact on staff morale or performance increases. Given the significant level of service reductions required, and therefore the impact on jobs, would require extensive workplace change processes to be followed, as well as union engagement.		Risk of negative impact on staff morale or performance increases. Given the moderate level of service reductions required, and therefore the impact on jobs, would require workplace change processes to be followed, as well as union engagement.		Staff are seeking to improve community outcomes and this scenario would assist them deliver improved results and reduce current job uncertainty. This is most likely to improve staff morale and productivity.	
	Likelihood	Almost certain	Likelihood	Likely	Likelihood	Possible
	Consequence	Major	Consequence	Moderate	Consequence	Minor
	Rating	Extreme (23)	Rating	High (17)	Rating	Moderate (10)

Risk	Baseline with intervention scenario		Alternate 2 scenario		Planned scenario	
	Rate peg increase (no SRV) (Temporary SRV increase removed 1 July 2025 onwards)		Lock in temporary SRV		69.94% SRV increase	
WHS	Risk associated with asset failure and low staff morale results in psychological consequences that may impact judgement and put employee safety at risk. Risk that decisions are made that inadvertently compromise employee safety to achieve results for the community.		Risk associated with asset failure and low staff morale results in psychological consequences that may impact judgement and put employee safety at risk. When psychological safety at work is low and people are uncomfortable raising concerns, the organisation isn't equipped to innovate, implement change or bring forward and address safety concerns.		Staff engaging with the workplace, feeling supported and delivering on a clear community purpose are more likely to feel their work environment is psychologically safe, reducing the workplace WHS risk.	
	Likelihood	Likely	Likelihood	Possible	Likelihood	Possible
	Consequence	Moderate	Consequence	Moderate	Consequence	Minor
	Rating	High (17)	Rating	High (15)	Rating	Moderate (12)
Environment	N/A		N/A		N/A	
Professional Indemnity	N/A		N/A		N/A	
Natural Hazards	N/A		N/A		N/A	
Information Technology	N/A		N/A		N/A	

Prepared by	██████████	Date	██████████
Position	██████████ ██████████	Qualifications	██████████ ██

SUMMARY

RISK RATING

	Baseline with intervention scenario	Alternate 2 scenario	Planned scenario
Risk	Rate peg increase (No SRV, temporary increase removed from 1 July 2025 onwards)	Lock in temporary SRV	69.94% SRV increase
Financial	Extreme (24)	Extreme (24)	High (17)
Political and Governance	High (18)	Low (4)	Low (4)
Reputation	High (17)	Moderate (11)	High (15)
Contractual and Legal	Moderate (12)	Moderate (7)	Low (4)
Public Liability	High (20)	High (17)	Moderate (12)
Property & Infrastructure	Extreme (23)	High (20)	High (17)
Industrial Relations	Extreme (23)	High (17)	Moderate (10)
WHS	High (17)	High (15)	Moderate (12)
Total Risk Score	154	115	91

CONSEQUENCE					
Category	Insignificant	Minor	Moderate	Major	Catastrophic
Environment	Minimal environmental impact; isolated release only	Minor environmental impact; on-site release immediately controlled	Significant environmental impact; on-site release contained with assistance	Major environmental impact; release spreading off-site; contained with external assistance	Fatalities occur; extensive release off-site; requires long term remediation
Financial	Negligible financial loss (< 2.5% annual budget); no impact on program or business operation	Minor financial loss (<10% annual budget); minimal impact on program or business operation	Significant financial loss (<20% annual budget); considerable impact on program or business operations	Major financial loss (<25% annual budget); severe impact on program or business operation	Extensive financial loss (> 25% annual budget); loss of program or business operation
WHS	First aid only required	Minor medical treatment with or without potential for lost time.	Significant injury involving medical treatment or hospitalisation and lost time	Individual fatality or serious long term injury	Multiple fatalities or extensive long term injury
Professional Indemnity	Isolated, internal or minimal complaint; minimal loss to organisation	Contain complaint or action with short term significance; medium loss to organisation	Significant complaint involving statutory authority or investigation; prosecution possible with significant loss to organisation	Major complaint with litigation and long term significance; very high loss to organisation	Extensive litigation with possible class action; worst-case loss to organisation; threat to viability of program or service.

CONSEQUENCE					
Category	Insignificant	Minor	Moderate	Major	Catastrophic
Public Liability	First aid only required; minimal loss to organisation	Some medical treatment required; medium loss to organisation	Significant injury involving medical treatment or hospitalisation; high loss to organisation	Severe injuries or individual fatality; very high loss to organisation	Multiple fatalities or extensive long term injuries; worst case loss to organisation
Property & Infrastructure	Isolated or minimal loss; short term impact; repairable through normal operations	Minor loss with limited downtime; short term impact; mostly repairable through normal operations	Significant loss with temporary disruption of services; medium term impact on organisation	Critical loss or event requiring replacement or property or infrastructure; long term impact on organisation	Disaster with extensive loss and long term consequences; threat to viability of service or operation
Reputation	Isolated, internal or minimal adverse attention or complaint	Heightened local community concern or criticism	Significant public criticism with or without media attention	Serious public or media outcry, broad media attention	Extensive public outcry; potential national media attention
Natural Hazards	Minimal physical or environmental impact; isolated hazard only; dealt with through normal operations	Minor physical or environmental impact; hazards immediately controlled with local resources	Significant physical or environmental impact; hazards contained with assistance of external resources	Major physical or environmental impact; hazard extending off-site; external services required to manage	Extensive physical or environmental impact extending off-site; managed by external services; long term remediation required
Information Technology	No measurable operational impact to organisation	Minor downtime or outage in single area of organisation; addressed with local management and resources	Significant downtime or outage in multiple areas of organisation; substantial management required and local resources	Loss of critical functions across multiple areas of organisation; long term outage; extensive management required and extensive resources	Extensive and total loss of functions across organisation; disaster management required

CONSEQUENCE					
Category	Insignificant	Minor	Moderate	Major	Catastrophic
Political and Governance	Isolated non-compliance or breach; minimal failure of internal controls managed by normal operations	Contained non-compliance or breach with short term significance; some impact on normal operations	Serious breach involving statutory authorities or investigation; significant failure of internal controls; adverse publicity at local level	Major breach with formal inquiry; critical failure of internal controls; widespread adverse publicity	Extensive breach involving multiple individuals; potential litigation; viability of organisation threatened
Industrial Relations	Isolated, internal or minimal impact on staff morale or performance; minimal loss to organisation	Contained impact on staff morale or performance of short term significance; medium loss to organisation	Significant impact on staff morale or performance of medium term significance; significant loss to organisation	Major impact on staff morale or performance with long term significance; very high loss to organisation	Extensive impact or organisational morale or performance; threat to viability or program or service
Contractual and Legal	Isolated non-compliance or breach; negligible financial impact	Contained non-compliance or breach with short term significance and minor financial impact	Serious breach involving statutory authority or investigation; prosecution possible with significant financial impact	Major breach with fines and litigation; long term significance and major financial impact	Extensive fines and litigation with possible class action; threat to viability of program or service.
Positive Consequences	Minimal benefit, minimal financial gain, negligible saving in time.	Small benefit, low financial gain, small saving in time.	Some enhancement to reputation, high financial gain, reasonable saving in time.	Enhanced reputation, major financial gain, large saving in time.	Significantly enhanced reputation, huge financial gain, significant saving in time.

Likelihood	Consequences				
	Insignificant	Minor	Moderate	Major	Catastrophic
Almost Certain	Moderate 8	High 16	High 20	Extreme 23	Extreme 25
Likely	Moderate 7	Moderate 12	High 17	High 21	Extreme 24
Possible	Low 4	Moderate 10	High 15	High 18	High 22
Unlikely	Low 2	Low 5	Moderate 11	Moderate 13	High 19
Rare	Low 1	Low 3	Moderate 6	Moderate 9	High 14

The risk matrix is broken into four shaded areas reflecting the increasing level of risk.

	= Low Risk
	= Moderate Risk
	= High Risk
	= Extreme Risk

Each Risk Rating is allocated a number to facilitate prioritisation of risk, i.e. the higher the number the higher the need for risk treatment.