



Risk Management Plan — Strategic Risks

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Introduction

General

1. The Shire of Broome (SoB) recognises that risk management is fundamental to the organisation achieving its strategic and operational objectives, and that it plays an integral role in day-to-day management and decision making at all levels in the organisation.
2. To enable the Executive (and to a lesser extent Council) to decide on the nature and extent of the risks it is prepared to take to meet its strategic objectives, the organisation must have an appropriate risk management program to identify and manage risk on an ongoing basis. This policy sets out the organisation's approach to risk management, including its approach to identifying and managing risk, the responsibilities of the Council, management and staff within the organisation in relation to risk management, and the resources and processes dedicated to risk management. Everyone has a role to play in the management of risk within SoB, whether as a Risk Owner, a Control Owner, right down to the need for every employee to follow procedures and processes without deviation.
3. The application of effective enterprise-wide risk management practice as a part of the strategic planning and monitoring systems of an organisation ensures that investment decisions are founded on evidence-based decision making and are linked to the strategic directions of the organisation. Good risk management discipline and practice, stress tests the objectives and goals of SoB, and are to be embedded throughout the organisation.
4. Risk management is viewed as central to SoB's management process, having relevance and linkage to the Integrated Planning and Reporting Framework (Strategic Community Plan, Corporate Business Plan, Annual Budget and associated informing strategies) performance, quality and safety.
5. Effective risk management requires Executive Management and all SoB staff to understand the business risks in their area as part of their day-to-day activities. All staff have a role in managing risk and therefore it is important that all employees of the SoB are familiar with the SoB Risk Management Program.
6. Council is committed to the effective management of risks and ensuring that sufficient resources are available to manage risks within the organisation. Those allocated responsibility for managing risks or being accountable for critical controls must ensure appropriate monitoring and reporting occurs through Council's existing management reporting and governance framework.
7. The effective management of risks plays an important role in shaping Council's strategic direction as outlined in the Council's Strategic Community Plan and thereby contributes to evidence-based decision-making and the successful delivery of Council's objectives.

Purpose

8. The purpose of this Risk Management Plan – Strategic Risks is to establish the parameters for the management of strategic risks within SoB.

Definitions

Risk

9. In developing this plan, SoB has adopted the following definition of risk:

*A possible event or incident that, **if it occurs**, will have an impact on SoB's objectives.*

10. Whilst this definition is a deviation from that detailed in ISO 31000, it is felt that this definition is much easier to communicate to SoB staff and stakeholders.

Risk Management

11. SoB has adopted the following definition of risk management:

*A systematic process that enables SoB to make **informed decisions** as to the actions to be taken in relation to the possible events or incidents that, if they occur, will impact on our objectives.*

12. This definition also deviates from that detailed in ISO 31000, once again, due to the fact that it is a lot easier to communicate.

Strategic Risks

13. Strategic risks relate to those events/incidents that are outside the control of SoB that could impact the future strategic direction (e.g. changes to Government legislation, impacts on global supply chain etc.). In short, strategic risks are the 'T' in the SWOT analysis.

14. The consequences for strategic risks, therefore, are measured in relation to the amount of change required to the strategic direction as a result of the realisation of the risks. Unlike operational risks, strategic risks have very few controls in place so the likelihood criteria used will also be different and is more focussed on whether there is any evidence (whether it be through media or Government policy discussions) that the risk is imminent.

15. This definition also deviates from that detailed in ISO 31000, once again, due to the fact that it is a lot easier to communicate.

Plan Owner, Approver and Review Requirements

16. The Plan owner is the Manager Governance, Strategy and Risk and it is to be reviewed every two years or when there is any significant change to SoB's strategic environment. The CEO is the approver for the Plan.

Roles and Responsibilities

17. Roles and responsibilities for the management of strategic risks within SoB are shown in the table below:

Entity	Roles and responsibilities
Council	<ul style="list-style-type: none"> Manage strategic risks and ensure strategies to reduce vulnerability are included in the Corporate Business Plan and implemented
CEO	<ul style="list-style-type: none"> Approves the Risk Management Plan - Strategic Risks Reviews all Strategic Risk Reports presented to the Audit and Risk Committee and Council
Audit and Risk Committee	<ul style="list-style-type: none"> Reviews/endorse any changes to strategic risk levels based on reports provided by the Manager Governance, Strategy and Risk before forwarding to the Council.
Manager Governance, Strategy and Risk	<ul style="list-style-type: none"> Coordinates gathering of information/intelligence from the business in relation to the identified strategic risks. Collates information into a report for submission to the Audit and Risk Committee, with recommendations in relation to risk levels and potential responses.

Table 1 – SoB Risk Management Roles and Responsibilities

Goal, Sub-goal, and Objectives

Goal and Sub-Goals

18. The goal of the risk management program within SoB is:

To ensure that the risks facing Shire of Broome are appropriately managed in order to:

- protect the interests of the organisation and its many stakeholders;***
- assist in the decision-making process; and***
- minimise disruption to critical business functions.***

19. The following is the sub-goal relevant for the management of strategic risk within SoB:

- To ensure that SoB is, where possible, protected and/or prepared from threats arising from the external environment.***

Objectives

20. The following are the objectives for the management of strategic risks within SoB:

- SoB will have a fully developed Strategic Risk register by Q2 2022/23.
- SoB will have a fully developed reporting framework for strategic risks by Q4 2022/23.
- All changes to strategic risks are to be reported to the Council at the meeting following the change.
- “Deep dives” are to be undertaken on each strategic risk at least annually.

e. The Risk Management Plan – Strategic Risks is to be reviewed every two years.

21. Once the first two objectives have been achieved, they can then be removed from the Plan.

SoB Strategic Risks

22. The identified strategic risks for SoB are captured at **Attachment 1**. These strategic risks will be amended/added to as strategic circumstances dictate.

Assessing SoB’s Strategic Risks

Assessing Likelihood

23. As previously highlighted, the level of control surrounding strategic risks is extremely limited (if there is any at all), so the likelihood needs to be based on the level of visibility/discussion of the issue in the public domain and/or government policy considerations. To that end, the following is the likelihood criteria for strategic risks within SoB:

Rating	Descriptor
Imminent	<p>Has the potential to become an issue for Council within the next 5 years. Illustrative criteria for this level of likelihood are:</p> <p>Political/Legislative/Regulatory/Policy Related Risks:</p> <ul style="list-style-type: none"> • Currently the issue is being discussed on an almost daily basis in the mainstream media (state, national and/or international); <i>and/or</i> • Currently it is a policy issue that is being discussed by one or both sides of state politics and has become an election issue; <i>and/or</i> • One major review is currently in progress (state, national or international). <p>Financial/Economic Related Risks:</p> <ul style="list-style-type: none"> • There is clear evidence of a potential for a sustained downward trend in economic conditions within the next 5 years (recession/depression). <p>Demographic/Social/Community/Services Related Risks</p> <ul style="list-style-type: none"> • Census and other ABS data analysis demonstrates a clear trend within the community that will require addressing in the next 5 years. <p>Environment Related Risks:</p> <ul style="list-style-type: none"> • There is clear evidence that changing climactic conditions are going to result in these environment related risks emerging over the next 5 years.

Rating	Descriptor
Emerging	<p>Has the potential to become an issue for Council within the next 5-15 years. Illustrative criteria for this level of likelihood are:</p> <p>Political/Legislative/Regulatory/Policy Related Risks:</p> <ul style="list-style-type: none"> • The issue has been discussed previously, however, there appears no appetite within Government to act; <i>and/or</i> • It has previously been a policy issue of either side (or both) sides of politics but was rejected by voters; <i>and/or</i> • One or more reviews have been conducted; however, the Government has not shown any urgency/interest in implementing any recommendations. <p>Financial/Economic Related Risks:</p> <ul style="list-style-type: none"> • There is no clear evidence of a downward trend in economic conditions within the next 5-15 years, however, it remains a possibility given other geo-political influences. <p>Demographic/Social/Community/Services Related Risks</p> <ul style="list-style-type: none"> • Census and other ABS data analysis demonstrates a trend within the community that may require addressing in the next 5-15 years. <p>Environment Related Risks:</p> <ul style="list-style-type: none"> • There is evidence that changing climactic conditions are going to result in these environment related risks emerging over the next 5-15 years.
Distant	<p>Is unlikely to become an issue for Council within the next 15 years. Illustrative criteria for this level of likelihood are:</p> <p>Political/Legislative/Regulatory/Policy Related Risks:</p> <ul style="list-style-type: none"> • The issue is not being discussed at all in the mainstream media (state, national and/or international); <i>and/or</i> • It is not a policy issue that is being discussed by any political party. <p>Financial/Economic Related Risks:</p> <ul style="list-style-type: none"> • There is no evidence of any sustained downward trend in the economy, or any indicators of geo-political influences that would lead to an economic slow down. <p>Demographic/Social/Community/Services Related Risks</p> <ul style="list-style-type: none"> • Census and other ABS data analysis is not showing any trends that would need to be addressed in the next 15 years. <p>Environment Related Risks:</p> <ul style="list-style-type: none"> • There is evidence that changing climactic conditions are not going to see these risks emerging over the next 15 years.

Table 2 – SoB Likelihood Rating Matrix – Strategic Risks

Assessing Consequence

24. As previously highlighted, the consequence for strategic risks is more focussed on the extent of the changes required to the strategy of the organisation as opposed to the financial, regulatory, reputation, or safety impacts. To that end, the following consequence matrix is to be used for assessing the impacts of strategic risks:

Rating	Descriptor
Significant	<ul style="list-style-type: none"> Complete change to the strategic community plan and corporate business plan for SoB – full reissue; <i>and/or</i> May involve consideration of significant restructuring of SoB; <i>and/or</i> May result in a significant reduction of staff levels; <i>and/or</i> May result in several current services (more than 3) not being offered by SoB.
Moderate	<ul style="list-style-type: none"> Amendments to the current strategic community plan and corporate business plan for SoB but not reissue; <i>and/or</i> May involve consideration of some restructuring of SoB; <i>and/or</i> May result in a moderate reduction of staff levels; <i>and/or</i> May result in some current services (less than 3) not being offered by SoB.
Minor	<ul style="list-style-type: none"> No amendment to the strategic community plan or corporate business plan but adjustment to extent <i>and/or</i> timing of current strategies; <i>and/or</i> No restructuring required; <i>and/or</i> May result in a minor reduction of staff levels; <i>and/or</i> No impact on services being offered currently by SoB but may impact introduction of new services.

Table 3 – SoB Consequence Rating Matrix – Strategic Risks

Assessing Vulnerability

25. Not all organisations will have the same vulnerability to a strategic risk. Some organisations may be more vulnerable to the strategic risk than others and, therefore, the consequences are going to be much greater.

26. That said, understanding vulnerability also provides opportunities for developing strategies that may reduce the vulnerability and, therefore, the consequence

Level of Vulnerability	Descriptor
Very Vulnerable	If this was to materialise, the impact on SoB would be so profound that the consequences experienced would be the highest consequences attributable to the risk (e.g. Significant).
Moderately Vulnerable	If this was to materialise, the impact on SoB would be somewhat disruptive so we would experience some consequence but it will not be the highest level (e.g. Moderate/Minor).
Slightly Vulnerable	If this was to materialise, the impact on SoB would be minimal so the consequence is likely to be the lowest level (e.g. Minor).

Table 4 – SoB Vulnerability Matrix – Strategic Risks

Determining Risk Level

27. The following is the risk matrix to be used to determine the level of each strategic risk:

	Minor	Moderate	Significant
Imminent	Medium	High	Extreme
Emerging	Low	Medium	High
Distant	Low	Low	Medium

Table 4 – SoB Risk Matrix – Strategic Risks

Assessing Requirement for Action

28. Once a risk has been analysed, decisions need to be taken as to what action, if any, is required. The table at **Attachment 2** identifies the actions required for each level of strategic risk.

29. The linking of the actions to the risk level allows for forward, proactive planning, in addition to reactive planning if the risk does materialise.

Monitor and Review of Strategic Risks

Monitor

30. Unlike operational risks, the monitoring of strategic risks requires constant scanning of the strategic environment, as opposed to the internal control environment.

31. The process for the monitoring of strategic risks within SoB is detailed at **Attachment 3**.

Review

32. On an annual basis, all Strategic Risks will be subject to a “deep dive” which will review each of the risks for currency, completeness and to affirm that strategies developed are in the process of being implemented.

33. These deep dives will occur at each Audit and Risk Committee meeting for one or two risks to ensure each risk is reviewed at least annually.

Reporting Strategic Risks

34. Reporting is a critical part of any risk management program as it provides the Audit and Risk Committee and Executive with an awareness as to how the organisation is progressing relative to its risk management objectives. In addition, it provides the information necessary for managers to make risk informed decisions.

35. The Strategic Risk Report is to be presented to the Audit and Risk Committee quarterly. The format for the SoB Strategic Risk report, which is to be developed for each strategic risk is provided at **Attachment 4**.

Measuring Conformance to this Plan

36. The following are the performance measures for this policy:

Objectives	Performance Measure	KPI/ Target
SoB will have a fully developed Strategic Risk register by Q2 2022/23.	Strategic Risk register is developed by Q2 2022/23	
SoB will have a fully developed reporting framework for strategic risks by Q4 2022/23.	Fully developed reporting framework for strategic risks is developed by Q4 2022/23	
The status of Strategic Risk Register is to be reported to the Audit and Risk Committee quarterly	% of strategic risk reports provided to the Audit and Risk Committee quarterly.	100%
“Deep dives” are to be undertaken on each strategic risk at least annually.	% of strategic risks that have had a deep dive conducted in accordance with timeframes	100%
The Risk Management Plan – Strategic Risks is to be reviewed every two years	% of reviews of Risk Management Plan – Strategic Risks conducted within timeframes	100%

Table 6 – SoB Strategic Risk Management Performance Measures

List of Attachments

1. SoB Strategic Risks
2. Requirement for Action – Strategic Risks
3. Strategic Risk Monitoring Process
4. Strategic Risk Report Format

ATTACHMENT 1

SHIRE OF BROOME STRATEGIC RISKS

SR 1	Reduction in external government funding
SR 2	Externally imposed organisational changes (including amalgamation)
SR 3	Increased number and/or severity of major disaster events
SR 4	Changes in demographics across the local government area
SR 5	Changes to state government land use planning requirements
SR 6	Increase in state government levies/charges collected by council
SR 7	Technology advances more rapidly than council is able to adapt
SR 8	Changes to regulations and legislation that impact Council operations
SR 9	Rate capping imposed by State Government
SR 10	Cost shedding/transfer by state/federal government
SR 11	Increased criminal and/or anti-social behaviour within the LGA
SR 12	Global incident (e.g. pandemic) impacts on businesses in the SoB LGA
SR 13	Global financial downturn (impact on investments and businesses in the SoB LGA)

ATTACHMENT 2

REQUIREMENT FOR ACTION – STRATEGIC RISKS

Timeframe	Consequence	Vulnerability	Indicative Actions
Imminent	Significant	Very Vulnerable	Strategies need to be immediately developed to attempt to reduce the vulnerability to the strategic risk. If this is not possible, significant effort should be channelled to lobbying in an attempt to reduce the likelihood at the same time as modelling the impact in order to develop strategies to respond to the materialisation of the strategic risk.
		Moderately Vulnerable	Strategies may be considered in an attempt to reduce the vulnerability to the strategic risk further. If this is not possible, modelling should be undertaken on the impact in order to identify if strategies to respond to the materialisation of the strategic risk are necessary.
		Slightly Vulnerable	Monitor the strategic environment to determine changes to the consequence of, and/or vulnerability to, the strategic risk.
	Moderate	Very Vulnerable	Strategies may be considered in an attempt to reduce the vulnerability to the strategic risk further. If this is not possible, modelling should be undertaken on the impact in order to identify if strategies to respond to the materialisation of the strategic risk are necessary.
		Moderately Vulnerable	Monitor the strategic environment to determine changes to the consequence of, and/or vulnerability to, the strategic risk.
		Slightly Vulnerable	No action required
	Minor	Very Vulnerable	Monitor the strategic environment to determine changes to the consequence of, and/or vulnerability to, the strategic risk.
		Moderately Vulnerable	No action required
		Slightly Vulnerable	No action required

Timeframe	Consequence	Vulnerability	Indicative Actions
Emerging	Significant	Very Vulnerable	Monitor the strategic environment to determine changes to the timeframe and/or consequence of the strategic risk. Strategies may be considered in an attempt to reduce the vulnerability to the strategic risk while it is rated as emerging.
		Moderately Vulnerable	Monitor the strategic environment to determine changes to the timeframe and/or consequence of the strategic risk.
		Slightly Vulnerable	No action required
	Moderate	Very Vulnerable	Monitor the strategic environment to determine changes to the timeframe and/or consequence of the strategic risk.
		Moderately Vulnerable	No action required
		Slightly Vulnerable	No action required
	Minor	Very Vulnerable	No action required
		Moderately Vulnerable	No action required
		Slightly Vulnerable	No action required

Timeframe	Consequence	Vulnerability	Indicative Actions
Distant	Significant	Very Vulnerable	Monitor the strategic environment to determine changes to the timeframe and/or consequence of the strategic risk. Strategies may be considered in an attempt to reduce the vulnerability to the strategic risk while it is rated as distant.
		Moderately Vulnerable	Monitor the strategic environment to determine changes to the timeframe and/or consequence of the strategic risk.
		Slightly Vulnerable	No action required
	Moderate	Very Vulnerable	Monitor the strategic environment to determine changes to the timeframe and/or consequence of the strategic risk.
		Moderately Vulnerable	No action required
		Slightly Vulnerable	No action required
	Minor	Very Vulnerable	No action required
		Moderately Vulnerable	No action required
		Slightly Vulnerable	No action required

STRATEGIC RISK MONITORING PROCESS



ATTACHMENT 4

STRATEGIC RISK REPORT FORMAT
STRATEGIC RISK REPORT SR-X DATED XX XXX 202X

Risk #	Risk		
SR-			
Current Likelihood	Current Consequence	Current Risk Level	
Emerging Issues/Information Relating to this Risk			
Date (if applicable)	Source	Information Received	Information Verified
Recommended Likelihood	Recommended Consequence	Recommended Risk Level	
Recommended Action/s		Responsible	Date for Completion