

LODDON SHIRE COUNCIL

STRATEGIC RISK REPORT – December 2025



LODDON
SHIRE

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Signed by Chief Executive Officer

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This document is available in alternative formats (e.g. larger font) if requested.

ACKNOWLEDGEMENT OF COUNTRY

Loddon Shire Council acknowledges the Traditional Custodians of the land comprising the Loddon Shire Council area. Council would like to pay respect to their Elders both past and present.

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1 PURPOSE

Section 98 of the *Local Government Act 2020* prescribes the content of Council's Annual Report.

The *Local Government (Planning and Reporting) Regulations 2014* (Regulations) require Council to comply with annual reporting requirements. Those requirements include the Local Government Performance Reporting Framework (LGPRF). Indicators within the LGPRF are reported in Council's Annual Report.

Section 12 (Governance and management checklist) of the Regulations states:

For the purposes of 131(3)(a)(ii) of the Act—

- a) the prescribed governance and management checklist is set out in column 1 of Schedule 1;*
- b) the prescribed form of the results of Council's assessment against the prescribed governance and management checklist is set out in column 2 of Schedule 1.*

The requirement for six monthly reports of strategic risks to Council's operations, their likelihood and consequences of occurring and risk minimisation strategies is contained within Item 19 of Schedule 1.

2 BUDGET IMPLICATIONS

Additional budget required to implement risk mitigation measures will be requested through standard budget processes.

3 RISK ANALYSIS

This report has been developed to assess the strategic risks that Council faces in achieving its strategic objectives.

4 STRATEGIC VERSUS OPERATIONAL RISKS

Council experiences many different types of risks, generally divided into two categories, operational or strategic.

Operational risks are those which would impact achievement of the current objectives or strategy and are managed within the organisation. Strategic risks are those risks that may require a change in current strategy and are managed by the Council.

Strategic risks have been identified as relating to delivery of the strategic objectives of Council, and form the Strategic Risk Register which forms part of this report.

5 IDENTIFICATION OF STRATEGIC RISKS

The review of Council's strategic risks has been undertaken during sessions with Councillors and the Audit and Risk Committee.

It is acknowledged that there will be varying views about this assessment, particularly around the risks included on the register and the assessment of the inherent and residual risks. They are quite subjective, and opinions will vary as to how reflective they are of the current state.

Each aspect of the Strategic Risk Register can and will be refined during each review and additional strategic risks can be considered.

6 ASSESSMENT OF RISKS

In accordance with LGPRF, Council is required to assess its strategic risks every six months, including their likelihood and consequences of occurring and risk minimisation strategies.

Likelihood and consequences are identified in Council’s Risk Management Policy. Appendix A -- Consequence Table, Appendix B -- Likelihood Table, and Appendix C - Risk Matrix.

6.1 Inherent and Residual Risks

The first level of assessment of each of the strategic risks is inherent risk; the second level of assessment is residual risk. Inherent risk is commonly defined as “the risk without considering internal controls” or alternatively “a raw risk that has no mitigation factors or treatments applied to it.”

Residual risk on the other hand is commonly defined as “the level of risk remaining after controls have been applied.” Therefore, the difference between inherent risk and residual risk is the controls that are in place to reduce or mitigate the risk.

6.2 Controls

As the residual risk will be determined by the effectiveness of the controls in place, they are rated as Excellent, Good, Fair, Poor, or Non-Existent, as per below:

CONTROL EFFECTIVENESS	DESCRIPTION	COLOR
Excellent controls	Negligible control gaps. Controls treat the root causes of the risks. Controls eliminate the risk. All controls are well designed for the risk. Many lines of defence. Critical controls are quality assured.	Excellent controls
Good controls	There are a few control gaps. A few controls rely on procedural compliance. Several lines of defence. Most controls are well designed for the risk. Risk to health and safety is reduced as far as is reasonably practicable.	Good controls
Fair controls	There are some control gaps. Some controls rely on procedural compliance. A few lines of defence. Risk to health and safety is likely to be reduced as far as is reasonably practicable	Fair controls
Poor controls	There are many control gaps. Most controls rely on procedural compliance. Single line of defence. Risk to health and safety may not be reduced as far as is reasonably practicable	Poor controls
Non-existent controls	No effective controls are in place. Risk to health and safety is not reduced as far as is reasonably practicable	Non-existent controls

7 FURTHER IMPLEMENTATION OF CONTROLS

Where a control effectiveness is identified as less than Excellent, effort may be required to improve the quality of the control environment. New controls may also be identified to focus effort on risk mitigation.

It should be noted that for some strategic risks, even the best controls may not mitigate the overall impact. e.g. A one-in-100 year flood will always cause significant damage regardless of how many effective controls are in place.

8 REVIEW

In accordance with LGPRF, Council is required to assess its strategic risks every six months. Where possible and appropriate, this document will be reviewed on a six-monthly cycle, aligned with timeframes identified in risk management documents and the Audit and Risk Committee Charter.

Regular review will provide opportunity to assess the current external context to identify any new or emerging strategic risks. It will also enable strategic opportunities to be included as they are identified.

9 STRATEGIC RISK REGISTER

Risk ID	Risk Description	Inherent Risk Level	Residual Risk Level
32	Limited ability to impact and diversify Council's revenue base, combined with rising expenses, leads to long-term financial unsustainability and reduced ability to deliver the Council Plan.	Very High	Very High
56	Demographic shifts and declining community volunteerism reduces the availability of volunteers to support key community services, leading to service gaps or increased costs to Council.	High	Medium
80	Weather events such as drought, flood and storms, damage infrastructure, disrupt operations and impact Council's ability to deliver core services.	Very Very High	Very High
182	Failure to ensure the security and resilience of Council's digital infrastructure undermines community trust and disrupts strategic service delivery.	Very High	High
231	Disruption in workforce, contractor availability, or supply chains will delay or alter the delivery of Council projects and services, requiring reprioritisation of resources, impacting community outcomes.	High	Medium
241 (new)	A decline in civic participation and community leadership driven by demographic, social or political change undermines local democratic processes and reduces community representation in decision-making.	High	Medium

10 CONTROLS

The following controls have been applied to each of the six strategic risks identified, which have impacted the inherent risk by reducing it in four of the five risks.

10.1 Risk #32

Limited ability to impact and diversify Council's revenue base, combined with rising expenses, leads to long-term financial unsustainability and reduced ability to deliver the Council Plan.

Control measures and effectiveness

Control Measure Effectiveness	Control Measure Description
Good	Council has developed a Financial Plan that covers 10 years and incorporates all expected income and expenditure.
Excellent	Council's officers monitor their financial results monthly.
Excellent	The Audit and Risk Committee and Council review the financial report quarterly.
Excellent	The Financial Statements are subject to external audit.
Good	Asset management plans are developed for infrastructure assets.
Good	Actions contained in strategic plans are costed across the life of the plan.
Excellent	Use of reserves to fund future major projects, purchases and works.
Excellent	Implementation and continuous review of the Financial Reserves Policy.
Excellent	Council has a robust process for ensuring accurate reporting to the Victorian Grants Commission.
Good	Council has developed a Service Review Plan 2023-2027 to outline the priority areas for review.
Good	Council has developed a Revenue and Rating Plan to determine the most appropriate and affordable revenue and rating approach for Loddon Shire Council which in conjunction with other income sources will adequately finance the objectives in the Council Plan.
Good	Prioritisation of renewal expenditure over new.
Good	Federal government advocacy for increased funding.

10.2 Risk #56

Demographic shifts and declining community volunteerism reduces the availability of volunteers to support key community services, leading to service gaps or increased costs to Council.

Control measures and effectiveness

Control Measure Effectiveness	Control Measure Description
Good	The Community Support Policy documents Council's commitment to supporting volunteers and volunteer groups in providing services to the community.
Fair	Promote volunteering to young people through school networks.
Poor	Provide young volunteers with mentors to grow and develop their skills in volunteering roles.
Fair	Target communication through schools and other relevant groups re the benefits of, and opportunities for young people to volunteer within Loddon.
Good	Promotion and recruitment of volunteers in line with strategic direction 1 of the Volunteer Strategy.
Good	Support and develop Council and community volunteers and volunteering in the community in line with strategic direction 2 of the Volunteer Strategy.
Good	Recognise, celebrate and value volunteers in line with strategic direction 3 of the Volunteer Strategy.
Excellent	Partner and collaborate to create a strong culture toward volunteering in line with strategic direction 4 of the Volunteer Strategy.
Fair	Diversity and inclusion in volunteering.
Good	Council has undertaken the Re-Engaging Volunteers in Rural Towns Project resulting in 4 clear directions.
Good	Implementation of Volunteer Strategy for recruitment of new and support of existing volunteers.

10.3 Risk #80

Weather events such as drought, flood and storms, damage infrastructure, disrupt operations and impact Council's ability to deliver core services.

Control measures and effectiveness

Control Measure Effectiveness	Control Measure Description
Excellent	Exploration of alternate products or work methods across the range of Council infrastructure types.
Excellent	Drought proof playing surfaces and community facilities with water saving initiatives.
Good	Planning and design of new or renewal infrastructure, that assists with climate change risk mitigation including betterment of assets to withstand future events.
Fair	Flood study is being undertaken for Wedderburn..
Fair	Maintain current condition records for Council infrastructure assets should funding or insurance cover be sought for reinstatement.
Good	Local community knowledge, including the community preparedness model (Build Your Own Community) being trialled at Bridgewater.
Good	Council Officer knowledge.
Good	Planning Scheme Overlays on flood plains.
Fair	Business continuity management policy and framework.
Fair	Business continuity management plan.
Fair	Awareness and planning for predicted environmental or climate related risks.

10.4 Risk #182

Failure to ensure the security and resilience of Council's digital infrastructure undermines community trust and disrupts strategic service delivery.

Control measures and effectiveness

Control Measure Effectiveness	Control Measure Description
Fair	Council is subject to the Victorian Protective Data Security Standards which were developed to help manage public sector information across all security areas.
Excellent	Implementation of a SIEM (Security Incident and Event Management) solution as well as the implementation of an outsourced SOC (Security Operations Centre) for 24/7 monitoring and response to cyber security related incidents, given our internal IT capability does not extend to 24/7.
Fair	Councillor and staff training program regarding cybercrime and phishing emails.
Fair	Alert emails are provided to registered users from the IT Department when a known threat is identified.
Good	Multi-factor authentication has been implemented for remote access to the network.
Good	Disaster Recovery practices and Incident Responses.

10.5 Risk #231

Disruption in workforce, contractor availability, or supply chains will delay or alter the delivery of Council projects and services, requiring reprioritisation of resources, impacting community outcomes.

Control measures and effectiveness

Control Measure Effectiveness	Control Measure Description
Excellent	Various staff retention strategies have been developed to retain staff. e.g. flexible working options, enterprise agreement, carpooling program, training and development opportunities.
Good	Various staff recruitment strategies are being implemented. e.g. Grow our own program encouraging traineeships, broader marketing of Council and local government as a career option, connecting with the local learning network and school network to develop relationships and promote Council.
Fair	The civil design program provides designs for projects in advance of budget years to allow flexibility should the program require change.
Excellent	The rolling works program documents projects to be delivered over a number of years providing the ability for the program to be amended if needed.
Fair	Council advertises tenders on an e-portal that provides opportunity for better reach to contractors.
Fair	Participate in collaborative tendering opportunities to increase buying power and economies of scale.
Fair	Due diligence undertaken-tenderers identify possible hold ups and price increases, incorporate liquidated damages clause, identify practical completion dates and start and finish dates for projects, identify risks with provision of supplies, understand tenderers' financial capacity.
Non-existent controls	Risk assessments undertaken prior to release of tender documents.
Poor	For suppliers of key products, build relationships with key account staff, and any new key account staff as they enter the business to build collaborative and open relationships, and understand whether new supplier options should be explored.
Fair	Where there is potential for supply disruption (such as import restrictions on vehicles) seek and engage alternate suppliers and/or brands, increase order volumes and stock levels, and improve forward planning for required products.
Fair	Implement quality assurance checks for products to ensure they maintain standard, and if not raise issues with suppliers and if needed source other potential suppliers.

10.6 Risk #241 (new)

A decline in civic participation and community leadership driven by demographic, social or political change undermines local democratic processes and reduces community representation in decision-making

Control measures and effectiveness

Control Measure Effectiveness	Control Measure Description
Good	Community Reference Group participation and engagement.
Excellent	Community Planning groups participation and engagement.
Good	Australia Day and ANZAC Day celebrations and awards.
Fair	Strategy documents such as Economic Development Strategy and Branding Strategy.
Fair	LEAD Loddon Murray
Good	North Central LLEN
Fair	Community Asset Committees based on asset classes.
Fair	Council membership of industry bodies (MAV, ALGA) which support engagement with current and potential participants, including election advocacy and encouraging community participation in democratic process.
Excellent	<i>Local Government Act 2020</i> combined with Model Councillor Code of Conduct identifying Councillor roles in supporting engagement with and representation of the community that they serve.
Good	Governance Rules in place and implemented, ensuring community are able to engage with Council decision making appropriately.
Excellent	Support for organisational capability in media relations.
Good	Support and utilisation of local media outlets.