

# The Duchy estate's material risks

*In attempting to meet our strategic objectives there will always be risks and uncertainties, even with a comprehensive approach to risk management. Those risks that could have a material impact on our work in the longer term, and which are most likely to affect value creation over time, are set out below. Further detail on our principal financial risks and uncertainties is available on pages 42–43 in the section on governance.*

## A Capital cash generation

Description	Mitigation	Effects
<p>A significant constraint on our ability to create financial value over time is the ability to generate the capital funds required to maintain and enhance the Duchy estate, alongside investing in income-earning assets that provide the required Revenue account surplus.</p> <p>There is an ongoing and increasing requirement for this capital investment, but the need to generate these funds is limited by our ability to increase borrowing (unsustainable in the long term), sell non-core property, or reduce capital expenditure.</p>	<p>Good budgetary control and forward planning is combined with strategic reviews of all asset holdings and some short-term borrowing.</p>	<p><b>Strategic objectives affected</b> Provide income Generate capital and rebalance capital assets Cherish, protect and enhance the estate</p> <p><b>Resources and relationships affected</b> Financial Manufactured</p>

## B The state of farming

Description	Mitigation	Effects
<p>The difficult and uncertain trading situation faced by the agricultural sector brings financial, social and environmental risks. It significantly affects many of our traditional assets and tenants, with commodities and farming enterprises coming under financial pressure.</p>	<p>Our increasingly diversified asset portfolio mitigates the scale of this risk. However, for our agricultural tenants, life continues to be challenging on several fronts.</p>	<p><b>Strategic objectives affected</b> Provide income Engage with and proactively support communities</p> <p><b>Resources and relationships affected</b> Natural Financial Community</p>

## C Safe buildings and places

Description	Mitigation	Effects
<p>Being the owner of a large portfolio of buildings and associated structures inherently brings significant risk. Site health and safety is vitally important where repair and improvement projects are undertaken. Buildings used by our staff and tenants must always be safe places to live and work.</p> <p>Similar risks are presented by our historic minerals assets (mines, quarries, adits), the marine estate and St Mary's harbour.</p>	<p>This is a key focus for the team of building surveyors and land agents that manages our properties. A comprehensive risk register and risk oversight process is in place, covering all assets and activities.</p> <p>We have external health and safety consultants and a comprehensive training programme for internal staff.</p>	<p><b>Strategic objectives affected</b> Cherish, protect and enhance the estate</p> <p><b>Resources and relationships affected</b> People Manufactured</p>

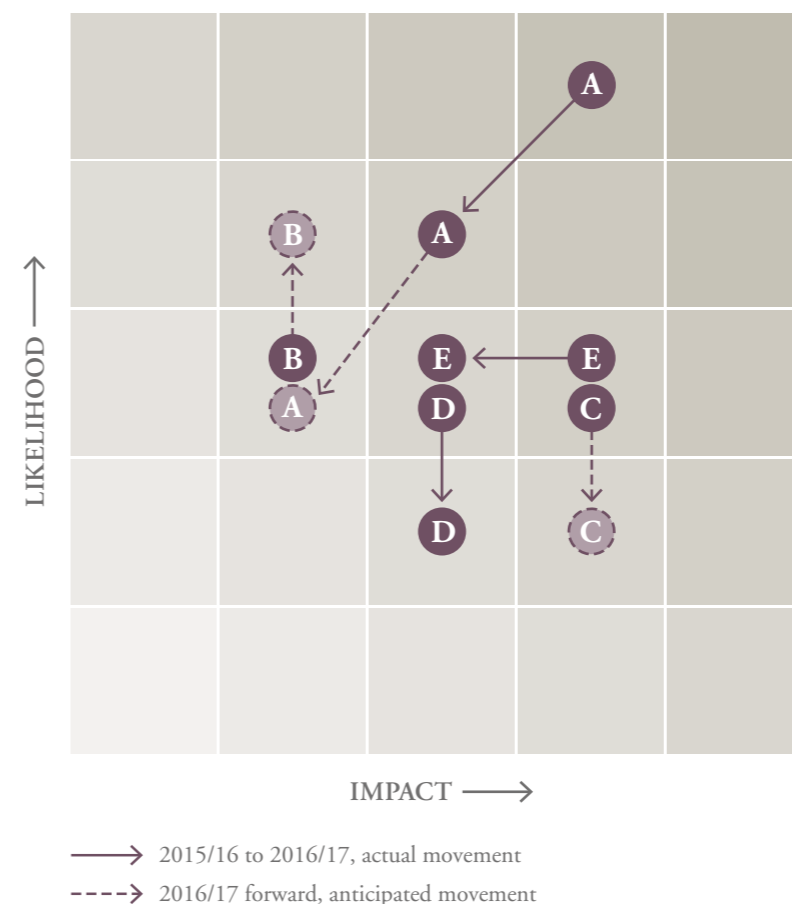
## D Balancing access and protection

Description	Mitigation	Effects
<p>The public derives significant recreational and aesthetic value from the Duchy's estate, particularly on Dartmoor, the Isles of Scilly and the Cornish foreshore, in Duchy woodlands, and from public rights of way and permissive access.</p> <p>However, the balance between a short-term value increase and long-term damage is particularly fine.</p>	<p>Local land management, combined with continuous ownership and longer-term stewardship, increases our understanding and reduces risk.</p> <p>We have close working relationships with other stakeholders, and a formal access risk management programme is in place.</p>	<p><b>Strategic objectives affected</b> Engage with and proactively support communities Cherish, protect and enhance the estate</p> <p><b>Resources and relationships affected</b> Natural Community</p>

## E Public understanding and perception

Description	Mitigation	Effects
<p>The Duchy estate is a unique organisation. Public understanding and perception of our work is important. The Duchy is a private estate that funds the public, charitable and private activities of The Prince of Wales and his family. The Duchy of Cornwall should be differentiated from Duchy Originals (now known as Waitrose Duchy Organic), which is an organic food brand set up by The Prince of Wales in 1990 and an entirely separate entity, not managed by The Duchy of Cornwall estate. The Duchy is also quite distinct from the County of Cornwall.</p>	<p>Communication continues through the Duchy website, press releases and this Integrated Annual Report.</p> <p>Staff are engaged in a broad programme of outreach with the communities where Duchy assets exist. Examples include working with the Council of the Isles of Scilly, Devon farming clubs and local Rotary clubs.</p>	<p><b>Strategic objectives affected</b> Engage with and proactively support communities</p> <p><b>Resources and relationships affected</b> People Community Intellectual</p>

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**A Capital cash generation** during 2016/17 was better than budgeted. Anticipated sales of development land and farms during 2017/18 will further reduce this risk.

**B State of farming:** The difficult and uncertain trading environment for farmers continues, and is likely to be exacerbated by the uncertainty produced following the decision to leave the EU.

**C Safe buildings and places:** A revised health and safety oversight structure has been developed during 2016/17. This is designed to further improve the mitigations in place for these risks.

**D Balancing access and protection:** A specific working group was established in 2015/16 to address issues of access, and their work is now in place. The residual risk of damage to the environment remains.

**E Public understanding and perception:** The conclusion of some long running litigation has given us reassurance over the status of the Duchy of Cornwall. Our move to integrated reporting has given us the opportunity to explain our strategy better and illustrate the work we do.