



JLT PUBLIC SECTOR RISK REPORT SOUTH AUSTRALIA

7th Edition





SUMMARY

The risk landscape for councils in South Australia continues to evolve, reflecting a dynamic environment with shifting priorities and emerging challenges. In 2023, the clear primary concern was financial sustainability, with 89% of respondents ranking it as the top risk. However in 2024, though still ranked first, 73% ranked it in this position, indicating that although it is still what keeps CEO's awake at night, there could be a potential shift in focus or perhaps a response to evolving strategies.

Cyber security, which ranked third in 2023 by 44.5%, has risen to second place in 2024 by 65% of respondents acknowledging its significance. Meanwhile, though still important, managing ageing property, assets, and infrastructure has moved to third position. 67% of respondents ranked it in second position 2023 versus nearly 49% ranking it third in 2024.

These three risks continue to be at the forefront of CEO's minds, with some movement in relative priority, but no doubt are still the key drivers of strategic planning priorities. The persistent concern over financial sustainability underscores the ongoing challenges councils could face in maintaining essential services and infrastructure. The rise in cyber security concerns highlights the increasing digital threats that local governments must navigate, necessitating enhanced IT infrastructure and training. The management of critical assets and infrastructure has very much become business as usual as local government contends with ageing infrastructure, limited funding sources and high-community expectations.

High Risk	1-3 Rank
Medium Risk	4-8 Rank
Low Risk	9-12 Rank

■ High ■ Medium ■ Low

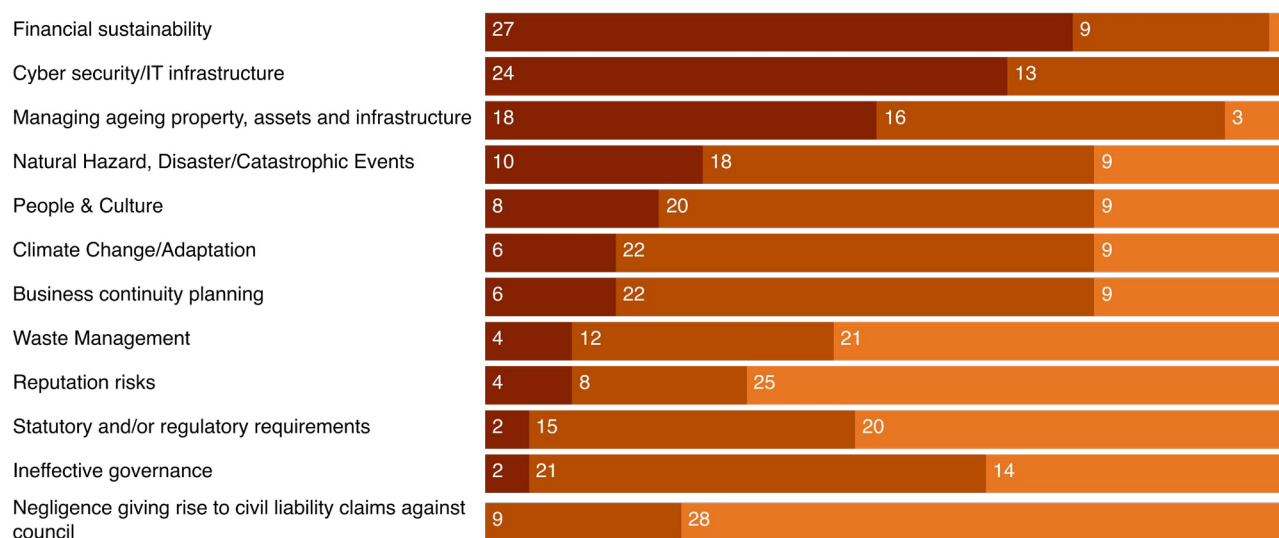


Figure 1: Ranking of Risks – SA risk heat map

FINANCIAL SUSTAINABILITY

In 2024, the underlying factors contributing to financial sustainability has seen some movement. The cost of funding infrastructure and asset management from existing revenue sources was highlighted as a factor in 2024 emerging as the primary concern, with nearly 84% of respondents ranking it as a critical issue, up from 73.5% ranking it first in 2023. This reflects the ongoing struggle councils can face in maintaining critical, ageing assets, particularly those erected by the State and leased back to councils, such as jetties and seawalls. The impact of meeting community expectations with these assets is clearly a major challenge for CEO's.

Inadequate government funding and access to grants, was ranked second by 54% of respondents, a move from fourth place in 2023, demonstrating that inadequate funding to deliver essential services, investment in future proofing assets and infrastructure and the increasing cost of employing and retaining key staff is still a major risk to the sector.

The third factor, insufficient rate revenue, is closely linked to the second highest perceived risk related to inadequate government funding and grants. 51% of respondents ranked it in this place, reflecting a 7% increase from 2023. Community expectations continue to increase and with limited ability to increase rates to deliver on strategic plans, CEO's can find themselves constantly juggling expectations and the restrictions placed on their rate development.

In contrast, the 2024 findings highlighted cost shifting from other tiers of government as a primary concern, with 46% of respondents ranking it fourth whereas 73.5% of respondents ranked it as the leading factor in 2023. This demonstrates that though this is a significant factor for South Australian councils, inflationary pressures and insufficient rate revenue are more notable factors. The shift in focus from cost shifting to the direct costs of funding infrastructure indicates a growing recognition of the need for sustainable financial strategies that prioritise asset management and renewal.

High Risk	1-3 Rank
Medium Risk	4-7 Rank
Low Risk	8-12 Rank

■ High ■ Medium ■ Low

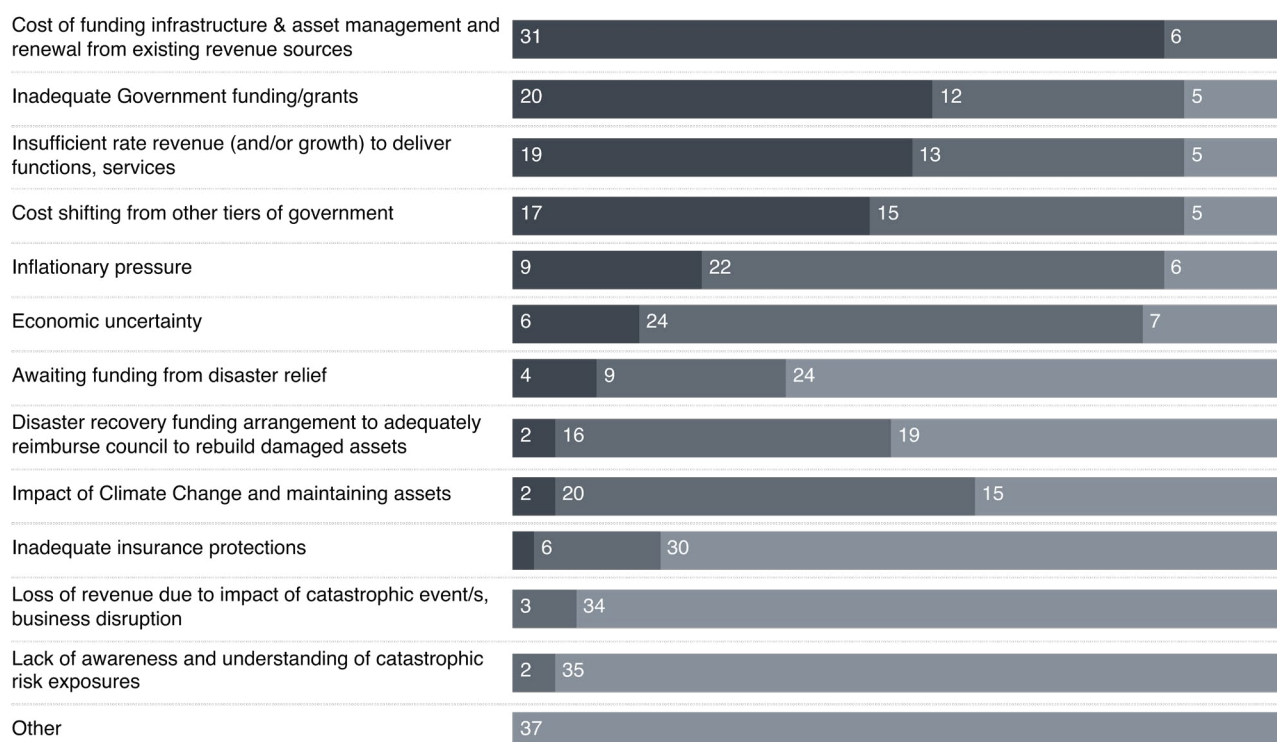


Figure 2: Financial Sustainability – underlying factors ranked

CYBER SECURITY

Cyber security remains a critical concern for councils in South Australia, with 67.5% of respondents in 2024 ranking the ability of IT infrastructure and providers to proactively manage cyber security as the top underlying factor. This reflects the increasing recognition of the need for robust cyber defences in an era of escalating digital threats. Though remaining as the leading factor, the number of respondents ranking this was down from 82%. The slight decline in the percentage of respondents ranking proactive management as a concern may indicate a growing awareness of the need for continuous improvement in cyber security practices, as councils navigate an increasingly complex digital landscape.

The ranking of the ability to respond to a cyber-attack as the second most significant concern for South Australian councils, with 62% of respondents ranking it in this place, highlights its importance, underscores the critical need for robust preparedness and response strategies. This emphasis on response capabilities indicates that councils recognise the increasing frequency and sophistication of cyber threats, necessitating proactive measures to safeguard their systems and data.

As local governments face the potential for significant disruptions and reputational damage from cyber incidents, investing in training, resources, and incident response plans becomes essential. This focus not only has the potential to enhance the resilience of councils against cyber threats but can also foster public trust in their ability to protect sensitive information and maintain essential services in the face of adversity. Ultimately, prioritising response strategies is likely to enable councils to navigate the complexities of the digital landscape more effectively, ensuring they are better equipped to handle potential cyber challenges.

The ranking of cyber security failure as the third most significant concern for South Australian councils, with 54% of respondents highlighting its importance, emphasises the serious implications of insufficient cyber defences. This recognition reflects an awareness of the vulnerabilities that councils face in an increasingly digital environment, where the risk of data breaches, system outages, and other cyber incidents can have far-reaching consequences. The potential for cyber security failures not only threatens the integrity of sensitive information but can also jeopardises the continuity of essential services that councils provide to their communities. As a result, councils are encouraged to continue to prioritise the enhancement of their cyber security measures, investing in advanced technologies, staff training, and comprehensive risk assessments.

By addressing these vulnerabilities, councils can mitigate the risks associated with cyber threats, protect their operations, and maintain public confidence in their ability to safeguard community resources. Ultimately, acknowledging the potential consequences of cyber security failures is likely to drive councils to adopt a more proactive and resilient approach to managing their cyber security landscape.

High Risk	1-3 Rank
Medium Risk	4-9 Rank
Low Risk	10-13 Rank

■ High ■ Medium ■ Low

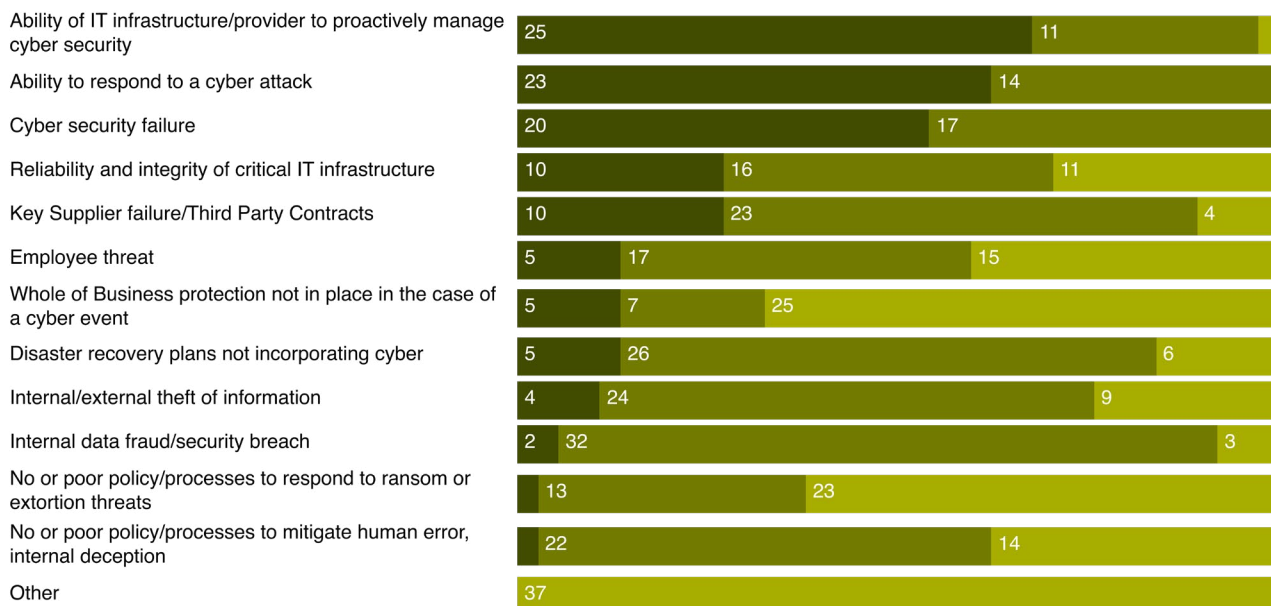


Figure 3: Cyber Security – underlying factors ranked

ASSETS & INFRASTRUCTURE

The 2024 findings reveal a heightened concern regarding the capacity to finance asset and infrastructure management, with close to 76% of respondents ranking it as the top underlying factor, this compared to the 53% who ranked it in the same place in 2023. This reflects the increasing pressure on councils to maintain and upgrade ageing infrastructure amidst rising costs.

The second factor, inflation's impact on costs to maintain and upgrade assets, has also gained importance, with a little over 27% of respondents ranking it in this place. The cost of upgrading and betterment when repairing assets was ranked third by 21.5% of CEO & General Managers, highlighting the financial challenges councils could be facing in ensuring their infrastructure remains functional and safe. In addition, the importance of regular and cyclic valuation of assets is critical to ensure asset values keep up with inflation so the assets are adequately protected in the event of loss and or damage and to level out increase costs over the valuation cycle.

In 2023, the primary concern was the capacity to finance asset and infrastructure management, with 53% of respondents identifying it as a critical issue. The responsibility to maintain State Government-owned assets and inflation's impact were also significant factors. The shift in focus towards the direct costs of asset management and the challenge of upgrading infrastructure underscores the urgent need for councils to develop comprehensive strategies that address both financial sustainability and infrastructure resilience.

High Risk	1-3 Rank
Medium Risk	4-9 Rank
Low Risk	10-13 Rank

■ High ■ Medium ■ Low

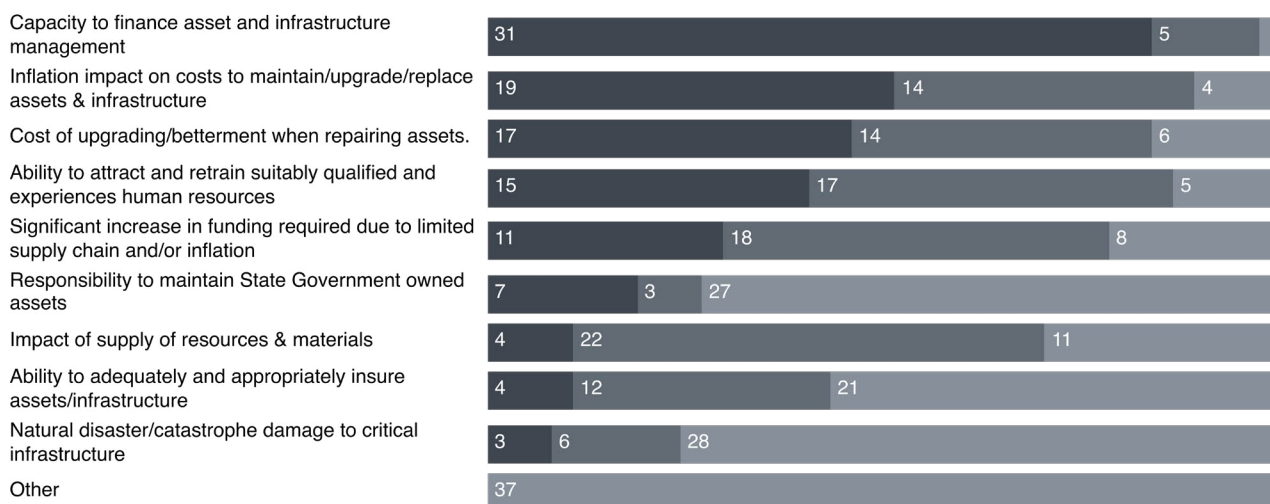


Figure 4: Assets & Infrastructure – underlying factors ranked

PEOPLE & CULTURE

In 2024, challenges regarding people and culture have become increasingly pronounced, driven by the economic environment and geographical factors. Just over 78% of respondents identified the limited capacity to attract and retain professional staff as the primary concern, up from 62% of respondents ranking it first in 2023. This was closely followed by inadequate employee numbers, which is an indication that budgetary constraints and community expectations around rate increases are key factors influencing this risk. Other evident factors are wage inflation and a competitive environment with the private sector in securing top talent.

This issue is particularly acute in regional areas, where Councils have significant challenges in recruiting and retaining key skilled staff, further exacerbated by regional housing shortages making it difficult to provide housing for staff that are new to a region.

Workplace safety, was ranked third by over 40% of respondents, closely followed by Compliance with employee, health, safety and wellbeing regulation. These risks are closely related to the challenge of attracting and retaining skilled staff, with the ever-changing regulatory environment placing increased pressure on organisations to establish compliant work places and the potential for organisation and executive exposure to workplace industrial issues, fines and penalties.

High Risk	1-3 Rank
Medium Risk	4-9 Rank
Low Risk	10-13 Rank

■ High ■ Medium ■ Low

Limited capacity to attract and retain professional staff



Inadequate employee numbers



Workplace safety



Compliance with employee health, safety and wellbeing regulation



Managing staff productivity and performance



Rapidly rising employment market costs



Challenges of managing a remote workforce with increased expectation of WFH arrangements



Managing workers' compensation claims



OHS & PWHS fines & penalties (not meeting compliance)



Other

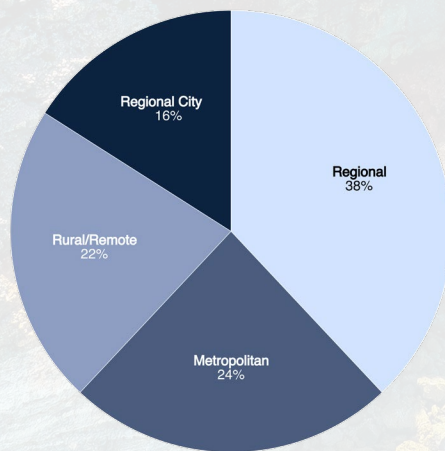


Figure 5: People & Culture – underlying factors ranked

SURVEY RESPONDENTS

The 2024 JLT Public Sector Risk Survey engaged 37 local government CEOs and General Managers from SA. Participants represented a diverse range of communities, including metropolitan, city, regional, regional city, and rural/remote areas. Below is a detailed breakdown of the respondents by community type:

Regional Metropolitan Rural/Remote Regional City



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