JLT Public Sector
Risk Report

JLT Public Sector is your trusted expert in the design and delivery of risk solutions for governments and their communities.

Our solutions are built on knowledge and expertise across advice, protection, claims, risk and insurance service areas and our clients are our number one priority.

Our experience in the sector and in product innovation create risk solutions for stronger local, state and federal governments and more resilient communities for the future.

Acknowledgement of Country

In the spirit of reconciliation, JLT Public Sector acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

> **The events of the past four years are still front of mind as councils continue to rebuild their communities.**

GARY OKELY
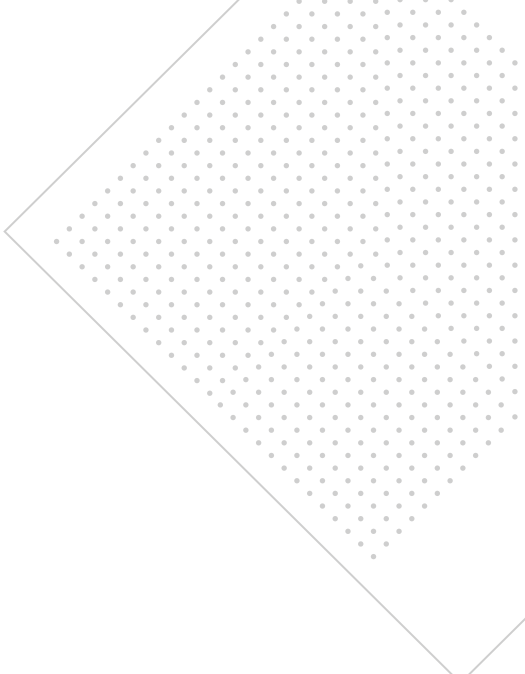Head of Public Sector

NOTE FROM GARY OKELY

GARY OKELY
Head of JLT Public Sector, Pacific

The JLT Public Sector Risk Report highlights that the experiences of the past four years are still at the forefront of CEOs' and GMs' minds. Many councils are still in the process of recovering and rebuilding their communities.

WELCOME

The 2023 JLT Public Sector Risk Survey results place a lens on the accumulative effect of key risks that local government encounters, such as assets and infrastructure, climate adaptation, cybersecurity, and human resources. Among these, financial sustainability ranks as the most critical concern.

The responses from councils demonstrate their advanced understanding of risks and the underlying factors associated with them.

There is growing recognition of the elevated importance of cyber risk within local government. As reliance on information technology, sophisticated communication platforms and compliance increases, local government face greater challenges in delivering essential services to the community through virtual platforms and/or advanced technology.

In 2023, communities faced financial challenges as high interest rates and inflationary pressures contributed to the increase in the cost of living. At the same time, councils experienced cost pressures due to ongoing disaster recovery efforts and the need to build "resilience."

The rapidly maturing risk profile of local government has led to a shift in understanding. Instead of addressing individual risks in isolation, councils are adopting a more comprehensive approach. This involves considering systemic risk, risk profiles and the interconnected nature of risks. Additionally, councils are managing the combined attributes of risks, including exposure, vulnerability and impact.

The survey findings indicate that the emergence of People & Culture is a broader "community" risk. This recognition underscores the importance of fostering a local workforce that can actively contribute to community enrichment, prosperity and overall well-being. These factors collectively shape a council's reputation and culture.

The 2023 survey results reinforce the importance of local government building collaborative partnerships with stakeholders, engaging in public/private arrangements, and fostering strong relationships between all levels of government.

Financial sustainability remains the key risk that defines the risk profile of local government. The report offers crucial data and information that can add to conversations within the sector regarding the challenges and opportunities for increased investment in local government sustainability. This information is an essential piece for supporting resilient communities, a healthy economy and workforce, and effectively managing infrastructure and natural environments.

We extend our gratitude to all the CEOs and General Managers who participated in the JLT Public Sector Risk Survey. Your valuable contributions are essential to the creation of the JLT Public Sector Risk Report.

It is with great pleasure that I present to you the JLT Public Sector Risk Report.

AUSTRALIAN LOCAL GOVERNMENT
RISK RANKINGS FROM THE 2023 JLT RISK SURVEY

FINANCIAL SUSTAINABILITY

The significant impact of past events, as well as the interconnectedness of risks, collectively contribute to financial pressure for councils. This, in turn, affects their bottom line and financial sustainability, ultimately impacting their ability to effectively serve their communities.

1

CLIMATE CHANGE

Climate change is increasingly causing physical and transitional risks to councils. These risks result in significant impacts on business and function, and the insufficient disaster recovery costs undermine the ability for Councils and their communities to recover quickly. This in turn leads to councils being unable to satisfy the needs of the community and meet their expectations.
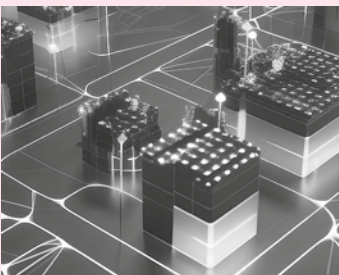
4

DISASTER & CATASTROPHE

The increase and continual impact of disasters such as floods, bushfires and cyclones significantly impact councils. This is being compounded by the effects of climate change. With limited funds provided to Local Government to mitigate the effects of events on their assets & infrastructure, councils remain wary.

5

CYBER SECURITY

The risk of a cyber incident is pervasive across all sectors, including local government. Recognising the potential impact an ICT outage, cyber-attack or ransomware can have on a council and its constituents showcases a growing emphasis on enhancing the protection of systems and data.

2

PEOPLE & CULTURE

Councils continue to struggle with attracting and maintaining professional staff. This is made more challenging as they compete with market costs that their funding from the State and Federal Governments and rates do not provide for. Unsafe workplaces from bullying and harassment from frustrated community members is a rising concern.

6

ASSETS & INFRASTRUCTURE

The breadth, diversity and scale of the Assets & Infrastructure portfolios managed by local government is immense and varied. The capacity to finance building or maintaining Assets & Infrastructure is a significant issue for councils, along with the cost of upgrading or repairing. Over the past two years, inflation has been a considerable impact to maintain or upgrade/replace assets.

3

BUSINESS CONTINUITY

Local governments have been significantly affected by business interruptions caused by a range of events, including the many and too-frequent natural disasters of unprecedented severity, the increasing incidents or threats of Cyber-attacks and the continued ripples of the COVID-19 pandemic. These disruptions have had a significant impact on the operations and finances of local government.

7

WASTE MANAGEMENT

Increased expectations to reimagine the waste management process creating better practices and sustainability pose substantial challenges for the public sector, encompassing issues of financial capacity, environmental sustainability, resource allocation and public health as well as high-risk activity with challenges around all aspects of risk, from liability, property, workers and environment.

10

REPUTATION RISKS

Being in touch with community needs and understanding the most effective way to meet these, councils have the challenge of managing community expectations when it comes to the provision of essential services. Further, reputation is closely linked to other key risks which drive community expectations.

11

INEFFECTIVE GOVERNANCE

Operating in an environment of increasing change, councils are being affected by new vulnerabilities and risks. Supply chain issues, inflationary pressures, election cycles, and workforce challenges have placed significant pressure on local governments' workplace culture, internal control environment, and capacity, which if not held together by a strong governance framework, potentially lead to performance and accountability issues.

8

LIABILITY CLAIMS

Understanding councils' risk profile and applying the risk management policy and processes underpin the management of liability claims.

12

STATUTORY/ REGULATION

Councils face the challenge of managing the multitude of statutory and regulatory requirements placed upon them by State and Federal legislation. They are also a regulator in their own right via local laws, as well as any State and Territory legislative powers that have been delegated to them.

9

TOP **FIVE** RISKS BY STATE

NORTHERN TERRITORY

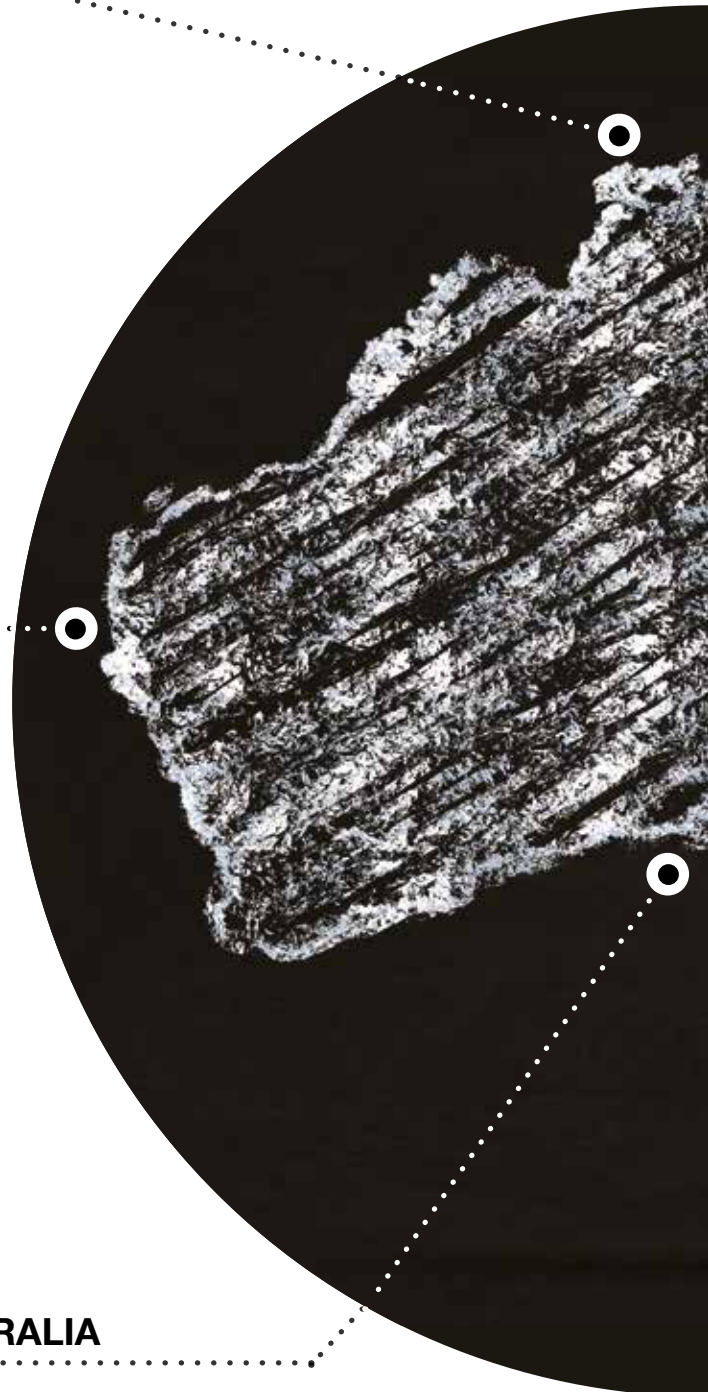1. FINANCIAL SUSTAINABILITY
2. BUSINESS CONTINUITY
3. INEFFECTIVE GOVERNANCE
4. ASSET & INFRASTRUCTURE
5. PEOPLE & CULTURE

WESTERN AUSTRALIA

1. ASSET & INFRASTRUCTURE
2. CYBER SECURITY
3. FINANCIAL SUSTAINABILITY
4. CLIMATE CHANGE
5. DISASTER OR CATASTROPHIC EVENTS

SOUTH AUSTRALIA

1. FINANCIAL SUSTAINABILITY
2. CYBER SECURITY
3. ASSET & INFRASTRUCTURE
4. PEOPLE & CULTURE
5. INEFFECTIVE GOVERNANCE
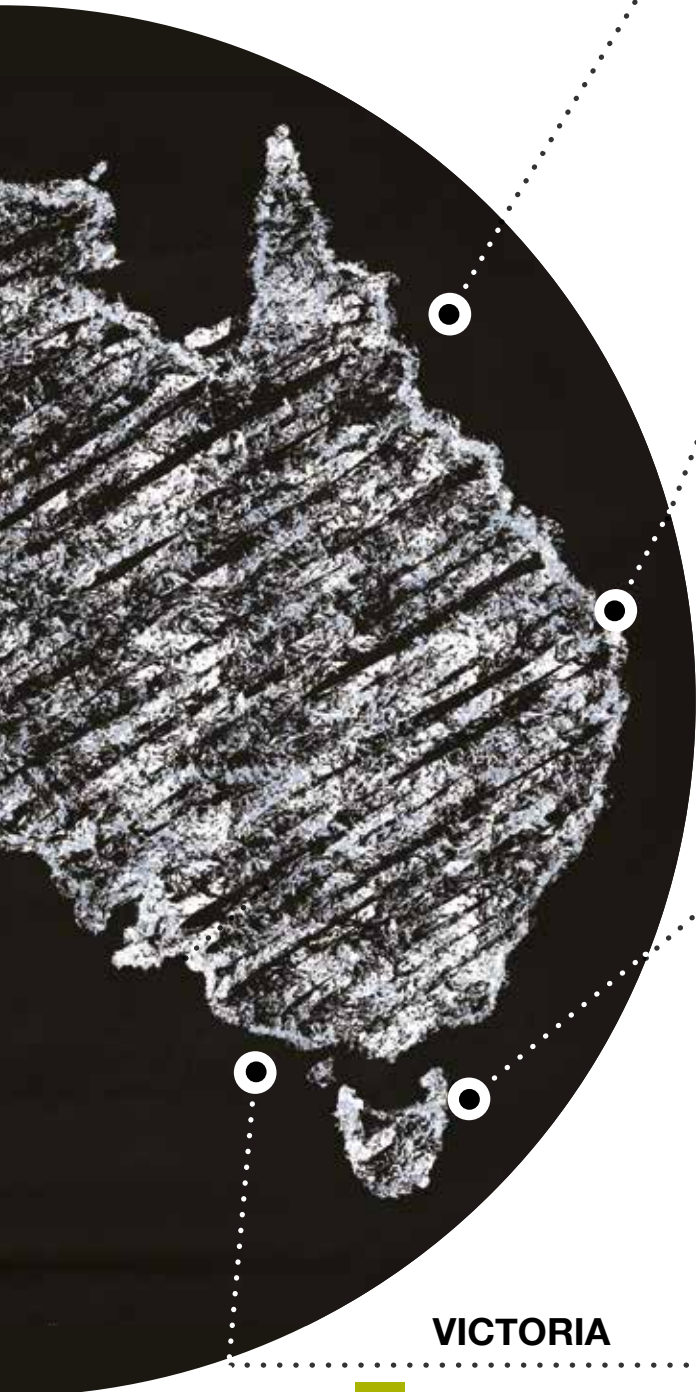
QUEENSLAND

1	FINANCIAL SUSTAINABILITY
2	CYBER SECURITY
3	ASSET & INFRASTRUCTURE
4	DISASTER OR CATASTROPHIC EVENTS
5	BUSINESS CONTINUITY

NEW SOUTH WALES

1	FINANCIAL SUSTAINABILITY
2	CYBER SECURITY
3	ASSET & INFRASTRUCTURE
4	DISASTER OR CATASTROPHIC EVENTS
5	CLIMATE CHANGE

TASMANIA

1	CYBER SECURITY
2	BUSINESS CONTINUITY PLANNING
3	DISASTER OR CATASTROPHIC EVENTS
4	CLIMATE CHANGE
5	FINANCIAL SUSTAINABILITY

VICTORIA

1	FINANCIAL SUSTAINABILITY
2	CYBER SECURITY
3	ASSET & INFRASTRUCTURE
4	CLIMATE CHANGE
5	DISASTER OR CATASTROPHIC EVENTS

RISKS BY **REGION**

CAPITAL CITY

1. Financial Sustainability

2. Cyber Security

3. Climate Change

4. Reputation

5. Ineffective Governance

6. People & Culture

7. Business Continuity Planning

8. Disaster & Catastrophic Events

9. Civil Liability Claims

10. Assets & Infrastructure

11. Statutory & Regulatory Requirements

12. Waste Management

METROPOLITAN

1. Cyber Security

2. Financial Sustainability

3. Assets & Infrastructure

4. Climate Change

5. Ineffective Governance

6. People & Culture

7. Disaster & Catastrophic Events

8. Business Continuity Planning

9. Waste Management

10. Reputation

11. Statutory & Regulatory Requirements

12. Civil Liability Claims

REGIONAL CITY

1. Financial Sustainability

2. Climate Change

3. Assets & Infrastructure

4. Cyber Security

5. Business Continuity Planning

6. People & Culture

7. Disaster & Catastrophic Events

8. Statutory & Regulatory Requirements

9. Ineffective Governance

10. Waste Management

11. Civil Liability Claims

12. Reputation

REGIONAL	RURAL/REMOTE
1. Financial Sustainability	1. Financial Sustainability
2. Cyber Security	2. Cyber Security
3. Assets & Infrastructure	3. Assets & Infrastructure
4. Disaster & Catastrophic Events	4. Disaster & Catastrophic Events
5. People & Culture	5. People & Culture
6. Business Continuity Planning	6. Business Continuity Planning
7. Climate Change	7. Climate Change
8. Ineffective Governance	8. Statutory & Regulatory Requirements
9. Statutory & Regulatory Requirements	9. Ineffective Governance
10. Waste Management	10. Waste Management
11. Reputation	11. Civil Liability Claims
12. Civil Liability Claims	12. Reputation

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EXECUTIVE SUMMARY

Insights from the 2023 JLT Public Sector Risk Survey shed light on the risks that local government face. The survey examined twelve key risks such as Financial Sustainability, the Management of Damaged and Aging Assets and Infrastructure, Climate Change/Adaptation, Cybersecurity and People & Culture. According to the survey results, councils have become increasingly conscious of the collective impact of these risks and the implications for their communities. As a result, Financial Sustainability retains its position as the top-ranked risk, reflecting the heightened awareness of its potential consequences on other risks.

Local governments increasingly rely on information technology and advanced communication platforms to deliver essential services to the community. Due to this, the escalating threat of virtual and social media-related risk remains a significant concern. Recognising the importance of protecting sensitive data and mitigating potential cyber threats reflects the evolving landscape of technology and the need for robust security measures in local government.

The lasting effects of disaster risks and the complicated pathway to recovery continue to shape the risk profile of local government. The domino effect of climate-related risk introduces social/community issues relevant to well-being, health services, chain of supply, cost of living, housing shortage, and financial impost on consumers. These factors collectively influence the financial sustainability of councils, highlighting the complex pathway to recovery and the need for comprehensive risk management strategies.

The growing impact of different risk factors has not only deepened the sector's comprehension of risk but has also prompted a shift in how risk is perceived. Unlike previous years, where the Risk Report primarily focussed on identifying specific risks, this year's results have demonstrated a notable shift towards adopting a more holistic approach to assessing the risk profile. The findings of the survey indicate.

- **Risk versus Impact:** There is an increased focus on managing the combined attributes and domino effect of risk, taking into account exposure, vulnerability and impact, rather than identifying and considering each risk in isolation.

- **Systemic Effects:** there is increased recognition of the impacts of cascading, compounding and concurrent influences or events that create risk. This includes the consequences for funding, resourcing, coordinating and managing these effects.

In order to align with this evolving perspective, the existing strategic, budgetary and operational frameworks used to profile, plan for and manage risks will be adapted. These adjustments are necessary to effectively reflect the evolving risk profile of local government and to foster community trust and resilience.

To better capture the comprehensive nature of this risk, the definition of Human Resources was adjusted to People & Culture. The survey results from 2023 highlight the recognition that People & Culture is an emerging "community" risk emphasising the importance of supporting a local workforce that not only enriches the community but also shapes the culture of the council.

A significant observation regarding this risk is that all states continue to face significant challenges in attracting and retaining skilled staff, a major challenge. With low unemployment rates, the competition with the private sector for key personnel is particularly intense, which is further exacerbated in regional areas. Additionally, as an employer, fostering a strong culture and resilient workforce is essential for a council's operational efficiency and innovation. This approach ensures delivery of functions and services are as per regulatory and statutory requirements.

The survey results also highlight the importance of a council's ability to attract local businesses and employers that align with its social-economic environment. This extends to ensuring job security by attracting individuals who are the right fit for relevant roles.

While 2023 saw a decrease in national disasters compared to the previous years of 2019 to 2022, many areas of Australia continue to face significant challenges due to prolonged recovery efforts and insufficient financial support for rebuilding after floods, bushfires and extreme weather events.

Against the background of local government still managing and/or recovering from COVID-19, the floods that impacted NSW and south-east Queensland in February 2022 provided no reprieve and are noted as the fourth most expensive natural disaster globally that year, with the Insurance Council of Australia recording the floods as the "costliest insured event recorded in Australia".[1]

While Financial Sustainability remains the key risk that defines local government's risk profile, the contribution from Chief Executive Officers/General Managers (CEO/GMs) to the 2023 Risk Survey provides essential and valuable data and information that will contribute to the sectors' conversations regarding the challenges and opportunities for local government sustainability. This information is essential for supporting resilient communities, a healthy economy and workforce, maintaining infrastructure and assets, enhanced investment in mitigating the impact of disaster events and ongoing provision of essential, regulatory and service delivery obligations.

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[1] Insurance Council of Australia, Insurance Catastrophe Resilience report 2022-23

The input from Local Government CEOs and GMs is essential for gaining a comprehensive understanding of the risks they face while supporting their communities. The findings of the 2023 JLT Risk Survey were similar to the previous year's results on a national and regional level.

This year's JLT Risk Report explores the rankings of these risks at the national and state/territory levels. Furthermore, the report provides an in-depth analysis of the rankings, providing valuable insights for the various regions including city, metropolitan, regional city, regional and rural/remote areas.

A new addition to the report is the examination of the outcomes of these risks on councils. As risks continue to evolve, it is important to understand the consequences associated with them. This year, the JLT Public Sector Risk Survey introduced questions about these outcomes, shedding light on how councils and communities are affected beyond the risks themselves.

OVERVIEW 2023

Top two risks - Financial Sustainability & Cyber Security

It is widely acknowledged that the primary reason for Financial Sustainability consistently ranking as the top risk year after year is the significant impact of other risks on the financial stability of councils. This, coupled with the delay in receiving funding support following an event, has a direct impact on the financial sustainability of councils.

Cyber Security and the Breach of Data continue to be a major concern for Local Government. The rapid pace of technological advancement and the ever-evolving tactics of hackers make it challenging for most organisations to keep up. With 83 cyber incidents in the 2022/23 financial year, councils are increasing their knowledge and understanding of this risk to mitigate potential events that could impact them or their community.

The other ten risks

This report highlights the understanding of councils regarding the interconnected nature of risks as well as the potential domino effect they can have on each other. While certain risks may shift in their ranking this year, councils know that any single risk can have a substantial impact on others during an event. The remaining risks are still recognised as significant concerns for councils. Although they are ranked, all of these risks are relevant and rankings reflect their importance at that specific moment in time.

THE MOVEMENT OF RISK
2019-2023

This diagram illustrates the changes in the top five risks from 2019 to 2023, highlighting the shifting nature of these risks. More importantly, the top five risks have shown minimal movement over the past 12 months. Business Continuity dropped out of the top five, while climate change has entered the top five for the first time. This indicates that although there has been a reprieve in catastrophes and disasters over 2023, many councils are still impacted by prior events, and are still actively engaged in recovery and rebuilding efforts. As a result, these risks and vulnerabilities remain a significant concern for Local Government.

	2018	2019	2020	2021	2022	2023
1	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability
2		Cyber Security	Assets & Infrastructure	Cyber Security	Cyber Security	Cyber Security
3			Disaster or Catastrophic	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure
4		Natural Catastrophes	Cyber Security	Disaster or Catastrophe	Business Continuity	Climate Change
5		Climate Change			Disaster or Catastrophe	Disaster or Catastrophe
6	Asset & Infrastructure	Asset & Infrastructure	Business Continuity	Business Continuity	Climate Change	
7	Natural Catastrophes			Climate Change		
8	Cyber Security					
9			Climate Change			

RISK RANKINGS 2018-2023

	2018	2019	2020	2021	2022	2023
1	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability
2	Theft, fraud and/or crime	Cyber Security	Assets & Infrastructure	Cyber Security	Cyber Security	Cyber Security
3	Reputation	Reputation	Disaster or Catastrophic	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure
4	Statutory & regulatory Requirements	Natural Catastrophes	Cyber Security	Disaster or Catastrophe	Business Continuity	Climate Change/ Adaptation
5	Environmental Management	Climate Change/ Adaption	Reputation	Reputation	Disaster or Catastrophe	Disaster or Catastrophe
6	Asset & Infrastructure	Asset & Infrastructure	Business Continuity	Business Continuity	Climate Change/ Adaptation	People & Culture
7	Natural Catastrophes	Statutory & Regulatory Requirements	Waste Management	Climate Change/ Adaptation	Statutory & regulatory Requirements	Business Continuity
8	Cyber Security	Ineffective governance	Statutory & Regulatory Requirements	Impact of Pandemic in 2021 & 2022	HR Management	Ineffective governance
9	Business Continuity	Business Continuity	Climate Change/ Adaptation	Statutory & Regulatory Requirements	Waste Management	Statutory & regulatory Requirements
10	Ineffective governance	HR/WHS Management	HR/WHS Management	Ineffective governance	Ineffective governance	Waste Management
11	HR/WHS Management	Environmental Management	Ineffective governance	Waste Management	Reputation	Reputation
12	Errors, omissions or civil liability exposure	Errors, omissions or civil liability exposure	Theft, fraud and crime threats (including social media)	HR/WHS Management	Impact of Pandemic in 2021 & 2022	Civil Liability Claims
13		Theft, fraud and crime	Errors, omissions or civil liability exposure	Civil Liability Claims		
14		Terrorism	Terrorism	Terrorism		

THE RANKING OF THE **12 RISKS**

The main reason for Financial Sustainability consistently being ranked as the top risk for councils is the significant impact of other risks on their financial stability.

Cyber security and the vulnerability of IT infrastructure remain major concerns for Local Government. The rapid advancement of technology and the ever-evolving tactics of hackers make it difficult for organisations to stay ahead.

Highest ranking by respondents

64.38%
Financial Sustainability

58.90%
Cyber security/IT infrastructure

42.47%
Managing ageing, property, assets and infrastructure

25.11%
Climate Change/Adaptation

24.20%
Natural Hazard, Disaster/ Catastrophic Events

21.92%
People & Culture

19.63%
Business Continuity

14.61%
Ineffective Governance

10.96%
Statutory and/ or Regulatory requirements

8.68%
Waste Management

5.94%
Reputation Risks

The local government risk environment is continually evolving, presenting local government executives with significant challenges in developing operational and financial plans that can deliver on the council's strategic plan.

With much of the organisation's finances allocated to delivering core council services, it can be difficult for CEO/GMs to ensure that their elected body balances short-term needs and longer-term investments in assets and essential infrastructure.

Financial Sustainability is interconnected with most risks – an underlying factor impacting the mitigation of risks across the spectrum.

With councils managing close to 33% of Australia's public sector-owned assets and infrastructure, the cost and resources required to build and maintain puts much pressure on council balance sheets. Many assets were built post-World War II and are seriously affected by disasters and catastrophes. This means councils can face an uphill battle in managing infrastructure.

1

FINANCIAL SUSTAINABILITY

Since 1999, spending by local government has increased fourfold, with an annual growth rate of 6.7%. In 2018/19 total spending was estimated to be $38.8 billion compared to $8.2 billion in 1994/95. Furthermore, there have been significant changes in where local government expenditure has been directed with changes in environmental protection, recreation, culture and religion.

In the 21st century, the role of local governments has undergone significant changes in response to evolving community needs and the occurrence of cost shifting. Local governments are now responsible for delivering more than 150 services, despite minimal increases in funding to support these additional responsibilities.

Due to limited financial resources, local governments are facing challenges in maintaining their infrastructure. The Australian Local Government Association (ALGA) has highlighted that councils have little ability to upgrade their roads "to modern lane widths, safety standards or load-bearing capacities that cater for higher-productivity freight vehicles, higher traffic volumes, and congestion etc."[2]

In addition to infrastructure, community facilities are aging, and some local government areas are struggling to keep them properly maintained which places additional strain on the already limited resources available to councils.

Further, attaining and maintaining skilled professionals is a continual challenge when competing with the open market employees often move to the private sector. This is also affected by resource shortages such as lack of accommodation, and cost of living along with, the increase in bullying and harassment of staff by the public.

Cybersecurity and ensuring local government's IT infrastructure is safeguarded is paramount. The need to protect the organisation and community from sophisticated and malicious cyber-attacks continues to grow as the risks evolve. The reliance on digital and hybrid working models puts additional pressure on councils due to concerns about the impact on online services.

This report unpacks the underlying reasons why Financial Sustainability again ranks as the leading risk for local governments across Australia. This key element cuts across many other risks recognised in the survey and interconnects with risks, in particular Assets & Infrastructure, Reputation, councils' vulnerability to weather-related events and Human Resources.

Since 2018, Financial Sustainability has been the number one concern for council executives. While councils benefit from relatively stable annual council rates, in the current environment, facing scrutiny from the media and state governments, council rates are increasing at a much lower rate than inflation.

Further, councils face challenges in meeting community expectations in the delivery of not only essential services but also maintaining the attractiveness of community spaces. This is exacerbated by the often disproportionate spread of grant funding across states, as well as metropolitan and regional councils.

	Rank 1		Rank 12
Cost shifting from other tiers of government	76%	23%	1
Insufficient rate revenue (and/or growth) to deliver services	54%	22%	23%
Inadequate government funding/grants	42%	47%	11%
Inflationary pressure	41%	36%	24%
Economic uncertainty	25%	63%	12%
Awaiting funding from disaster relief	21%	39%	40%
Disaster recovery funding arrangement to adequately reimburse council to rebuild damaged assets	19%	55%	26%
Impact of Climate Change and maintaining assets	12%	50%	38%
Other – please specify	5%	19%	77%
Loss of revenue due to impact of catastrophic event/s, business disruption	2	17%	80%
Inadequate insurance protections	2	28%	70%
Lack of awareness and understanding of catastrophic risk exposures	2 1		97%

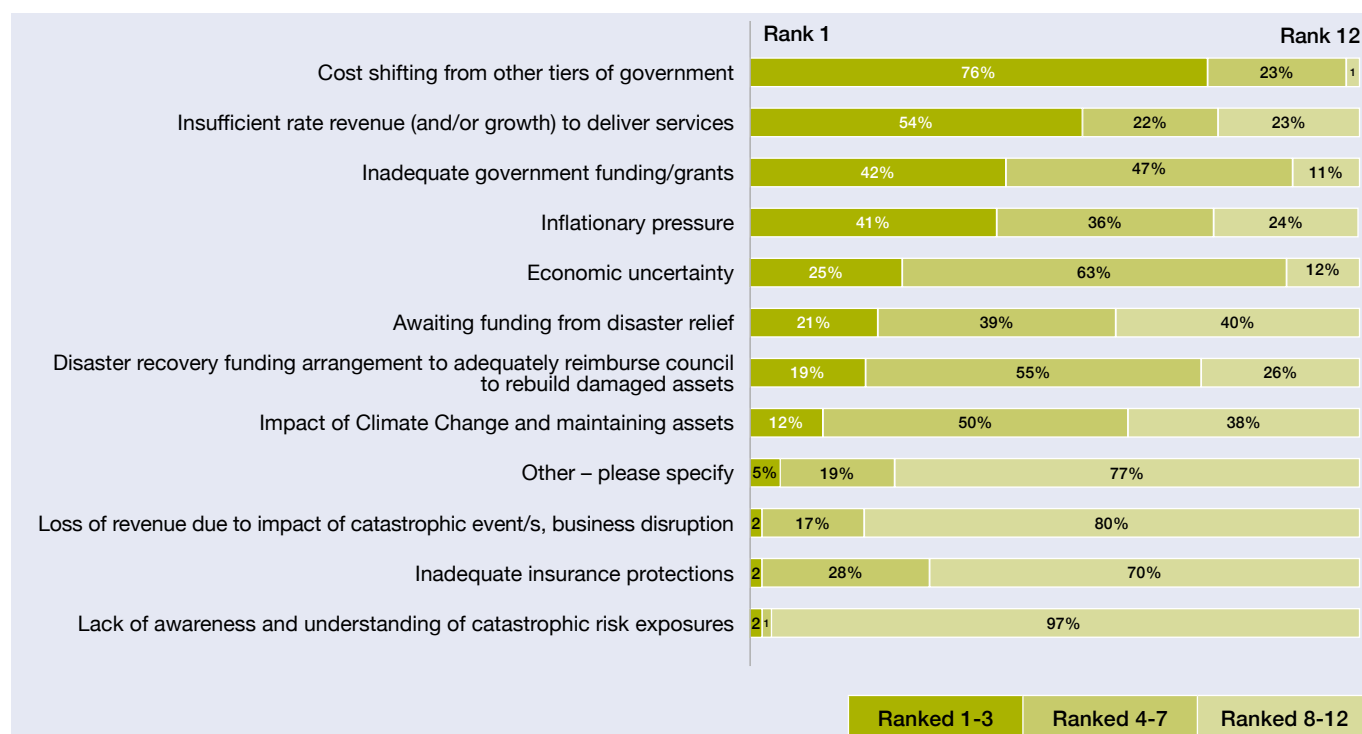| Ranked 1-3	Ranked 4-7	Ranked 8-12

Figure 1: Financial Sustainability, national risk/heat map

64% of councils (nearly one-third of responses) ranked Financial Sustainability as their leading concern. Five of the seven states and territories ranked this risk as their highest risk. Conversely, for metropolitan councils who ranked this as their second highest risk, Cybersecurity was their leading risk at 42% (outweighing Financial Sustainability by 14%).

The management of critical infrastructure passed from state to local governments without adequate funding remains. This has a significant impact on local governments' bottom lines aligning with the leading underlying contributor to this risk. In fact, 75.8% of councils noted cost shifting from other tiers of government impacts their financial sustainability. This issue was ranked number one by metropolitan, regional and remote/rural councils.

Cost shifting from state to local government was again the highest-ranked underlying contributor to Financial Sustainability concerns. Cost shifting comes in many forms. One is the leasing of state-owned assets (like jetties, wharves, and sea walls) to councils that don't have the financial means to maintain or upgrade. The general belief in the community is that it is the council's responsibility to maintain these assets to acceptable levels. When this is not achieved, it creates reputational exposure. In some cases, liability risks arise if an asset fails, causing damage or injury.

Another prominent form of cost or risk shifting from state to local government is regulatory and legislation changes. Often, changes are driven by the state with relatively minor engagement with local government. A legislation change can impact the scope of services that councils might be required to deliver, creating a need for an increase in resources. It can also impact the scope of liability exposure in the event council's breadth of decision-making responsibility is increased without adequate funding.

Top three underlying factors for Financial Sustainability risk by region

CITY
1. Cost shifting from other tiers of government
2. Disaster recovery funding arrangements
3. Awaiting funding from disaster relief

REGIONAL
1. Inflationary Pressure
2. Insufficient rate revenue
3. Economic Uncertainty
4. Cost shifting from other tiers of government

REMOTE/RURAL
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate government funding/grans

2 Australian Local Government Association, Background on Local Government Funding, 2020

Though council rates provide stable revenue, rising operations costs often mean services that need to be addressed are delivered with minimal budgets that cannot cover the actual costs. Over 54% of respondents noted insufficient rate increases as a serious risk. This is the second highest concern underpinning financial sustainability. However, it is the leading concern for 82.82% of regional city councils.

Many councils are still in the process of rebuilding from disasters that occurred between 2019-2023 and continue to wait for Federal Assistance Grants. As a result, many are forced to utilise their operational and investment funds to rebuild and assist their communities.

It is worth noting, prior to 2014, Financial Assistance Grants were indexed annually. However, the Federal Government discontinued this in 2014. ALGA noted this change has impacted communities estimating the cost to be more than $600 million in services and infrastructure over three years.[3]

There's no doubt that councils are facing significant difficulties contending with the current economic environment. As inflation and interest rates increase, councils are unable to maintain rate increases with inflation. This, coupled with rising construction and material costs and delays due to contractor shortages meant 40% of councils ranked inflationary pressure as the fourth highest risk

Following on from previous years, councils continue to face limitations in how they receive revenue or with delay in funds for recovery. Councils primarily rely on three sources of revenue: taxation, charges/sales of goods and services and grants from federal and state/territory governments. Rural and remote councils will rely heavily on grants as revenue raising is limited.

In the event of a disaster, councils can access Natural Disaster Relief and Recovery arrangements. However, there is often a significant wait period for the funds to come through.

This, along with the significant inflationary issues, continues to place considerable pressure on delivering services and meeting their community's needs.

Many councils across the country have been impacted by fire and floods over the last five years. A common experience they share is the delay in receiving disaster response funding. This, coupled with the inability to progress projects, has an enormous impact on councils and their staff. Community expectations can boil over – and council executives and their elected body may find it difficult to contend with these pressures.

One emerging aspect of Financial Sustainability risk is the economic environment and the current low unemployment rates. Councils find themselves competing with private industry for talent in specialty roles, creating both recruitment and retainment challenges. Regional councils find this particularly difficult due to their limited resources and competition with large industrial and mining companies.

The nationwide housing shortage is another emerging concern. Many respondents noted that insufficient accommodation in regional areas posed a major challenge to securing talent.

Top ranking underlying factors for Financial Sustainability by State/Territory

NSW NT VIC	**Insufficient rate revenue (and/or growth) to deliver functions, services**
QLD SA WA	**Cost shifting from other tiers of government**
TAS	**Disaster recovery funding arrangement to adequately reimburse council to rebuild damaged assets**

Northern Territory

Financial Sustainability is the leading risk for 66% of senior executives in Northern Territory councils. This is 2% higher than the national response rate

Over the years, several costs have shifted from the Federal Government to local governments in the Northern Territory, yet the funding has not shifted. This has placed significant pressure on the territory, with 100% of all respondents noting this as their biggest issue.

New South Wales

The major factors driving council Financial Sustainability concerns are cost shifting from other tiers of government, insufficient rate revenue and inadequate government funding grants.

Inflationary pressure has exacerbated these over the last 12 months, which analysts forecast will continue in the first two quarters of 2024.

79% of respondents ranked cost-shifting from state and federal levels of government as the leading underlying concern, which is consistent with all states. This was primarily felt by metropolitan, regional and rural/remote councils. Managing ageing assets and infrastructure that has been passed to Councils to manage, along with many local government areas still recuperating after the 2020-2023 events is putting significant pressure on the purse strings.

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[3] Background on Local Government Funding, 2020

All council regions identified insufficient rate revenue as a concern, complicating their ability to deliver functions. Constraints placed on local government's ability to generate revenue through rates make it difficult for councils to run the organisations in a strong position, and little control over grants and funding places further pressure on councils in managing their funding.

78.85%
Cost shifting from other tiers of government

63.46%
Insufficient rate revenue (and/or growth) to deliver functions, services
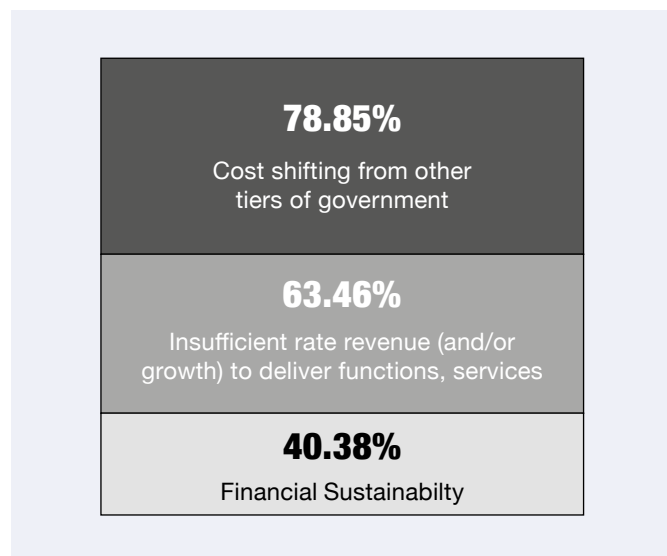
40.38%
Financial Sustainabilty

Figure 2: The top three underlying factors for this risk in New South Wales. This shows the percentage of councils that ranked each factor as high by CEO/GMs.

This segues well into the third highest concern for this risk in local government: the inadequate government funding from grants. This was strongly felt by metropolitan councils, where 40% of respondents ranked it in the top three places.

Top three underlying factors for Financial Sustainability risk by region

METROPOLITAN
1. Cost shifting from other tiers of government
2. Insufficient rate revenue Inflationary pressure
3. Inadequate government funding/grants

REGIONAL CITY
1. Insufficient rate revenue
2. Cost shifting from other tiers of government
3. Inflationary pressure

REGIONAL
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate government funding/grants

REMOTE/RURAL
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inflationary pressure

Queensland

CEO/GMs in Queensland's local government share similar concerns about financial sustainability as the national perspective.
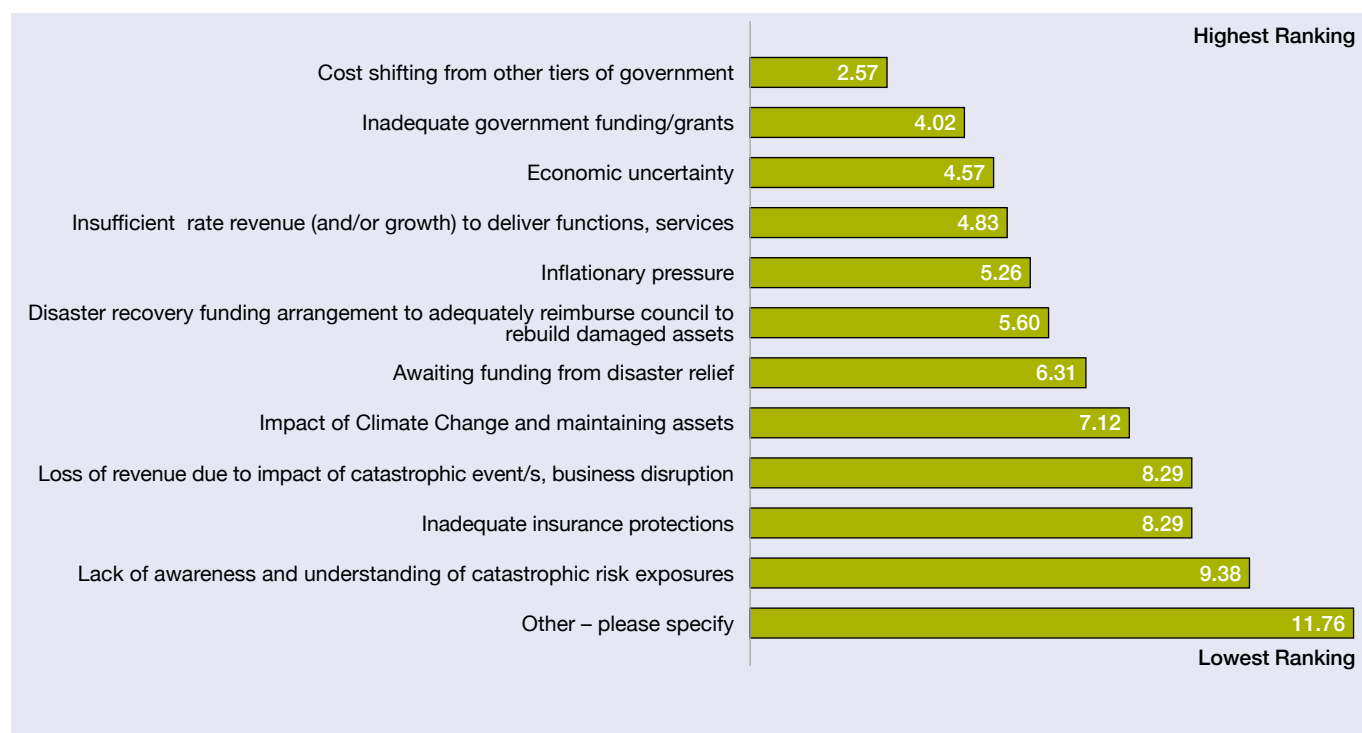

Figure 2: Financial Sustainability Average Queensland Ranking of underlying factors 1-12

Cost shifting from other levels of government clearly ranked highest. Insufficient financial grant assistance was ranked the second highest concern, with 48% of respondents identifying this as high risk. This contrasts to the national view, in which 54% of CEOs identified insufficient rate revenue as high risk.

This disparity could stem from Queensland not having any rate capping arrangements, as well as underscoring the need for access to financial assistance grants for Councils to maintain services across large distances, exposure to the frequency of natural hazards and disasters, and decentralised settlement patterns.

Top three underlying factors for Financial Sustainability risk by region

METROPOLITAN
1. Inflationary pressure
2. Economic uncertainty
3. Insufficient rate revenue

REGIONAL CITY
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate government funding/grants government

REGIONAL
1. Cost shifting from other tiers of government
2. Economic uncertainty
3. Inflationary pressure

REMOTE/RURAL
1. Cost shifting from other tiers of government
2. Inadequate government funding/grants
3. Insufficient rate revenue

Top three underlying factors for Financial Sustainability risk by region

METROPOLITAN
1. Cost shifting from other tiers of government
2. Inflationary pressure
3. Insufficient rate revenue

REGIONAL CITY
1. Inflationary pressure
2. Cost shifting from other tiers of government
3. Insufficient rate revenue

REGIONAL
1. Cost shifting from other tiers of government
2. Inflationary pressure
3. Insufficient rate revenue

REMOTE/RURAL
1. Cost shifting from other tiers of government
2. Disaster recovery funding arrangements
3. Inadequate Government funding/grants

Tasmania

In Tasmania, Financial Sustainability is not the leading risk for local governments. In fact, it's fifth. Despite this, CEO and GMs were adamant about the underlying issues that affect their financial sustainability.

Out of the seven responding Tasmanian Councils, over 85% ranked cost-shifting from other tiers of government as the leading issue impacting their financial sustainability. Again, this exceeds the national ranking.

In Tasmania, management of building, land and community assets has moved from federal and state governments to local government, and the funding has not matched this shift.

Disaster recovery funding arrangements to be reimbursed for rebuilding/replacement of assets insufficient rate revenue and waiting for disaster relief ranked as equal second among respondents.

Top three underlying factors for Financial Sustainability risk by region

CITY
1. Cost shifting from other tiers of government
2. Disaster recovery funding arrangements
3. Awaiting funding from disaster relief

REGIONAL
1. Inflationary pressure
2. Insufficient rate revenue
3. Cost shifting from other tiers of government

RURAL/REMOTE
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate government funding/grans

Western Australia

Western Australian senior executives ranked Financial Sustainability as their third biggest risk overall. While lower than the national view, this is still considerable – especially as its affected by Assets & Infrastructure and Cybersecurity concerns. Similar to other states and territories, 74% of council executives ranked cost shifting from other tiers of government as their leading concern. Local governments bear the costs and liability associated with assets gifted from the State Government. Some examples in the past include contaminated former landfill sites and asbestos-laden buildings.

Inflationary pressure was the second highest-ranked issue for Western Australia, closely followed by insufficient rate revenue. Increasing costs of essential services, infrastructure and labour is leading to significant pressure on local government's financial stability.

With limited avenues of generating revenue, insufficient rate revenue can lead to budget shortfalls within local governments, which impacts the delivery of other essential services offered to ratepayers. Interestingly, many local government elections are won on the promise of no rate changes.

Victoria

74% of councils in Victoria view Financial Sustainability as their leading concern. As with most states, Victoria's largest concern underpinning this risk is cost shifting from other tiers of government.

Rate capping in Victoria makes maintaining financial sustainability a constant challenge, especially in a high-inflation environment. Unsurprisingly, Victorian GMs acknowledge the impact on financial sustainability when the ability to increase revenues has a 'handbrake' applied by rate capping.

While not unique to Victoria, the additional demands placed on councils' throughout COVID lockdowns – exacerbated by rate capping and inflation – have resulted in the deterioration of Victorian councils' financial sustainability.
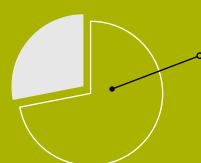
72%
Ranked cost shifting from other tiers of government as the leading contributor to this risk
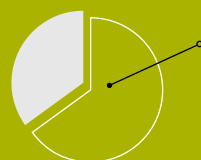
65%
Ranked insufficient rate revenue (and/or growth) to deliver functions, services as the second highest contributing factor

Top three underlying factors for Financial Sustainability risk by region

CITY
1. Inflationary pressure
2. Insufficient rate revenue
3. Cost shifting from other tiers of government

METROPOLITAN
1. Insufficient rate revenue
2. Insufficient rate revenue
3. Inflationary pressure

REGIONAL CITY
1. Insufficient rate revenue
2. Inflationary pressure
3. Cost shifting from other tiers of government

REGIONAL
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate Government funding/grants

REMOTE/RURAL
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate government funding/grants

South Australia

Financial Sustainability continues to be the principal concern of South Australian CEO/GMs. The underlying factors are important to observe including inadequate rate revenue, insufficient government grants, cost and risk shifting from state to local government. This is consistent across all councils. Interestingly, metro and regional councils offer different perspectives on these concerns. Metropolitan councils were consistent with the national perspective – they view inflationary pressures as the principal influencing factor in driving financial sustainability as a risk. Cost shifting from other tiers of government also ranked very high, while insufficient rate revenue ranked third overall. Conversely, regional councils ranked insufficient rate revenue as number one.

Interestingly, inadequate government funding ranked significantly higher with regional councils than metropolitan councils. This is likely because these councils on Financial Assistance Grants (FAGs) are highly dependent to maintain their road networks. Regional councils have much smaller balance sheets despite maintaining enormous road networks. This presents challenges to meeting community expectations, particularly in regional councils with several satellite towns which have competing priorities.

Top three underlying factors for Financial Sustainability risk by region

CITY
1. Economic uncertainty
2. Impact of climate change and maintaining assets
3. Cost shifting from other tiers of government

METROPOLITAN
1. Inflationary pressure
2. Cost shifting from other tiers of government
3. Insufficient rate revenue

REGIONAL CITY
1. Insufficient rate revenue
2. Inadequate government funding /grants government
3. Inflationary pressure

REGIONAL
1. Cost shifting from other tiers of government
2. Inflationary pressure
3. Inadequate government funding/grants

REMOTE/RURAL
1. Cost shifting from other tiers of government
2. Insufficient rate revenue
3. Inadequate government funding/grants

2

CYBER
SECURITY

Cybersecurity breaches frequently unfold in the public eye, attracting heavy public scrutiny. Over the last two years, Australia has witnessed notable cyber breaches involving major companies like Optus, Medibank and Latitude Financial.

The intense scrutiny from mainstream and social media platforms presents a complex situation for leaders, who find themselves in the spotlight to address issues, often with limited technical knowledge. They're expected to take responsibility, reassure customers and mitigate financial exposure. Given these pressures, it's understandable that cybersecurity is a critical concern for local government CEOs, ranking it second.

	Rank 1		Rank 12
Ability of IT infrastructure/provider to proactively manage cyber security	72%	27%	
Cyber security failure	67%	33%	
Ability to respond to a cyber attack	62%	37%	
Reliability and integrity of critical IT infrastructure	22%	38%	40%
Key supplier failure/third party contracts	14%	74%	12%
Internal/external theft of information – compliance with data protection and Privacy legislation	13%	26%	60%
Whole of business protection not in place in the case of a cyber event	12%	68%	20%
Internal data fraud/security breach	11%	75%	14%
Disaster recovery plans not incorporating cyber	10%	72%	19%
Employee threat	7%	59%	33%
No or poor policy/processes to mitigate human error, internal deception	6%	35%	59%
Other	3%	56%	41%
No or poor policy/processes to respond to ransom or extortion threats		99%	

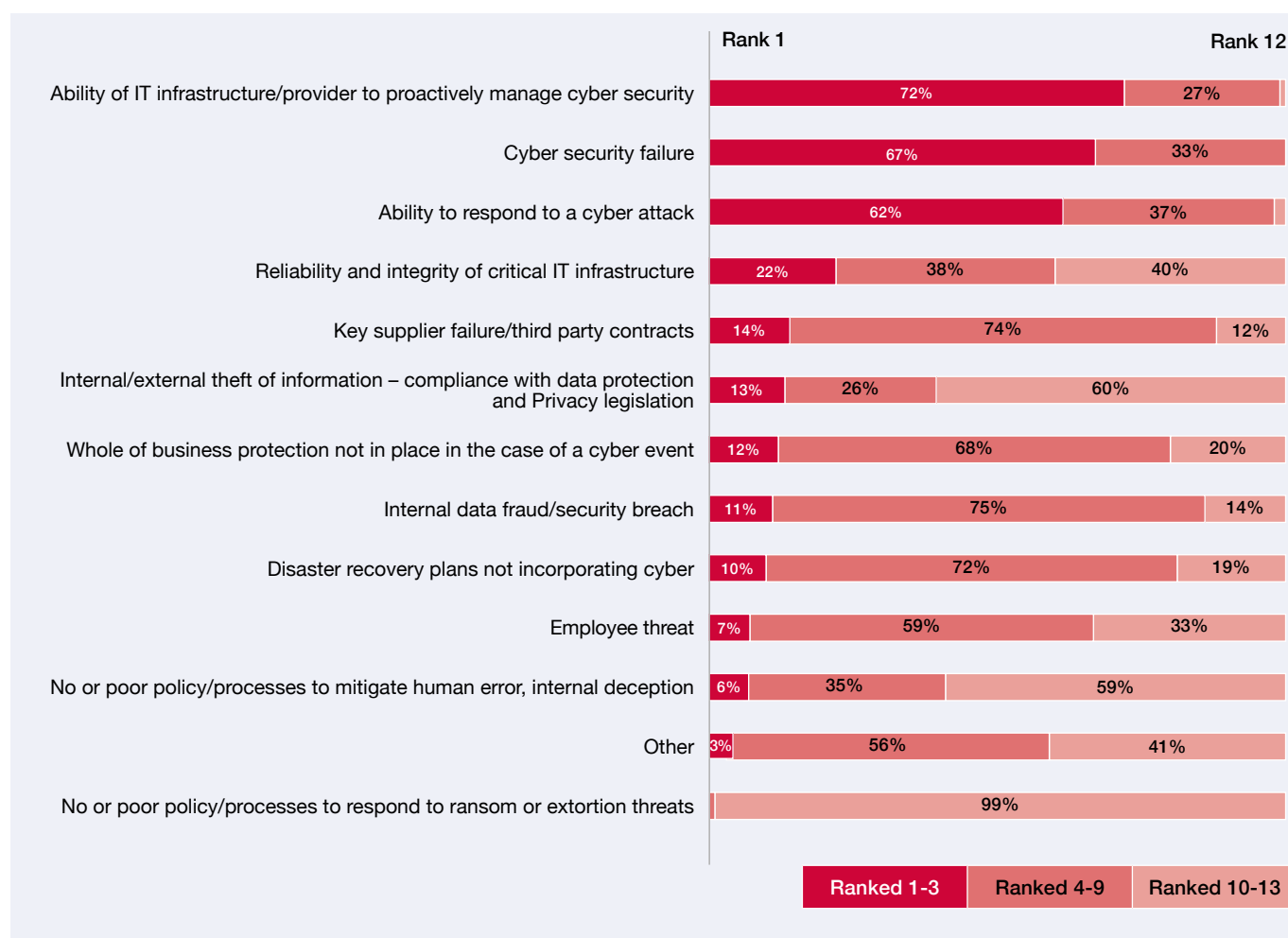| Ranked 1-3	Ranked 4-9	Ranked 10-13

Figure 3: Cyber Security/IT Infrastructure National heat map.

Since 2019, cybersecurity has consistently ranked as the second highest concern for CEO/GMs, with only the unprecedented COVID-19 pandemic temporarily pushing it to fourth place in 2020.

This ranking is partly due to the ever-evolving cyber risk landscape and the difficulty local government CEO/GMs face in proactively mitigating the impact of a major cyber event. There is ongoing concern about potential reputational damage and managing community expectations in the event of a significant cyber incident that may compromise private information.

Fortunately, reportable cyber breaches are not as common or severe as one might assume. Between January and June 2023, the Office of the Australian Information Commissioner received 409 notifications, a 16% decrease from 2022.

Furthermore, 63% of data breaches affected 100 people or fewer. Notably, the public sector does not feature among the top five sectors for cyber breaches, which are:

1. Health service providers

2. Finance (including superannuation)

3. Recruitment agencies

4. Legal, accounting & management services

5. Insurance[4]

Cybersecurity concerns are prominent among local government CEOs/GMs. But the most important question is why? Our findings indicate that:

72%
of respondents cited the ability of IT infrastructure/provider to proactively manage cybersecurity as their foremost concern

67%
of respondents cited their council's ability to respond to a cyber-attack as high-risk

61%
of respondents cited cybersecurity failure as high-risk

This shows that the main concerns for managing cybersecurity are the potential failure of current security systems and the ability to respond to a cyber breach appropriately.

Top three underlying factors for Cyber Security/ Data breach risk by region

CITY
1. Ability to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Key supplier failure/third party contracts

METROPOLITAN
1. Cyber security failure
2. Ability to proactively manage cyber security
3. Ability to respond to a cyber attack

REGIONAL CITY
1. Ability to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

REGIONAL
1. Ability to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

REMOTE/RURAL
1. Ability to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

Furthermore, 54% of respondents identify the lack of preparedness and the absence of proactive plans to handle a potential cybersecurity event as their top concern. These concerns include the following areas:

- Ability of IT infrastructure/provider to proactively manage cybersecurity

- Ability to respond to a cyber-attack

- Absence of whole-of-business protection in the case of a cyber event

- Failure to incorporate cybersecurity into disaster recovery plans

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[4] Australian Government, Office of the Australian Information Commissioner

Despite the dynamic, global nature of cybersecurity, several strategies can be implemented to mitigate these concerns. For example, including cyber events into the Council's disaster-recovery plans allows for proactive management of potential cyber breaches. With detailed planning and pre-established response mechanisms, key staff members can be engaged from the outset, ensuring a clear strategy to navigate the cyber breach.

Additionally, a well-defined Cyber Incident Response Plan – that includes relevant expert contact details – can greatly improve councils' ability to respond to a cyber event.

Although risk transfer only constitutes a minor aspect of councils' broader cybersecurity concerns, the program includes an Emergency Incident Response line. This enables the council to access services from specialist IT forensic providers, public relations agencies, IT recovery experts, hardware suppliers and legal advisors, all equipped to help the council manage a cyber In 2023, the Federal Government announced further assistance in their 2023 – 2030 Australian Cybersecurity Strategy, backed by a $587 million funding allocation for various initiatives centred on six key 'cyber shields'.

These initiatives are spread over several 'event horizons' spanning to 2030. The first four shields – and some of the initiatives they cover – are as follows:

1. **Strong businesses and citizens:** Establish no-fault ransomware reporting to share with the business community, establish a Cyber Incident Review Board and streamline reporting processes.

2. **Safe technology:** Streamline appropriate data retention requirements.

3. **World-class threat sharing and blocking:** Establish an Executive Cyber Council.

4. **Protected critical infrastructure:** Strengthen security obligations for managed service providers.

Cybersecurity remains an ongoing risk, increasingly so with advancements in Artificial Intelligence and other machine learning. Despite the burdens this places on local government CEOs/GMs, proactive risk management and support from the Federal Government will help manage this risk effectively within the sector.

Top ranking underlying factors for Cyber Security/Data Breach by State/Territory

NSW NT SA TA	Ability of IT infrastructure/provider to proactively manage cyber securit
QLD VIC	Ability to respond to a cyber attack
WA	Cyber security failure

New South Wales

In New South Wales, respondents ranked Cybersecurity as their second-highest risk, consistent with the national consensus. There were only slight differences in the medium and low rankings of this risk. Reflecting national views, NSW CEO/GMs identified the ability of their infrastructure/provider to proactively manage cybersecurity as the primary risk. 76% of councils identified it as the highest risk, surpassing the nationwide result of 72%. This is understandable, given the notable cyberattacks on high-profile organisations like Medibank and Optus. Additionally, ongoing global conflicts increase the risk of politically motivated cyberattacks on all government levels.

Following closely, the ability to respond to a cyberattack and cybersecurity failure were ranked as the next highest risk exposures respectively, consistent with the national perspective. Over 59% of respondents considered these two factors together formed the next significant reason for this cybersecurity being a concern.

As noted above, recent attacks on high-profile organisations and ongoing global conflicts have heightened cybersecurity awareness and its importance. This has led councils to scrutinise the effectiveness of their current cybersecurity protocols in protecting against cyberattacks.

Cybersecurity failure was ranked third, with 57% of respondents considering it a serious factor. Once again, Councils from all regions ranked this in either second or third position.

Top three underlying factors for Cyber Security/Data breach risk by region

METROPOLITAN
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

REGIONAL CITY
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

REGIONAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Cyber security failure
3. Ability to respond to a cyber attack

REMOTE/RURAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Cyber security failure
3. Ability to respond to a cyber attack

Northern Territory

In the Northern Territory, council CEO/GMs ranked Cybersecurity as their fifth-highest risk – compared to national ranking of second.

83% of respondents identified the ability of IT infrastructure/provider to proactively manage cybersecurity as their primary factor for cybersecurity risk. All councils ranked this in their top three concerns.

Meanwhile, respondents ranked no or poor policy/processes to mitigate human error or internal deception second.
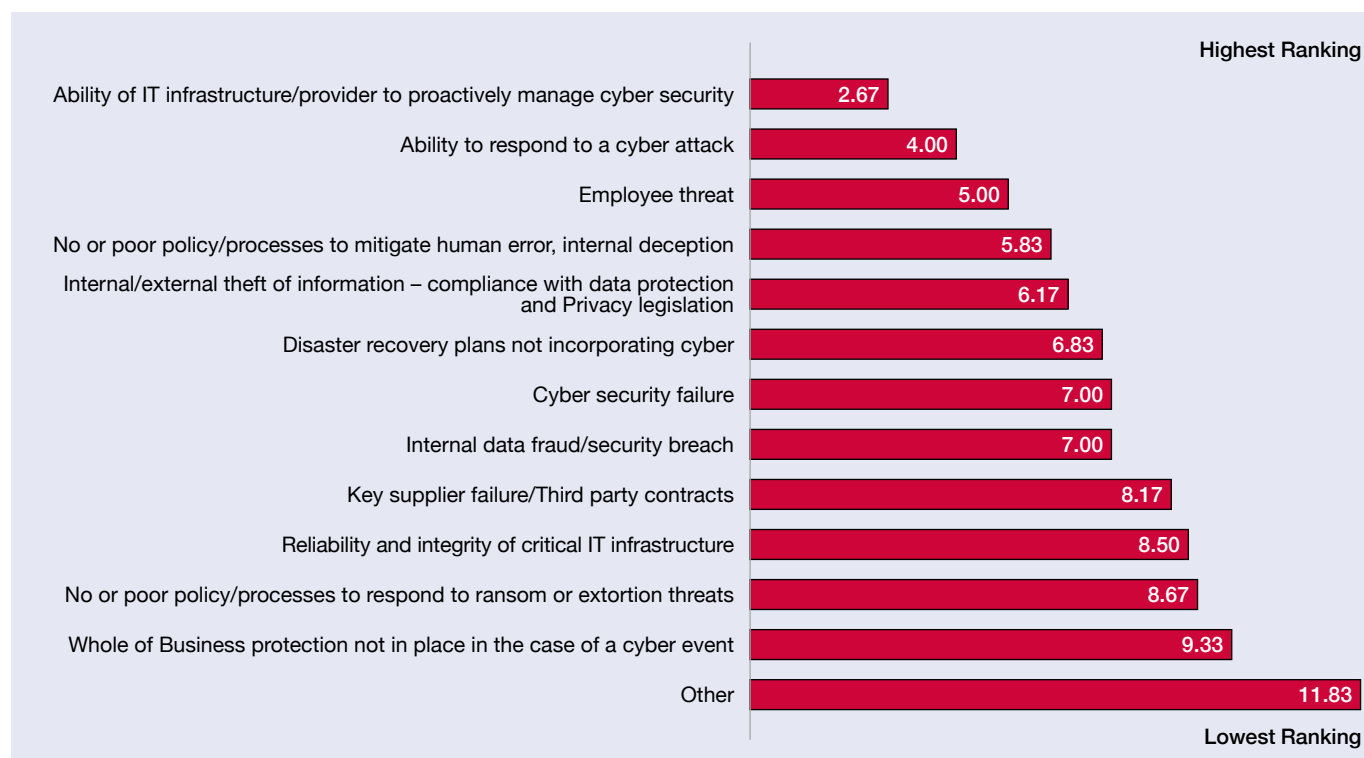
Concern	Ranking
	Highest Ranking
Ability of IT infrastructure/provider to proactively manage cyber security	2.67
Ability to respond to a cyber attack	4.00
Employee threat	5.00
No or poor policy/processes to mitigate human error, internal deception	5.83
Internal/external theft of information – compliance with data protection and Privacy legislation	6.17
Disaster recovery plans not incorporating cyber	6.83
Cyber security failure	7.00
Internal data fraud/security breach	7.00
Key supplier failure/Third party contracts	8.17
Reliability and integrity of critical IT infrastructure	8.50
No or poor policy/processes to respond to ransom or extortion threats	8.67
Whole of Business protection not in place in the case of a cyber event	9.33
Other	11.83
	Lowest Ranking

Figure 4: Cyber Security/IT Infrastructure, Northern Territory average ranking of underlying concerns 1-13

Tasmania

Tasmania, respondents ranked Cybersecurity risk first, above the national ranking. This is likely because of the state's numerous remote communities that heavily rely on connectivity for delivering goods and services and maintaining supply chains. The relative ease with which cyber threat actors can infiltrate systems elevates the perceived risk within the Tasmanian local government sector.

Nearly 86% of respondents ranked the ability of IT infrastructure/provider to proactively manage cybersecurity as their primary contributing factor for this risk. Rural/remote councils ranked this as their top concern, while metropolitan and regional councils ranked this third.

In TAS, there is a range of cyber risk maturity and confidence among management teams in handling a cyber-incident response plan, as highlighted in the JLT Public Sector 12 Key Controls Report. A possible factor is the lack of scenario planning, which may contribute to the perceived inability to manage an attack. Nonetheless, all councils have access to Emergency Incident Response services within their cyber insurance policies, and increased preparedness for attacks may mitigate these concerns.

Cybersecurity failure and the ability to respond to a cyberattack were ranked as equal second underlying concerns by 71% of respondents. All metropolitan councils considered this as their primary issue, while rural/remote councils placed it fourth

Top three underlying factors for Cyber Security/Data breach risk by region

METROPOLITAN
1. Cyber security failure
2. Ability to respond to a cyber attack
3. Ability of IT infrastructure/provider to proactively manage cyber security

REGIONAL CITY
1. Internal/external theft of information & compliance
2. Reliability and integrity of critical IT infrastructure
3. Ability of IT infrastructure/provider to proactively manage cyber security

REMOTE/RURAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Disaster recovery plans not incorporating cyber
3. Reliability and integrity of critical IT infrastructure

South Australia

South Australian CEO/GMs share similar concerns with other states regarding the high importance of proactively managing cyber risk, closely followed by the ability to respond effectively.

Recent years have seen SA local governments impacted by cyber events that disrupted services, though data remained uncompromised. Given that council systems store potentially sensitive data, the constant threat of an event impacting councils' reputation looms large.

SA local government entities that are Members of the LGA Asset Mutual Fund benefit from funded Cyber Risk programs, tailored to the organisation's cyber risk maturity. These programs, which have been available for several years, have evolved alongside the maturing cyber environment. Local government's proactive approach to managing cyber risk was recognised in a 2020 Auditor General inquiry into government cyber risk.

82.35%
Ability of IT infrastructure/provider to proactively manage cyber security

58.82%
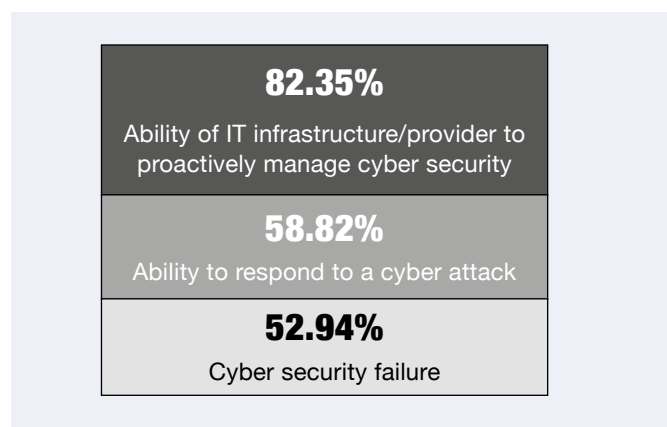Ability to respond to a cyber attack

52.94%
Cyber security failure

Figure 5: The top three underlying factors for this risk in South Australia. This shows the percentage of councils that ranked each factor as high by CEO/GMs.

Top three underlying factors for Cyber Security/Data breach risk by region

CITY
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Internal data fraud/security breach

METROPOLITAN
1. Cyber security failure
2. Ability of IT infrastructure/provider to proactively manage cyber security
3. Key Supplier failure/Third party contracts

REGIONAL CITY
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Cyber security failure
3. Ability to respond to a cyber attack

REGIONAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

REMOTE/RURAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Reliability and integrity of critical IT infrastructure
3. Key Supplier failure/Third party contracts

Queensland

Queensland council CEO align with the national perspective on Cybersecurity risk, identifying the same three risks by a significant margin. However, nuances exist in their focus: Queensland CEOs emphasise their own capability to respond to cyberattacks or cybersecurity failures more than the national trend, which tilts towards risks linked to ICT service providers' failures.

Despite these ranking variations, the uniform concern across CEOs about these risks (in contrast to risks like legislative compliance, data theft or critical infrastructure service failures) indicates Queensland councils will prioritise cybersecurity risk controls similarly to other Australian local governments.

Top three underlying factors for Cyber Security/Data breach risk by region

METROPOLITAN
1. Cyber security failure
2. Ability to respond to a cyber attack
3. Whole of business protection not in place in the case of a cyber event

REGIONAL CITY
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Cyber security failure
3. Ability to respond to a cyber attack

REGIONAL
1. Ability to respond to a cyber attack
2. Cyber security failure
3. Ability of IT infrastructure/provider to proactively manage cyber security

REMOTE/RURAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

Victoria

In Victoria, Cybersecurity was ranked as the second leading risk by 65% of respondents, consistent with the national perspective.

Despite Victorian councils experiencing few incidents in the past five years, these events have not been adequate to thoroughly test their incident response plans. 65% of respondents placed the ability of IT infrastructure/providers to manage cybersecurity as the second most significant underlying concern is the ability to respond to a cyber-attack, with 72% ranking it first. This stems from the perceived lack of preparedness of councils nationwide.

Developing a cyber emergency incident response plan – while daunting – is the next crucial step for Victorian councils in strengthening their first lines of defence and enhancing their overall cyber resilience.

Top three underlying factors for Cyber Security/ Data breach risk by region

CITY
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Key Supplier failure/Third party contracts
3. Ability to respond to a cyber attack

METROPOLITAN
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Cyber security failure
3. Ability to respond to a cyber attack

REGIONAL CITY
1. Ability to respond to a cyber attack
2. Cyber security failure
3. Ability of IT infrastructure/provider to proactively manage cyber security

REGIONAL
1. Ability to respond to a cyber attack
2. Ability of IT infrastructure/provider to proactively manage cyber security
3. Cyber security failure

REMOTE/RURAL
1. Ability to respond to a cyber attack
2. Ability of IT infrastructure/provider to proactively manage cyber security
3. Cyber security failure

Western Australia

Nearly 43% of Western Australian respondents ranked Cybersecurity as their second highest risk, consistent with the national ranking.

Highest Ranking

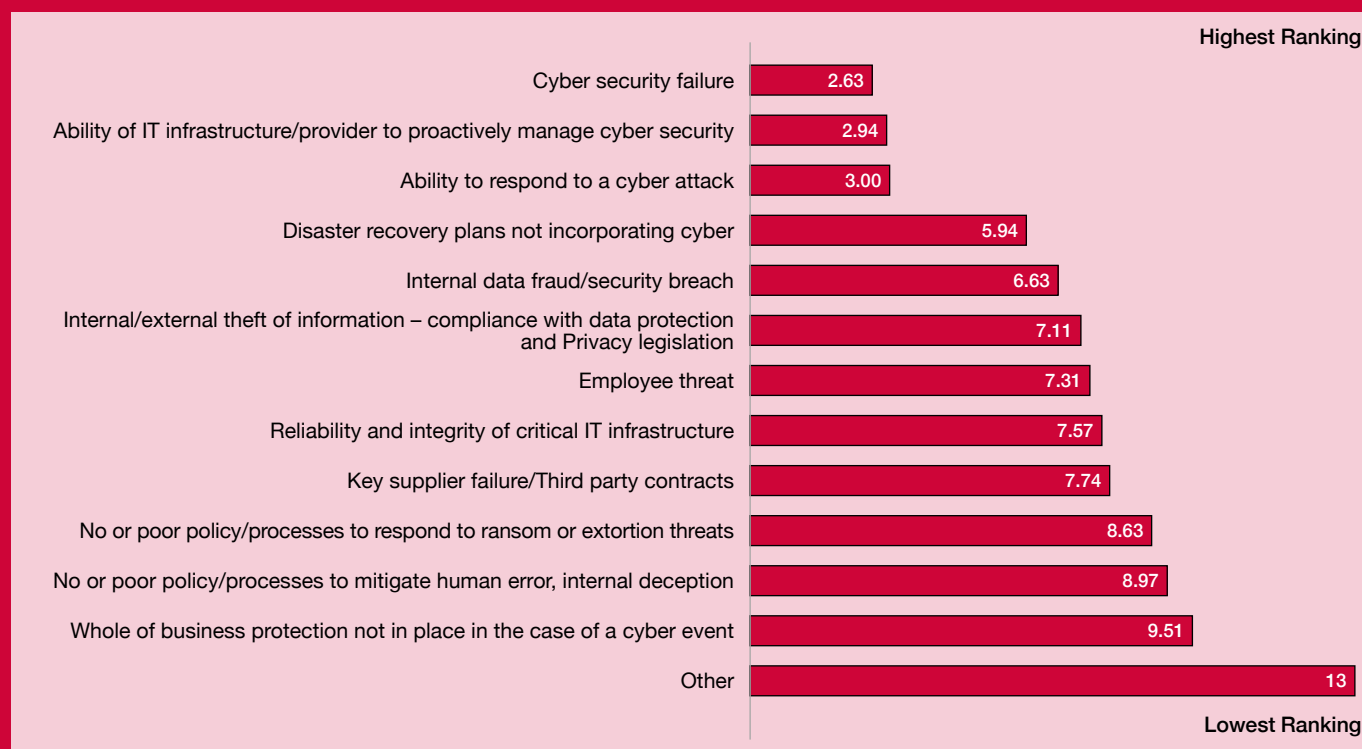| Factor	Ranking
Cyber security failure	2.63
Ability of IT infrastructure/provider to proactively manage cyber security	2.94
Ability to respond to a cyber attack	3.00
Disaster recovery plans not incorporating cyber	5.94
Internal data fraud/security breach	6.63
Internal/external theft of information – compliance with data protection and Privacy legislation	7.11
Employee threat	7.31
Reliability and integrity of critical IT infrastructure	7.57
Key supplier failure/Third party contracts	7.74
No or poor policy/processes to respond to ransom or extortion threats	8.63
No or poor policy/processes to mitigate human error, internal deception	8.97
Whole of business protection not in place in the case of a cyber event	9.51
Other	13

Lowest Ranking

Figure 6: Cyber Security/IT Infrastructure, Western Australia average ranking of underlying factors 1-13

Cybersecurity failure is the leading underlying concern for this risk, with nearly 83% ranking it first. All responding regions ranked this concern in their top two positions.

The prominence of Cybersecurity as a critical risk for WA stems from the escalation of cyber threats, the potential economic impact of cyber-attacks, concerns about data breaches, and the imperative to safeguard critical infrastructure. The increased sophistication of cybercriminals affecting individuals, businesses and local governments alike shows that WA is equally at risk.

74% of respondents cited the ability to respond to cyber-attacks as their second most pressing concern. While most regions placed this issue in their top three concerns, regional city councils ranked it sixth

The ranking of the ability to respond to a cyber-attack as a leading concern underscores its importance in minimising impact and mitigating further damage. An effective response is crucial for containing and mitigating attacks involving breach identification, system restoration and preventative measures for future incidents.

For local governments in WA, a robust incident response capability with clear procedures, trained personnel, and appropriate technologies to detect, respond, and recover from cyber incidents is vital. The ability to respond effectively demonstrates a proactive approach to cybersecurity and enhances the state's overall resilience.

The lower ranking of the ability to respond to a cyber-attack by regional city councils could stem from several factors, such as limited resources and awareness and education as well as challenges in collaborating and information sharing, particularly during cyber incidents.

The emphasis of Cybersecurity as a significant risk in WA reflects its increasing relevance in today's digital landscape.

Top three underlying factors for Cyber Security/Data breach risk by region

METROPOLITAN
1. Cyber security failure
2. Ability to respond to a cyber attack
3. Whole of business protection not in place in the case of a cyber event

REGIONAL CITY
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Cyber security failure
3. Ability to respond to a cyber attack

REGIONAL
1. Ability to respond to a cyber attack
2. Cyber security failure
3. Ability of IT infrastructure/provider to proactively manage cyber security

REMOTE/RURAL
1. Ability of IT infrastructure/provider to proactively manage cyber security
2. Ability to respond to a cyber attack
3. Cyber security failure

Effective response to cyber-attacks is key to mitigating damage and protecting critical infrastructure. The lower priority given by regional councils may be influenced by limited resources and gaps in cybersecurity awareness and education. For WA stakeholders, prioritising cybersecurity and fostering collaboration are essential steps to boost the state's resilience against cyber threats.

3 ASSETS & INFRASTRUCTURE

Local government owns and maintains an enormous network of Assets and Infrastructure, which require significant resources to oversee – with funding often beyond what councils can generate through rates. The challenge of managing critical assets and infrastructure is at the forefront of CEO/GMs minds, with Assets & Infrastructure placing third again in the Risk Report.

Local governments own and control an immense and diverse range of assets and infrastructure portfolios. The Australian Local Government Association (ALGA) estimates that councils collectively manage $524 billion of assets and infrastructure[5]. As these estimates are being reviewed, it is anticipated that this value is considerably larger due to several factors. These influences include the significant population growth driven by international, interstate and regional migration, surging inflation and natural disaster repair and replacement programs across large areas of the country following widespread flooding during successive La Nina conditions over recent years.

The national portfolio's increase in size and value can be attributed to various factors. This includes the heightened focus by many Councils on asset identification and management planning due to a focus on data quality by state governments and insurers. These entities require accurate geolocation of assets in high-risk areas to be overlayed with fire and flood mapping. Additionally, state governments will build or provide key assets for councils, who commence contracts with the State agency and become responsible for maintaining the assets. Examples of such assets include jetties, wharves and seawalls.

In numerous instances, the grants provided by the State Government for ongoing maintenance are insufficient.

This is a critical issue in particular for small communities, who may be highly dependent on tourism and the jetty serves as a key feature.

Community expectations are crucial in managing council assets and infrastructure. They can influence the supply of new community facilities and infrastructure, maintaining and managing portfolios in an appropriate and fiscally responsible way, and planning for the renewal or decommission when assets reach the end of life. This issue is exacerbated in regional councils, which may result in multiple smaller council areas merging with smaller communities that expect strong maintenance of community assets. For example, small community hall even where they are infrequently used.

The primary concern for CEO/GMs is maintaining roads and its substantial associated costs. Road maintenance costs constitute a significant portion of councils' overall operational budget. Local government often faces media scrutiny about potentially dangerous roads, which influences community expectations. Councils depend on Commonwealth Government Financial Assistance Grants to fund this maintenance effectively, making it highly contentious between state and local government bodies who are all fighting for their fair share of the grant funding.

The Assets and Infrastructure Risk Heat Map (Figure 7) further illuminates the underlying risk profile for assets and infrastructure risks, highlighting the interconnections between assets and infrastructure risks and other significant risks that are faced by Councils.
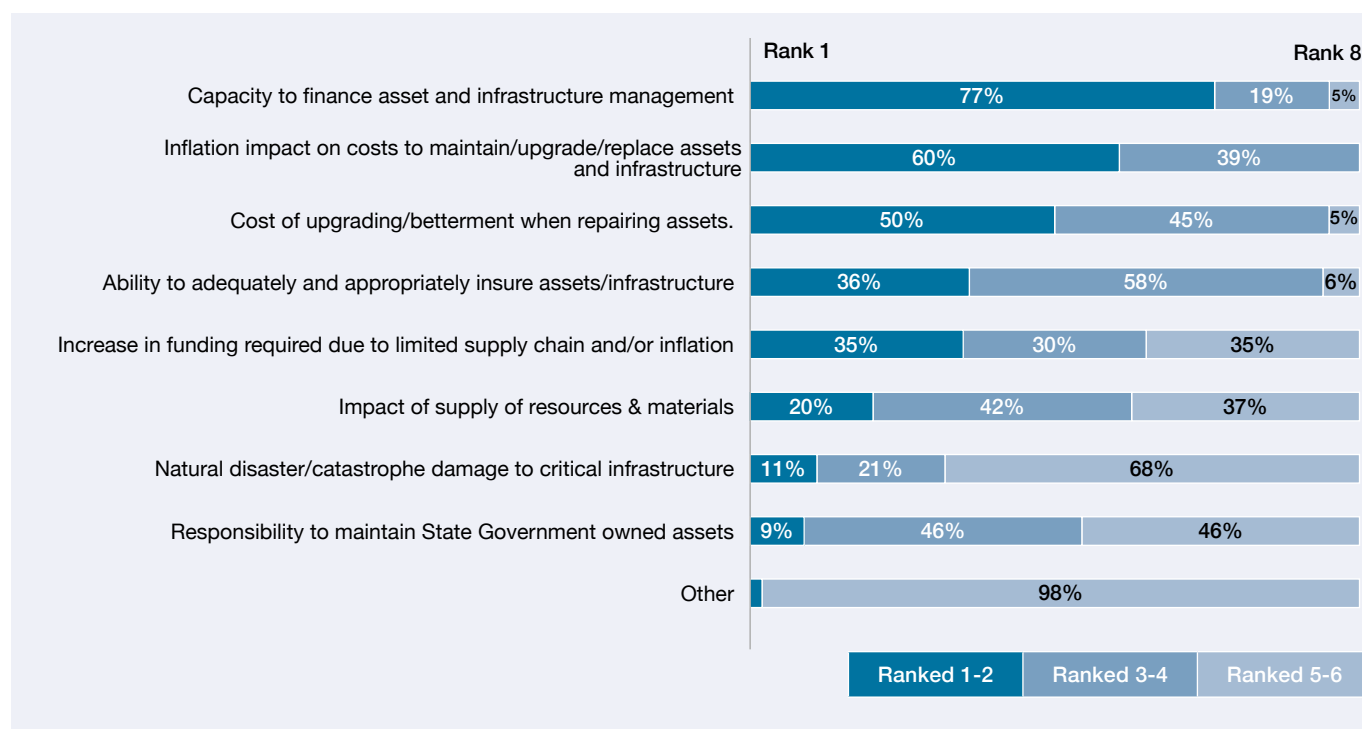

Figure 7: Management of and/or damage of property, Infrastructure and Asset risk national heat map

Perhaps the strongest interrelationship is with Financial Sustainability as over 75% of respondents identify the capacity to finance assets and infrastructure maintenance as a high-risk factor. Over half the respondents identified both funding for betterment and upgrades and the impact of inflation as key factors for this risk. Additionally, supply and supply-chain-related risk were also prominent concerns for most respondents; issues which have implications from a financial sustainability perspective. These responses were generally consistent across states, regions and local government areas.

These concerns likely reflect the shortfall in local government funding to manage existing, renewed or replaced assets and infrastructure that are nearing or at its end of life. This shortfall in funding is a key risk driver and amplifies the existing substantial vertical fiscal imbalance between the three levels of government. Despite local government receiving only 3.5% of revenue, councils retain responsibility for 30 to 40% of the total public asset base. This underlines the importance of enhanced collaboration among all levels of government to prioritise improved funding arrangements that will support asset and infrastructure management.

According to a recent report by The Grattan Institute [5], requisite funding from the Commonwealth and State Governments has steadily declined. Since 1995, local governments have been left with the impossible task of maintaining and improving the quality of road infrastructure. The Institute's calculations indicate that local governments require an additional $1 billion annually, consistently, through programs such as Roads to Recovery and Financial Assistance Grants. This funding is necessary to address the fundamental causes of this problem

It is imperative to prioritise access to funding for infrastructure repair and improvements after disaster events. The aim is to reduce vulnerability and enhance resilience in the face of an increasingly significant disaster risk profile and related impacts of climate change. Regardless, community expectations and the principles of good governance would expect assets are fit for purpose into the future and that all tiers of government collaborate to deliver resilient and long-term sustainability in assets and infrastructure management. Local governments possess invaluable experience, local knowledge and critical perspective enabling them to play their part.

Safe, efficient and reliable road infrastructure supports economic activity and fosters prosperity. It's critical that all levels of government work together to improve the quality of road networks as we pursue a strong and resilient national economy.

Top ranking underlying factors for Cyber Security/Data Breach by State/Territory

NSW QLD SA TAS VIC WA	Capacity to finance asset and infrastructure management	NT	Cost of upgrading/betterment when repairing assets

Top three underlying factors for Management of Assets & Infrastructure by region

CITY

1. Cost of upgrading/better of assets
2. Capacity to finance Assets & Infrastructure management
3. Impact of supply of resources & materials

METROPOLITAN

1. Cyber Inflation impact on costs to maintain/upgrade/replace
2. Capacity to finance Assets & Infrastructure management
3. Cost of upgrading/better of assets

REGIONAL CITY

1. Capacity to finance Assets & Infrastructure management

2. Cost of upgrading/better of assets
3. Inflation impact on costs to maintain/upgrade/replace

REGIONAL

1. Capacity to finance Assets & Infrastructure management
2. Cost of upgrading/better of assets
3. Inflation impact on costs to maintain/upgrade/replace

REMOTE/RURAL

1. Capacity to finance Assets & Infrastructure management
2. Cost of upgrading/better of assets
3. Impact of supply of resources & materials

Northern Territory

In the Northern Territory, one-third of respondents ranked the management or damage of Assets & Infrastructure as the fourth highest risk, which is only one point below the national ranking.

The cost of upgrading or the betterment when replacing an asset – and the capacity to finance Assets & Infrastructure management – were equally ranked as the primary reason for this risk, with 83% considering this the leading concern. Like other states, factors such as inflation and supply constraints may contribute to these concerns' high rankings. This connects to the impact of resources and materials supply, which was rated as the second underlying concern (50% of respondents regarded it as a significant issue). In the Northern Territory, as Northern Queensland and Western Australia may experience, the distance and, in some cases, the remoteness may exacerbate delays and further compound these challenges.

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[5] Grattan Institute Potholes and pitfalls: how to fix local roads 2023
[6] ALGA (2021) National State of the Assets Report

New South Wales

NSW CEO/GMs ranked the management of ageing assets & infrastructure third – aligning with the national ranking. Nearly 40% of respondents cited it as a high risk.

The leading reason for this risk, as identified by over 86% of respondents, is the capacity to finance Assets & Infrastructure management. Factors such as limited supply, resource constraints and funding challenges, including competing with other states for grants, contribute to this concern. Furthermore, the frequency of events that impact councils, sometimes occurring multiple times, further exacerbates the issue.

In NSW, the risk associated with managing Assets & Infrastructure is particularly pronounced, as it's ranked as the first or second highest concern across all regions. This risk is intensified by the disparity in financial resources available to regional, rural, and remote councils compared to metropolitan counterparts.

Additionally, funds must be allocated to repair the continued road damage in these areas, leaving limited resources for essential upgrades and business-as-usual projects. Furthermore, 67% of respondents ranked the cost of upgrading or betterment when replacing an asset as the second highest reason for this high-risk scenario. Factors such as ageing assets, heritage issues and the lack of support funding from higher levels of government contribute to these significant costs for councils.

In NSW, the cost of upgrades is a top concern for regional city, regional, rural and remote councils, while metropolitan councils ranked it fourth. This difference in ranking can be attributed to the limited funding options available to regional areas compared to their metropolitan counterparts. Furthermore, the extensive damage to roads in these regions leads to a diversion of funds towards repairs, leaving fewer resources for asset upgrades and maintenance.

88.46%
Capacity to finance asset and infrastructure management

42.31%
Cost of upgrading/betterment when repairing assets

26.92%
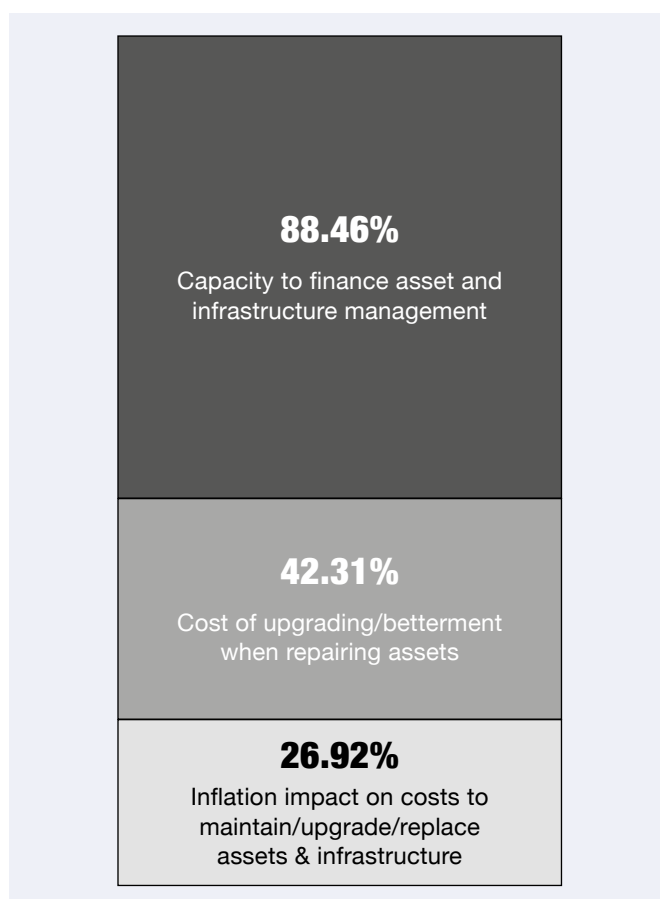Inflation impact on costs to maintain/upgrade/replace assets & infrastructure

Figure 8: The top three underlying factors for this risk in New South Wales. This shows the percentage of councils that ranked each factor as high by CEO/GMs.

Top three underlying factors for Management of Assets & Infrastructure by region

METROPOLITAN
1. Capacity to finance asset & infrastructure management
2. Inflation impact on costs to maintain/upgrade/replace assets & infrastructure
3. Ability to adequately and appropriately insure assets/infrastructure

REGIONAL CITY
1. Cost of upgrading/betterment when repairing assets
2. Capacity to finance asset & infrastructure management
3. Inflation impact on costs to maintain/upgrade/replace assets & infrastructure

REGIONAL
1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets
3. Impact of supply of resources & materials

REMOTE/RURAL
1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets
3. Inflation impact on costs to maintain/upgrade/replace assets & infrastructure
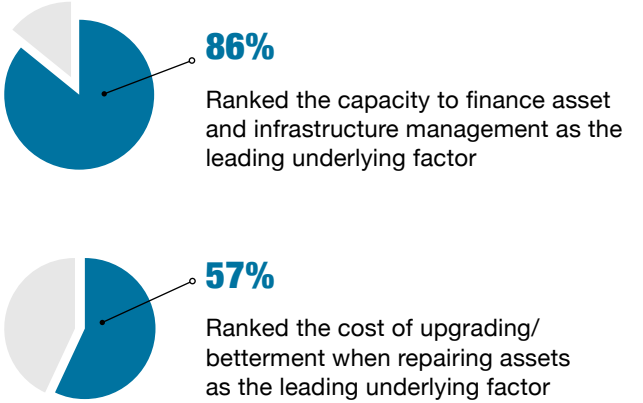
Queensland

In Queensland, the capacity to finance Assets & Infrastructure management emerged as the most significant factor to the local government portfolio. This was closely followed by the impact of inflation on maintenance, upgrades and replacements. Nationally, the cost of betterment when repairing assets rated as the second highest factor, with 60% of CEOs considering it a high-risk factor for Assets & Infrastructure. In Queensland, however, this was identified as the fourth highest risk, with 45% of CEOs regarding it as a high concern.

Top three underlying factors for Management of Assets & Infrastructure by region

METROPOLITAN

1. Significant increase in funding required due to limited supply chain/ inflation
2. Inflation impact on costs to maintain/upgrade /replace assets & infrastructure
3. Ability to adequately and appropriately insure assets/infrastructure

REGIONAL CITY

1. Significant increase in funding required due to limited supply chain/inflation
2. Capacity to finance asset and infrastructure management
3. Inflation impact on costs to maintain/upgrade /replace assets & infrastructure

REGIONAL

1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets.
3. Impact of supply of resources & materials

REMOTE/RURAL

1. Inflation impact on costs to maintain/upgrade/replace assets & infrastructure
2. Impact of supply of resources & materials
3. Cost of upgrading/betterment when repairing assets

Tasmania

In Tasmania, GMs ranked Assets & Infrastructure sixth, with 14% of respondents ranking this equally to negligence caused by civil liability claims, statutory and/or regulatory requirements and waste management. This ranking differs from the national ranking, where Assets & Infrastructure is ranked third.

Top three underlying factors for Management of Assets & Infrastructure by region

METROPOLITAN

1. Cost of upgrading/betterment when repairing assets. Cyber security failure
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Capacity to finance asset and infrastructure management

REGIONAL

1. Cost of upgrading/betterment when repairing assets. Cyber security failure
2. Significant increase in funding required due to limited supply chain and/or inflation
3. Capacity to finance asset and infrastructure management

REMOTE/RURAL

1. Capacity to finance asset and infrastructure management
2. Natural disaster/catastrophe damage to critical infrastructure
3. Ability to adequately and appropriately insure assets/infrastructure

86%

Ranked the capacity to finance asset and infrastructure management as the leading underlying factor

57%

Ranked the cost of upgrading/ betterment when repairing assets as the leading underlying factor

Nearly 86% of respondents identified the capacity to finance Assets & Infrastructure management as the leading reason for this risk. This concern was particularly prominent among rural/remote councils, while metropolitan and regional councils ranked this as their third highest concern. This indicates the divide in resources between these groups, given the geographic distances and sparse communities existing in regional areas. Nearly 56% of GMs ranked the cost of upgrading or betterment when repairing assets as the second highest reason for this risk. It should be noted that metropolitan and regional councils ranked this as the leading reason while rural and remote councils ranked this factor eighth.

South Australia

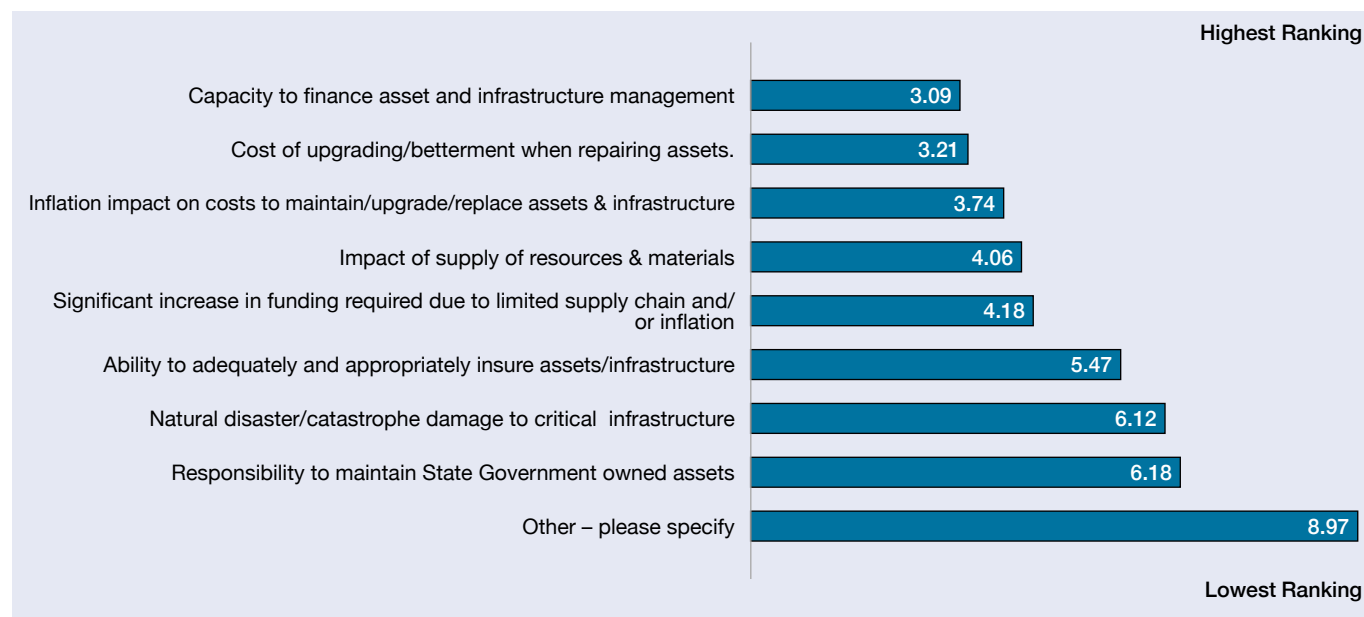In line with the national ranking, 44% of respondents ranked Assets & Infrastructure as the third highest risk

Figure 9: Management of and/or damage to property, infrastructure & assets average ranking in SA of underlying factros

The capacity to finance Assets & Infrastructure management was considered the primary concern underlying this risk, with 67% of respondents ranking it as the leading issue. This result was unsurprising as councils have expressed significant challenges with cost-shifting and applying adequate investment in maintaining and replacing critical infrastructure. While the state constructed many of these assets, they are expected to be maintained by local government. Common examples include jetties, wharves and sea walls. This issue was prominently ranked number one in regional city, regional and rural/remote areas. The concern is worsened for regional councils with lower revenue and capital works budgets, even though in many cases they may have substantial assets in need of upgrades or replacements.

The cost of upgrading or betterment when repairing assets was ranked as the second highest reason for this risk by nearly 56% of CEO/GMs. Unsurprisingly, the cost of repairing assets ranked highly, considering the predominantly fixed income and very limited funding to facilitate major maintenance works. This risk is closely interconnected with the number one overall risk: Financial Sustainability.

Top three underlying factors for Management of Assets & Infrastructure by region

CITY
1. Impact of supply of resources & materials
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Cost of upgrading/betterment when repairing assets

METROPOLITAN
1. Significant increase in funding required due to limited supply chain and/or inflation
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Cost of upgrading/betterment when repairing assets

REGIONAL CITY
1. Cost of upgrading/betterment when repairing assets
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Capacity to finance asset and infrastructure management

REGIONAL
1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets
3. Significant increase in funding required due to limited supply chain and/or inflation

REMOTE/RURAL
1. Capacity to finance asset & infrastructure management
2. Impact of supply of resources & materials
3. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure

Victoria

Aligned with the national ranking, 74% of respondents ranked Assets & Infrastructure as the third leading risk.

Like many other states, the capacity to finance Assets & Infrastructure management was ranked as the leading reason for this risk by 86% of respondents. This concern consistently ranked in the top three across all responding regions, with metropolitan, regional city and regional councils ranking this as their number one concern. Victorian councils have significant asset portfolios that they are either directly responsible for or are required to manage and maintain on behalf of the state government. Many of the assets and infrastructure are ageing and require committed annual funding to restore and maintain them.

The cost of upgrading or betterment when repairing assets was considered the second highest reason for this risk by 67% of CEO and GMs. This concern consistently ranked in the top three places by respondents, which is unsurprising considering the financial sustainability aspect.

Top ranking underlying factor for Managing Assets & Infrastructure risk by region

CITY
1. Cost of upgrading/betterment when repairing assets
2. Significant increase in funding required due to limited supply chain and/or inflation
3. Capacity to finance asset and infrastructure management

METROPOLITAN
1. Capacity to finance asset & infrastructure management
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Ability to adequately and appropriately insure assets/infrastructure

REGIONAL CITY
1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets
3. Ability to adequately and appropriately insure assets/infrastructure.

REGIONAL
1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets
3. Inflation impact on costs to maintain/upgrade/replace assets & infrastructure

REMOTE/RURAL
1. Cost of upgrading/betterment when repairing assets
2. Capacity to finance asset and infrastructure management
3. Impact of supply of resources & materials

Western Australia

In Western Australia, 57% of respondents ranked Asset & Infrastructure as their leading risk. This percentage is higher than the national ranking of third.

71% of respondents ranked the capacity to finance Assets & Infrastructuremanagement as the main reason for this risk. The budgetary constraints on local government can have a massive implication on their Assets & Infrastructure. In recent years, cyclones have posed challenges in restoring assets, as there have been difficulties in obtaining resources to complete repairs and claims.

In rural areas, local government is responsible for increasingly diverse infrastructure networks that were previously run by other tiers. Most rural councils will continually discuss the ageing infrastructure predominantly on heritage sites, especially regarding issues on how to maintain such an old property.

Nearly 66% of respondents ranked the impact of inflation on maintenance, upgrade and replacement of Assets & Infrastructure as the second most significant factor contributing to this risk. As WA competes with other states, the mining industry and the export trade, industries have the opportunities to earn higher profits, thereby leaving the local government adversely affected.

Top three underlying factors for Management of Assets & Infrastructure by region

METROPOLITAN
1. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
2. Capacity to finance asset and infrastructure management
3. Significant increase in funding required due to limited supply chain and/or inflation

REGIONAL CITY
1. Capacity to finance asset and infrastructure management
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Cost of upgrading/betterment when repairing assets

REGIONAL
1. Cost of upgrading/betterment when repairing assets
2. Inflation impact on costs to maintain/upgrade/ replace assets & infrastructure
3. Significant increase in funding required due to limited supply chain and/or inflation

REMOTE/RURAL
1. Capacity to finance asset and infrastructure management
2. Cost of upgrading/betterment when repairing assets.
3. Significant increase in funding required due to limited supply chain and/or inflation

4

CLIMATE CHANGE

Three-quarters of Australian councils have set or are in the process of developing community emissions reduction targets in alignment with the 2015 Paris Agreement. These councils are committed to achieving net zero emissions, the target limit for mitigating climate change risks.

Councils recognise that investing in local clean energy solutions creates new jobs, delivers more affordable energy, improves housing and increases our climate change resilience. However, despite tangible reductions achieved in Europe and the United States[7], greenhouse gas emissions in Australia have continued to increase.

Greenhouse gas emissions have already resulted in major changes in our atmosphere. These have amplified extreme weather events and caused significant impacts on ecological systems and processes, urbanisation, planning, chain of supply, health and wellbeing, economy and social structures.[8]

The World Economic Forum, The Global Risks Report 2024 supports this, noting, 'countries are grappling with the impacts of record-breaking extreme weather, as climate-

change adaptation efforts and resources fall short of the type, scale and intensity of climate-related events already taking place."[9]

The 2023 JLT Risk Survey results indicate that councils share a common stance on climate change. This links with their assessment that predicting climate change impacts on council business and functions is difficult. In fact, 79.45% of councils listed this as their primary underlying concern for climate change risk.

According to a 2021 survey by the Australian Local Government Association (ALGA), the most common barrier for local government in addressing emissions reduction is a lack of funds.

As climate change related extreme weather-related hazard events become more frequent and unpredictable, a council's ability to lead its community to quick recovery is significantly diminished. Current disaster recovery funding arrangements designed to respond rather than mitigate the risk of future climate/extreme weather scenarios demonstrate this.

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7 Friedlingstein, P. et al. (2023). Global Carbon Budget 2023.
8 Australian Climate Service. (2023). A changing climate.
9 World Economic Forum, The Global Risks Report 2024,

In the 2023 JLT Public Sector Risk Survey, council CEOs/GMs ranked Climate Change as the fourth highest risk, narrowly surpassing Disaster & Catastrophic events by 0.91%.

This placement is understandable given increasing global focus and effort on decarbonisation and the strong link between climate change, increased natural hazard weather events and disasters.

Moreover, our survey data show that 48.4% of respondents are concerned that disaster recovery funding arrangements are insufficient to build back better and adequately support more resilient communities.

These issues underscore the importance of identifying, understanding and mitigating interrelated risks that influence via the domino effect other critical risks like financial sustainability and assets and infrastructure.

31.51% of councils cited inadequate capacity or capability to develop strategic plans, risk reduction frameworks and financial budgets to mitigate and adapt to the risk of climate change as contributing factors to this risk.

As current emissions continue to increase and cause major changes in our atmosphere and weather patterns, responding to climate change requires serious, measurable and collective action around the globe.

Many Australian councils are adopting and encouraging emission reduction targets and renewable energy goals often making tangible inroads to decarbonise operations.[10] Such actions include investing in energy efficiency and building sustainability, deploying local renewable energy supported by battery storage, investing in public transport, mitigating emissions from landfill and sewage treatment, incorporating emissions considerations in fleet procurement and offsetting residual emissions.

Councils can become leaders in their communities by facilitating local decarbonisation action. Common approaches include setting community-based emission reduction targets, advocating for policy change and amending planning instruments and building codes as well as collaborating with businesses, community groups and other levels of government to leverage and support local action and innovation.

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[10] Ironbark Sustainability and ICLEI – Local Governments for Sustainability Oceania, Australian Local Government Climate Review 2021 and Climate Council 2023 Tracking Progress: 2022 Snapshot of Council Action on Climate Change

However, while Councils can play their part in reducing emissions, the consequences of past, current and anticipated future emission scenarios mean that climate change will increasingly impact councils and their communities into the future. Because of this, establishing and undertaking disaster risk profiling that considers vulnerability, hazard and exposure to climate change remains a key priority for councils.

Additionally, councils must account for reviewing and amending planning schemes, planning policies, infrastructure design standards and building codes. They also need to embed climate change considerations into several structures, including strategic and operational asset planning and management; proactive planning for resilience in disaster preparedness; and recovery including parks, reserves, streetscapes and urban forestry.

Climate change mitigation and adaptation is both risky and costly with significant implications for councils and their communities. Many of these risks are highly interconnected with other risks identified in this report, as illustrated in the Risk Heat Map below.

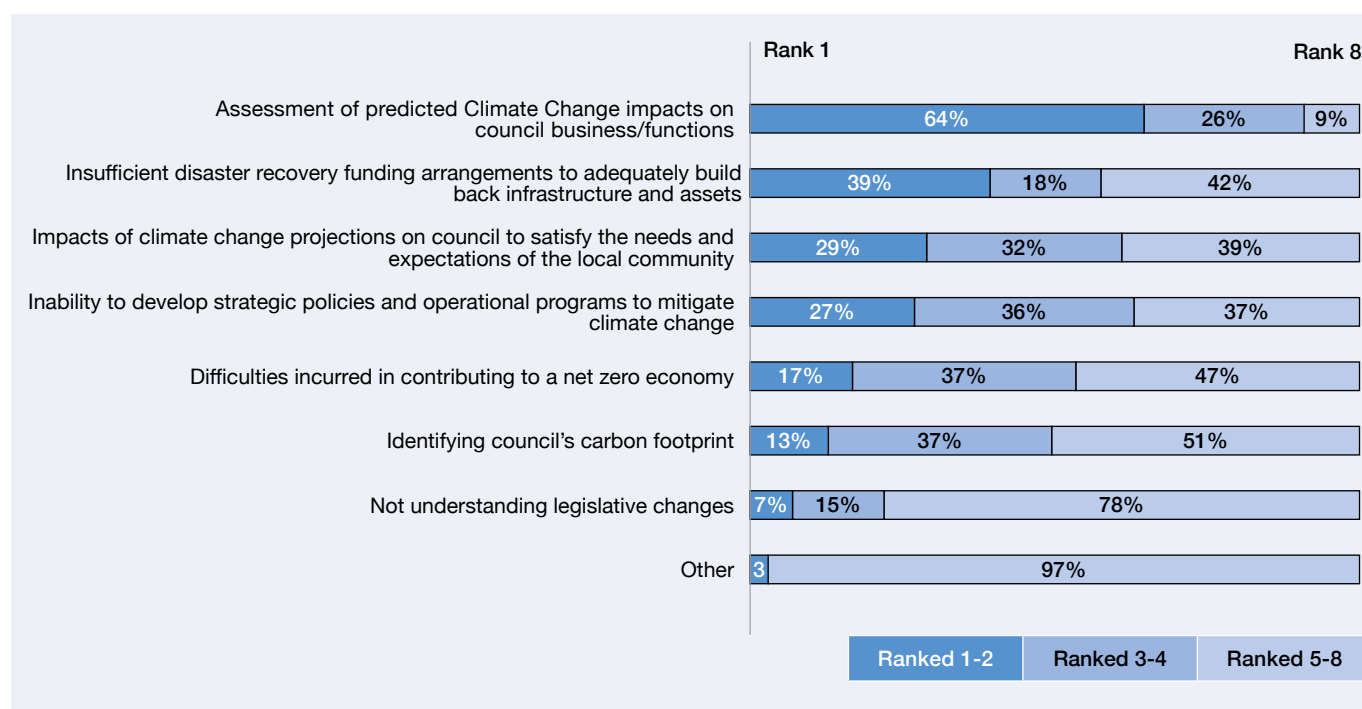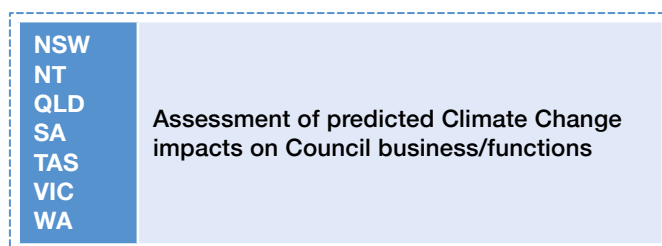## Top ranking underlying factors for Climate Change by State/Territory

NSW NT QLD SA TAS VIC WA	Assessment of predicted Climate Change impacts on Council business/functions

Figure 10: Climate change and/or adaption national heat map

Rank 1		Rank 8
Assessment of predicted Climate Change impacts on council business/functions	64%	26%	9%
Insufficient disaster recovery funding arrangements to adequately build back infrastructure and assets	39%	18%	42%
Impacts of climate change projections on council to satisfy the needs and expectations of the local community	29%	32%	39%
Inability to develop strategic policies and operational programs to mitigate climate change	27%	36%	37%
Difficulties incurred in contributing to a net zero economy	17%	37%	47%
Identifying council's carbon footprint	13%	37%	51%
Not understanding legislative changes	7%	15%	78%
Other	3	97%	

Ranked 1-2 | Ranked 3-4 | Ranked 5-8

Top three underlying factors for Climate Change/Adaption by region

CITY
1. Assessment of predicted climate change impacts on council
2. Impacts of climate change projections on council & ability to meet community expectations.
3. Difficulties incurred in contributing to a net zero economy

METROPOLITAN
1. Assessment of predicted climate change impacts on council
2. Impacts of climate change projections on council/meet community expectations.
3. Insufficient disaster recovery funding

REGIONAL CITY
1. Assessment of predicted climate change impacts on council

2. Insufficient disaster recovery funding
3. Impacts of climate change projections on council/meet community expectations

REGIONAL
1. Assessment of predicted climate change impacts on council
2. Insufficient disaster recovery funding
3. Difficulties incurred in contributing to a net zero economy

REGIONAL/RURAL
1. Assessment of predicted climate change impacts on council
2. Insufficient disaster recovery funding
3. Difficulties incurred in contributing to a net zero economy

Victoria

Victorian CEOs ranked Climate Change in fourth, equalling the national ranking. 60% of CEOs ranked the assessment of predicted climate change impacts on councils' business and functions as the leading concern underpinning this risk. This is likely due to Victoria's diverse topography and climate change's increasing pace.

Financial constraints on Victorian councils due to rate capping leave them with few alternatives to manage the rapid environmental change. This reason ranked in the top two positions by all represented regions.

Second were two equally placed concerns: insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that can withstand future climate scenarios, and the impact of climate change projection on councils' business/functions and ability to satisfy the local community's needs.

Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that can withstand future climate scenarios was ranked in the top three places in regional city, regional and remote/rural areas.

This shows that limited revenue growth restricts councils' ability to implement proactive strategies for addressing climate change.

Top three underlying factors for Climate Change/Adaption by region

CITY
1. Assessment of predicted Climate Change impacts on council business/function
2. Immature/inability/or not sure how to develop strategic policies and operational programs to mitigate and adapt to climate change
3. Not understanding legislative changes due to predicted climate change impacts

METROPOLITAN
1. Assessment of predicted Climate Change impacts on council business/function
2. Impacts of climate change projections on council/ meet community expectations.
3. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets

REGIONAL CITY
1. Assessment of predicted Climate Change impacts on council business/functions
2. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
3. Impacts of climate change projections on council/ meet community expectations

REGIONAL
1. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
2. Impacts of climate change projections on council/ meet community expectations
3. Assessment of predicted Climate Change impacts on council business/function

REMOTE/RURAL
1. Assessment of predicted Climate Change impacts on council business/function
2. Immature/inability/or not sure how to develop strategic policies and operational programs
3. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets

New South Wales

In New South Wales CEO/GMs ranked Climate Change fifth, just one point lower than the national ranking. 63% of respondents noted the unpredictability of climate change and its impact on Council business and functions as the leading contributing factor to this risk.

Severe and unforeseen natural events have impacted several regions over the past few years in which local governments and communities could not be prepared for. The Northern Rivers, for example, has experienced a series of unpredictable and devastating events, including storms, floods and bushfires.

The frequency and severity of these events have made it challenging for the community to anticipate and prepare for the impacts of these events. Residents have faced the difficult task of recovering from one disaster only to be struck by another, leaving them with little time to catch their breath and rebuild. These repeated and unpredictable events have devastated the region.

The 2022 Central NSW floods have had similar effects. The town of Forbes prepared for a one-in-100-year event but was instead impacted by a one-in-500-year event.

Though these floods were expected and planned for, no one predicted their magnitude.

Following this, 44% of respondents cited insufficient disaster recovery funding arrangements as a major concern. Current funding will not adequately build back better, nor will it fund building more resilient, climate-proof infrastructure and assets.

For example, Northern Rivers Councils have only received remediation works in 2024 for floods that occurred in 2021. Despite this, councils have made every effort to manage recovery efforts with their own funds. However, limited cash flow and the difficulty of repairs make true recovery challenging.

Lack of funds, construction resources, supplies, human resources and trades has a profound impact on communities. Without these critical resource efforts, councils face continued difficulties that hamper their ability to respond and support affected communities effectively.

Top three underlying factors for Climate Change/Adaption by region

METROPOLITAN

1. Assessment of predicted Climate Change impacts on council business/function
2. Difficulties incurred in contributing to a net zero economy
3. Impacts of climate change projections on council/meet community expectations

REGIONAL CITY

1. Assessment of predicted Climate Change impacts on council business/functions
2. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
3. Impacts of climate change projections on council/meet community expectations

REGIONAL

1. Assessment of predicted Climate Change impacts on council business/function
2. Impacts of climate change projections on council/meet community expectations.
3. Difficulties incurred in contributing to a net zero economy

REMOTE/RURAL

1. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
2. Assessment of predicted Climate Change impacts on council business/function
3. Difficulties incurred in contributing to a net zero economy

Queensland

Queensland CEOs in line with the national perspective cited the assessment of predicted impacts on council business and functions as their leading underlying concern for climate change by a significant margin. This was followed by insufficient disaster recovery funding to build back better and more resilient infrastructure capable of withstanding future climate scenarios.

The consistency between Queensland CEOs and their counterparts nationally demonstrates the need for prioritisation of support, investment and resilience building by the Commonwealth and states. These efforts must aim address local vulnerabilities and increase local response capacity and capability, with the ultimate goal of ensuring councils can help their local communities adapt to climate change's impact.

26.19%
Difficulties incurred in contributing to a net zero economy

38.10%
Insufficient disaster recovery funding arrangements to adequately build back infrastructure and assets

71.53%
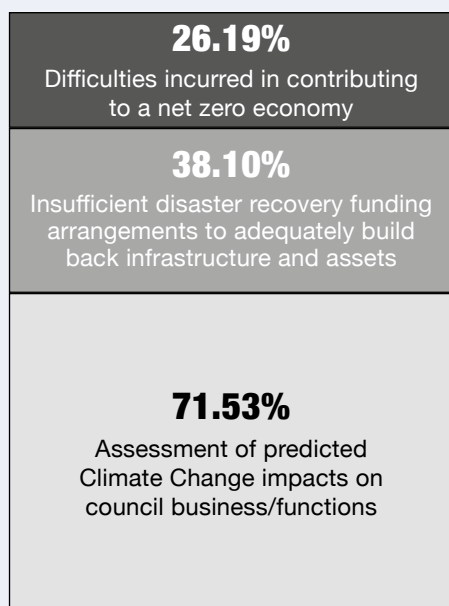Assessment of predicted Climate Change impacts on council business/functions

Figure 11: The top three underlying factors for this risk in Queensland. This shows the percentage of councils that ranked each factor as high by CEOs.

Top three underlying factors for Climate Change/Adaption by region

METROPOLITAN
1. Assessment of predicted Climate Change impacts on council business/function
2. Identifying council's carbon footprint to respond to community expectations
3. Impacts of climate change projections on council/ meet community expectations

REGIONAL CITY
1. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
2. Assessment of predicted Climate Change impacts on council business/functions
3. Impacts of climate change projections on council/ meet community expectations

REGIONAL
1. Assessment of predicted Climate Change impacts on council business/function
2. Difficulties incurred in contributing to a net zero economy
3. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets

REMOTE/RURAL
1. Assessment of predicted Climate Change impacts on council business/function
2. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
3. Not understanding legislative changes due to predicted climate change impacts

Tasmania

Tasmanian respondents ranked Climate Change fourth, equal to the national ranking.

Over 85% of respondents ranked the assessment of predicted climate change impacts on councils' business and functions as the primary contributing factor for this risk. In seaside councils managing coastal erosion, this concern poses a serious threat. Discussions are taking place at the State level to address this issue and find solutions.

As the young, climate-conscious generation become eligible voters, climate change must be prioritised in policy. This concern was ranked in the top two positions across all regions.

Next was the impact of climate change projection on councils' business/functions and ability to satisfy the needs of the local community. This concern was ranked 57% of CEO/GMs. Metropolitan and rural/remote councils placed this in the top two positions.

Top three underlying factors for Climate Change/Adaption by region

METROPOLITAN
1. Assessment of predicted Climate Change impacts on council business/function
2. Impacts of climate change projections on council/ meet community expectations
3. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets

REGIONAL
1. Assessment of predicted Climate Change impacts on council business/function
2. Identifying council's carbon footprint to respond to community expectations
3. Not understanding legislative changes due to predicted climate change impacts (Development and Planning legislation, Emergency Management processes, budget impact on assets/infrastructure)

RURAL/REMOTE
1. Impacts of climate change projections on council/ meet community expectations
2. Assessment of predicted Climate Change impacts on council business/function
3. Not understanding legislative changes due to predicted climate change impacts

Northern Territory

In the Northern Territory, CEOs ranked Climate Change considerably lower at ninth, compared to the national ranking of fourth.

Highest Ranking

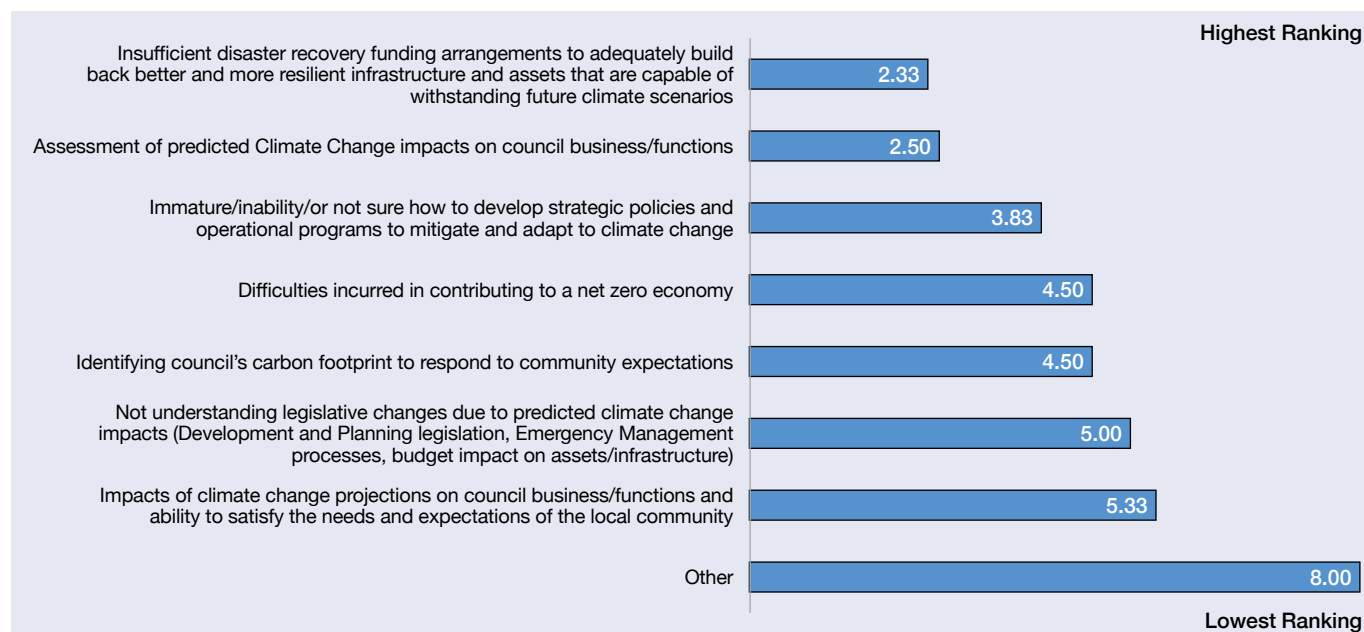| Factor	Value
Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that are capable of withstanding future climate scenarios	2.33
Assessment of predicted Climate Change impacts on council business/functions	2.50
Immature/inability/or not sure how to develop strategic policies and operational programs to mitigate and adapt to climate change	3.83
Difficulties incurred in contributing to a net zero economy	4.50
Identifying council's carbon footprint to respond to community expectations	4.50
Not understanding legislative changes due to predicted climate change impacts (Development and Planning legislation, Emergency Management processes, budget impact on assets/infrastructure)	5.00
Impacts of climate change projections on council business/functions and ability to satisfy the needs and expectations of the local community	5.33
Other	8.00

Lowest Ranking

Figure 12: Climate change and/or adaption average ranking of underlying factors 1-8

This difference may be due to their focus on addressing ongoing short-term challenges and/or given the NT's familiarity with extreme weather and catastrophic events that infrastructure and communities are resilient.

When reviewing the underlying reasons for this risk, 66.6% of respondents equally ranked the following two factors as the underlying reasons for this risk. The assessment of predicted climate change impacting on councils' business and functions was one of the concerns, along with insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that can withstand future climate scenarios.

The assessment of predicted climate change impacts on councils' business function was within the top two ranking for all councils. However, insufficient disaster recovery funding ranked in the top two for municipal and regional councils.

Western Australia

Western Australian council CEO/GMs placed the Climate Change risk fourth, in line with the national ranking

Highest Ranking

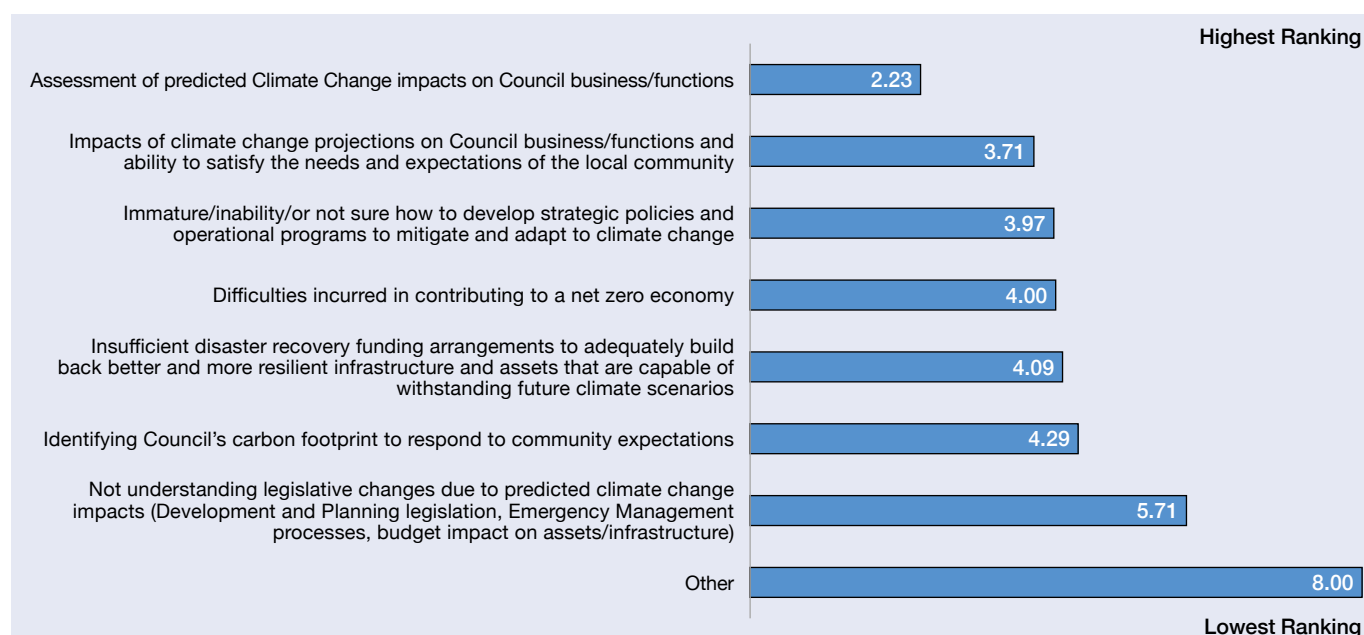| Factor	Value
Assessment of predicted Climate Change impacts on Council business/functions	2.23
Impacts of climate change projections on Council business/functions and ability to satisfy the needs and expectations of the local community	3.71
Immature/inability/or not sure how to develop strategic policies and operational programs to mitigate and adapt to climate change	3.97
Difficulties incurred in contributing to a net zero economy	4.00
Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that are capable of withstanding future climate scenarios	4.09
Identifying Council's carbon footprint to respond to community expectations	4.29
Not understanding legislative changes due to predicted climate change impacts (Development and Planning legislation, Emergency Management processes, budget impact on assets/infrastructure)	5.71
Other	8.00

Lowest Ranking

Figure 13: Climate change and/or adaption average ranking of underlying factors 1-8

60% of respondents noted the assessment of predicted climate change impacts on councils' business and functions as the leading concern for this risk. This reason was the highest ranking across all responding regions.

This ranking is critical considering WA's vulnerability to climate change, environmental and ecological risks, and the potential economic and social repercussions. Local government must prioritise strategies to address these risks and ensure their community's resilience and sustainability.

37% of respondents ranked insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets that can withstand future climate scenarios as the second most concern.

The underlying factor of insufficient disaster recovery funding arrangements for building resilient infrastructure and assets was ranked in the top three positions by metropolitan, regional, and rural/remote councils. This is likely due to WA's vulnerability to climate change-related natural disasters, limited recovery resources and budgets, and Council's understanding that resilient buildings are critical for ensuring their community's long-term sustainability and safety.

Climate change and its impacts on councils' business and functions are significant concerns for WA local governments. Assessing predicted climate change impacts and sufficient funding arrangements for disaster recovery and resilience building are crucial for addressing these risks. It is vital that WA local governments prioritise climate change adaptation and mitigation strategies to protect their communities and ensure their sustainable future.

South Australia

South Australian CEO/GMs ranked Climate Change as the sixth highest risk. This is relatively close to the national placement of fourth.

The assessment of predicted climate change impacts on councils' business and functions was ranked as the leading concern underpinning climate change, with over 61% of respondents placing it first.

Climate data and projections are key to assessing climate risk impact on councils' business and functions. With accurate data, councils can undertake accurate risk assessments, identify the impacts and develop risk management strategies to reduce exposure to liability risk.

The second most significant concern underpinning climate change was difficulties incurred in contributing to a net zero economy, as ranked by 38% of respondents. This was ranked in the top two positions across all regions.

South Australian councils are working towards a net zero economy, with notable progress in some areas. However, with Financial Sustainability as the top risk in the JLT Risk Report, this objective faces significant challenges.

Top three underlying factors for Climate Change/Adaption by region

CITY
1. Impacts of climate change projections on council/ meet community expectations.
2. Assessment of predicted Climate Change impacts on council business/function
3. Difficulties incurred in contributing to a net zero economy

METROPOLITAN
1. Impacts of climate change projections on council/ meet community expectations.
2. Assessment of predicted Climate Change impacts on council business/function
3. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets

REGIONAL CITY
1. Assessment of predicted Climate Change impacts on council business/functions
2. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
3. Inability to develop strategic policies and operational programs to mitigate and adapt to climate change

REGIONAL
1. Assessment of predicted Climate Change impacts on council business/function
2. Insufficient disaster recovery funding arrangements to adequately build back better and more resilient infrastructure and assets
3. Difficulties incurred in contributing to a net zero economy

REGIONAL/RURAL
1. Assessment of predicted Climate Change impacts on council business/function
2. Identifying Council's carbon footprint to respond to community expectations
3. Difficulties incurred in contributing to a net zero economy

5

DISASTER & CATASTROPHE

Unpredictable weather-related events and their profound impact on communities remain at the forefront of local government executives' agendas. Natural catastrophes/disasters and climate change consistently rank among the top three to five risks faced.

Unpredictable weather-related events and their profound impact on communities remain at the forefront of local government executives' agendas. Natural catastrophes/disasters and climate change consistently rank among the top three to five risks faced.

Australia continues to experience increased weather-related catastrophes, including extreme storm events, bushfires and floods. These are occurring with unprecedented frequency and severity and are exacerbated by unpredictable weather patterns.

82.65% of CEOs/GMs identified these extreme, unpredictable climate-related events as the leading contributing factor to the Disaster & Catastrophe risk.
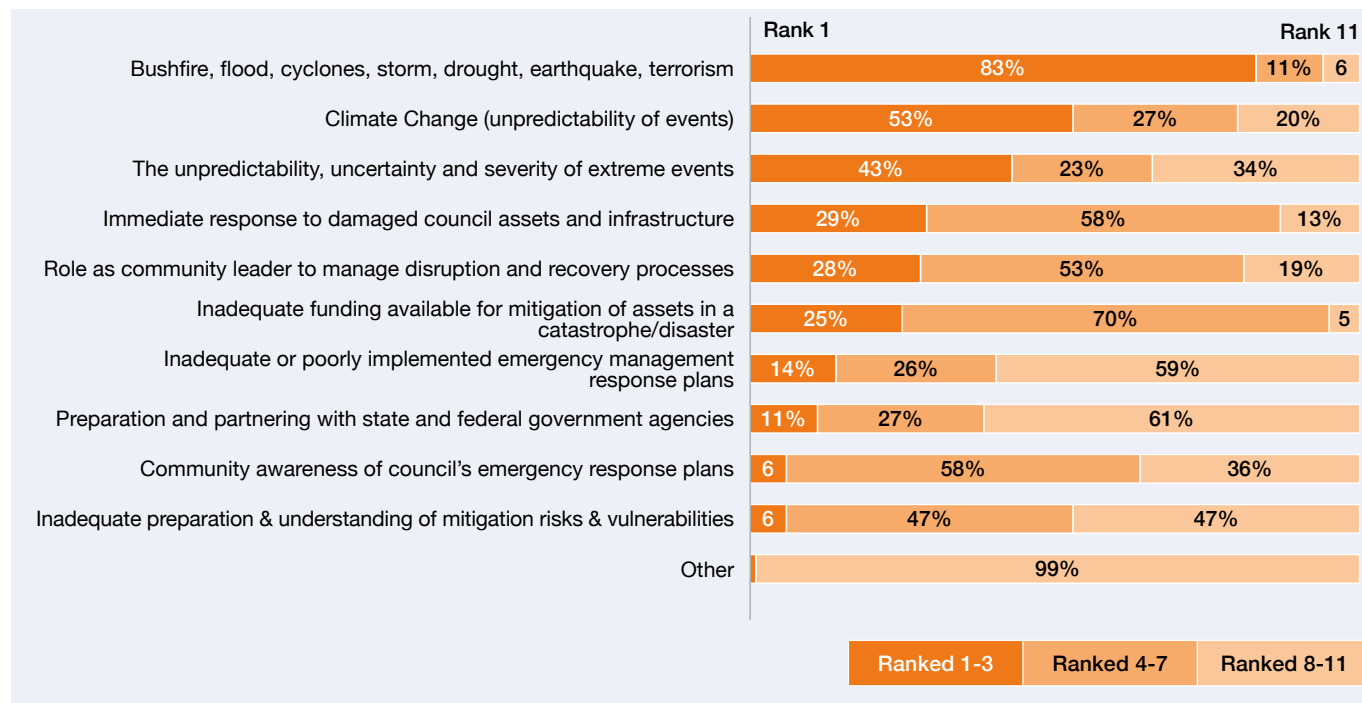

Figure 14: Disaster or Catastrophic Events National Risk Heat Map

This aligns with the 2024 World Economic Forum Global Risk Report findings, where world leaders ranked Extreme Weather events as the second most significant short-term risk (under two years) and the top risk over a longer term (10-year horizon).

In fact, 66% of respondents in this report identified Extreme Weather as the foremost global crisis risk, with El Niño's warming phase projected to intensify and persist into 2024.
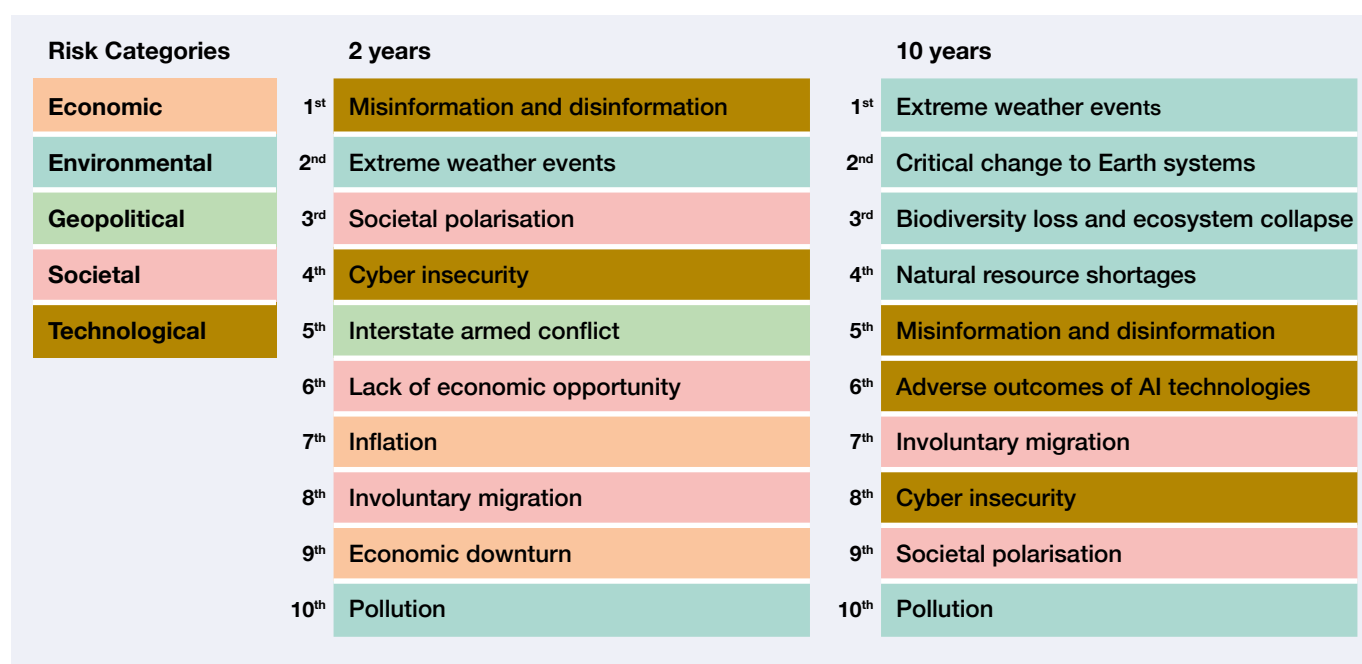
Risk Categories	2 years		10 years	
Economic	1st	Misinformation and disinformation	1st	Extreme weather events
Environmental	2nd	Extreme weather events	2nd	Critical change to Earth systems
Geopolitical	3rd	Societal polarisation	3rd	Biodiversity loss and ecosystem collapse
Societal	4th	Cyber insecurity	4th	Natural resource shortages
Technological	5th	Interstate armed conflict	5th	Misinformation and disinformation
	6th	Lack of economic opportunity	6th	Adverse outcomes of AI technologies
	7th	Inflation	7th	Involuntary migration
	8th	Involuntary migration	8th	Cyber insecurity
	9th	Economic downturn	9th	Societal polarisation
	10th	Pollution	10th	Pollution

Figure 15: Global risks ranked by severity over the short and long term
Source: World Economic Forum, Global Risks Perception Survey 2023-2024

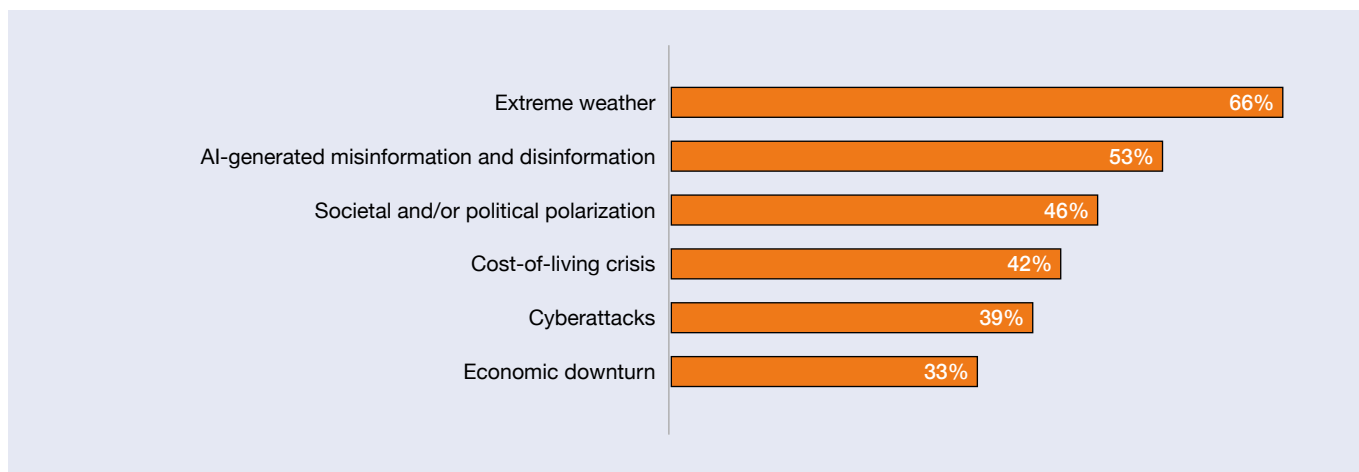|	
Extreme weather	66%
AI-generated misinformation and disinformation	53%
Societal and/or political polarization	46%
Cost-of-living crisis	42%
Cyberattacks	39%
Economic downturn	33%

Figure 16: Current risk landscape
Source: World Economic Forum, Global Risks Perception Survey 2023-2024

This finding aligns with the 2023 Allianz Risk Barometer,[13] which identified the major global business risks across 94 countries. Australia was the only country that rated Natural Catastrophes as its leading risk, followed closely by Business Interruption and Climate Change.

The Allianz Risk Barometer Global, Corporate & Specialty listed the top three risks in Australia as:

1. Natural catastrophes ↑

2. Business interruption ↓

3. Climate change ↑

Natural catastrophes are the new top risk, driven by events such as flooding, which resulted in the country's most costly natural catastrophes in 2022.

The findings from the Public Sector Survey aligns with the trend over the past five years, marked by high costs from such events. The Insurance Council of Australia reported the 2022 New South Wales/Southeast Queensland flood as the second largest insured event, with over 240,000 claims totalling $6 billion. This includes $3.4 billion in home property, $710 million in home contents and $304 million in personal motor claims.

These figures highlight the interconnected nature of the risks outlined in this report, emphasising Financial Sustainability as the leading risk.

When combining the high and medium priority rankings, 94.52% of councils consider the immediate response to damaged council assets and infrastructure as the most pressing underlying concern. This further underscores the link between catastrophic events, assets & infrastructure and the associated management and repair costs.

These findings highlight other concerns like the 'protection gap' – the discrepancy between total and insured losses. Low insurance coverage in communities and high hazard levels ensures disaster risk and business continuity, risks remain key priorities for local government. This protection shortfall presents insurers with an opportunity to bridge the gap, contributing to more resilient communities in vulnerable regions in the future.

The national rankings of the top three factors contributing to this risk show minimal regional differences.

Regions hit by disasters and catastrophes in the past five years may have at least one distinct factor, yet Climate Change consistently ranks second following specific events affecting metropolitan, regional city, regional and remote/rural communities, reflecting the significant impact these areas have faced.

The impact of natural disasters on local government owned or controlled assets is significant. Local governments are crucial in assisting communities post-disaster. Although government funding for roads and infrastructure repairs may be available to councils, accessing and consistently allocating them is challenging. Moreover, securing contractors for timely repairs is difficult in the current environment. This situation complicates meeting and managing community expectations.

To address these challenges, the Australian Government's National Action Plan, supported by the National Disaster Resilience Strategy, advocates for building resilience as the key solution to lessen the impacts of disaster risk.

Although local governments are increasingly overwhelmed by the capacity and capability to respond and recover from unprecedented natural hazards, the urgency to bolster national-level resilience appears to be diminishing. For 537 councils, response strategies under the National Action Plan must vary to align with local needs and state/national priorities, crucially evolving over time as natural hazards occur.

As these events become more frequent, local governments face increasing pressure to prioritise disaster risk investment despite other priorities. Such informed investment decisions aim to mitigate the impact of natural hazards on communities.

It's clear that more effective, efficient investment enhances the ability to measure and monitor Australia's resilience. And when applied with certainty, this approach promotes better governance and informed decision-making – and attracts targeted investment.

[13] Allianz Risk Barometer 2023, Natural catastrophes, business interruption and climate change are top business risks in Australia 2023

Measuring resilience is complex due to the varied challenges natural hazards pose to all stakeholders, including households, communities, organisations, businesses, insurers and local, state and national governments. Plus, resilience levels fluctuate with the changing impact of disasters, the effectiveness of mitigation investment, shifting vulnerabilities, and the varying resources available to respond.

Measuring national resilience against disaster risk reveals the competing interests of communities, local, state, national government, national security and national sustainability. It also offers evidence to question the protection gap, the assumed 'adequacy' of protection, and 'insurance' accessibility and availability. A detailed national understanding of Australia's strengths and vulnerabilities will enable timely and decisive action to prepare for future crises, whatever they may be.

To June 2024, 34 councils have participated in the National Local Government Vulnerability Program which collaborates across all levels of government and is fundamental to the National Action Plan.

Through this program, JLT has collected risk and profile data to develop and apply suitable risk transfer solutions that mitigate disaster impacts on built, natural, community/ social and financial environment in a form that enables better informed decision for disaster risk reduction investments.

Participating councils gain valuable insights into their vulnerability profile with access to national data sorted by council and region acquiring harmonised information that informs and strengthens community resilience.

Responding to the assumptions of adequate levels of protection and the accessibility and availability of insurance for disaster risk, insurance in its traditional form falls short, as cost and limited availability of 'solutions' drive consumers away from the market. This leads to more challenging responses for governments, councils and communities to natural hazards/disaster events.

A Community Catastrophe Mutual (CCM) a financial model where a local government area or region partners with its community, other government levels and the insurance sector could be an alternative solution.

Insurers continue to advocate strongly for mitigation measures that systemically reduce disaster risk, enabling balanced downward pressure on insurance premiums. Reducing disaster risks and costs requires collaboration, effective long-term planning and measured investment to better protect Australians.

A CCM model could be a viable solution, provided it meets local environments, expectations and specific community needs. It must also provide sustainable and financially stable disaster risk protection.

Having insights into each council's vulnerability profile shapes each council's strategic, financial and risk reduction planning. In line with the objectives of the National Action Plan, Strategy and Risk Reduction framework, all levels of government will utilise the NLGVP data for coordinated and better informed decision-making, ensuring investments in disaster risks are made effectively and efficiently.

This will bolster Australia's resilience, fostering a culture where all community members can access safety, assurance and prosperity.

Top ranking underlying factors for Disaster or Catastropic Event by State/Territory

NSW NT QLD SA VIC WA	Bushfire, flood, cyclones, storm, drought, earthquake, terrorism
TAS	Climate Change (unpredictability of events)

Top three underlying factors for Disastster/ Catastrophic Event by region

CITY

1. Inadequate funding available for mitigation of assets in a castrophe/disaster
2. Climate Change (unpredictability)
3. Bushfire, flood, cyclones, storm, drought, earthquake, terrorism

METROPOLITAN

1. Bushfire, flood, cyclones, storm, drought, earthquake, terrorism
2. Climate Change (unpredictability)
3. Unpredictability/uncertainty and severity of extreme events

REGIONAL CITY

1. Bushfire, flood, cyclones, storm, drought, earthquake, terrorism
2. Climate Change (unpredictability)
3. Immediate response to damaged council assets/ infrastructure

REGIONAL

1. Bushfire, flood, cyclones, storm, drought, earthquake, terrorism
2. Climate Change (unpredictability)
3. Unpredictability/uncertainty and severity of extreme events

REMOTE/RURAL

1. Bushfire, flood, cyclones, storm, drought, earthquake, terrorism
2. Climate Change (unpredictability)
3. Community awareness of council's emergency response plans

New South Wales

New South Wales respondents ranked the Disaster & Catastrophe risk fourth, one point higher than the national ranking. This is unsurprising, considering the events the state has faced over the past five years.
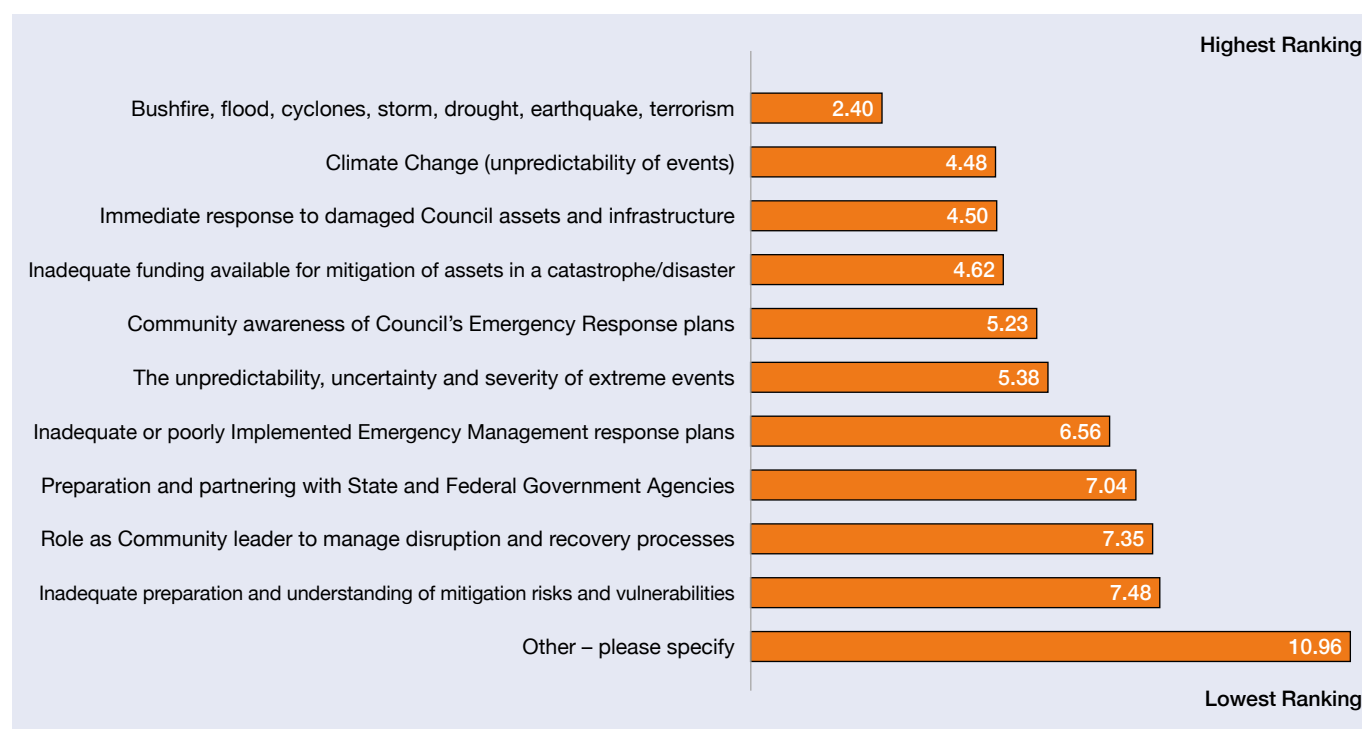

Figure 17: Disaster/Catastrophic Event Average Ranking for New South Wales of underlying factor 1-11

In line with the nationwide view, NSW council executives raised the threat of natural hazards like bushfires, floods, cyclones and storms as their primary concern.

This was especially true for regional councils, where 83% ranked it as a major concern compared to 60% of metropolitan councils. The frequent and severe storm-related flood events in the Northern Rivers and the Central West regions in recent years are likely to blame for this discrepancy.

50% of councils across the state identified climate change as a major concern, in line with the nationwide result. This highlights that many councils view climate change as the driving force behind rising natural catastrophic events. Climate change is viewed as an ongoing threat that could escalate the frequency and severity of these events.

Meanwhile, 40% of respondents raised the unpredictability, uncertainty and severity of extreme events as a major concern. This was slightly higher than the nationwide response of 39%.

Lack of funding poses a constant challenge for NSW councils, closely following this concern. 38% of NSW councils cite potential inadequate funding availability for disaster mitigation as a major threat, surpassing the national average of 32%.

This minor difference may be because some NSW councils received delayed and insufficient funding to assist with mitigating assets after catastrophes.

The rising frequency and severity of natural events in recent years has significantly impacted many NSW councils, heightening concerns about climate change and the potential lack of funds for mitigating assets after future catastrophic events.

Top three underlying factors for Disaster/ Catastrophic Event by region

METROPOLITAN
1. Bushfire, floods, cyclones etc.
2. Unpredictability, uncertainty and severity of extreme events
3. Climate Change

REGIONAL CITY
1. Bushfire, floods, cyclones etc.
2. Climate Change
3. Unpredictability, uncertainty and severity of extreme events

REGIONAL
1. Bushfire, floods, cyclones etc
2. Inadequate funding available for mitigation of assets
3. Climate Change

REMOTE/RURAL
1. Bushfire, floods, cyclones etc
2. Climate Change
3. Inadequate funding available for mitigation of assets

Northern Territory

This year, the Northern Territory ranked Disaster & Catastrophe tenth.

The ranking of concerns can be influenced by recent events or experiences in the Northern Territory. While some NT communities have been impacted by recent significant events such as floods and cyclones, they have not had catastrophic impacts to NT Councils therefore it's natural for CEOs to have other leading concerns.

It is important to note that risk rankings can fluctuate annually and by regions, influenced by each area's unique context, experience, and priorities. These significantly shape the perception of various risks

Queensland

Queensland respondents ranked Disaster & Catastrophe as the fourth highest risk, one point higher than the national ranking.

Queensland's Disaster & Catastrophe risk perspective aligns with the national view, prioritising the risk from exposure to natural or man-made hazards, followed by climate change impacts and the predictability of extreme events.

Interestingly, 92% of CEOs identified exposure to natural or manmade hazards as a high risk in Queensland compared with 82% of CEOs nationally, likely reflecting the state's higher frequency and exposure to natural disaster events in recent years.

Top three underlying factors for Disastster/ Catastrophic Event by region

METROPOLITAN
1. Climate Change
2. Bushfire, floods, cyclones etc.
3. Unpredictability/uncertainty and severity of extreme events

REGIONAL CITY
1. Bushfire, floods, cyclones etc.
2. Immediate response to damaged council assets & infrastructure
3. Inadequate funding available for mitigation of assets

REGIONAL
1. Bushfire, floods, cyclones etc
2. Climate Change
3. Unpredictability/uncertainty and severity of extreme events

REMOTE/RURAL
1. Bushfire, floods, cyclones etc
2. Community awareness of council's emergency response plans
3. Unpredictability/uncertainty and severity of extreme events

South Australia

South Australian CEO/GMs shared similar concerns as their interstate counterparts with the risk of bushfire, flood and the impact of extreme weather events as their principal concern. South Australia experienced significant bushfire events in 2020/21 on Kangaroo Island, Adelaide Hills and the South East region.

The River Murray floods in 2022/23 served as a stark reminder of the significant impact that flooding events can have on communities. These floods highlighted assets and infrastructure vulnerability and Council's exposure to such risks.

Managing community expectations after these bushfire and flooding events proved challenging. CEO/GMs reported that both private property and business owners were deeply affected by these events, particularly on Kangaroo Island and in the towns impacted by the River Murray flooding which rely heavily on tourism adding urgency and pressure to the recovery and restoration of critical assets and infrastructure. As such, meeting the expectations of the community, especially in terms of recovery and reinstatement efforts thats became a critical focus for councils in these areas.

Interestingly, SA regional CEO/GMs ranked the ability for councils to respond immediately to address damaged assets and infrastructure equally to council's exposure to extreme weather events. This highlights the dual challenge councils face in securing adequate funding and mobilising resources for the recovery process.

Top three underlying factors for Disastster/ Catastrophic Event by region

CITY
1. Inadequate funding available for mitigation of assets
2. Immediate response to damaged council assets & infrastructure
3. Inadequate or poorly implemented emergency response plans

METROPOLITAN
1. Bushfire, floods, cyclones etc.
2. Climate Change (unpredictability)
3. Unpredictability, uncertainty and severity of extreme events

REGIONAL CITY
1. Immediate response to damaged council assets and infrastructure
2. Bushfire, floods, cyclones etc
3. Climate change (unpredictability)

REGIONAL
1. Bushfire, floods, cyclones etc
2. Inadequate funding available for mitigation of assets
4. Climate change (unpredictability)

REMOTE/RURAL
1. Bushfire, floods, cyclones etc
2. Unpredictability, uncertainty and severity of extreme events
3. Climate Change (unpredictability)

Victoria

28% of Victorian CEO/GMs ranked Disaster & Catastrophe as a leading risk for their councils, placing it fifth, matching the national ranking.
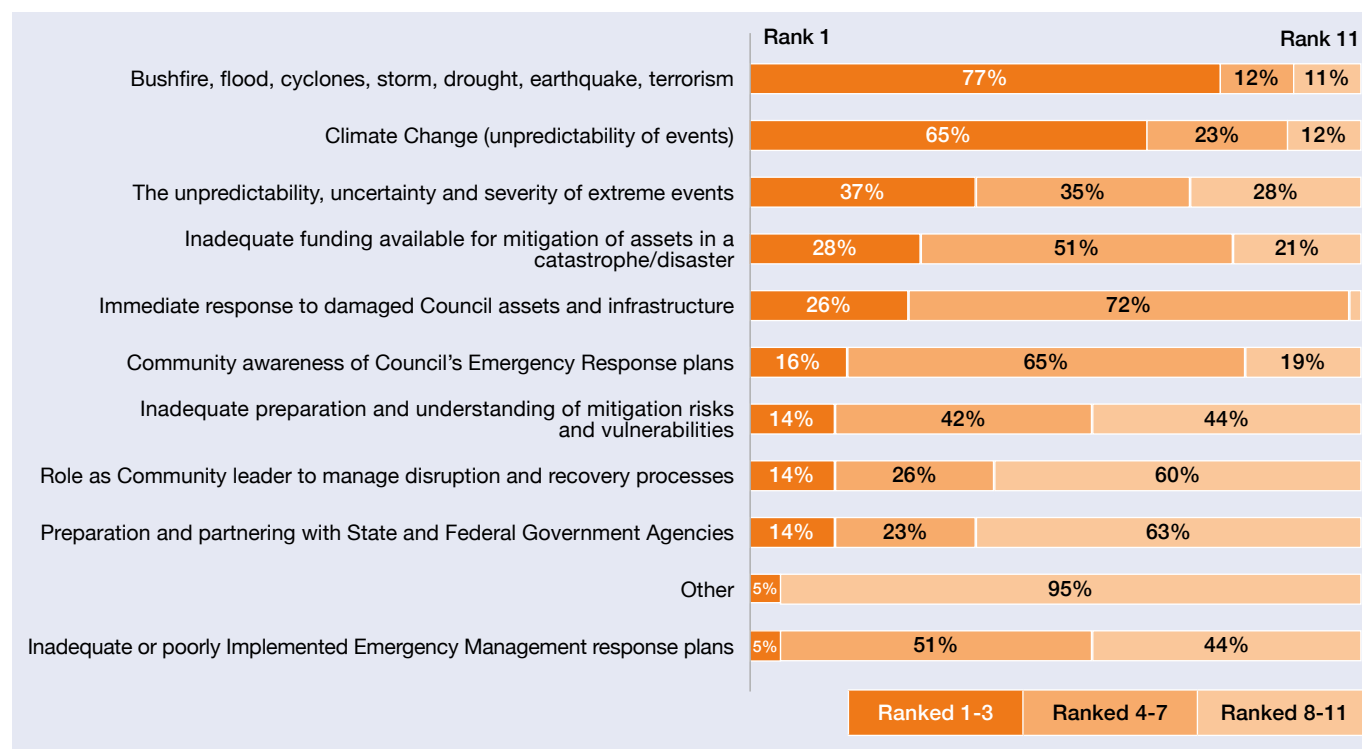

Figure 18: Disaster or Catastrophe Event, Victoria Risk Heat Map

This ranking likely follows the catastrophic flooding event in regional Victoria in 2022 and the extensive bushfire disaster that preceded it. Victoria's natural risk profile is particularly prone to bushfire and flooding events, though concern levels for these risks can vary by location, particularly among metropolitan councils.

Over 76% of respondents ranked bushfires, floods, cyclones as their primary concern for this risk. This ranking is likely linked with the second and third ranked concerns, with 65% of respondents ranking Climate Change as the second most pressing issue, followed by 37% who are concerned about the unpredictability, uncertainty and severity of extreme events.

Nearly 35% of respondents ranked the unpredictability of extreme events as a medium risk, nearly equal to the highest-ranking position. The summer of 2023/24 has proven the unpredictable nature of Victorian weather, with extreme heat, storms, flash-flooding and even a mini tornado affecting the state.

Interestingly, metropolitan councils ranked the unpredictability of natural events and climate change as their leading concern for this risk closely followed by bushfires, floods and cyclones etc. 90%-100% of regional city, regional and remote/rural regions ranked this as their leading concern.

Top three underlying factors for Disastster/Catastrophic Event by region

CITY
1. Inadequate funding available for mitigation of assets
2. Climate Change (unpredictability)
3. Unpredictability/uncertainty and severity of extreme events

METROPOLITAN
1. Unpredictability/uncertainty and severity of extreme events
2. Climate Change (unpredictability)
3. Bushfire, floods, cyclones etc

REGIONAL CITY
1. Bushfire, floods, cyclones etc
2. Climate Change (unpredictability)
3. Immediate response to damaged council assets and infrastructure

REGIONAL
1. Bushfire, floods, cyclones etc
2. Climate Change (unpredictability)
3. Inadequate funding available for mitigation of assets

REMOTE/RURAL
1. Bushfire, floods, cyclones etc
2. Climate Change (unpredictability)
3. Unpredictability/uncertainty and severity of extreme events

Tasmania

Disasters & Catastrophes ranked third among risks, with over 42% of Tasmanian CEO/GMs prioritising it.

In Tasmania, all respondents cited climate change and natural disasters such as bushfires, floods, cyclones as equal leading concerns for this risk, underscoring the acute awareness and vulnerability to weather-related perils. The island's unique natural environment contributes to an extremely high risk of bushfires and flooding in specific areas.
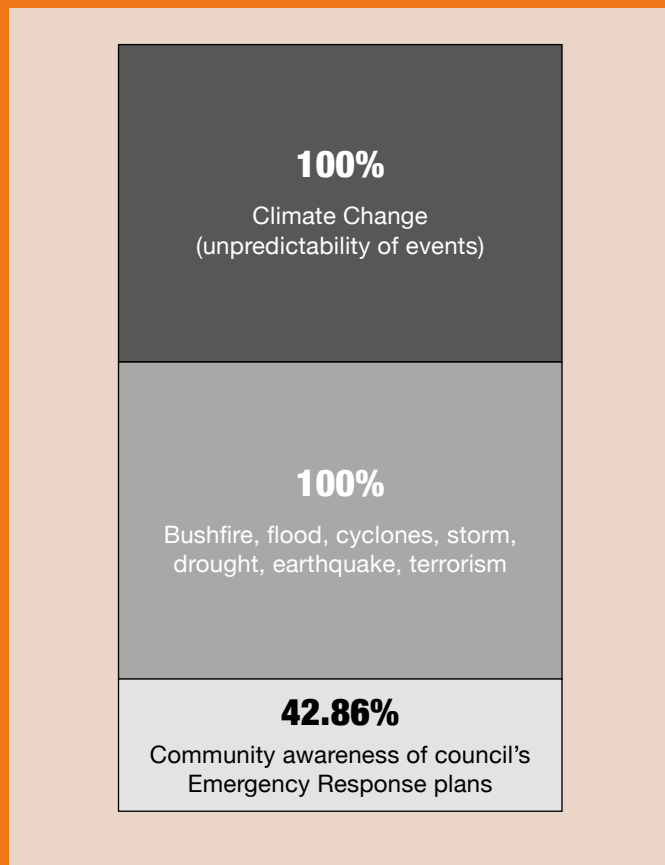
100%
Climate Change
(unpredictability of events)

100%
Bushfire, flood, cyclones, storm, drought, earthquake, terrorism

42.86%
Community awareness of council's Emergency Response plans

Figure 19: The top three underlying factors for this risk in Tasmania. This shows the percentage of councils that ranked each factor as high.

Top three underlying factors for Disastster/ Catastrophic Event by region

METROPOLITAN
1. Climate Change (unpredictability)
2. Bushfire, floods, cyclones etc.
3. Unpredictability/uncertainty and severity of extreme events

REGIONAL
1. Unpredictability/uncertainty and severity of extreme events
2. Climate Change (unpredictability)
3. Bushfire, floods, cyclones etc

REMOTE/RURAL
1. Climate Change (unpredictability)
2. Bushfire, floods, cyclones etc
3. Community awareness of council's Emergency Response plans

Western Australia

Western Australia aligned with the national ranking, placing Disaster & Catastrophe in fifth position, with 28% of respondents citing it as their leading risk. Meanwhile, 77% of respondents identified bushfires, floods, cyclones as the leading concern for this risk.

Regional city councils ranked this issue second, and regional and remote/rural councils ranked it as their top concern.

Natural disasters are becoming more frequent, reducing the recovery, planning and preparation time between incidents. This issue affects all WA local governments, but remote/rural councils are particularly susceptible to natural hazards (like bushfires, floods and cyclones) due to their geographical location and closeness to natural environments.

Resource availability also plays a crucial role. While all regional councils face challenges in resource allocation, larger regional centres often have better access to emergency services, funding and support from higher government levels. This improves their ability to manage and respond to disasters, resulting in less concern than rural areas with more limited resources and support.

Beyond the Disasters & Catastrophes concern, 51% of respondents identified climate change as their second highest concern, highlighting a direct link between these risks. Climate change exacerbates the frequency and intensity of natural disasters, a critical issue for WA local governments facing more frequent bushfires and coastal erosion due to rising sea levels.

Almost 49% of respondents identified community awareness of the council's emergency response plans as a leading concern, especially in regional and remote areas, where it was ranked among the top three concerns.

Local governments in these areas face distinct challenges in promoting community awareness of emergency response plans. Factors such as vast geographic distances, dispersed populations, limited resources, and unreliable internet and phone systems complicate effective communication with the community.

Top three underlying factors for Disastster/ Catastrophic Event by region

METROPOLITAN
1. Unpredictability/ uncertainty and severity of extreme events
2. Climate Change (unpredictability)
3. Bushfire, floods, cyclones etc.

REGIONAL CITY
1. Climate Change (unpredictability)
2. Bushfire, floods, cyclones etc
3. Inadequate funding available for mitigation of assets

REMOTE/RURAL
1. Bushfire, floods, cyclones etc
2. Climate Change (unpredictability)
3. Community awareness of council's emergency response plans

REMOTE/RURAL
1. Bushfire, floods, cyclones etc
2. Climate Change (unpredictability)
3. Community awareness of council's emergency response plans

The shift from the term 'Human Resources' to 'People and Culture' reflects a broader shift in the mindset of organisations. This change in language signifies a departure from viewing employees solely as resources to recognising them as vital contributors to the identity of local governments.

6 PEOPLE & CULTURE

People and Culture represents a commitment to fostering an inclusive and collaborative workplace. It acknowledges that individuals are integral to driving innovation and a positive organisational ethos. This rebranding reflects a modern perspective on work, is aligned with the terminology used in the private sector and emphasises valuing individuals.

Despite ranking fifth, People and Culture has progressed two places. Councils have recognised the connection between their human resources and the culture of the organisation, which intertwines with many other risks.

When a significant event occurs, employees are stretched to their capacity to manage operational requirements while either preparing or recovering from the event. How this is addressed can impact the reputation and governance for a council and this therefore demonstrates the importance of People and Culture in supporting the workforce. Councils that have a strong culture and resilient workforce unsurprisingly can move past a significant event and resume normal operations sooner.

There were two main underlying issues identified within People and Culture, with their perceived importance varying between metropolitan and regional local governments. Metropolitan councils expressed their primary concern for their limited capacity to attract and retain professional staff. Meanwhile, regional areas noted managing a remote workforce as the number one challenge, with attracting staff followed closely behind.

Figure 20: People & Culture National Risk Heat Map

The limited capacity to attract and retain professional staff, coupled with inadequate employee numbers, can profoundly impact local government. This shortfall can jeopardise operational efficiency, hindering the completion of tasks and projects.

The inability to attract and retain qualified staff can lead to constant turnover, which disrupts institutional knowledge and continuity. This places undue strain on existing employees, potentially resulting in burnout and decreased morale. The consequence of the inability to attract and retain a qualified workforce impedes day-to-day operations and undermines the capacity to adapt, innovate, continuously improve and thrive in local government.

With heightened expectations on working from home, there are unique challenges in managing a remote workforce. Maintaining team cohesion, monitoring productivity and addressing communication gaps become more complex. Balancing flexibility with accountability is crucial, as is providing adequate support to ensure employee wellbeing and sustained performance in a virtual work landscape. Employers must also accommodate for the services that are not always available in remote communities. As such, transparent processes in managing these risks will contribute to a more resilient workforce and cultivate a positive relationship between leaders and employees.

Interestingly, the underpinning factor of rapidly increasing employment market costs and compliance with employee work, health and wellbeing regulations ranked similarly across all regions. Wage pressure and competing with private sector offerings are a concern, as is the ongoing handling of workers' compensation matters.

Competing with wage variations between local government and the private sector will always be challenging, as salaries are determined differently. Private sector wages are often influenced by market demand and competition, leading to potential fluctuations. However, local government wages can be more stable, as they reflect public sector policies and enterprise agreements, which impact salary scales and overall compensation structures.

Efficiently handling workers' compensation claims in Australia continues to be essential for both employers and employees. It guarantees prompt and equitable assistance for injured workers, supporting their recovery. Sound management minimises financial strain on councils by returning injured workers earlier and improving the sense of belonging. Several studies have shown that prioritising and valuing injured workers has a significant impact in decreasing in return-to-work timeframes.

By viewing these concerns holistically, we can see how ineffective People and Culture is one of the greatest risks moving forward and this is reflected in the higher ranking this year. Appropriate leadership and developing strategies to obtain, maintain and develop individuals into long-serving employees is more critical than ever.

Top ranking underlying factors for People & Culture by State/Territory

NSW QLD SA VIC WA	Limited capacity to attract and retain professional staff
NT	Inadequate employee numbers
TAS	Compliance with employee health, safety and wellbeing regulation

Top three underlying factors for People & Culture by region

CITY
1. Rapidly rising employment market costs
2. Limited capacity to attract and retain professional staff
3. Compliance with employee health, safety & wellbeing regulation

METROPOLITAN
1. Rapidly rising employment market costs
2. Compliance with employee health, safety & wellbeing regulation
3. Limited capacity to attract and retain professional staff

REGIONAL CITY
1. Inadequate employee numbers
2. Limited capacity to attract and retain professional staff
3. Rapidly rising employment market costs

REGIONAL
1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Rapidly rising employment market costs

REMOTE/RURAL
1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Compliance with employee health, safety & wellbeing regulation

Queensland

Like the rest of Australia, Queensland councils are struggling to attract and retain employees. In comparison to the national view, a larger percentage of CEOs ranked the top two risks to People and Culture as high or medium risk. This suggests that Queensland's employment market may be more challenging than other states.

Indeed, addressing these risks in the context of local government is incredibly complex. Successfully navigating these challenges will require sustained focus, innovation and state government support.

Top three underlying factors for People & Culture by region

METROPOLITAN
1. Limited capacity to attract & retain professional staff
2. Workplace safety – protection from community & the psychological impact
3. Compliance with employee health, safety and wellbeing regulation

REGIONAL CITY
1. Inadequate employee numbers
2. Workplace safety – protection from community and the psychological impact inadequate employee numbers
3. Limited capacity to attract & retain professional staff

REGIONAL
1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Compliance with employee health, safety and wellbeing regulation

REMOTE/RURAL
1. Inadequate employee numbers
2. Limited capacity to attract and retain
3. Managing staff productivity and performance

Northern Territory

In the Northern Territory, CEOs ranked People and Culture as the fifth risk, which is one point above the national ranking.

Figure 21: People & Culture Average Ranking of underlying factors in Northern Territory 1-10

The leading reasons for this risk were inadequate employee numbers and limited capacity to attract and retain professional staff. In fact, 83% of respondents ranked these as the top concerns.

When comparing the rankings between capital cities and regional councils, inadequate employee numbers were graded first or second by capital cities, while regional cities positioned this sixth.

Capital cities ranked limited capacity to attract and retain employees eighth while regional city and regional councils placed this second.

Tasmania

In Tasmania, People and Culture was not considered a high risk, ranking eleventh compared to its sixth national ranking.

The reasons behind this risk in Tasmania include compliance with employee health and wellbeing regulations, rapidly rising employment market costs and the challenges of managing a remote workforce with increased expectations of workplace flexibility arrangements. These three factors ranked equally as the top reasons agreed upon by 57% of respondents. It is worth noting that the medium to low rankings for these reasons were the same.

Nearly 43% of respondents ranked inadequate employee numbers as the second highest concern underpinning this risk. This was cited as a leading concern for metropolitan councils equalling the three above concerns. It was also ranked first by regional councils. However, it didn't receive a high ranking by rural and remote councils, indicating a sound medium ranking.

These results underscore the challenges encountered by Tasmanian councils in attracting and retaining quality staff. Tasmania has been a 'confined talent pool' for many years, and considering the cost-of-living crisis, councils have struggled to match the private sector to secure high level talent.

Top three underlying factors for People & Culture by region

METROPOLITAN
1. Inadequate employee numbers
2. Rapidly rising employment market costs
3. Compliance with employee health, safety and wellbeing regulation

REGIONAL
1. Rapidly rising employment market costs
2. Limited capacity to attract and retain professional staff
3. Inadequate employee numbers

REMOTE/RURAL
1. Compliance with employee health, safety and wellbeing regulation
2. Challenges of managing a remote workforce with increased expectation of WFH arrangements
3. Rapidly rising employment market costs

New South Wales

Among New South Wales respondents, People and Culture ranked sixth – agreed upon by 21% of respondents and aligned with the national ranking.

Nearly 60% of respondents identified the limited capacity to attract and retain professional staff as the primary reason for this risk. Many councils operate under stringent budgets, which impacts their ability to offer competitive remuneration compared to other tiers of government or the private sector.

In rural areas, the situation is further complicated by the shortage of specialised positions. Rural workers often need to wear multiple hats and adopt various responsibilities, which can be daunting to candidates and deter them from working in regional locations.

Local government's political nature can present challenges for individuals from corporate backgrounds who are unfamiliar with the unique processes and requirements involved. Furthermore, it's not always perceived as exciting or rewarding compared to other sectors. This perception can be influenced by negative portrayals in the media or on social media platforms. It is important to note that these impressions do not always reflect the reality of working in local government.

In metropolitan, regional and rural/remote areas, this issue ranked second, while in regional cities it ranked fifth. Typically, regional city councils are large enough to attract public sector candidates, but not enough corporate talent. They strike the right balance of incorporating a greater job scope and remuneration compared to city, regional and rural councils.

Regional cities can often access quality health and education services and are close to airports and other essential facilities. This allows residents to enjoy the benefits of city life while living in a quieter environment. It also provides great flexibility for professionals to travel to major cities for work or personal reasons.

This issue was closely followed by rapidly rising employment market costs, which nearly 56% of respondents ranked second.

Top three underlying factors for People & Culture by region

METROPOLITAN
1. Rapidly rising employment market costs
2. Limited capacity to attract and retain professional staff
3. Compliance with employee health, safety and wellbeing regulation

REGIONAL CITY
1. Rapidly rising employment market costs
2. Compliance with employee health, safety and wellbeing regulation
3. Inadequate employee numbers

REGIONAL
1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Rapidly rising employment market costs

REMOTE/RURAL
1. Limited capacity to attract and retain professional staff
2. Rapidly rising employment market costs
3. Inadequate employee numbers

Victoria

In Victoria, nearly 14% of CEO/GMs ranked this risk seventh, which is lower than the national ranking of sixth.

58% of respondents identified the limited capacity to attract and retain professional staff as the primary reason for this risk. This reason was ranked the highest by regional and rural/remote councils. Metropolitan and regional city councils ranked this third, while capital city councils placed it ninth. This might reflect the COVID-19 sea or tree change that many Victorians made. Now, several years on, evidence reveals growth is declining in regional areas as many people return to metropolitan hubs.

Nearly 49% of CEO/GMs ranked inadequate employee numbers as the second highest concern. This issue was particularly significant in regional city and regional councils, where they ranked highly. The other regions placed this in the middle.

This further supports the notion that councils' financial stability is hindering their ability to attract and retain staff in a highly inflationary environment. The private sector has been offering higher wages for a while. Yet many councils particularly regional ones do not have the resources to compete for talent.

46% of respondents ranked compliance with employee health, safety and wellbeing regulations, as well as rapidly rising employment market costs as equal third reasons for this risk. All regions ranked these two concerns in the top five. These results indicate the increasing burden of employee mental health related complaints and wellbeing issues since the COVID-19 pandemic. These are major issues in the WorkSafe claims within the sector and we're likely to see increases in these issues by approximately 40% across local government for many years.

| 58.41% |
| Limited capacity to attract and retain professional staff |

| 48.84% |
| Inadequate employee numbers |

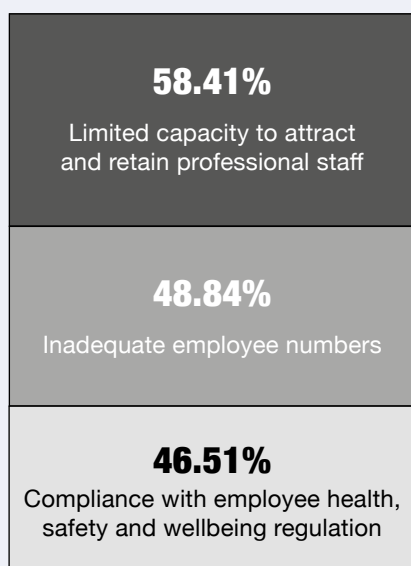| 46.51% |
| Compliance with employee health, safety and wellbeing regulation |

Figure 22: The top three underlying factors for this risk in Victoria. This shows the percentage of councils that ranked the respective factor as high.

Top three underlying factors for People & Culture by region

CITY

1. Rapidly rising employment market costs
2. OHS & PWHS fines & penalties
3. Compliance with employee health, safety and wellbeing regulation

METROPOLITAN

1. Workplace safety – protection from community & the psychological impact
2. Compliance with employee health, safety and wellbeing regulation
3. Limited capacity to attract and retain professional staff

REGIONAL CITY

1. Inadequate employee numbers
2. Challenges of managing a remote workforce with increased expectation of WFH arrangements
3. Limited capacity to attract and retain professional staff

REGIONAL

1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Compliance with employee health, safety and wellbeing regulation

REMOTE/RURAL

1. Limited capacity to attract and retain professional staff
2. Rapidly rising employment market costs
3. Compliance with employee health, safety and wellbeing regulation

Western Australia

28% of respondents ranked People and Culture in sixth position, aligning with the national ranking.

The survey results revealed that the limited capacity to attract and retain professional staff is a leading concern for local government CEOs in Western Australia, with 65% ranking it as the top issue. This challenge arises from factors such as competition for talent, limited resources, geographic location, workload demands, limited training opportunities and work perceptions. These factors make it difficult for local governments to attract and retain skilled professionals, leading to challenges in delivering effective services and implementing projects.

The concern of inadequate employee numbers is particularly pronounced in regional and rural/remote local governments. This is attributed to factors such as a limited pool of professionals, geographic isolation, lack of infrastructure, limited professional development opportunities and challenges in maintaining work-life balance. To tackle these issues, we need targeted strategies, including offering competitive remuneration, providing professional development opportunities, improving infrastructure and highlighting the unique benefits of working in regional and rural/remote areas.

In summary, the challenges in attracting and retaining professional staff pose a risk to the people and culture of WA local governments. Factors such as limited capacity, competition for talent, limited resources, geographic location, workload demands, and negative perceptions contribute to this risk. Inadequate staffing levels can lead to decreased productivity and service delivery delays. To mitigate this risk, local governments need to offer competitive remuneration, implement targeted recruitment strategies, invest in professional development, address work-life balance and promote the positive aspects of working in the public sector. These measures will help ensure a skilled and engaged workforce to effectively serve the community.

Top three underlying factors for People & Culture by region

METROPOLITAN

1. Workplace safety – protection from community & the psychological impact
2. Rapidly rising employment market costs
3. Compliance with employee health, safety and wellbeing regulation

REGIONAL CITY

1. Managing staff productivity & performance
2. Rapidly rising employment market costs
3. Workplace safety – protection from community & the psychological impact

REGIONAL

1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Managing staff productivity & performance

REMOTE/RURAL

1. Limited capacity to attract and retain professional staff
2. Inadequate employee numbers
3. Rapidly rising employment market costs

South Australia

In South Australia, 34% of CEOs/GMS ranked People and Culture as the fourth highest risk two points above the national ranking. Among the respondents, 62% identified the limited capacity to attract and retain professional staff as the primary reason for this risk. This concern was placed in the top two positions by all regions in South Australia.

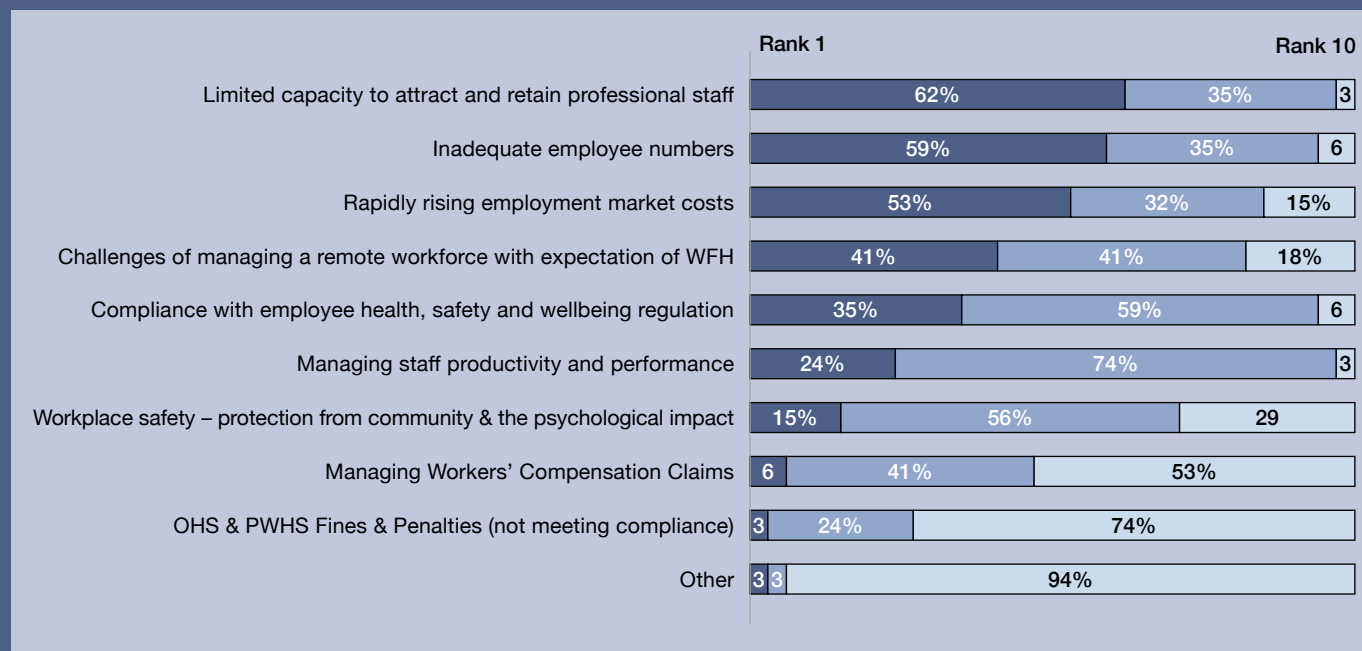|	Rank 1		Rank 10
Limited capacity to attract and retain professional staff	62%	35%	3
Inadequate employee numbers	59%	35%	6
Rapidly rising employment market costs	53%	32%	15%
Challenges of managing a remote workforce with expectation of WFH	41%	41%	18%
Compliance with employee health, safety and wellbeing regulation	35%	59%	6
Managing staff productivity and performance	24%	74%	3
Workplace safety – protection from community & the psychological impact	15%	56%	29
Managing Workers' Compensation Claims	6	41%	53%
OHS & PWHS Fines & Penalties (not meeting compliance)	3	24%	74%
Other	3 3		94%

Figure 23: People & Culture South Australia risk heat map

Additionally, nearly 59% of CEOs/GMs ranked inadequate employee numbers second. This was the leading reason for rural/remote councils, as other states placed it in the top four positions.

According to the Australian Local Government Association's 2022 report on Workplace Skills & Capability, South Australian executives identified the key drivers of skills shortages as:

- Pandemic border closures and the subsequent impact on skilled workers

- Depth of the labour market and Local Government competing for talent with the private industry

- Budgetary constraints

- Lack of employment opportunities for spouses in regional areas

- Providing fixed-term contracts, with applicants seeking longer-term security

- Challenges of competing against major infrastructure projects for labour.

Rapidly rising employment market costs was cited as the third factor underpinning this risk, as determined by 53% of respondents. South Australian regional councils were heavily impacted by the strong performance of the mining and agriculture sectors, resulting in losing key staff to the private industry. Councils have struggled to compete with salaries in the private sector. It's also been difficult to secure affordable housing to attract candidates to regional areas.

7

BUSINESS CONTINUITY PLANNING

Over the past year, the world has faced a multitude of challenges, with some disruptions occurring simultaneously, leaving organisations and communities with little time to recover. Local government in Australia also felt the weight of these difficulties.

Spurred by various events, councils experienced substantial business interruptions. These included post-COVID19 events, the succession of severe and frequent natural disasters and escalation in incidents or threats of cyberattacks. Many councils faced these tragic events from 2021 to 2023. The disruptions greatly impacted local government authorities operations and finances.

Seemingly distant global events (e.g. supply chain and geopolitical events) have also impacted Australian businesses and communities, including those in regional areas. These events placed additional pressure on councils, resulting in their inability to deliver services.

The most direct impact on local government has been financial. Every disaster or interruption changes priorities, with resources being redirected towards repairs and recovery efforts. As local government's main source of income is continuously strained due to dealing with disruption shocks the gap between what can be accomplished and what needs to be done widens.
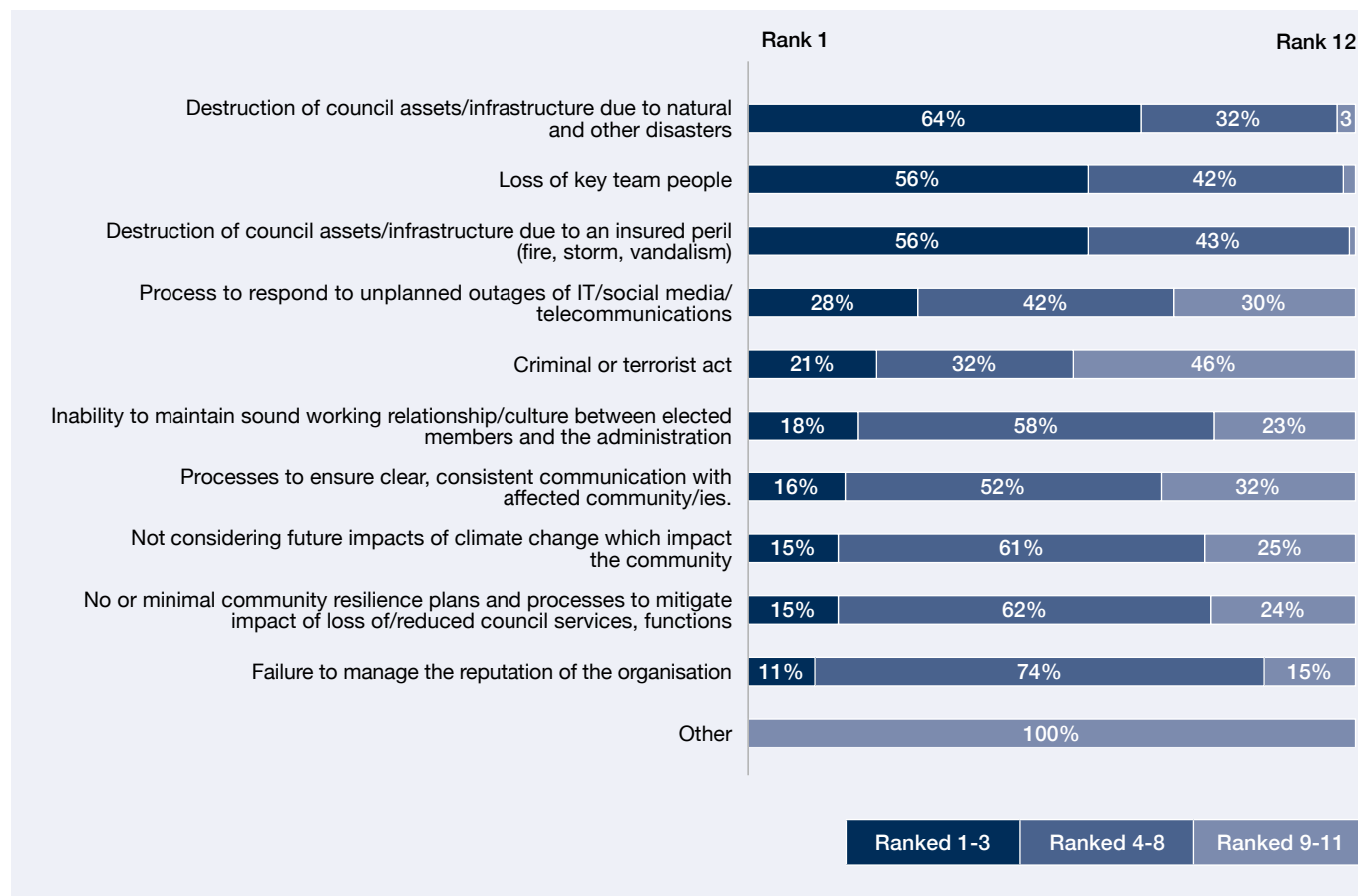

Figure 24: Business Continuity Planning National Risk Heat Map

Since 2018, natural disaster impacts have consistently ranked among the top five concerns. This is attributed to the compounded natural disaster events (e.g. bushfires, severe storms and floods) occurring in the same regions – sometimes within days of each other. In the 2023 Risk Survey, this disruption ranked as the top business continuity planning risk at 26.48%.

The financial cost associated with disaster events amounts to billions of dollars, and the visible remnants of these events can be observed in assets waiting repair or replacement. In addition to the monetary costs, there is also the immeasurable emotional and wellbeing tax on communities, families and individuals, which will have enduring effects for years to come.

The Loss of Key People ranks as the second highest factor for business continuity planning. Although this aspect is experienced by all organisations and businesses, the survey results indicate that regional councils regard it as the leading factor (21%) impacting their business continuity capabilities.

The above concerns directly effect the business continuity capability on various levels. They range from losing key people, which compromises effective decision-making and resourcing, to losing premises to operate from. While organisations have adapted and perfected the working-from-home arrangements, many essential council services rely on specific facilities to deliver what are often critical services such as water, sewer and waste management.

The lessons learned from the impact of COVID-19 have prompted organisations to embrace a more agile approach. As a result, information technology experts have furnished councils with an unprecedented level of workforce flexibility. This advancement has alleviated concerns councils may have regarding certain operations, as many can be swiftly restored through remote working arrangements.

However, technology cannot solve every business continuity impact nor costs of rebuilds or repairs from asset destruction. Understandably, financial sustainability is the leading national concern.

In an uncertain situation like a disaster event, it is essential to have the right individuals with the necessary expertise to plan and strategise a path towards recovery.

It is considered best practice for organisations to proactively plan for such events to minimise the impact. This involves having a documented framework and set of recovery strategies and operational workarounds that are sound, current, reliable and logical. These plans need to provide clear guidance and high-level strategies that are dynamic enough to be effectively implemented in any major circumstance. A well-crafted business continuity plan can provide the right framework for decision-making and instil confidence in people by establishing a structured approach. This can only be achieved if the framework is effective, fit for purpose and involves the active participation and commitment of the organisation's top management.

To address the concern of the potential loss of key people, councils can implement practical measures to create redundancy within the organisation. Strategically, organisations should ensure there are alternate personnel who can step into key decision-making roles in the event of a major disruption. Operationally, councils can create redundancy by ensuring that all critical business services have sufficient personnel who are cross-skilled and qualified to assume other positions. Additionally, documenting clear recovery strategies for these personnel will further enhance preparedness and resilience.

Implementing a well-structured business continuity management framework and ensuring personnel are well-trained and are confident to step into their assigned roles. This will ensure an effective and timely recovery from a major disruption, significantly minimising its impact. When an organisation demonstrates this level of resilience, it not only instils confidence in its people but also the trust of the community it serves.

The level of complexity, frequency and severity of disruptions have become commonplace. Considering this, it is more important than ever for organisations to recalibrate and plan for a new comprehensive approach to managing significant disruptions. This approach should be holistic and consider the new scale of 'worst case' scenarios and provide an efficient and effective method for responding and recovering from major complex disruptions. Additionally, it must prioritise collaboration, which involves working closely with state and federal levels of government, the community, the private sector, and neighbouring councils. This unified effort will help develop broader recovery plans, secure funding and implement measures that will support their communities.

Top ranking underlying factors for Business Continuity by State/Territory

NSW QLD SA VIC	Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)
NT WA	Loss of key team people
TAS	Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)

Top three underlying factors for Business Continuity Planning by region

CITY
1. Destruction of council assets/infrastructure due to disasters
2. Loss of key team people
3. Destruction of council assets/infrastructure due to an insured peril

METROPOLITAN
1. Loss of key team people
2. Destruction of council assets/infrastructure due to disasters
3. Destruction of council assets/infrastructure due to an insured peril

REGIONAL CITY
1. Destruction of council assets/infrastructure due to disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Loss of key team people

REGIONAL
1. Loss of key team people
2. Destruction of council assets/infrastructure due to disasters
3. Destruction of council assets/infrastructure due to an insured peril

RURAL/REGIONAL
1. Destruction of council assets/infrastructure due to disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Loss of key team people

New South Wales

In the rankings, NSW placed Business Continuity Planning in seventh position, which is consistent with the national level ranking. Although only 21% of respondents viewed it as a high risk, it is important to highlight that nearly 54% considered it as a medium risk.

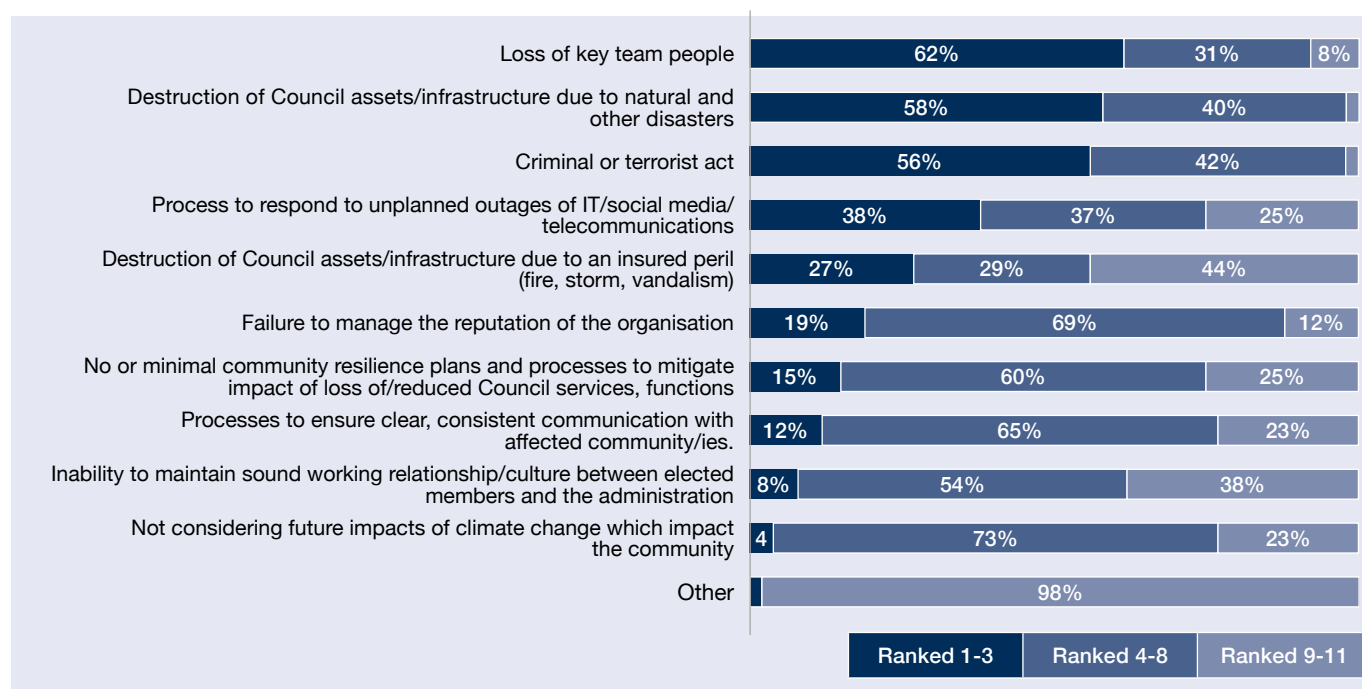|	Ranked 1-3	Ranked 4-8	Ranked 9-11
Loss of key team people	62%	31%	8%
Destruction of Council assets/infrastructure due to natural and other disasters	58%	40%	
Criminal or terrorist act	56%	42%	
Process to respond to unplanned outages of IT/social media/telecommunications	38%	37%	25%
Destruction of Council assets/infrastructure due to an insured peril (fire, storm, vandalism)	27%	29%	44%
Failure to manage the reputation of the organisation	19%	69%	12%
No or minimal community resilience plans and processes to mitigate impact of loss of/reduced Council services, functions	15%	60%	25%
Processes to ensure clear, consistent communication with affected community/ies.	12%	65%	23%
Inability to maintain sound working relationship/culture between elected members and the administration	8%	54%	38%
Not considering future impacts of climate change which impact the community	4	73%	23%
Other		98%	

Figure 25: Business Continuity Planning NSW Risk Heat Map

Nearly 62% of respondents identified the destruction of council assets as the primary factor for this risk. This factor was particularly prominent in metropolitan, regional, and remote/rural areas.

The lack of preparedness and the outdated nature of existing assets, which were not designed to withstand the disasters of the 21st century, is a growing concern for councils. It is necessary to futureproof these assets, but this comes with significant costs that need to be allocated appropriately. Retrofitting older assets, particularly those with heritage listing, presents challenges in NSW, as it is difficult to strike a balance between heritage requirements with the needs of business continuity planning.

While councils demonstrate competence in emergency preparation and response, there may be a lack of comprehensive plans in place. It is crucial to focus on prevention and proactive measures. Additionally, it is also important to consider the other risks that contribute to business continuity, as it is not solely about the Business Continuity Plan itself.

Many councils have assets located in flood-prone or bushfire-prone areas, which further complicates the management of council services and land.

58% of respondents identified the loss of key personnel as a significant contributing factor to the management of business continuity. This concern was particularly notable in metropolitan, regional, and remote/rural councils, where it ranked among the top two concerns.

Whilst experiencing a disaster, the loss of key personnel can have a substantial impact. Local Emergency Management Officers (LEMOs) and council staff involved in business continuity planning may also be responsible for managing local emergencies. The unavailability of key staff during an event can impede response efforts. Also, the rotation of staff and the ongoing need to train and maintain their present additional challenges, as continuity may be disrupted when new personnel join the organisation.

The adoption of communication tools like Zoom has enhanced communication capabilities, and councils are embracing these opportunities to strengthen their business continuity efforts.

Top three underlying factors for Business Continuity Planning by region

METROPOLITAN

1. Destruction of council assets/infrastructure due to an insured peril
2. Loss of key team people
3. Process to respond to unplanned outages of IT/ social media/telecommunications

REGIONAL CITY

1. Destruction of council assets/infrastructure due to disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Criminal or terrorist act

REGIONAL

1. Loss of key team people
2. Destruction of council assets/infrastructure due to disasters
3. Failure to manage the reputation of the organisation

REMOTE/RURAL

1. Destruction of council assets/infrastructure due to disasters
2. Loss of key team people
3. Destruction of council assets/infrastructure due to an insured peril

Queensland

In Queensland, Business Continuity Planning was ranked fifth, which is two points higher than the national ranking of seventh.

The most significant factor for business continuity in Queensland is the damage to infrastructure or assets from natural hazards or insured perils such as a fire, storm or vandalism event. This is due to the frequency of disasters that have impacted Queensland councils in the past five years, where many councils have struggled to recover before another event occurred.

This factor is followed by the loss of key personnel. This reason was consistent with the national view, emphasising the fundamental similarities between council operations and business interruption risk in an event.

Top three underlying factors for Business Continuity Planning by region

METROPOLITAN
1. Destruction of council assets/infrastructure due to natural and other disasters
2. Process to respond to unplanned outages of IT/ social media/telecommunications
3. Loss of key team people

REGIONAL CITY
1. Destruction of council assets/infrastructure due to natural and other disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Process to respond to unplanned outages of IT/ social media/telecommunications!

REGIONAL
1. Destruction of council assets/infrastructure due to natural and other disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Loss of key team people

REMOTE/RURAL
1. Destruction of council assets/infrastructure due to natural and other disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Loss of key team people

Northern Territory

In the Northern Territory, Business Continuity Planning was ranked as the second highest risk by 37% of CEOs. This is five positions higher than the national average. Operating in a lean environment poses a challenge for most NT councils. Despite this, councils remain committed to maintaining business continuity, and take pride in their ongoing response to disruptive events.

The primary factor contributing to this ranking is the loss of key personnel, with 83% of respondents ranking it as their top concern. This result was particularly pronounced among regional councils, where 100% of respondents ranked it as their number one concern.

Tasmania

Business Continuity Planning was ranked second with 71% of councils considering it as the second leading risk for the state. This significant risk for the state could be attributed to the challenges faced by councils in accessing trades and reinstating services. While planning efforts are robust, the difficulty lies in obtaining the necessary resources to support when an event occurs, and rebuilding becomes necessary.

The above is reinforced by the fact 100% of respondents placed the destruction of council assets or infrastructure due to insured peril as the leading reason for this placement. As mentioned earlier, the lead times for trades and resources can extend beyond three years before rehabilitation works can begin, and this effects business continuity planning for future events. Regardless of the region of the council, all ranked this between first and third.

Furthermore, nearly 86% of respondents noted the destruction of council assets or infrastructure due to a natural or other disaster as an underlying factor for this risk. Once again, councils from different regions ranked this in the top three further reinforcing why they had ranked BCP in second position.

Top three underlying factors for Business Continuity Planning by region

METROPOLITAN
1. Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)
2. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)
3. Loss of key team people

REGIONAL
1. Destruction of council assets/infrastructure due to natural and other disasters (bushfire, flood, storms, pandemic, drought, earthquake, act of terror etc.)
2. Processes to ensure clear, consistent communication with affected community/ies. Integrity of current business continuity plan and process
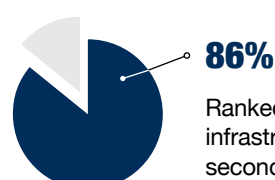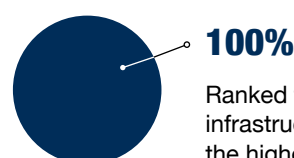3. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)

REMOTE/RURAL
1. Criminal or terrorist act
2. Destruction of council assets/infrastructure due to an insured peril (fire, storm, vandalism)
3. Failure to manage the reputation of the organisation

100%
Ranked the destruction of council assets/ infrastructure due to an insured peril as the highest contributing factor to this risk

86%
Ranked the destruction of council assets/ infrastructure due to an insured peril as the second highest contributing factor to this risk

Victoria

In Victoria, CEOs ranked Business Continuity Planning in eighth position, one point lower than the national ranking. 63% of respondents identified the destruction of council assets and infrastructure caused by natural and other disasters as the leading underlying reason for this risk. This concern was ranked as the first or second reason by all councils except for city councils. The specific reasons for city councils not ranking this as high could vary and may be influenced by factors such as different risk profiles or a greater focus on other aspects of business continuity.

While destruction of council assets & infrastructure from natural and other disasters was the leading factor, 53% of CEOs/GMs identified the destruction caused by insured perils as the second-highest contributing factor. This reason consistently ranked between first and third by all councils except for city councils. Again, the specific reasons for city councils ranking this differently could vary and may be influenced by factors such as different risk profiles or a greater emphasis on other aspects of business continuity.

The loss of key team members was identified as a contributing factor to this risk. It ranked third across the state, with all councils placing it between first and fourth. The positioning of this factor may be influenced by the relative importance placed on other risks or the perception that other factors have a more significant impact on business continuity.

It is important to note that the rankings and reasons presented are derived from the responses of the CEOs/GMs in the survey and may vary depending on the specific circumstances and priorities of each council.

Top three underlying factors for Business Continuity Planning by region

CAPITAL

1. Not considering future impacts of climate change which impact the community
2. Process to respond to unplanned outages of IT/social media/telecommunications
3. Loss of key team people

METROPOLITAN

1. Destruction of council assets/infrastructure due to an insured peril
2. Destruction of council assets/infrastructure due to natural and other disasters
3. Loss of key team people

REGIONAL CITY

1. Loss of key team people
2. Destruction of council assets/infrastructure due to natural and other disasters
3. Destruction of council assets/infrastructure due to an insured peril

REGIONAL

1. Destruction of council assets/infrastructure due to natural and other disasters
2. Not considering future impacts of climate change which impact the community
3. Destruction of council assets/infrastructure due to an insured peril

REMOTE/RURAL

1. Destruction of council assets/infrastructure due to natural and other disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Not considering future impacts of climate change which impact the community

South Australia

Among South Australian CEO/GMs, Business Continuity was ranked seventh by 14% of respondents, with nearly 65% ranking it as medium risk.

The primary factor contributing to this ranking is the destruction of council assets or infrastructure caused by natural and other events, as identified by nearly 59% of respondents. This concern was consistently ranked as either first or second across all regions represented in the survey. These rankings can be attributed to the significant impact of flooding and storm-related events that occurred in South Australia during the 2022/23 period.

The Loss of Key People was ranked equally with the Destruction of Council Assets or Infrastructure as significant contributing factors to the risk of business continuity. This concern was ranked as either first or second by all council regions.

The destruction of Council Assets or Infrastructure due to an Insured Peril was ranked second, with 41% of councils listing this as a primary concern for this risk. This ranking was primarily supported by capital city and regional city councils. However, when considering the combined high and medium risks, this concern becomes more prominent across all regions.

Top three underlying factors for Business Continuity Planning by region

CAPITAL

1. Failure to manage the reputation of the organisation
2. Destruction of council assets/infrastructure due to an insured peril
3. Loss of key team people

METROPOLITAN

1. Loss of key team people
2. Destruction of council assets/infrastructure due to natural and other disasters
3. Not considering future impacts of climate change which impact the community

REGIONAL CITY

1. Loss of key team people
2. Destruction of council assets/infrastructure due to natural and other disasters
3. Destruction of council assets/infrastructure due to an insured peril

REGIONAL

1. Loss of key team people
2. Destruction of council assets/infrastructure due to natural and other disasters
3. Inability to maintain sound working relationship/culture between elected members and the administration

REMOTE/RURAL

1. Destruction of council assets/infrastructure due to natural and other disasters
2. Loss of key team people
3. No/minimal community resilience plans and processes to mitigate impact of loss of/reduced council services, functions

Western Australia

In Western Australia, Business Continuity was ranked ninth among other risks by CEO. The leading factor driving this ranking was loss of key people with 70% contributing to this ranking.

Highest Ranking

Factor	Value
Loss of key team people	2.54
Destruction of Council assets/infrastructure due to natural and other disasters (bushfire, flood, extreme storms, pandemic, drought, earthquake, act of terror etc.)	3.03
Destruction of Council assets/infrastructure due to an insured peril (fire, storm, vandalism)	3.49
Inability to maintain sound working relationship/culture between elected members and the administration	5.51
Failure to manage the reputation of the organisation	6.14
Process to respond to unplanned outages of IT/social media/telecommunications	6.29
Processes to ensure clear, consistent communication with affected community/ies. Integrity of current business continuity plan and process	6.80
Not considering future impacts of climate change which impact the community	7.06
No or minimal community resilience plans and processes to mitigate impact of loss of/reduced Council services, functions	7.06
Criminal or terrorist act	7.09
Other	11

Lowest Ranking

Figure 26: Business Continuity Planning WA Risk Heat Map

The loss of key people within local governments in WA during a disruption can impede continuity, decision-making, relationships, and expertise. It is crucial for councils to have succession planning strategies in place to mitigate the impact and ensure the continuity of essential services.

The findings also revealed that the destruction of council assets and infrastructure due to disasters and the destruction of council assets and infrastructure due to an insured peril are closely aligned risks for WA local governments. These risks share the potential to impact service delivery, financial stability, public safety, and community well-being. In both scenarios, there is a loss or damage of critical assets and infrastructure, which can result in service disruptions, economic consequences, compromised public safety, and reduced community resilience. While disasters may encompass a broader range of perils, including uninsured events, the risks associated with the destruction of assets and infrastructure in both cases require similar mitigation strategies. These strategies include disaster preparedness, risk assessment, contingency planning, and investment in infrastructure resilience.

Business Continuity Planning is a key risk for local governments in WA, as it can lead to disruptions in essential services, financial stability, public safety, and community wellbeing. This risk can occur from various events, such as disasters, the loss of key people, and the destruction of assets and infrastructure. To mitigate these risks local government need to prioritise business continuity planning, including risk assessment, emergency response strategies, succession planning, infrastructure resilience, and resource allocation, to ensure the continuity of essential services and minimise the impact of potential risks.

Top three underlying factors for Business Continuity Planning by region

METROPOLITAN

1. Loss of key team people
2. Process to respond to unplanned outages of IT/social media/telecommunications
3. Destruction of council assets/infrastructure due to natural and other disasters

REGIONAL CITY

1. Destruction of council assets/infrastructure due to natural and other disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Inability to maintain sound working relationship/culture between elected members and the administration

REGIONAL

1. Loss of key team people
2. Destruction of council assets/infrastructure due to natural and other disasters
3. Destruction of council assets/infrastructure due to an insured peril

REMOTE/RURAL

1. Destruction of council assets/infrastructure due to natural and other disasters
2. Destruction of council assets/infrastructure due to an insured peril
3. Loss of key team people

8

INEFFECTIVE
GOVERNANCE

Governance encompasses the system by which an organisation is controlled and operated, and the mechanisms put in place to ensure accountability of the organisation and its people.[14]

Good governance embraces strong ethics, practical and robust risk management, a compliance culture, good decision-making and transparency. Australian communities expect local governments to adhere to these standards.

Australian local governments, like all organisations, are operating in an increasingly interconnected and rapidly advancing technological environment. While this brings many opportunities, it also brings new vulnerabilities and risks.[15]

Nationwide supply chain issues, inflationary pressures, election cycles and workforce challenges further compound the challenges local governments face. Without strong governance frameworks, this can place significant pressure on local governments' workplace culture, internal control environment and capacity, potentially leading to performance and accountability issues.

	Rank 1		Rank 12
Adequacy of financial controls	53%	37%	10%
Challenges from managing code of conduct and behavioural issues	47%	40%	13%
Delegation or devolution of regulatory/functions from the state & changes to legislation	39%	54%	7%
Human resource numbers	37%	46%	17%
Strategic and budget planning processes (including compliance)	35%	29%	36%
Procurement process issues with contractors, facilities, and events	33%	33%	34%
Challenges with managing council meeting protocols	25%	49%	26%
Fraud – maladministration/malpractice	16%	50%	34%
Ineffective complaints handling, procedures & processes	8%	42%	50%
Managing investigations by ICAC or similar bodies	6%	19%	75%
Other	2%	98%	

Legend: Ranked 1-3 | Ranked 4-8 | Ranked 9-11

Figure 27: Ineffective Governance National risk heat map

In 2023, local government CEOs/GMs provided valuable insights into ineffective governance. The Risk Heat Map above highlights these national results.

Over 50% of respondents considered the adequacy of financial controls as their primary underlying concern for Ineffective Governance. This sheds some light on the driving forces behind the foremost risk overall, Financial Sustainability.

In order to effectively manage this critical risk due to financial controls, elected members and leaders of local government need to take a strategic approach to their organisation's financial sustainability framework. This involves ensuring all strategic planning, budgeting and corporate planning activities are considered within the context of long-term financial sustainability

Over 46% of respondents considered challenges from managing elected members and/or employee behaviour/ misconduct as a high risk. This aligns with the continued increase in claims in areas like public and professional liability, councillors and officers, and fidelity/crime covers.

These findings highlight the ongoing need for these risk coverage solutions in these areas and emphasise the importance and ongoing need for strong and practical councillor and employee induction programs and ongoing code of conduct training. Additionally, the elected member position's political nature and ongoing reform by all state governments have an impact on on integrity-related matters.

The 2024 Edelman Trust Barometer results show an increase in public trust in the Australian Government (without distinguishing each level of government. An increase that brings it to a neutral position of 50%.[16]

Other factors contributing to Ineffective Governance are the delegation/devolution of regulatory or other functions from the state (noted by 38% of respondents) and changes to legislation and human resource numbers (noted by 35% of respondents).

These two risks play a key role in accelerating governance risk for local governments. These concerns place additional pressures on local government's lean operating environment – many of which are already operating beyond capacity due to labour market challenges.

14 Governance Institute of Australia: What is governance? (governanceinstitute.com.au).
15 International Risk Governance Council: What do we mean by 'Risk Governance'? - IRGC
16 Edelman Trust Barometer, Australia Report. 2023

The fifth contributing factor to Ineffective Governance is the strategic and budget planning processes (including compliance), noted by 34% of respondents. These legislative processes have been implemented to better support local government's ability to mitigate key risks associated with financial sustainability and improve governance. This is crucial, as many local governments operate in such a lean operating environment with human resource constraints, making compliance with these processes a risk in itself.

The concern of procurement process issues with contractors, facilities and events, was classified as an impacting factor by 32% of respondents, while an additional 32% considered it a medium concern. These results highlight the continued importance of ensuring these fundamental processes are right, ensuring all sourcing and delivery of services are carried out transparently and effectively. This is paramount in the current environment and will contribute to improving and maintaining trust in government.

Failing to adhere to legislation and community expectations and neglecting the necessary due diligence in sourcing and delivering services, can expose local governments to various risks. These can include liability claims, financial losses, and significant damage to their reputation.

Top three underlying factors for Ineffective Governance risk by region

CITY
1. Adequacy of financial controls
2. Challenges from managing code of conduct/ behavioural issues
3. Challenges with managing council meeting protocols

METROPOLITAN
1. Adequacy of financial controls
2. Challenges from managing code of conduct/ behavioural issues
3. Procurement process issues with contractors/ facilities/events

REGIONAL CITY
1. Adequacy of financial controls
2. Strategic and budget planning processes
3. Challenges with managing council meeting protocols

REGIONAL
1. Adequacy of financial controls
2. Challenges from managing code of conduct/ behavioural issues
3. Human resource numbers

RURAL/REGIONAL
1. Adequacy of financial controls
2. Challenges from managing code of conduct/ behavioural issues
3. Human resource numbers

Across the country, many respondents identified the above six underlying concerns of Ineffective Governance as substantial issues. This indicates that, despite the differences in state legislation and regulatory bodies across the country, the principles of good governance apply nationally and should be a strategic priority for all local governments.

An effective elected member group and executive leadership team that establishes a positive tone at the top can greatly contribute to addressing this risk. By investing in governance-related training, process mapping, and internal audit, these leaders can provide valuable support to the organisation. This approach will help effectively manage and combat the overall impact of this risk.

Top ranking underlying factors for Ineffective Governance by State/Territory

NSW NT QLD TAS VIC WA	Adequacy of financial controls
SA	Challenges from managing code of conduct and behaviourial issues

Tasmania

Ineffective Governance was placed tenth in Tasmania, two points lower than the national ranking. Respondents ranked it only in the medium to low level.

Nearly 72% of respondents noted the adequacy of financial controls as the leading contributor to Ineffective Governance. This was especially true in metropolitan and rural areas. Concern around employee numbers was ranked second by 52% of respondents.

Top three underlying factors for Ineffective Governance risk by region

METROPOLITAN
1. Adequacy of financial controls
2. Challenges with managing council meeting protocols
3. Human resource numbers

REGIONAL
1. Strategic and budget planning processes (including compliance)
2. Delegation or devolution of regulatory or other functions from the state and changes to legislation
3. Human resource numbers

REMOTE/RURAL
1. Adequacy of financial controls
2. Human resource numbers
3. Strategic and budget planning processes (including compliance)

South Australia

South Australian council CEO/GMs ranked Ineffective Governance fifth which was a slight move upward on the 2021 survey. 53% of respondents cited challenges associated with managing elected member code of conduct and behavioural issues as a leading contributing factor to Ineffective Governance. Regional and rural areas ranked this contributing factor the highest at 71% and 88%, respectively.

A significant contributing factor negatively impacting councils' ability to meet legislative requirements was the inability to resource key roles, particularly for regional councils.

Interestingly, managing code of conduct and behavioural issues was equally ranked with adequate staff resourcing. This suggests that these contributing factors are seen as equally important to effective governance. Councils have indicated that along with staff resourcing, attracting and retaining talent is a major challenge, with private sector competition and escalating wages a key factor.

Adequate financial controls follow closely behind these concerns. This aligns with the importance of ensuring proper financial management within organisations to maintain effective governance and mitigate risks.

| 52.94% |
| Challenges from managing code of conduct and behavioural issues |
| 52.94% |
| Human resource numbers |
| 41.18% |
| Adequacy of financial controls |
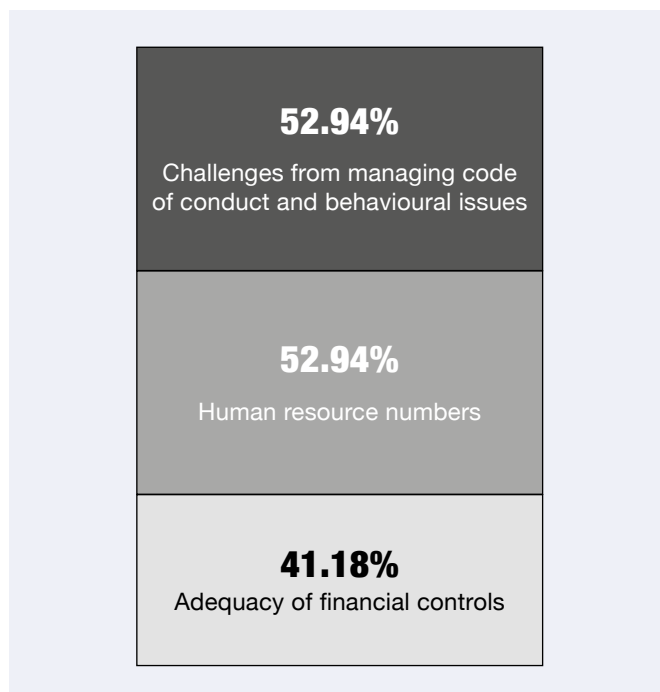
Figure 28: The top three underlying factors for this risk in South Australia. This shows the percentage of councils that ranked the respective factor as high.

Top three underlying factors for Ineffective Governance risk by region

CAPITAL
1. Challenges from managing code of conduct and behavioural issues
2. Ineffective complaints handling, procedures & processes
3. Delegation or devolution of regulatory or other functions from the state and changes to legislation

METROPOLITAN
1. Procurement process issues with contractors, facilities, and events
2. Challenges from managing code of conduct and behavioural issues
3. Delegation or devolution of regulatory or other functions from the State and changes to legislation

REGIONAL CITY
1. Strategic and budget planning processes (including compliance)
2. Challenges with managing council meeting protocols
3. Procurement process issues with contractors, facilities, and events

REGIONAL
1. Challenges from managing code of conduct and behavioural issues
2. Adequacy of financial controls
3. Challenges with managing council meeting protocols

RURAL/REGIONAL
1. Human resource numbers
2. Strategic and budget planning processes (including compliance)
3. Delegation or devolution of regulatory or other functions from the state and changes to legislation

Northern Territory

Northern Territory council CEOs placed Ineffective Governance in third position which is higher than the national average of eighth (noting only six NT councils participated in the survey).
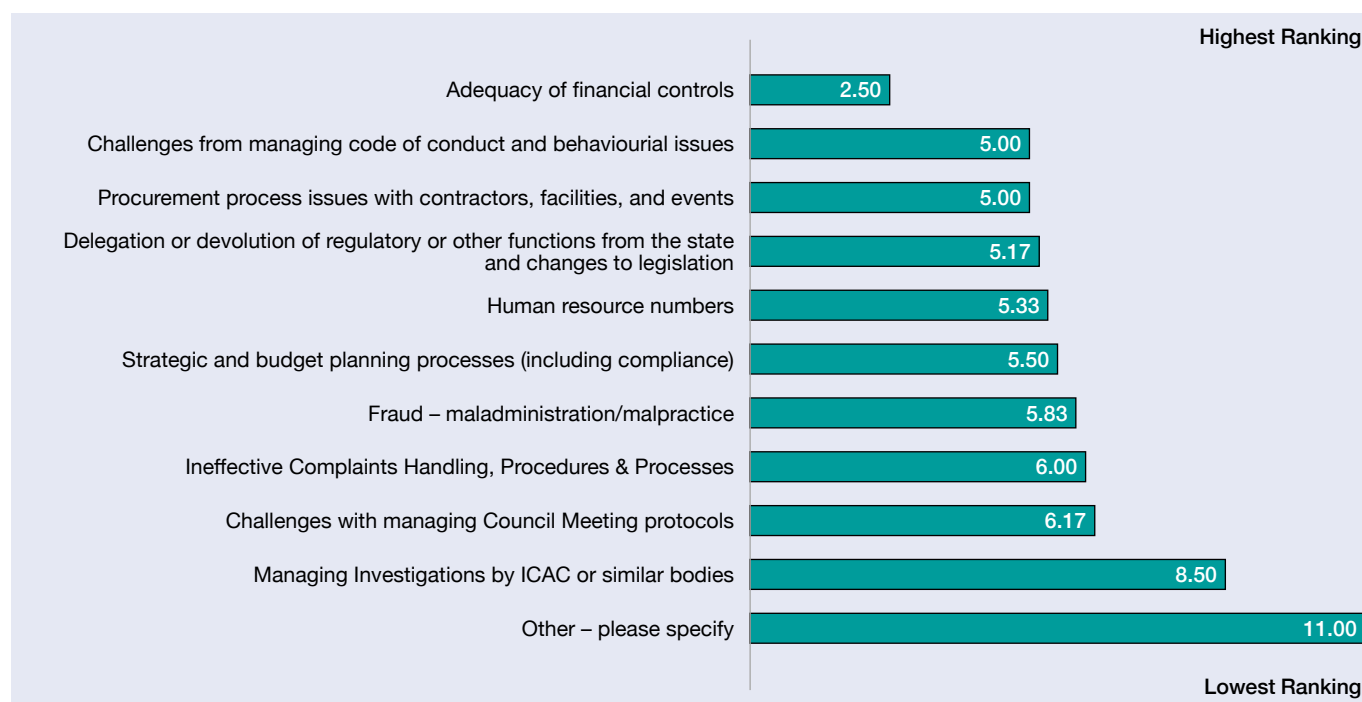

Figure 29: Business Continuity Average Ranking of Northern Territory underlying factors

This placement may be attributed to the NT's limited human resources along with NT councils also managing increasing governance requirements and associated governance costs.

66% of respondents cited the adequacy of financial controls as their leading contributing factor to Ineffective Governance, likely due to complex management controls.

Interestingly, the NT and QLD ranked issues procuring contractors, facilities and events higher than all other states.

New South Wales

While Ineffective Governance is not identified as a leading risk for councils in New South Wales, the underlying issues are well recognised.

The JLT Public Sector Risk Survey found 57% of NSW respondents highlighted the adequacy of financial controls as their leading contributing factor to Ineffective

Governance. 50% of respondents noted challenges in managing the code of conduct and behavioural issues with employees and councillors as a major concern.

Metropolitan and regional city councils identified challenges of managing a code of conduct as their primary concern, while regional and rural councils expressed greater concern with the adequacy of financial controls.

Top three underlying factors for Ineffective Governance risk by region

METROPOLITAN

1. Challenges from managing code of conduct and behavioural issues
2. Adequacy of financial controls
3. Challenges with managing council Meeting protocols

REGIONAL CITY

1. Challenges from managing code of conduct and behavioural issues
2. Challenges with managing Council Meeting protocols
3. Adequacy of financial controls

REGIONAL

1. Adequacy of financial controls
2. Challenges from managing code of conduct and behavioural issues
3. Procurement process issues with contractors, facilities, and events

REMOTE/RURAL

1. Adequacy of financial controls
2. Delegation or devolution of regulatory or other functions from the state and changes to legislation
3. Challenges from managing code of conduct and behavioural issues

Victoria

In Victoria, CEO/GMs are more concerned about Ineffective Governance than the national ranking, 23% of Victorian respondents ranked it sixth, compared to the national ranking of eighth.
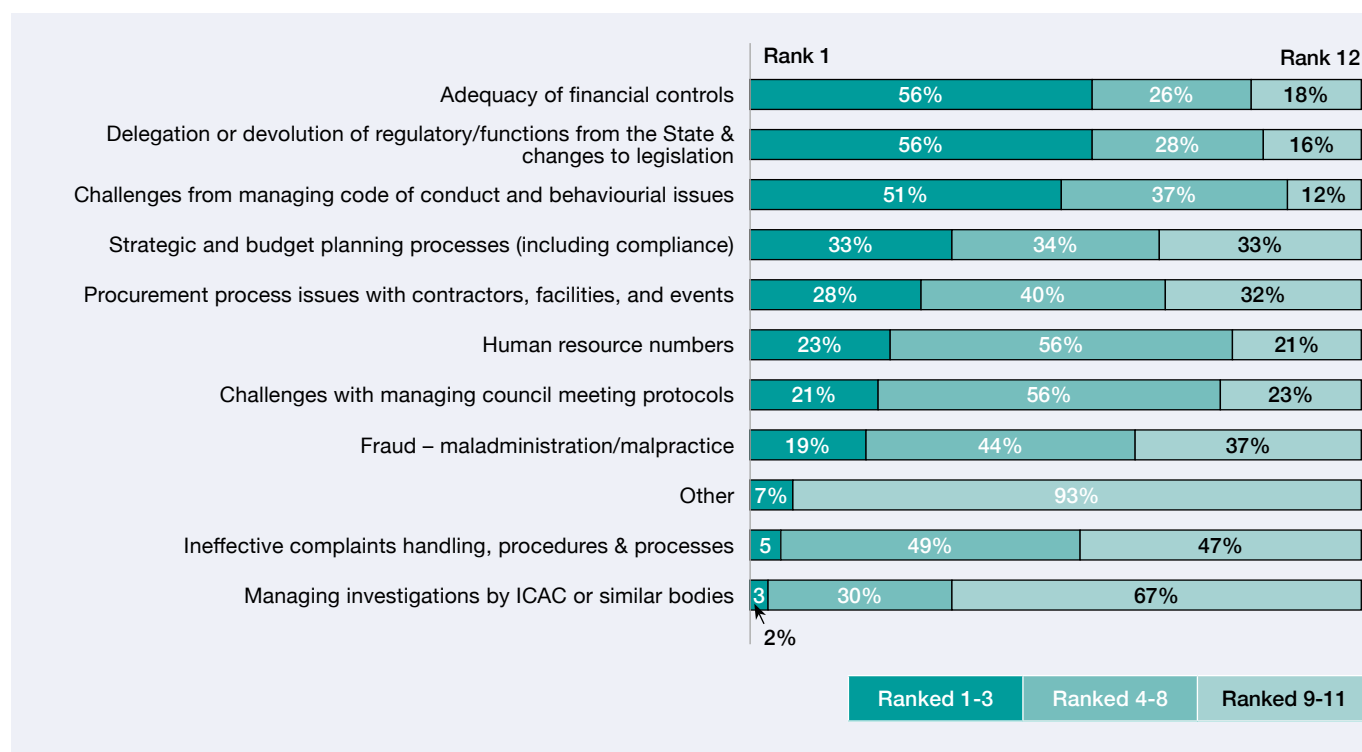

Figure 30: Ineffective Governance Victoria Risk Heat Map

Like other states and territories, 56% of respondents cited the adequacy of financial control as their leading contributing factor, tied for first place with devolution of regulatory and other functions due to state and changes to legislation. This factor is ranked as the highest by 75% of metropolitan councils and 63% of regional councils, indicating that these regions are more impacted by this issue.

51% of respondents ranked challenges in managing code of conduct and behavioural issues as their second highest contributing factor to Ineffective Governance. This concern was ranked higher in regional city, regional and rural councils.

Top ranking underlying concern for Ineffective Governance risk by region

CAPITAL

1. Strategic and budget planning processes
2. Adequacy of financial controls
3. Managing investigations by ICAC or similar bodies

METROPOLITAN

1. Delegation or devolution of regulatory or other functions from the state and changes to legislation
2. Adequacy of financial controls
3. Procurement process issues with contractors, facilities, and events

REGIONAL CITY

1. Challenges from managing code of conduct and behavioural issues
2. Human resource numbers
3. Challenges with managing council meeting protocols

REGIONAL

1. Delegation or devolution of regulatory or other functions from the state and changes to legislation
2. Challenges from managing code of conduct and behavioural issues
3. Fraud – maladministration/malpractice

REMOTE/RURAL

1. Adequacy of financial controls
2. Challenges from managing code of conduct and behavioural issues
3. Delegation or devolution of regulatory or other functions from the state and changes to legislation

Queensland

In Queensland, CEOs identified issues procuring contractors, facilities and events as their leading contributing factor to ineffective governance. This differs from the national view, which identifies the adequacy of financial controls first.

Nationally, only 33% of respondents identified procurement issues as high-risk to governance – far below code of conduct issues, delegation or devolution from the state, human resources and strategic and budget planning processes.

Top three underlying factors for Ineffective Governance risk by region

METROPOLITAN

1. Human resource numbers
2. Procurement process issues with contractors, facilities, and events
3. Delegation or devolution of regulatory or other functions from the state and changes to legislation

REGIONAL CITY

1. Strategic and budget planning processes (including compliance)
2. Delegation or devolution of regulatory or other functions from the state and changes to legislation
3. Procurement process issues with contractors, facilities, and events

REGIONAL

1. Delegation or devolution of regulatory or other functions from the state and changes to legislation
2. Strategic and budget planning processes (including compliance)
3. Procurement process issues with contractors, facilities, and events

REMOTE/RURAL

1. Adequacy of financial controls
2. Challenges from managing code of conduct and behavioural issues
3. Procurement process issues with contractors, facilities, and event

Western Australia

Western Australian council CEO/GMs ranked Ineffective Governance tenth, two points lower than the national ranking. Effective governance is a strong focus for WA governments; however, the number and demographic of survey responders have led to a lower ranking.

Again, as with most states and territories, WA respondents' primary concern is the adequacy of financial control, with 54% placing this first. Metropolitan (72%) and rural/remote councils (60%) ranked this as the first concern. Rural/regional and metropolitan were the primary responders to this question.

48% of CEO/GMs ranked challenges in managing code of conduct and behavioural issues as their second highest concern. This was particularly noted by metropolitan (54%) and regional councils (66%), indicating a significant concern across these areas.

In WA, the booming resource sector in regional areas poses a challenge to local governments. In some areas, the fierce competition for a limited talent pool leads to inflated wages, making attracting and retaining employees challenging. Accommodation shortages compound this issue.

Top three underlying factors for Ineffective Governance risk by region

METROPOLITAN

1. Adequacy of financial controls
2. Challenges from managing code of conduct and behavioural issues
3. Procurement process issues with contractors, facilities, and events

REGIONAL CITY

1. Strategic and budget planning processes (including compliance)
2. Delegation or devolution of regulatory or other functions from the state and changes to legislation
3. Adequacy of financial controls

REGIONAL

1. Human resource numbers
2. Challenges from managing code of conduct and behavioural issues
3. Challenges with managing council Meeting protocols

RURAL/REGIONAL

1. Adequacy of financial controls
2. Human resource numbers
3. Delegation or devolution of regulatory or other functions from the state and changes to legislation

9

STATUTORY/REGULATORY REQUIREMENT

Australian local governments face the complex and dynamic task of managing numerous statutory and regulatory requirements mandated by State and Federal legislation. They must also act as regulators themselves through local laws and exercise delegated powers from state/territory government agencies in areas like waste management and environmental management.
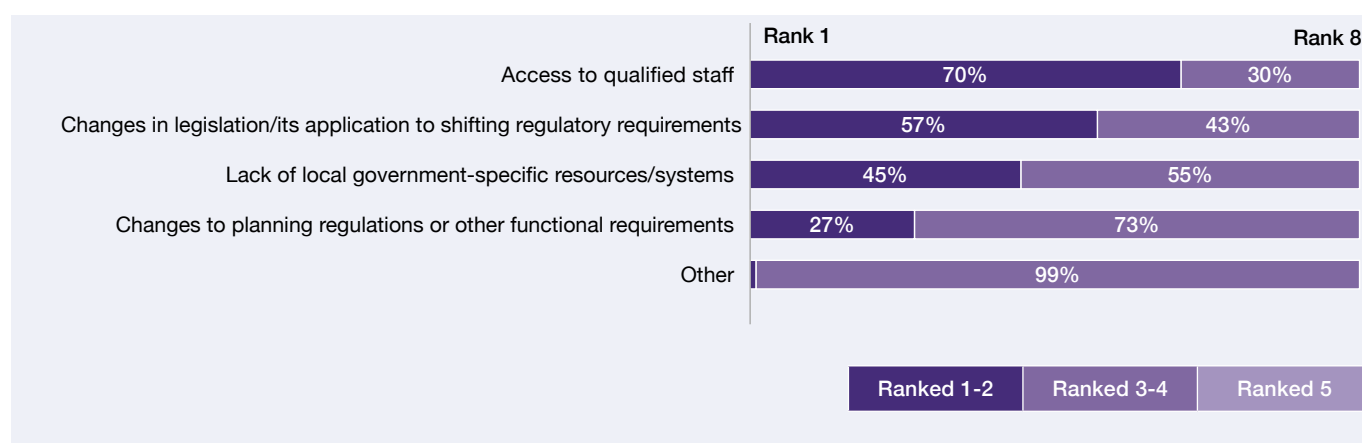
	Rank 1		Rank 8
Access to qualified staff	70%		30%
Changes in legislation/its application to shifting regulatory requirements	57%		43%
Lack of local government-specific resources/systems	45%		55%
Changes to planning regulations or other functional requirements	27%		73%
Other	99%		

Ranked 1-2	Ranked 3-4	Ranked 5

Figure 31: Inability for council to meet increased statutory and/or regulatory requirements National Risk Heat Map

This delegation of power has risen in recent years due to cost-shifting policy priorities from higher levels of government. Consequently, local governments often have to accomplish more with limited resources.

Australian communities rightfully expect their local governments to operate in compliance with legislative obligations and to regulate in a consistent, fair and transparent manner. However, in the current environment, this has become increasingly complex and costly for local governments. As the range of services provided by local governments continues to expand, so does the risk of non-compliance.

Organisations urgently require robust and accurate compliance functions.[17] Although the need for these functions is clear and appropriate, the capability to meet them in the current climate poses a challenge for many organisations.

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[17] Thomas Reuters Regulatory Intelligence, 2023 Cost of Compliance Report.

According to the JLT Public Sector Risk Survey, more than 70% of respondents identified access to qualified staff as a significant issue for this category. This is unsurprising as local governments across the country face fierce competition for talent from the private industry. Regional areas that compete with large mining and agricultural firms and lack secure accommodation for prospects find accessing quality staff more challenging. Over 57% of respondents considered changes in legislation or its application to shifting regulatory requirements to be a concern. Additionally, more than 44% considered the lack of local government-specific resources/systems to meet regulatory requirements a high risk.

Top three underlying factors for Statutory/regulatory requirement risk by region

CITY
1. Changes in legislation or its application to shifting regulatory requirements.
2. Access to qualified staff
3. Changes to planning regulations/other functional requirements

METROPOLITAN
1. Changes in legislation or its application to shifting regulatory requirements.
2. Access to qualified staff
3. Changes to planning regulations/other functional requirements

REGIONAL CITY
1. Changes in legislation or its application to shifting regulatory requirements.
2. Access to qualified staff
3. Lack of local government specific recourses/systems to meet requirements

REGIONAL
1. Access to qualified staff
2. Changes in legislation or its application to shifting regulatory requirements.
3. Lack of local government specific recourses/systems to meet requirements

RURAL/REGIONAL
1. Access to qualified staff
2. Changes in legislation or its application to shifting regulatory requirements.
3. Lack of local government specific recourses/systems to meet requirements

These results highlight the ongoing challenges faced by local governments in Australia. The competition for qualified staff, coupled with the need to adapt to evolving regulatory landscapes, poses significant hurdles.

The lack of dedicated resources and systems tailored to local government further compounds the risk. Addressing these issues will ensure effective governance and compliance within local government organisations. This aligns with the sixth-ranked risk of People & Culture, which specifically addresses the challenges of attracting and retaining professional staff. These risks are clearly depicted in he accompanying heat map.

For regional and remote local governments, accessing qualified staff to manage these risks was considered an even higher risk by many respondents. This underscores the significant challenge smaller and more remote communities face in addressing their staffing needs.

Failure to comply with statutory requirements and to appropriately regulate local government obligations can have significant consequences, including:

- **Risk of harm to the workplace and community:** Non-compliance can lead to unsafe working conditions and potential harm to employees and the community at large.

- **Reputational damage:** Failure to meet regulatory obligations can tarnish the council's reputation, eroding public trust and confidence.

- **Environmental harm:** Inadequate regulation and non-compliance can result in environmental damage, such as pollution or improper waste management, impacting ecosystems and natural resources.

- **Financial loss via litigation, fines and penalties for non-compliance:** Non-compliance can lead to legal action, resulting in costly litigation, fines and penalties imposed by regulatory authorities.

Amid ongoing nationwide legislative reform and labour market challenges, this risk will continue to accelerate this year and into the next. In response, local governments must adopt a risk-based approach. This means seeking support where necessary from external experts, leveraging internal audit planning to focus on key high-risk areas, and investing in staff professional development and technology systems to support and improve the council's compliance management framework.

The rise in statutory and regulatory compliance risk corresponds with the increase of claims in the Public and Professional Liability, Council and Officers, and Fidelity/Crime covers highlighting the importance of this risk transfer mechanism to local governments.

Local governments can position themselves to effectively manage the increasing risk of statutory and regulatory requirements this year and beyond. But it's a long game of strategic investment in things like:

- Investment in development and or review of Compliance Management Framework aligned to ISO 37301
- Organisational development programs
- Management commitment and accountability
- Relevant systems
- Ongoing professional development
- Robust internal audit functions
- Practical enterprise risk management

Top ranking underlying factors for Statutory/regulatory requirements by State/Territory

NSW NT QLD SA TAS VIC WA	Access to qualified staff

Victoria

Only 4% of Victorian respondents ranked the inability of councils to meet increased statutory and/or regulating requirements as a high risk, placing it ninth, consistent with the national ranking.

65% of CEO/GMs ranked access to qualified staff as the leading contributing factor for this risk. Staff turnover in Victorian councils is significant and, unfortunately, is gathering momentum as councils compete with the private sector's higher salaries.

This competition has changed the profile of candidates attracted to the sector, especially in regional areas where it's a top concern for all, except capital city councils, which placed it second to last.

53% of respondents identified changes in legislation or its application to shifting regulatory requirements as the second leading reason for this risk, with significant regional variations. Capital city, regional city and regional councils ranked it among the top two concerns, whereas metropolitan and rural/remote councils ranked it as their second to last concern.

Top three reasons underpinning statutory and regulating requirements by region

METROPOLITAN

1. Changes in legislation/shifting regulatory requirements.
2. Changes to planning regulation/function requirements
3. Lack of LG-specific resources/systems

REGIONAL

1. Lack of LG-specific resources/systems
2. Access to qualified staff
3. Changes in legislation/shifting regulatory requirements

REMOTE/RURAL

1. Lack of LG-specific resources/systems
2. Access to qualified staff
3. Changes to planning regulation/function requirements

Western Australia

19% of Western Australian respondents viewed council's inability to meet increased state and/or regulatory requirements as high risk, placing it seventh, two points below the national ranking.

65% of CEO/GMs identified access to qualified staff as the number one contributing factor for this risk. This is unsurprising, given Western Australia's extremely tight labour market.

As of December 2023, Western Australia's unemployment rate was 3.8%. Meanwhile, the underemployment rate sits at 5.9% - slightly lower than the national average of 6.6%. This, coupled with the strongest participation rate of any of the states at 69.3%, indicates an incredibly tight employment market.

Regional councils in particular struggle to find appropriately qualified staff, ranking this concern second. In contrast, metropolitan organisations rank it as their second last concern. The disparity is unsurprising given the skills needed and labour market data.

Regional and rural WA experience even tighter labour markets, with the employment rate ranging from 81.7% to 79.6%, and the unemployment rate between 2.7% and 3.2%. To attract talent, regional councils are innovating, offering competitive packages that may include housing, fly-in/fly-out options, health and wellbeing benefits and generous leave policies.

Nearly 64% of respondents expressed concern over legislation changes or its application to shifting regulation requirements. WA local governments have experienced considerable legislative change in the past year, with significant further changes anticipated.

These adjustments introduce new or modified requirements, where non-compliance can lead to penalties or legal consequences. Regional councils feel the pressure acutely, struggling to allocate resources like time, staff and funding to meet new standards. This can strain their operational efficiency, budget planning and increase the risk of compliance issues.

Top three underlying factors for Statutory/ Regulatory Requirement risk by region

METROPOLITAN

1. Access to qualified staff
2. Changes in legislation/shifting regulatory requirements
3. Changes to planning regulation/function requirements

REGIONAL CITY

1. Changes in legislation/shifting regulatory requirements
2. Access to qualified staff
3. Changes to planning regulation/function requirements

REGIONAL

1. Changes in legislation/shifting regulatory requirements
2. Access to qualified staff
3. Lack of LG-specific resources/systems

REMOTE/RURAL

1. Access to qualified staff
2. Lack of LG-specific resources/systems
3. Changes in legislation/shifting regulatory requirements

New South Wales

All metropolitan and regional councils in New South Wales ranked most contributing factors influencing their ability to meet increased statutory and/or regulating requirements as medium to high.

50% of metropolitan councils and 30.77% of regional councils ranked access to qualified staff as their leading concern contributing to statutory and regulatory compliance risk. Staff turnover and the ability to attract and retain qualified staff continue to impact councils across New South Wales.

38.46% of regional councils ranked lack of local government-specific resources/systems to meet regulatory requirements as a contributing factor to this risk, compared to 10% of metropolitan councils. This discrepancy highlights the differing challenges regional and metropolitan councils face.

Councils across NSW face challenges arising from changes in legislation or its application to shifting regulatory requirements. This is a concern for 23.08% of regional councils and 20% of metropolitan councils, indicating its significance as an underlying issue.

Furthermore, 20% of metropolitan councils compared with 7.69% for regional councils identified changes to planning regulation or other functional requirements as a contributing factor.

These findings demonstrate the shared compliance and regulatory challenges NSW councils face, while also pinpointing some variations between metropolitan and regional councils. Addressing these issues requires a comprehensive approach that includes attracting and retaining qualified staff, allocating resources for local government-specific needs and adapting to evolving legislative and regulatory landscapes.

Top three underlying factors for Statutory/Regulatory Requirement risk by region

METROPOLITAN
1. Access to qualified staff
2. Changes in legislation/shifting regulatory requirements
3. Lack of LG-specific resources/systems

REGIONAL CITY
1. Access to qualified staff
2. Changes in legislation/shifting regulatory requirements
3. Lack of LG-specific resources/systems

REGIONAL
1. Access to qualified staff
2. Lack of LG-specific resources/systems
3. Changes in legislation/shifting regulatory requirements

REMOTE/RURAL
1. Access to qualified staff
2. Changes in legislation/shifting regulatory requirements
3. Lack of LG-specific resources/systems
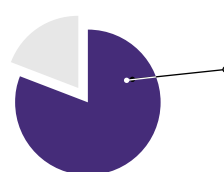
81%
Ranked the leading factor in NSW as access to qualified staff

56%
ranked changes in legislation/its application to shifting regulatory requirements as the second highest contribute to this risk

Northern Territory

The inability of councils to meet increased statutory and regulatory requirements was not ranked highly by Northern Territory CEOs. In fact, they placed this risk 11th, two points lower than the national ranking.

That said, 100% of respondents ranked access to qualified staff as the leading factor for this risk. This may be because of several factors specific to the region. For example, the NT faces challenges in attracting and retaining qualified staff due to its remote location, small local talent pool, and competition from other levels of government and industries. This has a negative impact on NT councils' ability to effectively manage compliance and regulatory requirements.

The lack of local government-specific resources and systems to meet regulatory requirements was ranked as the second reason for this risk, with 66% of respondents identifying it as a concern. This suggests NT councils struggle with securing the necessary resources and systems to meet the specific regulatory requirements for local government operations. Challenges might stem from limited funding, increasing obligations, or a lack of specialised expertise in the region. This shortfall in resources and systems can hinder NT councils' ability to manage compliance and regulatory obligations effectively, thereby exacerbating the overall risk.

Queensland

In Queensland, 71% of CEO considered legislation changes as the highest risk to meeting their statutory and regulatory requirements.
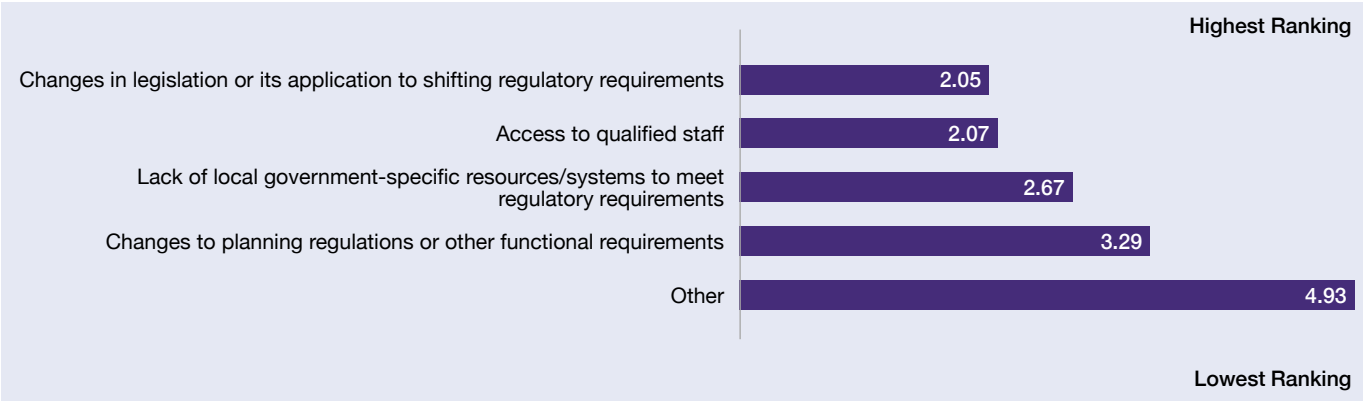

| Highest Ranking |
Changes in legislation or its application to shifting regulatory requirements	2.05
Access to qualified staff	2.07
Lack of local government-specific resources/systems to meet regulatory requirements	2.67
Changes to planning regulations or other functional requirements	3.29
Other	4.93
Lowest Ranking

Figure 32: Inability for council to meet increased statutory and/or regulatory requirements Average Ranking of Queensland underlying factors

This concern significantly surpasses issues related to access to qualified staff, ranked by 60%, and the availability of local government-specific resources and systems, ranked by 50%.

This contrasts with the national view where 70% of CEO/GMs noted access to qualified staff as the biggest contributing factor for risk, with legislation changes following at 57%. This difference underlines the need for legislators to be aware of and support ongoing investment in governance by councils.

Top three underlying factors for Statutory/Regulatory Requirement risk by region

METROPOLITAN
1. Changes in legislation/shifting regulatory requirements.
2. Lack of LG-specific resources/systems
3. Changes in planning regulation/functional requirements

REGIONAL CITY
1. Changes in legislation/shifting regulatory requirements.
2. Lack of LG-specific resources/systems
3. Access to qualified Staff

REGIONAL
1. Changes in legislation/shifting regulatory requirements.
2. Lack of LG-specific resources/systems
3. Access to qualified staff

REMOTE/RURAL
1. Access to qualified staff
2. Changes in legislation/shifting regulatory requirements.
3. Lack of LG-specific resources/systems

Tasmania

In Tasmania, 14% of respondents ranked the inability of councils to meet increased statutory and/or regulatory requirements placing it in eighth. This was one point higher the national ranking.

57% of respondents identified the lack of local government-specific resources/systems to meet regulatory requirements as the primary contributor to this risk.

Regional and rural/remote councils expressed greater concern for this reason, while metropolitan councils ranked it third. This underscores the challenges councils face particularly in regional and rural areas in securing the right resources and systems for effective compliance with local government regulation. This lack of resources and systems can hinder their ability to fulfil obligations and manage complex regulations.

A 2023 local government review recommended merging 12 state councils into seven to improve per capita resourcing.

Approximately 43% of respondents equally ranked access to qualified staff, changes in legislation or its application to shifting regulatory requirements and changes to planning regulations or other functional requirements as the second highest contributing factors.

Regional data analysis revealed that metropolitan councils are primarily concerned about legislation changes or shifting regulation requirements, while regional and rural/remote councils were more concerned about accessing qualified staff.
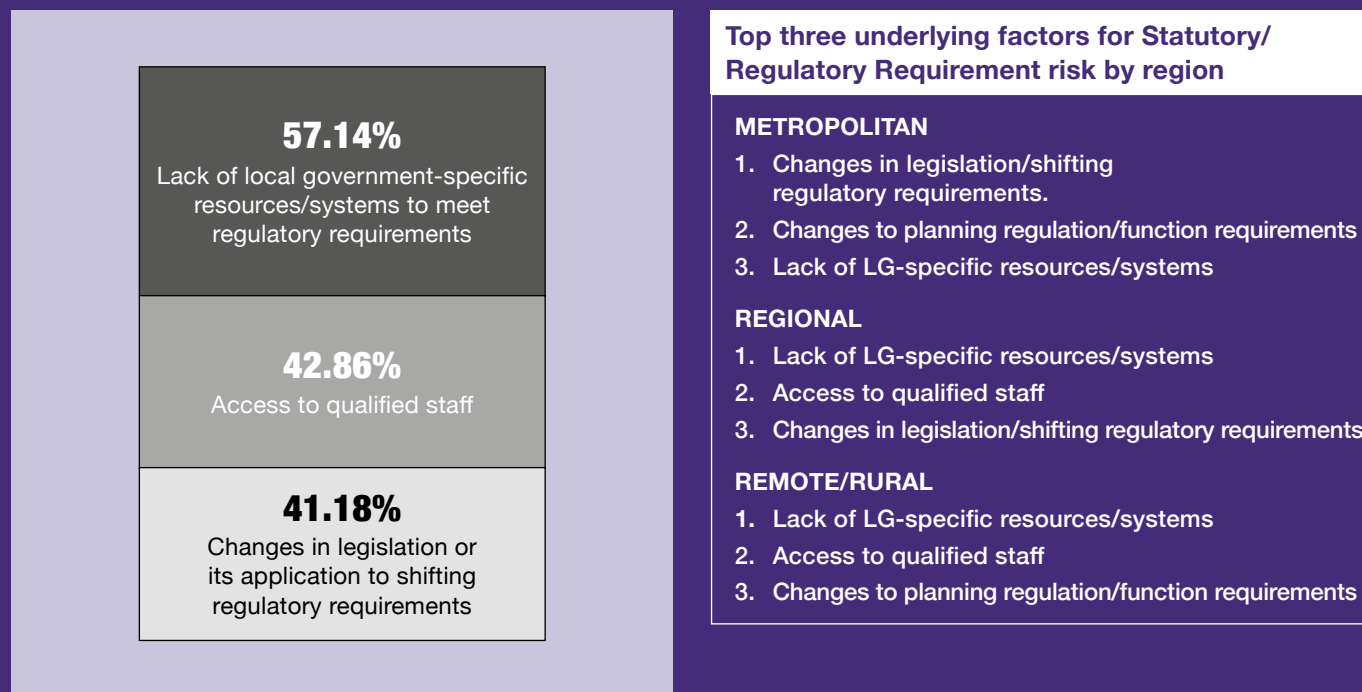
| 57.14% Lack of local government-specific resources/systems to meet regulatory requirements |
| 42.86% Access to qualified staff |
| 41.18% Changes in legislation or its application to shifting regulatory requirements |

Top three underlying factors for Statutory/ Regulatory Requirement risk by region

METROPOLITAN
1. Changes in legislation/shifting regulatory requirements.
2. Changes to planning regulation/function requirements
3. Lack of LG-specific resources/systems

REGIONAL
1. Lack of LG-specific resources/systems
2. Access to qualified staff
3. Changes in legislation/shifting regulatory requirements

REMOTE/RURAL
1. Lack of LG-specific resources/systems
2. Access to qualified staff
3. Changes to planning regulation/function requirements

Figure 33: The top three underlying factors for this risk in Victoria. This shows the percentage of councils that ranked the respective factor as high.

South Australia

In South Australia (SA), executives identified access to qualified staff as the primary contributing factor to statutory and regulatory risk. A significant 76% of participants considered this to be a high-risk factor.47% of respondents considered both changes in legislation/risk shifting and lack of local government-specific resources/systems as high-risk factors. These challenges are widely recognised by local governments and have been exacerbated post-pandemic.

Councils require experienced risk and governance staff to effectively navigate the local government regulatory environment. And yet, attracting and retaining specialist staff is a key challenge for SA local governments. Councils often compete with private industry for talent, making it difficult to secure the necessary expertise.

The 2022 Local Government Workforce Skills and Capability Survey, commissioned by the LGASA, revealed that 84% of SA Councils had some critical skills shortages. This was a 45% increase on the 2018 report.

The survey identified several key specialist roles that were particularly affected, including IT, engineering, urban and town planning and human resources. 47% of SA respondents were investigating or engaging in shared services for governance, compliance and environmental and planning roles.

Top three underlying factors for Statutory/Regulatory requirements risk by region

CAPITAL
1. Changes in legislation/shifting regulatory requirements
2. Access to qualified staff
3. Lack of LG-specific resources/systems

METROPOLITAN
1. Access to qualified staff
2. Lack of LG-specific resources/systems
3. Changes to planning regulation/function requirements

REGIONAL CITY
1. Changes in legislation/shifting regulatory requirements
2. Access to qualified staff
3. Lack of LG-specific resources/systems

REGIONAL
1. Access to qualified staff
2. Changes in legislation/shifting regulatory requirements
3. Lack of LG-specific resources/systems

RURAL/REGIONAL
1. Access to qualified staff
2. Lack of LG-specific resources/systems
3. Changes in legislation/shifting regulatory requirements

10 WASTE MANAGEMENT

The increased expectations to reimagine the waste management process to create better practices and sustainability continue to pose substantial challenges for the sector. These challenges encompass issues of financial capacity, environmental sustainability, resource allocation and public health. In some local government areas, Councils are exposed to these changes across its functions as a waste authority, recycler and a producer of waste. Waste management is a high-risk activity with challenges around all aspects of risk, from liability, property, workers, and the environment.

The Federal Government is committed to improving waste management across the country. To do this, it has introduced three initiatives:

1. A national target to reduce landfill waste by 80% by 2030

2. A ban on waste plastic, paper, glass and tyre exports

3. A strategy to significantly enhance Australia's ability to produce and sell high-value recycled commodities

Infrastructure development to support these initiatives is progressing, though slower than expected. This may raise the risk of stockpiling and redirection to landfill.

Australia's population is experiencing continuous growth, leading to evolving waste streams. Additionally, the rapid pace of technology enhancements has introduced new types of waste such as electronic and hazardous materials.

In 2023, local governments' risk sentiment towards Waste Management remained mostly unchanged. 96% of respondents cited financial capacity, mitigation and waste disposal methods, and evolving community expectations as the most significant risks to sustainable waste management.

Lower national risk averages are noted against compliance and regulation suggesting local governments continue to have challenges in managing evolving regulatory environments and exposure to long-tail risks from historic waste management practices.

Interestingly, whilst cost pressure and financial sustainability dominates as the primary national risk, state-level trends vary.

Councils in NSW and Victoria place the circular economy in its top three concerns. Meanwhile, Western Australia and Victoria stand out as the only states where assessing and monitoring environmental risk does not rank within the top three exposures.

Queensland largely mirrors national trends but places greater emphasis on the macro environment. And the Northern Territory considers monitoring environmental pollution and improper disposal as its most significant exposure concerns.

Top ranking underlying concerns by state

NSW NT SA	Balancing community expectations for managing recycling/reuse operations in accordance with regulations
QLD VIC WA	Cost and ability to effectively manage waste
TAS	Environmental land/air/water management and compliance

The move towards a circular economy puts short-term pressure on financial resources and councils' ability to adapt. After all, this shift necessitates infrastructure and customer offering updates.
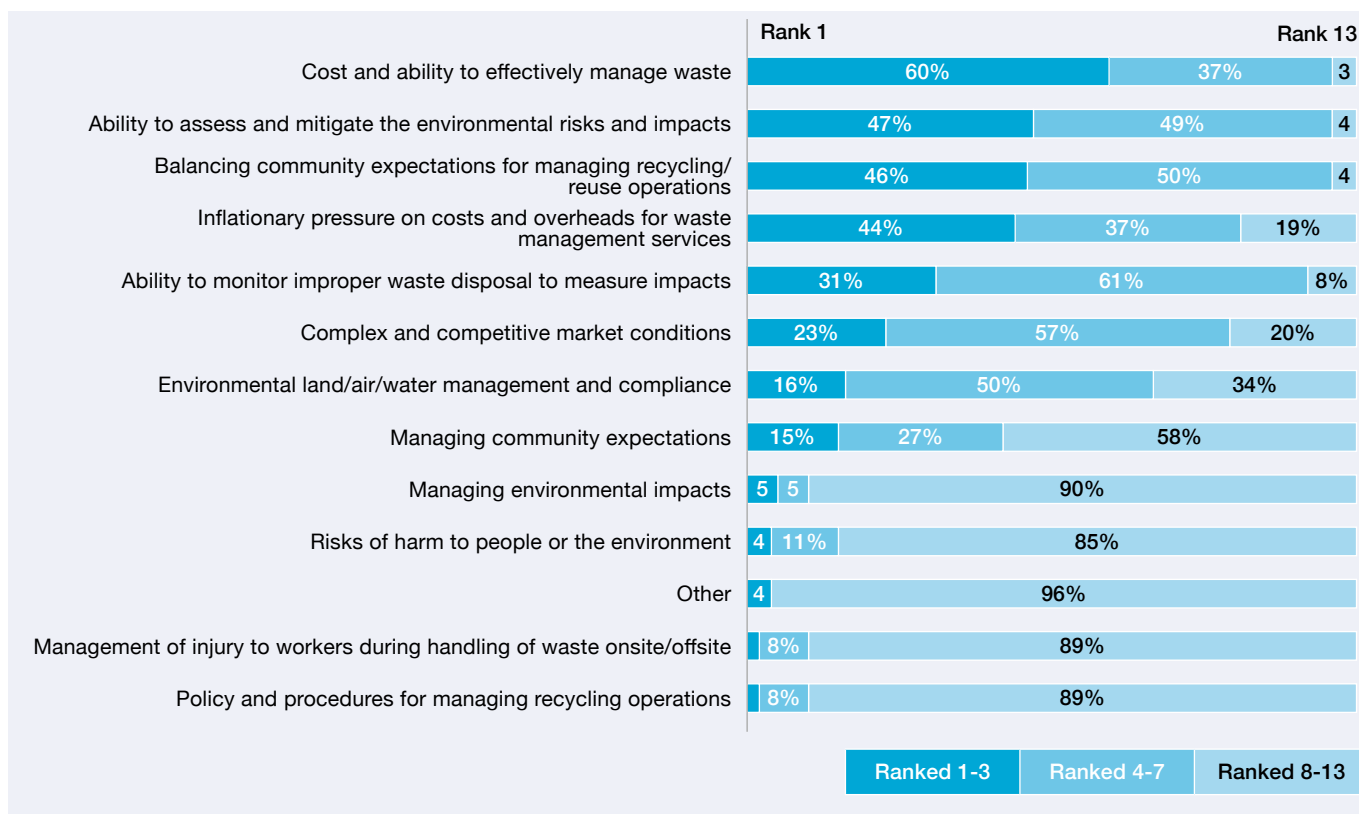
	Rank 1		Rank 13
Cost and ability to effectively manage waste	60%	37%	3
Ability to assess and mitigate the environmental risks and impacts	47%	49%	4
Balancing community expectations for managing recycling/ reuse operations	46%	50%	4
Inflationary pressure on costs and overheads for waste management services	44%	37%	19%
Ability to monitor improper waste disposal to measure impacts	31%	61%	8%
Complex and competitive market conditions	23%	57%	20%
Environmental land/air/water management and compliance	16%	50%	34%
Managing community expectations	15%	27%	58%
Managing environmental impacts	5	5	90%
Risks of harm to people or the environment	4	11%	85%
Other	4		96%
Management of injury to workers during handling of waste onsite/offsite		8%	89%
Policy and procedures for managing recycling operations		8%	89%

Ranked 1-3   Ranked 4-7   Ranked 8-13

Figure 34: Waste Management National Risk Heat Map

Shifting Waste Management trends in Australia and globally

1. Alternative to landfill disposal: Stricter regulations and higher handling fees are driving national and international demand for waste managers to find alternatives to landfill disposal.

At the same time, there's competing pressure to invest in improved landfill practices. Local government entities are exploring Waste-to-Energy (WTE), recovery and reuse options to control operational costs and generate revenue.

This shift is supported by the Federal Government's commitment to boost renewal energy, as announced at the COP28 summit. Therefore, careful balancing of landfill improvements and transition efforts is critical.

2. Innovation: Technological advancements like smart waste bins, recycling robots and e-waste kiosks show the potential to revolutionise waste management practices.

Investment in smart infrastructure is increasing across the sector, with the growing use of artificial intelligence, analytics and cameras to analyse waste items. Transitioning to electric fleets and enhancing material extraction from electronics is also on the rise.

New technology also brings new risks, particularly in data management, cybersecurity, system security and increased e-waste.

3. Transportation: Legacy collection fleets pose serious sustainability challenges, particularly in reaching carbon targets.
Transitioning to suitable fuels and vehicles is crucial. However, implementing such changes involves capital risk, operational risks and uncertainties.

4. Shifting towards electrical or biofuel: Electric or biofuel waste fleets introduce different characteristics and requirements than traditional fuel systems.
This shift may result in increased maintenance, repair and supply costs. Careful consideration and planning are necessary to mitigate these risks and ensure a smooth transition to more sustainable waste management practices.

5. Transition waste: Transition waste, such as WTE residual waste, could also pose a challenge for transportation and supply chain routes. Careful assessment of supply chain dependencies, pollution and emergency response is required.

6. Greenwashing: Greenwashing is when entities make sustainability declarations without basis. Recently, we've seen increased litigation and regulatory action against greenwashing. While local governments don't fall within the bounds of the Corporation Act, liability may arise from Australian consumer Law, which states that when a local government involves itself in trade or commerce, it is prohibited from engaging in misleading or deceptive conduct. Misstatements in publications of de-carbonisation plans or climate change initiatives linked to funding may fall within this exposure area.

7. Changes in climate: Changing climate conditions in Australia continue to pose risks to waste management activities across production local governments must address risks from bushfires, flood, land use planning and buffer zones, and increased demand and dependency risks posed by natural disasters. The National Waste Report 2022 reported that 2020-21's major weather events produced 181,000 tonnes of disaster waste. Managing such disaster waste must also contend with increased asbestos contamination (for example, Tweed Shire Council collected 1,440 tonnes of ACM following the flood in early 2022). Enhanced regulatory management could improve tracking from source to disposal but may lead to higher costs and the risk of illegal disposal.

Waste Management risk drivers

Local governments have strong incentives to adopt and evolve to ensure efficient management of waste to accommodate changing waste streams and meet community expectations. This will require careful consideration across the following key areas of change:

- **Exposure:** Business interruption and supply chain exposure, along with challenges accessing capital and social governance, the costs of managing non-revenue-generating legacy landfills, and an increased dependency on one or two private sector operators, are significant concerns.

- **Partnerships:** Private and Public Partnerships (PPP) are expected to grow and evolve, changing the dynamic and potentially leading regional amalgamation of waste management due to increased operating costs.

- **Operations:** As new technology and automation gain popularity, worker safety, liability, and property exposures will change, as well as staff retention and training.

- **Digitisation:** IT dependency, cyber and data security, and WTE operations being classified under critical infrastructure provisions represent significant issues.

Continued investigation and investment in WTE solutions, recycling hubs and regional waste facilities is crucial to ensure a resilient transition to the Federal Government's waste management objectives.

Top ranking underlying factors for Waste Management by state/territory

NSW NT SA	Balancing community expectations for managing recycling/reuse operations in accord with regulations
QLD VIC WA	Cost and ability to effectively manage waste
TAS	Environmental land/air/water management and compliance

Top three underlying factors for Waste Management risk by region

CITY
1. Ability to monitor improper waste disposal
2. Balancing community expectations for managing recycling/reuse operations
3. Complex/competitive market conditions for waste collection

METROPOLITAN
1. Cost & ability to effectively manage waste
2. Inflationary pressure on costs/overheads for waste management
3. Balancing community expectations for managing operations

REGIONAL CITY
1. Ability to assess and mitigate the environmental risks/impacts
2. Cost & ability to effectively manage waste
3. Inflationary pressure on costs/overheads for waste management

REGIONAL
1. Cost & ability to effectively manage waste
2. Balancing community expectations for managing recycling/reuse operations
3. Ability to assess and mitigate the environmental risks/impacts

RURAL/REGIONAL
1. Cost & ability to effectively manage waste
2. Ability to assess and mitigate the environmental risks/impacts
3. Balancing community expectations for managing recycling/reuse operations

Victoria

Victorian senior council executives placed Waste Management in twelfth position two points lower than the national ranking.

Nearly 70% of respondents identified the cost and ability to effectively manage waste relevant to Council areas as the leading contributing factor to this risk. This was the highest-ranked reason for all regions except for capital city councils, who ranked this 12th out of 13.

Complex and competitive market conditions for waste collection, disposal, recycling and reuse procurement processes was ranked as the second concern by 46% of respondents. Unlike regional city councils, capital, metropolitan and regional councils ranked this issue in their top three concerns.

This discrepancy is mainly because regional areas often manage waste internally, whereas most metropolitan councils seek external assistance to collect and process waste, facilitated by their higher population density

Top three underlying factors for Waste Management risk by region

CITY
1. Complex and competitive conditions for collection, disposal, recycling and reuse
2. Managing community expectations for councils to manage environmental responsibilities
3. Ability to monitor improper waste disposal

METROPOLITAN
1. Cost and ability to effectively manage waste
2. Complex and competitive market conditions for waste collection
3. Inflationary pressure on costs and overheads for waste management services

REGIONAL CITY
1. Cost and ability to effectively manage waste
2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
3. Environmental land/air/water management and compliance

REGIONAL
1. Cost and ability to effectively manage waste
2. Complex and competitive conditions for collection, disposal, recycling and reuse
3. Inflationary pressure on costs and overheads for waste

RURAL/REGIONAL
1. Cost and ability to effectively manage waste
2. Inflationary pressure on costs and overheads for waste
3. Balancing and mitigating the environmental risks and impacts of waste disposal methods

New South Wales

20% of metropolitan councils in New South Wales identified inflationary pressure as high risk, compared to 15% of regional councils. Both areas ranked the impact of inflation on waste management operations as medium risk, with very few regional councils identifying inflation as low risk.

40% of metropolitan councils rated waste management as high risk due to complex and competitive market conditions for waste collection, disposal, recycling and reuse procurement processes relevant to all aspects of contractual arrangements.

Regional councils shared similar concerns, with 30.77% of respondents identifying the same challenges facing local government.

30% of metropolitan councils and 30.77% of regional councils ranked the ability to assess and mitigate the environmental risks and impacts of waste disposal as a leading concern.

Both metropolitan and regional councils showed similar levels of risk maturity in managing work health and safety (WH&S) concerns. 70% of metropolitan councils considering this low risk, and 53.85% of regional councils agreed. However, 7.59% of regional councils identified WH&S exposure as medium risk.

For 10% of metropolitan councils, the cost and effectiveness of waste management are major concerns, compared to 30% of regional councils. Climate change poses ongoing operational challenges for waste management, with fires and flood increasing operational costs for councils.

Top three underlying factors for Waste Management risk by region

METROPOLITAN
1. Balancing community expectations for managing recycling/reuse operations
2. Complex and competitive market conditions for waste collection, disposal, recycling and reuse
3. Inflationary pressure on costs and overheads for waste management services

REGIONAL CITY
1. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
2. Inflationary pressure on costs and overheads for waste management services
3. Cost and ability to effectively manage waste

REGIONAL
1. Balancing community expectations for managing recycling/reuse operations in accord with regulations
2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
3. Cost and ability to effectively manage waste

RURAL/REGIONAL
1. Cost and ability to effectively manage waste
2. Balancing community expectations for managing recycling/reuse operations in accord with regulations
3. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods

Northern Territory

Respondents ranked the cost and ability to effectively manage waste relevant to council area as the second highest contributing factor. In fact, 66% of respondents ranked this as a high risk.

Interestingly, only regional city councils and regional councils ranked this in their top two positions. Metropolitan councils ranked this as medium. Assessing and mitigating the environmental risks and impacts of waste disposal methods was ranked equal second.

This concern was the primary contributing factor in capital city and regional city councils, and it was ranked third by regional councils.

Figure 35: Waste Management Average Ranking of Northern Territory underlying factors

Tasmania

14% of Tasmanian council senior executives ranked Waste Management as high risk, placing it ninth, one spot higher than the national ranking.

57% of respondents ranked environmental land/air/water management, compliance and ability to assess and mitigate the environmental risks, and impact of waste disposal methods, as their leading contributing factors.

Nearly 43% of respondents ranked the costs and ability to effectively manage waste relevant to council areas. The wide geographic spread of councils and small population bases across many municipalities increase waste management costs.

Top three underlying factors for Waste Management risk by region

CAPITAL

1. Complex and competitive conditions for collection, disposal, recycling and reuse
2. Managing community expectations for councils to manage environmental responsibilities
3. Ability to monitor improper waste disposal

METROPOLITAN

1. Cost and ability to effectively manage waste
2. Complex and competitive market conditions for waste collection
3. Inflationary pressure on costs and overheads for waste management services

REGIONAL CITY

1. Cost and ability to effectively manage waste
2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods

3. Environmental land/air/water management & compliance

REGIONAL

1. Cost and ability to effectively manage waste
2. Complex and competitive conditions for collection, disposal, recycling and reuse
3. Inflationary pressure on costs and overheads for waste

REMOTE/RURAL

1. Cost and ability to effectively manage waste
2. Inflationary pressure on costs and overheads for waste
3. Balancing and mitigating the environmental risks and impacts of waste disposal methods

Western Australia

20% of Western Australian respondents ranked Waste Management as a considerable risk, placing it eighth, two points higher than the national ranking

Highest Ranking

Factor	Value
Cost and ability to effectively manage waste relevant to your Council area	3.34
Balancing community expectations for managing recycling/reuse operations in accord with regulations	3.66
Ability to assess and mitigate the environmental risks and impacts of waste disposal methods	3.86
Ability to monitor improper waste disposal to measure contamination, greenhouse gas emissions, habitat loss and health impacts for wildlife	4.69
Inflationary pressure on costs and overheads for waste management services	4.91
Environmental land / air / water management and compliance	6.20
Complex and competitive market conditions for waste collection, disposal, recycling and re-use Procurement processes relevant to all aspects of contract arrangements	6.29
Managing community expectations on Council's ability to manage its environmental responsibilities	6.66
Managing environmental impacts on human health risk (pollution, leaching, tainted waterways) emanating from waste site/s	8.63
Policy and procedures for managing recycling operations	9.63
Management of injury to workers during handling of waste onsite/offsite	10.11
Risks of harm to people or the environment arising from waste facilities/activities	10.37
Other – please specify	12.66

Lowest Ranking

Figure 36: Waste Management Average Ranking of Western Australia underlying factors

In Western Australia, 57% of council senior executives ranked the cost and ability to effectively manage waste relevant to Council areas as the leading underlying concern. Metropolitan and regional councils ranked this as their leading reason, whereas regional city and rural/remote councils considered it a lower concern.

Recent significant population growth, particularly in urban areas, has led to increased waste production and the demand for waste management services across the state. This places stress on existing infrastructure and resources.

Metropolitan councils face the challenge of finding suitable sites for new landfills, prompting the sector to adopt alternative waste management strategies. This transition requires substantial investment and introduces greater risk, as waste managers store and process greater volumes of complex waste, like mineral-rich batteries.

For 51% of respondents, the ability to assess and mitigate the environmental risks and the impact of waste disposal methods was the second highest contributing factor. This is understandable, as waste management carries higher risks than many other industries and local government services.

Recent major incidents in Western Australia have increased awareness of these risks and their potential long-term negative impacts on local communities, environments and industries.

Moreover, as WA waste managers transition to new processes particularly those involving mineral-rich waste and energy generation they face a steep learning curve to understand new risk exposures and implement suitable controls.

These concerns are more pronounced for regional city, regional and rural/remote councils, as their challenges are compounded by geographic size, limited resource availability and the difficulty of securing skilled workers.

Top three underlying factors for Waste Management risk by region

METROPOLITAN

1. Cost and ability to effectively manage waste
2. Inflationary pressure on costs and overheads for waste management services
3. Balancing community expectations for managing recycling/reuse operations in accord with regulations

REGIONAL CITY

1. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
2. Environmental land/air/water management & compliance
3. Management of injury to workers during handling of waste onsite/offsite

REGIONAL

1. Cost and ability to effectively manage waste
2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
3. Balancing community expectations for managing recycling/reuse operations in accord with regulations

REMOTE/RURAL

1. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
2. Balancing community expectations for managing recycling/reuse operations in accord with regulations
3. Ability to monitor improper waste disposal to measure contamination etc

Queensland

In Queensland, financial challenges were identified as the most pressing risks for effective waste management, with 76% of council senior executives citing costs as a high concern, followed by inflationary pressures, which were rated as high by 52%.

Nationally, cost was still the highest risk but cited by only 60% of council senior executives. The impacts of inflation fell to fourth, with 44% identifying this as a high risk.

Queensland councils are likely to prioritise financial considerations in evaluating their waste management programs and risk controls. It is unclear whether this is due to decentralised settlement patterns, demographic changes or underlying system and regulatory framework.
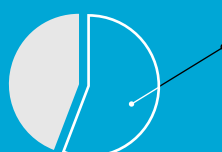
South Australia

8% of senior council executives in South Australia ranked Waste Management as high risk, placing it in eleventh position, one spot lower than its national ranking.

59%
Noted balancing community expectations for managing recycling/reuse operations as the leading issue for this risk

53%
Noted cost and ability to effectively manage waste as the second leading reason for this risk

Nearly 59% of council senior executives ranked balancing community expectations with regulation compliance in managing recycling/reuse operations as the primary contributing factor to this risk. This remains consistent with national responses.

Capital city, metropolitan and regional councils ranked this as a leading contributing factor. Regional city and rural/remote councils ranked this as the fourth contributing factor.

Council senior executives ranked cost and ability to effectively manage waste relevant to council area, along with inflationary pressure on costs and overheads for waste management services, as the joint second highest contributing factor for this risk.

Inflationary pressure was a major concern for metropolitan, regional city and rural/remote councils, ranking third highest. City and regional councils ranked this issue in fourth and fifth position.

City, regional city, regional and rural/remote councils ranked the cost and ability to effectively manage waste relevant to council's area within the top three positions as a high concern. In contrast, metropolitan ranked this in fifth position.

Policy and procedures for managing recycling operations ranked the lowest on the South Australia heat map. This indicates that councils have appropriate controls in place to address liability exposures.

Legacy landfill sites and new developments pose risks for South Australian councils.

Top three underlying factors for Waste Management risk by region

CITY
1. Balancing community expectations fo r managing recycling/reuse operations
2. Managing community expectations on Councils ability to manage its environmental responsibilities
3. Monitoring the diverse environmental waste mediums

METROPOLITAN
1. Balancing community expectations for managing recycling/reuse operations
2. Inflationary pressure on costs and overheads for waste management services
3. Complex and competitive conditions for collection, disposal, recycling and reuse

REGIONAL CITY
1. Inflationary pressure on costs and overheads for waste management services
2. Cost and ability to effectively manage waste
3. Environmental land/air/water management & compliance

REGIONAL
1. Balancing community expectations for managing recycling/reuse operations
2. Ability to assess and mitigate the environmental risks and impacts of waste disposal method
3. Cost and ability to effectively manage waste

REMOTE/RURAL
1. Cost and ability to effectively manage waste
2. Ability to assess and mitigate the environmental risks and impacts of waste disposal methods
3. Inflationary pressure on costs and overheads for waste management services

11

REPUTATION RISK

Reputation remains a prominent risk for local government CEO/GMs. As the government level closest to communities, councils are in touch with community needs and often know the best way to meet those needs. Nonetheless, this comes with the challenge of managing community expectations around providing essential services.

CEOs and GMs often encounter a significant challenge when it comes to the breadth of services that councils deliver, especially considering the finite financial and human resources available when managing an extremely broad portfolio. This challenge becomes even more pronounced for smaller regional councils. Merged councils that have limited funds to allocate across multiple towns face an even greater challenge, often having to navigate the prospect of capped rates.

Like last year's results, executives identified their ability to administer governance effectively as their most significant contributor to Reputation risk. This is closely followed by a loss of community trust in council executives and elected bodies. Prominent issues that contribute to this risk include governance failures in procurement, discharging duties, and elected member behaviour.
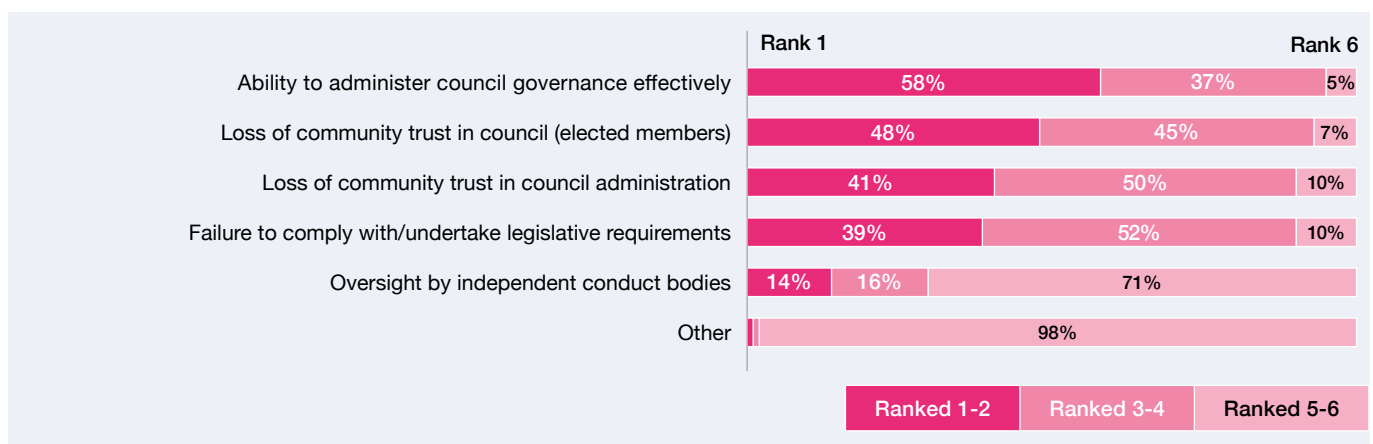
Figure 37: Reputation as Local Government National Risk Heat Map

Like many risks, reputation is closely interconnected with other key risks for the sector. One such risk that local government faces is ineffective governance, which ranked number 11 this year. High-profile issues that attract media attention, such as disputes among elected member, electoral procedure errors and controversial planning decisions, all have the potential to adversely affect the reputation of the council.

Another risk closely connected to this is assets & infrastructure, ranking third this year. As previously mentioned, it can be challenging to meet community expectations regarding the management and maintenance of critical infrastructure and community recreation spaces. In many instances, Councils are responsible for maintaining key assets that are owned by the state government such as jetties, wharves and sea walls. Due to limited funds, council's reputation is often impacted when such infrastructure fails.

The graphic below highlights several reputation risk drivers for organisations.
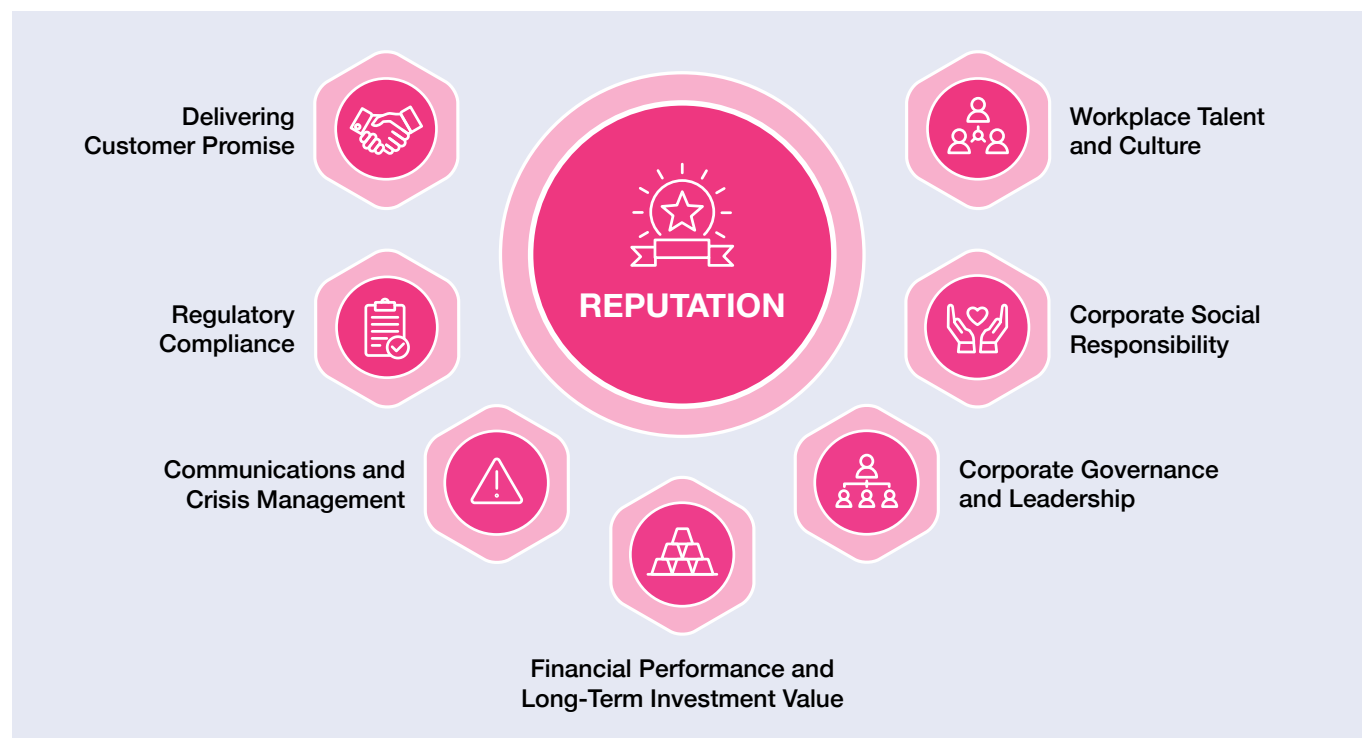
Reputation plays a critical role in building public trust, attracting investment, retaining talent and fostering community engagement.

The biggest drivers of reputational risks have been perceived to be related to governance practices, ethics and integrity of local government. In fact, 57% of respondents ranked their ability to administer council governance effectively as the most significant issue underpinning their reputation.

Interestingly, larger metropolitan councils ranked this contributing factor lower than smaller regional and remote councils (albeit slightly). This suggests that resource constraints and difficulties in attracting and retaining talent may be potential contributors to the perception of its significance within councils.

The governance implications that arise from the involvement of councils in such a wide range of activities are significant. It is important to note governance is a response that is influenced by the organisation's operating environment. This places even greater strain on already limited resources and capacity.

Furthermore, councils are often the central institution in their communities. This high degree of visibility and expectation can increase their reputation risk.

Changing community and other stakeholder expectations introduces an additional dimension to the consideration of these issues. In recent years, there has been a growing awareness and an increase in social activism around

Environmental, Social and Governance ESG issues. As the closest level of government to the community and subject to established statutory governance regimes, councils already were and are at the forefront of many of these issues.

The evolution of public values in ESG matters undoubtedly pose challenges to existing council governance mechanisms and add additional pressure on already limited council resources. Councils are faced with the task of meeting the changing demands and expectations of their constituents to adapt to these public values.

This once again highlights the interconnectedness among various significant risks councils encounter, with ongoing financial sustainability challenges being one of the most notable. These challenges have the potential to result in complex, compounding and cascading consequences.

In addition to their ability to effectively administer governance, respondents identified a loss of community trust in the council (and elected members) as the next most significant risk to reputation.

Trust serves as the foundation on which thriving communities and effective local governments are built. It is the social contract between elected representatives and their communities and is crucial for developing public policy and delivering community services.

According to a recent Edelman survey, Australian government is less trusted than businesses.
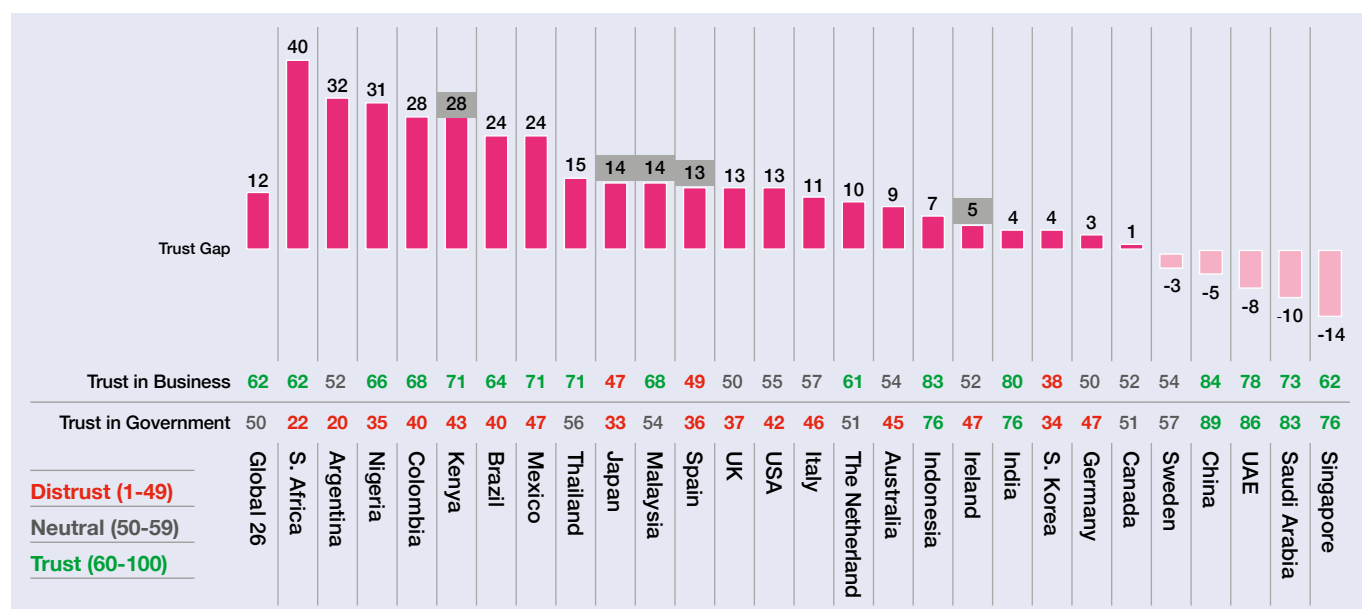
Trust Gap	Global 26	S. Africa	Argentina	Nigeria	Colombia	Kenya	Brazil	Mexico	Thailand	Japan	Malaysia	Spain	UK	USA	Italy	The Netherland	Australia	Indonesia	Ireland	India	S. Korea	Germany	Canada	Sweden	China	UAE	Saudi Arabia	Singapore
	12	40	32	31	28	28	24	24	15	14	14	13	13	13	11	10	9	7	5	4	4	3	1	-3	-5	-8	-10	-14
Trust in Business	62	62	52	66	68	71	64	71	71	47	68	49	50	55	57	61	54	83	52	80	38	50	52	54	84	78	73	62
Trust in Government	50	22	20	35	40	43	40	47	56	33	54	36	37	42	46	51	45	76	47	76	34	47	51	57	89	86	83	76

Distrust (1-49)
Neutral (50-59)
Trust (60-100)

Figure 38: Government Less Trusted than Business

This trust gap has obvious implications for government reputations – and reinforces respondents' view on this risk. Despite these results, local government is generally perceived as more trustworthy than the State and Federal Governments.

The following elements can help secure public trust:

- **Demonstrating competence:** The organisation's ability to demonstrate competence and deliver on promises.

- **Demonstrating empathy:** The organisation's empathy demonstrated toward the community showcasing that the council does more than serve its own agenda.

- **Demonstrating integrity:** The organisation shows integrity by representing the community's interests and acts in alignment with its stated values and commitments, even when no one is watching.

While councils have been actively advocating for and addressing the needs of their communities, there have also been notable instances in the past 12 months where councils have been placed into administration or had elected representatives dismissed. These occurrences serve as a confirmation that the risk of losing trust and the subsequent impact on reputation is not unfounded or unrealistic.

As councils strive to meet their community's evolving needs and expectations, they must continue to ask: 'Do our actions enhance or erode trust?'

Prioritising actions and implementing structures and mechanisms that enhance trust ensures that councils can effectively serve their communities, make informed decisions and build a strong reputation. This creates a growth and prosperity environment.

Top ranking underlying factors for Reputation by State/Territory

NSW NT QLD TAS VIC WA	Ability to administer council governance effectively
SA	Loss of community trust in council (elected members)

Top three underlying factors for Reputation risk by region

CITY

1. Loss of community trust in council administration
2. Loss of community trust in council (elected members)
3. Ability to administer council governance effectively

METROPOLITAN

1. Loss of community trust in council (elected members)
2. Ability to administer council governance effectively
3. Loss of community trust in council administration

REGIONAL CITY

1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements

3. Loss of community trust in council (elected members)

REGIONAL

1. Ability to administer council governance effectively
2. Loss of community trust in council (elected members)
3. Loss of community trust in council administration

REMOTE/RURAL

1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements
3. Loss of community trust in council (elected members)

New South Wales

Social media has increased public awareness, making it easier for the public to scrutinise their local government. Communities are eager to judge poor decision-making or conduct that falls short of their expectations.
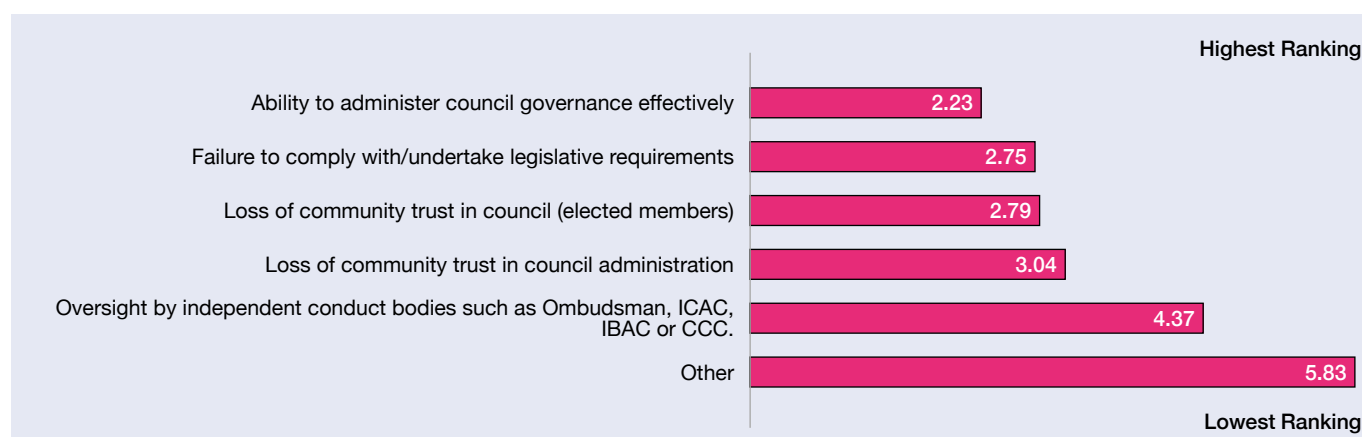

Figure 39: Reputation as Local Government Average Ranking of New South Wales underlying factors

Unfortunately, loss of community confidence can lead to lasting voter backlash, making forgiveness challenging. Such a loss of trust often leads elected officials and executives to potentially act ultra-conservatively, wary of their future tenure.

A council that lacks respect also tends to discourage community-minded individuals from running for election, as they fear facing distasteful sentiments even before making a decision to run.

Over 30% of all CEO/GMs have been displaced in NSW following the local government elections after COVID-19. This resourcing 're-correction' endured for nearly 18 months, and management continuity versus effective government suffered considerably during this time.

Top three underlying factors for Reputation risk by region

METROPOLITAN
1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements
3. Loss of community trust in council (elected members)

REGIONAL
1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements
3. Loss of community trust in council administration

REGIONAL CITY
1. Loss of community trust in council (elected members)
2. Ability to administer council governance effectively
3. Failure to comply with/undertake legislative requirements

REMOTE/RURAL
1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements
3. Loss of community trust in council (elected members)

Queensland

In Queensland, the view on reputational risk was consistent with the national perspective. However, there is more concern about the ability to administer council governance effectively.

Over 40% of CEO/GMs ranked this as their leading underlying factor to local government's reputation. The national ranking is 30%.

Contrastingly, loss of trust in elected members was ranked higher nationally (29%) than in Queensland (26%).

It is anticipated that there will continue to be a strong focus on supporting and improving governance in Queensland as a means to manage reputational risk

Victoria

Reputation was ranked tenth in Victoria, one point higher than the national ranking. This suggests that it remains a considerable risk for councils.

60%
Attribute the ability to administer council governance effectively for this risk

53%
Attribute the loss of community trust in council (elected members) for this risk

Top three underlying factors for Reputation risk by region

CITY
1. Loss of community trust in council administration
2. Loss of community trust in council (elected members)
3. Oversight by independent conduct bodies

METROPOLITAN
1. Loss of community trust in council (elected members)
2. Loss of community trust in council administration
3. Ability to administer council governance effectively

REGIONAL CITY
1. Loss of community trust in council administration
2. Ability to administer council governance effectively
3. Failure to comply with/undertake legislative requirement

REGIONAL
1. Loss of community trust in council (elected members)
2. Loss of community trust in council administration
3. Ability to administer council governance effectively

RURAL/REGIONAL
1. Ability to administer council governance effectively
2. Loss of community trust in council (elected members)
3. Failure to comply with/undertake legislative requirements

Consistent with other states and territories, the survey results indicate that 60% of respondents ranked the ability to administer council governance effectively as the primary reason for this risk. This factor was ranked first by all council regions, except for capital city councils, where it was ranked fifth.

53% of respondents cited loss of community trust in council elected members as their second-most concern. All regions ranked this in the top two places, except for regional city councils, which ranked it fourth.

This may stem from the potential loss of community trust in the council administration and elected members, which may lead to communication breakdowns, diminished confidence in decision-making, and a negative perception of the council's ability to serve effectively.

Northern Territory

In the Northern Territory respondents ranked Reputation twelfth, one point lower than the national average.

66% of respondents ranked the ability to administer council governance effectively as their leading contributing factor. This was closely followed by the loss of community trust in council administration and the loss of community trust in elected members (50%).

These rankings could be attributed to the Northern Territory's current lower human resource capacity. Councils in the Northern Territory are also managing the increasing governance requirements and the associated costs.

Western Australia

The ability to administer council governance effectively is a reputational risk for Western Australian local governments, affecting public trust, compliance with regulations, ethical conduct, stakeholder relationships, and the media and public perception.

The results indicated that while all regions ranked administering council governance effectively as the leading reason, regional councils ranked this slightly lower. In Western Australia, both metropolitan and regional councils face this factor, however, the higher public visibility, complex decision-making, greater financial resources, and higher expectations placed on metropolitan local governments may contribute to higher reputational risk compared to regional local governments.

The loss of community trust in council administration and elected members poses a critical challenge, undermining local government's legitimacy, accountability, and transparency, reducing public participation and engagement. It also damages its reputation and impacts effective governance and service delivery. Restoring and maintaining this trust is essential for effective governance and service.

Despite ranking eleventh, reputational risk remains a considerable concern. Local governments need to mitigate this risk through implementing strategies that safeguard their reputation through clear communication, ethical conduct, stakeholder engagement, and transparency. Through proactive reputation management, local governments in Western Australia can ensure their ongoing effectiveness in serving the community and cultivating public trust.

Top three underlying factors for Reputation risk by region

METROPOLITAN
1. Loss of community trust in council administration
2. Ability to administer council governance effectively
3. Loss of community trust in council (elected members)

REGIONAL CITY
1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirement
3. Loss of community trust in council administration

REGIONAL
1. Loss of community trust in council administration
2. Loss of community trust in council (elected members)
3. Failure to comply with/undertake legislative requirement

RURAL/REGIONAL
1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements
3. Loss of community trust in council (elected members)

South Australia

South Australian CEO/GMs ranked reputation ninth, higher than the national ranking of eleventh.

61% of CEO/GMs cited the Loss of Community Trust in Council Elected Members as their leading concern. This is closely followed (53%) by the Loss of Trust in Council Administration.

All participating councils ranked these two contributing factors in their top three positions. Metropolitan councils ranked oversight by independent conduct bodies such as the ombudsman, ICAC, etc. as their second-most reason, however, other councils did not cite this as a major concern.

Top three underlying factors for Reputation risk by region

CITY
1. Loss of community trust in council administration
2. Loss of community trust in council (elected members)
3. Oversight by independent conduct bodies.

METROPOLITAN
1. Loss of community trust in council (elected members)
2. Oversight by independent conduct bodies
3. Loss of community trust in council administration

REGIONAL CITY
1. Loss of community trust in council administration
2. Ability to administer council governance effectively
3. Loss of community trust in council (elected members)

REGIONAL
1. Loss of community trust in council (elected members)
2. Loss of community trust in council administration
3. Ability to administer council governance effectively

REMOTE/RURAL
1. Ability to administer council governance effectively
2. Failure to comply with/undertake legislative requirements
3. Oversight by independent conduct bodies

Tasmania

Tasmanian respondents ranked Reputation last, consistent with the national ranking.
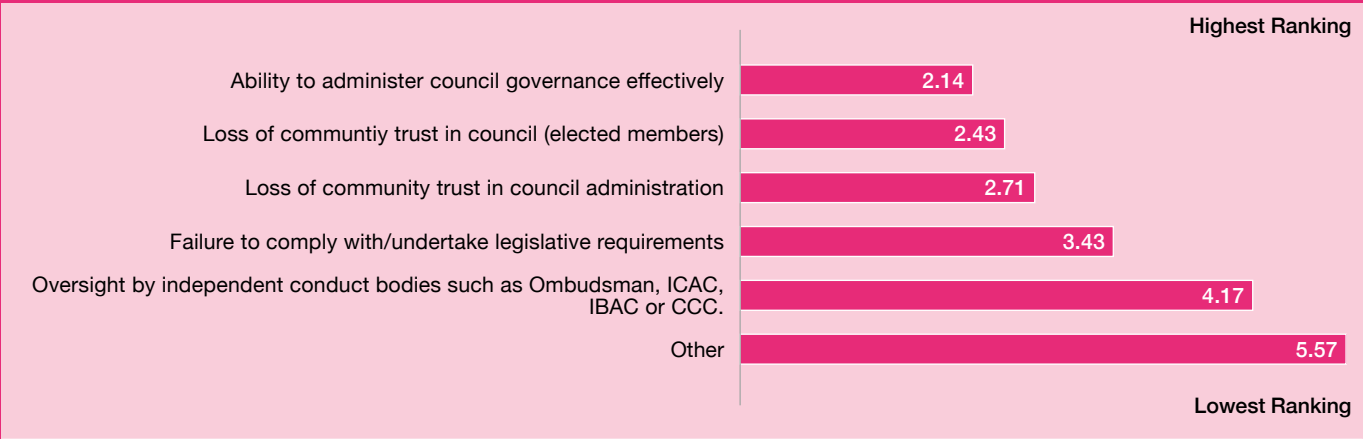

Figure 40: Reputation as Local Government Average Ranking of Tasmania underlying factors

83% of respondents cited the ability to administer council governance effectively as the leading reason for this risk. All represented regions placed this first.

Additionally, 50% of respondents ranked the loss of community trust in council administration and the loss of community trust in council elected members as their second-most reason for this risk. This may stem from the risk of the community losing trust in the administration and elected members, which can lead to communication breakdowns, diminished confidence in decision-making and a negative perception of the council's ability to serve effectively.

Top three underlying factors for Reputation risk by region

METROPOLITAN

1. Ability to administer council governance effectively
2. Loss of community trust in council administration
3. Failure to comply with/undertake legislative requirements

REGIONAL

1. Ability to administer council governance effectively
2. Loss of community trust in council (elected members)
3. Oversight by independent conduct bodies

REMOTE/RURAL

1. Ability to administer council governance effectively
2. Oversight by independent conduct bodies
3. Loss of community trust in council administration

12 LIABILITY CLAIMS

NEGLIGENCE GIVING RISE TO CIVIL LIABILITY CLAIMS AGAINST COUNCIL

Gone are the days of 50c per litre fuel or 30c ice cream. The cost of living has significantly increased over the past decade, rising by 23.4%. This upward trend has continued in the past year with a notable increase of 5.1%. The rise of living costs has impacted various sectors – and claims costs have been no exception.

	Rank 1		Rank 7
Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss	76%		24%
Ability to apply policy and implement procedures	64%		36%
Understanding of council's risk profile and risk management policy and processes	56%		44%
Ability to undertake due diligence when administering statutory/regulatory responsibilities	53%		47%
Understanding and implementing council's regulatory requirements	30%		70%
Understanding the risk associated with providing professional advice	21		79%
Other		100%	

Ranked 1-2	Ranked 3-4	Ranked 5-8

Figure 41: Negligence giving rise to civil liability claims against council National Risk Heat Map

According to the Australian Prudential Regulation Authority claims cost increases in the liability sector 'have been higher than general inflation'.[18] Several factors contribute to the significant increase in claim costs, including but not limited to 'higher claimant demands and media scrutiny, as well as legal and litigation expenses and rising medical bills'.[19]

[18, 19] Pugh, Insurance News, The pain and perils of public liability

On top of the cost of liability claims increasing, the frequency of claims has also risen. Australia has become one of the most litigious countries globally when it comes to personal injury and damages claims.[20] In fact, New South Wales ranks as the second most litigious region behind California in the USA.[21]

We can only speculate as to why Australia has become more litigious. For example, individuals struggling in the cost-of-living crisis may be seeking compensation through legal means. Plaintiff law firms may also contribute to the rise of litigation as they become more active.

Liability claims against councils have ranked as the eleventh highest risk to local government in Australia. This placement support the overall trend of increased litigation and highlights the importance of effectively managing this risk for councils. It is interesting to note that 29.68% of Australian councils identified 'understanding of council's risk profile and application of the risk management policy and processes' as the highest issue concerning liability claims.

Consequently, data analysis and AI technology may escalate in severity and frequency, as these tools can instantaneously review claims-related data points and analyse them to indicate a claim. Looking forward, this proactive approach will be essential to understanding claims risk across Australia.[22] To effectively understand their risk profiles and subsequently apply their risk management policies effectively, it is critical for councils to accurately record all claims data. When councils access accurate data, it can be determined where their major risks lie and subsequently, which areas the council should focus on to apply their risk management policies. For example, with accurate data, we may find a significant influx of tree limb claims from a particular area within a council municipality. This data can help council identify the high-risk area and move it to the risk management action for tree management. Risks for each council will be unique and we suspect the risk profile of metropolitan councils will differ from regional councils. Emerging AI technologies will help councils manage and analyse their risk profiles and take steps to minimise liability exposure.

The top concern underlying liability claims subcategories across Australia is being able to deter liability claims and the 'ability to discharge a reasonable duty of care resulting in fewer injuries.' Another factor is 'the ability to apply policy and procedures in accordance with the strategic plan.'

For instance, in one state, most liability claims arose from trip and fall incidents. For councils to effectively discharge a reasonable duty of care and apply policy and procedure effectively, it is essential councils adhere to statutory and common law obligations in their respective state. If councils adhere to the required inspections, repairs, intervention levels or other state-determining factors, this will prevent claims incidents from occurring and/or provide better protection as it improves the prospects of successfully defending any claim.

Nationally, understanding the risk associated with providing professional advice' ranked as a low concern, with only 3.2% of councils considering it their greatest risk. Councils should monitor and review this factor further. The pandemic's aftermath poses an increased risk for professional indemnity claims due to inflationary pressures with rising legal defence costs and higher settlements.

Independently, liability claims present a high-level risk. It is also important to consider their intersection with other major risks. Through examining the top risks such as Cybersecurity/IT Infrastructure, Natural Hazard, Disaster/Catastrophic events and Managing Ageing, Assets and Infrastructure, it is clear that these risks can result in claims when inadequately managed.

While claims are inevitable, some are also preventable. With councils involved in various activities, it is unrealistic to wholly eliminate the risk of losses or damages. However, by implementing a robust risk management regime, many claims can be avoided.

Top ranking underlying factors for Negligence giving rise to civil liability claims

NSW WA	**Ability to apply policy and implement procedures in accordance with the strategic plan**
NT	**Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct**
QLD TAS VIC	**Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss**
SA	**Understanding of council's risk profile and application of the risk management policy and processes**

20 So, J, Australasian Lawyer, Highlight: Australia among the most litigious countries for personal injury
21 AHK Australien, Did you know? Australia is the world's second most litigious country, 2021
22 AHK Australien, Did you know? Australia is the world's second most litigious country, 2021
23 Allianz, Global Claims Review, 2022

CAPITAL

1. Understanding of council's risk profile and application of the risk management policy and processes
2. Understanding the risk associated with providing professional advice
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

METROPOLITAN

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REGIONAL CITY

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan

3. Understanding of council's risk profile and application of the risk management

REGIONAL

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REMOTE/RURAL

1. Ability to discharge a reasonable duty of care to the public resulting in injury/loss claims of negligence
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Understanding of council's risk profile and application of the risk management

New South Wales

CEO/GMs ranked negligence giving rise to civil liability claims against councils as their lowest risk. Nearly 79% of respondents cited the ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss.

Factors that contribute to this concern include:

- **Volume of people:** In metropolitan areas, the higher population density increases the potential for incidents and claims.

- **Funding pitfalls:** Councils struggle to address all risks due to limited resources. This raises the need for councils to prioritise risks.

The ability to apply policy and implement procedures in accordance with council's strategic plan ranked closely as a contributing factor to this risk. It was the second highest concern, as determined by 75% of respondents. This reason was ranked second in all regions except metropolitan councils who regarded it as their leading concern. For councils, this demonstrates their competing issues – especially in cases where there are larger populations and workplaces.

Top three underlying factors for Liability Claims risk by region

METROPOLITAN

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. discharge a reasonable duty of care to the public resulting in injury/loss claims of negligence
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REGIONAL CITY

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REGIONAL

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REMOTE/RURAL

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Understanding of council's risk profile and application of the risk management

Northern Territory

Northern Territory CEO ranked the risk of negligence giving rise to civil liability claims against councils eighth, which is 4 points higher than the national ranking of twelfth.

83% of respondents noted the leading reason for this risk as the ability to discharge a reasonably duty of care to the public to avoid negligence claims for injury/loss. This could be attributed to the remote, challenging environment and resourcing issues that councils face in the Northern Territory. Furthermore, there can be multiple stakeholders in the delivery of infrastructure, facilities and services to the community.

The above contributes to the next factor leading to this risk. The ability to undertake due diligence when administering statutory/regulatory responsibilities, including the administration of the code of conduct, ranked as the second reason by 66% of respondents.

Top three underlying factors for Liability Claims risk by region

CAPITAL CITY

1. Understanding of council's risk profile and application of the risk management policy and processes
2. Understanding and implementing council's regulatory requirements
3. Understanding the risk associated with providing professional advice

METROPOLITAN

1. Understanding of council's risk profile and application of the risk management
2. Ability to undertake due diligence when administering statutory/regulatory responsibilities
3. Ability to apply policy and implement procedures in accordance with the strategic plan

REGIONAL CITY

1. Understanding of council's risk profile and application of the risk management
2. Understanding the risk associated with providing professional advice
3. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss

REGIONAL

1. Ability to discharge a reasonable duty of care to the public resulting in injury/loss claims of negligence
2. Understanding of council's risk profile and application of the risk management policy and processes
3. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss

REMOTE/RURAL

1. Understanding of council's risk profile and application of the risk management
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss

South Australia

South Australian respondents ranked the risk of negligence giving rise to civil liability claims as their lowest risk, supporting the national ranking.

79% of respondents cited the leading reason for this risk as understanding the council's risk profile and application of the risk management policy and processes. There is 100% council membership in South Australia's liability and workers' compensation schemes. The workers' compensation scheme operates in accordance with stringent licencing requirements and conditions. However, lines can blur on the difference between compliance and liability, leading to a higher awareness of this issue.

61% of respondents ranked the ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss as this risk's second concern. Regional councils brought this ranking to second, with regional city and rural/remote councils placing this third. It was ranked fourth by city and regional councils. This situation could impact the claims experience of the Council. If Council respondents do not submit a significant number of claims, it is possible that claims may no longer be considered a high priority risk. In SA, all councils benefit from three statutory immunities:

1. **Section 42 of the Civil Liability Act:**
   For example, council isn't liable because of failing to repair/renew roads, footpaths and associated infrastructure.

2. **Section 245 of the Local Government Act:**
   Council isn't liable for the loss or damage caused by street trees.

3. **Section 244 of the Local Government Act:**
   Council, as the occupier of community land (e.g. parks and reserves), is only liable by consequence of a wrongful act.

These three immunities will impact councils liability claims.

Tasmania

14% of Tasmanian respondents ranked the risk of negligence giving rise to liability claims seventh. This placement is five positions above the national ranking. This risk also ranked equally with Managing Ageing, Property Assets and Infrastructure. These two risks are connected in Tasmania as councils have a statutory defence under sub-section (4) of Section 21 of the Local Government (Highways) Act 1982. Council is not liable for any loss or damage unless they had conducted works and caused the damage.

With ongoing ageing assets and infrastructure, it becomes necessary to conduct required works. If these works are not carried out, it can expose council to liability.

All CEO/GMs ranked the ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss as the leading factor for this risk.

When determining whether council has breached this duty, council can usually rely on section 28 of the Civil Liability Act 2002 (Tas). This places a reasonable constraint on the financial resources available to councils. Given the current economic climate and increasing inflation, it would be more challenging for councils to allocate and manage their resources effectively. 71% of respondents ranked understanding the council's risk profile and application of the risk management policy and processes as the second highest reason for this risk.

Victoria

Victorian respondents ranked the risk of negligence giving rise to civil liability claims eleventh. This position is one spot higher than the national ranking of twelfth.

74% of CEO/GMs ranked the ability to discharge a reasonable duty of care tot eh public to avoid negligence claims for injury/loss as the leading reason for this risk. In Victoria, councils must inspect, repair and maintain their footpaths and roadways under section 40 of the Road Management Act 2004. This requirement has made councils be proactive in their inspection and intervention regimes. If councils choose not to adhere to requirements, this can increase the risk of claims due to negligence.

Regional city, regional and rural/remote councils ranked the above as their highest contributing factor to this risk. This risk is likely higher in regional councils as they have less resources and often, more rural trees or infrastructure which makes inspection regimes more onerous. Capital city and metropolitan cities placed this reason third and fourth. This is likely due to having more resources. It is easier to address issues such as tree management and inspections as they have fewer in these areas. Metropolitan councils have a higher foot traffic which creates greater risk for trip and fall claims. However, with a higher population and smaller area, there are less areas to 'inspect' and more people to notify councils of a potential risk.

The second highest reason for this risk was the equal importance placed on the ability to apply policy and implement procedures in alignment with the council's strategic plan, as well as the diligent administration of statutory/regulatory responsibilities, including the enforcement of the Code of Conduct. In Victoria, councils have 'Road Management Plans' under the Road Management Act 2004. Applying these policies and procedures is essential for defending negligence claims.

Regional city, regional and remote/rural councils ranked the ability to apply policy and implement procedures in accordance with council's strategic plan in the top three places. However, this ranked lower for city and metropolitan councils, which is likely due to more resources and a bigger municipality, making inspection and intervention targets easier to achieve than in regional locations.

City and metropolitan council ranked undertaking due diligence when administering statutory/regulatory responsibilities including administrating the code of conduct highly, while other regions ranked this lower.

CAPITAL

1. Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct
2. Understanding the risk associated with providing professionals advice
3. Understanding of council's risk profile and application of the risk management policy and processs

METROPOLITAN

1. Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct
2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
3. Understanding of council's risk profile and application of the risk management policy and process

REGIONAL CITY

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss

2. Ability to apply policy and implement procedures accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct

REGIONAL

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures accordance with the strategic plan
3. Understanding of council's risk profile and application of the risk management policy and process

REMOTE/RURAL

1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct
3. Ability to apply policy and implement procedures accordance with the strategic plan

Western Australia

Respondents ranked the risk of negligence giving rise to civil liability claims twelfth, equalling the national placement.

77% of respondents attributed the ability to apply policy and implement procedures in accordance with the strategic plan as the leading reason for this risk. Their liability risk management maturity has grown in recent years, increasing awareness of the potential risks and controls. This response reflects the sector's deep understanding of knowledge, resources and process implementation gaps to ensure they meet the strategic plan's requirements. This concern ranked highest in metropolitan, regional and rural/remote regions. However, it ranked much lower in regional cities, with the response linked to the level of exposure. Offering a range of services, metropolitan councils have dense populations with high demands and expectations. This mix can lead to increased liability exposures. Rural/remote councils share a similar problem, and often, they fill a community need when it is unaddressed by the state government or commercial market. They venture into non-traditional areas such as housing, medical services and even supermarkets. An unfamiliarity with these services coupled with the difficulty of having insufficient resources and being remote all provides challenges to implementing liability risk controls.

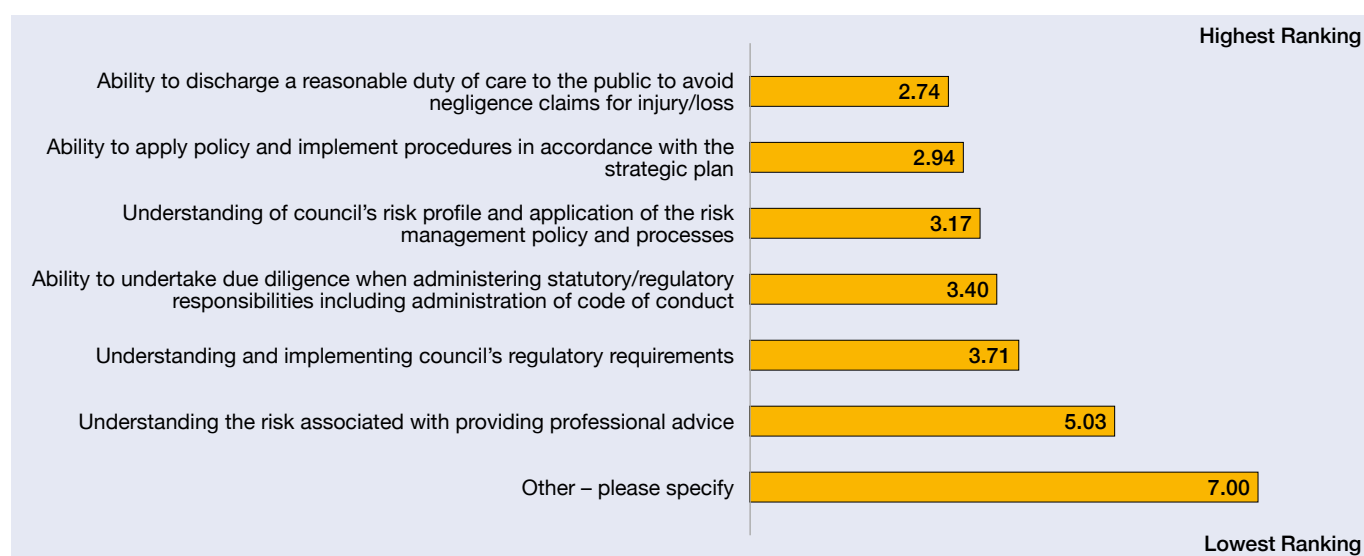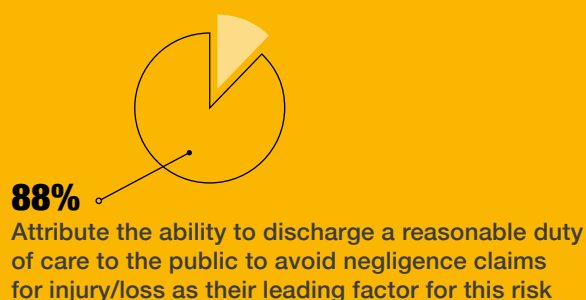|	Highest Ranking
Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss	2.74
Ability to apply policy and implement procedures in accordance with the strategic plan	2.94
Understanding of council's risk profile and application of the risk management policy and processes	3.17
Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct	3.40
Understanding and implementing council's regulatory requirements	3.71
Understanding the risk associated with providing professional advice	5.03
Other – please specify	7.00
	Lowest Ranking

Figure 42: Negligence giving rise to civil liability claims Western Australia underlying factors Western Australia underlying factors

These contributors, particularly the tension between community expectations and limited resources, also account for respondents' concern about their ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss. 65% of respondents ranked this factor as the second highest reason behind this risk.

METROPOLITAN
1. Ability to apply policy and implement procedures accordance with the strategic plan
2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
3. Understanding of council's risk profile and application of the risk management policy and process

REGIONAL CITY
1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Understanding of council's risk profile and application of the risk management policy and process
3. Understanding and implementing council's regulatory requirements

REGIONAL
1. Ability to apply policy and implement procedures accordance with the strategic plan
2. Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct
3. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss

REMOTE/RURAL
1. Ability to apply policy and implement procedures in accordance with the strategic plan
2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities including administration of code of conduct

Queensland

In Queensland, respondents ranked the risk of negligence giving rise to liability claims eleventh, one point above than the national ranking of last (eleventh).

88%
Attribute the ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss as their leading factor for this risk

67%
Ability to apply policy and implement procedures in accordance with the strategic plan factor for this risk

88% of respondents identified the leading factor underlying this risk as the Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss. This reason placed in the top two by all regions.

66% of CEO/GMs ranked the ability to apply policy and implement procedures in accordance with council's strategic plan as the second highest reason for this risk. Regional and remote/rural councils placed this reason second while metropolitan and regional cities ranked it fourth.

Top three underlying factors for Liability Claims risk by region

METROPOLITAN
1. Ability to undertake due diligence when administering statutory/regulatory responsibilities
2. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
3. Understanding and implementing council's regulatory requirements

REGIONAL CITY
1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Understanding of council's risk profile and application of the risk management
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REGIONAL
1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

REMOTE/RURAL
1. Ability to discharge a reasonable duty of care to the public to avoid negligence claims for injury/loss
2. Ability to apply policy and implement procedures in accordance with the strategic plan
3. Ability to undertake due diligence when administering statutory/regulatory responsibilities

OUTCOMES OF
THE RISKS

This year, for the first time since the inception of the JLT Public Sector Risk Report and JLT Risk Survey, we surveyed CEOs and General Managers to gain insight into their concerns regarding the outcomes of the identified risks. After the general survey on the 12 risks, we asked participants to rank their top choices for specific outcomes.
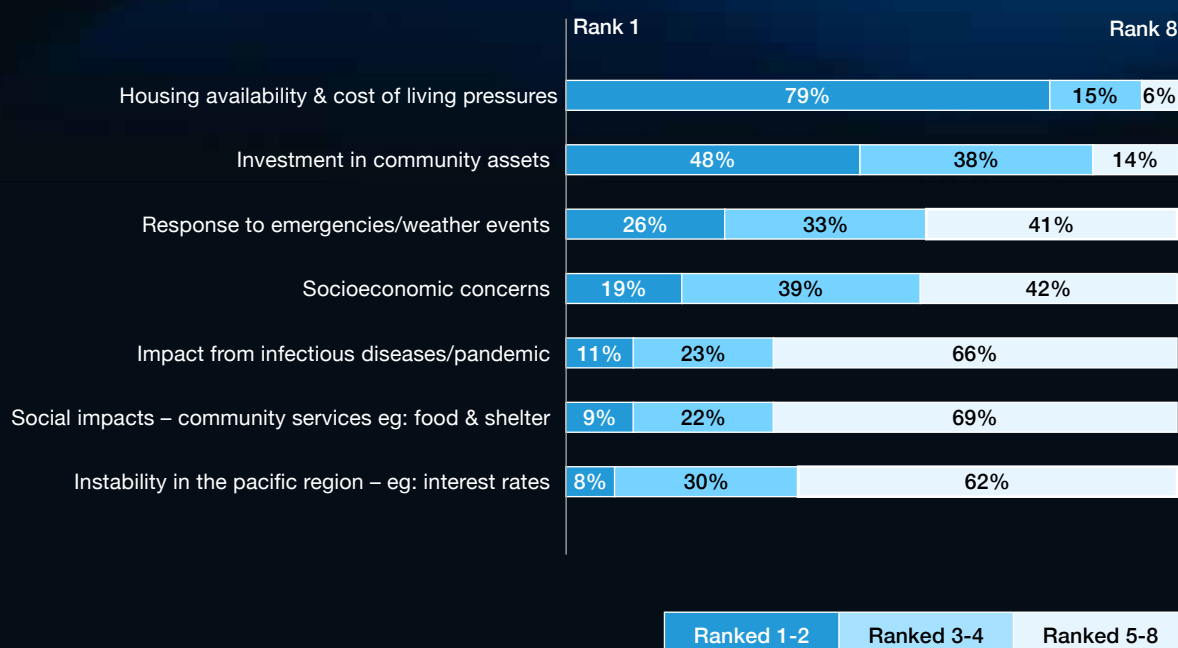
Rank 1   Rank 8

	Ranked 1-2	Ranked 3-4	Ranked 5-8
Housing availability & cost of living pressures	79%	15%	6%
Investment in community assets	48%	38%	14%
Response to emergencies/weather events	26%	33%	41%
Socioeconomic concerns	19%	39%	42%
Impact from infectious diseases/pandemic	11%	23%	66%
Social impacts – community services eg: food & shelter	9%	22%	69%
Instability in the pacific region – eg: interest rates	8%	30%	62%

Figure 43: Concern for Potential Outcomes from the Risks National Heat Map

THE KEY RISK INDICATOR REPORT **METHODOLOGY**

The 2023 JLT Risk Survey was conducted between September and October of 2023. A total of 219 CEOs and GMs from rural/remote, regional, metropolitan, and city councils participated in the questionnaire.

Survey Approach

The survey offers insights from CEOs and General Managers of local government regarding their perception of 12 key risks. It provides respondents with the opportunity to rank their risks in a more specific manner. Initially, each risk was ranked based on the level of concern.

Respondents are specific in their ranking of their risks. The first question asks respondents to rank each risk in order of concern.

CEOs/GMs then ranked the underlying factors in order of concern from highest to lowest.

The following explanation illustrates this approach using example rankings.

Risk Category:

Reputation

	HIGH	MEDIUM	LOW
	Ranked 1-2	Ranked 3-4	Ranked 5-6
Ability to administer council governance effectively	**58%**	**37%**	**5%**
Loss of community trust in council (elected members)	48%	45%	7%
Loss of community trust in council administration	41%	50%	10%
Failure to comply with/undertake legislative requirements	39%	52%	10%
Oversight by independent conduct bodies	14%	16%	71%
Other	1%	1%	98%

If we take the reputation risk category as an example, the highlighted row above sums to 100% and shows a breakup of all the risks ranked high.

To ascertain the highest rank risk, the rankings are divided into high, medium and low.

Sample: Reputation

HIGH	MEDIUM	LOW
Ranked 1-2	Ranked 3-4	Ranked 5-6

The following example looks at Reputation and shows the underlying factors and how they ae ranked. You can see in this example that 58% of respondents ranked ability to administer council governance effectively and 5% ranked this factor as low.
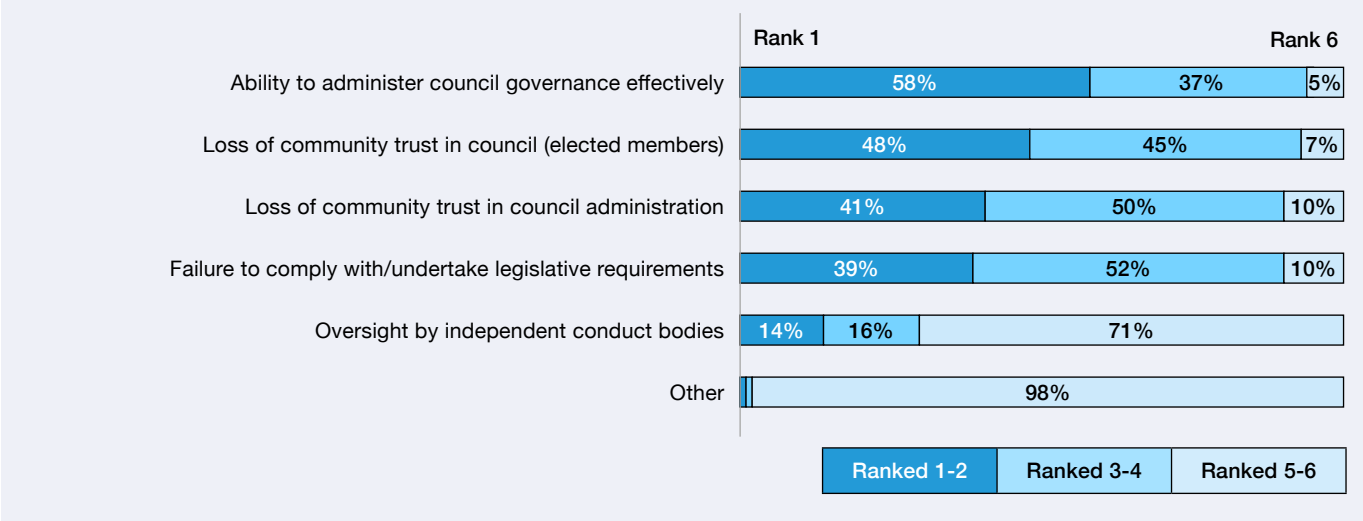
Whilst the above showcased the ranking of high, medium and below, the following table demonstrates the underlying factors average ranking. In the following table, you note that the 'Ability to administer council governance effectively' is ranked highest with an average ranking is 2.37.

When we look at the third and fourth rankings, Loss of community trust in council administration and Failure to comply with/ undertake legislative requirements, we can see the rankings are 2.88 and 2.91. This means when we average out all the rankings the responders placed these two underlying factors for Reputation and they averaged out to be fairly close.

Survey Respondents

The 2023 JLT Public Sector Risk Survey saw the participation of 219 local government CEOs and General Managers. Representatives came from all states and the Northern Territory, representing metropolitan, city, regional, regional city and rural/remote communities.

Participants were asked to rank 12 risks from highest to lowest, providing further insight into the factors behind each risk.

State representation nationally

The 2023 Risk Survey had 219 respondents representing 40.73% of council CEO/GMs. Of this representation of State responses is in Figure 42
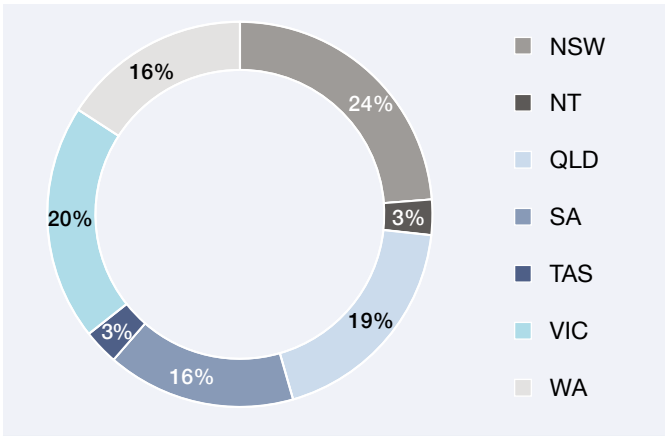
Figure 42: State Representation in JLT Public Sector Risk Survey

Regions

The representation within these charts consider small populations in remote Australia through to densely populated cities. Remoteness is based on the level of access to services. The following provides the breakdown of councils by region.
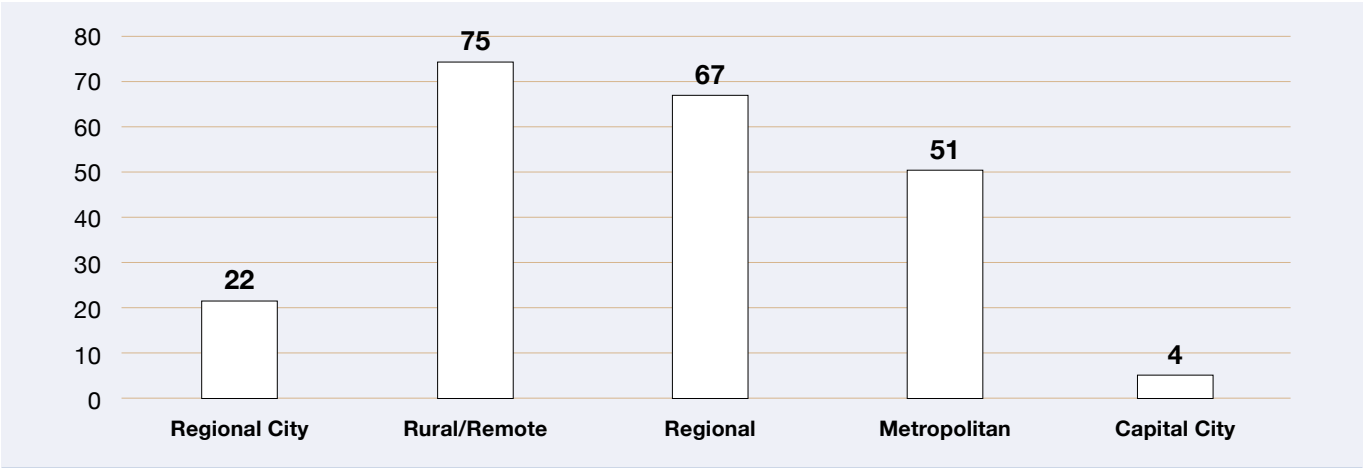
No. of Councils by Region Type

2018-2023

MOVEMENT OF RISKS OVER THE PAST SIX YEARS

	2018	2019	2020	2021	2022	2023
1	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability	Financial Sustainability
2		Cyber Security	Assets & Infrastructure	Cyber Security	Cyber Security	Cyber Security
3			Disaster or Catastrophic	Asset & Infrastructure	Asset & Infrastructure	Asset & Infrastructure
4		Natural Catastrophes	Cyber Security	Disaster or Catastrophe	Business Continuity	Climate Change
5					Disaster or Catastrophe	Disaster or Catastrophe
6	Asset & Infrastructure	Asset & Infrastructure	Business Continuity	Business Continuity		
7	Natural Catastrophes					
8	Cyber Security					
9	Business Continuity	Business Continuity				

GLOSSARY

Business Continuity		Business continuity planning and community disruption
Climate Change/Adaption		Climate Change and/or Adaptation
Cyber		Cyber security/IT infrastructure
Financial Sustainability		Financial Sustainability
Ineffective Governance		Ineffective governance
Assets & Infrastructure		Managing aging, property, assets, and infrastructure
Disaster & Catastrophic		Natural Hazard, Disaster/Catastrophic Events
Liability Claims		Negligence giving rise to civil liability claims
People & Culture		People & Culture
Reputation		Reputation as a local government and with the community
Statutory and/or Regulatory requirements		Statutory and/or Regulatory requirements
Waste Management		Waste Management

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