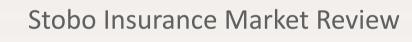
Jim Palmer Establishment Board member Local Government Risk Agency

22 October 2015

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LGNZ initiated review completed in December 2013

### **Key Findings**

- Sector lacks skills and expertise to manage risk
- Sector owns significant intellectual property
- LAs face similar sets of asset and liability risk enabling economies of scale
- Highlighted the consequences of the 60/40 infrastructure rebuild split with the Crown

# Stobo Insurance Market Review

### Recommendations

- Sector needs to invest in risk management
- Focus on risk management & mitigation
- Manage intellectual property (data)
- Utilise collective bargaining power
- Restructure the 60/40 arrangement encouraging layered approach gaining ongoing Crown support

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# Local Government thinkpiece - managing hazards and resilient communities

### Key findings:

- Multiple, generally enabling mandates RMA, S C & R, Building, CDEM & LGA
- Local Government has front and centre role in building resilient communities, reducing and managing community risk
  - Councils owned assets
  - Land use planning
- Accountability is to communities

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# Local Government thinkpiece - managing hazards and resilient communities

### **Recommendations:**

- A strategy
- A single information portal
- Policy platform

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### Local Government Risk Agency

#### Crown announcement - concurrent review of 60/40

- LGRA \$1.6 m joint funding (Crown and local government) announced by Ministers Bennett and Kaye in June
- LGRA to prepare a business case for LGNZ National Council to consider
- Concurrent review of 60% Crown share of restoration costs for water, wastewater, stormwater and river flood control after emergencies

Local government risk management agency governance

### Establishment board

- External and local government expertise
- Treasury observer

#### Advisory group

- Local government expertise: broad in geographic representation and skills.
- > EQC and DPMC represented.

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### Local Government Risk Agency Establishment Board

#### **Establishment board membership**

- > Craig Stobo Chair
- > Dr Marlene Kanga Chair Engineers Australia Innovation Task Force
   Chair R&D Incentives Committee on Innovation
- > Dr Nicki Crauford Chair GNS, Director Orion & Wellington Water
- > Dr Hugh Cowan General Manager EQC, Reinsurance, Research & Education
- > Lawrence Yule President LGNZ
- > Jim Palmer CE Waimakariri District Council
- > Garry Poole CE Tauranga City Council
- > Basil Chamberlain CE Taranaki Regional Council
- > Crown Observers (Treasury) Cath Atkins, Andrew Blazey

#### Terms of reference

- 1. Identify detailed risk management and financing/insurance services that may be provided and how these services might be delivered;
- 2. Developing a three to five year plan that describes the benefits (including any risk reduction and sector efficiencies that might be achievable), growth and financial sustainability of an agency;
- 3. Developing a business case on whether to establish an LGRA;
- 4. Investigating whether the current 60/40 cost sharing arrangement with the Crown, or any alternatives developed, can be used to incentivise good risk management practice; and
- 5. Engaging with the local authority and central government sectors and other parties as deemed appropriate, throughout the process.



### Local Government Risk Agency

### Advisory group membership

- > John Bishop / Jazz Singh Auckland
- > Langley Cavers Hauraki
- > Peter Till- Ruapehu
- > Bronda Smith Central Hawkes Bay
- > Peter Wimsett Tararua
- > Nicky Brady Horowhenua
- > Andy Mathews Wellington

- > Graeme Campbell Greater Wellington Regional
- > Peter Thomson Tasman
- Miles McConway –
  Environment Canterbury
- > Peter Gudsell Christchurch
- > Myles Lind Queenstown
- > Jo Horrocks DPMC
- > Richard Smith EQC

### Survey of Councils covered four key areas

- Identifying and understanding risks from natural events
- Evaluating specifications to manage risks how well are councils managing risks
- Risk management insurance
- Opportunity gaps

66 councils answered at least some part of the survey in a two week window.

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# Local Government Risk Agency

Rural and provincial sectors demonstrate more need for the services of a LGRA

- Councils have considered the impacts of and preparedness for major natural events – to varying degrees.
- Information sources vary with CRIs and central agencies used the least. The exceptions were tsunami (CRIs) and sea level rise (central agency).
- Respondents want better more comprehensive information/ assessment.
- The metro and regional sectors responded that they have identified the risks posed by natural hazards 'reasonably thoroughly'

There is varied risk management practice among local authorities and in some cases it is poor

- Approx 25% of respondents do not have a formal risk register or risk management framework. Approximately 50% of rural respondents do not have either one.
- ➢ 30% of the risk registers are not reviewed annually. The risk management frameworks are reviewed even less.
- 80% of respondents have an Audit and Risk Committee which usually meet once or twice a year. About two-thirds have independent advisors and elected members as part of these committees
- > About half of respondents do not have a business continuity plan.
- Metro and regional councils have greater confidence that risks are being thoroughly managed we are.

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# Local Government Risk Agency

There are some opportunities around risk assessment, best practice and expertise

- A significant number of respondents identified continuity planning for disasters, and internal resource (capacity and expertise) as areas that cause difficulty for risk management.
- Defining the potential impact of each hazard was considered by respondents to be the most critical aspect of risk management, particularly with rural and provincial councils.
- Having an accurate assessment of potential liability and establishing a plan to mitigate each hazard appear to be the weakest areas of risk management performance.

### Next steps

Through to mid 2016 the establishment board will engage with:

- Councils;
- The Treasury , DIA, DPMC & EQC;
- Risk and insurance industry;
- Civic, LAPP, Riskpool; and
- Make recommendations back to LGNZ National Council on the business case for a local government risk agency.