

Local Government Risk Agency

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Establishment Board member
Local Government Risk Agency

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Stobo Insurance Market Review

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

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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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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

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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

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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.

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Advisory group membership

- | | |
|---------------------------------------|---|
| > John Bishop / Jazz Singh – Auckland | > Graeme Campbell - Greater Wellington Regional |
| > Langley Cavers – Hauraki | > Peter Thomson - Tasman |
| > Peter Till- Ruapehu | > Miles McConway – Environment Canterbury |
| > Bronda Smith - Central Hawkes Bay | > Peter Gudsell – Christchurch |
| > Peter Wimsett - Tararua | > Myles Lind – Queenstown |
| > Nicky Brady - Horowhenua | > Jo Horrocks – DPMC |
| > Andy Mathews – Wellington | > Richard Smith - EQC |

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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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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’

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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

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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.

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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.

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