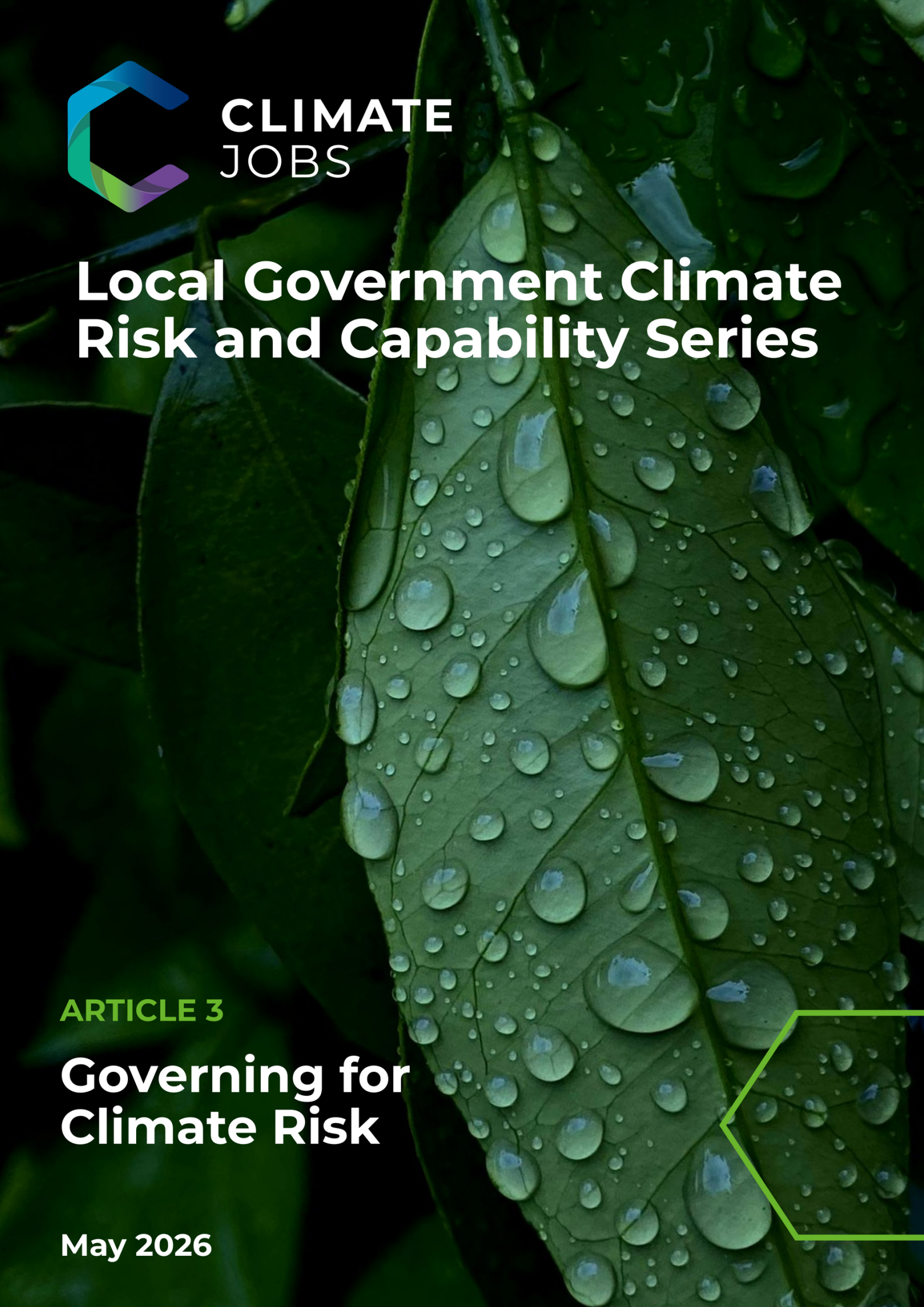

CLIMATE JOBS

Local Government Climate Risk and Capability Series

ARTICLE 3

Governing for Climate Risk

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CONTENTS

About the Author
Eleanor Ogston works at the intersection of climate change, organisational capability and local government leadership. Through Climate Jobs she is exploring how councils can strengthen their workforce, systems and governance to respond to climate risks and opportunities.

This article is part of the Local Government Climate Risk and Capability thought leadership series.

Climate Risk as a Governance Issue

In my previous articles, I explored the growing role of local government in Australia's climate resilience challenge, the pressures councils are facing as climate impacts intensify, and the importance of building capability across the sector. I also examined how national adaptation ambitions will ultimately depend on local delivery through planning systems, infrastructure decisions, financial stewardship and community resilience.

A further question is now emerging. As councils strengthen their understanding of climate risk and expand adaptation activity, how do those risks become embedded into the systems that govern organisational decision making?

Australia's climate risks are no longer distant, theoretical or confined to environmental strategy. They are already affecting the assets councils manage, the services communities rely on, the infrastructure decisions being made today and the long-term financial sustainability of local government.

In a local government context, climate risk governance can be understood as the framework of roles, responsibilities, processes and assurance mechanisms through which councils identify, assess, manage, monitor and report on the physical and transition risks of climate change. It is how climate risk is integrated into strategy, policy, risk management, financial planning, infrastructure decisions, service delivery and community resilience.

Physical risks include direct and cascading impacts from floods, heat, bushfire, drought, coastal hazards and severe storms. Transition risks arise from the legal, policy, market, technology and social changes associated with the shift to a lower-emissions and more climate resilient economy.

Good governance is not simply about having a policy position on climate change. It is about whether councillors, the CEO, executive leaders, audit and risk committees, finance teams, asset managers and service owners each understand their role in managing material climate risks.

Councillors set direction, approve budgets and weigh long term trade-offs. The CEO and executive team translate that direction into systems, accountabilities and resources. Audit and risk committees test whether climate risks are visible, owned, monitored and managed. Finance, asset, planning, procurement, people and service leaders embed climate considerations into the everyday decisions that shape community outcomes over decades.

Clear roles allow climate risk to move from individual effort into the core machinery of local government. They also support the next phase of climate maturity, where climate risk is governed, financed, assured and acted on through the same systems that already guide council decisions about assets, services, communities and long-term sustainability.

The Maturity Paradox

Many councils are responding positively and practically to climate risk. Climate strategies have been developed. Risk assessments have been undertaken. Sustainability teams are building awareness and delivering practical programs. Some councils have sophisticated hazard modelling, adaptation plans and strong operational initiatives underway. In most councils there are skilled officers working hard to translate complex climate information into practical action. But whilst this progress is positive it also reveals a maturity challenge.

This is where a maturity paradox arises when this activity does not yet translate into organisational decision-making.

A council may have strong climate information and visible climate action, while still lacking the governance integration needed to manage climate risk as an organisational issue.

Climate risk may be well understood by the sustainability team while receiving inconsistent attention in enterprise risk reporting. It may be referenced in the corporate plan, but not translated into executive KPIs, service plans or budget decisions. It may be considered in individual projects, while remaining separate from capital decision gates, asset renewal assumptions or long-term financial planning.

Audit and risk committees may receive climate updates but not yet have a clear assurance framework for testing whether material climate risks are owned, monitored and controlled. Business continuity plans may prepare for disruption based on historical events, without fully testing future climate exposure, cascading risks or longer recovery periods.

The challenge is therefore deeper than access to climate data. Many councils have more tools, guidance and technical information than ever before. The harder task is institutional integration.

Climate risk cuts across the whole council. It affects infrastructure, finance, land use planning, emergency management, procurement, workforce planning, community services, natural assets, legal exposure and reputation. Yet council systems are often still structured around functional responsibilities, annual budgets and established service areas.

This creates a gap between climate insight and organisational action.

The next stage of maturity asks two connected questions: do we understand our climate risks, and do our governance systems bring those risks into decision making?

Climate Risk within the Governance System

Councils make long term choices about land use, infrastructure, assets, service levels, community facilities, emergency preparedness, financial sustainability and environmental stewardship. These decisions are not short term. Many have consequences that extend for decades.

A road designed today, a drainage upgrade deferred, a development approved in an exposed location, a community facility built without future heat or flood risk in mind, or a budget adopted without climate related asset pressures can all increase future exposure.

Climate risk needs to sit within the governance architecture that shapes these decisions.

At its core, governance determines who is responsible for understanding climate risk, who owns and manages material risks, who makes trade off decisions when risks, costs and community expectations compete, how risk appetite is set, how climate risk is reflected in budgets and service planning, how progress is monitored, and how councils assure themselves that risks are being managed.

Each part of the governance system contributes.

> **Elected members** set strategic direction, approve budgets, weigh long term trade-offs and make decisions that affect the resilience of places, assets and communities.
>
> **The CEO and executive team** translate that direction into organisational priorities, accountabilities, systems, resourcing decisions and performance expectations.
>
> **Audit and risk committees** provide oversight and assurance. They should be asking whether climate risks are visible in enterprise risk reporting, whether ownership and controls are clear, whether key assumptions are being tested, and whether management has a credible pathway for addressing material exposure.
>
> **Finance, asset, planning, procurement, people and service leaders** embed climate considerations into the everyday decisions that shape community outcomes over decades.

This does not mean every council decision becomes a climate decision. It means material climate risks are considered where they could affect the council's assets, services, finances, legal responsibilities, workforce, environment or community outcomes.

When climate risk is governed well, it becomes part of how the organisation thinks, plans and decides. It becomes visible in the systems that already guide council priorities, allocate resources and manage risk.

Fiscal Concerns

For local governments, the financial implications of climate change are not limited to disaster recovery. Acute events such as floods, storms, cyclones, bushfires and coastal inundation can create immediate and visible costs through damage to roads,

drainage, buildings, parks, bridges and community infrastructure. Chronic climate pressures can also create significant financial impacts over time.

More extreme heat, changing rainfall patterns, coastal erosion, groundwater changes, drought, vegetation stress and repeated severe weather can increase maintenance costs, shorten asset lives, reduce service reliability and place pressure on renewal programs. These impacts may emerge gradually through higher operating costs, growing capital backlogs, asset condition decline, insurance pressures and difficult trade-offs in long term financial plans.

Climate risk must be connected to the financial decision-making systems of council.

A capital decision made today can reduce future exposure or lock in future cost. An asset management plan that does not test future climate conditions may underestimate renewal needs. A long-term financial plan that assumes historical asset performance may miss emerging cost pressures. A service plan that does not account for heat, flooding or disaster disruption may underestimate future demand.

Without this integration, councils may appear financially sustainable on paper while carrying growing exposure in their asset base, infrastructure networks and service obligations.

Councils are already operating in constrained financial environments, with competing community expectations, rising costs, limited revenue flexibility and ageing infrastructure. This makes visibility even more important. Climate risk needs to inform the decisions that determine priorities, trade-offs and investment pathways.

A deeper financial governance conversation would consider:

- Which assets and services are most exposed?
- Where are current financial assumptions most vulnerable?
- What risks are we accepting, reducing, transferring or deferring?
- What level of service can realistically be maintained under changing climate conditions?
- How are climate risks influencing capital prioritisation, renewal planning and maintenance budgets?
- What information do councillors and executives need to make financially responsible decisions?

Treating climate risk as a financial governance issue helps councils move beyond reactive recovery and towards more deliberate risk reduction. It supports better conversations about affordability, resilience, intergenerational equity and the long-term sustainability of local government itself.

Climate risk is a present financial exposure. Visibility within governance, risk and financial systems helps councils avoid decisions today that increase the costs communities may carry tomorrow.

Embedding Risk into Governance and Decision-Making

For climate risk governance to be effective, it needs to be integrated into governance systems, financial frameworks, decision-making structures and performance expectations. This could include:

- Climate risk is reflected in the enterprise risk register, with clear ownership, controls, treatment actions and reporting pathways.
- Risk appetite and tolerance statements consider the level of climate related exposure council is prepared to accept across assets, services, finances, community wellbeing and legal responsibilities.
- Council reports and decision templates prompt decision makers to consider relevant climate risks, long term exposure, lifecycle costs and resilience implications.
- Capital decision gates test whether major projects are designed for future climate conditions, not only current standards or historical experience.
- Asset management plans consider how changing climate conditions may affect useful life, maintenance demand, renewal timing, levels of service and whole of life costs.
- Long term financial plans incorporate climate related assumptions, sensitivities and scenarios so emerging pressures are visible before they become unavoidable.
- Business continuity and disaster management planning consider future disruption, cascading impacts, longer recovery periods and interdependencies across systems such as energy, water, transport, telecommunications and health.
- Internal audit programs include climate risk where it is material, testing whether controls, accountabilities and reporting arrangements are effective.
- Executive performance expectations and workforce planning reflect the capabilities needed to manage climate risk across the organisation, not only within specialist sustainability roles.
- Procurement, contract management and project briefs include climate resilience expectations where relevant, so council's supply chain and delivery partners are also aligned.

In other words, good governance is about using existing systems more deliberately. The aim is to make climate risk visible at the points where decisions are already being made: when budgets are prepared, assets are renewed, projects are prioritised, land use decisions are considered, services are reviewed, risks are reported and performance is assessed.

Once climate risk becomes part of the organisation's operating rhythm, it is less dependent on individual champions or one-off initiatives. This is the shift from climate action as a program to climate risk governance as an institutional capability.

International Lessons

Australia is facing a challenge shared by governments, regulators and public institutions around the world: how to move climate risk from strategy documents into the systems that govern real decisions.

The value of international lessons lies in identifying governance patterns that are emerging across mature jurisdictions. Local government systems differ, as do funding models, legal duties and community expectations. Even so, common disciplines are becoming visible.

In many places, climate risk is being treated as a core responsibility of public administration. This is reflected through stronger disclosure expectations, clearer adaptation duties, more structured risk reporting, independent audit and assurance, and greater scrutiny of whether climate risks are being managed through financial, infrastructure and service planning systems.

Frameworks such as the Task Force on Climate related Financial Disclosures, climate related financial disclosure standards, national adaptation plans, public sector climate risk guidance and international adaptation standards point in a similar direction. They ask organisations to consider how climate risk is governed, how it affects strategy, how risks are identified and managed, and how progress is measured and reported.

International examples also show that climate governance becomes stronger when councils and public authorities are supported by clear expectations, common tools, consistent reporting, sector wide capability building and assurance mechanisms. Individual councils can achieve a great deal, but system level maturity is easier when the broader institutional environment reinforces the same direction.

This international lens helps Australian councils see the next stage of climate maturity more clearly. The direction of travel is towards better governed climate action: action that is embedded, accountable, funded, monitored and able to endure beyond individual champions or election cycles.

The Strategic Opportunity for Australia

Australia has a significant opportunity to strengthen climate risk governance in local government before the costs of inaction become even harder to manage.

Councils are already on the frontline of climate impacts. They manage critical public assets, shape land use decisions, support community wellbeing, deliver essential services and carry growing responsibility for local resilience. They also hold deep knowledge of place, community needs and local systems.

This gives local government a powerful role in national climate adaptation.

Councils cannot carry this responsibility through isolated climate programs alone. The next stage of progress will depend on whether climate risk is embedded into the institutional systems that guide council decision making.

This means treating climate risk as a shared governance responsibility. Councillors and executives need information that supports informed trade-offs. Audit and risk committees need assurance that material climate risks are visible and controlled.

Finance, asset, planning and service leaders need practical ways to incorporate climate risk into the everyday decisions that shape long term community outcomes.

A more consistent national approach would also help. Councils would benefit from clearer guidance, practical tools, capability standards, sector wide learning and funding models that recognise the scale of the challenge. National consistency should still allow for local flexibility, because climate risks are place based and councils need the ability to respond to their own exposure, community priorities and financial circumstances.

The prize is significant.

Better climate risk governance can support more resilient infrastructure, stronger financial stewardship, better prioritisation of adaptation investment, clearer accountability and greater community confidence. It can also help councils move from reactive recovery towards deliberate risk reduction. Ultimately creating more resilient Australian communities.

Climate risk governance is part of the future governance of local government itself.

As climate impacts intensify, the councils best placed to respond will be those that have embedded climate risk into how they govern, finance, assure and deliver for their communities.

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