

COUNCIL REFERENCE: 47606E (D14/137645)  
CONTACT PERSON: Geoff Young  
YOUR REF:

05/06/2014

Natural Disaster Funding Arrangements  
Productivity Commission  
LB2 Collins Street East  
Melbourne Victoria 8003

Dear Sir/Madam

**Shoalhaven City Council submission  
Natural Disaster Funding arrangements**

Thankyou for the opportunity to participate in the Productivity Commission's inquiry into Natural Disaster Funding Arrangements.

Shoalhaven City Council (SCC) would like to submit the following comments in relation to the Issues Paper and disaster funding arrangements in general.

**SCC's situation**

The Shoalhaven Local Government Area is highly susceptible to major bushfires, floods, landslides, and winds storms. Shoalhaven City Council (SCC) also manages an extensive area of NSW coastline and coastal villages susceptible to storm surges and tsunamis.

Although new roads and infrastructure in the Council area are now designed and constructed with consideration of current standards and potential for flooding and land-slips/slides, SCC currently contends with a historic legacy of inadequately designed and constructed roads in such areas. Although not thoroughly measured, this legacy is likely to extend to hundreds of kilometres throughout the local government area. The cost to Council to bring all these roads up to contemporary and disaster resilient standards is beyond the financial resources of Council.

Without preventative and resilience improvement to roads and other infrastructure in disaster prone areas, post-disaster funding will always be required. This requirement is likely to increase due to population increase and climate change, if predictions are correct.

**'Betterment' arrangements**

*"Are the betterment provisions in the NDRRA effective in encouraging recovery that develops resilience and reduces the costs of future disasters?" (Issues Paper p.12)*

Although the Issues Paper states that “a ‘betterment’ clause in the determination allows for additional funding for the ‘restoration or replacement of the asset to a more disaster-resilient standard than its pre-disaster standard’ (Attorney-General’s Department 2012b, p.4), in reality this is difficult to obtain and appears to be actively discouraged, or at least not promoted, by the State funding bodies administering the Commonwealth funds. For example clause 9 of the NSW Roads and Maritime Service’s Natural Disasters Funding Arrangements states:

*“In those cases where an asset is restored or replaced to a standard higher than that equivalent to the pre-damaged standard, natural disaster financial assistance will generally be limited to that component of the estimate of cost attributable to restoring the asset to the pre-damaged standard.*

*For example, should a bridge and its approaches be replaced at a higher level on a new alignment, the difference between the project adopted and restoring the bridge and approaches to the original level and alignment would not normally attract natural disaster financial assistance”*

This is in contrast to the Commonwealth’s arrangements which states in Guideline 7 that “States can seek reimbursement of a portion of the costs to restore an essential public asset that was damaged by an eligible disaster to a more disaster-resilient standard than its pre-disaster standard”.

Council staff have reported that ‘betterment’ has been actively discouraged and called into question including recent disaster funded road repairs. This may explain why “*the betterment provisions have rarely been used*”, a concern raised in the Issues Paper.

As previously mentioned, Shoalhaven City Council has a historic legacy of inadequately designed and constructed roads in disaster prone areas. Rebuilding a road (or other infrastructure) back to its pre-disaster state only could result in repeated failing and further rebuilding costs when subject to the same disaster conditions. “Betterment”, where it can be demonstrated to be cost-effective over the longer-term, should remain available from the Commonwealth and more widely encouraged and promoted by the administering agencies.

### **Commonwealth funding balance between funding mitigation and resilience activities**

*“Is the balance of Australian Government funding on mitigation and resilience activities relative to recovery activities appropriate? How should this assessment be made?” (Issues Paper p.14).*

If NDRAA funding for post-disaster rebuilding of roads and other infrastructure were to cease, it is unlikely that the design and construction of roads and other infrastructure would change as Council is already designing and building to contemporary standards with consideration of the environment it is situated in. The problem is the historic legacy of older roads. Without additional funding these roads are prone to failing under disaster situations.

Consideration of expanding the NPANDR towards physical mitigation infrastructure and making it available to local governments under a competitive grant scheme should be considered by the Commission.

### **Australian Government funding influence on local government prioritisation and funding of infrastructure projects**

*“What influence does Australian Government funding (such as through the NDRRA and NPANDR) have on state, territory and local government prioritisation and funding of infrastructure projects? How does this funding affect the mix of projects funded through other means?”*

The loss or reduction of NDRRA could have a major impact on the prioritisation and funding of infrastructure projects with the Shoalhaven LGA. Funding maintenance and upgrading of infrastructure assets at risk of damage towards a more resilient condition would see a significant portion of Council’s maintenance funds being directed to assets in low usage areas at the expense of preventing deterioration to heavily used assets. Mountain roads, susceptible to landslides, which serve as a low number of properties and residents is a prime example.

Removing or decreasing disaster financial support for Councils will result in Council’s capital funding being diverted from asset renewal projects to restoring pre-event levels of service. This will increase the infrastructure backlog by SCC at the detriment to residents.

Current arrangements allow SCC to respond in a timely fashion and repair roads post-disaster. This includes in areas that would otherwise not receive prioritisation for upgrade due to low-usage. Without such arrangements, repairs to such roads and other infrastructure would be delayed to the detriment of residents.

### **Governance and institutional arrangements**

*“What are the governance and institutional arrangements relating to natural disaster mitigation, resilience and recovery in each state and territory? What are your views on how these arrangements could be improved” (Issues Paper p.16)*

The following comments relate to the governance and institutional arrangements of disaster and emergency funding only.

Currently the NDRRA and NPANDR is available only to State and Territory governments. This is contrary to the pre-requisite principle for effective risk management stated in the Issues Paper that the *“responsibility for managing risks should be allocated to the party that is best able to deal with them, and as a general rule this corresponds to the parties that own an asset”*. If the NPANDR continues it should be made available to local government to assist the management of the risk to their assets and to residents.

Post-disaster cost recovery is becoming increasingly costly to Council. In the past, cost recovery has been based on substantiation of ledger records and tax-invoices valued over \$3,000 to \$5,000. Recently, however, cost-recovery and time spent on substantiation of expenses back to funding sources has

increased significantly with reporting requirements to substantiate every dollar spent and every hour worked by staff. Internal costs of plant and employee costs have become extremely difficult and time consuming to claim back. For example SCC are still in the processes of claiming around \$80,000 in justifiable claimable costs for the major Dean's Gap bushfire more than a year ago – January 2013. In other words, the goodwill of local government in being taken advantage of to the detriment of its ratepayers.

Similarly, SCC projects funded under the NDRAA, have been subjected to constant reviews and examinations by the State administering bodies and disputes over claims. This has resulted in further costs to SCC and substantial time delays. Councils have the local knowledge, are the authority for the majority of roads, and are ultimately responsible to the local community and the management of risk. Changing arrangements to allow more control of funding by owner of the asset and the risk should be considered by the Commission.

Shoalhaven City Council already carries substantial costs in relation to response and post-recovery actions that are unfunded by State and Commonwealth. Any reduction of external funds could result in re-examination of Council's obligations and response. Uncertainty of Council's ability to re-claim cost during a disaster event could cause delays in response and recovery actions and protracted negotiations with the combat agency during a disaster emergency. Certainty in funding is essential to rapid and effective response and recovery actions taking place.

Shoalhaven City Council is extremely interested in natural disaster funding Arrangements and would like to participate further in any subsequent Commission activities in relation to this matter. If you need further information about this matter, please contact Ben Stewart, Director Assets & Works Group on (02) 4429 3298.

Yours faithfully

**Russ Pigg**  
**General Manager**