

SYNOPSIS

Opportunities to strengthen the RAPAD region through Natural Disaster Relief and Recovery Arrangements (NDRRA)

The Outback Regional Road and Transport Group (ORRTG) have prepared the report “Opportunities to strengthen the RAPAD region through Natural Disaster Relief and Recovery Arrangements (NDRRA)” to detail proposed changes and enhancements to the NDRRA. ORRTG believe that improvements can be made to better support consistency in the application of the funds and deliver increased value for money.

Background

The reconstruction effort that Queensland has faced as a result of the extreme weather events from 2010 through to 2014 is unprecedented in both scope and scale.

The RAPAD region of far Western Queensland is comprised of seven local government areas including: Barcaldine Regional, Barcoo Shire, Blackall-Tambo Regional, Boulia Shire, Diamantina Shire, Longreach Regional and Winton Shire. The region is located in the largest river basin (420,000 km²) in Queensland and the channel country drains directly into Lake Eyre. Since 2010, flood damage in this region has been estimated at \$200 million.

The scale and nature of these events has seen new special purpose authorities (e.g. the Queensland Reconstruction Authority (QRA) and Federal Inspectorate) put in place and significant alterations made to the administration of funding from the NDRAA.

In April 2014, the Commonwealth Government requested the Productivity Commission undertake an inquiry into the efficacy of the current national natural disaster funding arrangements, taking into account the priority of effective natural disaster mitigation and the reduction in the impact of disasters on communities.

The ORRTG report has been prepared to bring forward specific recommendations to the Commission, drawing on the RAPAD region experiences with the previous and current disaster funding arrangements, in order to increase the efficiency and effectiveness of the program.

Scope of the Assessment

To provide a comprehensive review of opportunities for improvement to the NDRRA, the scope of the assessment documented in the report was as follows:

- Analysis of the key challenges faced by the region in natural disaster recovery;
- Analysis of the value derived from Council involvement in reconstruction activities;
- Identification and discussion of opportunities to improve the NDRRA process;
- Recommendations to support a change in policy with respect to the NDRRA; and
- Formal documentation of the changes proposed by RAPAD for the Commission’s consideration.

The assessment is supported by detailed background information on the economic profile and the natural hazard profile of the RAPAD region which serves to illustrate the frequent nature of extreme flooding events in this region and the significant role local government and road infrastructure play in the local economy.

Key Challenges

The assessment set out in the report identified the following key challenges experienced by the Councils of the RAPAD region in relation to natural disaster recovery:

1. **Inconsistency:** policy interpretations, submission requirements and assessment processes are applied in an inconsistent manner between projects and across local governments;
2. **Onerous burden of proof:** the evidentiary requirements of reporting processes are onerous and inefficient;
3. **Discrepancy around value for money outcomes:** limitations applied and inconsistency of application to the use of Day Labour;
4. **Impracticality of process:** the assessment processes and requirements in the review of projects are impractical in rural and remote areas given the differing scale and nature of projects in these regions, and the capacity of Councils in these areas;
5. **Forgone resilience opportunities:** reconstruction funding provided year-on-year could be allocated to a program of infrastructure upgrading (betterment) that, coupled with routine maintenance year-on-year, could build significant resilience to natural disaster events over time. Commitment to a consolidated programme will ultimately reduce NDRRA expenditure; and
6. **Exposure:** disaster events are a seasonal occurrence in the RAPAD region. They occur nearly every year which triggers NDRRA activations and responsibility upon State and Commonwealth Government to fund reconstruction of essential public assets year-on-year.

In the context of these challenges, evidence also exists that Councils play a significant role in disaster response and recovery activities.

Councils Providing Value for Money

Whilst the information available for a detailed quantitative assessment was limited, the case studies set out in the report identified that high value for money outcomes can be achieved through Council involvement in reconstruction activities and that these are possibly being lost under the current administration of the NDRRA.

Value for money (VfM) is an underpinning principle for investment decision making for the QRA, NDRRA and the local governments represented by RAPAD. Value for money assessment is used to ensure that investment decisions and asset reconstruction actions are both prudent and efficient.

The QRA defines value for money, in the context of reconstruction projects, as:

'a determination of the outcomes of an individual reconstruction project assessed against how it has contributed to the advancement of Government priorities, as well as cost and non-cost factors that include, but are not limited to whole-of-life and transaction costs and fitness for purpose¹.

To illustrate the value that is provided by local government involvement in reconstruction activities, the assessment sets out two key case studies:

- Case Study 1: compares the costs incurred for reconstruction works undertaken in the Longreach Regional Council area by Council in 2011 with those undertaken by a civil contractor in 2012. Excluding the additional costs of tendering and contract administration, the unit cost rate analysis highlights that council's rates are between 2.9 and 24.7% lower than that of the contractor; and
- Case Study 2: highlights that the day labour rates of Diamantina Shire Council are between \$41.41 and \$63.37 per hour, whilst those of the 17 private contractors procured to deliver reconstruction works as a result of the 2011 flood event vary between \$44.00 and \$99.00 per hour.

¹ 2010/11 Queensland Flood and Cyclone Disaster, Value for Money Strategy

In the context of reimbursable ordinary Day Labour, the assessment illustrates that:

- Application of the principle of VfM is inconsistently applied within the context of the NDRRA; and
- The prescriptive nature of the current eligibility criteria and determinations per NDRRA activation limits the potential to utilise Council resources, which, as illustrated in case studies, have the potential to provide a significant VfM outcome.

The assessment also illustrates that the key factors underpinning the VfM outcome for the works undertaken by Longreach Regional Council in 2011 were:

- Council having a greater understanding of the localised aspects of construction (such as material sourcing and quality management) and the fitness-for-purpose requirements for the particular assets to be re-instated, where the outsourced works were more likely to have been undertaken to meet modern standards requirements. This advantage is recognised by the Queensland Department of Transport and Main Roads as the local authority is often the sole invitee for the Department's works within the region because of these efficiencies;
- Councils have ready access to the necessary skills and experience that is already in the region, whereas the outsourced works were more likely to utilise resources from outside the region incurring greater associated mobilisation, subsistence and demobilisation costs;
- Councils have some ability to manage risks such as wet weather events through redeployment of labour and plant to other activities of Council that are less impacted by rain, rather than pricing the risk into the tendered price;

- Councils have a vested interest in ensuring whole-of-life costs associated with asset investment planning and delivery are minimised as they face the burden of meeting these ongoing costs; and
- Outsourcing activities generally also incur costs associated with tendering and contract administration, which are generally not required for work self-performed by Council.

On this basis, the report recommends reconsideration of the approach to the administration of Day Labour funding under the NDRRA. It is the view of the RAPAD councils that engagement and reimbursement of the wages of their own works staff during normal hours is a reasonable and cost effective way to deliver works. When appropriate, this method should be preferred and clearly stated in NDRRA determinations to support holistic VfM outcomes.

Opportunities to Improve the NDRRA

After consideration of the issues faced by the RAPAD region, and the value for money to be derived from local government involvement in reconstruction activities, a series of opportunities to improve the NDRRA are identified by the assessment. The assessment considered the current application of the NDRRA in a holistic manner to identify a broad ranging set of recommendations for improvement.

The overall aim of the opportunities for improvement that have been identified is to drive outcomes that support reconstruction activities at the local level, centring arrangements around the achievement of value for money through a risk based framework.

The recommendations fall into three broad categories:

1. **Governance:** strategic responses and additional roles/responsibilities for State and/or Commonwealth Governments to assist Local Government in administering the NDRRA;
2. **Policy:** changes to the current funding position in order to ease the financial and resource burden on Local Government; and
3. **Process:** procedural refinements and clarifications that will improve NDRRA administration.

Recommendations to the Productivity Commission

Based on the review of the NDRRA, in the context of the RAPAD region, the recommendations set out in Table 1 are made by the ORRTG Board to the Productivity Commission.

Table 1: Recommendations to the Productivity Commission

Category	Recommendation
Governance	Preparation of model value for money procedures and processes for local government. Template procedures will improve the consistency of assessments and streamline the approval process.
	Improved links between government funding programs for infrastructure capital works, maintenance and reconstruction. Building resilience principle into investment decision making across programs will reduce the overall scale of funding needed under programs such as the NDRRA.
	Providing and committing to a dedicated programme of betterment to support the longevity of our rural roads thereby reducing overall NDRRA exposure.
	Improvements in data capture to assist local governments. Capturing and cataloguing historical flood data provides a wealth of hazard and claim information that can help to streamline the assessment of damage, and the approval of funding, for regions subject to regular events that impact the same infrastructure each event.
Policy	Day Labour eligibility to be a standard inclusion for all rural councils. This change would recognise that value for money outcomes can be achieved in many instances using the readily available workforces of local government.
	Clarification required around on-cost eligibility and determination. Introduce on-cost eligibility benchmarking to remove the inconsistency of a case-by-case basis for on-cost eligibility.
Process	Clarification of the evidence required from local government to support funding claims in order to ensure it is relevant, practical and achievable.
	Clarification on consistent and appropriate engineering policy to be applied across projects and Councils to ensure that assets are reinstated to appropriate service levels and funding requests are comparable.
	Streamlining of assessment processes for appropriate works through a risk-based approach. A risk-based approach allows detailed assessment to focus on areas where options for investment vary significantly in terms of benefits delivered and allows lower risk decisions to move from assessment to delivery at a faster rate.