



6 June 2014

Office of the General Manager

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Natural Disaster Funding Arrangements
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Sir/Madam

**SUBJECT Natural Disaster Funding Arrangements - Issues Paper
Submission**

Blue Mountains City Council (BMCC) welcomes this opportunity to make this submission regarding Natural Disaster Funding Arrangements at a time where we are in the recovery phase of one of the worst bushfire natural disasters to impact upon a Local Government Area (LGA) in NSW. This bushfire event resulted in the total loss of almost 200 homes, with another 100 severely damaged, in the Blue Mountains LGA and has seen a State of Emergency called and a multi-agency response and recovery effort to date.

The reality for the Blue Mountains is that there is a high probability of more event/s of varying impact that will call into effect a declaration under section 44 of the Rural Fires Act 1997 or a State of Emergency under the State Emergency and Rescue Management Act 1989. Due to well documented climate change and changes in weather patterns the evidence is that these events are likely to occur on a more frequent basis with the potential for a more devastating outcome.

More importantly, this submission draws to the attention of the Productivity Commission the fact that there is a joint risk to be managed by all levels of government relative to addressing the resourcing requirements for responding to, recovering and mitigating against natural disasters in the City of Blue Mountains. This is because the resourcing requirement for doing this exceeds the financial capacity of the BMCC.

Blue Mountains Local Government Area Context

The Blue Mountains City Council is responsible for approximately 140,377 hectares (542 square miles), 26 townships or villages. 10.5% of the total land in the LGA is in private ownership and the land supply for development is projected to be exhausted by 2020. The population is currently 76,000 and is static and aging. There is a limited rate base of approximately 23000 properties with increasing demand for services with associated costs. Over the next decade, it is projected that:

- The population of the City of Blue Mountains will remain stable at around 76,000 people;
- Proportions of older people will steadily increase;
- Numbers of working aged adults will decrease;
- Numbers of children will decrease; and
- Numbers of young people will decrease.

These trends will have significant implications for service provision in the next 5-10 years. Aging of the population will place pressure on existing services and facilities.

Council has actively responded to the new Integrated Planning and Reporting Reforms for NSW Local Government. These reforms require all council's in NSW to adopt a strong sustainability focus with at least a 10 year strategic community plan that includes asset and financial projections relative to the Local Government Area and the activities of the council. BMCC has responded to these challenges.

The City's location within a World Heritage area not only places limits on the land available for living, it also places responsibilities on the community, Council and other agencies to ensure that impacts of urban development are carefully managed and that the internationally recognised values of this natural environment are protected, especially when it directly impacts World Heritage status and Sydney's drinking water catchment.

Due to continued budget restraints caused by rate pegging, cost shifting from other levels of government, together with a relatively static development caused by geography and environmental constraints, the ability of BMCC to respond, recover from and mitigate natural disasters, is heavily reliant on resources and funding from other levels of government. Even with these contributions BMCC is often faced with additional financial burdens from disasters that result in disruptions to planned operational program delivery.

It is seen as unreasonable and unrealistic for local government, with approx. 3% of the total tax dollar and 33% of built infrastructure (not including the cost of natural asset management) to be responsible for implementing disaster recovery budgets beyond local means to carry that burden.

Natural Disaster Response

In recent years BMCC has been involved in several major natural disaster responses. In July 2011 the area of the upper Blue Mountains experienced a significant wind storm and more recently the October 2013 bushfires impacted areas across the LGA. Disaster management at this initial response stage is the responsibility of state agencies, with BMCC acting as a support agency as directed by these agencies. The activities undertaken during these events included providing traffic control, plant and equipment (internal and hired) and access to Council staff and contractors to undertake make-safe and clean-up works. BMCC also provided access to buildings for emergency centre set-up and logistical support.

Without access to funds to claim for out of pocket expenses, Council would be unable to provide and fund these resources. Even with the access to these funds limitations on the funding criteria results in impacts to council's core business and planned works projects. BMCC has also experienced considerable difficulties due to the delay in receiving the funding repayment which has caused significant budget problems due to impacts on cash flow and the opportunity costs of forgone interest income which results in even more financial strain. The complexity and timeliness together with the onus on local government to justify expenditure in making claims, needs to be streamlined with appropriate systems and a level of trust, if other levels of government wish to be guaranteed the continued high level of support they currently receive during the critical phase of disaster response.

BMCC like many local governments has a limited capacity to manage large volume waste disposal post disaster events. While small volumes may be able to be

managed, the sheer volume and contaminated nature of potential waste generated during major events, coupled with local facilities with limited capacity, is beyond the ability of BMCC to deal with it.

Natural Disaster Recovery

What became clear following the October 2013 bushfires was that there appeared to be a lack of a consistent approach and transparency when applying for funding to enable local government to quickly take on the natural disaster recovery. Numerous versions of the NDRRA Category C applications were drafted and presented to Council by NSW government officers. State government officers and advice from other LGAs with experience in recovery, largely guided this application. Upon receiving an announcement of the funding allocated, BMCC was surprised with the significantly reduced resourcing/funding package. It appeared that changes were made to the Category C application without consultation and not based on expert or professional advice. This obviously caused significant concern for council and further delayed the transition process from a state led recovery to a local council led recovery. Lack of certainty will make councils reluctant in the future to become involved in the transfer from state to local recovery.

The time taken for the recovery package to be assessed was also an issue and Council would have been better placed to take on the local recovery had a more timely decision been made with certainty in the funding model. Council feels that a lack of a consistent national and state approach to natural disaster recovery planning, resourcing and funding played a part in this. Council also strongly believes that disaster recovery is best managed at a local level when the magnitude, logistics and complexity is within its capacity to manage. However, due to financial pressures and rate pegging local government needs assistance (financial and/or resources) to enable it to effectively manage.

The local community has an expectation that their tax dollars that they contribute to other levels of government would flow back to local communities in times of natural disaster.

Natural Disaster Mitigation

Section 501 of the Local Government Act 1993 and relevant regulations allow BMCC to make an annual charge for the provision of emergency services and bushfire control. However due to the rate pegging structure employed by the NSW State Government, the true recovery for the council proportion of cost for mitigation works is unable to be levied from the community. The Council is therefore reliant on grant based funding to assist with the work relating to natural disaster mitigation, which in the Blue Mountains is largely focused on bushfire asset protection zones and fire trails. Without the appropriate level of funding, bushfire asset protection zones and fire trails, need to compete for funding with other core council business needs and levels of service provisions for increasingly limited resources.

Like other NSW councils, BMCC is also responsible for Rural Fire Service buildings and the maintenance of these assets. Again, the fee levied from the community is rate pegged and does not represent the true cost of managing these assets and again, they compete for funding and resources.

It is clear that for appropriate levels of mitigation secured grant funding from other levels of government is required for BMCC given the vast natural asset portfolio.

Insurance

Blue Mountains Council

Following natural disasters where council infrastructure and equipment has been damaged, the first step for BMCC would be to claim against insurance for those items that are claimable. These items include:

- All Buildings and contents;
- Vehicles;
- Heavy plant and equipment;
- Information technology infrastructure;
- Play Equipment;
- Rural Fire Service stations (buildings owned by BMCC).

Other infrastructure items that are damaged are claimed as part of the natural disaster claim to the state government.

Private Property

BMCC is becoming increasingly aware that underinsurance is a major issue impacting bushfire affected residents ability to recover. The underinsurance of private property has also had an impact on the capacity of private landowners to manage their own block clearance and has contributed to the cost of the state led clean-up effort. This aspect is a key factor in the individuals and communities ability to recover after a disaster.

Conclusion

In summary, BMCC would like to stress the need for a rigorous disaster plan, that:

- Clearly identifies the roles and responsibilities of various levels of government and support agencies
- Is supported and resourced by a transparent and consistent funding model
- Provides certainty for natural disaster affected residents and businesses.

Furthermore, BMCC feels that a declared disaster is best managed initially in the response phase by state agencies, with council acting as a support agency with clear parameters about how and when transition should take place based in the individual circumstances. The certainty and timely reimbursement to councils for costs associated with supporting natural disaster response, is absolutely critical for smaller councils trying to manage very tight budgets and to ensure their continued support in the future.

BMCC believes that local recovery is best led by local government as they best understand the needs and aspirations of their communities. To this end it is recommended that a consistent standardised national framework for recovery be considered. This framework would identify preparedness planning models, operational plans, funding structures and guaranteed resourcing. This would better allow state and federal government to anticipate costs associated with recovery and would speed up the process for local government taking over the recovery effort and provide certainty for the community.

Mitigation, which as previously mentioned for bushfires, is largely made up of work on asset protection zones and fire trails is underfunded due to a poor funding model and is exacerbated by the extent of natural assets adjoining a National Park. For communities such as the Blue Mountains other levels of government need to provide certainty in grant funding given the natural asset portfolio.

There is a need to develop a transparent taxation and funding model that funds reasonable community expectations for disaster mitigation especially when local government is so constrained in raising revenue. Local government can only live within its means. As previously identified, local government has approx. 33% of built assets (excluding natural assets) but receives only 3% or less of total tax dollars. Council would recommend a review of how the taxes are redistributed particularly for areas that are in a high risk area and the need for a recognition that other levels of government must assist. Good mitigation is a proactive measure to reduce overall costs as a consequence of major disasters.

There is a need to address significant state and national assets such as the Blue Mountains World Heritage Areas and the Sydney drinking water catchment. The need for special funding for local governments to support building preparedness models around these significant assets is required otherwise they will be largely forgotten in the range of other core activities competing for funding and resources.

Following the October 2013 bushfire event it is clear to Council that there was a massive problem with the underinsurance of property. Council would recommend that the federal government address this matter nationally and lobby or legislate for the insurance industry to act proactively as it is an issue that is likely to become more prevalent across Australia with the frequency and severity of natural disasters on the rise.

Thank you for the opportunity to have input into the Issues Paper.

Should you wish to discuss any of these matters further please feel free to contact Daniel Long, Recovery Manager on

Yours faithfully

ROBERT GREENWOOD
General Manager