

2 June 2014

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

Submission - Local Government Association of the Northern Territory

The Local Government Association of the Northern Territory (LGANT) appreciated the opportunity in speaking with Commissioners of the Productivity Commission leading the inquiry into “Natural Disaster Funding Arrangements” on 28 May 2014.

The Australian Government has asked the Commission to undertake a public inquiry into the efficient 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 following submission is based on the discussions and issues brought to the Commissioners attention during the May meeting and will address the five issues the Commission has been asked to specifically report on:

- the effectiveness and sustainability of current arrangements for funding natural disaster mitigation, resilience and recovery initiatives
- risk management measures available to and being taken by asset owners – including the purchase of insurance as well as self-insurance options
- the interaction between Commonwealth natural disaster funding arrangements and relevant Commonwealth/State financial arrangements
- options to achieve an effective and sustainable balance of natural disaster recovery and mitigation to build the resilience of communities
- projected medium and long term impacts of identified options on the Australian economy and costs for governments

Local Government in the Northern Territory

LGANT is established as an incorporated body under section 242 of the Local Government Act of the Northern Territory.

LGANT provides a united voice for local government in the Northern Territory and nationally through its membership of the Australian Local Government Association.

There are two distinct levels of local government councils in the Northern Territory which is reflected in the membership of LGANT based on their degree of urbanisation and service delivery models:

Municipal Councils (City of Darwin, City of Palmerston , Litchfield Council, Katherine Town Council and Alice Springs Town Council)

Regional Councils (Tiwi Islands , East Arnhem, West Arnhem, Victoria Daly , Roper Gulf, Barkly, Central Desert, MacDonnell, Belyuen, Coomalie and Wagait Councils).

Local government is the appropriate sphere of government to deliver services and maintain infrastructure and facilities in local areas.

Local government makes a significant contribution to the Northern Territory economy as collective, councils employ 3000 Territorians, manage and control assets valued at over \$600 million and receive and expend over \$380 million in the Northern Territory annually.

The standards of infrastructure in remote regional areas of the Northern Territory is at the lower end of the norm compared with that of other states and territories

Of the 14,000km of roads managed by local government 11,382 km are unsealed of which 7,000km are unformed. These standards make it hard for local government to mitigate against inundation by flooding and to recover from major rain events.

LGANT understands that the resilience based approach is a shared responsibility at all levels of Government as well as the community .

With the financial assistance of the Northern Territory Government and Australian Government LGANT has developed and provided tools and professional development for local government elected members and officers in emergency management and the development of Emergency Management plans.

The effectiveness and sustainability of current arrangements for funding natural disaster mitigation, resilience and recovery initiatives.

Local government in remote areas of the Northern Territory are very reliant on Government agencies in the development of infrastructure and therefore have little opportunity of involvement in mitigation and risk management in disaster planning.

Local government councils servicing remote communities in the Northern Territory have limited own sourced revenue to mitigate against or restore infrastructure damaged by flooding or a cyclonic event.

The rate base for regional councils servicing remote areas of the Northern Territory is equivalent to between 3 – 9% of their total revenue. As much as 80% of their total revenue is tied grants to specific services and outputs.

The Northern Territory Government has been supportive of local government and with the added support of the Australian Government (NDRRA), in most part there has been limited impact on local government financial resources following a significant event which has damaged local government infrastructure.

The Department of Local Government had a \$1.2 million reserve fund from Treasury to expedite the infrastructure repairs after an event. During the financial fiscal constraints the Northern Territory

Government are presently encountering, as other governments, these funds have not been made available to the Department of Local Government.

This has impacted on remote local councils rehabilitating infrastructure in a timely manner and meeting the expectations of constituents.

Other issue for local authorities in Northern Australia is the capacity to complete works, especially roads, in a timely manner as there is usually only a six month time period to complete works (May – October) after roads have dried out sufficiently for heavy plant to access work sites and start of the wet in October / November.

Risk management measures available to and being taken by asset owners – including the purchase of insurance as well as self-insurance options

In the Northern Territory local councils insure community assets such as halls, depots and offices.

Local councils do not insure local roads and associated infrastructure. Costs are prohibitive especially with the risk profile of Northern Australia.

Due to size there is no opportunity for local government to look at self- insurance options.

In the Northern Territory ownership and responsibility of community assets on Aboriginal Lands is being negotiated with relevant Land Councils by way of leases and licences.

This arrangement will give some certainty as to the management and control of infrastructure and associated community assets on aboriginal lands.

Community risk and vulnerability in the Northern Territory is heightened by their isolation and inadequate infrastructure such as untrafficable roads, inaccessible airstrips , communication links and lack of community facilities.

We must accept that there is a level of acceptable risk in all activity. Risk mitigation within reasonable parameters should be the objective.

The interaction between Commonwealth natural disaster funding arrangements and relevant Commonwealth/State financial arrangements

Local Government has been fortunate where the Department of Local Government has had access to a Northern Territory Government Treasury advance to assist local councils in the immediate start on rehabilitation of damage infrastructure after an event.

The capacity to pay for works up front by remote regional councils in the Northern Territory is constrained by the lack financial resources.

These arrangements have been critical for remote regional councils to have their communities recover from an event in a timely manner.

Regional councils servicing remote areas of the Northern Territory at times do not have appropriate technical expertise to put submissions to the Department of Local Government that have the technical and financial rigor to meet the requirements of the Northern Territory Government agencies and NDRRA eligibility and requirements.

The remote councils do call on their peers and government agencies for assistance in their submissions and reports.

Options to achieve an effective and sustainable balance of natural disaster recovery and mitigation to build the resilience of communities

In 2002 COAG agreed to “reduce the problem of public infrastructure repeatedly being damaged by natural disaster through cost effective mitigation measures, to make infrastructure more resilient where feasible by proactive measures under the Disaster Mitigation Australian Package and post disaster measures under the Commonwealth Natural Disaster Relief Arrangement”

The “Betterment” provisions provided have been difficult administratively for local government and to also meet eligibility criteria based on Benefit Cost Ratios (BCR) as in most cases the infrastructure in remote communities is constructed under the principle of Community Service Obligations (CSO).

It is generally accepted that repairing or rebuilding infrastructure to a more resilient standard will make savings in future rebuilding costs as well as improving access for users.

In states throughout Australia the planning process resides with local government however in the Northern Territory the planning process falls within the jurisdiction of the Northern Territory Government which can generate frustration for local government.

There is no mandated role for local government in the decision making process which dictates the level of appropriate flood mitigation and protection of infrastructure which is carried out yet must be balanced against the rising costs of housing blocks.

As it is such a political imperative to keep costs low on housing block developments the temptation exists to spend less on appropriate flood mitigation and infrastructure protection.

These assets are transferred to local government with the inherent risks attached. Local government has been pressured into accepting infrastructure that in its view has been compromised to keep costs down.

Local government has developed community disaster management plans that is focused on the response and recovery phase in an emergency event and has not addressed mitigation measures.

Local government understands and supports an appropriate emphasis on the value of suitable insurance cover, more resilient infrastructure and appropriate land use planning.

Remote Australia and the Northern Territory are very resilient. LGANT do question at times whether it is resilience or apathy at times in some remote areas and this apathy have seen a dependence on government to assist in the recovery.

Where there is community planning and motivation around mitigation this may not be the case.

Empowering individuals and communities to manage risk within their own environment / homes / communities is difficult but can be achieved by a better understanding of risks and consequences of not being prepared.

Projected medium and long term impacts of identified options on the Australian economy and costs for governments.

Regardless of reason, the frequency and severity of natural hazards appear to be increasing and there has been a trend and community expectation that governments will bankroll the immediate response.

Governments have agreed in principle that this ongoing trend is unsustainable and Australia will need to substantially lift its resilience capability.

Resilience requires shared responsibility, commitment and action from all levels of government, businesses, non for profit organisations and the broader community.

Small communities in remote areas of the Northern Territory are very vulnerable to natural disasters. Local government servicing these communities and their elected members and staff have much to offer in the management of natural disasters including local current knowledge, past knowledge, being on the scene and with the potential to respond quickly, community involvement and the ability to lead in many aspects of recovery in a culturally appropriate way.

Changes are necessary to ensure local government have the resources at their disposal to better contribute to natural disaster relief and mitigation.