



**Submission to the  
Productivity Commission Inquiry  
into  
Natural Disaster Funding Arrangements**

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## Introduction

The Local Government Association of Tasmania (LGAT, the Association) is the representative body of Local Government in Tasmania. Established in 1911, the LGAT is incorporated under the *Local Government Act 1993* with membership comprising 28 of the 29 Tasmanian councils.

The objectives of the Association are:-

- To promote the efficient administration and operation of Local Government in the State of Tasmania;
- To watch over and protect the interests, rights and privileges of municipal Councils in the State of Tasmania;
- To foster and promote relationships between Local Government in the State of Tasmania with both the Government of Tasmania and the Government of the Commonwealth of Australia;
- To represent the interests of the members of the Association generally, and in such particular matters as may be referred to the Association by its members; and
- To provide such support services to the members of the Association as the Association may by resolution in meeting determine.

## **General Comments**

LGAT would like to thank the Productivity Commission for the opportunity to comment on the issues paper into natural disaster funding in Australia.

Tasmanian councils view the inquiry as an opportunity to investigate a number of issues with the current arrangements as well as future reform options.

Key issues for councils with the current relief and recovery arrangements include eligibility criteria for betterment, day labour and essential public assets.

LGAT is of the view that the Natural Disaster Relief and Recovery arrangements (NDRRA) need to continue as a safety net for jurisdictions affected by natural disasters provided that appropriate risk management measures are applied. The current policy for relief and recovery supports the principle of shared responsibility for the cost of natural disasters across all tiers of government and does not unfairly discriminate against smaller jurisdictions.

The potential NDRRA reform options raised by the Commission of Audit to replace the current arrangements with a one off grant or increasing the current thresholds are not supported. These proposed reforms would have a significant impact on smaller jurisdictions, especially those that have frequent but smaller scale disasters.

There is no evidence that the NDRRA has resulted in lower rates of insurance or risk mitigation activities by Tasmanian councils. Councils insure their insurable assets.

LGAT is of the view that more funding needs to be spent in the resilience and mitigation space and that the Commonwealth must continue to play a major role in this. In the long term, an increase in funding for resilience and mitigation along with improved betterment funding should result in a reduction to the amount currently provided through relief and recovery arrangements.

## **Specific Comments**

### **Relief and Recovery arrangements**

Tasmania has not been a significant beneficiary of NDRRA funding in comparison to other states. Tasmania has only made three NDRRA claims and the maximum amount that the State has received in NDRRA reimbursements is \$13.9 million or 41 per cent of the eligible cost incurred during the 2013 bushfires. In all three occasions the reimbursement amounted to less than 50% of eligible costs.

The real cost of disasters to councils is not accurately captured through the current NDRRA arrangements. Councils are not able to claim the cost of council day labour, used for the clean-up post disaster. This exclusion is significant and a major burden on local councils. For example the cost of labour in itself would easily trigger the thresholds under the Tasmanian Local Government Relief and Recovery Arrangements.

Councils are unique in comparison to State Governments who have contract arrangements for road maintenance and therefore are able to claim the cost of this labour in recovery work. This inequity should be rectified and the NDRAA should be amended to allow for the recovery of normal day labour, given it is substantially cheaper than engaging external contractors.

The current administrative arrangements, under the NDRRA and subsequent State Local Government Relief Policy, around provision of damage data during an event are problematic. The process can lead to significant under estimation of damage making it difficult to be appropriately compensated.

Betterment provisions in the NDRRA have been poorly used in the past. They aim to restore or replace an asset to a more disaster resilient standard than its pre-disaster standard.

Some of the key issues with the current provisions include:

- Betterment is poorly defined;
- The rules to determine eligibility are difficult to navigate;
- The process timeframes are very constrained and the immediate needs of the community post a disaster may override the long term benefits of a betterment project e.g. a bridge.

The inquiry should consider whether betterment funding should be incorporated into resilience funding rather than relief and recovery.

### **Council funding from the Tasmanian Local Government Relief and Recovery Arrangements**

The Tasmanian Governments Relief and Recovery Arrangements are administered by the Tasmanian Department of Premier and Cabinet. Under these arrangements there is a Local Government relief and recovery policy which governs how councils access and receive funding for relief and recovery. Eligibility for funding is mirrored on the NDRRA.

Over the past three years 14 of Tasmania's 29 Councils have received funding through the arrangements. The total amount of funding received has been approximately \$12 million.

### **Projections of future natural disaster incidence and impacts in Australia**

The occurrence of natural disasters and their effect on communities is increasing. The impacts of climate change are likely to be influencing the extent and frequency of these events. The effects of climate change will be experienced largely at a local level and as a result councils will continue to play a significant role in dealing with natural disasters in future.

Presently there is a considerable amount of reliable information available in relation to future climate impact projections, though it is acknowledged that such information is not always available at the desired scale. In Tasmania, Local Government has benefitted from the work conducted through the Climate Futures for Tasmania (CFT) project, which provides detailed climate change projections at a local scale.

The CFT project, managed by the Antarctic Climate and Ecosystems Cooperative Research Centre, provided fine-scale climate information for Tasmania by downscaling six global climate models with two emission scenarios (high emissions scenario - A2 and lower emissions scenario - B1) to generate climate information from 1961 to 2100.

Data from the CFT project also provides a number of key indications for localised Tasmanian areas, including the following the following:

- a likely increase in the number of very wet days and more intense one day rainfall totals towards the end of the Century, resulting in increased risk of flooding in some regions.
- substantially greater frequency of rain events; in some places, a 1 in 200 year event will become a 1 in 20 year event.
- short-duration rainfall events are likely to become more frequent and intense and will result in significant changes to downstream flood levels for small flood prone catchments that do not have significant upstream storages.
- an increase in the number of hot days and heat wave events in some inland areas.

At the national level, the National Strategy for Disaster Resilience (NSDR) under COAG seeks to improve the nation's resilience to natural disasters by facilitating cooperation and collaboration between business and non-government sectors to improve Australia's capacity to endure and recover from disasters. The NSDR acknowledges the role of climate change in exacerbating the frequency and intensity of extreme weather events, and that these future hazards should be taken into account in natural disaster planning.

### **Risk Assessment/ Insurance**

The Issues Paper considers whether the current NDRRA arrangements increase 'moral hazards' by sending out the wrong risk management price signals to State and Local Governments. It suggests that local councils may be less likely to take out insurance and build assets to an appropriate standard to withstand natural disasters.

Based on evidence, and the small amount of funding that has been reimbursed to Tasmania, the NDRRA has no material impact on the way councils insure assets or manage risk.

In 2011 the Commonwealth Attorney-General and the Department of Finance reviewed the states and territories insurance assessments to ensure they were reasonably adequate. The review found that the insurance arrangements for Local Government for non-road assets are appropriate and that, in relation to the road and bridge assets, there is no existing insurance market and no desire among the insurance industry to offer insurance for such assets.

At the local level, roads are managed through long term asset management planning and this accounts for maintenance and environmental impacts over time. This process is well regarded, takes into account detailed risk assessments, and is seen as an appropriate management strategy for asset replacement.

Local Municipal Emergency Management Committees are required to undertake risk assessments as part of their emergency management planning process. A number of Tasmanian Councils have undertaken National Emergency Risk Assessment Guideline (NERAG) compliant risk assessments. This has been enabled by grant funding which has engaged consultants. A local council specific NERAG Risk Assessment tool is currently being investigated for state wide roll out but would require grant funding to build capability within councils to effectively utilise the tool.

## Funding Mix

The issues paper queries whether the mix of funding is right between resilience, mitigation and recovery. LGAT is of the view that more funding needs to be spent in the resilience and mitigation space. In the long term, an increase in funding for resilience and mitigation along with improved betterment funding should result in a reduction in the amount required for relief and recovery. This view is supported by the findings of a 2002 COAG review which noted that additional investment in natural disaster mitigation was estimated to reduce the economic cost of natural disasters and, in particular, that for every dollar invested in flood mitigation around \$2.10 was saved.

A paper by Deloitte Access Economics (2013) also noted that funding for relief and recovery could be reduced through carefully investing in disaster resilience. The paper stated that annual expenditure on mitigation and resilience of \$250 million could potentially generate budget savings of \$12.2 billion for all levels of government and reduce natural disaster costs by more than 50 per cent by 2050.

The impact of increased investment in mitigation and resilience in the near term is likely to decrease the impact on relief and recovery funding in the long term. This impact would be felt under the current relief and recovery threshold arrangements.

LGAT is also of the view that there should be Local Government specific mitigation and resilience funding.

## National Partnership Agreement on Natural Disaster Resilience Funding

In Tasmania, approved funding to councils from the Commonwealth National Partnership Agreement on Natural Disaster Resilience is through the Natural Disaster Resilience Program. Councils must compete against state agencies and not for profits for this funding.

Financial Year	Amount
2009/11	\$529,000
2011/12	\$819,705
2012/13	\$192,391

Councils rely on these grants to undertake resilience and mitigation studies and projects that they would otherwise be unable to afford. LGAT has been advocating to the State Government to quarantine a portion of the funding under this program for Local Government Specific funding.

The type of council projects funded under the program include:

- Community Resilience programs
- Flood mitigation surveys
- NERAG risk assessments
- Landslide risk assessment and mitigation plans
- Evacuation planning

## **Summary**

LGAT is of the view that the current funding arrangements for disaster assistance at the federal level need some adjustment. There is significant benefit that can be derived from providing additional funding for resilience and mitigation activities which will, over time lead to a decrease in the required funding through relief and recovery. However, for this to work Governments need to commit funding through the formal budget process and have a long term commitment to building resilience.

The current relief and recovery arrangements do provide a safety net for jurisdictions affected by natural disasters provided that appropriate risk management measures are applied. The current policy for relief and recovery supports the principle of shared responsibility for the cost of natural disasters across all tiers of government and does not unfairly discriminate against smaller jurisdictions.

There is concern that if the arrangements for relief and recovery were changed that smaller jurisdictions would be significantly worse off and that recovery would be beyond the capacity of States and Local Councils.

LGAT appreciates the opportunity to provide a submission and would be happy to provide additional information should it be required.