

Following a deputation to the Hon Michael Keenan regarding Natural Disaster funding arrangements we were advised to submit a submission to the productivity commission in relation to our concerns.

I have attached a paper I prepared last year on the matter and mention the following major points:

- The requirement for Local Government to employ contractors for reinstatement works following a natural disaster event in remote and regional Australia is unrealistic and in all cases would amount to a considerable additional cost to both the Federal and Local Government. It is estimated that contractors cost in the vicinity of 100% more than if Local Government was to use their own day labour due to mobilisation, accommodation and administrative costs not to mention the profit margin applied by the contractors. Local Government is in the best position undertake our own works due to local knowledge of the areas concerned, the ability to source local road making materials and the reduced overheads.
- Regardless of the above reasons the availability of contractors in remote and regional WA is almost non-existent with most road contractors already committed to their own contract works. To expect them to delay their own committed projects to carry out unknown natural disaster works is ludicrous.
- Local Government already pay the first \$125,000 or 1% of rates, whichever is the greater, of any claim for reinstatement works and suggest this amount to be a fair share of any natural disaster.

If you require any further information I can be contacted on the number below.

Regards

Greg Hadlow

CEO

Shire of Kulin

Natural Disaster Relief & Recovery Arrangements (WANDRRA)

Since the introduction of the WANDRRA arrangements by the Federal Government there has been confusion, inefficiencies and a general misunderstanding of the requirements once the WANDRRA has been activated for an eligible storm/flood event.

Under the previous system the process was relatively simple. If a Local Government believed that there had been an event that qualified for storm damage assistance contact was made with Main Roads who carried out an inspection and verified or otherwise that a particular event or Council was eligible for assistance under the State Government Supplementary Fund criteria.

With the introduction of NDRRA (or WANRRA for WA) there is much confusion and inefficiencies with the system and these have been highlighted below.

Financial imposition due to late processing of claims and unnecessary delays

The following are a few examples of unnecessary delays adding a substantial financial burden (through loss of interest or in some cases the Council shaving to go into overdraft) for the individual Local Governments concerned (I am sure there are many more):

Shire of Kojonup

- Following completion of works had to wait 4 months for payment of \$1.4M from flood damage sustained during Dec 2011 severe storms, estimated cost to Council >\$20,000.

Shire of Kulin

- Invoice of \$403,034 paid on 3 December 2012 for work undertaken by contractors for severe rainfall event in December 2011, work was completed in March 2012, invoice received in July 2012. Payment was deferred until we were guaranteed payment. Reimbursement from WANDRRA of \$306,389 was finally received on 14 February 2013, estimated cost to council >\$3,500.

Shire of Kondinin

December 2011 Floods:

- The majority of accounts were received from their contractors and suppliers during March to June 2012, these invoices were paid within their terms of payment, i.e. 30 days. The total cost between this period was \$472,905.76. The first claim was submitted to Main Roads on 9th May via post to Narrogin for \$347,826.97 as some of the work hadn't been completed. In the claim all possible information was supplied to support the expenditure including wages, plant costs, invoices etc. but the response from Main Roads was they needed more information. After months of hassling them and even contacting local member Mia Davies they finally cleared up the claim and the Council was paid on 28th November 2012 \$348,467.55. A final claim for all works is yet to be submitted, estimated cost to Council >\$8,500.

Karlgarin Disaster March 2012:

The costs associated with this claim are currently wages and plant costs totalling YTD \$67,629.86. The first claim was sent to Main Roads on 15th February 2013 for opening up costs \$25,263.74 and they are still awaiting payment. The second claim is yet to be prepared.

Shire of Pingelly

- The 29 January 2011 wind storm claim was administered by DFES (FESA). The opening up works was completed by Staff. The scope of works consisted of all roads within the Shire of Pingelly. There were no delays in approvals or the payment of accounts. Recovery works commenced in the west on the worst hit areas using contractors. Recover works extended through to December 2011 without all roads being addressed but certainly those significantly damaged were cleaned up. All costs (both opening up and recovery) submitted were paid in full. The recovery was supervised in-house and these costs were not submitted for recoup but absorbed by the Shire of Pingelly.
- The 5/6 December 2011 rain event claim was administered by Main Roads WA. The opening up works was completed by Staff. A consultant was employed to negotiate the scope of works with MRWA, source and supervise repair contractors. There were no delays in approvals. The payment of the second and final account stalled when, in a cryptic way, Main Roads WA required the account to be adjusted to the extent of 25% of the recovery works. Unfortunately, the issue was not dealt with well by Shire of Pingelly Staff (3 involved) particularly in relation to following up Main Roads WA and the final understanding of the situation was not determined for some 4 months. The outcome was that Pingelly had to pay the first 25% of the recovery works – some \$78,064 (plus GST). The adjusted account was then settled promptly. However, the effect was that this adjustment fell over the end of the financial year / budget which has resulted in a deficit in this year's Budget of \$78,064 – difficult to fill, cost to Council >\$5,000.

Why was the first incident treated differently to the second incident?

Shire of Wandering

AGRN 427 – Severe Thunderstorm (29 January 2011)

Shires affected included the Shires of Brookton, Pingelly, Cuballing, Narrogin, Quairading, Wandering, Wagin, West Arthur, Wickepin, Williams and the Town of Narrogin.

Of the 11 shires affected, 10 of the 11 shires are all within a 120km radius of Wandering which made it extremely difficult / impossible to get contractors to assist with the clean-up works. After great discussion with DFES (formerly FESA) regarding the eligibility of contractor and other associated costs it was suggested by DFES that the Shire of Wandering engage the services of a neighbouring Council if the neighbouring Councils were in a position to do so.

As a result of the DFES advice (and strongly supported/muted by WALGA at the 2012 State Roads Forum in Perth in May 2012) the Shire engaged the services of the Shire of Williams to carry out the majority of works. The claim was administered by DFES, all costs were fully recoverable, payments were paid promptly and the works were completed in October 2011.

As an example of the great inequalities of service experienced by the Shire of Wandering during the claiming of expenditure for the event the following example is used. The Shire of Williams and another contractor were both clearing trees and debris along the same section of road. In one week the unnamed contractor completed a section of 700m at a cost of \$22,000, for the same amount of money on the same section of works the Shire of Williams completed 6km.

AGRN 465 – Severe Thunderstorms & Associated Flooding (6 & 12 December 2011)

Shires affected included the Shires of Cuballing, Dumbleyung, Jerramungup, Kondinin, Kulin, Lake Grace, Narembeen, Narrogin, Pingelly, Quairading, Ravensthorpe, Wandering, Wagin, West Arthur, and Williams.

Similar situation again to the January 2011 event with a large number of neighbouring Councils suffering damage at the same time impacting on availability of contractors.

The Shire completed all opening up works but estimated damage was \$300,000 to road infrastructure still needs to be completed.

AGRN 470 - Severe Thunderstorms & Associated Flooding (30 & 31 December 2011)

Shires affected included the Shires of Cuballing, Dumbleyung, Katanning, Kent, Wandering and Wickepin.

This was the most significant of the 4 declared natural events within the Shire with significant infrastructure damage to bridges, roads, culverts, floodways, crossings and numerous debris as a result of the storm.

Total estimated damage from event \$1,500,000.

At this point in time the Shire was in damage control trying to open up significant roads within the Shire and addressing a number of detours to traffic along the Wandering Pingelly Rd, which is one of the busiest roads within the Wheatbelt Sub Group region, as the result of the approach to a bridge being washed away.

Availability of contractors was non-existent due to the earlier disaster works being carried out in the region from the 6-12 December 2011 event and as a result of the magnitude of the damage incurred the Shire of Williams were called upon to assist with the clean-up. It should be noted at this point that Williams were still trying to rectify damage from the earlier December event in their Shire however put their clean up and road program on hold to assist their neighbour in good faith. In return, the Shire of Wandering some 4 months later assisted Williams with some of the road infrastructure which had been put on hold from the 6-12 December 2011 event while they assisted Wandering during their emergency relief period.

A Claim has been submitted for works completed up until the end of the 2011/12 financial year amounting to \$688,748 of which \$212,239 relates to works carried out by the Shire of Williams. To put this into perspective the total amount of rates received in Wandering for the 2012/13 financial year was \$610,845.

In relation to the above claim there are amounts that have been claimed which Main Roads require further information and this is the reason for the delay in the claim being processed. The matter was being dealt with Cindy Wallace, then Megan Holding whilst acting in her support role and due to the complexity of the claim there are now concerns that the same issues will again hold up payment with a third person from Main Roads now dealing with the matter.

A further \$250,000 in costs has been incurred during the 2012/13 financial year which is still to be claimed.

AGRN 496 – Tornado and Storm Events (7-13 June 2012)

Only a minor event in the Shire with \$50,000 damage estimated to clean up roadside debris. The Shire have completed all opening up works with debris pushed onto roadside cleaning up of the trees pushed into the roadside reserves still needs to be removed.

WALGA's Role to Date

The following is a copy of a background information paper released by WALGA in January 2012 in which almost all of the issues of concern are raised. The problem is that little appears to have been done to rectify the problems and we now really need to look at a strong political lobbying approach to achieve our aims. While not wishing to be overly critical of WALGA the officers are NOT AWARE of the problems rural Local Governments are facing, or if they are they are NOT AWARE of the severity of the impact the WANDRRA arrangements have on the day to day operations or the individual Local Governments cash flow. Consequently WALGA officers DO NOT place a high priority on rectifying the anomalies with the WANDRRA arrangements.

Background Information - Advocacy undertaken by WALGA

WA Natural Disaster Relief and Recovery Arrangements

The WA Natural Disaster Relief and Recovery Arrangements (WANDRRA) are administered by the Fire and Emergency Services Authority (FESA). The Natural Disaster Relief and Recovery Arrangements (NDRRA) provided by the Commonwealth Government feed into the WANDRRA and are administered by Emergency Management Australia (EMA).

Where day labour cost recovery is concerned, the Commonwealth need to initiate change to their NDRRA Determination policies through EMA to enable FESA to make changes to WANDRRA's current eligibility criteria.

State Council Agenda item – March 2011

- WALGA sought feedback from Councils on the impact of cost recovery under the WANDRRA.
- Local Government sector feedback indicated a need for policy change regarding inequity faced by the Sector in obtaining contract staff compared to undertaking works in-house through the deferment of normal works programs.
- In particular remote regional Councils of WA face a financial and logistical difficulty in sourcing and engaging contractors immediately following a natural disaster.
- The State Council resolved that WALGA in partnership with ALGA (Australian Local Government Association) undertake advocacy to the Commonwealth to change the EMA's NDRRA Determination Clause 5.2.5 to enable Local Governments to recover wage and equipment costs.

Peel Zone resolution – March 2011

- The Peel Zone requested that WALGA prepare a position paper on WANDRRA funding including a review of the application process and financial constraints.
- A position paper was distributed with the August State Council Agenda to all Zones.

Letter to ALGA – May 2011

- Following the State Council resolution, WALGA wrote a letter to the Chief Executive of ALGA acknowledging the issue of cost recovery as critical and a priority for State Associations and ALGA to progress with the Commonwealth.

ALGA outcomes with the Attorney-General's Department – May 2011

- ALGA was advised by the Attorney General's Department that the Commonwealth would not be making changes to include Local Government day labour cost recovery.

MEMO to Regional Road Groups from the WALGA President – May 2011

- A memo was distributed by the WALGA President providing advice to Regional Road Groups on how flood events impacted on the State Roads Funds to Local Government Agreement Supplementary Fund and how the issue is being addressed by WALGA.

National Insurance Review – July 2011

- WALGA produced a comment paper which was sent to ALGA regarding cost recovery, in contribution to the National Insurance Review.

Notice of NDRRA and WANDRRA Reviews – August 2011

- WALGA was advised that the NDRRA and WANDRRA would be under review within the following few months.
- Information for the Commonwealth (NDRRA review) will be required in March 2012.

WALGA on Committee for FESA's WANDRRA review – October 2011 to present

- FESA is undertaking a review to assess WANDRRA in its current form, with the overall objective of review being to provide a more effective WANDRRA.
- The review is not a re-write of WANDRRA eligibility measures which stem from Commonwealth Policy.
- The review defines and explores the application and boundaries of the WANDRRA's current eligibility measures as relief and recovery assistance and examines the link between WANDRRA and NDRRA to determine the boundaries of both.
- Affected Local Governments were sent a comprehensive questionnaire related to their experiences with the WANDRRA. (was this carried out?)
- WALGA provided a response on behalf of the Local Government Sector as a whole, articulating the key issues for Local Government including: inequity faced by the sector in obtaining recovery for day labour costs, the WANDRRA trigger point \$240 000, and the issue of betterment and provision for the replacement of damaged assets to a more resilient level post event.
- WALGA recommended that these issues are addressed by FESA.
- WALGA met with FESA and other stakeholders on 17 January to discuss information received from Local Governments.
- WALGA was advised the best approach is to lobby the Minister for changes to the inclusion of day labour costs. This issue is outside the scope of FESA's review.

State Emergency Management Committee meeting – scheduled for March 2012

- The State Emergency Management Committee (of which WALGA is a member) will be meeting early in March 2012.
- In preparation, WALGA has requested that effected Local Governments provide a cost comparison of the use of Local Government labour compared to the cost of engaging contractors.
- The case will provide evidence that the current system is less cost effective for Local Governments, as well as the State and Commonwealth.

Individual Local Government Situations

The following are some examples of inefficiencies/problems being created by the NDRRA arrangements.

Shire of Kulin

Following the December 2011 floods the Shire was extremely fortunate to be able to employ Leighton Contractors due to a delay in works on main roads that would normally have been carried out under their Term Network Contract. The delay provided a 5 to 6 week period which enabled the contractors to carry out the Shire of Kulin's flood damage reinstatement works. Had Leighton's not been available there is every likelihood that there would not have been sufficient (or more likely any) contractors available to undertake the work.

The total costs of the reinstatement work (incl GST) was approx. \$404,000 of which \$97,000 was attributable to the company's overheads (\$36,909), accommodation (\$29,040) & corporate overheads (\$31,269). These costs would not be applicable had the Council undertaken the works themselves which would have led to a saving for the Council of \$24,250 (25% of costs) and a saving of \$72,750 (75% of costs) to the Commonwealth. In addition it is the shires estimate that the reinstatement works would have been completed in house for a cost of \$200,000 again leading to an additional burden on the Council of \$51,000 (\$204,000 @ 25%) and the Commonwealth of \$153,000 (\$204,000 @ 75%).

The Council finds it very difficult to justify these additional costs due to the unrealistic "rules" applying to the NDRRA arrangements whereby Council day labour cannot be used for reinstatement works.

I am sure that the overall cost of all NDRRA claims to the Commonwealth Government are astronomical due to the fact that Local Government is being forced to use contractors for eligible reinstatement works.

Shire of Kondinin

- While the reinstatement works were carried out to a satisfactory standard the Shire was extremely fortunate to be able to employ local businesses whose normal line of work is not road construction and consequently the employment of these contractors did entail some additional in-house supervision that was not able to be claimed by the Council as it was considered day labour. Had the rural economy been anywhere near normal these contractors would not have been available to do the work and it is extremely unlikely that any other contractor would have been available.

Summary

At the Wheatbelt South Regional Road Group meeting held in Narrogin a small committee consisting of the following people was elected to put a case to both the State and Federal Governments to have the WANDRRA arrangements amended to ensure that in the future local government is able to efficiently carry out road reinstatements either using day works, either with or without overtime, and/or contractors whichever is the most suitable option at the time of an event occurring.

Committee

Elected Members – Mayor Don Ennis (Narrogin Town) & President Cr Lyn Baker (Corrigin Shire)

Staff – Greg Hadlow (CEO Shire of Kulin), Martin Whitely (CEO Shire of Wandering) & Ryan Duff (CEO Shire of Williams).

From the above information the committee would like to formulate a direction that they see as the best way forward with the main issues being:

- There is a lot of confusion over who is the responsible body when it comes to giving the go ahead for WANDRRA claims, in the case of roads is it the Main Roads responsibly for overseeing activities? In the case of other damage e.g. buildings and other infrastructure, is it the responsibility of DEFS to oversee the event? The above needs to be clearly clarified as does the claim process which may or may not have led to some of the problems above.
- It is frustrating that one of the key problems appears to be the total lack of communication from DFES. MRWA staff do their best to follow up on eligible events and outstanding claims however they are not the approving authority. Apart from DFES issuing the WANDRRA notification when an event is declared there is no further communication. Local Government is left to assume that reinstatement works will be approved, but really have no guarantees until the work is actually completed, contractors are paid and the invoice submitted. There needs to be some type of guarantee in place to ensure that where a Local Government has received notification that they can proceed with a claim then that claim will be honoured. For a Local Government to go ahead and outlay thousands, perhaps millions of dollars, to employ contractors requires a water tight system to be in place.
- The current arrangements allow Local Governments to claim 100% of opening up costs through the State Supplementary Fund (using day labour) however we are not permitted to use day labour for reinstatement costs. It is too confusing!
- The general rules for WANDRRA need to be simplified for all.
- There needs to be a guarantee that a Local government that undertakes reinstatement works using their own labour and plant in an overtime capacity can do so without fear of their claim being rejected.
- The additional cost to the Federal Government & Local Government under the current system whereby Local Government cannot carry out reinstatement works using day labour and plant is inefficient and ludicrous. It is estimated that the additional costs to both forms of Government by having this principle in place are at least 50% higher. Using a project of \$500,000 as an example these costs amount to:

WANDRRA -	\$500,000 claim using contractors @ 75%	\$375,000
	Using LG day labour claim would be	
	\$333,000 @ 75%	\$249,750

Or a difference of	\$125,250
Local Government - \$500,000 claim @ 25%	\$125,000

Therefore the additional cost to both forms of government is approx. \$250,000, surely “blind Freddy” can see the benefits in amending this unacceptable principal.

In summary the Wheatbelt Regional Road Group recommend that a complete overhaul of the guidelines and principals be undertaken following the activation of a WANDRRA event.

For this to happen we recommend that:

1. A policy committee be appointed comprising of representatives from WALGA, DFES, MRWA, 2 elected members from a rural Local Government and 2 staff members (CEO or Engineer) from a rural Local Government.
2. This committee is to examine the issues faced with the existing WANDRRA arrangements and outline a course of action to have the principles changed to remove anomalies within the system. This action may include, but is not limited to;
 - political lobbying to both State and Commonwealth politicians to progress our concerns, particularly in relation to Local Government being unable to complete road reinstatement works using day labour and plant, including the additional costs incurred by both the Commonwealth and Local Governments under this ruling.
 - submission of an appropriate recommendation to the upcoming ALGA Conference to from a united approach from Local Government throughout Australia,
 - liaising with the State Roads Advisory committee to ensure that they are aware of our concerns and if necessary changing meetings dates or providing appropriate delegations to ensure eligible claims submitted by Local Governments are not delayed,
 - liaising with Commonwealth Government bureaucrats to obtain a firm ruling on what constitutes a contractor, under what conditions Local Government can carry out road reinstatement works to constitute an eligible claim under the WANDRRA arrangements, and
 - encourage DFES to be more transparent with their involvement in the whole process.