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Ms Karen Chester and Mr Jonathan Coppel
Commissioners
Natural Disaster Funding Arrangements
Productivity Commission
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Dear Commissioners Chester and Coppel

Productivity Commission's Inquiry into Natural Disaster Funding Arrangements

Victoria supports the Productivity Commission's Inquiry into Natural Disaster Funding Arrangements (the Inquiry). I am pleased to present to you the Victorian Government's public submission to the Inquiry.

Drawing on Victoria's recent experiences with natural disasters (which include the Black Saturday Bushfires and the 2010-11 and 2012 Flood events) and Victoria's ongoing reform agenda outlined in the Victorian Emergency Management Reform White Paper, this submission presents a series of recommendations that Victoria considers will help guide the development of any new natural disaster funding arrangements.

The Victorian submission highlights some documents that support Victoria's position on several key issues, such as the Draft Victorian Floodplain Management Strategy, the Nathalia Flood Mitigation – Cost Benefit Analysis and the Victorian Draft Prospectus – National Insurance Affordability Initiative. If you would like to discuss these documents please contact Mr Paul Bennett, Director Risk and Resilience, Department of Environment and Primary Industries

The Victorian Government's contact officer for the Inquiry is Mr Mark Duckworth, Executive Director, Citizenship and Resilience, Department of Premier and Cabinet

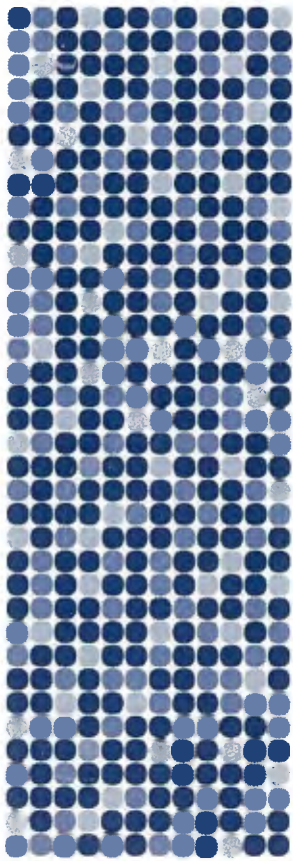
The Victorian Submission recommends general areas where there are opportunities to reform the current natural disaster funding arrangements and through the Inquiry's iterative process, Victoria looks forward to working collaboratively with all Australian Governments to further develop reform proposals, so that any new arrangements are efficient, effective, equitable and consistent.

Yours sincerely

17/7/14

KIM WELLS MP
Minister for Police and Emergency Services
Minister for Bushfire Response

Encl.



**Productivity Commission
Inquiry into Natural Disaster
Funding Arrangements**

**Victorian Government
Submission**

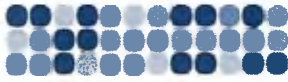


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ABBREVIATIONS

AGD	Commonwealth Attorney-General's Department
CMA	Catchment Management Authorities
Councils	Victorian Local Government Authorities
DEPI	Department of Environment and Primary Industries
DHS	Department of Human Services
DTF	Department of Treasury and Finance
EMA	Emergency Management Australia
IGEM	Inspector General of Emergency Management
NDFA	Natural Disaster Financial Assistance program
NDRRA	Natural Disaster Relief and Recovery Arrangements
NDRP	Natural Disaster Resilience Program
SCRC	State Crisis and Resilience Council
VFMS	Victorian Floodplain Management Strategy
VicRoads	Victorian Roads Corporation
VMIA	Victorian Managed Insurance Authority

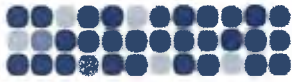


1. EXECUTIVE SUMMARY

1. Victoria has advocated for reform in Australia's natural disaster funding arrangements for a number of years and is very supportive of the Productivity Commission's Inquiry into Natural Disaster Funding Arrangements (the Inquiry).
2. Ultimately, during times of distress for communities, Australia's natural disaster funding arrangements should be helping communities recover from the impact of natural disasters. They should also be helping communities to plan for and mitigate against natural disasters. However, they are not.
3. Australia's current natural disaster funding arrangements are not optimal. Designed to alleviate the financial burden borne by States and Territories following a natural disaster, these arrangements have, over time, become overly complicated, with substantially narrowed definitions and detailed activation criteria, due in part to the increasing incidence and impact of recent natural disasters.
4. The current arrangements are difficult to understand and are producing inequitable outcomes where communities similarly impacted by the same event receive different levels of assistance. They are also providing a disincentive to undertake natural disaster mitigation activities.
5. Therefore, there is a clear need to maximise the efficiency and effectiveness of the funding arrangements so that all Australian Governments and communities are better placed to prepare, mitigate, respond and recover from natural disasters.
6. There is also a strong policy shift in the *Victorian Emergency Management Reform White Paper* and nationally through the *National Strategy for Disaster Resilience* to build community resilience and community safety, which is currently not reflected in Australia's natural disaster funding arrangements. Following experiences with recent significant natural disasters, including the 2009 Black Saturday Bushfires and the 2010-11 Victorian Floods, Victoria has developed a strong record of investing in resilience and mitigation programs through core budget allocations. Across its State Departments and Agencies, Victoria spent in excess of \$3.583 billion over the period from 2002-03 to 2013-14 (an average of \$298.6 million per year).
7. Drawing on Victoria's recent experiences with the current natural disaster funding arrangements, this submission presents a series of recommendations that Victoria considers will help guide the development of any new natural disaster funding arrangements – to help ensure that any new arrangements are efficient, equitable and consistent. These recommendations include:
 - cutting red tape at the national level for State and Territories that have sound governance arrangements;



- assistance to communities should be driven by consideration of need and equity, not arbitrary administrative boundaries;
 - balancing of Commonwealth investment across the emergency management spectrum and alignment with Victorian and Commonwealth resilience policy settings; and
 - recognition that there will always be events that will require Commonwealth support to ensure effective recovery.
8. The Victorian Submission recommends general areas where there are opportunities to reform the current natural disaster funding arrangements and through the Inquiry's iterative process, Victoria looks forward to working collaboratively with all Australian Governments to further develop reform proposals.



2. INTRODUCTION

2.1 Background

9. This document provides the Victorian Government's formal response to the Productivity Commission's Inquiry into Natural Disaster Funding Arrangements (the Inquiry), announced by the Commonwealth Government on 28 April 2014.
10. The Productivity Commission will "analyse the full scope (incorporating the quantum, coherence, effectiveness and sustainability) of current Commonwealth, State and Territory expenditure on natural disaster mitigation, resilience and recovery". The Commission will release a draft report to the public by September 2014 and the final report should be provided to the Government by the end of December 2014.

2.2 Victorian Government submission

11. Victoria has advocated for reform in the natural disaster funding area for a number of years and is very supportive of the Productivity Commission's Inquiry into Natural Disaster Funding Arrangements (the Inquiry).
12. This submission has been prepared by those relevant Departments and Agencies of the Victorian Government closely involved in the issues around preventing, preparing, mitigating, responding and providing relief and recovery from natural disasters.

2.3 Submission structure

13. This submission in:
 - **Chapter 3** details Victoria's current natural disaster funding arrangements across the emergency management spectrum. These arrangements include the Commonwealth's Natural Disaster Resilience Program (NDRP) and Natural Disaster Relief and Recovery Arrangements (NDRRA), and the Victorian Natural Disaster Financial Assistance scheme (NDFA), which essentially mirrors the NDRRA.
 - **Chapter 4** discusses that natural disasters are increasing in their incidence, scale, severity and financial impact. This demonstrates a clear need to maximise the efficiency and effectiveness of the funding arrangements so that all Australian Governments and communities are better placed to prevent, prepare, mitigate, respond and recover from natural disasters. This imperative to reform is complemented by the strong national and Victorian policy shift to build community resilience to disasters. This shift is outlined in the *2011 National*



Strategy for Disaster Resilience and the 2012 Victorian Emergency Management Reform White Paper.

- **Chapter 5** outlines how Australia's current natural disaster funding arrangements are not coping with the increase of the incidence and impact of natural disasters in recent years. The current arrangements are becoming increasingly complex to administer, difficult to understand and are producing inequitable assistance. For example, some communities similarly impacted by the same event are receiving different levels of assistance. There is also a strong national and state level policy direction towards resilience and mitigation. The current arrangements provide a disincentive to build resilience to natural disasters and undertake mitigation activities.
- **Chapter 6** presents some clear opportunities to reform the current arrangements. These opportunities include scope for cutting red tape at the national level to support States with robust emergency management arrangements and avoid onerous and duplicative reporting and oversight requirements; rebalancing investment across the emergency management spectrum, to take advantage of resilience and mitigation opportunities; and recognising that there will always be events of such a magnitude that a Commonwealth financial contribution is essential to ensure an effective recovery.

2.4 Victorian recommendations

14. Drawing on Victoria's recent experiences with the current natural disaster funding arrangements, this submission presents a series of recommendations that Victoria considers will help guide the development of any new natural disaster funding arrangements – to help ensure that any new arrangements are efficient, equitable and consistent.
15. These recommendations include:
 - **Recommendation 1:** Monitoring and reporting arrangements for natural disaster financial assistance should be robust, however, they should not be onerous for States and Territories that have sound governance arrangements.
 - **Recommendation 2:** Assistance to communities impacted by natural disasters should be driven by consideration of need and equity, not arbitrary administrative boundaries.
 - **Recommendation 3:** The activation of natural disaster funding arrangements should be evidence based and applied consistently.



- **Recommendation 4:** Greater clarity on the betterment process (including consideration by the Commonwealth in a timely manner) should be considered.
- **Recommendation 5:** The appropriate timeframe for finalisation of recovery activities should be reviewed. Where sound governance arrangements for the monitoring and reporting of recovery expenditure are in place, flexibility in the timeframe should be available to enable the optimal recovery solution.
- **Recommendation 6:** The treatment of States' and Territories' natural disaster recovery funding expenditure in the formula that reallocates the Goods and Services Tax should be reviewed.
- **Recommendation 7:** Red tape should be cut at the Commonwealth level to support States with high-performing emergency management governance arrangements and to avoid onerous and/or duplicative reporting and oversight requirements.
- **Recommendation 8:** The Productivity Commission should take into account evidence from international efforts to reduce red tape in the delivery of natural disaster funding (such as in the United States of America by the Federal Emergency Management Agency).
- **Recommendation 9:** The effectiveness of existing arrangements between the Commonwealth, States and Local Governments should be examined.
- **Recommendation 10:** The Commonwealth should consider balancing its investment across the emergency management spectrum, as there is the strong potential for alignment of Commonwealth and Victorian policy settings to deliver better results for communities.
- **Recommendation 11:** The NDRP formula that apportions funding to States and Territories should be reviewed, with a view to replacing it with a transparent and flexible formula.
- **Recommendation 12:** Victoria considers that the National Insurance Affordability Initiative was a positive initiative and recommends that it be reconsidered with an equitable approach to funding across States and Territories.
- **Recommendation 13:** The application of Victoria's rigorous approach to reducing flood insurance premiums under the National Insurance Affordability Initiative could be applied to all hazards and to all States and Territories for mitigation and prevention funding.



- **Recommendation 14:** Any reform should recognise that there will continue to be events of such a magnitude that Commonwealth involvement is essential to ensure an effective recovery.



3. VICTORIA'S NATURAL DISASTER FUNDING ARRANGEMENTS

16. State and Territory Governments are responsible for the protection of life and property in Australia from the consequences of natural, technological and human caused disasters. In Victoria, the costs across the full spectrum of emergency management, including preparedness, prevention, mitigation, response and recovery, are largely borne by the State, private sector (as required under legislation and regulations) and property owners (through the fire services levy; Council rates; and Melbourne Water charges in the Greater Melbourne Region, specifically in regards to urban flood mitigation).
17. Examples of Victorian spending include mitigation activities, such as the construction of flood levees and planned burning; response activities, such as employing staff, recruiting and training volunteers and equipping first responders; relief activities, such as the operation of relief and respite centres; and recovery.
18. State and Territory Governments are also responsible for mitigation activities within legislative frameworks such as land-use planning, building control, and health and safety.
19. When natural disasters occur, the Commonwealth Government provides certain forms of physical and financial assistance to States and Territories, when required, and may also provide financial and other forms of assistance to individuals directly affected by the emergency.
20. Under the NDRRA, the Commonwealth Government makes payments to States and Territories as partial reimbursement for the provision of emergency relief and recovery activities following a natural disaster. The Commonwealth's support is intended to complement disaster mitigation and insurance strategies within States and Territories.
21. The Victorian NDFA mirrors the NDRRA and assists in the recovery process, alleviating some of the financial burden experienced following a natural disaster by providing assistance to Local Government Authorities (Councils), Catchment Management Authorities (CMAs), individuals and households, primary producers, small businesses and not-for-profit organisations.
22. While the NDFA is not designed to precisely mirror the NDRRA, the NDFA reflects many features of the NDRRA to ensure that financial assistance provided by the Victorian Government is potentially eligible for cost sharing with the Commonwealth Government. The NDFA also mirrors the NDRRA to keep the funding arrangements as simple as possible given the NDRRA's complexity. A State process much different to the NDRRA would make financial assistance difficult to administer.



23. While the Commonwealth has played a major role in providing financial assistance following natural disasters in Victoria, the State has also provided a significant amount of funding for response, relief and recovery efforts.
24. Victoria considers that financial assistance following a natural disaster is a shared responsibility between the Commonwealth and States.

3.1 Mitigation and resilience funding

25. In relation to mitigation and preparedness, the Commonwealth Government provides the NDRP to support State and Territory initiatives to reduce the impact of natural disasters, enhance community resilience and support emergency volunteers. In Victoria, the NDRP funds are applied towards the Natural Disaster Resilience Grants Scheme (\$4.2 million per annum over two years). The scheme provides grants to organisations for projects that fulfil the purposes of the NDRP. Each year, the Commonwealth will provide up to 50 percent of the total cost of the approved program up to a set amount.
26. Following experiences with recent significant natural disasters, including the 2009 Black Saturday Bushfires and the 2010-11 Victorian Floods, Victoria has developed a strong record of investing in resilience and mitigation programs through core budget allocations. Across its State Departments and Agencies, Victoria spent in excess of \$3.583 billion over the period from 2002-03 to 2013-14 (an average of \$298.6 million per year).
27. Victoria's commitment to investing in resilience is demonstrated by the extensive flood risk mapping exercise currently being conducted by the State Government, with technical support from the Bureau of Meteorology. Major floodplain mapping will be completed across Victoria within 18 months at a cost of between \$8 and \$9 million. The floodplain mapping data is used to support land use planning, emergency response and appropriate pricing of insurance. Flood map data will also be used in further mitigation and resilience programs, as outlined in the *Draft Victorian Floodplain Management Strategy*¹ (draft VFMS).

3.2 Response and recovery funding – Commonwealth payments to States and Territories

28. The Commonwealth makes the following payments to assist States to respond to natural disasters:
 - \$14.8 million per annum for national aerial firefighting;

¹ http://www.depi.vic.gov.au/__data/assets/pdf_file/0005/266810/VFMS_Draft_v09_26062014_WEB.pdf



- \$3 million per annum for Melbourne Fire Brigades and Country Fire Authority fire response to Commonwealth-owned properties;
 - \$1.7 million per annum for the National Emergency Warning System (Emergency Alert) database; and
 - Operation of the Australian Emergency Management Institute, and contribution to the Bushfire and Natural Hazards Cooperative Research Centre.
29. Under the NDRRA, the Commonwealth Government makes payments to States and Territories as partial reimbursement for provision of emergency relief and recovery activities following a natural disaster. This financial support is intended to complement disaster mitigation and insurance strategies within States and Territories and is administered by Emergency Management Australia (EMA) under the 2012 NDRRA Determination (the Determination).
30. The Determination defines a natural disaster as ‘a serious disruption to a community or region caused by the impact of a naturally occurring rapid onset event that threatens or causes death, injury or damage to property or the environment and which requires significant and coordinated multi-agency and community response.’
31. Examples of eligible natural disasters include flood, bushfire, earthquake, storm, cyclone, landslide or meteorite strike, where State expenditure exceeds \$240,000. Currently the Determination specifically excludes droughts, frosts, heatwaves, epidemics and events caused by humans from classification as natural disasters.

3.3 Response and recovery funding – State payments to Victorian Departments, Agencies and Councils

32. Emergency response and recovery activities undertaken by state Agencies will initially be funded from within the Agencies’ own budgets, including supplies (e.g. catering) purchased from contractors or volunteer Agencies. For major emergencies, some supplementary funding may be approved, for example via a Treasurer’s Advance. This would be the subject of a Government decision at the time, in the context of each agency’s budget position.
33. Councils are expected to use their own resources for emergency operations within their local government area. Council resources are those used to perform Council functions, even if the resources are privately owned (contracted to Council). Many Councils now work cooperatively to reinforce and share resources (people, buildings and plant) when they are depleted by the needs imposed by an emergency.
34. Extraordinary expenditure, such as costs incurred for overtime, equipment hire used in emergency protection works, restoration of essential public assets or relief provided to



emergency-affected people, may qualify for reimbursement by the DTF according to a sharing formula under the NDFA/NDRRA.

3.4 Response and recovery funding – payments to Individuals

35. Following a natural disaster, affected individuals need to call on their private sources of assistance, including insurance, savings and borrowings, to support their recovery. Victorian Government Departments and Agencies provide some financial assistance. This serves to support recovery and ensures that individuals, families and communities have access to the basic necessities of life.
36. In the event that a natural disaster has caused significant damage to a number of households, or has forced people to relocate from their homes, personal hardship grants may be made available, including:
 - emergency grants to enable immediate assistance to households; and
 - re-establishment grants if, for instance, people's homes are not able to be occupied.
37. This assistance is not intended to replace personal recovery or insurance arrangements, and is means tested. Personal hardship assistance is cost shared with the Commonwealth under the NDRRA.

3.5 Victorian funding across the emergency management spectrum

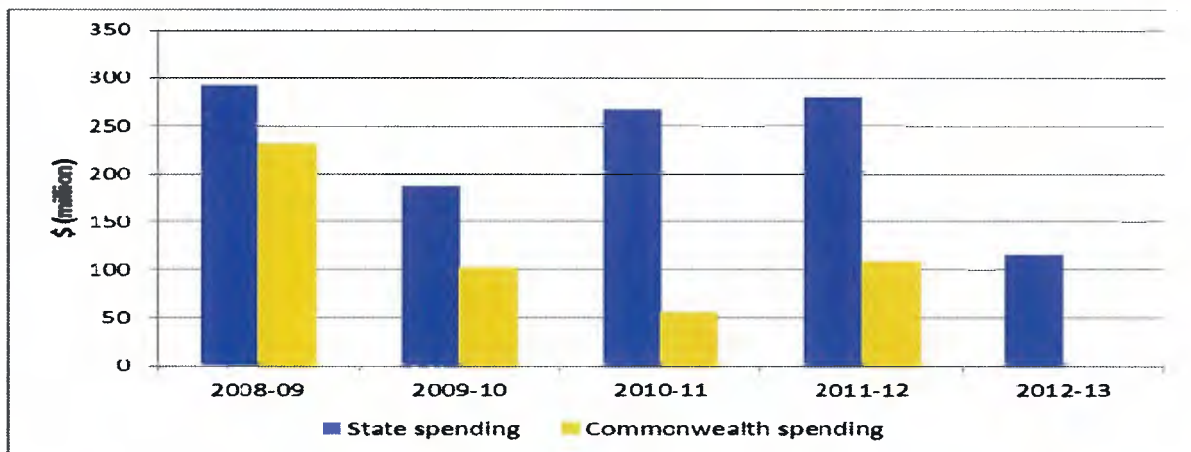
38. Victorian natural disaster funding is not limited to recovery. Victorian Government funding and activities cover the entire emergency management spectrum, including preparation and mitigation, response, relief and recovery.
39. The Productivity Commission has requested information on the State's natural disaster funding. This information, as best as it could be gathered from across Victorian Government Departments and Agencies within the available time, is summarised in the Tables and Charts below.



Table 1: NDRRA and other relief and recovery spending in Victoria (2008-09 to 2012-13)

	2008-09	2009-10	2010-11	2011-12	2012-13
	\$	\$	\$	\$	\$
Total Relief and Recovery Expenditure	522,977,000	287,558,000	321,665,452	386,633,929	116,347,217
State Share	292,188,500	186,828,000	266,860,452	278,598,710	116,347,217
Commonwealth Share	230,788,500	100,730,000	54,805,000	108,035,219	-
NDRRA Reconstruction activities	367,767,000	91,219,000	127,647,000	161,797,000	-
NDRRA Relief and Recovery	93,810,000	110,239,000	55,909,000	70,010,000	-
Non-NDRRA State Relief and Recovery activities	61,400,000	86,100,000	138,109,452	154,826,929	116,347,217

Chart 1: Proportion of share of NDRRA expenditure (2008-09 to 2012-13)



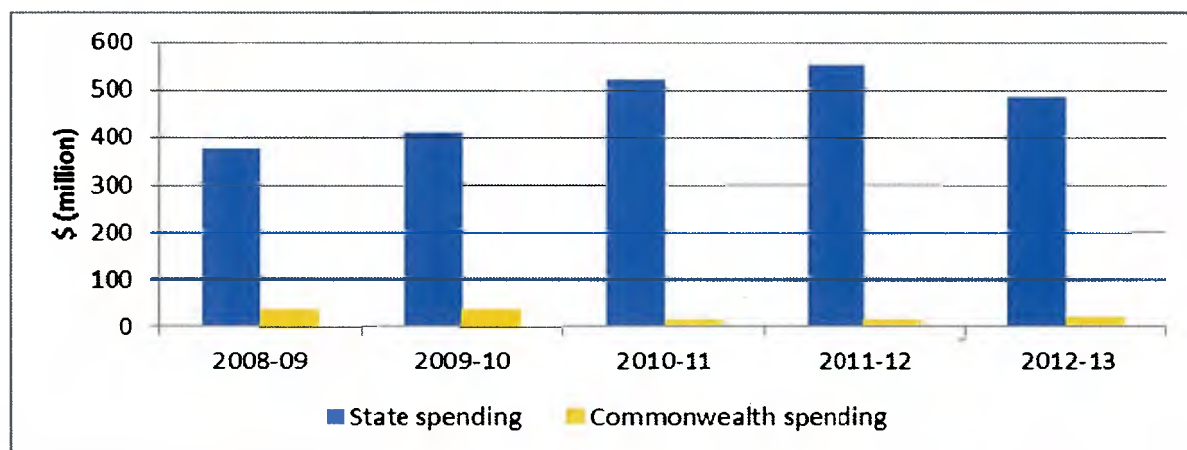
40. Table 1 and Chart 1, above, show the State and Commonwealth share of the total relief and recovery expenditure in Victoria by financial year since 2008-09. As seen in Chart 1, the State has consistently provided a larger investment in relief and recovery activities in Victoria over the last five years, ranging from 55 percent of total expenditure in 2008-09 to 83 percent of total expenditure in 2010-11. Table 1 shows the share of NDRRA and non-NDRRA funded relief and recovery expenditure. Non-NDRRA State relief and recovery activities accounts for less than half of the total relief and recovery expenditure in Victoria.



Table 2: Mitigation and resilience spending in Victoria (2008-09 to 2012-13)

	2008-09	2009-10	2010-11	2011- 2	2012-13
	\$	\$	\$	\$	\$
Total Mitigation and Resilience Expenditure	406,549,941	431,451,407	535,424,923	565,972,501	501,503,810
<i>State Share</i>	373,486,591	407,824,807	519,980,205	551,663,487	483,954,493
<i>Commonwealth Share</i>	33,063,350	23,626,600	15,444,718	14,309,014	17,549,317
Natural Disaster Mitigation and Resilience Programs	3,485,700	6,876,900	5,677,308	7,048,844	7,755,649
Expenditure that contributes to natural disaster mitigation and resilience	403,064,241	424,574,507	529,747,615	558,923,657	493,748,161

Chart 2: Proportion of mitigation and resilience expenditure (2008-09 to 2012-13)



41. Table 2 and Chart 2, above, show the State and Commonwealth share of the total mitigation and resilience expenditure in Victoria by financial year since 2008-09. As seen in Chart 2, Victoria contributes a significantly higher proportion to mitigation and resilience activities than the Commonwealth. The expenditure contribution from the Natural Disaster Mitigation and Resilience Programs is very small percentage of total expenditure in Victoria, representing less than one per cent of the total mitigation and resilience expenditure in the State.



4 THE REFORM IMPERATIVE

42. Since 2009, Victoria has experienced an increase in severe emergency events including floods, storms, tornados, strong wind events and heatwaves and bushfires. These events have also had an increased financial impact. To assist Australian governments and communities to be better placed to prepare, mitigate, respond and recover from natural disasters, there is a clear need to maximise the efficiency and effectiveness of the current natural disaster assistance funding arrangements.
43. In Victoria and nationally, there is a strong policy shift towards building community resilience and community safety. This is evidenced in the *Victorian Emergency Management White Paper*² and the *National Strategy for Disaster Resilience*³. The current natural disaster funding arrangements do not provide an incentive to build community resilience and safety and therefore do not support this policy direction.

4.1 Natural disasters in Victoria

44. Victorian communities have been affected by a number of significant and severe natural disasters in recent years, including the 2007 Gippsland Floods, the 2009 Black Saturday Bushfires, the 2010-11 Victorian Floods (which followed a prolonged period of severe drought), the February/March and June 2012 Floods and the 2014 bushfire season (which included the Hazelwood Open Cut Coal Mine Hazmat Fire).

4.1.1 Increasing trend in incidence and significance of natural disasters

45. A recent Deloitte study commissioned by Victoria on International Public Safety Broadband in the Emergency Services Long Term Strategic Plan has analysed natural disasters in Australia and found an increasing trend in both the frequency and financial cost – with a large percentage of this financial cost directed at replacing infrastructure. This increasing trend is consistent with the Victorian experience, with 40 per cent of the natural disasters reported since 1967 occurring in the last 10 years. Experience also demonstrates that these events are occurring in both highly populated urban (e.g. 2011 Brisbane flooding and 2011 Perth Hills bushfires) and rural areas. In urban areas the impact of natural disasters on the population is intensified.
46. The increasing occurrence of natural disasters was recognised by all Australian Governments in February 2011 when the Council of Australian Governments (COAG) endorsed the *National Strategy for Disaster Resilience*.⁴ This Strategy notes:

² http://www.dpc.vic.gov.au/images/images/featured_dpc/victorian_emergency_management_reform_white_paper_dec2012_web.pdf

³ <http://www.em.gov.au/Documents/1National%20Strategy%20for%20Disaster%20Resilience%20-%20pdf.PDF>

⁴ <http://www.em.gov.au/Documents/1National%20Strategy%20for%20Disaster%20Resilience%20-%20pdf.PDF>



- “[T]he increasing regularity and severity of natural disasters”, which includes “catastrophic bushfires, far reaching floods, and damaging storms”;
 - “[T]hat disaster risks are likely to increase and magnify as our climate changes, our population grows and ages, and our society and economy become increasingly dependent on technology”;
 - The increasing vulnerability of society to disasters; and
 - The need to base emergency management planning on risk.
47. In the 2014 report *Emergency Risks in Victoria*⁵, the State identifies bushfires and floods as its highest priority natural disaster emergency risks. The Report also outlines that the risk of bushfires in Victoria is increasing, due primarily to the increasing population in the high risk areas of the rural-urban interface and the trend of increased summer heat and dryness in south-eastern Australia.
48. Population settlements have been established in high risk areas over many years (i.e. since settlement commenced) and natural disaster risks will always remain as it is not feasible to relocate these established communities. However, the Victorian Government is improving planning around future population growth to minimise risk associated with new settlements.
49. The *Victorian Climate Change Adaptation Plan*⁶ outlines projected changes for Victoria’s climate including: more days over 35°C; fewer and heavier rainfall days; and possible sea-level rise and storm surges. The Plan notes that, while climate-related risks will be experienced to different degrees across Victoria, climate risk assessment and management is important for all parts of the State.
50. The *Victorian Climate Change Adaptation Plan* and the *Victorian Coastal Strategy* highlight the issue of sea level rise, which in combination with coastal storm events and storm surge, could increase the risk of coastal inundation and erosion. The impacts of sea level rise and coastal hazards could be significant and costly. Victoria has been involved in mapping and adaptation planning to understand and prepare for these risks. The Commonwealth needs to consider its role in sea level rise and coastal hazards management with an emphasis on prevention (risk planning and adaptation) and mitigation, with mitigation a shared responsibility between the Commonwealth, State and local communities.

4.1.2 Increasing impact of natural disasters on the Victorian community

51. In recent years the impact of natural disasters has been particularly severe as demonstrated by the increasing impact of natural disasters that occurred in Australia

⁵ http://assets.justice.vic.gov.au/justice/resources/ccae0110-ea30-4f89-85a2-2bfb4eb06bbf/repor_stateemergencyriskassessment2014emergencyrisksin victoria.pdf

⁶ http://www.climatechange.vic.gov.au/__data/assets/pdf_file/0006/158640/4493_DSE_Climate_Change_Adaptation_Plan_WEB.pdf



between November 2010 and February 2011. During these disasters more than 99 percent of Queensland was disaster-declared, with 37 lives lost, while all other Australian States and the Northern Territory experienced severe weather events or other natural disasters, such as bushfires⁷.

52. In Victoria, the financial cost from the 2009-2011 period alone cost more than the sum of the total damages incurred over the preceding 40 years for natural disasters⁸. It is important to note that natural disasters have cost the Victorian Government about \$0.76 billion since 2008-09 for relief and recovery efforts eligible under the NDRRA.

4.2 The policy shift to building resilience

53. Victoria's changing climate is likely to increase the frequency and intensity of natural disasters. Governments cannot bear sole responsibility for communities during or following natural disasters due to issues of scale, timing, and resourcing. Furthermore, as more Victorians move to bushfire and flood prone areas on the urban fringe, the emergency management dialogue has shifted towards a strategy promoting community resilience and shared responsibility.
54. The *2009 Victorian Bushfires Royal Commission*, the *National Strategy for Disaster Resilience* and the *Victorian Emergency Management White Paper* all recognise that governments, households, individuals and the wider community have a shared responsibility for building community resilience to natural disasters. While resilience is recognised as a shared responsibility, there is an expectation that Governments will take appropriate measures to mitigate the risks that natural disasters pose to the community. Mitigation activities, defined as actions and decisions that avoid, reduce, share or accept a risk, are a central component of building resilient communities.
55. The White Paper articulates a vision of an emergency management system that minimises the likelihood, effect and consequences of disasters and emergencies on the Victorian community. One of the key principles supporting this vision is a stronger emphasis on risk mitigation to build emergency management capability.
56. Victoria's policy shift to building resilience is also demonstrated by the recent release of the *draft VFMS*. The *draft VFMS* reflects a new approach to floodplain management that focuses on building resilience to flood emergencies through increasing knowledge of the risks, and implementing new mitigation programs. Under the *draft VFMS*, planned mitigation initiatives include the development of a new flood intelligence tool that acts as an authoritative source of flood intelligence before, during and after a flood; and the reform and extension of the Total Flood Warning System. These mitigation initiatives

⁷ Australian Bureau of Statistics, 24 May 2012, Article – The 2010-11 Summer of Natural Disasters. Available from: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/1301.0Main+Features1952012>

⁸ Insurance Council of Australia, 2012, *Historical Disaster Statistics*. Available from:

<http://www.insurancecouncil.com.au/industry-statistics-data/disaster-statistics/historical-disaster-statistics>



are designed to increase the knowledge available to individuals, businesses, communities, insurers and governments.

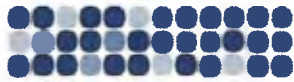
57. The policy shift to building resilience is also occurring at a national level, with the role of mitigation capability in building resilience highlighted in the *National Strategy for Disaster Resilience*.

4.2.1 National Strategy for Disaster Resilience

58. In December 2009, COAG agreed to adopt a whole-of-nation resilience-based approach to enhance Australia's capacity to withstand and recover from emergencies and disasters. COAG subsequently endorsed the *National Strategy for Disaster Resilience* in February 2011 to provide high-level guidance to governments, business and community leaders, and the not-for-profit sector.
59. The *National Strategy for Disaster Resilience* is the first step in a long-term process to deliver sustained behavioural change and enduring partnerships across Australia. The focus on resilience calls for an integrated, whole-of-nation effort encompassing enhanced partnerships, shared responsibility, a better understanding of the risk environment and disaster impacts, and an adaptive and empowered community that acts on this understanding.
60. The Strategy currently identifies seven strategic priorities for action:
 - leading change and coordinating effort;
 - understanding risks;
 - communicating with and educating people about risks;
 - partnering with those who effect change;
 - empowering individuals and communities to exercise choice and take responsibility;
 - reducing risks in the built environment; and
 - supporting capabilities for disaster resilience.

4.2.2 Achievements

61. In the three years since the *National Strategy for Disaster Resilience* was endorsed, significant progress has been made through the combined efforts and commitment of Australian governments, in conjunction with the business and community sectors, to enhance the nation's resilience to disasters.
62. Achievements of particular note include:
 - development of a nationally consistent methodology for assessing disaster risk;



- development of key messages and a community engagement framework to strengthen community understanding and engagement in building disaster resilience;
- development of a land use planning roadmap to enhance disaster resilience in the built environment;
- measures to strengthen the attraction, support and retention of emergency management volunteers;
- improvements to the surge capacity of the Triple Zero emergency call service and Emergency Alert warning service to better support and target at-risk communities in times of emergency;
- review of the effectiveness of Commonwealth, State and Territory disaster relief and recovery payments and ongoing development of a national impact assessment model to better target recovery assistance; and
- establishment of the Bushfire and Natural Hazards Cooperative Research Centre.



5 CONCERNS WITH THE CURRENT NATURAL DISASTER FUNDING ARRANGEMENTS

63. Australia's current natural disaster funding arrangements are not optimal. While designed to alleviate the financial burden borne by States and Territories following a natural disaster, these arrangements have, over time, become overly complicated, with substantially narrowed definitions and detailed activation criteria, due in part to the increasing incidence and impact of natural disasters. The current arrangements are difficult to understand and are producing inequitable outcomes where communities similarly impacted by the same event receive different levels of assistance.
64. The current arrangements also provide a disincentive to undertake natural disaster mitigation activities, such as building disaster resilient infrastructure (betterment) and having robust insurance arrangements in place. The significantly increased costs from recent Australian natural disaster events has resulted in the current arrangements administered under the NDRRA consisting of one-size-fits-all, onerous and prescriptive monitoring and reporting arrangements. For jurisdictions with sound governance arrangements and a strong relief and recovery track record, these arrangements do not add value and divert resources unnecessarily.

5.1 The value of Commonwealth oversight – the Victorian experience with the 2011 Floods

Recommendation 1

Monitoring and reporting arrangements for natural disaster financial assistance should be robust, however, they should not be onerous for States and Territories that have robust governance arrangements.

65. Commonwealth oversight of recovery activities should only be implemented where this assists communities to recover. Where robust governance arrangements are already in place, which actively monitor, report and provide advice on the reconstruction effort, Commonwealth oversight is duplicative and does not add value.
66. In early 2011, Victoria experienced some of the most extensive and damaging storm events in its history. Victoria was confident that the existing procurement policies and practices employed by State Agencies and Victorian Councils, together with the requirement to provide financial statements audited by the Victorian Auditor-General to support any claim under the NDRRA, would enable effective reconstruction and value-for-money for the community.
67. Given the nature of the flood event, Victoria did not establish a separate authority to undertake recovery and reconstruction. This was consistent with the State's aim of keeping reconstruction processes as streamlined and straightforward as possible and



not creating an unnecessary administrative burden on local communities. Furthermore, given the large number of relatively small projects, procurement was not centralised.

68. However, the Victorian National Partnership Agreement (NPA) for the 2011 flood events, modelled on the Queensland NPA, required onerous reporting requirements to be provided by the State.
69. The monthly progress reports required by the Commonwealth included updates on matters such as damage estimates, expenditures, performance metrics and progress against initiative milestones and outcomes. Victoria considers these additional processes did not add value to the reconstruction efforts of Victorian communities following the floods, particularly those communities which still had some assets under water for several months following the flood events.

5.2 Inequitable outcomes under the NDRRA

Recommendation 2

Assistance to communities impacted by natural disasters should be driven by consideration of need and equity, not arbitrary administrative boundaries.

70. The NDRRA is highly complex and it often results in Commonwealth Government funding decisions that the community finds confusing and sometimes unfair.
71. For example, the Victorian Government requested activation of clean up and restoration grants for communities affected by floods in December 2011, February–March 2012, and June 2012 across 24 Local Government Areas (LGAs).
72. Under the Commonwealth Government's restrictive NDRRA criteria, only four of the affected LGAs were approved for NDRRA assistance, although all suffered severe damage. In December 2012, following further advocacy from the Victorian Government on behalf of the remaining LGAs, Victorian primary producers in selected postcodes were offered grants of up to \$10,000. In contrast, a neighbouring community in one of the four originally approved LGAs had been offered grants of up to \$25,000, including for small businesses, for the same event.
73. Furthermore, the sudden shift to issuing \$10,000 grants was not supported by any evidence that this lower level of assistance would still be effective at assisting broader community recovery. It seemed to be a cost cutting measure only, established unilaterally by the Commonwealth with no consultation.
74. An example of inequitable treatment under the current arrangements is further illustrated in Case Study 1. This example highlights the difficult nature of the NDRRA's application in Victoria. Prior to the 2012 Victorian flood events, clean up and restoration



grants were provided to those LGAs which the State Government deemed to be severely affected.

Case Study 1 – The Greens Creek community

Greens Creek is a farming district in the Victorian Upper Wimmera Catchment that was greatly affected by a storm event on 18 December 2011. Greens Creek is the district immediately adjacent to Joel Joel along the Wimmera River and its tributary creek system. The Northern Grampians Shire Council's impact assessment records indicate 14 individual farm enterprises in Greens Creek were significantly affected on 18 December 2011.

However, for this and other flood events, financial assistance was awarded by the Commonwealth Government on the basis of eligible postcodes. As a result of this decision and a delay in reporting their damage and previous changes to the Greens Creek postcode, the residents of Greens Creek, despite suffering significant damage, were not eligible for assistance.

Following further advocacy from the Victorian Deputy Premier, the local Member for the Mallee and the Northern Grampians Shire Council, it was recognised that this was an administrative anomaly on the basis of eligible postcodes. On 24 December 2013, 24 months after the event, NDRRA Category C Clean-up and Restoration Grants of up to \$10,000 were made available to the Greens Creek community.

5.3 Inconsistent application of the NDRRA across Australia

Recommendation 3

The activation of natural disaster funding arrangements should be evidence based and applied consistently.

75. The application of the NDRRA is not consistent across jurisdictions. For example, clause 5.2.5 (d) of the NDRRA states that amounts attributable to salaries or wages or other ongoing administrative expenditure for which the State would have been liable anyway are not cost shared with the Commonwealth. This clause is further clarified by the Commonwealth Attorney-General's Department in its Guidance on Salaries and Wages as "the ineligibility of normal wages and salaries is a long standing policy principle of the NDRRA".
76. While this Guidance was essentially developed in 2011 by the Victorian and Commonwealth Governments to assist Victorian Councils following the 2010-11 Victorian Floods, it is understood that some Council in other jurisdictions have been able to seek reimbursement for costs associated with normal wages and salaries under Category D of the NDRRA in respect of the 2011 flood events, causing confusion and frustration among Victorian Councils.



5.4 Betterment

Recommendation 4

Greater clarity on the betterment process (including consideration by the Commonwealth in a timely manner) should be considered.

77. Under the NDRRA, cost sharing for upgrading essential public assets to more resilient standards is known as betterment.
78. Betterment of an essential public asset was introduced to the Natural Disaster Relief and Recovery Arrangements (NDRRA) in 2007 to reduce recovery and rebuilding costs and encourage increased disaster-resilience in essential public assets. The betterment provision allows State and Territory Governments to restore or replace essential public assets to a more disaster resilient standard than their pre-disaster standard.
79. The intent of betterment is to increase the resilience of Australian communities to natural disasters, while at the same time reducing future expenditure on asset restoration, reducing incidents, injuries and fatalities during and after natural disasters, and improving asset utility during and after natural disasters⁹.
80. Under the NDRRA, 'betterment' is intended to limit the cost of rebuilding repeatedly damaged infrastructure by allowing essential public assets to be rebuilt to a more resilient standard where it is cost-effective to do so.
81. While the concept of 'betterment' of a damaged asset was introduced in the 2007 NDRRA Determination, only one betterment project in Australia has been approved by the Commonwealth to date.
82. Following the 2010-11 Victorian Floods, DTF worked with EMA to develop advice to Councils on the replacement of essential public assets, including betterment and enhancement. While Councils, State Government Departments and Agencies were interested in pursuing 'the bettering of their damaged assets' (some Councils having provided draft applications), the process for developing and submitting an application for consideration was not fully understood within the Commonwealth (i.e. level of approval and funding source). Therefore, there were delays in DTF receiving and passing on advice to these Councils and Departments.
83. This issue was raised by some Councils in the Victorian Auditor-General's Flood Relief and Recovery Audit Report¹⁰.

⁹ Guideline 7 Commonwealth NDRRA Determination 2012

¹⁰ Victorian Auditor-General's Report, June 2013, *Flood Relief and Recovery, 2012-13:35*. Available from: <http://www.audit.vic.gov.au/publications/20130626-Flood-relief/20130626-Flood-relief.pdf>.



84. Before the Inquiry commenced, a Victorian Council submitted a draft betterment application to EMA, seeking support for the relocation of a road away from the local river canal, following repeated damage to that road in three flood events since March 2011. However EMA has advised it will not consider any betterment applications while this Inquiry is underway.
85. Total costs associated with the relocation, including eligible repairs under clause 3.3.1 (a) and betterment, was \$2.9 million. Under this option, Council was also prepared to contribute additional funding to support costs relating to enhancement of the local road network when the works were being undertaken. In contrast the total costs of reinstating only the damaged local road assets was anticipated to be \$6.8 million, which was not considered a prudent or feasible solution, given the vulnerability to repeat flooding and further damage.
86. In developing these options, the Council had significantly collaborated with various Victorian Government Departments and Agencies including DTF, Department of Environment and Primary Industries (DEPI) and the Roads Corporation of Victoria (VicRoads) as well as the local Catchment Management Authority (CMA).
87. Initial feedback provided by the EMA on this draft application was that there was merit in the Council submitting such an option.
88. Victoria supports rebuilding essential public assets to a more resilient standard following damage by natural disasters, which is aligned with the policy shift to resilience demonstrated by the *National Strategy for Disaster Resilience*. Victoria would support greater clarity on the betterment process (including consideration by the Commonwealth in a timely manner), which would ensure that damaged assets are repaired and restored to a more-disaster resilient level within the allowable time period, to further assist those Councils which sustain regular natural disaster events.

5.5 NDRRA expenditure timelines

Recommendation 5

The appropriate timeframe for finalisation of recovery activities should be reviewed. Where sound governance arrangements for the monitoring of and reporting on recovery expenditure are in place, flexibility in the timeframe should be available to enable the optimal recovery solution.

89. The NDRRA has a very short term view of recovery. Under the NDRRA, funding must be incurred within two years of the end of the financial year in which the natural disaster occurred. In some exceptional circumstances, communities may need to use these two years to consider and plan for their recovery activities, and will not be in a position to commence recovery works, or incur funding, within this timeframe.



90. For example, some essential public assets remained underwater for several months following the compounding flood events in 2010-11 in Victoria. Some Councils also experienced issues relating to the uncovering of Aboriginal artefacts when undertaking flood repairs to damaged assets, which thereby necessitated working with Aboriginal Affairs Victoria to develop Cultural Heritage Management Plans, before any flood repair works could commence or recommence. Some Councils also advised that flood repairs could not be undertaken at various times of the year in areas monitored for certain threatened or protected species under the Commonwealth *Environment Protection and Biodiversity Conservation Act 1999*.
91. CMAs also have issues with the NDRRA timing. CMAs need to increase their resources (staff) particularly after a large flood and then negotiate with landholders for access to private land to gain access to rivers. Often accessing private land will depend on a range of issues such as cropping and water logging. These important considerations add to the time required by CMAs to consider, plan and commence recovery works.
92. Following the 2009 Black Saturday Bushfires, affected communities particularly around the townships of the Kinglake and Marysville (which sustained most of the damage and loss of life), required further time to recover before proceeding to develop plans around reconstruction. In the 2011 report *Lessons Learned by the Community Recovery Committees of the 2009 Victorian Bushfires*¹¹ the contributing Committee Members identify the short term view of recovery and need to work with associated Government imposed deadlines as not merely a barrier to recovery, but a source of additional stress.

5.6 NDRRA Category C Framework

93. In response to the *2011 Review of Commonwealth and State/Territory Relief and Recovery Payments* and to provide a consistent approach to the activation of the NDRRA Category C Clean-up and Restoration Grants, the Commonwealth developed the Interim Category C Assessment Framework (the Framework).
94. The Framework includes a set of impact criteria for considering the activation of Category C requests. For example, the criteria Category C grants for small business, the criteria require the State to demonstrate that:
 - more than 15 per cent of small businesses in the region are directly affected;
 - the average loss to businesses is at least \$45,000; and
 - the community is at risk of losing essential businesses as a direct result of the disaster.

¹¹http://www.redcross.org.au/files/Lessons_Learned_by_Community_Recovery_Committees_of_the_2009_Victorian_Bushfires_v1.0.pdf



95. The Category C Framework requires a level of information that is difficult for States to provide. Victoria's experience during emergencies indicates that the completion of damage assessments for the State's own relief and recovery efforts is already a considerable undertaking. The Category C requirements add a significant and burdensome requirement.
96. The difficulty in providing relevant data to address the Category C requirements in 2012 forced Victoria to use Australia Post postcodes – as this is often the lowest level where baseline data is available. The application of the Category C grant is therefore provided on the basis of an arbitrary measurable baseline rather than being targeted to the communities in need.
97. In Victoria Category C concessional loans and clean up and restoration grants are administered by Rural Finance Corporation of Victoria. The assessment criteria for grant applications are rigorous. Each applicant must undergo a comprehensive assessment to prove that they have been disaster-affected, exhausted their insurance options and are seeking reimbursement only for direct clean-up and restoration costs. This eligibility assessment process ensures that grants are only provided to those in genuine need. This rigorous process also means that approval of assistance based on arbitrary borders (such as postcodes) is unwarranted.
98. The Category C Framework seeks to improve the NDRRA by setting clear understanding of the nature and extent of the loss and damage the Commonwealth considers will warrant the provision of Category C assistance. However, without giving consideration to the full scope of natural disaster assistance arrangements, the Framework will have little success in overcoming some of the inequitable outcomes experienced by Victorian communities.
99. As illustrated by the Bass Coast example in **Case Study 2** below, the Framework is producing inequitable outcomes.

Case Study 2 – The Bass Coast Community

Another example of the difficulties arising from the existing NDRRA arrangements is provided by the Shire of Bass Coast. A number of primary producers in Bass Coast suffered extensive damage during the June 2012 flood event. Based on the Commonwealth Government's tightened criteria for the activation of Category C, the damage to primary producers in Bass Coast was not considered to be severe enough to the area as a whole to warrant the activation of grants.

In this case, farms did not have access to grants to help relieve this financial strain simply because their neighbours were not similarly affected.

The current system means that where a small number of individuals have suffered even severe hardship, they are not eligible to seek assistance if the area as a whole has not suffered severe damage.



5.7 Goods and Services Tax (GST) fiscal equalisation

Recommendation 6

The treatment of States' and Territories' natural disaster recovery funding expenditure in the formula that reallocated the Goods and Services Tax should be reviewed.

100. The financial impacts of natural disaster funding extend beyond what States and Territories receive under the NDRRA. Funding received by States and Territories and their expenditures on natural disasters are subject to equalisation by the Commonwealth Grants Commission (CGC).
101. A number of factors are taken into account by the CGC, including NDRRA funding and State and Territories expenses in excess of those funded by the Commonwealth and insurance expenses.
102. The frequency and impact of natural disasters across States and Territories will affect how the GST is redistributed to States and Territories. This treatment could be providing a disincentive for the sound financial management of State and Territory assets.



6 AN OPPORTUNITY TO REFORM THE CURRENT ARRANGEMENTS

103. Australia's current natural disaster funding arrangements need reforming. Victoria considers that there is scope to:
- cut red tape through reform at the National level that supports States with robust arrangements and avoids onerous, duplicative reporting and oversight where this is not required or beneficial;
 - improve outcomes by rebalancing investment across the emergency management spectrum, to take advantage of mitigation opportunities to reduce the risk of emergencies; and
 - recognise that there will continue to be occasional events of such a magnitude that a Commonwealth financial contribution is essential to ensure an effective recovery.

6.1 Cutting red tape at the national level

Recommendation 7

Red tape should be cut at the Commonwealth level to support States with high-performing emergency management governance arrangements and to avoid onerous and/or duplicative reporting and oversight requirements.

104. Victoria and other States with robust emergency management arrangements should be given greater flexibility in the way they manage natural disaster funding through the emergency management spectrum of preparation, mitigation, resilience, response, relief and recovery.
105. Victoria has a sophisticated system for managing the risks posed by natural hazards – the State has invested heavily in its emergency management arrangements across the spectrum and it has mature and tested insurance arrangements covering all State assets.
106. Victoria has clearly and consistently demonstrated how quickly and flexibly it can respond to and recover from natural disasters. An example of this flexibility is demonstrated in Case Study 3 below, which illustrates the Victorian Governments flexible recovery arrangements in response to the 2014 Victorian Bushfires.
107. The key components that make up Victoria's emergency governance arrangements, detailed in **Appendix 2**, include:
- a reform agenda driven by a clear vision, principles (including emergency management built on community participation, resilience and shared responsibility) and strategic priorities;



- the establishment of the State Crisis and Resilience Council (SCRC), which is a Secretary level peak body for advising government on State emergency management policy and strategy;
- the Risk and Resilience, Capability and Response, and Relief and Recovery Sub-committees that support SCRC, drive the reform agenda and deliver on overall strategy;
- a strong performance-monitoring and review body in the establishment of the Victorian Inspector General for Emergency Management;
- structures that assign responsibilities to enable the planning, management and coordination of emergency relief and recovery activities for emergencies affecting Victoria, including the ability to augment current arrangements;
- a robust mechanism for administering the NDRRA and delivering assistance to Victorian communities impacted by natural disasters;
- procurement practices that deliver value-for-money for Victorian communities;
- emergency risk assessment and treatment processes that include a suite of natural disaster mitigation initiatives, which include specific infrastructure mitigation programs; and
- best practice insurance arrangements, managed through the Victorian Managed Insurance Authority.

Case Study 3 – Augmented State Recovery Arrangements for 2014 Bushfires

On 24 January 2014, a special meeting of the SCRC Recovery sub-committee was held to discuss the January 2014 bushfires. It was agreed at this meeting that augmented recovery arrangements would be established for this event. The State Recovery Coordinator would coordinate recovery through a '2014 Bushfires – State Recovery Coordination Team'. The 2014 Bushfires – State Recovery Coordination Team, chaired by the State Recovery Coordinator, met on a weekly basis before transitioning to long-term governance arrangements.

A key responsibility for the 2014 Bushfires - Recovery Coordination Team was to determine the recovery streams requiring leadership, and to endorse the lead agencies for these streams. Specifically the State Recovery Coordination Team:

- supported the SCRC by providing operational oversight and coordination of recovery activities for the 2014 Bushfires that commenced in January;
- reported as necessary, ensuring complementarity and consistency with the State Control Centre reporting;
- supported and ensured regional coordination and implementation of recovery at all levels: local, regional and state; and
- monitored and mitigated any known and potential risks to effective recovery.



6.1.1 International efforts to cut red tape

Recommendation 8

The Productivity Commission should take into account evidence from international efforts to reduce red tape in the delivery of natural disaster funding.

108. In the United States of America, the Federal Emergency Management Authority (FEMA) is considering ways to improve the delivery of grants following a natural disaster. As part of its Public Assistance Program, FEMA has implemented the *Public Assistance Alternative Procedures Pilot Program*¹², which seeks to increase administrative flexibility in the provision of natural disaster financial assistance and provide financial incentives and disincentives for the timely or cost-effective completion of work.
109. An interesting aspect of the Program is its flexibility to combine fixed damage estimates across a State or community to better support post-disaster recovery needs. The following example is given in the FEMA guidelines:
- During a disaster four school buildings in the same campus are flooded. FEMA prepares and approves a grant to repair or replace the four buildings (including flood proofing measures). Subsequently the State decides that its interests would be best served by moving operations away from the river and requests that the aggregate funding for the four buildings be used to construct a new building set back from the river on an expanded footprint and at a higher elevation.*
110. This FEMA program is in contrast to the NDRRA. For example, following an onerous Commonwealth value-for-money review, the relocation and colocation of the helipad and ambulance station at the Buloke Shire Charlton Hospital (damaged in the 2010-11 Victorian floods) are likely to be ineligible under the NDRRA. Even though, this relocation and colocation represents best practice seamless service delivery and improves the community's resilience to future disasters.

6.1.2 The Victorian Managed Insurance Authority – a model for reform

111. Victoria's strong governance arrangements include the way the State insures its assets against natural disasters through the Victorian Managed Insurance Authority (VMIA).
112. The VMIA is a statutory body established under the *Victorian Managed Insurance Authority Act 1996*, and is the captive insurer for State assets. The Authority provides a range of risk management, advisory and insurance services to more than 4,500 public and community services sector clients in Victoria, including insurance coverage for approximately \$144 billion of State assets. These assets include hospitals, rail and tram networks, VicRoads infrastructure and State cultural assets, such as the State Library and Museum and their collections.

¹² <http://www.fema.gov/alternative-procedures>



113. Through the VMIA, Victoria manages its financial exposure to natural disasters. All States and Territories should manage their risks in an appropriate and equitable fashion.
114. Further detail on the VMIA is at **Appendix 3**.

6.1.3 The roles and responsibilities of all levels of Government

Recommendation 9

The effectiveness of existing arrangements between the Commonwealth, States and Local Governments should be examined.

115. Roles and responsibilities should be clear and consistent across all jurisdictions. Complementary State and Territory models could be examined and should include clear cost-sharing principles which include a focus on the responsibilities of individuals, business and insurers, as well as all levels of government.
116. It would be useful for the Productivity Commission to consider whether the existing State systems provide appropriate incentives for all local councils in Australia to minimise costs of recovery, whether other models would be more effective in ensuring councils undertake effective risk management and mitigation activities and whether the private market has the ability to deliver appropriate and affordable insurance options.
117. In any proposed model the intent should be to move towards a best practice approach to risk management whereby those closest to the risk, and who best understand it, are expected to manage it.

While doing this, it is important to recognise the crucial front-line roles of Councils in emergency management, especially in the relief and recovery and their resourcing pressures.

118. The *draft VFMS* proposes a risk management framework which clarifies the roles and responsibilities of all levels of government, and seeks to assign clear accountabilities for floodplain management and flood emergency management. While the State is responsible for setting state-wide priorities, primary responsibility for floodplain management is at a regional level, with CMAs and Melbourne Water responsible for developing a regional floodplain management strategy. Local councils will be responsible for commissioning flood studies to collect data at a local level and support the development of regional strategies.
119. While acknowledging the role of governments in mitigating flood risks, the *draft VFMS* also emphasises that communities and businesses must act to manage their own risks, through contributing local knowledge to flood mitigation planning and ensuring that appropriate individual mitigation strategies, such as adequate insurance, are employed. By clearly defining the roles and responsibilities of the State and local government, the



regional bodies and local communities and individuals, the *draft VFMS* seeks to ensure risks are owned and mitigated by appropriate involved parties.

6.2 Balancing investment across the emergency management spectrum

Recommendation 10

The Commonwealth should consider balancing its investment across the emergency management spectrum, as there is the strong potential for alignment of Commonwealth and Victorian policy settings to deliver better results for communities.

120. There is scope to improve outcomes for Victorian communities by balancing investment across the emergency management spectrum and investing more in mitigation to reduce natural disaster risk.
121. As outlined in the *Productivity Commission Inquiry into Regulatory and Policy Barriers to Effective Climate Change Adaptation*, released 14 March 2013, Commonwealth expenditure on disaster recovery generally exceeds expenditure on mitigation. This is despite evidence that mitigation spending is more cost effective than recovery spending, such as the example in **Case Study 4** below.
122. Victoria is increasing investment in mitigation as part of its emergency management reforms. Victoria would support consideration of mitigation issues by the Commonwealth as there is the strong potential for alignment of Commonwealth and Victorian policy settings to deliver better results for communities. This is evidenced by the positive outcomes being delivered by the Natural Disaster Resilience Program (NDRP).

6.2.1 Opportunities for partnering with the Commonwealth to mitigate the risk of natural disasters to Victorian communities

123. Victoria has extensive programs in place designed to reduce exposure to natural disasters, and hence reduce the need for recovery funding under the NDRRA. These programs provide a partnership opportunity for the Commonwealth to work with Victoria to invest in mitigation initiatives. Victoria would welcome such a partnership with the Commonwealth.
124. Victoria's emergency management reform agenda includes a strong focus on mitigation, with numerous programs and initiatives currently ongoing to forward this agenda. These mitigation initiatives would benefit from a partnership with the Commonwealth. The *draft VFMS* also envisions a role for Commonwealth partnerships in flood mitigation investment.



125. Other opportunities exist for Commonwealth partnerships in flood mitigation activities. Victoria, like all States and Territories, relies heavily on the Bureau of Meteorology to contribute weather information and historical flood data to their floodplain management strategies, or flood warning systems. The BoM have now moved to a cost recovery model for new services, which has an impact on the State's mitigation, response and recovery costs.

Case Study 4 – Opportunity for partnering with the Commonwealth, Councils and the community to mitigate the risks of natural disasters

Across the State there are a range of flood mitigation works completed or underway. These works are based on community-led processes, where the benefiting community provides the funds for the project. These projects undergo stringent technical work and cost-benefit analysis. The main beneficiaries pay a contribution to the capital (together with the State and Commonwealth Government) and then all ongoing maintenance.

An example is the town of Nathalia, located on the lower reaches of the Broken Creek about 25km east of Barmah. Nathalia has an extended history of flooding including floods in 1973, 1993 and 2012. In 2007 a flood mitigation project costing \$2.85 million commenced which included levee upgrades, temporary barriers and road works.

Less than three years after the project was completed, severe flooding was experienced throughout Northern Victoria. Flood levels which approximated a 100-year ARI flood event tested the design and construction of the Nathalia levees.

A post event cost benefit analysis concluded that the \$2.85 million project provided an estimated \$29.5 million in project benefits. This represents a benefit cost ratio of 10:1 or in other words a return of \$10 for every \$1 that was invested in the Nathalia flood mitigation solution.

6.2.2 Commonwealth mitigation and resilience initiatives

126. Currently, the Commonwealth provides \$4 million annually for National Emergency Management Projects, some of which are about mitigation and resilience. The Commonwealth also provided \$15 million over three years in the 2014-15 budget for a National Bushfire Mitigation Programme to include 'long term bushfire mitigation strategies and better fuel reduction programmes'. However, the majority of the Commonwealth funding in the resilience and mitigation space is through the Natural Disaster Resilience Program (NDRP).
127. Victoria actively pursues flood and bushfire mitigation activities. A rebalance of funding under the NDRRA, as proposed by Victoria, would increase the pool of funds available to Victoria to pursue further mitigation activities, and reduce the incidence and/or impact of natural disasters.

6.2.3 The National Disaster Resilience Program



Recommendation 11

The NDRP formula that apportions funding to States and Territories should be reviewed, with a view to replacing it with a transparent and flexible formula.

128. The NDRP aims to build Australian communities that are resilient to natural disasters, through a range of mitigation works and other measures that contribute to safer, sustainable communities better able to withstand the effects of disasters.
129. The intended outcomes are:
- reduced risk from the impact of disasters;
 - appropriate emergency management capability and capacity, consistent with State risk profiles; and
 - support for volunteers.
130. Victoria considers the NDRP to be a successful program that is well received by communities. However, nationally funding is limited to \$52 million over two years under the current Natural Disaster Resilience National Partnership Agreement (NDR NPA), which governs the program. This is a small amount of funding when compared to recovery.
131. Of the \$52 million, Victoria receives only 16 per cent. It is unclear on what basis the Commonwealth determined Victoria's 16 per cent share of total funding. Victoria has 25 per cent of the nation's population and very recent experience of natural disaster impacts.
132. Should the NDR NPA continue in its current form, the formula that apportions 16 per cent to Victoria should be replaced with a transparent and flexible formula. The formula should incorporate the size of a jurisdiction's population with its risk profile. A comparative risk profile can be derived from a jurisdiction's 5 or 10 year total or average natural disaster expenditure.
133. Implementation of any change would need to be accompanied by transitional measures to manage effects on States and Territories that might receive proportionately less funding, so that no State and Territory is immediately worse off.
134. There is a risk that a disincentive to mitigate is created if a State or Territory's share of funding increases by its failure to mitigate. Therefore, the risk profile should be secondary to the population element.
135. Furthermore, the annual process of allocating funding is inconsistent with what these "on-ground works" projects require. The current NPA is for two years, however, there are projects that take 3-4 years to complete.



6.2.4 The National Insurance Affordability Initiative

Recommendation 12

Victoria considers that the National Insurance Affordability Initiative was a positive initiative and recommends that it be reconsidered with an equitable approach to funding across States and Territories.

Recommendation 13

The application of Victoria's rigorous approach to reducing flood insurance premiums under the National Insurance Affordability Initiative could be applied to all hazards and to all States and Territories for mitigation and prevention funding.

136. In 2013 the Commonwealth Government announced that it would invest \$100 million over two years to reduce flood risk and bring about real reductions in insurance premiums.
137. The 2013-14 Commonwealth Budget stated that the National Insurance Affordability Initiative will invest \$50 million a year in targeted flood and other natural disaster mitigation measures, as well as establish a National Insurance Affordability Council (NIAC).
138. Funding was later reduced in the Mid-Year Economic and Fiscal Outlook, and was reduced again in the 2014-15 Commonwealth Budget, with all funding to Victoria removed.
139. In preparation for the establishment of the NIAC, Victoria developed a draft prospectus that outlines Victoria's proposed initiative to reduce the State's flood risk and in turn, lead to a real reduction in flood insurance premiums. The initiative was ready for implementation and would have delivered tangible benefits to the community and the public and private sectors.

6.3 The Commonwealth's financial contribution is essential to ensure effective recovery

Recommendation 14

Any reform must recognise that there will continue to be events of such a magnitude that Commonwealth involvement is essential to ensure an effective recovery.

140. Governments at all levels have a shared interest in facilitating community resilience and supporting communities as they recover after natural disasters. There is scope to improve the way that the Commonwealth Government works with States and Territories to deliver this.



141. There needs to be a medium to long term shift in the funding approach, from one that primarily funds response and recovery to one that has an appropriate percentage of mitigation funding, especially when mitigation works are part of a betterment program in high risk areas, and areas that are recovering from a disaster.
142. However, any reform must recognise that there will continue to be events of such a magnitude that Commonwealth involvement is essential to ensure an effective recovery. As pointed out in Section 2 of this submission, natural disasters across Australia are increasing in incidence, significance and impact.
143. The gap between the States' own sourced revenue and their expenditure responsibilities means States are highly reliant on the Commonwealth for revenue transfers to discharge basic responsibilities. This leaves State budgets consistently exposed to the funding implications of Commonwealth policy decisions. Victoria currently relies on the Commonwealth for around half of its revenue, with around 20 per cent of the State's budget provided as tied funding (excluding grants for on-passing), associated with Commonwealth policy prescription.
144. The service delivery roles and responsibilities and the associated access to commensurate revenue streams are issues being considered by the Commonwealth's *White Paper on Reform of the Federation* and *White Paper on Tax Reform*.
145. Not all natural disasters can be successfully prevented. Therefore, there is a strong case for the Commonwealth to remain involved in the recovery area.
146. If Commonwealth recovery funding were to abruptly be limited or stopped – such as through the implementation of the National Commission of Audit's Natural Disaster Recommendation to replace the NDRRA with a grants scheme – this would inevitably result in a cost shift to the States and communities. The States already bear much of the financial responsibility across the full spectrum of emergency management. States and Territories do not have sufficient fiscal capacity to absorb a major decrease in funding alongside their extensive responsibilities across the emergency management spectrum. The issues associated with a cost shifting recovery to the States and Territories are illustrated in **Case Study 5** below.



Case Study 5 – Cost shifting recovery to the States and Territories – The National Commission of Audit’s Natural Disaster Recommendation.

The National Commission of Audit recommended that the NDRRA be replaced with a grants scheme (the Commonwealth contribution would be based on a designated proportion of 25 per cent to 33 per cent), and that the Australian Government Disaster Recovery Payment (AGDRP) be maintained but the Disaster Recovery Allowance abolished.

Replacing the NDRRA with a grants scheme

The Commission’s recommendation would simplify the current complex arrangements and may reduce onerous Commonwealth reporting requirements. However, it will reduce the potential Commonwealth contribution to natural disaster.

If implemented in isolation (i.e. without the Commission’s recommendations that propose an increase in funding to States and Territories), this recommendation represents a significant cost shift to the States. Since 2009, natural disasters have cost the Victorian Government about \$762 million (under the NDRRA). If this recommendation was implemented, these natural disasters would have cost the State an additional \$226 million.

The Commission does not consider the significant extra State expenditure on natural disasters in the response and early relief phases (some of which is not cost-shared with the Commonwealth).

There is some merit in replacing the NDRRA with a grants scheme. A well designed grants scheme could provide a more transparent and common sense decision making process. However, this position only has merit if:

- any changes are fiscally neutral to the States and Territories in the medium term, as States do not have the capacity to absorb large reductions in disaster recovery funding;
- there is no impact on Victorian communities' ability to recover from natural disasters; and
- there is consideration of the Commonwealth's role in mitigation versus recovery funding (over-time, increased mitigation funding may substantially reduce the need to fund recovery activities).

Maintaining the AGDRP

The AGDRP is a one-off Commonwealth personal hardship assistance payment. Victoria understands that that it has no personal identification or impact evidence requirements. Therefore, it is subject to fraudulent activity, is poorly targeted and costs the Commonwealth a substantial amount of money that could be better directed to Victorians in need.

For example, Victoria understands that the AGDRP costs the Commonwealth Government in the order of \$825 million for the 2010-2011 Queensland flood and Tropical Cyclone Yasi events. AGDRP reform could complement Victoria’s well-targeted, well-managed personal hardship assistance program, administered by the DHS.



APPENDIX 1 – VICTORIA’S EMERGENCY MANAGEMENT GOVERNANCE ARRANGEMENTS

1. The *2012 Victoria Emergency Management Reform White Paper* (the White Paper) details the Government’s overall reform program for emergency management. The existing arrangements, encapsulated under the *Victorian Emergency Management Act 1986* and supporting documentation, underwent comprehensive re-evaluation after the catastrophic bushfire events of 2009 and floods in 2010-11 and 2012. A number of reforms have already been implemented, based on recommendations from the *Report of the 2009 Victorian Bushfires Royal Commission* and the *Review of the 2010-11 Flood Warnings and Response* (the Comrie Review).
2. These reforms included key changes to fire management including ‘establishing the role of the Fire Services Commissioner, developing and implementing the Fire Services Reform Action Plan, improving state command and control arrangements, and legislative amendments that enable greater interoperability’. Flood planning and response information available to Agencies and communities has also been improved.
3. The White Paper articulates a vision supported by three key principles, explained in the following diagram:

Vision	A sustainable and efficient emergency management system that minimises the likelihood, effect and consequences of disasters and emergencies on the Victorian community		
Principles	Community Emergency management built on community participation, resilience and shared responsibility	Collaboration Efficient governance arrangements that clarify roles and responsibilities, embed cooperation against Agencies, and ensure emergency management reform is coordinated across the sector	Capability A genuine ‘all hazards, all agencies’ approach built on networked arrangements, greater interoperability and a stronger emphasis on risk mitigation
Strategic Priorities	<ul style="list-style-type: none"> • Building community resilience and community safety • Streamlining governance arrangements • Establishing clear and effective response and control arrangements • Building capacity and capability of the emergency management sector • Strengthening emergency management planning processes 		



4. These principles underpin the reform process. Central to the principle of 'Collaboration' is the need for 'efficient governance arrangements that clarify roles and responsibilities, embed cooperation across agencies, and ensure emergency management reform is coordinated across the sector'.
5. The notion of collaboration re-affirms the existing principle of Victoria's emergency management arrangements of shared responsibility between individuals, communities, emergency services organisations, business, industry and government. The White Paper states that the 'new governance arrangements are designed to achieve this collaborative approach and clarify respective emergency management responsibilities'.
6. Victoria's emergency management governance arrangements already demonstrate a strongly collaborative approach with several best practice elements that are being strengthened by these reforms. At senior levels, there is a great deal of cross-agency collaboration in policy, planning and operations.

State Crisis and Resilience Council (SCRC)

7. Under the White Paper, a new governance structure for emergency management was recommended that included the SCRC as the peak body for advising government on state emergency management policy and strategy. The SCRC was established administratively in April 2013 pending its establishment under the EM Act 2013.
8. The SCRC's Terms of Reference state that the 'SCRC will focus on strategy and policy and will not be involved in operational or tactical control of the response to crises or major emergencies'. Its role in a complex or large-scale crisis or emergency is to ensure that the broad social, economic, built and natural environmental consequences are addressed at a whole-of-government level, including identifying and accessing government resources as required and oversight of media strategies.
9. The SCRC is chaired by the Secretary DPC and its membership consists of Secretaries of all government Departments, the Chief Commissioner of Police, the CEO of the Municipal Association of Victoria and the Emergency Management Commissioner. The SCRC ensures effective whole-of-government oversight and coordination for any major emergencies and their consequences.

Subcommittees

10. The SCRC is supported by three standing subcommittees to address risk and resilience, capability and response, and relief and recovery. The role of the subcommittees is to drive holistic reform and deliver overall strategy through the development of specific



preparation, mitigation, response, relief and recovery plans and strategies, and through the implementation of work programs that respond to the strategic action plan.

Inspector General for Emergency Management (IGEM)

11. A strong performance-monitoring and review body is essential for sector accountability. To achieve this, the statutory role of IGEM will be established as the assurance authority for Victoria's emergency management arrangements. IGEM will develop and maintain a monitoring and assurance framework to facilitate the regular review and evaluation of emergency management arrangements across the sector. IGEM will also monitor and report on progress in implementing the Government endorsed strategic action plan.

Recovery

12. The State Emergency Relief and Recovery Plan: Part 4 Emergency Management Manual Victoria (EMMV) structures responsibilities to enable the planning, management and coordination of emergency relief and recovery activities for emergencies affecting Victoria. The EMMV states that local, regional and State emergency recovery activities can operate concurrently at multiple levels. The Department of Human Services is the coordinating agency for emergency recovery at both the state and regional level, working in collaboration with Councils who have that responsibility at a local level.
13. The State Recovery Coordinator (Department of Human Services) has responsibility for ensuring the development and maintenance of policies and procedures for effective emergency relief and recovery inter-agency coordination. The State Recovery Coordinator can also assist Agencies and organisations interested in formalising their role in emergency management in Victoria by facilitating their participation in regional and local planning activities.
14. State Departments and Agencies are responsible for providing emergency related services such as policing, human services and recovery services, agriculture, education, health and ambulance provision, land use planning policy, building control policy, and emergency management policy.

Escalation of recovery coordination

15. If it becomes apparent that an emergency will exceed the capacity of a Council to perform emergency relief or recovery functions, the Council may request the relevant Regional Recovery Coordinator (Department of Human Services) to coordinate emergency relief or recovery at the regional level. This does not replace the requirement for the Regional Recovery Coordinator (Department of Human Services) to monitor the emergency relief and recovery situation and activate the Regional



Emergency Recovery Plan. Further escalation to the state level of management may be necessary in respect of certain service needs in very large or complex events. The Australian Government may also provide Commonwealth resources to deliver particular services.

16. Importantly, escalation of coordination builds upon the layers of responsibility to contribute and coordinate, so additional levels are provided but none are replaced or relieved of their own responsibility.

Community Recovery Committees

17. The primary method of ensuring and fostering community management of recovery after an event is through the use of Community Recovery Committees. Where the impact of an event is sufficiently significant, Councils and Regional Recovery Coordinators (Department of Human Services) have a responsibility to ensure the establishment of Community Recovery Committees as soon as possible after the emergency.

Augmented State Recovery Arrangements

18. In some cases where an emergency has a significant community-wide impact, the Premier or the Minister for Police and Emergency Services may decide to establish a ministerial taskforce (or other additional recovery coordination structure) to oversee a whole-of government response to the recovery needs of affected communities. Under the arrangements introduced in 2013, the State Crisis and Resilience Council may also establish augmented recovery arrangements.
19. Regional Emergency Recovery Plans and Municipal Emergency Management Plans should recognise the possibility of the establishment of such structures and ensure that there are appropriate strategies, plans and processes in place to enable successful local working relationships.
20. Following the appointment of an emergency recovery taskforce or an augmented recovery arrangement, the State Recovery Coordinator (Department of Human Services) will usually:
 - be responsible for assisting the taskforce to understand the impact of the emergency on community recovery; and
 - facilitate the effective contribution of regional and local relief and recovery considerations, and assist in implementing Government decisions and work with local communities and Agencies to deliver recovery services.



Robust mechanisms for delivering assistance to Victorian communities impacted by natural disaster

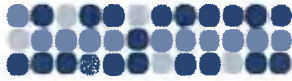
21. The NDFA assists in the recovery process and alleviates some of the financial burden experienced following a natural disaster including assistance to:
 - Local Government Authorities (Councils) and Catchment Management Authorities (CMAs);
 - Individuals & households (personal hardship assistance grants); and
 - Primary producers, small businesses and not-for-profit organisations (Concessional Loans and Clean up and Restoration Grants).
22. Under the NDFA, Councils and CMAs are required to engage with DTF, DEPI and local VicRoads officers as soon as possible after an event. DTF requests that Councils and CMA communicate regularly with DTF, DEPI and local VicRoads officers on eligibility issues (e.g. alerting DTF when an advance payment is needed urgently to assist a Council with cash flow).

Personal Hardship Assistance Program

23. The Personal Hardship Assistance Program (PHAP) comprises Emergency Relief Assistance and Emergency Re-establishment Assistance. The program, managed by DHS, is supported by a Policy and Implementation Guidelines to enable consistent and timely application across the State. Administration of payments are undertaken by PHAP Officers and Coordinators (DHS employees). DHS officers are trained to assess and process applications.
24. Administrative systems and operational procedures facilitate data analysis and reporting requirements. The PHAP is subject to recipient feedback, evaluation, internal auditing and requests for Freedom of Information legislation. Record keeping is in line with departmental record keeping practices. Each type of assistance has its own rigorous eligibility assessment criteria, which is verified by supporting evidence.
25. PHAP Officers and Coordinators are required to regularly monitor application forms, records and reports to identify possible overpayments, either unintentional or fraudulent. Allegations of fraud are referred to Victoria Police.

Concessional loans and clean up and restoration grants

26. In Victoria concessional loans and clean up and restoration grants are administered by Rural Finance Corporation of Victoria. The assessment criteria for grant applications are rigorous. Each applicant must undergo a comprehensive assessment to prove that they



have been disaster-affected, exhausted their insurance options and are seeking reimbursement only for direct clean-up and restoration costs. This eligibility assessment process ensures that grants are only provided to those in genuine need.

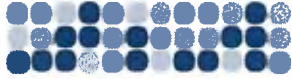
Managing the Risks of Natural Disasters

27. In the Victorian report of the 2012-13 State emergency risk assessment, *Emergency Risks in Victoria*, the State has identified bushfires and floods are identified as the State's highest priority natural disaster emergency risks.
28. The 2009 Victorian Bushfires Royal Commission stated that:

*The policy approach also needs to recognise the important underlying principle of shared responsibility. A fundamental aspect of the Commission's recommendations is that everyone – the State, local governments, households and individuals and the broader community – must accept greater responsibility for bushfire safety in the future and that many of these responsibilities are shared*¹³.
29. The same perspective is reflected in the 2011 Final Report of the Review of the 2010-11 Flood Warnings and Response, by Neil Comrie AO APM, and current government strategies including the National Strategy for Disaster Resilience, endorsed by all Australian Governments, and the Victorian Government's 2012 Emergency Management Reform, White Paper¹⁴.
30. In the emergency management context, actions and decisions that avoid, reduce, share or accept a risk come under the general heading of mitigation. Risk treatments are implemented as appropriate by different elements of society. For households, insurance is a way of sharing a risk; those who do not insure are effectively accepting the financial element of risk. Household planning for what each person will do in a flood, bushfire or other emergency is a means to reduce risk. Relocating to a safer neighbourhood can avoid a particular risk.
31. State and Territory Governments are responsible for reducing emergency risks within legislative frameworks such as land use planning, building control, and health and safety; however, the costs of risk reduction are shared by all sectors of society. While governments invest in capital works and fund grants schemes, much of the total cost is dispersed through the private and household sectors which pay taxes must meet the safety requirements of various regulatory frameworks, and are encouraged to put in place their own mitigation measures.

¹³ 2009 Victorian Bushfires Royal Commission, July 2010, Final Report – Summary, p.6

¹⁴ www.dpc.vic.gov.au/index.php/featured/victorian-emergency-management-reform-white-paper



32. While resilience is a shared responsibility between governments, communities, businesses and individuals, there is an expectation that government will take appropriate measures to assure the management of risks to the delivery of essential services, and coordinate the consequences and flow-on effects of a disruption. At the same time, government recognises that owners and/or operators of critical infrastructure are best placed to manage their own risks.
33. This demonstrates the reality that responsibility for risk reduction is shared across all sectors of society.

Bushfire mitigation

34. An important measure to reduce bushfire is fire ignition controls. This includes periods of fire restriction (e.g. total fire ban days) and regulatory requirements for electricity distributors assets. Also of major significance are controls associated with a quick response to fires that do break out, requiring an effective chain linking detection, communication and rapid response by trained and equipped fire crews.
35. Other important and effective controls include:
 - Community Information Guides to inform people in high risk locations about the local risk and safety strategies;
 - Land use planning informs where and how development occurs in extreme bushfire risk areas, by requiring landowners to show how they will mitigate an extreme risk through the location of a dwelling on an allotment, access to the site, water supply and construction standards;
 - Building regulations control the construction standards of buildings in all designated bushfire prone areas, which are areas subject to medium to extreme bushfire hazards;
 - Protection strategies for essential services and infrastructure so they are less affected by bushfire;
 - Fire refuges and other shelter options;
 - The control of bushfire fuel – including the use of burning and slashing;
 - Ensuring access and egress routes can be kept open, by such activities as roadside grass slashing and burning;
 - Bushfire information and warnings delivered to the community; and
 - Community education for fire safety knowledge and awareness.
36. Victoria's risk-based approach to bushfire management means it is well placed to deal with future emergencies. Within a strategic planning framework consistent with the



international standard for risk management (AS/NZS 31000), the risk-based approach to bushfire management:

- identifies what communities value and want to protect from harm by bushfires;
- uses sophisticated computer modelling to understand how bushfires ignite, spread and cause harm to those values across the landscape;
- identifies a range of mitigation options and considers their effectiveness at reducing bushfire risk; and
- monitors, evaluates and reports on progress towards defined outcomes and objectives.

37. Shared responsibility is a core component of the risk-based approach, which sees the Government sharing its technical risk-modelling capability with a range of audiences including local councils, other agencies, communities and individuals so they can make informed decisions about reducing their exposure to major bushfires. This aims to build more resilient communities, a core principle of the Victorian Government's broader emergency management reform agenda.

Flood mitigation

38. The most important controls for flood are those related to:
- land use zones and overlays which control development in the flood-prone areas, in accordance with the level of risk; and
 - flood detection and warning systems combined with community knowledge about and preparation for floods, including evacuation planning.
39. Structural works such as levees and enhanced drainage works can be useful for some key locations but can be very expensive. Currently, there is increased emphasis on gaining better flood knowledge, making that knowledge more accessible to the local communities and using it to consider a wide range of mitigation, flood detection and warning and response measures.
40. The Department of Environment and Primary Industries (DEPI) is responsible for the development and holding of flood knowledge in Victoria, in conjunction with Melbourne Water and the regional CMAs as floodplain management authorities. The responsibility for generating flood warnings lies with Melbourne Water for the Port Phillip Region and the Bureau of Meteorology for the rest of the State.
41. Councils are responsible for including flood information as zones and overlays into municipal planning schemes. Zones and overlays control the use and development of land. When a landowner applies for a planning permit in a flood zone or overlay, the Council must refer the application to the relevant floodplain management authority.

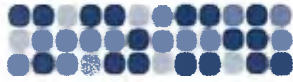


42. For the purpose of construction standards, Victoria's Building Regulations recognise a range of ways in which flood prone areas are designated, including in Council planning schemes, determinations by floodplain management authorities, or identification on a plan of subdivision. Development in any area that is designated as an area liable to flooding in the Building Regulations triggers the requirement for the building to be constructed in line with the Building Code of Australia, including an appropriate floor height.

Victoria's Best Practice Insurance Arrangements

43. Victoria's assets are required to be insured through the Victorian Managed Insurance Authority (VMIA), which enhances Victoria's robust emergency management governance arrangements.
44. The VMIA is a statutory body established under the *Victorian Managed Insurance Authority Act 1996*, and is the captive insurer for State assets. The Authority provides a range of risk management, advisory and insurance services to more than 4,500 public and community services sector clients in Victoria, including insurance coverage for approximately \$144 billion of State assets. These assets include hospitals, rail and tram networks, VicRoads infrastructure and State cultural assets, such as the State Library and Museum.
45. State Departments and public bodies are required to insure their assets through VMIA. VMIA provides aggregate exposure to \$50 million, and is reinsured beyond \$50 million in the event of large losses. Reinsurance is possible due to VMIA's role in monitoring the risk management strategies of Departments and public bodies, which allows VMIA to demonstrate, and provide evidence of, the State's risk management capabilities, thus providing assurance to reinsurers that the State, as a whole, is a good risk to buy into for insurance purposes.
46. State Departments and public bodies are required to maintain a register of assets held or managed by it, and develop, implement and keep under review a risk management strategy. VMIA is responsible for assisting Departments to fulfil these requirements, monitoring and assessing the risk management strategies and reporting on the strategies to the Victorian Government.
47. Quality of claims data, geospatial data on roads and other critical assets, modelling of catastrophic loss exposure (flood plains, bushfire scars, earthquake scars) allow the VMIA to predict what its maximum foreseeable loss may be in the event of a loss.

Benefits of the VMIA



48. The role of VMIA in risk management, and as an insurer, provides it with a detailed understanding of working losses over the past 10 years. This allows VMIA to confidently model future loss scenarios, and provides the State with an understanding of what risk State assets will be exposed to in the event of a catastrophic loss. This provides Victoria with a holistic view of where investment may be needed in the future to minimise disruption to critical assets and infrastructure.
49. The VMIA also aggregates the State's insurance purchasing power. This lowers the cost of insurance to State Departments and Agencies, when compared seeking similar cover in the commercial market. Furthermore, the VMIA does not operate with a profit incentive and provides risk management advice which further reduces the cost of insurance.
147. The State's insurance arrangements enhance its emergency management governance arrangements, and minimise disruption to the community, business and services in the event of a natural disaster.



APPENDIX 2 – VICTORIA'S VALUE FOR MONEY PROCUREMENT PRACTICES

1. In Victoria procurement is undertaken, depending on the type of project, according to a variety of standards including those developed by the Victorian Government Purchasing Board and Ministerial Directions. This framework achieves value-for-money in procurement, while maintaining the highest standards of probity, minimising risk and maximising opportunities for local businesses.
2. Furthermore, the *Victorian Industry Participation Policy Act 2003* requires Victorian Government Departments and Agencies to consider opportunities for competitive local suppliers. This policy assists local businesses' and industries' recovery.
3. The policy's main objectives are:
 - promoting employment and business growth by expanding market opportunities for local industry;
 - providing contractors with increased access to, and raised awareness of, local industry capability;
 - exposing local industry to world's best practice in workplace innovation, e-commerce and use of new technologies and materials; and
 - developing local industry's international competitiveness and flexibility in responding to changing global markets by giving local industry a fair opportunity to compete against foreign suppliers.

State Agencies

Rail

4. The Department of Transport, Planning and Local Government is the lead agency for the rail network. V/Line undertakes most of the reconstruction work to rail lines and bridges.
5. The Public Transport Victoria's (PTV) Technical Service Division audit the works that are undertaken by the private operators to ensure that compliance against terms of the Infrastructure lease is achieved and that the Annual Works Plans are delivered.
6. The regional operator (V/Line) is a state owned enterprise and the methodology for auditing works is different to that which is undertaken for any of the private rail operators (i.e. Metro Trains and Yarra Trams). The audits that PTV undertake on the VLine network are basically to retrospectively visit a sample of work sites to undertake the following assessments:
 - Confirm that the works have been undertaken as reported;



- Ensure that the works are to an adequate standard as defined in the Infrastructure Lease; and
 - Ensure that V/Line have updated the necessary asset configuration data bases
7. At a higher level, PTV audit the finances of V/Line to ensure that capital and operational funds are allocated correctly.

Arterial Roads

8. VicRoads undertakes, or engages contactors to undertake, restoration and reconstruction work on arterial roads. Procurement is undertaken according to the standards developed by the Victorian Government Purchasing Board.
9. For building and construction, and related consultancy work, the required process is set by the Minister for Planning's Ministerial Direction No. 1: Tendering Provisions for Public Construction, released in accordance with the *Project Development and Construction Management Act 1994*.
10. The role of value for money in the evaluation of tenders is noted in section 4.2.3 of the Ministerial Direction's Guide:

While price is of obvious importance in any project, Departments and public bodies should consider all relevant factors when determining potential value-for-money outcomes and selecting a preferred supplier.

11. Quality checks on VicRoads projects are generally undertaken by a surveillance officer and assessed against the standard specifications as stipulated in that particular project contract.

Value-for-Money and Value Management

12. In terms of value-for-money, most of the works go through a formal public process, this means the process is competitive in the open market; it should be noted that in general the lowest price will be offered the job. Notwithstanding this statement, reference is made to the DTF's definition for:

- Value-for-money (with a focus on objectives, whole of life costs and risk management) is a key criterion for each output evaluation project. There are often also non-financial matters to be considered in evaluating value for money. Value-for-money is much more than mere efficiency since it relates to the achievement of Departmental objectives and/ or delivery of outputs. Value for money links the output evaluation and output price review activities for consideration by the Budget and Expenditure Review Committee.



- Value management is a technique that seeks to achieve optimum value for money using a systematic review process. The essence of value management is a methodical study of all parts of the product or system to ensure that essential functional requirements are achieved at the lowest total cost. Value management examines the functions required from a product, functions actually performed, and roles of the product's components in achieving the required level of performance. Creative alternatives which will provide the desired functions better or at lower cost can also be explored.

Councils

13. Councils across Victoria operate within the framework of the *Local Government Act 1989*, which is supported by Procurement Best Practice Guidelines. The 2013 edition of these guidelines separate the Councils' legal requirements under Section 186 of the *Local Government Act 1989* from formal guidance of good procurement practice. Each year, Councils must adopt a Procurement Policy that articulates the principles, processes and procedures that will apply to all purchases of goods, services and works. This policy must be formally presented at Council Meetings for adoption each year.
14. The Victorian Auditor-General is then responsible for providing assurance on the accountability and performance of the Victorian public sector, including through an examination of the management of resources. This incorporates an assessment of the degree to which value for money has been achieved in the expenditure.

Claim Process

15. Victorian Government financial assistance for municipal emergency expenditure by Councils is only available for natural disasters as defined under the Commonwealth Government's Natural Disaster Relief and Recovery Arrangements (NDRRA).
16. Following a disaster, Councils will assess their asset's extent of damage. Councils are encouraged to liaise with VicRoads on the NDRRA eligibility for assets they consider to be essential. Councils may also invite VicRoads to represent on their tender evaluation panels for these works.
17. After the reconstruction work has been completed, the Council's Municipal Engineer or Chief Executive Officer submits a claim to DTF. Councils are encouraged to also submit a copy of their claim directly to the relevant VicRoads regional office when lodging their formal claim with DTF in order to expedite claim processing.
18. Upon receipt of the claim, VicRoads carries out a formal desktop assessment of the claim which includes consideration of initial damage to roads, bridges and other physical assets, current standards and eligibility, media, State Emergency Service and



Bureau of Meteorology reports and evidence of the work undertaken which may include photographs of before and after.

19. Following this assessment, VicRoads will make recommendation to DTF on the amount eligible for reimbursement to the Councils.
20. DTF currently supports the provision of pre-paid funds to Councils for natural disasters. These funds are called advance payments. The funding is provided where a Council can demonstrate financial hardship, and is to provide assistance for asset restoration works yet to commence or still in progress.
21. These funds are intended to cover part of the total expected cost of the works required and should not include contingency. Once work has commenced, the claimant/Council is responsible for providing a claim form for actual expenditure with supporting invoices upon completion of the work, or completion of a stage of the work. This justification claim will be offset against the advance paid.