



# **Lockyer Valley Regional Council**

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**Submission to the Australian Government  
Productivity Commission**

**Response to Natural Disaster Funding Arrangements  
Draft Report September 2014**

## **Summary**

Lockyer Valley Regional Council welcomes the opportunity to provide further comment into the Australian Government Productivity Commission's review of the current National Disaster Funding Arrangements and the proposed reform options.

## **About Council**

Lockyer Valley Regional Council is a medium sized local government in Queensland that has had media coverage in recent years regarding flooding and has been directly impacted by natural disaster and views this review as an opportunity to further improve the current overall disaster management framework. Council is a member of the Local Government Association of Queensland and the Council of Mayors for South East Queensland.

Lockyer Valley Regional Council was formed in March 2008 following the amalgamation of the former Gatton and Laidley Shire Councils as part of sweeping State Government reforms. Nestled at the foot of the Great Dividing Range, the Lockyer Valley is little more than an hour's drive from Brisbane and the Gold Coast and approximately 30 minutes from Ipswich and Toowoomba.

Renowned for its rural landscape, the Lockyer Valley is the perfect destination for people looking to escape the city rat race for the day or to relax and unwind at one of the many boutique B & B's or farm stays. There are a number of locations within the Lockyer Valley serviced by the major centres of Gatton, Laidley and Plainland.

There were approximately 36,400 people residing in the Lockyer Valley in 2012. Over the past five years, the population in the Lockyer Valley region has been growing at an average annual rate of 2.2 per cent.

Boasting some of the most fertile soils in the world, the Lockyer Valley is a leading agricultural production area in Australia, affectionately known as the Salad Bowl. The Lockyer Valley represents 10 per cent of Australian and 40 per cent of Queensland farmers providing approximately 12-14 per cent of the Queensland agricultural economy and supplying the majority of Australia's vegetable requirements during winter.

## **Overview**

Lockyer Valley Regional Council fully supports the Productivity Commission's view that the current NDRRA framework and prescriptive processes need to change to better support and empower Local Government, the level of government best situated to provide first-hand knowledge and understanding of social, economic, infrastructure and environmental issues within their respective communities and as such are ideally placed, to build and support their community from a disaster management and resilience perspective.

The key concern of Lockyer Valley Regional Council of the proposed reform options is that Local Governments are protected from the potential "cost shift" from State Government of the proposed 25% reduction in the Federal Government contribution. Any cost shift by State Government will impact on Council's operational capability and capacity and on-going financial sustainability.

The proposed changes are seen as a continuation of the "disaster management risk" transfer to Local Governments and the local community, from State and Federal

Governments, without providing funding mechanisms to allow Local Governments to remain sustainable while ensuring more resilient communities, via:

- Funding mitigation initiatives to meet increased risk mitigation expectations;
- Creating the capacity and a capability to meet Asset and Risk management minimum standards;
- Obtaining sufficient alternative funding from developers / insurers / community to contribute to achieve required identified and prioritised mitigation outcomes.

Real reductions in hazard risk and consequently future funding liabilities can only be achieved through a coordinated funding approach from all 3 levels of government, as well as insurers and the community.

The removal of current prescriptive governance measures will allow for greater on the ground funding and the delivery of better resilience and asset management outcomes to local communities.

To obtain the full picture of the potential end state and the impact / risks for the Lockyer Valley, Council will need to understand Queensland Government priorities on:

1. The reduced federal funding levels and what will be the potential funding burden imposed upon Local Governments;
2. How will management and mitigation hazard risks be shared and resourced, particularly in the asset management planning space;
3. what options for insurance to cover future events are available and affordable to offset this increased burden as well as understanding the transition timeframe for any new arrangements;
4. It is also important that any recommendations implemented from this review, be made in the context of the current “Reform of the Federation” and its determination of the role of local government, especially clarification of responsibilities for disaster management and empowering local government through direct federal funding of community resilience outcomes.

The following sections provide further clarification of Council’s view on the 4 reform options proposed, being;

### **1. More transparent budget treatment of Natural Disaster Risk:**

It is considered financially unachievable to consider that Lockyer Valley Regional Council, based upon its size and current revenue constraints, as having the ability to fund any portion of the proposed 25% reduction in Federal contribution, let alone having the ability to set aside funding to self-manage the impact of future events, beyond minor events as occurred in 2014.

If the proposed arrangements existed in 2011 and 2013, and the full proposed 25% cost shift was imposed on local governments, then Lockyer Valley Regional Council would have had to fund the following scenarios:

- \$42.5 million in 2011, of the final estimated program cost of \$170 million (including CDO, Emergent and reconstruction works); and
- A further \$15 million in 2013, of the current estimated program cost of \$60 million.

As a percentage of its annual budget, this level of funding represents 88% (2011) and 31% (2013) of its current revenue base.

Lockyer Valley Regional Council does not have the financial capability to meet the proposed changes, without incurring massive levels of debt, which is evidenced by the current scenario where Council is currently carrying an \$11 million debt to finance recovery activities of the 2011 event. This burden is being borne by the Lockyer Valley community through increased rates, and reducing levels of service for some time into the future.

Council recognises that this need to set aside such contingent funding is compensated to some degree by appropriate allocation of budgets to meet the Productivity Commission reinforcement of good Asset Management practices and the integration of natural hazard risk management into Council's asset planning, land use planning, and annual operational plan budgets.

While this will force greater focus by LGs on these better business practices, again the ability to fund the activities required to enable compliance with any minimum mandatory standards will require funding incentives from Federal and State Governments to ensure that this is adequately undertaken and resourced by Local Governments. As such, Council is concerned by the unfunded suggestion that NDRRA funding is conditional upon external assessment of the adequacy of individual council asset management plans and their incorporation of natural disaster risk planning.

If the Federal Government is serious on imposing this level of funding eligibility, Council would recommend the establishment of a fund to assist Councils over the "transition" period for implementation of proposed options, to enable Council to meet the yet to be determined mandatory guidelines.

## **2. Reducing Australian Government post-disaster (recovery & restoration) support to provide sharper incentives to invest in mitigation and insurance.**

Lockyer Valley Regional Council is pleased that the Productivity Commission recognises that it is inevitable that assistance from the Federal Government will be required to assist with the cost of natural events because of the vertical fiscal imbalance, though it clearly believes that current arrangements are in the favour of state governments as "current thresholds do not "constitute a major fiscal burden of state funding capacity". While this belief would hold true for one-off events, the quick succession of the 2011, 2012 and 2013 events in Queensland shows that the fiscal capacity of a state (and local governments) to respond within itself can be quickly eroded.

To fully assess the potential impact of this funding change, Lockyer Valley Regional Council will need to understand the State Government view on the recommendations within this area, particularly the increased autonomy with reduced federal contribution (75% to 50%) and increased "small" event thresholds, as this will place greater fiscal risk to state budgets, which will consequently have a potential flow onto Local Governments.

Lockyer Valley Regional Council does not support the exclusion of Business and Primary Producers from funding arrangements, as it will greatly impact on the recovery of its local community, especially when commercial insurance is not available or is cost prohibitive to business owners due to the on-going impacts of 2011 and 2013 natural events. Council

suggests that greater focus needs to be placed on better defining eligibility criteria and ensuring the equitable and consistent application of funding across future events.

Lockyer Valley Regional Council wishes to further discuss these proposed options, once more information is available and in particular understand what is meant by change to make Day-labour eligible as there would be no benefit if this was considered as part of Council's increased monetary contribution.

### **3. Increasing Australian Government support for mitigation:**

Lockyer Valley Regional Council considers itself as being at the leading edge of building resilient communities through its understanding of the regional and local hazard risks that impact its community, and actively identifying appropriate regional and local mitigation initiatives. Example of the initiatives undertaken to date, include:

- Relocating Grantham township post 2011 event to remove this community out of the known hazard zone. The impact from the 2013 event was minimal in relation to the Grantham community;
- Undertaking numerous Hazard Risk studies across the Lockyer Valley region to identify and understand the community risk profile as well as the identification of not only local solutions (ie: levee banks) but also regional solutions, such as major detention basins and reengineering of current infrastructure.

Presently, the overarching constraint to seeing future initiatives implemented is obtaining the necessary levels of private and public funding to achieve desired outcomes.

Council believes that any sustainable reduction in the long-term response and recovery funding burden will only occur if greater emphasis is placed on a coordinated approach by all levels of government (and the community) to the reduction of natural hazard risks in our local communities and to associated infrastructure.

Strong leadership from all levels of government is required to ensure that a "real" reduction in hazard risk and subsequent future response and recovery funding occurs. Only by taking difficult and potentially complex decisions, will governments be able to ensure that 'real' projects and associated outcomes are being funded, with project prioritisation on the ability to address hazard risk and delivery to achieve real community benefits via overall hazard reduction.

This view can only occur if a greater level of political leadership occurs with outcome focused funding, instead of the proposed per capita approach, is made available to:

- Understand the current natural risks to the community and inform the community of the risks;
- Fund Value for Money (VFM) outcome based mitigation projects (structural and non-structural as well as regional and local solutions) to reduce hazard risk;
- Understand the impact of development approvals in terms of natural risks as well as associated financial risks created;
- Establishing partnerships with insurers as part of the mitigation decision-making process;
- Looking at private and public partnership options to fund required outcomes.

#### **4. Accountability frameworks the reduce prescriptiveness and gives states more “earned autonomy” on how to best undertake recovery and mitigation**

Lockyer Valley Regional Council agrees that the scope of eligible expenditure needs to be better defined and clarified to ensure that the core responsibilities during response and recovery phases (as defined in Disaster Management Act 2003 and Local Disaster Management Plans) are adequately covered. This will create a common understanding and certainty of eligibility across different events, thus reducing the level of administration and negotiation to obtain reimbursement, and providing some certainty around event recovery and response decision-making.

Council fully supports the reduction of the prescriptive requirements of current agreements as this will reduce current levels of Program Management Office costs and provide greater funding to “on-ground” solutions. Greater clarification around what can be rebuilt (as well as what should be rebuilt) needs to be achieved if funding wastage is to be adequately addressed. While, as indicated, what constitutes “current standards” is key to determining disaster funding, it is also just as important that this review also considers how a clear, transparent and consistent methodology for determining what should be rebuilt can be put in place that consolidates the current “value for money” and “betterment” considerations, with a better alignment with good asset management and risk mitigation for rebuilding decision-making.

It appears that the Federal Government is pushing for a up-front one-off capped payment (based on initial damage estimates), which will transfer the “delivery” risk to State / Local Governments for management as part of the overall management of the recovery and restoration program. While council is supportive of this approach, this risk transfer would need to be offset to some degree by the:

- Setting of ‘acceptable standards’ and standard activity costs (regionalised to reflect locality cost issues within the 60 federal regions);
- Ability / freedom to take a “whole of network” program approach to restoration and recovery, based upon demonstrating and achieving asset management and hazard reduction outcomes.

Council wishes to further discuss these options as it sees the implementation of a different oversight framework from a funder’s perspective essential to reducing the current onerous “oversight” and “governance” burden of current prescriptive arrangements that has been highlighted through submissions to date.

#### **Information Sharing:**

Lockyer Valley Regional Council agrees with recommendations to consolidate/collate natural hazard risk information between all levels of government, insurers and other key stakeholders to establish a common “knowledge-base”. This point of truth will enable the generation of a common understanding between all parties, providing the basis of partnerships to manage natural risks within our community. Current technology should enhance the quick achievement of this outcome. Again, the establishment of funding to allow Local Governments to achieve this outcome, as well as funding the platform for standardisation of mapping and consistent hazard identification is required.

To further enable this initiative, it is suggested that the State Government provide local governments with a statutory exemption from liability for natural hazard management for reasonably-based decision making and actions, such as the provision of information.

**Regulating the built environment:**

As evidenced from the 2011 and 2013 floods, the lack of regulation of the built environment from the last major event in 1974, especially in terms of mitigation of natural risks, saw an increased community exposure to natural hazards and consequently resulting in increased relief and recovery burden on disaster management agencies.

A more consistent and supported approach across all levels of government is required urgently if the projected growth forecasts (especially SEQ) are to be managed appropriately to ensure that the current levels of the community's natural risk exposure is not multiplied and future relief and recovery funding liabilities increased.

Lockyer Valley Regional Council supports the "user" pays approach suggested by the Productivity Commission, as this will be the only way that Council's with similar funding constraints will be able to ensure that all stakeholders are contributing to addressing the localised and regional hazard risks, being developers, insurers, Local Government, State and the community to achieve better long-term resilience outcomes. The ability for Local Governments to obtain contributions from developers for delivery of mitigation priorities has been impeded by current state policy, which imposes the long-term funding liability onto Local Governments for not only the provision of required infrastructure but also the mitigation of any localised natural hazard risks.

Implementation of a better funding model for mitigation will require a change in approach to current "developer contributions" framework to ensure adequate contribution funding, as well as consideration of appropriate funding models so that insurers and public contributions can be obtained to undertake required mitigation works.

Council supports the removal of the "injurious affection" from the Queensland Sustainable Planning Act 2009, as this will assist in addressing potential further risks from potential changes to current planning decisions to enable natural hazard risk mitigation to occur.

The focus by the Productivity Commission on this area may be a precursor to the limiting of any future response and recovery funding to State/Local Governments on the grounds of inappropriate planning approvals – risk of impacted community / infrastructure lies with the decision maker. How will allowing the future construction of an estate in known flood zones, be viewed in the future? This view is further supported by the recommendations that Local Governments publish reasoning behind development assessments – will this need to include a natural risk statement, including the "impact" estimate based on previous events and benefit of mitigation conditions imposed?