

Gympie Regional Council Submission

Natural Disaster Funding Arrangements Productivity Commission

21 October 2014

General Comments

The report focuses on the productivity and financial impacts on the Federal Government and refers to "vertical fiscal imbalance". However, does not consider the direct and indirect economic and social impacts on regional local governments, local businesses and community. The local government sector has the least ability to raise revenue to respond to such events. Even with the current level of funding, communities still incur significant social and economic loss. Any reduction in funding would only serve to reduce resilience and exacerbates the effect on recovery. In view of this, the report fails to recognise the significant yet fragile interdependence between local government, businesses and its community and the inability for this to operate without external support.

Regional Council's cover large and diverse geographic areas and the ability to mitigate against damage from disasters is often not possible or economically viable. The ability to direct funds to a 'Betterment' program to rebuild more robust and resilient infrastructure, would be a practical option for 'mitigation' funding.

Draft Recommendation 3.1

The Australian Government should:

- *reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50 per cent under the Natural Disaster Relief and Recovery Arrangements*
- *increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold).*

In conjunction with this reduction in funding assistance, the Australian Government should provide state and territory governments with increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

The Gympie Regional Council opposes any reduction to funding to Local Governments. This recommendation results in significant 'flow-on' effects to the 'productivity' of Council and the region.

As detailed below, capping of the Australian Government contribution would result in a total funding shortfall of \$16M to Gympie Regional Council if recent flood events

were to reoccur. If this shortfall or funding gap is not addressed by the state government, the financial impact on Council is unmanageable, and would result in significant delays in addressing emergent works and restoration of priority assets and the potential abandonment of some infrastructure.

The inability to adequately address infrastructure restoration, that business and community rely on, will have major negative impacts on the economic and social recovery of the region.

Even with the current funding arrangements, Council and the community are significantly impacted both financially and in a business continuity context. Unfunded resources are used to support the recovery efforts and these are redirected from normal business. This disruption can set back Council several years in its regular operations and strategic work. The loss in infrastructure funding would require unplanned borrowings and redirection of other capital funds which would also set back Council's programs for new and replacement assets. This would directly impact on economic development and the liveability of the region.

In the case of Gympie Regional Council, capping of the Australian Government funding to 50% would result in approximately \$16M shortfall over the following recent events:

- Queensland Flooding, Tropical Cyclones Tasha and Anthony, November 2010 - February 2011
- North Coast Storms, Flooding and East Coast Hybrid Low, 24 February - 7 March 2012
- Tropical Cyclone Oswald and Associated Rainfall and Flooding, 21-29 January 2013
- Central and Southern Queensland Low, 25 February – 5 March 2013

Year	Total Damage Bill	Estimated Funding if capped	Potential Shortfall to Council
2011	\$32 Million	\$24 Million	\$8 Million
2012	\$7 Million	\$5 Million	\$2 Million
2013	\$26 Million	\$20 Million	\$6 Million
		Total:	\$16 Million

Council is supportive of the part of the recommendation that provides state and territory governments with increased autonomy to manage relief and recovery expenditure. The current system is overly prescriptive and inefficient, in particular the requirements to reconstruct to pre-disaster standards, restrictions on the use of Local Government day labour, and the current ineffective and inefficient betterment framework. The opportunity for a usable framework to allow betterment – not just reconstruction to pre-disaster standards, would be welcomed.

Council utilises some 'day labour' in counter disaster operations but expends significant dollars on day labour in emergent works due to the difficulty in sourcing and coordinating contractors for a timely response to disasters. Council employees and resources generally provide timely, flexible and efficient response in such events. Also in the restoration phase, smaller scale works can be better delivered by 'day labour' due to reduced administrative overheads and resources to that of contractors.

Changes to small disaster trigger points are also opposed as unplanned disaster response expenditure in the order of \$240,000 to \$2,000,000 would result in a significant impact on local government finances and operations.

Draft Recommendation 3.2

If the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to \$200 million, distributed to the states and territories on a per capita basis. The amount of mitigation spending could be adjusted over time to reflect the imputed 'savings' from reduced relief and recovery funding.

Increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects. These would include:

- project proposals that are supported by robust and transparent evaluations (including cost-benefit analysis and assessment of non-quantifiable impacts), consistent with National Emergency Risk Assessment Guidelines risk assessments and long-term asset management plans, and subject to public consultation and public disclosure of analysis and decisions*
- considering all alternative or complementary mitigation options (including both structural and non-structural measures)*
- using private funding sources where it is feasible and efficient to do so (including charging beneficiaries)*
- partnering with insurers to encourage take-up of adequate private insurance and private mitigation through measures such as improved information sharing and reduced premiums.*

While Council is generally supportive of this recommendation, it is concerned with the level of "imputed 'savings' from reduced relief and recovery funding" expected or relied upon. While some flood mitigation initiatives would assist in reducing impacts on business continuity, the majority of the \$65M of damage sustained by recent flooding events in the Gympie region could not be mitigated against by protective infrastructure. Funding directed to 'Betterment' would result in more substantial structures which 'mitigates' the vulnerability should a reoccurrence of damage occur in the future.

This funding should also facilitate various risk remediation measures including the buyback of high risk properties. The implementation of this recommendation should

be fast tracked; should not be capped at \$200M, and should be in place for a number of years before any reduction to NDRRA funding.

Draft Recommendation 3.3

The Australian Government should publish estimates of the future costs of natural disasters to its budget in the Statement of Risks. It should also provision through annual appropriation for some base level of natural disaster risks that can be reasonably foreseen. For more catastrophic, less quantifiable risks, it is likely to be more efficient to finance the related costs if and when the risks are realised.

Council supports this recommendation.

Draft Recommendation 3.4

State, territory and local governments should further investigate non-traditional insurance products for roads. Where they do not already do so, state, territory and local governments should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited). This may help insurance markets to understand and price the risk. Consideration should be given to the Victorian model in this regard.

Council is supportive of the concept of investigation of insurance, however is concerned about the unsustainable or unproductive financial burden that this may place on local government and its ratepayers.

Council is also concerned that auditable road asset condition and maintenance registers may be excessively subjective and of little benefit to insurers.

Draft Recommendation 3.5

The Australian Government should:

- *cease reimbursement to state and territory governments under the Natural Disaster Relief and Recovery Arrangements for relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers (including concessional loans, subsidies, grants and clean-up and recovery grants)*
- *reduce the amount provided under the Australian Government Disaster Recovery Payment (AGDRP). The Australian Government Crisis Payment may provide a reasonable benchmark in this regard*
- *legislate the eligibility criteria for the AGDRP and the Disaster Recovery Allowance and make these not subject to Ministerial discretion.*

Gympie Regional Council has a significant agricultural sector which underpins the local economy as well as other businesses which are impacted by disasters. The

current funding arrangements while often difficult to access are a vital part of the recovery process providing both physical and mental support to affected businesses.

Council strongly opposes and reductions in assistance funding to businesses and primary producers.

Draft Recommendation 3.6

The Commonwealth Grants Commission should revisit its assessment of 'average state policy' and accompanying accountability requirements for natural disaster policies once the Australian Government has announced its decision regarding relief and recovery funding arrangements.

No comments.

Draft Recommendation 4.1

When collecting new natural hazard data or undertaking modelling, all levels of governments should:

- *make information publicly available where it is used for their own risk management and/or there are significant public benefits from doing so*
- *use private sector providers where cost effective, and use licensing arrangements that allow for public dissemination. Where there are costs involved in obtaining intellectual property rights for existing data, governments should weigh up these costs against the public benefits of making the data freely accessible*
- *apply cost recovery where governments are best placed to collect or analyse specialist data for which the benefits accrue mostly to private sector users.*

Council is supportive of this recommendation.

Draft Recommendation 4.2

State and territory governments, local governments and insurers should explore opportunities for collaboration and partnerships. Partnerships, for example, could be formed through the Insurance Council of Australia and state-based local government associations (or regional organisations of councils). Consideration could be given to the Trusted Information Sharing Network model, and involve:

- *governments sharing natural hazard data that they already hold and undertaking land use planning and mitigation to reduce risk exposure and vulnerability*
- *insurers sharing expertise and information (for example, claims data) to inform land use planning and mitigation*
- *collaboration to inform households of the risks that they face and adequacy of their insurance to fully cover rebuilding costs, and to encourage private funding of mitigation through incentives such as reduced premiums.*

Council is supportive of this recommendation.

Draft Recommendation 4.3

State and territory governments should hasten implementation of the "Enhancing Disaster Resilience in the Built Environment Roadmap", including reviewing the regulatory components of vendor disclosure statements. Furthermore, the Land Use Planning and Building Codes Taskforce should consider possibilities for regular, low cost dissemination of hazard information to households by governments and insurers (for example, the work of the Insurance Council of Australia to develop natural hazard ratings at a household level).

No comments.

Draft Recommendation 4.4

State Governments should:

- *clearly articulate the statewide natural hazard risk appetite in land use planning policy frameworks*
- *provide local governments with guidance on how to prioritise competing objectives within land use planning*
- *provide local government with guidance on how to integrate land use planning and building standards. Consideration should be given to Victoria's "Integrated Planning and Building Framework for Bushfire" in this regard.*

Furthermore, local governments should publish the reasoning behind development assessment decisions.

The State Planning Policy should clearly outline state interests and requirements to local government for planning and development assessment. Council is concerned that the cost of publishing the reasoning behind development assessment decisions may outweigh the benefit.

Draft Recommendation 4.5

The onus is on state governments to ensure that local governments in their jurisdiction are sufficiently resourced to effectively implement their land use planning responsibilities. State governments should review the adequacy of local governments' resources and capabilities, and provide further resources and support where they are not adequate.

Council is supportive of this recommendation.

Draft Recommendation 4.6

State governments should provide additional support and guidance to local governments that addresses the extent of local governments' legal liability when releasing natural hazard information and making changes to land use planning regulations.

This would be a useful clarification and could also be included in advice through the Planning Scheme review processes.

Draft Recommendation 4.7

The provisions in the Queensland Sustainable Planning Act 2009 for injurious affection should be repealed.

It is understood that this will be addressed in the new Planning and Development Act.

Draft Recommendation 4.8

State and territory taxes and levies on general insurance should be phased out and replaced with less distortionary taxes.

No comments.

Draft Recommendation 4.9

Insurers should provide additional information to household regarding their insurance policies, the natural hazards they face and possible costs of rebuilding after a natural disaster. This work could be led by the Insurance Council of Australia to ensure consistency in the provision of information across insurers.

Council is supportive of this recommendation.

Draft Recommendation 4.10

All governments should put in place best-practice institutional and governance arrangements for the provision of public infrastructure, including road infrastructure. These should include:

- *stronger processes for project selection that incorporate requirements for cost-benefit analyses that are independently scrutinised and publicly released*
- *consideration of natural disaster risk in project selection*
- *a clearer link between road-user preferences and maintenance and investment decisions.*

Council is supportive of the intent of this recommendation.