

COUNCIL REFERENCE: 47606E (D14/272379)  
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21/10/2014

Natural Disaster Funding Arrangements  
Productivity Commission  
Locked Bag 2 Collins Street East  
MELBOURNE VIC 8003

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Dear Sir/Madam

**Shoalhaven City Council submission  
Natural Disaster Funding arrangements**

Thankyou for the opportunity to make comment on the Productivity Commission's draft report on Natural Disaster Funding Arrangements.

Council agree that funding should be allocated to planning and implementation of mitigation measures. Council also agrees that information is critical and there is a need to improve its consistency, sharing and communication. To that effect all technically sound natural hazard information should be made publicly available by all levels of government without potential legal liability issues.

There should be stronger links in the legislation between flood/coastal/bushfire risk planning and land use planning. Past legacy and existing use rights supported in land use planning often overrides sound natural disaster risk management.

Shoalhaven City Council (SCC) would like to submit the following comments in relation to the disaster funding arrangements in general.

**SCC's situation**

The Shoalhaven Local Government Area is highly susceptible to major bushfires, floods, landslides, and winds storms. Shoalhaven City Council (SCC) also manages an extensive area of NSW coastline and coastal villages susceptible to storm surges and tsunamis.

Although new roads and infrastructure in the Council area are now designed and constructed with consideration of current standards and potential for flooding and land-slips/slides, currently contends with a historic legacy of inadequately designed and constructed roads in such areas. Although not thoroughly measured, this legacy is likely to extend to hundreds of kilometres throughout the local government

area. The cost to Council to bring all these roads up to contemporary and disaster resilient standards is beyond the financial resources of Council.

Without preventative and resilience improvement to roads and other infrastructure in disaster prone areas, post-disaster funding will always be required. This requirement is likely to increase due to population increase and climate change, if predictions are correct.

The draft report recommendation that the Australian Government increases annual mitigation expenditure from about \$40 million to \$200 million is welcomed, however the condition to match funding contributions will prove difficult for Councils to manage these matching allocation as they prepare budgets ahead of this potential grant funding. Ideally programs are outlined 3 years in advance, as these funding applications are distributed by the States they are also likely to see constant reviews and examinations by the State administering bodies ahead of works.

### **'Betterment' arrangements**

The Draft report advises that there are numerous barriers to the use of the *'betterment'* provisions and Council agrees with these findings as this has been difficult to obtain and appears to be actively discouraged, or at least not promoted, by the State funding bodies administering the Commonwealth funds.

Council staff have reported that 'betterment' has been actively discouraged and called into question including recent disaster funded road repairs. This may explain why *"the betterment provisions have rarely been used"*, a concern raised in the Issues Paper.

As previously mentioned, Shoalhaven City Council has a historic legacy of inadequately designed and constructed roads in disaster prone areas. Rebuilding a road (or other infrastructure) back to its pre-disaster state only could result in repeated failing and further rebuilding costs when subject to the same disaster conditions. "Betterment", where it can be demonstrated to be cost-effective over the longer-term, should remain available from the Commonwealth and more widely encouraged and promoted by the administering agencies.

### **Commonwealth funding balance for mitigation**

If NDRAA funding for post-disaster rebuilding of roads and other infrastructure were to see a reduced support as suggested by increasing the threshold for the small disaster criteria from \$240000 to \$2 million, increasing eligibility thresholds and having a flat cost sharing rate of 50 percent could have a major impact on the prioritisation and funding of infrastructure projects with the Shoalhaven LGA. Funding maintenance and upgrading of infrastructure assets, would see a significant portion of Council's maintenance funds being directed to assets in low usage areas at the expense of preventing deterioration to heavily used assets. Mountain roads, susceptible to landslides and areas next to remote car parks, which serve a low number of properties and residents is a prime example of works currently being undertaken this year and funding has been sourced from NDRAA. The definition of a small disaster locality will need to be well defined as currently a number of regions together can trigger the eligibility for criteria based on accumulated costs.

In the Shoalhaven all recent claims as seen below would have been just under the \$2 million threshold (estimate for trigger) if the City was the only area impacted;

<b>June 2013</b>	Floods - Estimate submission \$961K. Actual costs of emergency clean up and restoration claimed -over \$1.4M.
<b>March 2013</b>	Tornado Cluster – Estimate submission - \$161K. Actual costs \$250K
<b>Feb/March 2012</b>	Flood event - Actual costs \$334K
<b>July 2011</b>	Windstorm event – Estimate submission - \$500K. Actual costs \$300K
<b>Sept 2010</b>	Windstorm event – Estimate submission \$1.5M. Actual costs and claimed \$2M

Removing or decreasing disaster financial support for Councils by increasing the threshold will result in Council's capital funding being diverted from asset renewal projects to restoring pre-event levels of service. This will increase the infrastructure backlog by SCC at the detriment to residents.

Current arrangements allow SCC to respond in a timely fashion and repair roads post-disaster. This includes in areas that would otherwise not receive prioritisation for upgrade due to low-usage. Without such arrangements, repairs to such roads and other infrastructure would be delayed to the detriment of residents or possibly unfunded for a long period of time.

### **Governance and institutional arrangements**

The Draft report recommends;

*“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. “*

In particular it highlights roads projects, the issue with funding based on the cost benefit analysis is that many of these roads would not receive prioritisation for upgrade due to low-usage as they are often in remote locations, but are still seen as critical for local communities.

Also currently the NDRRA and NPANDR is available only to State and Territory governments. This is contrary to the pre-requisite principle for effective risk management stated in the Issues Paper that the *“responsibility for managing risks should be allocated to the party that is best able to deal with them, and as a general rule this corresponds to the parties that own an asset”*. If the NPANDR continues it should be made available to local government to assist the management of the risk to their assets and to residents.

Post-disaster cost recovery is becoming increasingly costly to Council. In the past, cost recovery has been based on substantiation of ledger records and tax-invoices valued over \$3,000 to \$5,000. Recently, however, cost-recovery and time spent on substantiation of expenses back to funding sources has increased significantly with reporting requirements to substantiate every dollar spent and every hour worked by staff. Internal costs of plant and employee costs have become extremely difficult and time consuming to claim back. In other words, the goodwill of local government is being taken advantage of to the detriment of its ratepayers.

Similarly, SCC projects funded under the NDRAA, have been subjected to constant reviews and examinations by the State administering bodies and disputes over claims. This has resulted in further costs to SCC and substantial time delays. Councils have the local knowledge, are the authority for the majority of roads, and are ultimately responsible to the local community and the management of risk. Changing arrangements to allow more control of funding by owner of the asset and the risk should be considered by the Commission.

Shoalhaven City Council already carries substantial costs in relation to response and post-recovery actions that are unfunded by State and Commonwealth. Any reduction of external funds could result in re-examination of Council's obligations and response. Uncertainty of Council's ability to re-claim cost during a disaster event could cause delays in response and recovery actions and protracted negotiations with the combat agency during a disaster emergency. Certainty in funding is essential to rapid and effective response and recovery actions taking place.

Shoalhaven City Council is extremely interested in natural disaster funding Arrangements and would like to participate further in any subsequent Commission activities in relation to this matter. If you need further information about this matter, please contact Ben Stewart, Director Assets & Works Group

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Yours faithfully

**Ben Stewart**  
**Director, Assets & Works**