

Bundaberg Regional Council

Submission to Australian Government Productivity Commission

1. Bundaberg Regional Council

This submission has been prepared by Bundaberg Regional Council in relation to the Productivity Commission draft report on Natural Disaster Funding Arrangements.

The Bundaberg Region, situated at the southern end of the Great Barrier Reef and stretching from the Burrum River to Baffle Creek, is comprised of 6,451 sq km and is home to almost 100,000 people, with the population expected to grow to over 150,000 people within twenty years.

In January 2013, the Region experienced its most significant natural disaster since settlement, with record flooding considered to be in the order of a 1-200 year event (0.5% Annual Exceedance Probability) event, along with five tornados. The Bundaberg Region's recovery has been remarkable and in no small way is a function of the existing NDRRA arrangements.

2. NDRRA funding

The recent Commission of Audit recommendation that the Commonwealth contribution toward NDRRA be reduced is a matter of deep concern to our Council. Any reduction in NDRRA funding will have a significant negative impact on communities across Australia affected by natural disasters and will seriously compromise their financial viability into the future. Additionally, the Productivity Commission recommends increasing the small disaster threshold that triggers relief funding (from \$240,000 to \$2M). This has the potential to have a significant financial impact for individual local governments impacted by disaster and would result in councils in Queensland having to face additional natural disaster costs well beyond their financial capability.

The Bundaberg Local Government Area is an excellent example of a region that has been able to effectively and efficiently rebuild and recover with the aid of the financial assistance provided through the NDRRA program and generosity of the many business organisations and community groups. In recent years the Bundaberg Region has suffered from two major flood events, the first in late December 2010 and the second in January 2013. The 2013 flood was indeed unprecedented and coupled with five tornados devastated our community physically, economically and emotionally. The major flood events of 2010 and 2013 were each followed within a month by a smaller flood.

The fact that the NDRRA program was in place provided the required financial resources and confidence to facilitate the rebuild of the region's roads and essential infrastructure and provision of other disaster life-saving support including evacuation centres and resupply operations. The NDRRA funding significantly reduced hardship across our regional communities.

In excess of 5,500 people were evacuated from North Bundaberg alone during the January 2013 flood event, with some 2,000 of these residents and visitors accommodated in evacuation centres at the flood peak. More than 2,000 homes were damaged by flood waters, with 50 homes completely destroyed. Evacuation centres were established to provide emergency accommodation and assistance in the short term and a mobile evacuation centre was established at the Bundaberg Showgrounds for evacuees who required accommodation until longer term temporary accommodation was provided at a Council operated caravan park. Once again this would not have been possible without the financial assistance provided through NDRRA. Payments through NDRRA to Council for the 2010 event were \$55.5 million with costs for the 2013 event estimated to be in excess of \$130 million.

Despite the current financial contributions received under the jointly funded (Commonwealth and State) NDRRA program, local governments are still exposed to considerable expense following each disaster. These costs can impact on affected local governments' ability to provide even the most basic of services to their communities. In addition to the NDRRA threshold that the state government applies to each Queensland Local Government Area (\$408,225 for Bundaberg Local Government Area in 2014-15), a significant proportion of the expenses incurred by council in response to a disaster are classified as "ineligible". (For instance, Bundaberg Regional Council's ineligible expenditure associated with the 2013 disaster event is approximately \$8,000,000 to date). Local government is therefore further burdened with these additional disaster costs and it often takes several (or many) budget cycles for Council to repay the debt.

The magnitude of funds required to recover from the events experienced within the Bundaberg Region and across Australia in recent years could not be raised from local government and it is concerning that the level of assistance provided by the NDRRA program would in any way be diminished. Indeed the NDRRA funding is a type of insurance that cannot be sought anywhere else for catastrophic events, and communities, particularly regional and remote communities who would struggle to recover without this level of support and would not be able to afford insuring themselves. Depending on the size of the event, a reduction in funding assistance may also exacerbate an already catastrophic event within a community.

3. Reducing uncertainty and prescriptive conditions associated with NDRRA

Local governments are exposed to uncertainty with regard to eligibility classifications for NDRRA claims, including Emergent Works eligibility. This is due to the subjective nature of some of the criteria. Removing ambiguity associated with NDRRA criteria will help Local government and the Commonwealth more efficiently utilise NDRRA funding.

In Bundaberg's ongoing recovery from the 2013 floods, Council is very mindful of ensuring that the claims process is completed in an open and truthful manner and ensures that staff is well versed in the NDRRA process. As part of an ongoing NDRRA program into the future, Council suggests that a detailed training and engagement program be formulated with the aim of having local government

staff across Australia provided with a comprehensive range of training opportunities relative to the program.

It is acknowledged that the former Emergency Management Queensland and now Queensland Fire and Emergency Services provide an introductory NDRRA course which may be able to be expanded to meet this need.

Reducing the Commonwealth's exposure to disaster costs is best achieved by improving processes and communications around eligibility and completion of claims rather than reducing the proportion of funding provided. Through process improvements developed in conjunction with the Queensland Reconstruction Authority (QRA), the delivery of the reconstruction works following the January 2013 flood has been most efficient and expedient, therefore contributing to a reduction in ineligible claims. These improvements have been beneficial and Council appreciated the QRA sending staff to Bundaberg to work in close collaboration with Council officers immediately following the event. This collaborative approach we believe could be expanded particularly focusing on the claims process.

This local government agrees with the Productivity Commission report that the use of day labour would enable local government to make better use of NDRRA funding. This is supported by research. The Queensland Reconstruction Authority's recent (interim) report on day labour found that day labour is a method that enables local government to complete reconstruction works at a cost below comparable market values and often in a shorter time-frame, with a higher standard of works.

4. Increased support for mitigation

The case to increase support for mitigation is very sound. There is ample evidence to suggest that mitigation can reduce future costs of disasters. In fact, this argument actually goes some way to extinguishing the need to decrease the current NDRRA contributions of the Commonwealth, as the actual quantum of the cost of disaster would be reduced, reducing the Commonwealth's exposure to the financial impacts of disaster without undermining the current NDRRA funding contributions, which provide great surety to the sustainability of many communities across Queensland and Australia.

Whilst mitigation figures to emerge more prominently as an effective investment, the reality is that forecasting when, where or the extent to which a given disaster event will impact (and therefore where to mitigate) is full of uncertainty. This uncertainty all but disappears *after* a disaster event: there must therefore remain an effective means of ensuring a community has the financial ability to recover from a disaster. The current NDRRA funding contributions do that.

Another area of complexity associated with mitigation concerns how much to fund mitigation, in what manner and where. It is not clear how the proposed per capita basis yields the benefit desired in terms of true disaster mitigation, as there is limited or no relationship with the geographic location, frequency of events or with the potential benefit from mitigation. Given this, the argument that increased mitigation begets a reduced commonwealth NDRRA contribution would appear to need considerably more expansion before it informs such fundamental changes to existing and proven arrangements as proposed by the Productivity Commission.

“Betterment” is aligned to mitigation but should be considered as a discrete construct. Disaster events help prioritise assets for betterment as well as indicating assets that should be abandoned. Whilst there may have been some limitations to how betterment was applied over recent years across Australia, the Bundaberg disaster of 2013 has provided examples of how betterment through NDRRA is having a positive and ongoing impact on the recovery of a region significantly impacted by disaster. The Commonwealth and Queensland Government have provided significant funding through NDRRA – along with Council – to rebuild assets to a more disaster resilient standard. This local government supports ongoing programs for both betterment and mitigation. The share provided by local government should be flexible, up to a limit and dependant on the individual council involved.

5. Land use planning

In Queensland, land use planning arrangements are reasonably effective in incorporating natural disaster risk management. The Queensland State Planning Policy includes policy requirements for natural hazards along with supporting mapping. The Queensland Reconstruction Authority has also published *Planning for stronger, more resilient floodplains* to provide councils with a range of practical measures.

Following the record flooding at Bundaberg in 2013, to facilitate a short to medium term response to address land use planning issues immediately following the 2013 flood disaster event, Council resolved under section 13 of the *Building Regulation 2006* to adopt a Natural Hazard Management Area - Flood (NHMA) for the Burnett River. To complement this building regulatory provision Council also adopted a Temporary Local Planning Instrument (TLPI) - Burnett River Interim Flood Response, which commenced on 20 March 2013. Together, these provisions provided a building and planning response to manage development within areas identified as being subject to flood inundation within the Burnett River catchment.

Following implementation of this policy, a review was undertaken in conjunction with the development and receipt of new flood data and mapping products. As a result of this review, and given that a temporary local planning instrument can only have effect for up to 1 year, Council resolved to adopt a new Temporary Local Planning Instrument (TLPI) 1/2014 - Interim Flood Response. Council also adopted a ‘flood hazard area’ for the purposes of section 13 of the *Building Regulation 2006*, which replaces the Natural Hazard Management Area - Flood for the Burnett River.

There is scope for state government to provide greater support to local government in relation to land use planning and built environment. In particular, a clearer articulation of the State’s whole-of-government natural hazard risk management framework in land use planning and asset management would be beneficial to local government. A partnership relationship between local and state government needs to be fostered to enable an effective and efficient natural hazard land use planning and asset management risk management framework that is consistent across government.

The Local Government Association of Queensland has previously recognised jurisdictional inconsistencies and deficiencies in Queensland legislation relevant to land use planning and has recently submitted to the Queensland Government proposed amendments to the *Queensland Local Government Act 2009* to include an explicit statutory limitation of local government’s exposure to liability for reasonably-based decision making and actions.

6. Insurance

The Productivity Commission report discusses the issue of insurance, with a focus on insurance of state and local roads, acknowledging that state and local governments have adequate insurance arrangements for their non-road assets. This local government disagrees, however, with the contention by the Productivity Commission that NDRRA acts as a disincentive to local and state government to obtain insurance for roads. There is ample evidence from jurisdictions just in Queensland that the availability of NDRRA has not diminished the comprehensive insurance of civic assets. There are significant untested assumptions made by the Productivity Commission here and some rather broad generalisations from a single observation of a state government that insures roads (ie: Victoria). Indeed, the Productivity Commission report itself identifies that there were no examples in Australia of a local government authority insuring its roads.

There are in fact limited – and for many jurisdictions, no - options for local government to insure roads that would enable capacity to reliably provide essential public assets to the community. Where there is some potential to insure roads by local government using traditional insurance mechanisms, these options are untenable for local government from a cost perspective. Analysis undertaken by the Local Government Association of Queensland's indicates that for Queensland local government, even if insurance markets could be found to insure roads the premium required just to cover projected working losses indicated by historical data would be completely prohibitive. Non-traditional (eg: parametric) insurance methods for roads are even more expensive than traditional methods and come with a range of complexities that make this style of insurance a non-starter for many local governments.

7. Opportunities that may reduce the *quantum* of support required through NDRRA

Rather than reducing the level of assistance provided through NDRRA, it is recommended that the Commonwealth investigate opportunities for local and state governments to reduce their dependence on NDRRA through opportunities such as:

- Avenues or processes to increase value for money;
- Increased controls and guidance over eligible expenditure;
- Encourage a high level of resilience when renewing existing infrastructure or building new facilities;
- Tighter criteria for assessing assistance for new assets built after 2014;
- Assess the community's economic profile for natural disaster and catastrophic events.

Bundaberg Regional Council appreciates the opportunity to provide this submission and we look forward to a positive response from the Federal Government in regard to this matter.