

21 October 2014

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

disaster.funding@pc.gov.au

Dear Commissioners,

Submission to the Natural Disaster Funding Inquiry with reference to the Productivity Commission Draft Report, September 2014

Thank you for your consideration of Council's submission on the Draft Report and our previous submission to the Inquiry dated 13 June 2014 (copy attached).

Council strongly supports the LGAQ's recommendations as noted below for the Commission's consideration in developing the final report:

- 1) *The current thresholds and assistance rates for NDRRA Category B support should be maintained with the first threshold for 50% Australian Government reimbursement at 0.225% of state revenue and grants and the second threshold for 75% reimbursement at 1.75 times the first threshold;*
- 2) *The small disaster criterion (currently \$240,000) be maintained but indexed to reflect price movements;*
- 3) *The report should recommend that prescriptive, input-based conditions including restrictions on the use of local government employees' labour (day labour) be removed to ensure the most efficient and effective recovery arrangements;*
- 4) *There should be increased autonomy for state and local government to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities;*
- 5) *Australian Government funding support for mitigation should be increased. Mitigation funding should be distributed between states to match the expected benefit from mitigation work;*
- 6) *LGAQ supports ongoing programs on both betterment and mitigation, with equal shares between the Commonwealth and State and up to 20% Local Government funding share. However, the local government share should be flexible, up to a limit, depending on the capacity of the individual council involved;*

- 7) *State Governments should provide local governments a statutory exemption from liability for natural hazard management for reasonably-based decision making and actions;*
- 8) *The provisions in the Queensland Sustainable Planning Act 2009 for injurious affection should be repealed;*
- 9) *Insurance for local government roads including use of non-traditional insurance products is not a viable option for local government.*
- 10) *LGAQ does not support a requirement that local governments 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);*
- 11) *LGAQ does not support NDRRA funding being conditional on external assessment of the adequacy of individual council asset management plans and their incorporation of natural disaster risk planning.*

Further and in support to the above, Council makes the following points:

1. Funding

- We are very concerned at the Commission's proposal that Commonwealth funding of disaster relief be reduced to 50 %. This is a totally unaffordable outcome for State & Local Government which will then need to shoulder the majority of financial burden as well as the community socio-economic burden of natural disasters.
- We believe the arrangements should remain 75% Federal and 25% State as the true cost is different in reality and Local Government does bear between 10-20% of final costs for essential community infrastructure alone (eg. roads) depending on the event. Toowoomba Regional Council's direct costs in rebuilding this infrastructure is likely to exceed \$30M for the 2010/11, 2013 and 2014 events.

2. Day Labour

- We welcome the condemnation of the bureaucratic restrictions on local councils not being funded to use their own staff to recover from natural disasters, and are pleased that it is recognised as inefficient and goes against the grain of good accountancy principles.
- We agree that local councils should have more autonomy in how they respond and recover from disasters, including how they use their own staff in the clean-up and rebuilding.
- We welcome the Commission's recommendation that using so-called 'day labour' for community recovery should be fully eligible for disaster funding. Using day labour for disaster recovery actually saves taxpayers money and restoration work can commence immediately.

3. Mitigation

- We also welcome the focus on mitigation and being proactive rather than reactive, however this needs to be funded appropriately and needs to be far more than the proposed \$200M/year and will require commitment as ongoing funding from both the Australian and

State Governments for many years to come. The backlog is enormous if the aim is to improve the disaster resilience of community infrastructure.

- The current Betterment Program and Category D grants along with additional Council complementary funding has enabled TRC to undertake significant improvements in rebuilding more resilient community infrastructure. These works are of substantial benefit to the community and will significantly mitigate damage and subsequent cost impacts from any future flood events (both directly and indirectly).
- Australian and State Government subsidies to Local Government for flood mitigation infrastructure was drastically reduced in the last decade prior to the 2011 floods and under the current arrangements significant mitigation has been simply unaffordable.

4. Insurance

- The Commission's proposal regarding insurance against disasters are concerning and to be frank, are impractical for communities who are regularly in the path of cyclones and floods. Currently no State or Local Government in Australia has insurance for their part of the local 800,000 km national road network. Any insurance coverage for local road networks would have to be facilitated through the Australian Government to be both equitable and affordable.


5. Policy Reform

- We strongly welcome all the recommendations regarding land use planning, building and regulatory reform with in Section 4 of the Draft Report. In particular, draft recommendation 4.7 – “*The provisions in the Queensland Sustainable Planning Act 2009 for injurious affection should be repealed*” is a must do. Further, there must be statutory exemptions for Local Government from the liability for natural hazard management for reasonably based decision making and actions.

At the times of disasters, our affected communities need all levels of Government to shoulder the recovery and rebuilding effort required. Local communities cannot subsequently be left with shouldering an unsustainable financial burden. The Commonwealth cannot withdraw from the responsibility of contributing its fair share to disaster recovery and restoration.

Council appreciates the opportunity to make this submission to the Inquiry and to make any further contribution sought by the Commission. Please contact Mike Brady, General Manager Infrastructure Services Group should you wish to discuss our submission further.

Yours sincerely,


CHIEF EXECUTIVE OFFICER

Encl.

Toowoomba Regional Council ABN: 99 788 305 360

All correspondence should be addressed to the Chief Executive Officer, PO Box 3021, Toowoomba

Village Fair QLD 4350, quoting our reference and marked for the attention of the contact officer shown above.

13 June 2014

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Dear Commissioners,

Submission to the Natural Disaster Funding Inquiry with reference to issues Paper May 2014

Thank you for your consideration of Council's submission to the above Inquiry. In essence, Council strongly supports the LGAQ's submission dated 6 June 2014; however we also wish to emphasise a number of points.

1. Financial Impacts

The community of Toowoomba Regional Council (TRC) has suffered greatly from the flood events of recent years. There has been huge impact and cost to our community emotionally, socially and commercially; costs that all communities must bear in their recovery from natural disasters.

The ability for councils to call upon financial assistance from the Commonwealth and State Governments through the NDRRA in their time of need to reconstruct infrastructure is essential. Affordability for local government beyond current arrangements is not possible.

Though the NDRRA funding arrangements currently states "75% Commonwealth and 25% State," the actual cost to local government is between 10-20% depending on the event for essential infrastructure alone (for TRC, this is currently in the order of \$25 million for 2010/11 and 2013 events). Additionally, much of the community recovery costs are also covered by local government and local community organisations.

Similarly, at a time of major disasters all available State resources are also financially stretched. Given the fiscal capacities of Commonwealth, State and Local Governments, it is essential the majority of direct funding from the Commonwealth continues. The current arrangements do provide guidance on what is funded and the responsibilities and contribution by each level of government.

The National Commission of Audit suggestion of changes in funding splits would be totally unaffordable to the State and Local Governments.

2. Building Resilient Communities

Planning and mitigation for major disaster events is an essential responsibility of all levels of government. TRC (as per Queensland Flood Commission of Inquiry final report) has been active for many years with its Emergency Management Planning and in particular flood mitigation strategies.

Unfortunately, the level of any flood mitigation funding support (in particular grants) from both the State and Federal Governments were substantially reduced (in real terms) in the preceding decade up until the 2010/11 flood event in Queensland (ie. through the drought period).

Reconstruction of infrastructure to “current day engineering standards” must be fully supported by the State and Commonwealth Governments. Building “like-for-like” does not give a resilient outcome to the reconstruction of infrastructure. Most of Australia’s road network elements are an accumulative improvement over the last century. Over time, design and construction approaches have significantly changed and improved to take into account the increased traffic volumes and loadings that governments have allowed on all networks.

The current Betterment Program and Category D grants have enabled TRC to undertake significant improvement in building community infrastructure improvements. The works are of substantial benefit to the community and will significantly mitigate damage and subsequent cost impacts from any future flood events. Hence, TRC strongly supports the LGAQ’s proposition that a significant ongoing program with equal shares between the Commonwealth and State (with up to a 20% Local Government share) with an emphasis on Betterment and mitigation would build more resilient communities and substantially reduce the cost of future disaster events.

3. Use of Council Day Labour

Councils must have the flexibility to utilise their day labour workforce as part of any disaster reconstruction program and the full cost of this needs to be recoverable. Though TRC could not have recovered from recent flood events without the substantial assistance of major civil contractors, procuring contractors delays the recovery process and their costs to the program is substantial.

TRC has undertaken a number of direct activity cost and program cost benchmarking exercises that demonstrate significant ‘direct dollar’ savings and value for money outcomes through use of day labour. Council strongly supports the LGAQ’s comments and proposition as noted below:

Councils in regional areas of Queensland have identified the following concerns if ongoing use of day labour for NDRRA works is prohibited:

- *Increased costs to State and Federal Governments through use of contractors as a result of higher establishment costs and competition to engage contractors when the event impacts on a number of councils in a region;*
- *Slower recovery of assets because of mobilisation times from non-local contractors, leading to flow on effects to the local economy including agricultural production, tourism and resource industries;*
- *Poorer economic outcomes for local communities including potentially increased unemployment;*
- *Loss of skilled staff along with specialised plant and equipment from the local area;*
- *Significant reduction in the ability of councils to assist their communities post the event.*

The LGAQ submits that the value for money approach of the trial should be permanently adopted by the Australian Government as the basis for the use of council day labour staff in performing works under the NDRRA. The use of council day labour has been shown as cost effective.

4. Administrative Arrangements

The current NDRRA arrangements place a high administrative workload for local government at a time of greatest community need. That said, Council understands the need for full accountability of public funds expended and the public scrutiny that all levels of government are exposed to in delivering the recovery and reconstruction from natural disasters.

Undertaking emergent works, developing submissions, procuring contractors, delivering reconstruction works and the closing out on each program, requires significant administrative resourcing and is a substantial cost to the program.

TRC is being subjected to five levels of audits:

1. Council's internal and financial auditors;
2. QldRA auditors;
3. Queensland Audit Office;
4. Commonwealth Inspectorate auditors;
5. Australian Audit Office.

The program management and administrative resourcing for these auditing requirements is excessive. Council suggests that this is an area of administration that could be substantially streamlined and simplified and should be a focus of the Inquiry.

Council appreciates the opportunity to make this submission to the Inquiry and to make any further contribution sought by the Commission. Please contact Mike Brady, General Manager Infrastructure Services Group directly should you wish to discuss our submission further.

Yours sincerely,

Brian Pidgeon
CHIEF EXECUTIVE OFFICER

Cc: Greg Hoffman, Director Policy & Representation, LGAQ