



AUSTRALIAN LOCAL
GOVERNMENT ASSOCIATION

SUBMISSION TO THE PRODUCTIVITY
COMMISSION'S INQUIRY
- NATURAL DISASTER FUNDING ARRANGEMENTS -
DRAFT REPORT

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INTRODUCTION

The Australian Local Government Association (ALGA) welcomes this opportunity to respond to the Productivity Commission's (the Commission) draft report on natural disaster funding arrangements released on 25 September, 2014.

ALGA and its member state and territory local government associations support many of the draft findings and recommendations, particularly those relating to the need for greater resource allocation to mitigation, risk assessment and management, and the provision of timely and accurate information. ALGA and the local government sector also welcome the Commission's suggestion to give councils and the diverse communities they serve greater autonomy in how they respond to perceived threats, and/or recover from adverse events and the Commission's acknowledgement of the value in using day labour and opportunities for betterment.

However, ALGA is concerned about a number other draft recommendations proposed in the report, given the likely significant financial burdens they may impose on councils which already experience significant resource constraints. These include substantially reducing the Commonwealth contribution to assist with response and recovery funding, and subjecting local councils to insurance requirements that in some instances will be unaffordable, or unavailable.

This submission provides an overarching response to those draft recommendations relevant to the local government sector. It should be noted that many of the arguments made in this submission are not new and reinforce ALGA's adopted national position presented in previous submissions responding to the challenges facing local and regional communities in dealing with natural disasters and the impacts of changing climate patterns.

In responding to this report, ALGA is acutely aware that the impact of natural disasters across Australia is not uniform. Natural disaster risk is not the same across the States and Territories and the impact of natural disasters in term of costs to public infrastructure varies with the type of disaster. Some jurisdictions (and their local governments) are particularly prone to costly natural disasters whereas others are not.

The financial capacity of councils and jurisdictions also varies greatly and what may be a manageable small disaster for one council may be an unmanageable financial impost for a different council. Similarly, the capacity of state and territory governments to assist their councils will vary greatly and so the financial implications for councils from changes to the level of Commonwealth support if the Commission's draft recommendations are implemented will vary between jurisdictions.

ALGA has encouraged its member state and territory associations and individual councils to make their own submissions to the Commission and ALGA's submission should be read in conjunction with those submissions.

RESPONSES TO THE COMMISSION'S DRAFT RECOMMENDATIONS

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.*

ALGA does not support the recommendation to reduce its marginal cost sharing contribution rate to 50%. Nor does ALGA support an increase in the triggers for Australian Government assistance by increasing the small disaster threshold from \$240,000 to \$2,000,000. ALGA does, however, generally support the view that state and territories (and their local governments) should have greater autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

Jurisdictions have long been encouraged by the Commonwealth to develop mirror arrangements at the state and territory level which reflect the Natural Disaster Relief and Recovery Arrangements (NDRRA). The consequence of this is that any proposal to substantially reduce the level of assistance provided by the Commonwealth to the States/territories will almost certainly flow on to local government, the level of government least able to absorb the financial impact of natural disasters.

The small disaster threshold was designed to exclude the very small events which jurisdictions were expected to cope with themselves. It was \$200,000 in the early 2000s but subsequently increased to \$240,000. Many jurisdictions apply the same threshold to councils.

The Commission's statement that it would be up to individual jurisdictions to determine how they would provide support to their local governments, while obviously correct, serves to obscure the likely impact on councils and runs the risk of being seen as tantamount to an echo of responsibility shifting from the

Commonwealth to the States. Jurisdictions are under fiscal stress with most if not all states and territories running deficits not surpluses in recent years. It is realistic to expect that reductions in support to state and territories by the Commonwealth will be followed by reductions in support to councils.

ALGA has consistently argued that the local government sector is under serious financial constraints and that capacity and capability of the sector varies considerably. This stress will be compounded by the Australian Government decision in the 2014-15 Budget to freeze the annual indexation of the Financial Assistance Grants (FAGs) to local government for three years which will result in a permanent reduction in the FAGs by 13%. This decision will reduce the annual value of the FAGs to local government by more than \$300 million in 2016-17 and every year thereafter. The proposals of the Commission will further erode the capacity of councils to provide services and infrastructure for their communities.

As such, ALGA joins its members in requesting the Commission undertaken further analysis of what the real impacts of such reductions may be on the economic and social viability of all types of councils and their communities.

ALGA welcomes the proposal to give councils greater autonomy in how they manage relief and recovery expenditure but does not accept that it should be linked to a reduction in the levels of Commonwealth support. The local government sector has long argued that it is financially more efficient and effective if councils are permitted to use their own resources to deliver the outcomes required by their communities. Both the use of day labour and increasing the opportunities for undertaking betterment are clearly two areas that would benefit from greater autonomy provisions.

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

ALGA supports a substantial increase in Commonwealth support for mitigation but does not believe it should be tied to a reduction in the Commonwealth's support for relief and recovery. ALGA has consistently argued that greater investment in natural disaster mitigation is justified of itself and previous analyses have supported this conclusion.

Mitigation strategies are cost effective and have the potential to minimise future losses, and therefore lead to positive cost-benefit outcomes. ALGA supports adopting a consistent and transparent decision making process for choosing between competing projects, especially those in the same local government area but there needs to be caution in relying solely on Cost Benefit Analysis for selecting projects across jurisdictions which could see important projects in smaller remote councils consistently excluded. ALGA also notes the need to ensure that councils are given the necessary assistance to use such tools, and the training where required.

Mitigation options should include a range of practical efforts to either reduce the risk of given hazards, such as catastrophic flooding, or simply better prepare the community to deal with such events. Mitigation efforts themselves could be in the form of flood levees and warning systems, improved strategic land use/urban planning practices, enhanced building and construction standards and materials, sustainable environment management and landscaping, community education programs or selected interventions such as strategic buy back of properties and/or strengthening of key infrastructure assets.

ALGA has substantial concerns about elements of this recommendation. It takes a simplistic view that increased mitigation will lead to ascertainable and quantifiable savings in relief and recovery expenditure which could then be used to reinvest in further mitigation. Logically there will be reductions in such expenditure if mitigation efforts are increased; the level of relief and recovery expenditure will be less than would otherwise have been the case without the investment in mitigation, but that

does not mean that there will be an actual reduction in relief and recovery expenditure into the future. Many other factors including changing climatic conditions, the incidence of arson, rates of inflation and cost increases, changes to reimbursement arrangements and decisions on whether or not to rebuild infrastructure and to what standard will also impact on relief and recovery expenditure.

Even if the Government decides to make linkages between mitigation expenditure and relief and recovery savings, such savings may take years to emerge and it would be disastrous for councils if relief and recovery expenditure was reduced prematurely without allowing time to realise any savings.

ALGA has concerns about the matched funding requirement for any increase in mitigation investment by the Commonwealth. It continues to be a reality that the Commonwealth has around 83% of the nation's tax revenue and local government has around 3%. It is unrealistic to expect all councils with worthwhile mitigation projects to be able to find matching funds. It is also unrealistic to expect that state and territory governments with their own fiscal constraints will always be able to find additional funds on behalf of councils. A mechanism to deal with worthwhile projects in councils without capacity to match funds must be explored.

The per capita funding model for mitigation proposed should be complemented with a geographic risk assessment given the impacts of natural hazards are highly dependent on geographic location and localised physical environment circumstances. Local communities face different challenges and have varying resources as their disposal. Broad policy proposals must be sensitive to such differences on both an equity and sustainability basis.

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.

ALGA supports in principle this proposal to provide greater levels of transparency and accountability in the budgets of all Australian Governments for disaster costs that can be reasonably foreseen and quantified.

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.

As ALGA previously stated in its earlier submission, only a limited number of councils in some states have secured insurance for specific items of infrastructure and the majority of council infrastructure assets are uninsured. The reasons for this lack of insurance cover being either the:

- relatively high cost relative to perceived risk;
- high deductibles in relation to flood and earthquake insurance; and
- in many cases, the inability to get flood and earthquake cover, particularly in Northern Australia within the expected cyclone area¹.

The largest class of infrastructure assets for many local governments is that of roads and ancillary infrastructure. ALGA understands there is no council in Australia that insures roads (although some have secured insurance for selected bridges). This includes Victorian councils.

There is no evidence to suggest that a council's willingness or ability to insure is related to the flood mitigation measures they may or may not have undertaken. Generally, insurers do not seem to take account of disaster mitigation measures adopted by councils in their willingness to provide insurance.

It remains ALGA's opinion that the lack of insurance products for infrastructure assets was likely to be the result of insurers having estimated that the premiums and conditions that would need to apply, having regard to risks and uncertainty, would be such that they would struggle to attract a sufficient broad base of councils to make such an offering viable.

It should also not be underestimated that significant professional and administrative costs are involved in researching, preparing and taking to the market a proposal for obtaining best possible pricing to cover billions of dollars in assets that have not previously been covered by insurance. Given that such a project would require detailed individual analysis of existing council insurance programs, asset registers and compilation of asset risk profiles, the direct costs alone for local governments across Australia would be in the order of millions of dollars.

¹ For example in situations in Queensland where councils are covered for floods the policies typically have an upper limit of \$250,000 per council per event.

With respect to compiling and publishing road asset registers, many jurisdictions require asset registers as part of their reporting and planning requirements for councils but the registers proposed by the Commission are for a different purpose and may require substantial additional effort and cost by councils. Without support from other levels of government, the provision of such registers will be limited.

It should also be noted, that Councils must always assess the costs of what needs to be done to achieve a reliable asset network with the ability of their community to pay. This is particularly the case for small regional and rural communities. Any proposal to significantly financially disadvantage regional Australia would run counter to the Commonwealth's regional development agenda.

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*

ALGA defers to its respective member associations on the need for ongoing reimbursement of NDRRA funding for such assistance as emergency food, clothing or temporary accommodation and assistance to businesses and primary producers and the level of assistance that should be provided. ALGA notes that the provision of such assistance and its reimbursement has been subject to previous consideration by states and territories and the Commonwealth. The same, however, cannot necessarily be said for the unilateral decision by the Commonwealth to introduce its AGDRP which duplicated earlier and more modest payments from the states and territories.

The Commission's recommendation to terminate reimbursement for the more immediate state and territory government personal hardship and distress payments and clean-up and recovery grants for businesses in favour of the inconsistently applied Commonwealth AGDRP is not supported. Having said that, ALGA does support greater consistency and less ministerial discretion in the AGDRP arrangements.

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 LICENCING 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.*

ALGA supports this draft recommendation in principle.

It continues to be ALGA's understanding that whilst many councils do make their flood mapping data (and other hazard assessments) publicly available (with appropriate qualifications), there are also other local government authorities that simply do not have relevant data or are more conservative in their approach to making such information freely available. This reticence arises from potential legal liability concerns, the quality of data given recent experiences and the varying methodological approaches adopted by councils in mapping various hazard risks.

Therefore making information more readily available and charging for this where appropriate, is only half the answer. If it is preferable to have a single authoritative source of information the question is who should bear responsibility for producing, maintaining and funding the development of such a resource inventory? This is particularly the case when considering the growing concerns arising from climate change and the growing sources for obtaining data and information, be this publicly or privately funded.

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.*

ALGA believes this draft recommendation reflects the current position of many councils throughout Australia.

In order to establish more effective partnerships, communication and information sharing between the levels of government needs to improve substantially.

The types of assistance that state and territory governments can provide to local governments include:

- Hazard mapping;
- Expertise, knowledge and technical assistance;
- Providing additional resources (staffing) to assist in implementing and interpreting state government planning policy, or translating it into planning controls;
- Consistent and standardised approaches to dealing with risk classes;
- More support for regional planning; and
- Improved communication with and empowerment of local governments.

In addition to the above, the Commission must not forget that the insurance sector by nature is both competitive and financially driven and that there would be inherent limits in what information may be able to be exchanged through the private sector network. Nevertheless the principle of sharing and engaging is one that should be encouraged and needs to occur if greater levels of resilience are to be achieved in Australia.

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).

ALGA supports the jurisdictions working with their local government colleagues in implementing the Enhancing Disaster Resilience in the Built Environment Roadmap. ALGA officers continue to participate in the work of the Taskforce.

Vendor statements will require accurate information to be contained and ultimately will also require related industry sectors such as real estate, banking and finance, property valuation, private certifiers and assessors to be engaged in this process.

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 LANDUSE 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.*

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.

FURTHERMORE, LOCAL GOVERNMENTS SHOULD PUBLISH THE REASONING BEHIND DEVELOPMENT ASSESSMENT DECISIONS.

ALGA welcomes both of these draft recommendations as it clearly recognises the critical role played by the respective jurisdictions in how planning is implemented on a state by state basis. Land use planning (incorporating both strategic and statutory planning) provides a comprehensive set of tools to reduce exposure to hazards and consequent risk by controlling where development occurs.

The highly political nature of the process from a State government level, and continuous undermining by some sections of the development sector that see planning as purely a time consuming and expensive regulatory blockage, has given rise to a number of poor planning decisions being made that increase the propensity for loss of life and property damages in the future.

Greater and clearer advice and resourcing assistance from State planning agencies will ensure more consistent planning outcomes are delivered through local planning schemes and development assessment decisions.

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.

Local governments would welcome additional support and guidance from their state governments, but the key concern is that they receive adequate protection in the form of "acting in good faith" coverage when giving advice or making public policy decisions relating to development and construction.

DRAFT RECOMMENDATION 4.7

THE PROVISIONS IN THE QUEENSLAND SUSTAINABLE PLANNING ACT 2009 FOR INJURIOUS AFFECTION SHOULD BE REPEALED.

ALGA defers to the Local Government Association of Queensland on this matter.

DRAFT RECOMMENDATION 4.8

STATE AND TERRITORY TAXES AND LEVIES ON GENERAL INSURANCE SHOULD BE PHASED OUT AND REPLACED WITH LESS DISTORTIONARY TAXES.

Local Government supports this draft recommendation given it is consistent with local governments view that state and territory taxes should not distort or result in inequitable outcomes arising from such imposts.

DRAFT RECOMMENDATION 4.9

INSURERS SHOULD PROVIDE ADDITIONAL INFORMATION TO HOUSEHOLDS 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.

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.*

Local government supports appropriate governance arrangements and transparent decision-making processes for both the provision and maintenance of public infrastructure, including roads. Local government has been working on asset management planning for several years now and ALGA is currently in the process of preparing an updated National State of the Assets report.

ALGA believes that research being undertaken by the Natural Hazards and Bushfire CRC should assist in enhancing how best to incorporate the disaster risk in the asset selection and maintenance processes.

ALGA supports this draft recommendation.

CONCLUSION

ALGA welcomed the Commission's Inquiry into Natural Disaster Funding as an opportunity to shed light on the need for and benefits of increased funding for mitigation. ALGA supports the Commission's recommendation that such funding should be increased but does not support the view that such increases should be dependent on reductions in other Commonwealth funding.

ALGA does not support the Commission's recommendations that the level of Commonwealth support for relief and recovery efforts should be reduced and that the small disaster threshold should be dramatically increased. Both of these measures would likely increase greatly the cost of natural disasters for local government councils, and create major funding problems for many councils.

Equally Local Government would argue that the Commonwealth must continue to play a major role in building the overall national capacity and capability in managing the diverse emergency management challenges facing the country by continuing to provide leadership and resourcing of key federal institutions such as: the Commonwealth Attorney - General's Emergency Management Australia, Crisis Coordination Centre, the Australian Emergency Management Institute, Geosciences Australia, Bureau of Meteorology, CSIRO and specific supporting initiatives such as the Australian Business Register and cooperative research centres including the Bushfire CRC and newly established Bushfire and Natural Hazards CRC.

Issues concerning the ability and feasibility of councils to insure infrastructure assets are complex and changes to existing arrangements would potentially have significant cost implications for councils, the ratepayers and the broader communities they serve. Any reduction in the role of the Commonwealth in providing financial assistance and support for the states (and thereby local governments), by making access to the Natural Disasters Relief and Recovery Arrangements (NDRRA) more restrictive, will simply lead to a direct increase in the level of costs borne by councils and communities.

Having said this, whilst Governments at the Commonwealth and State/Territory levels provide substantial assistance in disaster management, the majority of recovery costs and broader resilience investment is made by Councils, local community organisations and individual households. Given this fact, ALGA welcomes the proposal to give Councils greater autonomy in how they manage relief and recovery expenditure. Both the use of day labour and increasing the opportunities for undertaking betterment are clearly two areas that would benefit from greater autonomy provisions.

Until further detailed analysis is undertaken and provided on the implications of many of the draft recommendations dealing with reducing Federal government assistance (in both the quantum and triggers related to the NDRRA and related disaster assistance packages), ALGA believes that ongoing engagement with all of the key stakeholders involved needs to continue. It is imperative that any new national disaster funding arrangements does not simply 'buck pass' the problem from the Commonwealth, to others to manage as best they can.

For further information in relation to any of the matters raised in this submission, please contact Adrian Beresford-Wylie