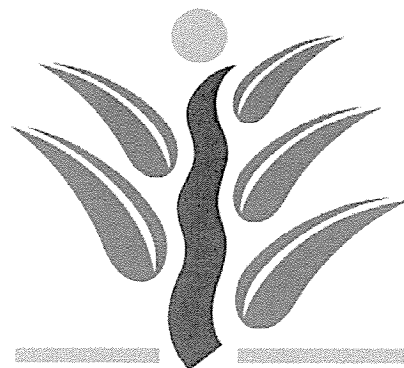


**Submission to the Australian Government
Productivity Commission**

**Review of Natural Disaster Funding
Arrangements – Draft Report**

October 2014



EAST GIPPSLAND
SHIRE COUNCIL

Contents

1	Introduction	3
2	Submission	4
2.1	Objectives of the Natural Disaster Funding Arrangements	4
2.2	Impact to Local Government	5
2.3	Cumulative Impacts to Communities.....	5
2.4	Volunteers and Donations.....	6
2.5	Insurance	6
3	Planning for Adaptation	7
4	Conclusions and Recommendations	8

1 Introduction

East Gippsland Shire appreciates the opportunity to make a submission to the Draft Report prepared by the Productivity Commission in respect to Natural Disaster Funding Arrangements in Australia.

East Gippsland Shire works cooperatively with all Gippsland municipalities through the Gippsland Local Government Network (GLGN). As all Gippsland municipalities have experience with managing the impact of natural disasters, we all work closely in improving the way that we manage these events across the region. Matters relating to funding support for natural disasters are of great importance to GLGN and as a result this submission has been discussed with all Gippsland municipalities. At the time of finalising this submission however, it was not possible to secure written advice of support from each of the other municipalities.

East Gippsland Shire is also aware of the submission prepared by the Municipal Association of Victoria (MAV). The MAV Submission provides an excellent response to the Draft Report on behalf of the Victorian Local Government sector, and East Gippsland Shire supports the views set out in the MAV submission.

East Gippsland Shire is a municipality that is very experienced in managing the impact of and response to a range of Natural Disasters. Our submission to the Discussion Paper prepared for this Inquiry provided details about the experience of East Gippsland Shire Council in planning for, managing the impact of and recovering from natural disaster events. This impact has been consistent and ongoing and we know about the impact of cumulative events on rural communities. In many cases these are communities where there is limited capacity to mitigate the impact of these events – it is the environment we live in.

We are keen to ensure that our communities are able to adapt to a changing environment – one that will most probably have a more significant impact as a result of a changing climate.

East Gippsland Shire is keen to ensure that there is an equitable and sustainable outcome to this review. One that has a long term perspective on the impact of natural disasters on communities across the nation and importantly one that has regard not only for insurance and mitigation, but adaptive responses as well.

Our submission focuses on the experience that East Gippsland Shire has with working with our communities preparing for, responding to and recovering from natural disasters under the current funding arrangements and will provide some additional information in respect to work that we are undertaking examining options around adaptation to our changing environment.

East Gippsland Shire is most concerned that despite setting out our response to the matters raised so far, there appears to be a limited analysis of the potential impact to Local Government and the communities that we support as a result of the draft recommendations. We consider that this is an opportunity to review the objectives of the program, the impacts of the program across the country and an opportunity to direct the funding program to a more equitable and sustainable direction. We are concerned that the draft recommendations have not taken full advantage of this important opportunity for review.

2 Submission

2.1 Objectives of the Natural Disaster Funding Arrangements

In the Discussion Paper, the Productivity Commission has asked *“What should be the objectives of the natural disaster funding arrangements?”*

The MAV in its submission to the discussion paper indicated that there are no definite, but only inferred objectives for the program. It is considered that determining the objectives of the program are a key first requirement of the review – otherwise how can the effectiveness or otherwise of the program be determined? How can the future sustainable direction of the program be determined?

Being clear about the objectives of a program such as the Natural Disaster Funding arrangements will influence application of the program, changes to the program and ultimately the view about the program. Determining the objectives of the program would appear to be a priority action of this review.

In East Gippsland we consider that the program is designed to provide equitable outcomes to communities affected by natural disasters that are beyond their control. Ultimately we believe that the program is designed to ensure that affected communities are able to get back up and operating as effectively as possible as soon as possible so that they can continue to contribute to the economy and wellbeing of community functionality.

The program needs to recognise that there are areas that are more regularly affected by natural disasters and in many cases these are the areas of Australia that have the least capacity to pay for the recovery effort required and yet they provide a range of natural resources and other services to the broader population. The program should aim to provide equitable outcomes.

The scale and extent of many events have little consideration for State or municipal boundaries and the program should aim to recognise impacts rather than be bound by arbitrary boundaries not well respected by natural events that are uncontrollable or which result in downstream impacts. This is one of the major benefits of a larger scale program that supports recovery of communities and assets as it balances out the potential for inconsistency across existing jurisdictional boundaries.

The development of overarching objectives for the program could also address issues associated with terminology and consistent application of requirements across different spatial areas where experience and application of the requirements is often the only guidance that can be provided to the implementation of the program.

We cannot see that any of the draft recommendations of the Commission address matters concerned with the objectives of the program. This is, in our view, an issue that affects the balance of recommendations in the report.

2.2 Impact to Local Government

Local Government has the least capacity of all levels of Government to respond to significant triggers for economic incentives and change in respect to the impact of natural disasters. We are concerned that the implications for Local Government, acknowledged as the most connected to the community, are going to mean that there is a significant disconnect at a local level where communities are impacted.

While the draft report considers that there may be economic incentives for State and Local Government to shift their investment in disaster impact to insurance and mitigation, the reality is that Local Government has a very limited capacity to generate or shift resources to this type of activity. We are concerned that the recommendations assume that there will be additional support from the Victorian Government or that there is the capacity to manipulate the local rate revenue system for this purpose – or indeed the capacity to shift resources to this area of activity over other priority areas. We consider that this is an unrealistic understanding of many Local Councils and the flexibility of the sector to respond to changes to the timeframes and processes proposed by the Draft Report.

2.3 Cumulative Impacts to Communities

The impacts of natural disasters are clearly not just impacts to infrastructure, but are realised as impacts to communities and individuals. Communities in East Gippsland have been subject to the impact of multiple events over an extended period of time. While there may be the expectation that many rural and regional communities possess a certain level of stoicism and resilience this is not universally true. Where communities and individuals are regularly impacted we consider that it is not acceptable to “return” communities to the place they found themselves in prior to that emergency.

Supporting communities and individuals to adapt in response to natural disasters will be increasingly important because in a place like East Gippsland there are limited actions that can be taken to mitigate against impacts to physical infrastructure and so many communities will always be vulnerable to events.

East Gippsland Shire has received support funding following the 2014 fires to implement a program of adaptation for the communities affected. This means that we are looking to take residents from their current state, to an improved state of adaptation. Details of this program will be observed at a State Level to assess how this might be applied elsewhere in the Victoria. A copy of the documentation supporting the provision of the funding can be provided if required.

Development of resilience in communities is a challenging task that takes skill, time and maintenance. We are concerned that the transition arrangements proposed by the draft recommendations would not provide sufficient time or resources for communities to understand and respond to the level of change that would be required and that this will leave many people vulnerable and exposed to impacts of events to an even higher level.

2.4 Volunteers and Donations

Understanding the benefits and unintended consequences of the Natural Disaster Funding Arrangements is a critical aspect of this review. It is considered that there is a need to provide some focus on volunteering and donating as part of this process.

Shifting resources across Governments and down to communities may have an unintended and unsustainable impact on volunteer and donated supports as there will most likely be additional pressure to fill funding gaps that emerge where people have not been able to support themselves. Community members do not want to see people adversely impacted and often donations are an important part of allowing vulnerable community members to get back on their feet. However the ability to rely on community supports will become strained as the frequency of events increases and volunteer resources become more constrained.

Our initial submission to the Discussion Paper provided a small case study of the impacts associated with changing funding policy and the use of volunteers to support restoration of fences in farming areas. We think this provides a practical example of the stresses that may be placed on volunteers over time.

The role of volunteers and donations plays a significant role in emergency recovery processes and any consequences associated with funding arrangements should be examined as part of this review.

2.5 Insurance

The MAV and ALGA in their submissions have detailed the challenges for Local Government from an insurance perspective. They demonstrate the limitations and affordability of existing insurance arrangements for Local Government assets.

In the case of East Gippsland the estimated cost to replace infrastructure damaged since only 2011 is in the order of \$16 million. Even assuming that East Gippsland Shire could purchase insurance to cover the damage incurred, it is likely that the premiums would be extremely high. There is a distinct likelihood that given our risk exposure and history of events that East Gippsland Shire would be in effect uninsurable.

If East Gippsland Shire was to consider a program of self-insurance then significant funds would have to be directed to this on an annual basis. If resources of the rate payers of East Gippsland were to be used to fund such a scheme this would have significant financial consequences for our municipality and would be unsustainable.

3 Planning for Adaptation

It is considered that the concept of betterment is now dated and that in light of evidence that our changing climate will impact on the frequency and intensity of natural disasters means that we need to be focussing on adaptive responses to the impact of these events.

In East Gippsland we have been working with the Department of Environment and Primary Industry to develop a Local Coastal Assessment for the Gippsland Lakes and the Ninety Mile Beach. When completed, this Assessment will provide Council and other decision makers with advice in respect of the likely impacts from inundation and erosion from catchment flooding, sea level rise and storm surges. This information will provide the basis of work that will commence shortly to pilot an approach to adaptation planning for the community of Lakes Entrance.

Significant information already exists about impacts to coastal and other communities and continues to be refined through a focus on responding to the need to plan for future climate impacts. Understanding and planning for the impact of future events driven by a changing climate is becoming business as usual for many Council's and sees us moving from thinking purely about mitigation to adaptation processes.

Information available to us now about what the future might bring can be used to support strategic thinking and planning about how to minimise the negative consequences for existing communities. Understanding how to better respond to and recover from natural disasters now is an important early step in the adaptation process.

The challenge is to determine how best to use the available information to undertake effective long term adaptation. East Gippsland Shire has been funded to undertake a pilot project examining methodologies for supporting the community of Lakes Entrance to adapt to the future impacts associated with coastal climate change.

Understanding how to engage and work with communities to understand their future exposure and preferred responses to events is a complex process that raises a wide range of social equity, legislative and technical questions that are yet to be fully understood and explored.

Making decisions about investment in adaptive responses is complex and there is a need to develop effective tools and knowledge to understand what level of investment can be justified and at what point changes to infrastructure are required and for how long such investment will provide the necessary protective response. There will also be a need to understand how people in the community will respond to changes and also adapt their responses and behavior.

There has been significant investment seeking to understand appropriate adaptive responses into the future, much of this is captured through the work of the National Climate Change Adaptation Research Facility.

It remains unclear as to how the outcomes of effective adaptation planning will be funded over time however investment will be required to support sustainable community outcomes into the future. There may be merit in considering a shift over time from funding recovery in the most vulnerable parts of Australia to more proactively funding adaptive responses to reduce that vulnerability. An assessment of the value of funding adaptation in areas vulnerable to events may represent effective investment in the future of many communities.

A supportive approach to long term adaptation planning may have a significantly positive cost benefit over time compared with the predicted scenario of ever increasing restorative costs into the future. This is a complex area of decision making and requires significant and coordinated policy and leadership.

4 Conclusions and Recommendations

East Gippsland Shire happens to be a municipality that has significant exposure to natural disasters. We understand the costs involved to infrastructure and to communities when these events are experienced. We are keen to see this review develop an approach to future funding that is equitable and sustainable. We believe that the impact to Local Government and subsequently communities across the country will be significant should the draft recommendations be adopted.

It is considered that it is impossible to review the Natural Disaster Funding arrangements in order to understand the most appropriate future approach without framing the review in the context of planning to adapt to future climate impacts. Dealing with impacts to our communities will continue and potentially worsen if we don't start to understand how we should plan to mitigate against and adapt to our future environment.

East Gippsland Shire Council therefore recommends that the Commission consider the following matters as part of the review process:

1. Understanding the full scope of the role and contribution already made by Local Government to emergency response and recovery activities in support of their communities.
2. Acknowledge that the risk exposure to communities and Local Government is highly variable as is the capacity of Local Councils to contribute to and resource emergency response and recovery activities.
3. Undertake a more detailed analysis of the likely impacts of the draft recommendations to reduce funding from the Australian Government to fully understand the potentially significant consequences for Local Government and ultimately communities across the country. While economic triggers may generate some increased resilience over time, the ability to pay for protection or restoration is in many cases severely constrained. Those most affected are frequently the least able to make improvements and the cumulative effect of events will be more likely to generate an increasingly negative outcome for many places and community members.
4. Ensure that objectives for funding associated with Natural Disaster programs are developed as part of the review process so that these objectives can be used to appropriately shape the future direction of the program without resulting in unintended or unfair consequences for key stakeholders.
5. Recognise that a forward looking review of natural disaster arrangements should be seen in the context of the processes required to plan for adaptation of communities over time and that improving how we respond and develop resilience to natural events is really an early adaptive response which is an important part of adaptation planning.

6. Consider the proposition that a shift to investing in adaptation planning and agreed responses rather than recovery processes would represent a more effective investment of resources in vulnerable communities.
7. Ensure that the need to fund community and individual adaptation as part of recovery processes is equally as important as ensuring that infrastructure is repaired or replaced appropriately as in many cases there will be few options to reduce the direct exposure of existing communities.
8. Examine the impact of the draft recommendations on the role of volunteer labour and donations of funds and goods in the funding of emergency recovery processes.

Further information and consultation is available through Kate Nelson, Director Planning and Community, East Gippsland Shire.

21 October 2014