



# **Independent Review of Commonwealth Disaster Funding**

**Submission**

**August 2023**

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## 1 Introduction

The Municipal Association of Victoria is the peak representative and advocacy body for Victoria's 79 councils. The MAV was formed in 1879 and the *Municipal Association Act 1907* appointed the MAV the official voice of local government in Victoria.

Today, the MAV is a driving and influential force behind a strong and strategically positioned local government sector. Our role is to represent and advocate the interests of local government; raise the sector's profile; ensure its long-term security; facilitate effective networks; support councillors; provide policy and strategic advice; capacity building programs; and insurance services to local government.

This submission is informed by the MAV's ongoing engagement with councils regarding emergency management planning and disaster recovery. Councils have also provided specific feedback on the Disaster Recovery Funding Arrangements (DRFA) in the context of this submission and our submission to the 2022 flood event inquiry.

The MAV recognises the positive impact that Commonwealth disaster funding has on local communities. We support reviewing the current arrangements to ensure they continue to provide effective investment across all levels of government to meet the challenge of the projected increase in natural disasters.

Disaster funding should be allocated in the most cost-effective manner, with a focus on mitigation and resilience providing the best return on investment. Recovery funding must be provided to communities in a timely manner, with funding guidelines prioritising the prompt disbursement of funds to support community recovery.

In this submission the MAV makes the following recommendations:

- That the Federal Government considers implementing funding programs focusing on pre-disaster asset resilience assessments.
- That Federal recovery funding programs promote and incentivise the upgrade and improvement of disaster-affected infrastructure as part of the funding models.
- That the DRFA guidelines be updated to provide greater consistency across jurisdictions and between events. The updated guidelines should prioritise the timely delivery of relief and recovery projects over a risk and compliance focused application process.
- Claims management officers be made an eligible expense under the DRFA guidelines.
- The DRFA guidelines be updated to increase support for the use of internal council resources. The update should provide greater flexibility for councils to direct resourcing across the organisation as required.
- The definition of essential public assets in the DRFA be expanded to include a broader range of paths and tracks, the restoration of parks, recreation reserves and other community facilities as well as trees and canopies associated with public use.

## 2 Response to Review Questions

### 2.1. What experience have you had with Commonwealth disaster funding support?

Victorian councils have a long history of receiving Commonwealth disaster funding support for recovery, mitigation and resilience-building activity.

The MAV represents councils on relevant state-level emergency management committees and working groups. This includes working closely with Emergency Management Victoria (EMV) and State Government departments that administer Commonwealth-supported disaster funding including the Disaster Recovery Funding Arrangements (DRFA), Disaster Ready Fund and programs stemming from the national partnership agreement, including the Risk and Resilience Grants Program.

The MAV also meets regularly with the Australian Local Government Association (ALGA) and other state local government associations. We understand the challenges, opportunities and, at times, inconsistency in the delivery of Commonwealth disaster funding across the country.

Victorian councils and the MAV have provided consistent feedback on disaster funding over many years, including the 2014 Productivity Commission Inquiry and the recent Inquiry into the Implications of Severe Weather Events on National, Regional, Rural and Remote Roads. The key themes have included the financial pressures facing councils, the need to reduce the administrative burdens of claims, and including betterment as an eligible expense in recovery claims.

In the most recent large-scale disaster, the 2022 flood event, 63 of Victoria's 79 councils were directly affected. Preliminary estimates of damage to local government infrastructure and community recovery needs from the event are over \$350 million. The MAV is currently supporting a DRFA peer support network for council officers, which was established so councils can share information and processes to support successful DRFA claims.

Victorian councils operate in a rate-capped environment. Councils are unable to fund resilience and disaster recovery activities without the support of the State and Commonwealth governments.

### 2.2. How could Commonwealth funding support communities to reduce their disaster risk?

Climate change and its impact on the increasing frequency and severity of natural disasters means that disaster risk reduction must be a priority for communities and all levels of government. Commonwealth funding support must prioritise the financial benefit of investing in resilience and mitigation and consider both the built and social environments. It is acknowledged that for every dollar spent on disaster risk reduction, there is [an estimated \\$9.60 return on investment](#). The MAV welcomes the recent Federal Government investment in natural

disaster mitigation, including the \$200 million yearly investment through the Disaster Ready Fund (DRF).

### Investment in resilience

Councils lack the financial capacity to make significant investment in the resilience of their built environment. Local government's asset-to-revenue ratio is substantially different from other levels of government. Councils have large assets to manage, yet significant constraints on revenue (including imposed limits on own-sourced revenue such as the rate-cap and statutory fees). There is a growing gap between asset depreciation and council spending on renewal, let alone investment in resilience.

To increase the resilience of infrastructure, proactive assessments of assets in areas identified as prone to climate-related disasters would allow councils to consider, plan and implement solutions before emergency events occur. Rural councils often lack the funds or skilled professionals to undertake these assessment activities in conjunction with their usual asset maintenance operations. Currently there are limited funding opportunities from the Victorian or Federal Governments that focus primarily on pre-disaster mitigation assessments of infrastructure. Although infrastructure resilience is sometimes included within the required criteria, the scope for assessing infrastructure at risk of climate and emergency event-related damage is often considered minor compared to the primary objective of the funding.

A dedicated stream for resilient asset assessments would put councils in a position to program works through their normal capital expenditure processes or to prepare site-specific funding applications that would be better received by funding agencies.

**Recommendation:** *That the Federal Government considers implementing funding programs focusing on pre-disaster asset resilience assessments.*

All Commonwealth funding for infrastructure, not just disaster-related funding, should incorporate disaster resilience. Specific disaster resilience funding, such as the DRF, should also be maintained. The MAV notes that successful Victorian projects in round one of the DRF were primarily flood risk related, which raises concerns that disaster funding continues to be reactive to previous events rather than proactively considering the risk of all natural disasters.

Individual and community resilience must remain a focus of Commonwealth risk reduction funding. While all Australians will be impacted by the increased frequency and severity of natural disasters over the coming decades, the burden will not be shared equally. Whether due to geographical location, disability or a range of other factors some individuals and groups are at increased risk during disasters. As the level of government closest to the community, councils are well placed to work with those at increased risk during disasters to build their capacity and resilience. This work will require funding support to implement.

## Investment in betterment

Victorian councils and the MAV have been advocating for betterment to be a claimable expense through the DRFA and its predecessor NDRRA for more than a decade. Recent feedback to the MAV confirms many councils are willing to co-contribute to infrastructure betterment and would welcome changes to the funding to allow this. Councils have provided the MAV with examples of infrastructure repaired using DRFA funds, only for it to be damaged again in a subsequent event, due to not being able to invest in more resilient design and construction. The ability to rebuild to higher standards, use more resilient materials, improve drainage or widen culverts would result in significant savings and fewer DRFA claims, as demonstrated in Queensland.

Statistics provided by the Queensland Government indicate significant savings from assets that have been rebuilt to a higher standard through the betterment fund and have since been affected by subsequent disasters. Of the 531 betterment projects completed in Queensland between 2013 and July 2023, 423 projects have been subsequently impacted 1173 times across 44 events. Seventy-nine percent of those impacted suffered no or only minor superficial damage. From a \$174 million investment, there is \$397.5 million in avoided reconstruction costs. ([https://www.qra.qld.gov.au/sites/default/files/2023-07/0805\\_betterment\\_funds\\_paper\\_2023.pdf](https://www.qra.qld.gov.au/sites/default/files/2023-07/0805_betterment_funds_paper_2023.pdf))

**Recommendation:** *That Federal recovery funding programs promote and incentivise the upgrade and improvement of disaster-affected infrastructure as part of the funding models.*

### **2.3. Please describe your understanding of Commonwealth disaster funding processes.**

The application process in Victoria is designed to minimise unsuccessful claims or claims failing audit and having to be repaid. This risk-averse approach results in an onerous application process and subsequent evidentiary burdens placed upon councils. Councils then face the risk of not having claims approved and being unable to recoup the cost of works. While administratively robust, the current system in Victoria increases the financial risk for councils, delivering a cumbersome process and delaying the delivery of repairs.

A significant concern for Victorian councils is the inconsistent delivery of DRFA funding across jurisdictions and between events. Inconsistency in items such as evidentiary requirements and the inclusion of betterment across jurisdictions cause inequity in funding delivery, disproportionately affecting those councils most impacted by disasters.

Councils report a perception that guidelines and eligible expenses change between rounds. This is especially evident in areas of ambiguity, where it is felt that the outcome is based on the assessor's judgement. One council provided an example of the assessor determining that the standard amount of crushed rock used by a council for rectification works was excessive with little justification. This subjectivity leads to inconsistent and inequitable outcomes.

## Evidentiary requirements

Onerous evidentiary requirements are a burden on councils. Issues and examples provided by councils include:

- Less resourced councils having inadequate pre-condition evidence, particularly for less visible assets such as culverts
- Photographic evidence required for each activity – contractors or crews must take a photo of every activity, rather than a more general claim covering a period of time or stretch of road. If clearing a road of hazards after a storm, there must be a photo of every branch or tree removed regardless of size and effort, proving it is being removed from a council asset.
- If contractors fail to itemise invoices to include each eligible activity, GPS coordinates and photos they are unlikely to be accepted to support claims.

There is an opportunity for more pre-disaster training in evidence requirements. The MAV is also advocating for this at a state-level, given the claims system is run by the State. If a consistent approach to evidence requirements is adopted at the federal level, training could potentially be run by NEMA or built into the pre-season briefings, ensuring staff are trained before an event in the requirements for data capture prior to commencing emergency works.

Councils have identified evidentiary requirements as a key reason for not submitting DRFA claims. The barrier for councils can be that the evidence does not exist in a suitable form, as well as the staffing time required to gather the evidence being disproportionate to the financial reimbursement for a successful claim. One council impacted by the 2021 severe weather event required the equivalent of 1.6 EFT of staff time over 18 months to enable submitting claims totalling approximately \$8.3 million.

**Recommendation:** *Claims management officers be made an eligible expense under the DRFA guidelines.*

## Application process

The application process itself creates delays in the delivery of recovery works. As an example, for a Category B application a council is required to assess the damage and develop a scope of work, which the assessment team must approve. Council is then required to tender for the works and then receive final approval of the application before finalising the contract and commencing works. The timeframe of each step is dependent on the amount of time required for the assessors to complete the assessment.

Many smaller councils have reported delays to commencing works due to a lack of contractors tendering. Due to the widespread nature of the 2022 flood event in northern Victoria, there are limited contractors servicing multiple impacted councils. Material and skills shortages across the infrastructure industry compound this.

The current timeframes do not consider the staffing and resource challenges councils face during works. Councils acknowledge that while extensions are available, they feel the process to request an extension is onerous. There is also a perception that the outcomes of extension requests are inconsistent which impacts councils' willingness to apply for them. The review provides an opportunity to build more flexibility into the delivery timelines.

**Recommendation:** *That DRFA guidelines are updated to provide greater consistency across jurisdictions and between events. The updated guidelines should prioritise the timely delivery of relief and recovery projects over a risk and compliance focused application process.*

### Disaster Ready Fund

A number of councils provided feedback to the MAV on the DRF stating that they could not apply due to the funding guidelines not being available in a timely manner and the short timeframe to apply, especially when they were undertaking emergency recovery works.

It is anticipated this will not be as much of an issue in future rounds, for which we anticipate a longer lead time.

#### **2.4. Are the funding roles of the Commonwealth, states and territories, and local government, during disaster events clear?**

From a community perspective, it is irrelevant whether the money flows from local, State or Federal Government. To support community recovery a subsidiarity principle should apply. Councils work at the local level on long-term community planning and have existing relationships with key community stakeholders. Federal and state funding should primarily support councils to coordinate local recovery efforts aligned with established community aspirations. Where there are economies of scale or it is otherwise relevant, a regional or state approach can be appropriate. If we take this approach, funding for positions such as community recovery officers should be released quickly.

Delays with assessing disasters as eligible for DRFA Category C funding impacts community recovery. The Victorian State Emergency Management Plan highlights that recovery activities commence with incident response and should be considered during all stages of EM planning. The experience of councils in large-scale disasters has been consistent delays in accessing Category C funding to commence recovery activities in a timely manner.

It is imperative that funding for community recovery programs, including community recovery officers and information hubs, is quickly disbursed to impacted councils. The recovery needs of a community change over time and short-term funding is not conducive to effective outcomes. The recruitment and retention of staff is also directly related to the length of funding available.

The MAV also has concerns with the cost-effectiveness of some disaster funding projects. For example, in response to the 2022 flood event, the Victorian Government spent a significant amount to fund consultants to support impacted councils to undertake secondary impact assessments. This level of spending could have been reduced or avoided if councils were provided with sufficient up-front funding, training and support systems to deliver this work.

The MAV is supportive of recent changes to day labour guidelines in Victoria that allow councils to claim for staff undertaking recovery works during normal working hours. Previously councils were only able to claim for works undertaken by council staff and resources outside of their standard work hours (overtime). For example, a council reported that in previous events, due to a lack of contractors council staff were undertaking disaster recovery works on weekends utilising overtime so that the works could be claimed.

The recent changes to day labour guidelines only apply to emergency works and immediate reconstruction works categories. The exclusion of the restoration of essential public assets (REPA) is inconsistent with the benefits derived from the recent changes. Utilising internal council resources is a cost-effective outcome. It should be allowable for all funding streams.

Disaster recovery impacts council staff across the organisation, not just those directly involved in emergency management, community recovery and infrastructure works. Teams across councils, such as customer service, human resources and land use planning all experience additional workloads because of disaster recovery.

**Recommendation:** *That the DRFA guidelines be updated to increase support for the use of internal council resources. The update should provide flexibility for councils to direct resourcing across the organisation as required.*

The provision of advanced payments assists councils in commencing works. These payments have reduced the risk councils face in undertaking works as they provide cash flow to councils, who can offset the advances against eligible DRFA expenditure. Smaller councils are particularly assisted through advanced payments as they can alleviate cash flow concerns. This model, especially for large-scale events, assists councils in quickly replacing assets and provides confidence that councils won't have significant unbudgeted costs. The alternative is that councils delay works until DRFA approvals are received, which could be 18 months after the event.

## **2.5. Is there any further information you would like to provide?**

Councils have raised concerns that the current definition of essential public assets in the DRFA is too restrictive. Councils receive complaints from community members about assets which fall outside the current definition when they are not repaired in a timely manner.

An expanded definition should include a broader range of paths and tracks, including tracks through reserves and parks. The restoration of parks, recreation reserves and other community facilities should be included as these are important community assets that assist with community recovery. Trees and canopies associated with public use, such as in parks and along shared paths, should also be included.

**Recommendation:** *That the definition of essential public assets in the DRFA be expanded to include a broader range of paths and tracks, the restoration of parks, recreation reserves and other community facilities as well as trees and canopies associated with public use.*