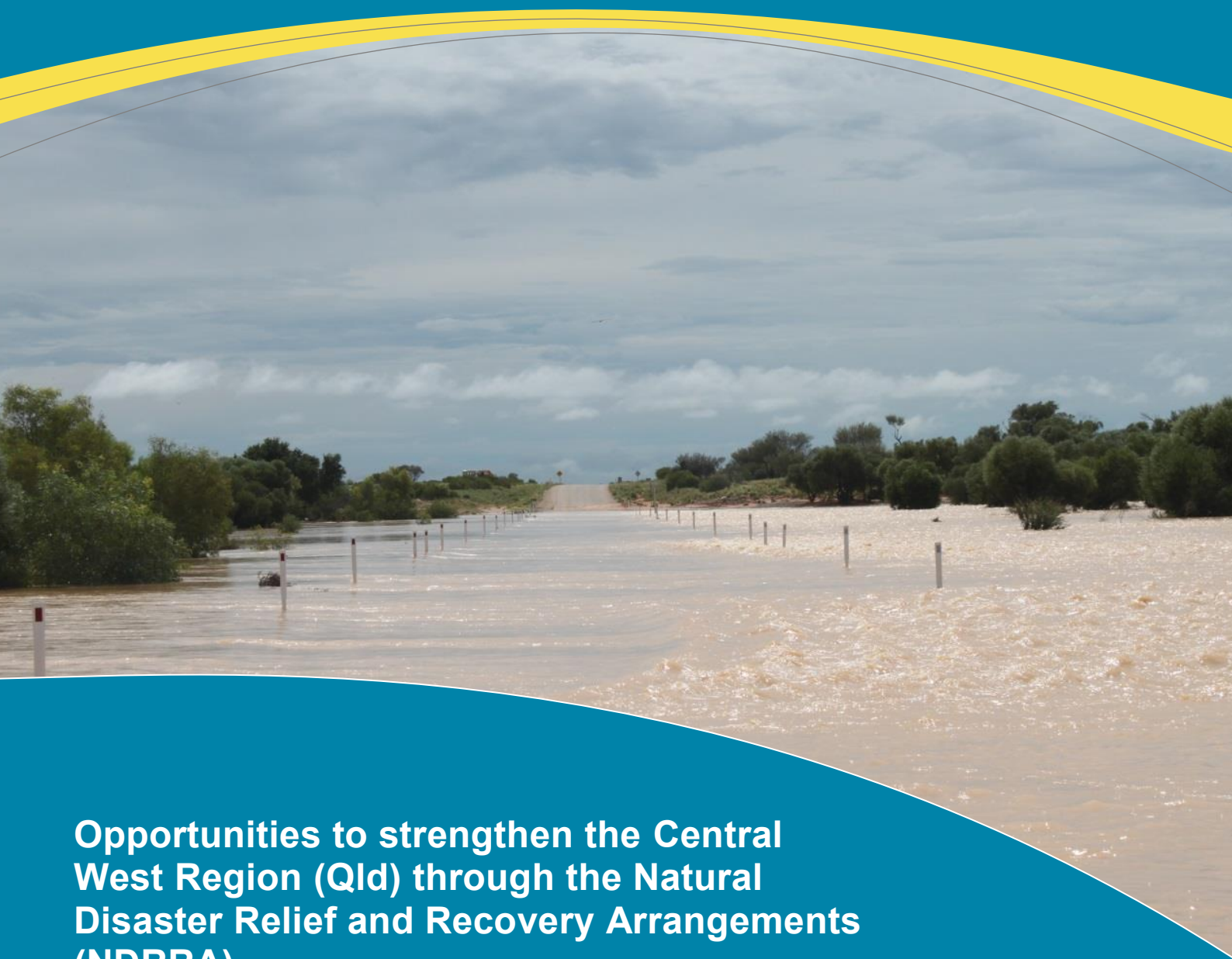




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BUILDING A BETTER WORLD



Opportunities to strengthen the Central West Region (Qld) through the Natural Disaster Relief and Recovery Arrangements (NDRRA)

Policy Change – Submission to the Productivity Commission

Prepared for the Outback Regional Road and Transport Group

June 2014

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REVISION SCHEDULE

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A	20.11.2013	Draft	KI	SD	BN	BN
B	16.01.2014	Revised Draft for Client	KI	SD	BN	BN
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D	21.05.2014	Final Draft for Client – Report 3	KI	BN	EP	EP
E	05.06.2014	Final Draft for Client – Policy Change	KI	-	EP	EP

Executive Summary

This document, *Opportunities to strengthen the RAPAD Region through the Natural Disaster Relief and Recovery Arrangements (NDRRA)*, is provided to support a discussion on how financial support for recovery and reconstruction is distributed and managed following natural disaster events.

In particular, this document focuses on the policy and procedural aspects of the current NDRRA arrangements and provides an analysis of the practical barriers and challenges faced by the local governments of the Central West Region (CWR) of Queensland in delivering on those policy and procedural requirements during the course of their reconstruction activities following a natural disaster.

As a proactive Central West group, the Remote Area Planning and Development Board (RAPAD) is made up member Councils who believe that there is significant opportunity to improve the NDRRA framework for the benefit of local, State and Commonwealth governments and the community.

The key NDRRA issues faced by the RAPAD region include:

1. **Inconsistency:** policy interpretations, submission requirements and assessment processes are applied in an inconsistent manner between projects and across local governments;
2. **Onerous burden of proof:** the evidentiary requirements of reporting processes are onerous and inefficient;
3. **Discrepancy around value for money outcomes :** limitations applied and inconsistency of application to the use of Day Labour;
4. **Impracticality of process:** the assessment processes and requirements in the review of projects are impractical in rural and remote areas given the differing scale and nature of projects in these regions, and the capacity of Councils in these areas;
5. **Forgone resilience opportunities:** reconstruction funding provided year-on-year could be allocated to a program of infrastructure upgrading that, coupled with routine maintenance year-on-year, could build significant resilience to natural disaster events over time. This would ultimately reduce NDRRA expenditure; and
6. **Exposure:** disaster events are a seasonal occurrence in the RAPAD region. They occur nearly every year which triggers NDRRA activations and responsibility upon State and Commonwealth Government to fund reconstruction of essential public assets year-on-year.

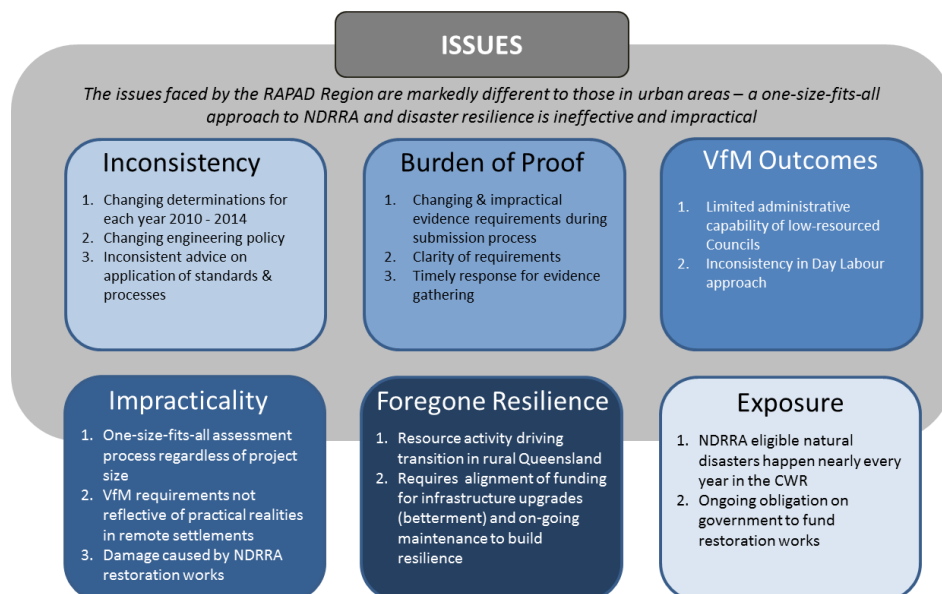


Figure i: Issues encountered by the Councils of the RAPAD region in reconstruction

The key recommendations arising from this review (illustrated in **Figure ii** below) fall into three broad categories:

1. **Governance** – the ‘high level’ strategic responses and additional roles/responsibilities sought for State and/or Commonwealth Governments to assist Local Government’s role in administering the NDRRA;
2. **Policy** – key policy refinements sought that will help to ease the financial and resource burden on Local Government; and
3. **Process** – the relevant procedural refinements and clarifications that will improve NDRRA administration in the short-term as well as setting a process framework for the long term.

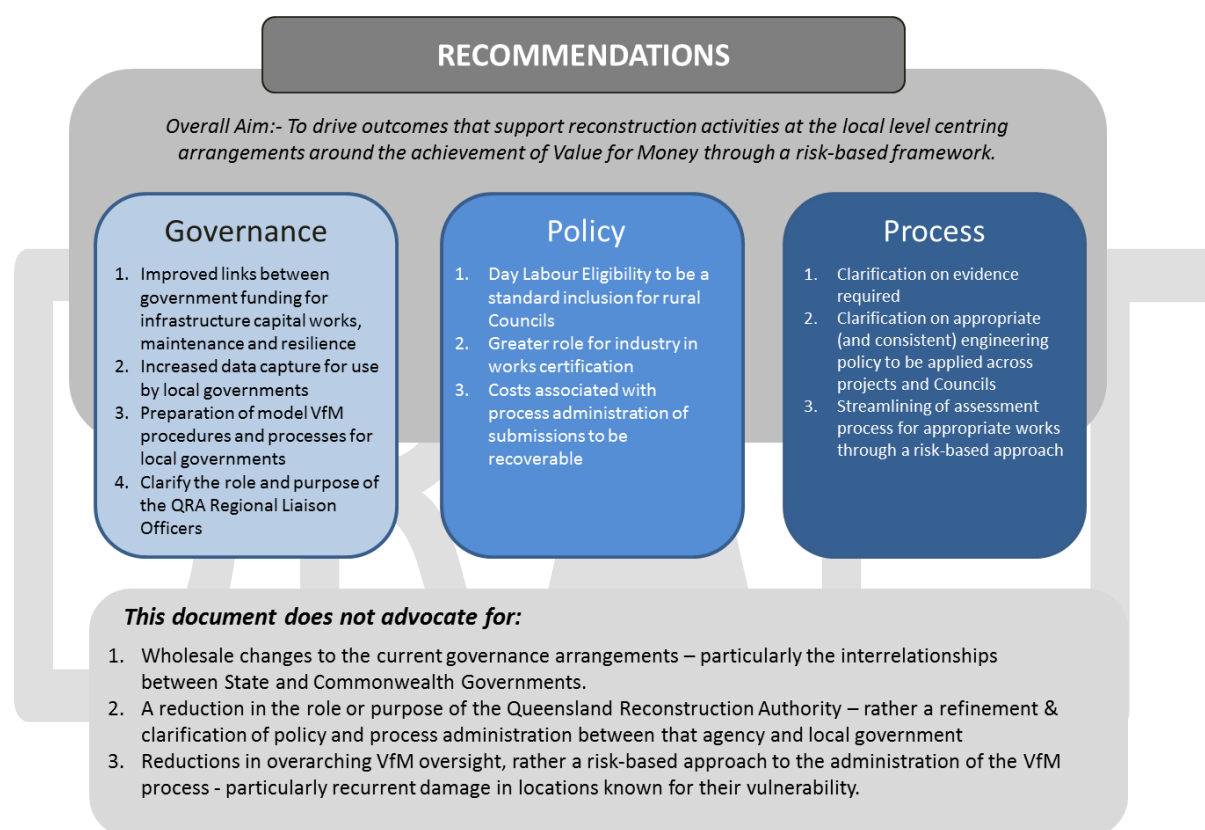


Figure ii: A summary of the recommendations of this report

To this end, this review also proposes policy and procedural changes to NDRRA Category B – Restoration of Public Assets which are outlined in **Appendix C**.

This document has been prepared as a submission to the Productivity Commission Inquiry into National Disaster Funding Arrangements. The Productivity Commission has now released Terms of Reference and an Issues Paper relating to the Inquiry into Disaster Funding. Details within this submission respond to a number of the matters raised in the Issues Paper as well addressing the Commissions’ Terms of Reference.

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ATTACHMENT S

Attachment A	Value for Money Report
Attachment B	On-Costs

Terms and Language

Please note that throughout this document the terms Outback Regional Road and Transport Group (ORRTG), Remote Area Planning and Development Board (RAPAD region) and Central West Region (CWR) are synonymous and should be read as such throughout the report. To be clear ORRTG, RAPAD region and CWR are used to describe the area which incorporates the seven local government areas including Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council.

Acronyms

CWR	Central West Region
CWRP	Central West Regional Plan
DTMR	Department of Transport and Main Roads
LGA	Local Government Authorities
NDRRA	Natural Disaster Relief and Recovery Arrangements
NPA	National Partnership Agreement
ORRTG	Outback Regional Road and Transport Group
QRA	Queensland Reconstruction Authority
RAPAD	Remote Area Planning and Development Board
VfM	Value for Money

1 Introduction

1.1 Overview

During the period of September 2010 through to April 2011 the Natural Disaster Relief and Recovery Arrangements (NDRRA) were activated six times for separate disaster events and for the first time in Australia's history the entire State of Queensland was disaster activated.

The scale and scope of the reconstruction task for Queensland as a result of extreme weather events from 2010 is unprecedented. The extent of damage and associated costs has resulted in changes to the way in which financial assistance is managed and approved has changed.

For the majority of Queensland Local Governments managing the full impact of a disaster is challenging both in terms of resources and financially.

The Central West Region (CWR) of Queensland represents 23% of the state's land area. The area is characterised by its remoteness, with the CWR and extent of roads quintessentially representative of Outback Australia.

The main challenge that has faced many regions, including the CWR region, is that the process and arrangements for funding have continued to change in recent years and are impacting on the core business functions of these Local Governments, with many of these changes not being consistent, practical or efficient in a rural context.

In particular, the expectations around delivering Value for Money (VfM) through restoration and reconstruction works has changed and continues to change. More evidence is now forthcoming that is demonstrating that the use of Council resources and specifically those rural and regional Councils resources is delivery exceptional VfM outcomes.

1.2 Purpose of this Document

This report has been prepared to detail proposed changes and enhancements to the Natural Disaster Relief and Recovery Arrangements (NDRRA) that the RAPAD region Board believe will improve the consistency of application of the Commonwealth provided funds and deliver increased value for money from the funding granted.

This review is intended to be provided to the Commonwealth Government for consideration in the review of the NDRRA guidelines.

The objectives of this document are to:

- Provide context and understanding of the economic profile of the Central West Region;
- Understand the natural hazard profile of the region including its history;
- Identify key challenges faced by the region in times of natural disaster;
- Prove that Day Labour use delivers Value for Money;
- Identify strategies to improve the ability for the region to respond to and comply with matters related to NDRRA guidelines and determinations;
- Consider opportunities and recommendations to improve the NDRRA process; and
- Provide recommendations to support a change in policy to the NDRRA based on the profile of the region.

1.3 References

The following publications have been referred to in this document:

- 2011 Census Data – Commonwealth Bureau of Statistics
- Commonwealth Government Reconstruction Inspectorate's Conduct of Value for Money Reviews of Flood Reconstruction Projects in Queensland , 6 November 2013
- Queensland Reconstruction Authority Annual Report, 2012-2013
- Central West Regional Plan

- Galilee Basin Development Strategy, 2013
- Partnering for Prosperity, RAPAD Submission to Infrastructure Australia, 2011
- Securing the Future for Central West Queensland, 2014
- Value for Money Report – Comparison between Local Government and Private Contractor Actual Rates, May 2014, George Bourne & Associates
- Value for Money Report, MWH, June 2014 (See Attachment A)
- On-costs Report, MWH, June 2014 (Attachment B)

1.4 Assumptions and Limitations

This document relies upon data provided by the Councils of the RAPAD region and sourced by other levels of government, including the State of Queensland and the Commonwealth Government.

The recommendations provided by this report are general in nature and have not been fully scoped, costed or tested but rather are provided for further consideration and analysis.

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2 Productivity Commission

2.1 Terms of Reference

On 28 April 2014, the Australian Government through the Treasurer, the Honourable Joe Hockey MP requested the Productivity Commission (the Commission) undertake an inquiry into the efficacy of current national natural disaster funding arrangements taking into account the priority of effective natural disaster mitigation and the reduction in the impact of disasters on communities.

The Commission has been asked to specifically report and make findings on:

- the effectiveness and sustainability of current arrangements for funding natural disaster mitigation, resilience and recovery initiatives
- risk management measures available to and being taken by asset owners – including the purchase of insurance as well as self-insurance options
- the interaction between Commonwealth natural disaster funding arrangements and relevant Commonwealth/State financial arrangements
- options to achieve an effective and sustainable balance of natural disaster recovery and mitigation to build the resilience of communities
- projected medium and long term impacts of identified options on the Australian economy and costs for governments.

2.2 Issues Paper

In May 2014, the Commission released the Issues Paper relating to the Inquiry into Natural Disaster Funding Arrangements. This submission therefore looks to set context around a number of matters raised in the Issues Paper including but not limited to:-

- *What are the policy objectives of the NDRRA? Have these changed over time? Are current arrangements consistent with the achievement of these objectives?*
- *How effective are the eligibility criteria for NDRRA reimbursement in facilitating effective and sustainable natural disaster risk management, including mitigation of possible future disasters? How rigorously have these criteria been enforced? What level of oversight is provided?*
- *How do respective states and territories undertake analysis and decision making when allocating funding across mitigation, resilience and recovery of natural disaster risks?*

This submission seeks to address the matters raised in the issues paper in the context of the RAPAD region.

3 Regional Challenges

3.1 Regional Overview

The RAPAD region is characterised by its small population (less than 13,000 people¹) and its remoteness, being located in far western Queensland, several days' drive from Brisbane. It is home to some of Australia's most iconic regional centres and events including the birth of Qantas, the Stockman's Hall of Fame, the Tree of Knowledge and the Birdsville races. The region forms part of the Lake Eyre catchment, and covers an area of 396,609 square kilometres² representing 23% of Queensland's land mass. The RAPAD region is the largest region in Queensland and, by comparison, is 50% of the size of the entire state of New South Wales.

The region is classified as semi-arid to arid, and the agricultural sector is recognised as the traditional mainstay of the region's economy. The RAPAD region incorporates the local government areas of:

- Barcaldine Regional Council
- Barcoo Shire Council
- Blackall-Tambo Regional Council
- Boulia Shire Council
- Diamantina Shire Council
- Longreach Regional Council
- Winton Shire Council

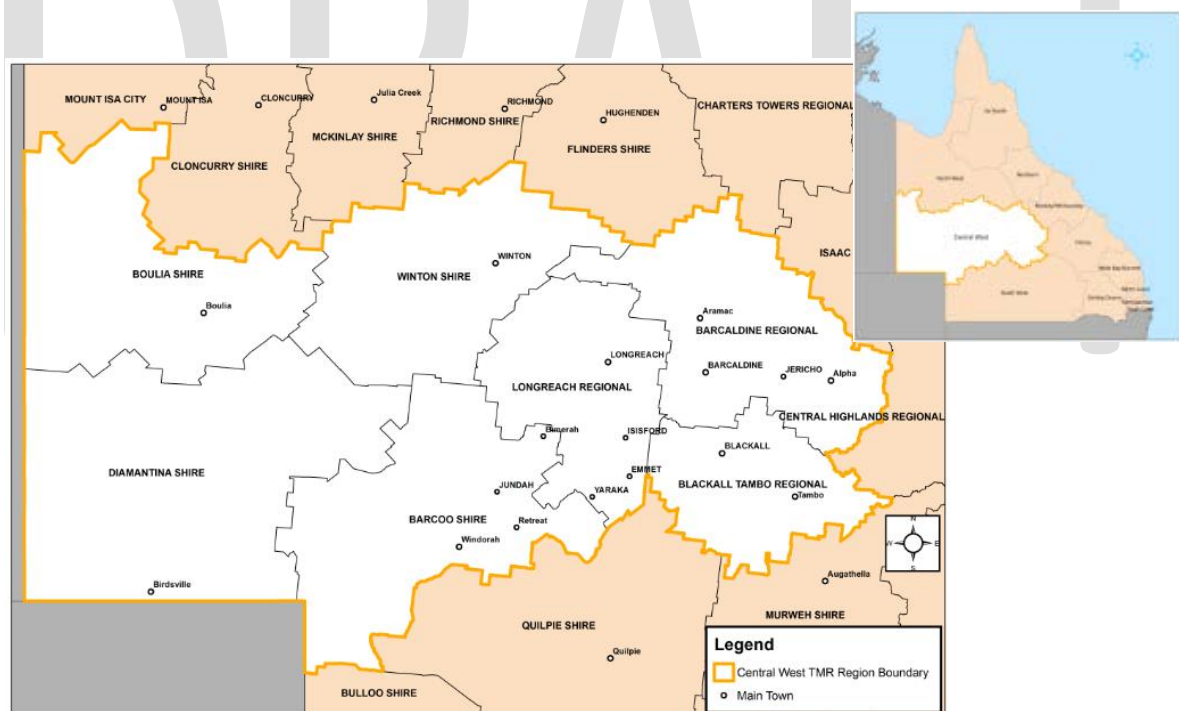


Figure 3-1: The RAPAD region– Local Government Areas

¹ 2011 Census Data – Australian Bureau of Statistics

² Central West Planning Region, Queensland Regional Profiles, Treasury & Trade

3.2 Flooding

3.2.1 Overview

The RAPAD region falls within the Thomson-Barcoo-Cooper, Diamantina and the Georgina River Basins which drain an area of approximately 420,000 square kilometres directly into Lake Eyre (Refer to **Figure 3-2**). It is the largest river basin in Queensland and the largest and only co-ordinated internal drainage system in Australia with no external outlet, covering over 1.2 million square kilometres of central Australia.

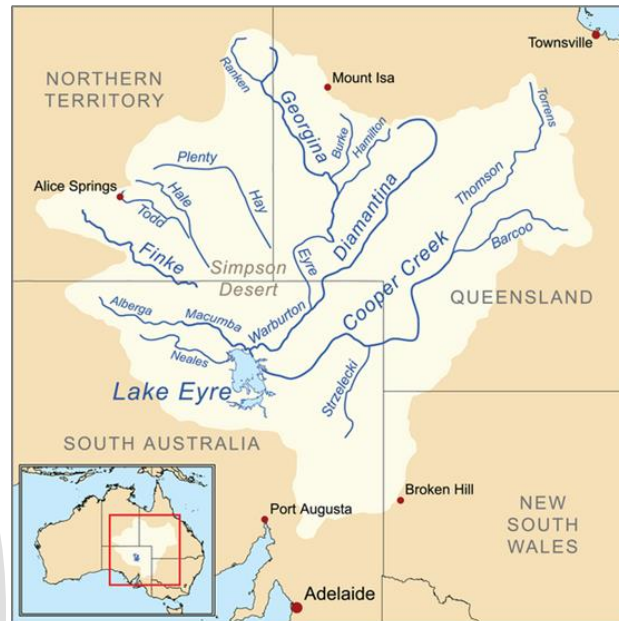


Figure 3-2: – Lake Eyre Drainage Basin

Source: Department of Environment, Water, Heritage and the Arts

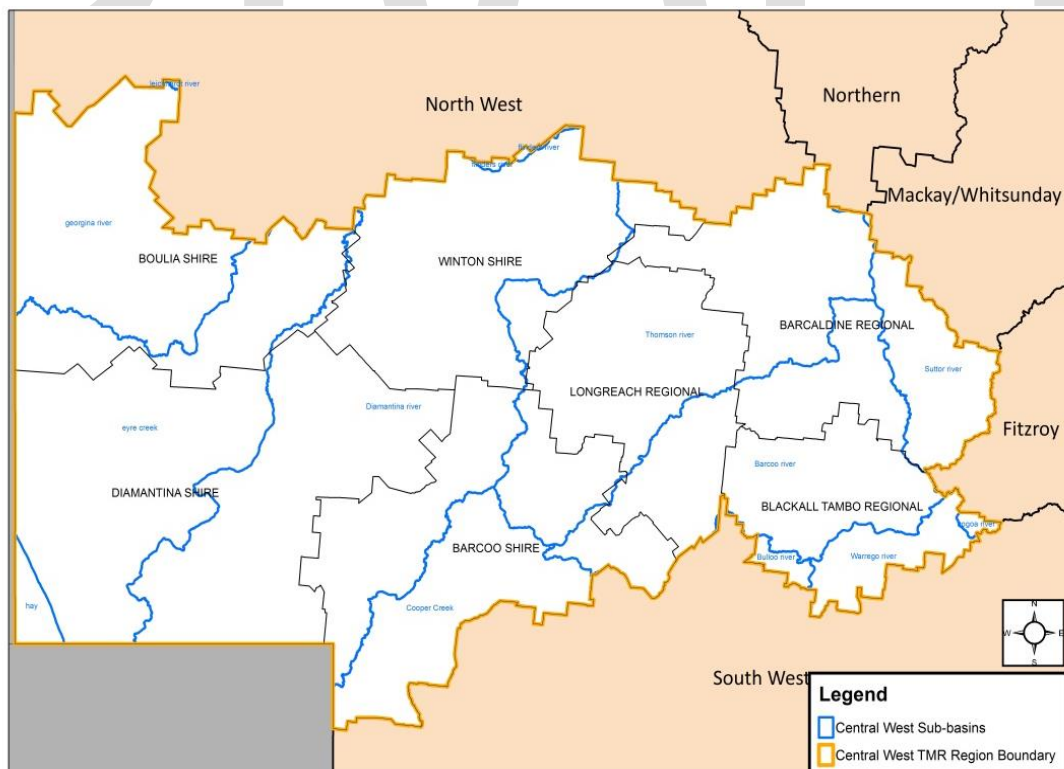
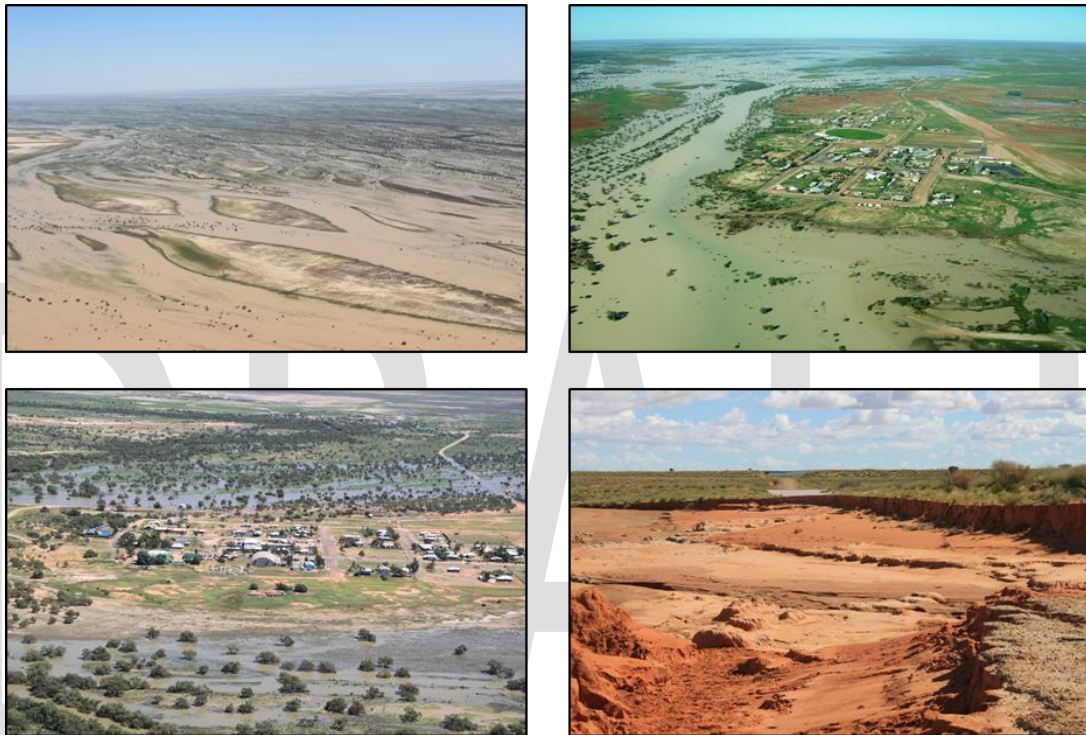


Figure 3-3: River sub-basins of the Central-West Region

In the dry season, the channels are restricted to numerous lagoons and claypans. During the wet season, the main channel becomes hard to define, particularly when the river at Windorah (within Barcoo Shire) could be up to 40 kilometres wide³. Below this point however, in a big flood, the area becomes a large inland sea broken only by a few ridges and numerous stunted trees.

Records of large floods in the area extend back as far as the late 19th century, with the most significant flooding in the region occurring in 1893, 1906, 1949, 1955, 1963, 1974, 1990, 2000, 2010 and 2013. Flooding in this region is characterised by slow-moving but wide-spreading waters that easily break the banks of the river channels to spread out across the floodplain for many kilometres.

Due to its slow-moving nature, residents generally have significant pre-warning of a flood occurring. However significant floods can take weeks to dissipate as the flood waters evaporate or move into Lake Eyre.



* Clockwise from top left: Diamantina Channels in flood near Monkira, Birdsville surrounded by flood, Kamaran Downs Access Road washed away by flood, and Bedourie completely isolated by floodwater

Figure 3-4: Photos of recent inundation and damage typical of the RAPAD region

3.2.2 Flood Characteristics – Key Towns

It can be seen from the flood height records in **Figure 3-5** that Windorah has experienced 23 major floods in the 41 years that records have been kept, which equates to approximately 1 major flood every 2 years. In fact, there has been only 5 separate years when no flood or a flood below 'minor' categorisation was experienced at Windorah.

Similarly, since periodic records began in Longreach around 1950, that town has experienced 14 major floods. Of those 61 years of record, approximately 25 were relatively flood-free, i.e. where a flood did not occur, or where the flood recorded was below minor level.

Appendix B provides an indication of the impact of floods when they occur relative to key flood heights. It can be seen from this table that a flood greater than a 'minor' level (identified on **Figure 3-5**), will result in the town of Longreach becoming isolated as the river crossing into the town becomes flooded, and when the flood reaches 6.7m (which has happened at least 3 times since 1950), the town itself is inundated. Similarly, in Windorah a flood greater than a moderate flood will create the same isolation situation as at Longreach.

³ Bureau of Meteorology, Flood Brochure – Thomson River

Further west, both the Diamantina and Georgina river systems require very little rainfall for flooding to occur. Following flood rains, the main channel fills fairly quickly and then spreads out into the neighbouring channels and watercourses for kilometres on either side. In the event of severe flooding, the Georgina River can vary in width in the upper reaches from 15 to 20 kilometres, and in the lower reaches it is estimated in some sections to be 25 to 30 kilometres wide⁴.

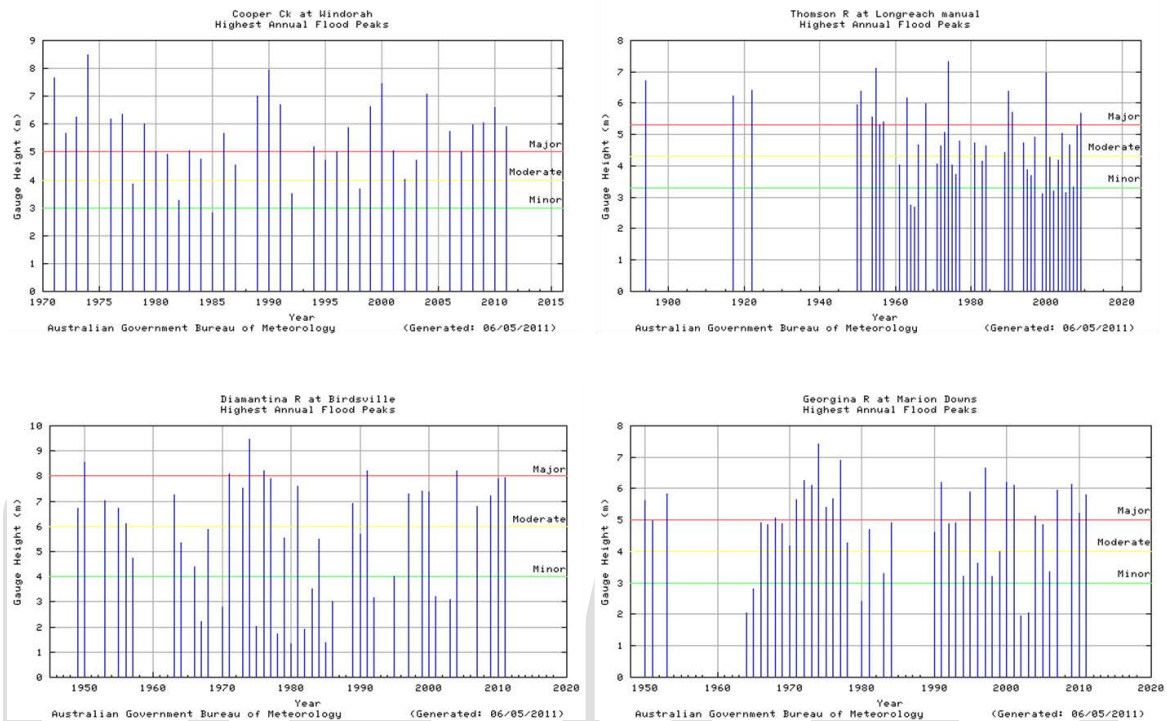


Figure 3-5: Historic Flood Height Records for major rivers at key towns within the RAPAD region

Source: Bureau of Meteorology

3.2.3 Flood Impacts – Roads

Given the geographic conditions of the RAPAD region, the road network is exposed to significant flood potential. **Figure 3-6** represents the general geographic area that could be subject to flooding in any given year or flood event⁵. As represented through the analysis in **Table 3-1**, on average nearly a quarter of State-controlled roads and a third of local roads are located within the area of flood potential. Almost all roads are affected at discrete points along their length due to river channels traversing the road reserve. Key roads with significant lengths within the floodable area include:

- Eyre Developmental Road and Diamantina Developmental Roads between Windorah, Birdsville and Bedourie/Boulia;
- Kennedy Developmental Road between Boulia and Winton; and
- Thomson Developmental Road between Longreach, Jundah and Windorah.

⁴ Bureau of Meteorology, Queensland Flood History

⁵ The general geographic area is represented by the interim floodplain assessment overlay as developed by the Queensland Reconstruction Authority in 2011 and shown in Figure 2-6 as Floodable Area.

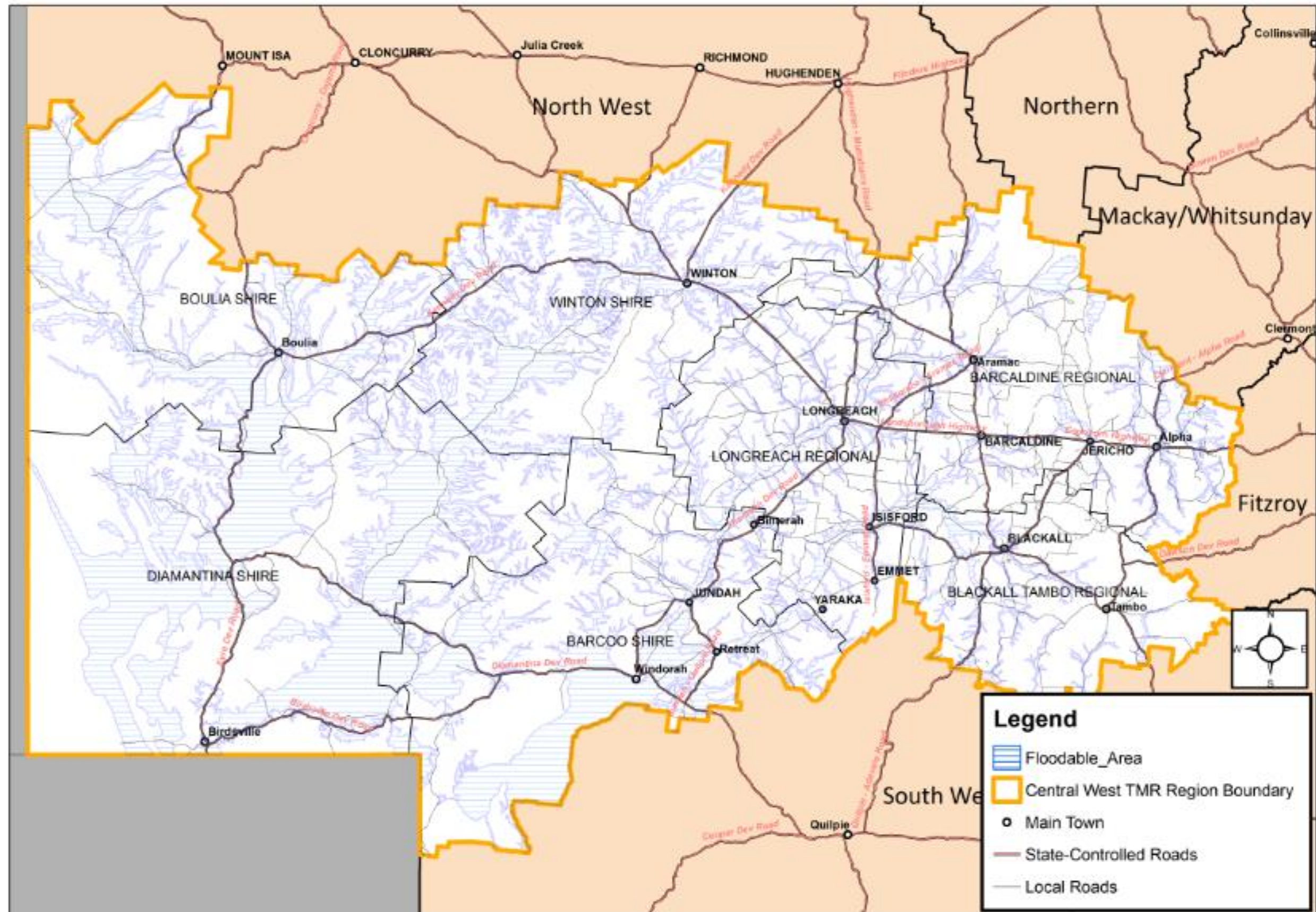


Figure 3-6: RAPAD Region – Interim Floodplain Assessment Overlay

Table 3-1: Extent of RAPAD region Roads within Floodplain Assessment Overlay⁶

Council	Total Roads for LGA (kms)			% Roads within Flood Assessment Overlay	
	State Roads	Local Roads	Total Roads	State Roads	Local Roads
Barcaldine Regional Council	905	1950	2855	19%	15%
Barcoo Shire Council	677	1650	2327	32%	39%
Blackall-Tambo Regional Council	601	1800	2401	12%	13%
Boulia Shire Council	423	1254	1677	38%	40%
Diamantina Shire Council	622	1014	1623	34%	48%
Longreach Regional Council	601	2748	3349	16%	17%
Winton Shire Council	567	2550	3117	20%	30%
TOTALS	4396	12,966	17,362	24%	29%

Collectively there is an average of 1.3km of road per person in the RAPAD region.

3.3 NDRRA Context for Central West

Since 2002, 23 separate disaster events have activated the NDRRA in the RAPAD region, which equates on average, to two disaster events per year over the past decade. This is demonstrated through Figure 3-7 – which highlights the periodic nature of disaster events in this region. Years 2003 and 2005 were the only years during the last 12 years which did not include NDRRA activation for a Council of the RAPAD region. The year 2009 had the greatest number of activations in one year with 4, while 2013, 2011, 2010 and 2008 were also very severe weather years with 3 activations each.

NDRRA Activations in Region, 2002 - 2014

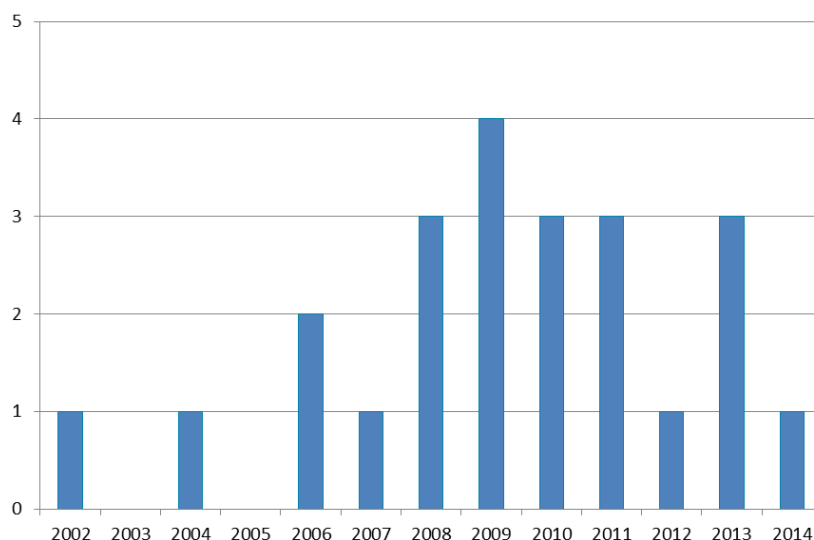


Figure 3-7: NDRRA Activations within the RAPAD region between 2002 – 2014

⁶ Road lengths from RAPAD Councils

Twenty (20) of these 23 events (87% of the activations) are a result of flooding with the exceptions in September 2009 and November 2011 for bushfire events and in 2013 for the Barcoo severe storm.

Given the size of the RAPAD region, and the various river catchments that traverse the region, the impact of each event was different in each local government area. More detail on the activation history of the region is provided in **Table C of Appendix B**.

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4 Future of the Central West

4.1 The Region's Economic Future

4.1.1 Overview

Timely and efficient recovery from natural disasters is of critical importance for the viability and economic advancement of the RAPAD region. The region's roads are the economic lifelines of the region with the agricultural, tourism and resources industries all relying on open and trafficable routes for the supply of goods and services.

Remote communities also rely on these routes to access health, education and basic services (such as food shopping) in regional centres like Longreach, Winton and Blackall. The region has previously provided several submissions to key Commonwealth government agencies in relation to the role of improved public infrastructure (such as roads) in advancing the economic and social development of the region (generally through RAPAD region).

Therefore, it is important to consider a holistic approach to government funding of infrastructure improvements, whether such funding is intended for the upgrading of infrastructure or its recovery following a natural disaster event. Viewed in this manner, the contribution made to the region's economic and social advancement through infrastructure spending (and importantly, simpler and more straightforward means of accessing that funding) is of critical importance to the region.

4.1.2 Previous RAPAD region Submissions to Government

In support of the critical role of the transport network in advancing the region's economic development, RAPAD region has provided submissions to Infrastructure Australia in relation to both the National Land Freight Strategy and Secure our Future to advocate for road upgrades within the region.

In its 2009 submission titled *Safe, Sealed Eastern Central Commonwealth Roads: Triple Bottom Line National and Regional Benefits*, RAPAD region noted that

'by sealing and rehabilitating the roads through the Winton, Boulia, Diamantina and Barcoo shires, especially west of Boulia to Alice Springs and into South Australia via Birdsville to Marree: -

1. *National productivity in the beef and tourism industries will be increased – primarily through reduction in transport overheads and increases in transport efficiencies;*
2. *Australia's international competitiveness in the above two industries will be strengthened because of reduced transport costs;*
3. *Investment in capital infrastructure throughout this relatively undeveloped inland region would significantly increase, due to an expanded demographic of tourists who would be able to visit the region without restrictions on the type of transport used. More importantly, all weather roads would provide the basis on which these small inland communities could develop the infrastructure necessary for their socioeconomic sustainability; and*
4. *Quality of life will be improved for residents and those who can then visit them and enjoy the real "Outback" but, more importantly, reliable and safer roads lead to certainty of supply, and increased economic and social amenity for visitors and the families domiciled throughout the region.'*

RAPAD region's 2011 submission to Infrastructure Australia on the National Land Freight Strategy included the document titled *Partnering for Prosperity: A Roads Investment Submission from the Central West Region of Queensland*.

It is important to note the link between a desire to advance road sealing/upgrading for economic benefit and more flood-resilient road infrastructure that can recover more readily, thereby also contributing to the advancement of economic and social development in the region.

Critically, the *Partnering for Prosperity* (PfP) and *Securing the Future for the Central West* documents made this linkage clear. The PfP document noted:-

'The communities of the RAPAD region are at a significant disadvantage compared to the remainder of Queensland. According to the Socio-Economic Indexes for Areas (a summary measure of the social and economic conditions of geographic areas across Australia), over 40 per cent of the population of the RAPAD region are in the most disadvantaged quintile, with only 7 per cent in the least disadvantaged quintile. By comparison, overall Queensland has 20 per cent of the population in each quintile'

For many communities in the RAPAD region, regional activity centres such as Longreach are often only accessible by unsealed roads at distances of over 300km. This places restrictions on remote communities gaining access to health, education and welfare services, and greatly limits opportunities for social inclusion through activities such as sport, education and recreation.

Communities can experience further isolation when the network is impacted by climatic conditions such as flooding. For example, in Bedourie and Birdsville (in Diamantina Shire), unsealed roads result in these towns being cut off from basic food and medical supplies by relatively light rain.

- Birdsville and Bedourie usually receive a supply truck every one and two weeks, respectively.
- If the supply truck is unable to access the town, communities are forced to rely on frozen and long-life foods.
- Road closures beyond four weeks require supplies to be shipped or flown into towns.
- If the roads remain closed for an extended period, the towns may require a re-supply of diesel fuel for the generators by air, as occurred during flooding in Bedourie in 1991.

Similar issues are faced in Windorah.

The standard of living and quality of life is substantially diminished in remote communities without reliable road access to regional activity centres in the RAPAD region (PfP page 32).

Critically, the PfP document also noted that as most flood damage in the RAPAD region arises from the gravel surface of unsealed roads being washed away, sealing roads will also lessen the instances of flood damage and subsequent reliance on National Disaster Relief and Recovery Arrangements funding. (PfP page 45)'

The document proposed a range of solutions for resolving the impact of flood on these important routes, including:

- 'Looking beyond State boundaries to determine the best supply route between ports and inland areas. For example, the Birdsville area in Queensland is geographically 25% closer to Adelaide than to Brisbane, but is currently supplied out of Brisbane due to limitations in the network to Adelaide particularly during flood situations'; (page 5)
- Improving flood resilience of the Landsborough and Capricorn Highways; and
- Improving seal extent and width, bridges and floodways to create safer and more trafficable routes.

It can be seen from **Figure 4-1** that approximately 42% of the region's main priority routes are unsealed, or not sealed to a standard that is appropriate to achieve the desired intent for the economic and social development of the region. It should be noted that this desired intent is not unreasonable – a 4 – 6m width seal as a vision standard equates to less than a dual carriageway width, a standard much less than expected in more populated areas where roads can regularly comprise 4 or more lane carriageways (greater than 20m of road surface width).

Figure 4-1: Current State (2011) of the Priority Road Network of the RAPAD region

Link	Length (km)	Length (km) below vision (to 30/6/10)	Deficiency	Interim vision standard	Final vision standard
Landsborough Highway	697.53	508.92	Seal too narrow	Minimum 7m seal	9m seal
Capricorn Highway	200.48	49.69	Seal too narrow	7m seal	8m seal
Jericho - Yarka - Windorah	423.08	349.41	Unsealed	6m seal	6m seal
Alpha - Tambo	163.42	72.61	Unsealed	Sealed overtaking opportunities at 25km intervals	6m seal
Clermont - Alpha	75.41	39.78	Unsealed/ Narrow Seal	Sealed overtaking opportunities at 25km intervals	6m seal
Aramac - Torrens Creek	125.08	0		4 - 6m seal	4 - 6m seal
Barcaldine - Aramac - Muttaborra - Longreach	265.82	52.65	Unsealed/ Narrow Seal	4 - 6m seal	4 - 6m seal
Blackall - Isisford - Ilfracombe	211.2	0		4 - 6m seal	4 - 6m seal
Morney - Birdsville	273.96	234.02	Unsealed	Sealed overtaking opportunities at 25km intervals	4 - 6m seal
Boulia - Bedourie - Birdsville	351.38	99.08	Unsealed	Sealed overtaking opportunities at 25km intervals	6m seal
Quilpie - Windorah	71.23	0		4 - 6m seal	4 - 6m seal
Windorah - Bedourie	389.17	208.22	Unsealed	Sealed overtaking opportunities at 25km intervals	4 - 6m seal
Boulia - Mt Isa	187.2	0		4 - 6m seal	4 - 6m seal
Windorah - Longreach	309.45	0		4 - 6m seal	4 - 6m seal
Hughenden - Winton	97.58	0		6 - 8m seal	6 - 8m seal
Winton - Boulia	355.36	0		4 - 6m seal	4 - 6m seal
Boulia - Tobermorey	241	214	Unsealed	Sealed overtaking opportunities at 25km intervals	6m seal
Lark Quarry	110	65	Unsealed	Sealed overtaking opportunities at 25km intervals	6m seal
Total (All Roads)	4548.35	1893.38			

Source: Partnering for Prosperity

4.1.3 Road Maintenance Responsibilities

The region's economic future is therefore dependent on the local governments' abilities to maintain trafficable access to local and State-controlled roads within their jurisdictions. Road maintenance and upgrading is of prime importance for these Councils, with between 40 – 85% of recurrent expenditure allocated to road maintenance and rebuilding. Road capital projects also tend to dominate their total capital expenditure, with 25% or more of capital expenditure in 2013/2014 expected to be on road upgrades.

Local governments in the region therefore place great importance on maintaining the existing road infrastructure network where financial resources permit.

Table 4-2: Council Budget Allocations for Road Projects and Maintenance⁷

Local Government	2013/2014 Budget Allocation for Road Maintenance (Recurrent Expenditure)	Percentage of Total Recurrent Expenditure	2013/2014 Budget Allocation for Road Upgrades (Capital Expenditure)	Percentage of Total Capital Expenditure (2013/2014)
Barcaldine	Not Available	Not Available	Not Available	Not Available
Barcoo	\$2.4 million	44.5%	\$2.3 million	27.7%
Blackall-Tambo	\$38.5 million	79%	\$6.74 million	44.3%
Boulia	\$13.4 million*	83%*	Nil*	Nil*
Diamantina	\$35.8 million	67%	\$3.68 million	24.76%
Longreach	\$22.7 million	42.5%	\$8.4million	38.7%
Winton	\$9.79M	32.8%	\$842,000	13.2%

⁷ Figures shown may not be accurate. Subject to Council review.

*Latest available financial statements for Boulia Shire were 2011/2012

4.2 Practical Challenges to Achieving the Region's Economic Future

4.2.1 Overview

It is important to frame the challenges within the RAPAD region.

In the western part of the State, natural disasters are often seasonal and are always ever-present in the day-to-day administration of local government functions and the actions of the community. In this way, disaster events are not 'one-off' events such as experienced in more populated areas of the State along the eastern seaboard, but are a regular part of living in Western Queensland.

Therefore, the procedural issues encountered by these local governments in progressing their NDRRA submissions must be considered with the following practical realities in mind for the communities of the RAPAD region:

1. Local government (regardless of its geographic location, financial capacity or technical capabilities) has a responsibility to maintain public assets in a usable condition regardless of the impact of natural disasters;
2. Maintaining a road while NDRRA works are being carried out is an important function of a Council and required to maintain rural roads as and when required;
3. Challenges exist in mobilising and de-mobilising work crews (outside of Council resources i.e. contractors) in remote communities such as those of the RAPAD region, particularly for emergent works;
4. Changes in submissions process are difficult to adapt to given the limited capability (not just capacity) of local government to address the submission requirements;
5. Practical limitations exist in providing detailed evidence on submissions (such as extensive photographic evidence at 20, 50 and 100m intervals of damage caused by disasters). For this region, the gathering and degree of evidence is difficult particularly given the scale of the roads/areas affected and where that hazard may remain for weeks on end (such as in the case of flood).

These issues are canvassed in greater detail below.

4.2.2 Challenge 1 - VfM Requirements

The QRA defines VfM as it relates to NDRRA. The QRA's VfM Strategy operates in the context of existing and enhanced VfM governance mechanisms and assurance tools and activities that are used, monitored by and reviewed by a wide variety of stakeholders including industry and Government.

The QRA VfM Strategy addresses these key risks which have been identified through:

1. Drawing on the experience of key funding recipients and project delivery organisations such as the Department of Transport and Main Roads (DTMR) and Local Government Authorities (LGAs).
2. Drawing on the experience and expertise of the private sector through advisors to the QRA.
3. Leveraging learnings from other programs of a similar scale and complexity e.g. Building the Education Revolution.

The State through the QRA has sought to introduce a VfM Strategy that balances the need for a timely response in the reconstruction effort with the expectation that best practice be applied where appropriate to maintain confidence that VfM has been achieved. It should be noted whilst the requirement to achieve VfM has been mandated by the Commonwealth, the only document known to the RAPAD Councils that seeks to maturely define VfM in the context of the Natural Disaster Relief Recovery Arrangements (NDRRA) is QRA's VfM Strategy.

Within the current procurement framework both at State and Commonwealth levels, the onus is on local governments to demonstrate, validate and certify that they have achieved VfM as a part of their day to day business. It is understood that RAPAD Councils strongly support this framework where the expectations to achieve VfM are linked to current, clearly defined expectations and it is acknowledged that RAPAD region Councils must be able to demonstrate transparency, efficiency and effectiveness in the business they conduct.

The main concern for RAPAD region Councils is the challenge of whether this principle is being consistently applied by the Commonwealth within the context of NDRRA. Some of the challenges of the RAPAD region Councils are the change to the expectation and measurement of VfM under NDRRA as compared with other Commonwealth funded programmes. Regardless of the funding source, local government have an obligation to ensure that money spent delivers expected VfM outcomes.

Currently Councils are challenged by the prescriptive nature of the current eligibility criteria which restricts how and when LGAs can be reimbursed expenses and directly results in Councils having to choose more costly and measured delivery models. This is problematic for RAPAD region Councils due to the primary issues of:

- Limited availability of suitably qualified/certified contractors in remote and rural regions who can work without supervision. There are no large civil contractors based in Western Qld that are geared up to undertake civil infrastructure projects as a stand-alone project.
- Reluctance of larger civil contractors from outside the region to tender for works in remote rural areas without assurance that they can return a profit taking into account the increased mobilisation, travel and accommodation costs.
- The small rate payer base, limited cash flow and inability to incur unexpected and unbudgeted expenses.
- Development of a risk adverse culture where works are delayed until approved which in turn slows progress and results in inefficiency in the planning and delivery of works.

RAPAD region strongly supports this understanding of practice in the application VfM and has used this approach to develop an argument for the reimbursement of council expenses, inclusive of day labour, to be incorporated into future disaster management models.

There is an obvious need for a Value for Money (VfM) framework that provides oversight on expenditure, given the significant amount of public money that is being expended on disaster recovery in Queensland.

However, the extent of reporting that is required for VfM is significant and a challenge for local governments to properly address and administer particularly given the resourcing capability and capacity constraints identified above. Tables 4 and 5 in Section 4.2.2 of the *Submission Guide for NDRRA Funding Applicants (Version 3)* outlines the information required to be submitted in Form 6 (the VfM statement).

It is unclear how the VfM Readiness Statement assists in giving certainty that a local government has the capability and capacity to deliver VfM outcomes. In fact, asking local government to detail their own procedures and processes for addressing VfM outcomes is likely to create as many different responses as there are local governments in Queensland (there are a total of 77). Local government would benefit from common VfM process/procedures or even 'model' processes/procedures to adopt. This would also benefit the Commonwealth government in achieving its desired VfM outcomes. Templated processes and models would ensure that VfM is applied in a holistic sense not just considering a least cost approach.

Furthermore, a project-by-project VfM statement is also a significant administrative burden, particularly where road projects dominate a local government's submissions and damage to those roads is generally similar. The project-specific statement would also benefit from the creation of a pro-forma statement that can be adjusted in a minor way by the local government for each project or series of projects.

4.2.2.1 Reimbursable Ordinary Day Labour

LGAs throughout Australia have continually expressed concerns that 'under NDRRA, Council's ordinary day labour and plant and equipment costs during normal work hours are not recoverable, although costs for external contractors are covered. The Western Australian Local Government Association (WALGA) has sought feedback from Councils on the impact of cost recovery under the Western Australia Natural Relief and Recovery Arrangements (WANDRRA). Local government sector feedback and case studies indicate a necessity for policy change.'

The key issues associated with cost recovery under the WANDRRA are essentially the same issues RAPAD Councils must deal with. When Council's staff normal wages (day labour) are used to repair NDRRA eligible damage and are deemed not reimbursable Councils are forced to, due to financial necessities, procure contract staff and civil contractors. In addition they are often forced to defer delivery

of their normal works schedule and procure a potentially more expensive and less efficient delivery model.

The position of RAPAD Councils is that they should be able to engage and reimburse the wages of their own works staff during normal hours instead of engaging contractors when this is the most appropriate and cost effective way to deliver works.

Both the Commonwealth and Queensland Government have acknowledged over a number of disaster events that local delivery models are a cost effective VfM solution for planning and delivering the type of repairs for damage caused by widespread flooding by approving the 'one off' reimbursement for day labour in 2010, 2011, 2012 (part only) and 2013. Unfortunately these 'one off' approvals were applied in isolation and not as part of individual National Partnership Agreements (NPAs). To complicate further each approval had different eligibility criteria making the planning and delivery of works across events using day labour extremely difficult and confusing. By way of example day labour is reimbursable under the following arrangements for each of these events:

Table 4-3: Day Labour Eligibility Criteria

Event Year	Model	Day Labour Criteria
2010	Fully reimbursable	Uncapped
2011	Commonwealth's \$50m Day Labour Eligibility	Capped, e.g. Blackall- Tambo capped at \$1.25m
2011	Commonwealth VfM Pricing Model	Uncapped - where VfM outcomes can be demonstrated
2012	Commonwealth VfM Pricing Model	Conditioned - only those 2011 works re-damaged reimbursable under this model
2013	Commonwealth VfM Pricing Model	Uncapped - where VfM outcomes can be demonstrated

RAPAD region Councils have found the inconsistent treatment of day labour costs across events difficult to manage, particularly given that the most cost effective way to deliver damage repairs across events is to deliver as part of a combined programme.

Funding day labour costs (for normal working hours) impacts on the maintenance budgets of Councils. By way of example, for the 2012 NDRRA reconstruction works in the 2013/2014 year, all normal day labour costs have come from the rural roads maintenance budget allocation. As there was no separate allocation of funds to pay for the day labour component of the works in the budget this has impacted on Council's ability to carry out normal road maintenance.

Attachment A to this document includes a separate report focussing on Value for Money.

4.2.3 Challenge 2 - Changing Processes for Different Activations

Given the scale of the disaster events during 2010 – 2013, a number of inefficiencies and uncertainty in the administration of the NDRRA, has arisen particularly at the local level. The following highlights some of these challenges which often resulted in mixed interpretation.

4.2.3.1 Definitions of 'Evidence'

Evidence required to be submitted with Phase 1 NDRRA claims is detailed in table 3 (page 12) of the QRA's *Submission Guide for NDRRA Funding Applicants (Version 3)*, reproduced in Table 4-3. It can be seen that in general terms, the submission requirements are clear in the type of evidence that must be submitted to support the claim. However, there is little clarity on what actually constitutes this type of evidence, and how comprehensive this evidence must be in order to satisfy assessment requirements.

Table 4-4: NDRRA Submissions Requirements⁸

Project Component	Details Required
Asset description	<ul style="list-style-type: none"> Physical asset to be restored
Location details	<ul style="list-style-type: none"> Geographic details including chainage and GPS coordinates of the asset
Cause and description of damage	<ul style="list-style-type: none"> Cause and nature of the damage to the asset, including photographs
Proposed restoration tasks	<ul style="list-style-type: none"> Clear and comprehensive description of the proposed/completed restoration works
Full cost breakdown of restoration estimates (Total Project Costs and Other Application Costs)	<ul style="list-style-type: none"> Total Project Costs Other Owner (Principal) Costs
Current Engineering Standards/Building Codes while maintaining the same asset class and/or immunity level	<ul style="list-style-type: none"> All standards/codes the works must comply with

4.2.3.2 Requirements for Photographic evidence

While ostensibly not an overly onerous requirement, in practice securing photographic evidence of post-disaster damage is extremely difficult in some instances, particularly obtaining multiple photographs along very long distances of road where whole highways between towns may have been damaged by a flood event. The reasons for this are two-fold:

1. In most instances in the region, roads are actually impassable for weeks on end following a flood event – the nature of flooding characteristics in the region means that floodwaters can remain stagnant for several weeks even with minor flooding, and roads (particularly unsealed sections of road which form around 40% of the whole main road network) remain impassable during that time. Therefore the ability to actually traverse an affected road to take photographic evidence along its length can sometimes take weeks to allow for floodwaters to recede; and
2. Requirements for the number and type of photographs will change depending on the case officer assigned to the claim. In some instances, claims have been required to be supported by photographs taken every 20 metres to ensure that the claim is representative of the type of damage along its length. Given the practical limitations in obtaining photographs outlined above, the requirement to obtain this data every 20 metres along roads that can be several hundred kilometres long that may have the same type of damage along its length is a significant administrative burden for local government to bear.

This current approach means that claims submitted by a proactive Council prior to the floodwaters subsiding will not actually be compliant with submission requirements until such time as the roads become trafficable again – a difference that would result in delays of weeks or months to the progress of the claim.

This approach is also naturally very data and labour intensive which creates a significant administrative burden on local government, who may not have the capacity to be able to devote resources to undertaking this requirement for what is often hundreds of kilometres.

⁸ Table reproduced and edited from Table 3: Minimum information required in Forms 2 -5 in Section 4.2.1 of the Submission Guide for NDRRA Funding Applicants (Version 3).

4.2.4 Challenge 3 - Changing Engineering Policy

The Australian National Audit Office Audit Report contained an Appendix of submissions from local governments across Queensland. The Chief Executive Officer of Blackall-Tambo Regional Council (part of the RAPAD region region) noted in response to the proposed Audit Report that

‘Council believes that a clear definition of current engineering standards and enhancement is required, as the Queensland Reconstruction Authority appears to have gone from a current engineering policy to a replacement of what was existing policy, disregarding engineering standards (Audit Report page 193).’

This lack of clarity over which standards are applicable creates confusion and inconsistency, particularly where different standards are applied across different projects in the one local government area, or where different local governments are subject to different engineering standard requirements.

4.2.5 Challenge 4 – Eligibility of damage during restoration works

The frequency of recent events and repeated damage has raised questions regarding the eligibility of damage caused during NDRRA restoration works. This is a particular challenge for the RAPAD region Councils.

4.3 Outcomes & Benefits Sought

The economic and social advancement of the RAPAD region is of prime concern to its member local governments, and the operability of public infrastructure such as roads is a key link in that advancement.

The challenges highlighted in the report underscore the importance of taking a strategic approach to addressing the policy and procedural arrangements of NDRRA funds administration so that the system can ‘flex’ with increases and reductions in the severity of natural disasters that affect the RAPAD region communities (and those elsewhere in Queensland and Australia) to ensure that the region’s economic and social development is not ‘held back’ by complicated submission processes and lack of funding.

The minutiae of the challenges presented through the case studies outlined below in Section 4.3.1, the geographic and hazard characteristics of the region and the procedural issues identified above would suggest that it is also necessary to begin to anticipate the scale of disaster event expected prior to it occurring so that the appropriate recovery response process can be enacted that is commensurate with the scale of the disaster anticipated.

With this in mind, the following sections outline the outcomes recommended by this report.

4.3.1 Outcome 1 - Permanent Day Labour Eligibility

The existing NDRRA guidelines are not clear on the eligibility of the costs attributable to the use of internal resources by Councils. Assessment of NDRRA funding submissions by the QRA has indicated that for some types of reconstruction projects the use of outsourced/external resources will result in higher cost and longer timeframe outcomes. In this regard the use of Council Day Labour is encouraged as

- Council having a greater understanding of the localised aspects of construction (such as material sourcing and quality management) and the fitness-for-purpose requirements for the particular assets to be re-instated, where the outsourced works were more likely to have been undertaken to meet modern standards requirements. This advantage is recognised by the Queensland Department of Transport and Main Roads as the local authority is often the sole invitee for the Department’s works within the region because of these efficiencies;
- Councils have ready access to the necessary skills and experience that is already in the region, whereas the outsourced works were more likely to utilise resources from outside the region incurring greater associated mobilisation, subsistence and demobilisation costs;
- Councils have some ability to manage risks such as wet weather events through redeployment of labour and plant to other activities of Council that are less impacted by rain, rather than pricing the risk into the tendered price;

- Councils have a vested interest in ensuring whole-of-life costs associated with asset investment planning and delivery are minimised as they face the burden of meeting these ongoing costs; and
- Outsourcing activities generally also incur costs associated with tendering and contract administration, which are generally not required for work self-performed by Council.

Two practical examples demonstrating that Council resources do deliver VfM compared with a contractor are provided below.

Refer to **Attachment A – Value for Money Report**

Case Study 1 - Longreach 2011 works vs 2012 works

A recent analysis has been undertaken comparing works completed by Longreach Regional Council (LRC) (2011 NDRRA works and maintenance works) and the 2012 NDRRA Restoration Works Contract awarded to Suffren & Moore Civil. George Bourne and Associates completed the analysis on behalf of Longreach Regional Council. Due to the award of Day Labour for 2011 NDRRA Event Restoration Works, LRC completed the works internally. The Day Labour application changed for the 2012 event and therefore LRC went through a tendering process adhering to Council's procurement policy.

A summary of the analysis for these two events is provided as follows:-

The Contract with Suffren & Moore Civil had a total value of \$2,388,328.70 (excl. GST) and comprised twelve (12) different construction treatment types of which four (4) form the bulk of the contract value (93%);

1. Gravel Resheeting;
2. Pavement repair incl. asphalt;
3. In-situ cement stabilisation; and
4. Replace kerb.

To allow the comparison for each of the above treatment types a mean unit rate was derived based on the total quantity and total cost of the activity. Mean unit rates were derived for the same activities for Council based on recent works for both flood damage and maintenance works (2011 NDRRA and RMPC). The following table represents a comparison of the derived mean unit rates from both Council and the Contractor.

Table 4-5: Comparative Rates

Treatment Type	Unit	Contractor Mean Unit Rate	LRC Mean Unit Rate	Mean Unit Rate Difference
Gravel resheeting	m	\$59.97	\$56.05	7.0%
Pavement repair 150mm deep incl. emulsion tack coat and 30mm overlay	m ²	\$160.76	\$124.72	28.9%
In-situ cement stabilisation inc prime and a 2 coat seal	m ²	\$31.90	N/A	N/A
Replace kerb on existing subgrade/base incl. removal of existing damaged kerb	m	\$237.91	\$193.11	23.2%

Source: VfM Report, May 2014, George Bourne & Associates

In addition to a direct comparison of rates additional costs are incurred by a Council in procuring external consultants. These costs would not be incurred if Council were to undertake the works. These include:-

- Tendering Process – Approximately 120 Council man hours were required to complete the tender process. A consultant was also engaged to assist with the process. Total cost was estimated at \$11,000.
- Contract Administration – a Contract Administrator was engaged to administer the Contract. Estimated cost at \$30,000.
- Employment of an Inspector / Clerk of Works – Estimated at \$60,000 adding a further 4.2% to the contract and the contractor rates above.

Based on the analysis of recent works completed by LRC and the works contract awarded to Suffren & Moore Civil, it is evident that LRC have the capability of completing the same treatment types while providing better value for money. In addition to the lower unit rates, the additional costs incurred by engaging a contractor would not be necessary.

Case Study 2 - Sandringham – Ethabuka Road, Bedourie (Diamantina Shire Council)

Sandringham – Ethabuka Road, Bedourie (the road) is located to the north-west of the Town of Bedourie in the Diamantina Shire Council local government area. This case study considers the damage that was sustained as a result of the Queensland Monsoonal Flooding & Tropical Cyclone Olga, Neville, Ului & Paul declared event between January and April 2010 (2010 event).

As shown in the Figure 4-2, the road is located predominately within the Interim Floodplain Assessment Overlay (IFAO) identified by the Queensland Government. This mapping confirms the vulnerability of this road each time flooding is experienced in the area.

Damage sustained to the road as a result of the 2010 event required minor heavy formation grading, extensive resheeting and reinstatement of drainage pipes. Council submitted a NDRRA claim for \$3,610,251 for repairs to the road. Repairs on the road were halted as a result of the Queensland Monsoonal Flooding declared event between 28 February and March 2011 (2011 event). At the time that the 2010 repairs were halted, \$840,013.70 had been incurred in actual expenditure, with only \$17,142.99 being spent on eligible day labour costs.

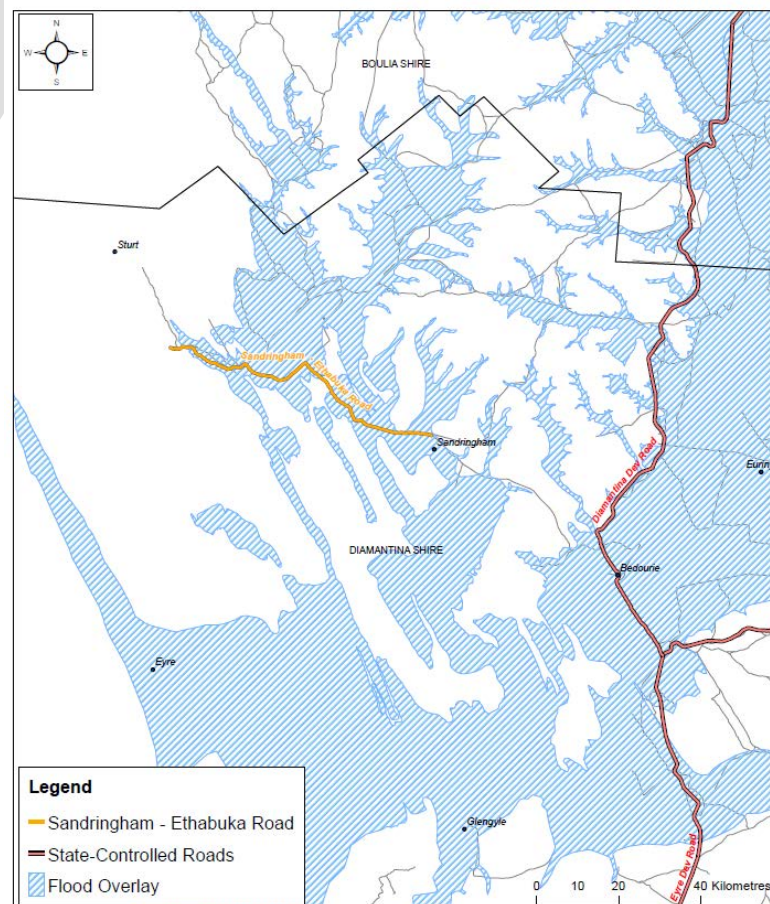


Figure 4-2: Sandringham-Ethabuka Road

The repairs identified as a result of the 2011 event outlined a cost of \$1,215,976.75, of which \$30,329.61 was for eligible day labour. The majority of the eligible NDRRA costs incurred for this project were incurred by 16 private contractors undertaking repairs on the road.

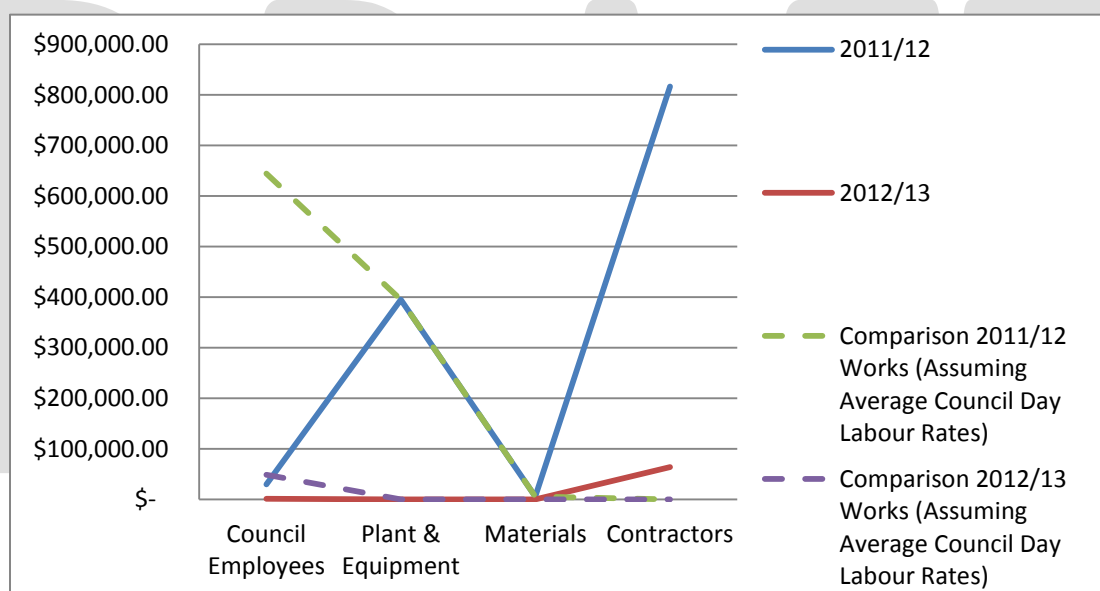
An assessment of the costs incurred by each of the contractors undertaking the reconstruction works has identified a range of labour costs between \$44.00 per hour and \$99.00 per hour with an average labour cost of \$66.20 per hour for contract labour resources.

Council's day labour rates vary between \$41.41 per hour and \$63.37 per hour with an average labour cost of \$49.85 per hour.

Having regard to a breakdown of costs for contractors, an analysis has been undertaken to compare the costs of reconstruction works for the 2011/12 financial year and 2012/13 financial year as a result of the 2010 and 2011 events.

If Council had the resources available to complete all of the repair works, a simple analysis of the costs incurred for contractors shows that a 16% saving may have been possible in 2011/12 had Council's average day labour rates been applied to the project as opposed to the average contractor costs for each of the contractors involved in the reconstruction works. A 24% saving would have been achieved in the 2012/13 financial year using the same approach. Cumulatively, this analysis shows that almost \$220,000 would have been saved if Council's average day labour rates were applied to the project across both events.

Figure 4-3: Sandringham - Ethabuka Road, Bedourie Reconstruction Costs



In this particular example, Council did not have the resources available to complete the works. Had the resources been available, it can be demonstrated that the Value for Money (VfM) principles sought by the Queensland and Commonwealth Governments could have been achieved using Council's day labour resources. The findings for this example are not unique to this road only and are applicable across the region. This is particularly the case in regional and remote locations where logistics often account for higher benchmarking labour costs.

Like many local authorities, the capacity for Council to undertake the reconstruction works as result of flooding will be determined on a case by case basis as a result of the extent of damage, available Council resources and government approval processes. In many cases, the works that are subject to NDRRA claims will be for locations that have been damaged by previous events given their location in relation to the expansive Queensland floodplains. In the case of Sandringham – Ethabuka Road, Bedourie, it has previously had \$1,067,079 worth of NDRRA restoration works completed on it as a result of flooding in February 2008, prior to the 2010 and 2011 events. Not only do repeat events demonstrate the need for investment in betterment, but the number of events for this one road is illustrative of the benefit in Council resources being utilised for reconstruction works where sufficient resources and capacity is available.

4.3.2 Outcome 2 - Improvements in Data Capture

Given all levels of government are aware of the natural disaster characteristics of Queensland, there should be an expectation of costs for recovery and resilience following these periodic events. That is, disasters have occurred regularly in Queensland, and will continue to do so into the future, and so will the required allocation of funds for reinstatement and reconstruction. The only uncertainty is the length of the time between disasters.

The ANAO report noted:

'with the anticipated increasing availability of data on actual costs, there would be benefits in the Taskforce adopting a more pro-active approach to the systematic collection of appropriate benchmarking data, including by creating its own database with suitable cohorts, thereby reducing the reliance it places on QRA (page 25).'

It is understood that this data capture is now underway building a catalogue for access for all levels of government. Queensland has now had four consecutive years of cyclone and flood events that have triggered every local government for NDRRA eligibility at least once, if not multiple times for most. State and Commonwealth governments therefore possess a wealth of historic hazard information and corresponding claims submissions that could be utilised in framing future changes to policy, assessment processes and submission requirements.

This data capture is particularly important for areas of Queensland such as the RAPAD region where disasters are both frequent (i.e. seasonal or nearly seasonal) and have very similar damage effects on the same infrastructure each time such events occur.

Data capture of both historic hazard information and existing claims data can build a 'disaster-affected asset profile' of a local government area or region that contains a 'catalogue' of previously damaged infrastructure that could be expected to be damaged again in one or more future events. The display and use of this compiled data in a geo-spatial format (such as a Google Earth application on the Queensland Government's existing Queensland Globe application) would be very useful for comparison against future claims and could be utilised to fast-track submissions for funding. The purpose of this is two-fold: as a review mechanism for claims processing and as a means to streamline future claims that occur in the same places/areas over time.

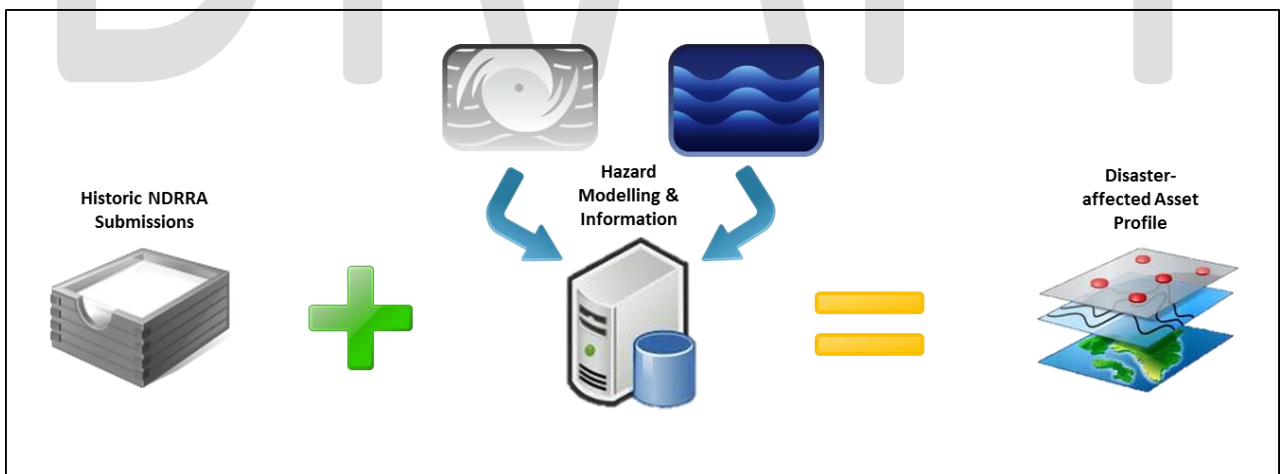


Figure 4-4 Data Required to Produce 'Disaster Affected Asset Profiles'

The creation and use of a disaster-affected asset profile would also allow easier identification and prioritisation of assets that may be eligible for betterment funding to increase their disaster resilience. This would increase the efficiency and effectiveness of the funding application and assessment process.

4.3.3 Outcome 3 - Simplification of Process and Submission Requirements

Based on the significant cache of available historic claims data and hazard information, the opportunity exists to utilise that data to improve decision-making and assessment processes for future claims arising from similar disaster events that affect the same infrastructure to minimise costs.

Utilising the 'disaster-affected asset profile' of a local government or region, different streams of claims processes could be enacted based on the type and severity of the future natural disaster and the extent to which it is anticipated to affect infrastructure that has been affected in the past through historic events.

This approach would result in submission requirements and assessment processes that were commensurate with the relative scale and impact of the disaster event, such that:

1. Seasonal disaster events (which may be of minor or moderate severity) could be addressed through an automatic funding arrangement;
2. For disasters of a similar scale as that previously experienced, disaster arrangements could be streamlined based on evidence of previously affected infrastructure will likely be affected again, with a focus on auditing rather than full submissions;
3. Extraordinary arrangements could be enacted for disasters of a scale greater than that previously experienced in the local government area that would require a similar scale of submission and assessment to that currently in place.

This is explored in further detail in **Appendix C**.

4.3.4 Outcome 4 – On-cost eligibility

As each Council's cost structure is different as is the case in the RAPAD region, the QRA does not apply on-cost eligibility benchmarking and performs an assessment on a case-by-case basis. This assessment is therefore inconsistent and can lead to an inconsistent determination of on-cost eligibility.

It is recommended that:-

- On-costs are incorporated into future disaster funding guidelines and:
 - define establish an agreed on-cost framework
 - define eligibility of on-costs
 - define ineligibility of on-costs
- Put in place a review of in place on-costs to clarify their eligibility prior to the commencement of works

Refer to **Attachment B** – On-costs report.

4.3.5 Outcome 5 – Damage during NDRRA restoration works

RAPAD Region Councils contend that it is reasonable to claim the damage caused to the roads due to the restoration of NDRRA works. At present there is no clarity on the eligibility of claiming this damage and the proposed review should take this into consideration.

4.3.6 Outcome 6 - Dedicated investment in Betterment

The frequency of events resulting in repeated damage and increased NDRRA spend brings forward the need to relook and re-evaluate the investment in betterment. Whilst recent betterment funds have been facilitated the restriction of betterment funding aligned to specific events (ie. 2012 NDRRA events) does not support the overarching principle to improve the resilience of our roads and to support a reduction in NDRRA spend as a result of damage. A dedicated, committed and on-going program to improve the standards of road is required and will support and improve the overall resilience of the regions.

5 Conclusion & Recommendations

5.1 Conclusion

This document has:

- Provided context and understanding of the economic profile of the Central West Region;
- Developed an understanding of the natural hazard profile of the region including its history;
- Identified key challenges faced by the region in times of natural disaster;
- Identified strategies to improve the ability for the region to respond to and comply with matters related to NDRRA guidelines and determinations;
- Considered opportunities and recommendations to improve the NDRRA process; and
- Provided recommendations to support changes in policy to the NDRRA based on the profile of the region.

The Councils of the RAPAD region acknowledge the unprecedented scale and severity of the recent series of extreme weather events that have affected Queensland, and the significant challenges that this presents for governance and administration of disaster recovery, particularly the management and oversight required for the expenditure of public funds. As the responsible entities for managing more than 17,000kms of local roads in the region and a population of just 13,000, Councils are more than aware of these challenges and acknowledge the support and assistance provided to date by the Queensland Government through the QRA and the Commonwealth Government.

It is evident that changes to the current natural disaster recovery arrangements are required to advance the RAPAD region's economic development, ease the administrative burden on member Councils and drive cost savings for State and Commonwealth governments. It is likely that the RAPAD region is not the only region in Queensland or Australia that is subject to the challenges identified by this report; it is likely that other regions would also benefit from these proposed changes.

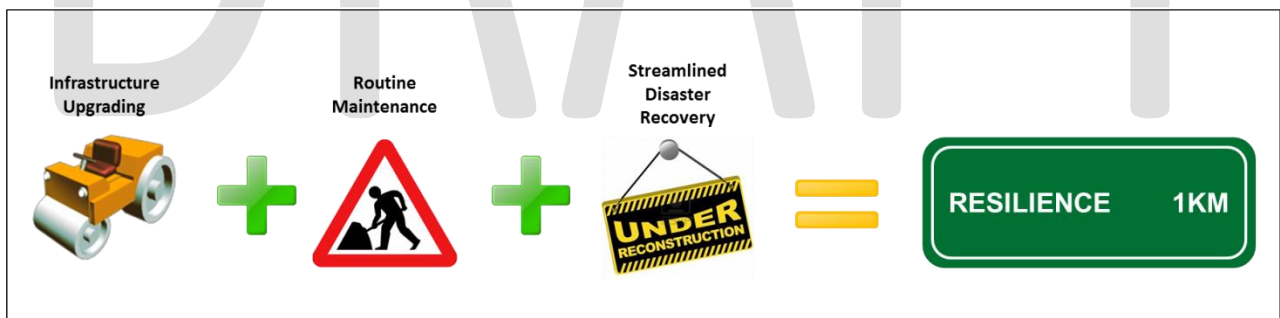


Figure 5-1: The Key to Building Resilience for Public Assets (such as Roads)

This range of suggested governance, policy and procedural changes to drive the required improvements to the current arrangements are outlined below. Central to these changes is the desire to ensure that VfM is delivered. This means that use of Day Labour is an outcome that any type of NDRRA review should consider and investigate in detail.

5.2 Recommendations

Governance Changes

The following governance changes are recommended for further consideration and analysis in the context of building a more resilient RAPAD Region:

1. Preparation of model VfM procedures and processes for local governments;
2. A holistic approach to government funding for infrastructure maintenance and capital works acknowledging regional challenges; and
3. Increased data capture for use by local governments.

Policy Changes

The following policy changes are recommended for further consideration and analysis:

1. Day Labour Eligibility to be a standard inclusion for remote/rural Councils;
2. On-costs are incorporated into future disaster funding guidelines;
3. Greater role for industry in works certification;
4. Costs associated with process administration of submissions to be recoverable; and
5. Costs associated with damage caused during NDRRA restoration works.

Procedural Improvements

The following procedural improvements are recommended for further consideration and analysis:

1. Clarification on evidence required;
2. Clarification on appropriate (and consistent) engineering standards to be applied across projects and Councils; and
3. Streamlining of assessment process for appropriate works through a risk-based approach.

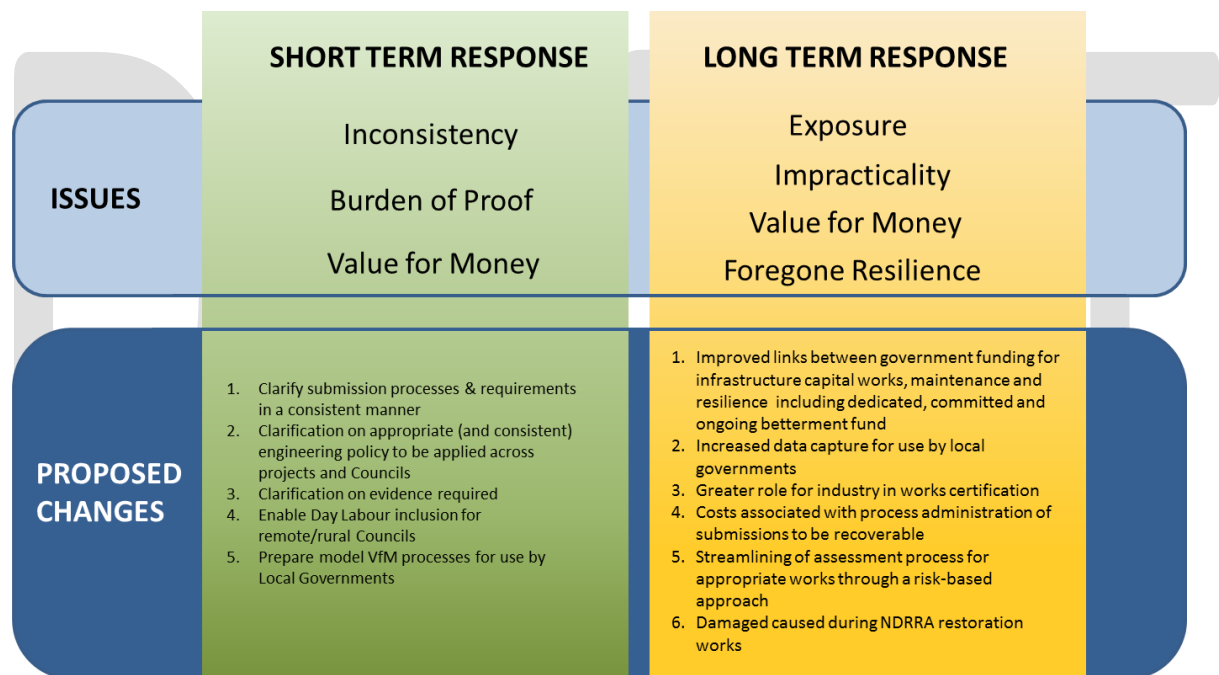


Figure 5-2: Short or Long-term Recommendations

5.3 Looking to the future

It will be critical that for future events, a more proactive and risk-based approach to triggering Category B eligibility and submission requirements/assessment processes is undertaken. Sufficient weather, hazard, asset damage and reconstruction cost data now exists in government (particularly in the QRA and at the Commonwealth level) for a more strategic approach to be taken to the procedural aspects of reconstruction of public assets that anticipates the scale of expected reconstruction and aligns governance and administration accordingly.

Appendix D of this document sets out suggested changes to NDRRA Category B to align the recovery process with the scale of the disaster expected to be experienced. While not an exhaustive examination of the processes, Appendix B provides some key principles and high level process relevant for further consideration by the Queensland and Commonwealth Governments.

Appendix A Regional Profile

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Regional Profile

As at 30 June 2012, the Office of Economic and Statistical Research (OESR) estimated resident population (ERP) of the RAPAD region was 12,405 people, which comprises 0.3% of the population of Queensland. The annual growth rate in the region between 2011 and 2013 was 0.3 per cent.

The 2011 Census identifies that the majority of the population of the Central West region (79%) lives within the eastern portion of the region, in the LGAs of Longreach, Barcaldine and Blackall-Tambo. Longreach is the largest town and major rural activity centre, with a population of 3,137 people. Other larger towns within the region include Barcaldine (1,655 people), Blackall (1,588 people) and Winton (954 people).

In terms of population projections by 2016 the expected population of Central West Region will be 12,597 persons and by 2031, this is expected to be 13,814 persons.

Table 1: Population Statistics (as at 2011)

Council	Total Population (LGA)	Major Town*	Population
Barcoo	350	Windorah	158
Barcaldine	3,215	Barcaldine	1,655
Blackall-Tambo	2,200	Blackall	1,588
Boulia	480	Boulia	230
Diamantina	283	Bedourie	142
Longreach	4,189	Longreach	3,137
Winton	1,336	Winton	954

Agriculture, particularly sheep and cattle grazing, is the traditional and main economic driver of the Central West. The total value of agricultural production in the region in 2006 was \$432.9 million, which comprised approximately 4.4% of Queensland's total agricultural production at that time. Tourism is also a significant economic driver, contributing \$29.1 million to the region's economy in 2006. The tourism attraction is the region's natural and cultural heritage and its unspoilt outback landscapes.

Recent efforts within the Galilee Basin (centred around the towns of Alpha and Jericho) to progress the potential development of five major coal mines with joint capacity of over 25 million tonnes per annum (MTPA) will also potentially provide significant employment and growth potential for the region. Further context on the development of the Galilee Basin is provided in section 2.2.2 below.

Agriculture employs the largest number of people in the region, with 1,732 people (28%) working within that industry at the time of the 2011 census. The next largest industry employers were Public Administration and Safety (11%), and Health Care and Social Assistance (9%).

Regional Centres

Major Centre – Longreach

Generally, major rural activity centres serve catchments of subregional to regional significance, with populations typically in the range of 2500 to 5000 residents. These centres accommodate concentrations of employment, businesses and shops.

The major rural activity centre in the Central West region is Longreach, with a total population over 3000. Although Longreach has a low urban population compared to coastal activity centres, it services an area of 418 512 square kilometres, in conjunction with the region's district rural activity centres and community activity centres. Longreach is the major rural administrative centre for a range of state government services. It is the focal point for employment and economic development and provides a mix of businesses and administrative services required to support the economic development of the region.

Longreach has a strong rural service focus and supports one of the largest cattle sale complexes in Queensland, with average sales of 91,190 head per annum.

With good access to the arterial road network and established rail networks, Longreach acts as the region's transport hub. It has good road links to service centres such as Brisbane, Toowoomba, Townsville and Rockhampton. It also has a daily air service to Brisbane and a twice-weekly service to Townsville. Queensland Rail provides two passenger services a week to Brisbane, with connections to Emerald and Rockhampton (the Spirit of the Outback), three general freight services a week and cattle trains on an order basis. Coach services connect travellers to Brisbane and Mount Isa daily and to Emerald and Rockhampton twice weekly.

The Central West Regional Plan (CWRP) intends that Longreach retains its role as the major centre of the Central West. Maintaining and improving its current level of services and facilities is desirable. This will allow the local population and surrounding districts to access adequate services. It is well-positioned to respond to future demands and changes in population and demographics.

District Rural Activity Centres

District rural activity centres in the Central West region provide essential functions for surrounding districts. The population range for each centre is generally between 300 and 2500. For the Central West these centres are identified as Barcaldine, Bedourie, Blackall, Boulia, and Winton.

These centres provide weekly and essential services, such as grocery shopping and postal services. Outlying properties may face a travel time of up to four hours to access these centres. They offer local government services and health services that may include a local general practitioner or non-resident medical services, such as visiting specialist medical services. These centres have educational facilities, in some cases to Year 12, and police stations, often with more than one officer, and multiple government services. The current services provided in these towns need to be maintained.

These centres have sealed airstrips and service regular flights by commercial airlines. The airports also provide access for the Royal Flying Doctor Service and charter services.

These centres are the local government administration centres for the local government areas and provide a range of services to the community. The rail line to the Central West ends in Winton and is an important railhead for the transportation of livestock and wool.

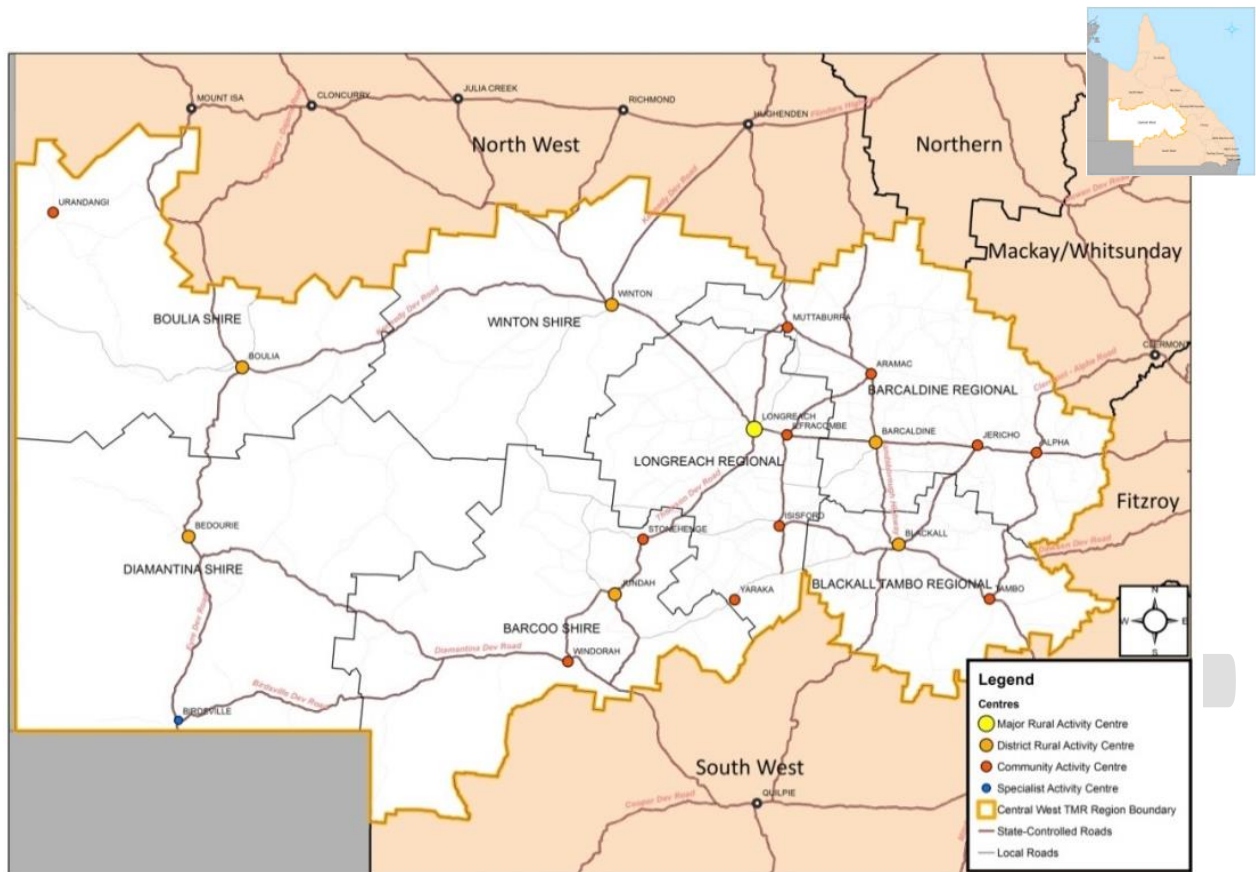


Figure 1: Central West Region – Centres

Transport Network

The Central West is supported by a transport network comprised of rail, road and air transport modes.

The Central West's road network consists of national, State and locally controlled roads (4,000km of which are State-controlled) that provide critical movements both within and external to the region. The Landsborough Highway running from Morven to Cloncurry (through Blackall, Barcaldine, Longreach and Winton) is the major national road within the region connecting it to Brisbane in the South and Mt Isa in the North. Other key routes include the Thomson Developmental Road between Longreach and Jundah, the Diamantina Developmental Road between Windorah and Birdsville, as well as the Kennedy Developmental Road that connects Boulia with Winton. The Eyre Developmental Road in conjunction with the Diamantina Developmental Road connects Birdsville with Boulia via Bedourie.

The region is also supported by 15 regional airstrips, with the main passenger and freight services (including regular QantasLink operations) operating out of Longreach, Barcaldine and Blackall. Heavy rail also plays a vital role for the transportation of livestock and goods with a passenger service (Spirit of the Outback) connecting through to Longreach.

The layout of the existing transport network is shown in Figure 2, while the extent of sealed versus unsealed road is illustrated in Figure 3. Unsealed surfaces (i.e. dirt or gravel roads rather than sealed bitumen) comprise around 40% of the region's road network, and comprise the only means of travel between the key centres of Blackall to Winton, Windorah to Birdsville and Bedourie, Birdsville to Bedourie, and Jericho to Blackall.

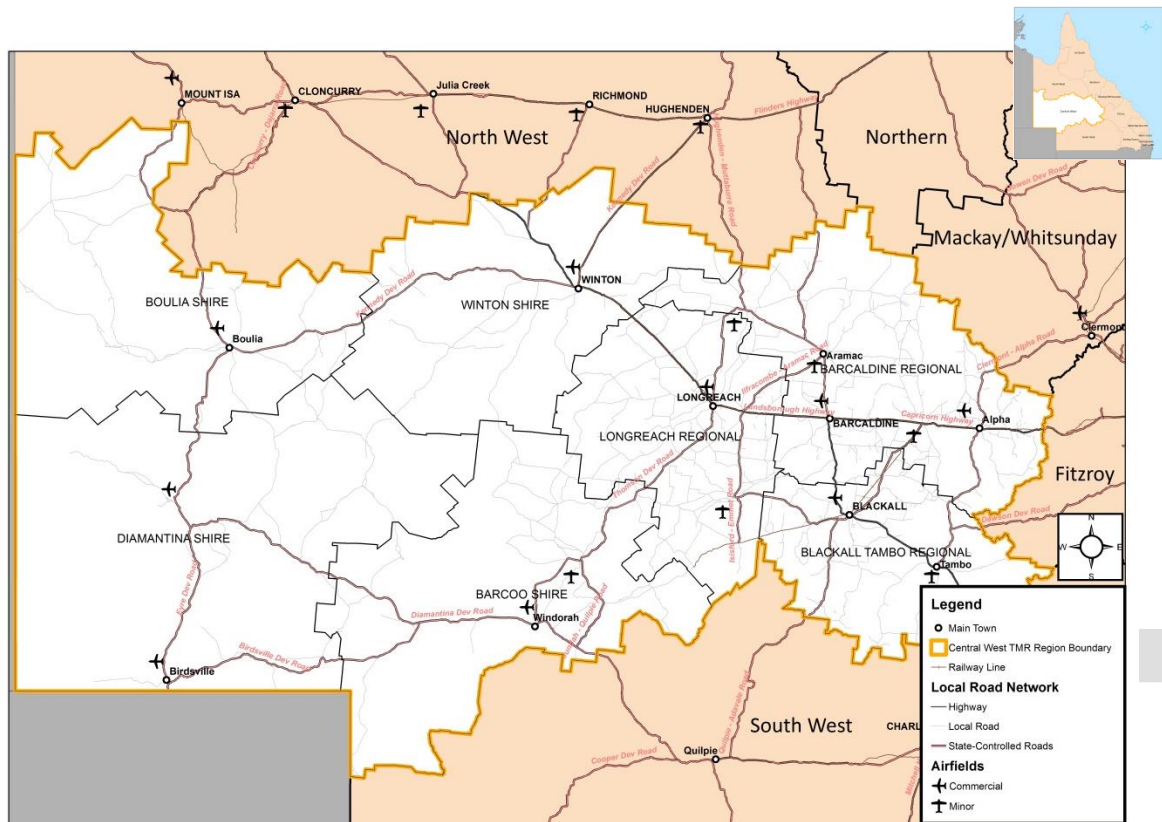


Figure 2: Central West Transport Network

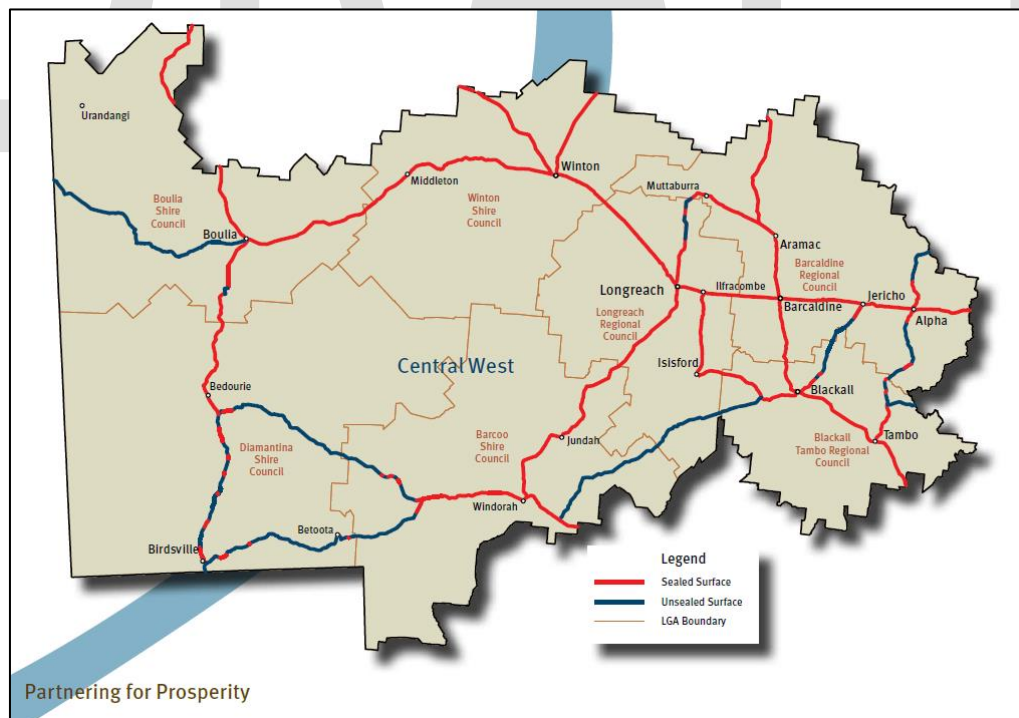


Figure 3: Sealed vs Unsealed Surfaces (2011), Partnering for Prosperity, Page 24

Resource Sector

Overview

To date, the Central West region has not been significantly impacted by mining, as has occurred in other remote areas such as north-west Queensland, or in areas further to the east in the Bowen Basin. Nevertheless, there has been extensive exploration for oil and gas, dating back to at least the 1950s. Drilling logs from this exploration, and water drilling, show coal intersections in many locations, which have allowed coal provinces to be broadly delineated and refined. By extension, this has also allowed potential coal seam gas fields to be outlined. It is now known that the region is highly prospective for coal, coal seam gas (and possibly underground coal gasification), and potentially other energy resources, including geo-thermal energy which lies in the Drummond Basin beneath the Galilee Basin.

It is highly likely that the western region will be significantly impacted by coal mining and other resource development in future years.

The Late Carboniferous to Triassic Galilee Basin may have potential as a major CSG region because it contains coal measures of a similar age to those targeted in the Bowen Basin.

Drilling for CSG began in 1992 in the Rodney Creek area, north-east of Longreach, where it targeted the Betts Creek beds. However, results from a pilot program were not conclusive. Results from the Rodney Creek 8 well were more encouraging with around 25 m gross of gassy coal intersected. Measured permeabilities ranged from 1 to 150 mD (average 30 mD) over the full coal thickness tested. The vitrinite reflectance values were in the range 0.63–0.71% Rv.

Coal sequences in the basin are currently the subject of a new round of exploration activity and results are pending. Wells have been drilled to test the Early Permian Aramac Coal Measures and Late Permian Betts Creek beds and Bandanna Formation.

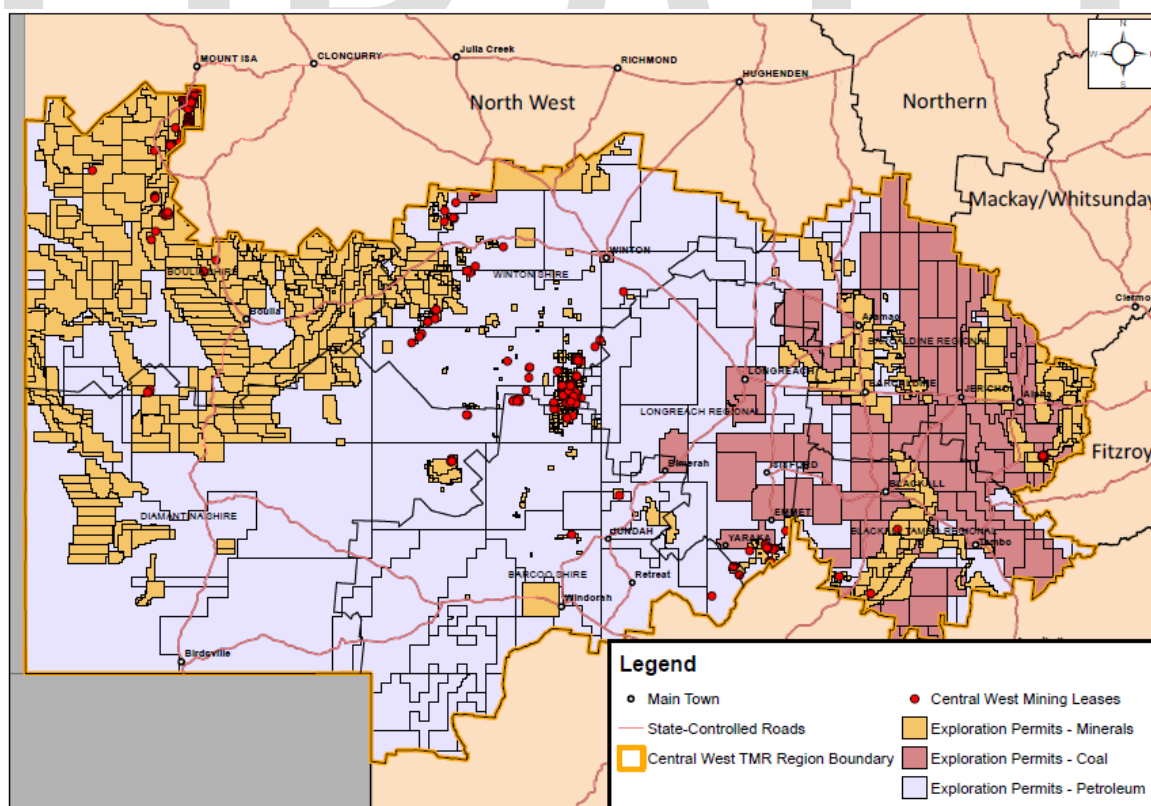


Figure 4: Exploration Permits from 1950-current

Galilee Basin Development Strategy

The Queensland Government released the *Galilee Basin Development Strategy* (the Strategy) in November 2013. According to the Department of State Development, Infrastructure and Planning (the Department responsible for the Strategy), *the Galilee Basin Development Strategy outlines streamlined solutions for water, power and rail and comprehensive infrastructure planning for this important region.*

The Galilee Basin extends through several central Queensland local government areas, including two of the Councils of the RAPAD region, Barcaldine Regional Council (and to a lesser extent) Blackall-Tambo Regional Council.



Figure 5: The Galilee Basin

The Strategy details government initiatives aimed at early development of the southern and central Galilee Basin. These initiatives target both private sector mining companies and infrastructure providers and are designed to help significantly lower start-up costs and fast track development. The strategy highlights initiatives across a number of themes:

- *lowering start-up costs*
- *streamlining land acquisition, planning, approvals and red tape reduction*
- *positioning Abbot Point as the Galilee's gateway to the world*
- *supporting infrastructure development and corridors*
- *supporting regional communities (page 1).*

The future development of the Galilee Basin is directly related to the economic and social advancement of the region, particularly given it foreshadows the extension of resource activity further west from the Bowen Basin into the RAPAD region and the relative proximity of the region's Major Centre (Longreach) to the Galilee Basin.

Importantly, the Strategy anticipates and promotes the role of the private sector in establishing the key infrastructure needed to 'open-up' the Galilee Basin for resource development. It envisages private sector investment in roads, rail, water and power infrastructure development. This focus on private infrastructure investment highlights the infrastructure needs of the region that have been recently raised by the Councils of the RAPAD region through submissions provided to the Commonwealth Government via the Remote Area Planning and Development Board (RAPAD region).

Central West Regional Plan

The Central West Regional Plan (CWRP) is a State-level statutory planning instrument that comprises a range of land use policies and aligned strategies that address the region's environmental, social and economic priorities. It is the over-arching plan for the region, with land use provisions that inform other planning instruments such as each Local Government's planning scheme.

The regional plan is the primary planning document in the Central West. The plan's policies are set out under the following principles:

- natural environment
- natural resources
- strong communities
- urban development
- economic development
- infrastructure.

The CWRP is a statutory plan which was developed under the *Integrated Planning Act 1997* however remains current under the *Sustainable Planning Act 2009*. The Regional Plan must be followed by state agencies and local governments in their planning and when assessing development.

Importantly, the CWRP has established a 20 year Regional Vision which is:-

The quality of our region's relaxed, balanced lifestyle is widely known and sets us apart from other regions in Queensland and Australia.

As custodians of Commonwealth history, we take our stewardship of history, culture, natural resources and the environment, seriously.

Ours is a region that provides the opportunity for strong, diverse and creative industries to develop, driving the economic development of our communities.

People choose to live in and visit the Central West due to our liveable, affordable, safe, vibrant, prosperous and cohesive communities.

Land Use

Land within the Central West Queensland region is principally used for the purpose of livestock grazing. It is categorised by desert plains, scrub and grass country. The region forms part of the Lake Eyre catchment and includes the four different bioregions including Channel Country, Mitchell Grass Downs, Mulga Lands and Desert Uplands.

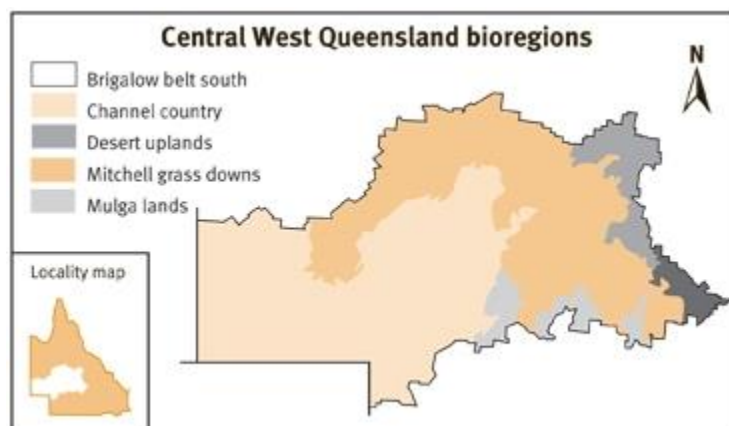


Figure 6: Central West Queensland bioregions

In response, the Central West region is dominated by land zoned for rural purposes. Town zones are commonly found in and around each of the localities and centres of the region.

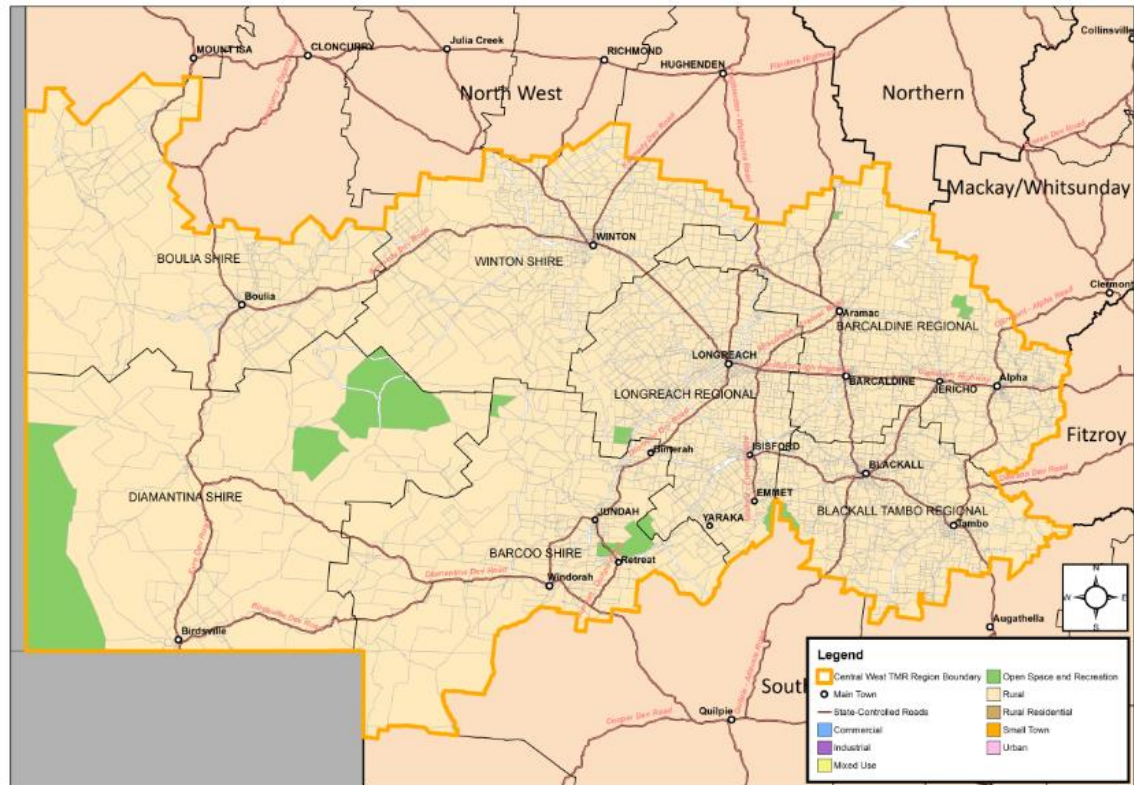


Figure 7: Central West – Land Zonings

The region is also home to a number of national parks including Queensland's largest national park being the Munga-Thirri National Park (previously known as the Simpson Desert National Park).

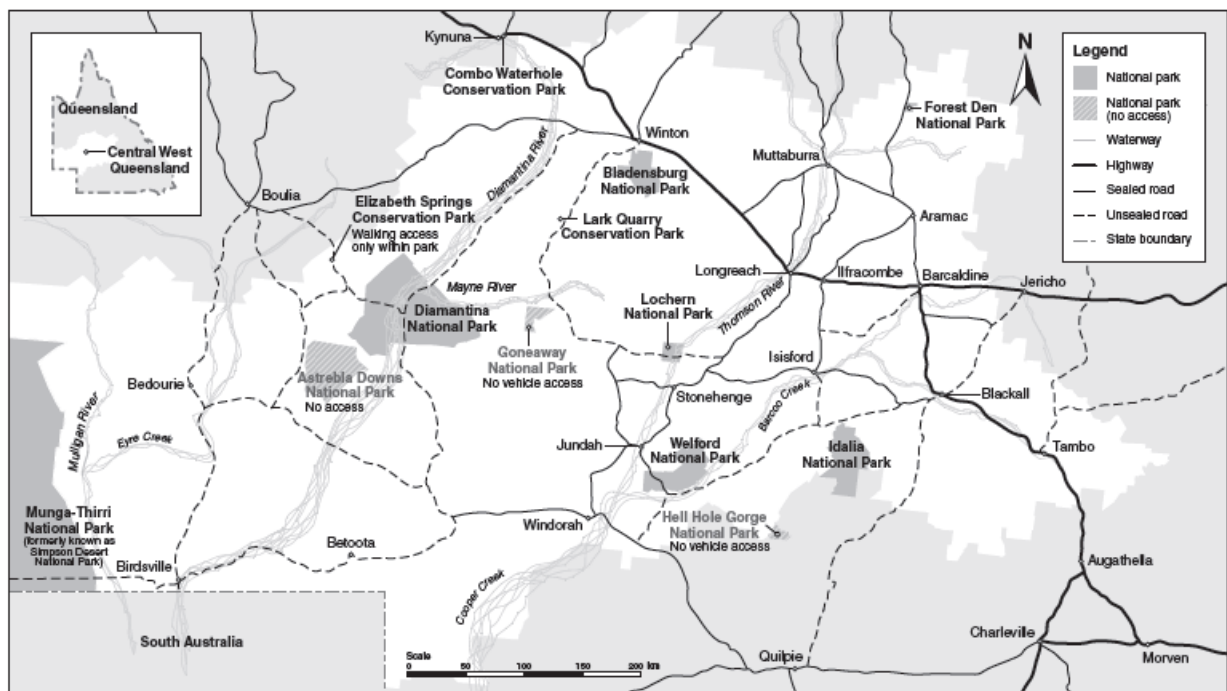


Figure 8: National Parks of the Central West Region

Appendix B – Background Information on Recent Extreme Events in Queensland and associated Institutional Arrangements

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Recent Natural Disaster in the RAPAD region

During the 2010–11 spring and summer seasons, the eastern Commonwealth states were subject to widespread flooding and Queensland was also impacted by Tropical Cyclones Tasha, Anthony and Severe Tropical Cyclone Yasi. During the period of September 2010 through to April 2011 the Natural Disaster Relief and Recovery Arrangements (NDRRA) were activated six times for separate disaster events and for the first time in Australia's history the entire State of Queensland was disaster activated.

It is well documented that the scale and scope of the reconstruction task for Queensland post -2010 is unprecedented. As a result, specific and dedicated resource being the *Queensland Reconstruction Authority* was established to oversee the reconstruction and to ensure that Queensland and Queenslanders emerged stronger and more resilient.

Since April 2011, the NDRRA has been activated 16 times for additional disaster events in Queensland⁹. Over the past four years, Queensland has been subjected to a range of extreme weather events which have seen many records broken. As a result of the extent of damage and associated costs, the way in which financial assistance is managed and approved has changed.

The increased incidence of events particularly in recent years has been hardest felt at the Local Government level. For the majority of Queensland Local Governments managing the full impact of a disaster is challenging from both in terms of resources and financially. Many LGA's are under-resourced and having to play multiple roles prior to, during and post a disaster event.

The Remote Area Planning and Development (RAPAD region) Region of Queensland represents 23% of the state's land area. The area is characterised by its remoteness, with the RAPAD region and extent of roads quintessentially representative of Outback Australia.

For many in the RAPAD region, both drought and flooding is part of life, however the impact of the widespread and record-breaking flooding in recent years has been significant in this region.

Whilst it is understood and supported by the RAPAD region that transparency, accountability and value for money outcomes in reconstruction need to be encouraged and delivered, a balance also needs to be reached that takes into account the resource availability and capacity of regions like RAPAD region to ensure communities recover efficiently and effectively following a natural disaster.

It is fully acknowledged that the Commonwealth Government has an expectation to ensure that monies expended on reconstruction are spent in an appropriate manner that support and ensure communities recover post disaster. The main challenge that has faced many regions, including the RAPAD region, is that the process and arrangements for funding have continued to change in recent years and are impacting on the core business functions of these Local Governments, with many of these changes not being consistent, practical or efficient in a rural context.

In particular, the expectations around delivering Value for Money (VfM) through restoration and reconstruction works has changed and continues to change. More evidence is now forthcoming that is demonstrating that the use of Council resources and specifically those rural and regional Councils resources is delivery exceptional VfM outcomes.

⁹ Emergency Management Queensland, May 2014

Table A: Flood Impact Information for select towns within the RAPAD region

River Height Station	First Report Height	Crossing Height	Minor Flood Level	Crops & Grazing	Moderate Flood Level	Towns and Houses	Major Flood Level
Longreach	2.3	3.50 (O)	3.3	4.3	4.3	6.7	5.3
Windorah	3.0	4.30 (A)	3.0	5.0	4.0	-	5.0
Blackall	1.0	3.50(B)	2.0	4.0	4.0	5.5	5.0
Barcaldine	2.0	5.60(B)	3.0	-	5.0	-	6.0
Jundah	1.0	3.35(A)	2.5	5.0	4.0	4.6	5.0
Winton	1.3	1.30 (B)	1.5	-	2.0	-	3.5
Diamantina Lakes	-	-	2.0	-	4.0	-	6.0
Monkira	2.5	2.60 (A)	2.6	3.0	4.0	-	4.5
Birdsville	2.0	5.40(A)	4.0	4.0	6.0	7.9	8.0
Urandangi	0.5	0.20(X)	1.0	-	5.0	7.0	7.0
Boulia	3.0	4.90(B)	4.0	4.0	5.0	6.1	6.0
Bedourie	3.0	4.40 (B)	3.5	-	4.0	-	5.0
Glengyle	1.0	3.30 (B)	2.0	-	3.0	-	4.0

All heights are in metres on flood gauges. (O) = Old bridge (A) = Approaches (B) = Bridge (X) = Crossing
Shaded areas indicate the lowest and highest for each level of relevance. Source: Bureau of Meteorology

Table B: Historic Flood Information by catchment

River Height Station	Nominated Years							
Thomson-Barcoo-Cooper Crk	Mar 1971	Jan 1974	Apr 1990	Feb 1991	Feb/Mar 2000	Jan 2008	Mar 2010	Feb 2012
Longreach	3.30	6.82*	6.37*	5.71*	6.95*	5.28	4.8	4.76
Windorah	7.65	8.48	7.95	6.70	7.45	5.95	5.50	5.37
Blackall	NR	NR	7.30	NR	NR	5.15	3.97	7.20
Jundah	7.54*	8.38*	7.55*	6.45*	7.85*	5.20*	3.80	4.32
Diamantina	Mar 1950	Jan/Feb 1974	Feb 1991	Feb/Mar 2000	Jan 2004	Mar 2010	March 2011	March 2012
Winton	4.47	4.53	NR	NR	4.65	NR	NR	NR
Diamantina Lakes	NR	7.71*	6.40*	6.85*	NR	3.81	4.73	5.41
Monkira	5.79*	6.12*	4.80*	4.80*	5.00*	4.10	3.87	3.89
Birdsville	8.54*	9.45*	8.20*	7.35	8.20*	7.90	7.95	NR
Georgina River	Jan/Feb 1974	Feb/Mar 1977	Mar 1997	Dec 00/Jan01	Jan 2007	Jan 2009	Mar 2011	
Urandangi	7.45*	7.32*	7.30*	6.00	4.70	6.85	5.70	
Boulia	5.96	5.35	5.70	5.40	3.15	5.26	-	
Bedourie	-	-	-	-	5.40*	5.38*	5.68*	
Glengyle	6.45	5.74	5.65	5.13	4.40	5.25	4.85	

NR – No Recording Available *Major Flood as per definition

Source: Adapted from Bureau of Meteorology, Queensland Flood History

Table C: NDRRA Activation History in RAPAD region 2002 – 2014¹⁰

Disaster Name	Year	LGA Activated						
		Barcaldine Regional Council	Barcoo Shire Council	Blackall-Tambo Regional Council	Boulia Shire Council	Diamantina Shire Council	Longreach Regional Council	Winton Shire Council
Tropical Cyclone Bernie and Flooding	January 2002							
Northern and Western Queensland Flooding	January 2004							
North and Central Queensland Flooding	8 – 15 March 2006							
Tropical Cyclones Larry & Monica & Flooding	March - April 2006							
Central Western Queensland Storms and Flooding	22-30 December 2007							
Queensland Monsoonal Flooding	January 2008							
South East and Western Queensland Storms and Flooding	3 – 8 February 2008							
South West Queensland Flooding	June 2008							
Queensland Monsoonal Flooding and Tropical Cyclones Charlotte and Ellie	January – February 2009							
Queensland Bushfires	September – October 2009							
South West Queensland Flooding	20-25 November 2009							

¹⁰ Information for Table 2-4 was sourced from Emergency Management Queensland including historical records.

Table C cont'd: NDRRA Activation History in RAPAD region 2002 – 2014

Disaster Name	Year	LGA Activated						
		Barcaldine Regional Council	Barcoo Shire Council	Blackall-Tambo Regional Council	Boulia Shire Council	Diamantina Shire Council	Longreach Regional Council	Winton Shire Council
Northern, Central and South West Queensland Flooding	22 December 2009 to 8 January 2010							
Tropical Cyclones Olga, Neville, Ului and Paul	January to April 2010							
Queensland Flooding and Tropical Cyclones Tasha and Anthony	November 2010 – February 2011							
Severe Tropical Cyclone Yasi	2 February 2011							
Queensland Monsoonal Flooding	28 February – March 2011							
Queensland Bushfires August	November 2011							
Western Queensland Tropical Low	27 January - February 2012							
Barcoo Severe Storm	15 January 2013							
Longreach Flood	18 February 2013							
Central and Southern Queensland Low	25 February – 5 March 2013							
Central and Western Queensland Flooding and Rainfall	18 – 28 February 2014							

Table D over page follows on from Table C and identifies the eligible categories of NDRRA for each of the disaster events activated within the RAPAD region. Table D demonstrates that funding for the restoration of essential public assets (Category B funding) has been activated in each instance since 2002.

Table D: NDRRA Activation History in RAPAD region 2002 – 2014¹¹

Disaster Name	Year	Relief Summary	LGAs Activated
Tropical Cyclone Bernie and Flooding	January 2002	<ul style="list-style-type: none"> Disaster Relief Assistance Scheme Counter Disaster Operations – Includes approval for the conducting of resupply operations under State Counter Disaster Organisation Policy. Restoration of Public Assets Concessional Loans to Primary Producers; to be considered on an Individually Disaster Stricken Property (IDSP) basis. 	Barcoo Shire Council Blackall-Tambo Regional Council Longreach Regional Council Winton Shire Council
Northern and Western Queensland Flooding	January 2004	<ul style="list-style-type: none"> Disaster Relief Assistance Scheme Counter Disaster Operations Restoration of Public Assets Concessional Loans to Small Businesses Concessional Loans to Primary Producers 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
North and Central Queensland Flooding	8 – 15 March 2006	<ul style="list-style-type: none"> Restoration of Essential Public Assets Counter Disaster Operations 	Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
Tropical Cyclones Larry & Monica & Flooding	March - April 2006	<ul style="list-style-type: none"> Restoration of Essential Public Assets Counter Disaster Operations Disaster Relief Assistance Scheme Associations Natural Disaster Relief Scheme Concessional Loans to Primary Producers Concessional Loans to Small Businesses Freight Subsidies 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
Central Western Queensland Storms and Flooding	22-30 December 2007	<ul style="list-style-type: none"> Restoration of Essential Public Assets Counter Disaster Operations 	Barcaldine Regional Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
Queensland Monsoonal Flooding	January 2008	<ul style="list-style-type: none"> Restoration of Essential Public Assets Disaster Relief Assistance Scheme Counter Disaster Operations Associations Natural Disaster Relief Scheme Concessional Loans to Primary Producers Concessional Loans to Small Businesses Freight Subsidies to Primary Producers 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Longreach Regional Council Winton Shire Council
South East and Western Queensland Storms and Flooding	3 – 8 February 2008	<ul style="list-style-type: none"> Counter Disaster Operations Disaster Relief Assistance Scheme Restoration of Essential Public Assets Concessional Loans for Primary Producers Concessional Loans for Small Businesses 	Boulia Shire Council Diamantina Shire Council
South West Queensland Flooding	June 2008	<ul style="list-style-type: none"> Restoration of Essential Public Assets Counter Disaster Operations 	Barcoo Shire Council Diamantina Shire Council

¹¹ Information for Table 3-4 was sourced from Emergency Management Queensland including historical records. The relief summary is a consolidation of all relief measures activated for the disaster event.

Table D cont'd: NDRRA Activation History in RAPAD region 2002 – 2014

Disaster Name	Year	Relief Summary	LGAs Activated
Queensland Monsoonal Flooding and Tropical Cyclones Charlotte and Ellie	January – February 2009	<ul style="list-style-type: none"> • Restoration of Essential Public Assets • Counter Disaster Operations • Disaster Relief Assistance Scheme • Concessional Loans to Small Businesses • Concessional Loans to Primary Producers (specific Local Government areas) • Freight Subsidies (specific Local Government areas) 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
Queensland Bushfires*	September – October 2009	<ul style="list-style-type: none"> • Concessional Loans to Primary Producers (specific Local Government areas) 	Barcaldine Regional Council
South West Queensland Flooding	20-25 November 2009	<ul style="list-style-type: none"> • Counter Disaster Operations • Restoration of Essential Public Assets 	Barcoo Shire Council Diamantina Shire Council
Northern, Central and South West Queensland Flooding	22 December 2009 to 8 January 2010	<ul style="list-style-type: none"> • Counter Disaster Operations • Restoration of Essential Public Assets 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
Tropical Cyclones Olga, Neville, Ului and Paul	January to April 2010	<ul style="list-style-type: none"> • Concessional Loans for Primary Producers • Concessional Loans for Small Businesses • Counter Disaster Operations • Disaster Relief Assistance Scheme • Freight Subsidies for Primary Producers • Restoration of Essential Public Assets 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
South West Queensland Low and Associated Flooding	September 2010	<ul style="list-style-type: none"> • Counter Disaster Operations • Restoration of Essential Public Assets 	Barcoo Shire Council Boulia Shire Council Diamantina Shire Council
Queensland Flooding and Tropical Cyclones Tasha and Anthony	November 2010 – February 2011	<ul style="list-style-type: none"> • Counter Disaster Operations • Concessional Loans for Small Business • Concessional Loans for Primary Producers • Community Recovery Package • Special Disaster Assistance Loans to Charities and Non-Profit Organisations • Essential Services Safety and Reconnection • Freight Subsidies for Primary Producers • Personal Hardship Assistance Scheme • Restoration of Essential Public Assets • Grants to Small Business • Grants to Primary Producers • Special Disaster Assistance Grants to Charities and Non-Profit Organisations • Category D relief measure (applicable LGAs) 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Longreach Regional Council Winton Shire Council

Table D cont'd: NDRRA Activation History in RAPAD region 2002 – 2014

Disaster Name	Year	Relief Summary	LGAs Activated
Severe Tropical Cyclone Yasi	2 February 2011	<ul style="list-style-type: none"> Counter Disaster Operations Concessional Loans for Small Business Concessional Loans for Primary Producers Community Recovery Package Special Disaster Assistance Loans to Charities and Non-Profit Organisations Essential Services Safety and Reconnection Freight Subsidies for Primary Producers Personal Hardship Assistance Scheme Restoration of Essential Public Assets Grants to Small Business Grants to Primary Producers Special Disaster Assistance Grants to Charities and Non-Profit Organisations Category D relief measure (applicable LGAs) 	Boulia Shire Council
Queensland Monsoonal Flooding	28 February – March 2011	<ul style="list-style-type: none"> Counter Disaster Operations Restoration of Essential Public Assets Concessional Loans for Small Business Concessional Loans for Primary Producers Freight Subsidies for Primary Producers 	Barcoo Shire Council Boulia Shire Council Diamantina Shire Council
Queensland Bushfires August*	November 2011	<ul style="list-style-type: none"> Counter Disaster Operations Concessional Loans to Primary Producers Freight Subsidies for Primary Producers 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Diamantina Shire Council Longreach Regional Council Winton Shire Council
Western Queensland Tropical Low	27 January - February 2012	<ul style="list-style-type: none"> Concessional Loans to Not for Profit Organisations Concessional Loans to Primary Producers Concessional Loans to Small Business Counter Disaster Operations Essential Services Safety & Reconnection Freight Subsidies for Primary Producers Personal Hardship Assistance Scheme Restoration of Essential Public Assets Special Disaster Assistance Grants for Primary Producers Special Disaster Assistance Grants for Non-Profit Organisations Special Disaster Assistance Grants for Small Business 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Longreach Regional Council Winton Shire Council
Barcoo Severe Storm	15 January 2013	<ul style="list-style-type: none"> Counter Disaster Operations Personal Hardship Assistance Scheme 	Barcoo Shire Council
Longreach Flood	18 February 2013	<ul style="list-style-type: none"> Restoration of Essential Public Assets 	Longreach Regional Council
Central and Southern Queensland Low	25 February – 5 March 2013	<ul style="list-style-type: none"> Counter Disaster Operations Personal Hardship Assistance Scheme Restoration of Essential Public Assets 	Barcaldine Regional Council
Central and Western Queensland Rainfall and Flooding	18 – 28 February 2014	<ul style="list-style-type: none"> Counter Disaster Operations Restoration of Essential Public Assets 	Barcaldine Regional Council Barcoo Shire Council Blackall-Tambo Regional Council Boulia Shire Council Longreach Regional Council Winton Shire Council

The full context of NDRRA is provided in **Appendix C** of this document.

Appendix C – Natural Disaster Recovery and Relief Arrangements (NDRRA)

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Natural Disaster Relief and Recovery Arrangements

Constitutional responsibility for disaster prevention, preparedness, response and recovery rests primarily with the states and territories. However, the scale of the impacts of certain events across all sections of the community, including the significant damage to infrastructure, requires additional support from the Commonwealth Government. Given that disaster events are often unpredictable they are often an unbudgeted item. This is a significant issue that has faced all levels of government particularly in recent years.

In Queensland, when a disaster is likely to or has occurred there may be two very separate and not related actions undertaken principally by the Queensland Government under signed arrangements.

These may include:-

1. The '**declaration of a disaster situation**', which is a formal declaration invoked under the *Disaster Management Act 2003*. It is a short term declaration which provides additional operational powers to the Queensland Police Service and emergency services prior to, during and immediately following a disaster event.
2. The '**activation of the NDRRA**' by the Minister provides jointly funded State / Commonwealth Government financial assistance to communities affected by eligible disaster events.

The NDRRA are a joint funding initiative of the Commonwealth and State Governments to provide disaster relief and recovery payments and infrastructure restoration to help communities recover from the effects of natural disasters.

The NDRRA are based on the terms and conditions in the NDRRA Determination and the Attorney-General's Department administers the NDRRA on behalf of the Commonwealth Government. The current applicable *Determination is 2012, Version 1* however the *National Partnership Agreement 2013* (NPA 2013) provides additional details that supersede the NDRRA Determination 2012.

Queensland Disaster Relief and Recovery Arrangement Guidelines (QDRRAG) April 2013 provides an overview of arrangements for the activation and delivery of NDRRA and SDRA assistance within Queensland, and forms a guide on financial assistance that may be available in the event of a disaster.

Under these arrangements, the state or territory government determines which areas receive NDRRA assistance and what assistance is available to individuals and communities. Under the current NDRRA Determination an *eligible disaster* means a serious disruption to a community or region caused by the impact of a naturally occurring rapid onset event that threatens or causes death, injury or damage to property or the environment and which requires significant and coordinated multi-agency and community response. Such serious disruption can be caused by any one, or a combination, of the following natural hazards: bushfire; earthquake; flood; storm; cyclone; storm surge; landslide; tsunami; meteorite strike; or tornado.¹²

Where the NDRRA is activated, the Commonwealth Government will fund up to 75 per cent of the assistance available to individuals and communities. This contribution is delivered through a number of NDRRA measures and may include:

- personal hardship and distress assistance
- counter disaster operations
- loans for small businesses and primary producers
- transport freight subsidies for primary producers
- loans and grants to churches, voluntary non-profit organisations and sporting clubs, and
- restoration or replacement of essential public assets.

The NDRRA Determination 2012 establishes four categories which outline the type of assistance available under the NDRRA program and these categories are outlined in **Figure 3-1** and **Table 3-1** below.

¹² NDRRA Determination 2012

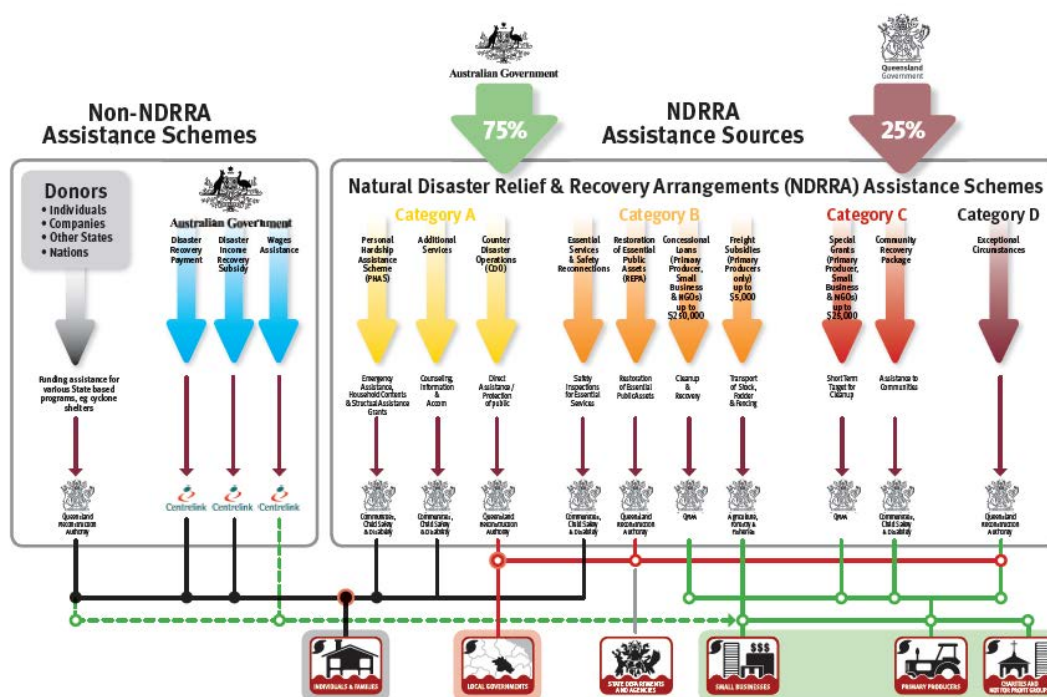


Figure A: Queensland Funding Model

Source: Queensland Reconstruction Authority

Table A: NDRRA Categories

Category	Assistance
A	<p>a) A form of emergency assistance that is given to Individuals to alleviate their personal hardship or distress arising as a direct result of an eligible disaster.</p> <p>b) Counter Disaster Operations for the protection of the general public.</p>
B	<p>Assistance of the following types:</p> <p>a) Restoration or replacement of eligible essential public assets damaged as a direct result of an eligible disaster (assistance must meet requirements).</p> <p>b) Loans to small businesses, primary producers, and loan/grant packages for non-profit organisations.</p> <p>c) Freight subsidies to primary producers.</p> <p>d) Grants to needy individuals.</p>
C	A community recovery package designed to support a holistic approach to the recovery of regions, communities or sectors severely affected by an eligible disaster.
D	An act of relief or recovery carried out to alleviate distress or damage in circumstances that are exceptional.

In addition, clean-up and recovery grants may be made available to assist businesses, including farm businesses, to resume trading as soon as possible. The grants may be used for clean-up activities, replacement of damaged equipment and stock, and other general repairs.

The QDRRAG outlines a range of pre-agreed relief measures under the NDRRA Determination 2012 Categories A and B, also known as 'standard assistance'. These arrangements exist between the Queensland Government through the Minister and the Commonwealth Government through the Attorney-General, for reimbursement of expenditure on eligible disaster events and provide a cost sharing formula for these relief measures between the State of Queensland and the Commonwealth Government.

Under the *NDRRA Determination 2012*, Category C and D is special assistance beyond the standard NDRRA arrangements and may be made available to the state upon formal request. The Community Recovery Package available under Category C is designed to provide assistance to enable holistic recovery of a community severely affected by an eligible disaster event. Other acts of relief and recovery (also known as extraordinary special arrangements) under Category D enable funding to alleviate distress or damage in circumstances that are deemed exceptional in the opinion of the Prime Minister. The cost share of this assistance is determined at the time of the event.

A State or Territory may claim NDRRA funding if:

- an *eligible disaster* occurs
- State or Territory relief and recovery expenditure for that event exceeds agreed thresholds
- the State or Territory notifies the Attorney-General's Department of the event.

The amount of NDRRA reimbursement for natural disaster expenditure for each State and Territory is dependent on set thresholds. In Queensland, the threshold amount for activation of NDRRA funding is \$240,000 (the small disaster criterion), or other amount determined by the Commonwealth Government Minister. That is, expenditure by the State on eligible relief measures must exceed \$240,000. Each relief measure also has a trigger for activation. It must also meet the Emergency Management Australia definitions pertaining to eligible disasters and eligible claims.

The following table demonstrates the Commonwealth's projected NDRRA cash payments for the years 2013-2012 to 2014-2015. The table demonstrates significant expenditure through Queensland with a near \$6 billion spend to be made by 2015 based on current known estimates.

Table B: Historical NDRRA Support (\$m)

Historical NDRRA Support (\$m)									
Year Ending	ACT	NSW	VIC	QLD	WA	SA	TAS	NT	Total
2003	13.9	53.2	30.9	3.5	0.0	0.0	0.0	0.0	101.6
2004	2.0	0.1	1.0	4.8	0.0	0.0	0.0	0.3	8.1
2005	0.0	0.0	0.1	22.8	0.0	2.3	0.0	0.2	25.8
2006	0.0	0.6	0.2	47.4	0.3	0.3	0.6	3.1	52.7
2007	0.0	0.5	50.6	157.8	0.5	0.6	0.0	7.2	216.7
2008	0.0	12.6	4.5	90.1	0.2	1.3	0.0	8.1	116.7
2009	0.0	3.8	226.4	170.3	0.0	0.0	0.0	4.2	404.7
2010	0.0	58.3	102.0	354.2	0.2	0.1	0.0	2.4	517.3
2011	0.0	71.9	126.1	1,288.8	0.8	0.1	8.9	7.7	1,504.2
2003-2011	15.9	282.8	541.7	2,168.7	2.0	4.7	9.5	37.7	3,062.9

Historical NDRRA Support (\$m)									
Year Ending	ACT	NSW	VIC	QLD	WA	SA	TAS	NT	Total
Estimates									
2012	0.0	0.0	0.0	2,991.6	1.7	3.0	0.0	7.9	3,004.2
2013	0.0	125.0	29.8	23.1	134.1	0.1	5.0	20.9	338.0
2014	0.0	153.9	22.6	1,636.9	28.4	0.0	0.0	0.0	1,841.8
2015	0.0	36.5	3.7	1,088.1	0.0	0.0	0.0	0.0	1,128.3

Estimates for the years ending 30 June 2012 to 30 June 2013 are the Commonwealth's projected NDRRA cash payments for the years 2013-2012 to 2014-2015, based on the "Budget Paper No.3 – Australia's Federal Relations 2012-2013"

Summer 2010/11

The disasters over the Summer 2010/11 were unprecedented. The scale and scope of the damage had never been seen before in Australia. The significant concern of the then Commonwealth and Queensland Governments was the geographic spread of the disasters which by April 2011 had resulted in all 73 Local Governments¹³ being disaster activated; an action never before taken.

The then Prime Minister announced on 27 January 2011 that preliminary estimates, following consultation with the Queensland Government, indicated that the Commonwealth Government would need to contribute \$5.6 billion to the rebuilding of flood-affected regions, with the vast majority going on rebuilding essential infrastructure. The Prime Minister also announced that, to ensure recovery and rebuilding could start as soon as possible, and to provide certainty to the Queensland Government and local authorities, the Commonwealth Government had agreed to make an advance payment of \$2 billion to Queensland.

Given the extent of damage and the considerable damage estimates, on 7 February 2011 the then Prime Minister announced new oversight and accountability measures with the objective of ensuring value for money would be obtained in the rebuilding of flood affected regions. The events of summer 2010/2011 have resulted in significant changes to the way in which disaster funding is managed and how it is accounted for, particularly in Queensland.

Accordingly, under National Partnership Agreements (NPAs) signed with the Queensland and Victorian state governments in February and May 2011 respectively:

- a Recovery Work Plan was required to be developed by each state, outlining a set of projects to assist with reconstruction and/or recovery, with each work plan to be agreed between the relevant state and the Commonwealth Government; and
- the Commonwealth Government Reconstruction Inspectorate was established with the objective of providing assurance that value for money was received in the recovery effort.

On 8 February 2013, the Commonwealth and Queensland Treasurers signed a new NPA for Natural Disaster Reconstruction and Recovery. This agreement supersedes the previous Queensland National Partnership Agreement and covers the damage caused by floods and cyclones in Queensland between November 2010 and January 2013.

The NPA commits to contributing to the following specific outcomes in flood or cyclone affected communities:

- repair of damaged essential public assets as a result of the floods or tropical cyclones

¹³ As at April 2011, 73 Local Governments existed in Queensland

- replacement or restoration of essential public assets
- support for the recovery of communities and local economies severely affected by the floods or tropical cyclone, and
- assist communities to be more resilient for future disasters, in keeping with the objectives of the NDRRA and the National Strategy for Disaster Resilience.
- Coordination arrangements—Queensland

In addition to the announcements of the then Commonwealth Government, the then Queensland Government established the *Queensland Reconstruction Authority (the Authority)*, a statutory authority charged with coordinating the efficient and effective management of the Government's program of recovery and reconstruction following the floods of December 2010 to January 2011 and Severe Tropical Cyclone Yasi in February 2011. The original role of the Authority was to monitor and coordinate the implementation of the State Plan across government agencies, non-government organisations and key stakeholders by:

- overseeing the implementation of the State Plan;
- maintaining situational awareness of current and developing operations; and
- coordinating donor support and expressions of interest.

The role of the Authority has since been expanded to oversee both historical events and those activations in 2012 and 2013. Figure 3-2 demonstrates the governance arrangements for NDRRA in Queensland.

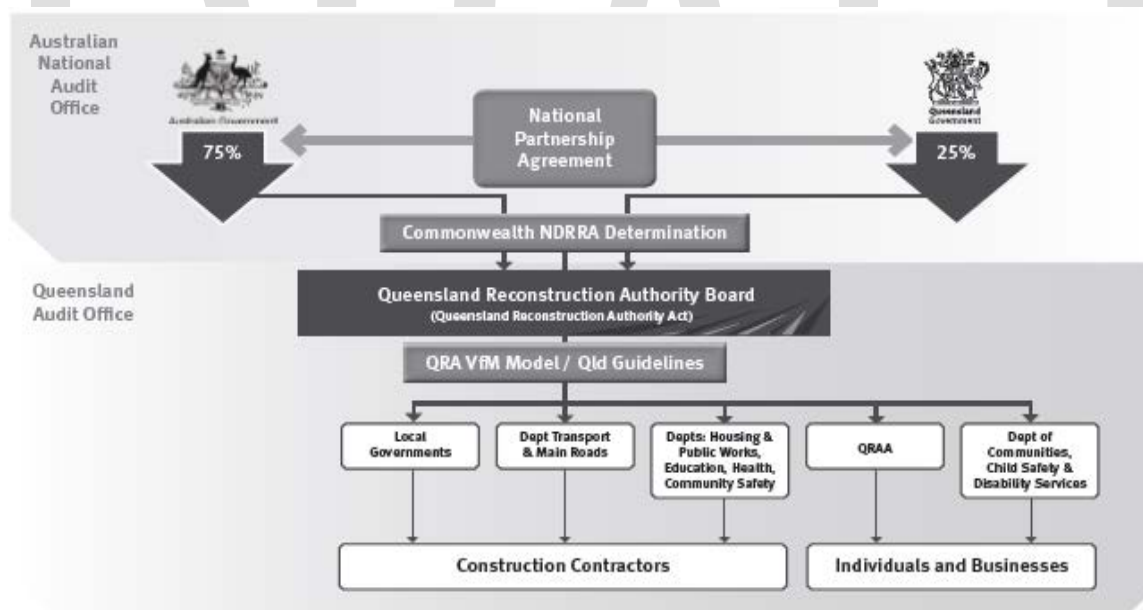


Figure 0-1: Governance Arrangements Qld NDRRA

Source: Queensland Reconstruction Authority

Roles and Responsibilities

During a significant disaster event, numerous stakeholders are involved in supporting the recovery and reconstruction effort. The following is a current understanding of the roles and responsibilities of each stakeholder. Importantly, it should be noted that this is based on the current NDRRA Determination. The role of the various stakeholders and the governance arrangements has changed over the past 10 years. The exact history and evolution of the NDRRA framework is not well documented. It is however fair to say that the arrangements have changed in response to the scale and context of each disaster event, and each of these changes have increased the complexity in arrangements for local governments.

Australian Government Reconstruction Inspectorate

The Commonwealth Government Reconstruction Inspectorate is an independent body established by the Prime Minister to provide assurance that value for money is being achieved in the expenditure of Commonwealth and State funds on reconstruction activity following the 2010-11 floods (in Queensland and Victoria) and Severe Tropical Cyclone Yasi. The inspectorate's role is to ensure that there is proper accountability, scrutiny and value for money, with a particular focus on high value, complex contracts.

The Inspectorate's responsibilities are set out under the Queensland NPA for Natural Disaster Reconstruction and Recovery and the NPA for Victorian Flood Reconstruction and Recovery.

The Inspectorate investigates complaints or issues pertaining to value for money in reconstruction activity that have been raised by the public. It can, however, only investigate reconstruction activity for which funding under the NDRRA is sought. The Inspectorate has no responsibility to approve or prohibit other local or state government works.

It reports directly to the Prime Minister and is supported by the National Disaster Recovery Taskforce.

National Disaster Recovery Taskforce

The National Disaster Recovery Taskforce (the Taskforce) was established by the then Department of Regional Australia, Regional Development and Local Government (now established within the Department of Infrastructure and Regional Development) in February 2011 to provide strategic direction and oversight of the Commonwealth Government's contribution to reconstruction efforts in response to the extreme weather events of late 2010 to early 2011.

The Taskforce was established following the Prime Minister's announcement of the new governance arrangements to provide coordination and oversight of the Commonwealth Government's significant contribution and to ensure close, effective working relationships with the Queensland and Victorian State Governments to achieve the best possible recovery outcomes from the NDRRA funds used to rebuild.

The main activities of the Taskforce are to:

- ensure timely reconstruction and value for money through the Commonwealth Government Reconstruction Inspectorate, chaired by former Federal Finance Minister, the Honourable John Fahey AC
- coordinate existing Commonwealth Government strategies and investment; leverage available funding
- ensure that the recovery effort takes account of local community engagement and input, and
- provide Secretariat support to the Inspectorate.

Queensland Government

The Queensland Government operates two programs of assistance pertaining to assistance in natural disasters. Firstly, the Natural Disaster Relief and Recovery Arrangements (NDRRA) is a joint Commonwealth/State program that is able to provide grant and loan assistance to disaster-affected community members, small businesses, non-profit organisations, primary producers and local and state governments for the impact of defined disasters. Secondly, the State Disaster Relief Arrangements (SDRA) is a wholly state funded program that is able to be activated for all hazards, and provides assistance where personal hardship and distress follows the impact of a disaster event.

Responsibility for activating and coordinating financial relief and recovery measures from a whole-of government perspective lies with the Minister for Police, Fire and Emergency Services. Direct support for this role is provided by Emergency Management Queensland (EMQ), and the Queensland Reconstruction Authority (the QRA).

Queensland Reconstruction Authority

The Queensland Reconstruction Authority (the QRA) was established in January 2011 in response to the summer disasters of 2010-2011. The Authority reports to the Hon David Crisafulli MP, Minister for Local Government, Community Recovery and Resilience, and to a Board that includes six appointed nominees representing industry, state, Commonwealth and local governments.

The QRA operates under the auspices of a comprehensive and integrated recovery and reconstruction plan for the State—Operation Queenslander: The State Community, Economic and Environmental Recovery and Reconstruction Plan 2011–2013.

The QRA is responsible for coordinating, implementing and monitoring the rebuilding and recovery of communities that have been affected, damaged or destroyed by the floods and cyclones. It works across all levels of government to plan and facilitate an effective and coordinated programme of reconstruction for public infrastructure and other property.

The QRA's role has since been extended to cover historical and continuing disaster events in Queensland until June 2015. Events actively managed by the Authority (2007 to 2013) now include an estimated program value of \$12.2 billion. As a consequence all submissions for reimbursement of eligible NDRRA expenditure (2009 to 2015), by local and state government bodies are processed by the QRA.

Emergency Services Queensland

Queensland's Department of Fire and Emergency Services is unique in Australia. The agency provides services covering all phases of emergency and disaster management - prevention, preparedness, response and recovery - delivered by fire, ambulance and Emergency Management Queensland across a single portfolio. The Department incorporates Queensland Fire and Rescue Service, Queensland Ambulance Service and Emergency Management Queensland. The Honourable Jack Dempsey MP is the Minister for Police, Fire and Emergency Services.

In the event of a disaster it is Emergency Management Queensland who has significant responsibilities in leading and coordinating activities undertaken before, during and after a disaster or emergency to minimise adverse community impacts. The Minister is responsible for activating NDRRA.

Appendix D

Proposed Changes to NDRRA Category B

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Cat B(1) – Seasonal Disaster Arrangements

Proposed Policy

Low level recurrent funding is released to address recovery from smaller-scale seasonal disaster events, that occur periodically (i.e. nearly each year unless in drought) that impact on local government service provision.

Policy Details

1. Fund release is provided upon local government request up to a set threshold indexed to inflation – a pre-determined set funding amount per local government dependent on linear meterage of road expected to be affected during a ‘minor’ or ‘moderate’ flood event based on historical data;
2. Funds are inclusive of day labour & construction costs required to undertake the recovery works; and;
3. Funds release is contingent on local government proving that roads have been maintained to an acceptable standard.

Proposed Funding Trigger(s)

1. Funds to be made available when a ‘minor’ or ‘moderate’ level flood as defined by the BoM is experienced in a local government area – funds are released per catchment affected; and
2. Funds to be released only where a local government can demonstrate maintenance of roads has been undertaken in accordance with allocated budgets – such as by a set date (e.g. September of each year) so that ‘pre-approval’ for funding allocation can be made prior to each wet season.

Proposed Funds Release and Assessment Process

1. Local government submits works and maintenance budget & operations plan for the financial year that demonstrates asset maintenance undertaken as per agreed standard;
2. State agency (e.g. QRA) ‘pre-approves’ local government for funds release;
3. Funds trigger is reached – i.e. a minor or moderate level flood occurs as defined by the BoM;
4. State agency (e.g. QRA) releases funds to the local government; and
5. Local government provides basic evidence of funds expended on asset recovery in the same manner as Point 1 (during same submission in preparation for the following year’s wet season) as evidence for funds acquittal.

Cat B(2) – Normal Disaster Arrangements

Proposed Policy

Funding levels and eligibility criteria remain as per existing arrangements, however anticipation of funds release and assessment processes prior to a significant wet season (i.e. during times of La Nina) are simplified and streamlined. Funding amounts provided are the same as historic events of similar magnitude, with funds released based on historic funding levels indexed to inflation and subject to a basic acquittals process.

Policy Details

1. Funding and eligibility arrangements are generally consistent with that of existing requirements, however a risk-based approach is taken to administration of project submissions and monitoring/acquittal to streamline the assessment process. Funds release and administration is based on the concept that damage is recurrent and government already has evidence of the type of damage that is likely to occur as a result of future events that are similar in scale to historic events.
2. Costs allocated are inclusive of day labour and construction costs required to undertake the recovery works;
3. Costs allocated are inclusive of private certification costs for works.

Proposed Funding Triggers

A proactive triggering process is proposed through this proposed Cat B(2). Prior to the wet season (i.e. around September), the trigger point for funding availability for Cat B(2) would result from two of the following three things:

1. BoM predicts a season of higher than average rainfall (such as through review of long-term indicators such as the Southern Oscillation Index [SOI]);
2. Above average rainfall is recorded for the preceding two months (e.g. September/October); OR
3. Flood warnings for moderate floods in the LGA are issued by BoM.

Based on the above, the LGA would be triggered for Cat B(2) funding availability, the 'fast-track' funding avenue.

Proposed Funds Release and Assessment Process

1. Funding availability is triggered as per trigger points above;
2. Funds are released to local government based on the average of aggregated historical annual claims from the local government indexed to inflation;
3. Local government is responsible for managing funds expenditure relative to work required to be undertaken, the costs of which are recoverable within the allocated funding amount;
4. Phase 1 and Phase 2 of the existing submissions process is no longer required. Project reporting and acquittals process is retained with process able to be undertaken (including certification) by RPEQ (may be from private industry) and CEO sign off; and
5. Results of project monitoring and acquittal/certification to be provided to State agency (e.g. QRA) for auditing if needed.

Cat B(3) – Significant Disaster Arrangements

Proposed Policy

Funding that allows for significant disasters that occur over and above that which has been experienced previously. Where it becomes evident that the scale of the disaster for the local government is greater than that recently experienced (i.e. that government has claims history for), significant funding arrangements can be triggered. This would apply specifically where infrastructure is damaged where government has no claims history of it occurring, or where the scale of damage is expected to be greater (such as total loss versus minor damage) than historical evidence.

Policy Details

1. Funding stream is not considered to duplicate Category D funding that would apply in exceptional circumstances, applies only to public asset restoration consistent with the broader Category B
2. Funding includes cost to engage external consultants to undertake the submission and certification processes to increase capability and capacity of local government to properly address the reporting requirements sought by government;
3. Costs allocated are inclusive of day labour & construction costs required to undertake the recovery works; and
4. Costs allocated are inclusive of private certification costs for works, as well as administration costs for undertaking the submission/assessment costs.

Proposed Funding Triggers

1. Cat B(2) funding is enacted through the triggers identified for that category type;
2. The scale of the disaster event is greater than that previously experienced, with relevant evidence for this including river height information, cyclone severity and other reports such as loss of life and infrastructure lost.

Proposed Assessment Characteristics

Existing submissions, assessment and reporting processes apply. The evidence and claims information collected through Cat B(3) would be added to the historic data record (i.e. the 'Disaster Affected Asset Profile') for future use. Where such damage occurs in subsequent years this claim is dealt with under Cat B(2) arrangements given there is evidence of damage type and extent from previous years.

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ATTACHMENT A

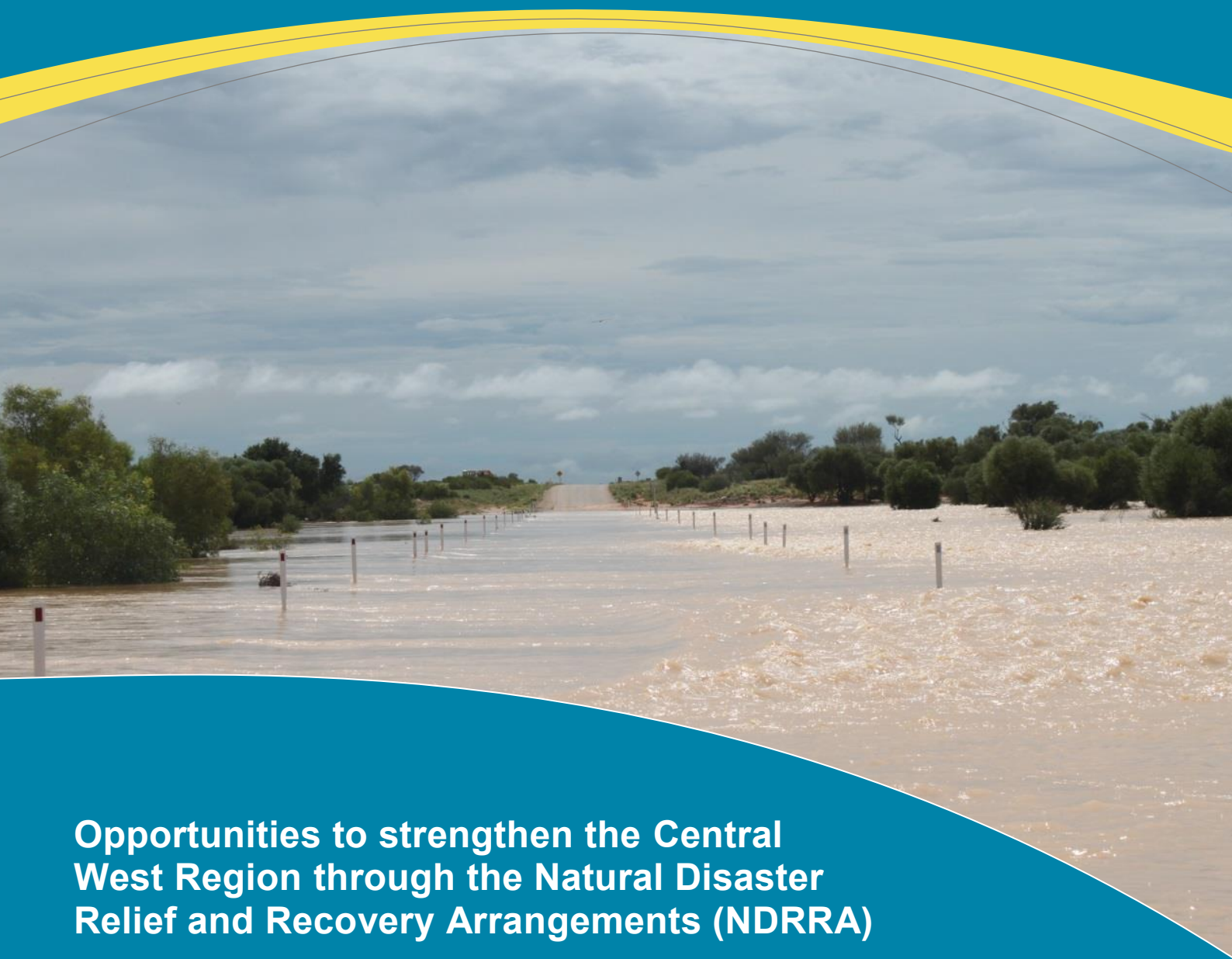
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BUILDING A BETTER WORLD



Opportunities to strengthen the Central West Region through the Natural Disaster Relief and Recovery Arrangements (NDRRA)

Value for Money

Prepared for the Outback Regional Road and Transport Group
June 2014

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Opportunities to strengthen the Central West Region through the Natural Disaster Relief and Recovery Arrangements (NDRRA)

Value for Money

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Terms and Language

Please note that throughout this document the terms Outback Regional Road and Transport Group (ORRTG), Remote Area Planning and Development Board (RAPAD region) and Central West Region (CWR) are synonymous and should be read as such throughout the report. To be clear ORRTG, RAPAD region and CWR are used to describe the area which incorporates the seven local government areas including Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council.

Acronyms

CWR	Central West Region
DTMR	Department of Transport and Main Roads
LGA	Local Government Authorities
NDRRA	Natural Disaster Relief and Recovery Arrangements
NPA	National Partnership Agreement
ORRTG	Outback Regional Road and Transport Group
QRA	Queensland Reconstruction Authority
RAPAD	Remote Area Planning and Development Board
R2R	Royalties to Regions
VfM	Value for Money

1 Introduction

1.1 Overview

During the 2010–11 spring and summer seasons, the eastern Commonwealth states were subject to widespread flooding and Queensland was also impacted by Tropical Cyclones Tasha, Anthony and Severe Tropical Cyclone Yasi. During the period of September 2010 through to April 2011 the Natural Disaster Relief and Recovery Arrangements (NDRRA) were activated six times for separate disaster events and for the first time in Australia's history the entire State of Queensland was disaster activated.

It is well documented that the scale and scope of the reconstruction task for Queensland post-2010 is unprecedented. As a result, specific and dedicated resource being the *Queensland Reconstruction Authority* was established to oversee the reconstruction and to ensure that Queensland and Queenslanders emerged stronger and more resilient.

Since April 2011, the NDRRA has been activated 16 times for additional disaster events in Queensland¹. Over the past four years, Queensland has been subjected to a range of extreme weather events which have seen many records broken. As a result of the extent of damage and associated costs, the way in which financial assistance is managed and approved has changed.

The increased incidence of events particularly in recent years has been hardest felt at the Local Government level. For the majority of Queensland Local Governments managing the full impact of a disaster is challenging both in terms of resources and financially. Many LGA's are under-resourced and having to play multiple roles prior to, during and post a disaster event.

The Central West Region (CWR) of Queensland represents 23% of the state's land area. The area is characterised by its remoteness, with the CWR and extent of roads quintessentially representative of Outback Australia.

For many in the CWR, both drought and flooding is part of life. However the impact of the widespread and record-breaking flooding in recent years has been significant.

Whilst it is understood and supported by the Councils that make up the CWR that transparency, accountability and value for money outcomes in reconstruction need to be encouraged and delivered, a balance also needs to be reached that takes into account the resource availability and capacity of regions like CWR to ensure communities recover efficiently and effectively following a natural disaster.

It is fully acknowledged that the Commonwealth Government has an expectation to ensure that monies expended on reconstruction are spent in an appropriate manner that support and ensure communities recover post disaster. The main challenge that has faced many regions, including the CWR, is that the process and arrangements for funding have continued to change in recent years and are impacting on the core business functions of these Local Governments, with many of these changes not being consistent, practical or efficient in a rural context.

In particular, the expectations around delivering Value for Money (VfM) through restoration and reconstruction works have changed and continue to change. More evidence is now forthcoming that is demonstrating that the use of Council resources and specifically, those rural and regional Council resources, is delivering exceptional VfM outcomes.

Based on the recent events and reconstruction programs, evidence is now showing that VfM can be delivered using Council's Day Labour. This report includes two case studies that demonstrate using Council resources presents significant cost savings as well as other VfM objectives including time and quality.

¹ Emergency Management Queensland, May 2014

1.2 Purpose of this Document

MWH have been engaged to undertake this review for the purpose and benefit of the Outback Regional Road and Transport Group (ORRTG) which is represented by the Councils of the Central West Region (CWR). The CWR is comprised of Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council. These Councils also form the Remote Area Planning and Development (RAPAD) Board. This document has been prepared to support changes and enhancements to the Natural Disaster Relief and Recovery Arrangements (NDRRA) sought by the RAPAD Councils specifically in relation to delivery of VfM outcomes.

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2 Value for Money

Prior to the summer of 2010/11, the principles, processes and procedures set out in the *Commonwealth NDRRA Determination 2007*, and the *Queensland Disaster Relief and Recovery Arrangements Guidelines 2009-10 (Queensland Guidelines)*, were well established and provided clear guidance on how to apply for and access the various financial and other support packages available under the NDRRA.

During these previous disaster events, the State Government utilised existing procedural and administrative arrangements managed through the then Department of Local Government and Planning for LGAs and Emergency Management Queensland for State agencies. Oversight was provided at a national level by Emergency Management Australia.

The extent and scale of disaster events post 2010, has meant that additional scrutiny and rigour has been introduced around the expenditure of funds. This was a specific directive of the then Prime Minister through the introduction of the Federal Inspectorate. This included the appointment of the Inspectorate who were established with the objective of providing assurance that Value for Money (VfM) was being delivered in the recovery effort.

Based on principles set out in the then State Procurement Policy² the Queensland Reconstruction Authority (QRA) developed and adopted the following definition of VfM in the context of reconstruction projects.

Value for Money is a determination of the outcomes of an individual reconstruction project assessed against how it has contributed to the advancement of Government priorities, as well as cost and non-cost factors that include, but are not limited to whole-of-life and transaction costs and fitness for purpose³.

VfM is neither a new term nor specific to NDRRA. There are existing processes and procedures based on legislative (*Financial Accountability Act 2009 (Qld)* and *Local Government Act 2009 (Qld)*), regulatory (*Local Government (Finance, Plans and Reporting) Regulation 2010 (Qld)* repealed 1st July 2012) and policy (*Queensland Procurement Policy*) requirements that address VfM, accountability and probity in the expenditure of public funds which State Government agencies and LGAs must comply with. These arrangements are subject to regular review and scrutiny through the Queensland Audit Office.

However given the heightened level of scrutiny implemented following the 2010/2011 events the expectations around VfM as it related to the disaster events in Queensland were clearly documented. As a result, the QRA documented a VfM Strategy and supporting guidelines to help advise funding recipients on how VfM would be achieved across the whole reconstruction program.

2.1 Current situation

The RAPAD Region Local Governments of Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton have experienced an estimated \$200m of flood damage over the period 2010 to 2014. The majority of this damage occurred over the 2010 to 2011 period and resulted in extensive and widespread damage to RAPAD regions road network.

To date RAPAD Local Government Authorities (LGAs) have delivered \$115m of works using a combination of Council labour and local contractors supported by specialist equipment and technical expertise sourced from outside the region when not readily available locally. This delivery model is currently performing very well against QRA Recommended Values with the combined forecast cost for delivery trending 20% below the recommended value of \$200m⁴. This is a very positive Value for Money (VfM) indicator for a region where the cost of doing business has been historically high.

² September 2010

³ 2010/11 Queensland Flood and Cyclone Disaster, Value for Money Strategy

⁴ Derived from QRA Monthly Reports

2.2 What is VfM?

As identified above, the QRA defines VfM as it relates to NDRRA. The QRA's VfM Strategy operates in the context of existing and enhanced VfM governance mechanisms and assurance tools and activities that are used, monitored by and reviewed by a wide variety of stakeholders including industry and Government.

The QRA VfM Strategy addresses these key risks which have been identified through:

1. Drawing on the experience of key funding recipients and project delivery organisations such as the Department of Transport and Main Roads (DTMR) and Local Government Authorities (LGAs).
2. Drawing on the experience and expertise of the private sector through advisors to the QRA.
3. Leveraging learnings from other programs of a similar scale and complexity e.g. Building the Education Revolution.

The State through the QRA has sought to introduce a VfM Strategy that balances the need for a timely response in the reconstruction effort with the expectation that best practice be applied where appropriate to maintain confidence that VfM has been achieved. It should be noted whilst the requirement to achieve VfM has been mandated by the Commonwealth, the only document known to RAPAD Councils that seeks to maturely define VfM in the context of the Natural Disaster Relief Recovery Arrangements (NDRRA) is QRA's VfM Strategy.

Within the current procurement framework both at State and Commonwealth levels, the onus is on local governments to demonstrate, validate and certify that they have achieved VfM as a part of their day to day business. It is understood that the RAPAD region strongly supports this framework where the expectations to achieve VfM are linked to current, clearly defined expectations and it is acknowledged that the RAPAD region Councils must be able to demonstrate transparency, efficiency and effectiveness in the business they conduct.

The main concern for RAPAD region Councils is however the challenge of whether this principle is being consistently applied by the Commonwealth within the context of NDRRA. Some of the challenges for the RAPAD Councils is the change to the expectation and measurement of VfM under NDRRA as compared with other Commonwealth funded programmes. Regardless of the funding source, local government have an obligation to ensure that money spent delivers expected VfM outcomes.

2.3 Current VfM challenges faced by RAPAD Councils

Currently Councils are challenged by the prescriptive nature of the current eligibility criteria which restricts how and when LGAs can be reimbursed expenses and directly results in Councils having to choose more costly and measured delivery models. This is problematic for RAPAD region Councils due to the:

- Limited availability of suitably qualified/certified contractors in remote and rural regions who can work without supervision. There are no large civil contractors based in Western Qld that are geared up to undertake civil infrastructure projects as a stand-alone project.
- Reluctance of larger civil contractors from outside the region to tender for works in remote rural areas without assurance that they can return a profit taking into account the increased mobilisation, travel and accommodation costs.
- The small rate payer base, limited cash flow and inability to incur unexpected and unbudgeted expenses.
- Development of a risk averse culture where works are delayed until approved which in turn slows progress and results in inefficiency in the planning and delivery of works.

The RAPAD region strongly supports this understanding of practice in the application VfM and has used this approach to develop an argument for the reimbursement of council expenses, inclusive of day labour, to be incorporated into future disaster management models.

Traditionally the RAPAD region Councils have delivered their road works including NDRRA restoration works utilising Council staff augmented by local contractors where capacity or capability did not exist within Council.

The RAPAD region chooses to avoid the use of non-local contractors for their own works (where possible) because of the additional cost associated with procuring non-local labour. The use of tier 1 or 2 contractors sourced from regional population centres is normally limited to those works that are too complex for Council or are of a magnitude where local capacity is unable to deliver in the given timeframe.

The main driver of this model is the remoteness that the RAPAD region LGAs experience. The RAPAD region operates in a remote rural environment isolated from large population centres with driving times to the closest medium/large population centres being (Figure 1):

- 13 hours Longreach to Brisbane
- 7-8 hours Longreach to Mt Isa
- 7-8 hours Longreach to Roma
- 4 hours Longreach to Emerald

These times substantially increase the further west one travels within the region.

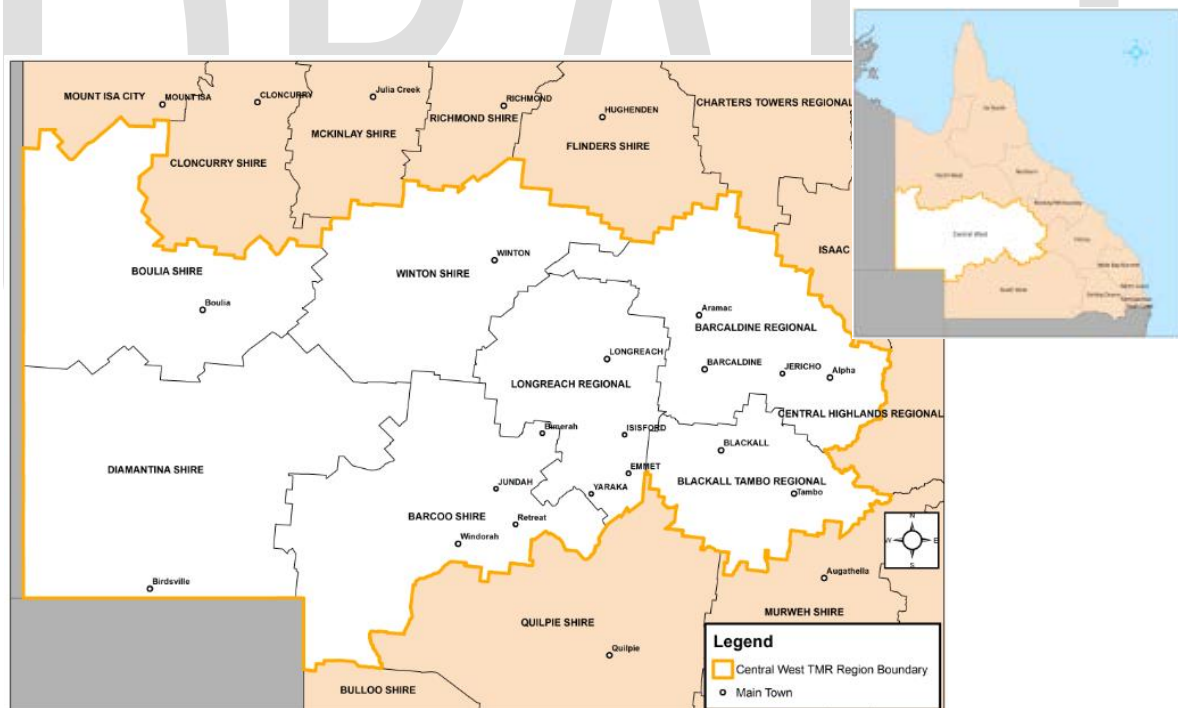


Figure 1 : RAPAD Region

The RAPAD region is further challenged by the difficulties associated with recruiting and retaining of qualified staff. The RAPAD region Councils must maintain a minimum workforce capability/capacity given the extent of roads regardless of NDRRA events. Often this workforce is not fully utilised due to lack of funding or inconsistency in other funding sources but cannot be demobilised because of the difficulty associated with building and retaining capacity over an extended period.

2.4 Reimbursable Ordinary Day Labour

LGAs throughout Australia have continually expressed concerns that ‘under NDRRA, Council’s ordinary day labour and plant and equipment costs during normal work hours are not recoverable, although costs for external contractors are covered. The Western Australian Local Government Association (WALGA) has sought feedback from Councils on the impact of cost recovery under the Western Australia Natural Relief and Recovery Arrangements (WANDRRA). Local government sector feedback and case studies indicate a necessity for policy change.’

The key issues associated with cost recovery under the WANDRRA are essentially the same issues RAPAD Councils must deal with. When Council’s staff normal wages (day labour) are used to repair NDRRA eligible damage and are deemed not reimbursable Councils are forced to, due to financial necessities, procure contract staff and civil contractors. In addition they are often forced to defer delivery of their normal works schedule and procure a potentially more expensive and less efficient delivery model.

The position of the RAPAD Councils is that they should be able to engage and reimburse the wages of their own works staff during normal hours instead of engaging contractors when this is the most appropriate and cost effective way to deliver works.

Both the Commonwealth and Queensland Government have acknowledged over a number of disaster events that local delivery models are a cost effective VfM solution for planning and delivering the type of repairs for damage caused by widespread flooding by approving the ‘one off’ reimbursement for day labour in 2010, 2011, 2012 (part only) and 2013. Unfortunately these ‘one off’ approvals were applied in isolation and not as part of individual National Partnership Agreements (NPAs). To complicate further each approval had different eligibility criteria making the planning and delivery of works across events using day labour extremely difficult and confusing. By way of example day labour is reimbursable under the following arrangements for each of these events:

Table 1: Day Labour Eligibility Criteria

Event Year	Model	Day Labour Criteria
2010	Fully reimbursable	Uncapped
2011	Commonwealth’s \$50m Day Labour Eligibility	Capped, e.g. Blackall- Tambo capped at \$1.25m
2011	Commonwealth VfM Pricing Model	Uncapped - where VfM outcomes can be demonstrated
2012	Commonwealth VfM Pricing Model	Conditioned - only those 2011 works re-damaged reimbursable under this model
2013	Commonwealth VfM Pricing Model	Uncapped - where VfM outcomes can be demonstrated

The RAPAD Councils have found the inconsistent treatment of day labour costs across events difficult to manage, particularly given that the most cost effective way to deliver damage repairs across events is to deliver as part of a combined programme.

The following represents two separate case studies across the RAPAD Region.

Case Study 1 - Longreach 2011 works vs 2012 works

A recent analysis has been undertaken comparing works completed by Longreach Regional Council (LRC) (2011 NDRRA works and maintenance works) and the 2012 NDRRA Restoration Works Contract awarded to Suffren & Moore Civil. George Bourne and Associates completed the analysis on behalf of Longreach Regional Council. Due to the award of Day Labour for 2011 NDRRA Event Restoration Works, LRC completed the works internally. The Day Labour application changed for the 2012 event and therefore LRC went through a tendering process adhering to Council’s procurement policy.

A summary of the analysis for these two events is provided as follows:-

The Contract with Suffren & Moore Civil had a total value of \$2,388,328.70 (excl. GST) and comprised twelve (12) different construction treatment types of which four (4) form the bulk of the contract value (93%);

1. Gravel Resheeting;
2. Pavement repair incl. asphalt;
3. In-situ cement stabilisation; and
4. Replace kerb.

To allow the comparison for each of the above treatment types a mean unit rate was derived based on the total quantity and total cost of the activity. Mean unit rates were derived for the same activities for Council based on recent works for both flood damage and maintenance works (2011 NDRRA and RMPC).

The following table represents a comparison of the derived mean unit rates from both Council and the Contractor.

Table 2- Comparative Rates

Treatment Type	Unit	Contractor Mean Unit Rate	LRC Mean Unit Rate	Mean Unit Rate Difference
Gravel resheeting	m	\$59.97	\$56.05	7.0%
Pavement repair 150mm deep inc. emulsion tack coat and 30mm overlay	m ²	\$160.76	\$124.72	28.9%
In-situ cement stabilisation inc prime and a 2 coat seal	m ²	\$31.90	N/A	N/A
Replace kerb on existing subgrade/base incl. removal of existing damaged kerb	m	\$237.91	\$193.11	23.2%

Source: VFM Report, May 2014, George Bourne & Associates

In addition to a direct comparison of rates additional costs are incurred by a Council in procuring external consultants. These costs would not be incurred if Council were to undertake the works. These include:-

- Tendering Process – Approximately 120 Council man hours were required to complete the tender process. A consultant was also engaged to assist with the process. Total cost was estimated at \$11,000.
- Contract Administration – a Contract Administrator was engaged to administer the Contract. Estimated cost at \$30,000.
- Employment of an Inspector / Clerk of Works – Estimated at \$60,000 adding a further 4.2% to the contract and the contractor rates above.

Based on the analysis of recent works completed by LRC and the works contract awarded to Suffren & Moore Civil, it is evident that LRC have the capability of completing the same treatment types while providing better value for money. In addition to the lower unit rates, the additional costs incurred by engaging a contractor would not be necessary.

Case Study 2 - Sandringham – Ethabuka Road, Bedourie (Diamantina Shire Council)

Sandringham – Ethabuka Road, Bedourie (the road) is located to the north-west of the Town of Bedourie in the Diamantina Shire Council local government area. This case study considers the damage that was sustained as a result of the Queensland Monsoonal Flooding & Tropical Cyclone Olga, Neville, Ului & Paul declared event between January and April 2010 (2010 event).

As shown in the Figure 2, the road is located predominately within the Interim Floodplain Assessment Overlay (IFAO) identified by the Queensland Government. This mapping confirms the vulnerability of this road each time flooding is experienced in the area.

Damage sustained to the road as a result of the 2010 event required minor heavy formation grading, extensive resheeting and reinstatement of drainage pipes. Council submitted a NDRRA claim for \$3,610,251 for repairs to the road. Repairs on the road were halted as a result of the Queensland Monsoonal Flooding declared event between 28 February and March 2011 (2011 event). At the time that the 2010 repairs were halted, \$840,013.70 had been incurred in actual expenditure, with only \$17,142.99 being spent on eligible day labour costs.

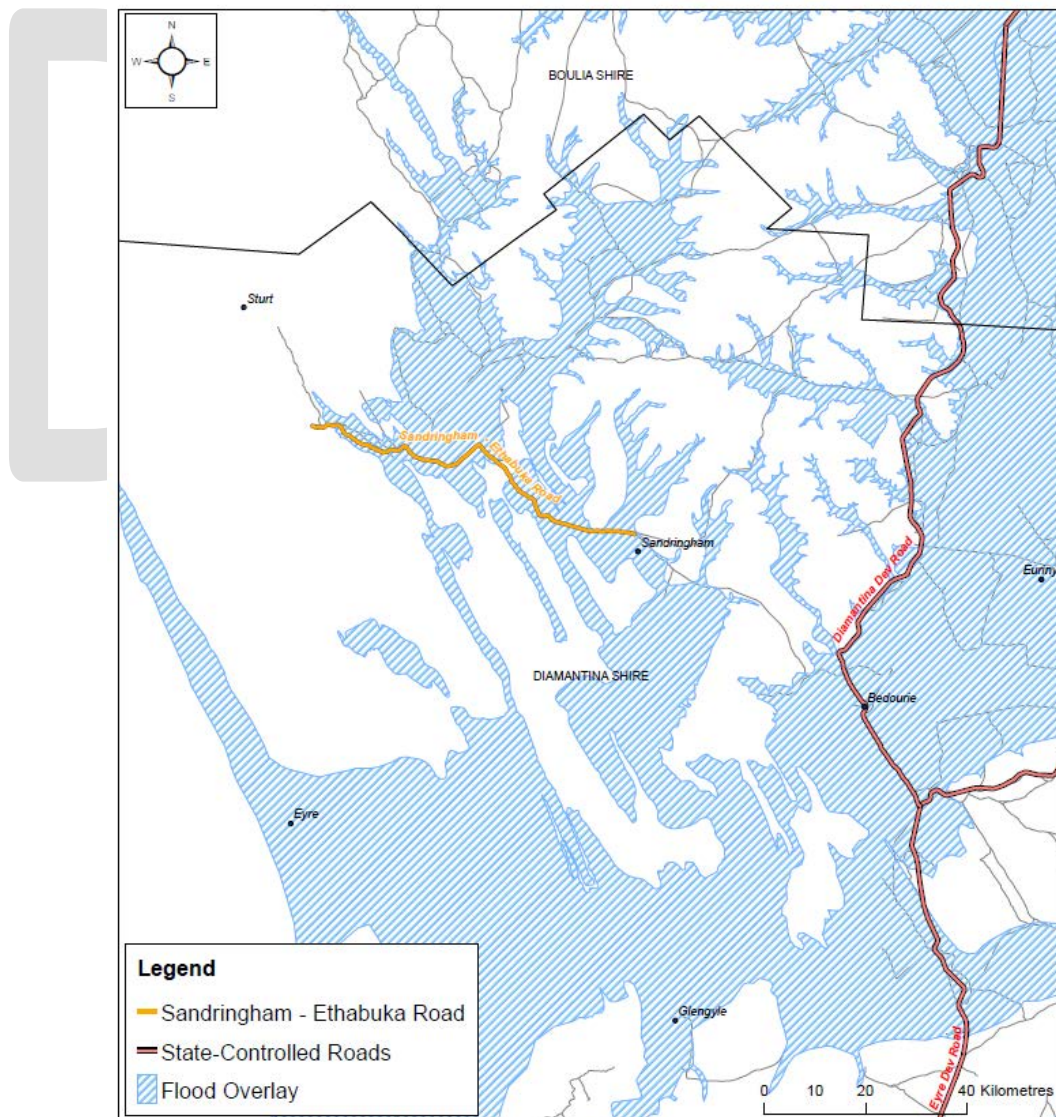


Figure 2: Sandringham-Ethabuka Road

The repairs identified as a result of the 2011 event outlined a cost of \$1,215,976.75, of which \$30,329.61 was for eligible day labour. The majority of the eligible NDRRA costs incurred for this project were incurred by 16 private contractors undertaking repairs on the road.

An assessment of the costs incurred by each of the contractors undertaking the reconstruction works has identified a range of labour costs between \$44.00 per hour and \$99.00 per hour with an average labour cost of \$66.20 per hour for contract labour resources.

Council's day labour rates vary between \$41.41 per hour and \$63.37 per hour with an average labour cost of \$49.85 per hour.

Having regard to a breakdown of costs for contractors, an analysis has been undertaken to compare the costs of reconstruction works for the 2011/12 financial year and 2012/13 financial year as a result of the 2010 and 2011 events.

If Council had the resources available to complete all of the repair works, a simple analysis of the costs incurred for contractors shows that a 16% saving may have been possible in 2011/12 had Council's average day labour rates been applied to the project as opposed to the average contractor costs for each of the contractors involved in the reconstruction works. A 24% saving would have been achieved in the 2012/13 financial year using the same approach. Cumulatively, this analysis shows that almost \$220,000 would have been saved if Council's average day labour rates were applied to the project across both events.

In this particular example, Council did not have the resources available to complete the works. Had the resources been available, it can be demonstrated that the Value for Money (VfM) principles sought by the Queensland and Commonwealth Governments could have been achieved using Council's day labour resources. The findings for this example are not unique to this road only and are applicable across the region. This is particularly the case in regional and remote locations where logistics often account for higher benchmarking labour costs.

Like many local authorities, the capacity for Council to undertake the reconstruction works as result of flooding will be determined on a case by case basis as a result of the extent of damage, available Council resources and government approval processes. In many cases, the works that are subject to NDRRA claims will be for locations that have been damaged by previous events given their location in relation to the expansive Queensland floodplains. In the case of Sandringham – Ethabuka Road, Bedourie, it has previously had \$1,067,079 worth of NDRRA restoration works completed on it as a result of flooding in February 2008, prior to the 2010 and 2011 events. Not only do repeat events demonstrate the need for investment in betterment, but the number of events for this one road is illustrative of the benefit in Council resources being utilised for reconstruction works where sufficient resources and capacity is available.

Based on these two case studies and others that the RAPAD Councils can provide, there is a case to prove that it is that locally delivered solutions can achieve best value for money outcomes as demonstrated consistently across events.

As a minimum the RAPAD Councils would welcome independent validation of the cost of doing business in remote and rural areas to prove or disprove the premise that the utilisation of LGA resources in remote and rural regions delivers superior VfM outcomes. Sufficient evidence from recent flooding events and records now exist to help prove this assertion.

As shown in **Figure 4** a Council's ability to deliver works is proportional to the size of the programme of works and the time available to deliver those works. The majority of NDRRA works currently being delivered by RAPAD Councils are augmented by local contractors. Additional works beyond the capacity of local resources such as profiling and asphalt works are being procured through competitive tendering. For Councils such as Blackall Tambo and Barcaldine where the estimated cost of damage is high there is an increased reliance on external contractors to deliver works.

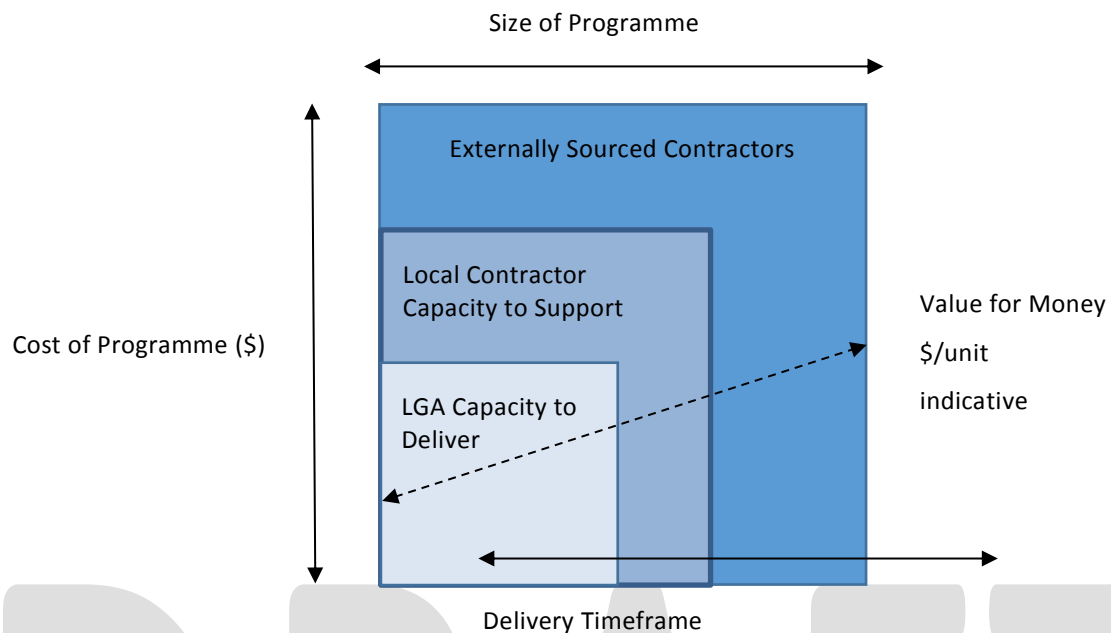


Figure 4: Council ability to deliver reconstruction works

2.5 QRAs Non-Cost Factors Impacting Value for Money

In the context of regional and rural Australia, the current delivery models promoted by NDRRA eligibility are not only costly, they are further confused by the current situation where day labour is reimbursed under 'special arrangements'. Such arrangements create confusion and fail to take into consideration non-cost factors that influence the ability of regions like RAPAD to deliver VfM locally and at a State and National level. Non-cost factors that influence the RAPAD Councils ability to influence VfM outcomes include.:

- Remote and rural LGAs have readily available and underutilised in-house resources that can ensure 'fit for purpose' restoration works.
- The minor nature of some restoration works does not present a high return on investment for civil construction companies operating in remote locations where there are large distances between sites. This is less of a problem for LGAs as they can plan and deliver NDRRA works in parallel with their own works and maintenance programmes.
- Due to limited budgets, many remote and rural LGAs are unable to commit non-eligible resources to NDRRA works.
- RAPAD Councils can achieve economies of scale by utilising available assets across multiple programmes. Current NDRRA arrangements often result in LGAs and contractors working on the same asset on separate Commonwealth or State funded works programmes. (I.e. NDRRA vs R2R vs TIDs)
- Contractors generally tend to specialise in a submarket of construction and concentrate their work in particular geographic locations with few specialising in local government restoration works in remote and rural regions.
- Many remote and rural LGAs offer greater capacity to surge, offer in-house expertise and have larger equipment holdings when compared to local contractors.

RAPAD Councils have a limited capacity to deliver works and there is no intention for Councils to establish standalone crews to deliver NDRRA works. RAPAD Councils are focussed on fully utilising local capability and capacity before having to 'import' capability because it achieves the VfM objectives, both cost and non-cost, expected by the community and all levels of government whilst achieving the following benefits:

- Full and effective utilisation of all available resources
- Lower overheads and reduced costs (no profit margin)
- Reduced supervision costs
- Lower mobilisation costs

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3 RAPAD Councils suggested VfM Roadmap for the Future

There are difficulties associated with the achievement of a one-size fits all approach to VfM that achieves the objectives of all levels of government. When considering the context and principles of VfM the following recommendations are made for RAPAD Councils to make representations to Government.

- Seek to eliminate the current confusion at Commonwealth, State and Local Government levels and show how VfM is achieved and measured and seek to establish a clear definition of how VfM can be achieved for future events;
- Acknowledge that VfM is achieved when best available resources are utilised as part of a delivery model that seeks to:
 - Restore community assets in a timely manner;
 - Support the recovery of communities and local economies;
 - Ensure probity and accountability;
 - Promote access to government procurement opportunities for appropriate contractors; and
 - Ensure integrity of procurement decisions.
- Acknowledge that the mature and effective use of local resources in remote and rural regions used in accordance with in place procurement frameworks, inclusive of council labour can achieve superior VfM outcomes.
- RAPAD Councils would welcome independent validation of the cost of doing business in remote and rural areas.

Appendix A VfM Strategy Background

The Queensland Reconstruction Authority's VfM Strategy was established to balance the need for a timely response in the reconstruction effort with the expectation that best practice be applied where appropriate to maintain confidence that VfM has been achieved.

The VfM strategy was developed recognising that a number of proven VfM strategies and processes are already in use and therefore should be leveraged. However, as the scale and complexity of the recovery activity was much larger than anything experienced in the past new and tailored measures needed to be established.

The VfM Strategy was developed around three principles that are generally accepted as core to successfully achieving VfM outcomes:

1. Transparency;
2. Efficiency; and
3. Effectiveness.

These principles have been adopted across the program of reconstruction works to ensure the reconstruction effort achieves VfM and that it maintains the confidence of stakeholders.

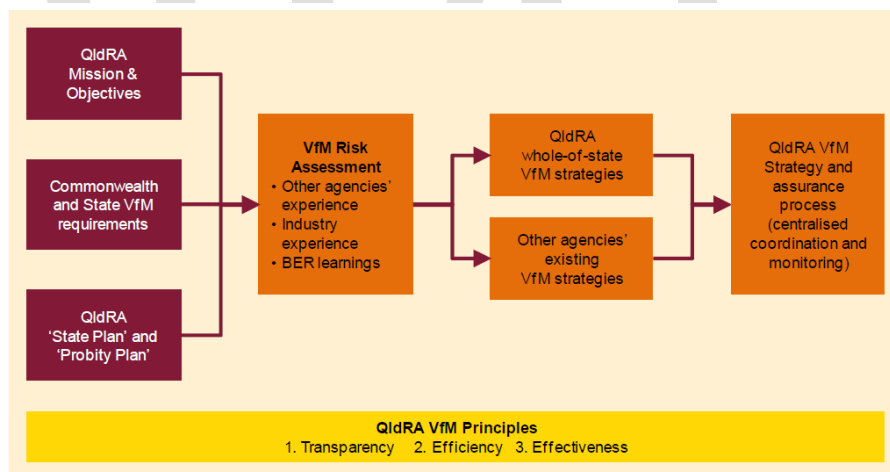


Figure 1: VfM Framework in Queensland

Given the scale of the program expected to be managed by the QRA, it was critical that the resources are applied to those activities that are at most risk with regard to delivering value for money outcomes. This VfM Strategy addresses these key risks which have been identified through:

1. Drawing on the experience of key funding recipients and project delivery organisations such as the Department of Transport and Main Roads (DTMR) and LGAs
2. Drawing on the experience and expertise of the private sector through advisors to the QRA
3. Leveraging learnings from other programs of similar scale and complexity e.g. Building the Education Revolution.

A number of risks were identified, and of significance for RAPAD Councils are local capacity project management skills and experience and constrained local sources of supply. Whole of State matters were also identified including the potential for competition for resources and skills, which may drive up costs, and possible diseconomies of scale arising from the challenges of coordinating activities across a vast area.

The VfM Strategy therefore attempts to address these risks through the following seven treatment strategies:

1. Centralised reporting and common reporting structure
2. Risk-based assurance of existing local VfM strategies and processes
3. Local prioritisation balanced with whole-of-state considerations
4. Devolution of procurement and delivery to the responsible entities best positioned to address the risks identified
5. Transparent accountabilities across the program for VfM outcomes
6. Collaborative engagement with delivery organisations to optimise probability of achieving VfM outcomes
7. Establishment of external scope and cost references, including through price benchmarking, and review.

The overall objective of the VfM Strategy is to balance the achievement of the requirements under the State Procurement Policy and the principles of transparency, efficiency and effectiveness as the core elements to achieving VfM.

1. VfM Assurance Framework

In assessing VfM, the baseline approach to the VfM Assurance Framework is to categorise risk into two areas:-

- Readiness of the Funding Recipient
- Proposed Project

In undertaking a review of these two categories of risk, the QRA will then determine and tailor its assurance activities to manage the risk and maximise VfM outcomes.

For a funding recipient the following considerations are relevant:-

- Relevant legislative and regulatory requirements including the State Procurement Policy (now superseded and replaced with Queensland Procurement Policy) and the Local Government Act (2009);
- Proposed approach and resources to manage the projects;
- Procedures and processes established by funding recipients to manage projects to achieve VfM; and
- Funding recipient's experience and track record in delivering projects similar to those identified in the submission.

For a project the following considerations:-

- Consistency of project objectives with those in the State Plan;
- Proposed tender/procurement method;
- Competitive tension present in developing cost estimates;
- Use of appropriate cost benchmarks used to assess reasonableness of cost estimates;
- Proposed contract type, special conditions and allocation of risk;
- Project duration and milestones;
- Fitness for purpose;
- Whole of life considerations in the selection of preferred project;
- Extent of local participation in accordance with Local Industry Policy;
- Forecast outturn cost of the project; and
- Project workforce, including full-time equivalents, Indigenous Australians, trainees and women.

As part of the VfM strategy, specific assurance activities and considerations over the lifecycle of a NDRRA submission were developed. These activities are illustrated in **Figure 2** over page.

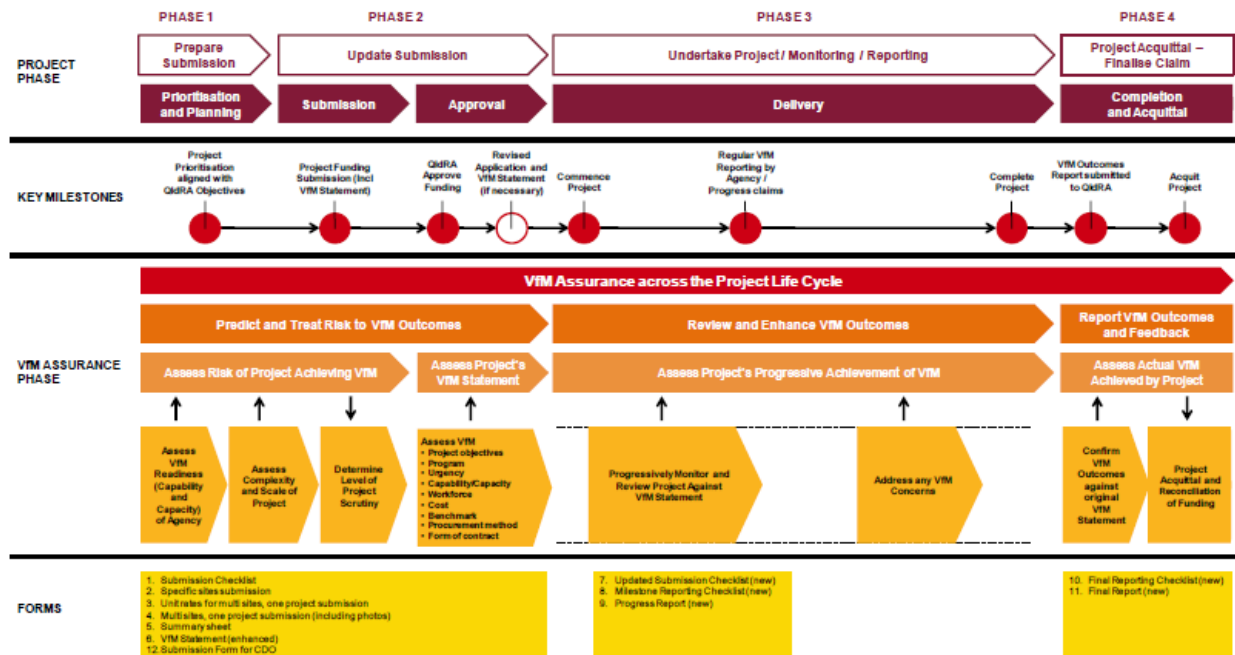


Figure 2: VfM Assurance Framework

To support the implementation of the framework specific guidance was prepared to outline the information and assessment requirements at all phases for the VfM Assurance Framework. This guidance recognises that the process for funding recipients to achieve and demonstrate VfM has been enhanced from previous natural disaster events.

In addition to the specific guidance VfM Checklists have also been developed to support the implementation of the VfM Strategy.

ATTACHMENT B

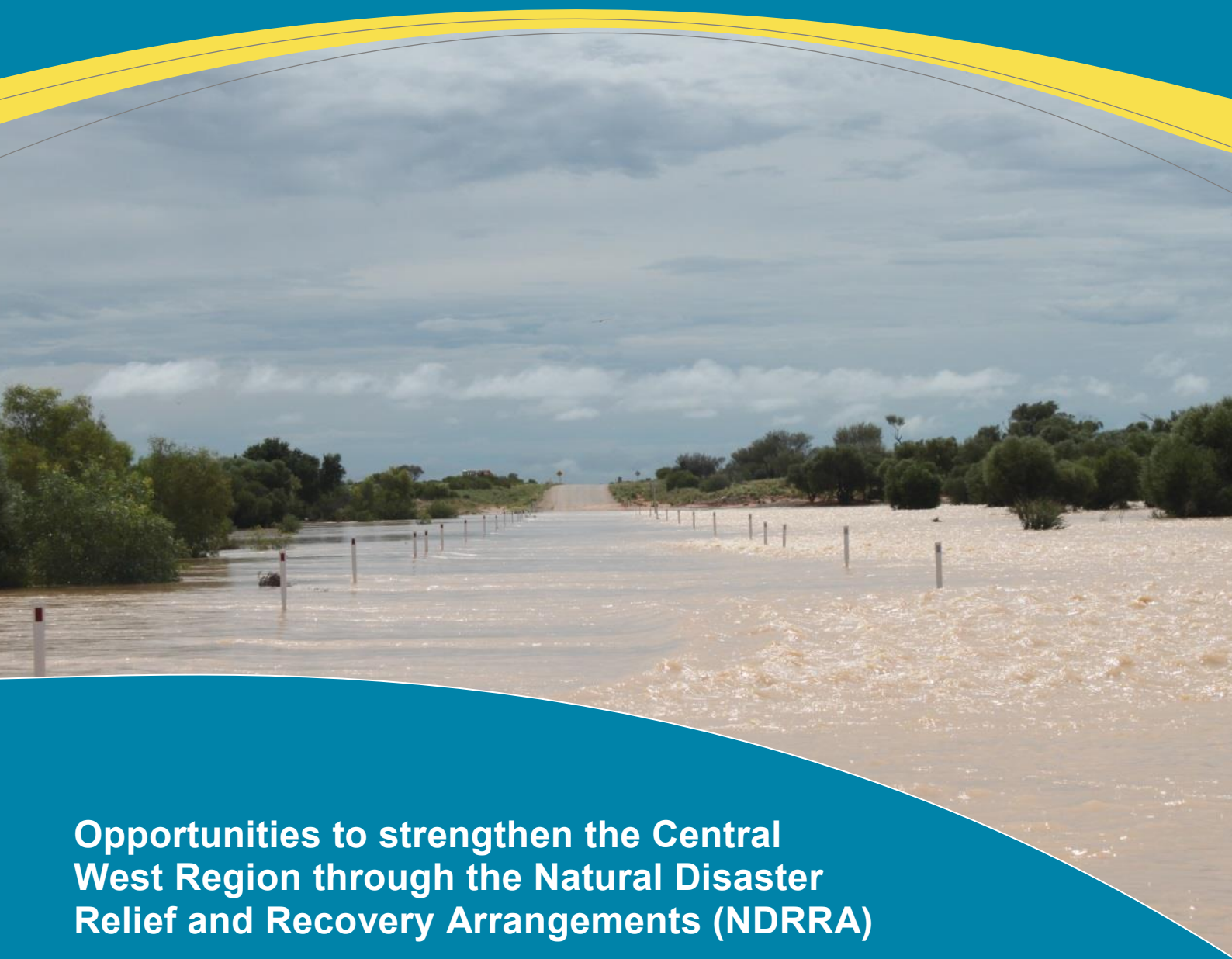
On-costs

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BUILDING A BETTER WORLD



Opportunities to strengthen the Central West Region through the Natural Disaster Relief and Recovery Arrangements (NDRRA)

On Costs

Prepared for the Outback Regional Road and Transport Group

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Opportunities to strengthen the Central West Region through the Natural Disaster Relief and Recovery Arrangements (NDRRA)

On Costs

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Terms and Language

Please note that throughout this document the terms Outback Regional Road and Transport Group (ORRTG), Remote Area Planning and Development Board (RAPAD region) and Central West Region (CWR) are synonymous and should be read as such throughout the report. To be clear ORRTG, RAPAD region and CWR are used to describe the area which incorporates the seven local government areas including Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council.

Acronyms

CWR	Central West Region
DTMR	Department of Transport and Main Roads
LGA	Local Government Authorities
NDRRA	Natural Disaster Relief and Recovery Arrangements
NPA	National Partnership Agreement
ORRTG	Outback Regional Road and Transport Group
QRA	Queensland Reconstruction Authority
RAPAD	Remote Area Planning and Development Board
VfM	Value for Money

1 Introduction

1.1 Overview

During the 2010–11 spring and summer seasons, the eastern Commonwealth states were subject to widespread flooding and Queensland was also impacted by Tropical Cyclones Tasha, Anthony and Severe Tropical Cyclone Yasi. During the period of September 2010 through to April 2011 the Natural Disaster Relief and Recovery Arrangements (NDRRA) were activated six times for separate disaster events and for the first time in Australia's history the entire State of Queensland was disaster activated.

It is well documented that the scale and scope of the reconstruction task for Queensland post-2010 is unprecedented. As a result, specific and dedicated resource being the *Queensland Reconstruction Authority* was established to oversee the reconstruction and to ensure that Queensland and Queenslanders emerged stronger and more resilient.

Since April 2011, the NDRRA has been activated 16 times for additional disaster events in Queensland¹. Over the past four years, Queensland has been subjected to a range of extreme weather events which have seen many records broken. As a result of the extent of damage and associated costs, the way in which financial assistance is managed and approved has changed.

The increased incidence of events particularly in recent years has been hardest felt at the Local Government level. For the majority of Queensland Local Governments managing the full impact of a disaster is challenging both in terms of resources and financially. Many LGA's are under-resourced and having to play multiple roles prior to, during and post a disaster event.

The Central West Region (CWR) of Queensland represents 23% of the state's land area. The area is characterised by its remoteness, with the CWR and extent of roads quintessentially representative of Outback Australia.

For many in the CWR, both drought and flooding is part of life. However the impact of the widespread and record-breaking flooding in recent years has been significant in this region.

Whilst it is understood and supported by the Councils that make up the CWR that transparency, accountability and value for money outcomes in reconstruction need to be encouraged and delivered, a balance also needs to be reached that takes into account the resource availability and capacity of regions like CWR to ensure communities recover efficiently and effectively following a natural disaster.

It is fully acknowledged that the Commonwealth Government has an expectation to ensure that monies expended on reconstruction are spent in an appropriate manner that support and ensure communities recover post disaster. The main challenge that has faced many regions, including the CWR, is that the process and arrangements for funding have continued to change in recent years and are impacting on the core business functions of these Local Governments, with many of these changes not being consistent, practical or efficient in a rural context.

In particular, the expectations around delivering Value for Money (VfM) through restoration and reconstruction works have changed and continue to change. More evidence is now forthcoming that is demonstrating that the use of Council resources, and specifically rural and regional Council resources, is delivering exceptional VfM outcomes.

1.2 Purpose of this Document

MWH have been engaged to undertake this review for the purpose and benefit of the Outback Regional Road and Transport Group (ORRTG) who is represented by the Councils of the Central West Region (CWR). The CWR is comprised of Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council and Winton Shire Council. These Councils also form the Remote Area Planning and Development (RAPAD) Board. This document has been prepared to support changes and enhancements to the Natural Disaster Relief and Recovery Arrangements (NDRRA) sought by the RAPAD region specifically in relation to claiming On-Costs.

¹ Emergency Management Queensland, May 2014

2 National Competition Policy

There is an expectation under the *National Competition Policy* at both State and Commonwealth levels that local governments demonstrate competitive neutrality in their day to day business.

The competitive neutrality reform program was a commitment under clause 3 of the Competition Principles Agreement. Under clause 7 of the Competition Principles Agreement, states and territories also committed to also apply this reform at a local government level.

The Australian Government and all state and territory governments undertook to ensure that their publicly owned businesses did not enjoy any net competitive advantage simply because they are publicly owned. For significant government businesses, governments undertook to adopt a corporatisation model where appropriate and to impose on the business full taxes or tax equivalents and debt guarantee fees to offset advantages from government guarantees, and to apply to the business regulations normally applying to private sector businesses.

However, competitive neutrality reforms only apply to what could be regarded as 'business activities' of local government and do not extend to non-business, non-profit activities such as road works under a Council's control.

For smaller local governments like those in the RAPAD region, the distinction between 'business' and 'social service' activities is normally blurred. Moreover, full imposition of competitive neutrality to activities of small local governments can potentially result in high costs. As a result, the public benefit from applying the full rigor of competitive reform to remote and rural Councils is highly questionable and may, indeed, be counterproductive, bearing in mind the small scale of activities involved in delivering business as usual services.

3 On-costs

The application of on costs and their eligibility under the Natural Disaster Relief and Recovery Arrangements (NDRRA) are challenged when Local Governments are burdened with the requirement to plan and deliver large scale Natural Disaster Relief Recovery Arrangements (NDRRA) reconstruction works over and above their normal planned works.

Full or marginal cost recovery, generically known as 'on costs', are elements of the cost recovery process adopted by RAPAD LGAs. Based on the Queensland Reconstruction Authority (QRA) definitions, aspects of RAPAD Council on-costs are currently not fully reimbursable under current NDRRA interpretations.

All RAPAD Councils apply on-costs for all projects and activities to recognise the additional cost of working and enables them to allocate equivalent pricing of projects to allow for all costs associated with council business to be recovered. It also allows RAPAD councils to demonstrate competitive neutrality and prove value for money (VfM) by delivering and costing their works using a model that captures the full cost of doing business, where the prices charged for local government goods and services are fully or partly costed to include:

- the direct cost of providing the goods or services and an appropriate proportion of indirect costs (such as rent, payroll and personnel costs)
- all relevant taxes or tax equivalent payments
- a commercial level of interest payments
- a commercial rate of return (over a reasonable period).

Current interpretations of on-cost eligibility and ineligibility as applied by the Queensland Reconstruction Authority is shown in **Table 1**.

The Commonwealth NDRRA Determination requires local governments to demonstrate expenditure claimed as actual costs and relates directly to approved NDRRA works. If Council's General Ledger includes on-costs, then Council must show that this represents reasonable actual eligible expenditure, directly related to approved NDRRA works.

As each Council's cost structure is different, the QRA does not apply on-cost eligibility benchmarking and performs an assessment on a case-by-case basis.

Full costing describes the process of accumulating the total costs of the business unit (including those not directly attributable to particular activities) and allocating them to all of the activities undertaken by the unit. The measurement of full cost provides a key benchmark as it represents the minimum level of revenue that can be generated by firms in the private sector if they are to remain viable in the long term. Full costs therefore have an important role to play in public sector organisations with a strong business or commercial bias.

Queensland Government's Full Cost Pricing Policy (Queensland Treasury 2010).

As a guide to claiming on-costs, the four most common areas of relevance to the QRA are outlined in the table below.
Also refer to Appendix 1 - Tip Sheet 5 – On-Costs explained.

	Payroll	Plant	Stores	Creditor
✓ Types of eligible on-costs	Reasonable actual eligible extraordinary direct payroll on-costs associated with eligible wages, such as: <ul style="list-style-type: none"> • Superannuation • Leave loading • Floating plant and loose tools • Uniform/protective clothing • Safety equipment 	Reasonable actual eligible extraordinary costs associated with operating plant on approved NDRRA works such as: <ul style="list-style-type: none"> • Fuels • Oils • Maintenance 	Reasonable actual eligible extraordinary costs associated with running the store to support approved NDRRA work	All creditor on-costs are ineligible (Note: Creditors such as contract engineers and supervision contractors should be charged to the submission as a direct cost)
📄 Evidence required	Council must demonstrate actual expenditure such as: Invoices/ General Ledger detailed transaction report.	Council must demonstrate actual expenditure such as: Invoices/ General Ledger detailed transaction report	Council must demonstrate actual expenditure such as: Invoices/ General Ledger detailed transaction report	All creditor on-costs are ineligible
✗ Types of in-eligible on-costs	Payroll on-costs associated with ineligible wages Costs which should be charged as direct, such as supervision, contract labour	Costs already included in the plant charge-out rate	Costs which should be charged as direct. (Note: Existing storeman salaries can only be claimed from Council's Day Labour allocation, if applicable)	All creditor on-costs are ineligible

Table 1 - QRA On Cost Eligibility Summary

3.1 The current challenge in the RAPAD region

One of the challenges associated with the current arrangements in relation to on-costs is that RAPAD Councils have no other way of determining and recovering full reimbursable costs other than the use of an on-costs methodology. When realised on-costs are not reimbursed it impacts Council cash flow which for many of the RAPAD Councils is a significant financial impost.

Another key challenge is that whilst on-costs can be attributed directly to the NDRRA works that are being undertaken, the financial systems upon which many of the RAPAD region are operational do not allow a separation to occur. For example, for plant on-costs the on-cost pays for the overheads associated with having a workshop where the plant is serviced. If the plant was not performing NDRRA works and performing other Council works then the on-costs from those works would be paying their share of the workshop costs. The same is not applicable for NDRRA works. This same principle is applicable to payroll, stores and even creditors.

Conversely, the on-costs from contractors engaged by a Council to carry out NDRRA works on their behalf are fully claimable under the existing NDRRA arrangements. The RAPAD region would contend that this rational is illogical and unreasonable and that if funds are prepared to be allocated to contractors on-costs why this same principle would not extend to Councils.

To ensure transparency in delivery of services and works, this type of accounting process aims to capture all of an organisation's operational costs by assessing the input costs of each step of production as well as fixed costs such as depreciation of capital equipment. Cost accounting will first measure and record these costs individually, then compare input results to output or actual results to aid management in measuring financial performance and to determine and modify on-costs when appropriate.

It is understood that the determination of on-cost eligibility is conducted on a case by case basis but in general the QRA seeks to exclude those costs that fail the eligibility test under the NDRRA determination and in place National Partnership Agreements.

The real challenge is that the determination of on-costs is not necessarily consistent as per the QRA's eligibility (Table 1) and assessment is undertaken on a case by case basis.

The application of the guide to eligibility is inconsistent. For example whilst the guiding table indicate the plant on-costs are eligible it has been seen in practice and in Winton Shire's experience that this is not the case and that plant costs have been removed.

Similarly for Longreach, the experience of claims has resulted in a reduction of on-costs and total deletion of stores, plant, QA & Safety and uniforms. This application is despite the guiding table suggesting that these are eligible on-costs.

This methodology and the reporting required fails to recognise the cost of planning and delivering NDRRA as well as the existing financial systems. It also does not acknowledge that the retrospective deductions of accounted on-costs directly impacts overall Council financial performance.

4 Opportunities for improvement

The Commonwealth NDRRA Determination requires local governments to demonstrate expenditure claimed as actual costs and relates directly to approved NDRRA works. If Council's General Ledger includes on-costs, then Council must show that this represents reasonable actual eligible expenditure, directly related to approved NDRRA works.

As each Council's cost structure is different as is the case in the RAPAD region, the QRA does not apply on-cost eligibility benchmarking and performs an assessment on a case-by-case basis. This assessment is therefore inconsistent and can lead to an inconsistent determination of on-cost eligibility.

It is recommended that improvement is needed to ensure clarity around this matter. In particular it is recommended that:-

- On-costs are incorporated into future disaster funding guidelines and:
 - establish an agreed on-cost framework
 - define eligibility of on-costs
 - define ineligibility of on-costs
- Put in place a review of in place on-costs to clarify their eligibility prior to the commencement of works

It is recommended that during the Productivity Commissions Inquiry into Disaster Funding that a review of the application and eligibility of on-costs be included as a key item for consideration.

Appendix A

Tip Sheet 5 – On-costs explained

Queensland Reconstruction Authority

5

Natural Disaster Relief and Recovery Arrangements

TIP SHEET 5 – On-costs explained


Claiming on-costs

The Commonwealth NDRRA Determination requires local governments to demonstrate expenditure claimed as actual and relates directly to approved NDRRA works.

If Council's General Ledger includes percentage on-costs, then Council must show that this represents reasonable actual eligible expenditure, directly related to approved NDRRA works.

As each Council's cost structure is different, the Authority does not apply on-cost eligibility benchmarking and performs an assessment on a case-by-case basis.

As a guide to claiming on-costs, the table below details the four most common areas.

	Payroll	Plant	Stores	Creditor
Types of eligible on-costs ✓	Reasonable actual eligible extraordinary direct payroll on-costs associated with eligible wages, such as: <ul style="list-style-type: none"> • superannuation • leave loading • floating plant and loose tools • uniform/protective clothing • safety equipment 	Reasonable actual eligible extraordinary costs associated with operating plant on approved NDRRA works such as: <ul style="list-style-type: none"> • fuels • oils • maintenance 	Reasonable actual eligible extraordinary costs associated with running the stores to support approved NDRRA work	All creditor on-costs are ineligible (Note: Creditors such as contract engineers and supervision contractors should be charged to the submission as a direct cost)
Evidence required 	Council must demonstrate actual expenditure such as: <ul style="list-style-type: none"> • invoices • General Ledger detailed transaction report 	Council must demonstrate actual expenditure such as: <ul style="list-style-type: none"> • invoices • General Ledger detailed transaction report 	Council must demonstrate actual expenditure such as: <ul style="list-style-type: none"> • invoices • General Ledger detailed transaction report 	All creditor on-costs are ineligible
Types of ineligible on-costs ✗	Payroll on-costs associated with ineligible wages Costs which should be charged as direct, such as: <ul style="list-style-type: none"> • supervision • contract labour 	Costs already included in the plant charge-out rate	Costs which should be charged as direct (Note: Existing storeman salaries can only be claimed from Council's day labour allocation, if applicable)	All creditor on-costs are ineligible