AUSTRALIAN LOCAL GOVERNMENT ASSOCIATION

SUBMISSION TO

THE PRODUCTIVITY COMMISSION'S INQUIRY -

Natural Disaster Funding Arrangements

6 June 2014

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Introduction

The Australian Local Government Association (ALGA) welcomes this opportunity to make a submission to the Productivity Commission (Commission) inquiry into natural disaster funding arrangements.

ALGA represents the interests of more than 560 councils at the national level. ALGA is a federation of Australia's associations of local government in each state and territory. Given this federated nature, ALGA's submission should be read in conjunction with any submissions put forward by its member associations and/or individual councils.

ALGA plays an active role in national emergency management. It is a full member of the Law, Crime and Community Safety Council (and its predecessors including the Standing Councils for Police and Emergency Management, Ministerial Council for Police and Emergency Management and the Augmented Australasian Police Ministers Council). ALGA officials actively participate on the Australian and New Zealand Emergency Management Committee (ANZEMC) and other senior national working groups, including the Risk Assessment, Mitigation and Measurement (RAMMS) Sub Committee and the National Flood Risk Assessment Group (NFRAG). ALGA is also a advisory group member of the Australian Emergency Management Institute (AEMI).

ALGA supports the Australian Government initiating this inquiry and the broad terms of reference given to the Commission in April 2014. This submission seeks to provide an over arching local government perspective on many of the issues and questions raised in the Issues Paper released in May 2014.

This submission argues that the Commonwealth government should continue to support local and regional communities in a responding to and recovering from major disasters. It also argues that the Commonwealth must continue to play a major role in building the overall national capacity and capability in managing the diverse emergency management challenges facing the country by continuing to provide leadership and resourcing of key Federal institutions. Local councils, the business sector, volunteers and individual households have come to rely heavily on all of the following bodies: Emergency Management Australia, the Commonwealth Crisis Coordination Centre, the Australian Emergency Management Institute, Geosciences Australia, Bureau of Meteorology, CSIRO and specific supporting initiatives such as the Australian Business Register (through its Natural Disaster applications) and cooperative research centres including the Bushfire CRC and newly established Bushfire and Natural Hazards CRC.

However the overarching message is the urgent need for greater focus on providing greater levels of resourcing for the prevention of and preparation for natural disasters rather than the diversion of considerable resources into, for instance, narrowly focussed costly and possibly marginally effective insurance arrangements. There is not likely to be an overall saving for taxpayers from a such a diversion, rather just a shifting of the burden from federal taxes to state and local taxes (rates and community charges).

Mitigation strategies are cost effective and have the potential to minimize future losses, and therefore lead to positive cost-benefit outcomes. Mitigation options that are available include a range of practical efforts to either reduce the risk of given disasters, such as catastrophic flooding, or simply better prepare the community to deal with such events. Mitigation efforts themselves could be in the form of flood levees and warning systems, improved strategic land use /urban planning practices, enhanced building and construction standards and materials, sustainable environment management and landscaping, community education programs or selected interventions such as strategic buy back of properties and/ or strengthening of key infrastructure assets.

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

It should be noted that many of the arguments made in this submission are not new, but reinforce ALGA's adopted national position presented in previous government submissions responding to the challenges facing local and regional communities in dealing with natural disasters and the impacts of changing climate patterns.

Local Government and Emergency Management Responsibilities

It is well understood that natural disasters and other types of emergencies rarely conform to strict jurisdictional boundaries and that the level of exposure to a particular natural hazard varies widely between local governments. What is sometimes forgotten is that natural disasters impact communities in many ways and over long time frames and that managing the diverse needs of community is a complex task.

Local government plays an important role in seeking to prevent potential impacts of disasters and at the same time councils are continuously seeking ways to work with their local communities to effectively manage a range of potential social, environmental, economic or physical threats. Councils are essentially trying to do their bit in building sustainable and resilient communities.

Recent catastrophic natural disasters in Australia point to the need to continually develop and enhance emergency management practices at all levels of government, as well as those of the business and individual household sectors. It is evident that all levels of government must ensure the most up-to-date information and technology are used to both educate and warn the community of impending threats, and also guide in the response and recovery phases.

From a local government perspective, the key elements of emergency management at the national level are the mitigation of risk, the promotion of community safety and warning systems, engaging partners and communities, protecting built and natural environments and a serious ongoing investment in building community resilience. It is critical that this process be undertaken through a whole-of-government, multi-agency, and "all hazards" approach. This is something that ALGA has strongly supported and argued for at both Council of Australian Government (COAG) and ministerial council level for many years.

Given the potential impacts of climate change and the nature and scale of natural disasters in recent years, there is an equal recognition that local governments will need to play a greater role in the response to and recovery from an increasing number of emergency or natural disaster events. As a governance institution that is democratically elected and has a wide scope of statutory responsibilities ranging from asset and environmental management to land use and community safety planning, it is not surprising that natural disasters and issues surrounding emergency management are becoming ever more central to the operations of local governments throughout the nation.

The challenge of building more resilient communities

Governments at all levels in Australia now accept the need to manage the risk of natural disasters and have recognised the need to also share in this responsibility. To improve Australia's ability to withstand and recover from future disasters, COAG adopted the National Strategy for Disaster Resilience in 2011.

The national strategy focuses on the shared responsibility of governments, business and communities in preparing for, and responding to disasters. It sets out concrete steps governments at all levels can take to reduce risks posed by natural disasters and better support communities to recover from disasters.

Specific mitigation actions identified in the Strategy include: steps to support improved risk-based planning decisions, ensuring the provision and construction of more resilient infrastructure, improved community education and the need for state jurisdictions to strengthen their commitment to make provision for greater levels of insurance in dealing with a range of assets they are responsible for.

Local government accepts that there is a collective need for all levels of government to do more in the risk assessment and management space. ALGA and its state and territory local government association members have supported the development of the National Emergency Management Risk Assessment Guidelines (NERAG), but only under the proviso that there is sufficient training and resources made available for council officers to properly use this resource.

The Need to Enhance Mitigation Opportunities

The costs to local governments and their communities from natural disasters, including: floods, cyclones, severe low pressure systems, and bushfires, are significant. Aside from the need to protect the safety of people, their pets and livestock, the costs carried by community in replacing damaged or destroyed structures and supporting infrastructure (in the form of roads, culverts, bridges, jetties, sewerage and water treatment works, utilities and community facilities including parks or recreational walking and cycling tracks) is substantive. Much of these infrastructure assets are uninsurable, or difficult to obtain value for money coverage for a variety of reasons that will be explained later in this submission.

The natural disasters described above have had a profound effect on the entire Australian economy. The challenge facing many communities in the rebuilding process is substantial and local governments play significant roles in the recovery process. On average each year, 50 people lose their lives as a direct result of natural disasters, 1,500 are injured, 250,000 are affected in some way, and the economic cost to communities is around $3 billion[1]. The Commission's Issue Paper demonstrates how the costs from disasters have escalated substantially since 2007.

The Report to COAG on Natural Disasters in Australia (August 2002) states that climate change is likely to result in an increase in the number and intensity of severe weather events. Numerous other reports including the CSIRO/BOM Technical Report 2007 and numerous climate change investigations reinforce this finding.

It should be noted that the 2002 COAG Report strongly supported the need for greater mitigation efforts and recommended the establishment of the Natural Disaster Mitigation Program (NDMP).

Given the nature and diversity of the local government sector, councils have been long term advocates for more to be done in the mitigation area. Councils accept that the preferred option is always to try and avoid unacceptable risks. If this is not achievable for whatever reason, the next option must be to attempt to mitigate such risks. The question of insurance really only comes into the picture when these other options are not available.

ALGA has consistently argued that it is important to find cost effective ways to help insulate local communities from the impacts of extreme weather events. Local government therefore endorses initiatives that build capacity in local and regional communities to identify, mitigate and adapt, as well as respond to natural disasters. Local government believes that all levels of government, particularly, the Australian

[1] Attorney-General’s Department report, *Working Together to Manage Emergencies: Strategic Plan to Nationally Enhance Emergency Management in the Community*.

Government, with its financial resources and national/international obligations need to substantially increase provisions for natural disaster mitigation.

The former Natural Disaster Mitigation Program, allocated around $20 million per annum to achieve this goal. However, funding needed to be matched by local government and state governments on a formula of 1:1:1. In recognition of the projections for more widespread and severe impacts of natural disasters exacerbated by climate change (for example, storm surge, increased inundation of land previously not considered at risk, extreme temperature variations and more severe bushfires), local government supported the consolidation of Australian Government funding for disaster mitigation (which included a separate Bushfire Mitigation Fund). This subsequently occurred under the Disaster Resilience Australia Package (Federal Budget 2009-10).

However, it would appear that the demand by state governments upon the Program is likely to reduce the availability of funding to local government to meet its increasing responsibilities in disaster management and the current level of funding for potential mitigation measures is clearly inadequate compared with the scale of damage and substantial returns for mitigation investments. In numerous submissions on federal budgets, ALGA has called for a dedicated program for local government so that councils can build resilience and provide communities with the certainty they need in the face of natural disasters.

Following the traumatic bushfires in Victoria in 2009 and the subsequent damaging floods in Queensland and parts of Victoria, local governments have lobbied the Australian Government on numerous occasions to extend and expand on a national natural disaster mitigation program. In essence, such a program would need to include a funding formula to better reflect the respective capacities of the three levels of government to contribute to disaster related costs. ALGA has previously argued for a return to a matched expenditure formula of 2:2:1, with $2 of investment provided by both the Commonwealth and State governments for every $1 provided by local government.

Local and regional communities throughout Australia have benefited considerably from a variety of initiatives funded under the previous NDMP. Given recent experiences with natural disasters in Australia and the unfortunate likelihood that events such as bushfires, floods and cyclones will intensify because of climate change, the need for mitigation strategies is greater than at any previous time.

If the Australian Government is to continue to provide leadership in this area, it is important that a future mitigation funding program is properly resourced over a sufficient length of time. It is widely acknowledged that well targeted mitigation projects have demonstrated substantive value by significantly reducing the extensive costs faced by communities when dealing with a range of natural disasters. Local and regional communities throughout Australia have benefited from a variety of previously funded projects, such as the construction of levees in Lismore and Charleville.

Commonwealth, state and territory programs that deliver greater levels of dedicated mitigation funding to local and regional communities have been disappointing. As previously mentioned, the 2002 COAG Report clearly supported the need for greater mitigation expenditure, noting that the Commonwealth could expect to benefit directly through reductions in future calls on the NDRRA.

Not only has there been lack of substantive commitment to mitigation but the Commonwealth instead introduced its own personal hardship and distress payment (the Australian Government Disaster Relief Payment) in direct competition with state and territory arrangements in this area. Commonwealth financial exposure has increased dramatically, without gains in the area of reduced risk. ALGA, and its state and territory members are united in continuing to call for greater mitigation funding.

Risk Assessment and Management

Councils play a significant role in managing community risk. Local governments are largely responsible for local land use planning, environmental and risk management, managing a variety of assets and implementing and maintaining a range of practical mitigation measures. Many are also the holders of significant geospatial data, including information on potential flood risk and other potential natural hazards including bushfire, landslip and coastal inundation. However in the absence of either Commonwealth or state government disaster management guidance and funding assistance, the quality and consistency of information available at the council level is varied.

The Insurance Council of Australia (ICA) has argued that there is an issue associated with accessing flood data from some local government areas. They have argued that their inability to access such data significantly limits their ability to quantify flood risk and price insurance, and therefore restricts the sector in being able to provide adequate insurance products.

It is ALGA’s understanding that whilst many councils do make their flood mapping data publicly available (with appropriate qualifications), there are also other local government authorities that simply do not have relevant data or are more conservative in their approach to making such information freely available. This reticence arises from potential legal liability concerns, the quality of data and the varying methodological approaches adopted by councils in mapping flood risk. In addition to these concerns some local governments also argue that private insurance companies should have some financial obligation to actually fund and contribute to flood risk mapping exercises, rather than expect the public to fund this work in its entirety.

Without adequate information in relation to flood risk, the ICA has indicated that should flood cover become mandatory, insurance companies will not be able to properly assess their risk and may withdraw all insurance products for consumers in those areas where the risk has not be adequately assessed.

Given the above issues, ALGA believes serious consideration should be given to questions such as: who should bear responsibility for producing, maintaining and funding the development of flood maps and does Australia now need to develop and agree on national flood mapping standards? This is particularly the case when considering the growing concerns arising from climate change.

ALGA would agree with many of the initial findings in a report prepared by the Commonwealth Attorney General's Department. The *Report on the Environmental Scan into a National Approach to Flood Modelling* (2011) highlighted the complexity and diversity of flood modelling in Australia and noted that the impression given by the ICA that some local governments are failing Australia by not providing the flood data is more complex in reality. In summary, the report indicates that the state of play in Australia's approach to flood modelling can be described as:

a) there are many agencies, organisations and individuals involved in flood modelling;
b) there is coordination in some areas but the effectiveness varies between jurisdictions and in some instances it is often limited or ad hoc;
c) flood modelling is a complex technical task that is reliant on good quality meteorological, hydrological, geomorphologic, digital elevation and land use data;
d) some people are able to access data easily while others either cannot, or are unaware of how to, access it;
e) there are limited mechanisms to discover data and there is duplication of effort looking for it;
f) there are issues around the coordinated collection, cost, licensing and archiving of data; and
g) there is both consistency and inconsistency (or the perception of inconsistency) in the accuracy and methodology of flood modelling.

Local government is fully supportive of current national disaster resilience initiatives designed to enhance risk management processes at all levels of government and resolve any impediments to the release of flood mapping data that is held at the Commonwealth, state or local government levels to the insurance industry and other relevant stakeholders.

Land Use Planning and Risk Management Local Government

ALGA engaged SMEC Australia and Institute for International Development in 2006 to undertake research to progress the understanding of local government's contribution to the then *National Framework for Natural Disaster Management* using integrated land use planning and development controls. The project was overseen by ALGA with advice from the Planning Institute of Australia (PIA).

The project involved a review of contemporary information and reports on the mitigation of all-hazards and the use of planning instruments in this respect. The project also involved consultation with 32 organisations nominated by ALGA – spanning planning, risk and emergency management disciplines. The results and findings were also informed by the *National Local Government Emergency Management Survey* undertaken by ALGA in 2006.

The national research paper- *Local Government Land Use Planning and Risk Mitigation* highlighted local governments' capability and capacity to contribute to this national framework, through the application of land use planning and associated development controls.

Land use planning policies are most effectively applied at the local level when there is cooperation and collaboration between all levels of government. It is important that there is an integrated approach to decision making and a strong partnership between governments, the private sector and the community. When all of these competing interests are balanced and integrated, land use planning can assist to sustain economic and environmental development and create safer communities.

As described in the EMA's manual, *Planning for Safer Communities: land use planning for natural hazards* (2002)[2]:

"Land use planning can play a key part in reducing current and future community risk. Responsible management of the environment and its resources, and flexible and responsive development can prevent or mitigate negative impacts. Land use planning requires the balancing of many, often competing, interests: private sector needs, public policy requirements, equity, long term economic development, environmental conservation, amenity and community safety and wellbeing."

Land use planning is an important mechanism to reduce community exposure to risk. The Plan preparation process assists in identifying potential hazards based on a review of the physical, social and economic environment. Land can be designated (e.g. by zoning or classification) to reflect the most compatible uses appropriate for the environment. For example, in areas of an identified hazard or high risk, development may be prohibited, restricted or designed in such a way to mitigate impacts. The designated area can then be suitably managed using the direction of the Plan (or planning scheme/development plan) and specific development and building controls. Any development applications submitted for new, and in some cases existing, development will need to comply with the requirements of the Plan.

Development controls can be applied to guide (through either restricting, limiting or controlling) the physical/spatial development of the built form. These can have an influence over the:

- location and density of development;

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[2] Emergency Management Australia (2002) *Planning Safer Communities: land use planning for natural hazards,* Part 2 Approaches to Emergency Management, Volume 2 Mitigation Planning, Commonwealth of Australia.

- materials and type of building form; and
- height, bulk and scale of development.

Examples of development controls include the height of habitable floors levels in flood prone areas, setbacks (or distances) from known high risk areas, or minimum provision of on-site water supply in fire prone areas. The use of development controls in the context of risk management in the built environment is also applied through building regulations.

The Building Code of Australia (BCA) provides a consistent national standard for building compliance. The Code seeks to reduce the vulnerability of buildings (and hence their occupants) to impacts such as severe winds, earthquakes and bushfires. The building standards of the BCA for severe wind risks have been in place since the mid 1970s, those for earthquake since the mid 1980s and for bushfire since the early 1990s. Each has been subject to ongoing review and revision. For domestic buildings constructed before these codes were introduced, there are now guidelines produced by Standards Australia and the Insurance Council of Australia for the retrofit of buildings to bring them up to current earthquake and severe wind loading standards.

The more recent National Review of Land Use Planning and Building Codes project (2012) reinforces the important mitigation role that land use planning and building codes can deliver.

Land use planning (incorporating both strategic and statutory planning) provides a comprehensive set of tools to reduce exposure to hazards and consequent risk by controlling where development occurs. Unfortunately the highly political nature of the process, and continuous undermining by some sections of the development sector that see planning as purely a time consuming and expensive regulatory blockage, has contributed to poor planning decisions being made that increase the propensity for loss of life and property damages that were avoidable had the technical planning process been allowed to progress .

Whilst land use planning is an effective tool for controlling inappropriate future development, it should be noted that there is a lag in most statutory and strategic planning processes that may limit their response to the future scenarios of anticipated climate change.

Limitation restricting local governments capacity to mitigate

Given the increasing breadth of responsibilities, legal requirements and cost shifting imposed by other levels of government– all local governments now have an increased breadth and scale of responsibility, well above and beyond the traditional ‘roads, rates and rubbish’. This necessitates employing dedicated staff and resources for risk management and planning, which is challenged by day-to-day demands and the management of other corporate issues. Recruitment of appropriate staff has been an issue for some councils, particularly during the recent housing and mining booms.

1. Adequacy and scope of funding programs

There has been a traditional 'low level' of satisfaction with the funding programs and level of funding available to assist local government to undertake risk management and emergency management planning. This also extends to implementing improvements in risk management through land use planning mechanisms. However, for many programs funding is allocated through a submission process. Hence, those local governments that experience capacity issues are limited in their ability to apply. Therefore, funding may not be well targeted to priority areas – rather to local governments that can prepare good submissions.

Allocation of budgets specifically to risk management can prove to be difficult for many local governments, as they have to balance many competing budget interests and prioritise accordingly. The Commission has previously examined concerns regarding housing affordability, business regulation and infrastructure provision.

In addition to the need for local governments to allocate funding, there is also a number of factors that limit local government's ability to prepare and lodge funding applications, including:

- The time and resources required to prepare applications;
- In-house expertise in developing applications;
- Knowledge of the programs available; and
- Project management ability and capacity.

The difference in size and scale of local governments and the corresponding differences in revenue bases constrain some local governments in their ability to allocate resource (cash) contributions which are a requirement of some funding programs. Again, this could be introducing a bias toward funding better resourced Councils, rather than those that are in most need of the funding. This is not unique to the disaster risk management area – but rather is a feature of many funding programs.

2. Relationships with state and territory governments

There is a strong commitment from all levels of government to work together on a national approach to risk and disaster management. However, it is also acknowledged that the Australian system of government does, at times, prevent this being progressed for fiscal or political reasons. For example, inconsistencies and inefficiencies in approach can be introduced where policy is set at a national or state level and the implementation and interpretation is left to local government with little or no support. Again, this is not unique to the area of risk and disaster management.

There is a legislative relationship that connects local governments with their respective state/territory governments. However, it is a fact that sometimes state and territory governments do not typically engage well with local governments as ‘a community’. When state and territory governments develop and set policy direction, it is then left up to local governments to incorporate and implement the policy into their local strategic plan with little support or instruction from their state/territory governments. Local governments, due to a range of constraints, can find it difficult sometimes to know what is expected by the state/territory governments and do not necessarily understand how best to incorporate the policy direction into their local planning schemes. This is particularly the case when confronted with 'policy objectives overload', as is usually the case when it comes to environmental planning legislation.

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

3. Access to Information and training

The ability to make appropriate and timely decisions in relation to risk management is underpinned by the access to accurate, up-to-date and appropriate information. This is true for land use planning based mitigation strategies, as well as for disaster response and recovery.

Land use planning could become a much stronger instrument in the risk mitigation area if state and territory governments provided higher level support to local governments. This could be through shared mapping, data and information, training and assistance with interpretation and implementation of state planning policy.

Increasing the number of council officer such as planners that participate in Australian Emergency Management Institute (AEMI) or similar courses targeted to risk and emergency management, would increase the understanding and integration of capacity across the disciplines. Local governments have benefited substantially over the years in accessing both information and receiving professional training and exposure to both the courses and workshops run out of the Mt Macedon Centre of Excellence and emergency management knowledge hub.

Similarly, local governments and their communities benefit from critical information and expertise arising from multiple Commonwealth funded agencies and initiatives. These range from the well know services provided by the Bureau of Meteorology weather and warning services to the lesser known but valuable services such as national exposure information system (NEXIS) and the Australian Business Register (ABR).

4. Collecting and Storing of valuable data

As previously argued, local government possesses geospatial and other information that may be critically important when responding to natural and civil disasters or health-related or terrorism emergencies. However, this information is not generally accessible to the Australian and state and territory governments due to governance and technological barriers.

Intervention is needed so that local government data may be incorporated with other information sources, including those managed by various agencies or emergency management stakeholders. The Trusted Information Sharing Network for Critical Infrastructure Protection, the National Information Management Advisory Group and the National Counter Terrorism Committee have all recognised this vulnerability.

While there are some plans in some jurisdictions, the capacity to integrate local government information into across-jurisdictional emergency management response does not currently exist.

In this context, ALGA argued in its 2011-12 Federal Budget submission that a proposed "smart network" would support the ability for local government to participate more productively in the emergency management arena. It is proposed that specific resources be allocated to build an integrated solution that leverages existing infrastructure such as the AusDIN Portal. This "smart network" may integrate virtual spatial information libraries, operational and surveillance data and communication and notification functions. The system has the potential to increase intelligence gathering capacity and local government's ability to coordinate cooperate and respond to major emergencies.

In the event of a regional disaster where there is a total failure of information technology infrastructure, there will need to be continuing operations and delivery of local government services. In this context, the proposal develops and implements a national disaster recovery capability that would:

- be a secondary offsite data repository for councils;
- enable council business functions to be delivered remotely over appropriate telecommunications technologies following a disaster; and
- augment spatial data libraries using an all-hazards emergency management approach, including counter-terrorism, so that complete, accurate information is accessible to agencies responsible for managing crises.

The initiative will assist local government to support communities in their recovery, particularly in the first crucial weeks after a major disaster, where research shows the ongoing psychological and economic implication of the event can be minimised.

Natural Disaster Relief and Recovery Arrangements

The Natural Disaster Relief and Recovery Arrangements (NDRRA) are an agreement between the Commonwealth and states/territories. The NDRRA provides for financial assistance to states/territories in eligible circumstances, <u>including as a result of damage to local government assets</u>. It does not provide for assistance direct from the Commonwealth to local governments suffering disaster losses. Effectively the NDRRA treats local governments as a sub-set of each state/territory and leaves arrangements for financial assistance for local governments suffering disaster losses to be determined at a state/territory level.

There is no requirement for states/territories to pass on monies they may have received from the Commonwealth as a result of losses suffered by their local governments to the affected local governments. Generally, the states/territories have largely replicated the NDRRA arrangements in regard to how they support their own councils within their state or territory but this falls short of the recommendation in the 2002 report to COAG on Natural Disaster Mitigation which supported mirror arrangements.

Under the NDRRA the Commonwealth generally reimburses 50% of expenditure by states/territories for expenditure above the initial trigger point and 75% of expenditure above a higher threshold (although eligible personal hardship and distress payments qualify for a flat 50% reimbursement, independent of any threshold). Importantly, the funding assistance is based on expenditure on an annual rather than event basis.

The NDRRA specifically mentions local government in relation to the development and implementation of natural disaster mitigation strategies for likely or recurrent disasters and provides for a 10% reduction in assistance to states/territories in circumstances where affected local government bodies have NOT developed and implemented such strategies.

A new Determination on Natural Disaster Relief and Recovery Arrangement Determination[3] was issued by the Commonwealth on March 21, 2011. This included NDRRA Guideline 5/2011 which deals with insurance requirements and provides that states and territories wishing to be covered by the NDRRA must have an assessment of their insurance arrangements undertaken by an independent and appropriate specialist (such as the Commonwealth Auditor-General) every three years.

The independent reviews of the states/territories will then be assessed by the Commonwealth against the following principles:

i. The states and territories should have insurance arrangements that are cost effective for the state/territory and the Commonwealth[4].
ii. The financial exposure borne by taxpayers under the NDRRA should be minimised.
iii. The onus is on the states/territories to explore and assess the insurance options available.

[3] The revised NDRRA Determination is available at: http://www.ag.gov.au/www/emaweb/rwpattach.nsf/VAP/(689F2CCBD6DC263C912FB74B15BE8285)~NDRRA+-+Determination+2011+-+Version+1+(PDF)+-+Web+update.pdf/$file/NDRRA+-+Determination+2011+-+Version+1+(PDF)+-+Web+update.pdf

As the NDRRA effectively covers local government in each state and territory it is reasonable to assume that the insurance cover and risk exposure of local governments will be included in the assessment of insurance arrangements.

It is ALGA's understanding based on previous advice received from state and territory local government associations, that it is likely that most individual councils have traditionally had little awareness of the existence and finer details of the NDRRA, given the fact that the national disaster arrangements do not directly affect them. This lack of knowledge should be addressed.

It is important that the states/territories liaise effectively with local government associations to ensure that each state/territory (and their local governments) benefit from all types of assistance and support made available from the Commonwealth and/or state and territory governments. For example, where essential public infrastructure is damaged as a result of a disaster and is eligible for Commonwealth funding assistance for restoration, the NDRRA allows for restoration to a more disaster resilient standard where it is cost effective to do so and approval is so given. Whether this is widely known by local governments and betterment of local government assets are appropriately encouraged by states and territories is unclear.

It is understood that the Commonwealth has traditionally received very few applications for betterment restoration of local government assets, yet engineering assessments of flood damage to unsealed roads often recommend steps to be taken in restoration works to reduce risk of recurrence of damage in future (for example by the provision of additional or better designed culverts). At the very least it seems both reasonable and desirable for the states/territories to include similar provisions allowing for betterment of assets in arrangements they have in place to provide funding assistance to councils that suffer damage to infrastructure in natural disasters.

One possible reason for the lack of betterment applications lies in the way the NDRRA works in aggregating multiple events over the course of a year to determine whether jurisdictions have achieved the necessary thresholds in eligible expenditure to qualify for NDRRA reimbursement. This is likely to have led to a cautious approach at jurisdictional level in dealing with infrastructure damage in disaster events (especially those occurring early in a given financial year).

The other reason is largely a pragmatic one. That is, that communities are usually desperate to re-establish normality as quickly as possible, and hence demand that their much needed infrastructure is replaced as quickly as possible. In many circumstances upgrading infrastructure will trigger new approvals and possibly necessitate some ability for the community to comment on what is being proposed. This does involves extra expense and longer time frames, unless this has already been undertaken when a betterment request has been activated.

Current disaster funding arrangements between states/territories and local government

Although not a requirement of the NDRRA, each state/territory[5] has a formal arrangement with its local governments to provide them with financial assistance in the event of financial loss from natural disasters. As previously indicated, these arrangements broadly reflect the arrangements between the Commonwealth and states/territories.

The arrangements vary between states and territories but they are based on:

- A trigger point (threshold) for each event above which funding assistance for expenditure on disaster recovery will be provided to affected local governments. This is either a specific dollar amount or a percentage of their rate revenue. In some states the trigger point is designated by the size of the council with larger councils having a higher trigger point than others, and very small councils having an even lower trigger point.
- A contribution from a council, generally a percentage of the amount spent on the disaster recovery. In some states, expenditure above a specific amount will be reimbursed 100%.
- WA has an additional arrangement for non-metropolitan councils whose roads require repair following abnormal rainfall or fire damage. A Supplementary Fund is established from a portion of vehicle registration fees and topped up by a contribution from the Rural Regional Road Groups' Road Project Grant Pool. Where an event is NOT declared as a natural disaster, but is eligible for funding from the Supplementary Pool, funding is provided on the basis of $2 for every $1 of council eligible expenditure.

The real value of the trigger points at which a state or territory will reimburse local governments for disaster relief expenditures are typically very low compared to the trigger point for the state/territory to be reimbursed by the Commonwealth. This is to be expected given the difference in scale of individual local governments annual budgets compared with that of the states/territories.

In South Australia, the trigger point for a council is that the damage sustained in a natural disaster must exceed 5% of its rates revenue and 10% of its works budget. In Queensland, the smallest councils have a trigger point of just $50,000.

There is no direct link between reimbursements received by states/territories from the Commonwealth and amounts they may pay to their local governments that experience damage as a result of a disaster. States/territories could reimburse councils for disaster relief expenditure without receiving any reimbursement from the Commonwealth unless the aggregate disaster relief expenditure in a financial year for the state/territory exceeds the trigger point. It is less likely but also mathematically

[5] The ACT is not included in the discussion. It does not have local government as constituted in the states and the Northern Territory.

possible that states/territories could receive more funding assistance from the Commonwealth as a result of losses suffered by their local governments than they pass on to the affected councils.

Local governments also have major 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 received 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 inequity faced by the sector in obtaining appropriate contract staff compared to undertaking the works in-house through the deferment of their normal works schedule. In particular, remote regional councils of Western Australia face a financial and logistical difficulty in sourcing and engaging contractors immediately following a disaster. Contractors are effectively required to enable cost recovery under the WANDRRA creating a potentially more expensive and less efficient system for local government.

In principle, councils throughout Australia should be able to engage their own works staff during normal hours (and costs be recovered through the NDRRA) instead of engaging contractors. The recovery of normal labour costs should apply an additional provision in the NDRRA Determination, given it is substantially cheaper and overly more cost effective to use councils staff where available, rather than engaging external contractors.

Local government practices in relation to insurance

It was this specific question of greater levels of insurance coverage that led to ALGA commissioning external experts to ensure that the perspectives of local government were fully incorporated into the National Disasters Insurance Review and subsequent changes to the Natural Disaster Relief and Recovery Arrangements (NDRRA) initiated by the Commonwealth in recent years.

To this end, ALGA contracted JAC Comrie Pty Ltd to investigate and report on a number of matters related to the above issues. Many of the findings of this report, together with subsequent discussions with our member associations, are reflected in this submission.

JAC Comrie Pty Ltd surveyed the Local Government Associations in each state and the Northern Territory in May 2011 to gather information regarding each jurisdiction's legislative requirements and practices in relation to insurance and emergency management planning. A copy of the survey form is attached as Attachment 1.

Attachment 2 provides a summary of the responses by each local government association.

In summary, local government's three broad areas of concern regarding the insurance question are in relation to the following:

- Councils as organisations which are required to have insurance and are indirectly covered by the new NDRRA determination;
- Councils as organisations identified as having a possible funding role for high risk insurance cover; and
- Councils as organisations which deal with risk in areas such as land use planning, mitigation measures and providers of data and specific information such a flood risk mapping.

Public liability/professional indemnity insurance

Every state/territory local government authority has some degree of public liability and professional indemnity insurance with a substantial amount of cover (ranging from $50m to $400m for each occurrence).

Public liability/professional indemnity cover for all councils is a requirement in New South Wales, Queensland, South Australia and Victoria. There is no such legislative requirement in the Northern Territory, Tasmania or Western Australia.

Councils in each state have access to public liability/professional indemnity cover through state-wide mutual liability schemes. Generally, these schemes appear to operate effectively, providing affordable cover and re-insurance opportunities through a competitive world-wide market.

Only a limited number of very large councils have some additional level of insurance outside these schemes, usually consisting of specific insurance cover for major incidents over an agreed value.

<u>Real property and infrastructure insurance</u>

Unlike public and professional liability, no jurisdiction legislates for councils to insure their real property or infrastructure assets. Real property refers primarily to local government buildings and infrastructure assets covering items such as roads, culverts, bridges, treatment facilities, swimming pools and recreational facilities.

It appears to be common practice for local government authorities to have some level of insurance of their real property. Only a limited number of councils in some states have secured insurance for specific items of infrastructure and the vast majority of council infrastructure assets are uninsured. The reasons for this lack of insurance cover being either the:

- relatively high cost relative to perceived risk;
- high deductibles in relation to flood and earthquake insurance; and

- in many cases, the inability to get flood and earthquake cover, particularly in Northern Australia within the expected cyclone area[6].

The largest class of infrastructure assets for many local governments is that of roads and ancillary infrastructure. At the time of the survey, there was no council in Australia that insures roads (although some have secured insurance for selected bridges). This situation was no different at the state level. That is, the state and territory governments also do not insure their roads.

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

At the time of the Insurance Review in 2011, it was ALGA's opinion that the lack of insurance products for infrastructure assets was likely to be the result of insurers having estimated that the premiums and conditions that would need to apply, having regard to risks and uncertainty, would be such that they would struggle to attract a sufficient broad base of councils to make such an offering viable.

Local government associations have previously advised that generally, council decisions on the level and type of cover have not been influenced by the availability of disaster relief provided by states/territories.

Potential to establish a national local government infrastructure insurance entity

The local government sectors in all states have a strong record of success in operating self-insurance pools and the mutuality of member councils provides an incentive for implementation of pro-active risk mitigation practices that reduces the incidence and extent of claims.

There are some major challenges, however, in extending current mutual pools to infrastructure insurance.

There is the challenge of attracting participation from a broad enough group of councils in any infrastructure insurance arrangements to enable risk to be cost-effectively spread and therefore enable provision of financially attractive insurance products (whether through underwriters or mutual pools). In practice an under-writer will not offer insurance or will require very high premiums/deductibles where levels of risk are high or uncertain and there is only a small group of clients (or a larger group exposed to the same risk events and profiles) seeking cover. Councils that have not had exposure in the past to major loss from a natural disaster and believe they are at little risk from for example earthquake, cyclone, flood or fire damage are likely to be

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

reluctant to take out insurance cover, particularly if the associated premiums are significant and do not reflect differences in risk in different localities.

Any arrangement for insurance of infrastructure assets would also need to have regard to arrangements that exist for the reimbursement of local governments by state/territory governments for damages they incur as a result of natural disasters. Councils would be concerned if the establishment of costly (and perhaps marginal) infrastructure insurance arrangements led to them incurring additional (insurance premium) costs and a reduction in financial support from the states in the event of a natural disaster.

In many jurisdictions most or all councils are part of mutual pools but the amount of premiums paid by each council is not publicly available or generally known by other councils. In any event the extent of cover may vary between councils. Some councils insure their assets with private underwriters and there is competition between individual underwriters and between underwriters generally and the mutual self-insurance pools for business from councils.

Should Councils have a role in subsidising a national flood risk insurance scheme?

ALGA noted that the 2011 Insurance Review Issues Paper puts forward a proposal to introduce a national automatic flood cover scheme, under which councils, through their rating schemes, would be required to help fund premiums for high–risk properties. Regardless of the inherent merits of offering universal flood insurance, local government is opposed to using the rating system to cross subsidise other non-essential local government services or private residential and commercial risks.

As was proposed in the Productivity Commission report on a National Disability Insurance Scheme, it seems that the primary argument for rates as a source of funding appears to be that they are an efficient and stable funding base. ALGA does not believe this is a sufficient justification for rates to become a funding source for an expanded flood insurance scheme. Local government rates are often seen by other levels of government as an attractive mechanism to raise funds for non-local government activities such as state government emergency services. Local Government has opposed, and will continue to oppose, such opportunism where the service to be provided is better and more appropriately funded from a broader revenue base.

Local government is under great financial pressure at present because of ever increasing demands for a range of community based support schemes. Because of that focus on social services, often due to state and federal support being withdrawn, the traditional services of councils are suffering, and ALGA has documented a growing gap in infrastructure renewals which PricewaterhouseCoopers (2007) has estimated to be in the order of $14.5 billion. Local government would not be in a position to sustain additional funding demands for a national flood insurance scheme.

While existing rate revenue is insufficient to meet the demands on councils there is limited capacity among councils to increase that revenue. The Productivity Commission's research report entitled *Assessing Local Government Revenue Raising Capacity*, released in April 2008, noted significant differences in councils' scope to raise additional revenue across Australia and that there was a case to review the provision of Australian Government Financial Assistance Grants to local government to improve horizontal equalisation. Furthermore, the potential to raise additional revenue from council rates is becoming increasingly crowded out by the growth of state land taxes and the more recent decisions to limit the rate subsidies given to pensioners.

Limited revenue raising capacity through council rates and existing financial sustainability challenges for councils strongly support the view that general taxation revenue would be a more appropriate funding source.

ALGA also has concerns that imposing a cross subsidy through the local rates mechanism would be perceived by many residents as an increase in local government costs. This is based on local government's previous experience with levies in the past.

Finally, ALGA is concerned that funding a future insurance scheme from rates would establish a precedent that would place inequitable financial pressure on local governments at a time when resources have never been under more pressure. Using local government rate collection as a source of funding because of the stability of its funding base would open to the door to even more calls on the local government purse and potentially further undermine local government's financial stability.

Local Government and Climate Change

The prospect of increased frequency and severity of extreme weather events as a consequence of climate change highlights the linkages between emergency management and climate change adaptation. For more than a decade many local governments have pursued a range of policies and activities to address climate change in the context of Ecological Sustainable Development (ESD) following the adoption of Local Agenda 21 framework arising out of the 1992 United Nations Summit in Rio.

Over this period councils have sought to understand the complex issues of climate change and, importantly, have attempted to develop innovative programs to reduce local emissions (council and community) and to assist their communities to understand the need for concerted action to mitigate and adapt to climate change. While some of these initiatives received small amounts of funding from the Commonwealth and state governments, many of the programs were run at council cost, backed by a strong political commitment to show local leadership on the issue and to address the problem from a grass roots and practical perspective.

The variation in individual local governments' capacities to address climate change led ALGA to highlight the need for assistance to councils in its annual submissions on the Federal Budget from 2005 onwards.

In these submissions, ALGA has consistently argued for Commonwealth assistance to councils to allow them to both develop climate change adaptation plans and to implement these plans through funding for engineering works, asset modification and strengthening, health risk programs in managing heat waves and other extreme weather related events, and mitigation works, such as flood levees.

Local government welcomed the Commonwealth's Local Adaptation Pathways program established in 2007, which provided in excess of $6 million over 4 years to assist councils and groups of councils to develop Local Adaptation Plans. These plans were generally developed by consultants working for councils and adopted a risk assessment and risk management approach to climate change adaptation.

Summary and Conclusion

The numerous natural disasters experienced in Australia in recent times, have underlined the importance of building stronger community resilience. Communities which understand the risks and the limit of what governments can do, plan strategically for the future, encourage households to prepare for disasters by having a realistic plan, prepare their properties to withstand a variety of natural hazards, strengthen critical infrastructure and access insurance where appropriate (and reasonably available) will ensure Australians are much better placed to deal with future climatic and extreme weather challenges.

There are many implications for local government in dealing with the growing threats arising from a range of natural hazards. This is why ALGA is working as a member of the Law, Crime and Community Safety Council, and the Australian and New Zealand Emergency Management Committee to work with the Commonwealth and encourage state governments to work with councils on implementation of the National Disaster Resilience Strategy. Specific issues for local councils include the identification of priority hazards at the local/regional level and communicating those hazards to property owners, ensuring that local and regional land use planning takes a balanced account of identified hazards, identifying opportunities to mitigate risks and partnering with other levels of government to fund mitigation measures.

The National Disaster Resilience Strategy also reinforces that all levels of government must work more closely with communities at the local level and that building resilience is a responsibility that is much broader than only involving those traditionally involved in emergency services operations.

While councils generally appear to have adequate insurance arrangements for buildings and other property, they do not as a rule, insure roads and bridges. It is not common practice for governments (local, state or federal) to insure these types of assets anywhere in Australia. Consequently, this type of insurance is not readily available in the market.

As argued in this submission, this raises a number of issues for local government, particularly the potentially enormous increase in insurance costs to councils should the changes made to the NDRRA force councils to try to obtain insurance.

Any reduction in the role of the Commonwealth through reducing the funding it makes available to the states through the NDRRA or reducing national capability by downsizing the role played by EMA, AEMI, Geosciences Australia, BOM or CSIRO will simply increase the risks and costs borne by councils (cost shifting). There is not likely to be an overall saving for taxpayers, just a shifting of the burden from federal taxes to local taxes (rates).

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

Similarly, local government would oppose any proposal that would introduce a national flood insurance cover scheme, whereby Councils, through their rating schemes, are required to help subsidise premiums for high–risk properties. Local government is already constrained financially and would be aggrieved if further cost shifting was contemplated.

In relation to the question of measuring flood risk, the argument put forward by the insurance sector that there is a problem with some councils making their flood mapping available underestimates the real challenges facing all levels of government in accurately modelling flood impacts. As such, ALGA believes serious consideration should be given to resolving the questions of who should bear responsibility for producing, maintaining and funding the development of flood maps and whether the nation would benefit by developing and adopting a set of national flood mapping standards?

Many of the questions posed in the Commission's Issues Paper are important in trying to address the current difficulties many households and businesses face in dealing with the impacts of a range of natural hazards.

Local government would welcome more assistance and funding to undertake value for money mitigation efforts. Physical infrastructure provision, together with enhanced strategic and development assessment planning, consistent geospatial mapping technology, improved building standards and targeted community and business education programs would over time lead to considerable savings for all levels of government, the business sector and individual households.

Attachment 1 - Survey form sent to the local government associations

REVIEW OF LOCAL GOVERNMENT NATURAL DISASTER INSURANCE ISSUES

MEMO TO STATE/TERRITORY LOCAL GOVERNMENT ASSOCIATION CEO's

ALGA is conducting a review of arrangements associated with the funding of remediation works arising from natural disasters from a local government perspective. Part of the reason for the review is to enable ALGA to respond to the Natural Disasters Insurance Review that has been set up by the Commonwealth to review natural disaster arrangements as they affect the relationship between the Commonwealth and the States and Territories.

ALGA has appointed a consultant, John Comrie (JAC Comrie Pty Ltd) to research and prepare a report on this issue.

To assist John in his work for ALGA in this regard could you please supply the following information as it applies in your jurisdiction:

1. The funding arrangements that exist between the State or Territory and local governments in relation to disaster relief and remediation works, eg;
   i. Is there a formal arrangement in place?
   ii. The nature of the funding arrangements (activity eligible for funding support, any threshold limits and funding share arrangements etc)?
2. Are there legislative requirements for local governments to have public liability insurance or to insure their assets?
3. If local governments are required to insure their assets, are there stipulations as to the level of coverage (e.g. monetary limits, and types of assets – eg have any requirements traditionally been interpreted to include roads, bridges and other local government infrastructure)?
4. Over and above any legislative requirements, what is the practice of local governments in regard to public liability insurance and infrastructure insurance (e.g. are all assets insured, some assets insured - in particular what classes of infrastructure are insured?)
5. Do local governments have any difficulties getting suitable insurance cover (limitations on the cover, cost, high deductibles, automatic reinstatement of cover etc.)?
6. Where local governments are not required to insure, how many fail to take out suitable insurance cover and how if at all does this affect their access to any available natural disaster funding?
7. Is there any evidence to indicate that local governments have sought or would wish to insure their infrastructure assets but have been unable to secure suitable, cost-effective cover?
8. Where local governments are able but are choosing not to insure is there any reason to believe this may at least in part be because they have access to

reimbursement for loss under arrangements for disaster relief between the State or Territory and local government?

9. What sources of insurance cover for public liability and property loss exist and are utilised by local governments? E.g. does a collective local government ‘insurance’ scheme exist? If so do most/all local governments participate? Do some local governments insure directly with private insurers?

10. Where councils self-insure, what arrangements do they have to cover significant losses from disasters?

11. The Commonwealth is now requiring States and territories to have independent assessments of their insurance arrangements in relation to disasters – do you know what impact this will have on the arrangements for disaster relief between the State or Territory and local governments?

12. Are local governments required to have disaster mitigation plans (e.g. floods, bushfires etc.)?

13. What account of such disaster mitigation plans is taken by insurers?

14. What if any assistance is provided to local governments to develop disaster mitigation plans by other parties, eg the Commonwealth, State or Territory, LGA, or insurers?

15. Do local governments have community programs encouraging individuals/businesses to:

    i. plan for disasters

    ii. have appropriate insurance for their property?

16. Are there other factors relevant to the review that you wish to provide comment on or further information you wish to provide? If so please do so.

This review is of an urgent nature and your response to this request by April 29 would be appreciated.

Adrian Beresford-Wylie
Chief Executive
Australian Local Government Association

13 April 2011

Attachment 2 - Summary of responses to the survey form

Arrangements between states/territories and local government in relation to disaster relief and remediation works	NSW	Grants are available to meet the additional costs of emergency work to restore essential services, including the provision of emergency levee banks, which are in excess of normal operations. Grants are available to meet 100% of eligible emergency works and 75% of eligible restorations works up to $116,000 with 100% cost recovery beyond that level. Grants are available to help Councils to permanently restore roads and bridges to pre-disaster standards. These grants meet 75% of the first $116,000 expenditure and 100% beyond that level. This assistance is administered by the Roads and Traffic Authority. However, when a severe natural disaster occurs causing damage to these assets in excess of $240,000 (including roads, bridges and Crown lands), the NSW Treasurer or his delegate may issue a Natural Disaster Declaration. Under these circumstances the Australian and NSW Governments provide financial assistance to local government through Natural Disaster Relief and Recovery Arrangements for emergency work and restoration of damaged local assets. Currently, insurance cover is not a criteria for natural disaster funding.
	NT	NT Treasurer's advance for disaster recovery accessed by Department of Housing, Local Government and Regional Services for the local government sector. Threshold of $240,000 for a disaster event.
	QLD	Each local governments trigger point/contribution level amount (applicable to each NDRRA disaster event) is determined as follows: a) Larger local governments - 1% of General rate Revenue; b) Other Local Governments - 0.25% of Queensland's NDRRA base expenditure amount (i.e. in 2009/10 0.25% of $70,719,750 = $177,000); and c) For smaller local governments with a rate revenue base of less than $3,000,000, a lower threshold of $50,000 may have applied if an approved disaster risk assessment was completed prior to 2004. Each local government must have eligible damage exceeding their trigger point and are required to contribute 25% of eligible expenditure up to their maximum calculated trigger point level. (For example, if a Local Government trigger point is $200,000 total expenditure needs to exceed $200,000 to be eligible. The Local Government pays 25% or up to the trigger point whichever is lesser.) Two issues – day labour costs of council staff not covered (but contract costs are) and disaster funding does not apply to council trading activities, including water, sewer, waste management and public transport.
	SA	Councils have access to Local Government Disaster Relief Fund. Damage sustained must exceed 5% of a council's rate revenue and 10% of its Works budget and be beyond the financial capacity of the council to manage. Councils are expected to

		contribute at least 10% of the remediation works and the amount is not capped. All applications are considered on an individual basis.
	TAS	The arrangements are made under the State Disaster Relief and Recovery Arrangements. The thresholds are calculated in the same way as under the NDRRA. A council's first expenditure threshold is 0.225% of its total general rates revenue and general purpose grants receipts two financial years prior and its second threshold is 1.75 times that amount. A council will be reimbursed 50% of its eligible expenditure between the first and second thresholds and 75% of expenditure on eligible expenditure above the second threshold.
	VIC	Formal arrangements under the National Disaster Financial Assistance program. 100% of costs for emergency protection works for local councils 75% of the cost to restore assets between $10,000-$100,000 100% of costs above $100,000. *Emergency protection works* – including works undertaken to protect community assets and to restore essential public services; and/or *Restoration of municipal and other public assets* – including repair of roads and bridges, reserves and associated community facilities, and destroyed public buildings.
	WA	Formal agreements with regard to the NDRRA are in place between Federal and State governments. WANDRRA is the local State arrangement for relief after disasters have been a declared event. Local government must have sustained damage to their infrastructure in excess of the $250,000 threshold set by the State. Local government must also contribute 25% of the total cost of restoration up to an agreed threshold determined by the rates revenue of the local government. The limit of each local government's contribution is the greater of: 1% of Total Rates Levied; or 0.25% of the State's 1st Threshold under the NDRRA agreements which has been rounded down to $109,100. A Supplementary Fund is established and maintained (from state revenue from vehicle registration) to assist non-metropolitan Councils in repairing roads affected by abnormal rainfall and fire damage. The Supplementary Fund commences each financial year with a minimum balance of $4 million. Top up is provided from the Rural Regional Road Groups' Road Project Grant pool (effectively all non-metropolitan Councils contribute to the pool in proportion to their share of Road Project Grant funding and may draw from the pool if they suffer an eligible event) Details of eligibility for funding is set out in the State Road Funds to Local Government Procedures. Where an event is NOT declared a Natural Disaster, subject to

		approval by the State Road Funds to Local Government Advisory Committee and the availability of sufficient funds, non-metropolitan Local Governments are provided with 100% for "opening up" costs and $2 of Supplementary Funds to $1 Local Government Funds for reinstatement costs. Where an event IS declared a Natural Disaster assistance to restore the asset to the equivalent pre-disaster standard is provided under the WANDRRA arrangements. The current issue for WA is that many regional local governments are unable to utilise contract service providers to undertake restoration works as is required currently under NDRRA determination.
Legislative requirements for local governments to insure	NSW	Councils must have "adequate insurance" for public liability and professional indemnity. No stipulation as to levels of coverage. No requirement to insure assets.
	NT	No legislative requirement.
	QLD	Councils must have insurance for public liability and professional indemnity. Public liability $30m Professional indemnity $10m No requirement to insure assets.
	SA	Councils must have insurance for public liability (minimum $50m) and must have insurance to protect elected members in the discharge of their duties. No requirement to insure assets.
	TAS	No legislative requirement.
	VIC	Councils must have insurance for public liability and professional indemnity. No requirement to insure assets.
	WA	No legislative requirement.
Local governments insurance practices	NSW	Members of NSW Statewide Mutual Liability Scheme (150 councils) have $400m public liability cover (any one occurrence) and $300m professional indemnity cover (any one occurrence). Real and personal property is insured and some specified bridges, dams and reservoirs are insured.
	NT	All councils insure particularly buildings, plant and equipment. There is an issue with ownership of assets on Aboriginal land, but assets are insured.
	QLD	Local Government Mutual Liability Pool provides members with public liability cover of $400 million (any one occurrence), products liability cover of $400 million (any one occurrence and in the aggregate) and professional indemnity cover of $300 million (any one claim). In relation to asset insurance the normal practice is for Councils to insure buildings and major structures, treatment plants, fixed plant and mobile plant. Some jetties, weirs and a very limited number of bridges may be insured. By and large Councils do not insure roads, bridges, culverts / drainage systems, airports (except for buildings) and pipelines.
	SA	Councils have elected to insure buildings, contents, electronic equipment, machinery plant and equipment as the main items of property related risks and this is insured on a replacement cost basis.

	TAS	All councils hold comprehensive public liability insurance. All councils have insurance cover for buildings.
	VIC	All councils have public liability insurance. Councils hold property insurance predominantly for buildings and facilities, again with a sector scheme in place for a majority of councils.
	WA	Typically, buildings and contents, electronic equipment and miscellaneous structures, as declared on a Schedule, plus blanket liability cover. Some, but not all, declare bridges and jetties; roads and underground infrastructure are NOT declared.
Insurance of infrastructure	NSW	Generally, infrastructure assets are not insured.
	NT	Road infrastructure is not insured.
	QLD	Most councils do not insure infrastructure assets.
	SA	Infrastructure, assets such as roads, footpaths/bridges, underground services, waste cells, wetlands/dams, flood ways, culverts, and retaining walls have generally not been assets that Councils have looked to insure. Some councils have elected to cover specific infrastructure assets (such as bridges, boardwalks, underground fibre optic services, public lighting/traffic lights, and STEDS schemes) through the LGA Asset Mutual Fund.
	TAS	Generally, councils do not insure infrastructure assets. A small number of councils that have taken cover on some specific bridges.
	VIC	Generally, councils do not insure infrastructure assets.
	WA	Some, but not all, declare bridges and jetties; roads and underground infrastructure are NOT declared.
Sources of insurance cover	NSW	NSW Statewide Mutual Liability Fund for public liability and property loss for 150 councils. 3 councils have private insurers.
	NT	Eight shire councils use mutual arrangement through CouncilBIZ. All other councils use private insurers.
	QLD	Queensland Local Government Mutual Liability Pool provides members with public liability and professional indemnity cover. Property loss cover arranged by councils individually through private market.
	SA	LGA Mutual Liability Scheme for public liability and professional indemnity insurance. LGA Asset Mutual Fund for property loss.
	TAS	Public liability insurance is provided via MAVIC, a mutual insurance arrangement which covers all Tasmanian councils General insurance is sourced by councils on an individual basis.
	VIC	78 of the 79 councils use the MAV's mutual scheme, Civic Mutual Plus, which provides cover for up to $300 million for each member). The MAV is currently investigating the feasibility of establishing a mutual scheme for council property insurance, at a lower price.
	WA	LGIS, a mutual scheme in which all councils participate
Constraints on obtaining insurance cover	NSW	No specific constraints, but where flood and earthquake insurance is available there are high deductibles.
	NT	No problem with cover. Cost is only issue

	QLD	Limited market with one dominant player. To date cover and pricing have been satisfactory, but this may change as the result of the recent disasters in Queensland. Cost of coverage of infrastructure assets likely to be prohibitive.
	SA	None noted to date – but there could be some impact in the reinsurance market as a result of the recent natural disasters in Australia.
	TAS	No constraints noted.
	VIC	Cost issues for infrastructure assets.
	WA	Flood insurance above a minimum level. Earthquake is a major disaster exposure.
Disaster mitigation plans	NSW	Councils are required to have emergency risk management/disaster mitigation plans, which fit into district and state emergency planning. Close liaison with relevant state bodies. In some cases liaison with Commonwealth agencies (e.g. ANSTO) and large corporations (e.g. petrol refineries). Insurers rely on council flood maps but do not generally consider disaster mitigation plans.
	NT	Councils are required to have disaster management plans, but this does not necessarily include mitigation. LGANT and the Territory government are assisting councils to develop disaster resilience plans.
	QLD	Councils must have a Local Disaster Management Group and a local disaster management plan. Various state bodies provide advice to councils on their disaster management plans.
	SA	No specific requirement, but general requirement in regard to natural and other hazards (including flooding). Rural councils and councils with a designated urban bushfire risk area must have a suitably qualified fire prevention officer. The LGA in conjunction with the LGAMLS Risk Management Department, play an essential role in assisting Councils to develop and implement emergency risk management plans.
	TAS	Requirement under state emergency legislation. No funding to develop the plans.
	VIC	Councils are responsible for coordinating and producing the Municipal Emergency Management Plan (MEMP), which is a multi agency plan for all hazards within the municipal district. The plan maps key risks and treatment options for those risks. Other emergency management agencies are required to participate on the planning committees for the MEMP, such as the fire agency (CFA or MFB), the SES, Victorian Police, etc.
	WA	Councils are required to have Community Emergency Management arrangements in place. LGIS makes services available to assist in their development. The State government provides a fund for the assessment of risk and the identification of treatment strategies at the local level through the All West Australians Reducing Emergencies (AWARE) fund.
Community programs on disaster planning/insurance	NSW	Some community programs run by councils and state (usually in partnership).
	NT	Community involvement in developing disaster recovery plans.
	QLD	The obligation to provide community awareness in disaster

cover		mitigation varies significantly across the state but council resources include websites, community workshops and printed material.
	SA	Collaborative approach between state and local government on emergency management and bushfire issues.
	TAS	None known.
	VIC	MEMP includes community programs and the promotion of disaster planning and preparation.
	WA	Local governments are encouraged to involve the community which includes private individuals and local business in the risk assessment process and in the formulation of local emergency management arrangements.