Lockyer Valley Regional Council
Submission to the
Australian Government Productivity Commission Inquiry into
Natural Disaster Funding Arrangements
6 June 2014

The Lockyer Valley Regional Council welcomes the opportunity to provide a submission to the Productivity Commission's inquiry into Natural Disaster Funding Arrangements.

Lockyer Valley Regional Council is a medium sized local government in Queensland that has had media coverage in recent years regarding flooding and has been directly impacted by natural disaster and views this submission as an opportunity to provide practical and real examples of what has been successful and what hasn't and further considerations that warrant review in the overall disaster management framework. Council is a member of the Local Government Association of Queensland and the Council of Mayors for South East Queensland.

About Council

Lockyer Valley Regional Council was formed in March 2008 following the amalgamation of the former Gatton and Laidley Shire Councils as part of sweeping State Government reforms. Nestled at the foot of the Great Dividing Range, the Lockyer Valley is little more than an hour's drive from Brisbane and the Gold Coast and approximately 30 minutes from Ipswich and Toowoomba.

Renowned for its rural landscape, the Lockyer Valley is the perfect destination for people looking to escape the city rat race for the day or to relax and unwind at one of the many boutique B & B's or farm stays. There are a number of locations within the Lockyer Valley serviced by major centres of Gatton, Laidley and Plainland.

There were approximately 36,404 people residing in the Lockyer Valley in 2012. Over the past five years, the population in the Lockyer Valley region has been growing at an average annual rate of 2.2 per cent.

Boasting some of the most fertile soils in the world, the Lockyer Valley is a leading agricultural production area in Australia, affectionately known as the Salad Bowl. The Lockyer Valley represents 10 per cent of Australian and 40 per cent of Queensland farmers providing approximately 12-14 per cent of the Queensland agricultural economy and supplying the majority of Australia's vegetable requirements during winter.

The submission presents practical examples and understandings from recent experiences, offers alternate proposals and seeks to put forward opportunities for improvements right across the spectrum of disaster management and the levels of government.

From a pure Disaster Management perspective – "Lessons Management" should be further incorporated into the Natural Disaster Funding Arrangements as a methodology to establish, collect, analyse and disseminate experiences from events that trigger funding but also for the development of the system for disaster funding programs. This will provide information into fostering a learning approach, which means we must identify lessons based on past experience and our structures, systems and cultures evolving from those lessons.

It is understood that, the Commission will analyse the full scope (incorporating the quantum, coherence, effectiveness and sustainability) of current Commonwealth, state and territory expenditure on natural disaster mitigation, resilience and recovery, and develop findings on the following key aspects.

There are six (6) questions and observations and suggestions have been provided for consideration and where relevant further consideration. Given the natural disasters that have occurred, Council is well placed to reflect on what works well currently and what offers opportunities exist for improvements.

1. ***The sustainability and effectiveness of current arrangements for funding natural disaster mitigation, resilience and recovery initiatives, including – where directly relevant to an improved funding model – the management of disaster relief and recovery;***

Ongoing reforms from the lessons learned in recent years present an opportunity to improve the management and funding models and mechanisms that support the various phases of natural disaster recovery. The impacts upon local governments end up being applied by the decisions of both the State and Commonwealth, when these are not supported by direct funding or other financing opportunities.

In Queensland the changes to the Disaster Management Act in 2010, where the responsibility for Disaster Management (prepare, prevent, restore, recover) was transferred from the state to Local Governments, also carried with it a "cost-transfer" to Councils' but with no changes to current funding arrangements. Disaster Management is now becoming a "core service" of local government, and its activities then become funded through the Council rate revenue base as part of the other services and programs (primarily Infrastructure programs, implementation of Planning Schemes via development assessment / approvals, community building programs…..) or only partly in competition to them. Otherwise, Local Government can levy for separate rates and charges which is further drawing upon communities and residents to finance, when there is limited capacity to pay due to the broader ongoing macro-economic impacts.

This "cost transfer" was further confirmed through the findings of the National Commission of Audit (2014) with the recommendation of:

- Reducing Federal contribution to 25 to 33 percent of restoration costs
- Balance to be funded by State and Local Governments.

Where will Council's like LVRC, being a medium council, get the funding to meet its obligations for the delivery of this "imposed service", especially for the impact of an event in the magnitude of 2011 flood event, given the;

- *Constraint on its revenue from the community and the average long-term sustainability outcomes.*
- *Cost of own insurance*

Does Disaster Management / Community resilience/ mitigating nature hazards one of the critical priorities for all council programs being delivered?

It is proposed that the revision of the current restoration funding arrangements needs to occur to allow for funding to be provided directly to Local Government to:

- Allow for Local Government self-determination of restoration priorities in line with their own Asset Management Plans, Risk mitigation priorities and community needs and expectations. The current arrangements do not allow for prioritisation by risk/community priority with the current focus on restore “like for like”, rather than more permanent solutions.

- Focus on the initial overall damage assessment (and estimate) to determine funding (block) allocations (lump sum grants), similar to what occurred in the years 2011 & 2013 funding arrangements as we understand that were used for State Government Transport and Main Roads (TMR) assets in Queensland, where TMR asked for $9B and received only $5-6B to be self-managed and prioritised in line with funding guidelines. This approach would provide an opportunity to reduce the governance and reporting and red tape placed upon the funding, with no further recourse if expenditure increases beyond the agreed funding.

- Encourage the Commonwealth and State Governments to focus on evaluating the outcomes of the restoration program towards restoring the community and infrastructure assets, while mitigating future disaster risks and building a more resilience community.

It is considered that a departure from the current “outsourcing” of restoration works, to allow a greater use of Council’s existing “day-labour” workforce for project delivery, would provide a more cost effective and dependable delivery mechanism to meet the timeframes of the existing period of up to two (2) years. It further allows Local Governments to address and react to infrastructure networks and community priorities more immediately and more often at cheaper or comparable costs. This remains a key to the community recovering from an event.

There is critical need to remove the current governance and reporting burdens and the duplication of “program” oversight to:

- Focus resourcing needs to be allocated to undertaking the initial damage assessment, and allocating funding on the basis of this assessment.

- Get away from bureaucratic delays currently being experienced for getting “eligibility approvals” and “acquittal” of completed works. Local Governments are the entities which currently bear the “cashflow” and “delivery” risks for processing delays of the current excessive governance and reporting arrangements.

- Direct Federal/State resourcing needs to allocate to assist/assess/guide individual councils to program manage restoration programs within funding guidelines. This would eliminate the current self-building bureaucracy and create better and more effective engagement and understanding between Local Governments and funding providers. This would further assist in allowing quicker turnaround of identified issues and queries with the on-the-ground oversight. It is submitted that greater engagement between Commonwealth Government (guideline setting agency) and Local Governments would assist in the achievement of better community and risk managed outcomes.

If the current arrangements with Queensland Reconstruction Authority are to be maintained, then the "Allowable Time" (currently being 2 years from June 30th of the year of the event) to complete restoration works would need to be extended to at least 3 years to allow for the increase in "governance" and levels of processing activities.

It is quite apparent that there appears to be greater clarification required around the funding arrangements for "Recovery" activities as outlined in Local Disaster Management Plan, more specifically the Recovery Sub-Plan. The arrangements and guidelines may need to be updated to reflect the PPRR principles of Disaster Management, and what funding sources are available under each of the disaster management principles. It is further evident that another area to be addressed is the major inefficiencies of the overall program management and governance of the NDRRA arrangements, which is ultimately reducing the amount of funding that can be seen as "on the ground" works. The number of resources which are tied up in Queensland Reconstruction Authority and the individual program management units (potential duplication) in an attempt to ensure that funding guidelines and value for money is being achieved must be drawing a significant portion of allocated Commonwealth and State Funding out of actual project restoration funding and completed works.

2. ***Risk management measures available to and being taken by asset owners – including the purchase of insurance by individuals, business and state, territory and local governments, as well as self-insurance options;***

Risk and insurance are matters that require further consideration by all levels of Government to identify what alternate mechanisms are yet to be trailed or invested in for practical outcomes.

In practical terms, Lockyer Valley Regional Council is mitigating its risks to provide with the currently identified initiatives being undertaken:

- Revised Planning Scheme – we are building into the scheme the needs and infrastructure appropriate to mitigate future disaster risk to the community
- Hazard Risk Assessment – a number of risk assessment programs are being undertaken or are planned on communities and infrastructure
- Mitigation programs currently under way as a result undertaken Hazard Risk assessments
- Community Development Programs – Council is continuing to progress a number of initiatives and providing consideration within its social plan and community engagement programs to build a more resilient community

Further Commonwealth and State Government commitment is required to enable Local Governments to mitigate local risks – of concern are changes to infrastructure charging, especially evidenced by the changes to the "Developer Contributions" guidelines which restrict Council's ability to source funding to address local hazards through network or system improvements to Road, Stormwater, Disaster Response assets.

The proposed mitigation funding needs to target projects at the community and Local Government level, based on hazard risk assessment and lessons learnt from previous events. Lockyer Valley Regional Council is well advanced in this area, having completed Flood Hazard assessment for the key populated areas of the region (or in the process of completing). The next stage of assessment areas have been identified, awaiting further funding opportunities. The current hazard assessments (Report still to be finalised) indicate within the Lockyer Valley, the approximate number of people at risk from a natural flood event.

As with residential households, the State and Local governments struggle to obtain insurance coverage of their assets at reasonable cost. It is understand that the Queensland Government undertakes partial coverage on some insurance for its assets, while Council has maximum limits on certain coverage for flooding for some of its total asset base. The self-insurance for Queensland Local Government again limits and contains the risk – which cannot always be mitigated.

The question remains - How do Councils obtain the operational and financial capability and capacity to adequately address the issues that natural and manmade hazards present locally? The proposal to reduce the Commonwealth contribution to a max of 33 % will not be workable for small and medium Local Governments, especially in State's like Queensland which are impacted more significantly by potential natural hazards such as cyclones and storm surge.

To expect a Local Government, who is trying to recover from a disaster by itself, to impose 'rate increases' on affected community just does not make sense, whether the funds are used directly to fund recovery/reconstruction or used to obtain borrowings for the works required. The burden is being borne by the local community, not just in the short-term but is actually prolonging the event's affects well into the future. Further consideration is required to the formation of self-insurance schemes and how these or other mechanisms can be instituted. Is there an opportunity to further explore private investment in public infrastructure?

The existing funding thresholds should also reflect an assessment of risk preparedness, and the thresholds set should reflect those preparations with financial incentives supporting those who are prepared and encourage others to ensure that risk is prioritised amongst the disaster management functions relevant to that local government and their risks.

As a further thought, it is submitted that hazard assessment should be conducted to identify risks and this additional risk assessment should include treatment options that support a portion of the funding being utilised in the prevention and preparedness stages to minimise the impact and cost of the disaster event and minimise the necessity to continuing repairing the same infrastructure.

3. ***The interaction between Commonwealth natural disaster funding arrangements and relevant Commonwealth/state financial arrangements;***

The interactions between levels of government and in relation to the comments made in the ANAO report that" Disaster Management is the responsibility of State and Local Governments", is a continuation of the push in recent years (and further supported by the Productivity Commission) of pushing the responsibility towards us as the lowest level of government. The introduction of the revised Disaster Management Act in 2010, has seen the majority of the responsibility for disaster management (PPRR) within Queensland now resting with Local Government, with the State playing a support and funding role. How do medium sized Councils obtain the operational and financial capability and capacity to adequately address the issues that natural and manmade hazards present to us locally?

The perceived duplication of efforts between the levels of government is one of the simplest examples of duplication of effort that results in limited beneficial outcomes for local governments in that the administration alone and governance arrangements are taking funds away from on ground restoration works – with no visibly substantial benefits. The need for the Commonwealth AGRI and the State QldRA is one on the inefficiencies of the current arrangements that need to be addressed to reduce the current program management and funding governance framework.

Since 2009, the number of major disasters has resulted in over $12 Billion in reimbursements being paid or committed to States by the ADRI. When put the VFM test on the Inspectorate, the $100 million which is quoted as saved (in the ANAO Report) equates to 8% saving over the overall program – how much of this goes to the actual running of the inspectorates? Reading of the "Australian Government Reconstruction Inspectorate's Conduct of Value of Money Reviews of Flood Reconstruction Projects in Queensland - Audit Report No.8 2014-14" would indicate that the majority of this savings was the result of simply imposing regular and timed program reporting from the Queensland State Government and an increase in the number of audits being undertaken, activities which a single body should be able to undertake ie: Emergency Management Australia as the funding body direct with local governments.

One of the disadvantages of this Commonwealth/ State governance framework, is that the actual delivery recovery and reconstruction works are being slowed , in some cases to the detriments of the local communities, and can be seen by the need to extend the "Arrangement timeframe" from the normal 2 years for an additional 1 year for the 2011 disaster events. The main driver of this being the time that it takes to not take one project through the" eligibility approval, review , and acquittal processes" which are now in place, but to take the thousands of reconstruction projects through the process ie. the process does not support the volume of work that it needs to review efficiently. The Value for Money argument the also needs to take into account the "Opportunity cost" of the increased governance and processing as well as the "delay impacts" to communities attempting to restore itself in a timely manner.

4. ***Options to achieve an effective and sustainable balance of natural disaster recovery and mitigation expenditure to build the resilience of communities, including through improved risk assessments. The options should assess the relationship between improved mitigation and the cost of general insurance. In doing this, the Commission should consider:***

    a. ***How business, the community, Commonwealth, state, territory and local governments can most effectively fund natural disaster recovery and mitigation initiatives;***

    b. ***How to ensure the right incentives are in place to support cost-effective decision making within and across all levels of government, business, non-government organisations and private individuals;***

c. ***Mechanisms and models to prioritise mitigation opportunities and evaluate the costs and benefits of a range of mitigation options;***

d. ***Options for urban planning, land use policy and infrastructure investment that support cost-effective risk management and understanding of the changes to the risk profile;***

e. ***Options to fund identified natural disaster recovery and mitigation needs, including thresholds for triggering Commonwealth assistance to the states and territories;***

In terms of the inadequacies of current restoration arrangements towards the creation of future mitigation, the overall value of re-damage from the 2013 event would have been guesswork if we had not actively looked at duplication of damage sites. A lot of uncompleted 2011 flood damage works were written off due to re-damage again n the 2013 event. eg Black Duck Creek Rd floodways – work just started in January 2013. The value of approved uncompleted work written off was about $7 million. The value of completed work re-damaged would be around $8 million. This includes many sites requiring gravel re-sheeting where there is probably no easy answer to building flood resilience.

Examples of specific sites include East Haldon Road floodways, Peters Bridge and McGarrigal Bridge.

The restoration of East Haldon floodways from 2011 was carried out under contract by RDS. These had just been completed when the 2013 flood occurred. The value of the contract was $1,418,841. Not all of this work was re-damaged but most, say $1m. Re-damage occurred because they were built like-for-like as required by QldRA instead of improving their resilience by building longer and with better protection than before.

Peters Bridge was re-damaged by extensive scour around the abutments and piles. This is an example where the re-damage could have been much worse – the new bridge could have been lost such was the scour at the eastern abutment. Council had agreed to contribute $30,000 to fund an additional span so the replacement bridge was longer than the original. This relatively small contribution probably saved the abutment from being completely undermined in the 2013 event. The estimated cost of 2013 re-damaged scour protection is $185,667. (The contribution from council has not yet been resolved with QldRA – the submission is currently being acquitted and we don't know whether the contribution will be required, accepted or increased. The resilience argument was given many months ago at the 50% review.)

McGarrigal Bridge was replaced with a single span bridge on a "supposed" like-for-like basis but was always too short for the width between banks. In the 2013 event, floodwaters washed around the eastern abutment, undermining it and washing out the approach. Emergent works of $116,000 were required to reinstate access and the 2013 solution to provide an additional span to properly bridge the gap between banks is estimated to cost $461,000.

The best practical example to demonstrate the balance of recovery and mitigation is through the rebuilding of the town of Grantham which received international coverage and has since been recognised with a number of national awards in respect of the outcomes achieved. It involved all of the elements considered under this question and the case study below tells the story:

Case Study on Grantham:

The Strengthening Grantham Project undertaken by the Lockyer Valley Regional Council was a response to the disastrous flooding impacts on the community of Grantham following the 2011 floods. As has been well documented, there was enormous damage and extensive loss of life in Grantham and surrounding areas.

Following the floods, it was quite clear to Council that rebuilding Grantham in the same manner in which it was prior to the flood would have been irresponsible and kept people's lives at risk. In order to save lives and allow Grantham to grow and prosper for generations to come, Council decided to relocate the town in its entirety to higher ground.

Council chose to take this path with the full knowledge that the funding arrangements did not accommodate this type of thinking. It is clear that innovative and progressive projects which save lives and property from future damage are not generally supported and accepted as meaningful and realistic solutions. The Strengthening Grantham Project eventually did get funding under Category D funding nearly 5 months after works had commenced and only a month and half from when the first residents would move into their new homes. This funding was secured through intense lobbying of the State and Commonwealth governments and was certainly viewed as a 'one off' project that was well outside of the guidelines.

No-one can doubt the effectiveness of this Project in completely removing the risk to health and safety as well as the obvious savings in infrastructure costs from future disasters. The relocation of residents cost very little compared to the ongoing costs of rebuilding a community time and time again. This was demonstrated in the further extensive flooding Grantham experienced in 2013. The town was again completely flooded, but very few houses remained and the cost to repair the town was measured in the $1,000's rather than the $1,000,000's. Most importantly, the community did not lose friends and family members which leave a devastating and costly reminder for generations.

Any future reviews must prioritise projects that can effectively remove the risk to people's health and safety. Such innovative projects should be supported by all levels of Government and will demonstrate long-term savings for communities.

5. Projected medium and long term impacts of identified options on the Australian economy and costs for governments as compared to impacts of the current funding arrangements; and

There has been an ongoing focus on the replacement costs for infrastructure restoration works based on the short term and the most efficient way to manage the replacement of the infrastructure, rather than a long term investment focus that takes account of the whole of life asset costs and the ongoing maintenance and operating impacts of the solutions delivered. In a capital expenditure framework the overall longer term impacts would be more accurately managed and the current discussion around betterment would be more optimal solution driven not cost driven. This represents a significant change in the current approach and would compliment the proposals mentioned earlier in support of clock funding not individual project based.

The Commonwealth's forecast intention to reduce funding overall and direct that back to the State and Local Governments can only be achieved through broader taxation reforms and empowering the service deliverer to find investment of financing through alternate mechanisms which are currently not available.

6. ***Options for transitioning to and implementing any proposed reforms to national natural disaster funding arrangements.***

Any change that is proposed that will alter the share of funding to increase the impacts upon local government must be considered amongst the wider taxation reforms that have been forecast. If the Commonwealth Government sought to reduce its contribution through programs such as the NDRRA, the other revenue raising opportunities and sources of funding must be available to local government. There is already duplication of effort across the State Government with the Commonwealth Government, which highlights the question in transition for payment to be made direct to local government as a specific purpose payment under the Commonwealth's powers.

There is no real way to forecast the level of support required each year and this is referenced in the National Commission of Audit Report where forward estimates are provided based on key assumptions. While there have been a number of recent examples, the long term forecast should support a strategic and planned phase in or out of any significant reform that is proposed. The important aspect for local government remains how does it fund, any additional expenditure requirements without supporting revenue.

Any duplication should be eliminated immediately with the Commonwealth programs taking precedence over the States'.