

Blue Mountains City Council

Submission to the Review of the Natural Disaster Relief and Recovery Arrangements

DRAFT RECOMMENDATION 3.3

The Australian Government should publish estimates of the future costs of natural disasters to its budget in the Statement of Risks. It should also provision through annual appropriation for some base level of natural disaster risks that can be reasonably foreseen. For more catastrophic, less quantifiable risks, it is likely to be more efficient to finance the related costs if and when the risks are realised.

COUNCIL RESPONSE

Council supports this recommendation in principle.

DRAFT RECOMMENDATION 3.1

The Australian Government should:

- *reduce its marginal cost sharing contribution rate to disaster recovery outlays to 50 per cent under the Natural Disaster Relief and Recovery Arrangements*
- *increase the triggers for Australian Government assistance (small disaster criterion and annual expenditure threshold).*

In conjunction with this reduction in funding assistance, the Australian Government should provide state and territory governments with increased autonomy to manage relief and recovery expenditure in a way that reflects the preferences and characteristics of their communities.

COUNCIL RESPONSE

The Blue Mountains has a history of natural disasters, including severe storms and bushfires, which have caused significant damage to public assets and infrastructure. State based natural disaster assistance, supported by the Natural Disaster Relief and Recovery Arrangements (NDRRA), provide a critical safety net to the restoration of public infrastructure when such events occur, particularly given the geographic characteristics of the Blue Mountains. Without this support, Council would be unable to implement effective asset and community recovery actions.

BMCC is concerned that the recommendation to reduce the Australian Government's cost sharing contribution rate will result in additional disaster recovery expenditure being shifted from the State to local government. If the States were to receive less financial support from the Australian Government for disaster recovery, passing on the shortfall to local government by the State would be inevitable. Local government has limited to no capacity to resource disasters leaving a significant gap in community expectations and delivery.

Through State rate-pegging, Council is already constrained in its ability to meet the cost of building preparedness and resilience to disasters, and in responding to impacts after the fact. This will be exacerbated by the cost-shifting from the State to local government, which will be an inevitable consequence if the recommendations of this review are enacted as currently drafted.

It is Council's view that the level of government that has the capacity and indeed does raise

the significant percentage of tax income should fund unplanned events such as disasters and disaster preparedness.

BMCC believes that the Australian Government is in the best position to collect revenue to support natural disaster recovery through existing taxation arrangements. Although BMCC supports in-principle improvements and efficiencies in the way the NDRRA is administered, Council cannot support any recommendation that would likely result in additional costs being imposed on local Governments.

DRAFT RECOMMENDATION 3.2

If the Australian Government reduces the relief and recovery funding it provides to state and territory governments, it should increase annual mitigation expenditure gradually to \$200 million, distributed to the states and territories on a per capita basis. The amount of mitigation spending could be adjusted over time to reflect the imputed 'savings' from reduced relief and recovery funding.

Increased mitigation funding should be conditional on matched funding contributions from the states and territories and best-practice institutional and governance arrangements for identifying and selecting mitigation projects. These would include:

- *project proposals that are supported by robust and transparent evaluations (including cost-benefit analysis and assessment of non-quantifiable impacts), consistent with National Emergency Risk Assessment Guidelines risk assessments and long-term asset management plans, and subject to public consultation and public disclosure of analysis and decisions*
- *considering all alternative or complementary mitigation options (including both structural and non-structural measures)*
- *using private funding sources where it is feasible and efficient to do so (including charging beneficiaries)*
- *partnering with insurers to encourage take-up of adequate private insurance and private mitigation through measures such as improved information sharing and reduced premiums.*

COUNCIL RESPONSE

BMCC is a strong supporter of mitigation activities as a key disaster risk management strategy, and fully supports additional investment in all aspects of disaster prevention and preparedness. However, mitigation funding provided by federal and state governments is often governed by a three way cost sharing arrangement, meaning that local governments must have sufficient capacity to fund their share of grant funding before additional monies can be secured. Although the return on investment can be significant, there remains a need to have sufficient base funding in order to secure additional mitigation support.

The likelihood of cost sharing of mitigation funding between federal, state and local governments introduces similar issues to those raised in Council's response to recommendation 3.1. Due to significant constraints on their ability to raise revenue, Council's typically have limited capacity to 'buy' additional mitigation funding. Councils limited discretionary funds would result in competition between the provision of services, asset management and investment required to secure natural disaster mitigation funding.

BMCC therefore believes that the availability of mitigation funding for local risk management projects not be limited by a requirement for a matching contribution from local governments.

DRAFT RECOMMENDATION 3.6

The Commonwealth Grants Commission should revisit its assessment of 'average state policy' and accompanying accountability requirements for natural disaster policies once the Australian Government has announced its decision regarding relief and recovery funding arrangements.

COUNCIL RESPONSE

Council offers no comment on this recommendation.

DRAFT RECOMMENDATION 3.4

State, territory and local governments should further investigate non-traditional insurance products for roads. Where they do not already do so, state, territory and local governments should compile and publish detailed registers of road asset condition and maintenance for all roads over which they have jurisdiction (and have these registers independently audited). This may help insurance markets to understand and price the risk. Consideration should be given to the Victorian model in this regard.

COUNCIL RESPONSE

In principle, BMCC supports the concept of insuring public infrastructure against loss or damage as a result of natural disasters. However, in practice the mechanisms to allow such insurance to be sought over non-traditional insurable assets do not presently exist and the costs to State and local governments could be prohibitive.

In the context of local government, it is important to note that insurance related to roads and certain other types of public infrastructure is a cost that Councils do not currently incur. Given that the risks associated with natural disaster damage to these assets are likely to be poorly understood by the insurance industry, initial costs to insure them are likely to be significant. As with other proposed recommendations, imposing a requirement on local governments to insure in a revenue constrained environment would almost certainly impact on Councils' ability to provide other services to the community.

It should be noted that BMCC does maintain comprehensive asset registers for the purposes of strategic asset management and associated reporting. This is likely to be common amongst NSW Councils. Although detailed asset data is not presently published for community and industry consumption, doing so should be technically feasible.

It is worth noting that local government is responsible for 33% of the nation's assets and receives 3% of tax dollars. This statistic is highly relevant to this enquiry and a sustainable outcome.

Should a requirement to insure public assets such as roads become mandatory, such insurance would be best managed at a State level. In NSW, the State Government's Treasury Managed Fund could provide the required support to insure public assets in non-traditional ways. Individual Councils are unlikely to have the resources to develop and administer non-traditional insurance schemes, so support from State and Federal levels would be necessary for such a proposal to have any chance of success.

DRAFT RECOMMENDATION 3.5

The Australian Government should:

- *cease reimbursement to state and territory governments under the Natural Disaster Relief and Recovery Arrangements for relief payments for emergency food, clothing or temporary accommodation and assistance to businesses and primary producers (including concessional loans, subsidies, grants and clean-up and recovery grants)*
- *reduce the amount provided under the Australian Government Disaster Recovery Payment (AGDRP). The Australian Government Crisis Payment may provide a reasonable benchmark in this regard*
- *legislate the eligibility criteria for the AGDRP and the Disaster Recovery Allowance and make these not subject to Ministerial discretion.*

COUNCIL RESPONSE

BMCC believes that all Councils have a broad charter to advocate on behalf of the communities they represent. Whilst this draft recommendation does not directly impact Council, any proposed reduction in the level of support provided to disaster affected communities is likely to hinder rapid and effective personal recovery from emergency events.

The proposed removal of Australian Government support to states and territories for immediate disaster relief activities is likely to shift the burden of personal support from government to non-government organisations. Although these NGOs are likely to assist however they can in good faith, increasing the reliance on donation funded, non-profit organisations is unlikely to be sustainable in the long term.

These draft recommendations consider disaster relief payments purely from an economic point of view. Reducing immediate post-disaster support to affected individuals and businesses will likely have broader social and economic impacts, and these potential implications need to be further explored. Council therefore recommends the Productivity Commission undertake a social impacts assessment in relation to these draft recommendations to identify consequences and opportunities with respect to modifying these arrangements.

In principle Council supports legislated eligibility criteria for the Disaster Recovery Allowance, however, the amount of the allowance must be at least equivalent to previous disaster assistance schemes. Reducing benefits for disaster affected people will likely result in decreased resilience following major emergency events.

DRAFT RECOMMENDATION 4.1

When collecting new natural hazard data or undertaking modelling, all levels of governments should:

- *make information publicly available where it is used for their own risk management and/or there are significant public benefits from doing so*
- *use private sector providers where cost effective, and use licencing arrangements that allow for public dissemination. Where there are costs involved in obtaining intellectual property rights for existing data, governments should weigh up these costs against the public benefits of making the data freely accessible*
- *apply cost recovery where governments are best placed to collect or analyse specialist data for which the benefits accrue mostly to private sector users.*

COUNCIL RESPONSE

BMCC believes that high quality information is critical to effective mitigation planning and emergency response to natural disasters. By their nature, natural disasters do not respect administrative boundaries and often occur at a landscape scale, meaning that a coordinated, whole of government approach is required to collect standardised and seamless information related to natural hazards. Council would be a willing provider of data, however, to ensure that information about such hazards is consistent and comprehensive, it is recommended that such data collection be managed at a State or Federal level.

Council is also supportive of publishing comprehensive natural hazard data to help inform disaster planning and assist individuals in understanding their personal level of risk.

DRAFT RECOMMENDATION 4.2

State and territory governments, local governments and insurers should explore opportunities for collaboration and partnerships. Partnerships, for example, could be formed through the Insurance Council of Australia and state-based local government associations (or regional organisations of councils). Consideration could be given to the Trusted Information Sharing Network model, and involve:

- *governments sharing natural hazard data that they already hold and undertaking land use planning and mitigation to reduce risk exposure and vulnerability*
- *insurers sharing expertise and information (for example, claims data) to inform land use planning and mitigation*
- *collaboration to inform households of the risks that they face and adequacy of their insurance to fully cover rebuilding costs, and to encourage private funding of mitigation through incentives such as reduced premiums.*

COUNCIL RESPONSE

Disaster prevention and preparedness are important aspects of minimising the impacts of natural disasters on communities. In principle, land use planning can be an effective tool for preventing development in extreme risk locations as well as a trigger for consideration of mitigation measures within at-risk developments. Better sharing of data across the whole of government as well as business and industry would benefit all stakeholders in disaster preparedness, response and recovery. Council therefore supports the proposal for better data sharing arrangements and risk management collaboration.

The October 2013 Blue Mountains bushfires were a stark reminder of the importance of insurance as a risk management measure, and it is unfortunate that a large percentage of residents who were impacted by these fires were under-insured for the cost of rebuilding to current standards. The implementation of measures that encourage or oblige insurers to engage with their clients in relation to the sum insured is strongly supported by Council.

Council also supports the encouragement of investment in fine-scaled (property level) mitigation measures through insurance-based incentives. Property owners who undertake agreed preparation and mitigation work could be offered discounted premiums for their insurance, which would not only benefit the individual but also contribute to improved property resilience for future disaster events.

DRAFT RECOMMENDATION 4.3

State and territory governments should hasten implementation of the Enhancing Disaster

Resilience in the Built Environment Roadmap, including reviewing the regulatory components of vendor disclosure statements. Furthermore, the Land Use Planning and Building Codes Taskforce should consider possibilities for regular, low-cost dissemination of hazard information to households by governments and insurers (for example, the work of the Insurance Council of Australia to develop natural hazard ratings at a household level).

COUNCIL RESPONSE

Council supports this recommendation in principle.

DRAFT RECOMMENDATION 4.4

State governments should:

- *clearly articulate the statewide natural hazard risk appetite in land use planning policy frameworks*
- *provide local governments with guidance on how to prioritise competing objectives within land use planning*
- *provide local government with guidance on how to integrate land use planning and building standards. Consideration should be given to Victoria's Integrated Planning and Building Framework for Bushfire in this regard.*

Furthermore, local governments should publish the reasoning behind development assessment decisions.

COUNCIL RESPONSE

Council supports any improvement in advice from the State Government related land use planning policies that minimise exposure to natural disasters. However, where the interests of developers and the need to manage natural hazard related risks are in clear conflict, Councils would benefit from additional state-level policy and financial support in order to better balance these competing priorities. For example, there may be cases where development should not be permitted as exposure to natural hazards will result in extreme risks, but refusal to permit development may result in significant costs to local governments as a result of subsequent legal actions and potential land acquisitions. This is also an area where the application of land use policy must be consistent at regional and state-wide levels, hence the need for strong State Government leadership and policy would be critical.

Council is somewhat concerned that the requirement to publish the reasoning behind development assessment decisions, beyond the existing processes for notification and publication, would place a new and potentially prohibitive cost burden on local government. Although the data supporting development decisions will already exist, translating this into a public-friendly format and hosting of this information electronically will result in extra resourcing requirements. If such policy were adopted as proposed, consideration would need to be given to Councils' ability to recover costs for this additional service through development assessment fees and charges.

It is important to note that land use planning is just one strategy that can be used as part of a holistic strategy to mitigate natural disaster risks. Land use planning is of great benefit in controlling development in high risk locations, however, this strategy only addresses future development and does not necessarily strengthen the resilience of existing built environments. As such, good land use planning must be supplemented with additional resources for community level mitigation actions, including preparation of the existing built environment and support for community engagement initiatives.

In summary new development has the ability to be planned for future natural disasters whereas existing development and infill development is highly constrained and problematic. Any resumption of land would need to be funded from high levels of government.

DRAFT RECOMMENDATION 4.5

The onus is on state governments to ensure that local governments in their jurisdiction are sufficiently resourced to effectively implement their land use planning responsibilities. State governments should review the adequacy of local governments' resources and capabilities, and provide further resources and support where they are not adequate.

COUNCIL RESPONSE

Council supports this recommendation in principle.

DRAFT RECOMMENDATION 4.6

State governments should provide additional support and guidance to local governments that addresses the extent of local governments' legal liability when releasing natural hazard information and making changes to land use planning regulations.

COUNCIL RESPONSE

Council supports this recommendation in principle.

DRAFT RECOMMENDATION 4.7

The provisions in the Queensland Sustainable Planning Act 2009 for injurious affection should be repealed.

COUNCIL RESPONSE

Council offers no comment on this recommendation.

DRAFT RECOMMENDATION 4.10

All governments should put in place best-practice institutional and governance arrangements for the provision of public infrastructure, including road infrastructure. These should include:

- *stronger processes for project selection that incorporate requirements for cost-benefit analyses that are independently scrutinised and publicly released*
- *consideration of natural disaster risk in project selection*
- *a clearer link between road-user preferences and maintenance and investment decisions.*

COUNCIL RESPONSE

Council supports this recommendation in principle.

DRAFT RECOMMENDATION 4.8

State and territory taxes and levies on general insurance should be phased out and replaced with less distortionary taxes.

COUNCIL RESPONSE

Through State rate-pegging, Council is already constrained in its ability to meet the cost of building preparedness and resilience to disasters, and as well as in responding to and recovery from emergencies. Council is concerned that any new State tax imposed has the potential to impact on the capacity of ratepayers to contribute to the cost of delivery of local government services.

That said, BMCC has long supported a move away from relying solely on levies on insurers and local government and moving to a broader based property levy to fund state-based emergency services. A property based levy for emergency services is also a more equitable mechanism for distributing the cost of service provision across the broader community. This approach could well supplement the existing system and is fairer.

DRAFT RECOMMENDATION 4.9

Insurers should provide additional information to households regarding their insurance policies, the natural hazards they face and possible costs of rebuilding after a natural disaster. This work could be led by the Insurance Council of Australia to ensure consistency in the provision of information across insurers.

COUNCIL RESPONSE

Council supports this recommendation in principle.