Australian Government
Attorney-General's Department

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Attorney-General's Department

Supplementary Submission

Productivity Commission inquiry into natural disaster funding arrangements

Contents

1. Introduction

The Attorney-General's Department (the Department) welcomes the opportunity to make this supplementary submission in response to findings and recommendations included in the Productivity Commission's (the Commission) draft report on natural disaster funding arrangements. This submission should be read in conjunction with the Department's original submission and the Commission's draft report.

The Department's original submission provided an overview of current disaster funding arrangements and explored the potential for reformed arrangements to improve Australia's resilience to natural disasters. This supplementary submission provides additional material relevant to the Commission's draft findings, recommendations and information requests, including information on:

- the benefits and provisioning of nationally coordinated mitigation strategies
- the coordination of hazard mapping and modelling
- aspects of the proposed recovery funding arrangements, and
- provisioning for the development and implementation of enabling capabilities, such as the proposed benchmarking of public infrastructure costs and impact assessment[1]

The Department looks forward to the Commission's further consideration of these matters in the development of its final report.

[1] Impact assessment is used in this submission to refer to the appraisal of broad impacts of natural disasters on a community, including – but not limited to – damage to public infrastructure (commonly referred to as a damage assessment).

2. Disaster mitigation funding arrangements

In draft recommendation 3.2, the Commission recommends that,

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 complimentary 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***

2.1 National programmes supporting disaster resilience

In recent years, state and local governments have undertaken a diverse range of important disaster mitigation activities specifically targeted at their local risks and capability gaps. For example, Victoria has funded the removal of fuel loads in the Indigo Shire Council; the development of a state-wide earthquake risk map; flood modelling for the town of Warragul; and the construction of levees in Kerang. Queensland has constructed fire-trails at Noosa; improved levees at Thallon; and installed river gauges to enhance flood predictions in the Comet River near Rolleston.

The Commonwealth provides financial support to such initiatives through the cost-shared Natural Disaster Resilience Programme (NDRP) and the National Bushfire Mitigation

Programme (NBMP). [2] Funding for the NDRP is distributed to the states based on population, cost of disasters and relative disadvantage, and adjusted to support the smaller states. Funding allocations for the NBMP reflect each state's bushfire risk and population, drawing on a range of sources, including Australian Demographic Statistics published by the Australian Bureau of Statistics, and the PerilAus Database published by Risk Frontiers research centre at Macquarie University, New South Wales. There may be merit in the Commission considering the potential for a disaster mitigation funding model that also considers state risk profiles, rather than one based purely on a per-capita basis.

Initiatives such as those described above, are critical to risk prevention and preparation at a local level. However, the best-practice guidance that underpins local activity and drives sustained transformation is often only developed and implemented on a national scale.

The Commission has recognised several examples of these national initiatives in its draft report, including the National Emergency Risk Assessment Guidelines (NERAG), the National Impact Assessment Model (NIAM), and the Enhancing Disaster Resilience in the Built Environment Roadmap. Other important national initiatives include for example, the Australian Emergency Management Knowledge Hub and the development of best-practice guidelines for flood risk management.

The benefits associated with national initiatives often only accrue across multiple jurisdictions, and after a high level of development and experimentation. It is unlikely that states would prioritise the provision of national projects when faced with the opportunity cost of reduced funding for more local strategies.

The Department currently funds nationally significant activities, such as those listed above, through the National Emergency Management Projects (NEMP) grants programme. States play an important role in setting the national funding priorities for the programme and assessing applications, in collaboration with the Commonwealth. However funding under the NEMP is limited and funding rounds are consistently oversubscribed. For example, in 2012–13 the Department received proposals totalling $10.7 million, compared to the $2.9 million allocated to the programme. In 2013–14, submissions totalling $12.8 million were received against $3.7 million of available funding.

The lack of funding also limits the potential to support multi-year projects or ongoing implementation of initiatives, which has a significant impact on timely implementation, as

[2] The NDRP and NBMP are outlined in Attorney-General's Department, Sub. 90, pp 29–30.

evidenced by the slow progress implementing the Enhancing Disaster Resilience in the Built Environment Roadmap, for example.

The Department welcomes the Commission's consideration of a mitigation funding model that also considers state disaster risk profiles, and makes provision for nationally significant projects.

2.3 Guidelines for the collection and dissemination of hazard mapping and modelling

The Commission has sought information as to who would be best placed to develop guidelines for the collection and dissemination of hazard mapping and modelling, what hazards the guidelines would cover, and how they could be prioritised for development.

The Australian Government supports the development of guidelines for the collection and dissemination of hazard mapping and modelling, including through the NEMP grants programme. Recent examples include the *Landslide Risk Management Guidelines* and *Managing the Floodplain: A guide to best practice in flood risk management in Australia*.

While the Australian Government provides an important leadership and coordination role, the development of effective guidelines is reliant on a collaborative engagement model. The support and expertise of the states, as well as the private sector and academic institutions such as the Bushfire and Natural Hazards Cooperative Research Centre is essential to developing nationally-agreed best-practice that is widely adopted. In addition to specific project funding, specialist Australian Government agencies such as the Bureau of Meteorology (the Bureau), CSIRO and Geoscience Australia make a highly valued in-kind contribution to such guidelines, consistent with their organisations' core roles and responsibilities. For example, the Australian Government has contributed funding towards Engineers Australia's revision of the Australian Rainfall and Runoff (ARR) to update techniques and approaches to flood management. In addition, the Bureau, Geoscience Australia and the Department have provided in-kind support for the project.

The Australian Government also plays an important role in collecting information in relation to some natural hazards. Where the Commonwealth collects data and can attest to its quality, it makes it widely available to stakeholders and the general public. For example, the Bureau has numerous data streams and expertise related to tropical cyclones, severe weather, fire, flood and tsunami.

The agencies and organisations that collect hazard information are best placed to determine and warrant its accuracy and make decisions about how the information can be made publicly available. The Australian Government's open data policy encourages public access to, and reuse of, government data by providing it in useful formats and under open licences. In accordance with the open data policy, the Australian Government supports the public release of hazard information. The Australian Government has also developed NationalMap, an open data initiative giving users access to a single platform for Australian Government geospatial datasets, including those from the Bureau, the Australian Bureau of Statistics and data.gov.au. Through these initiatives and others such as the Australian Flood Risk Information Portal, the Australian Government facilitates the aggregation of hazard information from a wide range of sources, in a way that makes the information accessible to the public.

The Australia-New Zealand Emergency Management Committee (ANZEMC) brings together all levels of government to consider emergency management policy and funding priorities. The committee is well-placed to consider advice from jurisdictions and non-government specialists on national hazard and risk information gaps and policy issues that may inhibit open access, and prioritise actions to address those gaps. However it is noted that many of the opportunities to building our collective understanding of disaster risk sit outside the emergency management sector. Successfully addressing these challenges often requires the commitment of those responsible for broader state, territory and local government economic and social policies (such as residential planning, community housing, floodplain management), as well as the private sector and the academic and not-for-profit communities.

3. Disaster recovery funding arrangements

In draft recommendation 3.1, the Commission recommends 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.

The Commission's draft report proposes three possible reform options across the range of available relief and recovery funding mechanisms to the Australian Government:

- ***Option 1 – reformed Natural Disaster Relief and Recovery Arrangements that utilise reimbursement for relief and recovery payments based on assessed damages and benchmark prices for reconstruction of essential public assets***
- ***Option 2 – an insurance 'add-on' option where states can purchase additional levels of cover for eligible expenditure from the Australian Government***
- ***Option 3 – upfront block grants assessed straight after an eligible natural disaster event***

3.1 Recovery funding models based on reimbursement of eligible expenditure

There will always be a level of residual disaster risk that cannot be anticipated, or that may not be effectively or efficiently mitigated in advance. Under the Natural Disaster Relief and Recovery Arrangements, the Australian Government reimburses eligible state and territory recovery costs when certain thresholds are met.

The Commission recommends that Commonwealth support for community recovery initiatives and counter disaster operations be streamlined and that the quantum of support continue to be based on an assessment of eligible costs.

There are benefits associated with a model involving an upfront assessment of the impact of a disaster and greater state autonomy to prioritise recovery assistance, including for community recovery and counter-disaster expenditure. This could encourage innovation in recovery practices, and remove existing difficulties administering and acquitting eligible expenses in accordance with the *Public Governance, Performance and Accountability Act 2013*.

Innovation in the community recovery field is particularly important, and no best-practice model is well tried and tested. While a number of jurisdictions domestically and internationally are developing community recovery frameworks, the long term nature of community recovery makes evaluation of interventions particularly challenging.

Understanding the extent of a disaster's impact on a community is also challenging. It generally requires at least 3–6 months to undertake a comprehensive assessment of direct and indirect impacts across the social, environmental, economic, and built environments. Demographic, vulnerability and capability analysis are also important considerations. Following the Blue Mountains fires in October 2013, for example, it took approximately four months to access and compile information to support a Category C Community Recovery Fund and identify recovery interventions for the affected community.

In addition, current data on community recovery funds under the NDRRA demonstrate wide variability in the type of assistance measures provided, based on the specific needs of each individual community.

The Department welcomes the Commission's consideration of an alternative model to determine the appropriate level of Commonwealth support for state and territory community recovery, based on an understanding of impact on the affected community.

The Commission has requested information as to whether there should be a more explicit definition of counter-disaster operations (CDO); to what extent extraordinary CDO are subject to separate Australian Government cost-sharing arrangements; to what extent activities that are normal responsibilities of states are included as eligible expenditure; and to what extent councils utilise day labour and own equipment for community recovery activities, such as CDO.

CDO was first agreed for inclusion under the Natural Disaster Relief Arrangements in 1986 by the Australian Government Department of Finance. CDO was intended to capture 'state expenditure on personal hardship', in recognition of costs incurred by states to deliver personal hardship and distress (PHD) measures. The inclusion of CDO under the NDRRA in 2007 was intended to provide reimbursement to a state or local government for the extraordinary costs associated with protecting individuals and the general public.

CDO assistance under the NDRRA is intended to fund only a limited number/type of activities which are intended to reduce personal hardship and distress and result in less Category A assistance being required. Subject to the extraordinary nature of the event/s being demonstrated by the state, certain activities may be considered eligible CDO. Examples of such extraordinary activities include:

- activities to render damaged or threatened houses safe and habitable (such activities may include tarping damaged roofs, tree bracing, and structural integrity assessments on residential properties)
- sandbagging and construction of temporary levees to prevent inundation of residential properties
- establishment of bushfire control lines to protect residential properties from threatening bushfires
- establishment of temporary access routes required for disaster relief operations and to allow individuals and families to return home
- cleaning and refilling residential potable water and septic tanks to ensure that residential properties are safe and habitable.

Some costs directly associated with undertaking an eligible CDO activity (as per above) may also be eligible for reimbursement. Examples of such extraordinary costs include:

- non-capital expenses incurred whilst undertaking eligible CDO activities including tarpaulins, ropes, chainsaw chains and fuel
- transportation of labour, equipment and materials to perform eligible CDO activities
- hire of additional plant and equipment
- vehicle or equipment repairs and additional servicing required as a direct consequence of an eligible CDO activity
- eligible staffing costs
- restoring assets directly damaged during eligible CDO activities, for example repairing fencing that was damaged when establishing bushfire containment lines
- cleaning-up debris which resulted from an eligible CDO activity.

State and local governments are also able to claim salaries and wages, over and above standard day labour costs, for personnel undertaking CDO activities including:

- Overtime for staff, outside of normal working hours
- Employment costs for temporary (fixed-term) staff
- Employment of contractors
- Costs of backfilling staff who have been seconded to assist with CDO activities

- For permanently employed staff diverted from their normal duties to perform eligible NDRRA activities, states may claim costs associated with travel expenses, allowances and accommodation
- For contractors or staff employed on a temporary (fixed-term) basis, the state may claim costs associated with travel expenses, allowances, accommodation, and associated on-costs such as superannuation entitlements, workers compensation premiums and payroll tax.

There are inherent difficulties associated with identifying eligible and ineligible CDO activities. This is largely due to the unique nature of rapidly evolving emergency responses, which make it impractical to prescribe a full range of eligible CDO activities potentially required for any one event.

Further, defining ‘extraordinary’ for CDO measures is difficult as all states structure, budget and resource disaster response and recovery activities differently. Currently, ‘extraordinary costs’ are defined as those exceeding what a state could reasonably be expected to incur to undertake response and recovery activities, including CDO.

Finally, with regard to aerial firefighting, the Department notes that associated costs are also subject to separate Australian Government cost-sharing arrangements through the National Aerial Firefighting Arrangements (NAFFA). The Australian Government contributed $14.5 million in 2013–14 through the NAFFA.

The Department welcomes the Commission’s consideration of an alternative model to determine the appropriate level of Commonwealth support for state and territory CDO activities, based on an understanding of the event’s impact.

The Department would welcome the Commission’s views on how to identify and define extraordinary costs associated with relief and recovery activities, which go beyond the responsibilities of the state or local government.

3.2 Resourcing implications to deliver enabling capabilities

The Commission has specifically sought information regarding to what extent currently available estimation methods, such as the National Impact Assessment Model, could inform the estimation of benchmark costs; whether additional assessment tools would need to be developed; who should be responsible for their development; and what timeframes would be appropriate.

The Commission's proposed relief and recovery options would rely upon a robust, defensible methodology for assessing damages promptly after an event occurs, and benchmarking the potential cost of public infrastructure reconstruction. The Commission acknowledges that the establishment of such capability would require significant time and resources (Draft report, p 149). While some tools for collecting impact data and estimating damage already exist, they are limited in their application and would require significant work to support the proposed upfront payment method.

The National Impact Assessment Model (NIAM) has been designed to provide national consistency for impact assessment to inform relief and recovery interventions. It focuses on the collection of impact data to inform recovery needs (for instance, the number of residential properties damaged may indicate a need for temporary accommodation assistance). It will also provide agreed national impact measures and definitions for recovery, including what constitutes a 'severe event'. The NIAM has not been designed to estimate costs or inform benchmark costs of natural disasters. It may however provide some data that could be useful in informing the estimation of post-disaster costs, despite not being an estimation tool in and of itself.

The Department notes that other estimation tools, such as Queensland's Damage Assessment and Reconstruction Monitoring System do exist, however they are not currently applied in a nationally consistent manner and are limited in their application. It is also noted that the Bureau of Infrastructure, Transport and Regional Economics is currently undertaking work in relation to benchmarking on road infrastructure projects.

If the Commission's proposed reforms to funding reconstruction of essential public assets were to be adopted, additional tools would need to be developed to benchmark the value of essential public assets and to support robust damage assessments.

Implementation of this funding approach would further require a significant time and resource commitment from all levels of government to establish necessary capability and governance arrangements, supporting policies and guidelines, compile, publish and maintain detailed registers of essential public assets to support benchmarked values, and to develop an integrated roadmap and programme for change.

The Department expects that development and implementation of an assessment methodology would reasonably take at least 12–18 months. It is also likely that an ongoing Commonwealth resource would be required to deliver this assessment capability within states, following a disaster. The Department notes that the Commission's draft report does not explicitly recognise the need for the development of these new capabilities.

An upfront Australian Government contribution to community recovery costs (as proposed under option 3) would have additional resourcing requirements to develop and implement a community impact assessment model and benchmark prices. While the Interim Framework developed in 2012 provides some guidance to states on estimating community impact, it would require significant redevelopment to ensure a robust community impact assessment model for upfront community recovery funding. As noted previously, the Department welcomes the Commission's advice on an alternative model to assess an appropriate level of community recovery support.

In draft recommendation 3.5, the Commission recommends 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.***

3.3 Assistance to individuals

The Department seeks the Commission's clarification on whether references to the Crisis Payment were intended only in relation to the amount of support provided, or in relation to all of the associated eligibility criteria (such as having to be in receipt of an income support payment, and in severe financial hardship on the day on which the claim for the Crisis Payment is made).