

28 April 2020

Air Chief Marshall Mark Binskin. (Retd)
National Natural Disaster Royal Commission
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Lodged via website: naturaldisaster.royalcommission.gov.au

Dear Air Chief Marshall Binskin

ALGA Submission to the National Natural Disaster Arrangements Royal Commission

Thank you for the opportunity to make a submission to the National Natural Disaster Arrangements Royal Commission.

The Australian Local Government Association (ALGA) is the national voice of local government in Australia, representing 537 councils across the country. In structure, ALGA is a federation of State and Territory Local Government Associations. This submission should be read in conjunction with any separate submissions received from State and Territory Associations as well as individual councils.

ALGA was established in 1947 and throughout its history has been closely involved in issues of national significance affecting the local government sector. ALGA has enjoyed a close, productive working relationship with the Commonwealth Government, illustrated by its current membership (through its President) of the Council of Australian Governments, and a number of other Commonwealth-State Ministerial Councils, which consider different sets of complex policy issues across many sectors of the economy.

This includes membership on the Ministerial Council for Police and Emergency Management reflecting Local Government's important role in the prevention, preparedness, response and recovery from emergencies.

The Commission has been asked to focus on three key areas:

1. Improving natural disaster management coordination across all levels of government;
2. Improving Australia's preparedness, resilience, and response to natural disasters, across all levels of government; and
3. The legal framework for the Commonwealth's involvement in responding to national emergencies and how that works with state and territory legal frameworks.

Local Government in Australia makes a substantial contribution to disaster relief, recovery and management. This includes direct financial support as well as in-kind support and assistance. However, Local Government consists of a large number of individual councils across Australia's states and territories and the particular roles undertaken by councils vary between jurisdictions and between councils depending on their capacity and the natural disaster risks faced by their communities.

Against this background, this submission from ALGA focuses on a few key issues relevant to local government under the Commission's terms of reference.

Overview – local government’s role in addressing changing climate risks

One of the key issues facing all communities is the consequences of climate change – such as extreme weather events, heatwaves, drought and bushfires and communities are struggling to understand the full impacts of global warming and how they can respond. Local governments are on the frontline when dealing with the risks and impacts of climate change.

Councils need to prepare for the unavoidable impacts of climate change (adaptation) and have a significant role in reducing the degree of climate change impacts which may occur (mitigation). Australian councils and communities are ready to step up to tackle climate change in a way that can stimulate economic growth and manage their assets more wisely. However, there is a mismatch between the amount of local government infrastructure exposed to climate change risks and the resources that local government have to carry out effective adaptation to manage these risks. Australia’s efforts to address and respond to climate change is not taking full advantage of the opportunity for partnership and collaboration with local government.

Many councils have responded to the climate change challenge by adopting proactive strategies to reduce emissions and to adapt to unavoidable climate change impacts through climate change risk assessments and adaptation plans. Having identified potential solutions to the range of challenges, many councils need additional help to implement local projects and innovative solutions. Implementation of these projects could have the additional benefit of reducing the need for disaster recovery funding.

Local Government, working in partnership with the Australian Government, can deliver highly effective climate change projects that can mitigate against the production of greenhouse gas emissions, and also greatly assist the community to be better prepared and better able to adapt to future climatic conditions. For other, less prepared councils, particularly smaller councils in regional areas, small grants may also be needed. This will support them with such things as consulting with their community to undertake climate vulnerability assessments and develop adaptation plans as well as to fund their long-term management and implementation.

An example of a successful approach is the Increasing Resilience to Climate Change grants, funded by the NSW Government and administered by Local Government NSW. The program provides funding to address identified climate change risks and vulnerabilities facing NSW councils. Projects are selected on merit, but with an emphasis on those projects that can be replicated and improve adaptive capacity of the councils involved. So far \$2.25M has been awarded across 23 projects, with a third round of funding to commence in July 2020. Information about the projects that have been awarded can be found at <https://lgnsw.org.au/policy/increasing-resilience-climate-change>

Mitigation funding

ALGA has consistently advocated for the establishment of a targeted natural disaster mitigation program at a level of \$200 million per annum for four years. In addition to disaster mitigation, such funding would have co-benefits that accrue even in the absence of a natural disaster.

Such co-benefits support economic growth and social capital in Australian communities and are an important driver of regional investment decisions. They may include:

- Short-term employment
- More reliable services
- Regional growth associated with investment
- More connected communities
- Lower insurance premiums

ALGA's call for increased disaster mitigation funding is supported by a 2014 Productivity Commission inquiry into natural disaster funding which found funding for reconstruction and recovery consumed 97% of disaster funding in Australia, compared with only 3% that went towards mitigation and community resilience measures. Appropriate disaster mitigation serves to protect exposed communities, ultimately reducing the need for recovery funding raised through taxpayers and lowering premiums for those living in highly exposed areas.

The Productivity Commission highlighted the value of disaster mitigation expenditure and raised the idea of a \$200 million per annum mitigation program. The Australian Prudential Regulation Authority and the Insurance Council of Australia, as recently as September 2019 called on the Government to adopt the Productivity Commission's recommendation. Similarly, the Insurance Council of Australia, the Australian Business Roundtable and the Australian Red Cross all support increased disaster risk reduction funding, to help communities anticipate, prepare and recover from disasters.

ALGA and local governments across the nation welcomed the Government's decision to establish the Emergency Response Fund to fund emergency response and recovery following natural disasters in Australia that have a significant or catastrophic impact. The fund has an annual limit on the amount debited from the fund of \$150million during a financial year.

We understand that the Fund would only be accessed when the Government determines there is a need for additional support following a natural disaster, i.e. the funding is supplementary to funding accessed under the Disaster Recovery Funding Arrangements (DRFA) and that funding for post disaster mitigation is available under S20(1).

In October last year, there was bipartisan agreement to increase the Commonwealth's proposed Emergency Response Fund from \$150 million to \$200 million a year – with the additional \$50m funding pool solely available for disaster mitigation projects.

While this is short of the \$200m in mitigation funding which ALGA has proposed and which is supported by the Productivity Commission, it is nevertheless an opportunity for investment in some mitigation measures. The recurrent nature of the funding is very important and provides an opportunity to establish the effectiveness of mitigation funding, in order to justify its expansion in future years.

Funding assistance is imperative, particularly for small councils which rely heavily on federal funding for financial viability. In addition to targeted disaster mitigation funding, the level of preparedness of local government in regional areas where exposure to fires and floods is greatest but local tax revenue is small, would be increased if the Federal Government agreed to restore the funding provided through Local Government's Financial Assistance Grants to 1% of commonwealth tax revenues, as it was in 1996 when the current Financial Assistance Grants framework was established. The sector has a growing \$30b infrastructure backlog, and without assistance has zero capacity to fund major mitigation measures or significantly increased levels of preparedness.

ALGA supports a staged restoration of the funding beginning with the return to the Local Government sector of the funds foregone when the Government froze the annual indexation of the Grants for three years between 2014-15 and 2016-17.

Betterment

ALGA has been advocating for betterment funding for many years. Rebuilding infrastructure to its original specifications and condition is not sufficient to provide communities with the level of resilience they need in the face of more frequent and increasingly severe natural disasters. Betterment funding, or a relatively small additional investment, will save millions of dollars in years to come by ensuring that infrastructure is rebuilt to withstand the new climate reality. However, it will cost more to 'build back better', potentially much more than any insurance payout or funds available to local governments through the Government's Disaster Recovery Funding Arrangements (DRFA).

Following the recent bushfires, Minister Littleproud stated that the underlying ethos that State, Federal and Local Governments should embrace is "build back better". He described this as "a unique opportunity to actually better the infrastructure we put in, to build the resilience of our communities, as we face further disasters into the future. This should be an underlining principle and I will be writing to the States that they work with us on that."

ALGA welcomed this statement and is calling for the Federal Government to commit to ensuring that betterment funding is a core element of disaster recovery funding, to assist Local Government in strengthening the resilience of local communities. Provision of funding to allow this is necessary for councils to be able to build back better infrastructure to better withstand the impacts of a natural disaster.

Under the current Disaster Recovery Funding Arrangements (DRFA), essential public assets directly damaged by an eligible disaster, or a re-damaged essential public asset may be reconstructed to its pre-disaster function. The Commonwealth only provides funding equivalent to the reconstruction of an essential public asset to its pre-disaster function. These clauses make it difficult for Commonwealth to fund Councils or State Governments to 'build back better'.

There is also a need for better guidance on what would constitute an acceptable standard for betterment which could then justify the additional investment. Currently, in the absence of an agreed standard for betterment, it can be difficult to construct business cases for investment.

Facilities/infrastructure currently are not considered essential assets

Under the DRFA, funding is available for an essential public asset which is “a transport or public infrastructure asset which is owned and maintained, or operated and maintained, by an eligible undertaking”. Essential assets include, roads and road infrastructure (including footpaths, bike lanes and pedestrian bridges), bridges, tunnels, culverts, public hospitals, public schools, public housing, prisons, police and fire stations, levees, State/Territory and local government offices, stormwater infrastructure.

While roads, road infrastructure, bridges, tunnels, public hospitals, public schools, etc. are considered “essential assets”, the Commonwealth DRFA does not consider sporting, recreational and community facilities, religious establishments or memorials, or landfills/transfer stations as “essential” public assets. Consequently, a significant number of Councils assets, including those important for community recovery and wellbeing, are not covered by the DRFA arrangements.

Evidence shows that programs in the arts, recreation, sport and other community events play an important role in community wellbeing and recovery. ALGA strongly believes that community infrastructure that is publicly accessible and owned should therefore be included in the list of essential infrastructure.

On a related issue, the Local Government Association of Queensland (LGAQ) and the Local Government Association of New South Wales (LGNSW) made representations to Minister Angus Taylor in 2018 to make local government water and waste water assets eligible on the same terms as other essential public assets under the federal disaster recovery funding arrangements. Unlike other States and Territories, New South Wales councils and the majority of Queensland councils are responsible for the delivery of water and waste water (sewerage) services to communities across these States. To date water and waste water have not been classed as essential assets.

Equity of treatment of councils under the National Bushfire Recovery Fund

On 9 January the Prime Minister announced that the Government would provide an initial and immediate base payment of \$1 million under the National Bushfire Recovery Fund (NBRF) to 42 of the most severely bushfire impacted councils in New South Wales (33 councils), Victoria (2 councils about to be declared), South Australia (2 councils) and Queensland (5) to help quickly rebuild vital infrastructure and strengthen community resilience (\$42 million). A further \$18 million was to be set aside to provide additional support to larger council areas which had experienced the most significant damage.

“Funding would be directed to councils which had been ‘activated’ by their respective state government for Category C bushfire disaster recovery relief under the DRFA”

On 16 January ALGA was advised that the methodology for the rest of the \$60 million was still being determined. ALGA is still unaware of the full details of this methodology despite ongoing liaison with the National Bushfire Recovery Agency.

On 15 January, the Commonwealth agreed to extend Category C and Category D assistance to a further 12 local government areas in Victoria and 5 local government areas in South Australia. On 16 January it emerged that the new Category C councils had not been informed of their status or that they were eligible for the \$1million funding under the NBRF.

ALGA followed up on this issue with the Federal Department of Infrastructure, Transport Cities and Communications and was advised that there had not been a determination as to whether those councils were receiving the money. ALGA was advised that discussions were still underway about how the funding would work and that it was not automatic that a council classified as Category C or D would automatically receive the funding under the NBRF.

On 13 February, the National Bushfire Recovery Agency announced an “additional \$17m” for Local Government Areas (LGAs) impacted by the Black Summer bushfires. According to the announcement the funding was to be provided to 60 LGAs that were activated for Category C assistance as of 24 January 2020 under the DRFA. Councils would receive between \$200,000 to \$416,667.

There was no transparency around the methodology beyond the “agency took into account a range of information including population, the volume of disaster recovery payments already received, the proportion of land area burnt and social economic factors of the LGA”. There was also no transparency regarding the quantum of funding each council received. The ALGA Secretariat was informed that this was because publicly announcing the quantum would allow councils to compare their funding allocation with other fire affected councils. This led to speculation that the way that the funds were allocated was inequitable and potentially politically motivated.

The original \$60 million has now been expended although additional councils have been added to the original list of 60 councils. At the time of the original announcement by the Prime Minister on 9 January there was no indication that the \$60 million was a cap for local government nationally. The media release and the press conference also inferred that as soon as a council was deemed to be category C it would be eligible for the \$1million. There was also no indication that the \$1 million was a cap and that some councils would receive less.

As of 25 March 2020, no additional funds have been allocated to Councils under the National Bushfire Recovery Fund. This is despite the Prime Minister stating that it was “an initial and immediate base payment” and many of the most severely fire affected Councils having spent well in excess of the \$1 million on initial clean up and repairs. In addition, more councils were added to the Category C list on 31 January. They have not received any funding to date under the National Bushfire Recovery Fund.

There has also been no further announcement of ongoing funding for recovery operations despite in many local government areas these operations and the associated resource implications are likely to continue for three to five years.

ALGA contends that once a council became classified a Category C or Category D, it should receive the same support as other Category C or D councils. The fact that some councils were classified as category C and received far less than similarly affected councils or no funding was inequitable and caused unnecessary confusion and trauma.

ALGA also contends that the Australian Government and the state and territory government must strongly signal the availability and quantum of ongoing funding to support recovery so that Councils can plan with certainty and provide much needed support and assistance to their communities into the future.

Community preparation and planning

Access to mental health services – and health services generally – in rural and regional areas is an ongoing matter of concern. Although healthcare is a state and federal responsibility, councils often take on additional responsibilities to meet the needs of their communities. Even outside of emergency and recovery situations, many rural and regional areas struggle to fill vacant psychology and health and wellbeing positions.

Regional communities also experience higher levels of youth suicide, worsened by a lack of youth counselling services, programs and centres. Councils operate youth centres and services, but often cannot fund these for full time staff or hours of operation. Improved funding for services supporting youth and community wellbeing will improve resilience of communities post disaster.

Conclusion and recommendations

ALGA welcomes the Royal Commission and its determination to complete its work quickly, with recommendations to be made available for government consideration before the start of the next fire season.

ALGA's submission has focused on some key issues rather than being an attempt to cover the field. ALGA's makes the following recommendations for consideration by the Royal Commission:

- Establish a targeted natural disaster mitigation program at a level of \$200m per annum for four years;
- Support the restoration of Local Government Financial Assistance Grants annual funding to a level equal to at least 1% of Commonwealth tax revenue, with a phased approach to restoration of funding;
- The Federal Government should commit to ensuring that betterment funding is a core element of disaster recovery funding and agree that a standard should be developed to support betterment;
- Community infrastructure that is publicly assessable and owned should be included in the list of essential infrastructure under the Disaster Recovery Funding Arrangements;
- Local government waste, water and waste water assets should be eligible public assets under the Disaster Recovery Funding Arrangements; and
- The Federal Government should commit to ensuring adequately funded health services – particularly in regional and rural areas – so that they are better prepared for and more resilient to emergency situations.

Yours sincerely



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