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Submission to the Independent Review of Commonwealth Disaster Funding

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Q1. What experience have you had with Commonwealth disaster funding support?

The Local Government Association of South Australia (LGASA) is the voice of local government in SA, representing all councils across the state.

It is common for local government assets to be damaged in a disaster and for councils to incur significant costs in supporting their communities through a disaster event.

As the branch of government closest to the community, local government plays a critical role in supporting the immediate disaster response and community recovery as part of SA's whole of government approach to emergency management.

SA councils have relied on Commonwealth funding for disaster recovery and readiness in Australia. However, in most circumstances, this funding is administered through the State Government under the Local Government Disaster Recovery Assistance Arrangements (LGDRAA).

Notably, the only time the Commonwealth Government directly supports councils is when DRFA Category D Extraordinary assistance is made available.

Therefore, this submission relates mostly to challenges faced by SA councils in obtaining disaster funding support through LGDRAA.

Recent examples of disaster funding support to SA councils are climaxed by both the Commonwealth and SA State Government committing \$126.525 million in further disaster assistance for communities hit by the devastating flooding along the Murray River that started in mid-November 2022.

SA councils' experiences with disaster funding support have been mixed and inconsistent. The arrangements are overly complex and create unnecessary administrative burden for councils, which struggle with resourcing in the aftermath of an event. The onerous evidentiary requirements need to be relaxed and the claims process simplified. Smaller councils, which have less capacity, are heavily impacted and struggle with the requirements to prepare and lodge valid claims. For example, the Flinders Ranges Council in the aftermath of the Quorn floods required support from a consultant to facilitate a claim given the complexity of existing arrangements and significant amount of management time required to identify eligible claims.





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The Royal Commission into National Natural Disaster Arrangements' (RC) recommendation 22.8 emphasised the creation of a simpler DRFA process. There is unanimous agreement on this across local government. Funding needs to flow quickly to local communities after emergencies.

Further, under current DRFA arrangements, community infrastructure is not considered an essential public asset, which means council buildings, libraries and sporting facilities are not eligible for funding through DRFA. However, it is well known that community infrastructure plays an important role in community recovery and wellbeing.

Finally, there is uncertainty about councils' ability to recover costs of responding to disasters as there are no commitments to cost recovery, only guidelines. The State Government has a high degree of discretion about how claims will be assessed, which does not promote funding certainty for councils. Clearer funding commitments would reduce that uncertainty and avoid the need for negotiations to occur between councils and the State Government after the event.

Q2. How could Commonwealth funding support communities to reduce their disaster risk?

Funding for response/recovery is disproportionate to funding for preparedness. There is the need to implement the intent of the global Sendai Framework and National Disaster Risk Reduction Framework and scale up investment in prevention and preparedness. This funding should be prioritised into areas that are most exposed and vulnerable.

There is significant funding shortage for key risk reduction works, especially in relation to stormwater management, flood mitigation, coastal protection works and reducing the urban heat island. Most of these issues are not always captured within the remit of disaster funding but are arguably areas where local government can have the biggest impact in reducing disaster risk.

The RC's recommendation 22.7 echoes calls for DRFA recovery measures to facilitate resilience. It recommended Category D should be broadened to encompass funding for recovery measures which are focussed on resilience, including in circumstances which are not 'exceptional'.

For South Australia, there is a big gap for regional councils having the capability, capacity or cash needed to build the resilience of their communities. They cannot afford to dollar-match federal funding.

The LGA supports a "build back better" principle for building disaster resilience into asset restoration. Rebuilding infrastructure to its original specifications is not sufficient to provide communities with the level of resilience they need in the face of more frequent and increasingly severe natural disasters. In addition, the restoration or replacement of damaged infrastructure to a "pre-disaster standard" should not preclude a council from being able to obtain full funding for the cost of the new/restored assets.

Q3. Please describe your understanding of Commonwealth disaster funding processes.

There are three major schemes of Commonwealth funding available to councils to assist with disaster preparedness, resilience and recovery namely the Disaster Ready Fund, Disaster Recovery Funding Arrangements 2018 and Disaster Risk Reduction Package.

Regarding the Disaster Ready Fund, the Australian Government is providing up to one billion dollars over the next five years, from 2023-24 for disaster resilience and risk reduction. States and Territories were the applicants for Round One and worked with communities to identify projects. Examples of projects in





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SA that received funding from Round One 2023-24 include "Upper Brown Hill Creek Capacity Upgrade – Forestville", a project which will double the capacity of a section of Brown Hill Creek in Forestville, City of Unley. This project, which received Commonwealth co-contribution funding of \$3,701,437, will provide flood protection to almost 4,000 properties and critical services. Also, "Flood/Tidal Protection – Globe Derby" in the City of Salisbury received Commonwealth co-contribution of \$317,874 which will support the delivery of drainage works to improve protection to the community at Globe Derby from Dry Creek flood flows combined with high tidal conditions. In a state-wide example, the Climate Ready Regions SA – Central Coordination project, which received Commonwealth co-contribution of \$481,724 aims to extend and expand on the Regional Climate Partnerships, for a state-wide Climate Ready Regions Program.

For the DRFA, the Commonwealth seeks to provide a safety net for State Governments in responding to disaster events by offering partial reimbursement to State Governments of eligible costs across four categories of expenditure. In turn, each State has a funding framework to support State agencies, individuals and councils from the impact of natural disaster events. To protect councils from these costs, each State has its own natural disaster funding framework applicable to councils. By capturing and reimbursing eligible costs incurred by councils, State Governments can incorporate these reimbursements into financial claims from the Commonwealth.

Finally, the Disaster Risk Reduction Package is a joint commitment of the Australian Government and State and Territory governments in March 2020 to invest \$261 million over five years from 2019-20 to reduce the risk and impact of natural disasters. Funding supports activities aligned to the National Disaster Risk Reduction Framework that take action to reduce current disaster risk; minimise creation of future disaster risk; and equip decision-makers with the capabilities and information they need to reduce disaster risk. The Australian Government commitment is comprised of \$104.4 million to support the States and Territories in reducing disaster risk through the National Partnership Agreement on Disaster Risk Reduction, and \$26.1 million to deliver projects of national significance that reduce disaster risk for the benefit of all Australians. In SA, councils are required to co-contribute 20% for eligible projects and could receive up to 80% of grant funding. Examples of local government projects funded include the 2022-23 'Cool Refuge' project of Campbelltown City Council which received funding of \$50,400 targeted at understanding the extent of cool refuge needed to manage the impact of heatwaves in particular council-owned air-conditioned public spaces.

Q4. Are the funding roles of the Commonwealth, states and territories, and local government, during disaster events clear?

No, there is not sufficient clarity for SA councils regarding their ability to recover reasonable disaster related costs from either the State or Commonwealth governments.

Currently, each State has different arrangements and protections for councils in recovering disaster related costs, underscoring the need for consistency across jurisdictions.

While NSW and Tasmania allow internal costs recovery, SA and others do not. In SA, ordinary staff time and equipment expenses are not eligible expenditure. The LGASA's consultation with councils reveals most actual disaster management costs relate to internal costs. A common example is where councils use internal work teams to undertake tree inspections following a fire and to undertake road





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remediation works. Often, councils are more effective in undertaking such works due to local knowledge, experience and training. Indeed, it is sometimes not possible to engage external contractors at short notice (eg. This was the experience of the Mid-Murray council during the River Murray floods, which led to the reliance on internal labour, impacting on other core council services).

Whereas some jurisdictions offer full reimbursement of out-of-pocket costs relating to emergency assistance works, SA councils are encouraged to seek cost recovery from the relevant Control Agency. However, in practice, only limited examples of successful cost recovery exist from Control Agencies.

A key principle of LGDRAA is to ensure councils do not incur disaster related costs which would exceed what they would be reasonably expected to manage within their resource capacity. However, what is reasonably expected is a question of judgement, perspective, and circumstance and in recent experiences councils have been unreasonably impacted by the financial cost of emergencies.

Chapter 11 of the RC reinforces that "as state and territory governments are ultimately accountable for managing natural disasters in their respective jurisdictions, they should be responsible for ensuring that their local governments are able to effectively discharge the responsibilities devolved to them".

The LGASA maintains that SA's disaster funding frameworks do not allow councils to effectively discharge their responsibilities due to uncertainties in relation to cost recovery and the unreasonable financial exposure placed upon them. The LGASA is advocating for clearer accountability for reimbursement of counter disaster operations costs.

Another key issue faced by councils is that treatment of damage to trees and road verges is not specifically defined in the LGDRAA as eligible expenditure. During recent disasters, councils have been forced to commit significant resources to remediating damaged trees to ensure safety of road users. Open space is also important for community recovery. The LGASA is requesting costs relating to remediating damaged verges and open spaces be included in Eligible Expenditure.

There is the need to enhance greater harmony amongst state government arrangements in line with the DRFA to ensure some councils in parts of the nation are not significantly disadvantaged.

Q5. Is there any further information you would like to provide?

The LGASA commissioned an independent review of disaster arrangements for councils across the country and found a large disparity in support available with SA councils being the worst off in the nation.

The LGA considers five interstate funding frameworks to provide reasonable financial support.

The current arrangements are fundamentally inequitable for SA councils and the LGASA has undertaken significant research (see https://www.lga.sa.gov.au/__data/assets/pdf_file/0020/1434242/LGA-Issues-Paper-Review-of-Local-Government-Disaster-Recovery-Assistance-Arrangements-January-2022.pdf) to provide evidence of this.

SA councils are not being adequately supported and are the most exposed in the country to any given disaster related costs incurred. They have the highest thresholds to begin to achieve reimbursements and the lowest recovery rates of all jurisdictions to claim external disaster related costs. In the case of the January 2022 Eyre Peninsula floods, the three impacted councils were small but experienced





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significant damage. For example, the District Council of Kimba has annual rates revenue of around \$2 million but faced damage repair costs of around \$12 million. While it met the tier two threshold for LGDRAA funding, the required co-contribution of 25% led to the council having to face costs that exceeded its annual rates revenue and were unaffordable. Despite being able to access funding from the State Treasurer through an "extraordinary assistance" claim, having to rely on this mechanism did not provide any certainty that the costs would be recoverable. This case highlights that the LGDRAA co-contribution requirements are not fit for purpose for small councils.

Commonwealth funding could be applied more equitably and efficiently if councils could make application directly to the Commonwealth government.

The LGA would like to recommend the following councils in South Australia for participation in the direct consultation with the Independent Reviewer:

- * Adelaide Hills Council
- * Alexandrina Council
- * Berri Barmera Council
- * City of Mitcham
- * Clare and Gilbert Valleys Council
- * Coorong District Council
- * District Council of Karoonda East Murray
- * District Council of Kimba
- * District Council of Loxton Waikerie
- * Mid Murray Council
- * Murray Bridge Council
- * Renmark Paringa Council

Finally, LGASA is aware of and supports the Australian Local Government Association's submission to the Independent Review of Commonwealth Disaster Funding.

