



Australian Government

National Emergency
Management Agency

Submission to the Independent Review of Commonwealth Disaster Funding

Response ID: IRCDF_1357_106

Consent option: Publish with name

Submitted by: The Institute of Public Works Engineering Australasia (IPWEA) NSW & ACT
Division

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

The Institute of Public Works Engineering Australasia (IPWEA) is the peak membership body for public works professionals in Australia. IPWEA has a long history of representing the views of its members who have had extensive experience in managing Commonwealth disaster funding applications and delivery of approvals.

Each year, the Roads and Transport Directorate - a partnership between Local Government NSW (LGNSW) and the NSW Division of the Institute of Public Works Engineering Australasia (IPWEA NSW and ACT), convenes the Local Roads Congress (the Congress). The congress provides a forum for senior NSW council executives, councillors, NSW state ministers, and relevant state government organisations, to meet and discuss matters relating to the NSW local roads network. Through the Congress IPWEA plays a pivotal role in assisting Local Governments to develop, manage and maintain road networks that are relied upon by all residents and businesses of NSW and ACT. The key outcome of each years' congress is the Congress communique (<https://ipweansw.org/resources/2023-local-roads-congress-communique>), which sets out a framework for collective action by NSW Local and State government, as well as the Australian Federal government.

The \$192B of 'non-financial assets' held by NSW Local Government (ABS 5512, 2021-2022) are increasingly exposed to natural disasters. Beyond the capital value of these assets, the disruptive impact when local road networks are damaged has a profound impact on the economic and social fabric of the communities they serve.

This underscores the critical importance of asset management and disaster response funding policies, which need to be structured to optimise asset resilience, as well as efficient post-natural disaster recovery and reconstruction.

While discussion of policies to reduce the likelihood of natural disasters is beyond the scope of this submission, any incremental improvements in management of natural disaster impact will reduce the overall risk exposure. Improved risk management of this asset stock has the potential to deliver nationally significant impacts. Constraints on improving asset delivery and disaster recovery are primarily related to existing public policy, which is no longer fit for purpose in the era of increasing natural disaster risk.





Australian Government

National Emergency
Management Agency

The last four years have seen massive disruption to NSW communities, the local road network and associated services, due to extensive damage from natural disasters. These issues have been exacerbated by the impacts of COVID-19, skills and supply shortages, and cost inflation rates significantly outstripping rate pegging and Government funding support.

The 2023 Congress identifies that the current funding model is insufficient to meet the needs of NSW local communities and places unprecedented pressure on the current resources within NSW Local Government. The previous Australian Productivity Commission review (<https://www.pc.gov.au/inquiries/completed/disaster-funding/report>) found that existing funding models actively incentivise Councils and other State asset owners to under invest in asset resilience and disaster mitigation. Asset owners have little or no "skin in the game" when it comes to an asset's lifetime cost of natural disaster exposure. The current inequitable and uncertain Government funding arrangements also creates significant challenges in infrastructure planning over the medium term.

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

Without action, the economic cost of natural disasters will increase from \$38B to \$73B per annum by 2060 (National Climate Resilience and Adaptation Strategy 2021-25).

There are four key areas where Commonwealth policy action is required:

1) Current Commonwealth funding mechanisms do not financially incentivise asset owners or decision makers to optimise asset resilience - they receive no direct benefit from making smarter decisions, but they bear the cost of mitigation measures. Given Local Government revenue is subject to rate-capping, this has the effect of creating perverse incentives to under-invest in asset resilience.

The legacy of this policy is a national stock of around \$342b of non-financial assets that were constructed under a policy environment that incentivised under-investment in risk mitigation, even based on the then quantifiable risks. This is now being exacerbated by Climate Change.

We call on the Commonwealth to take a leadership role in implementing policy that incentivises optimised asset resilience, which will reduce the impact of natural disasters both in terms of direct cost to infrastructure, and the impact of economic and social disruption.

2) Natural disaster risks are changing rapidly, and individual Councils are poorly placed to research and quantify future impacts on their asset stocks. Local Governments need support to develop and implement critical infrastructure and resilience plans, including reducing the adverse impacts of natural disasters on local roads and associated infrastructure.

Development of national standards for betterment and more explicitly support and betterment under the DRFA is required. These standards should include assurance requirements relating to best practice asset management, climate and disaster risk and insurance requirements. There is an opportunity for a centre of excellence at the Federal or State / Territory level that fulfils a role akin to that of Infrastructure Australia but with a focus on management of the existing stock of nonfinancial assets, and optimised asset resilience.

3) Existing funding models do not address the urgent need to improve resilience of the historical stock of infrastructure assets designed for a different risk environment. The current overall Government





Australian Government

National Emergency
Management Agency

funding models are reactive, insufficient for the scale of the task, inherently inefficient, and poorly aligned to the function of Local Government.

We call on the Commonwealth to develop and implement a funding model that is both sufficient to the task of improving asset resilience, and structured to empower and incentivise optimal decision-making by asset owners.

4) The base funding levels do not support the development and retention of a sustainable workforce within Local Government due to an over-reliance on competitive grants. The overall construction workforce is also forecast to fall well short of demand - Infrastructure Australia analysis indicates that "at peak [2023], demand is 48% higher than supply" for infrastructure delivery skills (<https://www.infrastructureaustralia.gov.au/infrastructure-workforce-skills-supply>).

We call on the Commonwealth to address the existing and forecast workforce short-fall through suitable policy intervention.

The Congress unanimously agreed that a new watershed partnership between Local Government and the NSW and Australian Governments is warranted.

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

DRFA (Part B) Funding to Local Governments (DRFA)

DRFA funding provides reactive funding for the reconstruction of essential public assets (such as roads) on a like-for-like basis, which therefore serves to perpetuate the sub-optimal resilience of the existing stock of essential public assets (see previous answer).

The DRFA funding program requires an onerous, expensive and slow claim process that requires Local Governments to collect and submit substantial financial, photographic and other documentary evidence at a time when their capacity to do so has been compromised by the impact of a declared natural disaster. This application process introduces both delay and transactional friction to the funding of repair of essential public assets such as local and regional road networks. Recommendation 22.8 from the Oct 2020 Royal Commission into National Natural Disaster Arrangements Report states Australian, state and territory governments should create simpler Disaster Recovery Funding Arrangements application processes.

The experience of many Local Governments confirms that inability to meet the onerous program requirements often results in Councils' claims being rejected, or them being deterred from submitting entirely. Perversely, Local Governments impacted by larger natural disasters may be less able to meet the onerous funding application requirements. The result is that, contrary to the ostensible Federal and State policies, a substantial portion of the cost of repair of essential public assets is shifted from the Federal disaster fund to Local Governments, whose revenue raising capacity is constrained by rate capping.

Annual Funding Programs

In the absence of a more comprehensive reform of asset construction and recovery funding (refer Question 5), the Congress calls on the Australian Government to:





Australian Government

National Emergency
Management Agency

- i. Increase the Roads to Recovery Program to \$1B per annum from 2024-25 onwards, as this funding program is regarded by Local Government as the most efficient extant mechanism and source of funding for local roads.
- ii. Increase the annual Roads to Recovery Program allocations to align with the construction cost index and the growth in the road asset base, ensuring maintenance of funding levels in real terms.
- iii. Revise the Roads to Recovery Statement of Intent to include the development of local road safety and resilience plans, as well as the integration of natural disaster adaptation strategies into council transport, asset management, long-term financial plans, delivery programs, and annual budgets.
- iv. Allow councils to utilise Roads to Recovery funding to assist in the development of Road Resilience, Road Safety Strategic, and Road Network Management Plans. Funds would be allocated as a one-off 50/50 funding model with a maximum limit of \$50,000 per Council (subject to increasing the overall Roads to Recovery funding).
- v. As a minimum, double the Australian Government's Bridge Renewal Program from \$85m per annum to \$170m per annum to target improving the resilience of local road routes. Prioritise funding for the replacement of timber and hybrid bridges, and other vulnerable structures.

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

Under the DRFA program the funding roles of Commonwealth, States and Territories are confusing, poorly communicated, poorly structured and serve to increase risk and complexity for Local Governments.

The application process and evidentiary requirements may be appropriate for minor declared events, but they are not fit for purpose for major natural disasters nor Local Governments experiencing multiple successive declared events. This is exacerbated by the multiple tiers of government involved in the DRFA scheme.

Rules and policies implemented by Assessment Agencies have changed continuously during 2021–2023, yet despite this constant flux of the interpretation of rules and guidelines, there is no central online repository accessible to reference policies, standards, guidelines, Fact Sheets, etc. This creates uncertainty and an appearance of arbitrary policy implementation.

The experience in NSW is that bureaucratic risk aversion compounds at each level in the chain of command, from Commonwealth to the NSW Reconstruction Authority, to Assessment Agency policy makers, to assessment officers. Assessment agency officers ultimately implement a risk averse approach of declining claims wherever possible, such as if available evidentiary support does not precisely match the prescribed standards agreed with Commonwealth agencies. Major natural disasters, and particularly the compounding impact of multiple successive natural disasters leads to disaster fatigue which impacts a Local Government's ability to comply with onerous requirements for collection of evidence and claims administration. The result is that on the ground policy implementation is draconian, and any ability for assessment offers to apply a common-sense decision making has been removed by tiers of administration and policy. Assessment officers often appear to be making decisions that are contrary to the published DRFA Guidelines.





Australian Government

National Emergency
Management Agency

Requirements to seek approvals from State assessment agencies prior to undertaking repairs creates a conflict between Local Governments' obligations to ensure public safety and to restore road networks, versus their need to maximise their eligibility for reconstruction funding. Often Local Governments are forced to undertake repairs to essential public assets 'at risk' that doing so will detrimentally impact their ability to recover the costs of doing so.

Ultimately, this results in Local Governments' legitimate costs of responding to natural disasters being borne by Local Governments and ultimately local rate payers. This conflicts with the ostensible policy of Commonwealth and State Governments - that the costs of responding to declared natural disasters should be funded from Commonwealth Disaster Funding.

An urgent rationalisation of administration of DRFA is required that:

- * Empowers Local Governments to make sensible decisions in relation to restoration of essential public assets to restore local and regional road networks post-disaster.
- * Eliminates the compounding effect of bureaucratic risk aversion at multiple levels of claims administration, assessment and audit.
- * Permits common sense administration of the Federal Disaster Funding.
- * Eliminates cost shifting from the Federal Disaster Fund to Local Governments and local rate payers.
- * Explicitly provides appropriate dispensation in the event of a major natural disaster or compounding successive disasters undermines Local Governments' ability to comply with the default onerous requirements established for minor events

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

Reform of Commonwealth Funding

The Congress unanimously agreed that a new watershed partnership between Local Government and the NSW and Australian Governments is warranted. It is also acknowledged that the commentary and suggestions made in this submission are applicable to local government and IPWEA members nationwide.

It is recommended that the Commonwealth explores development of a new funding model that seeks to address the issues raised in answers to Questions 1 to 4, including existing perverse incentives, information gaps, resilience of stock of historical assets, funding uncertainty, funding inadequacy, transactional friction and cost-shifting from Commonwealth to Local Governments.

It is beyond the scope of this submission to propose a specific policy design, and any specific funding model should clearly be developed in consultation with the Local Government sector. However, as outlined in the Congress communique it is suggested that nothing less than a complete paradigm shift in thinking is required away from a completely reactive model towards a pro-active model, with far greater support provided to regional Australia.





Australian Government

National Emergency
Management Agency

Disruptive Technology

Opportunities exist for Commonwealth and State Agencies to transform the response and recovery from natural disasters through fostering, funding or encouraging disruptive technological solutions that drive efficiency and enhance recovery processes. The Roads and Transport Directorate are already working with NSW state government bodies in the development and implementation of disruptive technology solutions (see AssetAI: <https://www.transport.nsw.gov.au/data-and-research/future-mobility/our-projects/asset-ai>).

Investment in disruptive technological solutions could provide big wins, such as:

- * Improve communication of funding policies, standards, guidelines, Fact Sheets, etc by developing an online one-stop-shop containing all relevant program information.
- * Centrally sourced / funded damage identification through video capture from semi autonomous vehicles, drones, LIDAR, aerial photography, etc.
- * Development of online cloud-based smart systems for managing claims and administration. This could also help reduce the tiers of bureaucratic administration that exacerbates complexity of funding administration.
- * Development of expertise in assessment of future changes to natural disaster risk, and development of actionable guidelines for optimal asset resilience.

