

NATIONAL EMERGENCY MANAGEMENT AGENCY

PARLIAMENTARY INQUIRY SPOKEN QUESTION ON NOTICE

House Regional Development, Infrastructure and Transport

23 March 2023

QoN Number: 1

Subject: DRFA Funding Thresholds

Asked by: Luke Gosling

Question:

Mr Buchholz: For the benefit of the committee, I'll share my understanding, which comes through the prism of Queensland, and we have our fair share of natural disasters up there. I'll use indicative figures just to demonstrate what I believe the principle is. If a disaster is \$500 million in cost, and if it's under the threshold, the cost of that \$500 million will be split between state and federal 50/50. Once it goes over the \$500 million and becomes a greater amount, that then goes into a threshold that triggers the 75 per cent contribution. So you'll often find states hold back making their application until they've got enough receipts to get them over the threshold, because their net box ticking—

Mr Pasin: To meet the 75 per cent—

Mr Buchholz: Yes, it splits that—

Mr Pasin: On notice, could you provide that breakdown.

Mrs Wandel: Absolutely. And I would just caveat that it would depend on the relevant year, the disaster and the costs and impacts of that disaster. But thresholds are being looked at in the DRFA review that is currently being undertaken by the Commonwealth and the jurisdictions. It is complex, and how much is funded will depend on the relevant disaster.

Answer:

The DRFA is a cost-sharing arrangement between the Commonwealth and States and Territories (states). Funding is provided to states on a reimbursement basis with the percentage of reimbursement calculated in line with the rates of assistance for eligible measures under clause 9.3 of the DRFA.

Determining the amount of Commonwealth financial assistance

The amount of Commonwealth financial assistance to a state under the DRFA, in relation to a financial year claim, is worked out on the basis of:

- state expenditure and estimated reconstruction costs in that financial year;

- the extent to which the state expenditure and estimated reconstruction costs have exceeded the first and second thresholds in that year; and
- the set rates and maximum values of assistance for all eligible measures, as defined in the DRFA and/or as agreed by the Prime Minister.

The level of Commonwealth reimbursement for Category A and B measures is dependent on the state exceeding pre-determined, state-specific financial year thresholds across all eligible disasters in a financial year. The cost-sharing ratio between the Commonwealth and states for Category C assistance is 50:50 and Category D assistance is determined at the time of a request but is usually 50:50.

States' thresholds calculation

The first threshold is 0.225 per cent of the state's total general government sector revenue and grants in the financial year two years prior to the relevant financial year; and the second threshold is 1.75 times the state's first threshold.

Rates of assistance for eligible measures and how to determine the standard Commonwealth reimbursement (SCR)

The rate of Commonwealth assistance that may be payable in a financial year on eligible measures outlined in the DRFA, or as specified by the Prime Minister, is calculated as:

- If state expenditure does not exceed the state's first threshold (T1), then:
 - Category A measures: 50 per cent; and
 - Category B measures: zero.
- If state expenditure exceeds the state's first threshold, then:
 - Category A measures and Category B measures: 50 per cent between a state's first and second threshold.
- If state expenditure exceeds the state's second threshold (T2), then:
 - Category A measures and Category B measures: 50 per cent between a state's first and second threshold, plus 75 per cent of state expenditure above the state's second threshold.

How to determine the percentage of reimbursement for Category A and Category B measures using the SCR

How to calculate the Standard Commonwealth Reimbursement (SCR) using the rate of assistance methodology described above.

- The percentage of Commonwealth reimbursement for Category A and Category B measures is calculated by dividing the SCR by the total state expenditure (SE) in a single financial year (see working examples 1, 2 (b) and 3 at **Attachment A**); and
- If the state's first threshold has been exceeded, but 50 per cent of Category A and Category C results in higher reimbursement to the state, the state will be reimbursed the higher amount (see working example 2 (a) at **Attachment A**).

Attachment A

Example 1: <T1

| Example | | |
|-------------------------------|-----------------|--|
| Category A | \$16,692 | State expenditure (SE) did not exceed the first threshold, then SCR =: 50% of Cat A = \$8,346 |
| Category B | \$0 | |
| Category C | \$0 | |
| Category D | \$0 | |
| State Expenditure (SE) | \$16,692 | |
| T1 | \$13,380,750 | |
| T2 | \$23,416,313 | |
| Cth funded | \$0 | |
| Total Grant to state | \$8,346 | |

Example 2 (a): >T1 <T2 – where 50% of Category A & Category C is greater than SCR

| Example | | |
|-------------------------------|--------------------|--|
| Category A | \$2,505,000 | Option 1 (where % is less than 50% of Category A and Category C) State expenditure (SE) exceeded the first threshold, then SCR =: $\$0 \rightarrow \$8,500,000$ (T1) = \$0 $\$8,500,000$ (>T1) \rightarrow \$8,608,125 (SE) = \$108,125 (difference between T1 and SE) 50% of the difference between T1 and SE = \$54,063 (SCR) $\$54,063$ (SCR) / \$8,608,125 (SE) = 0.628% Option 2 (where 50% of Category A and Category C is greater than SCR) 50% of \$2,505,000 (Cat A) & \$2,779,633 (Cat C) = \$5,284,633 (SCR) |
| Category B | \$2,295,120 | Option 1 (where % is less than 50% of Category A and Category C) $\$4,800,120$ (total Cat A and B) * 0.628% = \$30,147 $\$2,779,633$ (total Cat C) * 50% = \$1,389,817 $\$1,028,372$ (total Cat D) * 50% = \$514,186 $\$0$ (total Cat D C'wlth funded) * 100% = \$0 \$30,147 (Cat A & B) + \$1,389,817 (Cat C) + \$514,186 (Cat D) + \$0 (Cat D 100% C'wlth) = \$1,934,149 Option 2 (where 50% of Category A and Category C is greater than SCR) $\$4,800,120$ (total Cat A) * 50% = \$1,252,500 $\$2,295,120$ (total Cat B) * 0% = \$0 $\$2,779,633$ (total Cat C) * 50% = \$1,389,817 $\$1,028,372$ (total Cat D) * 50% = \$514,186 |
| Category C | \$2,779,633 | |
| Category D | \$1,028,372 | |
| State Expenditure (SE) | \$8,608,125 | |
| T1 | \$8,500,000 | |
| T2 | \$17,259,889 | |
| Cth funded | \$0 | |
| Total Grant to state | \$3,156,503 | |

| | | |
|--|--|---|
| | | \$0 (total Cat D Cth funded) * 100% = \$0 |
| | | \$1,252,500 (Cat A) + \$0 (Cat B) + \$1,389,817 (Cat C) + \$514,186 (Cat D) + \$0 (Cat D 100% Cth) = \$3,156,503 |

Example 2 (b): >T1 <T2

| Example | | |
|-------------------------------|---------------------|--|
| Category A | \$210,312 | <p>State expenditure (SE) exceeded the first threshold, then SCR =:</p> <p>\$0 → \$12,154,500 (T1) = \$0</p> <p>\$12,154,501 (>T1) → \$16,108,756 (SE) = \$3,954,255 (difference between T1 and SE)</p> <p>50% of the difference between T1 and SE = \$1,977,128 (SCR)</p> <p>\$1,977,128 (SCR) / \$16,108,756 (SE) = 12.274%</p> |
| Category B | \$15,858,444 | <p>\$16,068,756 (total Cat A and B) * 12.274% = \$1,972,219</p> <p>\$15,000 (total Cat C) * 50% = \$7,500</p> <p>\$25,000 (total Cat D) * 50% = \$12,500</p> <p>\$80,157 (total Cat D Cth funded) * 100% = \$80,157</p> <p>\$1,972,219 (Cat A & B) + \$7,500 (Cat C) + \$12,500 (Cat D) + \$80,157 (Cat D 100% Cth) = \$2,072,367</p> |
| Category C | \$15,000 | |
| Category D | \$25,000 | |
| State Expenditure (SE) | \$16,108,756 | |
| T1 | \$12,154,500 | |
| T2 | \$21,270,375 | |
| Cth funded | \$80,157 | |
| Total Grant to state | \$2,072,376 | |

Example 3: >T2

| Example | | |
|-------------------------------|----------------------|---|
| Category A | \$2,209 | <p>State expenditure (SE) exceeded the first threshold, then SCR =:</p> <p>\$0 → \$60,286,500 (T1) = \$0</p> <p>\$60,286,501 (>T1) → \$105,501,375 (T2) = \$45,215,875 (difference between T1 and SE)</p> <p>50% of the difference between T1 and T2 = \$22,607,438</p> <p>\$105,501,376 (>T2) → \$109,998,153 (SE) = \$4,496,778</p> <p>75% of the difference between T2 and SE = \$3,372,528</p> <p>SCR = \$25,980,021</p> <p>\$25,980,021 (SCR) / \$109,998,153 (SE) = 23.619%</p> |
| Category B | \$109,995,944 | <p>\$109,998,153 (total Cat A and B) * 23.619% = \$25,980,021</p> <p>\$0 (total Cat C) * 50% = \$0</p> <p>\$0 (total Cat D) * 50% = \$0</p> <p>\$0 (total Cat D Cth funded) * 100% = \$0</p> <p>\$25,980,021 (Cat A & B) + \$0 (Cat C) + \$0 (Cat D) + \$0 (Cat D 100% Cth) = \$25,980,021</p> |
| Category C | \$0 | |
| Category D | \$0 | |
| State Expenditure (SE) | \$109,998,153 | |
| T1 | \$60,286,500 | |
| T2 | \$105,501,375 | |
| Cth funded | \$0 | |
| Total Grant to state | \$25,980,021 | |

NATIONAL EMERGENCY MANAGEMENT AGENCY

PARLIAMENTARY INQUIRY SPOKEN QUESTION ON NOTICE

House Regional Development, Infrastructure and Transport

23 March 2023

QoN Number: 2

Subject: Disaster funding for local councils

Asked by: Scott Buchholz

Question:

Mr Buchholz: Some of the pushback we get and you know—this is irrespective of which governments are in power; I think it's just a by-product of the old Hilmer reforms from local government—when you've got a community that has been locked off because of a weather event and the access points into the road are blocked, the frustration that comes from local council is that the council are unable to make a claim if they do the works. But if they get a contractor or a neighbouring council in, irrespective of the fact that the roads are blocked and the work that needs to be done in clearing streets in sometimes remote communities can only be done by council—can I flag that with you as something for the organisation to review, where there is an exception given to communities, particularly in remote areas, where the nearest contractor can be sometimes hundreds of kilometres away. What we as government through bureaucracy are doing is just forcing another cost onto a council that could be avoided if council could pick that invoice up.

Mrs Wandel: I'm really happy to take that away and look into that issue. I know there were quite large changes made to the DRFA in 2018, which did look at issues such as day labour and tried to really simplify some of those relevant arrangements, but I'm very happy to take that away and come back to you on that.

Mr Pasin: Could you take on notice to advise if Mr Buchholz's example is in fact the case or not?

Answer:

Under the Disaster Recovery Funding Arrangements (DRFA), states and territories may claim expenditure for essential public asset emergency works, immediate reconstruction works and/or essential public asset reconstruction works for which the state develops an estimated reconstruction cost (per DRFA clauses 4.3.2 b), 4.3.2 c) and 4.3.2 d)). The DRFA allows for the use of council employees' (salaries and wages (i.e. day labor)) and the use of internal plant and equipment to undertake the reconstruction works. The DRFA does not allow local councils to charge a profit margin for this work.

However, under the DRFA, each state government has its own disaster funding arrangements with local governments. While these arrangements largely mirror the DRFA, DRFA assistance is administered by the states and territories, including responsibility for working with and making payments to local governments for eligible relief and recovery activities.

The DRFA does not dictate how funding is provided to local governments as this is a matter for each individual state and territory. Local governments with concerns about access to disaster funding, including reimbursement for council employees' work should raise these directly with its state or territory government.

NATIONAL EMERGENCY MANAGEMENT AGENCY

PARLIAMENTARY INQUIRY SPOKEN QUESTION ON NOTICE

House Regional Development, Infrastructure and Transport

23 March 2023

QoN Number: 3

Subject: evidentiary requirements for road conditions

Asked by: Luke Gosling

Question:

Mr Buchholz: We've had situations where councils' applications for funding have been knocked back because they haven't been able to—get this—support their application with a photo of the road before the event. So unless councils are driving around taking photos of roads before potential events, they're unable to show what it looked like in the application form before the event and then after. So again, it's an additional cost that bureaucracy is forcing now on—

Mr Buchholz: Absolutely. Applications have been sent back. So why don't you take on notice the question, will you accept from today Google Earth maps?

Answer:

Under the Disaster Recovery Funding Arrangements (DRFA), if a state or territory (state) wishes to claim expenditure for essential public asset emergency works, immediate reconstruction works and/or essential public asset reconstruction works for which the state develops an estimated reconstruction cost, evidence of the asset's pre-disaster condition is required (per DRFA clause 6.2.6).

Each state government has its own disaster funding arrangements with local governments. While these arrangements largely mirror the DRFA, state governments, through their disaster funding arrangements, determine the terms and conditions of expenditure including the evidentiary requirements and disbursement of funding to councils and state agencies for activated measures following an eligible event. Local governments should raise issues with funding and evidentiary requirements with the state initially, although NEMA can assist through our relationships with states where an ongoing issue cannot be resolved.

Under the DRFA, Google maps information including geospatial data, satellite images and photographs is considered eligible evidentiary documentation to evidence an asset's pre-disaster condition. However, this is not the only evidence that can be provided to demonstrate the location, nature and pre-disaster condition of an essential public asset under the DRFA.

Under the DRFA (clause 6.2.7) the state can provide evidence of the location, nature and pre-disaster condition of the essential public asset via one or more of the following means:

- a) geospatial data, including satellite images (latest available data but no older than two (2) years before the eligible disaster, or, for local government essential public assets, no older than four (4) years before the eligible disaster);
- b) visual data, including photographs or video footage (latest available data but no older than two (2) years before the eligible disaster, or, for local government essential public assets, no older than four (4) years before the eligible disaster);
- c) maintenance records, (latest available data but no older than two (2) years before the eligible disaster, or, for local government essential public assets, no older than four (4) years before the eligible disaster);
- d) asset registers (latest available data but no older than two (2) years before the eligible disaster, or, for local government essential public assets, no older than four (4) years before the eligible disaster); or
- e) an inspection report or certification (undertaken at the time of the damage assessment) conducted or verified by a suitably qualified professional, with the appropriate level of expertise and experience that confirms the damage was caused by the eligible disaster.

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PARLIAMENTARY INQUIRY SPOKEN QUESTION ON NOTICE

House Regional Development, Infrastructure and Transport

23 March 2023

QoN Number: 4

Subject: DRFA claims process

Asked by: Luke Gosling

Question:

Dr HAINES: Thank you; that helps a lot. Local governments have raised concerns about the lengthy DRFA claims process and funding time frames, and the issues they're experiencing in an inflationary environment with increasing supply costs. Are you aware if the DRFA review will include consultation with local governments on this issue in particular and inform future arrangements? I'm very conscious of the budget you currently have, and with these issues—can you give any comment on that?

Mrs Wandel: Absolutely. The DRFA review is, as I mentioned, complementary, but it is different to the independent review. I just want to clarify that. The DRFA review stemmed out of the Royal Commission into National Natural Disaster Arrangements in 2020. It is a really important piece of work that we're working on collaboratively with the states because it is a jointly funded arrangement. It's very important that we're all working together on that review.

There are a range of different initiatives that are underway. I do believe that some of the acquittal processes are eligible under the terms of reference. I might see if I can come back to you specifically, even throughout this hearing, just around the specific local government acquittal element. Local government, absolutely, are being consulted on the review itself. But just on that specific element, if it's okay, I'll try and come back throughout the hearing, or I can take that on notice.

Dr HAINES: Yes, please.

Answer:

The Disaster Recovery Funding Arrangements (DRFA) and funding for local governments

The DRFA is a funding arrangement specifically between the Australian Government and the states and territories. Under the DRFA the Australian Government can only provide funding directly to state and territory governments, not local governments or contractors.

DRFA assistance is administered by the states and territories. This includes responsibility for working with and making payments to local governments for eligible relief and recovery activities. The DRFA does not dictate how funding is provided to local governments as this is a matter for each individual state and territory. Local governments should raise concerns about access to disaster funding under the DRFA directly with their state or territory government.

The DRFA and inflation

The DRFA is a demand driven funding program with no set upper limits on the level of financial assistance that may be provided by the Australian Government to the states and territories. If the cost of providing an eligible relief or recovery activity increases due to the current inflationary environment the additional cost may still be claimed as long as it is determined to be reasonable and appropriate, in accordance with DRFA audit and assurance requirements.

The DRFA Review and engagement with local government

The DRFA is being reviewed to address recommendations by the former Council of Australian Governments (COAG) and the Royal Commission into National Natural Disaster Arrangements. The DRFA Review was established by COAG in March 2020 to ensure equitable access to support for disaster impacted Australians; to streamline processes so governments can respond quickly and appropriately to severe disasters; and to encourage jurisdictions to 'build back better' following disasters.

DRFA Review work is being progressed by the Australian Government collaboratively with the states and territories through the Australia-New Zealand Emergency Management Committee (ANZEMC) and the National Emergency Management Ministers' Meeting (NEMMM). Local government is represented on both ANZEMC and NEMMM.