

25 September 2019

Senate Finance and Public Administration Committees
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Sir/Madam

**Subject: Senate Standing Committee into Finance and Public
Administration Inquiry into the *Emergency Response Fund Bill 2019***

Thank you for the opportunity to make a submission to the Committee's Inquiry which will review the *Emergency Response Fund Bill 2019* and the *Emergency Response Fund (Consequential Amendments) Bill 2019*.

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.

ALGA and local governments across the nation welcome 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. We note that the fund has an annual limit on the amount debited from the fund of \$150million during a financial year (Clause 34) and that under Clause 39 in giving a direction under subsection (1), the responsible Ministers must have regard to:

- (a) need to maximise the return earned on the Emergency Response Fund over the long term, consistent with international best practice for institutional investment; and
- (b) The need to enhance the Commonwealth's ability to:
 - pay amounts payable by the Commonwealth under an arrangement made under section 20; and
 - make grants under section 20; and
- (c) The such other matters as the responsible Ministers consider relevant.

We also note 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 (NRFA) and that funding for post disaster mitigation is available under S20(1). Pre-disaster mitigation is precluded.

In its 2014 inquiry into natural disaster funding, the Productivity Commission 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. 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 have called on the Government to adopt the Productivity Commissions recommendation.

ALGA has consistently advocated for the establishment of a targeted 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
- Regional growth associated with investment
- Lower insurance premiums
- More reliable services
- More connected communities

Division 2 of the Bill sets out details relating to Arrangements and Grants. Clauses 20-26 of the Bill set out the scope of activity and types of grants which are envisaged but there is a lack of clarity about the extent to which investment in disaster mitigation measures is an eligible expenditure under the Fund. The Explanatory Memorandum for the Bill makes reference to post-disaster mitigation and grants aimed at reducing the risk of future natural disasters which appears to imply that disaster mitigation projects (such as flood levees and warning systems specifically mentioned in paragraph 71) can be funded but only in areas that have

been the subject of a natural disaster and the recipients of a grant of funding for disaster relief or recovery.

If it is the case that the Commonwealth has decided that disaster mitigation projects can be funded from the Emergency Response Fund this decision will be strongly welcomed by ALGA although it raises the obvious question of why pre-disaster mitigation aimed at preventing or minimising damage from potential natural disasters is excluded. In such an instance ALGA would urge that the Bill be amended to enable funds not debited from the account in any financial year to be redirected to pre-disaster mitigation funding. This may require amendments to S39 (2) or an additional section on pre-disaster mitigation.

Please do not hesitate to contact me on telephone should you require further information.

Yours sincerely

Adrian Beresford-Wylie
Chief Executive