



Tasmania

## State Grants Commission

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DISCUSSION PAPER  
DP 06-02

### **Natural Disaster Relief**

March 2006

**STATE GRANTS COMMISSION  
DISCUSSION PAPER 06-02**

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**Natural Disaster Relief**

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The Tasmanian State Government has recently approved the provision of financial assistance to local governments affected by natural disasters, consistent with the Natural Disaster Relief Arrangements (NDRA), which is a framework issued by the Commonwealth Government that provides for the compensation of states for their expenditure incurred in responding to a natural disaster.

The Tasmanian Premier has issued an interim policy to councils, developed as a response to the windstorms of February 2005. It has since been extended to cover the flooding that occurred in August and September 2005.

Consistent with its in-principle commitments to reform of natural disaster mitigation, relief and recovery made by COAG, the Tasmanian Government will finalise a relief policy in consultation with local government. It should be noted that local government is not able to make claims on its own behalf under the NDRA, but state government expenditures in reimbursing local government are claimable, providing the disaster and measures meet the eligibility criteria.

In view of the State policy on Natural Disaster Relief, and the support this policy offers councils, the Commission is of the view that expenditure incurred by councils due to such disasters should not be treated separately for grant allocation purposes.

This resolution has been made subject to the confirmation of the Government's draft policy, and subject to the outcomes of discussion of this matter with councils at the 2006 hearings and visits.

Attached to this Discussion Paper is a copy of the guidelines provided to councils by the State Government.

State Grants Commission  
10 March 2006

## **NATURAL DISASTER ELIGIBLE EXPENDITURE GUIDELINES FOR LOCAL COUNCILS**

### **General Features**

**A NATURAL DISASTER IS A SERIOUS DISRUPTION TO A COMMUNITY OR REGION CAUSED BY THE IMPACT OF A NATURALLY OCCURRING RAPID ONSET EVENT THAT THREATENS OR CAUSES DEATH, INJURY OR DAMAGE TO PROPERTY OR THE ENVIRONMENT AND WHICH REQUIRES SIGNIFICANT AND COORDINATED MULTI-AGENCY AND COMMUNITY RESPONSE. SUCH SERIOUS DISRUPTION CAN BE CAUSED BY ANY ONE, OR A COMBINATION, OF THE FOLLOWING NATURAL HAZARDS: BUSHFIRE, EARTHQUAKE; FLOOD; STORM, INCLUDING HAILSTORM; CYCLONE; STORM SURGE; LANDSLIDE; TSUNAMI; METEORITE STRIKE; OR TORNADO.**

*Eligible disasters* are natural disasters that necessitate expenditure by a local council or eligible public undertaking on eligible measures. Eligible disasters do not include disasters where poor environmental planning, commercial development or personal intervention (other than arson) or accident, are significant contributing factors to the event.

Councils must finalise claims for financial assistance for works relating to the storm damage by no later than 31 March 2006. Expenditure to repair disaster damage after this time period will be met solely by the council.

Any financial assistance provided is free of GST, consistent with the approach undertaken by NDRA. Claims for reimbursement should include gross cash outlay net of any recoverable GST. It should be noted that the act of seeking reimbursement is not considered to be a supply as per Australian Tax Office Ruling GSTR2000/11.

All financial assistance will be provided on the condition that it shall be subject to an independent audit. In addition, by the 31 December 2005 (and at other times on request) councils shall furnish to the State for budgetary purposes latest estimates of the forecast total expenditure by the council on eligible measures, both for the remainder of that financial year, and the financial year immediately following.

These guidelines are not the formal policy and are for this event only. (But it is anticipated that they will form the basis of the formal policy).

### **Eligible and Ineligible Expenditure**

Expenditure means gross cash outlay net of:

- GST;
- all recoveries from any source;
- amounts which some other person or organisation is liable to reimburse; and
- amounts directly or indirectly receivable under a joint Commonwealth/State financial arrangement or other specific purpose financial assistance to a State.

Eligible expenditure falls into the following categories:

- Personal hardship and distress measures;
- Financial and psychological counselling costs;
- Restoration of essential public assets; and
- Other acts of relief or restoration (such as extraordinary counter disaster operations).

An essential public asset is defined as an integral and necessary part of the State's infrastructure.

Normal maintenance and administration costs are not eligible for assistance. This includes salaries, day labour costs, council's plant costs, and other on-going administrative type expenditure, which would have been incurred even if no damage had been sustained. However, additional costs over and above normal operating budgets may be regarded as eligible expenditure (e.g. plant hire and overtime).

*Assistance is not to supplant or operate as a disincentive for self-help by way of either commercial insurance or appropriate strategies for disaster mitigation and asset maintenance and planning. Councils are expected to have taken out prudent insurance cover, and assistance given under the State relief and recovery arrangements is net of any insurance recoveries. Future increases in insurance premiums brought about by councils claiming against their existing policy or policies for a particular disaster are not covered by the State relief and recovery guidelines.*

Damage to any asset must be directly attributed to the event and should not include normal maintenance operations, particularly for those assets, which were in a poorly maintained state at the time of the disaster. Councils, for auditing reasons, may be required to supply records of maintenance on items and assets in question.

Assistance is provided to councils to restore an essential public asset to the equivalent of its pre-disaster standard, subject to current planning and developmental controls and building standards. Additional costs incurred by councils beyond that level in restoring or replacing an asset to a higher standard (improvement or betterment) will be borne by councils and are not eligible for assistance.

Financial assistance will be available to local councils and public undertakings, which includes a local government body or other body that provides community, social or economic services outside the normal market mechanism: free of charge, or at a nominal charge well below the costs of production. It therefore excludes:

- A public financial undertaking which is primarily engaged in financial transactions in the market involving the incurring of liabilities and the acquisition of financial assets: and
- A public trading undertaking which is permanently engaged in the production of goods and services for sale in the market with the intention of recovering all or a significant proportion of its operating costs.

There is no provision for councils to claim compensation for loss of income.

Damage caused to assets by prolonged exposure to climate elements and not as the direct result of a natural disaster event(s) is considered to be a normal maintenance liability and is not eligible for assistance.

Work required to assets damaged as a result of a natural process is considered not eligible for financial assistance.

**STATE GOVERNMENT FINANCIAL RELIEF FOR COUNCILS AFFECTED  
BY STORM DAMAGE IN FEBRUARY 2005**  
***Frequently Asked Questions***

**Will there be any assistance available to local councils affected by the storms on 2 and 3 February 2005?**

Yes, there will be assistance available to local councils, which will be consistent with the Australian Government's Natural Disaster Relief Arrangements (NDRA).

**What are the Natural Disaster Relief Arrangements (NDRA)?**

NDRA is a long-standing Australian Government programme that provides financial assistance to all states and territories following significant natural disaster events. Assistance is only triggered once a state's expenditure on natural disasters exceeds its first expenditure threshold for that financial year. The first threshold is based on 0.225% of the state's total general government sector revenue and grants two financial years prior. A state's second threshold is based on 1.75 times its first threshold.

For example, for 2004-05, the Tasmanian State Government's first threshold is \$6.7 million and its second threshold is \$11.7 million.

Between the first and second thresholds, a state is eligible to have 50% of its expenditure on eligible relief and recovery measures reimbursed by the Commonwealth. Seventy-five per cent of expenditure on eligible relief and recovery measures will be reimbursed above the second threshold.

Local councils cannot apply directly for assistance under NDRA.

More information on NDRA can be found online at [www.dotars.gov.au/ndr/terms.htm](http://www.dotars.gov.au/ndr/terms.htm).

**How will this be applied to local councils to determine what assistance they will be eligible for?**

State assistance to a council will only be available once its expenditure on eligible relief and recovery measures exceeds its first threshold, with a greater level of assistance becoming available if the council's second threshold is exceeded. The thresholds are calculated in exactly the same way as for the State under NDRA. In other words, a council's first expenditure threshold will be 0.225% of its total general rates revenue and general purpose grants receipts two financial years prior, whilst its second threshold is 1.75 times that amount.

Local councils will also be reimbursed at the same proportion that the State would be reimbursed under NDRA. Therefore councils will be reimbursed 50% of their eligible expenditure between their first and second thresholds. Councils will be reimbursed

75% of their expenditure on eligible relief and recovery measures above their second threshold.

### **Why are the thresholds used?**

The use of a threshold ensures that a state government or local council takes responsibility for making some contribution towards its own cost of recovery following a natural disaster, and is an important principle of NDRA. Setting the thresholds at a proportion of state government or council revenue ensures that they receive assistance on an equitable basis, depending upon their ability to provide for their own recovery.

In other words, a large council would be expected to contribute a greater amount towards its own recovery compared to a smaller council with less capacity, although on a proportionate basis, assistance would be triggered at the same level.

### **What are eligible relief and recovery measures?**

Eligible expenditure includes expenditure on the following relief and recovery measures:

- personal hardship and distress measures;
- financial and psychological counselling costs;
- restoration of essential public assets; and
- other acts of relief or restoration (such as extraordinary counter disaster operations).

### **What expenditure is not eligible for reimbursement?**

Expenditure means gross cash outlay net of: recoverable GST; recoveries from any other source; amounts which some other person or organisation is liable to reimburse; and amounts directly or indirectly receivable under a joint Commonwealth/State financial arrangement or other specific purpose financial assistance to a State.

Normal maintenance and administration costs are not eligible for reimbursement, nor should they be counted towards reaching your expenditure thresholds. This includes salaries, day labour costs, a council's plant costs, and other ongoing administrative type expenditure, which would have been incurred even if no damage had been sustained.

Council business undertakings are not eligible for assistance unless they are providing community, social or economic services outside normal market mechanisms: either free of charge or at a nominal charge well below the costs of production.

## **What happened to the preliminary cost information provided by my council?**

If your council was likely to have been affected by the storms on 2 and 3 February 2005 you were asked to submit preliminary cost information. That information was used to inform the development of this interim policy. It will not be used as the basis to determine the actual level of reimbursement for any individual council as more detailed and substantiated information is required for this process.

## **Will the State be making a claim to the Australian Government under NDRA?**

The State Government is required to make a notification under NDRA if its costs exceed \$240,000, which is known as our small disaster threshold (this is well below the two state thresholds discussed above). Some very specific measures are eligible for reimbursement from the Australian Government under NDRA when the small disaster threshold is triggered.

However, whilst the State's costs are likely to exceed this level for this storm event, and therefore require notification, it is unlikely that much of its expenditure will be eligible for any reimbursement, because only a small subset of the eligible expenditure measures listed above are likely to be reimbursable.

## **Will this be the Tasmanian Government's formal policy for providing natural disaster relief to local councils?**

No. This policy applies only to relief and recovery measures relating to the storm events on 2 and 3 February 2005.

## **Will a formal policy be developed?**

A formal policy is currently under development that will be based on the approach used for the February storms. All councils and other stakeholders will be given the opportunity to provide feedback on this interim policy.

All councils and other stakeholders will also be given another opportunity to comment on the draft formal policy that will incorporate earlier feedback.

## **How can I make a claim for reimbursement?**

Complete the claim for reimbursement forms that have been attached, making sure that you read all the information attached that will help you fill in the forms correctly.

## **Where do I send my completed claim forms?**

Frances Blain  
Principal Policy Analyst  
Department of Treasury and Finance  
GPO Box 147  
HOBART TAS 7001

Or email them to: [Frances.Blain@treasury.tas.gov.au](mailto:Frances.Blain@treasury.tas.gov.au).

## **How long will it take to process my claim?**

Every effort will be made to process each claim quickly, including advising councils of the outcome of their claim. However, as this will be a new process for all concerned, it is difficult to provide an accurate timeframe.

## **How long do I have to submit a claim?**

Councils must submit all claims for reimbursement by no later than close of business on 31 March 2006. Any claims received after that date will not be processed.

## **Can I submit more than one claim?**

You can submit more than one claim for reimbursement of costs relating to eligible relief and recovery measures incurred as a result of the February storms, however, all claims must be submitted by 31 March 2006.

## **Are the claims subject to audit?**

Yes. All claims are subject to an independent audit. Therefore all records relating to the claim should be kept.

## **Should GST be included in the claim?**

No. Claims should include gross cash outlay net of any recoverable Goods and Services Tax (GST).

Please note that the act of seeking reimbursement is not considered to be a supply as per Australian Tax Office Ruling GSTR2000/11.

## **Who can I contact for more information?**

For more information, or to obtain electronic copies of the claim forms, please contact Frances Blain at the Department of Treasury and Finance on (03) 62332293 or email [Frances.Blain@treasury.tas.gov.au](mailto:Frances.Blain@treasury.tas.gov.au).