



Disaster Recovery Funding Arrangements 2018

Program overview

Responding to natural disasters, including the provision of relief and recovery assistance to disaster affected communities, is primarily the responsibility of state and territory governments ('the states'). However, in recognition of the significant cost of natural disasters, the Australian Government established the joint Australian Government-State cost sharing arrangements to alleviate the financial burden on the states and to facilitate the early provision of assistance to disaster affected communities. Through the Disaster Recovery Funding Arrangements 2018 (DRFA), the Australian Government provides financial assistance directly to the states to assist them with costs associated with certain disaster relief and recovery assistance measures.

The DRFA makes provisions for state governments to activate relief and recovery assistance immediately following a disaster without seeking approval from the Australian Government. Under these arrangements, the states determine the type and level of assistance to make available. Importantly the states are not bound by the assistance available under the DRFA. That is, states can make available whatever assistance deemed necessary regardless of whether it is eligible for cost sharing under the DRFA. This recognises that states are best placed to identify the type and level of assistance to make available following a disaster, in accordance with their responsibility for disaster management.

Basic principles for DRFA assistance

The DRFA operates in accordance with the following principles:

- DRFA assistance is intended to be in the nature of an emergency helping hand for those in need, rather than to provide compensation for losses or restore lifestyles to their pre-disaster standard.
- DRFA assistance is not intended to replace the need for appropriate self-help strategies, such as acquiring insurance or undertaking appropriate disaster mitigation.
- In accordance with their responsibilities, the states and local governments should draw on their own resources to provide disaster assistance before seeking support from the Australian Government through the DRFA.
- DRFA assistance should be used to complement and promote disaster resilience outcomes for affected individuals and communities.
- As far as practicable, DRFA assistance is to be designed to achieve an efficient allocation of resources. In particular, assistance should provide value-for-money outcomes for all levels of government.

DRFA assistance measures

There are four categories of assistance measures under the DRFA:

1. **Category A:** assistance to individuals to alleviate personal hardship or distress arising as a direct result of a disaster. Category A assistance is provided automatically by the states without requiring approval from the Australian Government.
2. **Category B:** assistance to the state, and/or local governments for the restoration of essential public assets and certain counter-disaster operations. Category B assistance also covers assistance to small businesses, primary producers, not-for-profit organisations and needy individuals through concessional loans, subsidies or grants. Category B assistance is provided automatically by the states without requiring approval from the Australian Government.
3. **Category C:** assistance for severely affected communities, regions or sectors and includes clean-up and recovery grants for small businesses and primary producers and/or the establishment of a Community Recovery Fund. Category C assistance is only made available when the impact of a disaster is severe. It is intended to be in addition to assistance under Categories A and B and is usually considered once the impacts of the disaster on affected communities have been assessed. Category C assistance is requested from the states and requires agreement from the Prime Minister.
4. **Category D:** exceptional circumstances assistance beyond Categories A, B and C. Category D assistance is generally considered once the impact of the disaster has been assessed and specific recovery gaps identified. Category D assistance is requested from the states and requires agreement from the Prime Minister.

DRFA funding arrangements

Under the DRFA, the Australian Government provides financial assistance up to 75 per cent to the states in respect of eligible expenditure on relief and recovery assistance. Funding can either be provided in the form of a financial reimbursement or as an advance payment. Advance payments are generally only made in response to significant and extremely damaging natural disasters where the cost is likely to be greater than the state can manage in the immediate to short-term.

The level of financial assistance provided by the Australian Government to the states under the DRFA depends on the type of assistance provided and the level of expenditure incurred by a state within a financial year. In this way, the DRFA operates as a financial safety-net for the states when they experience frequent and/or severe natural disasters. As the cost of providing assistance to disaster affected communities increases, so too does the level of financial support from the Australian Government to the states.

In order to calculate the level of financial support, expenditure thresholds are used, which take into account the capacity of individual states to fund relief and recovery assistance.

DRFA ASSISTANCE MEASURES, ACTIVATION TRIGGERS AND REIMBURSEMENT RATES

Category	Eligible assistance measures	Reimbursement rate and triggers
<p>Category A</p> <p>DRFA Determination Clause 4.2</p> <p>Note: assistance may be provided in-kind (i.e. non-monetary)</p>	<p>Assistance to alleviate personal hardship and distress including:</p> <ul style="list-style-type: none"> • emergency food, clothing and accommodation • repair or replacement of essential furniture and personal effects • essential repairs to housing to a habitable condition • demolition or rebuilding to restore housing to a habitable condition • removal of debris from residential properties • extraordinary counter-disaster operations of direct assistance to an individual • personal and financial counselling • extraordinary costs associated with the delivery of the above forms of assistance (e.g. costs of evacuation and operation of recovery centres) • the employment of a Community Recovery Officer. 	<p><u>Reimbursement rate:</u></p> <ul style="list-style-type: none"> • 50% (if total eligible state expenditure in a financial year is below 1st threshold) <p>or</p> <ul style="list-style-type: none"> • The higher of the above rate or 50% between 1st and 2nd thresholds plus 75% above 2nd threshold (if total eligible state expenditure in a financial year is above 2nd threshold) <p><u>Trigger:</u></p> <p>Once eligible state expenditure for an event exceeds the small disaster criterion of \$240,000.</p>
<p>Category B</p> <p>DRFA Determination Clause 4.3</p>	<p>Assistance available includes:</p> <ul style="list-style-type: none"> • restoration or replacement of essential public assets (that are not operating on a commercial basis) such as roads, bridges and schools to their pre-disaster function • concessional loans, subsidies or grants to small businesses, primary producers, voluntary non-profit bodies and needy individuals • counter disaster operations for the protection of the general public. 	<p><u>Reimbursement rate:</u></p> <ul style="list-style-type: none"> • 50% between 1st and 2nd thresholds plus 75% in excess of 2nd threshold <p><u>Trigger:</u></p> <p>Once eligible state expenditure in a financial year exceeds 1st threshold.</p>
<p>Category C (for severe impact events only)</p> <p>DRFA Determination Clause 4.4</p>	<p>Assistance available includes a Community recovery package comprising:</p> <ul style="list-style-type: none"> • a community recovery fund • clean-up and recovery grants to small businesses • clean-up and recovery grants to primary producers. 	<p><u>Reimbursement rate:</u></p> <ul style="list-style-type: none"> • Determined at the time of agreement of measures (generally 50% of the agreed measures) <p><u>Trigger:</u></p> <p>Subject to approval by the Prime Minister.</p>
<p>Category D (for severe impact events only)</p> <p>DRFA Determination Clause 4.5</p>	<p>Assistance to alleviate distress or damage in circumstances that are considered exceptional.</p>	<p><u>Reimbursement rate:</u></p> <ul style="list-style-type: none"> • Determined at the time of agreement of measures (generally 50% of the agreed measures) <p><u>Trigger:</u></p> <p>Subject to approval by the Prime Minister.</p>

* Reimbursement rates provide an indication only. States can only claim costs associated with DRFA eligible disasters and all claims are subject to the assessment by National Emergency Management Agency.