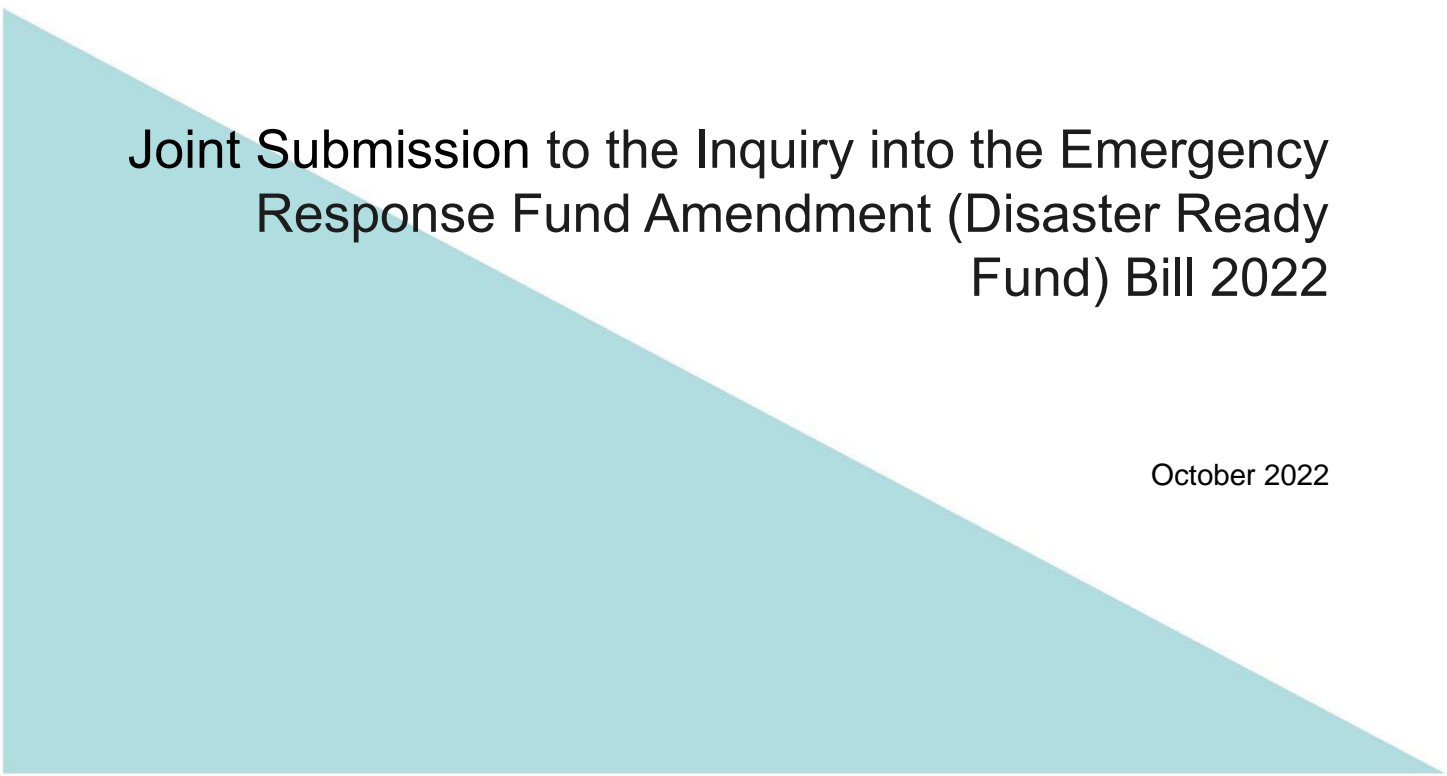





Australian Government



Joint Submission to the Inquiry into the Emergency Response Fund Amendment (Disaster Ready Fund) Bill 2022

October 2022

**Joint Submission to the Senate Finance and Public Administration
Legislation Committee for the Inquiry into the Emergency Response
Fund Amendment (Disaster Ready Fund) Bill 2022**

This submission has been prepared by the Department of Finance and the Department of Home Affairs, in consultation with the Department of the Treasury, the National Emergency Management Agency and the Future Fund Management Agency.

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Establishing the Disaster Ready Fund

The Emergency Response Fund Amendment (Disaster Ready Fund) Bill 2022 (the Bill) implements the Government's election commitment to establish the Disaster Ready Fund to improve Australia's disaster readiness.

The Bill achieves this by refocusing the Emergency Response Fund as a dedicated source of funding to provide up to \$200 million per year for natural disaster resilience and mitigation initiatives. These initiatives will build resilience to, prepare for, or reduce the risk of future natural disasters. They will also help build the long-term sustainability of communities that are at risk of being affected by a future natural disaster.

The Bill amends the *Emergency Response Fund Act 2019* (the Act) to change the name of the Emergency Response Fund to the Disaster Ready Fund. The name changes appear throughout the Bill to rename the fund and associated special accounts, as well as to update references to the fund in other Acts.

Following commencement of the amendments, the Act will become the *Disaster Ready Fund Act 2019*. The investment mandate for the fund, issued by the Treasurer and Minister for Finance (as responsible Ministers for the fund), will be re-issued following commencement of the changes to reflect the renaming of the fund.

A process flow chart for the Disaster Ready Fund is at [Attachment A](#).

Natural Disaster Resilience and Mitigation

The Bill makes up to \$200 million per year available from the Disaster Ready Fund from 2023-24 for natural disaster resilience and mitigation. Spending from the Disaster Ready Fund will require a formal decision of Government, consistent with the current arrangements for the Emergency Response Fund. Each funding decision will be published as a Budget measure to outline the purpose and amount of funding to be provided.

The Disaster Ready Fund will fund infrastructure projects that identify and reduce the risk faced by communities vulnerable to natural disaster. This may include infrastructure projects seeking to mitigate the impacts of a changing climate and increasing disaster risk on communities. The Disaster Ready Fund will also fund systemic risk-reduction initiatives, such as climate adaptation projects, to improve land use planning and development. The projects funded from the Disaster Ready Fund will contribute towards delivering the Government's agenda for climate adaptation by future proofing Australian communities against future disaster impacts.

From 2023-24 onwards, the Disaster Ready Fund will no longer be available to fund recovery from a natural disaster. Other funding sources exist for this purpose—most notably, the *Australian Government-State Disaster Recovery Funding Arrangements 2018* (DRFAs). The DRFAs will remain in place to provide

disaster recovery funding to be delivered through state and territory agencies to disaster-affected communities.

Other examples of Commonwealth disaster recovery support include the Disaster Recovery Payment, Disaster Recovery Allowance and, more recently the \$44.3 million grants program for Northern Rivers flood-affected anchor businesses.

Dedicating the Disaster Ready Fund to disaster resilience and mitigation will allow a clearer distinction between the different funding sources and enhance the focus on building resilience to future natural disasters in Australia.

Annual Funding Limit

The Emergency Response Fund currently provides up to \$150 million per year to fund emergency response and recovery following a natural disaster and up to \$50 million per year for natural disaster resilience and mitigation. The Bill amends these purposes to focus solely on providing up to \$200 million per year from 2023-24 for natural disaster resilience and mitigation. This aligns with the Productivity Commission's 2015 Report into Natural Disaster Funding Arrangements, which recommended the Commonwealth invest up to \$200 million per year on natural disaster mitigation, with matched contributions from states and territories¹.

The Bill requires the responsible Ministers (Treasurer and Minister for Finance) to review the annual funding limit at least every five years. The Ministers will have the ability to update the annual funding limit for future years via a disallowable legislative instrument. This will allow the Ministers to adjust the annual funding limit in the future in response to investment market or policy considerations, while ensuring appropriate parliamentary scrutiny and oversight via the disallowance process, in line with standard parliamentary procedures.

Prior to making a legislative instrument to amend the annual funding limit, the responsible Ministers will be required to consult the Future Fund Board of Guardians confirming any proposed adjustment will not impact the Board's ability to comply with its obligations under the Act and the investment mandate. The responsible Ministers will also consult the Minister for Emergency Management as part of this process.

Emergency Response Fund Commitments

Since the Emergency Response Fund was established on 12 December 2019, a total of \$450 million in funding over three years has been committed (see [Attachment B](#)).

¹ Recommendation 3.5 of the Productivity Commission Inquiry Report into Natural Disaster Funding Arrangements (2015); available at: <https://www.pc.gov.au/inquiries/completed/disaster-funding/report/disaster-funding-volume1.pdf>

The Bill includes transitional provisions to allow all of the former Government's spending commitments from the Emergency Response Fund to be met. This includes \$50 million for the Coastal and Estuarine Risk Mitigation Program and \$150 million for recovery and post-disaster resilience measures in the Northern Rivers region of New South Wales, as announced in the 2022-23 Budget.

The Government can make new commitments of up to \$200 million per year from the Disaster Ready Fund from 1 July 2023, for natural disaster resilience and mitigation projects.

Transfer of Administrative Expenditure Function

The Bill makes the legislative amendments required to implement the transfer of administrative responsibility for expenditure from the fund to the National Emergency Management Agency (NEMA). The NEMA is a non-corporate Commonwealth entity within the Home Affairs portfolio.

The agency was established on 1 September 2022 as a single, end-to-end natural disaster management agency for the Commonwealth. The NEMA will be responsible for the administration of expenditure from the Disaster Ready Fund following commencement of the legislation.

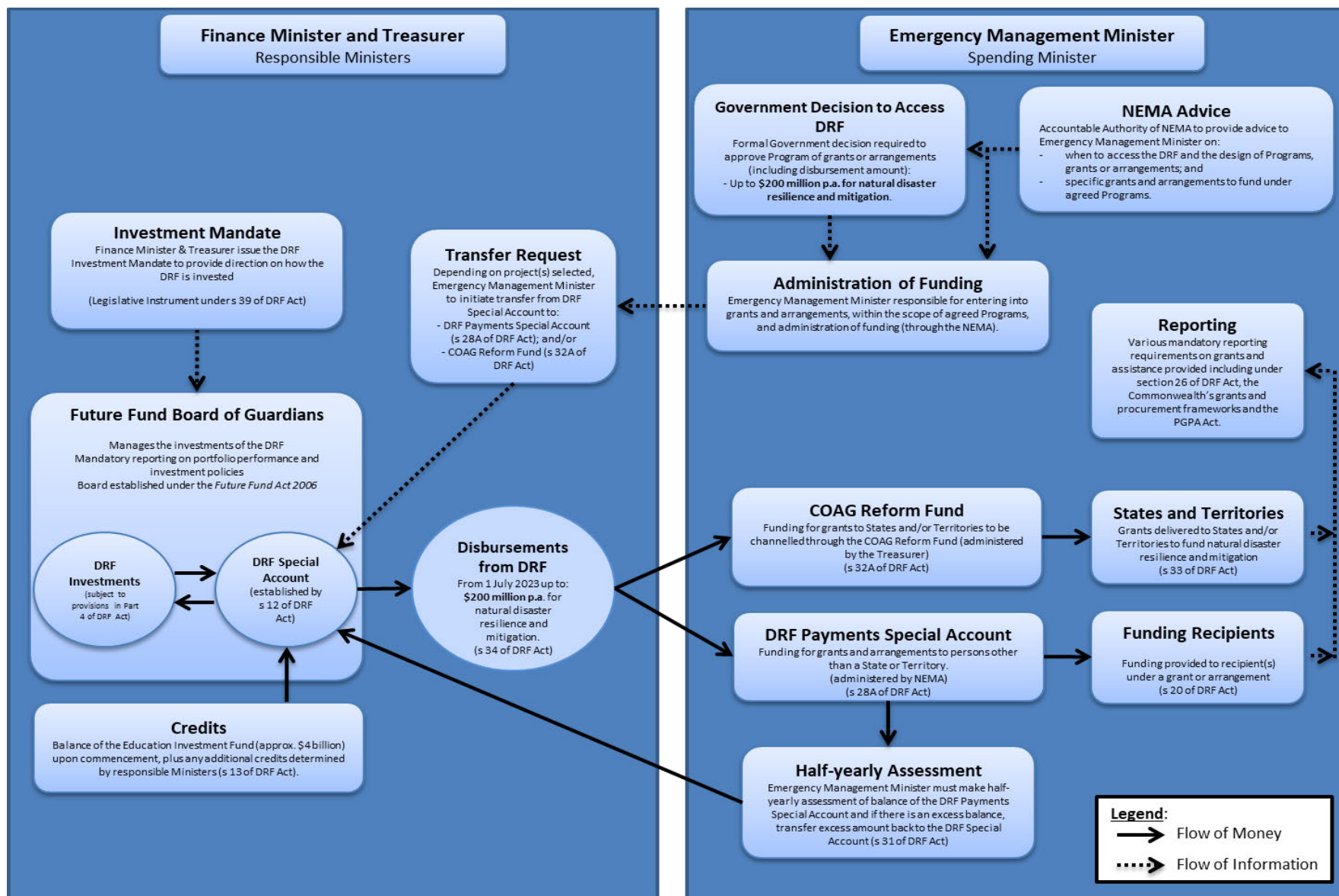
Streamlining Administrative Arrangements

The Bill improves the efficiency of the governance framework by allowing administrative directions in relation to transfers between special accounts to be exchanged between senior departmental officials in instances where Ministers have delegated their powers under the Act. This will reduce administrative burdens and streamline processes while ensuring Ministers remain suitably informed, including under the provisions of section 19 of the *Public Governance, Performance and Accountability Act 2013*.

The Bill will also allow the Emergency Management Minister to request the Finance Minister to debit the fund's Special Account and credit the Council of Australian Governments (COAG) Reform Fund to make grants to states and territories. This differs from the current arrangements, where the Emergency Management Minister *directs* the Department of Finance to make the transfer. It is not common practice for a Minister to direct a department outside of their portfolio and this amendment will ensure it no longer occurs.

The reporting obligations under the Act will not change. This will ensure an appropriate level of public reporting on payments from the Disaster Ready Fund will occur, consistent with requirements under the Commonwealth Grant Rules and Guidelines. Following the commencement of the legislation, details on payments from the Disaster Ready Fund will be published on the NEMA website.

Attachment A: Disaster Ready Fund Process Flow Chart (from 1 July 2023)



Attachment B: Emergency Response Fund Commitments and Transfers

There have been 4 programs funded through the Emergency Response Fund to date.

1. National Flood Mitigation Infrastructure Program

- **\$50 million for 2020-21** committed in Mid-Year Economic and Fiscal Outlook (MYEFO) 2020-21 (Measure = *Emergency Response Fund — flood mitigation*)
 - o \$50 million transferred from Emergency Response Fund (ERF) Special Account to COAG Reform Fund on 21 June 2021
 - o Paid from COAG Reform Fund to recipient states and territories in two instalments (all states and territories received some funding through this program):
 - \$17,120,500 on 8 November 2021
 - \$32,879,500 on 7 December 2021
- **\$50 million for 2021-22** committed in MYEFO 2021-22 (Measure = *National Disaster Resilience and Support*)
 - o \$50 million transferred from ERF Special Account to COAG Reform Fund on 9 May 2022
 - o Not yet transferred from the COAG Reform Fund to recipient states (ACT, NSW, NT, QLD, SA, TAS and VIC)

2. Flood Recovery and Resilience - Northern NSW and QLD

- **\$150 million for 2021-22** committed by the former Emergency Management Minister on 18 March 2022 (Media Release) and appeared as a Budget measure in Budget 2022-23 (Measure = *Flood Package*)
 - o Transferred from ERF Special Account to COAG Reform Fund on 23 March 2022, to be shared equally between NSW and QLD (\$75 million each)
 - o Paid from COAG Reform Fund to date:
 - \$75 million on 8 August 2022
 - o Remaining \$75 million expected to be transferred from the COAG Reform Fund in October 2022

3. Coastal and Estuarine Risk Mitigation Program

- **\$50 million for 2022-23** committed by the former Emergency Management Minister on 13 February 2022 (Media Release)
 - o Not yet transferred from the ERF Special Account to the COAG Reform Fund

4. Flood Recovery and Resilience - Northern Rivers of NSW

- **\$150 million for 2022-23** committed by the former Government in the 2022-23 Budget (Measure = *Flood Package*)
 - o Not yet transferred from the ERF Special Account to the COAG Reform Fund