

NATIONAL PARTNERSHIP AGREEMENT FOR VICTORIAN FLOOD RECONSTRUCTION AND RECOVERY



An agreement between

- the Commonwealth of Australia and
- the State of Victoria.

This Agreement will contribute to the reconstruction and recovery of communities affected by the 2011 floods in Victoria.

Senate F&PA Committee

Tabled Document

Inquiry: Estimates 2011-12

Date/Time: 10:50 am 25.5.11

Witness Name: Ms. Beaudin

Organisation: Dept. Reg. Asst.

National Partnership Agreement for Victorian Flood Reconstruction and Recovery

INTERGOVERNMENTAL AGREEMENT ON FEDERAL FINANCIAL RELATIONS

Preliminaries

1. This National Partnership Agreement (the Agreement) is created subject to the provisions of the Intergovernmental Agreement on Federal Financial Relations (IGA) and should be read in conjunction with that Agreement and its Schedules, which provide information in relation to performance reporting and payment arrangements.
2. In entering this Agreement, the Parties acknowledge that the Victorian Government has primary responsibility for the protection of life and property in response to a natural disaster in Victoria. The Parties also acknowledge the need to ensure that a strategic approach is taken to reconstruction and recovery efforts, incorporating the principles of local input, and leverage effort across all three tiers of government and not-for-profit sectors.
3. The primary mechanism for the Commonwealth to support the States following a natural disaster is the Natural Disaster Relief and Recovery Arrangements (NDRRA). This Agreement is intended to further strengthen and complement the governance and accountability provisions of the NDRRA by setting out:
 - (a) the objectives and outcomes sought through reconstruction and recovery efforts;
 - (b) the governance arrangements for the Commonwealth and Victoria to work together in the reconstruction and recovery effort;
 - (c) the roles and responsibilities of the Parties, including the Australian Government Reconstruction Inspectorate, which is responsible for the oversight of reconstruction and recovery efforts; and
 - (d) the arrangements for both reporting on, and the auditing of the expenditure devoted to, the reconstruction and recovery effort.
4. This Agreement will be implemented consistently with the objectives and outcomes of all National Agreements and National Partnership Agreements agreed by the Parties. This Agreement will also be implemented consistently with the National Strategy for Disaster Resilience agreed by the Parties. In particular, the Parties are committed to addressing the issue of social inclusion, including responding to Indigenous disadvantage (for example, the reform commitments provided in the National Indigenous Reform Agreement) and those commitments are embodied in the objectives and outcomes of this Agreement.

Part 1 – Formalities

Parties to this Agreement

5. This Agreement is between the Commonwealth of Australia (the Commonwealth) and the State of Victoria (Victoria).

Term of the Agreement

6. This Agreement will commence as soon as the Commonwealth and Victoria sign it, and will expire on 30 June 2014 or on completion of the projects outlined in the Schedules, including acceptance of final performance reporting and processing of final payments against project milestones. The Agreement may be terminated earlier or extended as agreed in writing by the Parties.

Enforceability of the Agreement

7. The Parties do not intend any of the provisions of this Agreement to be legally enforceable. However, that does not lessen the Parties' commitment to this Agreement.

Delegations

8. Commonwealth Ministers with portfolio responsibility for reconstruction and recovery, or their delegates, are authorised to agree Schedules, including Implementation Plans, to this Agreement. The Ministers or their delegates are also authorised to agree any amendments to Schedules on behalf of the Commonwealth.
9. Respective Ministers with portfolio responsibility for reconstruction and recovery, or their delegates, are authorised to agree Schedules, including Implementation Plans, to this Agreement. The respective Ministers or their delegates are also authorised to agree any amendments to Schedules on behalf of their State.

Interpretation

10. For the purposes of this Agreement:
 - (a) "floods" means floods for which NDRRA assistance was activated in early 2011;
 - (b) "flood-affected communities" means communities directly affected by the 2011 floods in Victoria as per the NDRRA activations; and
 - (c) "flood recovery work plan" means the collection of major projects developed by Victoria, and agreed with the Commonwealth, for reconstruction and/or recovery following the 2011 Victorian floods. The flood recovery work plan will be attached in a Schedule to this Agreement.

Part 2 – Objectives, Outcomes and Outputs

Objectives

11. This Agreement will contribute to the reconstruction and recovery of communities affected by the 2011 floods in Victoria.

Outcomes

12. This Agreement will contribute to the following specific outcomes in flood-affected communities:
 - (a) repair of damage to essential public assets as a result of the floods;
 - (b) replacement or restoration of essential public assets;
 - (c) support for the recovery of communities and local economies severely affected by the floods; and
 - (d) assisting communities to be more resilient for future disasters, in keeping with the objectives of the NDRRA and the National Strategy for Disaster Resilience.

Outputs

13. Victoria will develop a Flood Recovery Work Plan in consultation with the Commonwealth, which will form a Schedule to this agreement. The Flood Recovery Work Plan will:
 - (a) provide information on Victorian procurement policies;
 - (b) outline a set of projects to assist with reconstruction and/or recovery in Victoria; and
 - (c) outline project plans and strategies for projects over \$5 million.
14. The projects under the Work Plan will target the following priority areas:
 - (a) *reconstruction*: supporting communities to rebuild major essential public assets;
 - (b) *people and communities*: assistance and services to support individuals and communities to manage their own recovery; and
 - (c) *the economy*: recovery packages to support business and employment in flood-affected areas.
15. The Flood Recovery Work Plan should build on the planning work undertaken by Regional Development Australia (RDA) committees and local governments to ensure a strategic approach to reconstruction and recovery efforts, incorporating the principles of local input and leverage across all three tiers of government as well as the private and not-for-profit sectors.
16. The Flood Recovery Work Plan will be agreed between Victoria and the Commonwealth and attached to this Agreement as a Schedule. Victoria will be responsible for monitoring and reporting on progress against the Work Plan. The Commonwealth and Victoria may agree to amend the Work Plan to reflect changed circumstances as necessary.

Part 3 – Roles and Responsibilities of Each Party

Role of the Commonwealth

17. The Commonwealth agrees to be accountable for the following roles and responsibilities:
- (a) providing a financial contribution in respect of its obligations under the NDRRA to Victoria to support the implementation of this Agreement;
 - (b) developing the Schedules to this Agreement in consultation with Victoria; and
 - (c) monitoring and assessing performance in the delivery of activities under this Agreement to ensure that outputs are delivered and outcomes are achieved within the agreed timeframe.

Role of Victoria

18. Victoria agrees to be accountable for the following roles and responsibilities:
- (a) developing the Schedules to this Agreement in consultation with the Commonwealth;
 - (b) delivering on outcomes and outputs assigned to Victoria for implementation; and
 - (c) monitoring and assessing performance in the delivery of activities under this Agreement.

Shared roles and responsibilities

19. The Parties will meet the requirements of Schedule E, Clause 26 of the Intergovernmental Agreement on Federal Financial Relations, by ensuring that prior agreement is reached on the nature and content of any events, announcements, promotional material or publicity relating to activities under this agreement and the associated Flood Recovery Work Plan, and that the roles of both parties will be acknowledged and recognised appropriately.
20. Both Parties agree to the following roles and responsibilities:
- (a) promoting arrangements that will provide for the performance of bodies directly involved in the expenditure of NDRRA funding for flood reconstruction and recovery activities to be audited under the arrangements in clause 24 and 25 below; and
 - (b) sharing relevant information and documentation to allow the use of NDRRA funding to be tracked from its source to the point of final expenditure and/or final recipient.

Part 4 – Performance Monitoring and Reporting

21. Under the NDRRA, Victoria is required to provide independently-audited financial statements to support any claim under the NDRRA, including the requirement to substantiate spending against any advance payments. These statements are to be audited by the Victorian Auditor-General, consistent with NDRRA guidelines.
22. Victoria and the Commonwealth will agree the form and content of reporting. Given the extraordinary impact of the floods – the most severe floods on record for large swathes of the State – the consequent devastation of whole towns and regions, and the extent of the subsequent recovery and reconstruction efforts, reporting will operate monthly for a period of six months. The frequency and the form of reporting thereafter to be agreed in the light of the milestones and projects specified in the Flood Recovery Work Plan. Victoria and the Commonwealth acknowledge that the circumstances of this Agreement provide a clear need for reporting arrangements that are particular to this Agreement.
23. Victoria will report to the Commonwealth on:
 - (a) progress against the Flood Recovery Work Plan and in meeting project milestones and outcomes as specified;
 - (b) progress with expenditure under the NDRRA, including advice on the level of expenditure in key areas of the reconstruction effort;
 - (c) revisions to estimates of costs; and
 - (d) progress against the recovery plans of the most severely affected communities as agreed by Victoria and the Commonwealth, including the extent to which milestones are being achieved.
24. Both Parties will share relevant information on respective responsibilities in this agreement on at least a monthly basis and/or for the purposes of the Senior Officials Coordination Group.
25. The parties recognise that each jurisdiction's Auditors-General have the responsibility for auditing all public sector entities, including departments, statutory bodies and local governments within that jurisdiction.
26. Victoria will propose the Victorian Auditor-General explore with the Commonwealth Auditor-General an agreed audit plan that would provide the capacity for Commonwealth funding under the National Partnership Agreement and the NDRRA to be audited from its source to the point of final expenditure and/or final recipient through a complementary approach to performance audits. The audit plan will determine the scope, timing and frequency of any audits relating to Commonwealth expenditure, and the arrangements for the provision of the underlying information used to support the findings in audits conducted under the agreed audit plan.

Part 5 – Financial Arrangements

27. The Commonwealth will provide financial assistance to Victoria for flood recovery and reconstruction activities as provided for under the provisions of the NDRRA. This includes an advance payment of \$500m to Victoria under the Commonwealth's NDRRA obligations.

28. Any new proposals for assistance (for example, falling under Category D of the NDRRA, or non-NDRRA items) will need to be proposed to the Prime Minister, consistent with the *Principles Related to Proposals for Additional Natural Disaster Assistance*, set out in Schedule A to this Agreement. The Commonwealth will consider any such proposals through normal Cabinet processes.

Part 6 – Governance Arrangements

Commonwealth Arrangements

29. The Commonwealth National Disaster Recovery Cabinet Sub-Committee will report on progress to the Prime Minister.
30. The Commonwealth Minister for Regional Australia, Regional Development and Local Government, as Deputy Chair of the National Disaster Recovery Cabinet Sub-Committee, will be responsible for coordination of Commonwealth Ministerial involvement in Victorian flood recovery and reconstruction efforts.
31. The Commonwealth will establish an Australian Government Reconstruction Inspectorate (the Inspectorate) to oversee the reconstruction activity to provide assurance that value for money is being achieved in the expenditure of Commonwealth funds during the reconstruction phase. The Inspectorate will:
 - (a) report to the Prime Minister;
 - (b) work closely with the established processes within Victoria and provide an additional level of check and balance for the expenditure of funds; and
 - (c) not replicate the function or responsibilities of decision-making or statutory bodies.
32. The Commonwealth and Victoria will develop operating protocols for the Inspectorate, setting out how the Inspectorate will interact with other Commonwealth and State bodies involved in reconstruction activity, as soon as is practicable after the Inspectorate's establishment.
33. A Commonwealth National Disaster Recovery Taskforce ('the Taskforce') will be established and located in the Department of Regional Australia, Regional Development and Local Government (DRARDLG). Its work will be guided by a steering committee chaired by the Secretary of the DRARDLG, and include the Secretaries of the Attorney-General's Department, Department of Infrastructure and Transport, Department of Finance and Deregulation (DoFD), the Treasury and the Associate Secretary, Domestic Policy, Department of the Prime Minister and Cabinet.

Victorian Arrangements

34. The Victorian Flood Recovery Cabinet Taskforce (the Cabinet Taskforce), chaired by the Premier, will provide strategic oversight of Victoria's flood recovery efforts. The Cabinet Taskforce has oversight of all flood recovery funding proposals and will prioritise them according to need.

35. The Victorian Secretaries' Flood Recovery Group (FRG) will support the Cabinet Taskforce in overseeing and coordinating Victoria's flood recovery efforts. The FRG will be co-chaired by the Secretaries of the Victorian Departments of Human Services and Primary Industries comprised of senior officials from Victorian departments.
36. To assist the Inspectorate in providing assurance that value for money is being achieved in the expenditure of Commonwealth funds during the reconstruction phase, the Victorian Government will seek the views of the Inspectorate on proposed project plans and strategies for projects over \$5 million.

Coordination between the Parties

37. The Commonwealth Minister for Regional Australia, Regional Development and Local Government, in his capacity as Deputy Chair of the Commonwealth National Disaster Recovery Cabinet Sub-Committee, will be the first point of contact for the Cabinet Taskforce to facilitate good communication between the Victorian and Commonwealth bodies. This communication will not replace the need for the normal process of Categories C and D requests for assistance under the NDRRA to be provided from the Premier to the Prime Minister.
38. A Senior Officials Coordination Group will be responsible for promoting good coordination between the Victorian FRG and the Commonwealth's National Disaster Recovery Taskforce. It will include representatives from the Commonwealth Taskforce; the Department of Regional Australia, Regional Development and Local Government; the Victorian FRG; and the Victorian Department of Premier and Cabinet.

Dispute resolution

39. Any Party may give notice to other Parties of a dispute under this Agreement.
40. Officials of relevant Parties will attempt to resolve any dispute in the first instance.
41. If a dispute cannot be resolved by officials, it may be escalated to the relevant Ministers.
42. If a dispute cannot be resolved by the relevant Ministers, it may be referred by a Party to the Prime Minister and relevant Premiers.

Review of the Agreement

43. The Agreement will be reviewed within 12 months of signing, or earlier as agreed by the Prime Minister and the Premier of any Party. It will then be reviewed annually with regard to progress made in achieving the agreed outcomes.

Variation of the Agreement

44. The Agreement may be amended at any time by agreement in writing by all the Parties.
45. A Party to the Agreement may terminate their participation in the Agreement at any time by notifying all the other Parties in writing.

National Partnership Agreement for Victorian Flood Reconstruction and Recovery

The Parties have confirmed their commitment to this agreement as follows:

*Signed for and on behalf of the Commonwealth of
Australia by*

The Honourable Julia Gillard MP
Prime Minister of the Commonwealth of Australia

May 2011

*Signed for and on behalf of the
State of Victoria by*

A large, stylized handwritten signature in dark ink, likely belonging to Ted Baillieu, written over a light grey rectangular background.

The Honourable Ted Baillieu MLA
Premier of the State of Victoria

10 • May 2011

The Parties have confirmed their commitment to this agreement as follows:

*Signed for and on behalf of the Commonwealth of
Australia by*



The Honourable Julia Gillard MP
Prime Minister of the Commonwealth of Australia

9 May 2011

*Signed for and on behalf of the
State of Victoria by*

The Honourable Ted Baillieu MLA

Premier of the State of Victoria

May 2011

PRINCIPLES RELATED TO PROPOSALS FOR ADDITIONAL NATURAL DISASTER ASSISTANCE

(BEYOND EXISTING PROVISIONS OF CATEGORIES A, B AND C OF THE NATURAL DISASTER RELIEF AND RECOVERY ARRANGEMENTS)

A Framework for the Development and Consideration of Proposals

A1 The following principles are to guide the development and consideration of proposals:

- (a) Ensure that each level of government contributes appropriately to the funding needs, recognising that for large disaster events, the standard NDRRA provisions already provide that the Commonwealth funds the majority of State and local government costs for repairing/replacing eligible assets. Accordingly, a strong case showing the benefit to the Commonwealth and the States should be made, noting that contributions from States and local governments provide good incentives for high priority projects to be identified and, if approved, also provides incentives to obtain value for money in the management of the projects.
- (b) A higher level of government should not provide assistance until the lower level(s) of government have also done so, and their ability to provide further assistance has reached its limits.
- (c) Ensure that the structure of proposals and their funding arrangements do not undermine or distort the obligations on parties for security, business continuity or insurance—accordingly, proposals should not have the effect of providing a disincentive for individuals, businesses and governments to act prudently and responsibly in future.
- (e) Each proposal should demonstrate why it should be regarded as a relative priority for funding — proposals need to show why they are critical to recovery and are unable to be funded in an alternative and more cost-effective or equitable way, in particular, the case should explain why the proposal has not been, or could not be, considered for funding under the standard infrastructure programs of the Commonwealth and State/local governments.



Information Needed to Support Proposals Which Meet the Above Principles

A2 Taking these principles into account, proposals which are developed should address the following issues where possible:

- (a) Why does the Commonwealth government need to intervene in the way proposed?
 - i. What is the rationale for the proposal — issues to be addressed would include the scope for State and/or local government funding?
- (b) What are the options and their pros and cons?
 - i. Are they supported by a cost-benefit analysis (or at least a cost-effectiveness analysis)?
 - ii. What evidence can be presented that the proposal will be cost-effective, and represents value for money?
 - iii. Are they supported by commitments to mitigate future claims of the same kind, for example a commitment for specific improvements in land use policies, zoning rules, etc?
 - iv. Has the proposal been, or could it be, considered for funding under another program? If so, why was it not funded or not considered for funding under another program?
- (c) What is the fiscal impact of the options?
 - i. What is the cost — details of the costing assumptions and the basis for the costing calculations should be provided.
- (d) Implementation arrangements
 - i. Issues to be addressed may include governance, management of risks and mechanisms to provide assurance on obtaining value for money.