

Framework Proposal for Betterment

The National Partnership Agreement (NPA) between the State of Queensland and the Commonwealth signed on 8 February 2013 recognised the need for Betterment to be a more streamlined process.

'The parties will agree a framework for proposals for changes to betterment arrangements in relation to the January 2013 events within two weeks of execution of this Agreement. A Schedule of the Agreement will detail the scope, criteria and other elements for the operation of any such agreed framework.'

[Paragraph 51 National Partnership Agreement for Natural Disaster Reconstruction and Recovery 8 February 2013]

1 What is Betterment

Betterment of an essential public asset was introduced to the Natural Disaster Relief and Recovery Arrangements (NDRRA) in 2007 to reduce recovery and rebuilding costs and encourage increased disaster-resilience in essential public assets. While the previous betterment arrangements have existed since 2007, the process has been cumbersome and has resulted in no assets receiving betterment funding since its introduction into the NDRRA Determination. The betterment provision allows State and Territory (State) governments to restore or replace essential public assets to a more disaster resilient standard than their pre-disaster standard. The intent of betterment is to increase the resilience of Australian communities to natural disasters, while at the same time reducing future expenditure on asset restoration, reducing incidents, injuries and fatalities during and after natural disasters, and improving asset utility during and after natural disasters.¹

2 What assets can be included in Betterment

The NPA limits the use of the funding to assets damaged in the 2013 events. The assets must also be an Essential Public Asset.

2.1 Meaning of Essential Public Asset

*An **essential public asset** is an asset of an eligible undertaking that the state considers and the Commonwealth agrees:*

- a) is an integral and necessary part of the state's infrastructure which is associated with health, education, transport, justice or welfare; and*
- b) would, if lost or damaged, severely disrupt the normal functioning of a community; and*
- c) would, if lost or damaged, be restored or replaced as a matter of urgency.*²

¹ Source: Guideline 7 Commonwealth *NDRRA Determination 2012*

² Source: Commonwealth *NDRRA Determination 2012* Section 3.6.1

3 What costs are eligible for Betterment

Betterment costs mean the difference between the cost of restoring or replacing an essential public asset to its pre-disaster standard, and the cost of restoring or replacing the asset to a more disaster-resilient standard.³

The normal cost of restoration will be claimable under Category B of NDRRA and the marginal cost of betterment will be claimed under Betterment.

To illustrate, if a proposal is prepared for an asset with a restoration option costed at \$5 million and a betterment option costed at \$7 million, the betterment component would be (\$7 million minus \$5 million) = \$2 million.

4 Who is eligible to receive Betterment funding

While Betterment is available to all disaster declared events, the current framework in relation to the betterment fund will apply to 2013 events. The current betterment fund is open to Local Government Authorities (LGAs) that have been declared for NDRRA assistance for the 2013 events as outlined in the NPA. The LGAs must have damage to an essential public asset as defined in section 2.1. Council is encouraged to nominate assets owned by State or Council for betterment, although at this stage the Commonwealth has excluded State assets from this process.

5 Assessment criteria for funding

The current assessment process is detailed below and will be utilised in the assessment of the project. Additional requirements are also identified within this section.

5.1 The current NDRRA submission process⁴

The submission process is divided into four phases that the applicant follows to make a submission for funding and to receive funding:

- Phase 1: Prepare submission
- Phase 2: Detailed planning
- Phase 3: Undertake project – monitor and report on project milestones; submit progress claims
- Phase 4: Project acquittal – finalise claim.

5.1.1 Phase 1: Prepare submission

Applicants lodge a submission with the Queensland Reconstruction Authority (the Authority) including a Value for Money (VfM) statement.

The Authority will assess the application is consistent with the NDRRA Determination and the requirements of the NPA and will approve the submission if it satisfies the following:

- Completeness – all required information is included;
- Eligibility – the project is eligible for NDRRA ; and

³ Source: Guideline 7 Commonwealth NDRRA Determination 2012

⁴ Refer to Submission Guides available on QRA website

- Value for Money – VfM has been adequately considered and the project is likely to achieve VfM.

5.1.2 **Phase 2: Update submission (if material changes)**

Once a submission is approved, if there are material changes, applicants will provide updated project information. This additional information may include changes that occurred during the procurement stage of the project, such as contract price. This information will be used by the Authority to monitor project implementation.

5.1.3 **Phase 3: Undertake project**

Throughout project delivery, as project milestones are achieved or material issues identified (either by the applicant or the Authority), applicants will be required to provide progress reports. These reports will either be programmed on a pre-agreed basis, or at the achievement of a significant project milestone (eg 50% completion) for which a progress payment is sought, or if there is an emerging scope, timing or project cost issue. The intent of periodic progress reporting is to report in detail only where projects are not performing as planned.

5.1.4 **Phase 4: Project acquittal – finalise claim**

At the completion of the project, applicants will provide a final report which may be linked to a final progress payment. The report will include evidence that the project has been completed as agreed with the Authority. This includes a VfM Outcomes Report which assesses outcomes against the approved VfM Statement. Once the final claim has been approved, the Authority will issue a project completion notification to the applicant. The final acquittal procedures will be conducted in accordance with existing NDRRA processes.

Final payment of up to 10% of the actual project costs will be made once the Final Report has been received and the Authority is satisfied that:

- the disaster recovery works have been validly completed in line with eligible scope; and
- VfM outcomes have been achieved.

5.2 **Additional requirements for Betterment process**

The following additional detail will be required in assessing the betterment component:

5.2.1 **General information**

This information should include the disaster event, the current submission number and general description of the current asset

5.2.2 **Eligibility of asset**

The proposal should ensure the current eligibility and the estimated cost of the eligible restoration as required under NDRRA.

5.2.3 **Betterment proposal**

The proposal should detail the treatment proposed to increase resilience and the proposed engineering solution at a preliminary stage.

5.2.4 **Proposed estimate of Betterment**

The proposal should provide preliminary estimate of the proposed betterment solution, to allow an assessment of VfM and the increase in marginal cost or betterment value.

5.2.5 **Benefit analysis**

The benefit analysis should include the financial and non-financial benefits of the proposal. This may include possible prior damage, loss of availability and its impact on economic or social factors of the community/ State/ Commonwealth and other relevant information.

The assessment will be carried out by the Authority as part of the normal assessment of NDRRA submissions. The Authority will assess the proposed betterment treatment and make a recommendation to the State and/or Commonwealth. Where a threshold is breached i.e. marginal cost greater than \$2million contribution by State and Commonwealth, the assessment would be completed as a joint assessment between the State and Commonwealth.

6 Distribution of funds

An Expression of Interest (Eoi) will be called and required to be submitted no later than 16 April 2013. The Eoi form requests a list of projects, estimate restoration and betterment cost. Where Council has a priority or shovel ready project, additional information can be supplied on the Betterment Form to accelerate the assessment and approval process.

7 Governance and delegation approvals

It is recommended that the betterment fund will have two thresholds to ensure strong governance arrangements are maintained. The approval thresholds will only relate to the marginal increase in cost that relates to the increased resilience of the asset and not the total cost of the project. The Queensland Minister for Local Government, Community Recovery and Resilience will have the ability to sign off the marginal cost to a maximum of \$2 million contribution of State and Commonwealth funds. Any additional resilience cost above \$2 million contribution will require approval of the State Cabinet Budget Review Committee in conjunction with the Commonwealth.

8 Notification and recognition

In line with paragraph 48 of the NPA, the approval of a submission would be notified to the Commonwealth Minister Assisting on Queensland Flood and Recovery, with joint media statements to be issued recognising the contribution by both parties.

9 Inspection and acquittal

The normal inspection and acquittal process would occur during the life of the project. The delivery entity would need to be able to report the cost of restoration and the additional cost of betterment.