

2015 Framework for Betterment

The Australian Government has agreed to a \$20 million Betterment Fund, “able to be used by local government authorities to improve the disaster resilience of non-State owned assets that were directly damaged as a result of Tropical Cyclone Marcia, and is additional to funding the Australian Government is already providing for the restoration of essential public assets under Category B of the NDRRA.”¹

This framework has been developed with regard to the Framework Proposal for Betterment agreed between the State of Queensland and the Commonwealth in 2013, which recognised the need for Betterment to be a more streamlined process.

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 used until 2013 was cumbersome and resulted in few assets receiving betterment funding.

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.²

2. Which assets can be included in Betterment for 2015?

The Australian Government approval limits the use of the funding to non-state owned assets directly damaged as a result of Tropical Cyclone Marcia. The assets must also be Essential Public Assets.

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.³

¹ Source: Emergency Management Australia, letter to the Queensland Reconstruction Authority dated 10 June 2015.

² Source: Australian Government NDRRA Determination 2012, Guideline 7

³ Source: Commonwealth NDRRA Determination 2012 Section 3.6.1

3. What are the costs that are eligible for Betterment?

Betterment costs are 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.⁴

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

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?

The Australian Government has limited the 2015 Betterment Fund to addressing direct impacts from Tropical Cyclone Marcia. The betterment fund is open to Local Government Authorities (LGAs) that have been activated for NDRRA assistance for Tropical Cyclone Marcia. The LGAs must have damage to an essential public asset as defined in section 2.1. The Commonwealth has excluded State assets from this process.

5. Assessment criteria for funding

The 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 process

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

- Phase 1: Submission preparation and approval
- Phase 2: Detailed design and procurement
- Phase 3: Project delivery – 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 will approve the submission if it satisfies the following:

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

⁴ Source: Australian Government NDRRA Determination 2012, Guideline 7

- Value for Money – VfM has been adequately considered and the project is likely to achieve VfM
- Betterment – the project demonstrates that increased disaster resilience has been incorporated into the final design.

5.1.2 Phase 2: Detailed design and procurement / update submission (if material changes)

Once a submission is approved, if there are material changes following detailed design and procurement, 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 per cent 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 2015 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 prior natural disaster damage to the asset, 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 recommendations to the State.

6. Distribution of funds

An Expression of Interest (EoI) will be distributed to eligible LGAs and applications will be required to be submitted no later than 31 August 2015. 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

The Queensland Minister responsible for reconstruction (currently the Deputy Premier, Minister for Transport, Minister for Infrastructure, Local Government and Planning and Minister for Trade) will have the ability to sign off the marginal betterment cost, based on an assessment and recommendation from the Authority.

8. Notification and recognition

In line with Guideline 8 of the Australian Government's NDRRA Determination, all NDRRA funding announcements are to be joint Commonwealth/state or territory media announcements. This includes:

- initial and subsequent media releases announcing funding
- essential public asset commencement, completion or significant milestone ceremonies or media events
- plaques and signage.

LGAs must notify their Federal Member of the House of Representatives in writing when there is an intention to undertake an essential public asset restoration or replacement project in their electorate (Determination clause 4.3.2).

9. Inspection and acquittal

The normal Authority 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.