Natural disaster financial assistance for local councils

## Advice regarding the replacement of essential public assets including betterment and enhancement

**Please note: SINCE MARCH/APRIL 2015, ANY BETTERMENT PROPOSALS ARE CONSIDERED INELIGIBLE UNDER THE NATURAL DISASTER FUNDING ARRANGEMENTS**

### Restoration or Replacement of Essential Public Assets

As a basic principle, the repair and reinstatement of certain essential public assets damaged as a direct result of a natural disaster should be designed to provide the most cost effective solution that complies with relevant Australian building, design and engineering standards.

Where this requires different materials or technology than the pre-existing assets, for example replacing a timber bridge with a concrete and steel bridge, this work will be eligible for reimbursement funding, to be cost-shared between the Commonwealth and Victorian Government.

### Betterment

Cost sharing for upgrading **essential** public assets to more resilient standards is also available and is known as betterment.

The ‘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. The betterment provision allows State and Territory 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]](#footnote-1).

### What assets can be included in a Betterment Application?

Under the NDRRA, an essential public asset has been defined as “an asset of an eligible undertaking that the state considers and the Commonwealth agrees:

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

Examples of essential infrastructure are roads and bridges, culverts and storm water infrastructure.

### Examples of betterment projects

Examples of projects that might be considered for betterment funding could include:

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| * where the level of a flood-affected highway may potentially be raised for several kilometres
* relocating a particular road to an alternative location
 | * adding a further culvert when repairing a road damaged from a natural disaster, noting that there are no standards or guidelines on the number and/or size of culverts that the State must adhere to, as long as the increase in resilience and a net benefit can be demonstrated
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### What costs are able to be included in a Betterment Application?

Costs that should be included in a Betterment Application will be 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.

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

For example, if a proposal is developed for an asset with a restoration option costed at $2 million and a betterment option costed at $5 million, the betterment component would be $3 million.

All costs directly associated with a betterment project, including the cost of designing and analysing the betterment component of the project, are regarded as eligible expenditure, subject to approval of the Betterment proposal by the Commonwealth and State Governments.

### Enhancement of assets

Where there has been an increase in functionality, capacity or aesthetics of an asset beyond that which existed prior to the emergency, this will be considered as enhancement rather than betterment (for example, additional lanes on a bridge) as it will not result in increasing the asset to a more disaster resilient standard. Enhancement is not eligible for reimbursement under the NDRRA and as such, costs associated with the enhancement component are required to be paid by the relevant authority responsible for the asset.

If an additional lane was added to the flood-affected highway example above, beyond what it had previously before the floods, only the original lanes will be eligible for NDRRA reimbursement. The additional lane will be considered to be improved ‘functionality’ and enhancing capacity rather than increasing the asset to a more disaster resilient standard. Costs associated with the original lanes will need to be kept separate from the improved ‘functional’ component in order to seek reimbursement. Costs associated with the enhancement of the asset will need to be paid by the relevant authority responsible for the asset as they are not eligible for reimbursement under the NDRRA.

### Pre-approval requirement for betterment projects from Commonwealth Government

The Victorian Government must obtain pre-approval from the Commonwealth Government before any betterment works are commenced following submission of a Betterment Proposal Application justifying the betterment project.

Applications for betterment must be completed using the Betterment Application Template. This is to be submitted to DTF for review and consideration prior to being submitted for approval under the Victorian Government Cabinet Budget and Expenditure Review Committee. If endorsed by the Victorian Government, the submission will be forwarded to the Commonwealth for assessment.

Approved betterment works will be shared on a one-third State Government, one-third Commonwealth Government and one-third Local Government basis if the asset is owned by local government, or on a 50:50 basis between the Commonwealth and State Government, if the asset is owned by the State.

Approved costs associated with betterment will be able to be submitted in a claim in the Automated Claims Management System (ACMS).

### Applications are to be provided to:

NDFA Team, Department of Treasury and Finance (03) 9651 2327

The following link provides access to the Betterment Application Form for local councils to complete:

<http://www.dtf.vic.gov.au/Victorias-Economy/Natural-disaster-financial-assistance>

1. Guideline 7 Commonwealth NDRRA Determination 2012 [↑](#footnote-ref-1)