



FINANCIAL AUDIT

1 JUNE 2023

Natural disasters

NEW SOUTH WALES AUDITOR-GENERAL'S REPORT

THE ROLE OF THE AUDITOR-GENERAL

The roles and responsibilities of the Auditor-General, and hence the Audit Office, are set out in the *Government Sector Audit Act 1983* and the *Local Government Act 1993*.

We conduct financial or 'attest' audits of state public sector and local government entities' financial statements. We also audit the Consolidated State Financial Statements, a consolidation of all state public sector agencies' financial statements.

Financial audits are designed to add credibility to financial statements, enhancing their value to end-users. Also, the existence of such audits provides a constant stimulus to entities to ensure sound financial management.

Following a financial audit the Audit Office issues a variety of reports to entities and reports periodically to Parliament. In combination, these reports give opinions on the truth and fairness of financial statements, and comment on entity internal controls and governance, and compliance with certain laws, regulations and government directives. They may comment on financial prudence, probity and waste, and recommend operational improvements.

We also conduct performance audits. These examine whether an entity is carrying out its activities effectively and doing so economically and efficiently and in compliance with relevant laws. Audits may cover all or parts of an entity's operations, or consider particular issues across a number of entities.

As well as financial and performance audits, the Auditor-General carries out special reviews, compliance engagements and audits requested under section 27B(3) of the *Government Sector Audit Act 1983*, and section 421E of the *Local Government Act 1993*.



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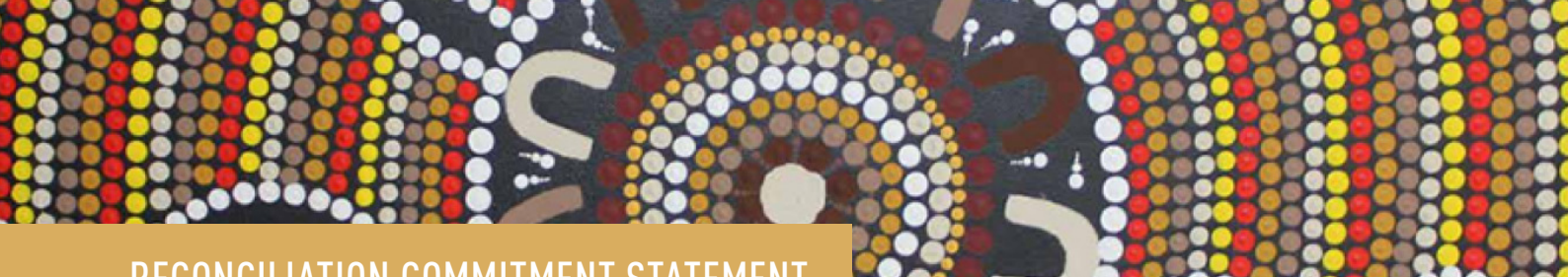
In accordance with section 52B of the *Government Sector Audit Act 1983*, I present a report titled '**Natural disasters**'.

A handwritten signature in black ink, appearing to read 'Margaret Crawford'.

Margaret Crawford

Auditor-General for New South Wales
1 June 2023

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RECONCILIATION COMMITMENT STATEMENT

The Audit Office of New South Wales pay our respect and recognise Aboriginal people as the traditional custodians of the land in NSW.

We recognise that Aboriginal people, as custodians, have a spiritual, social and cultural connection with their lands and waters, and have made and continue to make a rich, unique and lasting contribution to the State. We are committed to continue learning about Aboriginal and Torres Strait Islander peoples' history and culture.

We honour and thank the traditional owners of the land on which our office is located, the Gadigal people of the Eora nation, and the traditional owners of the lands on which our staff live and work. We pay our respects to their Elders past and present, and to the next generation of leaders.

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1. Introduction

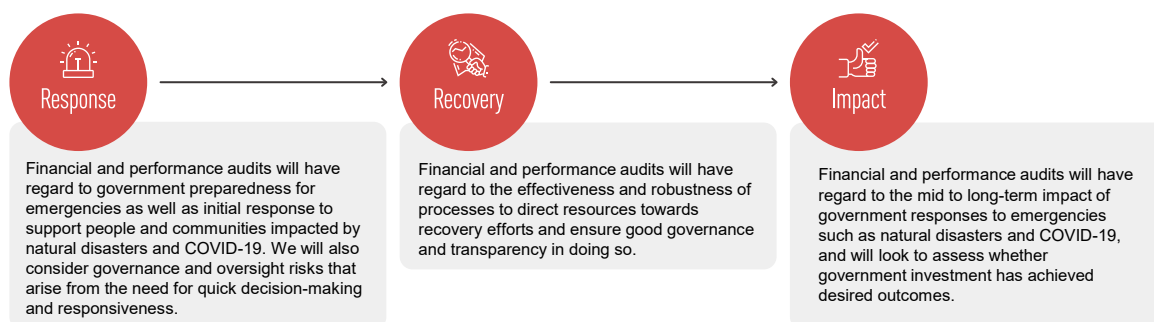
1.1 About this report

Natural disasters continue to have a significant impact on people, property, and the public sector of New South Wales. Significant resources have been directed towards responses and economic recovery. The scale of government responses to these events has been significant and wide-ranging involving emergency response coordination, service delivery, governance, and policy.

Our 2022–25 [Annual Work Program](#) outlines our continued focus on providing assurance on how effectively aspects of government responses have been delivered. A series of performance audits related to natural disasters and climate change have been completed or are in progress or planned:

- Managing climate risks to assets and services, September 2021
- Local government business and service continuity arrangements for natural disasters, February 2022
- Planning and managing bushfire equipment, February 2023
- Bushfire recovery grants, February 2023
- Flood recovery, in progress
- Coastal management, planned.

We will take a phased approach to ensuring that our work addresses the following elements of the emergencies and government responses:



Source: Auditor-General's 2022–25 Annual Work Program.

Key service delivery and emergency services agencies have had to respond to natural disasters during 2021–22, including the severe weather conditions in Northern NSW. This across-the-board report will consider the financial implications of these events. The information is primarily drawn from our financial audits for the year ended 30 June 2022 and focuses on the agencies in each cluster which were integral to the response and impact of natural disasters.

1.2 About natural disasters

Natural hazards are natural processes that may cause loss of life, injury or other adverse impacts. They become natural disasters when the hazards interact with people and things of value, and when impacts exceed the ability of communities and other systems to avoid, cope or recover from them.

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) and the Bureau of Meteorology (BoM) have reported the increase in frequency and intensity of extreme weather across Australia, and there have been longer term changes to weather patterns. They also report sea levels are rising around Australia, increasing the risk of inundation and damage to coastal infrastructure and communities.

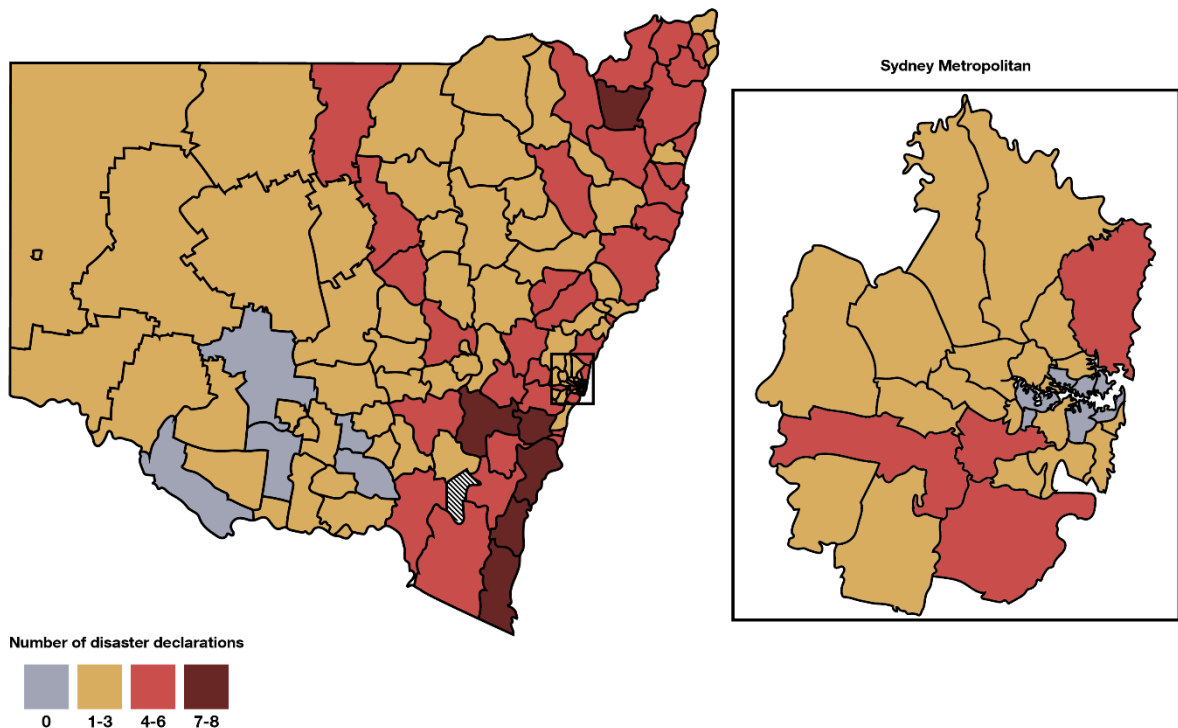
According to the Department of Planning and Environment, in New South Wales the impacts of a changing climate, and the risks associated with it, will be felt differently across regions, populations and economic sectors. The department's climate projections indicate the number of hot days will increase, rainfall will vary across the state, and the number of severe fire days will increase.

In New South Wales, a natural disaster is one or a combination of the following, naturally occurring, rapid onset events: bushfire, earthquake, flood, storm, storm surge, cyclone, landslide, tsunami, meteorite strike or tornado. The NSW Government is responsible for disaster response such as deploying emergency services and leading emergency relief and recovery efforts. Some of these responsibilities are delegated to local governments.

1.3 Natural disasters in New South Wales

The map below shows the number of natural disasters from July 2020 to June 2022 by local government area across New South Wales.

Natural disaster declarations by LGA



Source: NSW Department of Premier and Cabinet. These maps show the number of disaster declarations and the colours do not indicate the severity of natural disaster impacts on LGAs.

When a natural disaster is declared, affected communities can access a range of special assistance measures such as grants to restore public infrastructure and other relief grants for individuals, families and households.

There were 29 natural disasters declared during the past two financial years. According to the Australian Bureau of Meteorology, the return of La Niña in September 2020 has influenced the weather patterns leading to severe flooding in New South Wales, especially Northern New South Wales.

Many local government areas (LGAs) were impacted by multiple separate events. Over the past two financial years, the most significant events which impacted the most LGAs were:

- 10 March 2021: storms and flooding across 78 LGAs
- 9 November 2021: severe weather and flooding across 61 LGAs
- 22 February 2022: severe weather and flooding across 62 LGAs
- 27 June 2022: severe weather and flooding across 51 LGAs
- 14 September 2022: flooding across 75 LGAs.

The Bureau of Meteorology has identified October through to April as the highest risk period for storms. The table below defines some of the different types of natural disasters.

Natural disaster type	Definition
Severe weather	The Bureau of Meteorology issues warnings whenever severe weather is occurring in an area or is expected to develop or move into an area. The warnings describe the area under threat and the expected hazards. They are issued for: • sustained winds of gale force (63 km/h or more) • wind gusts of 90 km/h or more • very heavy rain that may lead to flash flooding • abnormally high tides (or storm tides) expected to exceed highest astronomical tide • unusually large surf waves expected to cause dangerous conditions on the coast • widespread blizzards in Alpine areas.
Storm	Thunderstorms which produce any of the following are classified as severe: • large hail (2 cm in diameter or greater) • damaging wind gusts (90 km/h or greater) • tornadoes • heavy rainfall conducive to flash flooding.
Flooding	A flood is an overflow of water beyond the normal limits of a watercourse. Flooding occurs when water extends over what is usually dry land. This can happen when it escapes from a natural watercourse, such as a lake, river or creek. It can also happen when water is released from a reservoir, canal or dam.

Source: Audit Office collated from Bureau of Meteorology and NSW State Emergency Service.

1.4 Framework and plans for natural disaster management

There are several frameworks and strategies guiding national arrangements for natural disaster management including:

- National Disaster Risk Reduction Framework
- National Strategy for Disaster Resilience
- National Climate Resilience and Adaption Strategy
- Australian Disaster Preparedness Framework
- Australian Government Disaster Response Plan
- National disaster funding arrangements.

1.5 NSW legislative and governance framework for emergency management

The *State Emergency and Rescue Management Act 1989* (SERM Act) provides the foundation to the emergency management framework in New South Wales. The SERM Act requires a State Emergency Management Plan to ensure a coordinated response to emergencies by all agencies having responsibilities and functions in emergencies. The plan also outlines prevention, preparation, response and recovery. There are also sub plans to target specific hazards or events, such as the NSW State Flood Plan.

Some key hazard types are assigned to specific agencies through their enabling legislation such as the *Rural Fires Act 1997* and *Fire and Rescue NSW Act 1989*. The Governance chapter expands on the roles and responsibilities.

The Premier can declare a state of emergency in New South Wales under the SERM Act if satisfied there is an actual or imminent event which threatens people, animals, property, or essential services. There is other legislation, such as the *State Emergency Services Act 1989*, where no declaration is required for agencies to exercise emergency powers.

1.6 Australian Government support

The Australian Government provides funding to State and Territory governments to assist with response to natural disasters. Programs include:

- Disaster Risk Reduction Package (maximum \$27.1 million to NSW from 1 July 2020 to 30 June 2024)
- Disaster Recovery Allowance: short term income support to assist individuals whose income has been affected by a disaster
- Disaster Recovery Payment: one off \$1,000 per eligible adult and \$400 per child affected by a disaster
- Disaster Recovery Funding Arrangements: financial assistance to the states and territories for up to 75% of eligible expenditure on relief and recovery assistance.

In addition, the *Emergency Response Fund Act 2019* (the *Disaster Ready Fund Act 2019* from March 2023) allows the Australian Government to draw up to \$200 million in any given year, beyond what is already available to fund emergency response and natural disaster recovery and preparedness. On 26 August 2022, \$75 million from this fund was committed to NSW to invest in flood mitigation and infrastructure resilience programs. Councils and NSW Government agencies are the recipients tasked with completing these projects.

Australian Government provides non-financial assistance to state governments responding to natural disasters

The Australian Government Disaster Response Plan explains how state and territory governments can seek assistance from the Australian Government, where an affected jurisdiction cannot reasonably cope with the needs of the situation.

During 2021–22, the NSW State Emergency Service requested and received assistance from the Australian Defence Force to provide specialised response to the February 2022 severe weather and flooding events.

The 'National Defence: Defence Strategic Review 2023' (DSR) identified climate change as a national security issue. Defence is frequently required to assist in disaster relief efforts, which is claimed to negatively affect force preparedness, readiness and combat effectiveness. This review agreed in principle to the following:

- Commonwealth should work with states and territories to develop national resilience and response measures for adverse climate change at the local level without the need for Australian Defence Force support, except in the most extreme emergencies
- Defence should be the force of last resort for domestic aid to the civil community, except in extreme circumstances.

2. Governance

Section highlights

- Resilience NSW was abolished in December 2022.
- 36 councils did not identify climate change or natural disaster as a strategic risk.

2.1 Role of NSW agencies

Role of the former Resilience NSW

Resilience NSW was established as an executive agency of the Department of Premier and Cabinet on 1 May 2020 to coordinate the whole-of-government approach to disaster recovery, drive disaster preparedness across the state and support NSW communities to build resilience to future disasters.

Under the NSW Recovery Plan, Resilience NSW was responsible for providing support to the Minister for Emergency Services and Resilience and the State Emergency Recovery Coordinator (SERCON) by:

- providing senior leadership to facilitate whole-of-government coordination
- coordinating formal recovery processes at the direction of the SERCON. Coordination should prioritise locally led recovery but may include coordination at the regional or state level
- developing and maintaining recovery policies, plans and arrangements
- resourcing one or more Recovery Coordinator positions
- providing recovery management and operational expertise to Local and Regional Recovery Committees
- maintaining operational oversight and disseminating operational reports to key stakeholders
- preparing progress and other reports associated with recovery operations
- coordinating the analysis of impact and Recovery Needs Assessment data to inform operational and non-operational recovery planning
- monitoring and evaluating state-funded recovery programs
- implementing a lessons learnt management process at the end of a recovery operation
- providing a point of contact for Commonwealth Government agencies in relation to recovery issues and requests.

Abolishment of Resilience NSW in response to two inquiries into major flooding

A Legislative Council Select Committee was established in March 2022 to inquire into and report on the response to major flooding across New South Wales in 2022. The Committee found NSW State Emergency Service and Resilience NSW failed as lead agencies to provide adequate leadership and effective coordination during the major flooding of February-March 2022 and several subplans and local plans that were not up to date. For the detailed findings, please refer to the ['Response to major flooding across New South Wales in 2022'](#).

In March 2022, the NSW Government commissioned an independent inquiry to examine and report on the causes of, planning and preparedness for, response to, and recovery from the 2022 flood events across NSW. The inquiry found Resilience NSW did not perform as intended during the 2022 flood events, primarily due to the size and scope of its remit. The report highlighted there was inadequate focus on the agency's 'on-the-ground' operational response in helping people in need, delivering grants, leading the clean-up, and restoring access to essential services. The lack of preparedness and inadequate engagement and communication about its role and functions caused confusion in emergency management arrangements during the operational response and recovery. For the detailed findings, please refer to the [2022 NSW Flood Inquiry | NSW Government](#).

On 16 December 2022, Resilience NSW was abolished with staff moved to the NSW Police Force, the Department of Premier and Cabinet, the Department of Communities and Justice and the newly established NSW Reconstruction Authority.

Role and responsibilities of state agencies during natural disasters

The *State Emergency and Rescue Management Act 1989* (SERM Act) requires:

- a State Emergency Management Plan to ensure the coordinated response to emergencies by all agencies having responsibilities and function in emergencies
- a State Emergency Management Committee which consists of the State Emergency Operations Controller, the State Emergency Recovery Controller, the Commissioner of the State Emergency Service, the chief executive of Ambulance Service of NSW, the Commissioner of Fire and Rescue NSW, the Commissioner of Police, the Commissioner of NSW Rural Fire Service, and others as the Minister determines
- Regional Emergency Management Committees
- Local Emergency Management Committees.

Many NSW agencies get involved in the emergency response. The table below outlines some key agencies and their roles and responsibilities during emergency natural disaster event:

NSW State agency	Roles and responsibilities
State Emergency Service	- Protect persons from dangers and protect property from destruction or damage arising from floods, storms and tsunamis. - Act as the combat agency for dealing with floods and damage control for storms and to coordinate evacuating affected communities. - Deal with an emergency when directed by State Emergency Operations Controller. - Assist the State Emergency Operations Controller and State Emergency Recovery Controller in accordance with SERM Act. - Assist NSW Police Force, Fire and Rescue NSW, NSW Rural Fire Service or Ambulance Service of NSW in dealing with emergencies.
NSW Police Force	- Run the Emergency Operations Committees at state, region and local level. - Establish and oversee the Emergency Operations Centres at state, region and local level.
NSW Rural Fire Service	- Issue public warnings about bush fires and bush fire threats. - Provide advisory services on fire fighting and other matters within its expertise. - Deal with an emergency as directed by the State Emergency Operations Controller. - Carry out, by accredited brigades, rescue operations allocated by the State Rescue Board. - Assist the State Emergency Operations Controller and the State Emergency Recovery Controller in accordance with SERM Act. - Assist NSW Police Force, Fire and Rescue NSW, State Emergency Service or Ambulance Service of NSW in dealing with emergencies.
Fire and Rescue NSW	- Provide support to other agencies in response to emergency events. - Commissioner is a member of the State Emergency Management Committee.
NSW Maritime	Supports the State Emergency Service under the Flood Sub Plan.
NSW Department of Primary Industries	Responsible for emergency control and coordination arrangements in support of agriculture and animal resources during a flood.
Department of Customer Service	Administer grant and rebate programs.
Department of Premier and Cabinet	Coordinate and oversee disaster management, disaster recovery and building resilience.
Department of Regional NSW	Administer grant programs.

Source: Audit Office collated from legislation and 2022 Flood Inquiry.

The following changes have been made to the emergency response framework during the 2023 financial year:

- new Deputy Commissioner role created in the NSW Police Force to oversee and coordinate emergency services' response to future natural disasters right across the State
- NSW Reconstruction Authority created with a role dedicated to disaster prevention, preparedness, adaption, recovery, and reconstruction from natural disasters
- Recovery Coordinators appointed to manage clean up and repair efforts following significant flooding across the State.

2.2 Role of local councils

During and after natural disasters, local councils respond to the disasters and, under certain circumstances, support other emergency management agencies such as the Rural Fire Service, State Emergency Service and the NSW Police Force as outlined below.

Emergency management phase	Councils' role:	Councils' role in supporting emergency response agencies:
Prevention	- enterprise risk assessment and management - service provision under business as usual - implement risk controls to treat or mitigate the risk of disruptions (including from natural disasters)	- participate in Local Bushfire Management Committees and Local Emergency Management Committees (LEMC) - participate in local emergency management training exercises
Preparation	- business continuity planning - monitor and improve asset resilience	carry out preparation activities directed by the combat agency
Response	- enact a business continuity plan where relevant to guide decisions to maintain or suspend services - regular communication to residents, staff, stakeholders	- executive support to the Emergency Operations Centre (EOC) - incident management - carry out directed emergency management activities from emergency controllers (for example: evacuations) - direct support to first responders - where requested, supply of plant, equipment for LEMCs - communications on behalf of EOC
Recovery	- chair or coordinate recovery committees - coordinate or pass on state or federal support or recovery grants.	- participate in recovery committees - participate in lessons learned exercises.

Source: Auditor-General's report 'Local government business and service continuity arrangements for natural disasters - February 2022'.

In a declared state of emergency, councils may be required to follow directions of NSW public sector agencies and/or relevant local, regional or state emergency operations controller. Given their closeness to their communities, local councils play a key role in responding to local emergencies. Council employees may provide direct support to first responders during fires and floods, and assist in the recovery phase.

After the initial danger of a natural disaster has passed, councils repair or rebuild damaged infrastructure and assets, clean-up waste and debris, and assist impacted residents. In recent years, in part due to more severe and long-lasting natural disasters, councils have begun their recovery phase before the response phase has ended. Recovery and rebuilding may be costly and can take months or years to complete.

Local councils are entitled to reimbursement of eligible expenditure from various NSW Government agencies as outlined below.

Administration Agency	Reimburse local councils for eligible expenditure on:
Transport for NSW	• emergency works for roads and road infrastructure • immediate reconstruction works for roads and road infrastructure • essential public asset reconstruction works for roads and road infrastructure
NSW Public Works advisory	• emergency works for other public assets managed by local councils • immediate reconstruction works for other public assets managed by local councils • essential public asset reconstruction works for other public assets managed by local councils
NSW Environment Protection Authority	• waste levy for waste arising from natural disaster
NSW Reconstruction Authority (former Resilience NSW)	• disaster mitigation funding under the Disaster Recovery Funding Arrangements allocated to local councils
Department of Planning and Environment	• emergency works for essential public assets managed by Crown Reserve Trusts • immediate reconstruction works for essential public assets managed by Crown Reserve Trusts.

Source: NSW Disaster Assistance Guidelines 2021 issued by the former Resilience NSW.

2.3 Local council preparedness for natural disasters

Business continuity plans are a widespread mechanism used by organisations to ensure they are prepared to respond effectively to disruptions, such as natural disasters. Business continuity management involves developing, implementing and maintaining policies, frameworks and programs to assist an organisation to manage business disruptions. Plans should be tested regularly for continuous improvement and provide confidence it will be reliable during an actual event.

In accordance with *Government Sector Finance Act 2018*, accountable authorities must establish, maintain, and keep under review effective systems for risk management, internal control and assurance. Business continuity management is an important element of good governance. It forms part of an entity's overall approach to effective risk management, and can support the entity's capability to prevent, prepare for, respond to and manage recovery from the impacts of a disruption.

Similarly, all councils are required to appropriately assess and manage risks under the *Local Government Act 1993*.

The Department of Planning and Environment (DPE) published 'Risk Management and Internal Audit for Local Government in NSW' in December 2022. These guidelines are mandatory from 1 July 2024 and will require:

- the Audit Risk and Improvement Committee and internal audit to be responsible for the review of the effectiveness of business continuity arrangements, including business continuity plans, disaster recovery plans and the periodic testing of these plans
- risk management be a core responsibility of all senior management of council.

This is like the wording in 'TPP20-08 Internal Audit and Risk Management Policy for the General Government Sector'.

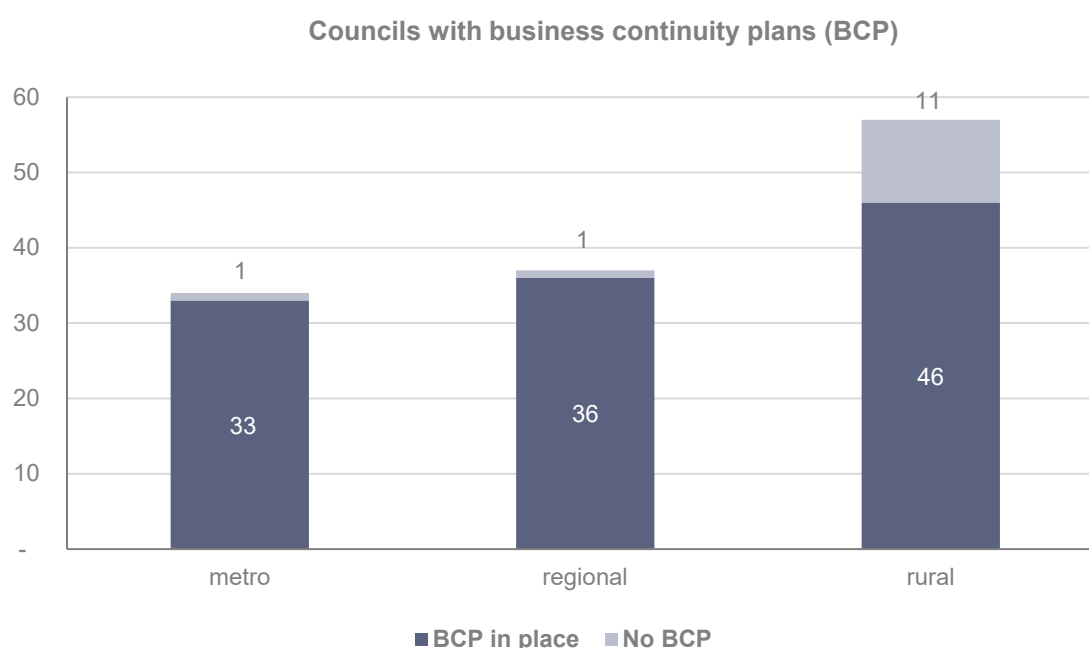
A crisis management plan outlines how your business will react if a crisis occurs. The plan should identify who will act and what their roles will be. The goal of a crisis management plan is to minimise damage and restore business operations as quickly as possible. Many organisations would include the crisis management plan within the business continuity and not have a separate plan.

One hundred and fifteen of the 128 councils have business continuity plans and 70 of these also have crisis management plans

Business continuity plans are in place at 115 of the 128 councils. Crisis management plans are in place at 70 councils.

In New South Wales, business continuity plans are widely used by local councils to help ensure continuity of service delivery, safety and availability of staff, availability of information technology systems and other systems, financial management and governance.

The graph below shows the number of councils with business continuity plans by council type.



The Auditor-General's report '[Local government business and service continuity arrangements for natural disasters](#)' assessed the effectiveness of approaches to business and service continuity arrangements for natural disasters of Bega Valley Shire Council and Snowy Valleys Council.

Thirty-six councils did not identify the risk of natural disasters despite 22 of these having at least one natural disasters during 2021–22

Thirty-six councils did not consider natural disasters or climate change to be a strategic risk despite 22 of these 36 councils having one or more natural disasters declared during 2021–22.

All councils are required to appropriately assess and manage risks under the *Local Government Act 1993*. All councils should have a structured risk management framework in place to identify any known and emerging risks they face and design and implement controls to manage these risks.

Risk management is the culture, process and structure to identify, assess and manage risk within an organisation. It sets the amount of risk an organisation is willing to take and provides valuable input to strategic and business planning. Risk management should be applied to operations, projects, processes, services, and key business decisions. A risk register identifies risks, the likelihood and consequence of a risk occurring, the actions you are taking to reduce those risks, including controls and who is responsible for managing them.

3. Financial Implications - NSW Government

Section highlights

- \$1.4 billion from a budget of \$1.9 billion was spent by the NSW Government in response to natural disasters during 2021–22.
- Budget underspent for temporary housing and small business support as lower than expected need.

3.1 Budget and financial impact

2021–22 budget response to natural disasters

The State's 2021–22 Budget included funding response to help communities recover from devastating impacts of drought, bushfires and floods.

Cluster	Funding response (spending over the next four years)
Customer Service	\$669 million for administering stimulus funds to individuals and businesses in response to the economic impacts of the COVID-19 pandemic and recent natural disasters via grant and rebate programs such as Return to Work, Small Business Fees and Charges rebate, Small Business Flood Disaster Recovery Grants and Accommodation Vouchers.
Premier and Cabinet*	\$789 million to coordinate and oversee disaster management, disaster recovery and build community resilience to future disasters across New South Wales, including: • \$370 million in disaster relief through the NSW Storm and Flood Recovery Package • \$16.5 million to establish a Bushfire and Natural Hazards Research and Technology Program.
Regional NSW	\$514 million to deliver the following recovery programs, targeting regional councils, businesses in driver industries and community organisations: • Bushfire Local Economic Recovery Package (\$178 million)** • Infrastructure and Jobs Acceleration Fund (\$100 million) • Drought Stimulus Package (\$76.1 million) • NSW Storm and Flood Clean-up (\$64.8 million) • Bushfire Local Industry Recovery Package (\$55.9 million) • Mouse Plague Response (\$40 million).
Stronger Communities	Recurrent and capital funding of key agencies with a role in responding to hazards and emergency incidents including Fire and Rescue NSW, Rural Fire Service and NSW State Emergency Service. In addition, \$193 million was allocated, as part of the Stage 2 response to the NSW Bushfire Inquiry.

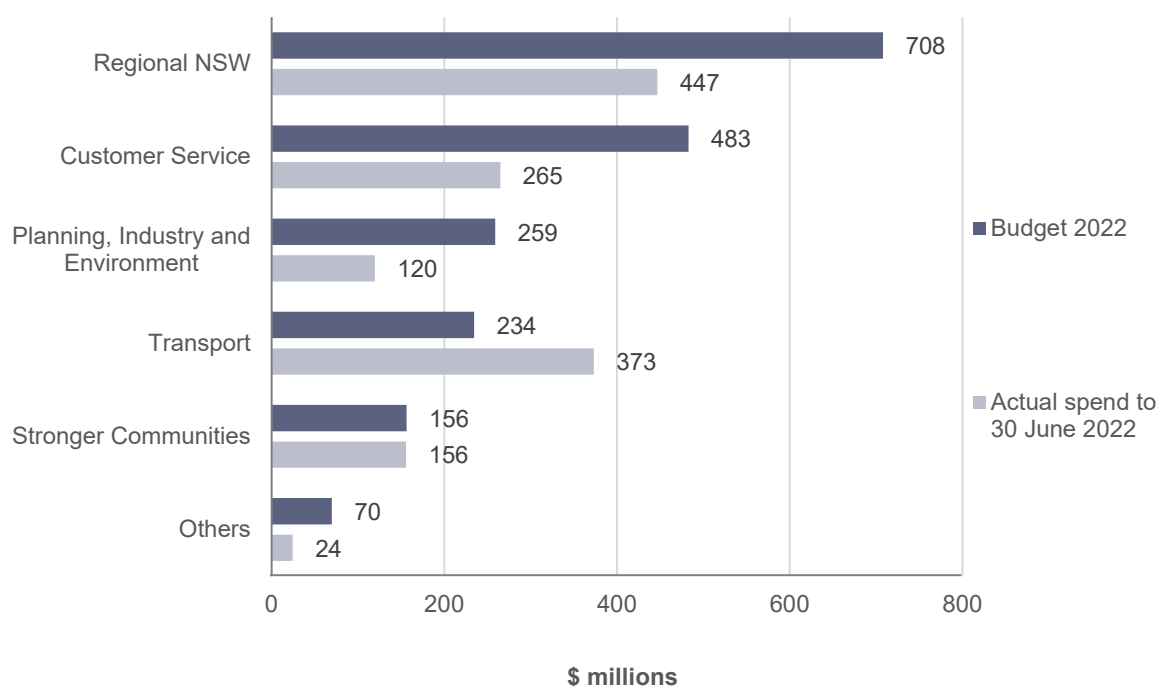
* Former Resilience NSW moved from Premier and Cabinet to Stronger Communities from 1 April 2022.

** Auditor-General report 'Bushfire recovery grants' assesses this program.

\$1.4 billion spent during 2021–22 responding to natural disasters

Over 2021–22, the NSW Government budgeted \$1.9 billion (\$725 million in 2020–21) to respond to natural disasters. The actual expenditure by the State on disaster response, over the same period, was \$1.4 billion, an increase of \$815 million. The graph below shows the total allocation and spend by cluster for 2022 financial year compared to their budgets.

Disaster response allocation and spend by cluster to 30 June 2022



Source: NSW Treasury. This data differs from 2021–22 budget due to subsequent decisions to respond to disasters and programs under Disaster Recovery Funding Arrangements which are not announced in budget papers.

Regional NSW incurred the bulk of natural disaster costs during 2021–22, \$447 million in actual costs compared to a budget of \$708 million. The lower actual costs were largely due to:

- \$123 million to respond to additional instances of mice plagues across the State, however no further costs were incurred this year
- \$65 million underspend on the Bushfire Local Economic Recovery Funding Program which was established to respond to the 2019–20 bushfires from August 2019 onwards
- \$24 million underspend on temporary accommodation housing packages provided after the February 2022 floods.

The Auditor-General's report '[Bushfire recovery grants](#)', found the Department of Regional NSW did not effectively administer the Fast-Tracked stream of this grant program.

The \$218 million underspend in Customer Service was largely due to lower than forecast costs after the severe weather and flooding event from February 2022 onwards, including:

- \$227 million underspend for lower than anticipated temporary rental accommodation support
- \$53 million underspend on payments relating to the Northern Rivers Business Support scheme for small businesses.

The amounts above were offset by \$62 million overspend on the 'Back Home' Grants Scheme which assists owners and tenants of properties in the most impacted local government areas with urgent household repairs, replacing essential household goods, or restoring housing to a habitable condition.

The Planning, Industry and Environment cluster spent \$139 million less than budget on disaster recovery costs. This was due to lower than expected spending for clean-up assistance after the March 2021 and February 2022 severe weather, storm and flood events. In addition, council grants for the February 2022 weather event were \$28 million less than budget.

The \$139 million overspend in the Transport cluster was largely due to general disaster repairs on the Greater Sydney, outer metropolitan, and regional roads network as well as repairs to rail infrastructure. These amounts were not tied to any one specific disaster event.

There is likely to be some lag between the natural disaster and the expenditure which may contribute to underspending in some clusters. A performance audit is planned to select aspects of the government's response to the recent flooding events in New South Wales.

Natural disaster spending \$1.1 billion in the six months since 1 July 2022

Spending on natural disasters continued into the 2022–23 financial year. It is funded through both the Disaster Recovery Funding Arrangements and budget appropriations. NSW Treasury provided data on actual spending from 1 July 2022 to 31 December 2022 with the most significant being:

- \$271 million to restore and repair roads and related infrastructure
- \$207 million grants to primary producers, farmers and other rural landholders
- \$204 million in grants to small business and communities
- \$194 million for temporary accommodation
- \$74.0 million for clean-up assistance
- \$52.1 million of council recovery grants
- \$45.2 million for immediate assistance and financial counselling.

2022–23 budget response to recover from the 2021–22 natural disasters

To help the community suffering from the 2022 severe weather and flooding, the NSW Government committed to the following initiatives in the State's 2022–23 budget:

Cluster	Funding response (spending over the next two to four years)
Stronger Communities	• \$2.1 billion to provide: – state and local government transport infrastructure resilience improvements and upgrades in the Northern Rivers – temporary housing assistance packages – recovery grants to primary producers and small businesses and not-for-profit organisations – critical infrastructure and housing priorities. • \$370 million in recurrent and \$29.5 million in capital expenditure including: – \$200.3 million for the former Resilience NSW, for Disaster Relief Account Supplementation to meet the expenditure requirements of existing disaster recovery programs – \$170.3 million and \$20.5 million capital expenditure for NSW Rural Fire Service – \$9 million for Fire and Rescue NSW for the replacement of bushfire firefighting tankers to boost critical bushfire fighting capabilities and improve firefighter safety. • \$114.6 million and \$18.1 million capital expenditure in response to the flood events and the 2021 Flood Events and Facilities Review.
Planning and Environment	\$148.4 million recurrent expenses to manage the clean-up and remove flood and storm-related damage, debris and green waste resulting from the February and March 2022 floods.

\$2.6 billion additional support for flood affected communities

Since the 2022–23 Budget, New South Wales experienced three further major storm and flood events. In response, the NSW and Australian Governments have jointly committed an additional \$2.6 billion to 2025–26 to support impacted communities and better prevent, prepare for, respond to, and recover from future natural disasters. This commitment is published in the '2022–23 Half-Yearly Review'. Key commitments include:

- \$1.1 billion in grants and support funding to communities, business and councils impacted by flood events throughout 2022
- \$800 million for the Resilient Homes Fund to improve the resilience of homes in high-risk flood areas
- \$500 million for Regional and Local Roads Repair Program to support local councils to repair flood-impacted roads
- \$199 million to implement recommendations from the Flood Inquiry including enhancing flood-rescue capability, supporting delivery of key disaster welfare functions and support for volunteers
- establishing NSW Reconstruction Authority to support communities to build greater resilience and rebuild and recover quickly from disasters.

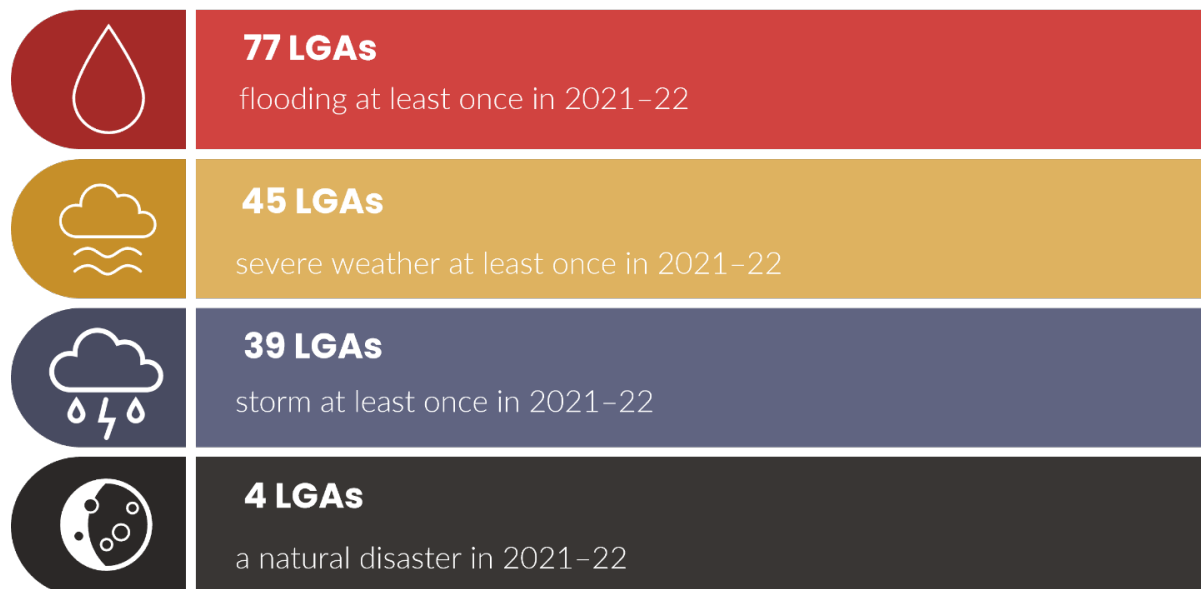
4. Implications - local government areas

Section highlights

- 83 local council areas were impacted by natural disasters during 2021–22, with 58 being impacted by more than one type of natural disaster.
- \$349 million damage to council infrastructure assets at 30 June 2022.

4.1 Natural disasters impact on local government areas

There were 83 out of 128 local government areas (LGAs) impacted by natural disasters during the 2021–22 financial year. 58 LGAs were impacted by more than one type of natural disaster.



Source: Based on data collected from NSW councils for 2021–22.

Disaster Recovery Funding Arrangements support for those impacted by recent floods and severe storms

The Disaster Recovery Funding Arrangements 2018 applies to reduce the burden of disasters on states and territories and provide urgent assistance to disaster affected communities. Under these arrangements the state or territory government determines which areas receive assistance and what assistance is available to individuals and communities.

The joint Commonwealth-State Disaster Recovery Funding Arrangements (DRFA) support local government areas (LGA) across NSW which are declared as disaster areas.

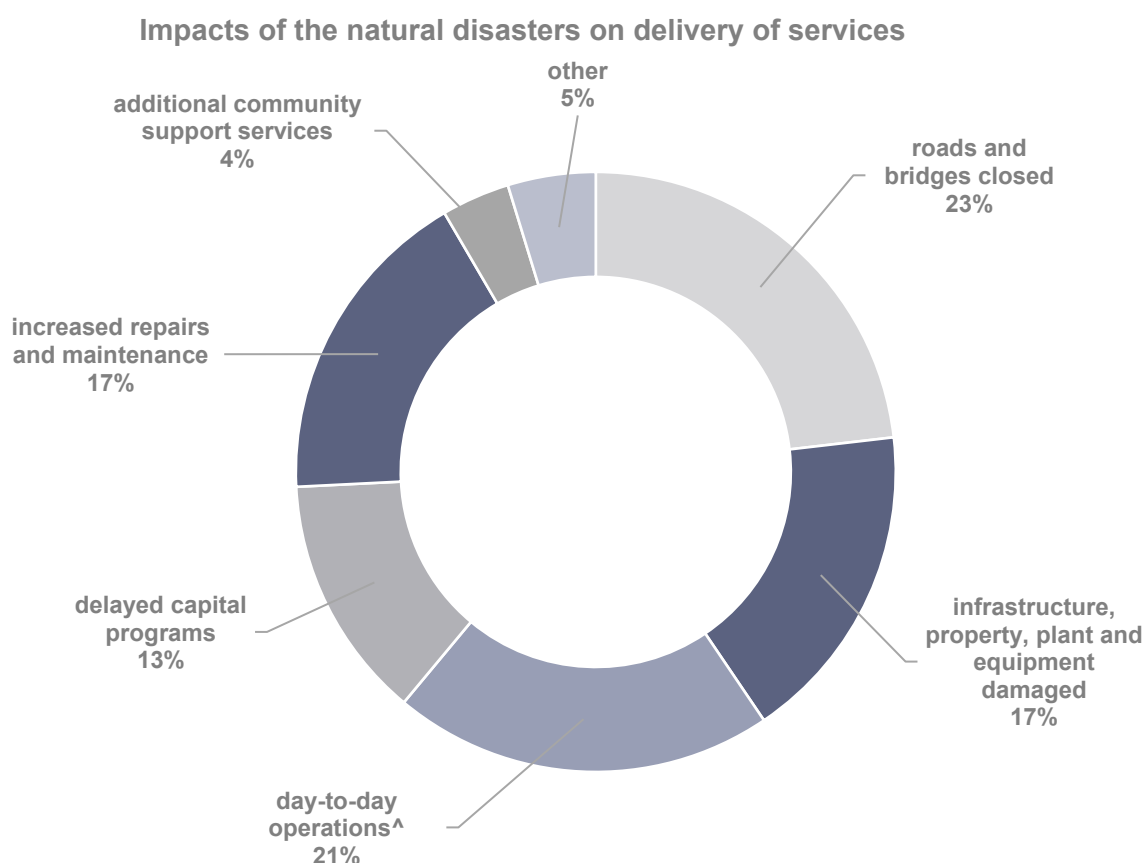
The table below shows funding announced from March to November 2022 to support those impacted by recent severe weather, storms and floods.

Date announced	Funding
22 November 2022	Extended \$1 million grants to impacted councils to a further 46 LGAs.
28 October 2022	The Australian and NSW Governments introduced an \$800 million flood resilience package to make homes in the Northern Rivers more resilient to floods. This package includes: • \$700 million for the Resilient Homes Program to undertake retrofitting or home buybacks (where the flood annual exceedance probability is greater than one in five), 50:50 co-funded by the Australian Government and NSW Government. • \$100 million for land acquisition to provide relocate through the buyback scheme, fully funded by the NSW Government.
3 September 2022	Support announced in July extended to another five LGAs.
12 July 2022	Extended support for other LGAs impacted by July flooding event including: • \$80 million to assist with the clean-up and removal of flood and storm related damage, debris and green waste • \$75,000 grants to primary producers • \$1 million grants to impacted councils to assist with immediate needs • \$36 million to assess properties and demolish those inhabitable • \$50,000 grants for small business and not-for-profit organisations.
18 March 2022	\$742 million to further support primary industry, businesses, rural landholders, councils and residents affected by floods including: • \$150 million to assist primary producers • \$142 million to assess properties and demolish those inhabitable • \$100 million for small and medium sized businesses in LGAs of Lismore, Ballina, Byron, Kyogle, Richmond Valley, Clarence Valley and Tweed Shire • \$50 million for large businesses and major employers • \$35 million in rural landholder grants • extension of previous grant programs. NSW Government also provided: • \$145 million for the urgent repair and replacement of water and sewerage critical infrastructure in the Northern Rivers • \$120 million Local Council Support Package, including: – \$80 million to establish a working capital fund to supplement councils where residents are unable to pay their rates – \$40 million grants to councils to address urgent and immediate operational challenges.
15 March 2022	\$46 million in emergency funding to kickstart urgent road repairs and restore access to communities hardest hit by the North Coast floods.
3 March 2022	\$434.7 million to assist those who suffered direct damage from the severe weather and flooding as follows: • \$75,000 grants to primary producers • \$50,000 grants to assist small business and not-for-profit organisations • \$210 million for clean-up and removal of damage, debris, green waste • \$1 million grants to impacted councils to assist with immediate needs • \$6.5 million for community recovery officers to support communities.

Natural disasters impacted the ability of councils to deliver services to communities

Councils' assets such as roads, bridges, waste collection centres and other facilities used to provide essential services were damaged by natural disaster events. Additional staff, contractors and experts were engaged to restore and repair damaged assets and minimise disruption to service delivery. Councils reported higher operating and maintenance costs to clean-up local government areas and restore services, undertake stormwater maintenance, and manage coastal and foreshore areas.

As part of our financial audits for the 2021–22 financial year we surveyed councils to identify the main operational and service delivery impacts of natural disasters on NSW local government areas. The graph below summarises the main impacts and the percentage of councils which identified the impact in their top three.



[^] Delays in normal service delivery due to redirecting staff and funds to address the natural disasters.

Source: Based on data collected from NSW councils for 2021–22.

Natural disasters directly impacted financial performance, results and cash flows

The impacts identified above had a direct impact on the financial statements of councils. This included:

- higher operating and maintenance expenses in the income statement
- higher grants revenue in the income statement or higher contract liabilities where revenue cannot be recognised until work is progressed on restoring and replacing assets
- lower revenue in the income statement from closing facilities
- impairment of infrastructure and/or disposal of assets impacting the statement of financial position and the income statement
- change in the timing of cash flows
- significant variations to the original budget approved by councils.

The financial implications for the 2021–22 financial year arising from the recent natural disasters varied across councils. The table below outlines the financial impacts of the recent natural disasters by the regions where the individual councils are located. The financial impact on individuals and businesses within the regions is not covered by this report. The regions are based on the joint organisations formed by councils, please refer to the [Joint Organisations | Office of Local Government](#).

Financial impact of natural disasters for 2021–22

Region	Revenue		Expenditure		Assets	
	Grants (\$m)	Other revenue (\$m)	Clean-up and emergency response (\$m)^	Other expenses (\$m)^	Repairs (\$m)	Damage (\$m)
Northern Rivers	87.2	4.4	32.7	15.3	33.9	213.4
Mid North Coast*	6.6	1.2	5.0	10.3	3.0	66.0
Sydney Metropolitan	28.8	1.0	13.5	8.1	9.8	33.3
New England	10.7	1.9	1.0	9.2	9.4	24.2
Namoi	8.5	--	2.5	4.8	--	4.7
Central NSW	8.7	0.2	4.9	8.9	6.3	3.5
Hunter	8.0	0.3	2.0	2.1	2.2	2.4
Illawarra	1.0	--	--	--	--	--
Orana	1.0	1.5	--	4.0	--	--
Central Coast**	1.0	--	--	3.8	0.1	--
Riverina and Murray	--	--	--	--	--	1.2
Canberra	0.4	--	0.1	--	1.1	--
TOTAL	161.9	10.5	61.7	66.5	65.8	348.7

Financial impacts could include amounts related to pre-2021–22 natural disasters.

* Includes councils in the location that are not part of the joint organisation.

** not part of a joint organisation.

Source: Based on data collected from NSW councils for 2021–22, excluding those unable to confirm financial impacts.

Estimated \$349 million damage to council infrastructure assets

Throughout 2021–22, natural disasters damaged infrastructure assets held by more than 80 councils. The estimated damage to infrastructure assets at 30 June 2022 was \$349 million with \$65.8 million being spent on repairs. Councils also spent \$128 million on clean-up, emergency response and other costs. The hardest hit regions were the Northern Rivers, Mid North Coast, Sydney Metropolitan and New England.

The Northern Rivers region suffered the greatest impact from natural disasters. Write off, impairment and repairs to infrastructure assets totalled \$247 million, while clean-up, emergency response and other expenses totalled \$48 million. Within this region, Lismore City Council incurred the most damage to infrastructure assets accounting for 43% of the \$247 million in repairs and damage to infrastructure assets.

The next most impacted regions were Mid North Coast, Sydney Metropolitan and New England including:

- Mid North Coast: write-off, impairment and repairs to infrastructure assets, \$69.0 million; clean-up, emergency response and other expenses, \$15.3 million.
- Sydney Metropolitan: write-off, impairment and repairs to infrastructure assets, \$43.1 million; clean-up, emergency response and other expenses, \$21.6 million.
- New England: write-off, impairment and repairs to infrastructure assets, \$33.6 million; clean-up, emergency response and other expenses, \$10.2 million.

Financial impact during 2021–22 exceeded grant funding

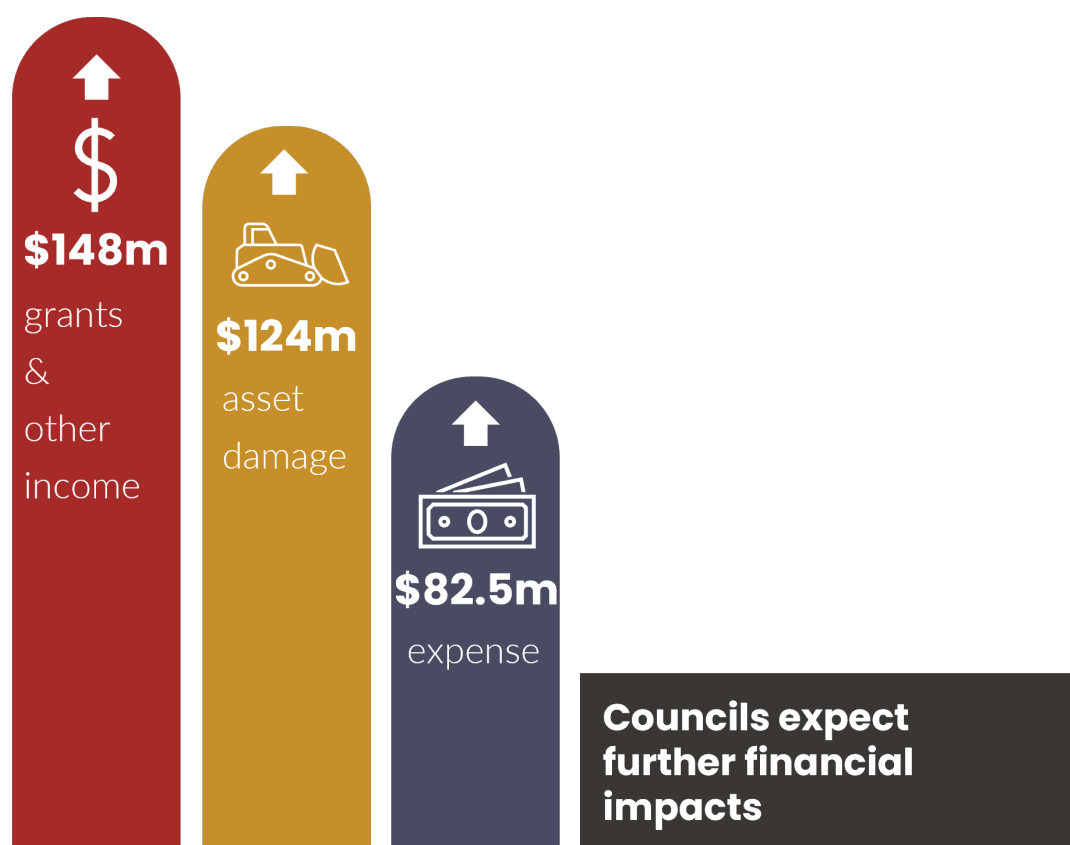
During 2021–22, councils received \$162 million in grant funding from the Australian and NSW Governments and \$10.5 million from other sources such as insurance recoveries. The Northern Region received the most grant funding with Lismore City Council and Richmond Valley Council receiving over half of the \$87.2 million.

The Sydney Metropolitan region received funding of \$28.8 million across 15 councils, while the \$10.7 million received by the New England region was mostly attributed to Moree Plains Shire Council.

At 30 June 2022, this was less than the damage to infrastructure and other costs of the natural disasters. As outlined above, additional funding from the Australian and NSW Governments was announced.

Further impact from natural disasters from 1 July 2022 to 31 December 2022

From 1 July 2022 to 31 December 2022, many councils experienced further damage to infrastructure assets due to natural disasters. Councils advised they in the process of assessing damage, repairing and replacing assets and calculating impairment for the 30 June 2023 financial statements. The chart below shows the financial impacts for the six months to 31 December 2022, which is expected to grow before the end of the financial year.



Source: Based on data collected from NSW councils for 2022–23 (unaudited).

Some of the more significant spending over this period to repair and replace infrastructure assets included:

- Tweed Shire Council: \$23.7 million for transport assets, open space assets and buildings
- Narrabri Shire Council: \$20 million for roads and bridges
- Blue Mountains City Council: \$15.3 million for roads, buildings, tip assets and other assets
- Byron Shire Council: \$13.1 million for roads and water supply networks (including wastewater)
- Armidale Regional Council: \$9.4 million for roads
- Hawkesbury City Council: \$7.1 million for roads, footpaths, other structures, and water supply networks (including wastewater).

Ten councils changed tender threshold to reduce response time in an emergency

The *Local Government Act 1993* does not require tenders for contracts made in cases of emergency. Also, in June 2022 the Local Government (General) Regulation 2021 was amended to increase the tendering threshold from \$250,000 to \$500,000 for contracts councils enter for the purpose of responding to, or recovering from, a declared natural disaster.

For natural disaster response and recovery works, ten councils temporarily increased their tender threshold to \$500,000.

4.2 Natural disaster impact on First Nations communities

A Legislative Council Select Committee was established in March 2022 to inquire into and report on the response to major flooding across New South Wales in 2022. It was reported that First Nations groups were not well supported during the crisis and there was a lack of engagement and voice in the government-led rescue and recovery.

Support for flood-affected First Nations communities

There has been various targeted funding provided to repair, restore and enhance First Nations-owned assets damaged during the February and June 2022 floods. However, funding for First Nations communities was announced much later than funding for other communities.

In August 2022, as a part of the 2022 Community Local Infrastructure Recovery Package, \$6 million was allocated to eligible Local Aboriginal Land Councils to assist with the repair, reconstruction and minor resilience building measures for Aboriginal community infrastructure.

In March 2023, the Australian and NSW Government announced the \$44 million Aboriginal-owned Assets Program to repair and restore community infrastructure like First Nations-owned daycare centres, medical and aged-care facilities, cultural sites and keeping places. The support will be targeted at the most flood-impacted LGAs of Ballina, Bellingen, Byron, Camden, Central Coast, Cessnock, Clarence Valley, Glen Innes Severn, Hawkesbury, Kempsey, Kyogle, Lismore, Muswellbrook, Nambucca, Narromine, Richmond Valley, Singleton, Tenterfield and Tweed.

Also in March 2023, the NSW Environment Protection Authority announced the \$10 million Aboriginal Lands Flood Recovery Program in partnership with NSW Public Works. This program is to help Aboriginal communities to assess and manage the clean-up of waste generated by the 2022 floods on Aboriginal lands.

OUR VISION

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OUR PURPOSE

To help Parliament hold government accountable for its use of public resources.

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Valuing people
Contagious integrity
Courage (even when it's uncomfortable)

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