

33. Government financial support to local authorities

Summary Specific government financial support to local authorities during or after an emergency is based on a range of mandates, criteria, and triggers, which may be in statute, regulation or Cabinet decisions, or made by ministerial discretion. Depending on the type of assistance being sought, the Minister of Civil Defence or Cabinet will identify and approve the overall appropriate mix of government financial support to be provided.

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33.1 Introduction

Part 10

Government financial support to local authorities

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- (1) *Arrangements for government financial support provided to local authorities for emergencies are determined by Cabinet.*
- (2) *The current arrangements are set out in The Guide.*
- (3) *Wherever possible, government assistance will be provided in accordance with existing policies.*
- (4) *The provisions for government financial support to local authorities apply whether or not a state of emergency is, or has been, in force.*

33.2 Objectives

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The objectives of any government financial support to local authorities are to—

- (a) *provide support by meeting some of the costs incurred in managing the response to and recovery from an emergency; and*
- (b) *provide the minimum level of assistance required to restore to an affected community the capacity for self-help; and*
- (c) *return an affected community to a state in which normal social and economic activity can be resumed as quickly as possible.*

33.3 Principles

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- (1) *The Government considers local risks to be a local responsibility.*
- (2) *Government financial support is based on the expectation that local authorities will be primarily responsible for bearing the financial costs of the impact of an emergency in their geographical and functional areas of responsibility.*
- (3) *Government assistance is to provide solutions that are the most appropriate in the long term.*
- (4) *Government financial support to local authorities does not imply an obligation to restore a community—*
 - (a) *to a better state than existed before the emergency; or*
 - (b) *to previous levels if those levels are not sustainable in the long term.*
- (5) *Government policies should encourage agencies, local authorities, communities, businesses, and individuals to create resilience through proper management practices, for example, by—*
 - (a) *analysing local hazards and understanding risk exposure;*
 - (b) *preventing emergencies or reducing their likelihood or impact;*
 - (c) *adjusting infrastructure and practices to reduce vulnerability, to mitigate the consequences of emergencies, and to limit potential damage;*
 - (d) *providing for an efficient and effective response to emergencies;*
 - (e) *providing resources for recovery (that is, physical and financial provisions, including adequate emergency reserve funds and insurance).*
- (6) *Risk management and its associated costs should be borne by the individuals, businesses, and local authorities that benefit from it and are best able to manage or mitigate the risk.*
- (7) *Individuals, businesses, and local authorities have a responsibility to the extent possible to insure against, and to attempt to minimise or mitigate, risk.*

33.4 Government financial support to local authorities during response

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Government financial support for response activities focuses on costs incurred by local authorities to—

- (a) care for directly affected people, including the costs of accommodating, transporting, feeding, and clothing people as a result of an emergency; and*
- (b) take the necessary precautions or preventive actions (whether by construction, demolition, or any other means) to reduce the immediate danger to human life, where those precautions or actions were begun during the response period; and*
- (c) take precautions or preventive actions aimed at reducing the potential consequences of an emergency, where those precautions or actions were begun in the period immediately before the emergency.*

Financial support

While the initial and primary responsibility for responding to and recovering from an emergency rests with the local community, central government will assist where this cannot be adequately achieved by a local authority, community, or voluntary agency in a timely manner. Such assistance may be either physical or financial, and may comprise partial or full reimbursement as outlined in sections 33.4.1, 33.4.2, and 33.5.

Government departments will meet all the costs they incur supporting or participating in response measures without imposing costs on the local authorities concerned. Where the levels of support provided exceed the allowances provided for or set out in their departmental forecast departments are to seek supplementary appropriation to their baselines.

State-owned enterprises and Crown entities will not charge for those actions, which are their normal corporate functions, carried out during an emergency. However, where directed to undertake an activity that is outside the normal corporate function, the state-owned enterprise or Crown entity may claim reimbursement of full costs from the organisation that gave the direction.

33.4.1 Caring for the displaced (CDEM expense claim)

Government will fully reimburse local authorities for costs incurred in caring for displaced people as described below.

Eligible costs

Eligible costs include the full direct costs of accommodating, transporting, feeding and clothing people who cannot continue to live in their usual place of residence as a result of an emergency. This applies while displaced people are en route to, or in, emergency accommodation such as halls or marae. Marae and other organisations providing such accommodation can invoice local authorities who will then claim reimbursement from MCDEM. Where a marae considers it culturally inappropriate to invoice a local authority for providing this service, the local authority may seek reimbursement of any koha provided to the marae for the provision of emergency accommodation.

The cost of helicopter drops to people isolated in their homes who cannot be evacuated and are lacking supplies of essential items such as food, fuel, and medical items may be reimbursed.

For example, in a small-moderate flood event that requires the evacuation of a number of households, costs that are deemed to be eligible are those of evacuee food and accommodation, helicopter welfare flights to ensure the safety of isolated residents and the provision of potable water and portable toilets for health reasons.

Ineligible costs

Costs which will not be eligible include:

- ◆ local authority overheads, and
- ◆ indirect costs such as local authority staff time, Emergency Operations Centre (EOC) activation costs, office space and the use of vehicles.

Displaced people should be moved from emergency accommodation into temporary accommodation as soon as possible, unless they choose to remain on a marae.

Claim information required See 33.7, CDEM expense claims preparation and process, and the *Logistics in CDEM Director's Guideline [DGL 17/15]* for more information on claims.

33.4.2 Other response costs incurred by local authorities (CDEM expense claim)

Other eligible response costs may be partially reimbursed by government.

The eligibility of a cost is not determined by the nature of the good or service purchased but by whether it contributed to the precautions or preventive actions described in clause 162(b) and (c) of the *National CDEM Plan 2015*. (Local authorities should be able to demonstrate this link when discussing claims with MCDEM.)¹. See 33.9, Compensation for cost, damage, or loss.

Claim information required See 33.7, CDEM expense claims preparation and process, and the *Logistics in CDEM Directors Guideline [DGL 17/15]* for more information on claims.

33.5 Government financial support to local authorities during recovery

Government recovery assistance

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- (1) *Government recovery assistance will normally be provided to local authorities only if—*
- (a) *recovery procedures cannot be carried out without government assistance; or*
 - (b) *a statutory requirement for action exists or a need to invoke a statute to achieve the ends desired from the recovery process exists; or*
 - (c) *government assistance will aid the co-ordination of the recovery process to a significant extent; or*
 - (d) *the advantages of economies of scale are apparent.*

Principles for recovery assistance

- (2) *Specific principles for recovery assistance are that—*
- (a) *the Government has a role in the recovery process after an emergency with significant consequences; and*
 - (b) *initial and primary responsibility for the co-ordination of recovery efforts rests with local authorities; and*
 - (c) *any government recovery programme should be designed to restore community capacity for self-help and be consistent with any government policies regarding mitigation and alleviation measures.*

¹ For example, while not incurred leading up to the emergency, the costs of pumping and draining floodwaters are regarded as meeting the intent of other response costs policy and are therefore eligible costs.

33.5.1 Essential infrastructure recovery repairs (CDEM expense claim)

Essential infrastructure recovery repairs may be claimed as other eligible response costs.

The following may be eligible for government assistance:

- ♦ repair or recovery of essential infrastructure assets. These include water, storm water, electrical, sewerage and gas facilities and other structures, such as retaining walls and tunnels upon which essential services depend. These assets must be local authority assets, which are not the property of trading utilities
- ♦ repair or recovery of river management systems (including drainage schemes which are part of integrated river systems) where there is major community disruption or continuing risk to life, and
- ♦ repair or recovery of other community assets where damaged as a consequence of the failure of flood protection schemes.

Government assistance will not normally be available for assets which receive a subsidy from any other source, unless:

- ♦ the local authority has adequately protected itself through asset and risk management including mitigation, where appropriate, and the proper maintenance of infrastructure assets, or
- ♦ the local authority has made sound financial provisions (such as the provision of reserve funds, effective insurance or participation in a mutual assistance scheme with other local authorities) to a level sufficient to ensure that the local authority could reasonably be expected to meet its obligation to provide for its own recovery.

Claim information required See 33.7, CDEM expense claims preparation and process and the *Logistics in CDEM Directors Guideline [DGL 17/15]* for more information on claims.

33.5.2 Disaster relief funds

Central government may contribute to any disaster relief fund which may be established. Government contributions once made will be disbursed by the administrators. However, the government expects that administrators will address not only the needs of affected individuals and families but also those of community organisations and marae and their associated facilities and infrastructure. Administrators are encouraged to coordinate their approach to funding allocation closely with those of the Ministry of Social Development (MSD) and the Housing Corporation of New Zealand. Te Puni Kōkiri will facilitate and support Māori access to disaster relief funds and will aim to provide administrators with relevant information about the needs of marae affected during an emergency.

The Minister of Civil Defence, together with either the Prime Minister or Minister of Finance, may authorise a lump sum contribution to a disaster relief fund of up to \$100,000 GST inclusive. Larger contributions need to be approved by Cabinet.

33.5.3 Road and bridge repair subsidies

Central government is responsible for state highway restoration through New Zealand Transport Agency.

New Zealand Transport Agency may provide financial support towards the costs of road and bridge repair after a weather event or other natural disaster. Subsidy rates differ between local authorities. Contact should be made with the regional New Zealand Transport Agency representative for further information.

New Zealand Transport Agency may fund local authorities for the repair of Māori roads where:

- ♦ the roads provide unimpeded public access, and
- ♦ the local authority has accepted responsibility for the road's maintenance.

33.6 Special policy for recovery

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Special policy financial support may be available to local authorities in cases where, to decrease the likelihood of the occurrence of a similar emergency, funding in addition to existing resources is required for—

- (a) new programmes of work to meet specific needs in an affected region; or*
- (b) the upgrading of facilities to a level that is higher than existed previously.*

33.6.1 Special policies

Special policies are those policies which provide for support to local authorities to undertake programmes of work (that is, as part of recovery) that will decrease the likelihood of the recurrence of an emergency in the future. This may include upgrading facilities. Government expects local authorities to consider future risk reduction as part of recovery.

However, local authorities may consider that they face circumstances that warrant an exception being made to the policies already discussed, either in terms of the scope or amount of assistance. In such cases, local authorities should advise MCDEM that they seek such extraordinary assistance.

The onus is on the local authority to justify government funding of their proposal through their evaluation of options and other funding sources and community consultation.

Special policies which may be necessary for a specific situation cannot normally be defined in advance but regard will be had to Part 10 of the *National CDEM Plan 2015*. Special policies require specific approval from Cabinet for funding from central government. They will normally be for fixed financial amounts and for set periods of time rather than for open-ended amounts or periods of time. Other non-financial special policy assistance may be considered on a case-by-case basis, if necessary.

Proposals for financial support for special policy programmes of work (other than for recovery) may also be considered at Cabinet's discretion. Consideration of these proposals will be:

- ♦ dependent upon the applicant justifying government funding of their proposal through their evaluation of options and other funding sources and community consultation, and
- ♦ dependent upon the provisions made for risk management by the applicant.

Financial support for local authorities

Special policy financial support from central government is not available routinely, and it should not be factored into risk management plans. It is intended to assist communities in those rare circumstances where disasters of an unusual type or magnitude cause damage that overwhelms community resources.

In considering proposals for special policy financial support, Cabinet will examine closely all other provisions made for risk management by the local authority or individual concerned. Government's expectation is that those responsible for risk management will make full and comprehensive provisions for dealing with all foreseeable risks.

Criteria For each request for special policy financial support received, specific criteria will be developed for use in the assessment process. Although each case will be different, the specific criteria will likely include the three factors of:

1. critical risk reduction
2. local responsibility, and
3. funding/financial hardship issues.

To meet these criteria, local authorities will demonstrate that:

- ◆ there has been damage from an emergency of unusual type or magnitude that has overwhelmed community resources
- ◆ the proposed solutions reduce the likelihood that such damage will occur again, and are long-term in nature
- ◆ these are new programmes of work to meet the specific needs for emergency recovery
- ◆ the local authority has met its responsibilities to undertake risk management, and
- ◆ funding is not available from council resources.

Requests for special policy financial support will also be considered against the overall intentions of Government to ensure that effective long-term solutions are put in place to ensure the safety and well-being of citizens without detracting from the fact that readiness, response, recovery and prudent hazard mitigation planning (risk reduction) are the responsibility of the local authority.

Provision of information to support proposals Requests for special policy financial support are usually presented as formal business cases, prepared by the local authority(s) involved.

The business case should outline:

- ◆ the event and the damage caused (or likely to be caused)
- ◆ the proposed hazard mitigation works, including how the work would reduce community risk
- ◆ costs of the proposed mitigation work, including information on the affordability of the work for the affected community
- ◆ technical details on what the mitigation work involves, and
- ◆ any other information that supports the case.

Government funding is not usually provided for the preparation of a business cases for special policy financial support.

Financial administration Payment for any special policy financial support is approved by Cabinet. There is no prescribed formula to determine the level at which Government support is provided in the form of special policy financial support; Cabinet will identify and approve the overall appropriate mix of government financial support to be provided.

In special policy cases, loans rather than grants may be appropriate. Where administratively practicable, the principle of 'affordable finance' will be followed. This means that the interest rate for any loans made for recovery assistance purposes will be set at a level which can realistically be afforded by the recipient. The appropriate rate will be established by negotiation between MCDEM and the local authority.

Special policies, when approved, will be administered through a department (in most cases the Department of the Prime Minister and Cabinet) with funding coming from the Government. Government grants for emergencies are to be covered by agreements between the Crown and recipients which require that grant monies be held in special interest-bearing bank accounts, and that surplus funds and any interest earned on such funds are to be returned to the Crown. This does not apply where the local authority has already paid these costs in full. The Director of CDEM will monitor the implementation of the special policy and undertake further coordination if necessary.

33.7 CDEM expense claims preparation and process

Responsibility Local authorities are initially responsible for meeting all emergency expenditure arising out of the use of resources and services provided under the direction of a CDEM Group or Local Controller. Particular care should be taken to keep a clear record of who authorises any expenditure, and why, in order to simplify any follow-up action.

Required information Table 33.1 shows the information required for response and recovery claims.

Table 33.1: Required information for response and recovery claims.

Claim	Information required
All claims	<ul style="list-style-type: none"> ◆ local authority name, address, telephone number, contact person ◆ description of event and damage ◆ costs and calculations ◆ invoices showing what was paid for ◆ certification from the Chief Executive (CE) that all elements of the claim are true and correct
Additional information	
Response (caring for the displaced)	<ul style="list-style-type: none"> ◆ Details of any koha paid to marae
Other response costs incurred by local authorities	<ul style="list-style-type: none"> ◆ the net capital value of the local authority's district or region and consequent threshold (see paragraph below this table) ◆ amount of claim (60 percent of costs above the threshold) ◆ a breakdown of the other response costs and an explanation of how they meet the eligibility criteria
Essential infrastructure recovery repairs	<ul style="list-style-type: none"> ◆ list of eligible assets damaged by event ◆ cost of restoration or repair (GST exclusive) on an asset by asset basis ◆ other related eligible costs – itemised and GST exclusive. Costs are to be actual, unless MCDEM has previously agreed to accept estimates ◆ combined total cost ◆ the net capital value of the local authority's district or region and consequent threshold (see paragraph below this table) ◆ amount of claim (60 percent of costs above threshold) ◆ evidence that any river management or flood control works/repairs are necessary to avoid major community disruption or continued risk to life ◆ a breakdown of any 'other response costs' and an explanation of how they meet the eligibility criteria ◆ signed confirmation by the local authority's chief executive that: <ul style="list-style-type: none"> – the above information is correct – all river system and essential infrastructure repair assets on which this subsidy is being sought are directly owned by the local authority – the local authority can meet its share of the recovery costs ◆ written confirmation, by the local authority's chief executive that all assets claimed against were managed consistent with 'reasonable practice' in the sector

Threshold for reimbursement	<p>As with other response claims, Government policy is to reimburse 60 percent of the combined eligible costs (response and essential infrastructure costs), above the following thresholds:</p> <ul style="list-style-type: none"> ◆ 0.0075 percent of the net capital value of the city council, district council or unitary authority involved ◆ 0.002 percent of the net capital value of unitary authorities where the assets in question are of a type that ordinarily are managed by regional councils, or ◆ 0.002 percent of net capital value in the case of regional councils.
Preparation	<p>Additional items to consider when preparing response, other response and recovery claims are:</p> <ul style="list-style-type: none"> ◆ only one claim is permissible for each item of eligible expenditure ◆ all costs must be GST exclusive and actual, unless MCDEM has previously agreed to accept estimates ◆ claims should be accompanied by all relevant details to support the classification of costs as emergency expenditure ◆ payment of all expenses must be made prior to claiming (but receipts must be provided before payment is made) ◆ when an emergency affects only the area of a single district or city, that local authority may handle its own claim ◆ where a CDEM Group incurs costs in caring for the displaced, the costs are considered to have been incurred on behalf of the affected local authority(s) and will be reimbursed through that local authority ◆ when an emergency involves more than one district, the CDEM Group Emergency Management Officer or other delegated person should coordinate and validate respective local authority claims, and ◆ the claim(s) must be certified by the relevant chief executive(s) and forwarded to the Director of MCDEM.
Process	<p>The following outlines the general process for submission:</p> <ul style="list-style-type: none"> ◆ local authority prepares the claim and supporting data and submits it to the Director of CDEM ◆ Director of CDEM may seek independent verification that the charges shown in the claim are fair and reasonable. Where there is any doubt that the costs claimed by a local authority are emergency expenditure, the Director may refer the claim back to the appropriate local authority or CDEM Group for reassessment. When the Director is satisfied that a claim represents an accurate statement for reimbursement of the costs of meeting emergency expenditure, the claim is to be certified to that effect, noting the items which are considered to meet the categories of expenditure ◆ Director of CDEM will recommend the amount eligible for reimbursement to the Minister of Civil Defence, who will decide the claim or request Cabinet approval if the claimed amount exceeds his or her delegated authority. Once a decision on the claim has been made the Director of MCDEM will arrange for payment to be made. Recommendations for the payment of higher rates of reimbursement may also be referred to Cabinet for approval, and ◆ payments are made, and local authorities are advised. <p>MCDEM should be contacted for further information and advice before submitting a response, other response or recovery claim.</p>

33.7.1 Advance payments of response and recovery costs

In emergencies where local authorities are expected to face significant response and recovery costs, advances of these costs can be made, based on local authority estimates. Advances on costs can assist recovery by enabling a local authority to enter into immediate financial commitments after an emergency that it might otherwise have difficulty supporting.

Eligibility	Subject to Cabinet approval, if the agreed estimate of the overall costs is likely to be eligible for a future reimbursement of greater than \$250,000, the local authority concerned can be provided an advance payment. Any advance would be offset against subsequent local authority claims.
Process	If Cabinet agrees to an advance payment, the local authority concerned will sign an agreement with the Department of the Prime Minister and Cabinet regarding the management of the advance payment. The local authority would be required to provide six-monthly written reports to the Director of CDEM of expenditure on the response and recovery costs. Any surplus funds, and the interest earned on such funds, would be required to be returned to the Crown.

33.8 Government owned assets

Rebuilding of government facilities	Central government will assume responsibility for the restoration of those facilities which it owns or provides. It is the responsibility of the relevant department to manage the risks, to maintain adequate insurance cover and to complete the restoration of its facilities.
Rebuilding of trading utilities assets	Government assistance is not normally available for state-owned enterprises, local authority-controlled trading organisations, airport and port companies, and electricity retailers. Such organisations should maintain sufficient insurance cover and emergency reserves to manage the assured risk. If special problems of risk management and hardship can be demonstrated, government assistance as a special policy may be requested. Any central government assistance would be subject to the principles and conditions set out in Part 10 of the <i>National CDEM Plan 2015</i> .
Restoration of damage to individually owned assets	It is the owner's responsibility to insure all individually owned assets. If insured, homeowners are usually covered up to pre-defined limits by the Earthquake Commission (EQC) for certain assets damaged by specific types of emergencies. Government assistance is not ordinarily available for restoring household assets except through: <ul style="list-style-type: none"> ◆ standard MSD assistance, and ◆ contributions to disaster relief funds.

33.9 Compensation for cost, damage, or loss

Sections 107 to 109 of the *CDEM Act 2002* provide for compensation for actions taken under a state of emergency. These include:

- ◆ the use of property that has been requisitioned and loss of or damage to the property
- ◆ loss of or damage to personal property, and
- ◆ other circumstances not covered by the above.

33.10 References and links

Other sections of the Guide

- ◆ Section 3, Management of emergencies
- ◆ Section 5, Ministry of Civil Defence & Emergency Management (MCDEM)
- ◆ Section 6, Civil Defence Emergency Management Groups (CDEM Groups)
- ◆ Sections 8 – 16, for specific roles of agencies and sectors
- ◆ Section 24, Response
- ◆ Section 25, National warnings and advisories
- ◆ Section 26, National Crisis Management Centre
- ◆ Section 27, Emergency information management
- ◆ Section 28, Public information management
- ◆ Section 29, Logistics
- ◆ Section 30, Mass evacuation
- ◆ Section 32, Recovery

Other documents

- ◆ Ministry of Civil Defence & Emergency Management (2015), *Logistics in CDEM Director's Guideline for Civil Defence Emergency Management Groups, [DGL 17/15]*, ISBN 978-0-478-43505-4 www.civildefence.govt.nz (search for 'logistics in CDEM DGL')

