

How can the DCPE be designed to rapidly respond to the effects of drought through economic stimulus?

Drought Communities Programme
Extension Review

Main Report

9 January 2020

Commercial in confidence

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9 January 2020

Donna Wieland

Acting Executive Director, Regional Development and Local Government Division
Department of Infrastructure, Transport, Cities and Regional Development
111 Alinga Street
Canberra ACT 2601 Australia

Dear Donna,

RE: INDEPENDENT REVIEW OF THE DROUGHT COMMUNITY PROGRAM EXTENSION

In accordance with your instruction, we have performed the work set out in our engagement agreement dated 14 November 2019 for an independent review on the Drought Communities Program Extension (“DCPE” or “Program”).

This report was prepared on the specific instructions of the Department of Infrastructure, Transport, Cities and Regional Development (“DITCRD” or “Department”) for a review on the Program, and should not be used or relied upon for any other purpose. As set out in the engagement agreement, it should not be quoted, referred to or shown to any other parties, unless so required by court order or a regulatory authority, without our prior consent in writing which will not be unreasonably withheld.

The scope and nature of our work, including the basis and limitations, are detailed in the engagement agreement which was signed on 14 November 2019, with our field work commencing on 12 November 2019 and our final report being completed on 9 January 2020. Therefore, our report does not take account of events or circumstances arising after that date.

The nature and content of this report is reflective of the specific scope of our engagement, the amount and accuracy of information provided to us and the timescale within which the report was prepared. Our report to you is based on inquiries of and discussions with management and a review of documentation made available to us. We have not sought to verify the accuracy of the underlying data or the information and explanations provided to us by the Department and other parties involved in the review. This review did not involve a formal reliance based due diligence exercise on the financial information provided.

Our work did not constitute an audit or review in accordance with Australian Auditing Standards and, consequently, no assurance or audit opinion is expressed. Our services are performed and our report is prepared for the Department of Infrastructure, Transport, Cities and Regional Development only, and we disclaim all liability to any other party in connection with the Services and/or our report.

It has been a pleasure working with you on this strategic initiative.

Yours sincerely

A handwritten signature in black ink that reads 'Darren Chua'.

Darren Chua

EY Advisory Partner



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Executive Summary (1 of 3)



Situation



Australia is experiencing **one of the worst droughts in its history**, calling for a holistic response



Australia's Drought Response Plan states a **holistic response to drought** comprising of immediate action, community support and long-term resilience



The DCPE plays a pivotal role in delivering on the second element of the Commonwealth's holistic response to drought in **supporting wider communities**



Three key pillars of rapid, targeted and impactful economic stimulus underpin the DCPE to support wider communities affected by drought



To **deliver rapid, targeted and impactful economic stimulus**, the DCPE administers funding to councils[^] to support wider communities affected by drought



Complication



The DCPE administration processes and wider program have been **facing media scrutiny** following the perceived misallocation of grants to some councils



There are **three major step changes** that we recommend could be made for a refreshed DCPE



There are **three horizons** that could be considered to **implement** Commonwealth Government support to drought



Response

3

Elements of the current program to **maintain**

3

Major step changes for a new program

3

Next steps to implement

These are detailed overleaf

*Refer to the following page for further detail on where the DCPE contributes to the holistic Commonwealth drought response

[^]Refer section 4.2 of the Program Guidelines for the definition of eligible councils

Executive Summary (2 of 3)

3 Potential elements of the current program to **maintain**:

Current State



Focus of the DCPE remains on drought



Purpose to provide rapid economic stimulus to drought-affected communities



Delivery mechanism uses councils to distribute project funding

Reason to maintain

As a chronic and persistent climatic event, droughts are different to acute weather events, and hence may require a different policy response

The purpose of the DCPE is an integral part of the Commonwealth Government's response to supporting the wider community impacted by drought

Councils have wide networks and may provide the knowledge and understanding of the nuanced requirements of each region receiving a grant

3 Potential **major** step changes for a new program:

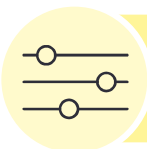
Current State



Reactive approach to providing economic stimulus

Proactive approach

to identify drought-affected areas more quickly at the onset and risk of drought



Fixed funding allocation for each eligible council

Scalable funding through a tiered system

to allocate funding proportionate to the relative need of councils during drought events



Government approval for additional funding is sought

Pre-approval for an envelope of funds

may be sought, for the DCPE to then administer to councils for projects as required

Future State

Target Outcomes

Delivering funding at a greater speed as it enables pre-planning and preparation prior to drought occurring

Delivering greater impact by targeting areas with the most need through a scalable approach to allocations (e.g. per capita)

Increased the speed at which the DCPE can deliver grants to support drought-affected communities

Executive Summary (3 of 3)

3 Potential **next steps** to implement:



Preparation of interim funding allocations

- ▶ There is a **desire to finalise** the allocation of the \$50 million discretionary fund by January 2020
- ▶ Therefore, an **intermediary eligibility and allocation assessment** should be undertaken
- ▶ This should **expand on the current data** sets used to enable a more rigorous approach to determine eligible councils
- ▶ This should **inform the scale of funding** that can be allocated to councils based on per capita need



Design and implement the new DCPE

- ▶ As identified through this review, a **detailed design for a refreshed program** is required
- ▶ Therefore, a detailed design of a new DCPE program is recommended to **address the pain points** identified in the current program design
- ▶ **Implementation** of the refreshed DCPE program is then recommended



Broader drought policy review

- ▶ This review identified that there are **many policies and programs** that support drought-affected individuals, the wider impacted communities and building resilience and preparedness
- ▶ A **detailed review of the Commonwealth Government's policy response** and fiscal support to drought could optimise impact
- ▶ For example, there could be opportunities to optimise impact through consolidating programs

1. Context



A review of the DCPE was requested to determine how to improve rapid economic stimulus in drought-affected communities

The effects of the current drought have been devastating



Reduction in GDP



Reduction in agricultural employment



Reduction in number of farmers



Decline in livestock numbers



Increase in depression in rural areas

The setup and effectiveness of the DCPE has been questioned

The DCPE was set-up to stimulate economic growth in drought-affected areas



Potential issues have emerged around the current DCPE configuration



Media reporting has called into question the reliability and suitability of the criteria used to determine the eligibility of councils

A review was requested by the Minister to improve the DCPE

How can the DCPE be improved to rapidly respond to the effects of drought through economic stimulus?

- ▶ *What are strengths and weaknesses of the current program?*
- ▶ *What could a more effective future state program look like?*
- ▶ *What are the associated implementation implications?*

*Due to the rapid nature of the review, stakeholder consultations were limited to parties administering the program and excluded consultation directly with councils and states.

Australia is experiencing one of the worst droughts in its history, calling for a holistic response

The effects of the current drought have been devastating



\$9.5bn - 14bn
estimated reduction in GDP, much of which will be borne by regional economy²



25%
reduction in agricultural employment since mid-2001²



50%
reduction in the number of beef, sheep and grain farmers since mid-2001 to 110,000²



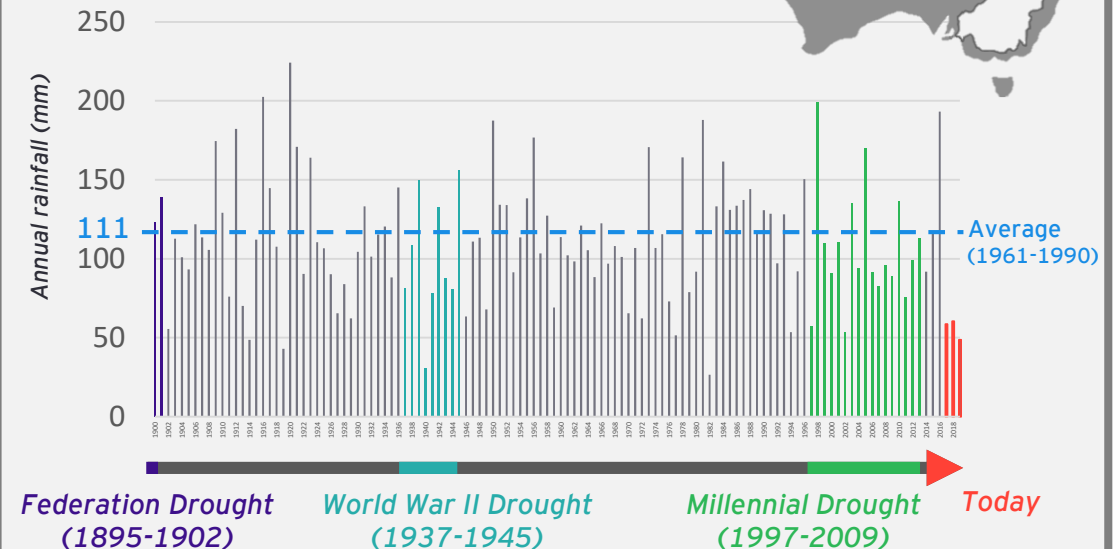
43.5 million
decline in sheep numbers, from 111 million in mid-2001²



70%
increase in depression rate across rural areas from drought-related trauma³

These effects are best evidenced within Australia's food bowl, the Murray-Darling Basin

The Murray-Darling Basin has never experienced three consistently dry Winters before¹



Minister Littleproud released *The Australian Government's Drought Response, Resilience and Preparedness Plan* ("Drought Plan").

Australia's Drought Response Plan and the Coordinator-General's response to drought articulate the key components of a successful drought impact program



The DCPE plays a pivotal role in delivering on the second element of the Commonwealth's holistic response to drought in supporting wider communities

Lines of defence

- 1 **FARMERS:** Farm Management Deposit (FMD) Scheme
- 2 **STATE GOVERNMENT:** Various drought-response initiatives at a state and territory level
- 3 **COMMONWEALTH GOVERNMENT:** Funding as allocated to date as at 7 November 2019⁶

Key

Department of Infrastructure, Transport, Cities and Regional Development

Department of Agriculture

Department of Health

Australian Taxation Office

Bureau of Meteorology

Department of Education

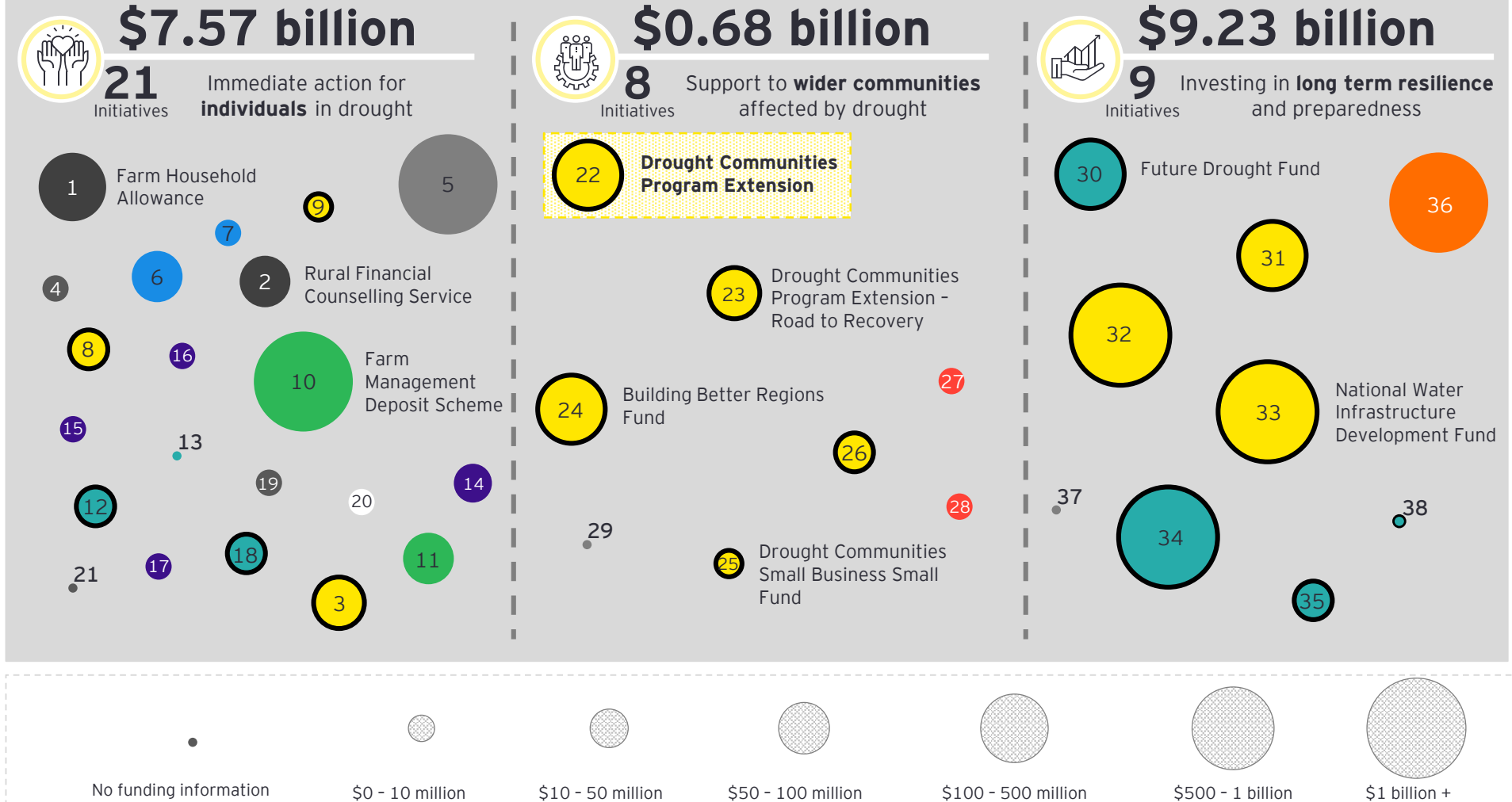
Department of the Environment

Department of Prime Minister & Cabinet

Regional Investment Corporation

Other

Ministerial responsibility



Note: Refer to Appendix B for further detail and analysis on the State Government responses to drought

Note: Refer to Appendix C for further detail about the Commonwealth Government drought response projects and funding

Three key pillars of rapid, targeted and impactful underpin the DCPE to support wider communities affected by drought

The extension of the Drought Communities Programme (the program) will provide funding over three years commencing 2018-19 to eligible councils to deliver **immediate economic stimulus and other benefits to targeted drought-affected regions of Australia**⁷

Therefore, there are **three key pillars** to the DCPE:



Rapid

Delivering immediate economic stimulus quickly to rapidly reach drought-affected communities



Targeted

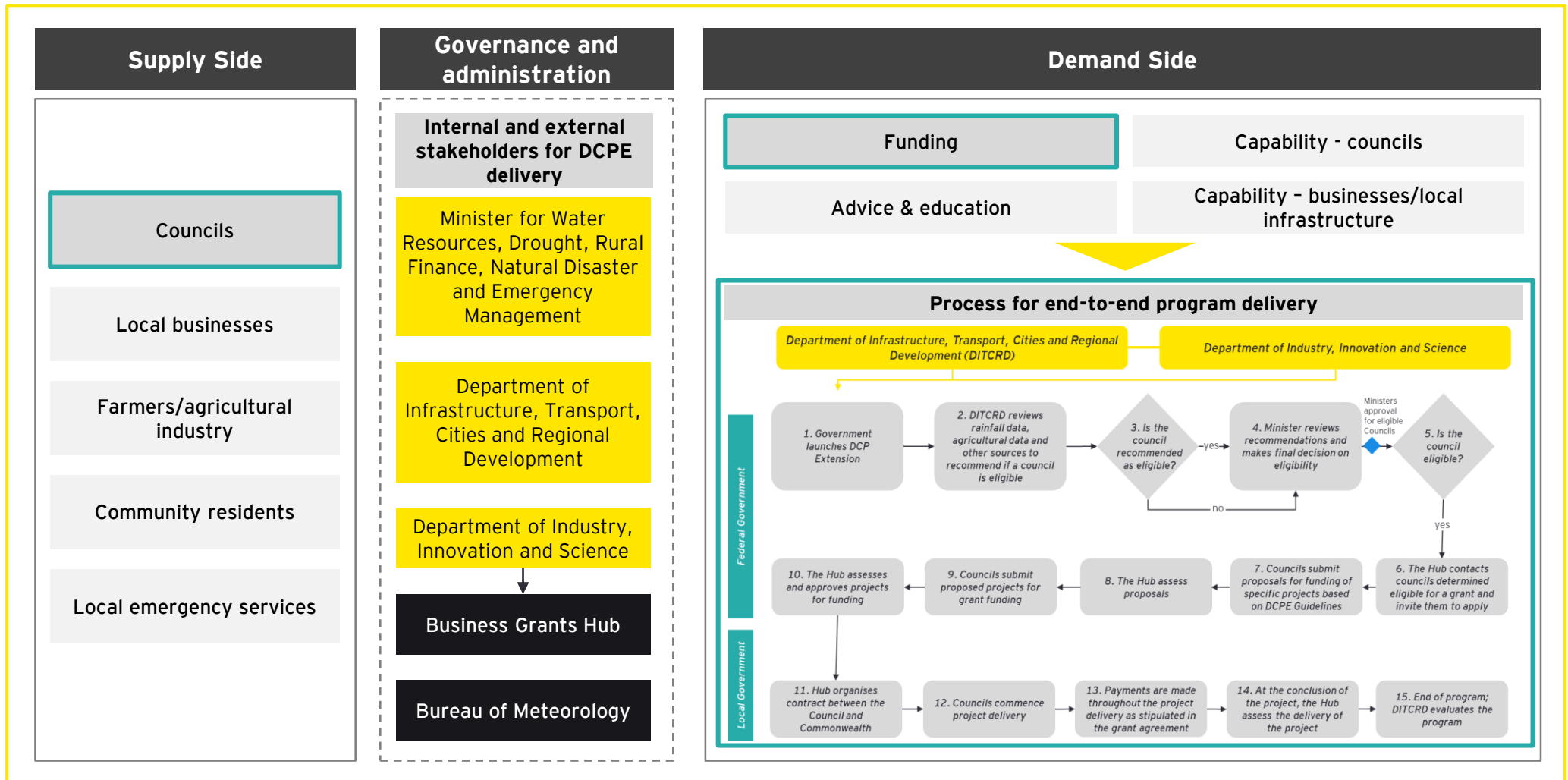
Selecting locations for grant funding where economic impact is needed based on drought events



Impactful

Delivering lasting and tangible economic impact to drought-affected communities in a way that is quantifiable

To deliver rapid, targeted and impactful economic stimulus, the DCPE administers funding to councils to support wider communities affected by drought



Note: Refer to Appendix D for further detail about the DCPE program, governance and process

A review was requested by the Minister to improve the DCPE due to a number of factors

Mixed media attention on the DCPE

- ▶ An eligible DCPE area reported even though they had rainfall deficiency, rain occurred at the right times and hence weren't experiencing the affects of drought. They will still likely accept the grant⁸
- ▶ It was reported that a council was made eligible for funding, despite recent rainfall in the area. As a result, the council rejected the grant⁹
- ▶ Media also reported a council was not determined as eligible due to the proportion of agricultural workforce requirements in the eligibility criteria. However, the area was approximately 0.1% below the threshold, and was experiencing significant rainfall deficiencies¹⁰

Our review is based on four key aspects

Current State - Strengths

- The review assessed the current state processes and procedures of the DCPE
- The two key strengths of the program were identified: using councils as the delivery mechanism, and the position of the DCPE within the Commonwealth Government's drought response

Current State - Pain Points

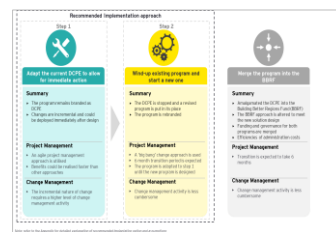
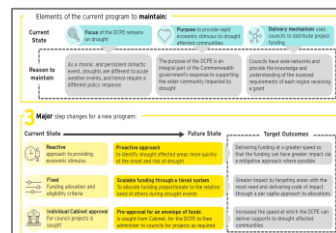
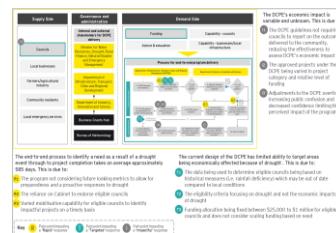
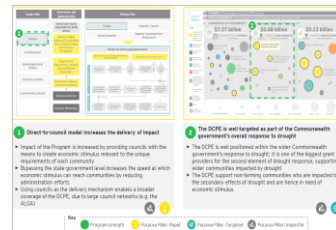
- The review assessed the current state processes and procedures of the DCPE
- The review identified nine pain points that could be improved to increase the speed, impact, and targeting of the DCPE

Future State - New program design

- Based on the current state findings, this review recommends (at a high level) four foundational principles and ten characteristics that can be implemented over a phased approach

Future State - Implementation considerations

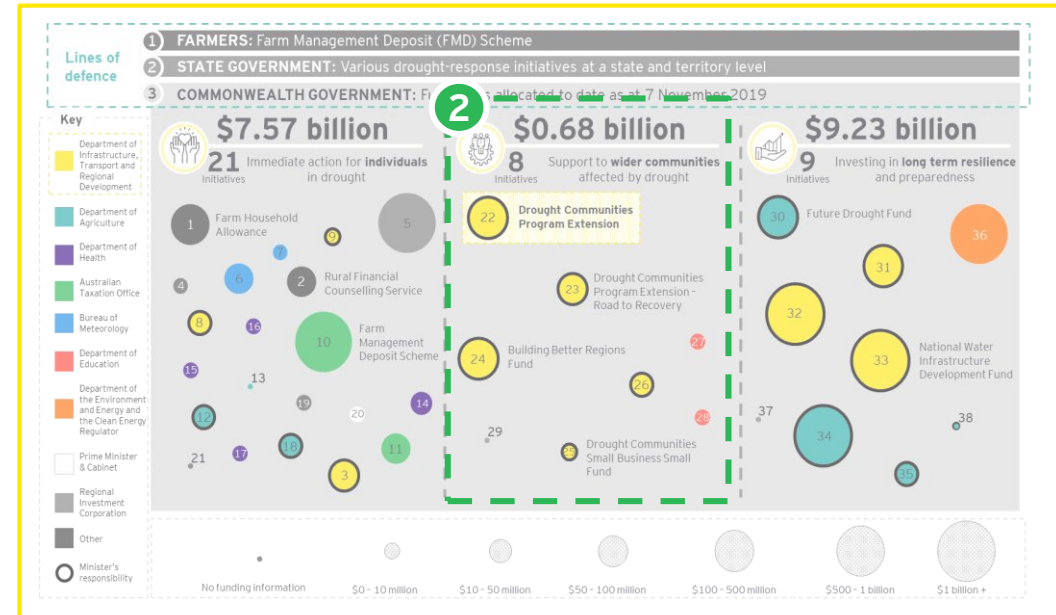
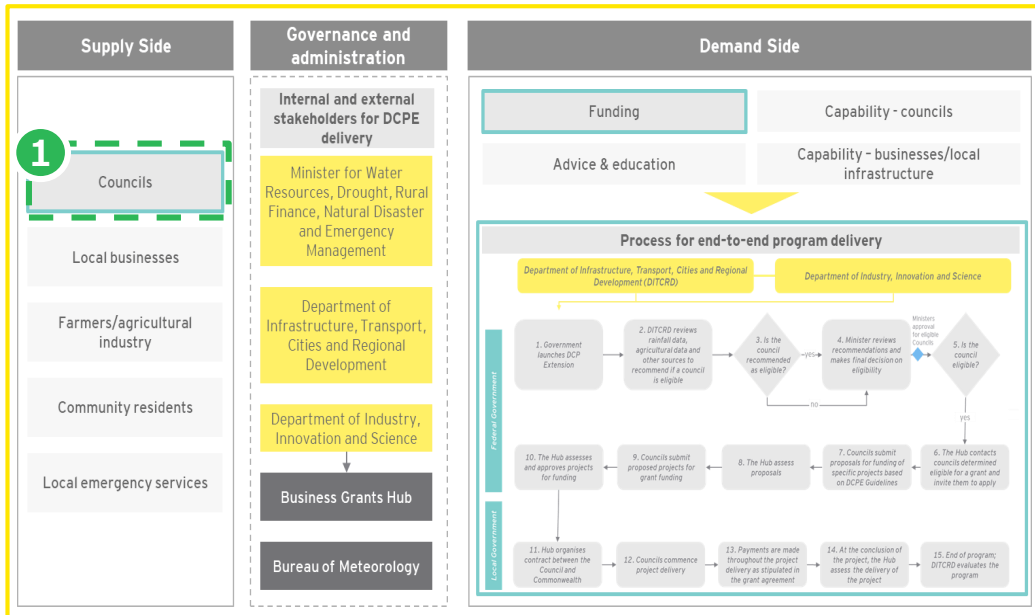
- The suggested future state design can be implemented over two horizons; the first being updates to the current DCPE in the short term to enable rapid allocation of pre-approved funding, followed by a longer term complete redesign of the DCPE based on the future state model



2. Current State



The DCPE has some strengths from its position within the Commonwealth's response to drought and its use of councils as a funding delivery mechanism



1 Direct-to-council model increases the delivery of impact

- ▶ Impact of the Program is increased by providing councils with the means to create economic stimulus relevant to the unique requirements of their community
- ▶ Bypassing the state government level likely increases the speed at which economic stimulus can reach communities by reducing administration efforts
- ▶ Using councils as the delivery mechanism enables a broader coverage of the DCPE, due to large council networks (e.g. the ALGA)

2 The DCPE is well-targeted as part of the Commonwealth Government's overall response to drought

- ▶ The DCPE is well positioned within the wider Commonwealth Government's response to drought; it is one of the biggest grant providers for the second element of drought response, supporting wider communities impacted by drought
- ▶ The DCPE supports drought-affected communities who are impacted by the secondary effects of drought and are hence in need of economic stimulus

Key

- Program strength
- ⌚ Purpose Pillar: Rapid
- 🎯 Purpose Pillar: Targeted
- 🔍 Purpose Pillar: Impactful

The success of the DCPE is evidenced through a number of case studies to date

3

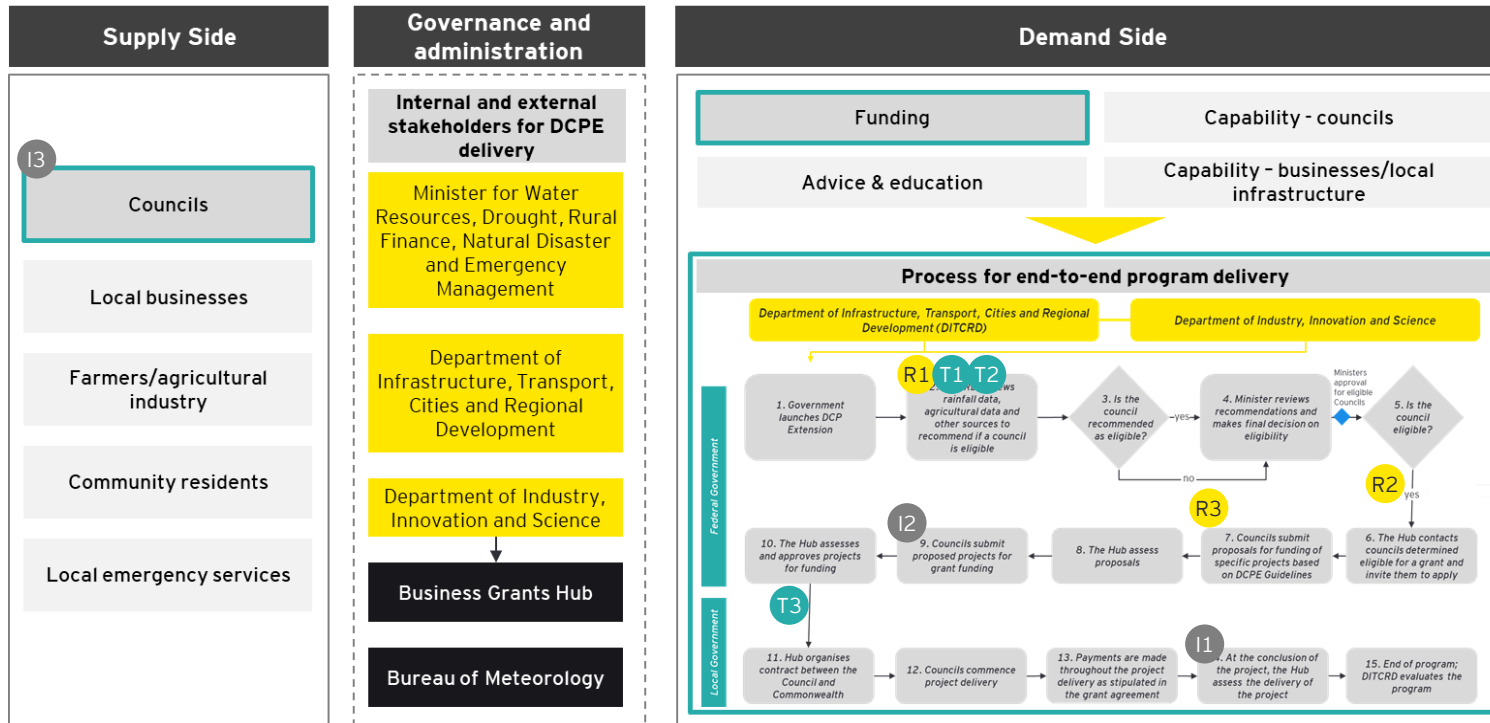
Case studies of completed projects under the DCPE¹¹

Location	Project description	Benefits delivered	Local jobs	Community infrastructure	Tourism	Water management
Wakefield, SA	<ul style="list-style-type: none"> ▶ 23 projects delivered ▶ Upgrades to sporting and community facilities ▶ Improvements to local road networks to increase accessibility 	<ul style="list-style-type: none"> ▶ Over 100 jobs created during construction ▶ Increased sustainability, community wellbeing and tourism opportunities 	✓	✓	✓	
South Burnett, QLD	<ul style="list-style-type: none"> ▶ Building Improvement Program: delivered improvements to range of local facilities (including sporting facilities and showgrounds) 	<ul style="list-style-type: none"> ▶ 6 jobs created during construction phases ▶ Increased economic spending and local employment 	✓	✓	✓	
Parkes Shire, NSW	<ul style="list-style-type: none"> ▶ 6 infrastructure projects to upgrade community buildings, irrigation and sporting facility upgrades ▶ Upgrade of 5 standpipes to provide free water access for domestic and stock uses ▶ Appointment of a Drought Response Officer 	<ul style="list-style-type: none"> ▶ 47 contractor jobs created for project delivery ▶ Long term benefits through increased water access and community gathering locations 	✓	✓		✓
Goondiwindi, QLD	<ul style="list-style-type: none"> ▶ 2 core projects (16 sub projects) ▶ Maintenance and upgrades to recreation and sporting facilities ▶ Construction of new footpaths ▶ Water management: new filtration and irrigation systems ▶ New Silos and rehabilitation of truck parking areas 	<ul style="list-style-type: none"> ▶ Creation of 38 local contractors during project delivery ▶ Improved spending in local areas ▶ Long term infrastructure improvements 	✓	✓		✓
Gilgandra Shire, NSW	<ul style="list-style-type: none"> ▶ 4 projects funded to rejuvenate community infrastructure ▶ Community events (including sporting and cultural event) ▶ Funding for the local showground and the annual show 	<ul style="list-style-type: none"> ▶ 99 contractor and 42 ongoing roles created ▶ Increase in economy through increased tourism ▶ Long term community infrastructure upgrades 	✓	✓	✓	
Gunnedah Shire, NSW	<ul style="list-style-type: none"> ▶ Water standpipes to increase water access throughout region ▶ Sustainable racecourse improvements ▶ Upgrades to community water and hall assets ▶ Funding of 2 country music town events 	<ul style="list-style-type: none"> ▶ 7 contractor roles created and wider community spending ▶ Increased access to portable water for domestic and farming uses ▶ Permanent water access through infrastructure 	✓	✓		✓
Mount Remarkable, SA	<ul style="list-style-type: none"> ▶ Upgrades to Community Amenities Project (improvement caravan park facilities) at 3 locations 	<ul style="list-style-type: none"> ▶ 19 contractor roles created for construction ▶ Increased attraction for tourism ▶ Stimulation of local employment 	✓	✓	✓	

3. Improvement Opportunities



Our review has identified several improvement opportunities for the DCPE program



The DCPE's economic impact could be considered variable and unknown. This may be due to:

- I1 The DCPE guidelines providing high-level reporting requirements that the Hub is responsible for monitoring through individual grant agreements; information reported on in grant agreements is variable and there is limited analysis of outcomes at a program level
- I2 DCPE Project criteria being sufficiently open, however improvement opportunities may exist to improve the impact of funding
- I3 Adjustments to the DCPE over time increasing public confusion and decreasing confidence, limiting the perceived impact of the program

The end-to-end process to identify a need as a result of a drought event through to project completion takes on average approximately 493 days. This may be due to:

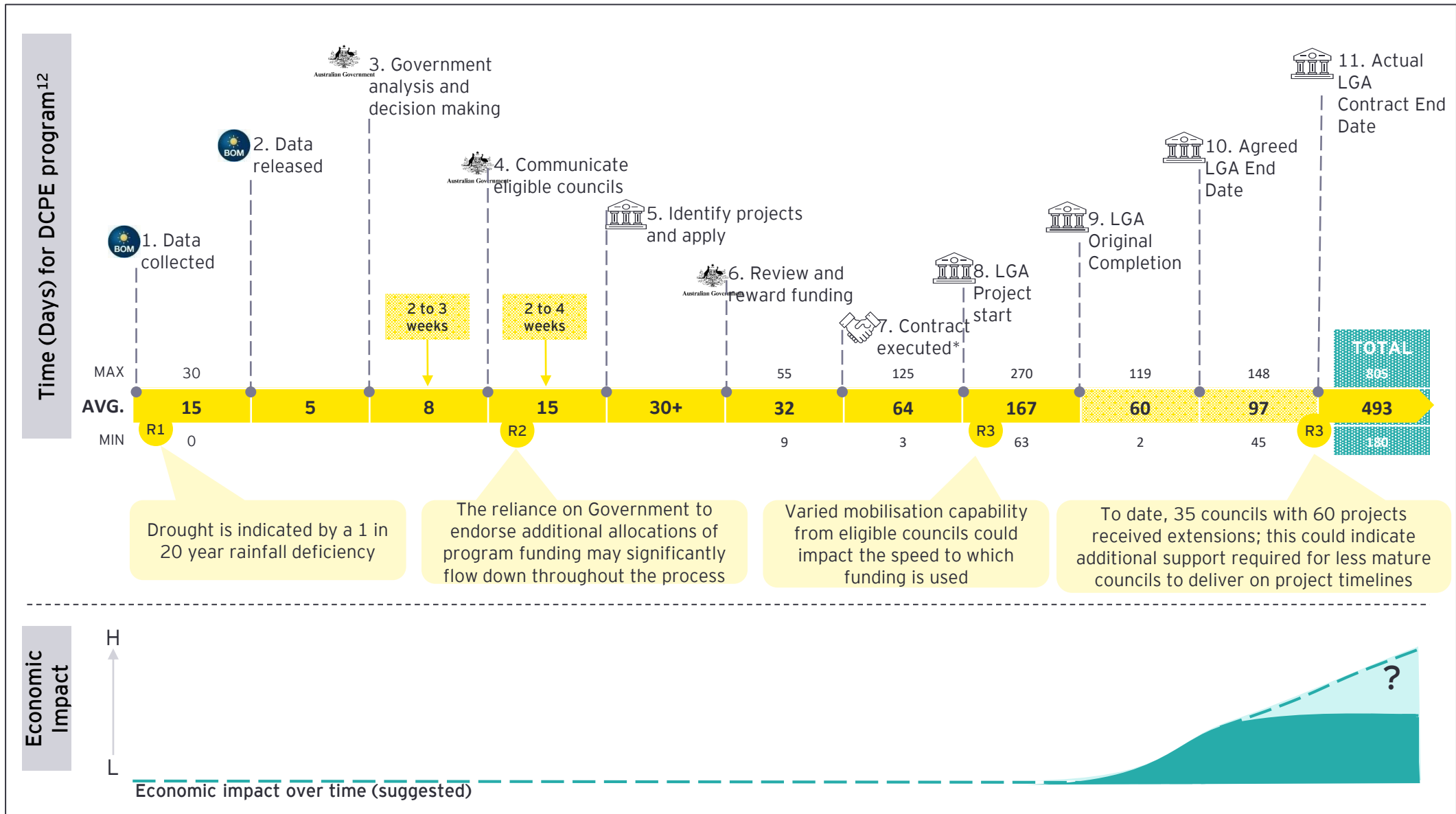
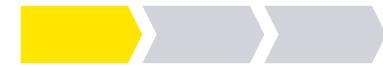
- R1 The program not considering future-looking metrics to allow for preparedness and proactive responses to drought
- R2 Reliance placed on Government to endorse additional allocation of program funding
- R3 Varied mobilisation capabilities for eligible councils to identify impactful projects on a timely basis

The current design of the DCPE has limited ability to target areas being economically affected because of drought. This may be due to:

- T1 The data being used to determine eligible councils being based on historical measures (i.e. rainfall deficiency). Local conditions may have changes following an assessment of eligibility (e.g. significant rainfall in a short period of time)
- T2 The eligibility criteria focusing on drought and not the economic impacts of drought
- T3 Funding allocation being fixed up to \$1 million for eligible councils along with not considering funding scales based on need

Key R Pain point impeding a 'Rapid' response T Pain point impeding a 'Targeted' response I Pain point impeding a 'Impactful' response

The end-to-end process to identify a need as a result of a drought event through to project completion takes on average approximately 493 days



Note: Refer to Appendix E for detailed analysis methodology

Note: Process times from steps 7 excludes dates where contract commenced prior to execution and/or dates where contract was completed prior to agreed finish date

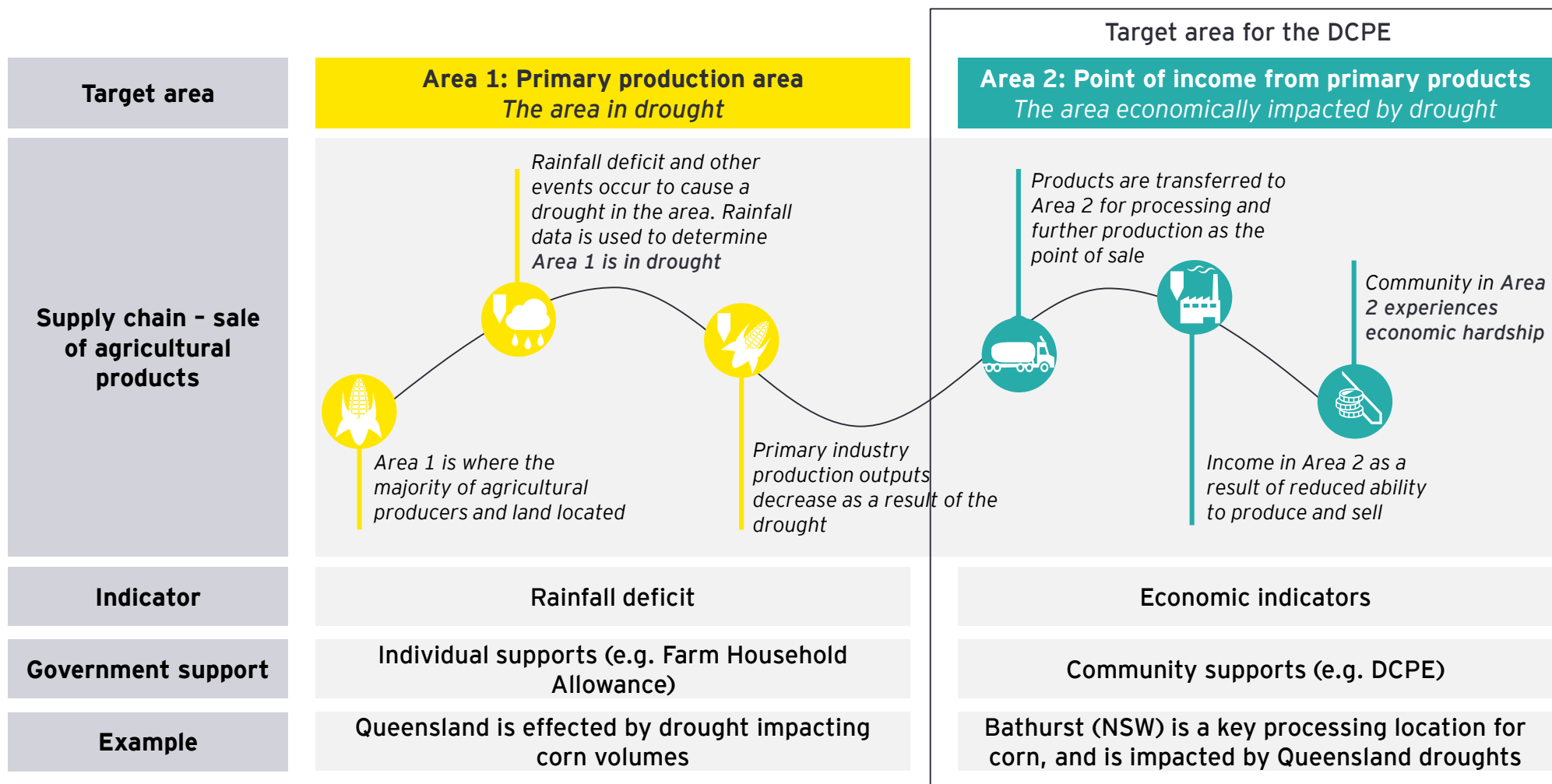
The current design of the DCPE has limited ability to target areas being economically affected because of drought¹³ (1 of 2)



- T1** The data being used to determine eligible councils is based on historical measures (i.e. rainfall deficiency). This may make some LGAs who are forecasted to have significant rainfall eligible for funding
- T1** Local conditions may have changes following an assessment of eligibility (e.g. significant rainfall in a short period of time). The risk of this can be minimised by condensing the time taken from the assessment of data to allocation of funding
- T1** The current assessment of data uses the Rainfall Deficiency Analyser (RDA). This data is developed exclusively for the DCPE, making comparison assessments difficult for those using different data sets
- T1** The use of the RDA means that eligibility is based on a 1 in 20 year rainfall deficiency for a minimum of a 12 month period experienced in the last 24 months. This results in 91 possible combinations for eligibility. This increases the chances of LGAs being eligible for funding. However, it may result in LGAs being eligible for different reasons including the length of rainfall deficiency and the timeframe in which they are deficient. This method of assessment may also result in areas becoming eligible despite experiencing significant recent rainfall
- T2** Rainfall deficiency data as the primary eligibility criteria may not take into consideration downstream supply chain impacts as explored on the following slide
- T3** The size of the funding across drought-affected areas is provided to a cap of \$1,000,000, despite the severity of drought, economic impact and size of the council being varied. This model may not be appropriate for regions that have significant numbers of LGAs with small populations

The current design of the DCPE has limited ability to target areas being economically affected because of drought¹³ (2 of 2)

- T2 The current methodology used to determine areas in drought for the DCPE focuses on primary production areas and could be expanded to areas economically impacted by drought. This may enable the DCPE to be more effective in achieving its intended purpose



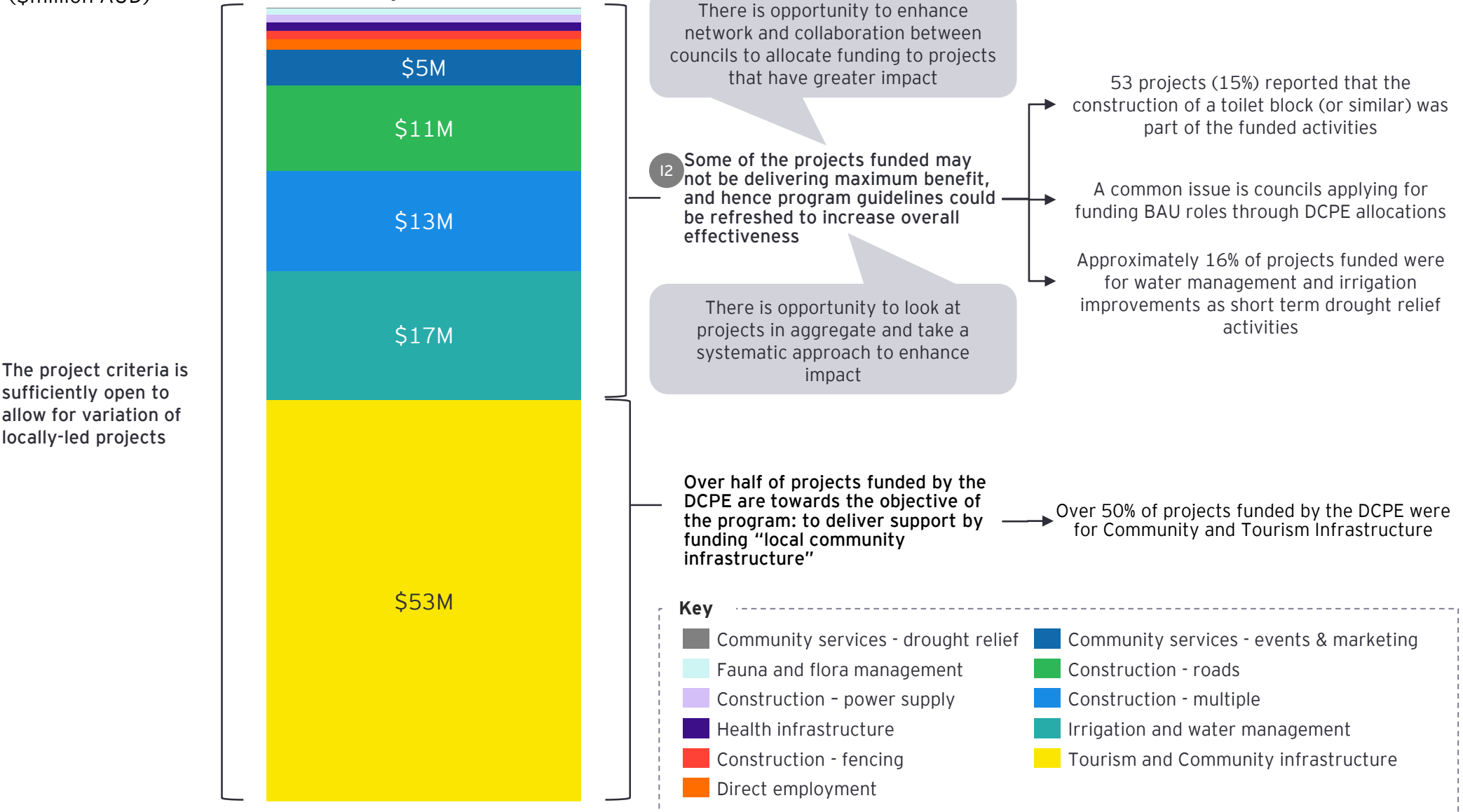
The DCPE's economic impact could be considered variable and unknown (1 of 3)

The guidelines determine the types of projects that are eligible and the outcomes they should achieve

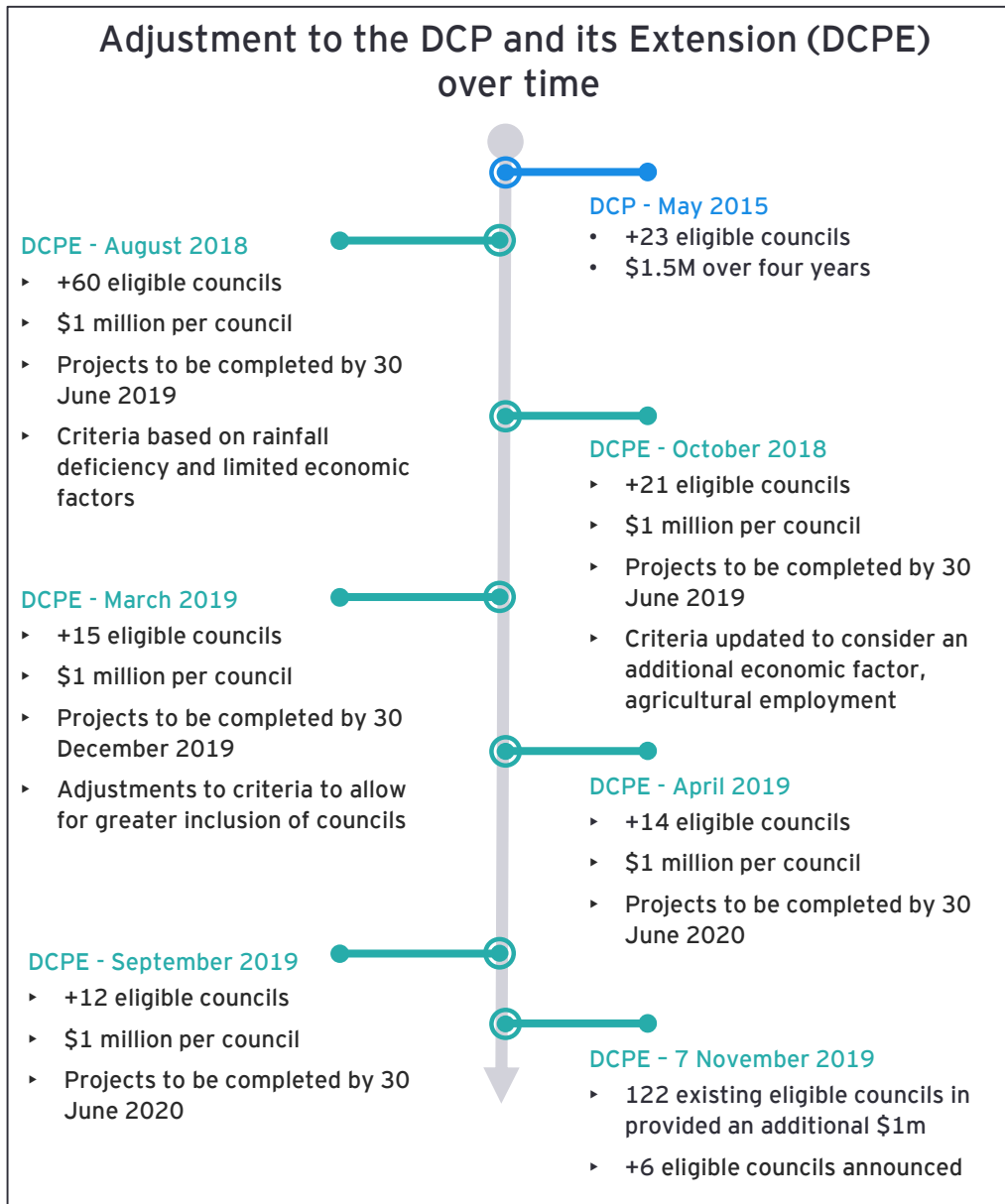
	Desired project outcomes <i>Project requirements are activity based and funded on the achievement of time-based milestones</i>	Current measurement assessment <i>Reporting on project outcomes could be improved to capture broader community economic benefits¹⁴</i>
Employment	<p>Lead to employment of locals:</p> <ul style="list-style-type: none"> ▶ Extent of employment of farmers or other farm-based staff to be employed ▶ How local employment will be created and the length of time the role will be in effect for ▶ Employment expected beyond the immediate construction ▶ Indirect employment through secondary benefit of increased spending in the local community 	<ul style="list-style-type: none"> ▶ The current reporting requirements include how the project increased employment in regions ▶ Case studies provided indicate projects have delivered a significant number of roles in the communities
Growth	<p>Contribute to economic activity in the region:</p> <ul style="list-style-type: none"> ▶ Projects to be completed using local businesses, suppliers and services ▶ Encouragement of local investment, business and other benefits 	<ul style="list-style-type: none"> I1 There is limited estimation of the secondary benefits to the community (at a dollar figure or % level beyond anecdotal reports)
Retention	<p>Lead to the retention of businesses, services and facilities:</p> <ul style="list-style-type: none"> ▶ Increased tourism, trade for local businesses, and improved services due to enhanced facilities ▶ The number of people expected to benefit from the project 	<ul style="list-style-type: none"> I1 Wider community benefits are not always reported on (such as intangible through mental health, population retention etc.) I1 Limited reporting on increase in tourism beyond anecdotal reports
Planning	<p>Adverse business plan to consider:</p> <ul style="list-style-type: none"> ▶ Natural resource management ▶ Economic diversification and community resilience ▶ Communication and coordination 	<ul style="list-style-type: none"> I1 Adverse Event Plans must be submitted at the conclusion of a project to receive the final 10% of payment <ul style="list-style-type: none"> ▶ The content and quality of the Plans are not assessed

The DCPE's economic impact could be considered variable and unknown (2 of 3)

DCPE Funded projects¹¹
(\$million AUD)




The DCPE's economic impact could be considered variable and unknown (3 of 3)



13

Has increased confusion and decreased public confidence

- ▶ A council reported to the media their disappointment for not being eligible under DCPE as their 'agricultural employment participation rate fell 0.1% below the threshold¹⁵
- ▶ It was also reported that a council was made eligible for funding, despite recent rainfall in the area. As a result, the council rejected the grant¹⁶
- ▶ Further to this, social media channels highlighted the decreased public confidence and need for greater transparency. Comments included wanting to know what the criteria is to determine eligible councils, questions about what the money should be used for, and expressing their confusion about why their local areas were not considered eligible¹⁷

A group of diverse people in a meeting, with a large yellow text box overlaid on the center. The background shows several individuals in professional attire, some looking towards the center, suggesting a collaborative environment. The text box is bright yellow and contains the main question in bold black font.

How can the program be designed to rapidly respond to the effects of drought through economic stimulus?

4. Future Program Design



To achieve a rapid, targeted and impactful economic stimulus program, a redesign is required consisting of three areas to maintain and three major step changes

3 Potential elements of the current program to **maintain**:

Current State



Focus of the DCPE remains on drought



Purpose to provide rapid economic stimulus to drought-affected communities



Delivery mechanism uses councils to distribute project funding

Reason to maintain

As a chronic and persistent climatic event, droughts are different to acute weather events, and hence may require a different policy response

The purpose of the DCPE is an integral part of the Commonwealth Government's response to supporting the wider community impacted by drought

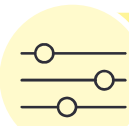
Councils have wide networks and may provide the knowledge and understanding of the nuanced requirements of each region receiving a grant

3 Potential **major** step changes for a new program:

Current State



Reactive approach to providing economic stimulus



Fixed funding allocation for each eligible council



Government approval for additional funding is sought

Future State

Proactive approach to identify drought-affected areas more quickly at the onset and risk of drought

Scalable funding through a tiered system to allocate funding proportionate to the relative need of councils during drought events

Pre-approval for an envelope of funds may be sought, for the DCPE to then administer to councils for projects as required

Target Outcomes

Delivering funding at a greater speed as it enables pre-planning and preparation prior to drought occurring

Delivering greater impact by targeting areas with the most need through a scalable approach to allocations (e.g. per capita)

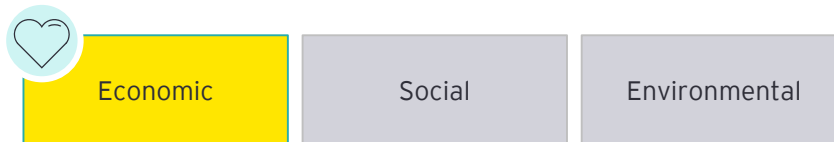
Increased the speed at which the DCPE can deliver grants to support drought-affected communities

Our review leads us to believe that there are four principles that could be used to design the future state program

Principles

Rationale

Impact



Economic support to impacted communities is a policy gap for drought

- ▶ There are limited Government programs that focus on economic stimulus of drought-affected communities
- ▶ Social and Environmental factors are the focus of other departments (Human Services, Social Services, Environment and Energy, and Agriculture)
- ▶ Without economic assistance in times of drought, essential services for regional communities may likely be impacted

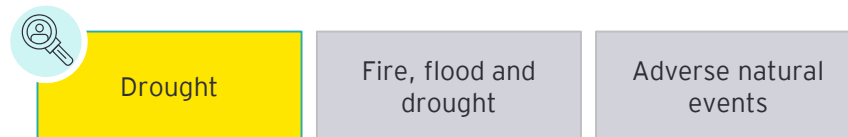
Program mindset



Drought is an enduring and predictable part of the Australian climate; therefore a proactive approach could increase the economic sustainability for drought impacted communities

- ▶ Drought is a regular occurrence in Australia and is likely to be ongoing
- ▶ Taking a more proactive approach could ensure communities are prepared for times of drought
- ▶ Money is more likely to be spent on projects focused on betterment (e.g. boosting tourism) rather than relief (e.g. water carting)

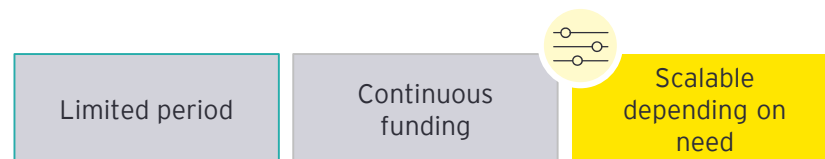
Scope



Drought is a chronic environmental condition that has limited economic stimulus responses compared to other natural disasters and events

- ▶ Drought is a chronic environmental event, compared to the acute nature of fire and flood
- ▶ Many programs focus on economically stimulating communities impacted by fire and flood (e.g. Disaster Recovery Funding Arrangements)
- ▶ Adverse natural events is a broad term and could be used for pandemics, diverging from the purpose of the program

Program length



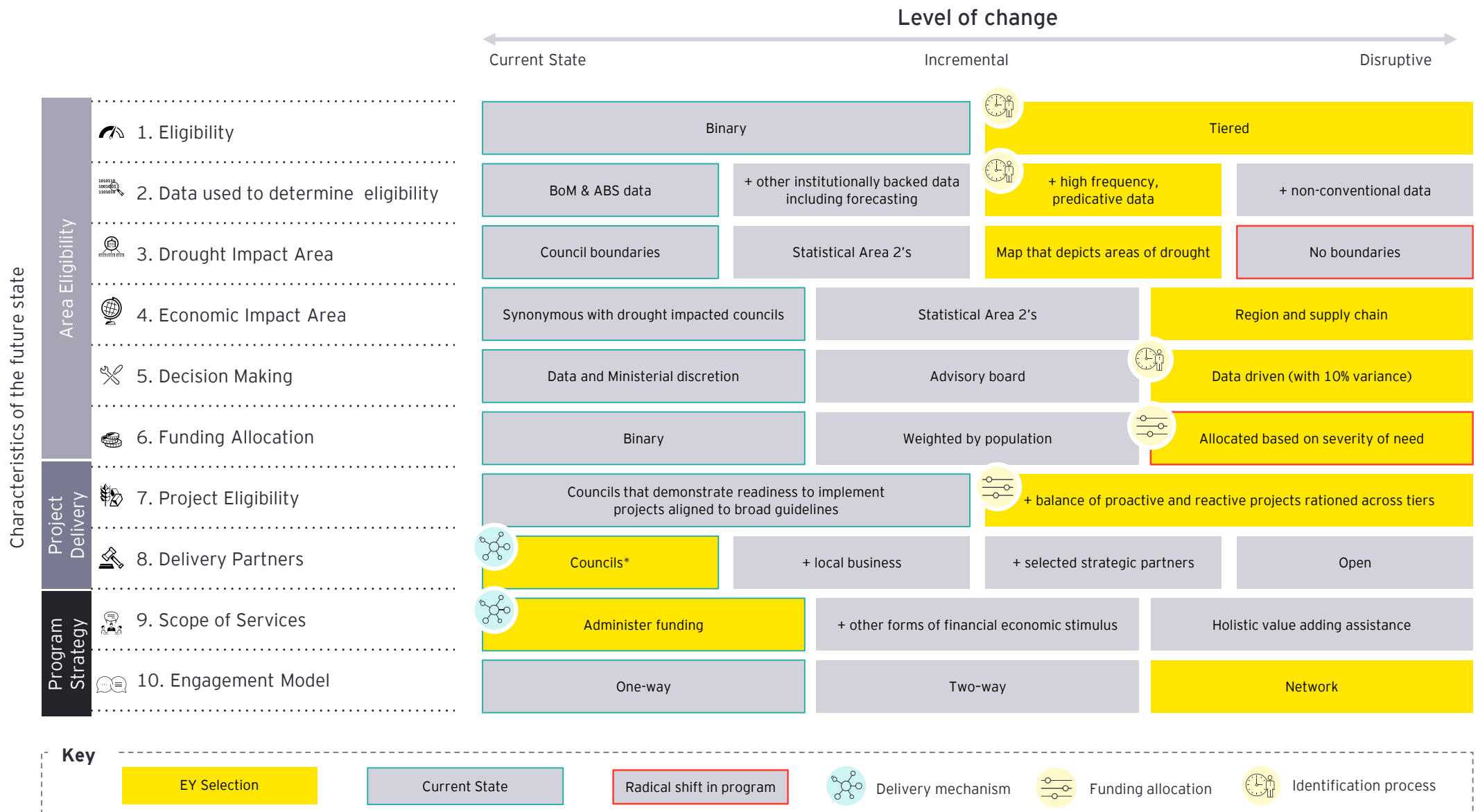
The capacity of the program to respond to drought events could be extended

- ▶ While there are many preceding events that increase the likelihood of drought over time, the impact of drought also increases over time
- ▶ The program capacity could be adjusted to focus on stimulus during times of drought and prevention when not in drought
- ▶ Program scale may be dependent on yearly budget considerations
- ▶ Funding may be adjusted if a different program is having a better impact

Key

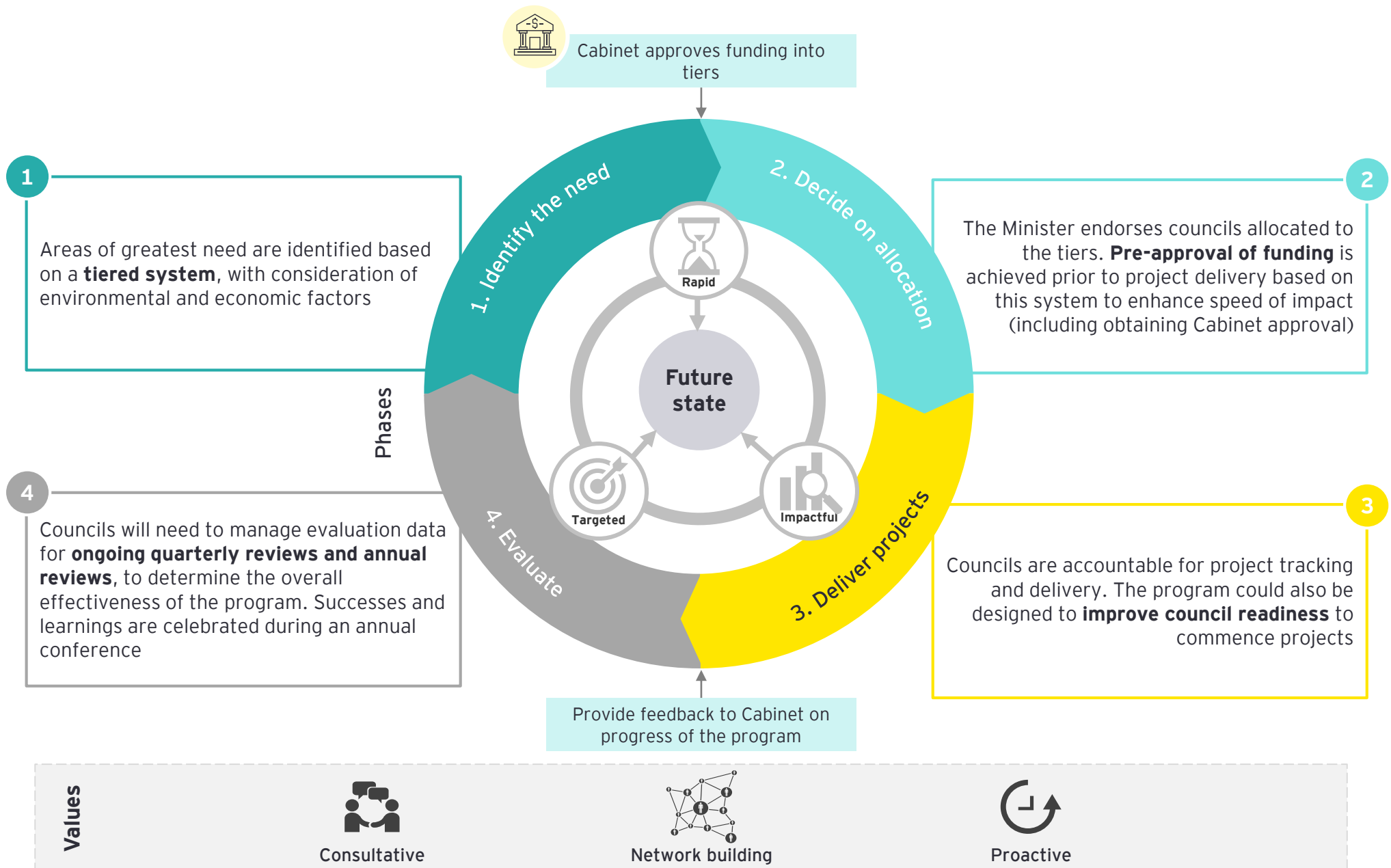
□ Current state □ Future state

We suggest an extensive re-design of the program based on consideration of critical decisions made across ten key characteristics



Note: Refer to the Appendix F for detailed design considerations of each characteristic

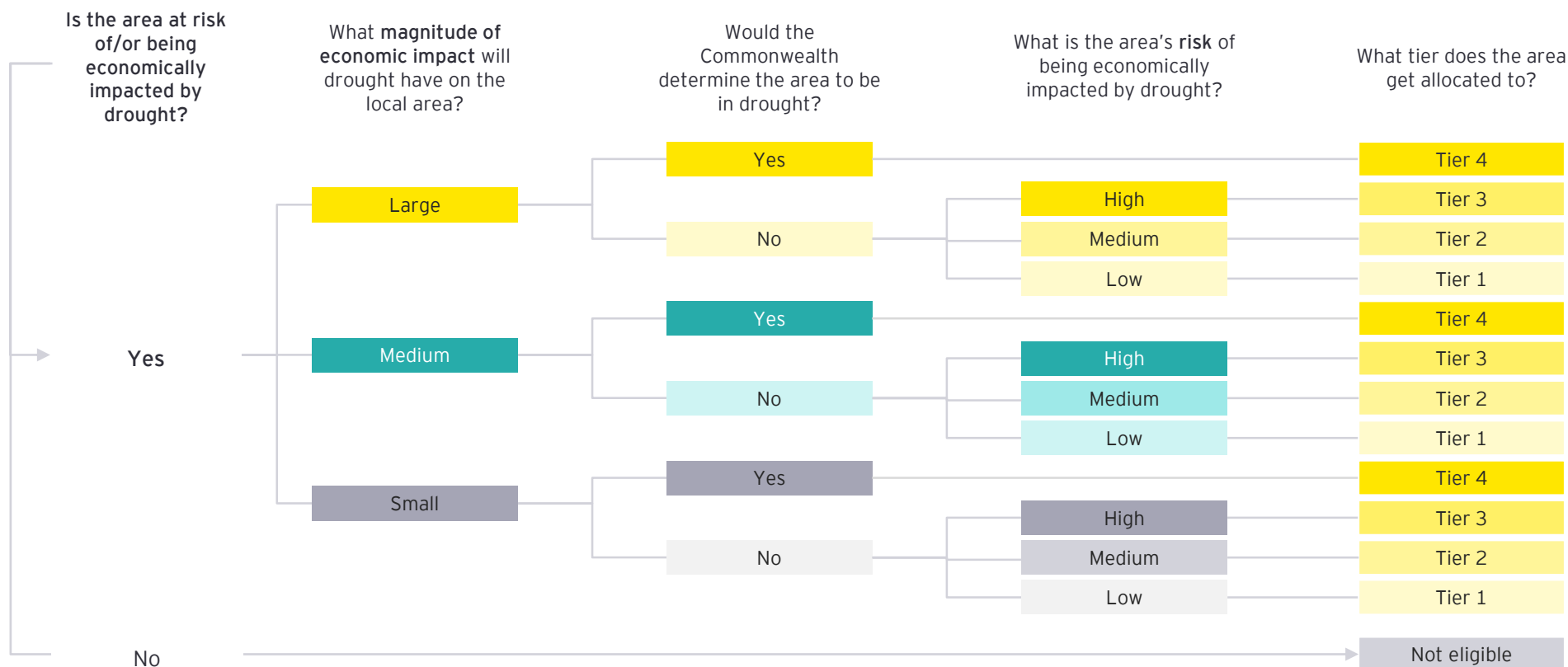
The recommended approach could be implemented using four phases



Identifying the areas of greatest need could be based on understanding the risk and magnitude of economic hardship caused by drought

1

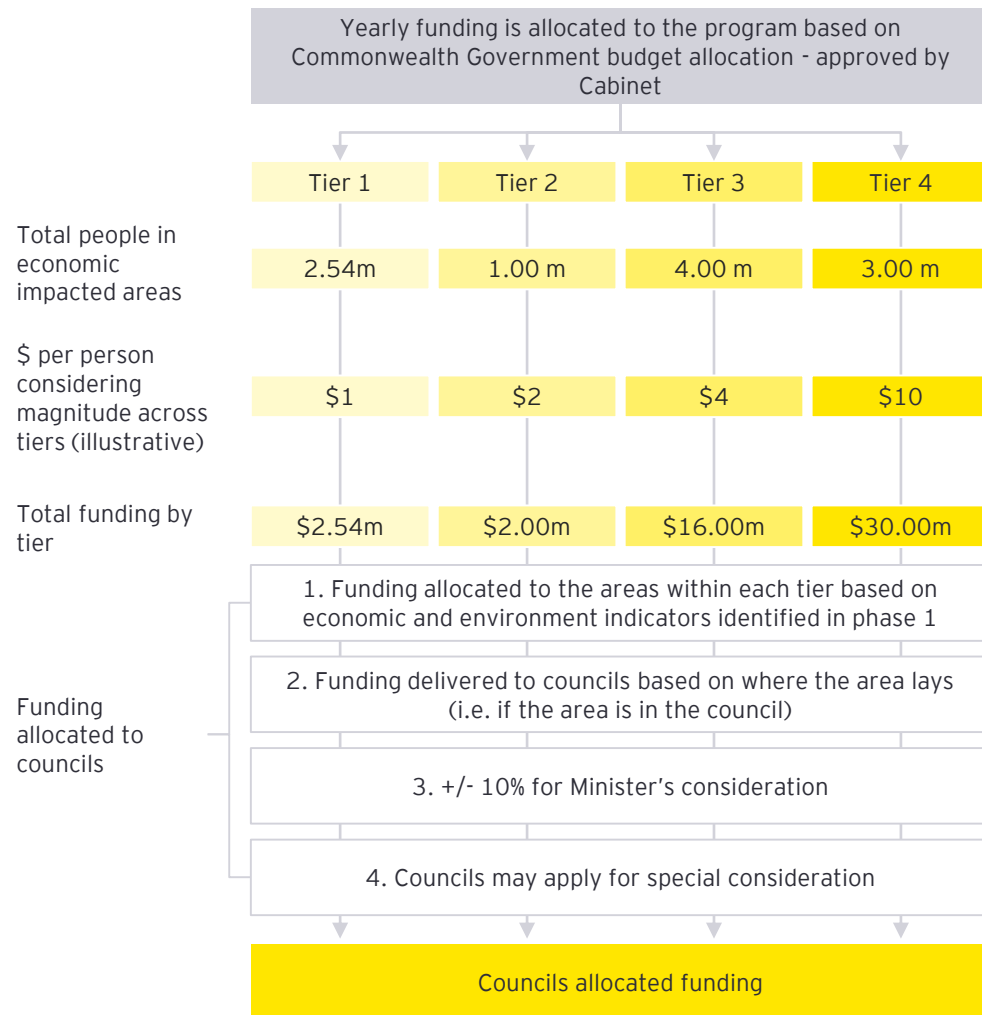
Identifying the need



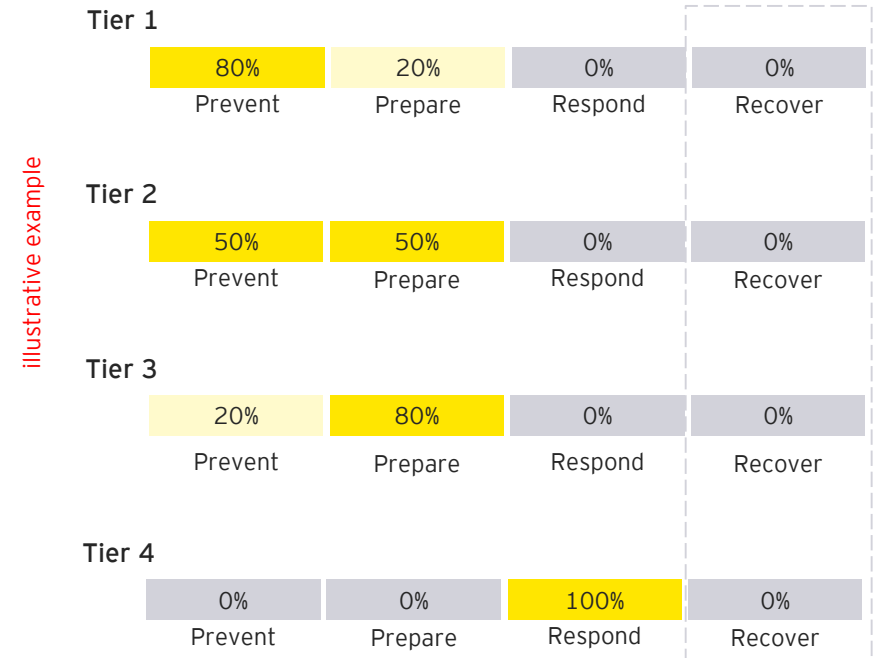
Funding could be allocated according to the most pressing need for the tier

2

Funding allocation



The focus of the funding could be dependent on the tier



Covered in another programs (i.e. disaster recovery fund)

The last third phase of the revised program focuses on improving project delivery

3

Project delivery

For each project being delivered, consideration of the following elements could be considered:

Tracking of milestones



Councils should have clear activities and deliverables to track against to support the delivery of their projects, such as targeted use of local resources. Any changes to these milestones should be raised as a change request, with the impact of the change assessed.

Management of risks and issues



Councils could assess and track against any risks and issues that are flagged for their projects, including with consideration for capacity and capability to deliver. Councils could also develop actions plans to identify issues and blockers, and track capability and performance.

Engagement with stakeholders



Councils could to identify and engage with stakeholders impacted on by their projects, to keep them informed and gain their input. This could include suppliers, the public community and government.

Communication of the Program's support



The role of the program funding in enabling the projects should be communicated to relevant stakeholders, to raise awareness about the program. Councils could network and collaborate to share knowledge, lessons learned and success stories.

Financial management



A clear budget could be developed to outline how funding will be spent to support the project's delivery, with consideration for the scope. Spend requirements to be tracked against this budget on an ongoing basis.

Measurement of benefits



The benefits delivered by the project could be identified and mapped against the intended project outcomes. The outcomes of the project need to align with the Program's objectives.

The final phase of the revised program focuses on evaluation of projects on a quarterly and annual basis

4

Project evaluation

Quarterly performance reviews

Quarterly assessments of projects would determine the success of the Program in meeting its core objectives. The assessment could include the elements displayed in EY's Program and Project Assurance Framework, shown below. The program could also consider capability development plans for councils.



Annual Review

The annual review would consider the findings and outcomes of the quarterly performance and do a detailed assessment of key achievements against the core objectives and target milestones.



Annual conference

An annual conference would be held in a regional community currently experiencing drought. The intended outcomes of this include:

- i Networking opportunity for attendees
- ii Celebration of key successes
- iii Identification of pain points and potential solutions, to be implemented in the upcoming year
- iv Support the community through tourism for the conference

By achieving the future state, the DCPE could improve its intended purpose to provide a rapid and targeted impact on drought-affected areas

Intended Purpose

Benefits of the future state could include:



Rapid

- ▶ **Quicker processing of funding** by bringing forward the approval processes
- ▶ **Increase the ability of the program to proactively determine threats** to economies affected by drought through introducing high frequency data that may indicate economic impact
- ▶ **Enable more proactive planning for council funding applications** by encouraging networking and collaboration between councils



Targeted

- ▶ **Enhance targeted decision making that considers the magnitude of economic impact on drought-affected communities and threats to council economies** by broadening the data sets used in deciding eligible councils (e.g. environmental and economic factors)
- ▶ **Reduce confusion and enable councils to influence decision making** by increasing transparency through the tiering of councils



Impactful

- ▶ **Enhance the impact of the program to celebrate success and learn from experiences** by increasing the focus on evaluation of outcomes
- ▶ **Match council needs and decrease risk of ineffective allocation of funding** by introducing a tiering system to assign funds

5. Implementation Approach



There are three steps that could be considered to implement the recommended changes to the DCPE

3 Next steps to consider for implementation:



Preparation of interim funding allocations

- ▶ There is a **desire to finalise** the allocation of the \$50 million discretionary fund by January 2020
- ▶ Therefore, an **intermediary eligibility and allocation assessment** should be undertaken
- ▶ This should **expand on the current data** sets used to enable a more rigorous approach to determine eligible councils
- ▶ This should **inform the scale of funding** that can be allocated to councils based on per capita need



Design and implement the new DCPE

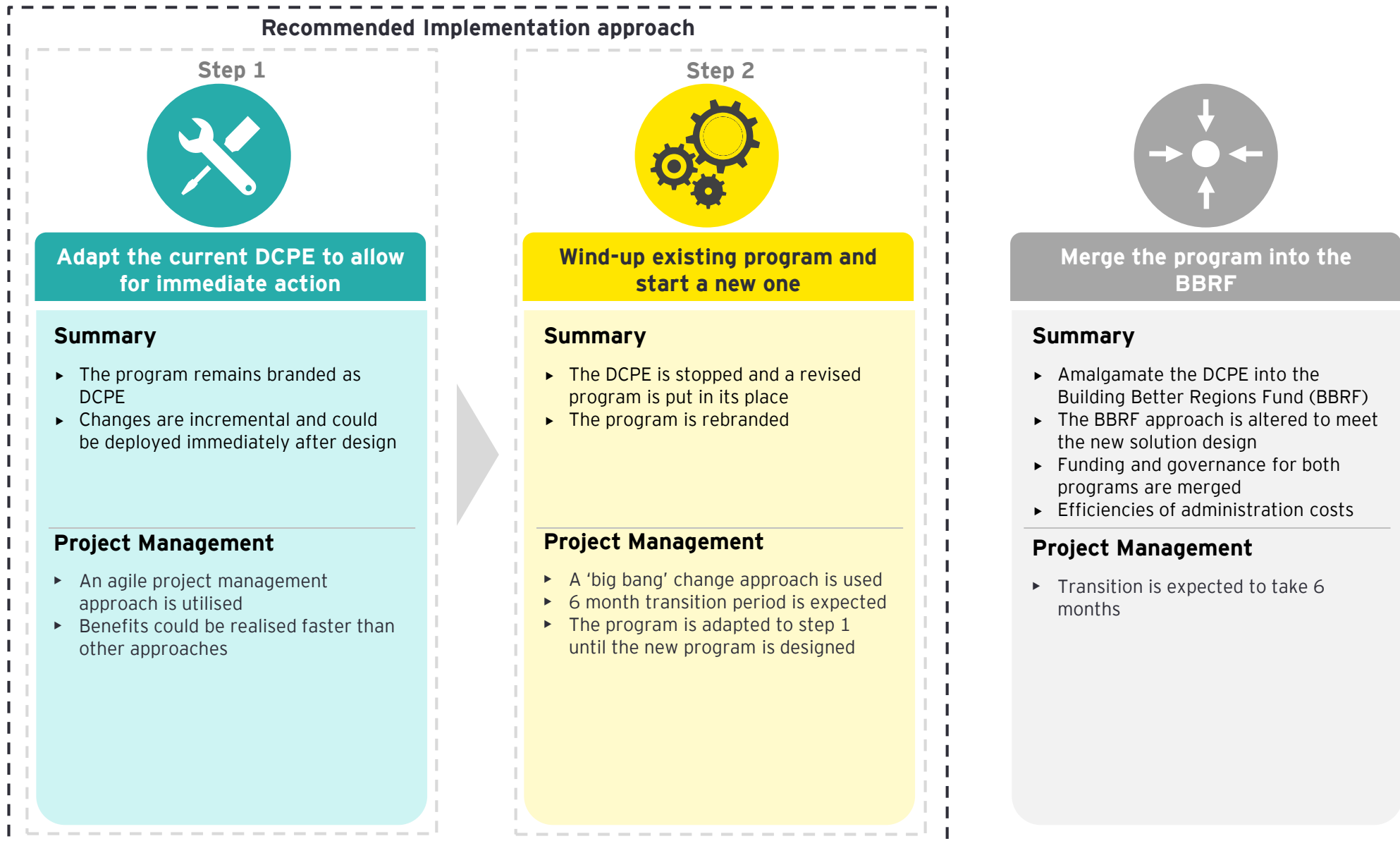
- ▶ Identified through this review, a **detailed design for a refreshed program** is required
- ▶ Therefore, a detailed design of a new DCPE program is recommended to **address the pain points** identified in the current program design
- ▶ **Implementation** of the refreshed DCPE program is then recommended






















Broader drought policy review

- ▶ This review identified that there are **many policies and programs** that support drought-affected individuals, the wider impacted communities and building resilience and preparedness
- ▶ A **detailed review of the Commonwealth Government's policy response** and fiscal support to drought could optimise impact
- ▶ For example, there could be opportunities to optimise impact through consolidating programs

Refreshing the program is the recommended mechanism to implement the new DCPE program design



Refreshing the DCPE to create a new program may have the greatest impact for drought-affected communities

Criteria	Rating			
	Low		Medium	High
Specialist capability				
Time to implement				
Complexity of change				
External inputs				
Risks				
Benefits				
Overall				

Key



Adapt



Refresh



Merge with BBRF

Appendix

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Appendix A: Commonwealth Government investments in drought



The Federal Government's Drought Response, Resilience and Preparedness Plan categorises these initiatives across three key themes



\$7.57bn

Initiatives for immediate support for individuals in drought⁴

Initiatives that are focused on measures to support farmers and communities facing prolonged drought conditions to keep them going until the drought breaks

Farm Management Deposit Scheme

\$5.75 billion (as at September 2019)

The Farm Management Deposit Scheme assists farmers to deal more effectively with fluctuations in cash flows, allowing eligible farmers to set aside up to \$800,000 in pre-tax income to draw in future years when needed, such as for restocking or replanting when conditions improve

Drought Community Supportive Initiative (Round 1 and 2)

\$65.4million for 2018-19 to 2019-20

Provides up to \$3,000 per household to support famers, farm workers and suppliers / contractors who are facing hardship due to drought

On-Farm Emergency Water Infrastructure Rebate Scheme

\$50 million for 2018-19 to 2020-21

The Scheme provides rebates of up to \$25,000 to assist farmers with purchase and installation of on-farm infrastructure for stock and permanent plant watering

Drought Communities Program Extension

\$300 million for 2018-19 to 2020-21

Provides economic stimulus in drought-affected communities by funding targeted local infrastructure projects and drought-relief activities to provide employment opportunities for people in communities facing hardship

Building Better Regions Fund (BBRF)

\$200 million (Round Four) for 2020-21 to 2022-23

The BBRF supports the Australian Government's commitment to create jobs, drive economic growth and build stronger regional communities into the future. BBRF Round Four will prioritise projects supporting drought-affected communities

Drought Communities Small Business Support Program

\$7 million for 2019-20 to 2020-21

Assists small regional and rural businesses with financial planning, mentoring and coaching

Future Drought Fund

\$100 million per year from 1 July 2020

Provides a permanent and secure revenue source to build drought resilience

National Water Infrastructure Development Fund

\$1.5 billion for 2015-16 to 2024-25

Provides grants to state and territory governments to accelerate the detailed planning and construction of water infrastructure projects that will deliver new and affordable water, enhance water security and underpin regional economic growth, including irrigated agriculture and industry



\$0.676bn

Initiatives for supporting wider communities affected by drought⁴

Initiatives that are focussed on supporting and strengthening regional and rural communities facing prolonged periods of drought



\$9.23bn

Initiatives for long-term resilience and preparedness⁴

Initiatives that are focussed on building resilience and the ability to withstand drought periods in the long-term, and ensuring that farmers and communities are more prepared for future droughts

Government drought investments could have a greater impact

Observation

1. The Commonwealth Government's drought response consists of many different policies and programs

2. The large number of Departments who own different programs potentially makes it difficult to govern

3. There is a limited focus on initiatives that support the wider community

Potential Impacts

- ▶ Limited accountability for State Governments to meet their obligations as second responders to drought
- ▶ There is potential duplication of effort

- ▶ There is a potential duplication of assistance provided to individuals at both a State and Commonwealth level
- ▶ It is difficult to assess the outcomes of each initiative and map these to respective programs

- ▶ Secondary participants economically impacted by drought (e.g. processors reliant on primary produce) are not necessarily accounted for in funding arrangements
- ▶ Immediate response programs have short term impact per dollar spent and may deliver less impact in the long term than resilience focused projects

Evidence

- ▶ 38 initiatives are being implemented unevenly across the three key policy themes, with a varying degree of funding and potential overlap with state initiatives

- ▶ Several Commonwealth Departments are responsible for drought response initiatives, and there is little opportunity to explore potential synergies between these programs
- ▶ According to FarmHub, a farmer in NSW can apply for at least 6 different loans

- ▶ 8/38 initiatives focus on supporting wider drought-affected communities, collectively receiving less than 5% of total drought funding

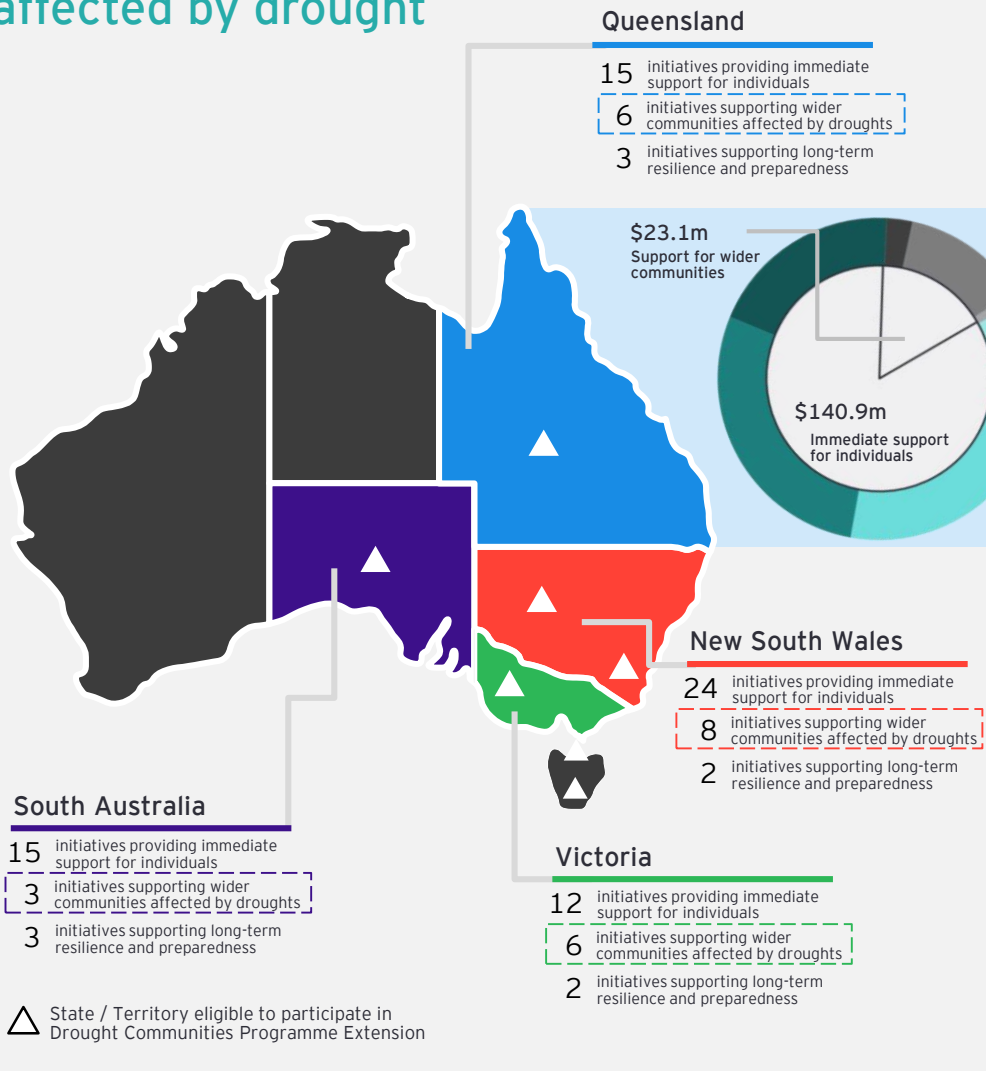
Developing a more effective and outcome-driven governance framework that clearly outlines responsibilities may better ensure that drought initiatives have optimal impact. Additionally, this will provide an opportunity to adapt and emphasise parts of the drought response according to the changing needs of individuals and wider communities facing hardship as a result of drought.

Appendix B: State Government responses to drought



The drought portfolio administered by respective States and Territories is disparate and duplicates the efforts of the Commonwealth

State Government initiatives are limited in supporting wider communities affected by drought



A desktop review by EY of the drought-response initiatives administered by respective states and territories was conducted to identify key programs that provided support to communities experiencing prolonged drought conditions.

At a state government level, the majority of drought-response initiatives had a strong focus on providing immediate assistance to farmers and regional business owners facing hardships from droughts, namely through financial aid and subsidy schemes. This was both in support of and in addition to the considerable number of initiatives (21/38) providing immediate support for individuals administered at a Commonwealth level.

Notably, the desktop scan revealed the limited number of state government initiatives and allocated funding in support of wider communities affected by drought.

The Queensland Government's Drought Assistance Package demonstrates this uneven distribution of response efforts. Notably, of the \$164 million that has been allocated under this package since 2013, just \$23.1 million has had a focus on addressing the economic impacts of drought on the regional community.

The limited number of drought initiatives to support the wider community at a state government level may reinforce the critical role that the DCPE plays in the broader policy ecosystem. Nonetheless, this key policy area, as articulated under Commonwealth's Drought Response, Resilience and Preparedness Plan, has attracted the least amount of funding at just \$0.676 billion, as well as the least number of initiatives (8/38).

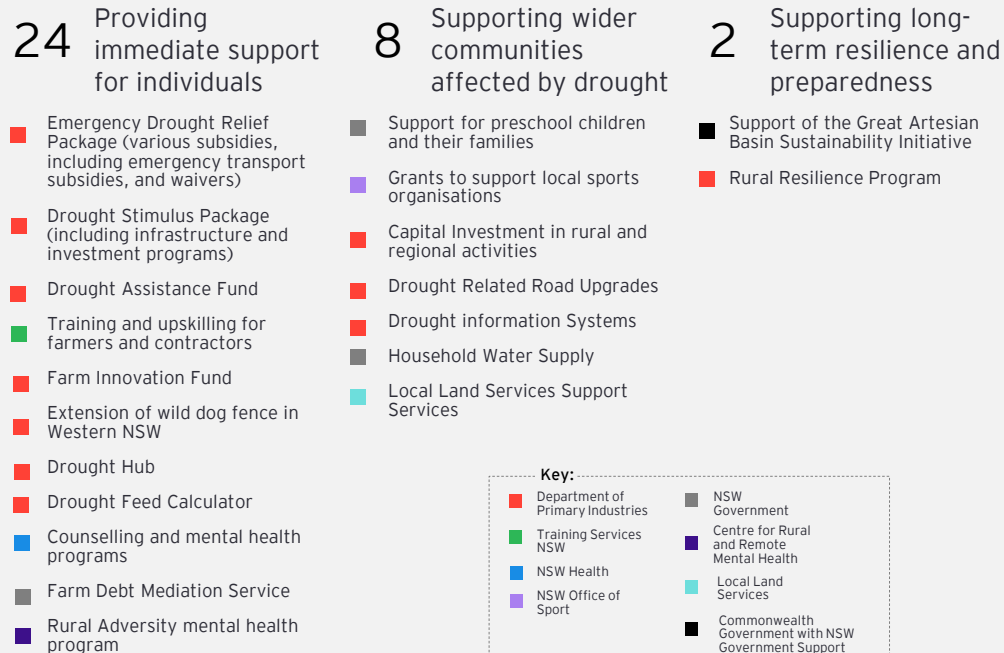
State Government drought responses have a limited focus on supporting wider community initiatives



New South Wales

With 100% of the State in drought, the New South Wales Government has announced further support for drought assistance, including an additional \$185 million funding under the Emergency Drought Relief Package and Drought Stimulus Package. The NSW Government's investment in drought support at June 2019 is more than \$1.8 billion.

The NSW Rural Assistance Authority (RAA) administers financial assistance programs upon assessing applicant eligibility, including loans to primary producers and small business operators, on behalf of NSW and Federal Governments.



Queensland

Over \$670 million has been contributed by the Government in support of drought-relief assistance since 2013. Under the new Drought Management Framework (2019-2024), the Queensland Government is administering various drought initiatives that assist primary producers in managing and recovering from droughts.

Government drought assistance is only available to properties within drought-declared areas (defined by rainfall deficiency in the last 12 months that is likely to occur no more than once every 10 years), or have their own Individually Droughted Property (IDP) declaration.



State Government drought responses have a limited focus on supporting wider community initiatives



Victoria

In October 2019, a further \$31.6 million in assistance for drought-affected farmers in the State was announced. This funding has established a \$15 million Farmers Drought Fund, including immediate cash grants of up to \$3,000 for farming families facing 'extreme' hardships and grants for on-farm drought preparedness and a \$4.6m Drought Employment Program, which aims to create 120 jobs by providing off-farm work elsewhere for struggling farmers.



South Australia

September 2018 signified the first formal acknowledgement of drought in the State. Nevertheless, this November SA provided 100bn litres of water to the Commonwealth Government to support 6000 farmers in return for \$88 million as well as an additional \$10 million to assist the State in supporting its own drought-affected farmers.

SA drought-response initiatives have predominately relied upon Commonwealth programs, such as the Future Drought Fund and the DCP and DCPE, which before 2018 excluded the State from participation.



Appendix C: Commonwealth funded drought projects



Detailed Commonwealth drought response Programs

IMMEDIATE SUPPORT FOR INDIVIDUALS			
#	Initiative	Funding allocated (millions)	Department responsible
1	Farm Household Allowance	\$365.00	Department of Human Services
2	Rural Financial Counselling Service	\$77.00	Department of Agriculture
3	Drought Community Support Initiative (Rounds 1 and 2)	\$65.40	DITCRD
4	FarmHub	\$0.77	National Farmers' Federation
5	Regional Investment Corporation (RIC)	\$1,000.00	Regional Investment Corporation
6	Weather radars	\$77.20	BoM
7	Climate guides	\$2.70	BoM
8	Improving drought resilience in the Great Artesian Basin (multiple)	\$36.90	DITCRD
9	Water Balance for the Great Artesian Basin	\$6.50	DITCRD
10	Farm Management Deposits	\$5,750.00	ATO
11	Taxation measures	\$75.00	ATO
12	On-Farm Emergency Water Infrastructure Rebate Scheme	\$50.00	Department of Agriculture
13	Water for fodder and pasture production	-	Department of Agriculture
14	Empowering our Communities	\$24.40	Department of Health
15	Trusted Advocates Network Trial	\$0.46	Department of Health
16	Telehealth (multiple)	\$4.80	Department of Health
17	ReachOut	\$0.22	Department of Health
18	Communities combating pests and weeds impacts during drought	\$25.00	Department of Agriculture
19	Country Women's Association (CWA) of Australia One-Off Grant	\$5.00	DITCRD
20	National Drought Map	\$4.20	Department of Prime Minister and Cabinet
21	Communication groups	-	
TOTAL FUNDING ALLOCATION		\$7,571.56	

Note: The information above is from "Australian Government Drought Response, Resilience and Preparedness Plan, Appendix A: Australian Government measures and programs that support resilience and preparedness". We have not sought additional information and updates beyond the information reported in Appendix A of the Drought Plan.

Detailed Commonwealth drought response Programs

SUPPORT FOR WIDER COMMUNITIES

#	Initiative	Funding allocated (millions)	Department responsible
22	Drought Communities program Extension	\$300.00	DITCRD
23	Drought Communities program Extension - Roads to Recovery	\$138.90	DITCRD
24	Building Better Regions Fund (BBRF)	\$200.00	DITCRD
25	Drought Communities Small Business Support Program	\$7.00	
26	Foundation for Rural and Regional Renewal	\$15.00	DITCRD
27	Special Circumstances Fund	\$10.00	Department of Education
28	Supporting early learning centres	\$5.00	Department of Education
29	Regional Investment Corporation (RIC) small business and drought loans	(As part of RIC funding)	
TOTAL FUNDING ALLOCATION		\$0.67	

SUPPORT FOR WIDER COMMUNITIES

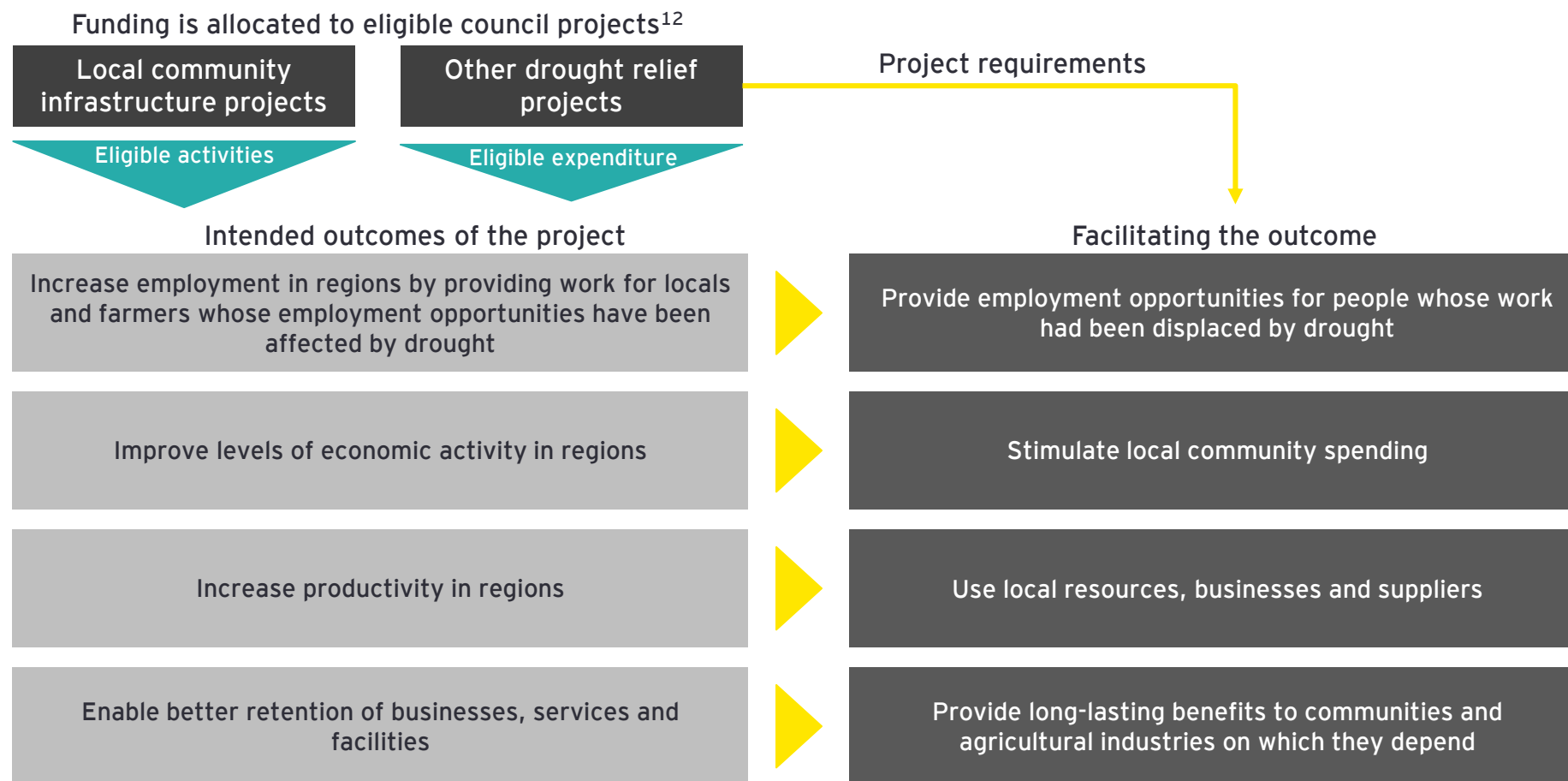
#	Initiative	Funding allocated (millions)	Department responsible
30	Future Drought Fund (per year)	\$100.00	Department of Agriculture
31	National Water Grid Authority	\$100.00	DITCRD
32	National Water Infrastructure Development Fund	\$1,500.00	DITCRD (administered by RIC)
33	National Water Infrastructure Loan Facility	\$2,000.00	DITCRD(administered by RIC)
34	National Landcare Program	\$1,000.00	Department of Agriculture
35	Agriculture Stewardship Package	\$34.00	Department of Agriculture
36	Emissions Reduction Fund	\$4,550.00	The Department of the Environment and Energy
37	National Soils Advocate	-	Department of Prime Minister and Cabinet
38	Research, development and extension system review	-	Department of Agriculture
TOTAL FUNDING ALLOCATION		\$9,284.00	

Note: The information above is from "Australian Government Drought Response, Resilience and Preparedness Plan, Appendix A: Australian Government measures and programs that support resilience and preparedness". We have not sought additional information and updates beyond the information reported in Appendix A of the Drought Plan.

Appendix D: Detail of the DCPE



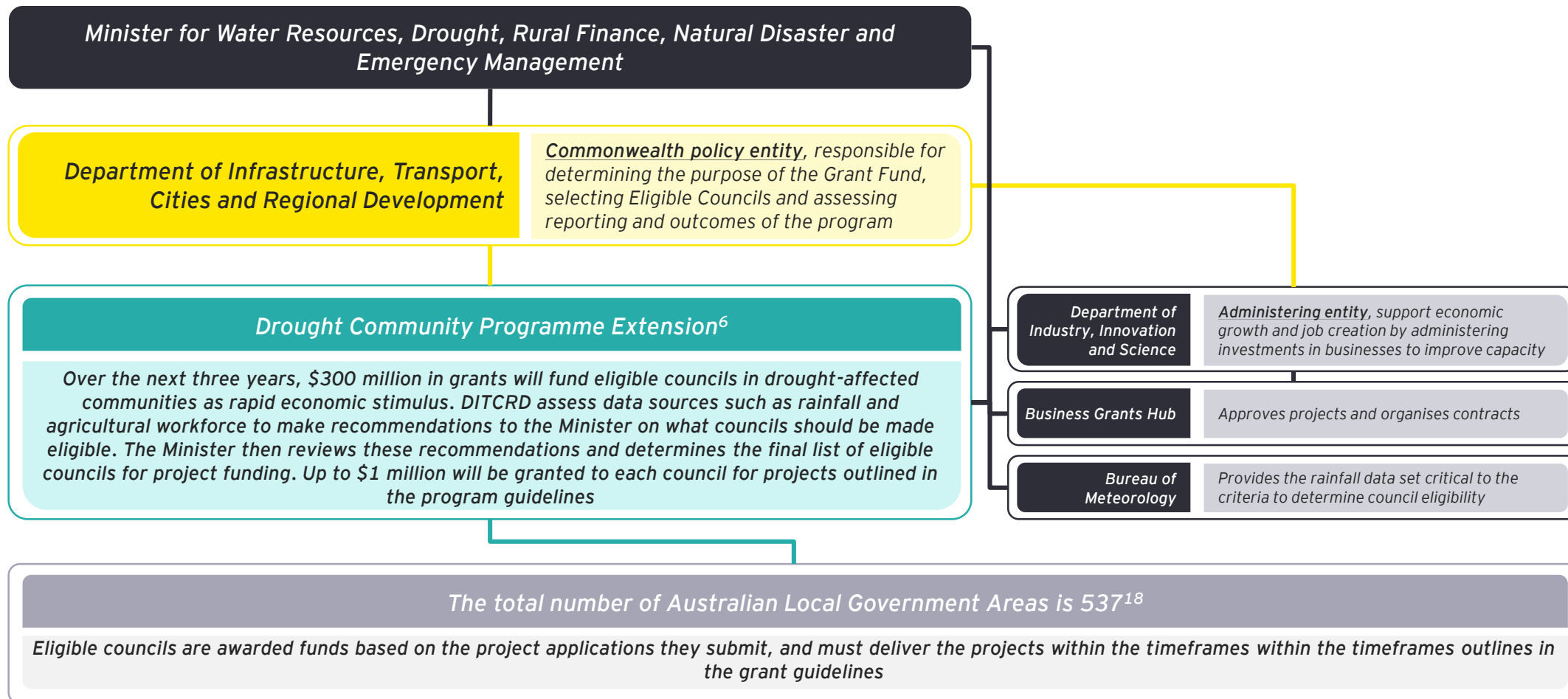
The DCPE provides funding to deliver immediate economic stimulus and other benefits to target drought-affected regions in Australia



Insights

- ▶ The DCPE has been allocated \$300 million to provide grants of up to \$1 million per eligible council to communities economically impacted by drought over the next three years
- ▶ The intention of the DCPE is to provide rapid economic stimulus, by supporting local community infrastructure and drought relief projects to reduce economic impacts of drought to the broader population base in affected areas
- ▶ The DCPE Grant Opportunity Guidelines provides a high level description of the types of programs and activity outcomes that eligible councils should target

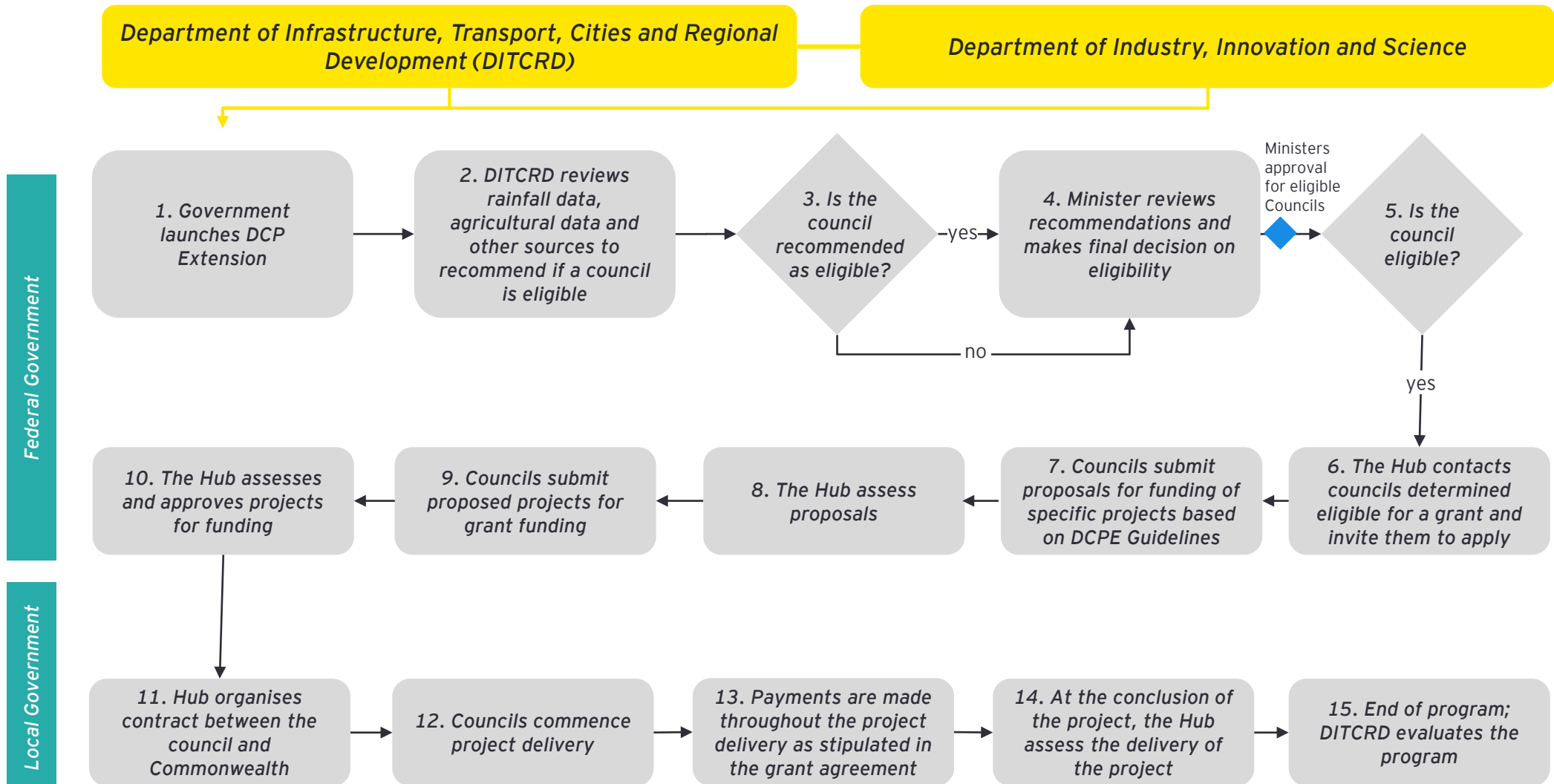
The DCPE relies on a number of key stakeholders to manage and administer the grant, and to inform decision making



Insights

- ▶ Program administration has been designed to deliver stimulus directly to areas in need through councils, therefore bypassing State controls

The process to administer the DCPE requires a number of stakeholders at both the federal and state levels



Appendix E: Detailed process analysis

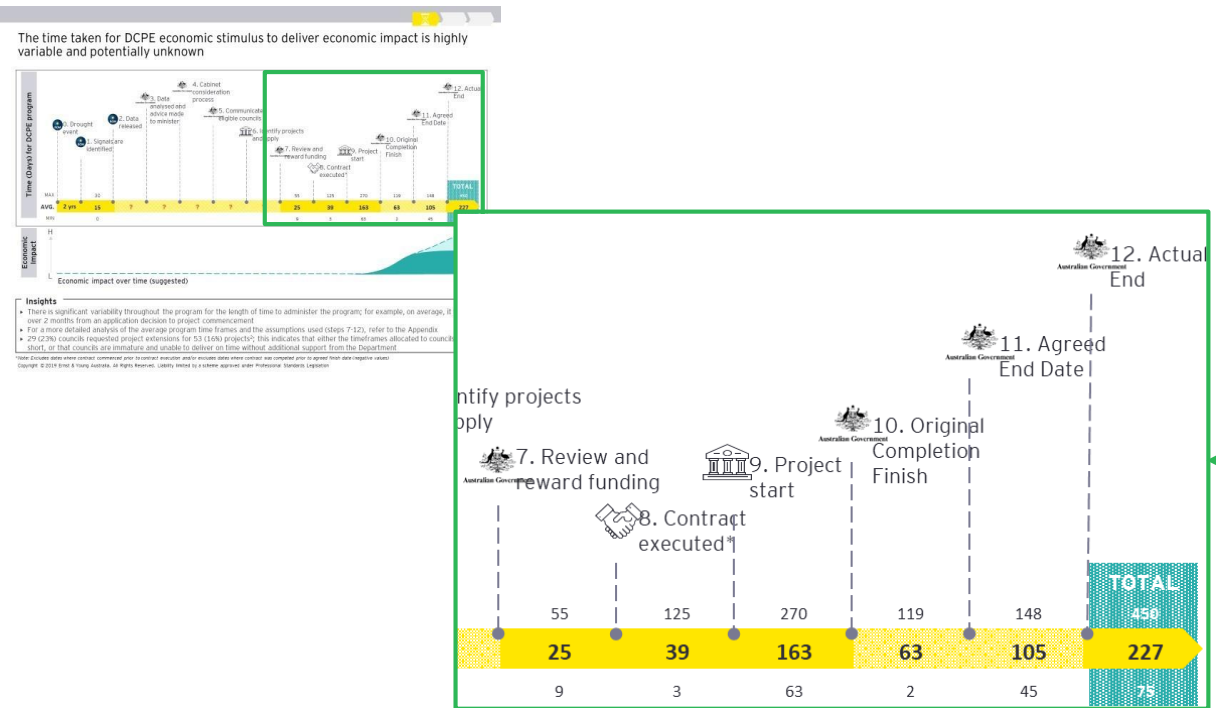


Detailed Current State process timeline analysis

The analysis for project timelines was conducted for all projects recorded as "Participation Finished". The data used for processing timelines was based on information and advice provided by the Department.

To calculate the average time for project administration, from Decision Date (1) to Project Actual End (2), a margin of 5% for the minimum and maximum values for each timeframe was applied. This was to ensure values did not reflect outliers in the data set. All values were calculated to exclude negative integers. This rule was applied to overcome impacts to the average processing time; negative values were observed during administration processes steps 7 to 9 (for example, contracts were recorded as executed after the project had commenced).

The difference between the use of raw data and the adjusted analysis is detailed in the table below.



Data Set description	Value description	DAYS: DECISION TO EXECUTION	DAYS: EXECUTION TO START	DAYS: START TO ORIGINAL COMPLETION DATE	DAYS: ORIGINAL COMPLETION DATE TO AGREED END DATE	DAYS: AGREED END DATE TO ACTUAL END DATE
Raw data	Average	26	38	155	11	101
	Minimum	2	-49	29	0	-39
	Maximum	125	299	315	142	190
Excluding 5 th and 95 th percentile and negative values	TRIMMEAN	25	39	163	63	105
	ADJ MIN	9	3	63	2	45
	ADJ MAX	55	125	270	119	148

Appendix F: Detailed future state design characteristics



EY recommends tiered representation of eligible 'areas' based on increasing severity of economic risk due to drought

1. Eligibility

Binary

Tiered

Reasons for the selection

- ▶ Tiering of area eligibility could allow for preparation and readiness to take place prior to full drought impact. This includes preparing resilience plans, developing ready to implement projects, delivering projects that prepare for drought and establishing funding pre-approval
- ▶ As a result, economic stimulus activities could be faster to mobilise, using more local resources, the community will be better prepared for when drought hits and deliver improvements to impact
- ▶ Having a 'ready to activate' drought plan may also promote a greater sense of confidence in the ability to tackle drought

Things to consider

- ▶ Increased complexity for administration, users and other stakeholders as there are more tiers and thresholds to manage
- ▶ Increased investment and cost due to capacity required for allocation and regular assessment of how councils are categorised

Case study and supporting evidence

- ▶ Supporting evidence: Moira Council was considered ineligible in the current binary system based on 'Employment dependant on agriculture' at 16.9% rather than the required 17%, despite meeting rainfall requirements. Under a tiered system, they may have been eligible for some funding.
- ▶ Case Study: National Terrorism Threat Advisory System: a scale of five levels to provide advice on the likelihood of an act of terrorism occurring in Australia based on continuous assessment.
- ▶ Case Study: Bush Fire Danger Ratings are based on predicted conditions such as temperature, humidity, wind and the dryness of the landscape. Six rating from Low through to Catastrophic give an indication of the possible consequences of a fire, if one was to start and the recommended response. Responses in the lower tiers are more proactive and preparatory (e.g. reviewing a bush fire survival plan) while those in the higher tiers are reactionary (e.g. leave now)

EY recommends continuing to use existing data sources and extending to other institutionally backed data and high frequency predicative data

2. Data used to determine eligibility

BoM & ABS Data

+ other institutionally backed data including forecasting

+ High frequency, predicative data

+ non-conventional data

Reasons for the selection

- ▶ Increasing use of data and extending to using additional, institutionally backed data sets, may create stronger and more defensible rationale for area selection
- ▶ In addition, selected use of high frequency data sets (such as rapid drop in production volumes), could further enhance decision making
- ▶ Predicative data is increasing in accuracy and allows identification of areas that are more likely to be affected by drought. Early warning signals could enable economic stimulus to be more proactive and effective

Things to consider

- ▶ Increased cost and time investment due to additional data sets and analysis
- ▶ Exposure to data error due to larger data sets
- ▶ Stakeholder communication and transparency of eligibility criteria
- ▶ Incorporation of AI to enhance speed of analysis

Case study and supporting evidence

- ▶ Supporting evidence: There was a deficiency of supply or analysis of data discovered during the audit of eligibility assessment in the case of Moyne shire, with data running to 30 May not 30 June. This shows the disadvantages of limited data sets and manual processing, and resulted in adverse media coverage of the DCPE.
- ▶ Case Study: Jakarta Smart City Unit (JSCU) has built a central platform that gathers feedback from mobile and social media channels, and maps it against other data to identify problem hotspots, including flood prediction. A citizen with a smartphone is an incredibly valuable source of data for government agencies, because they will provide accurate feedback on the status of the city's systems in real time. The JSCU empowers government agencies with the data they need to make optimal policy decisions, whilst engaging citizens by enabling faster responses to feedback and increasing transparency.

EY recommends identifying drought impact areas using a 'heat map' informed by various data inputs

3. Drought impact area

Council boundaries

Statistical Area 2's

Map that depicts areas of drought

No boundaries

Reasons for the selection

- ▶ Droughts are not limited by council boundaries or lines on maps. Identification of drought effected areas is primarily driven by rainfall deficits and this effect can and often does span council boundaries.
- ▶ Adopting a model for drought-affected areas that is unconstrained by council boundaries, could enable better and more targeted diagnosis of all affected areas, e.g. drought areas that impact only part of a council

Things to consider

- ▶ Accuracy of data used to create heat map
- ▶ Increased complexity in allocation of funding
- ▶ Cost associated with development of map
- ▶ Familiar map used to ensure consistency of presented information

Case study and supporting evidence

- ▶ Supporting evidence: There are no guarantees to ensure that money is used in the drought-affected part of a local government area rather than the non-drought-affected part (e.g. 62 per cent of Moyne Shire was at some point in drought over a 12 month period while 38 per cent was not).
- ▶ Case Study: NSW's Combined Drought Indicator, based on European models, uses multi-indicators to predict phase of drought. Indicates accuracy achieved through broadening indicators.

EY recommends a more sophisticated region and supply chain analysis to identify economic impact areas

4. Economic impact area

Synonymous with drought impacted councils

Statistical Area 2's

Region and supply chain

Reasons for the selection

- ▶ Economic impact which results from drought is often not restricted to council boundaries
- ▶ Economic hubs in close proximity to drought-affected areas and connected by relevant supply chains should be identified in this analysis
- ▶ Agriculture supply chains may also span hundreds of km's to other remote areas and should be included in some situations (e.g. to the nearest processing facility)
- ▶ As a result, a more sophisticated region and supply chain analysis to identify economic impact areas may be needed

Things to consider

- ▶ Determining dependencies between drought map and economic hubs
- ▶ Ability to proactively determine economic hardship
- ▶ Reliant on real time data and real time analysis
- ▶ Increased complexity in eligibility determination

Case study and supporting evidence

- ▶ Supporting evidence: Natural disasters impact on multiple sectors and areas of society, including economies at multiple levels.
- ▶ Case Study: An example of the flow-on impact on supply chains of natural disasters was seen in the 2011 earthquake in Japan, where suppliers of goods were impacted through their supply chains. Whilst there are differences in the immediacy of earthquakes and droughts, both have a flow on effect on supply chains, connected areas and jobs.

EY recommends determining eligibility through a data driven approach and allowing for a 10% variance to account for unique situations

5. Decision making

Data and Ministerial discretion

Advisory Board

Data driven
(with 10% variance)

Reasons for the selection

- ▶ Using better input data, tiers, and ranges in thresholds, could enable improved decision making
- ▶ As a result, decisions based on objective and defensible data may be possible
- ▶ Some flexibility will remain (through ranges of qualification), to enable judgement calls to be made, taking into account unique situations that are not captured by data. An Advisory Board (consisting of the Minister, Economists, and Agricultural specialists) could be authorised to make this judgement call on council eligibility for those that fall within a 10% variance of the determined thresholds.

Things to consider

- ▶ Accuracy of data
- ▶ Time required to gather, quantify, synthesis and analyse data
- ▶ Who will be on the Advisory Board

Case study and supporting evidence

- ▶ Supporting evidence: The Government was publicly urged to overturn a decision not to include Victoria's Moira Shire as eligible. Moira Shire is heavily dependent on agriculture and was experiencing dry conditions. The decision to deem them ineligible was maintained and this resulted in criticism of the program. Having strong data to support decision making, with a ten percent variance, would help to inform and support these decisions.
- ▶ Case Study: the US Department of Justice's Office of Justice Programs (OJP), which distributes public safety grants, pulled disparate data systems together and automated review processes to increase the accuracy and consistency of its decisions, with resource allocation decisions now based on hard data rather than subjective opinion.

EY recommends allocating funding based on severity of need

6. Funding allocation

Binary

Weighted by population

Allocated based on severity of need

Reasons for the selection

- ▶ Droughts do not impact areas in the same way. The amount and intensity of production, its supply chain, populations, diversity of economy, remoteness and service access are just some of the factors that influence severity of impact and consequently need.
- ▶ As a result, scaling funding allocation by the level of impact could improve the effectiveness of program spend
- ▶ Funding decisions by Cabinet would be made at the program level. This approach could reduce the need for Cabinet to endorse additional allocation of program funding

Things to consider

- ▶ Increased complexity and administrative costs due to increased data analysis
- ▶ Increased administrative costs due to continuously assess and manage of tiers

Case study and supporting evidence

- ▶ Supporting evidence: A \$1 million grant to the Moyne Shire in Victoria was rejected by the council on the basis its farmers were experiencing one of their best seasons in decades. This led to public media scrutiny.
- ▶ Case Study: NZ's Ministry of Social Development - Funding allocation model uses population-based indicators to express the relative level of need for building financial capability services in each region. This concept could be applied to define relevant population-based indicators to express the relative reliance on industries that could be impacted by drought or other adverse natural events.
- ▶ Case Study: NSW Department of Education Resource Allocation Model: This program breaks out the funding into levels. The top level defines three types of resource support (targeted funding, equity loadings and base school allocation), followed by components within each type to allocate funding towards strategic priorities. This concept can be applied with the tiering mechanism defined in characteristic 1. By breaking out into tiers, and allocating funding based on strategic priorities within each tier, greater efficiency and transparency could be achieved.

EY recommends accepting projects that demonstrate readiness to implement and are a balance of proactive and reactive projects

7. Project Eligibility

Councils that demonstrate readiness to implement projects aligned to broad guidelines

+ balance of proactive and reactive projects ratioed across tiers

Reasons for the selection

- ▶ Lessened impact of drought due to tier-dependant proactive/reactive eligibility requirements
- ▶ Long-term resilience indicators may allow forecasting of community preparedness
- ▶ Preparedness, as well as relief, could reduce risk of future impacts
- ▶ Increased focus on speed and/or local impact

Things to consider

- ▶ Greater administration costs to gather and analyse community data
- ▶ High complexity of determining resilience
- ▶ High probability of time delays in gathering resilience data

Case study and supporting evidence

- ▶ Supporting evidence: Projects that have been undertaken to date focus largely on addressing the current issues or growing the economy long-term, rather than preventing future adverse natural events. For example, through the developing community infrastructure such as at a basketball stadium and Little Athletics Club (as seen in Gilgandra Shire Council, NSW) and the establishment of a gym (as seen in Wakefield, SA). These are important projects for the community's sense of community and economy, but are not measures to increase preparedness. An example of a project focusing on preparedness is the Gunnedah Shire Council's investment in creating 24-hour self-service water standpipes, to provide the community (including farmers) with easier to water. This was a critical priority for the local community but also takes a future-focused approach.
- ▶ Case Study: The National Strategy for Disaster Resilience (2011) outlines the 'prevent, prepare, respond and recovery (PPRR)' framework which can be leveraged when considering a balanced approach to proactive/reactive projects.

EY recommends maintaining councils as the primary delivery partner

8. Delivery Partners



Reasons for the selection

- ▶ Councils typically have established implementation and governance capabilities, including ability to procure resources and manage cash flow associated with projects
- ▶ Councils often have strong local connection with communities, detailed local knowledge, and a role in delivering on community expectations
- ▶ Councils may mitigate equity risks associated with utilising specific local businesses
- ▶ May simplify project evaluation by determining a primary delivery partner with sole responsibility. Maintaining a local delivery partner could reduce risks associated with funding leakage through non-local partners
- ▶ Bypassing the state-government level may increase the speed at which economic stimulus can reach communities by reducing administration efforts
- ▶ Using councils as the delivery mechanism could enable broader coverage of the grant program, as council networks (e.g. the ALGA) have large networks

Things to consider

- ▶ Historically, some councils have been slow to meet timelines, due extenuating circumstances. This may indicate low speed and governance maturity. Incorporating a tiered approach that enhances councils' ability to prepare projects in advance may help accelerate speed of delivery
- ▶ Impact could be limited to council capability to execute and govern relevant projects

Case study and supporting evidence

- ▶ Supporting evidence: As outlined in the National Strategy for Disaster Resilience (2011) it is important for there to be collaboration and alignment across the Government, community bodies, businesses and the not-for-profit sector, to make sure that the communities are as resilient as possible.
- ▶ Supporting Evidence: Councils have delivered significant value to communities in drought-affected areas throughout Australia. Wakefield (SA) for example, has delivered 23 projects creating over 100 contractor roles and increasing sustainability, community, wellbeing and tourism opportunities.
- ▶ Case Study: There are many examples of councils being an effective delivery mechanism through funding via both State and Commonwealth Government.

EY recommends maintaining the administration of funds as the primary service offering

9. Scope of Services

Administer funding

+ other forms of financial economic stimulus

Holistic value adding assistance

Reasons for the selection

- ▶ Communities impacted by drought may be in need of several areas of support
- ▶ We recommend that this program continues to focus on delivering funding, for several reasons:
- ▶ May improve speed and impact by focussing on local led projects to meet local needs
- ▶ May minimise administrative costs and complexity as applications are limited to councils

Things to consider

- ▶ Impact may be dependent on varied council capability to identify, govern and execute projects
- ▶ Impact may be limited to council projects, excluding other high impact or innovative project ideas

Case study and supporting evidence

- ▶ Supporting evidence: Positive feedback received from councils regarding the impact of the program.
- ▶ Case study: Yelarbon Shire spent their funding on painting silos, increasing tourism. They had up to 100 people a day stopping to watch them be painted (note this project was not funded by the DCPE).

EY recommends a network engagement model enabling successful projects and lessons to be shared as an example

10. Engagement Model

One Way

2-Way

Network

Reasons for the selection

The current program engagement model could be enhanced to stimulate greater levels of communication, and also networks across communities and councils.

This could:

- ▶ Improve transparency and communication of eligibility criteria and process, reducing media risk
- ▶ Increase speed and magnitude of impact through knowledge and lesson sharing
- ▶ Continuous improvement of program through two-way feedback process

Things to consider

- ▶ Increased administrative costs to develop communications and engagement strategy and community engagement tool
- ▶ Increased administrative costs to analyse and respond to feedback

Case study and supporting evidence

- ▶ Supporting evidence: Feedback requested and received to date has been ad hoc.
- ▶ Case study: The NSW Government uses the Customer Satisfaction Management Survey to understand citizens views and experiences, highlighting key drivers of customer satisfaction and identifying opportunities for continuous improvement. The index is publicly available and benchmarked against other services and providers for transparency and accountability.
- ▶ Case study: The DITCRD's Smart Cities Collaboration platform encourages councils to share their experiences, lessons learned, outcomes, costs, timeframes and contact details, increasing collaboration.

Appendix G: Detailed implementation considerations



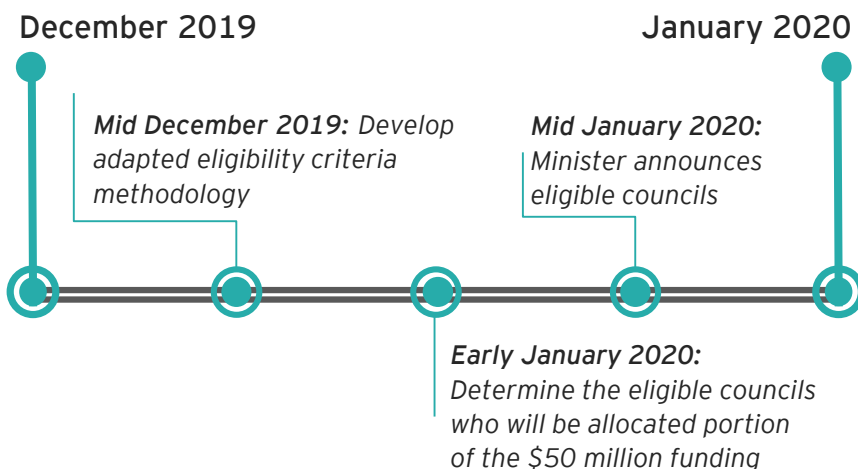
There are a number of factors to consider if an adapted DCPE is to be implemented



Scope

- ▶ An intermediary approach to adapt the current DCPE
- ▶ This would include adjusting the current methodology criteria and data sets to better determine areas that are economically impacted as a result of drought
- ▶ This would expand on the current data sets used to enable a more rigorous approach to identify councils with the most need for rapid economic stimulus
- ▶ This could consider expanding the scale of funding councils could be allocated based on a per capita basis
- ▶ This option could have low to moderate complexity to implement based on data requirements and specialist skills needed

Timeline for \$50 million discretionary fund



Note: timeframes above are indicative only

Strengths

- ▶ Relatively short timeframes to mobilise and deliver council allocations, and therefore a rapid approach to adapting the current program to overcome some of its pain points immediately to meet Ministerial announcement deadlines
- ▶ The adaptation is based on the initial eligibility criteria, and is therefore less complex in the changes required. Stakeholders will be more familiar with the approach and hence less change management will be required
- ▶ Moderate specialist skills may be required to implement, as some of the key data sets will remain
- ▶ Adapted criteria could increase the focus on targeted impact to affected communities

Weaknesses

- ▶ Adapting the current program may limit the DCPE's ability to deliver significant benefits to drought-affected communities. This is because it will not allow for all recommendations to be implemented that would deliver the most impact for the DCPE to create rapid economic stimulus in drought-affected areas
- ▶ Confusion and the public's limited understanding of the DCPE may remain, as the DCPE would remain under the same branding; an adjustment to the Program would not include rebranding to educate communities about the intent and purpose of the Program
- ▶ Design and implementation of this model is reliant on some specialist capability to design, and is reliant on some new methodologies and data sets that stakeholders may be unfamiliar with

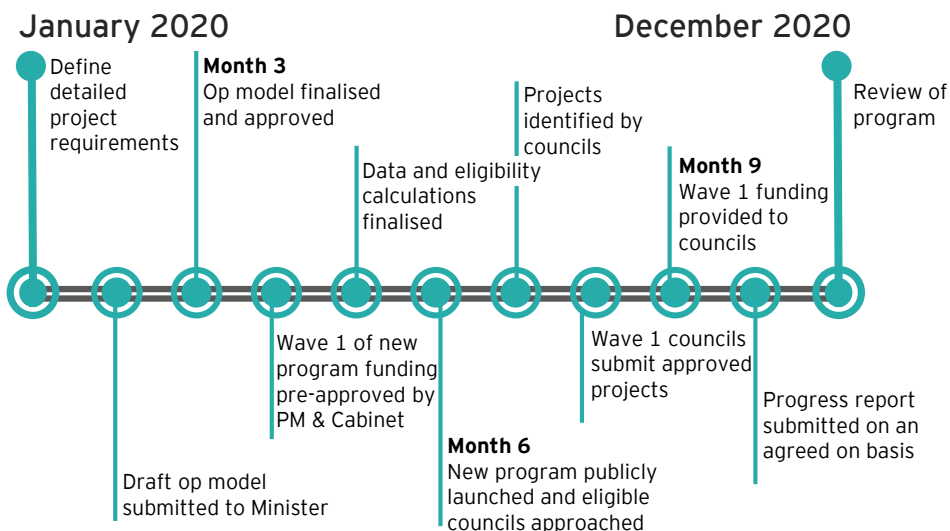
There are a number of factors to consider should the DCPE be refreshed to create and fund a new program



Scope

- ▶ A detailed design would be required based on the recommendations of this initial review, in order to address the key pain points identified
- ▶ A refreshed program would rely on a number of additional data sources to increase the rigour used to define areas eligible based on economic impact as a result of drought
- ▶ This detailed design would be a longer term approach, however would enable the program to better meet its intended purpose, to deliver rapid economic stimulus to drought-affected communities

Timeline



Note: timeframes above are indicative only

Strengths

- ▶ Refreshing the DCPE could increase its ability to deliver rapid, targeted and impactful economic stimulus to drought-affected communities
- ▶ Could increase the assessment to determine economic impact of drought, through the eligibility criteria. This may be more robust than the current program, to increase the speed at which stimulus can be provided, and have impact to the targeted communities
- ▶ A rebrand of the DCPE may be required due to the significant changes; this would reduce public confusion and doubt about the intention of the program

Weaknesses

- ▶ The detailed design and implementation of this model may be more complex than other options, and would likely require specialist support
- ▶ The time to implement the changes recommended would be longer than other options, and may take approximately 3-6 months for a detailed design of the eligibility criteria and future model, followed by implementation and monitoring
- ▶ This option would rely on increased council capability uplift, so they can better identify impactful projects, and deliver and monitor these
- ▶ Changes to deliver this option would be significantly different (compared to other options)
- ▶ Increased data sources may increase the complexity to manage, and will also increase the reliance (and hence risk) on external data sources

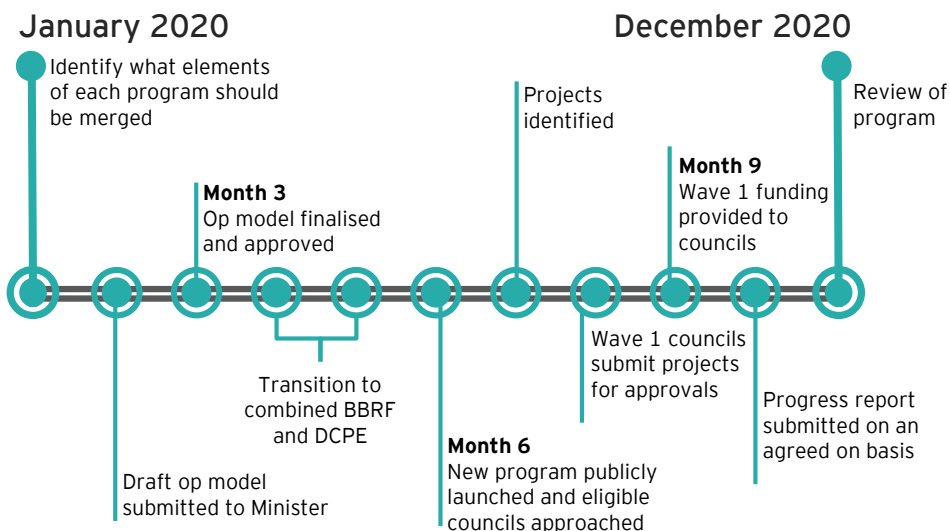
There are a number of factors to consider if a merge with the BBRF is considered



Scope

- ▶ There are overlaps between the current DCPE and BBRF; indicating that merging the two programs could increase efficiencies
- ▶ Over a 12 month period, the operations of the BBRF and DCPE would be streamlined, so that administration processes and purposes are aligned

Timeline



Note: timeframes above are indicative only

Strengths

- ▶ Increase in efficiencies for administration and process implementation costs through consolidating programs may occur
- ▶ This merge could be complex, from both an implementation and political perspective
- ▶ The changes required may be limited compared to other options such as a refreshed program; stakeholders are already familiar with the both the DCPE and BBRF
- ▶ This option may have a faster time to implement than other options, and would have low to moderate reliance on specialist skills to design and implement

Weaknesses

- ▶ The current inefficiencies in the project may remain while the transition is occurring. This could increase the risk of reputational damage
- ▶ There may be delays to funding of projects while the transition is occurring, due to effort required for transition. This could be mitigated with increased resources added to the transition
- ▶ Some councils may be deterred from applying for funding of projects if they are confused by the new process
- ▶ Reputational risk may be increased due to benefits not being realised immediately
- ▶ Likelihood of high costs associated with consolidation may exist, however these could be balanced by the long-term efficiency gains from removal of duplication of effort
- ▶ This option may not address many of the recommendations made in this review, and may not increase the ability to deliver benefits to affected communities

Appendix H: Reference list



Reference list (1 of 2)

Section	Page	Reference
1. Context	8	1 Bureau of Meteorology, "Drought - rainfall deficiencies and water availability", 2019, http://www.bom.gov.au/climate/drought/index.shtml
1. Context	8	2 The Sydney Morning Herald, "The cost of drought - and its just going to grow", 2019, https://www.smh.com.au/politics/federal/the-cost-of-drought-and-it-s-just-going-to-grow-20191102-p536rd.html
1. Context	8	3 Canon, "What effect will drought have on the economy", 2018, https://www.canon.com.au/businessinsights/what-effect-will-the-drought-have-on-the-economy
1. Context	9	4 Department of Agriculture, "Drought response, resilience and preparedness", 2019, https://www.agriculture.gov.au/ag-farm-food/drought/drought-policy
1. Context	9	5 Department of Agriculture, "Coordinator-General for Drought's advice on a Strategy for Drought Preparedness and Resilience", 2019, https://www.agriculture.gov.au/sites/default/files/documents/advice-long-term-strategy-drought-preparedness-resilience_1.pdf
1. Context	10	6 Department of Agriculture, "Appendix A: Australian Government measures and programs that support resilience and preparedness", https://www.agriculture.gov.au/sites/default/files/documents/aust-govt-drought-response-plan_0.pdf
1. Context	11	7 Department of Infrastructure, Transport, Cities and Regional Development, "Drought Communities Program - Extension - Grant Opportunities Guidelines", 2019 [Supplied 11/11/2019]
1. Context	13	8 ABC News, "Tatiara considers accepting drought money when not in drought, but 'won't be shouting it from rooftops'", 2019, https://www.abc.net.au/news/2019-11-08/council-not-in-drought-considering-accepting-drought-money/11685248
1. Context	13	9 Sky News, "Moyne Shire Council rejects \$1M drought assistance", 2019, https://www.skynews.com.au/details/_6090812217001
1. Context	13	10 ABC News, "Government acknowledges it got it wrong on Moira Shire drought grant", 2019, https://www.abc.net.au/news/rural/2019-11-01/moira-shire-wins-drought-grant/11661476

Reference list (2 of 2)

Section	Page	Reference
2. Current State	16	11 Department of Infrastructure, Transport, Cities and Regional Development, "DCP Case Studies", [Supplied 19/11/2019]
3. Improvement Opportunities	19	12 Advice and information provided by the Department of Infrastructure, Transport, Cities and Regional Development [Supplied 20/11/2019]
3. Improvement Opportunities	20	13 Advice and information provided by the Department of Infrastructure, Transport, Cities and Regional Development [Supplied 11/11/2019]
3. Improvement Opportunities	22	14 Department of Infrastructure, Transport, Cities and Regional Development, "Drought Communities Program - Extension - Grant Opportunities Guidelines", 2019 [Supplied 11/11/2019]
3. Improvement Opportunities	24	15 ABC News, "Moirra Shire misses Government drought money threshold by a fraction", 2019, https://www.abc.net.au/news/rural/2019-10-22/moira-misses-drought-money-by-a-fraction/11625440
3. Improvement Opportunities	24	16 Sky News, "Moyne Shire Council rejects \$1M drought assistance", 2019, https://www.skynews.com.au/details/_6090812217001
3. Improvement Opportunities	24	17 Twitter @KathSully, "Six new councils added to drought communities program, making them eligible for grants of up to \$1m.", 2019 https://twitter.com/KathSully/status/1192285315412590592?ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed&ref_url=https%3A%2F%2Fwww.abc.net.au%2Fnews%2F2019-11-08%2Fcouncil-not-in-drought-considering-accepting-drought-money%2F11685248%3Fpfmredir%3Dsm
Appendix	53	18 Australian Local Government Association, 2019, https://alga.asn.au/

Appendix I: Stakeholder consultation register



Stakeholder consultation register

Name	Role	Organisation
David Littleproud MP	Minister for Water Resources, Drought, Rural Finances, Natural Disaster and Emergency Management	Liberal National Party of Queensland
Dianna Hallam	Executive Director, Regional Development and Local Government	Department of Infrastructure, Transport, Cities and Regional Development
Hannah Wandel	Director, Drought, Regional Development and Local Government	Department of Infrastructure, Transport, Cities and Regional Development
Ami McGrath	Manager, Program Management and Delivery, AusIndustry	Department of Industry, Innovation and Science
Charlotte Tressler	Head of Division Support for Business	Department of Industry, Innovation and Science
Jennifer Kay	General Manager, National Outreach and External Grants Administration, AusIndustry	Department of Industry, Innovation and Science
Perry Wiles	Assistant Manager, Agriculture	Bureau of Meteorology
Joel Lisonbee	Senior climatologist, Agriculture	Bureau of Meteorology
Peter Stone	Chief Customer Officer	Bureau of Meteorology
<p><i>The EY team leveraged their networks to consult with a number of people involved in the agricultural industry including farm owners, supply chain participants, and economists.</i></p>		

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