



Update 3 – 8 October 2018

# Support for LGs: Asset Repair Working Capital

New Disaster Recovery Funding Arrangements (DRFA) have been introduced by the Commonwealth and will commence on 1 November 2018. Western Australia will have a new DRFA-WA guideline that will replace the current WANDRRA process for all events that occur after 1 November 2018.

Under the current WANDRRA arrangements, local governments are reimbursed for repair works after they have completed the works. Some local governments have indicated that the time between undertaking the works and being reimbursed, places a significant strain on their cashflows.

The new DRFA process requires estimates for the repair of their essential public assets to be provided by asset owners and verified by engineers or quantity surveyors. Greater information is required to support these estimates. This new process, introduced by the DRFA, has enabled the State to develop a process that supports local governments to manage cashflow concerns.

The **Asset Repair Working Capital** will be available to local governments for their asset repairs following an eligible disaster event.

## What is the Asset Repair Working Capital?

- The Asset Repair Working Capital is an **advance** payment, which is 20% of the estimated cost of repair works.
- The 20% is based on the verified estimate to repair the damaged asset.
- It assists local governments to cover the upfront costs of repairs to damaged essential public assets.
- It does not have an impact on the local government contribution, which is the amount the local government must contribute towards the cost of repairs.
- The Asset Repair Working Capital is available for essential public asset reconstruction (Section 6 of the DRFA-WA), which requires a verified cost estimate, pre-disaster condition information and asset function information.
- It is not available for emergency and immediate works, which are undertaken within the first three months of the disaster event (or three months from the time the damaged asset is accessible).

## How will the Asset Repair Working Capital be managed?

- Local governments will submit their verified estimates to the DRFA-WA team at DFES (referred to currently as the WANDRRA team). On their estimate form, the local government can indicate whether they wish to receive the Asset Repair Working Capital.
- When the estimate is approved by the DRFA-WA team, the local government will be sent a letter, which sets out the Terms and Conditions of the Asset Repair Working Capital process.
- Once the local government has agreed to these terms and conditions, an invoice can be raised to the value of 20% of the verified cost estimate.
- The DRFA-WA team will arrange payment of the 20% to local governments.
- When claims are made for work undertaken on the asset repair, an amount of 25% will be deducted from each claim until both the Asset Repair Working Capital payment AND the Local Government contribution<sup>1</sup> has been recovered.
- Check point - If the Asset Repair Working Capital and local government contribution (if it is applicable to that project and hasn't already been paid) has not been recovered by the time claims have reached 50% of the original estimate, deductions will be made at 50% until the Asset Repair Working Capital and LG Contribution have been settled.
- Once both the Working Capital and LG Contribution have been paid, claims will be reimbursed at 100%.
- To maximise the support provided by the Asset Repair Working Capital, local governments can make regular claims to assist in the management of their cashflow throughout the life of the project.

## Is the Asset Repair Working Capital going to be available for WANDRRA projects?

- No. the WANDRRA process does not require estimates to be provided. There is no mechanism for providing the Asset Repair Working Capital payment under WANDRRA.
- The Asset Repair Working Capital will only be available under the DRFA-WA arrangement.

## What can you expect?

- A new set of draft templates and checklists are being developed to help users work through the documents to support the Asset Repair Working Capital system.
- A frequently asked questions document is being prepared, with examples of how the system works.
- The DRFA-WA Team will continue to try and meet with all agencies and local governments impacted by the new DRFA-WA.

## Who can you contact?

- If you have specific questions or would like a further briefing please contact the team at [drfawa@dfes.wa.gov.au](mailto:drfawa@dfes.wa.gov.au) or Katherine Clarke on 9395 9971.

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<sup>1</sup> Local Government Contribution is based on total rates levied with a minimum of \$150,700 for each event. The figure is updated annually and changes according to the total rates levied value.