

FACT SHEET

Asset Repair Working Capital – Support for local governments

The new Disaster Recovery Funding Arrangements Western Australia (DRFAWA) requires estimates to be provided by local governments for the repair of their essential public assets.

The estimates must be provided by asset owners and verified by engineers or quantity surveyors with the appropriate level of expertise and experience. 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 cash flow 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 and can be used across a single or multiple projects.
- It does not have an impact on the Local Government Contribution¹, which is the amount the local government must contribute towards the cost of repairs.

Who is eligible to apply for the Asset Repair Working Capital?

- Local governments can apply for the Asset Repair Working Capital.
- The Asset Repair Working Capital is available for essential public asset reconstruction (Section 6 of the DRFAWA), 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, from the time the damaged asset is accessible.

How can a local government apply for the Asset Repair Working Capital?

- Local governments will submit their verified estimates to the DRFAWA team at DFES. The local government can indicate on their estimate form whether they wish to receive the Asset Repair Working Capital.
- When the estimate is approved by the DRFAWA team, the local government will receive written advice of the approved amount and the Terms and Conditions of the Asset Repair Working Capital process.

¹ The Local Government Contribution is based on total rates levied. The contribution for each local government is the **greater** of 1% of Total Rates Levied or a threshold amount calculated annually. The threshold for 2018/19 is \$150,700 for each event. This figure is updated annually and changes according to the total rates levied value. The contribution threshold which applies at the time of the event is applied to all projects for that event, regardless of any changes that may occur to that threshold amount while works are being undertaken.

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- Once the local government has agreed to these terms and conditions, an invoice can be raised to the value of 20% of the verified and DFES approved cost estimate.
- The DRFAWA team will arrange payment of the 20% to local governments.

How does the local government repay the Asset Repair Working Capital?

- When claims are made for work undertaken on the asset repair, an amount of 25% will be deducted by DFES from each claim until both the Asset Repair Working Capital payment AND the Local Government Contribution 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 Local Government Contribution have been settled.
- Once both the Working Capital and Local Government 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 cash flow throughout the life of the project.