# Victorian Disaster Recovery Funding Arrangements

## Tip Sheet 11: Day Labour under Category B excluding Counter Disaster Operations

* + - 1. Introduction

Victoria's Natural Disaster Financial Assistance (NDFA) scheme is available to Delivery Agencies, including Local Government Authorities, to relieve some of the financial burden that may be experienced following a disaster in accordance with the [Australian Government’s Disaster Recovery Funding Arrangements (DRFA)](https://www.disasterassist.gov.au/Documents/Natural-Disaster-Relief-and-Recovery-Arrangements/disaster-recovery-funding-arrangements-2018.pdf). The DRFA does not cover all costs resulting from a disaster.

This Tip Sheet relates to the eligibility of Day Labour under Category B of the DRFA and should be read in conjunction with **Victorian Guideline 1: Claims and Eligibility for Essential Public Assets (Category B).**

* + - 1. Definition

**Day Labour** refers to the use of a Delivery Agency’s own plant, equipment or resources to undertake DRFA Category B Emergency Works, Immediate Reconstruction Works and Reconstruction of Essential Public Assets (REPA aka certified estimates). Under the DRFA in Victoria, Day labour is not eligible for Category A Early Relief and Recovery activities and B Counter Disaster Operations.

The key components of Day Labour are plant and equipment, labour, and materials where internally supplied.

* + - 1. Costs associated with Day Labour under Category B excluding CDO
				1. Eligible expenditure

Day Labour of normal Delivery Agency staff for eligible DRFA events occurring prior to 6 October 2022

The **overtime** of Delivery Agency staff and external plant hire directly engaged in the delivery of emergency works, Immediate Reconstruction Works, and REPA Works can be claimed.

As a result of the overtime the Delivery Agency must have incurred additional costs to be eligible for inclusion in a claim. For example, the Delivery Agency cannot claim costs where an employee has claimed their overtime as Time In Lieu (TIL) which has been taken at a later date.

The Delivery Agency will need to provide supporting documentation that outlines the reason for the overtime, what eligible activities were carried out during the overtime, and evidence of the increased cost to the Delivery Agency.

If costs associated with overtime for standard employees cannot be allocated per asset, the Delivery Agency is to proportionally allocate the overtime costs against each eligible asset to be included in the claim. Delivery Agencies will need to provide supporting documentation that outlines the reason for the overtime, how the overtime has been proportioned, and what eligible activities were carried out during the overtime.

Day Labour of normal Delivery Agency staff for eligible DRFA events occurring from 6 October 2022

In addition to the previously eligible expenditure relating to overtime and external plant hire, a Delivery Agency can now also claim the normal hours salary and wages for staff and Delivery Agency-owned plant and equipment costs that are directly engaged in the delivery of eligible Emergency Works, Immediate Reconstruction Works, and the REPA works. Direct salary and wages (including overtime) for physical work activities undertaken and associated salary on-costs. Eligible physical works activities include direct labour, supervision, and project management of the works over the period that the eligible works were undertaken.

Plant and equipment costs pro-rated for the period of that the eligible activities were undertaken:

* Plant and equipment depreciation charges for assets under 10 years in age;
* Finance cost on interest (where plant and equipment are purchased through a finance lease);
* Insurance/licences/registration of plant and equipment;
* Scheduled maintenance on plant and equipment;
* Plant and equipment repairs and parts resulting from eligible works undertaken (excluding the amount that can be claimed from insurance);
* External plant and equipment hire; and
* Direct plant and equipment consumables (e.g., fuel, oils).

For specific day labour eligibility associated with REPA, the following circumstances are required to be met:

* The Delivery Agency is able to demonstrate that external contractors are not available to undertake the works in a timely basis, in particular in remote rural/regional areas and where the Delivery Agency in-house crews have the capacity to undertake; or
* Where the Delivery Agency undertakes the majority of their maintenance and capital program in-house and can demonstrate its normal capital/maintenance program delivery has been significantly reduced as a result of the Flood event and therefore has capacity to undertake the works in-house; or
* The Delivery Agency can demonstrate that the cost of in-house delivery is significantly below the market price obtained and has capacity to undertake the works in-house without impacting on its scheduled in-house capital/maintenance program delivery.

Where Immediate Reconstruction Works have been undertaken by a Delivery Agency’s in-house crew have commenced and not able to be completed within the Allowable Time Limit, the Delivery Agency can continue to complete these works under REPA Works.

Where Delivery Agencies engage external contractors to undertake REPA works, the Delivery Agency are able to claim indirect costs for project management and contract administration, that directly supports the contracted out works, if the indirect council costs have been included in the approved certified works estimate package – refer to the Indirect Cost Calculator in the V Form C-RW.

PDs must include the following information:

* the eligible disaster for which work will be undertaken,
* the start and end dates of the position,
* the salary range of the position,
* a clear description outlining how the position relates to the event, e.g. ‘To assist in the planning, procurement and delivery of the necessary projects to repair Council’s essential public assets damaged as a result of disaster AGRN XXX’,
* a clear description of how the activities or works being undertaken link to the disaster e.g. ‘Develop and deliver assigned storm impact related projects for Council essential public assets damaged as a result of storm event AGRN XXX’.

When seeking to claim day labour, the Delivery Agency is to consult the assigned Department of Transport and Planning (DTP) Assessor.

Benchmarked Plant Rates

From 1 June 2024, benchmark plant and equipment rates have been developed for the most common type of plant and equipment. Refer to Appendix A. Delivery Agencies that elect to use ‘up to’ the benchmark rates can do so without the need to provide supporting information on how the rates were arrived. The rates claimed need to be the rates captured in the general ledger/transaction report

Where the Delivery Agency rates for plant and equipment are above the Victorian DRFA benchmark rates that come into effect from 1 June 2024 or rates relate to plant and equipment that is not captured, detailed calculation of claimable hourly rate for all plant and equipment items including details of costs incurred per year that form the basis of the charge out rates. Delivery Agencies should refer and complete the Delivery Agency Plant Rates Template and Delivery Agency Day Labour Template and lodge when lodging a claim and/or REPA estimate package in the CMS.

Salary On-Costs

From 1 June 2024, a Victorian DRFA benchmark rate has been arrived at for salary on-costs, which have been capped at 33.81% for the 2023-24 financial year and 34.31% for the 2024-25 financial year. Delivery Agencies who elect to use ‘up to’ the benchmark rates can do so without the need to provide supporting information on how the salary-oncost rates were arrived at. Refer to Appendix B.

Additional Expenses

Travel costs, allowances and accommodation for Delivery Agency employees, consultants and contractors that are directly related to the undertaking of Emergency Works, Immediate Reconstruction Works, and the REPA Works as per *Tip Sheets
8 – 10*, are eligible.

Where a Delivery Agency is seeking reimbursement for costs associated with meals and allowances associated with undertaking emergency works, immediate reconstruction works and REPA works, the Delivery Agency is required to demonstrate that the person undertaking the activity was not paid a meal/incidental allowance while on that deployment.

Evidence required to claim day labour eligible expenses for disasters occurring from 6 October 2022

In addition to the existing Category B requirements for Emergency Works, Immediate Reconstruction Works, and works associated with REPA, the following supporting documentation will be required (noting that all direct costs must be claimed on a per asset basis);

* Detailed general ledger or transactions reports outlining all expenditure;
* A completed Delivery Agency Day Labour Template;
* Internal costing/payroll reports/timesheets for any payroll costs;
* In relation to plant and equipment used for the event, utilisation details (by asset, hours, dates);
* The rates claimed for any people or plant and equipment need to be the rates captured in the transaction/general ledger report; and
* The basis of apportionment of the expenses.

Delivery Agencies are able to claim Day Labour expenses incurred for Emergency Works in the V Form B-EW claim form, for Immediate Reconstruction Works in the V Form C-IR claim form, and for REPA in the V Form C-RW.

**Delivery Agencies are to engage with their DTP Assessor when preparing a Day Labour claim to agree on the methodology and rates before submitting the claim for assessment.**

* + - * 1. Ineligible expenditure

The following expenditure has been identified as ineligible under Day Labour:

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| Table 1: Ineligible expenditure |
| * Capital purchases including for computers, phones and software (including dashcams);
 |
| * Costs associated with:
* the Delivery Agency which could reasonably be expected to incur responding to the eligible disaster event (Delivery Agency are expected to have a reasonable level of human, capital and financial resources to be able to undertake disaster response activities);
* that which would have been incurred should the eligible disaster event not have occurred, such as maintenance, costs associated with permanent employees or other ongoing administrative costs;
* employment for temporary employees, agency staff, contractors and/or consultants when working under an existing contract that was in place prior to the eligible disaster event;
* generic indirect and overhead costs including internal administration costs to the Delivery Agency such as finance, Human Resources, back-office processing and administration including corporate recovery overheads; and the the delay (prolongation) to direct control construction or contract works;
* and the preparation of DRFA claims, reporting and acquittal.
 |
| **For eligible DRFA events occurring prior to 6 October 2022,** normal day labour of Delivery Agency staff and internal plant hire directly engaged in the delivery of Emergency Works, Immediate Reconstruction Works, and REPA works. |
| **For eligible DRFA events occurring from 6 October 2022, ineligible day labour expenditure includes**:* Project margins of Delivery Agency plant and equipment (profit margins);
* Down time (e.g. works suspended due to weather, setup for operation and repairs) for the above listed eligible costs;
* On-call or standby costs (as only actual work hours are eligible for reimbursement);
* Garaging space for plant and equipment;
* Staff training; and
* Generic indirect and overhead costs including internal administration costs to the Delivery Agency such as finance, human resources and corporate.

Where internal plant is approved for Day Labour, the following plant-related costs are still considered ineligible:* Project margins of Delivery Agency plant and equipment (profit margins);
* Down time (e.g. works suspended due to weather, setup for operation and repairs) for the above listed eligible costs;
* Garaging space for plant and equipment;
* Staff Training;
* Generic indirect and overhead costs including internal administration costs to the Delivery Agency such as finance, human resources, and corporate; and
* Depreciation for assets older than 10 years.
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* + - 1. Further information

For further information, refer to the [Victorian Guideline 1: Claims and Eligibility for Essential Public Assets (Category B).](https://content.vic.gov.au/sites/default/files/2024-06/GL-1-Victorian-DRFA-Guideline-1-Claims-and-eligibility-for-essential-public-assets-June-2024.pdf)

* + - 1. Document details

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| Version | Date | Description |
| V1.0 | 01.08.24 | Creation of *Tip Sheet 11: Day Labour under Category B of the DRFA* |

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# Appendix A – Day Labour Plant and Equipment benchmark rates

**Description of rates:**

**F1 – Fixed Depreciation -** Fixed depreciation is the “Owning” proportion of the actual depreciation of an asset based on it purchase price and residual value. For plant and equipment older than 10 years, there is no inclusion for this provision due to the assets age.

**F2- Finance costs** **(“Finance/Operating Lease costs”)** is the cost of the finance/operating lease relating to the plant and equipment used to undertake the eligible works. For this cost element, a Delivery Agency is to provide documentary substantiation of the finance lease to support any claim for review and DJCS approval.

**F3 – Registration -** Registration is the annual cost of registration, compulsory-third party issuance and other associated charges as applicable. Most of the roadworks plant and equipment have been considered as “Plant based SPV - Type P SPV” which do not have any registration fees. For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**F4 – Insurance** - Delivery Agencies purchase insurance policies covering the entire plant and vehicle fleet and pay a single premium. For WOL cost calculation purposes, this premium is allocated to each asset in the fleet based on the value of the plant or vehicle in proportion to the total value of the fleet. For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**V1 – Fuel** - Fuel costs are directly allocated to individual items of the fleet and are a factor of hours worked (or kilometres travelled), the consumption rate (expressed on the basis of litres per 100km or litres per hour) and fuel cost. For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**V2 – Oils -** Engine oil consumption is based on litres consumed per 10,000km or 1,000 hours. This cost relates only to oil consumed between services and not oil changes. For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**V3 – Maintenance** - Maintenance or unplanned repairs is based on daily activities such as broken mirrors, suspension amendments, lubricants (including grease and hydraulics) not included as part of repairs or schedule maintenance, in accordance with manufacturers recommendations and based on experience. For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**V4 – Consumables** - Consumables include the cost or replacement, or the provisioning of replacement or rupture of tyres or tracks, and the plant specific engagement tools (i.e. grader tines or excavator bucket teeth) that are used as part of the plant and equipment’s daily operation(s) and usage. For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**V5 – Repairs -** Repairs and / including schedule maintenance are the annualised cost to service the asset. Manufacturers provide projected costs for their maintenance schedules based on engine operating hours (or kilometres travelled). Repair costs include workshop labour costs, parts, oils and lubricants (including filters). For plant and equipment older than 10 years, there is no reduction or amendment due to the assets age.

**V6 – Operational Depreciation** - Operational depreciation is the “Running” proportion of the actual depreciation of an asset based on it purchase price and residual value. For plant and equipment older than 10 years, there is no inclusion for this provision due to the assets age.

# Appendix B – Salary On-Cost benchmark rates

If used for forecasting, the midpoint of the salary band of the role to recruited to be used, along with the on-cost component.

Salary on-costs are calculated as a percentage of the salary to be paid. Note the below table is not designed to capture every possible on-cost component however cover the key aspects.

|  |  |  |  |
| --- | --- | --- | --- |
| **On-cost component** | **Average rate from survey undertaken by Local Government Victoria** | **Benchmark rate or Specific council input**  | **Comments** |
| Superannuation | 11.6% | * 2023-24 – 11%;
* 2024-25 – 11.5%;
* 2025-26 – 12%.
 | * To reflect the legislated increases in Superannuation Guarantee contributions.
 |
| Workcover | 2.55% | * 2.55%
* Average used from survey
 | * For information, industry rate average published by the Victorian Work Cover Authority for the 2023-24 FY: 2.068% for ‘Local Government Administration’ sector and 3.010% for ‘Road and Bridge Construction’ sector.
 |
| Payroll Tax | N/A | * 0%
 | * LGAs are exempt.
 |
| Recreation Leave Loading | 8.56% | * 17.5%
 | * Recreation leave loading of the salary capped at four weeks annual leave.
 |
| Long Service Leave provision | 2.76% | * 2.76%
* Average used from survey
 | * The salary increase captured in the relevant industry EBA in the relevant financial year. Councils pay this entitlement according to the *Long Service Leave Act 2018*. Under the Act, long service leave accrues progressively at a rate of one week for every 60 weeks of continuous employment with one employer, that is approximately 0.866 of a week per year. Noting that some employees will leave the council before being eligible to take LSL.
 |
| Operating overhead cost | Not surveyed | * 0%
 | * The operating overhead costs should not include costs that will be incurred by council had the disaster event not occurred (e.g. rent, motor vehicle, utility). Assignment of operating overhead cost percentage calculated at the start of each financial year as part of the annual budget process to allocate budget to cost centres is not appropriate percentage.
* ‘Additional’ operating overhead costs incurred by recruiting the additional resource/s can be claimed under the eligible activity undertaken e.g. additional accommodation leased as part of the disaster event, additional IT connection/hosting cost above the IT contract fee staff cap for the council as a whole.
 |
| **Benchmark rate** |  | * **33.81% 2023-24**
* **34.31% 2024-25**
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On-costs components for casual staff, to be excluded/included as appropriate.