

Labour costs

This guidance note outlines the eligibility of labour costs under the Disaster Recovery Funding Arrangements 2018 (DRFA). It provides guidance on what labour costs are eligible under the DRFA across each category, how they should be calculated, and what documentation is required to be maintained.

This guidance note applies to costs incurred by state and territory governments (“states”), in accordance with the definition of state expenditure, from 1 July 2025.

Eligible labour costs

Under the DRFA, state expenditure (expenditure from both councils and state agencies) includes certain salaries and wages of employees and associated oncosts where these costs directly relate to the delivery of eligible measures in response to an eligible event. Labour costs may be claimed consistent with the table below.

Table 1: Eligibility of labour costs for employees directly engaged in the delivery of eligible activities

Expenditure Type	Category B EW, IRW, REPA [^]	All other Category A/B	Category C/D [^]
Ordinary salaries/wages of existing employees of local governments and budget funded state agencies*	✓	✗	✗
Ordinary salaries/wages of existing employees of non-budget funded state agencies**	✓	✓	✓
Overtime of existing employees	✓	✓	✓
Ordinary salaries/wages of temporary employees/contractors directly engaged in the delivery of eligible activities or backfilling permanent employees	✓	✓	✓
Overtime salaries/wages of temporary employees/contractors	✓	✓	✓
Ordinary and overtime salaries/wages of existing employees of local governments seconded to other councils which have exhausted their own capacity to respond to an eligible event	✓	✓	✓

✓ Eligible labour costs, ✗ Ineligible labour costs, [^] Eligibility of labour costs under Category C/D is dictated by the approved Category C or D by the Prime Minister and included in the Program Guidelines. Where not specified in the Program Guidelines, the above table applies.

[^] Category B Emergency Works (EW), Immediate Reconstruction Works (IRW) and Reconstruction of Essential Public Assets (REPA)

* Refers to state entities or agencies that receive a funding allocation (appropriation) from the state. ** Refers to state entities or agencies that do not receive a funding allocation (appropriation) from the state and operate independently.

Labour costs (ordinary or otherwise) not directly related to the management or delivery of eligible activities, including ordinary costs of general administration or executive/management, are not eligible under the DRFA.



This includes roles such as program managers and employees involved in claim preparation or assurance activities (e.g. preparing, reviewing or approving claims made by councils or delivery agencies). In addition, ordinary salaries/wages for core disaster response activities that are the responsibility of the state (e.g. *state* emergency services, firefighters) are not eligible.

Labour costs methodology

States must determine a methodology and process for claiming each element of labour costs which must be consistently applied across all state agencies and local governments. An overview of the types of labour costs and their eligibility is outlined in the table below.

Table 2: Types of labour costs

Expenditure Type	Eligibility	Description
Salaries and wages	✓	<p>Directly attributable employee salaries paid to employees for the delivery of eligible activities for an eligible event.</p> <p>Where a substantive role is backfilled while an employee is seconded to support the delivery of eligible activities, the cost of the backfilling of the substantive role is eligible, and not the seconded role.</p> <p>Where a local government has exhausted its own capacity to respond to an eligible event, it may claim the cost of resources shared by other local governments, where these resources directly support a local government in the delivery of eligible measures^{^^}. Where this occurs, the local government must be able to demonstrate it has exhausted its own capacity before seeking assistance from another council, and how the labour costs have been determined in accordance with this note.</p> <p>If shared resource costs are claimed by the council seeking assistance, the council who provides the additional resource cannot also claim expenditure relating to backfilling these resources.</p>
Overtime	✓	<p>Directly attributable employee overtime beyond an employee's standard working hours for the delivery of eligible activities for an eligible event.</p> <p>This may include loadings paid for overtime in accordance with an employee's contract, enterprise agreements and/or legislative obligations.</p>
Superannuation	✓	<p>Superannuation percentage applied to ordinary time earnings (as defined by the Australian Taxation Office (ATO)). The applicable percentage will be either the superannuation guarantee set by the ATO, or the rate determined by an employee's contract or enterprise agreement.</p> <p>Superannuation does not apply to overtime unless included in an employee's contract or enterprise agreement.</p>
Payroll tax	✗	<p>Payroll tax is ineligible under the DRFA as it is a state-based tax.</p>

^{^^} This applies to all Category A/B measures, except EW, IRW and REPA where ordinary salaries/wages are eligible.



Expenditure Type	Eligibility	Description
Workers' compensation premiums	✓	The total cost of the claiming agency or local governments workers compensation premium, as a percentage of total payroll costs.
Leave loading	✓	An annual percentage applied to wages which includes personal leave, annual leave, and long service leave, in accordance with an employee's contract, enterprise agreements and/or legislative obligations.
Travel allowances/travel reimbursements	✓	Actual allowances / reimbursements paid to employees incurred during the delivery of eligible activities for an eligible event. This includes costs such as flights, hire cars, accommodation, meals, parking, fuel.
Administrative costs (e.g. HR, finance, assurance)	✗	Not eligible under the DRFA.
Preparing or assessing claims and reports under the DRFA	✗	Not eligible under the DRFA.
Project management	✓	A state agency or local government may establish an individual or team of qualified employees to manage the delivery of activities in response to an eligible disaster. Where this team is established to deliver eligible activities in response to an eligible event for activities delivered under a specific DRFA measure, these project management costs are eligible under the DRFA.
Program management	✗	Program management, in contrast to project management, refers to the administration of the DRFA or reconstruction via coordinated governance, planning, execution and oversight of multiple interrelated projects and activities aimed at delivering timely, compliant and effective disaster recovery outcomes for a state. These costs are not eligible under the DRFA.
Existing facilities oncosts	✗	Costs for existing facilities for employees (e.g. office space, car parking, kitchen supplies, IT equipment, software licences) are not eligible under the DRFA.

✓ Eligible labour costs, ✗ Ineligible labour costs

Evidence requirements

To claim labour costs under the DRFA, the state must be able to meet the evidence requirements outlined in the table below:

Table 3: Evidence requirements for labour costs

Component	Evidence Requirements	Evidence Examples	
State expenditure	Labour costs reflect state expenditure incurred. Evidence for the labour cost must demonstrate the calculation used to determine the hourly rate for an employee. Example calculations are demonstrated below. Hourly Rate = (Annual base salary x (100% + oncost %))/ annual hours (i.e. contracted weekly hours x 52) Overtime Rate = Hourly Rate (less superannuation oncost %) x 100% + Overtime Multiplier (where applicable) Oncost % - refer below:	<p>Annual base salary and overtime:</p> <ul style="list-style-type: none"> • Employment contracts • Enterprise agreements • Payslips <p>Oncost %: State approved methodology / calculation that includes the calculation basis for each component, with a description of the relevant data / sources to support the percentages included, such as:</p> <ul style="list-style-type: none"> • ATO / legislation • Enterprise agreements • Employment contracts • Invoices / insurance policies • Employee retention history to inform long service leave probability factor <p>Travel and other direct costs:</p> <ul style="list-style-type: none"> • Invoices/receipts • State travel allowance rates <p>Evidence of council exceeding capacity (only required where council sharing of resources occurs):</p> <ul style="list-style-type: none"> • Evidence from a suitable delegate at the impacted council (e.g. CFO, CPO) that their capacity to respond to the event has been exceeded, including after reallocation of staff from other business areas. • Evidence of request for resources from a suitable delegate at the impacted council • Evidence of deployment of resources from a suitable 	
	Superannuation		x = superannuation guarantee %
	Workers' compensation		y = annual workers compensation premium / annual labour cost
	Leave loading:		z = (a+b+c+d)
	Annual leave		a = annual leave hours entitlement / annual hours
	Personal leave		b = annual personal leave hours entitlement / annual hours
	Long service leave		c (LSL entitlement / years of service to obtain entitlement) / weekly standard hours = LSL entitlement rate = LSL entitlement rate x probability factor employee reaches LSL years of service.
	Public holidays		d = (number of public holidays in year x hours in standard workday) / annual hours
	Total oncost* %		(x+y+z)
	*states may also claim any other direct employee		



Component	Evidence Requirements	Evidence Examples
	<p>costs required under an existing industry award or legislation</p> <p>Internal review and approval of rates and oncost percentages:</p> <p>Internal rates and oncost percentages should be developed and updated annually to reflect current relevant rates and recent actual data. This annual update process must involve state review and approval.</p> <p>Travel and other direct costs:</p> <p>Costs for travel and other direct labour costs should be based on actuals incurred and paid by the state in accordance with state travel policies.</p>	<p>delegate at the assisting council</p>
Link to event	<p>Evidence to demonstrate the hours worked, or costs incurred, directly relate to an eligible event.</p>	<p>Evidence to demonstrate hours or costs related to an eligible event may include:</p> <ul style="list-style-type: none">• Timesheets• Activity logs• Tasking statements• Progress reports• Payslips• Incident reports• Position descriptions• Employment contracts
Link to measure	<p>Evidence to demonstrate the hours worked, or costs incurred, directly relate to eligible activities or projects under the relevant measure.</p>	<p>Evidence to demonstrate hours or costs related to an eligible measure may include:</p> <ul style="list-style-type: none">• Timesheets• Activity logs• Tasking statements• Progress reports• Payslips• Incident reports• Position descriptions• Employment contracts

Appendix A: Labour cost example

Example Labour Rates:

Role	Hourly Rate	Formula	Calculation Methodology
Team Leader	\$67.54	$= (100,000 \times 131.7\%) / (37.5 \times 52)$	Annual base salary x (100% + oncost %) / annual hours (i.e. contracted weekly hours x 52)
Support Officer	\$37.15	$= (55,000 \times 131.7\%) / (37.5 \times 52)$	
Project Manager	\$84.42	$= (125,000 \times 131.7\%) / (37.5 \times 52)$	

Example Oncost Calculation:

Component	%	Formula	Calculation Methodology
Superannuation	12.0%	-	ATO superannuation guarantee
Workers' compensation	2.5%	$= \$13.532m / \$547.861m$	Annual workers compensation premium / annual labour cost
Annual leave	7.7%	$= (37.5 \times 4) / (37.5 \times 52)$	Annual leave hours entitlement / annual hours
Personal leave	3.8%	$= (37.5 \times 2) / (37.5 \times 52)$	Annual personal leave hours entitlement / annual hours
Long service leave	0.69%	$= (\text{LSL entitlement rate} \times 30\%)$	LSL entitlement rate x probability factor employee reaches LSL years of service
	2.31%	$= (6.0667 / 7) / 37.5$	(LSL entitlement / years of service to obtain entitlement) / weekly standard hours = LSL entitlement rate
Public holidays	5.0%	$= (13 \times 7.5) / (37.5 \times 52)$	(Number of public holidays x hours in standard workday) / annual hours
Total oncost %	31.7%		

Example Claim:

Role / Activity	Rate	Hours	Overtime Multiplier	Claim	Calculation Methodology
Team Leader - Ordinary Time	\$67.54	37.5	-	\$2,532.73	Hourly Rate (inclusive of oncost) x Hours spent on eligible activities related to an event for an eligible measure
Team Leader - Overtime	\$61.38	7.5	50%	\$690.58	(Hourly Rate (excl. super oncost) x 100% + Overtime Multiplier) x Overtime hours spent on eligible activities related to an event for an eligible measure
Total				\$3,223.30	



Appendix B: Scenarios

- 1. An engineer employed by a council or state agency undertakes the design and scoping of an eligible reconstruction project.**

The estimated salaries/wages and associated oncosts of the engineer working on the project can be included in the estimated reconstruction cost (ERC), as they represent direct costs within the base estimate.

- 2. An employee in a state agency is involved in reviewing/approving ERCs on behalf of the state.**

Staff involved in activities related to DRFA claims process, such as reviewing ERCs, are undertaking administrative or indirect tasks. These tasks are not eligible under the DRFA.

- 3. A state agency employee is seconded into a recovery facilitation role for a particular eligible disaster event. Their substantive role was not backfilled.**

As the employee's substantive role is not backfilled during this time, salary/wage costs do not exceed the costs the agency would normally be incurring (i.e. that the state agency was budget funded for). As a result, these costs are not eligible under the DRFA.

- 4. A state agency claims wages for a project grants administration role to support the delivery of a Category D package. Extraordinary administration costs have been approved as part of the Category C/D package by NEMA.**

As extraordinary administration costs were approved as part of the Category D package, these costs are eligible under the DRFA. This is subject to any specific eligibility requirements outlined within the relevant program guidelines.

- 5. State Emergency Services (SES) claim ordinary salaries/wages for personnel responding to a disaster event. This includes costs associated with the Incident Control Centre as well as providing on the ground support to individuals directly impacted by the event.**

As these costs are not incremental to the state (i.e. the ordinary salaries/wages would have been incurred regardless of the disaster event), these costs are not eligible under the DRFA. However, where these personnel incur overtime costs, or their substantive roles are backfilled, these costs would be considered eligible.

- 6. Council 1 (disaster affected council) has exhausted its capacity to respond to an eligible event. Council 1 requests resourcing support from Council 2. This request was approved by the CFO of Council 1 through a signed minute which outlines the resourcing shortage and the eligible activities the additional resourcing would undertake. Council 2 agrees to this and provides two full time staff on secondment. Council 2 backfills the two seconded roles with temporary personnel. At the end of the work, Council 2 sends Council 1 an invoice for the two staff, along with details of the relevant award rates hours worked, and oncosts calculation, to support the amount invoiced.**

As Council 1 has exhausted its capacity to respond, and evidence is available to support this, the ordinary salaries/wages and associated oncosts of the two staff seconded from Council 2 are eligible under the DRFA. Council 1 would claim the actual costs, with associated evidence to substantiate the claim. Council 2 cannot claim the cost of backfilling the seconded resources.

If Council 2 did not backfill the two seconded staff, Council 1 is still able to claim the costs of the seconded staff.