

Fact Sheet

NSW Disaster Recovery Funding Arrangements: employee, project management, equipment and other costs

December 2025

This fact sheet provides guidance to asset owners and relevant NSW State agencies on the application of Disaster Recovery Funding Arrangements 2018 (DRFA) as they apply to certain components of expenditure under Category B assistance measures.

Expenditure on restoration works must meet the eligibility criteria for reimbursement under the NSW Disaster Assistance Guidelines (DAG), the DRFA and the sub-categories of Emergency Works, Immediate Reconstruction Works, and Essential Public Asset Reconstruction (EPAR) Works identified in the NSW Essential Public Assets Restoration Disaster Grant Program Guidelines (NSW EPAR Guidelines).

This guidance applies to councils that have opted into Day Labour Co-Funding Arrangements, and State agencies (such as Transport for NSW) that manage or own state essential public assets.

Councils that have not opted in, are subject to exceptions outlined in the NSW EPAR Guidelines.

Under DRFA clause 4.3.2.d and the NSW EPAR Guidelines, asset owners must develop an estimated cost for EPAR works when reconstructing essential public assets. This estimate can include eligible expenditure for construction, design, project management, contingency and cost escalation.

Eligible personnel expenditure

Expenditure for the full cost of salaries and wages is eligible when personnel are directly involved in delivering reconstruction works, such as construction, project design or project management. This applies to existing staff, contractors or temporary (fixed-term) employees. Eligible tasks include:

- geotechnical investigations
- survey and set out of works
- engineering design and design review
- environmental assessments and approvals
- preparation of applications and supporting information for any statutory licences, permits and approvals
- preparation of site-specific quality, safety and environmental management plans
- tendering and procurement processes
- management of contracts and contractors involved in the delivery of the project
- contract claim assessment and verification and contractor direct supervision

- construction works and site supervision and surveillance
- certification and quality assurance for construction works
- project scoping and cost estimating
- project planning and coordination
- purchasing of materials and equipment hire required for the project
- project level resource planning and coordination
- communications required to inform the community of the impacts of project delivery
- legal matters associated with access to property where required to facilitate project delivery
- project level financial management and reporting.

Personnel costs for those directly engaged in the delivery of the project/s are not required to be incremental or additional costs to the regular budget but would be eligible only for the actual time they were engaged on those eligible activities.

Ineligible personnel expenditure

Indirect personnel costs are not eligible under Category B. These include roles that are not directly required for the delivery of specific projects. Examples of ineligible roles include DRFA program level management, oversight and direction, and DRFA audit, assurance and program administration roles. This includes works managers, directors and executive managers, chief financial officers, human resource officers, accountants and administrative officers who are not directly engaged in the restoration of essential public assets.

Even if these costs are incremental or additional to the regular budget, they are considered administration overheads and are not eligible under the DRFA or the NSW EPAR Guidelines.

Establishing project management and delivery teams

If an asset owner establishes a team specifically for delivering eligible works after an eligible disaster, they must provide documentation that clearly links the expenses and the works being carried out. This documentation should include the roles of existing staff, contractors or temporary (fixed-term) employees, an organisational chart and position descriptions for these roles, a cost breakdown for the rates applied, identification of staff working full time on eligible works and those working part-time, including the method for recording time allocations between eligible and other tasks.

The total projected costs of the team delivering the eligible works should form the basis for cost estimates for construction, design and project management when developing the estimated reconstruction cost of an EPAR. Design and project management costs must be shown as a separate line item in the overall EPAR.

Actual eligible costs must be recorded against individual EPARs throughout the life of the project, either directly or through apportionment. Councils or agencies must maintain a clear methodology for apportioning costs to each EPAR, along with evidence that staff were engaged directly on eligible tasks. This must comply with the State's DRFA controls and the *State Records Act 1998* No 17.

Unacceptable practices for reimbursement include:

- adding a general percentage overhead to direct costs instead of using actual costs
- requesting lump sum payments for project management costs separate to EPARs
- submitting separate EPAR claims for project management costs only
- seeking reimbursement of claims without supporting documentation.

The guidance in this fact sheet reflects the typical level of effort required to reconstruct essential public assets after a declared eligible disaster. It should assist councils and agencies in establishing the necessary resources for delivering eligible works.

Where significant extraordinary expenses are anticipated or there is uncertainty about specific costs or circumstances – such as hiring a large number of additional staff, incurring substantial software licence costs or leasing extraordinary office space or covering associated utilities and consumables – asset owners should seek early advice from the administering agency. This ensures costs are eligible, justified, and not excessive.

Eligibility of salaries, wages and associated on-costs

Table 1: Eligibility of salaries and wages for staff engaged in the project management, design and delivery of eligible works

Works type	Expense detail	Eligibility status	Time period for expenses	Note
Emergency Works (EW) and Immediate Reconstruction Works (IRW) and Essential Public Asset Reconstruction (EPAR) works	<p>Budgeted, ongoing staff including salaries, wages, associated on-costs and overtime.</p> <p>Employment costs for contractors, consultants, hired labour, casual or temporary (fixed-term) employees.</p> <p>Other costs such as travel expenses, allowances, accommodation, and on-costs such as superannuation entitlement and workers compensation.</p>	Eligible	<p>3 months from date site is accessible, or later if Allowable Time Limit (ATL) extension approved for EW and IRW.</p> <p>Approved completion date for EPAR works.</p>	<p>Applies to both NSW State agency and council employees.</p> <p>Includes staff directly engaged in the construction, project management, design and delivery of the eligible works.</p> <p>On-cost* calculations must apply the methodology developed by NSW Government. See NSW RA Fact Sheet on On-Costs for relevant financial year.</p> <p><i>*When both NSW state agency and council employees undertake eligible reconstruction works under the DRFA, they are not permitted to charge a profit margin or a corporate overhead (%).</i></p>
EW, IRW and EPAR works	Existing staff, contractors, consultants or temporary (fixed term) personnel engaged in program management and administration of eligible works.	Ineligible		Applies to both NSW State agency and council employees.

Eligibility of plant and equipment costs

Table 2: Eligibility of plant and equipment costs for internal plant and equipment

Works type	Expense detail	Eligibility status	Time period	Note
EW, IRW and EPAR works	Use of internal plant and equipment used for eligible works.	Eligible	3 months from date site is accessible, or later if ATL extension approved for EW and IRW.	<p>This applies to internal plant and equipment used for eligible works and maintenance costs required as a direct consequence of using internal plant and equipment. Rates should be on a cost-recovery basis only which includes:</p> <ul style="list-style-type: none"> Fuel and oil Tyres and tubes

Works type	Expense detail	Eligibility status	Time period	Note
			Approved completion date for EPAR works.	<ul style="list-style-type: none"> Parts and repairs Depreciation <p>The following costs* are ineligible and should be excluded:</p> <ul style="list-style-type: none"> Insurance Licenses Profit margin Garaging costs Risk allowances Opportunity costs Administration <p>*When both state agencies and councils utilise internal plant and equipment to undertake eligible reconstruction works under the DRFA, they are not permitted to charge a profit margin or a corporate overhead (%). A breakdown of the rate applied for internal plant and equipment may be requested to demonstrate the above.</p>
EW, IRW and EPAR works	Purchase of internal plant and equipment used for eligible works.	Ineligible		Purchase of any plant items, tools, signage or equipment used for eligible works.

Eligibility of other costs

Table 3: Eligibility of other costs

Works type	Expense detail	Eligibility status	Note
EPAR works	Extraordinary office rental, furniture rental, utilities, and consumables	Eligible	<p>This applies only where additional rented office space is required, above and beyond what is currently available to the council or agency, solely for the purpose of accommodating personnel managing delivery of eligible works.</p> <p>These costs can only be incurred during the life of the eligible works.</p> <p>Costs can be apportioned using an appropriate pro rata methodology or as incurred. If the space is shared, then only the portion of the cost associated with the program of eligible works is eligible.</p> <p>Asset owners should seek early advice from the administering agency for any extraordinary costs.</p>
EW, IRW, EPAR works	Ordinary office rental, utilities and consumables	Ineligible	The use of existing premises, or any premises owned by the entity, is not eligible to be claimed. In addition, the loss of revenue due to use of a premises that would otherwise generate rental income is not eligible to be claimed.
EPAR works	Computers, software licences and office	Eligible	This applies only where these costs are not capital expenditure and are used solely for the purpose and duration of the eligible works, are considered reasonable costs in the delivery of the eligible works and are in <u>addition</u> to any cost that would have been incurred if there was not a disaster.

Works type	Expense detail	Eligibility status	Note
	equipment rental		
EW, IRW, EPAR works	Communications and advertising	Eligible	Notifications to community and road users, tender and procurement notifications and other communications associated with eligible works, that are in addition to any cost that would have been incurred had the eligible works not occurred.
EPAR works	Training	Eligible	This applies for site specific inductions and training that is required for the eligible work sites, and which would not have been undertaken, had the eligible works not occurred. This does not include training for DRFA administration or general staff development.
EW, IRW, EPAR works	Contract Works Insurance	Eligible	This applies for additional insurance that is required specifically as part of a contract for the delivery of eligible works. It does not include general insurance costs for a council or state agency that would have been incurred had the eligible works not occurred. Note that any claims against existing insurance policies must be made before seeking assistance for eligible works. The estimated reconstruction cost for an EPAR is to be reduced by the amount of any insurance payments made to the entity, excluding any excess payable by the entity as these are not eligible for reimbursement
EW, IRW, EPAR works	Travel expenses	Eligible	Where required for eligible staff directly engaged in delivery of eligible works. See salaries, wages and associated on-costs above.
EW, IRW, EPAR works	Vehicle use expenses	Eligible	Where required for eligible staff directly engaged in delivery of eligible works. See salaries, wages and associated on-costs above.
EW, IRW, EPAR works	Accommodation	Eligible	Where required for eligible staff directly engaged in delivery of eligible works. See salaries, wages and associated on-costs above.
EW, IRW, EPAR works	Allowances	Eligible	Where required for eligible staff directly engaged in delivery of eligible works. See salaries, wages and associated on-costs above.
EW, IRW, EPAR works	Cost of approvals (DAs, permits, etc)	Eligible	This applies for expenses for eligible works on a cost recovery basis. See salaries, wages and associated on-costs above.
EW, IRW, EPAR works	Waste disposal fees	Eligible	This applies for expenses for eligible works on a cost recovery basis. Excludes any NSW Waste Levy charges reimbursed to the asset owner and any profit margin applied to gate fees.
EW, IRW, EPAR works	Consultants (Geotech, design, survey)	Eligible	Where required for eligible staff directly engaged in delivery of eligible works. See salaries, wages and associated on-costs above.

Cost apportionment

Councils and State agencies can use one of the following methods to apportion eligible costs to an EPAR project over the life of the eligible works:

1. Applying costs directly to an EPAR

Eligible costs can be directly applied to eligible EPARs over the life of the eligible work. For example, staff that are engaged to work on specific projects can charge the costs associated with their time to those eligible works, as they are incurred. This method is preferred, but it is acknowledged there are circumstances where tracking time or costs against specific EPARs will not

be practical or will create an unreasonable additional administrative burden. In these cases, the cost apportionment method described below can be used.

2. Applying costs to generic cost centre and apportioning to EPARs

Eligible costs may be charged to a generic administration cost centre. The costs can then be apportioned across a portfolio of eligible projects. Ideally the only costs charged to the generic cost centre would be for DRFA related projects. Where non-DRFA related projects are occurring at the same time using the same resources and charged to the generic cost centre, eligible costs will need to be apportioned over both DRFA and non-DRFA projects in accordance with the allocation of resources across the projects. Expenses can only be incurred as long as necessary over the life of the portfolio of eligible works and cannot be charged to a project beyond its completion and acquittal date.

The rate or amount applying to each EPAR project should be indicated, along with the methodology that has been used to determine the calculation. Evidence is required for each cost charge (transaction level) as well as each apportionment process (journal level) and should support the costs and their required duration over the life of the eligible work and as delivery progresses.

Evidence requirements

Evidence should justify the need for incurring eligible costs, support the time and work undertaken, and how the eligible costs are apportioned to each eligible project. Evidence requirements apply to EW, IRW and EPAR works.

A direct link needs to be shown to demonstrate the eligible costs are directly related to the construction, design and project management of the eligible works. Evidence could include:

- transaction listing or general ledger
- organisation structure
- position description
- job advertisement
- Award supporting staff grade that is charged
- employment contract
- activity register or approved time sheet
- diary records of tasks and projects
- de-identified payslip
- contract/agreement
- tax invoices identifying location of works and activities undertaken
- journal records and apportionment calculation sheets.

Other forms of detailed records providing an equivalent level of supporting information equal to those referred to above are also acceptable. Records need to be focused on showing evidence of cumulative hours worked on eligible projects, and evidence of costs that are extraordinary to normal business as usual costs and how they specifically relate to the delivery of eligible works and nominated EPARs.

Scenario 1

Council A has an established EPAR to repair a local road. The estimated reconstruction costs are \$2.5 million and, following assessment by NSW Reconstruction Authority, the project Total Upper Limit Grant is confirmed as \$25 million. The established estimate includes project management costs of \$250,000.

Council A is using its own crew for the reconstruction works and will charge salaries and oncosts for employees for the time they spend on this project. It will also charge back for machinery and equipment used. Timesheets and payslips will be retained as evidence for future claims and audit documentation.

Project management for this project will be undertaken by council employee Jack, who has been seconded to this project 2 days per week for 6 months. In addition, Council A has leased a new computer and an additional software licence for Jack to be used solely for the eligible project. Costs would be apportioned as follows:

Eligible Reimbursement Expenses (ERE) Calculation Example:

Employee	Jack	has been seconded to this project 2 days per week for 6 months
Claiming employee	Jack	directly engaged in project management – eligible
Hourly rate	\$60.00	
Hours spent	364	2 days per week for 6 months (26 weeks, 7 hours a day)
Total salary	\$21,840.00	
On-costs	32.69%	On-costs table – Local Gov*
Total On-costs	\$7,139.50	

**Only eligible on-costs components can be claimed and super rate will change based on FY costs incurred*

Total ERE – Jack **\$28,979.50**

Other costs

Lease for laptop	\$336.00	\$56 per month for 6 months
Software licence	\$150.00	\$25 per month for 6 months

Total other costs **\$486.00**

Total ERE **\$29,465.50** For project management costs

Example of evidence:

- Transaction listing or general ledger in excel – reconcile to actual eligible costs and apportioning calculation to individual EPARs
- Hourly rate – contract or payslip or Award supporting charged grade
- Timesheet – approved timesheet in system or hardcopy supporting worked hours
- Temporary Service Arrangement – supporting agreed work arrangement and direct engagement in EPAR work
- Other alternative evidence available such as org chart, job advertisement, ERE correspondence, tax invoices.

Scenario 2

Council B has established EPAR to repair a regional road. The project has established an estimated reconstruction cost of \$18 million following a market response process and confirmed following assessment by NSW Reconstruction Authority.

Project design and project management is being provided by a construction company who won the tender for the work. The cost of \$18 million is charged to council based on monthly actuals over the 15 month period the job takes to complete.

The managing contractor engagement is being managed by a team of two full-time temporary project management staff, who are responsible for all aspects of the contract management, including claims assessment and verification, direct site supervision and approving contract payments for processing by council's existing back of house finance staff.

Eligible Project Management Costs

Project management fee* charged by construction company who won tender. *hourly rate charged through tax invoice to Council

2 full time temporary staff salaries and on-costs @ \$316,800pa

Eligible Reimbursement Expenses (ERE) Calculation Example:

Contractor PM fee Cap	\$250,000	Agreed PM upper limit in contract
Contractor PM – monthly invoiced	\$16,000	Actual PM costs incurred and invoiced
Total contractor PM eligible	\$240,000	Actual cost over the 15 month period
Project management staff	\$316,800	Actual annual cost of temporary staff pa
Total PM staff costs eligible	\$396,000	Actual over the 15 month period
Total ERE	\$636,000	For project management costs

Example of evidence:

- Transaction listing/job logbook in excel – supporting actual PM invoiced on monthly basis
- Tender documents/signed contract – supporting agreed EPAR work scope and approved EAR work activities
- Position descriptions for temporary staff over the 15-month period and an overall organisational structure showing these staff
- Other alternative evidence available such as tender correspondence, industry benchmarking for PM rate charged.

Scenario 3

Asset Owner C has incurred damaged in a recent event and has 40 established EPARs with a reconstruction cost of \$100 million. The scale of the program exceeds Asset Owner C's existing resources and so a number of additional temporary staff and contractors have been brought into the team to deliver the EPAR projects. The team will be housed in Asset Owner C's offices and utilise existing office equipment and software over a two-year period.

Asset Owner C is planning to do some of the reconstruction work itself and will charge day-labour rates and equipment to use each eligible project. The remaining works will be contracted out through a range of market response arrangements and period supply contracts. The existing Works Manager will provide oversight of the program, with the additional temporary staff and contractors undertaking the project management and delivery tasks. The new office will be responsible for the project management of inhouse projects, as well as managing the procurement for outsourced projects.

Ineligible Costs:

- Asset Owner C's office space
- Existing Works Manager salary and on-costs
- Existing administration and finance staff salaries and on-costs
- Use of existing computer equipment and software licenses by additional staff and contractors
- Officer consumables and utilities

Eligible Reimbursement Expenses (ERE):

- 2 full time temporary staff salaries and on-costs @ \$316,800 pa
- 2 full time contract project management resources @ \$475,200 pa

Eligible Reimbursement Expenses (ERE) calculation example:

Contractor PM – monthly invoiced	\$39,600	Actual PM costs incurred and invoiced
Total contractor PM eligible	\$950,400	Actual cost over the two-year period
Project management staff	\$316,800	Actual annual cost of temporary staff pa
Total PM staff costs eligible	\$633,600	Actual over the two-year period
Total ERE	\$1,584,000	For project management costs

Asset Owner C will charge the costs associated with the 2 full time contract project management staff directly against individual EPARs based on invoices and time sheets from the contract project managers.

The salaries and on-costs for the two additional full time temporary staff will be charged to a generic cost centre. Once a month, the individual transactions from the generic costs centre for the previous period will be assessed for eligibility, and a spreadsheet compiled to apportion these eligible costs against individual EPARs will be prepared. The apportionment of the eligible costs to the individual EPARs is to be calculated based on the total expenditure to date for each EPAR, which is being used as a proxy for the measure of the level of effort directly related to each EPAR.

The apportionment spreadsheet is then used by the finance staff at Asset Owner C to journal costs from the generic cost centre to individual EPARs. A copy of the apportionment spreadsheet and transaction assessment used to determine the actual costs is retained by the finance team for future audit and claims.

Example of evidence:

- Transaction listing/job logbook in excel – supporting actual PM invoiced on monthly basis
- Tender documents/signed contract – supporting agreed EPAR work scope and approved EAR work activities
- Position descriptions for temporary staff over the 15-month period and an overall organisational structure showing these staff
- Other alternative evidence available such as tender correspondence, industry benchmarking for PM rate charged.

Scenario 4

Council D has incurred extraordinary damage in a recent event and has 170 established EPARs with a reconstruction cost of \$1.1 billion. The scale of the program exceeds Council D's existing resources and so a new office has been set up with temporary staff and location for the first three years of the five-year program.

Council D is planning to do some of the reconstruction work itself and will charge day-labour rates and equipment use to each eligible project. The remaining works will be contracted out through a market response process. The new office will be responsible for the project management of inhouse projects, as well as managing the procurement for outsourced projects.

Eligible Project Delivery Office Costs:

- Rented office space for 3 years @ \$27,000 pa
- 8 full time temporary staff salaries and on-costs @\$1,267,200 pa
- Computer equipment rental and software licence fees for staff @ \$15,000 pa
- Office consumables and utilities @\$10,000 pa

Total eligible project delivery office costs - \$1,319,200 pa

Council D will charge separate project management rates for the inhouse projects and the outsourced projects, as some of the outsourced projects will have elements of the project management performed by the companies taking on work and these costs will be charged directly to each eligible project.

The total eligible cost for the project office for three years is \$3,957,600 and all eligible office costs will be charged to a generic cost centre over the three years.

Inhouse projects

Council D will undertake 120 projects with a value of \$450 million with its own crews and managed by the new project delivery team. It is expected that \$300 million of these projects will be completed within the first three years, with the remaining works completed over the last two years.

Inhouse projects will charge \$2.5 million in eligible project delivery office costs over three years with a charge out rate of 0.83% of the value of each project (\$2.5 million / \$300 million).

Example: For a project that will cost \$3.75 million that will take two years to deliver, it will be charged \$1,302.08 per month for 24 months in eligible project delivery office costs (\$3.75 million * 0.83% 0/24).

Outsourced projects

Council D will outsource the remaining 50 projects with a value of \$650 million. \$400 million of these two projects will be completed within the first three years, and the remaining works completed over the last two years.

Outsourced projects will charge \$1,457,600 in eligible project delivery office costs over the three years with a charge out rate of 0.36% (\$1,457,600/\$400 million).

For a project that will cost \$13 million and will take three years to deliver, it will be charged \$1,315 per month for 36 months in eligible project delivery office costs (13 million * 0.36%/36).

Example of evidence:

- Transaction listing or general ledger in excel – reconcile to actual ERE and apportioning calculation to individual EPARs
- Hourly rate – contract or payslip or Award supporting charged rate
- Position descriptions for temporary staff showing the period of engagement and nature of services and activities and an overall organisational structure showing these staff
- Contract PM arrangements and invoices – supporting actual PM invoices on monthly basis
- Other alternative evidence available such as org chart, job advertisement, ERE correspondence, tax invoice, tender correspondence.