ALGA
Australian Local Government Association

ALGA Submission to the Disaster Recovery Funding Framework (DRFF)

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Building Better Communities.

Introduction

Overview

Councils rely on the Disaster Recovery Funding Arrangements (DRFA) to fund the response and intensive recovery efforts after natural disaster events. The number of councils experiencing natural disasters is rising – in the five years from 2019-2023 it was 434, and initial data for 2024/25 saw it rise to 526. Councils remain the first level of government communities turn to for support and are responsible for delivering and maintaining much of the public infrastructure, assets and services that enable recovery. The DRFA has played an important role in ensuring councils are able to access funding to support recovery in their communities. However, the model is overly complex, burdensome, and inequitable for local governments. This results in risks being borne by local governments that are least able to do so.

In ALGA's submission to the *Independent Review of Commonwealth Disaster Funding* (Colvin Review) in 2024, we welcomed the recommendations that supported the need to uplift councils' capacity and capability, including through reform of the DRFA.

In response to the Colvin Review, the Australian Government has put forward a proposed new funding arrangement – the Disaster Recovery Funding Framework (DRFF). ALGA welcomes action in response to the Colvin Review, but notes that the Final Report of the Colvin Review did not include a recommendation for 50:50 federal/state funding split as is proposed within the DRFF. ALGA also notes the consultation on the reforms has not had the appropriate time to identify and address unintended negative consequences for local governments. The consultation period is tight, without the iterative nature required for such large reforms. For example, the reform of the original National Disaster Relief and Recovery Arrangements (NDRRA) to the current DRFA took four years. ALGA urges that local governments are recognised as a key partner in the design and implementation of the proposed new arrangements and are included in every step of the process.

We need to see a funding system that is flexible to meet local recovery needs, has the required level of accountability for expenditure of public funds and provides councils with certainty to take immediate action after disasters. In essence this would look like:

1. *The Commonwealth Government to work with state and local government in each jurisdiction to ensure cost-sharing arrangements do not leave councils and their communities worse off or expose local governments to increased risk.*

2. *A system that enables, empowers and tracks the timeliness of Commonwealth payments, made via state governments, to reimburse councils for their disaster recovery funding.*

3. *An activation threshold that acknowledges that even 'smaller' disasters can create significant funding issues for councils, especially those with small populations / rate bases that are typically in rural and remote areas.*

4. *Standardised packages co-designed with state, territory and local governments, that can assist with streamlined operations (e.g. community recovery officer), but which allow for flexibility and*

tailored packages when needed, so as to not prevent local responses to local needs in a "one-size fits all model"

5. *A dedicated, equitable, and long-term program for Disaster Resilience (noting the Disaster Ready Fund ends in 2028) that empowers councils to take actions that improve resilience and potentially offset future damage bills.*

6. *Audit and assurance processes that provide accountability for public expenditure, but which do not create overly cumbersome administrative processes on resource constrained councils.*

7. *Capacity building for those state and territory local governments that need to shift practice from response and recovery to preparedness, planning and mitigation.*

The Australian Local Government Association (ALGA) is the national voice of local government in Australia. We represent 538 councils through a federated structure of seven state and territory Associations (Member Associations). Originally founded in 1947, ALGA is the only peak body that represents and unites local government across Australia to influence national priorities, shape effective public policy and drive targeted outcomes in every corner of the nation.

This submission should be considered in conjunction with any submissions made by Member Associations and individual local governments.

Format

ALGA has prepared this Submission with reference to the questions outlined in the Discussion Paper provided by the Commonwealth to guide consultation. As a national peak body (and recognising that councils and Member Associations may also provide their own submissions), ALGA has not responded to every question individually. Instead, we have focused on the systemic, strategic and cross-cutting issues that are most significant to local government and the communities that councils serve. This submission also highlights issues that were not explicitly addressed in the Discussion Paper but are critical to ensure the framework is effective, equitable and fit for purpose.

As part of developing this Submission, ALGA consulted extensively with its Member Associations and provided a template to capture jurisdiction-specific and contextual feedback. These responses have informed ALGA's Submission and are attached as supporting material. Member Associations that were unable to provide supporting material to this submission will be making their own individual submissions to the Commonwealth. ALGA also notes that several Member Associations have lodged separate submissions, either independently or jointly with their state or territory governments, which provide further insight into the impacts of the proposed reforms on councils within their jurisdictions.

ALGA acknowledges that many elements of the proposed reforms remain open for consideration and refinement, with this initial phase focused on establishing the architecture and conceptual foundations of the proposed framework. However, ALGA cannot support any proposal that would leave any council worse off. We will continue to work with NEMA to understand the impacts on the local government sector and to ensure the final framework reflects the realities of disaster recovery on the ground, recognises local government's critical role in recovery, delivers sustainable outcomes for communities across Australia, and does not disadvantage any council.

In the spirit of collaboration, ALGA has provided alternative options for some of the proposed reforms. *Should there be appetite to pursue these options, ALGA would welcome more extensive consultation with ALGA Member Associations and local governments; analysis; and modelling to assess their feasibility, impacts and suitability for implementation.*

Overarching comments

Role of Commonwealth with State and Territory Governments

ALGA recognises that Australia's federated system places primary responsibility for emergency management with states and territories, including the administration of state-based disaster recovery programs and the distribution of Commonwealth recovery funding to local governments.

This reform process presents an opportunity for the Commonwealth to drive greater consistency and accountability in how state governments provide disaster recovery funding to local governments, using the regulatory, policy and financial levers it has available. As an example, through the Federation Funding Agreements (FFAs) that underpin recovery funding arrangements with states and territories, the Commonwealth could establish minimum requirements and performance expectations of state governments, including the timely reimbursement of councils. It could also encourage best practice by linking resilience, mitigation and risk reduction funding to jurisdictions that demonstrate strong support for local government and disaster-affected communities.

This is particularly important given the variation in current arrangements; for example, some states can access advance Commonwealth funding following disasters, while in other jurisdictions, many councils continue to wait months or years for reimbursement. Greater consistency in the Commonwealth-state agreements that underpin disaster recovery funding would help reduce inequities between jurisdictions and provide greater certainty for councils. However, flexibility should be retained in how these arrangements are implemented with local governments, recognising that a one-size-fits-all approach will not always deliver the best outcomes for disaster-affected communities.

Other issues not covered in Discussion Paper

A piecemeal approach to reform

ALGA notes that considering the proposed DRFF in the absence of a broader Australian Government response to the Colvin and Glasser reviews makes it extremely difficult to understand the disaster management policy and funding landscape and therefore provide informed responses to this consultation process. Separating this process from the rest of the Colvin recommendations is tantamount to being given a single puzzle piece.

ALGA also notes that many of its member associations are in the midst of state level disaster management reforms – further increasing the complexity of providing informed feedback.

A key piece of the puzzle that is unclear is what is intended for the Disaster Ready Fund (DRF), and Commonwealth funding for risk identification, reduction and mitigation. Funding for these functions is

critical to community safety and reducing the increasing costs of disaster recovery. Further views on resilience and mitigation are included throughout this submission.

50:50 co-funding model

A fundamental component of the proposed reform is a move to a 50:50 Commonwealth and state/territory co-funding model. While this consultation process is not seeking views on this aspect, it is critical that the Commonwealth understands the potential negative impact this could have on some councils, particularly in more disaster-prone jurisdictions, where many councils experience concurrent or consecutive disasters.

While local governments do not receive DRFA funding directly from the Commonwealth, any reduction in funding available to states and territories has the potential to affect the level and timeliness of support ultimately provided to councils. ALGA cautions against any financial reform that inadvertently shifts additional costs, financial risk or recovery responsibilities onto local governments. Councils need certainty that these reforms will strengthen, rather than weaken, their ability to support communities before, during and after disasters. No council or community should be left worse off as a result of these changes, particularly in disaster-prone regions where local governments are already managing significant and growing financial pressures. Ultimately, the success of the reforms should be measured by whether they improve recovery outcomes without increasing the burden on councils and the communities they serve.

As the level of government that benefits from the greatest share of national taxation at 80 per cent, compared to about 17 per cent for the states and three per cent for councils, the Commonwealth is best able to shoulder the growing disaster burden and should do so.

ALGA also notes there is also the potential that the removal of annual state/territory expenditure thresholds could provide fiscal benefits to states/territories. ALGA recommends these benefits are reinvested into state/territory based disaster recovery and resilience arrangements, including support for events below the Commonwealth thresholds.

Delays in recovery funding

Delays in disaster recovery funding flowing to local governments from the states and territories place significant financial pressure on councils, particularly where reimbursement payments can take months or even years to be received. This can affect councils' ability to plan and sequence recovery works, create cashflow challenges, and force difficult decisions about the delivery of other services and infrastructure projects.

For example, following the May 2025 floods on the NSW Mid-North Coast, which caused an estimated $226.5 million in transport and infrastructure damage, one council had spent $43 million on emergency response and reconstruction works by February 2026 but had received only $6.1 million in reimbursement from the NSW Reconstruction Authority. This highlights the extent to which councils can be left carrying substantial recovery costs for extended periods. This is particularly problematic for smaller councils who have limited revenue-raising capabilities due to a small rates base.

In contrast, Queensland councils benefit from strong support from State Government agencies through upfront payments, which are sometimes provided as cash in advance so as to avoid delays in disaster response and recovery work. Additionally, the current model of betterment funding administered by the Queensland government, ensures councils to rebuild damaged infrastructure to a stronger standard after

lost through a disaster eventALGA supports consideration of a recovery funding timeline framework, policy or legislative mechanism—developed in consultation with local government—to establish clear expectations and accountability for the timely assessment, approval and reimbursement of recovery funding from the states to councils. While the administration of funding is primarily a state and territory responsibility, the Commonwealth has an important role in driving greater consistency and accountability across jurisdictions through its funding agreements and recovery framework settings, as previously noted.

Reforms should incorporate mandatory service standards for the Commonwealth and State/Territory Governments, with clear timeframes for activation decisions, assessments, approvals, claims processing, audits, reimbursement and dispute resolution.

> ***Critical consideration:***
> NEMA should ensure that **analysis of the impacts to local government financial sustainability is undertaken for all policy and funding design options**. Any option which leaves local government financial sustainability in a worse position should be vetoed, or alternative arrangements made elsewhere in the funding system to offset any negative impacts.

Discussion Paper response

New event-based activation trigger points

One of the most significant proposed reforms in the Disaster Recovery Funding Framework (DRFF) is the increase in the event-based activation thresholds for Commonwealth recovery funding, from the current $240,000 per event in each jurisdiction to $1.65 million for ‘smaller states’ (Northern Territory, Tasmania, and the Australian Capital Territory) and $2.7 million for the ‘larger states’ (Western Australia, South Australia, Victoria, New South Wales, and Queensland).

ALGA understands that the proposed activation thresholds are informed by recommendations made in the Australian Government-commissioned Productivity Commission’s 2015 inquiry into national natural disaster funding arrangements, which sought to improve the effectiveness of disaster funding and strengthen incentives for mitigation and resilience.

However, the analysis underpinning these thresholds is now more than a decade old and does not adequately reflect current conditions. ALGA questions whether modelling undertaken over ten years ago remains an appropriate basis for setting new activation thresholds and encourages the Australian Government to ensure the proposed settings are informed by contemporary data and the current operating environment.

While ALGA welcomes clarification that these thresholds apply at the event, and not local government areas level, we remain concerned that the proposed settings could reduce access to recovery funding for councils and communities affected by disasters which are smaller in scale on a national basis, yet significant for local communities. Australia experiences numerous localised disasters each year, including flash floods, severe storms, hail events and isolated bushfires. While these events often fall below formal reporting and disaster declaration thresholds, they can still cause substantial damage to local roads,

bridges, community facilities, agricultural production and local businesses. They also place significant pressure on council budgets and staff resources, particularly in rural and remote areas.

For many councils, the cumulative impact of multiple small-scale disasters can be as financially devastating as a single major event. Further, in some cases, such as in regional and remote Western Australia, and South Australia, smaller flood, storm and access disruption events can impose significant recovery costs on rural and remote councils despite not generating expenditure at a scale that would reach proposed Commonwealth activation thresholds. Recovery outcomes are also influenced by workforce and market capacity, with shortages of contractors, skilled labour and construction materials often delaying recovery even where funding is available.

Under the proposed thresholds, many of these events may not qualify for recovery assistance despite requiring considerable restoration and recovery efforts. This reinforces the need for lower and more flexible activation thresholds that better reflect the realities of local government and ensure communities affected by frequent, lower-cost disasters are not left to bear recovery costs alone.

Although the threshold is applied at the state or territory level, its impact will be felt most acutely by local governments. Councils are often the first responders to disasters and play a central role in restoring infrastructure, reopening community facilities, coordinating recovery activities, and supporting social and economic recovery. Where Commonwealth funding is not activated and a state or territory government cannot, or will not, cover recovery costs, councils may be required to absorb these costs themselves, placing further fiscal pressure on them and forcing councils into making difficult decisions within their budget constraints.

Treating South Australia and Western Australia as ‘large states’ solely on the basis of land area risks overlooking the realities of disaster recovery in these jurisdictions. Despite their geographic size, both states have relatively small populations dispersed across vast distances and include many rural and remote councils with limited revenue bases and recovery capacity. Applying the higher $2.7 million threshold may therefore delay or limit access to support for communities that are significantly affected by disasters but lack the scale or financial resilience of larger population centres.

From a Western Australian perspective, if events that currently qualify under the $240,000 Small Disaster Criterion no longer meet the proposed $2.7 million Commonwealth threshold, councils may be exposed unless effective State-based fallback recovery funding is in place. Transition should not occur until arrangements are established for events below the Commonwealth activation threshold.

We also note that smaller state governments, such as Tasmania, may still be unable to fund recovery costs for events that do not meet the $1.65 million, which may see costs passed on to local governments. The proposed model may further disadvantage communities recovering from events where recovery needs are significant despite limited infrastructure damage. For example, an event such as the Bondi terrorist attack required substantial investment in community recovery, business continuity, mental health support and social cohesion but did not require funding for infrastructure recovery. Under the proposed arrangements, similar events may struggle to meet the activation threshold despite generating considerable recovery costs for councils.

ALGA acknowledges that the proposed changes may include ‘exceptional circumstances’ under which the federal government might elect to provide additional support. However, the NEMA Discussion Paper that

has been provided about the DRFF proposal does not explain what the funding model (e.g. 50:50 or 75:25 or otherwise) might apply to exceptional circumstances.

Reform options

ALGA would prefer no changes to the existing activation thresholds occur.

However, should this reform have to go ahead, the Australian Government *must* **co-design activation thresholds with state, territory and local governments**. Thresholds should consider::

- Community context: Rates revenue, workforce and population size, remoteness, socio-economic vulnerability, and volunteer capacity.
- Disaster history: Cumulative, compounding or ongoing disaster impacts.
- National economic significance: Critical industries, infrastructure, supply chains and workforces.
- Environmental and cultural significance: Nationally significant environmental, cultural and heritage assets, including those identified by Traditional Owners.
- Workforce availability: Access to the skills, trades and capacity needed for recovery.

Standardised packages

Overarching comments

ALGA understands the rationale for introducing nationally consistent recovery assistance packages and supports efforts to make recovery funding easier to understand, access and administer, and to get support for communities on the ground quickly after a disaster. Standardised packages also have the potential to support greater consistency of support across jurisdictions, particularly where a disaster crosses state boundaries. Achieving a smoother and easier process for all councils is to be applauded; however, process changes should not come at the expense of federal funding cuts in disaster recovery.

Recovery needs will vary significantly between disasters and communities, and a one-size-fits-all approach may not always reflect local circumstances. Locally led response and recovery activities which are tailored to local circumstances has proven to be a successful model and thus standardised packages will benefit from maintaining some elements of flexibility. This is evidenced by the significant growth in the DRFA Category D requests and expenditure over recent years, which demonstrates both the increasing complexity of disasters and the continued need for flexible funding mechanisms capable of addressing recovery needs that fall outside standard assistance measures.

To be effective, standardised packages should therefore be complemented by flexible mechanisms that allow jurisdictions and local governments to tailor support to local needs and circumstances. ‘Building back better’ should be integrated into packages in all domains. A robust monitoring and evaluation approach should be designed in step with new packages so unintended outcomes can be monitored, and packages amended if need be.

It is also critical to recognise that recovery outcomes are influenced not only by funding availability but also by workforce and market capacity. In regional and remote areas, shortages of contractors, skilled labour and construction materials can significantly delay recovery despite funding being approved. The framework should recognise these capacity constraints and support practical recovery delivery in remote and regional communities.

> ***Reform options***
> Standardised packages under the DRFF could provide a **core/baseline recovery package** that addresses common recovery needs, with local governments then able to select from a **suite of additional "modules" to tailor assistance** to the impacts of a particular disaster or the localised needs of their communities. This "building-block" approach would provide a consistent baseline of support while allowing recovery assistance to be tailored to the social, economic, environmental and infrastructure impacts of individual disaster.

Community Recovery Standardised Package

ALGA broadly supports the proposed standardised community recovery packages and recognises their potential to reduce administrative complexity, improve certainty around eligibility and enable assistance to be activated more quickly following a disaster.

We particularly welcome the proposal to fund Community Recovery Officers within impacted local governments, and recommend the Commonwealth begin further developing this proposal in consultation with councils as soon as possible.

We recognise that the DRFA can only be activated following a disaster and at the request of a state/territory government. This can create practical challenges with a disaster-triggered employment model. Recruiting staff during or immediately after a disaster can be difficult, particularly in regional, rural and remote areas already experiencing workforce shortages.

Investment in capacity will deliver the best risk reduction and return on investment where a DRFA recovery officer package is supplementary to a capacity and capability funding program that spans the disaster continuum. During periods outside the formal Higher-Risk Weather Season (HRWS), which are becoming significantly shorter than previous seasons, these officers could strengthen preparedness, coordinate resilience initiatives, build community partnerships and support access to programs such as the Disaster Ready Fund. This would ensure capability is already embedded within communities when disasters occur and councils would already have skilled personnel in place to coordinate recovery efforts, engage affected communities and facilitate faster recovery outcomes.

ALGA also notes the need for greater clarity regarding the interaction between community recovery assistance and councils' existing responsibilities. Further guidance is required on the eligibility of activities such as clean-up, community coordination and other recovery-related functions that may overlap with councils' day-to-day operations. Clear and nationally consistent guidance will be essential to avoid uncertainty and inconsistent application across jurisdictions. ALGA is happy to work with NEMA to develop and clarify this.

Given local government's central role in community recovery, ALGA strongly encourages the Australian Government to co-design these packages with councils and local government associations. While standardised packages can provide a strong baseline of support, they must remain practical and sufficiently flexible to reflect local circumstances and address genuine recovery needs and complement, not duplicate, existing council responsibilities. First Nations people, including Aboriginal-led local government councils, must also be involved in the co-design of packages that addresses the emotional impacts of being-off Country, the enduring mental health impacts and loss of cultural connection.

> ***Reform options***
>
> The Australian Government should provide **ongoing funding for local government recovery and resilience officers and their training requirements** to strengthen preparedness, build local capability and support faster recovery outcomes.

Local Economic Recovery Standardised Packages

ALGA broadly supports the proposed standardised local economic recovery packages and recognises the benefits of providing clearer, nationally consistent assistance for small businesses and primary producers.

Strong local economies are critical to community recovery, and more streamlined, predictable assistance could provide greater certainty for disaster-affected communities while reducing administrative complexity for jurisdictions and councils.

ALGA particularly welcomes recognition of indirect economic impacts. Councils regularly see disasters affect local economies through disrupted tourism, supply chains, market access and customer activity, even where physical damage is limited. Support for indirectly impacted businesses and primary producers will help ensure recovery assistance better reflects the realities experienced by regional and rural communities.

However, ALGA questions how support for indirect economic impacts will operate alongside the proposed increases to activation thresholds (should the Commonwealth not act on our previous recommendation to reconsider that model). Many indirect impacts arise from localised disasters that cause significant economic disruption without generating sufficient eligible expenditure across a state or territory, or within a single local government area, to trigger Commonwealth assistance. If the activation threshold is not met, businesses and primary producers experiencing genuine economic hardship may be unable to access the proposed recovery packages. This may have an unintended consequence of driving reliance on household, business and industry insurance, which would then put pressure on rising premiums. ALGA therefore encourages further clarification on how indirect economic impacts will be assessed under the DRFF and whether alternative activation mechanisms may be required to ensure affected communities are not excluded from support.

We also encourage further consideration of eligibility settings and package flexibility. Current definitions of primary producers may not reflect the realities of increasingly diversified farming businesses, particularly in areas experiencing repeated or compounding disasters. Similarly, a nationally consistent economic recovery package should not become a one-size-fits-all model that overlooks unique local economic

circumstances. Councils are often best placed to understand the specific impacts disasters have on local businesses, industries and communities, and flexibility should be retained to address these needs.

Environmental Recovery Standardised Packages

ALGA supports the inclusion of dedicated environmental recovery packages within the DRFF, as this domain has historically been more difficult to access funding for despite being critical to long-term recovery outcomes. However, as already stated above, providing flexibility for tailored and specific circumstances would be critical so as to not attempt to address this with a cookie-cutter solution. Additionally, standardised packages would need to have the safety net of a federally-funded 'exceptional circumstances' category. Providing clear, nationally consistent packages should improve certainty, transparency and access to support for activities that strengthen community wellbeing, environmental recovery and resilience.

ALGA also notes that there is significant overlap between the social, environmental, economic and built recovery domains in practice. The DRFF presents an opportunity to better integrate environmental outcomes into recovery investments that already attract funding. For example, environmental recovery activities should not be limited to ecological restoration in isolation, but should also support broader community, economic and infrastructure recovery objectives. Similarly, infrastructure recovery packages could incentivise the use of nature-based solutions and recycled materials where appropriate, such as restoring a damaged stormwater system through native vegetation and natural water management features rather than simply replacing it with concrete. Where nature-based approaches are encouraged, funding should also be available to access the technical expertise required to identify the most appropriate solution for local conditions.

Finally, ALGA considers that standardised packages should be designed alongside robust monitoring, evaluation and learning frameworks and reviewed periodically. This will help ensure they remain fit for purpose, identify unintended consequences early, and allow packages to evolve as lessons are learned from future disaster events. Without ongoing evaluation and review, there is a risk that ineffective approaches could become embedded in the funding system over the long term.

Resilient Infrastructure Standardised Packages

ALGA welcomes the introduction of a resilient infrastructure standardised packages in recognition of the long-term benefits of rebuilding infrastructure to a more resilient standard including reducing future disaster impacts, lowering recovery costs and improving outcomes for communities that experience repeated damage to critical infrastructure. This reform is in line with Recommendation 36 of the Colvin Review that noted that, wherever possible, recovery measures progressed under the DRFA should still seek to reduce future risk (including betterment provisions) and build future resilience.

As ALGA's *Adapting Together* report shows, local governments are uniquely placed to implement practical projects and initiatives which reduce disaster and climate risk. Analysis of case studies for urban greening, floodplain retreat, bushfire preparedness and coastal land use planning controls found that local governments can deliver up to $3.10 of benefits and avoided costs for every $1 invested. This is even before accounting for employment benefits, improved productivity and other benefits that could not be quantified.

Importantly, these case studies show that investing in social, environmental, cultural and economic domains directly reduces the infrastructure bill during recovery. 'Building back better' and betterment should therefore be incorporated into packages in all domains.

The proposed review of eligible essential public assets is also welcome, and ALGA strongly encourages consideration of community, recreational and cultural assets, which are often critical to wellbeing and recovery but have historically struggled to access recovery funding. This also aligns with the proposed reforms relating to First Nations peoples and communities, where cultural assets and places of significance may be fundamental to long-term recovery outcomes. Ensuring these assets are eligible for support would help deliver more holistic and culturally appropriate recovery outcomes.

ALGA understands that securing co-investment from state governments for betterment under the current funding arrangements has often proven difficult, particularly where governments face competing budget pressures and shorter-term funding horizons, despite the benefits of resilience investments often accruing over decades. Embedding betterment within the core funding framework should help support more consistent investment in infrastructure capable of withstanding future disasters.

The 15 per cent resilience funding uplift is a starting point, however, betterment costs can vary significantly and, in some cases, may increase reconstruction costs by up to 50 per cent. A fixed 15 per cent uplift may therefore be insufficient to deliver meaningful resilience improvements for high-risk or repeatedly damaged assets. Nor would it be sufficient in regional and remote areas where the cost of doing business comes with a remoteness premium.

ALGA encourages further consultation and modelling to ensure the funding settings reflect the realities of resilient reconstruction; provide flexibility where strong resilience and value-for-money outcomes can be demonstrated; and reflect local settings and each jurisdiction' state-specific arrangements for administration of the DRFA. Individual commonwealth – state arrangements should also ensure that state and commonwealth governments retain responsibility for funding betterment and local governments are not required to contribute additional costs.

Analysis can be supported by existing work that local governments have done to quantify and make decisions around the benefits and costs of risk reduction at asset level, such as the Adaptive Community Assets project by the Eastern Alliance for Greenhouse Action or the Melbourne 9's Resilient Asset Management and Investment project. Queensland Reconstruction Agency's Betterment in Action funded case studies show avoided costs in subsequent disaster events amount to up to 48 times the cost of betterment. The costs of betterment varied from 15% to 135% of the restoration costs.

Reform Options

The Australian Government could establish a **National Local Government Asset Resilience Framework** to support councils to identify infrastructure risks and prioritise resilience investments before disasters occur.

This would provide a practical pathway to reduce future recovery costs, improve community resilience and complement the proposed DRFF resilient infrastructure measures.

The **Australian Government could also establish an ongoing Local** Government Disaster Resilience Fund, or a **National Disaster Resilience and Climate Adaptation Fund**, to allow councils to develop and deliver projects that mitigate climate-driven disaster impact risks.

Risk reduction funding

With the Disaster Ready Fund (DRF) approaching the end of its current funding horizon, it is timely to begin discussions about future risk reduction priorities and funding mechanisms. ALGA has consistently argued that the DRF is too small to materially reduce disaster risk across Australia and that its model sees councils in direct competition with each other for limited funding, and up against universities and think tanks for whom applying for funding is part of their business as usual.

The design of this funding program reduces the adaptive capacity of councils itself, with many councils remain trapped in a reactive cycle, rather than being enabled to invest in mitigation, risk reduction and resilience-building measures before disasters occur. ALGA has previously suggested the DRF have a 'local government-only stream' to address this issue and would recommend the Federal Government consider this in any future risk reduction funding models.

ALGA strongly cautions that proposed betterment and resilient infrastructure funding should complement, not replace, investment in disaster mitigation and preparedness. While rebuilding damaged assets to a more resilient standard is important, it is often more efficient and cost-effective to reduce risk before a disaster occurs. For example, upgrading a flood-prone bridge through the DRF before it is damaged will generally deliver better outcomes and lower long-term costs than repeatedly repairing and retrofitting the asset after successive events. Similarly, resilient infrastructure funding should not be viewed as a substitute for climate adaptation funding, which plays a distinct role in helping communities prepare for future climate risks.

ALGA also notes that resilience extends beyond physical infrastructure. While the DRF has largely focused on infrastructure projects, councils consistently report that community preparedness programs, local resilience networks, volunteer capability, public education initiatives and place-based planning are equally important in reducing disaster impacts and supporting faster recovery. Communities with strong social capital, trusted local networks and established preparedness measures are often better able to withstand and recover from disasters than those relying on infrastructure investments alone. Investment in these areas can be harder to quantify but frequently delivers significant long-term benefits by reducing vulnerability, strengthening community cohesion and improving recovery outcomes. For effective risk based funding, the Commonwealth should fund capability, data, tools and technical expertise needed by smaller, regional and remote councils to identify, assess and prioritise risk.

Accordingly, ALGA encourages state and territory governments to maintain dedicated funding streams for community resilience initiatives alongside investment in infrastructure resilience. Future funding arrangements should support a balanced approach that combines mitigation, adaptation, resilient infrastructure and community capability-building. This will help ensure councils can move beyond a reactive recovery model and invest in the full range of measures needed to build safer, more resilient communities.

Exceptional Circumstances Assistance

Historically, Category D funding under the current DRFA has often been used to address gaps in the broader disaster funding system and support innovative responses to emerging recovery needs. While this process has been administratively burdensome for councils, the increasing reliance on Category D funding as councils experience increasingly more frequent, severe and complex disasters suggests that

recovery needs routinely extend beyond standard assistance measures and that flexibility has become an essential feature of the existing system.

ALGA encourages NEMA to undertake a comprehensive analysis of previous Category D activations to identify common themes, recurring recovery needs and frequently funded measures. Where these needs are consistently arising across jurisdictions and disasters, consideration should be given to incorporating them into the proposed standardised recovery packages. This would help ensure the DRFF reflects the practical realities of disaster recovery, reduces the need for jurisdictions to pursue exceptional assistance for foreseeable recovery needs, and provides greater certainty for councils and communities.

At the same time, it remains important that the proposed Exceptional Circumstances Assistance category retains sufficient flexibility to respond to genuinely unforeseen, emerging or catastrophic recovery challenges that cannot reasonably be accommodated within standardised packages. ALGA considers it imperative that this aspect of the framework be co-designed with local governments to ensure it is both practical and responsive to the realities faced by communities recovering from disasters.

Without this collaboration, there is a risk that legitimate recovery needs could fall between the standardised packages and the Exceptional Circumstances category, leaving councils and communities without access to appropriate support when it is needed most.

ALGA is also concerned that the proposed requirements for detailed impact assessments, recovery plans and evidentiary documentation under the new Exceptional Circumstances category could create additional and, in some cases, unnecessary administrative burdens for local governments. While appropriate accountability and assurance measures are important, any new processes should be proportionate, streamlined and recognise the limited capacity of many councils that are simultaneously managing response, recovery and day-to-day service delivery. ALGA therefore encourages NEMA to reassess the proposed requirements through a local government lens and work with councils to ensure any reporting, assessment and planning obligations are practical, targeted and do not create barriers to accessing support.

Impact of Disasters on First Nations People

The current disaster funding system does not always account for impacts associated with displacement from Country, damage to cultural sites, disruption to community connections, or the practical challenges faced by remote communities. It also does not place First Nations local governments at the centre of decision-making on what recovery assistance their communities need. Current centralised, top-down decision making structures ignore local leadership and cultural authority and results in risk failures that neglect important local knowledge.

As such, ALGA welcomes the introduction of tailored support for Frist Nations people and communities, in recognition of the disproportionate impacts that disasters have on First Nations communities, and the need for recovery assistance to be informed by local needs, cultural considerations and connection to Country. This is particularly relevant for First Nations councils and councils with large Aboriginal and Torres Strait Islander populations, many of whom live in very remote areas.

However, further detail is required on how tailored recovery supports will operate in practice, how local governments will be enabled to support Aboriginal and Torres Strait Islander peoples in their communities, and whether additional funding will be made available to support implementation. ALGA encourages the

Australian Government to work closely with First Nations communities, representative organisations and local governments to ensure recovery measures are place-based, culturally appropriate and aligned with Closing the Gap commitments.

ALGA also notes that Clause 64 of the National Agreement on Closing the Gap commits the Federal and all state governments to engaging with Aboriginal and Torres Strait Islander representatives before, during and after disasters and other emergencies. Regional councils in the NT are largely Aboriginal-led and should be equal partners in the decision-making process. The intent of this commitment is to ensure that disaster policies, programs and recovery supports are designed and delivered in ways that enable First Nations peoples and communities to recover equitably and in a culturally safe context and framework. ALGA recommends that the DRFF give effect to Clause 64 by embedding requirements for the meaningful engagement and partnership of Aboriginal and Torres Strait Islander peoples across disaster preparedness, response, recovery and resilience activities. These principles should also underpin the design and delivery of future risk reduction and resilience initiatives.

Streamlining Data and Reporting

ALGA strongly supports efforts to streamline data collection, reporting, auditing and application processes through the DRFF. Reducing administrative burden whilst maintaining accountability of the expenditure of public money is one of the most important reforms for local government. Councils regularly report spending significant time on DRFA applications, providing evidence of expenditure, retaining records, responding to audit requests and reporting the same information through multiple state and Commonwealth processes. This can divert resources away from recovery activities and place particular pressure on smaller, regional, rural and remote councils who do not have the capacity to meet these evidentiary and administrative burdens.

Opportunities to simplify applications, improve data systems, adopt nationally consistent templates and streamline audit processes should be prioritised. Councils should not be required to repeatedly provide the same project, asset or expenditure information across multiple stages of approval and assurance.

While ALGA supports monitoring recovery progress, we are concerned that the proposed quarterly reporting requirements may still be onerous for local governments and negate the aim of this reform. Collecting and updating data on project phases, estimated start and completion dates, expenditure to date and final project costs across numerous recovery projects can be resource-intensive, particularly for councils simultaneously managing response, recovery and business-as-usual. Reporting requirements should be proportionate to the size and complexity of a project and recognise the capacity constraints many councils face.

ALGA also supports consideration of a more integrated audit and assurance model, provided it delivers a genuine reduction in administrative burden and faster reimbursement of eligible costs. More broadly, a "streamline by design" approach should underpin the DRFF. Simplified applications, reporting and acquittal processes should be a core objective of the reforms, enabling councils to focus on supporting communities and delivering recovery outcomes rather than navigating complex administrative requirements.

ALGA notes that some jurisdictions have successfully implemented disaster recovery funding systems that balance accountability with practical delivery. For example, Queensland's Reconstruction Authority has

developed processes that significantly reduce evidentiary burdens on councils, allowing local governments to focus on recovery rather than compliance.

The Commonwealth should work with these jurisdictions to identify, promote, and support best-practice administrative models, with a view to supporting more consistent, streamlined approaches across Australia. Reducing unnecessary administrative requirements would improve the efficiency of recovery funding and help ensure that council resources are directed towards supporting affected communities.

Implementation timeline

As noted earlier in this submission, the Australian Government has had the final Colvin Review report for almost two years, during which time ALGA, our Members and state and territory governments have consistently called for a formal Commonwealth response. Given the proposed DRFF reforms represent one of the most significant redesigns of Australia's disaster recovery funding arrangements in decades, ALGA is concerned that consultation on such far-reaching changes has been undertaken within such a compressed timeframe. As mentioned earlier, the move from NDRRA to DRFA took four years.

The current approach risks undermining stakeholder confidence in the reform process and may have negative consequences for local governments. Changes of this magnitude require meaningful engagement with affected stakeholders, particularly local governments, to identify implementation challenges, assess unintended impacts and ensure reforms ultimately strengthen, rather than weaken, recovery outcomes for communities.

Any implementation of the proposed reforms must be staged and supported by a clear transition plan, with flexible timelines, transparent communication, and tailored support and guidance for councils. Changes of this scale, including new activation thresholds, funding categories, reporting requirements and resilience measures, will require significant adjustments by local governments. Sufficient time must be provided to ensure councils can adapt their systems and processes without compromising recovery outcomes.

While ALGA welcomes NEMA's commitment that the DRFF will not be introduced during the upcoming high risk weather season and that current arrangements will remain in place during implementation, operating multiple recovery funding frameworks concurrently is likely to create confusion, duplication and administrative burden for councils. Avoiding funding gaps during this period will be critical, particularly as the Disaster Ready Fund approaches the end of its current funding horizon.

Local governments need certainty across the full disaster management cycle. The transition to the DRFF should therefore be considered alongside the Resilient Infrastructure Scheme, design and delivery of the National Adaptation Plan, and future risk reduction funding arrangements to ensure a coordinated, long-term approach to disaster resilience, recovery and reconstruction.

ALGA encourages the Federal Government to prioritise reforms that simplify and streamline disaster funding administration, including applications, reporting, audit and assurance processes. These reforms have the potential to deliver immediate benefits for local governments by reducing administrative burden and improving access to funding.

Finally, ALGA strongly encourages governments to co-design implementation arrangements with local government and provide appropriate guidance, training and support throughout the transition. Councils will

be responsible for delivering many aspects of the framework on the ground, and their practical experience will be critical to ensuring the reforms are workable, proportionate and achieve their intended outcomes.

Conclusion

ALGA thanks the Australian Government and the National Emergency Management Agency for the opportunity to provide feedback on the significant reforms being proposed to the DRFA given their direct impact on the level of government at the frontline when it comes to preparing for, responding to and recovering from natural disasters. It is critical to ensure local governments are recognised as trusted key partners in disaster recovery and that councils are not left worse off as a result of changes to funding arrangements, activation thresholds or administrative requirements.

Local governments seek assurance that proposed reforms will strengthen disaster response, recovery and resilience and do no result in further cost shifting.

We welcome continued co-design and engagement to ensure the new framework is practical, equitable and fit for purpose, while strengthening community resilience and improving outcomes for local governments and the communities they serve.

Sincerely,

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List of Reform Options

Issue	Proposed reform option
Changes to activation thresholds	ALGA would prefer no changes to the existing activation thresholds occur. However, should this reform have to go ahead, the Australian Government *must* co-design activation thresholds with state, territory and local governments. Thresholds should consider: • Community context: Rates revenue, workforce and population size, remoteness, socio-economic vulnerability, and volunteer capacity. • Disaster history: Cumulative, compounding or ongoing disaster impacts. • National economic significance: Critical industries, infrastructure, supply chains and workforces. • Environmental and cultural significance: Nationally significant environmental, cultural and heritage assets, including those identified by Traditional Owners. • Workforce availability: Access to the skills, trades and capacity needed for recovery.
Standardised packages (overarching)	Standardised packages under the DRFF could provide a core/baseline recovery package that addresses common recovery needs, with local governments then able to select from a suite of additional “modules” to tailor assistance to the impacts of a particular disaster or the localised needs of their communities. This "building-block" approach would provide a consistent baseline of support while allowing recovery assistance to be tailored to the social, economic, environmental and infrastructure impacts of individual disaster.
Community recovery standardised packages	The Australian Government should provide ongoing funding for local government recovery and resilience officers and their training requirements to strengthen preparedness, build local capability and support faster recovery outcomes.
Resilient infrastructure standardised packages	The Australian Government could establish a National Local Government Asset Resilience Framework to support councils to identify infrastructure risks and prioritise resilience investments before disasters occur. This would provide a practical pathway to reduce future recovery costs, improve community resilience and complement the proposed DRFF resilient infrastructure measures. The Australian Government could also establish an ongoing Local Government Disaster Resilience Fund, or a National Disaster Resilience and Climate Adaptation Fund, to allow councils to develop and deliver projects that mitigate climate-driven disaster impact risks.

Background - intersection with other key inquiries

Inquiry into Local Government Funding and Fiscal Sustainability (March 2024 - Present)

Financial sustainability remains one of the most significant challenges facing local governments, with councils across Australia experiencing increasing pressure from changing population trends, ageing infrastructure, rising costs, and growing service delivery responsibilities. The Parliamentary Inquiry into Local Government Funding and Fiscal Sustainability has found that these challenges are being felt across all jurisdictions. At the same time, the long-term decline in Financial Assistance Grants—from 1 per cent of Commonwealth taxation revenue to just 0.49 per cent in the most recent Federal Budget—has further weakened councils' fiscal capacity and reduced their ability to respond to emerging pressures.

This review continued on from the previous Parliament's inquiry into local government sustainability which commended in March 2024. On behalf of all Australian councils, ALGA lodged a comprehensive, evidence-based submission to Federal Parliament's inquiry into local government sustainability.

Independent Review of National Natural Disaster Governance Arrangements (Glasser Review October 2024) and **Independent Review of Commonwealth Disaster Funding** (Colvin Review April 2024)

Both reviews highlighted the need to improve arrangements for disaster management and referenced the key role of local government.

In January 2025, ALGA provided a response to the submission, and used the opportunity to reiterate the need for a sustainable funding model for disasters through a non-competitive pathway, and dedicated funding for local government. We also highlighted that betterment needs to be a core component of the Disaster Recovery Funding Arrangements (DFRA), co-contribution requirements are a barrier to mitigation projects, and local government should be consulted.