



31 May 2024

Chair

House of Representatives Standing Committee on Regional Development, Infrastructure and Transport
PO Box 6021
Parliament House
Canberra ACT 2600

Inquiry into Local Government Sustainability

Dear Mr Gosling

The Insurance Council of Australia (**Insurance Council**) thanks the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport for an opportunity to provide a submission to your Inquiry into Local Government Sustainability.

The Insurance Council notes the Terms of Reference includes an investigation into the financial sustainability and funding of local government as well as the changing infrastructure and service delivery obligations of local government.

We are pleased to provide this submission to the Committee recognising local government's important role in providing land use planning and flood mapping outcomes as well as building community resilience. ICA has developed a submission in response to the Terms of Reference that makes five key recommendations:

Flood Mapping

The Federal Government to provide increased funding to local government to enable them to update hazard mapping, such as flood mapping, to provide an accurate view of current and future risks.

Land Use Planning

The Federal Government to finalise the development of a national standard for considering disaster and climate risk in land use planning, and to work closely with all levels of government, including local councils, to support the implementation of the standard in land use planning decision making processes.

Risk Mitigation Projects

The Federal Government to consider ways to more meaningfully consult with local government on potential future projects to in order to maximise the local resilience benefits of projects delivered under the Disaster Ready Fund.

Communicating Flood Risk

Governments to test more effective public messaging to explain flood risk to communities, coupled with community education on what AEP risk means for Australian's and their homes.

Adaptation Measures

The Federal Government to engage meaningfully with local government to develop and support climate adaptation measures currently through the National Adaptation Plan.

About Us

The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 89% of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 60,000 people, generates gross written premiums of \$64.5 billion per annum and on average pays out \$147 million in claims each working day, totalling \$36.5 billion per year¹.

Insurance Council members provide insurance products ranging from those purchased by individuals (such as home and contents insurance, travel insurance, motor vehicle insurance) to those purchased by small businesses (such as product and public liability insurance, professional indemnity insurance, commercial property, and directors and officers insurance).

Flood Mapping

One source of data used by insurers is the National Flood Information Database (NFID), which collates the flood mapping provided by councils. The detailed flood studies shared with the NFID are critical to fill knowledge gaps about the most appropriate mitigation measures to address at-risk communities.

Insurers employ the most up-to-date, comprehensive flood risk data that is available to ensure that the premiums they calculate reflect the nature of the risks they cover. This risk assessment usually includes claims history.

The Insurance Council has been calling for the Commonwealth to develop a national baseline for climate hazard data. Better flood mapping improves insurance outcomes for communities at risk of flood and enables better assessment of flood risk to support investment in flood mitigation infrastructure.

Unfortunately, there is a large disparity in the resource capabilities amongst local governments as well access to available data, which on many occasions, is incomplete, potentially inaccurate, and out of date.

While flood mapping is often undertaken by state government agencies, it is critical that local government also has the capacity, where necessary, to undertake robust flood mapping so insurers can properly price risk; governments can make informed planning decisions based on a risk-based approach to development; and appropriate decisions can be made regarding the size, scope and location of potential flood mitigation measures.

Recommendation 1 – The Federal Government should provide increased funding to local government to enable them to update hazard mapping, such as flood mapping, to provide an accurate view of current and future risks.

Land Use Planning

¹ APRA Statistics

The Insurance Council encourages governments of all levels to use a risk-based approach to land use planning to protect lives and properties in the context of a changing climate. This includes local government, which plays a key role in the development of regional development plans.

Based on 2022 NFID data, the Insurance Council estimates approximately 230,000 dwellings have a 5 per cent flood annual exceedance probability (AEP). This is commonly known as “a 1-in-20 year” flood risk. This high level of flood risk underscores the importance of delivering on National Cabinet’s declaration in December 2022 that “the days of developing on flood plains needs to end.” The Insurance Council strongly supports the decision of National Cabinet and encourages all governments to follow through on this commitment.

It is critical local governments have the capacity to enable it to make appropriate assessments of acceptable risk and the consequences of extreme weather on proposed residential developments. Fundamentally, local councils need sufficiently skilled planners who can prioritise areas of negligible-risk and low-risk to extreme weather for new dwellings, noting the probability of a hazard occurring and the potential impact of that hazard on property and life. The development of a national standard for considering disaster and climate risk, is critical to support this process.

Given floods do not respect LGA boundaries and hazards are usually managed over multiple council areas, actions in one council area potentially impact others. It is critical therefore that local governments work with adjacent councils so they can adopt a catchment-based approach to land use planning according to water catchment boundaries.

Local Government is also faced with the challenge of divided responsibilities between state and local government when it comes to land use planning. In some cases, decisions by local councils are overridden by independent planning panels, creating further complexity.

Recommendation 2 – The Federal Government should finalise the development of a national standard for considering disaster and climate risk in land use planning, and to work closely with all levels of government, including local councils, to support the implementation of the standard in land use planning decision making processes.

Risk Mitigation Projects

Local councils play an important role in developing and delivering risk mitigation projects needed to build the resilience of existing homes at risk of impact from worsening extreme weather. Councils are also a key stakeholder in the process to enhance community resilience through projects delivered under the Disaster Ready Fund (DRF).

The Insurance Council supports the Federal Government extending the DRF to a rolling ten-year program and allocating additional investment under the Program for resilience measures.

We also believe there should be a greater weighting on DRF Stream One (infrastructure) to ensure priority is given to high quality hard infrastructure projects that will deliver significant returns on investments by directly reducing the risk to Australian communities.

To maximise the effectiveness of spending under the DRF, the Insurance Council supports there being greater levels of engagement between the Commonwealth and local government to take advantage of councils’ local knowledge and expertise on resilience priorities in their local communities.

Recommendation 3 – The Federal Government should consider ways to more meaningfully consult with local government on potential future projects to in order to maximise the local resilience benefits of projects delivered under the Disaster Ready Fund.

Communicating Flood Risk

All levels of government, including local government, can play an enhanced role in uplifting communities' understanding of local flood risk. There are opportunities to improve how the likelihood and consequences of flood risk are communicated to the Australian public.

For example, the term 'one in one-hundred-year flood' risk has been mistakenly understood by many in the community to mean a property should flood once in every 100 years. In reality, a one per cent chance of flooding each year means a property is more likely than not to flood significantly at least once in 70 years. It also doesn't exclude the possibility of an event of similar size occurring in a shorter timeframe once it has been experienced.

Recommendation 4 – Governments to test more effective public messaging to explain flood risk to communities, coupled with community education on what AEP risk means for Australian's and their homes.

Adaptation Measures

The Insurance Council acknowledges the roles and responsibilities of governments for climate adaptation in Australia is underpinned by the principle that risks are most effectively managed by recognising and empowering those who are best placed to manage them.

In that regard, local government has a key role to play in delivering initiatives identified under the National Adaptation Plan, which the Insurance Council understands will be the blueprint for adapting to nationally significant climate risks and will build a nationally consistent pathway that prioritises Australia's adaptation actions and opportunities.

However, given the structural and resourcing constraints faced by many local councils, there is a risk that the capacity for adaptation planning and action may be beyond the ability of many councils to plan and deliver.

For example, local councils may be insufficiently resourced and skilled to deliver long-term resilience projects and programs, such as planned relocations at scale and over extended periods.

Recommendation 5 - As part of the National Adaptation Plan (the Plan), the Federal Government to assess the resourcing capabilities of local councils to deliver initiatives under the Plan, and to meaningfully engage with the local government sector to support their resourcing and skills needs.

Thank you for the opportunity to provide a submission to your Inquiry into Local Government Sustainability. We welcome the opportunity to speak to it further should that be of assistance. Please contact Duncan Sheppard, Senior Advisor, Resilience at dsheppard@insurancecouncil.com.au for further information.



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