

18 February 2026

Committee Secretary
Inquiry into Local Government Funding and Fiscal Sustainability
House of Representatives Standing Committee on Regional Development, Infrastructure and
Transport

Via email rdit.reps@aph.gov.au

Inquiry into Local Government Funding and Fiscal Sustainability

The Insurance Council of Australia (ICA) thanks the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport for its invitation to provide a submission into its inquiry into Local Government Funding and Fiscal Sustainability.

The Insurance Council is the representative body of the general insurance industry in Australia and represents approximately 85 per cent of private sector general insurers. As a foundational component of the Australian economy, the general insurance industry employs approximately 46,000 people, writes 86 million policies a year, and paid out in claims \$49.9 billion in claims in 2025.¹

As the Committee is aware, ICA provided a submission to the previous Parliament's inquiry into local government sustainability. In it, we made five key recommendations:

1. **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.
2. **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.
3. **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.
4. **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.
5. **Adaptation Measures** - The Federal Government to engage meaningfully with local government to develop and support climate adaptation measures currently through the National Adaptation Plan.

ICA understands submissions provided to the 2024 inquiry will be reconsidered by this Inquiry, and we are pleased to advise that the information provided in our previous submission is both accurate and current.

We also understand that the Committee is seeking updated or additional information addressing the new terms of reference. We welcome an expansion of the inquiry's Terms of Reference to include an examination of the sources of funding received by local government from the Australian and State Governments, with a particular emphasis on "Emergency, disaster recovery and resilience funding."

In this context, ICA is pleased to provide the following additional information to complement our 2024 submission.

Flood Defence Funding

ICA actively works with local communities, and the local government sector generally, to collaborate on risk reduction measures to minimise the impact of extreme weather events. We also engage with local councils on improving how we share flood risk information and data. This includes collaborating on priority river catchments which ICA has identified as being at extreme risk from flooding.

For example, since the last inquiry was held, ICA has been proactive in visiting a number of LGAs to discuss directly with community stakeholders their flood mitigation investments, and how insurers recognise this investment in their pricing frameworks.

This has included, for example, engagement with:

- South-West Queensland Regional Organisation of Councils (SWQRC), including site visits to Roma, Charleville and Toowoomba with the SWQRC to discuss flood mitigation
- The Glenelg Shire Council, including to a visit to Casterton in south-western Victoria, to discuss the community's response to major hailstorms in 2024
- The Mount Alexander Shire in Castlemaine and Harcourt in central Victoria to discuss recovery and insurer presence on the ground
- A community forum in Halls Gap to support local residents and business owners after significant bushfire events in the Grampians region.

More broadly, this engagement has helped shape ICA's development of funding proposals to Government reduce the risk of flooding which is critical to improving insurance affordability and availability, a critical issue for local governments and their ratepayers on the east coast in particular.

This includes the development of ICA's Flood Defence Fund (the Fund) to significantly strengthen the level of protection for vulnerable homes and communities against flood. This 10-year, \$30.15 billion Fund is critical to protecting communities from extreme flood risk and would focus expenditure on prevention and mitigation rather than post-disaster recovery. The Flood Defence Fund is comprised of the following elements:

- Deliver new critical flood defence infrastructure (\$15 billion)
- Strengthen properties in harm's way (\$5 billion)
- Managed relocation (buy-backs) (\$10 billion)
- Future-proof existing flood mitigation infrastructure (\$150 million)

Local governments would be the key delivery partner for this investment, with their unique knowledge of local factors and on-the-ground engagement with the community. At present, however, local governments do not have the resources to make this necessary investment, and in many cases are not equipped to even undertake the studies required to access existing programs like the Disaster Ready Fund. With approximately 1.2 million properties at risk of flooding, we see the Flood Defence Fund as a necessary response to our most costly extreme weather type.

As highlighted by the Australian Local Government Association's (ALGA) *Adapting Together* report, councils also have limited capacity to 'build back better' after disasters, and their lack of financial capacity for effective maintenance and betterment means local infrastructure is vulnerable to repeated impacts as the frequency and severity of extreme climate events intensifiesⁱⁱ.

This constraint identified by ALGA is reinforced by the findings of the *Independent Review of Commonwealth Disaster Funding* (Colvin Review) which found that most local governments have a strong desire to play a leading role in disaster management; however, they often have inadequate capacity and capability to play this role. This is especially the case in rural and regional communities, which have more dispersed populations and often greater exposure to climate-related disastersⁱⁱⁱ

Infrastructure Barriers

In 2025, the Insurance Council identified more than 60 flood-mitigation projects – including dams, levees and floodways – across 17 high-risk catchments in New South Wales, Victoria and Queensland that are stalled at various planning and delivery stages. Despite being recognised as priority projects, progress is being held back by slow approval processes, insufficient funding, and limited technical and management capacity within local governments. The Insurance Council would welcome the Federal Government working with state and local governments to cut red tape and fast-track investment in flood-infrastructure capital works in high-risk communities.

Noting councils' limited resources to invest in major flood mitigation measures, ICA's recommendation for the Federal Government to establish a Flood Defence Fund, at a cost of \$30.15 billion over ten years (with the cost shared equally with relevant state governments) is critical to reducing the impact of future floods, minimising the financial impact on local councils to undertake post-flood recovery, and supporting mitigation activities carried out by local governments.

Disaster Ready Fund

Since its establishment in 2022, the Disaster Ready Fund (DRF) has funded a range of projects to drive down risk and make homes more resilient to flood, cyclone and bushfire. ICA welcomes the role local councils play in initiating or partnering on projects and developing funding applications with state agencies to the National Emergency Management Agency (NEMA).

Notwithstanding the importance of locally developed projects to enhance community resilience, ICA is of the view that the DRF is most effective when funding is targeted at projects that measurably and materially drive down risk through large scale infrastructure mitigation investment.

A number of the 96 projects to receive funding under Round 3 of the DRF appear appropriately targeted to reduce the risk of flood, including levee construction, stormwater upgrades, sea wall construction, flood protection systems and improved flood modelling. This includes, for example, \$14.1 million for the Narrandera urban stormwater upgrade; \$9.1 for the North Wagga levee construction and \$6.4 million for the Numurkah flood mitigation at Broken Creek.

There are, however, a number of smaller projects receiving funding that will not measurably or materially drive down risk through infrastructure mitigation investment, including a number of disaster education programs that would be unlikely to have any impact on the levers driving premiums.

The DRF should become a 10-year rolling, indexed program to provide consistent investment in community-level disaster resilience and climate adaptation. The DRF should prioritise investment in hard infrastructure projects in collaboration with insurers to improve risk mitigation and data utilisation. Furthermore, the Government should continue to partner with the insurance industry, via the Hazards Insurance Partnership, to seek feedback on the potential risk reduction and insurance benefits of funding applications.

The extension of this program would assist local councils invest in appropriate infrastructure projects that drive down risk in their local communities and actively address growing pressure in the infrastructure market.

Disaster Recovery Funding Arrangements (DRFA)

The ICA plays an important role in supporting clean-up and recovery operations after disasters, including working with our insurer members to mobilise claims handling and recovery support resources. In addition, we work actively with government agencies where DRFA payments and funding have been activated to ensure those programs integrate well with insurance industry processes. As

the Committee would be aware, an important component of the DRFA is public debris removal following a disaster – particularly flooding – which is a shared responsibility between local and state governments, and one which potentially involves insurers if and when there is no government program in place. ICA notes that there have been a number of measures put in place to strengthen debris removal arrangements, including expanded eligibility for debris funding and more flexible debris removal categories under the DRFA. There are, however, opportunities to build on these measures to improve industry / government co-ordination in the event a major incident. In particular, we encourage more effective coordination between government and the insurance industry to provide faster access to government funding and more consistent approaches to clean-up and debris removal.

Conclusion

Thank you for the opportunity to provide input to their Committee's Inquiry. Please forward any enquiries regarding this submission to Duncan Sheppard, Senior Advisor, Resilience, Insurance Council of Australia, dsheppard@insurancecouncil.com.au

Yours sincerely



Andrew Hall

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ⁱ [INCA015-Fact-Pack-2025_v3.6.pdf](#)

ⁱⁱ [Adapting Together – Local Government Leadership in a Changing Climate report – ALGA](#)

ⁱⁱⁱ [Independent Review of Commonwealth Disaster Funding \(also known as the Colvin Review\) | NEMA](#)