Australian Government
National Emergency Management Agency

Disaster Management Reform

Discussion Paper

6 July 2026

Acknowledgement of Country

NEMA acknowledges the Traditional Owners and Custodians across Australia. We pay respect to Elders, past, present and emerging, and their deep knowledge of and connection to Country. We celebrate the diversity of First Nations people and their wisdom of disaster, recovery and renewal.

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1. Purpose

Introduction

The Australian Government is engaging with states, territories and local government on new disaster recovery funding arrangements which are designed to be simpler and fairer for all Australians.

The new Disaster Recovery Funding Framework (DRFF) will ensure Commonwealth disaster recovery funding will flow to impacted communities faster and with less red tape, while building on the Government's record investment in risk reduction.

The Australian Government is also initiating engagement on strengthening future investment in risk reduction to inform the design of a potential new risk reduction program to follow the five-year Disaster Ready Fund (DRF) grant program.

Purpose of this reform

The Australian Government recognises that we have an opportunity to fundamentally reshape the disaster management system to be simpler, fairer, and fit-for-purpose.

The Government is drawing on findings and recommendations from the Independent Review of Commonwealth Disaster Funding, led by Mr Andrew Colvin AO APM. The Colvin Review found the scale and impact of disasters are increasing. It also found Australia's disaster management system is complex and has not kept pace with the evolving nature of disasters. Compounding and cascading disaster events, exacerbated by climate change, are stretching people and communities across Australia.

A proposed new DRFF will improve our disaster recovery arrangements, ensuring the new arrangements can keep pace with the modern realities of disasters in Australia. The proposed new funding arrangements are designed to ensure communities across all states and territories can access more equitable support from the Australian Government, more quickly. The changes include nationally consistent measures, standardised assistance packages, streamlined eligibility processes and a simplified funding formula.

The reforms also make a deliberate shift toward reducing future risk, not just recovering from immediate damage. A new cost-shared Resilient Infrastructure Scheme will make it easier to rebuild damaged assets to a more resilient standard.

For people on the ground that means recovery support should do more than restore what was there before. Building back better will become part of the normal recovery approach, helping communities reduce repeat damage, protect critical and priority assets, and recover in ways that leave them stronger for the next event.

We want to hear from stakeholders about how to strengthen Australia's disaster funding arrangements. We want to understand how the current system works for your jurisdiction and how the Government's proposals could be implemented.

This discussion paper was developed to support engagement with states, territories and the local government sector, to inform more detailed policy design and implementation of the reforms.

A need for simpler, more equitable arrangements that reduce future risk

Communities are increasingly dealing with concurrent and compounding events, and the current system is not delivering the consistency, speed or equity that this new environment demands.

Today, people affected by the same disaster can receive different support depending on which side of a border they live on; the new approach will set a clearer and fairer baseline across the country.

Under the current Disaster Recovery Funding Arrangements, the rate at which states and territories are reimbursed by the Australian Government varies significantly. We have also heard that the complexity of the current arrangements impede communities receiving recovery support in a timely manner in some parts of Australia. In addition, the current arrangements are often criticised for delivering only ‘like-for-like’ reconstruction of disaster-damaged public assets, with many jurisdictions finding access to betterment funding out of reach.

The proposed reforms seek to reshape the system to be simpler, to provide more equitable support from the Australian Government through states and territories, and to reduce future harm for communities across Australia.

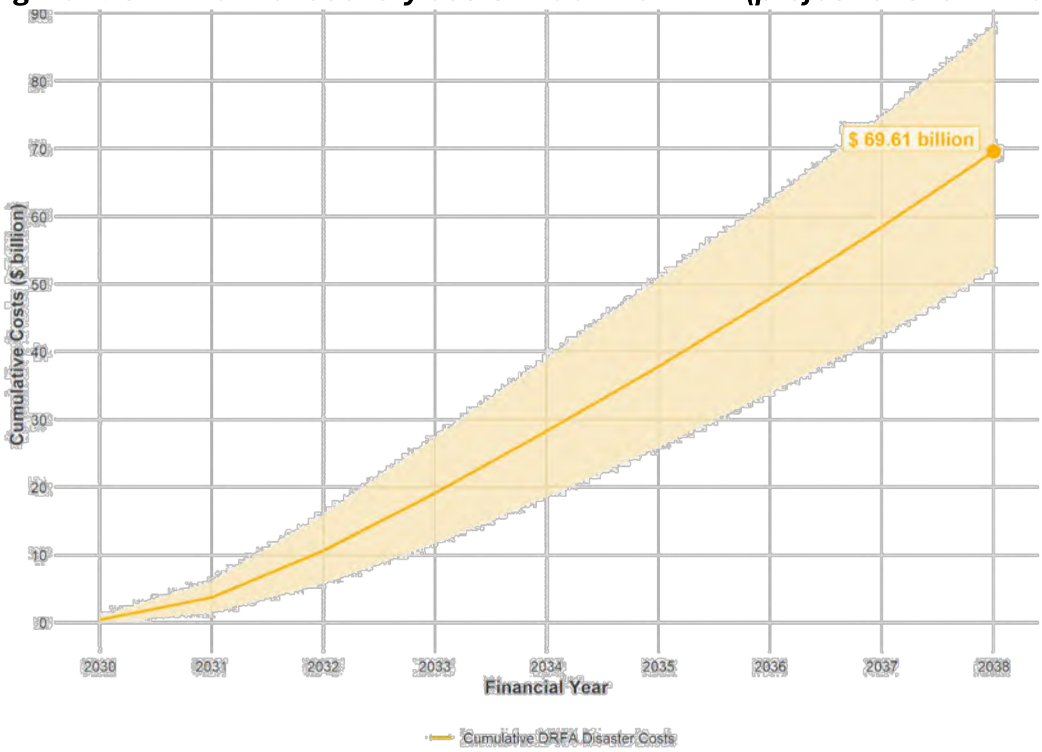
All governments will bear growing disaster recovery costs

The focus on reducing risk to prevent future harm is an important part of ensuring disaster recovery costs are more sustainable for all levels of government into the future.

The Australian Government Actuary (AGA) estimates that combined Australian Government, state and territory disaster recovery costs may total around $70 billion from 1 July 2028 to 30 June 2038. This is in addition to all governments’ broader social support commitments that are available to be drawn on during times of disaster including health, infrastructure, childcare, housing, relief payments to individuals, municipal services, emergency services, and first responders.

To reflect changing disaster risk from climate change, population growth and increased asset exposure, AGA used an analytic probability model (the model) based on randomised sampling of past disaster events and costs.

Figure 1: Cumulative recovery costs under the DRFA (projections for FY29–FY38)



Beyond this reform, the Australian Government continues to invest directly in resilience, recovery, and our national disaster capabilities

Through the Australian Government's Disaster Ready Fund, the Government is investing up to $1 billion over five years to 2028 to build critical projects that reduce disaster risk and strengthen community resilience. Across the first three rounds, approximately $600 million was invested in 450 projects, and Round Four opened on 29 May 2026. In addition, the Australian Government is seeking input from state, territory and local governments on strengthening future investment in risk reduction.

The Australian Government is also investing in core national capabilities to strengthen disaster preparedness and response, including through the National Aerial Firefighting Centre, the National Bushfire Intelligence Capability, the Northern Australia Fire Information service and the AusAlert emergency warning system.

Beyond the current Disaster Recovery Funding Arrangements, the Australian Government provides direct support to individuals, businesses and communities through income support payments such as the Disaster Recovery Allowance (DRA), and the Australian Government Disaster Recovery Payment (AGDRP). Bespoke payments, advice services and concessional loans also support primary producers, childcare centres, carers, and veterans affected by disaster events. The Commonwealth also enables continuity of essential services during disaster events, such as telecommunications and access to childcare services.

Engagement on this reform

We have been learning from what states, territories and local government have previously shared with us

The Colvin Review was released on 25 October 2024 following extensive consultation and engagement. Following the release, the Australian Government consulted broadly with states, territories and local government on the Review, and this has informed the development and design of the new DRFF.

The Commonwealth appreciates the ongoing collaboration and engagement of all Ministers and the Australian Local Government Association (ALGA) President including through the National Emergency Management Ministers' Meeting on 5 June 2026, and of senior officials, through the Australia-New Zealand Emergency Management Committee meetings on 12 and 19 June 2026.

We have invited all states, territories and ALGA to bilateral consultations to guide policy development

We will meet to deepen our collaboration and understand the implications of the reforms for each jurisdiction and local government. At the consultations, we will seek to understand:

1. your views on the implications of the Commonwealth's new DRFF reform, to guide further policy development and implementation; and
2. how you would prioritise proactive risk reduction activities in your jurisdiction to efficiently reduce natural hazard risks for your most exposed communities, to inform the design of a potential risk reduction program to follow the five-year DRF grant program.

To support effective collaboration, we have extended the period for written submissions until 19 August 2026. This will ensure the views of state, territory and local governments are able to inform further policy development and implementation.

This will not be the last chance for jurisdictions to comment on these issues. We look forward to continuing this collaboration as guidelines for the new DRFF are developed and implemented, and a potential risk reduction program is developed.

2. Australian Government role and priorities for disaster recovery funding

The Australian Government recognises that states and territories have constitutional responsibility for disaster recovery within their jurisdictions and have developed disaster management approaches that meet their specific needs and circumstances.

The current DRFA and proposed new DRFF are funding arrangements between the Australian Government and the states and territories. Through the funding arrangements, the Australian Government partners with states and territories to share the costs of providing recovery assistance for eligible events to disaster-affected communities.

Under the new arrangements, the Australian Government will establish a 50:50 cost-shared partnership model with states and territories. This will give states and territories more funding certainty and allow recovery planning to happen ahead of time, reducing the need for funding to be negotiated during each disaster.

The Australian Government's role in disaster recovery funding will be as an equal funding partner with states and territories. The Australian Government will equally share the costs of core recovery functions and targeted risk reduction for disasters that exceed, or are expected to exceed, the capacity of a state or territory, and where the costs are over and above what jurisdictions could be reasonably expected to bear. This reflects the primary role states and territories have for disaster recovery within their jurisdiction in line with constitutional arrangements.

The reforms are focussed on the funding arrangements between the Australian Government and the states and territories. These reforms are not directed at the funding arrangements jurisdictions have directly with their local governments.

The Colvin Review highlighted that there are issues in our current DRFA system that impact local government. Feedback from many local governments has indicated that the current disaster funding arrangements are too slow and complex – they find the current process for restoring essential public assets, as well as the audit process and the acquittal process, to be burdensome.

The Australian Government will continue to provide disaster recovery funding support for local government, in partnership with the states and territories, as it always has. The reforms intend to make the process for claiming disaster funding, and managing audit and acquittals, simpler and faster. The reforms also aim to incentivise betterment, allowing states, territories and local government to make their priority infrastructure more resilient to disaster.

The new DRFF 50:50 event-based cost-sharing arrangement will replace the DRFA financial year-based funding model, which sets two financial year expenditure thresholds for each jurisdiction to meet before certain recovery costs can be reimbursed. This means that funding for certain recovery costs, such as restoring damaged infrastructure, will be able to be accessed much earlier than under the current DRFA (more detail in section 3).

Australian Government priorities for disaster recovery funding

The proposed DRFF reflects the Australian Government's priorities for recovery funding:

- support for individuals and families who are experiencing hardship due to a disaster
- support for households and communities so they can safely return to their homes, reconnect utilities and have essential public services restored
- support for industry and not-for-profit organisations to help kickstart the local and regional economy, and improve resilience to future hazards, and
- support for the reconstruction of essential public assets, including local government assets, including to a more resilient standard.

The proposed arrangements are also intended to better target recovery assistance, drive national consistency, remove duplication, streamline administrative processes and reduce disaster risk. The Government proposes to:

- embed an equal partnership between the Australian, state and territory governments through a 50:50 cost-sharing funding model
- introduce a simpler event-based activation trigger point for accessing cost-shared financial support which allows smaller states to claim their reimbursements sooner
- introduce standardised packages of assistance for individuals and families, resilient infrastructure, community recovery, local economic support, and environmental recovery, and
- improve the system to allow states and territories, and local councils, to build back better after disaster.

Each aspect of these reforms is explained in greater detail below.

3. New event-based activation trigger points

Context – why is change needed?

Small disaster criterion

Under the DRFA, the small disaster criterion (SDC) of $240,000 is one of two criteria for a disaster to be considered eligible under the program. It is a financial and administrative barrier for states and territories to access financial assistance from the Australian Government for disaster recovery. Disasters that do not exceed the SDC are managed solely by the state or territory outside the DRFA program.

The SDC has not been adjusted since 2004. The 2015 Productivity Commission Inquiry into natural disaster funding arrangements noted an SDC of $240,000 does not reflect the definition of 'large-scale expenditure' and allows for small and more routine weather events to be managed under the DRFA. Accordingly, the Productivity Commission suggested the Commonwealth should increase the SDC to $2.0 million ($2.7 million in today's dollars).

The Productivity Commission noted that while disasters costing between $240,000 and $2 million accounted for nearly half of all DRFA eligible events, their expenditure constituted only 1 per cent of total costs under the program. The Productivity Commission also saw the need to clearly define the roles and responsibilities of both levels of government with the intention that states and territories take greater ownership of natural disaster risk.

Financial year thresholds

In addition to the SDC, under the DRFA, the amount of financial assistance paid to a state or territory in relation to a financial year is based on a jurisdiction's expenditure in that financial year, including estimated reconstruction costs, and whether those costs exceed the first or second state/territory expenditure thresholds. The first and second thresholds vary each financial year by state and territory. The 2026-2027 first and second thresholds are:

1st and 2nd state/territory expenditure thresholds for 2026-27		
State/Territory	**1st Threshold**	**2nd Threshold**
Australian Capital Territory	$17,109,000	$29,940,750
New South Wales	$267,792,750	$468,637,313
Northern Territory	$18,150,750	$31,763,813
Queensland	$193,974,750	$339,455,813
South Australia	$61,218,000	$107,131,500
Tasmania	$18,967,500	$33,193,125
Victoria	$209,340,000	$366,345,000
Western Australia	$112,700,250	$197,225,438

These DRFA thresholds determine what percentage of eligible costs are reimbursed. Once a state or territory's total eligible spending passes the first expenditure threshold:

- spending between the first and second threshold is calculated at 50%, and
- spending above the second threshold is calculated at 75%.

These amounts are then combined to work out an overall reimbursement percentage for Category A and B expenditure.

- If the jurisdiction's expenditure does not exceed the first threshold, Category A measures are cost-shared 50:50 and Category B measures are not cost-shared.

Categories C and D are not affected by the thresholds — they are reimbursed separately based on fixed rates set at the time of Prime Minister approval of funding under these categories.

Jurisdictions which activate Category B but do not reach their first financial year threshold do not receive any financial reimbursement from the Commonwealth for this type of expenditure, which includes costs on restoring essential public assets.

The Colvin Review recommended that the Commonwealth should review the existing DRFA cost sharing arrangements with states and territories, taking into consideration simplicity, equity and the capacity of the individual state and territory governments. The Review also identified that consideration should be given to the appropriate thresholds, reimbursement rates, and whether insurance costs should be factored in when determining thresholds.

The Royal Commission into National Natural Disaster Arrangements also recommended that Australian, state and territory governments should examine the small disaster criterion, and financial thresholds generally.

How could the proposed reforms work? A starting point for engagement

The proposed reforms will introduce new event-based financial trigger points for states and territories to access Australian Government financial support for disaster recovery. The new financial trigger points (which will replace the current DRFA SDC of $240,000) will be set at a level that:

- recognises the states and territories have responsibility for disaster recovery and should be able to manage the recovery effort from smaller scale disasters without financial support from the Australian Government
- recognises that 'larger' states have greater financial capacity to manage disaster recovery than 'smaller' states and territories, and
- represents a more appropriate financial threshold for the Australian Government to support the states and territories with disaster recovery costs.

Under the DRFF, the Australian Government will contribute 50 per cent towards eligible costs that are in excess of the following proposed event-based financial trigger points:

State/Territory	Event-based activation trigger points*
New South Wales	$2.70 million
Victoria	$2.70 million
Queensland	$2.70 million
Western Australia	$2.70 million
South Australia	$2.70 million
Tasmania	$1.65 million
Northern Territory	$1.65 million
Australian Capital Territory	$1.65 million
** The above trigger points will be indexed annually.*	

A new disaster notification process will be developed so that states and territories can inform the Australian Government of disasters that are expected to qualify under the DRFF.

Importantly, the proposed event-based activation trigger point applies at the **state or territory level**, not at the local government level. It is based on eligible disaster costs across <u>all</u> local government areas impacted by the event in a given state or territory.

We note that if, for illustrative purposes, the proposed event-based activation trigger points were in place from 2018-19 to 2024-25, there would have been a 0.2 per cent reduction in eligible costs, representing around $100 million out of around $35.9 billion total DRFA costs nation-wide. This is consistent with the Productivity Commission's recommendation that the SDC be high enough to exclude routine weather events from qualifying as disaster events. Importantly, a small number of large-scale events drive most DRFA costs and the proposed event-based activation trigger points ensure these high-cost events remain eligible while simultaneously limiting eligibility for smaller weather events.

Replacing the DRFA financial year thresholds with the proposed DRFF 50:50 cost-sharing arrangements will ensure every jurisdiction can access Commonwealth financial support for the broad range of assistance measures available under the new standardised packages (see below) once the new event-based activation triggers are exceeded.

Eligible expenditure

'Eligible expenditure' under the DRFF could have a similar meaning to the meaning under the current DRFA. Once a disaster occurs, the accumulated amount of state and territory expenditure on eligible DRFF recovery costs for that event could be used to establish whether the new event-based activation trigger points are reached and the disaster becomes eligible for financial assistance from the Commonwealth. Only eligible costs over the event-based activation trigger points will be cost-shared.

Financial claiming

Further work will be undertaken on the processes and timeframes for financial claiming under the DRFF, including applicable audit and assurance activities. Opportunities for states and territories to make regular claims for financial reimbursement from the Commonwealth, and how advance payments could be used, will be explored.

Grandfathering of existing arrangements

The DRFA would continue to apply to disasters that occur prior to the DRFF commencing. Further work will be undertaken to develop appropriate grandfathering arrangements, including to consider the financial implications of the transition from the DRFA to the DRFF (e.g. which could impact the level of financial reimbursement a state or territory receives under the DRFA’s current financial year cost-sharing model).

Key questions for engagement with states and territories

1. How would the new event-based activation trigger points work with relevant state/territory legislation and/or requirements for declaring disaster events in your jurisdiction?
2. How could disaster recovery costs transition from state/territory-only recovery funding arrangements to the DRFF once the new event-based financial trigger points are exceeded?
3. What are the advantages and/or limitations of the proposed DRFF event-based activation trigger points model?
4. How could this model work alongside audit and assurance requirements to streamline claiming while still providing appropriate accountability for use of significant public resources?
5. What alternative models, such as a per capita model for event-based activation trigger points, could be explored and what is the underpinning policy logic or rationale of these alternatives?

4. Standardised packages: Introduction

Context – why is change needed?

A key policy principle of disaster recovery is to ensure those affected in the same way have access to the same types and levels of assistance, regardless of where they live or the scale and severity of disaster that has occurred. Under the DRFA, individual states and territories determine the types and levels of relief and recovery assistance to make available in their jurisdiction following a disaster. This means that disaster-affected communities in different jurisdictions receive different types and levels of assistance (even when affected by the same disaster).

The four DRFA categories of assistance (A, B, C and D) cover a broad range of recovery measures targeting different needs and cohorts (including individuals, communities, small businesses, primary producers, not-for-profit organisations, and state, territory and local governments). The National Emergency Management Agency (NEMA) has heard from stakeholders that the categories are difficult to understand, with assistance measures grouped in accordance with the applicable rate of financial reimbursement and approval process, rather than by recovery function or domain. Further, the different ways that states and territories approach the activation of DRFA assistance can also make it difficult for disaster-affected communities to clearly understand what forms of assistance are available following a disaster.

The capability and capacity of states and territories to deliver recovery assistance vary across Australia. Under a standardised approach for recovery assistance, jurisdictions would be better able to support each other by sharing resources and knowledge. This could significantly enhance Australia's national recovery capability and capacity.

The Colvin Review recommended that the Commonwealth should streamline nationally consistent standardised measures, focused on response and short-term recovery that can be delivered quickly following a disaster event. The standardised measures should:

- ensure a nationally consistent activation process/decision making framework that is based on impact, consequence and need
- create certainty and speed for pre-determined funding
- clearly state the eligible activities, their relevant domain/s and the conditions under which the measure can be activated, and
- adopt streamlined audit and assurance processes, and monitoring and evaluation requirements.

Work done to date to develop a more standardised approach to support

Following the 2019-20 Black Summer bushfires, the Commonwealth worked closely with the states and territories to develop a series of standardised ('off-the-shelf') recovery packages. These packages focused on assistance that was more commonly made available under DRFA

Category C and D in response to severe and catastrophic disasters. They covered infrastructure betterment, recovery grants for primary producers, small businesses and not-for-profit organisations, mental health and wellbeing support and legal assistance. The standardised packages have provided governments with a means to quickly and effectively address gaps in recovery support in response to severe disasters.

How could the proposed reforms work? A starting point for engagement

The proposed reforms will introduce new recovery categories (replacing DRFA Categories A, B, C & D) and standardised packages of assistance that reflect the Australian Government's priorities for recovery funding.

The new categories will be described on a functional basis to ensure recovery assistance can be easily understood and communicated. They will include standardised assistance packages that can be made available by states and territories for eligible disasters. The proposed new categories will cover:

- **assistance for individuals and families** – a new nationally consistent personal hardship assistance scheme to support the short-term recovery needs of individuals and families
- **resilient infrastructure** – a new scheme to restore and reconstruct damaged essential public assets, including to a more resilient standard
- **community recovery** – standardised packages for short-term clean-up, disability services, mental health and wellbeing services, employment of a community recovery officer by impacted local governments, support for not-for-profit organisations
- **local economic support** – standardised packages to support affected small businesses and primary producers to resume operations and support economic recovery of the disaster affected area
- **environmental recovery** – to cover limited critical environmental initiatives that support holistic community recovery.

The DRFF will also include an exceptional circumstances package, which will provide flexibility and scalability for governments to address unexpected and unpredictable consequences of severe/catastrophic disasters that are not addressed through standardised packages.

The proposed starting points for eligible recovery costs within each assistance category are addressed in subsequent sections. The DRFA allows states and territories to use in-kind (non-monetary) recovery assistance, and the Commonwealth will explore eligibility of this cost under the proposed DRFF.

Moving to a more standardised and descriptive approach to the activation of assistance will make recovery assistance quicker to deliver and easier to communicate. It will also help to ensure more consistent support is available to disaster-affected communities on different sides of state and territory borders. Further work will be undertaken to determine the best approach for activating assistance, including by exploring whether specific pre-agreed criteria should be developed for certain forms of assistance and whether assistance is activated as a suite of measures or individual forms of assistance.

Key questions for engagement with states and territories

1. How does your jurisdiction define your core recovery functions?
2. Do you think packages based on functional descriptions will assist with the administration and communication of recovery packages?
3. What support do states and territories, and local government provide that is currently funded by the DRFA and not addressed by these functional categories?
    - How are these issues currently managed within the jurisdiction?
    - What are the implications if further funding is not provided in future recovery arrangements?
4. What implementation/stakeholder issues does the proposed approach create?

5. Standardised packages: Individuals and families – Nationally consistent hardship payments

Context – why is change needed?

Under the DRFA, individual states and territories determine the types and levels (amounts/rates) of relief and recovery assistance to make available following a disaster. In practice, this means that disaster-affected communities in different jurisdictions are afforded different levels and types of recovery support, even when affected by the same disaster event. The processes for activating, delivering and accessing DRFA assistance (including eligibility criteria, application processes and assessment methodologies) are also different in each state and territory.

Under the current DRFA, no two states and territories offer the same relief and recovery assistance for individuals and families. For example, Category A personal hardship and distress payments currently range from $900 to $2,380 per family depending on the jurisdiction.

This difference is highlighted during cross-border disasters, leading to perceptions of inequity and unfairness within disaster-affected communities. Further, communities in the non-self-governing territories are excluded from accessing DRFA support, with alternative relief and recovery arrangements currently needed.

Despite recommendations from the Royal Commission into National Natural Disaster Arrangements and the Colvin Review that there be greater consistency, and commitments from emergency management ministers at all levels of government to prioritise national consistency under the DRFA, significant differences remain.

How could the proposed reforms work? A starting point for engagement

Standardised hardship payments

The proposed DRFF could include a nationally consistent personal hardship payment scheme, comprising payments for:

- immediate emergency needs (e.g. water, food, clothing, personal items, and medication)
- short-term accommodation
- the loss of essential services (e.g. electricity, gas, water, or sewerage)
- reconnecting essential services (e.g. electricity, gas, water, and/or sewerage/septic systems)
- replacing essential household contents, and
- restoring damaged homes to a safe, habitable, and secure condition.

Further work will be undertaken to determine the appropriate level (amount) of financial assistance for each form of payment, including whether a remote area allowance (e.g. Services Australia's Remote Area Allowance) should apply to support people in remote and regional communities where the cost of accessing goods and services is higher.

The table below provides a possible option for potential payment types:

Proposed standardised hardship payments	
Payment type	**Purpose**
Emergency hardship	To help with urgent emergency water, food, clothing, personal items and medication
Emergency accommodation	To help with short-term accommodation of up to 3 months
Essential services hardship	To help with the loss of essential services (e.g. electricity, gas, water or sewerage) for more than 7 days
Essential household contents	To replace essential household contents
Essential services safety and reconnection	To help reconnect essential services such as electricity, gas, water and/or sewerage/septic systems
Structural household assistance	To restore damaged homes to a safe, habitable and secure condition

Appropriately targeted needs-based assistance

The proposed payments are intended to provide emergency assistance that is targeted to individuals and families in genuine need (rather than those who can support/fund their own relief and recovery). As such, eligibility criteria, including consideration of a nationally consistent means test for certain payments, would apply to ensure they are appropriately targeted, based on demonstrated need, and accessible (including to disproportionately disadvantaged cohorts). Further work will be undertaken to develop the eligibility criteria for each form of payment, including to explore the interaction of certain payments with home and contents insurance.

Simple and streamlined processes

As far as possible, access to the proposed payments should be simple and streamlined. Further work will be undertaken to develop application and assessment processes that ensure assistance can be accessed with minimal burden on disaster-affected individuals and families, and in a timely manner – for example, in the immediate aftermath of a disaster to support emergency needs. Nationally consistent application and assessment processes would apply, with options for streamlined delivery explored.

Key questions for engagement with states and territories

1. What types/forms and levels of personal hardship assistance does your jurisdiction currently offer under the DRFA?

2. How is DRFA personal hardship assistance activated and delivered in your jurisdiction?
3. How should the appropriate level (amount) of financial assistance for each form of payment be determined?
    - Should some form of loading reflecting remoteness apply to support people in remote and regional communities, and if so, at what level?
4. How should the eligibility criteria for each form of payment be determined?
    - What could a proposed nationally consistent means test (including income and assets) look like?
5. How can application and assessment processes ensure assistance can be accessed with minimal burden on disaster-affected individuals and families, and in a timely manner?
6. What would be required to ensure that existing state/territory systems are capable of supporting standardised payments?
7. What would the impacts, risks, costs and benefits be for your jurisdiction by introducing standardised personal hardship payments?

6. Standardised packages: Community recovery

Context – why is change needed?

Under the current DRFA arrangements, community recovery measures are delivered across multiple categories, resulting in inconsistent treatment, administrative complexity and uncertainty regarding eligibility. Existing arrangements can also create duplication between funding streams and make it difficult for jurisdictions to clearly understand what assistance is available and when it can be activated.

The proposed DRFF provides an opportunity to consolidate community recovery assistance into a more clearly defined category that:

- encourages greater national consistency
- maintains flexibility for jurisdictions to respond to different disaster impacts with assistance packages that address a range of recovery needs
- simplifies administration
- better reflects contemporary recovery practice, and
- provides greater certainty regarding eligible assistance.

Key issues identified for further consideration include:

- defining the boundary, interaction, and potential overlap between community recovery assistance and other proposed standardised packages (e.g. how could mental health and wellbeing services and personal and financial counselling assistance work together?)
- differing jurisdictional capabilities and delivery models
- avoiding duplication with other existing Commonwealth and state/territory programs (e.g. in relation to health and disability services)
- appropriately managing the scope of assistance to support effective recovery without creating unintended cost escalation, and
- examining the interaction between government funded clean-up activities and private home and contents insurance.

How could the proposed reforms work? A starting point for engagement

The proposed community recovery category is intended to cover a range of community focussed standardised packages including short-term clean-up, mental health and wellbeing services, disability services, employment of a community recovery officer by impacted local governments, and support for not-for-profit organisations.

The intention is that states and territories could choose which specific packages to make available based on the disaster impacts and identified community recovery needs.

Short-term clean-up

This package could provide funding to states, territories and local governments for immediate post-disaster clean-up activities.

A functional approach to clean-up could be applied, rather than the current DRFA model, which links eligibility to specific types of assets and the category of assistance they fall under.

The scheme could cover immediate clean-up activities on:

- residential properties
- public assets, including community and recreational assets, such as parks, playgrounds, sports fields, campsites and memorials, and
- environmental assets, such as rivers, catchment areas, nature strips, national parks and coastal zones.

Eligible activities could include (but are not limited to):

- clean-up activities inside and outside the home
- preparing residential blocks for rebuilding and structural repairs, and
- removing and disposing of fallen and dangerous trees, green waste, other disaster related debris (e.g. mud, rocks, damaged furniture and whitegoods), spoiled perishable food, and hazardous material.

As noted above, further work will be undertaken to understand the intersection between a government funded clean-up package and private insurance, including any policy implications.

Further work may also be required in relation to specific additional clean-up requirements which may apply in some circumstances (e.g. for primary producers with multiple non-residential buildings and other structures).

Mental health and wellbeing services

This package could build on the standardised ('off-the-shelf') mental health and wellbeing recovery package previously developed through the DRFA Review.

It could provide time-limited support for disaster-related mental health and wellbeing activities that complement, rather than duplicate, existing health services.

Flexible delivery models could be adopted in recognition of the different jurisdictional service arrangements and community providers that exist, including mental health services provided under other Commonwealth programs.

Disability services

This package could provide funding for disaster-related disability support services to address increased demand and needs that cannot be met through existing services.

Flexible delivery models could be adopted in recognition of different jurisdictional disability service arrangements.

We welcome input to help identify the specific types of activities that could be covered under the package (and embedded into DRFF assistance more broadly).

Further work will be undertaken to understand any potential intersection with the National Disability Insurance Scheme.

Employment of a community recovery officer by impacted local governments

This package could provide funding for impacted local governments to employ a community recovery officer for up to two years to identify, coordinate and support local recovery activities that help to reconnect disaster-affected communities and build resilience.

Support for not-for-profit organisations

This package could provide financial support for disaster-affected not-for-profit organisations (including grants, concessional loans and interest rates subsidies) for a range of recovery activities, such as:

- resuming operations
- repairing damaged premises and internal fittings
- repairing/replacing damaged equipment
- replacing lost/damaged stock, and
- essential working capital.

Counter Disaster Operations

The Australian Government remains committed to working in partnership with states, territories and local government to deliver response and recovery activities to communities impacted by disasters.

We continue to invest in capabilities to support jurisdictions respond to disasters, including through the funding of the nation's aerial firefighting fleet, delivery of the new AusAlert national messaging system and provision of practical support through the national emergency management stockpile.

Under the existing DRFA arrangements, Counter Disaster Operations (CDO) have received Australian Government reimbursement despite being primarily focussed on response. Through this consultation process, we are seeking feedback on elements of CDO and proposals for how it could be delivered in the future.

Key questions for engagement with states and territories

1. Do the proposed packages appropriately cover the core community recovery functions currently provided by your jurisdiction following disasters?

- If not, what other forms of community recovery assistance would you like to see covered under the DRFF?

2. What disaster-related recovery supports do people with disability need that are not currently provided through existing arrangements (including the DRFA)?
3. What (if any) requirements/conditions should be placed on the activation of certain community recovery packages – for example, is the proposed 2-year timeframe for engaging a community recovery officer appropriate?
4. How do current jurisdictional delivery methods differ, and what level of national consistency should apply to the standardised community recovery packages?
5. What implementation challenges would jurisdictions face in transitioning to nationally standardised community recovery assistance?
6. What recovery elements of counter disaster operations are most important to states, territories, local government and communities, and how could these be delivered in the future to ensure support is provided seamlessly and for communities most in need?

7. Standardised packages: Local economic recovery

Context – why is change needed?

Economic recovery is central to how communities recover after a disaster.

Recent feedback from primary producers and small businesses includes:

- Primary producers and small businesses prefer recovery grants over concessional loans and interest rate subsidies.
- The definition of primary producers, with the requirement for 50 per cent of income to be derived from primary production, can be problematic as primary producers seek to diversify to supplement their income. This can be even more problematic with more frequent and compounding disaster events which may have impacted the income of primary producers over multiple growing seasons.
- Recovery grants to rural landholders under Category D have temporarily filled the gap for those with smaller land holdings who have incurred significant costs related to event damage.
- Indirect small business grants under Category D have supported businesses where significant losses are not related to direct damage from the disaster event but instead relate to an impact from an event that is outside their control (i.e. a landslip caused by the disaster cutting access to a community reliant on tourism for over six months). However, these grants have typically only been agreed in very specific conditions.
- Concessional loans and interest rate subsidies are available for both indirect and direct damage, creating multiple options for assistance which could be consolidated.

How could the proposed reforms work? A starting point for engagement

The proposed DRFF could include standardised packages to support affected small businesses and primary producers to resume operations and support economic recovery of the disaster-affected area.

The proposed DRFF could include the following nationally consistent, standardised assistance measures to support **small business**:

- recovery grants
- interest rate subsidies
- recovery grants for indirectly impacted small businesses.

The proposed DRFF could include the following nationally consistent, standardised assistance measures to support **primary producers**:

- recovery grants
- interest rate subsidies

- freight subsidies
- emergency fodder distributed by the state or territory.

The intention is for recovery grants to offer a ‘helping hand’ and economic boost to affected small businesses and primary producers. As is the case with the current system, payments would not be intended as full compensation for losses or act as a deterrent for appropriate insurance where available.

The recovery grants could also support small businesses and primary producers to replace damaged assets to a more resilient standard (e.g. purchasing relocatable equipment and machinery) and developing resilience plans.

Further work will be undertaken to determine the appropriate upper limit of recovery grants, subsidies and emergency fodder and appropriate eligibility criteria.

The intent is that, as far as possible, qualification criteria, the types of eligible and ineligible activities, application and assessments processes for each payment would be nationally consistent.

Key questions for engagement with states and territories

1. Would these standardised packages help to create clear, easy to navigate arrangements?
2. How could risk reduction be incorporated effectively into standard local economic recovery packages?
3. Are there any suggestions for changes to current definitions for primary producers and small business that should be considered?
4. What level of administrative changes would need to be undertaken by state or territory delivery agencies to support program delivery with nationally consistent criteria (qualification, eligible activities etc)?

8. Standardised packages: Environmental recovery

Context – why is change needed?

Disasters can have significant impacts on the natural environment. These impacts can also directly affect local/regional economies, agriculture, community safety, cultural values, public health and long-term resilience. Impacts may include air and water pollution, riverine damage, habitat destruction, coastal erosion, increased weed and pest management challenges, and fire damage to National Parks and World Heritage Areas.

Attributing environmental damage to a single disaster event can be difficult. Natural systems are inherently dynamic, so disturbance and recovery are always happening – however, recovery measures can sometimes expedite that recovery. If the ecosystem was already significantly degraded pre-disaster, restoration efforts may be ineffective unless underlying stressors are also addressed.

Despite the environment being one of the four core pillars of disaster recovery (alongside social, built and economic domains), funding for environmental recovery is generally considered through ad hoc or exceptional circumstances (DRFA Category D). This has led to uncertainty about when and how environmental recovery funding can be accessed.

While not explicitly covered under the DRFA, a limited range of environmental recovery initiatives have been funded under Category D. Examples include funding for weeds and pest management, riparian recovery, coastline rehabilitation, flood mapping and environmental protection.

The Colvin Review recommends that the Commonwealth should remove existing current DRFA categories A, B, C, and D and negotiate their replacement with a criteria framework that categorises measures into short- (or immediate), medium-, and long-term recovery initiatives, and groups initiatives according to their domain (natural, social, economic and built).

How could the proposed reforms work? A starting point for engagement

The proposed DRFF provides an opportunity to embed environmental recovery into Australia's disaster recovery funding arrangements. The introduction of a specific category for environmental recovery could also reduce the current reliance on exceptional assistance. The new environmental recovery category would cover a limited range of critical environmental initiatives that support economic and community recovery (e.g. the removal of contaminated waste from waterways to ensure public health and safety and the rehabilitation of key environmental assets such as National Parks and World Heritage Areas).

The category would not be intended to fund pre-existing environmental maintenance obligations, unrelated conservation programs, or long-term environmental investments that are not directly connected to the impacts of a DRFF eligible disaster.

Only a limited range of environmental recovery initiatives have been funded under the DRFA historically and there is limited information on the effectiveness of these measures.

Key issues we are seeking to discuss with states and territories include:

- evidencing the direct nexus between a disaster's impact and environmental recovery needs
- avoiding duplication with other existing Commonwealth and state/territory environmental programs
- appropriately managing the scope of environmental assistance to support effective recovery without creating unintended cost escalation
- utilising expertise and undertaking environmental impact assessments to understand disaster impacts and develop plans to address environmental recovery needs
- aligning environmental recovery initiatives to Australian Government recovery funding priorities and environmental policies

- aligning funding to state/territory, regional and local recovery plans – for example, linking funding to the pre-identification of key/important environmental assets
- establishing certain indicators or criteria to govern the activation of different types of environmental recovery assistance – for example, to distinguish between low-cost quick activities and higher-cost programs with longer delivery timeframes
- establishing appropriate timeframes for, and sequencing of different types of, environmental recovery activities
- ensuring appropriate use of public money – for example, for extremely degraded or collapsed environmental systems for which the cost of rehabilitation is high and the likelihood of successful recovery is low, investment may be difficult to justify
- monitoring and evaluation arrangements to understand the effectiveness of eligible environmental recovery initiatives.

Where environmental impacts are complex, severe or of national significance, additional support could be considered through the DRFF exceptional circumstances assistance category, supported by a detailed impact and needs assessment and clear evidence that assistance under the standard environmental recovery category is insufficient.

Key questions for engagement with states and territories

1. What types of environmental recovery activities should be eligible under a DRFF standardised environmental recovery category?
2. How should the framework distinguish between disaster-caused environmental damage, ongoing environmental management and broader resilience or conservation activities?
3. How can First Nations knowledge, cultural heritage considerations and local environmental expertise be incorporated into assessment, prioritisation and delivery?
4. What delivery timeframes, reporting requirements and evaluation measures would be practical for environmental recovery activities?

9. Standardised packages: Resilient infrastructure

Context – why is change needed?

Investment in resilient infrastructure ("betterment") during the post-disaster reconstruction phase can be an effective way to reduce the impacts of future events and make communities safer and more resilient. It can also generate significant cost savings for all levels of government through avoided damage from subsequent disasters, as well as a range of social and economic benefits for communities, and improved insurance outcomes.

The DRFA does not appropriately support resilient infrastructure. Existing Category B reconstruction provisions are often criticised for requiring states, territories and local governments to restore damaged assets to their pre-disaster standard (or on a 'like-for-like' basis).

The use of DRFA Category D to fund betterment has created opportunities for the states and territories to access Commonwealth funding for post-disaster investments in risk reduction and resilience under the DRFA. However, it has also increased the administrative complexity of the program, with delivery often requiring both Category B and Category D provisions to be applied. This has created confusion among stakeholders as each category has different eligibility, reporting, evidence and assurance requirements. There is also currently no clear guidance on the intersection between the Category B efficiencies framework and Category D betterment funding.

In addition, several implementation challenges exist for states, territories and local governments. These include:

- variability in the quality of asset management systems across states, territories and local governments, and a lack of reliable consistent data to make informed decisions
- some critical assets that would benefit from betterment are excluded from funding because they are not considered eligible essential public assets under the DRFA (e.g. certain water or sewerage infrastructure owned by state or territory water corporations and community/recreational assets)
- expectations creating pressure on governments to deliver works quickly (noting local government's role to identify, assess, seek approval, and implement potential betterment projects, especially when they are also managing other relief and recovery efforts)
- funding uncertainty, with jurisdictions hesitant to make investment decisions when DRFA eligibility is unclear, as this can create significant financial risk should funding be determined ineligible through subsequent assurance processes
- funding variability, as cost of reconstructing an asset to a more resilient standard can vary depending on a range of factors, including the type of asset, level of damage, climatic and geological conditions, and the planning laws and building codes operating in each jurisdiction.

The Colvin Review calls for much greater focus on, and investment in, reducing disaster risk and building resilience. It recommends that *"wherever possible, recovery measures progressed under the DRFA should seek to reduce future risk (including betterment provisions) and build future resilience"*. The Review's analysis of DRFA infrastructure betterment, found that over a 27-year period (under a mid-case scenario), an estimated betterment cost of $43.9 billion (in net present value terms) would generate total economic benefits of $194.5 billion (in net present value terms).

How could the proposed reforms work? A starting point for engagement

The proposed reforms will introduce a new scheme for restoring and rebuilding damaged essential public assets, including to a more resilient standard. Under the scheme, all states and territories will have access to funding for resilient infrastructure. This will support the restoration of infrastructure that is more resilient to future disasters in a more equitable way than existing arrangements, including for smaller jurisdictions with a significant natural hazard risk profile like the Northern Territory.

Where specific criteria are met, the proposed scheme could provide access to additional cost-shared (50:50) funding of up to 15 per cent to rebuild damaged assets to a more resilient standard. The Australian Government and the states and territories would each contribute up to 7.5 per cent. This funding would replace the existing efficiencies framework and ad hoc Category D betterment arrangements under the DRFA.

The 15 per cent risk reduction funding will be limited to treatments that have the primary purpose of increasing the disaster resilience of an asset. It will not be able to be used for other purposes – for example, improving the energy efficiency of a public infrastructure asset. Any difference between estimated and actual project costs would need to be returned to the Australian Government.

The 15 per cent figure represents a starting point for engagement. NEMA will work closely with the states and territories to understand what can be achieved with 15 per cent additional resilience funding. This work will inform NEMA's advice to the Australian Government on the appropriateness of the proposed scheme.

Eligibility for the 15 per cent risk reduction funding would be linked to criteria, such as:

- the importance of an asset to the functioning of a local community/region to ensure risk reduction funding targets high priority assets where resilience would deliver a substantive benefit for the community/region
- the level of disaster risk to an asset, including its history of being repeatedly damaged, to ensure infrastructure is rebuilt back to a more resilient standard in areas of highest disaster risk
- cost effectiveness, to ensure the outcomes delivered through increasing the resilience of an asset are commensurate with the overall cost of risk reduction funding and this represents value-for-money
- opportunities for value creation, including social and economic benefits, and

- the pre-disaster condition of an asset and level of damage caused by the disaster (which will need to be clearly demonstrated).

Design of the scheme will provide an opportunity to:

- review the existing DRFA definition of an essential public asset, including to consider whether community, recreational and cultural assets should be included as standard eligible assets
- encourage states, territories and local governments to proactively plan and manage their assets (including by identifying those that are important to communities) for resilient reconstruction (either pre- or post-disaster)
- develop new guidelines for practitioners that provide clarity regarding the application of modern design and construction standards, timeframes for reconstruction and reporting, repeat damage, eligible/ineligible project costs, resource sharing (both human and plant), and evidentiary requirements
- strengthen data sharing, including to better align infrastructure investment with disaster risk, and
- incorporate monitoring and evaluation into the scheme to build knowledge and ensure the arrangements, including the funding allocation for resilient reconstruction, are appropriate and delivering desired outcomes.

Key questions for engagement with states and territories

1. What types of assets should be eligible for funding? For example:
    - Are there certain types or classifications of currently eligible assets that should be excluded?
    - Should community, recreational and cultural assets such as parks and playgrounds be included?
2. Should the scheme use a cost estimation methodology to determine eligible claimable costs, or move back to actuals, or utilise a combination of both?
3. What level of resilience/betterment can be achieved with the 15 per cent additional funding?
    - Should there be minimum resilience standards that are linked to disaster risk (e.g. requirements to rebuild to withstand a 1 in 100-year event)?
    - What level of resilience/betterment funding could your jurisdiction manage/deliver within existing capacity?
4. How could disaster risk information be used to inform resilient investment?
5. How could the new scheme align with normal state/territory infrastructure arrangements to create efficiencies?

6. Could pre-identification processes be used to speed up decision making? For example, by:
    - pre-identifying key assets for resilience funding
    - pre-identifying at risk or repeatedly damaged assets
    - pre-identifying potential resilience treatments
    - pre-assessing value-for-money.

10. Exceptional circumstances assistance

Context – why is change needed?

Australia is facing a rapid increase in the frequency, complexity and severity of disasters as the impact of climate change intensifies. There will be unexpected adverse consequences and recovery needs for individuals, communities and sectors. It may be necessary for governments to make available additional assistance to address unique circumstances presented by exceptionally severe and catastrophic disasters, which are not addressed by the standard categories of assistance.

Analysis of DRFA financial data shows that while the overall number of eligible DRFA disasters appears to have remained steady (although with expected yearly fluctuations), the demand for exceptional circumstances assistance has grown significantly. In 2018-19, state and territory expenditure on Category C and Category D measures was approximately $181 million, representing 15 per cent of the total financial year spend, whereas in 2025-26 it is forecast to be in the order of $2.5 billion, representing 34 per cent of the total financial year spend.

The increasing use of DRFA exceptional circumstances assistance appears to be in response to several factors, including the increase in scale and severity of disasters, growing community expectations, the demand-driven nature of certain forms of assistance, and the need to invest more in post-disaster risk reduction and resilience initiatives. While the ability of the DRFA to fund new types of assistance demonstrates the flexibility of the program to address bespoke and unique recovery needs, the absence of clear parameters (or guardrails) governing exceptional circumstances assistance has seen funding approved for some projects that appears to depart from the primary objectives of the program.

Other examples of the expansion in DRFA exceptional circumstances assistance include grants for <u>indirect</u> consequential loss, support for businesses located outside the direct impact zone, and multi-million-dollar payments for big (‘anchor’) businesses. Category D has also been used to fund large-scale transformative risk reduction and resilience initiatives, including relocating homes, home retrofitting programs and infrastructure betterment, making the DRFA the Commonwealth’s largest co-funding mechanism for disaster resilience and risk reduction.

The Colvin Review recommends that the Commonwealth should clarify and more narrowly define an exceptional circumstances consideration (currently Category D).

How could the proposed reforms work? A starting point for engagement

The proposed DRFF would include a new category for exceptional circumstances (non-standard) assistance replacing existing DRFA Category D arrangements. It would be available in response to exceptionally severe or catastrophic disasters to address recovery needs that cannot be met through the new standardised packages of assistance. The exceptional circumstances category would provide governments with the ability to meet recovery needs in more severe or catastrophic disasters where supports genuinely exceed the measures available in the standardised packages.

Exceptional circumstances assistance would be directly linked to the severity of disaster impact and demonstrated recovery needs of affected communities. Requests would need to be accompanied by a detailed impact assessment, with key criteria used to assess severity, for example:

- extent of loss of life or injury
- scale of impact on housing and level of displacement
- level of disaster risk
- characteristics of community profiles including vulnerability
- frequency of repeat disasters within affected communities
- scale of impact on public assets and critical infrastructure
- scale of impact on the regional and/or state/territory economy, including to essential industries – this could include analysis of the estimated financial impact of the disaster on a per-capita basis, and any cascading impacts (e.g. impacts on supply chains and broader economic impacts)
- complexity, including concurrent, compounding and consecutive crisis events
- capability and capacity of the impacted state or territory.

Further work could be undertaken to explore whether specific indicators could be established to assess the severity of impact, including to understand the capabilities that would be needed to capture and analyse impact data in a timely manner.

Requesting jurisdictions could also be required to demonstrate the need for the additional recovery assistance by developing a detailed recovery plan that includes:

- advice about the specific medium- to longer-term recovery needs facing affected communities
- evidence demonstrating the recovery needs (that the exceptional circumstances request seeks to address) are a direct result of the disaster
- confirmation that specific recovery needs cannot be addressed through the new standardised packages or other existing programs or resources and are not reasonably able to be addressed within existing state or territory capacity
- advice about who was consulted (e.g. state/territory agencies, local governments, community groups) during the development of the request that has occurred, and
- details about the non-standard assistance measures being requested, including the intended recovery (and resilience) outcomes and a detailed costings breakdown.

Other factors such as alignment to Australian Government priorities and state/territory, regional and local recovery and resilience planning could also be considered.

Key questions for engagement with states and territories

1. Under what criteria should exceptional circumstances assistance be available?
2. What types of assistance should be funded under the new exceptional circumstances category?
3. What indicators are likely to be available in a timely manner to support an impact assessment in exceptional circumstances?
4. What requirements/conditions should be placed on exceptional circumstances assistance – for example, the development of a detailed recovery plan, pre-identification of recovery (and resilience) initiatives/projects, specific timeframes and reporting obligations?
5. What timeframes should apply to request for exceptional circumstances assistance (i.e. how long after the disaster has occurred should requests be able to be made)?

11. Impact of disaster on First Nations People

Context – why is change needed?

Disasters can disproportionately impact First Nations communities, deepening existing inequities and disrupting connection to Country, kin and culture. Since 2021, the average population of First Nations peoples living in local government areas impacted by two or more disasters is 15.57 per cent, almost four times higher than the national average of 3.8 per cent[1]. In addition, more than one in ten children impacted by the 2019-20 Black Summer bushfires were First Nations children.

First Nations communities are also more exposed to disaster-related harm because of pre-existing social and health inequities. These impacts can be compounded by culturally insensitive policies, programs and service delivery.

At the same time, First Nations peoples have maintained knowledge systems, practices and cultural connections that have supported resilience to environmental change and disasters for more than 65,000 years. First Nations-led approaches – such as cultural burning, caring for Country, and community-centred responses that strengthen social and cultural connections – have been shown to reduce disaster risk and support recovery outcomes for all Australians.

Across Australia, we see recurring issues for disaster-impacted First Nations communities. These include issues related to housing, implications of being evacuated off-country, disaster payments and the practicalities of replacing damaged goods in remote communities. Addressing these challenges requires meaningful engagement with First Nations peoples to identify recovery needs and develop culturally appropriate supports that reflect local priorities, knowledge and circumstances.

Under the National Agreement on Closing the Gap, all governments have committed to change the way they work with First Nations people. Through Priority Reform 3, Clause 64 all governments have committed to engage with Aboriginal and Torres Strait Islander representatives before, during and after disasters. This commitment recognises that better outcomes are achieved when Aboriginal and Torres Strait Islander people are authentically engaged in the design, delivery and evaluation of disaster policies, programs and recovery supports.

[1] Williamson B (2024) Submission to the Select Committee on Australia's Disaster Resilience, Monash University, https://firetoflourish.monash/__data/assets/pdf_file/0006/3723171/NIDRSubmission-Senate-Committee-on-Disaster-Resilience.docx.pdf

How could the proposed reforms work? A starting point for engagement

The Australian Government, through NEMA and the National Indigenous Australians Agency, will engage with First Nations people, as well as states and territories, to develop tailored support.

We recognise that this is not only about what is funded but also but also ensuring First Nations people are meaningfully involved in decisions affecting their communities, including the identification, design and delivery of recovery supports.

The National Indigenous Disaster Resilience Framework[2], due to be considered by the Australia-New Zealand Emergency Management Committee later in 2026, will be supported by implementation guidance for doing this effectively.

We will undertake further engagement with First Nations people following this initial state and territory engagement period.

Key questions for engagement with states and territories

1. How are the recovery needs of disaster-impacted First Nations communities currently identified and prioritised in your jurisdiction?
2. What gaps exist in current governance, funding and delivery arrangements for supporting recovery in First Nations communities?
3. What opportunities, risks and implementation challenges should be considered when designing tailored recovery support for First Nations people?

[2] The National Indigenous Disaster Resilience Framework is being developed by Monash University's National Indigenous Disaster Resilience program, with funding support from the National Hazard Research Australia.

12. Streamlining data and reporting

Context – why is change needed?

In line with more frequent and devastating events and larger spending on recovery at all levels of government, there has been an increased interest in understanding how recovery is unfolding on the ground. Significant events such as the Monsoonal Trough (2019), Black Summer bushfires (2019-20) and repeated flood events during 2022, saw large funding commitments and therefore more oversight in how funding was being allocated and the outcomes achieved.

It is important that recovery expenditure is appropriately monitored, especially given the size of the funding commitment to recovery from both the Commonwealth and state/territory levels of government.

NEMA acknowledges that the DRFA evidentiary and assurance requirements are comprehensive and may impose a material administrative burden on states and delivery agencies, including local governments. These requirements necessitate the retention of supporting documentation over extended periods, which we have heard can pose practical challenges. Under the DRFA, states and territories are required to subject all expenditure to an independent audit by a state-appointed auditor prior to submission to the Commonwealth, irrespective of claim size, to support confidence in reported expenditure.

In addition to state-led audit processes, NEMA undertakes Commonwealth assurance over submitted claims to meet its obligations under the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and to ensure the proper use of public resources. Notwithstanding that this represents an additional layer of review, the Commonwealth has nevertheless identified a significant number of ineligible or unsupported components in state and territory claims. These examples highlight the importance of assurance and the current limitations in the consistent application of DRFA requirements. We want to work with the states and territories to strike the right balance. The flow charts below outline the current audit and assurance process and indicative timelines for an example disaster event occurring on 1 August 2022.

Figure 1. Current DRFA claim state audit process timeline

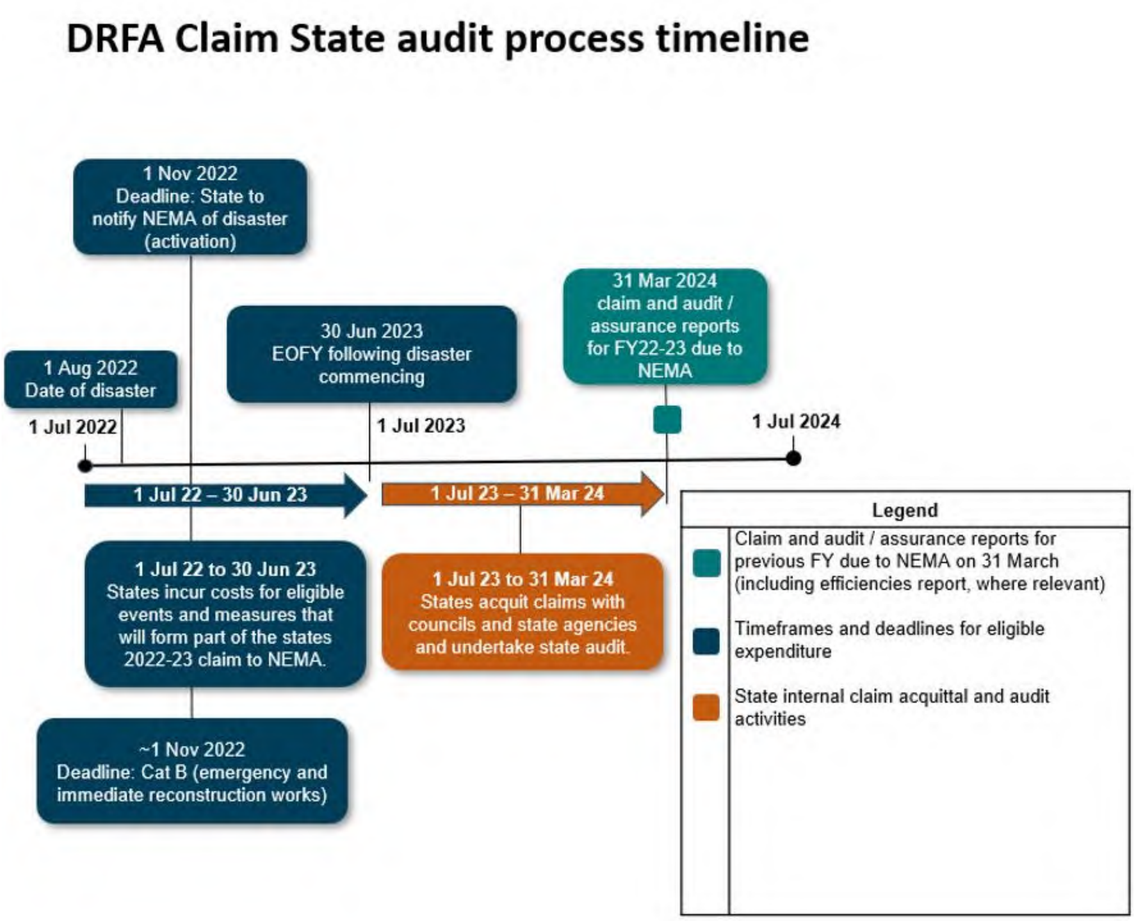
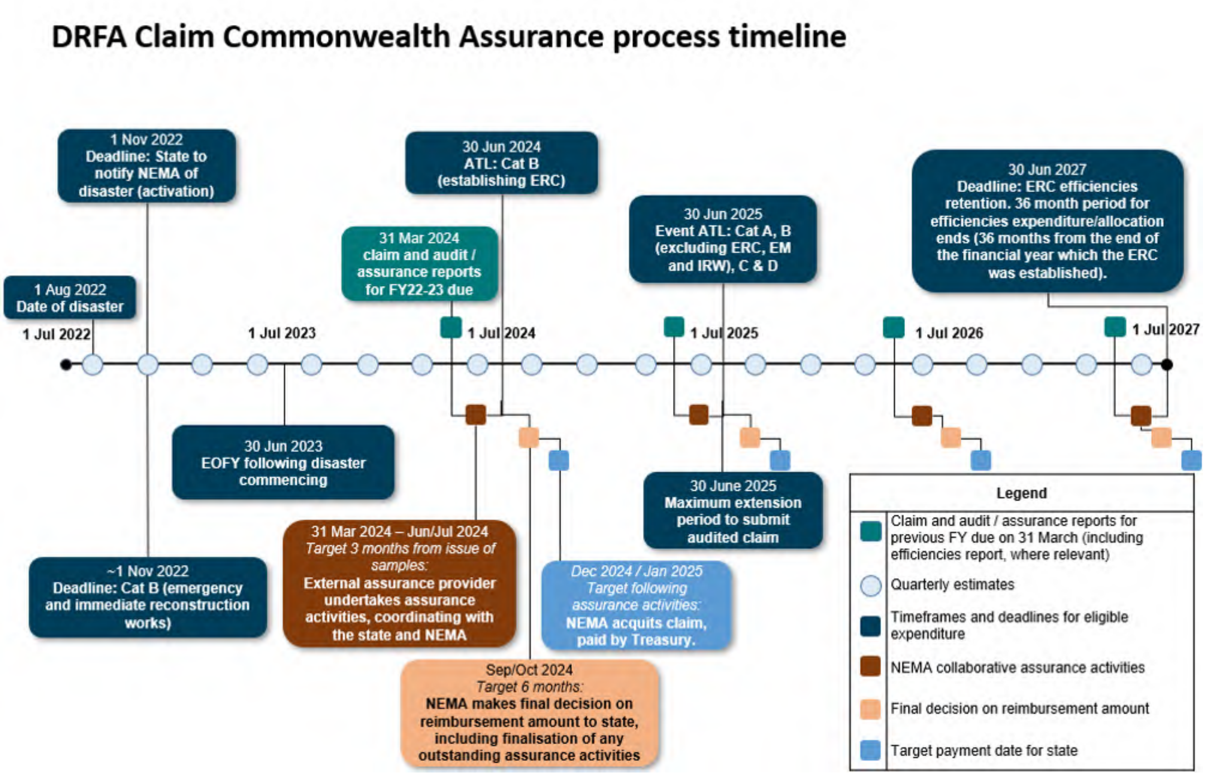


Figure 2. Current DRFA claim Commonwealth assurance process timeline



The current DRFA audit and assurance framework is designed to provide the Commonwealth with confidence that claims comply with the requirements of the DRFA and represent an appropriate use of public money. Assurance activities focus on six key control domains:

- **disaster eligibility controls** – ensuring only eligible disasters are notified and claimed under the DRFA
- **asset and damage assessment controls** – ensuring claimed damage relates to eligible assets and can be directly attributed to an eligible disaster event
- **Estimated Reconstruction Cost (ERC) controls** – ensuring reconstruction estimates are developed using robust methodologies and supported by appropriate evidence
- **procurement and governance controls** – ensuring appropriate review, approval, procurement and oversight processes are in place
- **expenditure eligibility controls** – ensuring claimed expenditure meets DRFA requirements, is correctly classified and excludes ineligible costs, and
- **evidence, record keeping and fraud controls** – ensuring expenditure is supported by sufficient evidence, maintains an appropriate audit trail and excludes fraudulent or unsupported expenditure.

Collectively, these controls are intended to ensure that only eligible disasters, assets, measures and expenditure are funded, that reconstruction estimates are supportable and reasonable, and that claims meet both DRFA and broader Commonwealth accountability requirements.

Potential compliance challenges and recurring issues observed across the current audit and assurance model include:

- **ensuring expenditure aligns with DRFA requirements** such as expenditure outside program intent/limits, inclusion of ineligible components, and claims relating to events that do not meet eligibility thresholds
- **demonstrating a nexus to disaster and program intent**, including evidencing a clear link between expenditure and the disaster, alignment between expenditure and the approved program, and that costs are extraordinary or above 'business as usual'
- **financial management and claim integrity** including incorrect phasing of expenditure, duplication of transactions, reconciliation of issues between transaction listing and claim totals, removal or deferral of programs due to unresolved issues
- **control and governance maturity** with large variability in validation and review processes prior to claim submission, maturity of states' and territories' systems and data environments and standardisation of documentation and processes.

The current audit and assurance requirements provide robust oversight – however, a number of potential challenges are emerging as claims increase in scale and complexity, including:

- **duplication of testing** (by state/territory audit and assurance) which creates an administrative burden across all parties
- **length and complexity** of the assurance processes mean multiple stages of review, and iterative queries extend timeframes and increase resourcing requirements
- **timing and data maturity** mean assurance activities may commence on data that is not fully validated leading to adjustments, removal of expenditure and re-submission of claims
- **inconsistent interpretation of DRFA requirements** leads to differences in how eligibility and evidentiary requirements are applied
- relying on **transaction level testing** which increases audit effort for large claims, limits scalability and creates reliance on system and control environments
- while state audits provide a strong foundation, **differences in methodology and documentation** can limit our reliance on these audits.

Evaluation requirements

The current evaluation requirements for evaluating Category C and D programs have, in some cases, led to evaluations that are focussed on the delivery of individual programs, rather than the recovery outcomes delivered across the disaster event by multiple funded programs.

How could the proposed reforms work? A starting point for engagement

Simplify and systemise program data capture

Under the DRFF, progress reporting (as well as financial reporting) is attached to all categories of assistance including exceptional circumstances.

We see benefit in maintaining current quarterly reporting, including continuing to capture the core data fields of predominant project phase, estimated start date, estimated finish date, expenditure to date and estimated final cost.

For reconstruction of essential public assets, data fields could continue to include Estimated Reconstruction Cost (ERC) date, project start date, project finish date, total funding agreed and expenditure to date. However, efficiencies reporting would no longer be required as efficiencies are proposed to be removed from the DRFF. Reporting on the difference between actual and estimated expenditure on reconstruction costs would be captured via the claim process.

We recognise there is scope to strengthen the current IT portal to enable recovery reporting throughout the recovery program timeline continuum (i.e. activation, standard quarterly estimates reporting, and state/Commonwealth cost-share expenditure claiming).

We welcome feedback on the practical implications of this reporting approach, including steps jurisdictions may have already taken to strengthen existing systems and opportunities for further improvements.

Audit and assurance

The Australian Government is exploring options for a more streamlined and proportionate audit and assurance model that maintains confidence in the use of public money, while also reducing duplication and administrative burden.

We want to explore alternative models, including the possibility of a single, integrated audit approach, potentially commissioned at the Commonwealth level with shared funding arrangements. This approach could reduce duplication, improve consistency of methodology and documentation, and support more timely and transparent outcomes for states and delivery agencies.

NEMA recognises there is scope to strengthen underlying systems to streamline reporting and claims to support states/territories to provide input and claims, and for NEMA to develop reports, track program information and analyse progress and trends.

Evaluation

It is proposed that under the DRFF, evaluation will continue to be a shared responsibility between the Commonwealth and states/territories. It is proposed that the DRFF will be evaluated in accordance with the Commonwealth Evaluation Policy and Principles. Evaluations will be cost-shared equally between the Commonwealth and jurisdictions.

Commonwealth departments are expected to deliver support and services for Australians by setting clear objectives for major policies, projects and programs, and consistently measuring progress towards achieving these objectives.

Where an evaluation is undertaken, it should be conducted to a standard that ensures the information is credible and evidence-based. Data collection, evaluation practices and public use of evaluation findings should be taken into account.

A comprehensive DRFF evaluation strategy could set out what will be evaluated, when evaluations will occur, who will be responsible, and how findings will inform recovery policy, program design and future funding decisions. The strategy could include a consistent set of indicators linked to Australian Government priority outcomes in recovery.

Evaluation findings could be shared between jurisdictions to support future program design and funding requests. A summary of an illustrative evaluation approach is provided below at Table 1.

Table 1. Illustrative approach to evaluation under the DRFF

Evaluation Tier	Responsible Party	Timing / Frequency	Evaluation Type	Purpose	Key Value / Output
Event-level evaluation	Jurisdictions	After each disaster event	Event-level evaluation of funded measures	Assess effectiveness of the full suite of DRFF measures for a specific event	Provides grounded evidence on what worked in recovery for individual events
Meta-evaluations	Commonwealth	Every 2 years	Synthesis of multiple evaluations	Aggregate findings across events and programs	Supports continuous improvement and system-wide learning
System-level independent evaluation	Commonwealth (independent)	Every 5 years	Independent evaluation of DRFF evaluations	Assess overall effectiveness, efficiency, equity, and contribution to long-term recovery outcomes	Provides a strategic evidence base to inform policy settings and program reforms

Key questions for engagement with states and territories

Audit and assurance reform

1. What alternative models to the current two-step approach should be considered (e.g. a single Commonwealth-led audit, enhanced state audit with greater reliance, or hybrid approaches)? What are the advantages, risks and limitations of these models?
2. How could roles and responsibilities be structured under different models to reduce duplication while maintaining clear accountability (e.g. risk-based assurance)?
3. What changes would be required to data, systems and evidentiary practices in your jurisdiction to support alternative models?
4. What would be the key implementation challenges, transition considerations and impacts on delivery agencies, and how could these be managed?

Evaluation reform

5. What would be the benefits, risks or practical challenges of evaluating recovery outcomes at the event level rather than by individual measures?
6. What implementation support, guidance, templates or capability-building might jurisdictions need to transition to the proposed evaluation approach?
7. Are there any evaluation requirements under current DRFA arrangements that should be retained, removed or amended under the DRFF?

13. Risk reduction funding

Context – why is change needed?

Australia's climate is changing. We are seeing more floods, fires and storms – often with the same communities impacted by multiple events. These changes are already affecting our communities, economy, environment and way of life.

As the Colvin Review found, the scale and impact of disasters are already increasing. Compounding and cascading disaster events, exacerbated by climate change, are stretching people and communities across Australia. The Review recommends the Commonwealth should prioritise nation-wide investment in disaster risk reduction and resilience initiatives.

Further, practical action to adapt to climate change will help protect individuals, communities, organisations and natural systems. This means Australia must anticipate and manage climate risks and adapt to climate impacts, such as increasing frequency and severity of natural disasters.

Systemic prioritisation of risk reduction is needed

The DRF is currently the Australian Government's flagship initiative for disaster resilience and risk reduction. The Australian Government is providing up to one billion dollars through the DRF to support projects that help communities reduce risk from natural hazards and build resilience before disasters occur. The funding runs over five years from 1 July 2023.

This program is supporting critical projects that reduce disaster risk and strengthen community resilience. Across the first three rounds, approximately $600 million has been invested in 450 projects, and Round Four opened on 29 May 2026.

However, we recognise that to reduce the impact of disasters on communities and the economy, and strengthen community resilience, we need to reduce natural hazard and disaster risk over time. We will do this by embedding systemic proactive risk reduction and 'building back better' through the Resilient Infrastructure stream of standardised packages (see relevant earlier section in this paper).

We want to learn from jurisdictions to inform a new approach

To inform the design of a potential climate-informed risk reduction program, the Australian Government seeks input on how the Commonwealth can strengthen future investment in risk reduction.

A new approach could prioritise particular types of investments, activities or cohorts. For example, priorities could include:

- large-scale projects which focus on reduction of particular natural hazard risks
- projects with the main goal of improving insurance affordability
- investments which strengthen community resilience

- development of local government capability or capacity.

Another important consideration in the development of new risk reduction is the funding mechanism. Funding can be provided through a variety of arrangements including competitive grant processes, a Federation Funding Agreement or multi-jurisdictional agreements. We would like to understand how existing arrangements are working and how future arrangements could be designed to maximise the effective and efficient management of public money.

We are keen to understand from states and territories how you would prioritise systemic proactive risk reduction activities in your jurisdiction to efficiently reduce natural hazard risks for your most exposed communities.

We have previously heard from stakeholders that they value Australian Government investment in risk reduction, particularly in high-cost high-impact infrastructure projects. Beyond the scale of available funds, we have also heard that jurisdictions can find that some aspects of existing programs present challenges to accessing funds and delivering projects – for example, funding uncertainty associated with participating in a competitive grants program, difficulties raising co-contributions and administratively burdensome application and post-award processes.

Key questions for engagement with states and territories

1. How do you currently evaluate or measure the impact of your existing investments in natural hazard risk reduction?
2. How would you prioritise proactive risk reduction activities in your jurisdiction to efficiently reduce natural hazard risks for your most exposed communities? Do you have existing processes to do this?
3. What are your views on specific areas of investment or cohorts which could be prioritised in a future funding approach, and types of funding processes (e.g. competitive grants or other alternatives) which would be most appropriate in your jurisdiction?

14. Implementation timeline

The Australian Government recognises that implementing recovery funding reform arrangements is an ambitious task. Through this engagement period, we are keen to understand the implications for implementation, and what may be required to ensure as smooth and orderly a transition as possible. This will help inform an initial view of what the implementation timeline could be.

While there is currently no set date for the new DRFF to be in place, we will continue to work with states and territories as a priority to advance our policy development and implementation advice to government.

Several states have already suggested the reforms could be implemented in stages – for example, changes to the administration of grants (such as audit and assurance) could be made early.

The interconnected nature of the reforms has also been highlighted, including the relationship between the implementation of the Resilient Infrastructure Scheme and any potential disaster risk reduction fund which could follow the five-year DRF grant program which ends 30 June 2028.

The DRFA will continue to apply to new disaster events until the new arrangements begin.

Key questions for engagement with states and territories

1. What practical considerations will be important to factor into the implementation timelines and transitional arrangements for both DRFF and any potential future risk reduction fund?
2. What timeframes do you estimate may be required (e.g. system changes, training, legislation, etc) to support the implementation of these reforms?
3. Do you have any suggestions from a jurisdictional perspective on sequencing implementation or managing transition risk?