



Australian Government
Department of Home Affairs

A digital globe with a blue and black color scheme, overlaid with a grid of glowing blue lines and dots, suggesting a global network or data flow.

Home Affairs Portfolio Submission to the Inquiry into Local Government Funding and Fiscal Sustainability

House of Representatives Standing Committee on Regional
Development, Infrastructure and Transport

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Table of Contents

1. Introduction.....	2
2. Interactions between Governments	3
Department of Home Affairs programs	3
National Emergency Management Agency (NEMA) programs.....	3
Legislative and policy framework	5
3. Identification of all funding sources	5
4. Impacts and Effectiveness	6
Evolving responsibilities of local governments.....	6
Access barriers for local governments	6
Explore opportunities to improve productivity and coordination of local government	7
5. Closing Summary	9

1. Introduction

The Home Affairs Portfolio (the Portfolio) welcomes the opportunity to provide a submission to the House of Representatives Standing Committee on Regional Development, Infrastructure and Transport's Inquiry into Local Government Funding and Fiscal Sustainability.

The Portfolio is responsible for safeguarding Australia's national security, resilience, and social cohesion. It oversees border security and management, national security and counter-terrorism policy, and programs that strengthen cyber security and protect critical infrastructure. The Portfolio also provides migration and settlement services, ensuring successful integration of migrants and refugees, and funds initiatives that foster community resilience and counter violent extremism.

The Portfolio is also responsible for leading and managing Australia's preparedness and responses to national disasters and emergency management through the National Emergency Management Agency (NEMA). NEMA coordinates the Commonwealth's preparedness, response, relief and recovery efforts across major natural hazards, and works closely with states, territories, local governments and communities. NEMA also advises government on national resilience policy, administers disaster recovery funding, and supports communities to mitigate risk and build long-term resilience to events such as floods, bushfires, cyclones and storms.

The Portfolio's submission focuses on the aspects of the Terms of Reference relating to Portfolio funding sources to local governments, the interactions between governments and the impacts, and the effectiveness of these funding mechanisms. The submission identifies current funding provided to local governments either directly, or through states, from both the Department of Home Affairs (the Department) and NEMA, reviews funding mechanisms, addresses the evolving responsibilities of local governments, and identifies where improvements to strengthen financial sustainability and service delivery could be made to further support local governments.

2. Interactions between governments

Department of Home Affairs programs

The Department provides coordinated responses that enable local governments to meet growing demands for programs and funding that support community safety threats, resilience, and social inclusion at the local level. Programs that support local governments include:

Settlement Engagement and Transition Support (SETS)

The SETS program has provided \$0.525 million (of a total \$247 million available under the program) through open competitive grant opportunities to local government entities and runs between 1 July 2024 and 30 June 2027. The SETS aims to support eligible entities, including local governments, to equip and empower humanitarian entrants, other vulnerable migrants and their communities, with the knowledge and tools to address their settlement needs to improve social and economic participation, and community connectedness. The program focuses on building independence, self-agency, self-efficacy, and personal well-being.

Strengthening Community Safety in Australia – Election Commitments Program

The Strengthening Community Safety – Election Commitment Funding program is a closed non-competitive grant opportunity that will provide \$20.3 million to local government entities between 1 July 2025 and 30 June 2028. The program primarily provides security infrastructure such as CCTV. The program aims to deter crime, boost public security and enhance community resilience in 20 local government areas identified through 2025 Federal Election commitments.

Strengthening Community Safety in Central Australia – Alice Springs Town Council

The Strengthening Community Safety in Central Australia – Alice Springs Town Council grant was completed in March 2025 and provided \$2.8 million to the Alice Springs Town Council through a closed non-competitive one-off grant process. Funding was provided to enhance safety and community resilience in Alice Springs and surrounding areas by supporting initiatives that strengthen local security and wellbeing, including the installation of community-based crime-prevention infrastructure such as fixed and mobile CCTV and improved lighting.

National Emergency Management Agency programs

NEMA provides targeted support to local governments, both directly and through the states and territories, for disaster preparedness, recovery, infrastructure protection, and community engagement through its emergency management and recovery programs, programs that support local governments include:

Disaster Recovery Funding Arrangements (DRFA)

The Australian Government supports the states and territories with the costs of providing relief and recovery assistance in response to natural disasters and terrorist acts through the jointly funded DRFA.

While the Commonwealth does not provide funding directly to local government through the DRFA, local governments may receive DRFA funding through the state for the provision of eligible disaster recovery related services.

Local governments are recognised as critical actors in disaster response and recovery. The DRFA allows state and territory governments to determine the types and levels of assistance available to disaster-affected communities, including local governments, and to activate early relief and recovery support. As such, funding may be provided by jurisdictions to local governments where they are the delivery agency (or recipient) for specific recovery assistance programs.

The amount of funding available under the program is both uncapped and capped depending on the category and recovery assistance measure. States and territories are required to cost-share with the Commonwealth. Depending on the measure, the Commonwealth may contribute up to 75% depending on specific thresholds and category of assistance.

The DRFA consists of four categories through which support is provided to states and territories:

DRFA categories	Form of assistance	Example of measures
Category A	Assistance to individuals to alleviate personal hardship or distress arising as a direct result of a disaster. Category A assistance is provided automatically by the states without requiring approval from the Commonwealth.	Costs related to establish evacuation and/or recovery centres, provision of emergency food, clothing or temporary accommodation, removal of debris from residential properties, and counter disaster operations to protect individuals and residences.
Category B	Assistance to the state, and/or local governments for the restoration of essential public assets and certain counter-disaster operations. Category B assistance also covers assistance to small businesses, primary producers, not-for-profit organisations and needy individuals through concessional loans, subsidies or grants. Category B assistance is provided automatically by the states without requiring approval from the Commonwealth.	Costs related to restoring disaster-damaged essential public assets, such as roads, bridges, culverts and stormwater infrastructure, as well as counter disaster operations to protect the general public.
Category C	Assistance for severely affected communities, regions or sectors and includes clean-up and recovery grants for small businesses and primary producers and/or the establishment of a Community Recovery Fund. Category C assistance is only made available when the impact of a disaster is severe. It is intended to be in addition to assistance under Categories A and B, is requested by the states and requires agreement from the Prime Minister.	Flexible local government grants to support recovery activities and post-disaster clean-up, and community infrastructure restoration (i.e. assets that do not meet the definition of essential public assets).
Category D	Exceptional circumstances assistance beyond Categories A, B and C. Category D assistance is generally considered once the impact of the disaster has been assessed and specific recovery gaps identified. Category D assistance is requested by the states and requires agreement from the Prime Minister.	Infrastructure betterment for disaster-damaged infrastructure to increase its disaster resilience to future events.

Disaster Ready Fund (DRF)

The DRF runs over 5 years from 2023-24 to 2027-28 and provides up to \$1 billion in Commonwealth funding. The program was announced as part of the October 2022-23 Budget and is the Australian Government's flagship disaster resilience and risk reduction initiative. The program delivers up to \$200 million of Commonwealth funding annually to establish a comprehensive set of disaster resilience and mitigation projects across Australia, in partnership with Australian state, territory and local governments.

A range of resilience, risk reduction and knowledge building activities are eligible to receive funding under the DRF, including:

- infrastructure projects such as cyclone shelters and flood levees that reduce disaster risk and impacts
- capacity and capability building projects that build the resilience of local governments and communities
- projects that support a better understanding of risk such as the development of risk assessments.

Local governments and their delivery partners have been awarded \$312 million for a variety of projects in these areas through rounds one (2023-24), two (2024-25) and three (2025-26) of the DRF.

Details of specific projects, funding amounts and locations are available on NEMA’s website: [Disaster Ready Fund | NEMA](#)

Legislative and policy framework

The Portfolio administers all grant programs in accordance with Constitutional authority and relevant financial frameworks, including but not limited to, the *Public Governance, Performance and Accountability Act 2013* and the *Commonwealth Grants Rules and Principles 2024*.

All grant programs are open to an audit by the Australian National Audit Office.

3. Identification of all funding sources

The following table identifies all funding sources including grants and emergency, disaster recovery and resilience funding received by local government and delivery partners from the Portfolio either directly or through state/territory governments since June 2023.

Funding Type	Program name	Start/end date	Total value of program (GST exc.)	Total amount allocated to local governments (GST exc.)	Co-contribution or revenue sharing arrangements required
One off ad-hoc grant	Strengthening Community Safety in Central Australian – Alice Springs Town Council	2023-2025	\$2.8 million	\$2.8 million	No
Competitive Grant Program	Disaster Ready Fund	2023-2028	Up to \$1 billion	\$85.9 million for 98 projects in round one (2023-24), \$116.0 million for 100 projects in round two (2024-25), and \$110.1 million for 49 projects in round three (2025-26)	Yes
Competitive Grant Program	Settlement Engagement and Transition Support	2024-2027	\$248 million	\$0.525 million	No

Closed non-competitive Grant Program	Strengthening Community Safety in Australia – Election Commitments funding	2025-2028	\$20.3 million	\$20.3 million	No
Cost-sharing arrangement	Disaster Recovery Funding Arrangements	N/A	Uncapped and capped based on the category and recovery assistance measure.	DRFA is a cost-shared funding program with states and territories. No funding is provided directly to local governments	Yes

4. Impacts and Effectiveness

Evolving responsibilities of local governments

Funding mechanisms across the relevant Portfolio programs have been designed to address the evolving responsibilities of local governments by providing targeted, needs-responsive support aligned with local governments’ expanding roles in settlement, community wellbeing, public safety disaster recovery and resilience.

Under the SETS program, the flexible, needs-based design enables service delivery to adapt to changing local demographics and emerging settlement challenges, directly supporting councils as their responsibilities and priorities evolve in this space.

Similarly, the Strengthening Community Safety in Australia – Election Commitments Program enhances local government capability to manage increasing community safety, antisocial behaviour and crime-prevention demands through the installation of security infrastructure in public spaces. Further, the Strengthening Community Safety in Central Australia initiative recognised the growing expectation on the Alice Springs Town Council to plan, install and maintain community safety infrastructure in areas where crime and anti-social behaviour were of community and law enforcement concern, and has provided dedicated funding to enable the Alice Springs Town Council to meet these responsibilities.

Under the DRF Annual funding rounds a broad range of resilience, risk reduction and knowledge building activities are available to ensure local governments can apply for funding to emerging disaster resilience and risk reduction needs.

Collectively, the design of these programs reflects an understanding of the expanding scope of local government functions and support local governments to adapt and meet ongoing community expectations.

Under the DRFA, the states have primary responsibility for responding to disasters and providing immediate assistance to impacted communities. As such, the state identifies the recovery assistance it will make available, and the Commonwealth jointly funds it.

The recovery packages are specifically targeted to address impacts to community that result from eligible disasters. Funding is not available for business-as-usual functions or the ongoing maintenance of assets.

Access barriers for local governments

Barriers to local governments accessing funding vary across the relevant Portfolio programs.

Across programs, funding availability can act as a barrier for local governments, as there is limited Commonwealth funding available which is shared between government and non-government sectors nationwide. In open and competitive programs, non-government organisations that focus on a particular

activity may be better prepared and resourced to demonstrate an ability to deliver programs in a more efficient manner than local governments which are required to split focus across a range of priority areas.

The SETS program presents no barriers, does not preclude local governments from applying for funding, and sets out clear eligibility and assessment criteria, however it should be noted that this program is a competitive merit-based program and local government organisations are required to compete for funding against other eligible entities. The \$0.525 million provided to local governments represents 0.2% of the \$248 million available under the program. Applications from some local government authorities were unsuccessful as they did not rate as highly as other applications submitted. SETS applications were assessed through a robust open competitive grant selection process, with each application considered on its merits, based on:

- how well it met the published assessment criteria;
- how it compared to other applications, particularly other applicants who had applied to deliver SETS in the same service areas; and
- whether it provided value with relevant money.

The Strengthening Community Safety in Australia – Election Commitments Program imposed significant eligibility and geographic restrictions, limiting access to 20 local government entities specifically named during the 2025 Election and constrained delivery to specified locations. Eligibility and geographic restrictions were the primary barriers identified. These restrictions were by design and necessary to implement commitments made by the government during the 2025 Federal Election.

NEMA programs have identified several barriers to local governments receiving funding. The DRFA does not fund local governments directly. Instead, funding flows through state and territory governments, whose own arrangements can cross jurisdictions, even when aligned to DRFA principles. These differences can create perceptions of inequity, especially during cross-border disasters. Some states also add their own financial thresholds or trigger points before local governments can access DRFA funds. Because these are state-based rules, there is no consistent national approach.

Many local governments view the DRFA as administratively complex, particularly those with limited resources or infrequent use of the program. Audit and reporting requirements, including evidence collection, are seen as burdensome especially for small, regional, or remote councils.

Local governments in remote or resource-limited areas often struggle with prolonged recovery efforts. High staff turnover, reliance on contractors, and limited budgets affect their ability to manage recovery and gather evidence for DRFA claims. Funding assessments, especially for immediate relief and betterment projects, are considered slow and in need of simplification.

In addition, a 2025 survey conducted by NEMA found that local governments face several challenges when applying for DRF funding. Key issues include difficulty meeting co-funding requirements, application windows that don't align with council budget cycles, and burdensome documentation and reporting obligations.

Councils also experienced uncertainty about eligibility rules and a lack of tailored support for preparing grant applications. The competitive nature of the funding process creates further uncertainty, with many local governments preferring guaranteed, non-competitive allocations. In response, NEMA is considering refinements to DRF processes and rules in the design of round four to address these concerns.

Explore opportunities to improve productivity and coordination of local government

Across programs, several opportunities have been identified to enhance the productivity, coordination, and overall effectiveness of funding delivered to local governments. Feedback from councils and delivery partners highlights the importance of flexible funding approaches, clearer eligibility settings, and improved support during application and delivery phases.

The Strengthening Community Safety in Central Australia initiative is an example of collaboration between the Commonwealth and a local government to ensure the grant objectives, activities and outcomes meet the needs of the local community. The Alice Springs Town Council was consulted directly on the development of

the guidelines, ensuring eligible activities and outcomes addressed the unique, specific regional context faced by Alice Springs.

During delivery of the Strengthening Community Safety in Central Australia program, the Alice Springs Town Council identified significant delays in the delivery of activities, largely driven by contractor availability, weather events, and the remoteness of the region. These delays resulted in an extension to the project end date. While the project itself did not cause these delays, it demonstrates the need for the Commonwealth to remain flexible in delivery of programs with local government partners, particularly in remote areas of Australia.

Commonwealth funding under the DRFA supports disaster relief and recovery only, not everyday local government operations. Many councils report that disaster response demands overwhelm their limited resources, leaving them under-resourced for both recovery and regular duties. They view the lack of longer-term or ongoing funding as a key gap. Because the DRFA is event-based and reimbursement-driven, eligibility uncertainty makes councils hesitant to invest in recovery activities due to financial risk. For resource-constrained local governments, starting work without upfront or committed state funding is particularly difficult.

Key opportunities identified across the Portfolio's programs include:

1. Introduce more flexible and complementary funding models

Explore models that combine block funding with project-based funding to better match the diversity of local government needs (as highlighted in the SETS evaluation).

Provide councils with greater ability to tailor delivery approaches and focus resources where they can achieve the greatest impact.

2. Extend delivery timeframes—particularly in remote regions

Build in longer and more flexible delivery periods for programs operating in remote areas, acknowledging contractor shortages, supply chain challenges, and seasonal constraints.

This flexibility would support more realistic planning, reduce delivery risks, and increase program completion rates.

3. Emergency Management Reform

The Independent Review of Commonwealth Disaster Funding (Colvin Review) was released by the Australian Government on 24 October 2024. The findings of the Colvin Review were directly informed by local governments through public submissions, direct engagement and a local government survey. The Colvin Review recognised that states and territories have primary responsibility for local governments and highlighted the key role local governments play in disaster management. It identified that across Australia the level of local government capacity to perform this role varies widely and made a number of recommendations focussed on strengthening the recovery and risk reduction capabilities of local governments.

The Australian Government is considering its response to the Colvin Review including opportunities to partner with states and territories to improve the coordination and effectiveness of Australian Government disaster funding for local governments. At the same time, the Australian Government continues to invest in improving the existing Disaster Recovery Funding Arrangements, including through the disaster preparedness role performed by the National Emergency Management Ministers' Meeting, Australia-New Zealand Emergency Management Committee and Recovery Leaders Forum which all include the Australian Local Governments Association as a permanent member.

4. Streamline Disaster Ready Fund (DRF) processes and support accessibility

NEMA's proposed refinements for round four of the DRF present clear opportunities to improve coordination and reduce administrative burden for councils, this includes:

- Simplifying application forms and digital systems to reduce workload and support smaller councils with limited resources.

- Shifting the timing of the application period to avoid clashes with peak weather seasons, enabling councils to focus on immediate risk management when required.
- Providing clearer eligibility guidance, including around exclusions for business-as-usual activities, to help councils target proposals appropriately.
- Encouraging State and Territory Lead Agencies to offer increased grant-writing support, improving application quality—particularly for small or capacity-constrained councils.

NEMA will also continue to build on equity measures introduced in DRF round three, by:

- Maintaining and strengthening reduced co-contribution rates, particularly for remote, very remote, and low rate-base councils (10%–20%), which enable more equitable participation relative to resource levels.
- Continuing to provide detailed, tailored feedback to unsuccessful applicants, supporting capability development and higher-quality submissions in future rounds.

5. Future opportunities

All these considerations present an opportunity for the Portfolio to strengthen funding mechanisms and coordination with councils, reduce administrative burden, and support more effective delivery of program outcomes at a local level across all funding programs.

5. Closing Summary

The Home Affairs Portfolio's programs provide targeted and flexible support that helps local governments meet growing demands in community safety, settlement, disaster recovery and long-term resilience. Funding is delivered through a range of mechanisms: competitive, non-competitive, and jointly administered with states and territories, reflecting the increasingly critical role councils play in community wellbeing and emergency management.

The submission identifies several challenges for councils, including varying state-based processes, administrative burden, resource constraints, and difficulties meeting co-funding or eligibility requirements. Opportunities exist to address these issues through clearer guidelines, more flexible delivery models, streamlined processes, and enhanced support for smaller or remote councils.

Overall, the Portfolio's funding programs demonstrate strong commitment to building safer, more resilient communities. Continued refinement of funding frameworks and coordination approaches will strengthen the financial sustainability and capability of local governments and enable more effective delivery of local and national priorities.