



Guidelines for the voluntary house purchase scheme

Floodplain Management Program

Department of Climate Change,
Energy, the Environment and Water



Acknowledgement of Country

Department of Climate Change, Energy, the Environment and Water acknowledges the Traditional Custodians of the lands where we work and live.

We pay our respects to Elders past, present and emerging.

This resource may contain images or names of deceased persons in photographs or historical content.

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Artist and designer Nikita Ridgeway from Aboriginal design agency Boss Lady Creative Designs created the People and Community symbol.

Cover photo: Voluntary purchase site. Liverpool Shire Council

Published by:
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ISBN 978-1-76186-148-2
EH 2026/0052 March 2026

Find out more at:

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Introduction

This guideline has been prepared for councils that are seeking funding from the NSW Government under the Floodplain Management Program (FMP) to implement voluntary purchase schemes (VPS).

A VPS identifies houses suitable for voluntary purchase (VP). VP is a risk management tool that involves the voluntary offering and purchase of flood-prone properties, with the aim of permanently removing at-risk people from high flood hazard areas where it may not be feasible or economical to mitigate the effects of flooding. After the property is purchased, it is removed or demolished (in most cases), and the land is rezoned to a flood-compatible use.

Program guidelines may change periodically during the 3-year funding pool offer. The applicable guideline for individual property purchases will be the version published at the time a formal funding offer is being issued.

This guideline details the objectives, eligibility criteria, funding and implementation procedure for a VPS. It does not provide guidance on assessing the viability of VP as a management option as part of a Flood risk management plan (FRMP).

Councils should discuss all proposed VPS and their potential for funding with their Department of Climate Change, Energy, the Environment and Water (the department) representatives.

Objectives

Voluntary purchase is a recognised and effective flood risk management measure for existing properties in areas where:

- There are highly hazardous flood conditions from riverine or overland flooding and the principal objective is to remove people living in the properties and reduce the risk to residents' lives and to potential rescuers.
- A property is located within a floodway¹ and the removal of a building may be part of a floodway clearance program that aims to reduce significant impacts on flood behaviour elsewhere in the floodplain, by enabling the floodway to more effectively perform its flow conveyance function.
- The purchase of a property enables other flood mitigation works (such as channel improvements or levee construction) to be implemented, as the property will impede construction or may be adversely affected by the works, with impacts that cannot be offset.

Voluntary purchase can be an effective strategy where it is impractical or uneconomic to mitigate the high flood hazard to an existing property, and it is more appropriate to cease occupation to meet the above objectives. It is likely to be a measure that complements an overall flood risk management strategy for an area rather than an option that reduces flood risk on its own.

Consideration of houses for voluntary house purchase

The viability of a VPS or an individual VP is usually calculated as part of a broader assessment of flood risk management options, during the FRMP development stages.

Floodplain risk management plans adopted by councils should consider:

- flood hazard classification and associated risk to life
- hydraulic classification in relation to location in a floodway
- the benefits of floodway clearance to the flood-affected areas
- the economic, social and environmental costs and benefits
- the scope and scale of the VPS and how the VPS will be prioritised generally based on the degree of flood hazard exposure
- the identification of each affected property and the buildings on them
- the support of the affected community for VP as determined through consultation with affected owners
- an implementation plan for the VPS.

Defining the scope of a new voluntary house purchase scheme

A FRMP may identify individual properties for VP, but a more detailed assessment may be required before applying for funding for a new VPS to determine the scope and cost of the VPS and arrange the properties in order of priority (scoping study). A scoping study is not required if sufficient assessment was done during the FRMP stage. A scoping study involves consideration of the items identified under 'Consideration of properties for VPS' above.

A short report must be prepared in consultation with department flood staff for the scoping study. The report is eligible for funding by application under the FMP.

Including a property in a VPS imposes no obligation on the homeowner to sell the property; participation is voluntary. It also places no obligation on the council or the NSW Government to fund the purchase of the property.

Eligibility criteria for funding a voluntary purchase scheme

- Only councils are eligible to apply for funding – it is not open to homeowners directly. Requests from homeowners for properties to be purchased for hardship reasons are not eligible for funding.
- Voluntary purchase will only be considered if no other feasible flood risk management options are available to address the risk to life at the property.
- Funding is only available for residential properties and not commercial or industrial properties.
- Funding available only for properties with buildings that were approved and constructed prior to 1986.
- Funding is only available for properties identified in a VPS through the FRMP process and where a scoping study has been completed (if necessary).
- The properties in a VPS should be identified in an adopted FRMP developed in accordance with the *Flood risk management manual* (DPE 2023). In limited circumstances, funding can be considered for a VP prior to completion of a FRMP. However, proper investigations and assessments need to be completed, and clear, compelling evidence needs to be provided as the basis for expediting consideration before a completed FRMP. This would generally include determining the scope of the VPS.
- Properties must be located:
 - within high hazard areas where there is a significant risk to life for occupants and those who may have to evacuate or rescue them – however, a house in a location that is classed as high hazard based on depth or provisional hazard alone would not be automatically eligible for VP. Hazard categorisation should be based on the true hazard assessment and consider a range of other factors that influence flood hazard as detailed in the *Flood risk management manual* (DPE 2023)
 - within a floodway where the removal of the house may be part of a floodway clearance program. A floodway clearance program aims to reduce the impact of development on flood behaviour elsewhere in the floodplain and enable the floodway to more effectively perform its flow conveyance function
 - within the footprint of a proposed flood mitigation measure or where a flood mitigation measure may result in a significant increase in flood risk to a house that cannot be protected – eligibility will be considered as part of the detailed investigation and design for the works project. Funding the purchase of the property would be considered as part of the total works package, which could include pre-construction activities.

- Properties that are tenanted and have a fixed-term lease with more than 6 months remaining are not eligible for funding.
- Unless the property is being purchased to facilitate mitigation work, vacant land is not eligible for funding as it does not achieve the main aim of VP (except under the circumstances outlined at point 11). Development controls should be used to limit the development of vacant land for flood mitigation and flood risk purposes.
- Vacant land may be eligible for purchase where redevelopment is not considered appropriate due to the flood risk and where a flood or fire event has resulted in partial or full demolition of a previous house. These properties are generally identified for VP in a FRMP, but if a property is not identified for VP in a FRMP then strong justification for VP needs to be provided.
- Multistorey properties may be eligible for funding even if the upper floors are not directly affected by over-floor flooding. Residents retreating to the upper floors and their potential rescuers may still face significant risk to life, and the building may not be designed to cope with flood conditions. An additional hazard assessment is required to confirm the eligibility of multistorey properties.

Funding ratios

After a funding application is approved, councils can access a funding pool at a funding ratio of \$2 government to \$1 council.

Some local government councils are eligible for special consideration based on a methodology that takes into account the council's financial capacity and the size of the funded project.

The applicant's financial capacity is assessed based on its per capita general-purpose grants under the Local Government Financial Assistance Grants, as established by the Local Government Grants Commission. Eligibility for special consideration is determined in advance using the approved methodology.

If special consideration is awarded, the applicant is eligible to an increased government contribution towards the cost of the project (automatically assigned within the Grant Management System).

Eligible and ineligible costs

Eligible costs

Eligible costs are those that are essential to the purchase of property. These costs include:

- the purchase price paid by the council for the property, provided the valuation requirements are met (see '[Purchasing properties](#)')
- the council's reasonable legal costs
- the landowner's reasonable legal costs for the sale of the property
- reasonable valuation fees related to the sale
- any demolition costs that are incurred within 12 months of purchase up to the approved amount in accordance with the funding agreement

Demolition cost conditions

Eligibility for subsidy of demolition costs outside this period is subject to the agreement of the department. If unforeseen elements, such as asbestos, are discovered during the demolition of the home, the inclusion of these fees needs to be discussed and agreed to in writing by the department prior to being undertaken.

Ineligible costs

Ineligible costs are those that will not be funded under the program. These costs include:

- solatium (compensation amount payable to cover the non-financial inconvenience of relocation)
- removalist costs
- costs associated with the sale, removal, transportation and re-establishment of the house at its new location
- fees associated with any purchase of a new property by the homeowner
- administrative costs
- expenses incurred prior to a funding agreement being entered into (unless otherwise agreed to in writing by the department)
- the homeowner's legal costs for the purchase of a new property
- costs of maintaining the land after purchase
- costs associated with rezoning the land
- purchase costs that are not included in the valuation or described above
- removal or making safe asbestos at the site that is not from the house that was demolished.

Implementation procedure

Applying for funding

If a scoping study is still outstanding before application for a VPS, as detailed under 'Defining the scope of a new VPS' above, the following steps apply:

1. An application for funding is made to undertake a scoping study for the proposed VPS during a funding round (see *Guidelines for applicants: Floodplain Management Program* for more detail).

If the required information detailed under 'Defining the scope of a new VPS' has been provided, either by completion of a scoping study or through the FRMP process, the following steps apply:

1. The council submits a funding application for the VPS to the department during a funding round (see *Guidelines for applicants: Floodplain Management Program* for more detail).
2. The application must outline the scope of the VPS, progress on VPS implementation to date and the number of properties that the council wishes to purchase in the 3-year funding round (in priority order).
3. The department will review the funding application and confirm whether all required information has been provided. If the department requires any further information, it will send a request to the council.
4. Applications are reviewed by the State Flood Mitigation Assessment Committee, and recommendations are made for consideration by the appropriate department delegate.
5. The council will be notified by the department if it has been given access to the voluntary house raising (VHR) Pool and advised of the conditions of access to the pool.

Voluntary purchase funding pool

A successful application to the funding pool is not a formal offer of funding and it does not guarantee access to grant funds. Funding for VP comes from the FMP, and each financial year a portion of this money is allocated to the funding pool.

Councils are provided with access to the VP funding pool for a 3-year period, and funding is dependent on the nominated properties meeting the required criteria to be purchased, funds being available under the program, and there being equitable provision of funds across the state.

Access to the pool does not guarantee that every funding request will be granted, and limits may be placed on the number of properties approved per request or over a financial year.

This funding model provides councils with the flexibility to apply for funding for specific properties at any time over the 3-year period, when and if an owner expresses an interest in selling.

Purchasing properties

The council should approach eligible homeowners in their order of priority in the VPS. Given the voluntary nature of VP, owners may not be willing to sell when initially approached, and the owners of properties with lower priority in the VPS can then be approached. The council may wish to seek non-binding expressions of interest from several owners to expedite this process.

For each property:

- Where an owner is interested, the council should advise the department and confirm that funds are available from the VP pool for the purchase.
- The council must obtain a valuation from a suitably qualified valuer (a member of either the Australian Valuers Institute or the Australian Property Institute) that provides a range that is considered fair and equitable in relation to the property value. This provides a basis for determining the maximum value that is eligible for the grant funding. The valuation should assume no VPS is in place, consider the requirements for minimum floor levels due to flooding, but disregard any flood-related development constraints that may apply to the land due to its flood hazard. The valuation should consider the current market rate for the property. The department may request additional valuations.
- The council should negotiate with the owners in accordance with its own procedures.

Relocation of a house that has been purchased by the council can be considered. This will allow the house to be moved to a different location outside of the existing property boundary rather than demolishing the house. The council must list the house for sale² and if there are no interested buyers, the house can be advertised and offered at no cost. The costs associated with removal, transportation, and re-establishment of the house are not eligible for grant funding.

Relocating a house to high ground within an existing lot boundary is not eligible under the VPS but may be considered under the voluntary house raising scheme. Please refer to the *Guidelines for voluntary house raising schemes*.

If the property is tenanted, the council should, if possible, obtain vacant possession at settlement. If vacant possession is not possible, the council must ensure the property is vacated as soon as possible thereafter. This means that if the property is still occupied after settlement and a termination notice has not been issued, the council must issue a termination notice as soon as possible.

Before entering into a binding contract with a recipient or bidding at an auction, the council must:

- Receive written confirmation from the department that funds are available in the VP pool, as availability of funds may have changed during the negotiation period.
- Submit a workplan for the purchase of the property, using the variation process in the department's Grants Management System. The work plan includes proposed milestones and associated payments for eligible costs. The council will receive written confirmation if the work plan is approved.
- Enter into a funding agreement with the department which sets out the conditions applicable to the council's receipt of funding and the terms on which funding will be released.

Actions by councils to ensure outcomes

Except for heritage-listed buildings (or otherwise agreed to in writing by the department), once a property has been purchased as part of a VPS:

- all buildings/structures must be demolished or removed as soon as possible (generally within 12 months) and in accordance with environmental, disposal, work safe and work health and safety controls
- the land must be rezoned to a flood-compatible use (such as open space).

At least until the land is appropriately rezoned, council must apply development controls to the land to ensure that any redevelopment is compatible with the flood hazard and flood function at the site.

Buildings/structures can only be kept on the land if they are heritage-listed or if agreed to in writing by the department. Any use of a building that is kept on the land must be flood risk compatible.

Grant funding will be provided in accordance with the funding agreement.

If any property (including land) that is purchased under a VPS and funded by the VP pool is later sold for profit, the profit must be returned to the pool, in line with the original funding ratio.

If the property remains tenanted after the purchase is settled:

- rent must be at or above market rent
- market rent or rental receipts (whichever is greater) must be returned to the program in ratios equal to the funding ratio
- no new lease or lease extensions may be entered into. The property must be vacated immediately after the end of the fixed term lease that was in place at the time of purchase.

Monitoring and review

The council is required to keep the department informed of progress in accordance with the work plan and funding agreement. Where difficulties arise, and the council is unable to spend the agreed grant amount under the funding agreement within the required timeframe, the council must inform the department as soon as possible to enable other VP projects to proceed.

The council should review the scope of a VPS every 3 years or before submitting a new application for funding under the program. This review should confirm the eligibility and priority of the properties under the VPS and be submitted to support the application.

Acquittal

Grants should be acquitted in line with the terms and conditions outlined in the funding agreement and in line with these guidelines. This should include evidence of the transfer of the land into the council's name and the submission of a final report via the Grants Management System.

References

DPE (Department of Planning and Environment) (2023) *Flood risk management manual: the management of flood liable land*, DPE, Parramatta, NSW.

More information

Australian Property Institute

Australian Valuers Institute

Grant Management System

Flood risk management manual

Floodplain management grants

Guidelines for applicants: Floodplain Management Program

Guidelines for voluntary house raising schemes

¹ Area of the floodplain where a significant discharge of water occurs during floods

² See 'Actions by councils to ensure outcomes' regarding what to do with funds received from the sale of the house.