

Submission to the Inquiry into Climate Resilience

Date of submission: 26 June 2024

About Financial Counselling Victoria and the financial counselling sector

Financial Counselling Victoria (FCVic) is the peak body and professional association for financial counsellors in Victoria. We provide resources and support to financial counsellors and their agencies who assist vulnerable Victorians experiencing financial difficulty. We work with insurers, governments, banks, utilities, debt collection and other stakeholders to improve approaches to financial difficulty for vulnerable Victorians.

Financial counselling is a free, confidential, and independent service. It provides vital help for people experiencing, or at risk of, financial hardship. Financial counsellors are uniquely qualified professionals, specially trained to deal with complex financial matters. They assist more than 23,000 Victorians each year – including newly arrived migrants and refugees, family violence victim-survivors, and particularly pertinent to this submission, people impacted by catastrophic climate-related disasters.

In recent years, communities across Victoria have been dealing with the aftermath of catastrophic climate-related disasters, ranging from devastating bushfires to destructive storms and floods. Financial counselling services have played a vital role in aiding the financial recovery and physical wellbeing of impacted individuals and communities.

While the impacts are experienced most severely by vulnerable and less resilient communities, households and individuals whose capacity to recover is lower, climate-related disasters create financial stress and hardship that can affect anyone, including people who have not previously needed assistance. Disasters can exacerbate underlying or unaddressed financial issues which may have been present prior to the disaster, and those financial impacts can be experienced for many years after the event.

Financial counsellors working in this space have highlighted a wide range of issues which exacerbated the severity of climate impacts prior to a disaster, and have caused significant detriment and additional trauma to their clients following a disaster.

About this submission

We welcome the opportunity to provide a submission to the Committee's Inquiry into Climate Resilience. Our submission focuses on areas that are relevant to our financial counselling advocacy work on disaster recovery in Victoria and is informed by what our members have told us about the needs of vulnerable Victorian clients who are struggling after a natural disaster.

Further questions about this submission can be sent to achan@fcvic.org.au.

Our Commentary

Our submission focuses on two main concepts of resilience – community resilience and infrastructure resilience, from the perspective of financial counsellors.

Community resilience

As financial counsellors, our expertise is in people, and the human impact of climate-related disasters. Overall, we recommend that *community resilience* be adopted as a central pillar to any work in climate mitigation and adaptation works, recognising that people should be at the heart of any proactive or reactive responses to climate-related disasters.

Community resilience can take many forms, and we acknowledge the recommendations made by other social service bodies including the Victorian Council for Social Services. Through a financial counselling lens, we believe that there is currently a gap in the information available to vulnerable communities before a disaster strikes, and in supports after a disaster. We propose that any view of community resilience should include funding of proactive, ongoing financial counselling services.

This service would have three focuses:

1. **Prevention:** Assisting individuals to prepare their own built environment (homes) for a disaster including through advice and education on Section 32s, disaster mapping, and insurance inclusions and exclusions. Some sample education sessions could include topics such as:
 - a. De-mystifying Section 32s – what to look for, and where to get more information
 - b. Understanding your insurance policy – inclusions and exclusions
 - c. Renters rights – protecting yourself when you live in a high-risk zone
2. **Disaster recovery:** Supporting individuals through recovery, including by advising on future-proofing their own built environment by 'building back better'.
3. **Advocacy:** Working with government and industry to regulate approaches to 'building back better', implementation of buy-back schemes and more.

We envision a model whereby a central specialist integrated service is constantly maintained on preventative community education work, with the ability to be accessed across different regions in response to climate-related disasters as they occur. For instance, this could be a centralised Financial Counselling Disaster Information and Referral Hotline which does proactive education and is available for specialised consultation by community and local financial counsellors post-disaster.

We have previously made this recommendation in our [2024-25 State Budget Submission](#). This model recognises and responds to both the long-tail impacts of climate-related disasters and the regularity of these disaster events. No longer are these climate-related disasters a 'once in a generation' event – they are now occurring with near-quarterly regularity and a consistent and regular response must be made available.

Financial counselling operates on a strengths-based approach to empower people to make informed choices. Investing in a service with an empowerment focus to deliver proactive community education and resilience activities, with the ability to scale to deliver responsive services, is critical to addressing immediate community needs while reducing future risks.

Infrastructure resilience

Financial counsellors see the impacts of systemic structural and social issues in infrastructure and systems planning which lead to increased climate-related disaster risks. For the purposes of this submission, we will focus on housing, planning and social service infrastructure as the key issues in this section using our understanding of client experiences in flood-impacted Rochester as an example.

People live in regional high-risk areas like Rochester for a number of reasons, with affordability of housing being a key consideration. In a tight housing market with a lack of options for those with less funds, living, renting or buying in Rochester may be the only viable option for some people especially those most vulnerable due to factors like age, cultural background, experience of family violence, and more.

Financial counsellors have reported seeing examples of tradespeople buying up flood-damaged properties in the Rochester region, with a view to 'flipping' the property for profit. People are buying these renovated properties which generally haven't been adapted to manage future flood risk, for example, the houses may still be on concrete slabs rather than raised stumps.

It's not only due to a lack of information or knowledge of future flood risks that people are buying these properties. They are buying these properties because of a lack of affordable and accessible housing stock in less risky areas, because of any personal vulnerabilities that limit their options, and because they are established in communities where they have support networks, trusted service providers, and more.

We must also acknowledge that risks evolve over time. For many residents of Rochester, their ties to the town are long-standing, dating to well before the multiple flood events between 2010 and 2024. With the flood risk spoken of as a '1 in 100 year event', it is clear that climate-related flood risks in the region have evolved and increased over time and more people are impacted as a result.

Financial counsellors have seen this in metropolitan areas as well. A recent update of flood mapping by Melbourne Water in Maribyrnong has resulted in greater financial impact on local residents, with reduced property valuations that may mean that they are paying a higher mortgage than what the property is worth, while also grappling with increased insurance costs. This will be a growing issue for more individuals as climate risks increase over time.

To address these systemic issues, we recommend a series of interventions to address the key issues of housing, planning and social services.

Housing:

A key long-term approach is to significantly boost the number of affordable and accessible housing options for people in less risky areas.

There are many ways that this can be done. For the purposes of this submission, we recommend actions relating to housing pressures as documented in [FCVic's 2024 Summit The Changing Face of Hardship Actions Report](#), and we also recommend that the Victorian Government acts on the recommendations of the Legislative Council Legal and Social Issues Committee's [November 2023 report into the rental and housing affordability crisis](#).

Planning:

We recognise that the issue of housing affordability will take some time to address, not least due to the pace of capital works. In the short-term, this work needs to be supported by a revision of planning laws and regulations that helps to mitigate climate-related disaster risks.

Some considerations include:

1. Mandating requirements on climate resilience and adaptation when choices are made to repair or retrofit existing properties in designated risky areas
2. Restricting new builds in designated risky areas
3. Monetary funds for buy-back programs in designated risky areas

Note that in all the above points when we use the words 'designated risky areas', this includes the recognition that risks can evolve over time. We recommend that risks be reevaluated on a regular basis (for example, every four years) to ensure currency of risk assessments which can be readily accessed by all levels of government and the public.

Recommendations in [our recent submission to the Review of the General Insurance Code of Practice](#) provide further detail about how these points can be actioned.

Social service infrastructure:

Those who are most at risk of being impacted by climate-related disasters are generally those who have the least options available to them due to various vulnerabilities. There are key actions that the State Government can take to ensure that the social support needs of vulnerable cohorts are addressed.

We suggest that as referenced in the above section "Community resilience", a centralised Financial Counselling Disaster Information and Referral Hotline service with integrated multi-disciplinary practitioners across social work and legal supports could address the multi-faceted needs of vulnerable cohorts as a crucial pillar of any disaster response.

We know that added vulnerability factors can make it particularly difficult for cohorts to manage these risks. For instance, women escaping family violence may not have many accommodation options available and a lack of access to financial resources. Culturally and linguistically diverse people may have difficulty navigating administrative and regulatory barriers. Older people may have few family supports and a reliance on an inadequate pension to meet their living costs.

Whatever the experience, an appropriately funded multidisciplinary social supports team can work with the person to address their varying needs and challenges. However, they must be supported by appropriate government funding for key support services including family violence services, mental health services, and community legal centres.

A final note on insurance

While the insurance industry may seem to be outside the remit of the inquiry's terms of reference, we suggest that there are clear linkages between the climate resilience of Victoria's built environment and infrastructure, the affordability of insurance for homeowners, and the behaviour of insurers in their management of insurance claims after a climate-related disaster.

We recommend that the State Government play a strong advocacy role in liaising with the Federal Government on reforming the insurance industry. As a starting point, the recommendations of [our submission to the House Standing Committee on Economics Inquiry into insurers' responses to 2022 major floods claims](#) and [our recent submission to the Review of the General Insurance Code of Practice](#) provide a clear overview of opportunities for reform.

However, we believe that there is a much larger question when it comes to insurance – whether property insurance in its current format is fit for purpose and adequately protects the most vulnerable particularly in the aftermath of a climate-related disaster.

We suggest that the health and wellbeing role played by insurance in protecting communities and enabling recovery and resilience should be considered an essential service and supported by governments where there is a service and equity gap to manage risk and deliver ongoing public and economic benefits to the community and local small business economies. This should go hand-in-hand with the buy-back programs mentioned earlier to act on both mitigation of and response to disasters concurrently.

Thank you for the opportunity to provide this submission to the Committee's Inquiry into Climate Resilience on behalf of Victorian financial counsellors who each year, assist over 23,000 vulnerable people experiencing financial hardship.