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Submission to the Independent Review of Commonwealth Disaster Funding

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Submitted by: Financial Counselling Australia

Q1. What experience have you had with Commonwealth disaster funding support?

About us

Financial Counselling Australia (FCA) is the national voice for the financial counselling profession in Australia. We are a not-for-profit organisation which provides resources and support for financial counsellors and works to raise awareness about the availability and value of financial counselling. FCA advocates for a fairer marketplace for consumers and aims to improve hardship processes for people in financial difficulty. We coordinate the National Debt Helpline and manage the Small Business Debt Helpline. Our vision is for an Australia with fewer people in financial hardship

Financial Counselling Australia's (FCA) experience with Commonwealth disaster funding is as follows:

2019-20 Australian bushfire season

The Department of Social Services (DSS) funded 22 financial counselling agencies, as well as FCA, over two years, to coordinate the sector's response to the Black Summer Bushfires that devastated areas in five states and one territory. Our role was to collect and aggregate data, develop stakeholder relationships with disaster recovery organisations, and deliver ongoing training and communication with bushfire financial counsellors.

Between February 2020 and June 2022, bushfire financial counsellors from 22 agencies met people in recovery centres, church halls and community events, knocked on doors, posted information in community Facebook pages and met with local Indigenous organisations. Our data collected showed that there were 22,125 conversations with community members, leading to 11,672 casework sessions. The main casework support provided was access to grants and entitlements; insurance (under-insurance, no insurance, claims disputes); debts; and mental health/trauma recovery.

2022 Eastern Australia floods

In June 2022, the Federal Government announced disaster funding to 7 financial counselling organisations in Queensland and New South Wales, along with support to FCA for its overall coordination of the sector's response to the February 2022 floods. Then in March 2023, additional federal funding was announced for 2 more agencies in New South Wales following heavy rainfall and flash flooding across the central-west region in November 2022.



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121 Marcus Clarke Street, (PO Box 133) Canberra ACT 2601
Level 10, 10 Felix Street, (PO Box 15084) Brisbane QLD 4000



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Again, our role has been to collect and aggregate data, develop stakeholder relationships with disaster recovery organisations, and deliver ongoing training and communication with flood financial counsellors. This work is funded until 30 June 2024 and is built on our past learnings from the Black Summer Bushfires of 2019-20.

To date, data collected by FCA shows that flood financial counsellors from 9 agencies have had 4,946 conversations with community members, which has led to 3,692 casework sessions. While the casework issues are similar to what was seen in the aftermath of the Black Summer Bushfires, this time, financial counsellors are also reporting that more than 75% of clients are struggling with the day-to-day cost of living, and non-bank debts such as credit cards and Buy Now Pay Later accounts.

Q2. How could Commonwealth funding support communities to reduce their disaster risk?

The Australian approach to managing emergencies recognises four phases of emergency management: prevention, preparedness, response and recovery (PPRR). This approach ensures a balance between the reduction of risk and the enhancement of community resilience, while ensuring effective response and recovery capabilities. It is widely understood that the four phases of PPRR are not linear nor are they independent of the others. They overlap and support each other. For example, recovery activities are likely to begin during the response phase and mitigation/prevention strategies may be considered during the recovery phase.

FCA believes that the role of financial counselling begins long before a natural disaster takes place with community-based financial preparedness education covering topics including insurance, asset registers, emergency savings and how to manage debt following a disaster. Communities are taught how to physically prepare for a disaster with plenty of information available online about how to build an emergency kit for example, but they are not taught how to financially prepare for a disaster.

In the immediate aftermath of a disaster, financial counsellors provide information and assistance to the community with accessing emergency financial assistance. This is a type of relief service offered during the response phase of the emergency management cycle, as not all community members have the technological and/or literacy skills necessary to access emergency payments online. This issue can be further compounded by misinformation and scams, making financial counsellors a vital source of trusted information on the ground and in recovery centres.

At present, the financial counselling sector is only funded for the recovery phase of the emergency management cycle for a period of up to 2 years. This funding is received months after the disaster. From there, FCA trains up the workforce, developing a culture of networking where financial counsellors are encouraged to connect with a wide range of service providers including neighbourhood centres, community legal and legal aid organisations, Red Cross, local councils and state government grant providers. However, once the funding expires, the financial counsellors move on, leaving the sector to start all over again when the next disaster strikes.

The sector does not receive ongoing Commonwealth funding for either the preparedness phase, or the response phase of the emergency management cycle despite many examples of financial counsellors doing the work anyway. If the sector were provided with the means to permanently participate in all phases of emergency management, FCA envisages that the following would be possible:





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- * active engagement by FCA with the National Emergency Management Agency
- * active engagement by the state peak bodies with their state emergency management frameworks
- * active engagement by agencies with their local recovery groups as well as other recovery agencies
- * establishment of a productive sector wide Community of Practice
- * ongoing provision of high-quality training for financial counsellors
- * ongoing stakeholder relationships
- * development of the sector's role in the prevention phase
- * expansion of the sector's work in the preparedness phase
- * a workforce that is ready for both the response and recovery phases

Q3. Please describe your understanding of Commonwealth disaster funding processes.

2019-20 Australian bushfire season

DSS allocated \$5million for 22 local financial counselling organisations throughout the fire affected communities to deliver casework services. In addition, \$.5m to FCA for service coordination, training, data collection for government, and stakeholder management. This funding was over a two year period.

DSS initially funded three organisations in January 2020 to deliver face to face financial counselling to bushfire survivors – Salvation Army, Anglicare Sydney and Anglicare Victoria. These three organisations were the initial responders and deployed financial counsellors throughout the impacted areas. A further 19 organisations were funded from July 2020 to provide face to face services, in addition to the three initial services.

This funding was part of an overall package of \$50m from DSS that covered emergency relief grants and financial counselling.

FCA was funded to coordinate our sector's service delivery response, collect and aggregate data, raise and address systemic issues (with banks, regulators, insurers, government departments and ombudsman), develop, contribute to and benefit from stakeholder relationships, and provide bespoke training to augment our sector's assistance to survivors.

2022 Eastern Australia floods

DSS allocated \$5million to 9 local financial counselling organisations in NSW and Queensland throughout the flood affected communities to deliver casework services. In addition \$.2m to FCA for service coordination, training, data collection for government, and stakeholder management. This funding was over a two year period.

FCA travelled to the main flood affected areas and provided a paper to DSS on the need for financial counselling in flood affected areas based on the scale of damage, community needs, insurance data, grants and local insights. DSS also established a National Coordination Group (NCG) comprising CEO's of





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major emergency relief and financial counselling bodies. The NCG provided advice to the Minister regarding funding proposals for flood recovery projects.

Q4. Are the funding roles of the Commonwealth, states and territories, and local government, during disaster events clear?

To the best of our knowledge, FCA is the only national organisation whose employees work across multiple state, territory, and local government borders in response to emergencies. This is done out of necessity as our disaster team is small, equivalent to 1.5 Full Time Equivalent (FTE) staff. The major advantage to this way of working is that we can compare the PPRR approach from one state government to another, or from one local council to another.

From what we have observed, the funding roles of the Commonwealth, states and territories, and local government, during disaster events are relatively clear. However, it is the execution of these roles which we have noticed is sometimes lacking in consistency.

State government best practice example

In March 2022, the Queensland state government wrote to the federal government asking to jointly fund a recovery scheme called the Resilient Homes Fund (RHF). The RHF has three streams of funding available to either buy back, raise or retrofit flood-affected properties. The scheme opened for registrations in May 2022 and the first buy-back offers were accepted in September 2022.

FCA observed three key actions by Queensland's RHF which we think sets them apart from their New South Wales equivalent:

1. They got up and running as quickly as possible post-disaster.
2. They offered broad geographical eligibility to 39 local government areas.
3. They hosted 13 community information sessions offering one-on-one consultations to applicants.

Local government best practice example

Ipswich City Council (ICC) west of Brisbane is a best practice example of the importance of identifying at-risk properties early. Just prior to the February 2022 floods, the ICC finalised a project which involved the identification of flood-prone properties in Ipswich suburbs including Goodna. A few months later, when the RHF opened for registrations, the ICC was able to quickly provide the scheme with details of properties eligible for an offer of buy-back.

This timely information resulted in a number of Goodna homes being bought back and demolished less than 12 months post-disaster. It is important to note that Goodna is a low socio-economic area with a high percentage of Culturally and Linguistically Diverse (CALD) residents. ICC's early work resulted in vulnerable people being moved out of harm's way as quickly as possible. This type of risk assessment can only be done by local government and only if there is adequate funding to do so.

Q5. Is there any further information you would like to provide?

The Australian Emergency Management Arrangements (the Arrangements) state on page 8, "It is the role and responsibility of families and individuals to attain the highest degree of physical and financial self-reliance – before, during and after an emergency. In particular, they should arrange, where available, for





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adequate insurance to cover likely risks in their area including home, contents and income protection insurance".

For the past 9 months, FCA has been participating in an insurance affordability research project in partnership with a coalition of advocacy groups and led by consumer organisation CHOICE. Research from the coalition has found the home and contents insurance market is failing to protect people against extreme weather events, with customers struggling to access and afford the insurance they need.

The research involved a nationwide survey of home insurance policyholders, in depth interviews with people affected by extreme weather events and interviews with key civil society groups. It revealed 5 key problems with the home and contents insurance market:

1. Complex product design
2. Unaffordable premiums
3. Inaccessible information on natural hazard risk
4. Actions by homeowners to mitigate risk are not being considered by insurers
5. Housing in high-risk areas needs solutions beyond insurance

In response to these 5 keys problems, the coalition of advocacy groups will officially launch a report outlining the findings from the research as well as a suite of proposals to help address the issues next Tuesday the 8th of August in Canberra. FCA has committed many work hours to this high-value project without any additional funding from the Commonwealth.

