



Financial Counselling Australia Pre-Budget Submission

December 2021

Financial Counselling Australia

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Financial Counselling Australia (FCA) is the peak body for financial counsellors. FCA's members are the state and territory financial counselling associations.

Introduction

Financial Counselling Australia (FCA) thanks the federal government for the opportunity to contribute to considerations regarding the 2022-23 federal budget.

About FCA

Financial Counselling Australia (FCA) is the national voice for the financial counselling profession in Australia. FCA's member groups are the state and territory financial counselling associations. It is a not-for-profit organisation that:

- Provides resources and support for financial counsellors
- Advocates for a fairer marketplace
- Works to raise the profile of financial counsellors
- Advocates to increase access to financial counselling
- Works to improve hardship processes for people in financial difficulty

Financial counsellors provide free, independent, and non-judgemental support and advice to people who are struggling with their finances and debt. They are based in not-for-profit community organisations, including charities, universities, and neighbourhood centres.

About Financial Counselling

Financial counsellors help people to:

- Understand which debts are priorities
- Develop budgets and money plans
- Understand the pros and cons of different options to manage financial issues
- Access grants or concessions
- Negotiate with creditors
- Access dispute resolution services
- Understand their rights and access legal help

Financial counsellors have specific knowledge about the credit, bankruptcy and debt collection laws, concession frameworks and industry hardship practices. They are trained in negotiation and counselling and offer emotional support and a listening ear when people really need it. They are not financial advisors or planners. They do not earn commissions or provide investment advice.

Today, there are around 700 FTE financial counsellors operating in 192 agencies across 674 sites.

Why financial counselling matters

In 2014, research undertaken by the Australian Workplace Innovation and Social Research Centre at Adelaide University, found that every \$1 invested in financial counselling provides a \$5 return. Four in five clients had experienced at least one financial crisis.

The researchers noted that the cost-benefit analysis did not include other benefits that are more difficult to quantify, such as improvements in financial literacy, stabilised housing, or avoidance of legal action. In other words, the 1:5 cost benefit is an understated and conservative measure of the true economic benefit of financial counselling.¹

There are several benefits for clients, industry and government from financial counselling.

Clients

- Improved financial wellbeing, reductions in debt, increased income
- For many, the ability to maintain employment, family stability, avoid homelessness and even criminality.
- For some people, financial counselling helps improve mental and physical health problems or stops them occurring in the first place.

Industry (banks, credit unions, telcos, utilities, debt collectors, insurance)

- Higher repayments than would otherwise be the case and/or reduced collection costs

Government

Financial stress is at the heart of many other problems for individuals and families. It impacts on mental and physical health, affects housing stability, relationships, and children. At least some of these costs are borne by government in increased social security payments, demand for emergency relief and housing and on the health system.

Early access to financial counselling is an early intervention and prevention strategy that will reduce the current costs by borne by government.

¹ *Paying it forward: Cost benefit analysis of The Wyatt Trust funded financial counselling services*, Adelaide: Australian Workplace Innovation and Social Research Centre, The University of Adelaide, 2014.

Recommendations

1. The government
 - a. commits to implementing the key recommendations of the Sylvan review in 2022-23
 - b. commits to maintaining Commonwealth funding to the financial counselling sector at 2022-23 funding levels (indexed) as a minimum
 - c. from 2023-24 directs Commonwealth funding to the sector through a newly established independent body, which alongside an industry funded grant program, would also administer a grant program on behalf of the Commonwealth, and
 - d. works with the States and Territories to better coordinate the collection of data and encourages them to maintain their investment in financial counselling services.
2. The government, through the Department of Social Services, maintains an active watching brief over the current pilot of an on-line appointment booking system in the financial counselling sector with a view to funding a broader national rollout should the pilot prove successful.
3. The government
 - a. funds the Small Business Debt Helpline on an ongoing basis, and
 - b. considers the merits of the National Debt Helpline and the Small Business Debt Helpline rolling into the one service offering in the future.
4. The government provides ongoing funding for key strategic initiatives introduced by FCA during the bushfire/covid response that build financial counselling capability and capacity.

Recommendation 1

The government

- commits to implementing the key recommendations of the Sylvan review in 2022-23
- commits to maintaining Commonwealth funding to the financial counselling sector at 2022-23 funding levels (indexed) as a minimum
- from 2023-24 directs Commonwealth funding to the sector through a newly established independent body, which alongside an industry funded grant program, would also administer a grant program on behalf of the Commonwealth, and
- works with the States and Territories to better coordinate the collection of data and encourages them to maintain their investment in financial counselling services.

The issues

The 2019 Government commissioned Sylvan Review² catalogued the issues and challenges facing the financial counselling sector including: unpredictable and insufficient funding with a flow-on effect to workforce stability; administrative inefficiencies with the existence of multiple grant applications and acquittals; and a lack of consistent national comparative data.

The Review called for increased funding for financial counselling from the industry sectors that benefit from their clients accessing financial counselling services. It also recommended the establishment of an independent body to administer funding, improve data collection and insights, and foster service efficiency and improvement across the sector.

Since the release of the Review, the financial counselling sector has been working cooperatively with all stakeholders to design an acceptable funding model. Progress, however, has been slow. Although there is broad industry support, the sticking points have been agreeing which industry sectors should be in scope and the settling of an acceptable funding model.

The Sylvan Review also highlighted the lack of national consistency in data collection across agencies and between states and territories and the Commonwealth. This is largely driven from the myriad of grant funding arrangements at all levels of government, each requiring different acquittal requirements. There is an opportunity to align the data reporting for more reliable and accurate insights on service demand and trends driving that demand. This would need strong collaboration between governments and will require leadership from the Commonwealth to drive the improvements needed.

^{2 2} 'The Countervailing Power: Review of the coordination and funding for financial counselling services across Australia'

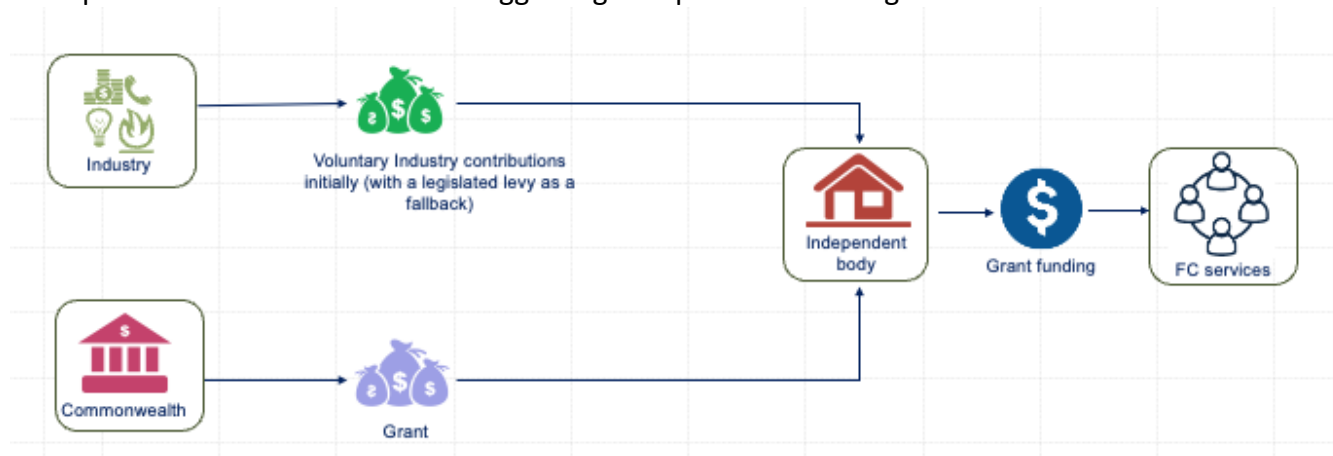
Action required

We are seeking government commitment:

1. To implementing key recommendations of the Sylvan review in 2022-23. These are to:
 - a. Establish an industry funding model to enable contributions from the industries that use financial counselling services (financial services, telecommunications, and utilities)
 - b. Set up a new body, independent of government, to administer industry funding
 - c. Contribute to the development and implementation of a robust and consistent data collection and analytics capability for the financial counselling sector
2. That Commonwealth funding to the sector is not reduced below 2022-23 funding. Industry contributions would be on top of continued Commonwealth and State funding so that with the introduction of industry funding, overall capacity in the sector is expanded.
3. From 2023-24 the Commonwealth direct its funding to the sector through the independent body, which alongside an industry funded grant program, would also administer a grant program on behalf of the Commonwealth.
4. To lead engagement with state and territory governments to improve alignment and consistency of data collection from the financial counselling sector. We also request that the Commonwealth secure the commitment of states and territories to maintain their investment in financial counselling services operating in their jurisdictions.

The Proposed model

The operational framework we are suggesting is depicted in the diagram below.



Ideally, the independent body would be established in early 2022, with industry funding contributions commencing in July 2022. Current Commonwealth grants to the sector expire in June 2023 presenting an opportunity for an established independent body to align its funding allocations with Commonwealth allocation decisions and to then administer the next round of Commonwealth Grants.³

This would be more administratively efficient, with one body overseeing both industry and government funding. If both the government and the independent body were providing separate grant funding, there would be an increased administrative burden on financial counselling agencies needing to bid for and acquit multiple grants, potentially with different reporting requirements and acquittal timeframes. Aligning the industry and Commonwealth grant conditions, and data reporting and acquittal would present opportunities for more reliable and consistent data collection from which demand trends and insights could be gleaned.

As important would be the improved strategic outcomes that would flow from having a single entity administering both industry and government funding. The body could ensure that all funds were directed to the areas most in need, as well as encouraging improvements in service delivery and innovation.

While the grant administration under this arrangement would be more arm's length than that currently, Commonwealth interests would be protected through the grant agreement conditions between the Commonwealth and Independent Body. We envisage that the Board of the independent body would be advised by a grant funding advisory committee made up of financial counselling, industry and government representatives.

Funding required over the forward estimates:

| New Commitments | 2022-23 \$ | 2023-24 \$ | 2024-25 \$ | 2025-26 \$ | Total \$ |
|---|----------------------|----------------------|----------------------|----------------------|--------------------|
| 1. Contribute to the establishment and operational costs of an Independent Body | 500,000 | 306,000 | 312,120 | 318,362 | 1,436,482 |
| 2. Contribute to the development and implementation of a robust and consistent data collection and analytics capability for the financial counselling sector | 500,000 | 144,000 | 146,880 | 148,818 | 940,698 |
| Total new cost to budget | 1,000,000 | 450,000 | 457,050 | 463,601 | 2,370,351 |

³ There is long-standing precedent for this type of arrangement, for example, the Community Broadcasting Foundation has administered Commonwealth grant funding to the community radio since the 1980s. This includes decisions about which community broadcasting stations receive grant funding.

| Changed administrative arrangements only | 2022-23 \$ | 2023-24 \$ | 2024-25 \$ | 2025-26 \$ | Total \$ |
|---|---|----------------------|----------------------|----------------------|--------------------|
| 3. <i>Transfer grant administration to the Independent Body for:</i> | Existing grant funding ends on 30 June 2023 | 17,864,000 | 18,131,960 | 18,403,939 | 54,399,899 |
| - <i>Commonwealth Financial Counselling and Financial Capability (CFC/FC)</i> | | 3,248,000 | 3,296,720 | 3,346,171 | 9,890,891 |
| - <i>National Debt Helpline (NDH)</i> | | 5,785,500 | 5,872,283 | 5,960,367 | 17,618,149 |
| - <i>Financial Counselling for Problem Gambling (PG)</i> | | 16,849,000 | 17,101,735 | 17,358,261 | 51,308,996 |
| - <i>Money Support Hubs (MSH)</i> | | | | | |
| Total new and transferred funds | 1,000,000 | 36,147,251 | 36,689,460 | 37,239,802 | 111,076,513 |

Notes:

1. The Minister has previously committed to funding the establishment of an Independent Body. Contributions to operational costs of the body (from 2023-24 onwards) would apply if the administration of Commonwealth grants (per 3) is agreed and would cover grant administration personnel costs – 3 staff at \$85K p.a. plus oncosts.
2. 2022-23 funding would cover consultancy fees to design the data collection model, possibly administered by the Independent Body, but in collaboration with the Commonwealth. Ongoing costs cover one data analyst to focus on Commonwealth data extraction and analysis requirements
3. Commonwealth grant funding for 2022-23 indexed by 2.0 % p.a.

Recommendation 2

The government, through the Department of Social Services, maintains an active watching brief over the current pilot of an on-line appointment booking system in the financial counselling sector with a view to funding a broader national rollout should the pilot prove successful.

The issues

The National Debt Helpline (NDH) is a telephone and webchat financial counselling service and website. The helpline is operated by separate agencies in every state and territory and by two agencies in both Victoria and NSW. NDH financial counsellors help clients assess their financial situation and provide them with advice to get back on track. If a client's matter is more complex, they refer them to their closest face-to-face financial counselling service.

NDH operators however do not have visibility of the availability of appointments in face-to-face financial counselling agencies within their state. Currently, when a client calls the NDH and the financial counsellor ascertains that they also need assistance from a face-to-face service, the client is provided with the contact details for several agencies to follow-up for an appointment. It is often the most vulnerable clients that require a face-to-face service, but they are often left to call around to find an appropriate appointment. There is no doubt that many do not take this additional step.

An analysis of the NDH call volumes in late 2021 showed that there was an average of 2,000 calls a week or 104,000 a year. Outbound referrals from the NDH to face-to-face services are around 40 percent of total calls, that is approximately 800 clients a week, or 40,000 a year, being referred for a face-to-face session.

Advances in technology have given rise to the ability to book many services online, from restaurants to medical appointments. There is an opportunity to introduce this technology to the financial counselling sector bringing with it significant benefits:

- **There would be a much better outcome and experience for clients**
 - An appointment is made on first contact, removing barriers, and reducing stress and anxiety.
 - NDH notes will be passed to the face-to-face agency reducing the need for clients to re-tell the details of their financial situation.
 - The client will receive relevant information from the NDH provider e.g., links to the NDH website that were mentioned in the NDH conversation.
 - The client will receive SMS or emails reminders about the appointment.
- **Funders and key stakeholders would have better data**
 - Currently we do not have the data to show whether a client that is referred by the NDH to a face-to-face agency books an appointment. If the client does

book an appointment, we are not aware if they attend that appointment.

- **Agencies would be more efficient with reduced administration costs**

The Salvation Army in South Australia already operates an appointment booking system from the NDH to its own network of agencies and has done so since 2016. It reports that since implementation it has reduced 'no-show' rates from 75 percent to 8 percent and has made significant annual savings in staff administration time.

Action required

There is likely to be a business case for investment in a broad rollout of an appointment booking system from the NDH to the face-to-face financial counselling network across Australia but we appreciate that this will not be an easy task, given the complexity of the network. (There are around 190 separate agencies that deliver financial counselling services over 600 separate locations with 10 separate NDH agencies referring clients to them.)

As a first step, FCA has recently engaged a software developer to pilot an appointment booking software solution with the NDH operator in Western Australia and three other financial counselling agencies in that state. The developer is the same company that has worked with the Salvation Army in SA on their appointment booking system over the last seven years. The pilot will run for six months – through to early July 2022 – and will provide the opportunity for FCA and the agencies to evaluate the solution and determine if it is fit for purpose for a broader national rollout.

The cost of the pilot is being met by FCA through additional Covid funding provided to it from the Commonwealth to improve service capacity in the sector.

At this stage we are not seeking additional funding, however, we ask that the Commonwealth through the Department of Social Services, is involved in the pilot evaluation with a view to considering funding a broader rollout of an online appointment booking solution, should the pilot prove successful.

We would estimate that a national rollout would require funding for initial one-off development costs in the vicinity of \$200,000 with ongoing agency-based licensing costs of around \$1 million per annum, depending on the number of agencies and individual licenses. These figures are indicative only.

Recommendation 3

The government

- a. funds the Small Business Debt Helpline on an ongoing basis, and
- b. considers the merits of the National Debt Helpline and the Small Business Debt Helpline rolling into the one service offering in the future.

The issues

Funding for the Small Business Debt Helpline Line finishes at the end of February 2022. FCA is in current discussion with The Treasury to extend the funding to the end of 2022.

The Helpline, launched in March 2020 in response to the bushfires, is a unique service as it is the only specialist telephone financial counselling service for small business in Australia.

FCA also coordinates the provision of the National Debt Helpline (NDH) and sees the opportunity to align the two helpline services for a more efficient and broad reaching telephone financial counselling service offering. This aligned service would have one recognised number (1800 007 007) with the ability for callers to be channelled to generalist or specialist small businesses financial counsellors, depending on their need.

The number of calls to the small business debt helpline is on an upwards trajectory, particularly in the latter part of 2021 – in the September quarter the helpline assisted 593 small businesses. Since commencing the service we conservatively estimate that it has assisted businesses that collectively represent between \$180 million to \$990 million of economic activity. This assistance covers an array of support for small businesses, including:

- helping them to negotiate payment plans with banks or suppliers
- helping them to engage with landlords to enact relief under Covid provisions
- advising them of the importance of keeping BAS lodgements up to date and potential implications for personal liability of late lodgements
- supporting them to make hardship applications and apply for debt waivers
- identifying grants or other support they are likely to be eligible for. Assisted with application process
- explaining the insolvency process and/or made appropriate referrals to insolvency practitioners. For some business owners a respectful exit is the best option
- explaining contracts and implications of clauses including existence of personal guarantees
- providing advice to partners/directors where debts or issues are a result of family violence that has allowed these to be resolved
- providing people with practical options relevant to their situation enabling them to make informed choices
- assistance with lodging disputes with AFCA.

The number of calls to the Helpline has not been as high as originally anticipated, but the trend is very clearly upwards. The reason for this was the significant difficulty in promoting the existence of a service that was initially limited to bushfire-affected businesses at a time when Covid was the dominant issue. As well, the unwieldy original name of the service – the Small Business Bushfire Financial Counselling Support Line – was difficult to promote and we received consistent feedback from media outlets about this.

While the Australian economy is expected to rebound from the aftereffects of the pandemic, many small businesses will continue to struggle. The forbearance offered by banks, moratoriums on disconnections and rental holidays are all coming to an end. The ATO is also beginning to ramp up its collection activity.

Businesses that are still struggling will benefit from specialist small business financial counselling.

Action required

The Helpline has been in existence for a relatively short time. We recommend therefore that the Helpline is funded over the forward estimates, but with a review in a further two years. The review should also consider the costs/benefits of amalgamating the two financial counselling debt helplines.

The cost of providing the service would be \$1.8 million per annum indexed at 2.0 percent per annum.

| | 2022-23 \$ | 2023-24 \$ | 2024-25 \$ | 2025-26 \$ | Total \$ |
|--|------------------|------------------|------------------|------------------|------------------|
| Small Business Debt Helpline | 1,800,000 | 1,836,000 | 1,872,720 | 1,910,174 | 7,418,894 |
| Review of the Small Business Debt Helpline | | 50,000 | | | 50,000 |
| Total funding | 1,800,000 | 1,886,000 | 1,872,720 | 1,910,174 | 7,468,894 |

Recommendation 4

The government provides ongoing funding for key strategic initiatives introduced by FCA during the bushfire/covid response that build financial counselling capability and capacity.

The issues

The devastating impact of bushfires in late 2019 and the emergence of Covid-19 in March 2020 saw the government fund several community assistance packages to boost support for impacted communities. Among these was additional funding for the provision of more financial counselling services on the ground. Funding was also provided directly to FCA to:

- promote NDH/financial counselling services
- foster programs that would boost the financial counselling workforce
- develop new technologies to improve and broaden service delivery, and
- build a disaster response capability within the sector.

The funding provided to FCA has delivered strong results, and these have been reported to DSS through grant acquittal processes. During 2021-22 FCA has used approved rollover funds to continue many of the initiatives, specifically:

- ongoing promotion activities through social media, print media, radio, website optimisation etc, to raise awareness of the NDH. This has been provided by a dedicated communications staff member
- the piloting and broader rollout of 'webchat' functionality for the NDH to provide a new channel for people to contact a financial counsellor
- the creation of an online financial counselling agency called Steps, so that students unable to access a face-to-face placement can complete their Diploma of Financial Counselling virtually in a simulated environment
- the scoping and selection of a vendor to pilot an appointment booking system for NDH financial counsellors to connect clients who need ongoing face-to-face support to a service near them (see recommendation 2), and
- in relation to bushfires, coordination of the service delivery response, including training, information sharing and data collection and building a disaster response capability for the longer term.

There is no funding to continue these initiatives beyond June 2022.

Action required

We seek additional funding for FCA to deliver the following on behalf of the financial counselling sector:

- **Awareness raising of the NDH** service through delivery of a dedicated communication strategy. Funding for one Communications Advisor three days per week. We know that calls and chats to the NDH increase after mainstream and social media references to financial counselling services.
- **A ‘Chat’ functionality for the NDH** covering the licensing costs for NDH operators in each state. The provision of webchat is standard for most on-line services and will allow the NDH to reach more people, particularly those who may be reluctant to make personal telephone contact, or who prefer to engage via chat. Some young people for example prefer this access mechanism. The NDH chat has also been used by at least some people who are hearing impaired.
- **The continuation of the ‘Steps’ program** with the staffing capacity to run three placement sessions a year, each taking 16 students. Priority will be given to regional and remote students where opportunities for placement in an actual financial counselling agency are limited and where there are ongoing workforce shortages. The costs to run the Steps Program are primarily staff costs – supervisors, mentors, and an administrator.
- **Provide an ongoing disaster response capability.** Funding of a staff member with long experience in the coordination of quick service delivery responses to meet emerging community needs, on a three days per week basis.

| FCA Strategic Initiatives | 2022-23 \$ | 2023-24 \$ | 2024-25 \$ | 2025-26 \$ | Total \$ |
|---|----------------|----------------|----------------|----------------|------------------|
| Awareness Raising | 79,200 | 80,784 | 82,400 | 84,048 | 326,431 |
| Provision of a chat functionality for the NDH | 30,000 | 30,600 | 31,212 | 31,386 | 123,648 |
| Steps Program | 400,000 | 408,000 | 416,160 | 424,483 | 1,648,643 |
| Disaster Response Capability | 79,200 | 80,784 | 82,400 | 84,048 | 326,431 |
| Total Funding | 509,200 | 519,384 | 529,772 | 540,367 | 2,098,723 |