

# QCOSS

Queensland Council  
of Social Service

## *Financial Wellbeing and Capability Activity Discussion Paper*

*Submission to the Department of  
Social Services*



*13 April 2017*

## About QCOSS

The Queensland Council of Social Service (QCOSS) is the state-wide peak body representing the interests of individuals experiencing or at risk of experiencing poverty and disadvantage, and organisations working in the social and community service sector.

For more than 50 years, QCOSS has been a leading force for social change to build social and economic wellbeing for all. With members across the state, QCOSS supports a strong community service sector.

QCOSS, together with our members continues to play a crucial lobbying and advocacy role in a broad number of areas including:

- place-based approaches
- citizen-led policy development
- cost-of-living advocacy
- sector capacity and capability building.

QCOSS is part of the national network of Councils of Social Service lending support and gaining essential insight to national and other state issues.

QCOSS is supported by the vice-regal patronage of His Excellency the Honourable Paul de Jersey AC, Governor of Queensland.

Lend your voice and your organisation's voice to this vision by joining QCOSS. To join visit [the QCOSS website](http://www.QCOSS.org.au) (www.QCOSS.org.au).

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## Introduction

QCOSS welcomes the opportunity to make this submission to the Department of Social Services (DSS) to inform the future direction of the Financial Wellbeing and Capability (FWC) Activity.

We agree with DSS that FWC funding is part of a safety net provided alongside other measures, including income support. QCOSS considers that the current income support levels are inadequate, especially for those on Newstart. The inadequacy of the Newstart Allowance is a key driver of the financial issues people experience and is increasing demand for FWC services.

QCOSS's Cost of Living report series uses a conservative methodology to examine whether low-income households in Queensland are able to meet a basic standard of living.<sup>1</sup> This methodology has consistently found over time that a single person on Newstart is unable to do so. Emergency Relief (ER) is therefore a critical part of the safety net.

QCOSS agrees that an early intervention and prevention focus is important to achieve long-term outcomes. However, to truly prioritise early intervention and prevention, it is essential for the Australian Government to increase the income support safety net so people can afford a basic standard of living.

It is also important to understand the scope of need that people may experience along the continuum of financial wellbeing. QCOSS has collaborated with the Queensland community sector to develop our own continuum (Appendix A) and the elements required for an integrated approach to financial wellbeing (Appendix B). We provide these to DSS for your consideration and information.

ER provides an important and universal crisis response – not only for those on income support payments – but for all Australians who experience financial crisis or hardship (including non-citizens). It is critical that services can respond to the specific needs of their clients and their local communities. A 'one-size fits all' approach to eligibility criteria or service delivery does not allow services to be responsive to local need, and risks excluding people in dire need.

We recognise DSS is not proposing to 'reduce funding levels' as part of this consultation. However, any move to increase regulation, reporting requirements or activities must be met with increased funding if client outcomes are not to be reduced.

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<sup>1</sup> [https://www.qcoss.org.au/sites/default/files/20141215\\_CoL\\_Report\\_Regional\\_FINAL.pdf](https://www.qcoss.org.au/sites/default/files/20141215_CoL_Report_Regional_FINAL.pdf)

# 1. Targeting of services

The Discussion Paper proposes to target FWC services by:

- Restricting ER and Commonwealth Financial Counselling (CFC) services to those at imminent risk of not being able to pay their debts; and
- Restricting Financial Capability services to:
  - people in receipt of an Australian Government social welfare allowance, pension or benefit,
  - people experiencing domestic and family violence, and
  - immigrants/non-citizens.

QCOSS believes the proposed eligibility criteria for Emergency Relief (ER), Commonwealth Financial Counselling (CFC) and Financial Capability services are too restrictive and inflexible to meet the needs of the community, as follows:

- the need to respond to clients with complex needs that may not neatly fit into one of the categories outlined above
- the need to be able to respond to local need across regions and communities
- recognising the various needs of people in financial crisis – not just those in debt
- the exclusion of many individuals in need, including: people on low incomes; casual workers; self-employed; and Trans-Tasman residents who reside in Australia under non-protected special category visas.

These points are outlined further below.

Applying standardised eligibility criteria to these services does not appear to align with the principle of reform cited in the Discussion Paper to “*recognise the complexity of the needs of the clients and of the sector*” (p7). The proposed eligibility criteria do not provide sufficient scope for financial assistance to be provided to people with complex needs, including those who may be experiencing physical and mental health conditions, relationship breakdown, people exiting the prison system or those impacted by natural disaster, to name a few.

Also the eligibility criteria proposed do not recognise the complex needs of the community services sector, particularly where there are variations in capacity and need across different service providers, communities and regions. FWC services must be flexible to adapt to local needs and respond to the changing needs of the community over time. Some of the trends identified in Queensland which are changing the nature of financial hardship and which FWC service providers need to respond to are:

- An increase in predatory practices by commercial entities such as online gambling businesses, pay-day lenders, rent-to-buy schemes, funeral insurance and other fringe financial services targeting people experiencing vulnerability;
- Growth in unemployment, under-employment and the increasing casualisation of the workforce, which is especially prevalent across specific regions, sectors and demographics;
- Increasing barriers to assistance for those most in need due to digital exclusion, geographic remoteness or social isolation;
- Significant increases above CPI in the cost of essentials such as housing, electricity, water, transport, etc which is increasing pressure working households;
- Changes in the government practices in relation to the imposition and collection of fines, and debt management practices being undertaken by Centrelink which is contributing to financial and emotional stress; and
- The impacts of natural disasters, including unexpected events (such as Cyclone Debbie) and persistent circumstances such as drought which is currently affecting 80% of Queensland.

## **Emergency Relief (ER) and Financial Counselling**

ER is intended to provide immediate financial and/or material support to help people address immediate basic needs in times of financial crisis. People seeking ER are in survival mode and are in urgent need of support to access essentials such as medicine, food or stable accommodation. ER must be provided as part of the universal safety net. We are concerned that introducing restrictive eligibility criteria does not allow services to offer ER as a universal safety net. Ensuring universal access to this type of support is a critical part of successful early intervention and prevention.

ER is often safe entry point for people with complex needs. Services must retain the ability to implement their own eligibility criteria based on their funding levels, their understanding of local community needs, and their relationships and referral points to other local services. For example, one service provider on the Gold Coast receives a very small amount of ER funding and has developed their own eligibility criteria and referral pathways for their ER staff to follow. This model relies on the ability for this service to refer to other local agencies who can assist. Standardising eligibility criteria across the board would make this type of service integration more difficult to achieve at a local level.

Restricting ER and Financial Counselling services to people “*at imminent risk of not being able to pay their debts*” is too restrictive. This eligibility criteria assumes people must have “debts” to be in need of ER or financial counselling support, which does not recognise the fact that people may have paid their debts but be unable to afford to buy other essentials such as food or medical supplies. Given the low level of income provided through the Commonwealth’s income support safety net, and the low incomes of an increasingly under-employed workforce, people who do not have debts frequently still require support to manage their costs to meet a basic standard of living.

This eligibility criteria would also exclude those experiencing a financial crisis due to circumstances such as death in the family, job loss, injury, mental health or natural disaster. Disaster recovery support services are not always accessible for people in times of need and ER must be flexible to provide assistance to those most in need following unexpected events.

### **Financial capability services**

The Discussion Paper notes that financial capability services are intended to have a “*prevention and early intervention*” focus. The Paper references research which demonstrates the value of early intervention and prevention activities and states that Department is “*keen to support FWC services that focus on early intervention and prevention*”.

QCOSS considers the eligibility criteria proposed for financial capability services would restrict the capacity of services to undertake early intervention and prevention activities. FWC services are often in competition for attention with pay-day lenders, rent-to-buy operators and other commercial entities who often use predatory financial practices to attract and entice people experiencing vulnerability. Restrictive eligibility criteria reduces opportunity to reach people who may be at risk of being targeted by these business models.

Additionally, having separate eligibility criteria for ER / CFC compared to Financial Capability services limits the ability for services to refer clients across these services depending on their individual needs. For example, it may be difficult to attract individuals in need into financial literacy and education-based programs, however by developing a relationship through ER they may be more willing to engage in early intervention and prevention focused programs when that service becomes more appropriate to their needs.

The eligibility criteria proposed is concerning as it excludes many vulnerable groups who need to access FWC services, such as:

- Working individuals and families on low or irregular incomes. Trends in under-employment and the casualisation of the workforce are resulting in more individuals who are employed requiring support and assistance. Estimates from Queensland service providers about the proportion of employed individuals in need of assistance range from one in 20 in some low socio-economic areas, to one in five in areas where the underlying issues are quite different. For example, the Gold Coast has a high proportion of low income workers in casual or seasonal employment (i.e. retail, hospitality, etc.).
- People who have been recently employed and would benefit from early intervention and prevention support to manage their income.
- Aboriginal and Torres Strait Islander population. This is especially concerning given the government's commitment to close the gap in Indigenous disadvantage.
- Trans-Tasman population who are not eligible for income support payments.
- Refugees and asylum seekers or individuals on other visa types
- Many others – too many to name (more consultation with communities is essential)

QCOSS supports services retaining the flexibility to determine their own eligibility criteria for FWC activities. Should DSS decide to consider standardised eligibility criteria, much wider and in-depth consultation with communities is essential to ensure the changes do not result in detrimental outcomes for people in need.

## 2. Service Integration

*The Discussion Paper proposes contractually requiring FWC providers to establish formal relationships and referral pathways with other FWC providers and other relevant services including Family Relationship services, JobActive/job network providers and/or other appropriate services in their funded areas.*

*The Paper also proposes to expand the number of FWC Service Delivery Hubs in one or two additional locations across Australia, with locations chosen on the basis of disadvantage and availability of other relevant support services, and with organisations encouraged to apply to deliver the Hub service model in the identified areas.*

QCOSS supports integrated and place-based responses to improving outcomes for vulnerable Queenslanders. Place-based community responses are built on foundations of enhanced coordination, opportunities for informal professional development and information sharing, and integrated referral pathways between services. Based on our consultation with members delivering ER and financial capability programs, effective integration and referral between services is already happening in many services.

Contractually requiring FWC service providers to establish and report on formal relationships and referral pathways risks increasing the administration and reporting burden on service providers without clearly changing activity or outcomes for individuals. This appears in contrast with the principle of reform cited in the Discussion Paper to reduce red tape (p5).

Effective coordination and referral in communities is dependent upon there being effective service system with the services required by clients. In many communities, services are limited. In larger communities, services may not have the capacity to respond to additional service requests or new referrals. Possible challenges include:

- Community legal centres - FWC service providers often refer complex financial issues to community legal services which will be significantly impacted by Commonwealth budget cuts from 1 July 2017.



- JobActive – many JobActive providers are not well placed to respond to the complexity of individuals in crisis or are not well-connected in local communities to provide effective support. One member has reported difficulty getting local JobActive provider to engage with their service in any way.
- Financial Counselling – it can be difficult to find local, available and suitable financial counselling for all clients. Wait times are lengthy in Queensland due to chronic under-funding for many years. Many members have significant difficulties in this regard.

A healthy community services sector and service system provides flexibility in response to meet local need. It is important that communities and community service providers are able to develop models that build on local strengths and respond to local need. This includes allowing capacity for a range of models including:

- Smaller independent providers with strong referral pathways and relationships
- Larger providers who can provide a mix of services
- Colocation of services as a service hub

The joining of services can sometimes provide the benefits outlined in the paper such as information sharing, reduced costs etc. However good client outcomes can be achieved in many ways and existing service providers have a range of strategies to ensure they can deliver services and achieve outcomes in ways that meet local need. Requiring organisations to 'join together' does not guarantee improved outcomes, and in fact may diminish the funds that service providers have available for service delivery.

### 3. Supporting client outcomes

*The Discussion Paper proposes that financial counsellors and capability workers address work readiness and employability skills alongside financial literacy skills (potentially through referral) and that all FWC services emphasise employment as a key goal when working with clients on Newstart Allowance to explore pathways with clients to increase employment prospects and provide referrals to other services (including jobactive/ job network providers).*

*The Paper also proposes that clients who present for ER on multiple occasions within a certain timeframe would be required to demonstrate that they have taken reasonable steps to reduce their costs, increase their income or improve their financial management.*

QCOSS notes the principle for reform cited in the Discussion Paper to focus on “ensuring services are achieving positive outcomes for clients” alongside a commitment to “work with the sector with this goal in mind” (p5). We do not consider the proposal to require employment as key goal for all FWC clients on Newstart to be in line with this principle.

Individuals on Newstart will already have a JobActive provider and have in place a range of mutual obligation requirements that have been negotiated with their JobActive provider. It is difficult to see what further work is required from FWC providers or indeed, why responsibility for employment outcomes is being transferred from the JobActive to the FWC provider.

The role of the FWC provider is to support clients to respond to emergency financial need, assist in resolving complex financial problems, and provide support and strategies to help individuals manage financial stress in the longer term. As outlined previously our members have indicated that this includes providing referrals to a range of service providers (including JobActive) that may be able to support individuals to achieve positive outcomes.

The narrow focus on employment as the primary outcome for all clients is misplaced, and is also out of step with the principle of reform cited in the Discussion Paper to “*recognise the complexity of the needs of the clients and of the sector*” (p7).

Lack of employment is just one of the many systemic and individual issues that can go hand in hand with financial problems for people on Newstart. Other drivers might include relationship breakdown, crime, family illness or death, domestic violence, mental health, addiction or natural disaster.

As previously noted, service providers in Queensland have had mixed experiences in engaging employment service providers. Some have given presentations and had a good response from employment agencies, whereas others have attempted to engage and build referral pathways with no success. For the link between FWC service providers and employment agencies to be effective there would need to be obligations for employment agencies to also equally work towards building referral pathways and collaborating with FWC providers.

We note there is also sometimes a power imbalance between FWC service providers and employment agencies – with some FWC providers being smaller organisations, primarily staffed by volunteers with limited resources to travel. This puts FWC service providers, especially smaller service providers, at a disadvantage when engaging with employment services.

### **Restrictions on ER for client who present on multiple occasions**

For FWC services to be effective, the client must be ready and committed to having a financial conversation. Requiring an ER client to develop a budget or look for work when they have other more pressing issues to address is a waste of effort on the part of both the client and the service provider. It also risks damaging the opportunity for the FWC service provider to develop a trusted relationship with the client that is based on a demonstrated understanding for their specific situation and their individual needs.

As previously noted, the inadequacy of income support payments to meet a basic standard of living provides an additional barrier to achieving financial wellbeing for individuals. While some individuals may be experiencing financial crisis due to mismanagement, many clients simply do not receive sufficient income to afford the basics of life. A budget is unlikely to achieve outcomes in these instances.

We note this section of the Discussion Paper also focuses on the need for early intervention and prevention strategies. However, as mentioned earlier, the narrowing of the eligibility criteria being proposed for FWC services would present a barrier to service providers undertaking early intervention and prevention activities.

Anyone can find themselves in a financial crisis. By only engaging people in at imminent risk of not being able to pay their debts, or those in receipt of Centrelink incomes, service providers will miss opportunities to engage with people before they experience financial crisis.



## 4. Building a stronger workforce

*The Discussion Paper proposes to support FWC funded services by funding national organisations to deliver co-ordinated training and development.*

As complexity and competition increases in industries such as banking, credit, electricity, telecommunications and other essentials, the need to empower individuals to navigate these markets becomes even more important. Many households struggle to make informed choices due to language and cultural barriers, low literacy and numeracy, disability, mental health, crisis or digital exclusion. Marketing practices of pay-day lenders, credit repair agencies, rent-to-buy operators, sports betting agencies and other emerging businesses is drowning out efforts to promote financial literacy and financially inclusive products and services.

QCOSS has identified that many individuals are unaware of their rights and obligations, how to make good financial decisions, and what financially inclusive options are available. This is not only amongst individuals in need, but also across the wide range of community service providers who are delivering advice and support to people at risk. We consider it is important to engage a broad range of community workers with financial literacy education even if it is not their core role as a FWC provider. Building the capability of all service providers to understand financial literacy and to identify where there may be pressing financial issues is a critical factor in embedding a holistic early intervention and prevention response.

Community education is required in Queensland to build awareness of existing resources such as ASIC's MoneySmart and promote referral pathways. This includes community education for individuals, as well as raising awareness across all community services interacting with service users who may be financially vulnerable including programs across mental health, disability, domestic violence, family support services, etc.

We note that DSS has indicated national providers would support the training and development needs of FWC service providers. However, it is critical that any training is developed in recognition for differences across jurisdictions and regions, as these can be challenging for local service providers to stay up-to-date with. Opportunities to collaborate with state and regionally based groups offering capability building activities is important to ensure training captures differences including (but not limited to):

- Differences in eligibility criteria and application processes for concessions which clients may be able to apply for to assist with the cost of essentials such as public transport, energy and water;
- Complementary programs that may be offered by state or local governments, such as energy efficiency programs for low income households that may help to reduce costs and support financial outcomes;
- Local and up-to-date knowledge about the capacity of services such as financial counselling, tenancy support or community legal services, which can vary significantly across jurisdictions and regions; and
- Processes and practices relating to State Penalties and Enforcement Registry (SPER) fines and options available to people in financial hardship to manage their debts.

Examples of community education and awareness activities for community services providers which capture the specific differences relevant to people in Queensland includes:

- QCOSS's Energy Literacy Workshops and Webinars which provide community services with foundation knowledge and skills to assist clients with electricity bills;
- LegalAid Queensland's webinars on bankruptcy, credit and debt issues, and the legal side of financial issues for community workers; and
- ICAN's Yarnin' Money program which builds financial literacy skills in remote Aboriginal and Torres Strait Islander communities.

## 5. Evidence, practice and outcomes

*The Discussion Paper proposes to undertake an outcome based evaluation of the FWC Activity.*

One of the key principles for reform cited in the Discussion Paper is:

*“Reducing red tape: we understand the effort it takes for organisations to apply for grants and, through future grant rounds, seek to streamline and simplify the process as much as possible” (p5).*

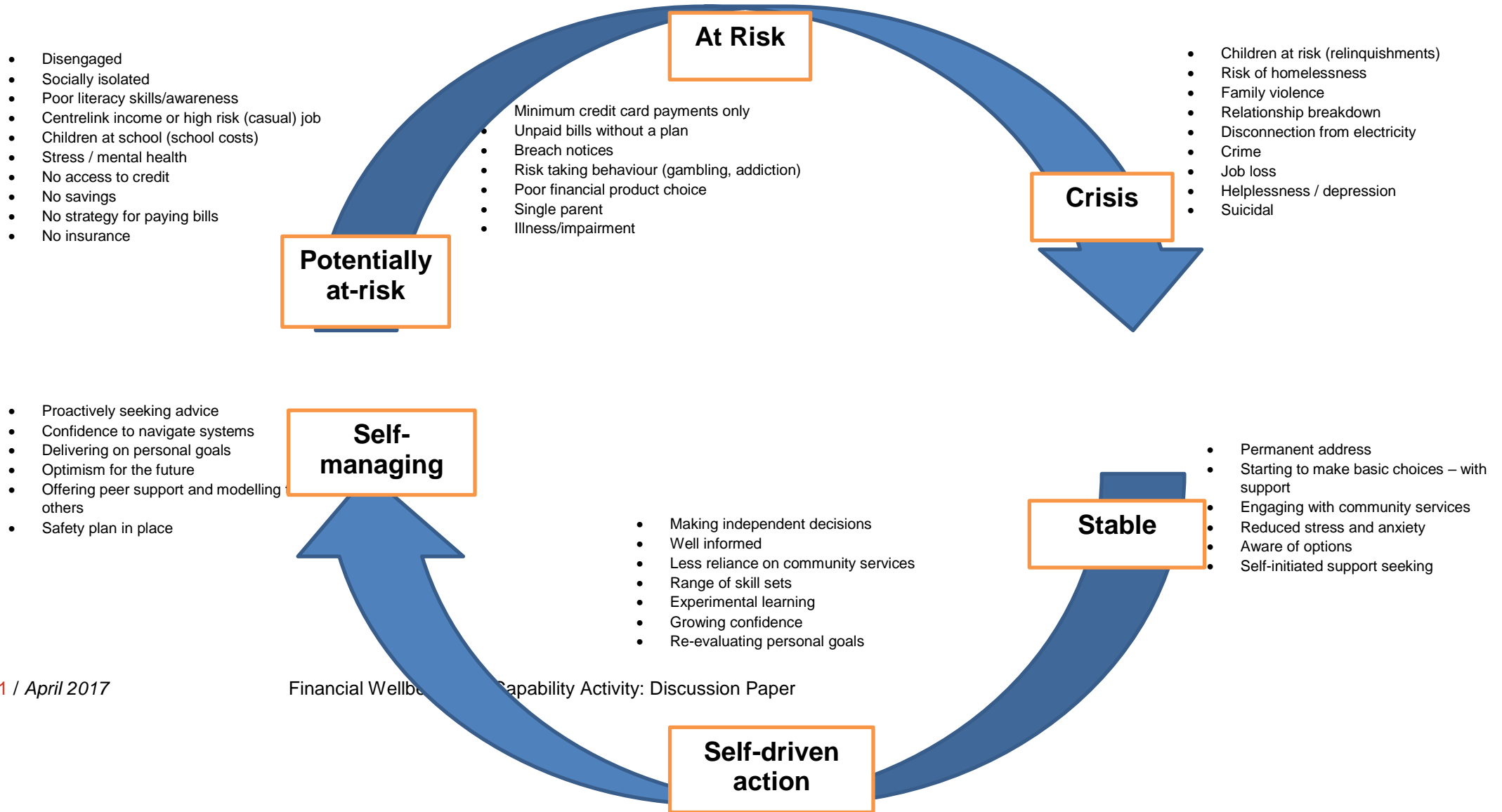
While this principle mentions the effort organisations take to *apply* for grants, it does not explicitly mention the red tape involved in reporting and evaluation. QCOSS would like to see the principle around “reducing red tape” applied to the evaluation framework as well. Any additional reporting requirements must be introduced with an evidence base to demonstrate need and certainty that services can continue to be delivered efficiently and effectively without onerous administration burden. This is especially important for smaller service providers.

Many of the measures proposed in this Discussion Paper are already being undertaken by service providers as part of standard practice. For example, services are engaging employment agencies (where they have been able to) and working in collaboration with other services in their region to address the holistic needs of their clients. Services are also gathering local stories and on-the-ground case studies to build a clear picture of what the pathway to financial resilience looks like in different Queensland communities. It must also be recognised that while early intervention and prevention activities are highlighted as a key focus for DSS, the outcomes of these activities can be hard to measure.

DSS must consider what proportion of its FWC funding it would like services to dedicate to monitoring and reporting these activities and outcomes, as opposed to service delivery.

An outcomes focus must be supported by a commitment to open and transparent data that combines the human story with a strong evidence base on outcomes. There is also a need for data to be used to drive an integrated and whole-of-system response. Government policy and regulation has not been sufficiently proactive and responsive to many of the drivers of financial difficulty for people experiencing vulnerability. In many cases, the policy settings for protecting consumers, especially in regards to the predatory practices of fringe financial service providers, fall short of community expectations. Evidence on outcomes captured from FWC must be utilised by DSS to inform government policy and regulation to ensure we address the drivers of financial problems at a systemic level. This will assist in reducing the impact on services struggling to meet the needs of individuals and families over the longer term.

# Pathway to Financial Resilience and Wellbeing



**Attachment B**

