16 December 2022

Department of Social Services

Via <https://engage.dss.gov.au/financial-counselling-industry-funding-model/>

Dear review committee members,

# **Financial Counselling Industry Funding Model discussion paper**

Anglicare WA welcomes the opportunity to provide feedback on the proposed Financial Counselling Industry Funding Model being developed by Department of Social Services.

Anglicare WA is a leading not-for-profit organisation in Western Australia that supports people in times of need. We play an important role in building strong relationships, families, and communities. We provide support, counselling, accommodation, and advocacy for people impacted by poverty, homelessness, domestic violence, grief, mental health and other forms of crisis or trauma.

Anglicare WA provides service support directly to over 70,000 people each year across the state. This includes support to approximately 25,000 people through financial wellbeing services. Some of these services include:

* Financial Counselling
* Financial Coaching
* WA NILS (No Interest Loans Scheme)
* The Emergency Relief and Food Access Service
* The (HUGS) Hardship Utility Grants Scheme – Service Centre

The discussion points and recommendations contained within this submission have been collated from across Anglicare WA, incorporating the views and responses of front-line workers, program managers, researchers, and our leadership team.

For any questions relating to this submission, please contact Colin Harte, Practice Consultant, Financial Inclusion, [colin.harte@anglicarewa.org.au](mailto:colin.harte@anglicarewa.org.au) .

Yours faithfully

**Mark Glasson  
Chief Executive Officer**

# **SUMMARY OF ANGLICARE WA RESPONSES**

## **Overview of the proposed model**

Discussion question: What are your views on the proposed principles for developing the industry funding model?

Anglicare WA is broadly supportive of an industry funding model that enables more community members to access Financial Counselling supports. Furthermore, we feel that an industry funding model also offers an indirect benefit to the contributing industries themselves, since by having improved opportunities to see a Financial Counsellor, community members are better placed to pay off their financial obligations.

However, while we support the proposed principles for developing the industry funding model, we do question the underlying objective, which is to address *unmet demand* for financial counselling services, rather than *unmet need*. Please see further below for additional discussion on this point.

Data and evidence collection

Principle 5 states that “The operation and effectiveness of the model is supported by robust data and evidence collection and analysis”. We agree that it is imperative that financial support services are based on rigorous evidence-based methods and supported by meaningful outcomes measures (as long as data collection does not overburden either the service provider or the client). However, we feel that strict controls are required to ensure the security and sensitivity around data storage and sharing.

Distribution of funds

It is concerning that there is no clarity within the proposed model about how funding will be allocated across the states. Other than to indicate that the Independent Body will decide on the distribution of funds, no detail is offered with regards to methodology be applied to determine fund allocation. This is an area that requires much greater transparency.

**Recommendations**

* Extend Principle 5 to explicitly state that collection of data is respectful of clients’ rights to privacy.
* Streamline data reporting to eliminate administration costs resulting from reporting requirements for different state, federal and industry bodies.
* Use evidence and data, and working in dialogue with federal, state and industry funders, to map fund distribution which addresses unmet need.

## **Quantum of funding required to address unmet demand**

Discussion question: What are your views on the proposed quantum for each year of the first three years of the model?

Anglicare WA supports initiatives that provide opportunities for extra sector funding. However, it is disappointing to see the suggested funding level set at $18.1 million for the first year, which is significantly less than the $45 million per annum recommended in the 2019 Sylvan review. We believe that the method of measuring demand, and deriving the funding demand, does not represent the true need for Financial Counselling services in the community.

‘Unmet demand’ vs ‘unmet need’

The measure of unmet demand assumed in the model refers to situations where individuals attempt to access financial counselling but are unable to do so within a two-week period. In other words, unmet demand only reflects demand among that cohort of people who already know about financial counselling. In reality, there are significant knowledge gaps in community about these services; their availability, the fact that they are free-of-charge and the benefits of engaging with a Financial Counsellor. Financial Counselling is poorly understood in the broader community, meaning that many of those who would benefit from Financial Counselling are unaware of the services. The measure of unmet demand used in the proposed funding model does not account for the potential demand among the significant community cohort who need these services, but who do not know they exist.

As an example, over the last 18 months Anglicare WA delivered several community wellbeing sessions called Friend in Need. The sessions were presented to diverse groups, including young people, seniors, CaLD groups, neighbourhood networks and workplace audiences. The workshops included information about the range of supports available to people facing mental health, relationship or financial difficulties. We overwhelmingly found that participants had limited knowledge about the role of financial counselling, the benefits of using financial counselling services, or how to access a financial counsellor. It was not uncommon to find that *no one* in the audience knew that these services were available for free. This lack of knowledge was evident even among those who admitted to being under significant financial stress.

Basing a funding model on unmet demand only offers opportunities to implement short term, stop-gap measures. It does not allow for development and implementation of proactive, preventative action that will address the hidden and un-articulated community need, illustrated by some of the cases heard by the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry[[1]](#footnote-2).

Responding to increases or decreases in need

The proposed quantum allocations over the three years 2023-2026 takes into account the current funding gap, operating costs, innovation and wage inflation. However, the model appears to treat the underlying ‘unmet demand’ as a relative constant, based on the number of clients turned away at the time of the baseline survey and regardless of changing macro-economic circumstances that many affect aggregate individual need.

It is also not clear if growth in demand represented by word-of-mouth referrals is incorporated into the forecasted funding calculations. Anglicare WA receives a large proportion of new requests for financial counselling after existing clients recommend the service to their friends and family. The same is likely to be experienced across the sector. Therefore, it is highly probable that the demand for services in the second and third year of the model will be more than just the base measure ‘unmet demand’, as represented by the number of clients turned away at the time of the initial survey.

Innovation and funding streams

Anglicare WA welcomes the introduction of a new funding stream to financial counselling services. Doing so not only helps to address unmet need within the community, but also drives innovation by opening up opportunities to try new approaches to service delivery. Furthermore, a diverse range of funders mitigates risks associated with relying on one funding source.

However, while Anglicare WA recognise the efficiencies that can be achieved by the new independent body coordinating funding from industry along with funding from government, we are wary of any moves which combine multiple funding sources into one stream. Doing so may potentially lead some State Governments to reconsider and reduce their existing state funding levels, which are inconsistent at present. This would be detrimental to those areas which currently benefit from a relatively high level of State Government support.

We hope that in the interest of innovation and risk management, the federal, state and industry funding will continue to be administered separately, rather than rolled into one stream for the proposed independent body to manage.

**Recommendations**

* Review methodology used to determine funding amounts, focusing on unmet need rather than unmet demand.
* Ensure that 2nd and 3rd year funding levels factor in organic growth in demand.
* Ensure funding commitments from State Governments are not impacted as a result of additional flow of funds from industry.
* In determining the level of funding required, consider the need for community education around financial wellbeing as a proactive strategy that mitigates future demand for financial counselling.
* In determining the level of funding required, consider the cost of raising community awareness about the role, availability and benefits of financial counselling.

## **Suggested contributions from sectors and subsectors**

Discussion question: Should any businesses within a subsector be excluded (e.g. small businesses)?

Anglicare WA does not feel that contributions from any of the proposed sectors should be excluded.

We recognise the need to not burden small businesses and believe this groups should be omitted from heavy levy contributions but make a proportionate contribution. However, many smaller businesses in the financial sector create a disproportionate amount of work compared to market share. For example, small companies participating in Buy Now Pay Later schemes can create a disproportionate amount of work for their size.

Furthermore, smaller businesses can make the work of a Financial Counsellor harder, with counsellors providing indirect support that would otherwise be available by bigger organisations that might have a specialised hardship department. Small businesses often rely on engagement with Financial Counsellors to upskill themselves on complex issues such as intersection of hardship with family and domestic violence and abuse. A contribution would recognise this demand.

**Recommendation**

* Retain all businesses as currently included within the funding model.

Discussion question: What is your view on the proposed initial three-year commitment? Is this an appropriate length to ensure flexibility and stability of funding?

When would an appropriate time be to review the functioning of the model?

The proposed three-year funding commitment is not sufficient. It serves to exacerbate, rather than address, funding and commissioning issues within the system.

Three-year funding cycles, usually accompanied by a lack of clarity about future contract extensions or renewals, are historically difficult to manage and offer little permanence or security to Financial Counselling personnel. The relatively short contract duration leads agencies to face an ongoing ‘just around the corner’ threat of funding being reduced or discontinued, thus limiting opportunities for collaboration, service integration, forward planning and exploring innovative solutions.

Three-year funding cycles contribute to issues around attracting and retaining staff. It becomes especially difficult as people leave near the end of the funding cycle, leaving the agency struggling to find a suitably qualified worker who is willing to accept a job for potentially a very short time.

**Recommendation**

* Implement a five-year funding cycle as a minimum and introduce a mid-term review to allow for adjusting the funding quantum should demand for service increase during the cycle.

## **Design of the independent body**

Discussion question: What are your views on the proposed characteristics of the independent body as set out in Table 4? Are there other characteristics that should be considered?

Discussion question: Which board composition option do you prefer and why? Are there other options?

Anglicare WA is broadly supportive of the proposed characteristics of the independent body, as set out in Table 4.

Regarding board composition, we feel that utilising the Australian Financial Complaints Authority as a model for the board composition structure is inappropriate.

AFCA handles complaints, which warrants equal representation of the community and industry sector. However, in this case, the board controls the distribution of funding for financial counselling services. Because of this, it is imperative that the board possesses deep insight into the delivery of Financial Counselling in Australia; a composition which reflects those who have a deep, firsthand knowledge of the sector and the issues that affect it will be critical. This issue cannot be addressed through just one or two positions on the board, nor via representation via the Professional Association alone.

Additional special skills can be sought from external members or working groups set up to support the board. This includes, for example, working groups comprising clients or those with lived experience.

Part of the diverse role of financial counsellors is advocating for systemic and policy change which may involve, for example, calls for industry regulation. There is some concern that an over representation of Industry members on the board may constrain the willingness and ability of the sector to lend their voice to such advocacy action.

To provide an additional level of independence to the process of granting from the industry funding model, it would be worth consideration whether funding directed toward the delivery of community based Financial Counselling could be best administered through the Federal Government’s Community Grants Hub, to provide additional governance and accountability for the allocation and distribution of funding.

**Recommendation**

* Adopt a board composition model which ensures a minimum of 2/3rds representation from the Financial Counselling sector. **This is particularly important, given the lack of transparency within the model about how funding will be distributed.**
* Consider the Community Grants Hub in the administration of industry funding grants.

## **Evaluation**

Discussion question: What are your views on the proposed questions the evaluation could test?

Anglicare WA supports the proposed evaluation questions.

**Recommendation**

* Add to the evaluation criteria a question on the extent to which the industry funding model affects state and federal funding arrangements.

1. <https://www.royalcommission.gov.au/banking> [↑](#footnote-ref-2)