

16 December 2022
Department of Social Services
Via online submission

Financial Counselling Industry Funding Model Submission

About UnitingCare Queensland

UnitingCare Queensland provides health, aged care, disability and community services to over 430,000 Australians a year as the largest Queensland based not-for-profit employer with 16,500 staff and 9,000 volunteers working across 460 locations with a turnover of \$1.8 billion.

UnitingCare Queensland's services include:

- Lifeline Queensland (excluding Darling Downs) operating over 120 stores, 10 (out of the 40) Crisis Support Centres assisting 153,535 people;
- Supporting 148,475 people through our events, National Debt and Elder Abuse helplines;
- Providing social support services to over 56,000 people through foster & kinship, homelessness, and domestic violence and family assistance services;
- Over 69 years' experience providing in-home care to our older Australians, running 57 aged care facilities and 37 retirement living villages as one of the largest aged care providers in Queensland and the Northern Territory supporting over 65,000 older Australians;
- Four private hospitals with over a thousand beds and 9% of the Intensive Care Unit capacity in Queensland with 133,182 admissions;
- National Disability Insurance Scheme services supporting over 6,000 clients as one of the largest NDIS service providers.

Submission Summary

UnitingCare Queensland believes that Australia should strive to create a community that is financially educated supported by a safety net for those in need. In order to achieve such a goal, we recommend that all levels of Government should:

- Introduce financial literacy programs so all Australians are given the skills and knowledge to manage their finances;
- Have access to early intervention programs such as programs in schools and support at Community Centres especially in lower socioeconomic areas recognising the disadvantages these communities face;
- Make access to 'good' sources of emergency money simpler (e.g. No Interest Loans) so that Australians aren't enticed into 'bad' debt;
- Ensure that all Australians have the knowledge of and access to independent financial counsellors to help support them;
- Ban the advertising of financially harmful products such as gambling and predatory lending.

UnitingCare Queensland supports the Federal Government's initiative to create the Financial Counselling Industry Funding Model to help meet the unmet demand in Financial Counselling. UnitingCare Queensland recommends that the Government consider adopting the following:

- That the body be Independent from bodies that disburse funds with the majority of financial counselling organisations on the board (no industry body members or at most only an ex-officio non-voting Financial Counselling Australia in attendance). This will assist in preventing conflict of interests and ethically ambiguous behaviour of having service providers receiving grant money to distribute
- Consolidated funding through this vehicle i.e. Federal Funding to go through this vehicle so that all funding is through a consolidated body and distributed transparently
 - Recent funding trend has seen a tendency to specialise areas resulting in great complexity for users as Financial Counselling is a holistic service and as such a generalist providers makes more sense and stops the segment of money and responsibilities
 - For instance, Small business Financial Counselling should be allocated to the National Debt Helpline as a part of a review of a consistent industry model in alignment with national supports of Financial Counselling practice. As the National Debt Helpline is best suited to provide these services. This provides streamlined costs as National Debt Helpline providers already have the systems and experience in place to manage this.
 - Funding collection should be efficient and leverage existing mechanisms where possible
 - Government should backstop the industry funding to ensure funding predictability

Please find our answers to the individual questions asked in the submission in Appendix 1.

Appendix 1: Individual Question Answers

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

Principles	Commentary	Recommendation
1. Industry funding helps to address unmet demand and improves the predictability and stability of funding for financial counselling services.	This is a contradiction of principle 2. Provides a limitation for industry for the damages caused. Replace with a principle that ensures the best outcome for Australians.	Funding is optimised to get the best results to help Australians with financial issues.
2. Industries that contribute to the demand for, and benefit from, financial counselling, contribute to the funding of the services.	Support as it is a generally accepted principle where industries cause harm, it should be expected to compensate society. As such, Industry should be funding both independent educational programs and independent remediation (e.g. financial counselling) programs. Contributions should be mandatory otherwise who is funding the shortfall.	Industries that contribute to the demand for, <u>or</u> benefit from, financial counselling, <u>will</u> contribute to the funding of the services.
3. Quantum and split of suggested industry contributions are determined on a fair and transparent basis.	Support noting that it should be collected in the most efficient way.	Quantum and split of suggested industry contributions are determined on a fair and transparent basis <u>and collected efficiently.</u>
4. Industry funding provides an additional funding stream to current funding sources.	Support it noting the goal is to ensure anyone who may benefit it can access financial counselling	Industry funding provides an additional funding stream to current funding sources <u>to ensure anyone who may benefit can access financial counselling</u>
5. The operation and effectiveness of the model is supported by robust data and evidence collection and analysis.	Support noting that the measures used will determine effectiveness. Who will be designing these measures will also influence the effectiveness. Grants should be distributed transparently and on an effectiveness basis.	The operation and effectiveness of the model is supported by robust data and evidence collection and <u>transparently distributes grants on this basis</u>
6. The model contributes to improved coordination, innovation	Support.	N/A

and capability building and enhanced service delivery across the financial counselling sector.		
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What are your views on the proposed quantum for each year of the first three years of the model?

Given the Sylvan view was conducted prior to the impacts of COVID and the current economic environment, the amounts proposed do not look sufficient to meet ‘unmet’ demand. The Sylvan review cited a figure of an additional \$45m a year. It is hard to believe that a figure less than that will meet ‘unmet’ demand given the cost of living pressures and interest rate increases putting increased pressure on more Australians.

A figure more than \$45 million in addition to \$44m contribution by the Federal Government should be provided to the Financial Counselling Sector. Whether this be by additional Government or Industry funding, we remain agnostic. We note that the additional funding provided should be used collaboratively to leverage the reach of existing programs and providers who are delivering results. Additionally, funding should be provided for education and early intervention

If the Federal Government chooses to keep the voluntary approach to this funding, it should commit to be a financial backstop for the scheme to ensure consistent and reliable funding (this additional funding could be recouped in future years).

Are there any evidence-based adjustments that could be made to the suggested contributions methodology? What are they and how could they be incorporated into the methodology?

Financial counselling is holistic affair and it works with individuals across a breadth of sectors as well as assisting with mental health and other pressures. The sector identification and focus is a big issue as focusing on these sectors means that early intervention may often be missed e.g. inability to be pay school / care fees is often a leading indicator of financial issues. UnitingCare Queensland recommends that:

- Superannuation should be included in the list of options as insurances access and early access to super is a large part of what Financial Counsellors do and if Superannuation issues were aggregated they would just be under the threshold; and
- Rental organisations/property owners are not listed as contributing but we do a lot of work with people in tenancies.

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

Only where the cost to collect from them is marginal or a below a certain threshold e.g. the levy is less than \$1,000.

What are your views on options 1 and 2 for determining the split within subsectors for voluntary contributions?

Option 2 will ensure that sectors where the peak bodies are not wholly representative of the sector get a say into how the voluntary contributions will be split.

What is your view on the different methods for within subsector splits, for your subsector?

Where possible, an existing mechanism should be leveraged to reduce overheads and collections e.g. AFCA membership levy, Financial Services Compensation scheme, ASIC Cost recovery

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

Appropriate noting that the Federal Government should backstop this funding commitment to ensure stability and predictability.

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

Reviews should be done in both the initial and ongoing phases of the program i.e. first 12 months and after two years, in addition to the review at the three year mark. Reviews should cover the functionality and make adjustments if it isn't working and achieving its goals. We need be aware of the reporting requirements and to link in with an industry standard/s that measures the quality of work provided and not just the quantity.

The review should also consider how much value dollar savings from all the other services are provided from having Financial Counselling e.g. mental health savings, flow-on impacts.

Are peak organisations an appropriate mechanism to obtain a formal commitment from subsectors as part of the initial set up of the model?

Only where they commit to make a shortfall of subsector contributions from both non-members and members who refuse to make voluntary contributions.

Are there alternative methods to secure commitments that could be undertaken in a timely manner?

Through legislative bodies that have the ability to charge fees/levies e.g. ASIC, ACFA.

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?

	Proposed Role and Characteristics	Comments	Recommended
Focus /objective	Distribution of funding for financial counselling services to help address unmet demand in the sector.	Should be a central independent body to distribute funds to support financial counselling	<u>A central funding body that distributes funding to financial counselling sector to support Australians with their financial issues</u>
Structure / Governance	<ul style="list-style-type: none"> • Not-for-profit company limited by guarantee. • May seek Deductible Gift Recipient status. • Supported by a reference or advisory committee. • Flexibility to expand its focus (e.g. flexibility to fund capability initiatives) and governance arrangements. 	Support noting that bodies that distribute existing financial counselling funds should be precluded from being a member of the board and any associated Committees OR at a minimum excluded from having voting rights on the board and any reference or advisory committee	N/A
Grant activities	Conduct grant or grant-like processes, to fund services and procure activities, and require reporting of activities and outcomes.	Grant activities should also look to leverage existing providers and funding pools	Conduct grant or grant-like processes, to fund services and procure activities <u>in a collaborative manner whilst</u> reporting of activities and outcomes.
Data	Have the capability, or ability to build capability, to collect and analyse data from the financial counselling services the	Support noting it should do it a collaboratively and low cost way	Have the capability, or ability to build capability, to collect and analyse data from the financial counselling services

	body funds whilst minimising costs		the body funds <u>whilst minimising costs</u>
Coordination and innovation	Have the capability to engage with other funders of financial counselling (e.g. Australian Government, state and territories) on coordination and innovation of funding and services.	Support	

Peak organisations should not be involved in any contractual discussions or arrangements with industry as their role is to provide boundaries around the practice and profession and to support ongoing personal development not to be involved in the administration of contracts. This is a breach of ethics and should be noted when this occurs as they can't equally support their members when they are contract managers over them. What should be noted is that they can advocate for sector resources and improved access to practices and other improvements which is able to be done when their independence is protected and transparent.

Which board composting option do you prefer and why? Are there other options?

We support a board with an independent chair (appointed by government), fixed-term appointments with majority representation of the Financial Counselling sector and the remainder contributing industry representatives on the board. The Financial Counselling sector representatives should be elected on a weighted vote based upon the amount of Financial Counselling that an agency employs and that professional associations does not have any voting rights on the board as it dilutes their role and is a conflict of interest. The industry representatives should be distributed on a weighted basis of contribution and weighted as such. This will ensure that funding body represents the expert advice of the providers of financial counselling whilst ensuring that industry have a voice.

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

There should be an evaluation of:

- How the funding body has helped reduce the demand for services through early intervention and education;
- How the funds have been used in accordance with the purpose of the funding including the quality of service provision;
- How Industry funding is complementing government and existing funding sources to delivery high-quality financial counselling;
- How funding is improving access to Financial Counsellors as the risk in the current environment is people being triaged to death i.e. we need to look at better trauma informed service provision.