



WATER SERVICES
ASSOCIATION OF AUSTRALIA



WSAA Submission: Feedback on the Financial Counsellors Investment Model





About WSAA

The Water Services Association of Australia (WSAA) is the peak body that supports the Australian urban water industry. Our members provide water and sewerage services to over 24 million customers in Australia and New Zealand and many of Australia's largest industrial and commercial enterprises.

WSAA facilitates collaboration, knowledge sharing, networking and cooperation within the urban water industry. The collegiate approach of its members has led to industrywide advances to national water issues.

Executive Summary

Water businesses value the services provided by financial counsellors. Not only do our customers benefit from the support and advice, but water businesses also benefit as counsellors encourage awareness, engagement and take-up of the support offered by water (and other essential) service providers. It benefits both the business and the individual if customers in need are supported on a plan to regularly pay down debt while still being able to meet their needs.

Many customers in need, who contact water utilities, are waiting weeks to gain access to a financial counsellor. In principle, the water sector supports the concept of an industry funded model to address the shortfall in demand. We also support the inclusion of water in this funding model.

Water businesses are all government owned (either by state or local government) and subject to economic regulation at a state level. Unlike the other sectors, the retailers operate in a monopoly environment based on a geographic area. The Operating Licence conditions of many of the water businesses require that operating expenditure must only be used to benefit customers in their own area of operations. As a result, the industry funding model proposed by the Department of Social Services poses significant challenges, outlined below:

- **Water businesses are subject to independent state-based economic regulation.** As the proposed financial counsellor industry model recommends a **voluntary** contribution this would be considered discretionary expenditure and subject to scrutiny under the regulatory reset process.
- **The water sector has not been provided with enough notice** to provide discretionary funds to the industry funding model. The model proposes that the contribution starts from July 2023. The WSAA's initial conversations with the department in 2021 outlined some of the challenges with a voluntary funding model due to the nature of the water sector. The next consultation in November 2022 proposed a funding model that does not address any of these issues. There is also not enough time to include the contribution in budgets, and for those water utilities who will need to contribute significant funds, this needs to go through their pricing submission process. Note that the Victorian water businesses along with ACT water business submitted only a few months ago and so would not be able to include these funds until 2028.
- **To contribute funding that has not been through the regulatory reset process, water businesses will need to divert funds from other programs** that support customers experiencing vulnerability. In many cases this is not possible due to multi-year agreements with partners. In addition, there is a requirement to demonstrate return on investment for this expenditure. Water utilities are unlikely to divert funds away from existing customer programs that have demonstrated benefits due to the significant negative impact it would have on the most vulnerable in the community.
- **Water utilities are required to demonstrate benefits to customers in their area of operations.** The proposed funding model recommends contributions going into an industry pool. While there is no doubt that an increased pool of funding will also deliver better data collection and coordination, the Operating Licence or Statement of Obligation for water businesses means that they need to ensure that operational expenditure must not cross subsidise other regions or sectors. It must be used only to benefit customers in their area of operations. The proposed model does not allow for this.

Water businesses already invest significant resources and expenditure to support customers who struggle. This includes discretionary operating expenditure, assigned to tried and tested programs and initiatives that deliver the best outcomes to customers struggling with debt. There are several water businesses that contribute to financial counselling services to ensure that customers in their area of operations can access these services in a timely manner. Other programs include outreach programs through local community service providers to ensure hardship programs are reaching those that need it most, providing plumbers free or charge (or heavily subsidised) to fix leaks that are causing high water bills, millions of dollars in rebates for undetected leaks and several million in incentive payments to reduce outstanding debt to match government grants and reward customers who continue to pay down debt.

The Water Services Association of Australia (WSAA) is the peak body for the urban water sector. We have consulted with our members about the proposed industry funding model, and suggest the following:

- **Propose a compulsory industry funding model.** In the case of water, this would require ensuring it is supported by each state and territory government with a directive to the water businesses to contribute to the industry funding model for financial counsellors. Having said this, the water sector recognises that developing a compulsory contribution model is a time consuming and resource intensive process, which is why the voluntary model is the preferred option for now.
- **Consider how contributions would be determined for the Water Sector.** The sector believes that moving to a User Pays model like the Ombudsman schemes around the country is the most appropriate eventually. However, as a starting point we suggest using 'number of connections' instead of revenue to determine the contribution breakdown. This will be more appropriate as ownership arrangements differ across the country, and in Queensland and New South Wales there are council-operated water and wastewater providers and corporatised water businesses.
- **Consider the capacity of some of the smaller regional water utilities to contribute to the model.** Many of these businesses are heavily invested in their local communities as they play a leading role in their region. These businesses do not make profit and do not return a dividend to their government owners. Many are already financially contributing over and above to supporting customers at risk.

If the Department of Social Services continues with the proposed voluntary contribution model, then we would recommend the following:

- **Allow water businesses more time to get their contributions included in their regulatory business plans.** Regulated water businesses will need to include this voluntary contribution in their pricing submission process, as it is considered as discretionary operational expenditure. Unlike other sectors, regulation is state based for water. Timings would be different depending on the state where the water business operates. Note that as part of the process, this will need to be discussed and prioritised along with other forms of discretionary expenditure.
- **Ensure that contributions can only be used to fund financial counsellors in that area.** For example, if an ACT water business contributes, those funds need to benefit ACT customers. The funds contributed by Sydney Water can only be used to fund financial counsellors in Sydney Water's area of operation. This is a requirement under the Operating Licence of water businesses in most of the states and territories.
- **Consider KPIs (key performance indicators) that align with those of industry** when setting measures of success for the independent body that will oversee the industry funding. For example, some of the metrics that water utilities set regarding their investments include:

- time taken to access a financial counsellor,
- increased engagement of customers with aged debt
- number of customers on the hardship program who continue to meet payment plans.

Those water utilities that contribute will be assessing their continuing contribution based on these measures. This would also need to be broken down by regions, so water utilities can report the benefit to their customer base. The independent body will also need to be clear on the timeline for benefits realisation.

- **Allow water utilities the option of continuing with their existing partnerships** of funding financial counselling services in their own area of operation, instead of contributing to the proposed funding proposal. This still 'grows the pot' of funding available to financial counselling services while meeting the water utility requirement that investments benefit customers in their area of operation.
- **Consider the mechanism to collect contributions from water utilities.** The contribution will need to come from individual water businesses. The Water Services Association of Australia as the peak body is not set up to collect revenue of this kind on behalf of its members.
- If water is to be part of the funding model, **include representatives from the water sector in further Roundtables** to develop the governance model particularly the KPIs and measures of success.
- Confirm whether it is just general financial counsellors in scope or if specialist financial counsellors such as family violence or those that specialise in rural services, are in scope.

Note that even if the above were put in place, under a voluntary contribution, the sector could not guarantee continued funding to the amount recommended in the discussion paper. This is due to the requirement of water businesses to engage with their customers on any type of discretionary expenditure, and to track and measure the benefits of this expenditure for the customer base.

The Water Services Association of Australia has also provided responses to the discussion questions posed in the Discussion Paper.

Response to Questions in the Discussion Paper

Discussion Question:

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

The WSAA supports most of the principles but believes that the following sectors should be included as part of the industry funding model:

- Councils/ Local Government
- Gaming

While they may be under the threshold in the Financial Counsellor time and motion study and may only be present in a minority of cases, gambling is still a driver of debt and therefore should be included. Council and local government rates may not have been included due to the lower frequency of bills (once or twice a year in some cases). However, council rates in many cases are as high as, or higher than, water bills.

Discussion Question:

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

We do not have a view on the overall proposed quantum of funding. We agree it should be based on unmet demand.

Discussion Questions:

- 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?

Although the method used was the simplest method, it has the following limitations

- It does not consider the existing levels of financial support provided by each of the sectors. The water sector already contributes significantly to struggling customers in the order of hundreds of thousands to boost financial counselling services in area of operations. They also contribute funds in the order of millions of dollars to help customers pay down existing debt and provide rebates for undetected leaks and programs to reduce leakage or provide plumbing audits for those that are struggling.
- [Groceries and petrol](#) are commonly listed in the top three bills¹ people struggle to pay but these are not represented in the breakdown of contributions
- It does not consider the reason behind the debt. Water is typically one of the last bills paid as water providers do not disconnect customers and typically have excellent hardship programs. Therefore, it is more likely to be debt seen by a financial counsellor.

Discussion Questions:

- Should any businesses within a subsector be excluded (e.g. small businesses)?
- What are your views on options 1 and 2 for determining the split within subsectors for voluntary contributions?
- What is your view on the different methods for within subsector splits, for your subsector?

As discussed in the overview above, small regional businesses and council operated water providers are unlikely to have the capacity to contribute or they are already significantly funding programs to support customers experiencing vulnerability in their own area of operations.

It would be best if the peak body (WSAA) worked with our members to determine the contribution for individual businesses. However, the fundamental issues addressed above need to first be addressed.

Our preference is for a pay-for service type model to determine contributions, but we recognise this will take time to develop. Apportioning contribution by number of connections as opposed to revenue would be preferable.

Discussion Questions:

- 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?
- Are peak organisations an appropriate mechanism to obtain a formal commitment from subsectors as part of the initial set up of the model? Are there alternative methods to secure commitments that could be undertaken in a timely manner?

As discussed, due to the regulatory reset timelines, water utilities will not be able to contribute until their next pricing submission. For many this will not be until 2028 (Victoria, ACT). Each state and territory have a different timeline.

Discussion Questions:

- 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 Questions:

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

The WSAA has no feedback on the independent body's characteristics or composition other than when and if the water sector becomes a contributor to the model, we can nominate a representative.

Discussion Question:

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

In addition to the three questions posed in the discussion paper, the water sector would like to see the following:

- How does the funding address unmet demand, broken down by the jurisdiction of each contributing water business

We would also recommend that the following metrics are considered (for each jurisdiction):

- Time taken to access a financial counsellor
- increased engagement of customers with aged debt
- number of customers on the hardship programs who continue to meet payment plans.

Contact Details

WSAA welcomes the opportunity to discuss this submission further.

If there are any details you wish to follow up on please contact:

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