Financial Counselling Industry Funding Model – Discussion Paper Responses

Purpose

This document provides responses from South Australian's Department of Human Services to 12 questions raised in a proposal for a Financial Counselling Industry Funding Model, that was released by the Department of Social Services on behalf of the Australian Government in November 2022.

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

   The 6 principles for the development of the Financial Counselling Industry Funding Model appear fair and reasonable. The second principle is the most compelling. It states 'Industries… contribute to the demand for, and benefit from, financial counselling'. Following the Sylvan Review 2019, this has two main implications.

   First, industries have a responsibility to ensure that their customers have access to effective financial support to manage debts associated with their products, especially since these products can be complex and require significant financial literacy to navigate.

   Second, it is in the business interest of industries who benefit from their customers to contribute to the sustainability of their customer relationships.

   It would be in the public and business mutual interest to ensure that such funding is secured as far as possible.

   DHS also notes that online gambling industry representatives are currently being consulted with by the Commonwealth on the composition of the funding model, while at this stage there is no intention of this industry being involved in the initial scope.

   Noting the gambling industry is currently not within scope – it is recommended that if at some point this industry does come within scope, a principle is developed to ensure any funding commitments as part of this industry funding model are above and beyond current gambling industry mandatory and voluntary contributions to state jurisdictions for the provision of gambling help services. It would be a poor outcome if the gambling industry's participation in this industry funding model came at the expense of existing gambling industry contributions for the provision of gambling help services.

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

   DHS accepts that the quantum is based on the best forecasts of demand and delivery available at this time.

3. **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?**

   Current reporting frameworks for DHS funded financial counselling services do not include data collection targeted toward the demand created by different industries. However, there are some general recommendations and considerations worth noting.

   It is recommended that the required contribution proportions remain stable during this period to provide industry and providers with certainty over the initial three-year establishment phase. Future contributions methodology in the longer term should be informed by ongoing data collection related to financial counsellors' time spent on responding to issues related to particular industries.

   Given that there is also consideration of the gambling industry being in scope at some point in the future, it is worth noting that the gambling industry is typically not the debt/credit holder and that efforts to address the financial harms associated with gambling will usually show up in other sectors, such as the financial sector, banks or other utility providers, where gambling is the cause of late payment, for example. As such, the contribution methodology based on time spent by financial counsellors will likely not be representative of the gambling industry's contribution to the need for financial counselling services.

   Fortunately, in South Australia DHS has already established an extensive sector of gambling help services where people experiencing gambling harm are receiving a wide range of support, including services to address financial harms. We would be happy to contribute to the development of an appropriate contribution methodology for the gambling sector.

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

   DHS agrees in general that the industries should contribute, however there are concerns about the fairness and unintended consequences of small businesses being within the scope of the scheme. Small businesses are more likely to be adversely impacted by an additional cost and collection process than larger businesses. It follows that it would be extremely difficult to obtain voluntary buy-in by small businesses.

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

   No comment on this.

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

   No comment on this.

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

   A five-year commitment would provide a more stable outlook. However, a three-year commitment is sufficient for a trial of the model.

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

   A comprehensive evaluation after 2 years seems appropriate as the first year is an establishment year. A quarterly update on demand and service provision numbers would be helpful to track need and efficacy.

9. **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?**

   No comment on this.

10. **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?**

    The core premise of coordination and innovation in table 4. is ‘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.’ For this to become a viable reality, mechanisms for improved coordination across the sector would have to be established. Likewise, innovation to improve service delivery would need to be developed and implemented with contribution from the industry funding model. In other words, there needs to be a clear set of shared goals and principles in place for how the industry funding model works with the Commonwealth, states and territories. Granted the principles for the development of the model itself—agreed to above in question 1—are well intentioned. However, without some guidelines around partnership with the other jurisdictions that emphasise both modes of collaboration and reflexive sensitivity to emergent needs, improved coordination and innovation might prove elusive. A characteristic for the independent body worth considering would be that it adheres to shared principles with the Commonwealth, states and territories in combination with an open and collegiate approach to data sharing. This would allow the independent body and other jurisdictional funding bodies to ensure that funds are delivered and directed in a coordinated manner, so that those who most need help can get it.

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

Board members should be selected on the basis of specific skills and knowledge.

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

The evaluation seeks to answer questions within the orbit of the following:

a) Industry funding helps to address unmet demand and improves the predictability and stability of funding for financial counselling services.
b) Industries that contribute to the demand for, and benefit from, financial counselling, contribute to the funding of the services.
c) The model contributes to improved coordination, innovation and enhanced service delivery across the sector.

There is a further related issue worth considering. The potential upscaling of financial counselling services that result from an additional funding stream will also require monitoring and evaluation of the service quality. Meeting demand in terms of more referrals securing financial counselling services is a start, however it is known that there is a scarcity of qualified financial counsellors across the sector and a newly expanded service sector brings with it the possibility of many new service personnel with minimal experience. Ongoing monitoring and evaluation of training and experience in relation to the quality of service delivery would be a key consideration.

Noting those broader considerations, suggestions for operationalising the three questions are provided as follows:

With respect to a), how many people sought financial counselling and how many people received it within two weeks of referral, across the various jurisdictions of funding? Is there evidence to suggest that more people who seek it are getting the help they need from year to year?

i.e., if the percentage of referrals not receiving services within two weeks of referral are reduced overall - unmet demand reduces

With respect to b) (building on previous measures of industry created demand) how much financial counselling time is taken up with resolving client problems issuing from each respective industry from year to year?

With respect to b) (industry benefit) is there evidence to suggest that more people are able to get back on track with payments to their industry creditors and/or product providers, in a shorter time frame from year to year?

With respect to c) is there evidence of less unmet demand from year to year and is there evidence of a more even geographic spread of unmet demand from year to year.

With respect to c) are there more instances of funds being leveraged across the sector where jurisdictional funding encounters shortfalls on servicing demand?

With respect to c) (innovation and enhanced service delivery) Does more participation in ongoing financial counselling training correlate with better client outcomes?

With respect to c) (innovation and enhanced service delivery) Does a longer duration of financial counsellor experience correlate with better client outcomes?

With respect to c) (innovation and enhanced service delivery) Do qualitative/quantitative accounts provided by clients about financial counselling experiences indicate improvements in the quality of the services from year to year?