

DSS Review of Financial Wellbeing and Capability programs

About FCVic

FCVic is the peak body and professional association for financial counsellors in Victoria. We provide resources and support to financial counsellors and their agencies who assist vulnerable Victorians experiencing financial difficulty. We work with governments, banks, utilities, debt collection and other stakeholders to improve approaches to financial difficulty for vulnerable Victorians.

We welcome the opportunity to provide a submission into the Department of Social Services' Review of Financial Wellbeing and Capability Programs. Our submission focuses on areas that are relevant to our work in Victoria. We acknowledge the importance of long-term funding and note the Department's extended funding for the sector announced recently.

We note that the Review does not adequately reflect the current structural drivers of poverty: the cost of living to diverse populations in rural and regional communities; the growth and increase in zoonotic viruses; and climate change disasters which impact more severely on vulnerable populations.

Focus area 1 – Current operating environments and systemic issues

1. What future role do you see for FWC programs in disasters, and other crisis events?

Financial counsellors are essential in the recovery of communities impacted by disaster.

Disasters have significant financial impacts on those who have been affected. While the impacts are experienced most severely by vulnerable and less resilient communities, households and individuals, whose capacity to recover is lower, disasters create financial stress and hardship that can affect anyone, including people who have not previously needed assistance. Disasters can exacerbate underlying or unaddressed financial issues which may have been present prior to the disaster, and those financial impacts can be experienced for many years after the event.

In the face of increasingly frequent and severe disasters, dedicated financial counselling support is required before, during and after the event to prevent or minimise the financial impacts for people who are at risk of financial stress or vulnerability.

Until the COVID-19 pandemic, disasters in Australia have usually taken the form of major weather or fire events which rural areas experience more frequently, with greater intensity of impact. The people most impacted are those who make up the majority in small rural communities, where locational disadvantage is already high (e.g. poor public transport, low access to occasional consumer goods, economic opportunities, specialist health services, poor digital inclusion). Other intersecting factors (such as gender, age, culture, language, socio-economic status, social connectedness, quality and location of housing) may also exacerbate their vulnerability.

The prevalence of disasters in regional and rural areas entails greater challenges for service delivery, particularly for small sectors such as financial counselling, where there is limited (or no) capacity to enable a surge workforce to respond to the rapid increase in urgent demand. The current short-term, event-specific funding model is too reactive, and is a poor investment in workforce capacity as it is unable to effectively retain and redeploy key skills and knowledge from one disaster event to another – meaning crucial time and energy is expended following each new event to recruit and rebuild capacity. Short-term

funding following a disaster event is also inadequate to support the long tail of recovery after a catastrophic disaster, as referenced in the consultation paper. We note that some service users do not present for assistance until well after the 12-month anniversary of the event, when grants and insurance benefits have been exhausted.

FCVic has been advocating for a disaster recovery service model to be piloted in Victoria which would provide ongoing and dedicated support, delivered by a prepared and proactive workforce, independent of any event-specific initiatives, and equipped to provide an immediate response to future disasters.

Having a central, statewide specialist service comprising financial counsellors experienced in disaster recovery issues would dramatically increase the ability to deliver early interventions for people affected by disasters. This has been shown to mitigate the risk of escalating financial hardship, and provide better mental health and recovery outcomes.

We see additional benefits of such a service model as also offering crucial and secondary consultations to support local financial counselling services responding to emergencies, as well as providing valuable preventative community preparation education to enhance resilience.

Whether such a model is funded by the State or Federal Government, we see the role of FWC programs to enhance and supplement state-based service delivery through consultation and federal-state funding agreements, in order to maximise the benefits of the recovery efforts.

We support the commentary from the stakeholder interviews, referenced in the consultation paper, that funding for disaster response should not be diverted from existing funding streams. Funding is scarce enough to manage demand for general financial counselling services, and disaster response requires a dedicated funding stream.

2. What other Australian Government policies, frameworks, reforms or systems issues are changing the way FWC services are delivered, or impacting FWC clients?

At present, Australia's social security system is falling short of providing security net to individuals and the community; instead of protecting and supporting the vulnerable it all too often traps them in poverty and debt. Significant and urgent change is needed to the system.

We summarise several of the other issues impacting FWC clients as follows:

- Lack of fresh food price regulation, especially in remote communities
- unregulated credit and gambling products
- taxation system that unequally taxes low-income earners compared to big businesses
- lack of free childcare, free transport, free state schools, free health care and secure affordable housing

These issues are prompting clients to seek emergency relief and financial counselling services.

Focus area 2 – Changing client needs

3. In what ways can FWC programs and services better respond to current and future client demand, and people with complex needs?

FCVic reported on the impacts that increasing demand for financial counselling services was having on practitioners in early 2020, in our report '[Counting the Costs: Report on financial counsellor stress and work overload](#).' At the time, we saw unsustainable workloads, with almost a third of financial counsellors reporting peak caseloads of over 50 open client cases at a given time in the preceding year. This is represented clearly in Figure 6 in the consultation paper, which shows that the number of individual clients seen in the Financial Counselling and Financial Capability programs reached its peak at the end of 2019.

During the height of the COVID-19 pandemic, starting in early 2020, we saw demand for financial counselling plateau thanks to the financial support measures provided by the federal and state governments. Financial counsellors observed a significant positive transformation in many of their clients' lives following the introduction of the COVID-19 Supplement. People who had been struggling for years to feed their families, or stay warm in winter, were finally able to cover their rent, make payment plans to pay off utility debts, buy enough food to feed their families, get the shoes and clothes their children need, buy new tyres for their car and make important payments for things such as car registration and insurance.

As those support measures were wound back, demand for financial counselling began rising again. However, since COVID-19 (and perhaps in no small part due to the ongoing impacts of the pandemic) the number of people presenting with highly complex needs has increased, requiring more time from financial counsellors to support and resolve their issues. This is evidenced in the trend line in Figure 6 which shows the average number of sessions per client has increased by more than 50% since the end of 2019.

Financial counsellors are no longer able to see the number of clients they could back in 2019 because cases are more complex and take longer to resolve. One way in which services can better respond to current and future demand would be through an expansion of the FWC program to provide services with greater capacity. This should include providing additional funding for services to support intake and triage processes (rather than diverting existing service hours towards them).

However, proper examination should be given to the root causes of the clients' complex needs. Financial counsellors play an important role in community development and education, as well as identifying and addressing systemic issues. The programs must emphasise these components as much as (if not more than) the casework component of the role, and ensure that financial counsellors have adequate capacity to participate in early intervention and prevention activities, such as community education and systemic advocacy work. These have the greatest potential to minimise the causes of complexity, and alleviate the need for costly crisis interventions. These activities can also mitigate the risks of stress and moral injury to financial counsellors from high demand and complex caseloads.

4. What do you consider is an effective FWC early intervention approach for a person at risk of financial stress and hardship?

Empowerment and education of people is always important, and understanding how to navigate the financial complexities of living in our society are key skills for people to have. In that context, financial literacy and capability are one important element of what financial counsellors address in their practice with clients and outreach, and in working alongside financial capability workers.

However, financial counsellors often observe that the clients that they see struggling to live on government benefits are the best budgeters that they've ever met – they need to be in order to survive. Financial capability and literacy work should not be overemphasised as an answer to the structural and systemic factors that have allowed poverty in Australia to increase substantially in recent decades. Poverty in Australia is being driven primarily by an inadequate social safety net; this reflects structural factors and political choices to tolerate record and increasing levels of poverty. Care must be taken by policy makers to avoid an undue focus on financial literacy as a response to poverty, and thereby implying poverty is a matter of individual failure.

The best early intervention initiatives are those which can provide a soft entry to service access. As noted in the consultation paper, people often feel shame and embarrassment when seeking assistance. Community information sessions that aim to empower groups or individuals can overcome that barrier, for example, using language such as “know your rights” is more accessible than “money worries”.

Through recent project initiatives, FCVic has delivered a number of ‘train the trainer’ style workshops that aim to develop “financial conversation leaders” within specific cohorts and communities. The financial conversation leaders are equipped with skills to identify signs of financial stress and provide appropriate information to someone about their rights and available supports in a safe and non-judgemental way. This facilitates a community-led approach to early intervention.

As per the above response, systemic advocacy activities have the potential to provide early interventions by addressing poor industry practices, improving systems through policy reform, and raising awareness of potential risks or threats to individuals. We emphasise again the value and importance of financial counsellors being funded to participate in systemic advocacy initiatives.

Focus area 3 – Best practice service delivery

5. **Have you experienced a high-quality financial wellbeing and capability service and what did this look like?**

N/A

6. **How can the sector and the department better support organisations to provide wrap around services, and effective referral pathways for clients, particularly those with complex or multiple needs?**

We support the consultation paper’s definition of a wrap around service as ‘a client-centred approach, including several interrelated support services.’ A financial counselling client is best served when there are a range of supports or services provided by an agency, and the financial counsellor is part of suite of services for vulnerable at-risk populations.

Co-located services and hub-style models are effective in supporting clients with complex or multiple needs. As part of the Victorian Government’s COVID-19 response, Consumer Affairs Victoria on behalf of the Victorian Department of Health funded a successful pilot program ‘On Track with My Money’ which demonstrated the need for, and benefit of, providing access to financial counselling for people experiencing significant mental health issues, through a co-location service delivery model.

Over a six-month period, 57 participants opted to engage in financial counselling when offered, representing 27.5% of participants across Wellways' Prevention and Recovery Care and Early Intervention Psychosocial Response programs. Participants provided powerful testimony about the impact of the financial counselling assistance on their situation – including their capacity to manage and their mental health.

7. Has your organisation introduced a service improvement or innovation that is making an impact in improving client outcomes? What can be done differently or more efficiently in FWC programs, such as the national arrangements for the National Debt Helpline?

It is important to note that hardship policies adopted by banks and utility companies, local government rate concessions, payment plans for fines and penalties, and Centrepay arrangements run by Centrelink would not exist if it wasn't for financial counsellors identifying the systemic issues through individual casework over many years, and advocating for improvements.

The last tender process for the FWC programs in 2018 resulted in the NDH service being split between two providers in Victoria – one funded under the FWC program, and one funded by the Victorian Government. It would seemingly be more efficient to have a single provider for the statewide service rather than two. We would like to see the Federal Government liaise more closely with state government funding bodies to enact more coordinated funding decisions.

8. What approaches could help fill FWC service gaps, including in food relief and in regional and remote areas?

Understanding structural or systemic drivers of vulnerability include those associated with rurality and living on a low income, potentially in an isolated situation. Government regulation of food prices for regional and remote areas would assist vulnerable populations manage families health and wellbeing and budgets impacting on demands on food relief.

Focus area 4 – Workforce capacity and capability

9. How can the sector and department ensure the FWC workforce has sufficient capacity and capability to meet rising demand and the needs of vulnerable clients?

With fewer than 300 qualified practitioners in Victoria, the sector lacks the critical mass to cope with surging demands, or even to grow sustainably at the necessary rate. The financial counselling workforce needs to reach critical mass to create the capacity for more early intervention and prevention activities. This will enable financial counsellors to resolve issues before they reach crisis-point and address systemic issues at the cause. This will lead to increased productivity (cases resolved faster, more people assisted), reduced demand, and improved workforce retention (less stress and work overload due to the volume of complex crisis cases).

We are now at the stage where urgent government action is required to stabilise the demand to ensure that vulnerable and at-risk families can get assistance before, they hit serious crisis-point. FCVic is urging the federal and state governments to work together, and in consultation with sector peak bodies, to plan and implement a workforce development strategy to enable sustainable growth of the financial counselling sector.

We would like to see the implementation of longer-term funding agreements to support workforce retention, and minimise job insecurity.

Funding agreements for financial counselling programs should include a clear allocation of funds to cover the necessary oncosts for financial counsellors to meet their professional obligations, including professional membership fees, professional development and professional supervision costs, registration and related expenses for at least one professional conference each year.

10. What are some ways the sector and department could better support Aboriginal community-controlled and Indigenous-led organisations, multicultural organisations and disability providers to deliver FWC services?

The almost complete absence of financial counselling from First Nations communities is a glaring gap that marks Victoria out from every other State jurisdiction. Working with First Nations communities to ensure their needs are identified and met should be a priority in planning for the sector, and will require resourcing and effort into the medium term.

Our recommendations to improve access to culturally appropriate financial counselling services for First Nations people are that:

- More financial counsellors positions are embedded within Aboriginal Community Controlled Organisations (currently, only two Victorian ACCOs directly employing financial counsellors, equivalent to 6% coverage)
- Government funds a scholarship program targeting First Nations people wanting to undertake the Diploma of Financial Counselling.

We would also like to see the development of a greater bi-cultural financial counselling workforce – which could also be achieved through a scholarship program targeting CALD community members.

Focus area 5 – Place-based approaches

11. What are the advantages or challenges of a place-based approach to funding FWC services into the future?

Future FWC programs should certainly support existing place-based initiatives, in partnership with state and local governments.

Face-to-face service delivery of financial counselling is viewed by communities as a reliable and trusted option for accessing support. Having a presence within local communities establishes strong rapport and reputation – lowering the a mental barrier for many service users. They are also important for ensuring accessibility for people who cannot access services via telephone or online for any reason.

12. Do you have experience in working in place-based or shared decision-making models of service delivery? What are your reflections? Please provide examples.

N/A

Focus area 6 – Future funding arrangements

13. What would sustainable and more flexible FWC grants funding look like for you?

5-10 year funding agreements would provide more stability and sustainability for the financial counselling workforce. We support the commentary noted in the consultation paper that an increase to baseline funding is more effective than one-off surge funding – given the challenges around recruitment and training for a small workforce.

Funding agreements should account for additional costs incurred by rural and regional service providers, including higher travel/transport costs, recruitment and relocation costs.

Additional grant funding should be provided in consultation with sector peak bodies and state funding bodies to determine how/where the funds can best be used to generate the most impact.

The consultation paper notes a number of 'other sources of funding'. These should not be seen as a substitute for government funded programs. While philanthropic funding is welcome, and has provided numerous opportunities to research and pilot innovative approaches to service delivery, financial counselling is a social service and should remain governments' (federal and state) responsibility to adequately resource. Likewise, any increase in industry contributions to service funding should supplement existing funding – not replace it.

14. What are your reflections on the supplementary FWC funding for crisis events that has been allocated to the sector since 2020?

In Victoria, limited-term financial counselling funding was provided following the Black Summer Bushfires. The additional resourcing was welcomed; however, there was no coordination with the state government response to the disaster which created confusion in some communities as to who the service provider was.

Since then, Victoria has received state government funding for two subsequent disaster events – including the October 2022 major flood events – however, there was no additional funding provided by the federal government for either event.

Supplementary funding will always be valuable in the aftermath of a disaster. As noted elsewhere in this submission, it is important that decisions are made in consultation with the relevant bodies to ensure it can be used as effectively as possible.

15. How can FWC funding arrangements be structured in the future to better respond to local community needs, and time-limited surges in need?

FCVic supports the current 6.5-year funding for financial counsellors and financial capability workers, as it gives stability to an already stretched workforce and helps build trust and continuity, particularly in rural and remote areas.

Federal-state funding agreements should be adopted to better coordinate funding in response to local community needs and time-limited surges.

Focus area 7 – Improved outcomes and data

- 16. What are your views on the proposed FWC client and service-level outcomes and draft FWC Activity Program Logic? Are there outcomes your FWC services achieve that are not included? Can you see how your services align with the draft Program Logic?**

The Program Logic is a step in a positive direction. There is still room for improvement in the way that the Program Logic frames the client – many of the statements position the client as the problem or the cause of hardship, when it is understood that most financial hardship is structural and systems-related, which require significant reforms to address. If a client is not seen to achieve an outcome that is not necessarily a shortcoming of the individual or the service, but that does not seem to be recognised in the current logic.

E.g. “clients better able to manage their budget”, “clients better able to pay urgent debts” – at a time of rising living costs, if there is no meaningful increase to their income, then insufficient funds are not a result of poor budgeting.

“Increased use of strategies to manage financial situation and help avoid future financial crises/ unexpected shocks” implies that most financial crises are avoidable.

- 17. Does your organisation capture data on unmet client demand? If so, what information do you capture and how could the department work with your organisation to report this data?**

Our capacity to capture data on unmet client demand is limited; however, we have begun capturing statewide figures on wait times for clients to access financial counselling, and the number of clients waiting to see a financial counsellor. This is across all programs, not just the FWC program.

The data is volunteered by the service providers, so it is not comprehensive across all providers, but has offered valuable snapshots on the levels of demand in various regions at a given point in time. Additional funding to state peak bodies to regularly capture and maintain this data would be welcomed.