

Review of Financial Counselling Services – Support for people in financial hardship beyond the coronavirus pandemic

The Review of the Coordination and Funding for Financial Counselling Services across Australia (the Review) was undertaken by Ms Louise Sylvan AM, following the findings made in the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry. The Review was publicly released on 3 October 2019.

The Review recommends a raft of measures to ensure the long-term viability of the financial counselling sector, including the establishment of a nationally coordinated approach, and industry funding to strengthen the predictability and stability of funding for financial counselling.

The Government's response to each of the Review's recommendations is included in the table below. The table includes measures and activities undertaken by the Australian Government since the release of the Review report, in response to the coronavirus pandemic and the bushfires that immediately preceded it.

Data from the Australian Bureau of Statistics indicates that from mid-March to mid-April 2020, nearly a third of Australians (31 per cent) reported that their household finances had worsened due to COVID-19. For businesses, the results of a survey undertaken by the Department of Education, Skills and Employment between late March and early April shows that some 58 per cent of businesses had been affected 'a great deal' by the pandemic due to lower demand for their goods and services, cash flow issues and mandatory changes to business practice.

With funding predictability and stability for financial counselling being the key theme emerging from the Review, the pandemic provides an opportunity to rethink the long-term strategy and funding model approach by the Australian Government for financial counselling - one that is nationally coordinated, with industry playing a role alongside the Commonwealth, state and territory governments in its funding. This includes taking a more coordinated approach to financial counselling in rural and non-rural sectors to ensure that there is a consistent funding and governance approach and enhanced collaboration between service delivery partners.

REVIEW RECOMMENDATIONS		RESPONSE	COMMENTS
1	<p>State, territory and Commonwealth governments convene to initiate the development of a national approach for financial counselling.</p>	Support	<p>The Australian Government has commenced working with state and territory governments and relevant stakeholders to develop a national approach.</p> <p>Minister Ruston has written to her state and territory counterparts seeking their commitment to work together on the coordination and funding for financial counselling services.</p> <p>Commonwealth initiatives, such as the Rural Financial Counselling Service (RFCS) and the Small Business Bushfire Financial Support Line, are expected to form part of the national approach.</p>

REVIEW RECOMMENDATIONS		RESPONSE	COMMENTS
2A	Total state, territory and Commonwealth government funding for financial counselling be maintained at current levels and does not decrease.	Support	<p>Commonwealth funding is reflected across the forward estimates to support financial counselling.</p> <p>It will be important that the states and territories also maintain current levels of funding.</p> <p>The Australian Government is pursuing discussions with state and territory governments on this matter.</p>
2B	Additional funding be made available from industry sources , collected by the Commonwealth Government, to enable access to financial counselling services in Australia to double over the next four years.	Support	<p>The Australian Government will introduce an industry funding model following consultations with industry that will ensure predictability and stability of funding for financial counselling services into the future. The Government's preference is to reach agreement between the relevant industries in relation to an overall funding strategy. However, if this agreement is not reached, the Government will consider a compulsory mechanism.</p> <p>The industry contribution would ideally start in 2021-22.</p>
2C	Initial contributions from industry of \$20 million to begin in fiscal year 2019-20 through a voluntary arrangement with the four major commercial banks, to enable the "ramp up" of financial counselling services to commence.	Support in principle	<p>The Government will take a long-term strategic approach to the funding profile which will include funding from banks but also funding from other industries such as energy and telecommunications. The Government will work closely with these industries to ensure that their contributions are consistent with the overall goal of having a long-term stable funding approach.</p>
3A	The Commonwealth immediately take steps to establish (by 1 July 2020) an independent body that is responsible for the national cooperative financial counselling effort. This body is to be advised by an Advisory Council of Government, the financial counselling services sector and industry.	Support in principle	<p>The Government will develop, in consultation with states and territories, industry and non-government representatives, a national strategy setting out the objectives and principles of financial counselling activities.</p> <p>Funding for financial counselling should be delivered in accordance with this national strategy. The Australian Government will work with states and territories and other funders, to identify an appropriate delivery mechanism.</p> <p>One option for delivery of funding decisions could be through a new industry-led body.</p>
3B	The Commonwealth immediately take steps to initiate data analytic work which will underpin a national strategy and enable financial counselling services to be appropriately funded through assessment of need.	Support	<p>The Australian Government will commission the development of a data strategy and will consult key stakeholders and states and territories on the strategy.</p>

REVIEW RECOMMENDATIONS		RESPONSE	COMMENTS
4	The Commonwealth, in consultation with small business bodies and the Small Business and Family Enterprise Ombudsman, continue the exploration of small business needs for financial counselling and the best methods to address the identified need for subject matter expert support.	Support	<p>The Department of Industry, Science, Energy and Resources is responsible for small business support programs.</p> <p>The Australian Government provided a suite of measures to support small businesses impacted by the recent bushfires. This includes establishment of the Small Business Bushfire Financial Support Line in January 2020 staffed by small business specialist financial counsellors. The support line provides information on the assistance and support available to small businesses in bushfire-affected regions.</p> <p>The rollout of this additional investment will inform the longer-term solution to address this recommendation.</p>

Additional information: Recommendation 4 – support for small business financial counselling

The \$3.5 million Small Business Bushfire Financial Support Line 1800 413 828 (*website* www.smallbusinessbushfire.org.au) was established in January 2020 as part of the Government's support for small businesses affected by the devastating bushfires and experiencing financial distress. The funding recognises the need for specialised support for small business owners who frequently have personal finances intertwined with their business. When a crisis hits the business, personal assets may be at risk.

In addition to the Small Business Bushfire Financial Support Line, the RFCS provides free, confidential financial counselling to farmers, foresters, fishers and small-related businesses who are suffering financial hardship. The current RFCS grant program ends on 30 June 2021. As a non-terminating program, a new grants round is expected to open late 2020 for a refreshed program to commence on 1 July 2021.

The \$7 million Drought Communities Small Business Support Program was a 2019 election commitment to pilot financial counselling services to small regional businesses impacted by drought. The program, which is delivered nationally by the RFCS, was expanded in mid-2020 (with total funding increased to \$12.785 million) to also support small regional businesses impacted by the coronavirus pandemic and the 2019–20 bushfires.

REVIEW RECOMMENDATIONS		RESPONSE	COMMENTS
5	<p>State, territory and Commonwealth governments include financial counselling services as a standard part of the broader response for assistance to people affected by natural disasters.</p>	Support	<p>Financial counselling assistance is already available to people affected by natural disasters. However, the Department of Home Affairs will work with other relevant agencies and stakeholders to promote improved access.</p> <p>The Australian Government has provided funding for additional services to support people in bushfire-affected areas. This includes face-to-face financial counselling and telephone support through the National Debt Helpline.</p> <p>The rollout of this additional investment will inform the longer-term solution to address this recommendation.</p> <p>While not a natural disaster, the health emergency caused by the coronavirus has required unprecedented financial assistance from Government to support households and businesses experiencing the significant economic consequences of the coronavirus.</p> <p>The Australian Government continues to monitor the implementation of the Community Support Package to identify unmet need and emerging trends.</p>

Additional information: Recommendation 5 – financial counselling support for people affected by natural disasters

Financial counselling support under the Disaster Recovery Funding Arrangements (DRFA)

Personal and financial counselling assistance is available under the jointly funded Commonwealth-state DRFA. The assistance is intended to help individuals who are suffering personal hardship and distress as a direct result of disaster and covers the following activities:

- assessing the financial, personal, emotional and psychological needs of disaster affected individuals and families;
- offering specialised individual or group counselling services to those suffering the effects of the eligible disaster;
- providing information about the range of assistance measures available to disaster affected individuals and liaising with disaster assistance delivery agencies;
- undertaking outreach strategies to provide eligible measures in remote and regional disaster affected communities;
- assisting with disaster related claims to insurance companies; and
- providing referrals to specialist financial, legal and psychological services regarding disaster and non-disaster related matters.

Bushfire recovery measures

On 14 January 2020, the Australian Government announced \$15 million in additional funding to RFCS providers in bushfire-affected regions. Of this funding, \$3.75 million was provided immediately, \$7.5 million in 2020-21 and \$3.75 million in 2021–22. Funding has been allocated based on the number of impacted Local Government Areas in nine affected RFCS regions. This will establish up to 60 new counsellor and support staff positions. These positions will maximise service delivery to bushfire-affected farmers during the recovery period.

On 15 January 2020, the Australian Government announced additional funding of \$50 million to significantly increase the investment for Emergency Relief (ER), Commonwealth Financial Counselling, and Food Relief services in communities directly affected by bushfires.

The additional funding includes \$10 million to increase the provision of financial counselling to bushfire-affected communities, and is in addition to baseline funding of around \$17 million per annum allocated by the Australian Government to 30 June 2023 under the Commonwealth Financial Counselling/Financial Capability (CFC/FC) program for generalist financial counselling, capability building and the National Debt Helpline.

Of the \$10 million additional funding:

- \$5.5 million has been provided to the National Debt Helpline, The Salvation Army and Anglicare to increase their services in response to the coronavirus pandemic, and to Financial Counselling Australia (FCA) to coordinate services in bushfire-affected areas;
- \$1.0 million has been transferred to the Department of Agriculture, Water and the Environment to support financial counselling services for small businesses in regional areas; and
- \$3.5 million has been provided to 17 CFC/FC organisations and five Financial Counselling for Problem Gambling organisations to further increase the provision of services in bushfire-affected areas.

Response to Coronavirus (as part of the Community Support Package)

The coronavirus pandemic has disrupted Australian life as we know it, with the impact being felt especially by those who have already been doing it tough. The economic fallout from the pandemic has also seen the emergence of a new cohort of people seeking urgent assistance and relief. Many of these people are experiencing financial distress due to loss of, or reduced income, or negative cash flow from their business.

On 29 March 2020, the Australian Government announced a \$200 million Community Support Package to help vulnerable Australians impacted by the coronavirus. The Community Support Package is helping service providers increase workforce capacity including volunteers, provide home delivery services, and help those who need assistance with bills, food, clothing or petrol.

On 11 April 2020, the Government announced an initial \$100 million funding injection under the Community Support Package. As part of this package, additional funding of \$20 million was allocated to financial counselling, as follows:

- \$11 million for CFC/FC, Money Support Hubs and Financial Counselling for Problem Gambling service providers, to ensure national coverage and increased capacity, as well as support for service providers to move to remote service delivery models;
- \$3 million for the National Debt Helpline - often the first point of contact for people experiencing financial difficulties, to immediately scale-up services; and
- \$6 million for the FCA to work with training providers to develop a short-form financial counselling course to train new financial counsellors, which will create new jobs for Australians and bolster the capacity of the National Debt Helpline.

Extension of Funding for Financial Wellbeing and Capability Measures

From 1 July 2021, funding for microfinance, Money Support Hubs and Financial Counselling for Problem Gambling under the Financial Wellbeing and Capability (FWC) Activity will be ongoing. At a cost of \$44.4 million over three years to 2023-24, in addition to funds already available in the FWC Activity, the extension of funding will maintain the delivery of frontline services to vulnerable people across Australia and support people to make better choices about their finances, develop financial literacy and capability skills, and access more affordable financial products.

REVIEW RECOMMENDATIONS		RESPONSE	COMMENTS
6	State, territory and Commonwealth governments should consider the impact and funding implications for the provision of legal assistance that will flow from significantly increased provision of financial counselling services.	Support in principle	The Australian Government is providing over \$2 billion in legal assistance funding under the National Legal Assistance Partnership (NLAP). The Australian Government will monitor any implications for legal assistance from increased provision of financial counselling services.

Additional information: Recommendation 6 – legal assistance funding

National Legal Assistance Partnership
On 30 June 2020, the Australian Government announced over \$2 billion in funding through the NLAP for frontline legal assistance services over the next five years. The funding is provided through an agreement with state and territory governments, and funds Legal Aid Commissions (LACs), Community Legal Centres (CLCs) and Aboriginal and Torres Strait Islander Legal Services (ATSILS), specialist Domestic Violence Units (DVUs), Health Justice Partnerships (HJPs), and Family Advocacy and Support Services.

Bushfire recovery measures
The Australian Government has provided over \$8.75 million for legal assistance services to assist with bushfire response and recovery. Funding has been directed to those areas most severely affected by the bushfires within New South Wales, Victoria, Queensland and South Australia.

Response to Coronavirus (as part of the Justice Sector Preparedness Package)
The Australian Government is providing additional funding of \$63.3 million for LACs, CLCs, ATSILS and Family Violence Prevention Legal Services to help address the impact of COVID-19. Of this funding:

- \$49.8 million is for additional frontline legal assistance services, such as legal advice or representation, with 40 per cent to be used for matters involving domestic violence; and
- \$13.5 million is for IT costs to support the sector's transition to delivering assistance virtually and online.