SACOSS
South Australian Council of Social Service

At the Crossroads—Financial Counselling in South Australia

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Executive Summary

The South Australian Council of Social Service (SACOSS) has prepared this information paper on financial counselling as a result of the South Australian government's 2010 budget decision to effectively halve its financial counselling services (cutting 44 full-time equivalent staff, or FTEs within Families SA), and of Families SA's subsequent decision to specifically limit access to its remaining financial counsellors just to people engaged with Families SA on child protection issues. These decisions will have the impact of savagely reducing—maybe even slamming the door on—the financial counselling support available to anyone experiencing financial hardship in South Australia.

Financial Counselling and Emergency Relief services are vital to all other types of community service work. They underpin many other services as they are often the first point of contact for people in crisis. Support with managing tight financial resources remains a key issue for many families across South Australia, and poverty is widely acknowledged as disproportionately present in families who interact with the child protection system. Moreover, while the Global Financial Crisis (GFC), and the decade of drought that has besieged much of our state, may technically have been declared over the long term financial consequences and hardships faced by individuals and families are far from being eradicated.

Equally, SACOSS draws attention to the crucial role financial counsellors so often play as negotiators, advocates and intermediaries. Financial institutions, utilities, legal practitioners and credit providers all value extremely highly the important role financial counsellors play in negotiating resolutions to bill paying and other credit difficulties. Financial counsellors not only support people in hardship, but remain a vital conduit of communication and mediation, and represent a critical early investment which is of benefit to individuals, government, business and the community generally.

SACOSS is deeply concerned about the impacts this decision will have for all South Australians experiencing financial hardship, and particularly for many of the 180,000 South Australians living below the poverty line (ACOSS, 2007, p. 4). SACOSS is also concerned for the government and non-government community services that work with this vulnerable group of our population.

SACOSS has identified five significant changes to "anti-poverty services" occurring, or likely to occur, in the next 12 to 18 months that are a result of recent federal and state government funding decisions—all of which will result in reduced resources available to support some of our most vulnerable South Australians:

1. Removal of 44 FTEs from the Anti-Poverty Program within Families SA, many of whom are currently delivering financial counselling services (representing a saving of $8m over three years).
2. Removal of general public access to $1.8m in emergency assistance funds for 'over the counter' payments to people living on low incomes, previously available through Families SA.
3. Potential removal of general public access to Families SA's remaining Anti-Poverty Program staff.
4. 23% cut to the DFC Family and Community Development Program which could see the removal of the only other source of state government funding for generalist financial counselling (under the Low Income Support Program).
5. Halving of the federal government's existing Emergency Relief allocations, effective 30 June 2011, which returns ER to pre-GFC levels, but represents a loss of $1.5m funding for support of South Australians in crisis.

SACOSS has deep concerns that South Australia remains the poorest performing mainland state in terms of investing resources in the area of anti-poverty support services, and notes that this is sharply inconsistent with *South Australia's Strategic Plan* T6.5 of reducing economic disadvantage (Government of South Australia, 2007).

Moreover, the potential withdrawal of general public access to financial counselling services through Families SA, without any transfer of relevant resources to the NGO sector, will place extra pressures on already strained services and seems nothing more than cost shifting.

SACOSS calls on the state government to reverse the budget cut to financial counselling and to distribute those funds to the NGO sector to fund 30 new full-time financial counselling positions and to pick up funding of the 'State Debtline" service (currently federally funded only until June 2011 at $200,000 p.a.).

Undermining financial counselling services is at best a false economy. Worse, it challenges efforts to promote greater social inclusion in our community and is a retreat from government's previously held early-investment philosophies.
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Introduction

Recent developments in the South Australian financial counselling sector have led SACOSS to become concerned for the future of this sector and in particular for its capacity to support South Australians confronted with financial hardship and/or living on low incomes.

In part, this paper has been triggered by a looming crisis in the financial counselling sector as a result of the state government's decision to drastically reduce financial counselling services within Families SA. The Sustainable Budget Commission outlined this, amongst many other reforms, in its recommendations to the state government for its September 2010 State Budget (SBC, 2010, p. 286):

> *Cessation of the Anti-Poverty program within Families SA offices, but retaining capacity to provide integrated social work/financial counselling with care and protection cases and retaining sufficient staff to provide office reception.*

The notes that go with this budget saving recommendation comment:

> *Further analysis is necessary and will be conducted. Based on initial assessment there appears to be an implicit assumption that the NGO sector will pick up these services free of charge. This assumption will need to be tested with DFC.*
>
> *To the extent that the capacity exists for NGO's to perform this function more efficiently, then the proposal to outsource appears to be based on sound policy.*
>
> *Should be a Commonwealth responsibility, should the function be removed completely rather than outsourced?*

The state government subsequently announced in its budget three significant cuts that will directly affect anti-poverty and financial counselling services in South Australia:

1. The removal of 44 FTEs from the Anti-Poverty Program within Families SA, most of whom are currently delivering financial counselling services. This represents a saving of $8m over three years to the state government and an ongoing reduction in costs of $3m from 2013-14 onwards.

2. Removal of general public access to $1.8m in emergency assistance funds for 'over the counter' payments to people living on low incomes, previously available through Families SA.

3. 23% cut to the DFC Family and Community Development Program. This could see the removal of the only other source of state government funding for generalist financial counselling, currently funding 2.5 FTEs to non-government organisations under the Low Income Support Program (LISP).

Any one of these decisions would have raised great concern across the community services sector; together they form an assault on services previously available to the general public for financial counselling support.

The Sustainable Budget Commission's recommendations on the issue of cuts to financial counselling in Families SA leave many questions unanswered. The Commission recommended the cessation of the Anti-Poverty Program in Families SA while the Budget determined that 44 FTE positions be cut, which represents an approximate 40% cut in staffing. Does this then imply that the program will eventually cease, or does it mean the Anti-Poverty Program within DFC is being almost halved?

Moreover, over the last two to three years Families SA has been informing the NGO sector that it is reducing its work with the general public and prioritising its work with its own clients (i.e. families with children at risk). SACOSS has now been informed that, in addition to the cut in resources, Families SA will restrict access to any remaining financial counselling staff to its existing clients. This exclusion even extends to other clients of DFC (e.g. housing) unless they too are clients of Families SA.

The following questions, critical to the delivery of financial counselling in this state, remain for Families SA:

1. In the longer term, is the Anti-Poverty Program within Families SA to be ceased and if so, what is the timeframe?
2. Are funds for services to the general public to be re-allocated to the non-government sector as a result of this withdrawal of services within the public sector? If not, does the Minister expect to be able to refer general public inquiries for financial counselling assistance at Families SA offices to the NGO sector for no additional funding to the sector?
3. Are rural and metropolitan communities expected to receive different services for financial counselling support from Families SA District Centres as a result of these changes?
4. How does Minister view the combined impacts on the needs of the 180,000 South Australians living below the poverty line of:
   i. funding cuts to Families SA Anti-Poverty Program services
   ii. potential 23% cuts to Family and Community Development Program
   iii. halving of the Commonwealth Emergency Relief allocation to SA agencies
   iv. removal of $1.8m emergency assistance funding from general public access?
5. Further to this, how do these combined actions support *South Australia's Strategic Plan* Target T6.5 around economic disadvantage?

This paper aims to form a source document to assist in an ongoing discussion on financial counselling in South Australia by: providing a history of this work in South Australia and information about the current needs and value of financial counselling. It looks to further efficiencies that are available in this area and seeks to find a way forward for both government and the community sector. Finally, it aims to encourage dialogue both within the community services sector and with other stakeholders about the need to have these services appropriately funded and maintained for the longer term.

The role of financial counselling

A range of people have benefitted from financial counselling. Many are on low incomes and/or income support payments, but there are any number of factors which can bring on a financial crisis for people or households. Table 1 identifies some of these factors.

Table 1 Triggers of financial crisis resulting in need for financial counselling

Trigger for service demand	Examples
Life events	Life events include loss of income due to severe illness/injury, unemployment, divorce/separation and family violence.
Universal factors	Universal factors include decreased housing affordability, increased rental costs, rising food and utility costs.
Behavioural factors	Behavioural factors include excessive credit use, ignoring debts, not budgeting, spending beyond means, problem gambling, and drug and alcohol problems.
Circumstantial factors	Circumstantial factors include low socio-economic status and predatory credit practice.

(State Services Authority, 2008, p. 9)

In dealing with such crisis, financial counsellors are required to fill a number of roles. A lead Victorian study identified the following as core tasks of a financial counsellor:

- *Assessment of whether the debt is legally owed;*
- *Information on the implications of unpaid bills, debts and fines;*
- *Advocacy with creditors and/or assistance with self-advocacy;*
- *Assistance to work out payments with creditors;*
- *Assistance with budgeting;*
- *Information about possible financial assistance;*
- *Information on bankruptcy.*

(White, S. and Delaney, B., 1995)

There are essentially three types of financial counselling services operating in Australia available to people faced with financial hardship.

- Generalist Financial Counselling—counselling available to general public on any financial counselling matter.
- Problem Gambling Financial Counselling—counselling available to members of general public on problem gambling related financial counselling matters.
- Rural Financial Counselling—counselling available to farmers, on both small business farming and general financial counselling matters.

This paper will not include any discussion of rural financial counselling, which is seen as a significantly different service type and is currently wholly federally funded.

Financial counselling is not to be confused with financial planning, or even budget counselling.

Financial planning typically focuses on personal investment planning rather than debt management, while with budget counselling the focus is on basic budgeting skills for people in financial hardship. Budget counselling does not typically extend to the more high level tasks required by a financial counsellor (e.g. advocacy with creditors, bankruptcy procedural support, assistance at debtors courts etc) and comes at a cost that is often prohibitive for anyone faced with chronic financial hardship or who are living for extended periods on low incomes.

In Australia financial counselling has a strong history in ensuring no *conflict of interest* issues arise within the profession, and consequently it is a ‘fee free’ service funded by government, NGO and philanthropic organisations.

In recent years there has been a growth in for profit debt management organisations, which do charge fees to assist in designing and managing household budgets and debts. The growth in this work is in part a result of middle income earners taking up these types of services, and in part due to low income households not being able to access free financial counselling services, due to increasing demand and waiting periods.

While these professions and organisations fill *some* of the roles occupied by financial counsellors, they are not the subject of this paper.

Benefits of financial counselling

Generally accessible financial counselling has extensive benefits to individuals, governments, business and the community as whole.

Individual
For individuals the benefits of financial counselling are its capacity to provide advocacy, support, and independent information regarding people's financial options when they get into financial difficulty. Providing this kind of timely advice early in the face of hardship works to ensure people do not get swallowed up by these problems. This is particularly the case for vulnerable and disadvantaged South Australians struggling to manage on very low incomes and who not surprisingly can be completely overwhelmed when called on to manage financial crises as they arise. The results are not just better financial outcomes, but can also be found in reduced incidence of crime, homelessness, mental illness, and in improved family stability and increased employment options (SAFCA, 2009).

The case studies in this document are a few examples of the benefits of financial counselling for individuals.

Government
For government, the provision of generally available financial counselling services provides important assistance in dealing with a wide range of community services issues. In South Australia the vast majority of government community services in housing, disability, the aged, child protection, youth services are delivered to people living on some form of income support payment. Financial counselling provides essential early intervention in these areas providing support, information and options which invariably makes the work of providing government support easier and more effective. Moreover, as a crucial part of early intervention strategies to prevent crises developing, financial counselling can save government large amounts of money in reduced service provision required in health, mental health, disability, family support, court services, policing, housing service and child welfare each year.

Financial counselling also saves the government money by reducing the recourse to the court system in debt and credit matters that can be best dealt with by negotiation. This is particularly the case where recent federal legislative changes to consumer credit law provide increased options for people to seek greater justice in relation to consumer credit matters and more options for negotiation through External Dispute Resolution (EDR) options. In South Australia the capacity to exercise these options (and reduce the burden on the courts) will be greatly restricted as they typically rely, at least in part, on the availability of financial counsellors to assist people to apply for EDR.

Business
For the business sector, a wide range of companies gain great support through financial counsellors. Financial counsellors have historically worked closely with utilities companies in developing their hardship programs and referring clients who have an incapacity to pay electricity, gas and water bills. In recent years this has been extended to telecommunications companies and looks likely to also expand into credit providers, who under the new federal legislation will also be required to have hardship provisions and policies. The banking sector often calls on financial counselling services to provide support for the development of their hardship programs, and emerging low interest loan and low income savings programs.

A further major benefit to business is the direct support of financial counsellors in assisting in the negotiation of bad debts, providing support through the debt recovery court processes, and through encouraging realistic and manageable payment options for debtors who find themselves in financial hardship. This saves business significant amounts of money each year.

Community

For the community the provision of this type of timely support to people is likely to result in reduced crime, reduced court costs, lower numbers of incarcerations due to failure to pay debts, a more socially just society and a more sustainable and resilient communities as citizens are supported to develop responsible budgeting plans and are supported in obtaining their rights within the entitlements system. Financial counselling services provide an important support to the wide community services system, which indirectly reduces the cost to the taxpayer, through a reduced overall community services bill.

A literature review conducted by the Victorian State Government when it undertook a thorough review of its financial counselling services found that “There is little available evidence to assess the levels of financial counselling service effectiveness on a community-wide scale rather than at the individual level. A 1998 cost-benefit analysis of the $2m FaHCSIA financial counselling program estimated that it yielded benefits in the order of $2 for every $1 of expenditure” (State Services Authority, 2008, p. 12).

The types of services provided and the relationship and benefits to each sector are summed up in Table 2 which gives a *snapshot* of the scope of the NGO generalist financial counsellors role, although the list is by no means an exhaustive:

Table 2 NGO generalist financial counselling snapshot

Sector	Examples of client interventions
State government	
Concessions	Information on entitlements
Housing	Rental and mortgagee arrears, residential tenancy support
Legal	Debtors Court procedures, accessing Legal Aid, managing repossession matters
Workers Compensation	Support with information provision, independent advocacy
Other	Accessing State Ombudsmen, important source of information on a wide range of credit, low income and poverty issues for government policy making
Federal government	
Income Support	Assistance with entitlements, advocacy on welfare rights issues,
Taxation	Information on tax options, links to Tax Help services
Credit Law	Assistance with mortgage foreclosures and bankruptcy processes, payday lenders, consumer contracts, insolvency law and personal insolvency,
Family Law	Accessing family law support services, accessing child support funding
Other:	Important source of information on a wide range of credit, low income and poverty issues for Government policy making
Business	
Insurance	Credit and lending insurance options
Superannuation	Free independent advice on managing superannuation when faced with financial hardship
Business Failures	Assisting small businesses through foreclosure
Utilities	Hardship program support for utilities companies and other emerging business sectors such as credit providers
Motor Vehicles	Assistance with insurance, credit contracts and statutory legal responsibilities

Community	
Micro-credit	Advice on micro-credit potions that are interest or low interest
Financial Literacy	Community education on financial matters
Financial Management	Assistance with income and expenditure household management, advocacy with creditors and a wide range of other financial options.
Training Programs	Financial counsellors provide a wide variety of training services to householders seeking support with budget and financial management, to a wide range of target groups, such as Aboriginal, CALD and young people

Funding of financial counselling across Australia

There is a range of funding agencies and financial counselling service types across Australia. The following is a brief summary of the major ones in South Australia.

State government funded
The SA Department of Families and Communities (DFC) currently funds three types of financial counselling:

1. Office of Problem Gambling partially funds financial counselling, which includes 4.2 FTE NGO financial counsellors.
2. Community Connect partially funds financial counselling, which includes 2.6 FTE NGO financial counsellors.
3. Families SA funds somewhere between 91-119 FTEs (soon to be reduced by 44 FTEs), some of whom deliver financial counselling.

Federal government funded
The Commonwealth Financial Counselling Program currently funds 16.51 FTEs in South Australia. The federal government's funding and investment almost doubled as a result of its decision to boost availability in response to the Global Financial Crisis. The Commonwealth has confirmed that this additional funding will end as scheduled on 30 June 2011.

Non-government (NGO) funded
A number of NGOs fund financial counselling in South Australia through their own fundraising and community donations. There are a total 5.25 FTEs in South Australia funded by NGOs.

Philanthropic
There are currently 3.4 FTEs operating in NGOs that are funded by a philanthropic organisation.

Volunteers (non-funded)
There are several NGOs in South Australia that have traditionally used volunteer financial counsellors; these total 2.51 FTEs.

In most instances state and federal government are separately involved in funding essentially the same services. There is no formal system for the distribution of financial counselling resources—that is, there is no system to ensure equitable and evidence-based distribution of funding. From time to time the Commonwealth does consult with individual state authorities and encourages dialogue with other jurisdictions, but essentially planning occurs in isolation across the nation.

Neither the federal nor the Western Australian governments fund financial counselling directed toward problem gamblers, but all states and federal government provide funding for generalist financial counselling. The federal government funds NGOs for financial counselling through the Commonwealth Financial Counselling Program, and all state governments, with the exception of South Australia, have also opted to fund NGOs to undertake this work rather than provide the services through their own staff. However, the great majority of state government funded financial counselling in South Australia is delivered via employees of Families SA.

Table 3 indicates the approximate distribution of FTE non-government financial counsellors by jurisdiction and by source. The low SA figure is precisely because the state government has (until now) chosen to deliver many of the services through its own staff.

Table 3 Distribution of generalist financial counselling positions

State	State/territory funded NGO positions	Federally funded NGO positions *	Totals
Victoria	62	9	71
Tasmania	3	3	6
Queensland	20	4.5	24.5
NSW/ACT	65	10	75
South Australia	2.5	7	9.5
Western Australia	55	3	58
ACT*	3	1	4
NT*	3	2	5

* Approximate figures; they are for 2009, and pre-GFC FaHCSIA funded increases. These are given here as the best available estimates that will be in place when FaHCSIA returns to its allocations post 30 June 2011, as they have publicly indicated they will be returning funding to pre-GFC levels.

Table 4 lists comparative government financial contributions to NGO generalist financial counselling across Australia. It can be seen that most state/territory governments have taken a lead role in funding this work, and that the federal government is the secondary funder of this work nationally:

Table 4 Comparative government contributions

Jurisdiction	State/territory government $	Federal government $	Total $
Victoria	5,500,000	940,000	6,440,000
NSW	5,624,550	1,246,000	6,870,550
WA	5,600,000	440,000	6,040,000
QLD	3,000,000	930,000	3,930,000
SA	250,000	650,000	900,000
NT	184,726	520,000	704,726
Tas	369,000	198,000	567,000
ACT	443,227	74,000	517,227

(Adapted from AFCCRA, 2010)

If this funding is then weighted for relative population in each state and territory, it is clear that South Australia is significantly lagging behind all others in funding support for this work, as outlined in Table 5:

Table 5 Funding weighted by population

Jurisdiction	State/territory government $	Population	$ per head of population
Victoria	5,500,000	5496400	$1.00
NSW	5,624,550	7191500	$0.78
WA	5,600,000	2270300	$2.47
QLD	3,000,000	4473000	$0.67
SA	250,000	1633900	$0.15
NT	184,726	227700	$0.81
Tas	369,000	505400	$0.73
ACT	443,227	354900	$1.25

(Adapted from AFCCRA, 2010)

While these figures obviously ignore the significant services currently run by the state government, they pre-figure the dire situation that will be faced if the state government cuts its own financial counselling and does not transfer resources to the NGO sector to provide services.

Contributions and responsibilities in the anti–poverty sector

Clear data on the contributions of the varying federal, state and NGO sectors in the broader anti-poverty sector is difficult to obtain. However tables 6, 7 and 8 attempt to describe the relative contributions of the different parties. They are based on a combination of available data and realistic estimates drawn from discussion with key people in the sectors, including government employees. It is SACOSS' view that these figures are likely to under- rather than over-estimate actual contributions.

The tables also illustrate the areas of expenditure that are currently at risk. From these figures one can clearly see the retreat of both levels of government from funding financial counselling and emergency assistance services, and subsequently the greater combined pressure on the NGO sector to provide these services to the South Australian community.

Table 6 Financial assistance programs

Financial assistance program	Funding source delivery	Services delivery system	Current spend in SA	At risk in next 12-18 months?
Emergency Relief	Federal	NGOs	Federal $2.8m NGOs approximately $2m	Yes Commonwealth to halve ER expenditure nationally as of 30 June 2011
Emergency Financial Assistance	State	Families SA	$1.8m	Yes $1.8m no longer available to the general public, restricted to Families SA clients only.
Concessions	State government and some local government	Families SA Local councils	$132m Unknown	No Changes to online means reduced demand for Families SA District Centres, as easier access for householders in SA online.

Table 7 Counselling services

Counselling services	Funding source	Delivery	Current spend in SA	At risk in next 12-18 months?
Financial Counselling	State, NGO and federal	NGO and Families SA	State: approx $10m Federal: approx $1.2m	Yes State government cutting 44 FTEs from Families SA—representing 40% of staffing—providing an $8m saving over three years
Budget Counselling	Voluntary and NGO	NGO	Unknown	No

Table 8 Anti-poverty community development

Anti-poverty community development	Funding source	Delivery	Current spend in SA	At risk in next 12-18 months?
Low Income Support Program	State	NGOs	$1m	Potentially cut as of 30 June 2012

In terms of access points, the NGO sector is the greater provider of these financial counselling and emergency relief services: there are over 250 emergency relief and financial counselling outlets in South Australia. The only other outlets for the general public in financial hardship in the state are via Families SA, which has approximately 40 outlets. This number will drop significantly as the Anti-Poverty Program is scaled down within Families SA, and if Emergency Assistance is ceased within Families SA. This will place much greater pressure on the NGO sector at a time when demand is already at breaking point.

It is worth also noting here the situation of the No Interest Loans Scheme (NILS). NILS provides no interest loans throughout South Australia to assist people in financial hardship manage their circumstances more effectively. This scheme has previously been a part of South Australian Labor's policy platform, with the resolution "That the State Government be proactive in assisting in the implementation of the No Interest Loans Scheme across the state" (ALP, 2005, p. 44).

Of all the states and territories, South Australia receives the least—one might go so far as to say paltry—government contribution for this work, receiving only $55,000 p.a. for coordination support of the NILS network.

At the time of the GFC the Minister encouraged NILS to work with Families SA District Centres to gain administration or in-kind support for this work. Given Families SA are now intending to restrict their anti-poverty services to clients with child protection or youth justice issues, then it seems reasonable to ask whether the government intends continuing to support the NILS program, and whether it will make a cash contribution of some significance to compensate the NILS program if the in-kind contribution is withdrawn?

It is estimated that in 2010 the NILS scheme put $750,000 back into the South Australian economy *(*UnitingCareWesley Adelaide, 2011)*.*

History of financial counselling in SA

In 1991, the then Department for Families and Children Services (FACS) auspiced a Community Services Review that brought many changes to the financial counselling sector and to services designed to support all South Australians faced with financial hardship.

Under the leadership of Sue Vardon, anti-poverty teams were created in District Centres throughout South Australia. Prior to this, financial counsellors operated as contract workers within FACS. The department's financial commitment was much smaller, with its investment only being used for short-term contract financial counselling staff.

Quoting Australian research at the time, FACS argued the importance of placing its financial counselling services within the context of its Child Protection Department, by illustrating the close link between child abuse and poverty. This argument was put forward as the reasoning that it actually required its own anti-poverty program to support its statutory work.

> *Recent Australian research indicates that the incidence of confirmed child abuse and neglect was 6 to 11 times greater amongst the lowest 10% of socio-economic groups than amongst the highest.*
>
> (Department of Families and Community Services, 1994, p. 3)

The vision for the development of this work was underpinned by the concept of *integrated practice,* where social workers and financial counsellors would work side-by-side to manage financial and social/emotional issues of vulnerable families with children at risk.

> *The relationship between financial support and other departmental services may comprise joint casework where a social worker and financial counsellor work together to ensure that all issues are addressed. This allows the customer to benefit from the particular expertise of each worker without feeling overwhelmed by the number of workers or agencies involved; it also ensures that there is a coordinated approach to case planning*
>
> (Department of Families and Community Services, 1994, p. 21-22)

From this sprung the Anti-Poverty Units within each District Centre, which were managed locally by each District Centre manager. Each team had discretionary funding for emergency assistance and a small amount of funding for community development initiatives often delivered via partner NGOs at the local level.

As a forerunner to the development of Anti-Poverty Units within District Centres, a centralised telephone service, 'Debtline', had been established to assist people from remote locations also access funding for financial counselling. This commenced in December 1989 and had steady usage of 2,500 customers accessing the service until its closure in 1995 (Department of Families and Community Services, 1995, p. 2).

The 'Debtline' service was designed as a complementary service to financial counselling services and was to operate in collaboration with both the Department and non-government organisations.

In seeking to strengthen work in this area, in 1994-95 it was decided to close down the Anti-Poverty and Debt Fund (APDF), and replace it with the Low Income Support Program (LISP). These APDF funds were previously earmarked for NGO services for financial counselling, emergency relief coordination, training and development, business and consumer affairs issues, legal issues, and multicultural services.

Under the revised program (LISP), funds were to be allocated regionally and were slightly increased to allow for funding of community development, community education, regional coordination of low income services and financial counselling (although this was limited to no more than 30% of funding per service). LISP was designed to provide one FTE (for either financial counselling or anti-poverty community development services) for each regional service and 1.5 FTE for each metropolitan region. Multicultural and indigenous services were also funded as specialist services. The fund commenced at $650,000 p.a. in 1996, and now sits at approximately $1m.

With the introduction of poker machines to South Australia, in 1994 additional funding was specifically made available to provide financial counselling support for problem gamblers (the ‘Break Even’ program). These funds are now distributed through the Office of Problem Gambling, and this funding is restricted to financial counselling for people who are specifically identified as being problem gamblers.

The federal government has also funded financial counselling, as has the Wyatt Benevolent Trust in recent times. However, SACOSS notes that the planning and distribution of scarce financial counselling resources has been somewhat haphazard and with limited coordination.

Further to this, given that financial counselling resources have historically sat within a child protection agency, the flavour and practice of financial counselling in South Australia has grown within this focus. In other jurisdictions, where there is a much greater emphasis on utilising non-government funded services, financial counsellors have an additional focus on consumer advocacy, consumer legal rights, and bankruptcy issues. These components of financial counselling services are potentially more easily developed in a non-government environment and less likely to be able to emerge when based in a system entirely focussed on child protection.

The future of financial counselling in this state is very much tied up in this history, and future planning will grow out of the unique service environment created by these circumstances.

The continuing link between child protection and financial counselling

Evidence continues to be assembled that reinforces the view there is an inextricable link between family poverty and high numbers of children going into state care. Table 9 illustrates financial problems and neglect as the two most common issues associated with child abuse placements.

Table 9 Problems associated with placement into care

Problems associated with placement into care	N = 130 Aboriginal *N (%)*	N = 333 Non-Aboriginal *N (%)*
Financial problems	105 (80.8)	200 (60.0)
Homelessness	74 (56.9)	123 (36.9)
Domestic violence	92 (70.8)	155 (46.5)
Substance abuse	82 (63.1)	153 (45.6)
Parent mental health	30 (23.1)	129 (38.7)
Parent intellectual disability	5 (3.8)	32 (9.6)
Neglect	98 (75.4)	213 (64.0)

Source: Delfabbro et. al., 1998

This correlation of financial problems and child protection is particularly important because it creates a tension for government service delivery. For a financial counselling intervention to be successful, it requires a highly voluntary process where the client needs to engage to effect a change. Child protection issues have highly charged punitive consequences for clients. As a result many Families SA clients naturally do not wish to confuse their child protection issues with their financial issues by dealing with the same provider for both issues.

This subsequent conflict in roles often drives some clients to choose NGO providers for financial counselling assistance. Yet DFC's service agreements with NGOs in child and family support programs do not make allowances for anti-poverty support services such as budget and financial counselling to be included in such programs (i.e. integrated practice). This is despite anti-poverty support services being been recognised as an explicit goal of Families SA services since the creation of Anti-Poverty Teams in the 1990s.

It is also worth noting here that, despite the correlation between poverty and child protection, no other Australian state or territory places its financial counselling services within the child protection system.

Demand levels for financial counselling in South Australia

Unmet demand is not well monitored in NGO financial counselling, with many services only prepared to hold waiting lists for two weeks. Additionally, many NGO services are not actively promoted as demand levels are too high, so increasing demand through promotion of services has been traditionally discouraged. Hence true demand levels are not effectively measured and are also likely to be under-estimated.

Despite these limitations the South Australian Financial Counsellors' Association (SAFCA) recently conducted a survey of financial counselling services in South Australia and found that waiting times could be more than four weeks (particularly in country areas), and that the average wait across the state to access support is 2.5 weeks.

The survey found an average 56 people are turned away each week from financial counselling services or referred to other agencies due to timely appointments not being available. Management of this demand within the NGO sector is a growing issue and there is no hard evidence as to where people go to when they cannot access a service. Private organisations that charge fees for debt management have grown significantly in the last 10 years, and South Australia is no exception in having several of these operators now working in the state. Financial counsellors report that many customers to these organisations are middle income earners, but there are still many in the low income category. Some financial counsellors report that private debt management services may hastily and unnecessarily encourage people to file for bankruptcy.

The SAFCA survey also found that common themes for demand related issues were:

- limited rural access points and inhibiting costs to travel to access financial counselling in regional South Australia
- difficulties faced by Aboriginal people finding appropriate financial counselling support for their particular difficulties
- scarce financial counselling support for people from culturally and linguistically diverse backgrounds
- increasing complexity of client need making financial counselling services more difficult to deliver
- increasing complexity in financial and credit contracting matters in the broader business sector
- fewer resources on the ground with the closure of services to the general public by Families SA.

The high level of demand for financial counselling support experienced by the NGO sector is, in some senses, hard to understand against a backdrop where South Australia actually has such a large number financial counsellors per capita (if the numbers of financial counsellors employed within Families SA are included). However this can be partly explained by the number of people choosing to approach NGO financial counselling services, over Families SA, and for a variety of reasons. These include personal preferences based on past experience or existing relationships, location of services or, as noted above, wanting to keep financial counselling separate from child protection enforcement issues.

Demand issues are also impacted upon by broad based community trends, both social and economic. Nationally we have seen more than 10 years of economic boom, but this has been accompanied by growing inequality. Poverty has grown from 7.6% of Australians living below the poverty line in 1994 to 11.1% in 2006, with the South Australian figure worse at 12.3% living below the poverty line – second only to Tasmania which has 13% (ACOSS, 2007, p. 4-5). South Australia also has the largest proportion of people nationally (25.3%) whose sole income is some form of Centrelink payments, and the highest rate of people (36.3%) who use Centrelink payments to make up at least 50% of their household income (ABS, 2006b).

SACOSS has consistently made the point that Centrelink income support levels are too low and are major contributor to high poverty levels. The most recent SACOSS Cost of Living report concluded that Newstart and Youth Allowance in particular had not kept pace with the increasing cost of living for welfare recipients (meaning that those recipients were becoming progressively worse off), and that there was a growing gap between those benefits and average weekly earnings. In short, recipients on those benefits were becoming progressively worse off themselves and were falling further behind both other income support recipients and the rest of the population (SACOSS, 2011, p. 15).

Beyond the inadequate levels of Centrelink payments, there are a number of other national pressures affecting income distribution and all low income earner's capacity to manage their living costs. These include:

- decreasing housing affordability
- increasing costs of utilities especially electricity costs
- increasing petrol prices affecting all consumption and transport costs
- increasing levels of personal household debt
- drought in rural areas
- mining boom creating greater inequality with low income renters particularly affected
- continued disadvantage of Indigenous groups
- poverty reaching second and third generation families affecting the sustainability of family life.

Given this, the task for financial counselors is complex and has to be dealt with on four levels:

- individual casework and advocacy
- community education
- community advocacy
- advice to business and government.

These additional roles put greater pressures on a financial counselling workforce already overloaded with long waiting lists and ever-increasing complexity of client need, both from a financial and social/emotional perspective.

Output levels in financial counselling

There is no agreed industry benchmark for the provision of financial counselling services and it is often difficult to directly compare NGO outputs with those of state government delivered services. Measures of financial counselling outputs vary from numbers of individual counselling appointments offered, number of appointments attended, numbers of new cases commenced, numbers of specific separate interventions.

A reasonable output benchmark for financial counselling currently being used in the NGO sector is viewed as three appointments per day. This allows for the significant amount of follow up work typically involved in financial counselling which occurs outside of formal appointments as we as training and meeting time. Examples of follow up activities include advocacy with creditors, letter writing and identifying and seeking support for legal issues (see Table 9).

Using this formula, a full-time financial counsellor who is active for 44 weeks per year—allowing for sick and annual leave and public holidays—it would be reasonable to expect a performance as follows:

3 appointments per day @ 5 days per week @ 44 weeks
= 660 occasions of service per annum per 1.0 FTE

This paper argues for the funding of 30 FTEs to the non-government sector, which could reasonably be predicted to result in 19,800 interventions a year.

SAFCA and the needs of the financial counselling sector

The industry support association for financial counselling in South Australia is the South Australian Financial Counsellors Association (SAFCA) which is affiliated with the national peak body, the Australian Financial Counselling and Credit Reform Association (AFCCRA). SAFCA primarily draws its membership from the NGO financial counselling sector but also has members who work within Families SA. On its website, SAFCA describes its role as "providing a support network for financial counsellors; setting the level of accreditation for financial counsellors and a Code of Conduct; providing or promoting training and professional development for financial counsellors" (SAFCA, 2011).

SAFCA is a voluntary organisation with no funding from the South Australian government. SACOSS research for this paper shows that this is not the case in other a number of other states, as evident in Table 10.

Table 10 Comparison of peak funding

Jurisdiction	Core funding support by state government for financial counselling peak body support
WA	$385K
Victoria	$295K
NSW	$275K
Queensland	$0
SA	$0
No peak bodies exist in Tasmania, ACT or NT	

One can see that once again South Australian government support for this work is well below contributions of most other states with peak bodies supporting financial counselling.

In January 2010 SAFCA produced a comprehensive document outlining the needs for the Financial Counselling sector in South Australia, entitled *Helping South Australians in Financial Difficulty*. In this document SAFCA requested the following level of support from the South Australian government (SAFCA, 2010):

- 30 new financial counselling positions ($3.3m p.a.)
- Establishment of a consumer credit legal service ($500k p.a.)
- Funding for their industry support organisation to SAFCA for research, industry development, and hardship policy work ($100k p.a.)
- Funding towards a State Debtline service (currently now federally funded only until June 2011).

SAFCA met with the Minister in 2010, with no additional support offered by the Minister.

As this paper has argued, the continued underfunding and now the reduction of services, and the Minister's decision to restrict access only to Families SA clients and not re-direct funds to services open to all people in need in South Australia is questionable. It may also be viewed as being against the spirit if not the letter of the *Family and Community Services Act* which mandates the Minister and the Department for Families and Communities (DFC) to provide, among other things, financial counselling services "to promote the welfare of the community and of individuals, families and groups within the community" (s10(1)).

Case studies

Case Study 1—

Elderly single widow with $16,500+ credit card debt

A woman of 80 years of age had lost her husband a few years earlier, had no assets, lived in public housing and was paying approximately the same utilities and rent as she had been when her husband was alive. She came to our financial counselling service to get some advice on 'going bankrupt' and even though she was in tears about this, she realised that she could not continue to pay a credit card at $100 per fortnight (which was the hardship payment the client had negotiated 11 months previously). The amount owing on credit card was over $16,500. With negotiation between the financial counsellor and the credit provider, the financial counsellor managed to get the whole debt waived and the client was able to finally go and buy some food that she actually liked instead of having to live on cheap and 'bare bones' food. This was the only debt that the client had and this was incurred when her husband was alive.

This result benefits society as a whole as the client did not go bankrupt and the waiving of the debt was from the creditor not through bankruptcy.

Savings to client: $16,500+
Savings to the community: Significant savings in non-court costs, and non-reliance of other forms of financial assistance and related state government services.

Case Study 2—

Male disability pensioner with electricity bill debt

The client presented for financial counselling services; he had been coming into the organisation for emergency assistance on a regular basis. It was suggested to him that he may benefit from some financial counselling.

The client was on a Disability Support Pension and suffers from a mild mental illness, lives in public housing and has no significant assets. His vehicle was hardly roadworthy and repairs were impossible as he had no spare money. The client had been in trouble with the police and was not able to manage money. The client had drug and alcohol issues at the time but was fighting the issues himself. The straw that broke his back was an electricity account that he could not understand and believed that they were overcharging him. An *Income and Expenditure* statement was completed and showed that with ongoing support and commitment through financial counselling he should have been able to manage.

The financial counsellor sorted out the electricity account by checking all previous bills and explaining the billing system. The client had no money to pay, so it was suggested that he participate in Centapay for his utility accounts (this provides a direct debit to his electricity retailer from the Centrelink funds he receives). This created a very strong negative reaction but over a period of 3-4 visits, the client finally came to the conclusion that it would benefit him.

A short-term money plan and a system of putting money away every fortnight to pay for such things as entertainment, car registration, vehicle repairs etc was implemented. This client was supported spasmodically over a period of 12–18 months.

The client is now in credit with his utility accounts, he can take himself and his son on outings, his car is on the road and registered. The client is off his ‘habit’ and is so in control of himself that he has registered to look for work, is enjoying life more, has enjoyed the benefits of growing his own vegetables, and is able to look forward to life.

Savings to business, community and client:

1. Creditors are assured of receiving their money.
2. The client is not reliant on society but can cope on his own.
3. The client has gained knowledge in the management of not only his money but life in general.
4. The client did not go bankrupt but stayed with financial counselling and has gained a successful outcome.

Case study 3—

Refugee widow struggling with bills after husband's death

A refugee family bought a house and were no sooner in it than the main breadwinner died of a heart attack. The family had assistance from a government organisation, and from community members in getting bills and the mortgage transferred to remaining partner's name. As it seemed straightforward probate wasn't granted and no official executor for the estate was established.

Eight months later the widow came to see us on different matter with high energy bills that were still distressing to her as they refused to take her husband's name off the bill until fully paid. We advocated with the energy provider and got the bill transferred to her name, thereby enabling her to get an Emergency Energy Payment Scheme (EEPS) payment to reduce the bill, saving her $400.

Then the client brought old letters and paperwork to us, amongst them superannuation letters. It seems her husband had some superannuation but it had been used up in fees over the last 12 months. We then asked if he would have received any monies had he died 11 months ago. We were told that if it could be proven there would be a $31,500 death benefit insurance payout. We then decided to dig deeper because there were language difficulties and we worked intensively for a while investigating leads. The Australian Tax Office gave us the name of another fund who had superannuation on the deceased's behalf and $39,000 later we think we've found it all. It is now being divided up between all family members, as this is what the majority decided.

Savings to the client: $39,000
Savings to business: Utility company receives overdue payments
Savings to the community: Refugee family less reliant on social service supports

Case Study 4—

Unemployed single mother in mortgage arrears

Client had little knowledge of the options available to her and thought she would lose her home. Through the financial counsellor providing information and assisting with negotiation, the client gained some time to get back on track and resume payments. Her arrears could then be capitalised. The client also gained knowledge and skills involved in addressing such issues and how to seek information and resources.

Regarding the creditor, the financial counsellor was able to negotiate with them, providing information for them to consider the client's position and what assistance could be given. In quantifying the difference for the creditor, this facilitated the process for resolving the situation—saving them time and money. It could also assist in avoiding them having to take such further possible costly steps as debt recovery, court action or repossession of goods (if required).

The financial counsellor assisted the client to:

- comprehend what was happening
- understand what she needed to do to make informed choices
- be clear on actions to take to facilitate the process.

In quantifying the difference for the client, she was given further choices other than simply having to lose or sell her home at a likely disadvantage by needing a quick sale, with the possibility of leading to further debt/accommodation issues. She also received information regarding her options, which may assist her in the future with managing her budget and finances.

Savings to client: Kept the family home and has skills to manage finances more effectively
Savings to government: More sustainable family and child protected
Savings for business: Mortgage more sustainable and regular income secured for credit provider.

Case study 5—

58 year old married man on income support contemplating bankruptcy over credit card debt

The client is a 58 year old married man who has worked a number of part-time and casual positions over the last 10 years since his heart attack and triple bypass operation in 2000. When he came to our financial counselling service he was struggling from week to week living on Newstart, with his wife on a Disability Support Pension since 2002 with declining health through osteoporosis. The client delivers junk mail for $140 fortnight to make ends meet.

The client was contemplating bankruptcy on a $23,000+ credit card debt with payments expected of $400+ a month. With the support of our financial counsellor, the client offered $100 a month in a letter he wrote to credit provider outlining his precarious position.

The client was also able to provide his previous income statements and on request from credit provider they confirmed his credit amount had risen from $3,800 to $21,600 in five years, even while his income had decreased to his Newstart payment.

Our service wrote to the credit provider enquiring about these unsolicited increases claiming maladministration of his account. The client did not have sufficient income to repay any credit increases since there had been a decline in his health and consequent reduction in his weekly earnings.

Our financial counselling service advocated on behalf of the client and offered a reduction in the amount owing to $2,600, with fortnightly payments of $20 over five years.

The credit provider accepted this offer on “Compassionate grounds” and the client is now regularly paying off this debt. With such a significant reduction in debt, the client has had a unique opportunity to take control of his own circumstances.

Since then, the client has gained a cleaning job five days a week for 2½ hrs a day, and his Job Search Agency is funding him for a six month, full time Commercial Cookery in Retail Baking Certificate 3 course at TAFE.

Savings to the client: Sustainable finances and a debt reduction of $19,000
Savings to business: It receives some funds other than losing the lot and potentially paying some court costs through a debt recovery process
Savings to the community and government: a household is more sustainable and less reliant on social security supports.

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