

# Paying it forward

COST BENEFIT ANALYSIS OF THE WYATT TRUST FUNDED FINANCIAL COUNSELLING SERVICES

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Informing Decisions







# *Paying it forward*

*Cost benefit analysis of  
The Wyatt Trust funded  
financial counselling  
services*

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***The Australian Workplace Innovation and Social Research Centre (WISeR) focuses on work and socio-economic change. WISeR is particularly interested in how organisational structure and practices, technology and economic systems, policy and institutions, environment and culture interact to influence the performance of workplaces and the wellbeing of individuals, households and communities.***

*WISeR also specialises in socio-economic impact assessment including the distributional impacts and human dimensions of change on different population groups and localities. Our research plays a key role in informing policy and strategy development at a national, local and international level.*

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## KEY FINDINGS

- A number of monetary benefits (negotiated debt reductions, negotiated moratoriums, negotiated waivers, grants and avoidance of bankruptcy) of The Wyatt Trust funded financial counselling services ('program') in the 2012/13 financial year were quantified in a cost benefit analysis.
- The analysis found there were higher benefits in running the current 'program' compared to not running the 'program':
  - The net value of this 'program' was estimated to be positive at around \$1.5 million in the 2012/13 financial year.
  - The benefit cost ratio of the 'program' was estimated to be positive at 5, indicating the 'program' generates five dollars in benefits for every one dollar of cost.
- Half the clients reported multiple financial crises led to them seeking financial counselling services, with credit card, store card and utility debts by far the most common issues.
- While not included in the cost benefit analysis, a range of personal, social and economic benefits are delivered through financial counselling services that cannot be assigned direct monetary values. The indirect value of these benefits (ie improvements in financial literacy, stabilised housing, avoidance of legal actions) should not be overlooked.



## EXECUTIVE SUMMARY

The Wyatt Trust is a philanthropic foundation providing financial assistance to South Australians in 'poor or reduced circumstances' so they can lead satisfying and productive lives and participate more actively in the community. A key strategy within The Wyatt Trust's financial wellbeing portfolio has been to fund financial counselling service delivery to enable low income South Australians to access free advice to navigate a financial crisis. The Wyatt Trust's financial counselling partnerships aim to add value to service providers' existing financial counselling services by extending the number of financial counselling sessions available to clients. During the 2012/13 financial year, 6,976 hours of financial counselling services were provided to 1,238 South Australian clients through Wyatt funding across six partnerships.

This report provides a cost benefit analysis of the financial counselling service provision funded by The Wyatt Trust in the 2012/13 financial year. This analysis will contribute towards the research evidence base through an investigation of the costs and benefits associated with financial counselling service provision to assess its net impact.

In order to capture data for the planned cost benefit analysis, a document review was developed by the Australian Workplace Innovation and Social Research Centre (WISer) and The Wyatt Trust to specifically assess services provided under The Wyatt Trust funding arrangements with partner organisations. The review addressed the nature of financial counselling services funded by The Wyatt Trust and their potential benefits. In addition, the review sought to identify salient life events, behavioural and circumstantial factors preceding the financial crisis for clients.

### Socio-economic characteristics of clients

One hundred and thirty-nine consecutive clients receiving financial counselling services funded by The Wyatt Trust were included in the document review. The following provides a snapshot of the socio-economic characteristics of these clients:

- There were similar proportions of male (49 per cent) and female clients (51 per cent). Males aged 41-45 years (9 per cent) were most likely to access these services with females aged 36-40 years (7 per cent) the most common female cohort;
- Most were native English speakers (94 per cent);
- Half (50 per cent) indicated they were living alone;
- More than two-thirds of clients had no dependent children (69 per cent), while 26 per cent had one or more dependent child;
- Forty-six per cent were on a low personal income equal or less than \$20,000 (which is below state and national averages);
- Most clients were recipients of a Centrelink benefit (97 per cent) - 44 per cent received Newstart Allowance and 33 per cent received a Disability Support Pension;
- Twenty per cent lived in public or community housing and 18 per cent lived in a share/ boarding house, had some sort of temporary arrangements or were homeless;
- Eighty-two per cent had experienced at least one *financial* crisis leading to them seeking financial counselling services. This was most commonly related to credit card or store card debts (42 per cent) and/or utility debts (40 per cent);
- Eighty-six per cent had experienced at least one *personal* crisis in the last year, with one-third of these related to housing issues (31 per cent); and
- Eighteen per cent had a family crisis in the last year recorded in their case notes.



## Cost Benefit Analysis

In this analysis we compared the costs and benefits of The Wyatt Trust funded financial counselling services as delivered in the 2012/13 financial year - referred to the *'program'* - against a scenario without this funding - referred to as the base case or *'without program'*.

Results were expressed in terms of net benefits, that is, the benefits relative to the costs for the *'program'*. The evaluation criteria employed for these analyses were as follows:

- **Net value (NV)** – project benefits less project costs; and
- **Benefit-cost ratio (BCR)** – the ratio of the benefits to the costs.

The costs of the *'program'* were calculated by applying an hourly rate of \$56.41 to the total financial counselling hours of 6,976 across partner organisations in the 2012/13 financial year. So **a total cost of \$393,495 was considered for the *'program'* in the 2012/13 financial year**, with The Wyatt Trust contributing 57 per cent of this cost.

A number of monetary benefits were quantified for the operation of The Wyatt Trust funded financial counselling services in the 2012/13 financial year. These benefits include negotiated debt reductions, negotiated moratoriums, negotiated waivers, grants and avoidance of bankruptcy.

**The net value of The Wyatt Trust funded financial counselling service provision was estimated to be positive at around \$1.5 million in the 2012/13 financial year.** This indicates that there are higher benefits to run the current *'program'* compared to not running the *'program'*.

**The benefit cost ratio of the *'program'* was estimated to be positive at 5.** This indicates that The Wyatt Trust funded financial counselling services generate five dollars in benefits for every one dollar of cost.

A sensitivity analysis is useful to determine the impact on results of the cost benefit analysis in the event monetary benefits fluctuate. Accordingly, the results of the cost benefit analysis were re-estimated using 50 per cent fluctuations in the specified monetary benefits (negotiated debt reductions, negotiated moratoriums, negotiated waivers, grants, and avoidance of bankruptcy). Noting, each sensitivity analysis was undertaken by changing the value (both up and down) of one monetary benefit by 50 per cent while holding all other monetary benefits constant. The results of the benefit cost ratio were shown to be insensitive to change indicating that the operation of funded financial counselling services remains economically viable.

While not included in the cost benefit analysis, it is acknowledged that a range of personal, social and economic benefits are delivered through financial counselling services that cannot be assigned direct monetary values. Although not quantified, the indirect value of these benefits (ie improvements in financial literacy, stabilised housing, avoidance of legal actions) should not be overlooked.

The Wyatt Trust considers this analysis as a critical first step in understanding the impact of the provision of funding for financial counselling services. Future research may explore the (non-monetary) social and personal benefits of this service. In addition, cost-benefit analyses may be conducted on other elements of The Wyatt Trust's grant-making program.

# 1 INTRODUCTION

Established in 1886 through the Will of Dr William Wyatt, The Wyatt Trust is a philanthropic foundation providing financial assistance to South Australians in 'poor or reduced circumstances'. Working in the four priority areas of education retention and re-engagement, employment, housing and financial wellbeing, The Wyatt Trust offers opportunities to South Australians experiencing poverty so they can lead satisfying and productive lives and participate more actively in the community.

The Wyatt Trust has a strong commitment to identify the outcomes and impact of its grant-making program. A key strategy within The Wyatt Trust's financial wellbeing portfolio has been to fund financial counselling service delivery to enable low income South Australians access to free advice to navigate a financial crisis. This report provides a cost benefit analysis of financial counselling service provision funded by The Wyatt Trust in the 2012/13 financial year. This analysis will contribute towards the research evidence base through an investigation of the costs and benefits associated with financial counselling service provision to assess its net impact.

## 1.1 OVERVIEW OF THE WYATT TRUST PARTNERSHIP MODEL

The Wyatt Trust aims to achieve measurable outcomes in its four priority areas through a grant-making strategy comprising partnership funding through local organisations, directly administered small grants, directly administered scholarship programs, subsidised housing and respite accommodation for eligible individuals and families and knowledge development (Principles Underlying Wyatt's Grant Making, 2012).

The grants are targeted to meet specified needs of eligible South Australians and their families. Applicants may be eligible for The Wyatt Trust funding if they are on a low income and are experiencing financial hardship, have lived at least five years of their lives in South Australia and intend to stay in the state, and are not in jail or on home detention (Principles Underlying Wyatt's Grant Making, 2012).

The Wyatt Trust has established partnerships with a diverse range of human service providers to extend their reach to financially vulnerable South Australians and to increase the impact of The Wyatt Trust's funding support. Targeted partnerships have the capacity to significantly add value to the services received by financially vulnerable South Australians and to broaden the scope of partner organisations' services. The *Wyatt Trust's Partnership Programs* leaflet (2012) states that preference is given to partnerships that target significant disadvantage, have the capacity to demonstrate long-term impact, focus support to achieve measurable outcomes and demonstrate innovation.

In the 2012/13 financial year, The Wyatt Trust had 60 partners across its four priority areas. Six of the partnerships concerned the funding of financial counselling service provision for Wyatt-eligible clients. The Wyatt Trust's financial counselling partnerships aim to add value to service providers' existing financial counselling services by extending the number of financial counselling sessions available to clients. During the 2012/13 financial year, 6,976 hours of financial counselling services were provided to South Australian clients through Wyatt funding across the six partnerships.

## 1.2 PROJECT OBJECTIVE AND SCOPE

The Wyatt Trust seeks to gain a better understanding of the costs and benefits associated with financial counselling service provision and its net impact on the lives of the people being supported by those services. The key objective of this report is to quantify the benefits of financial counselling services for individuals. This will be achieved by:

- Compiling and assessing service and outcome data;
- Developing an appropriate cost benefit model; and
- Estimating cost and benefits associated with financial counselling services.

The scope of the project includes the following:

- Identify key data items to be collected by partner organisations through a 'document review' of:
  - Social and economic attributes of clients receiving financial counselling funded by The Wyatt Trust; and
  - Potential financial counselling service provision outcomes.
- Estimate cost and benefits associated with financial counselling service provision outcomes;
- Undertake a cost benefit analysis and report indicators such as net impact and benefit-cost ratio; and
- Undertake a sensitivity analysis of the results to assess the impact of uncertainty.

## 2 FINANCIAL COUNSELLING

### 2.1 NEED FOR SERVICES

It is estimated that around one in five Australian (1.7 million) households have low economic resources (Australian Bureau of Statistics, 2012). Of these households, 10 per cent went without meals in the previous year, nearly a quarter (24 per cent) report spending more money than they get most weeks, just under a third (31 per cent) had been unable to pay a utility bill on time, and 43 per cent indicated they would be unable to raise \$2,000 emergency money within a week – where necessary (Australian Bureau of Statistics, 2012).

Financial counsellors provide information about money management and help individuals and families navigate financial crises through the provision of appropriate, free and confidential advice. They assess whether the debt is legally owed and provide information on the implications of unpaid bills, debts and fines. On the client's behalf, financial counsellors negotiate with creditors to reduce or waive debts, or plan payment instalments. They determine if clients are eligible for government assistance, hardship programs or grants and assist in accessing these programs. They provide information on the options and consequences of debt recovery procedures, bankruptcy and other options. When necessary and where indicated, financial counsellors may refer clients to services such as community legal aid, personal counselling, gambling help or family support.

People accessing financial counselling services are experiencing difficulties coping with their current financial resources and commitments. However, factors in addition to employment status, income and usual expenses tend to be involved when individuals and households experience major financial crises. The following personal and environmental factors were identified by the State Services Authority (2008):

- **Life events:** loss of income due to severe illness, unemployment, family breakdown and violence;
- **Universal factors:** economic inflation, decreased housing affordability, increased rental costs, and rising food and utility costs;
- **Behavioural factors:** excessive spending, credit use and debts, lack of budgeting skills, and gambling, drug and alcohol problems; and
- **Circumstantial factors:** low socio-economic status and predatory credit practice.

## 2.2 SERVICE BENEFITS

Financial counselling services provide direct and indirect benefits to individuals, and provide broader positive impacts to businesses, governments and communities. South Australian Council of Social Services (2011) and the State Services Authority (2008) outline some of the potential benefits to these groups:

- **Persons:** better financial outcomes, better budgeting, health and wellbeing, reduced incidence of mental illness and improved family and housing stability;
- **Businesses:** benefits to utilities and telecommunications companies, credit providers and banking sectors as a result of negotiations of debt reductions and manageable payment options and provision of support through the debt recovery court processes;
- **Governments:** reduced service provision required through social security, health systems and crisis services; and
- **Communities:** reduced crime, reduced court costs, more sustainable communities as individuals are provided supports to responsibly plan their own budgets, and benefits to the wider community services system through a reduced overall community services bill. It is worth noting that there is little evidence to measure the benefits of financial counselling services at the community level.

While acknowledging the flow-on effects of financial counselling services for businesses, governments and the community the current analysis focuses on the benefits accrued to individuals. An assessment of the broader impact of financial counselling services could be the focus of future research.

## 2.3 MEASURING THE OUTCOMES OF FINANCIAL COUNSELLING SERVICES

In order to capture data for the planned cost benefit analysis, a document review was developed by the Australian Workplace Innovation and Social Research Centre (WISeR) and The Wyatt Trust to specifically assess services provided under The Wyatt Trust funding arrangements with partner organisations. Items and response options in the review (see Appendix A) were aligned with The Salvation Army survey on financial counselling (Brackertz, 2012) where practicable.

The document review approach was both cost- and time-effective. It required in-house staff from participating partner organisations (*Uniting Communities* and *UnitingCare Wesley Port Adelaide*) to review case notes for all clients commencing financial services funded by The Wyatt Trust during a three month period (March to May 2013). Data for each of these clients was collected until case closure or 31 August 2013 (whichever was sooner), allowing for the capture of outcome and case closure data. A total of 139 cases were reviewed with data provided for the analysis. Almost half of these cases had been closed by 31 August 2013 – 25 per cent (n=35) had been totally resolved and 21 per cent (n=29) partially resolved.

WISeR and The Wyatt Trust acknowledge the efforts of partner organisations completing the review of client files for this project. It is noted that as the review was retrospective it

was only possible to capture information where it was recorded in the files. However, this is likely to result in an undercount of issues, with the data providing conservative estimates of the complete client population during the active period.

The review sought to identify salient life events, behavioural and circumstantial factors (social and economic status, financial, personal and family incidents) preceding the financial crisis for the client. In addition, it confirmed if clients received the financial counselling services (benefits) listed below:

- Negotiated debt reductions, moratoriums or waivers
- Access to hardship programs and grants;
- Avoidance of bankruptcy;
- Avoidance or curtailment of legal actions;
- Improvement in financial literacy;
- Stabilised housing; and
- Improvement in health and wellbeing.

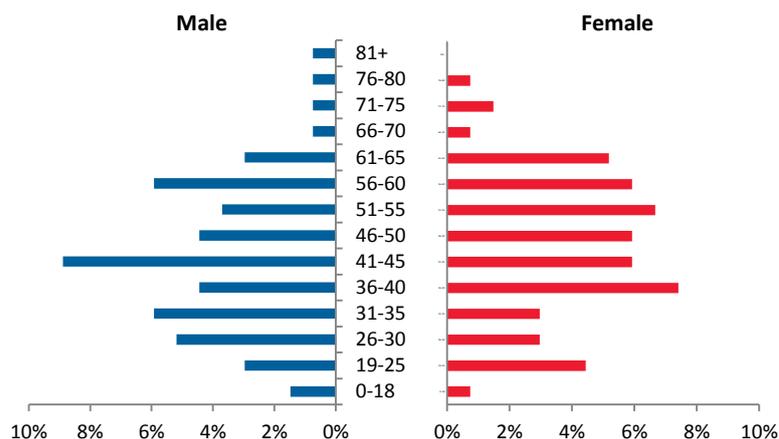
### 3 SOCIO-ECONOMIC CHARACTERISTICS

The following sections provide an overview of social and economic characteristics of 139 clients<sup>1</sup> who commenced financial counselling services funded by The Wyatt Trust during March to May 2013.

#### 3.1 AGE AND SOCIAL CHARACTERISTICS

Financial counselling services were accessed by similar proportions of males (49 per cent) and females (51 per cent), with these proportions corresponding precisely to the gender distribution in Greater Adelaide at the 2011 Census (49 per cent males and 51 per cent females). Males aged 41-45 years (9 per cent) were most likely to access these services, with females (7 per cent) aged 36-40 years the most common female cohort (see Figure 1).

FIGURE 1: AGE PYRAMID



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Social attributes including background, language spoken, household type and number of dependent children for clients are presented in Table 1. The majority of clients were native English speakers (n=131, 94 per cent). Almost all clients were of non-Indigenous

<sup>1</sup> Note that unless otherwise specified, the term 'client' in the analysis refers to those who were included in the document review.

background (n=133, 96 per cent), with 1 per cent of clients of Aboriginal or Torres Strait background<sup>2</sup> and 3 per cent unstated.

More than two-thirds of clients had no dependent children (n=96, 69 per cent), while 26 per cent (n=36) had one or more dependent child. Half the clients (n=69, 50 per cent) indicated they were living alone, while a quarter lived in a household comprised of themselves as sole parents with their child or children (n=34, 24 per cent). A few clients were in unstable housing situations, homeless (n=4, 3 per cent) and emergency housing (n=2, 1 per cent).

**TABLE 1: SOCIAL CHARACTERISTICS**

	Client (no.)	Share (%)
<b>Background</b>		
Indigenous	2	1%
Non-Indigenous	133	96%
Not stated	4	3%
<b>Total</b>	<b>139</b>	<b>100%</b>
<b>Language</b>		
Native English speaker	131	94%
Non-Native English speaker	3	2%
Not stated	5	4%
<b>Total</b>	<b>139</b>	<b>100%</b>
<b>Household type</b>		
Living alone	69	50%
Living with partner with dependent children	7	5%
Living with partner without dependent children	12	9%
Living in a share house with family	5	4%
Living in a share house with unrelated adults	4	3%
Sole parent	34	24%
Homeless	4	3%
Emergency housing	2	1%
Not stated	2	1%
<b>Total</b>	<b>139</b>	<b>100%</b>
<b>Dependent children</b>		
No dependent children	96	69%
With 1 to 4 dependent children	36	26%
Not stated	7	5%
<b>Total</b>	<b>139</b>	<b>100%</b>

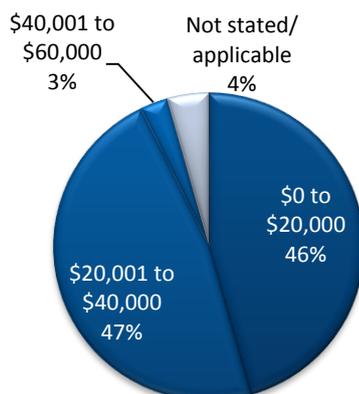
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<sup>2</sup> Noting Indigenous Australians may prefer to access financial counselling services targeted specifically to them.

## 3.2 INCOME

At the 2011 Census, the average *personal* income level in South Australia was \$27,768 per annum with Australian personal income averaged at \$30,004 per annum (Australian Bureau of Statistics, 2011).<sup>3</sup> Almost half the clients (n=63, 46 per cent) were on a very low income – between \$0 and \$20,000 (see Figure 2). Accordingly, many clients received a *personal* annual income well below the state and national levels. This statistic along with associated social attributes such as proportions of clients in sole parent households and/or with dependent children further emphasise the vulnerable situations of many clients receiving financial counselling services funded by The Wyatt Trust.

FIGURE 2: INDIVIDUAL ANNUAL INCOME

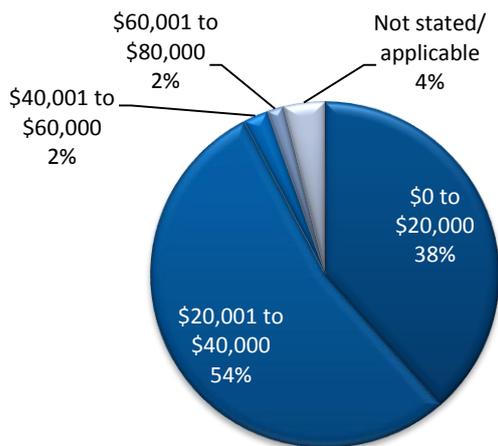


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When in a familial relationship or where individuals are sharing accommodation, they may have access to additional income or financial resources beyond their personal income. Accordingly, *household* income is used as an additional measure of a person's financial situation. Average *household* income levels in South Australia and Australia were, respectively, \$54,288 and \$64,168 per annum based on household's median weekly income for South Australia (\$1,044) and Australia (\$1,234) at 2011 Census (Australian Bureau of Statistics, 2011). The majority of clients were on a low *household* income under \$40,000 (n=120, 92 per cent), with 38 per cent of clients (n=50) receiving an annual *household* income between \$0 and \$20,000 and 54 per cent of clients (n=70) between \$20,001 and \$40,000 (see Figure 3). This shows that 92 per cent of clients received an annual household income below state and national levels. These statistics further indicate the severe financial hardship faced by some clients.

<sup>3</sup>The annual income figures are based on a personal median weekly income of \$534 and \$577 for South Australia and Australia, respectively.

**FIGURE 3: HOUSEHOLD ANNUAL INCOME**

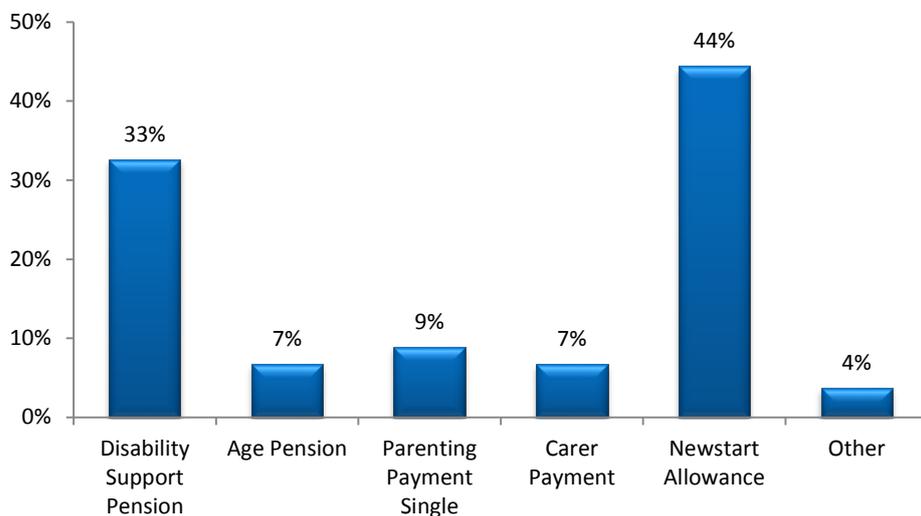


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### 3.3 INCOME SOURCE

Just over one quarter (26 per cent) of Adelaide residents hold a Centrelink Concession Card (PHIDU, 2013). However, almost all clients accessing financial counselling in this review were recipients of a Centrelink benefit (n=135, 97 per cent) highlighting the link between low income, lack of engagement in the labour market and financial crisis. Figure 4 illustrates the type of Centrelink benefits received by clients. Forty-four per cent received Newstart Allowance (n=60) with Disability Support Pension received by 33 per cent (n=44). Nine per cent (n=12) of clients received Parenting Payment Single – with 7 per cent of clients receiving an Age Pension and Carer Payment (n=9 each).

**FIGURE 4: CENTRELINK BENEFIT TYPE**



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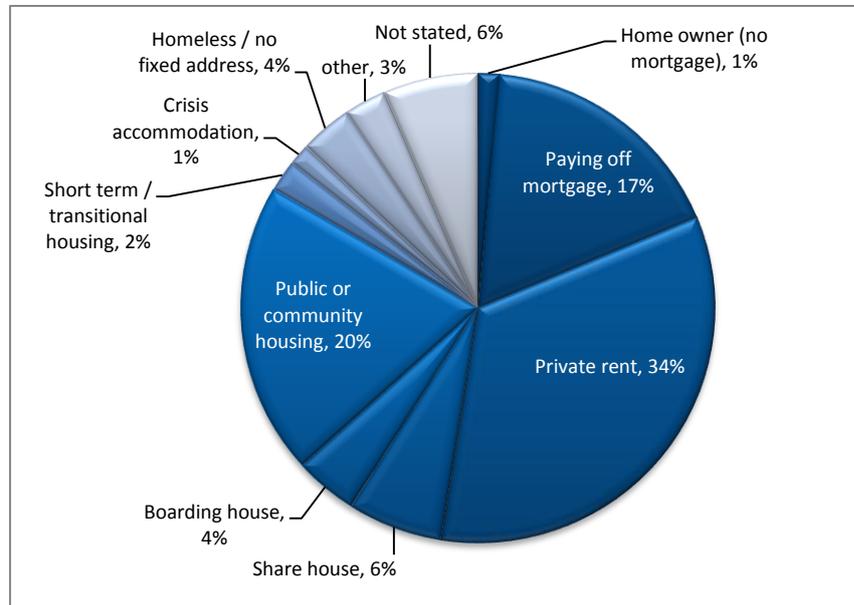
Note: data presented for 135 clients who were receiving a Centrelink benefit; multiple responses are possible.

### 3.4 HOUSING

Client housing is presented in Figure 5. As shown, a total of 18 per cent were home owners – only 1 per cent (n=2) owned their homes outright with 17 per cent (n=24) paying off a mortgage. In comparison, almost one third of Adelaide homes (32 per cent) are owned without a mortgage, and 37 per cent are owned with a mortgage (Australian

Bureau of Statistics, 2011). Thirty-four per cent (n=47) of clients were renting and 20 per cent living in public or community housing (n=28). An additional 18 per cent (n=26) of clients lived in a share or boarding house, had some sort of temporary arrangements or were homeless.

**FIGURE 5: HOUSING TYPES**

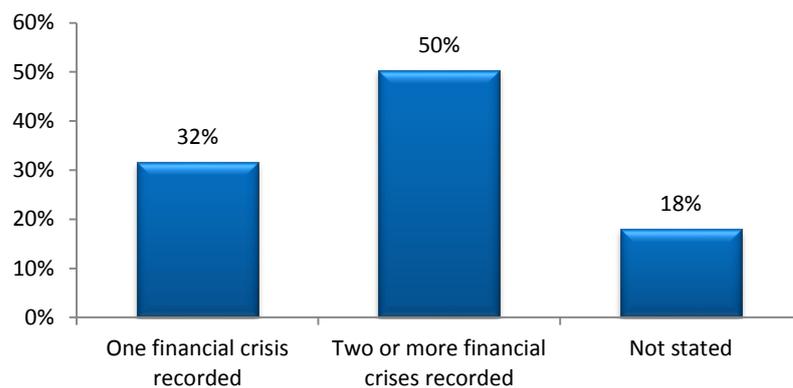


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### 3.5 FINANCIAL CRISIS

The review sought to identify the critical *financial* issues that led the client to seek financial counselling. Case notes for half the clients (n=70, 50 per cent) recorded at least two financial crises (see Figure 6) while around one-third (32 per cent) recorded only one critical issue. Details were not available for 18 per cent (n=25).

**FIGURE 6: PROPORTION OF CLIENTS REPORTING FINANCIAL CRISES**

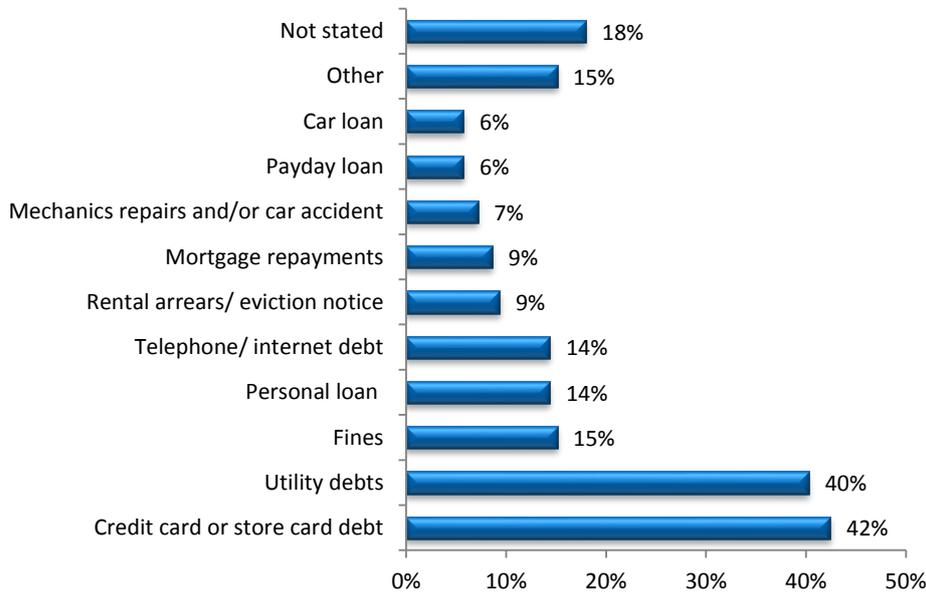


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The types of financial crises reported in client files are depicted in Figure 7. Credit card or store card debts (n=59, 42 per cent) and utility debts (n=56, 40 per cent) were by far the most common. Fines, personal loans and telephone/ internet debts were each reported in around 14 per cent of client files. Less common financial crises related to rental arrears/ eviction notices, mortgage repayments, mechanics repairs and/or car accident, payday loans and car loans (with less than 10 per cent each). It is of note, that while

housing ownership often indicates a level of financial stability, in this case we found more than half of the 17 per cent of clients with mortgages indicated repayments as a catalyst for them seeking financial counselling services.

**FIGURE 7: FINANCIAL CRISES**

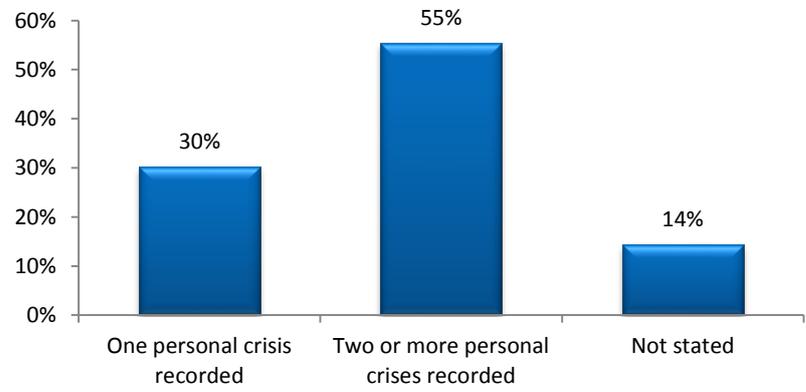


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 Note: multiple responses are possible

### 3.6 PERSONAL AND FAMILY CRISIS

Personal crises and/or those experienced by family members can increase the impact of financial issues. Accordingly, the review sought to include any of these issues where they were identified. Eighty-six per cent (n=119) of client files contained a report on at least one type of personal crisis (see Figure 8). Thirty per cent (n=42) of files recorded one personal crisis while 55 per cent (n=77) contained evidence of two or more personal crises.

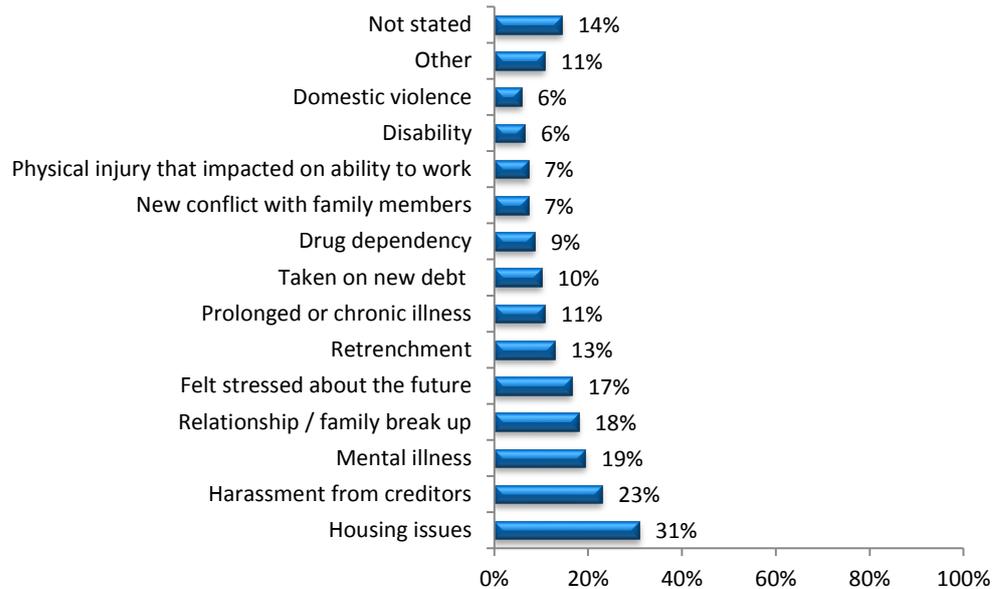
**FIGURE 8: PROPORTION OF CLIENTS WITH PERSONAL CRISES RECORDED**



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Housing issues were recorded in just under one-third of case notes (n=43, 31 per cent), and were the most common personal issue recorded (see Figure 9). Almost one-quarter reported harassment from creditors (n=32, 23 per cent), with mental illness (n=27, 19 per cent), relationship/ family break up (n=25, 18 per cent) and feeling stressed about the future (n=23, 17 per cent) also regularly recorded. Case notes included retrenchment (n=18, 13 per cent), prolonged or chronic illness (n=15, 11 per cent), taking on new debt (n=14, 10 per cent) and drug dependency (n=12, 9 per cent) as issues for clients. Less common personal crises related to new conflict with family members, physical injury that impacted on ability to work, disability and domestic violence (around 6 per cent each).

**FIGURE 9: PERSONAL CRISES**

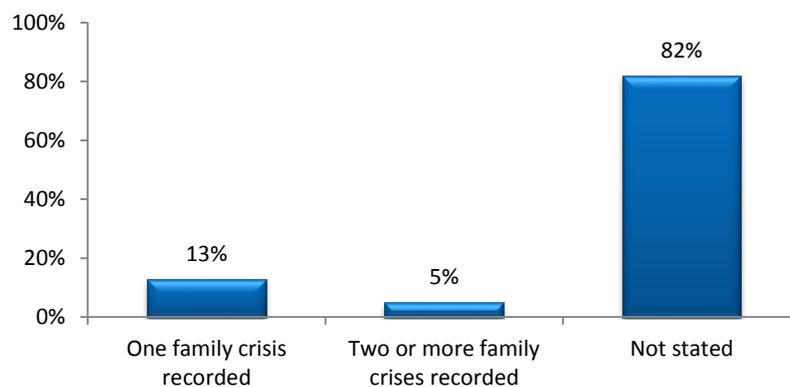


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Note: multiple responses are possible

Eighteen per cent (n=25) of client records showed evidence of a family crisis (see Figure 10). While these were considerably less common than crises related to finances or personal issues, they were considered of enough significance to be recorded in client files. The most common family crisis experienced by clients related to prolonged or chronic illness (n=7, 5 per cent) followed by housing issues (n=6, 4 per cent), relationship/ family break up (n=5, 4 per cent) and mental illness (n=4, 3 per cent).

**FIGURE 10: PROPORTION OF CLIENTS WITH FAMILY CRISES RECORDED**



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## 4 COST BENEFIT ANALYSIS

### 4.1 FINANCIAL COUNSELLING SERVICES OPTION

A cost benefit analysis can compare a number of feasible options. In this analysis we simply compared the costs and benefits of The Wyatt Trust funded financial counselling service as delivered in the 2012/13 financial year - referred to the 'program' - against a scenario without this funding - referred to as the base case or 'without program'.

### 4.2 METHOD OF ANALYSIS

The cost benefit analysis conducted for this project conforms to South Australian and Commonwealth Government guidelines for conducting evaluations of public sector projects (Department of Treasury and Finance, 2007; & Department of Finance and Administration, 2006).

Costs and benefits were specified in real terms (i.e. constant 2012/13 dollars).

The economic analysis was conducted over the 2012/13 financial year and results were expressed in terms of net benefits, that is, the benefits relative to the costs for the 'program'. The evaluation criteria employed for these analyses were as follows:

- **Net value (NV)** – project benefits less project costs. Under this decision rule an option was considered to be potentially viable if the NV was greater than zero. The NV for option *i* was calculated as an incremental NV using the standard formulation:

$$NV_i = \text{option } i \text{ benefits} - \text{option } i \text{ costs}$$

- **Benefit-cost ratio (BCR)** – the ratio of the benefits to the costs. Under this decision rule option *i* was considered to be potentially viable if the BCR was greater than one. The ratio was expressed as:

$$BCR_i = \text{option } i \text{ benefits} / \text{option } i \text{ costs.}$$

### 4.3 COSTS OF THE 'PROGRAM'

In the 2012/13 financial year, The Wyatt Trust had six financial counselling partnerships. Through these, 6,976 hours of financial counselling services were provided to 1,238 Wyatt-eligible South Australian clients.

The costs of the 'program' were calculated by applying an hourly rate of \$56.41<sup>4</sup> to the total financial counselling hours of 6,976 across partner organisations in the 2012/13 financial year. So a total cost of \$393,495 was considered for the 'program' in the 2012/13 financial year, with The Wyatt Trust contributing 57 per cent of this cost.

### 4.4 BENEFITS OF THE 'PROGRAM'

The benefits of the 'program' can be viewed as the costs that are avoided in the presence of the 'program' that would have become debts in the absence of the 'program'. The 'program' provides both direct and indirect benefits to individuals, businesses and government, assuming in the absence of the 'program' there would be costs to these groups. This study measures the benefits, in the presence of the 'program', mainly to individuals.

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<sup>4</sup> Noting this rate was inclusive of financial counsellor salary and associated employment costs.

#### 4.4.1 NON-MONETARY BENEFITS

There are a number of benefits from the delivery of financial counselling services that were identified in the survey but which cannot be assigned a monetary value. These are listed as non-monetary benefits in Table 2.

TABLE 2: NON-MONETARY BENEFITS

	Clients (no.)	Share (%)
Some level of improvements in financial literacy	100	72%
Avoidance or curtailment of legal actions	31	22%
Stabilised housing	24	17%
Improvements in health and wellbeing	24	17%
Access to Centrelink Centrepay	12	9%

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Case notes revealed the following positive consequences of financial counselling services including:

- **Improvement in financial literacy:** of all clients, 72 per cent (n=100) experienced some level of improvements in financial literacy (the ability to make informed money management judgements or decisions);
- **Avoidance or curtailment of legal actions:** 22 per cent (n=31) avoided or had curtailed legal actions;
- **Stabilised housing:** 17 per cent (n=24) subsequently experienced more stable housing;
- **Improvements in health and wellbeing:** 17 per cent (n=24) showed improvements in health and wellbeing; and
- **Access to Centrelink Centrepay:** 9 per cent (n=12) accessed Centrepay<sup>5</sup> to pay for their bills, debts or fines.

#### 4.4.2 MONETARY BENEFITS

A number of monetary benefits have been quantified for the 'program', with details of ascribed values provided in the following sections<sup>6</sup>:

- Negotiated debt reductions;
- Negotiated moratoriums;
- Negotiated waivers;
- Access to grants; and
- Avoidance of bankruptcy.

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<sup>5</sup> Centrepay, the Australian Government's bill-paying service, allows Centrelink recipients to budget and pay for essential expenses like rent and utilities through their Centrelink entitlements. This free bill paying and budgeting system allows individuals to run more ordered and less stressful lives and to be more in charge of and on top of their financial matters than would otherwise be possible. It is estimated that around \$1.76 billion were disbursed by Centrepay nationwide in the 2011/12 financial year (Buduls, 2013), equating to just under \$3,500 per customer in 2012/13. Although a specific monetary value cannot be assigned to an individual's improvement in budgeting and financial capability, Centrepay does ensure core expenses are paid, reducing the flow-on effects of accumulated debt associated with delayed or non-payment.

<sup>6</sup> The document review was designed to capture other monetary benefits such as government concessions as legislated entitlements, accessing superannuation and additional Centrelink entitlements. Of all clients, 12 per cent (n=16) reported that they accessed government concessions, 24 per cent (n=34) received Centrelink benefits and 9 per cent (n=13) accessed superannuation. Case notes did not report the dollar values associated with these benefits and hence these were not included as monetary benefits in the analysis.

## NEGOTIATED DEBT REDUCTIONS

Negotiated debt reductions were calculated using the average amount of reduced debt for clients included in the document review. This was then extrapolated to The Wyatt Trust total new clients (1,238 new clients in 2012/13 across all partners). As such 7 per cent of clients declared an average debt reduction of \$1,560. Accordingly, 89 clients with a debt reduction of \$1,560 resulted in a total benefit of \$138,941 (see Table 3).

**TABLE 3: MONETARY BENEFIT OF NEGOTIATED DEBT REDUCTIONS**

Negotiated debt reductions	
Clients (%)	7%
<b>Benefited clients (no.)</b>	<b>89</b>
<b>Average reduced debt (\$)</b>	<b>\$1,560</b>
<b>Total benefit <sup>a</sup></b>	<b>\$138,941</b>

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<sup>a</sup> Rounding errors may occur

## NEGOTIATED MORATORIUMS

Under the 'program', financial counsellors negotiated with creditors on behalf of clients to waive interest payments on an average debt of \$15,162 for three months. A three month interest payment of \$516 was saved using a variable interest rate of 14 per cent (ANZ bank, variable interest rate on personal loan). Those who saved a three month interest payment of \$516 represented 14 per cent of clients. Extrapolating to The Wyatt Trust total new clients (169 clients) resulted in a total benefit of \$87,391 (see Table 4).

**TABLE 4: MONETARY BENEFIT OF NEGOTIATED MORATORIUMS**

Negotiated moratoriums	
Clients (%)	14%
<b>Benefited clients (no.)</b>	<b>169</b>
Average debt (\$)	\$15,162
Annual interest rate (%) <sup>a</sup>	14%
Saved three-month interest payment (\$)	<b>\$516</b>
<b>Total benefit <sup>b</sup></b>	<b>\$87,391</b>

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<sup>a</sup> ANZ variable interest rate on personal loan

<sup>b</sup> Rounding errors may occur

## NEGOTIATED WAIVERS

Fifteen per cent of clients had average debts of \$4,723 waived, resulting in a total debt of \$883,371 waived for 187 clients (see Table 5,).

**TABLE 5: MONETARY BENEFIT OF NEGOTIATED WAIVERS**

Negotiated waivers	
Clients (%)	15%
<b>Benefited clients (no.)</b>	<b>187</b>
<b>Average waived debt (\$)</b>	<b>\$4,723</b>
<b>Total benefit <sup>a</sup></b>	<b>\$883,371</b>

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<sup>a</sup> Rounding errors may occur

## ACCESSED GRANTS

Nine per cent of clients accessed a charitable grant<sup>7</sup> of \$400 (on average) to pay for their bills, fines or debts. As presented in Table 6, a total benefit of \$46,314 was therefore attained for 116 clients.

**TABLE 6: MONETARY BENEFIT OF ACCESSED GRANTS**

Grants	
Clients (%)	9%
<b>Benefited clients (no.)</b>	<b>116</b>
<b>Average grant (\$)</b>	<b>\$400</b>
<b>Total benefit <sup>a</sup></b>	<b>\$46,314</b>

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<sup>a</sup> Rounding errors may occur

<sup>7</sup> In order to access most charitable grants a person needs to go through a referral service, such as a financial counselling service.

## AVOIDANCE OF BANKRUPTCY

Bankruptcy is a process where people who cannot pay their debts hand over their assets and control of their finances, either by an agreement or court order, in exchange for protection from legal actions by creditors. There are two types of bankruptcy; debtor's petition and sequestration order. A debtor's petition is where people are unable to pay their debts and cannot come to suitable repayment arrangements with their creditors and voluntarily lodge a petition to become bankrupt. A sequestration order is where a creditor may apply to have a debtor declared bankrupt. The creditor must apply to the Federal Court or Federal Magistrates Court for a sequestration order.

There are charges and fees involved to file a bankruptcy. These are associated with the money received from the sale of assets and the time spent on the bankruptcy case of which neither is known for clients receiving The Wyatt Trust funded financial counselling services. However, Section 1.61B(1) Bankruptcy Act, provides for a minimum fee (currently \$5,000) that can be charged by a registered trustee to administer bankruptcies (Australian Financial Security Authority; 2013). This is used in the following calculations.

Twelve per cent of clients in our review (n=17) avoided bankruptcy, equating to 151 of the 1,238 total new clients across partnerships in the 2012/13 financial year. Each were saved a minimum fee of \$5,000, resulting in savings of \$757,050 of avoided bankruptcy costs (see Table 7).

**TABLE 7: MONETARY BENEFIT OF AVOIDANCE OF BANKRUPTCY**

Avoidance of bankruptcy	
Clients (%)	12%
Benefited clients (no.)	151
Registered trustee minimum fee entitlement (\$) <sup>a</sup>	\$5,000
<b>Total benefit <sup>b</sup></b>	<b>\$757,050</b>

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<sup>a</sup> Australian Financial Security Authority 2013

<sup>b</sup> Rounding errors may occur

## 5 RESULTS

The costs and benefits of The Wyatt Trust funded financial counselling services were measured using a 'with' and 'without program' framework, that is, quantification of the incremental changes associated with the 'program' compared with the base case or 'without program' scenario, the latter of which was assumed to have zero costs and benefits.

The results of the economic analysis have been expressed in terms of two evaluation criteria:

- **Net value (NV)** - a measure of the net benefits (i.e. benefits – costs) of the 'program' over the 2012/13 financial year; and
- **Benefit-cost ratio (BCR)** - the ratio of benefits to the costs.

The combined results of the economic analysis of the 'program' in the 2012/13 financial year are presented in Table 8. **The net value of The Wyatt Trust funded financial counselling service provision was estimated to be positive at around \$1.5 million in the 2012/13 financial year.** This indicates that there are higher benefits to run the current 'program' compared to not running the 'program'.

The benefit cost ratio of the 'program' was estimated to be positive at 5. This shows that The Wyatt Trust funded financial counselling services generate five dollars in benefits for every one dollar of cost.

**TABLE 8: RESULTS OF THE ECONOMIC ANALYSIS OF THE 'PROGRAM' (\$), 2012/13 FINANCIAL YEAR**

	Current value (\$)
<b>Base case</b>	
<b>Benefits/avoided costs</b>	
No benefits	0
<b>Total benefits</b>	<b>0</b>
<b>Costs</b>	
No costs	0
<b>Total costs</b>	<b>0</b>
<b>'Program'</b>	
<b>Benefits/ avoided costs</b>	
Negotiated debt reductions	\$138,941
Negotiated moratoriums	\$87,391
Negotiated waivers	\$883,371
Accessed grants	\$46,314
Avoidance of bankruptcy	\$757,050
<b>Total Benefits</b>	<b>\$1,913,067</b>
<b>Costs</b>	
Counselling costs across partnership	\$393,495
<b>Total Costs</b>	<b>\$393,495</b>
<b>Net value (NV)</b>	<b>\$1,519,572</b>
<b>Benefit cost ratio (BCR)</b>	<b>5</b>

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## 6 SENSITIVITY ANALYSIS

A sensitivity analysis is useful to determine the impact on results of the cost benefit analysis in the event monetary benefits fluctuate. This is particularly important when values are estimates, as the results of a sensitivity analysis indicate the level of confidence we can have in the findings of the benefit cost ratio.

Table 9 presents the results of the cost benefit analysis re-estimated using 50 per cent fluctuations in the specified monetary benefits (negotiated debt reductions, negotiated moratoriums, negotiated waivers, grants, and avoidance of bankruptcy). Each sensitivity analysis was undertaken by changing the value (up and down) of one monetary benefit by 50 per cent (ie negotiated debt reductions) while holding all other monetary benefits constant.

The results for the cost benefit analysis of the ‘program’ were shown to be insensitive to changes to uncertain monetary benefits<sup>8</sup>. In all cases, the net value and the benefit cost ratio remained positive. This indicates that the operation of The Wyatt Trust funded financial counselling services remains economically viable.

**TABLE 9: SENSITIVITY ANALYSIS FOR THE ‘PROGRAM’, 2012/13 FINANCIAL YEAR**

‘Program’	Net value (\$)	Benefit cost ratio
<b>Expected value</b>	<b>\$1,519,572</b>	<b>5</b>
<b>Negotiated debt reductions</b>		
50 per cent lower	\$1,450,101	5
50 per cent higher	\$1,589,042	5
<b>Negotiated moratoriums</b>		
50 per cent lower	\$1,475,876	5
50 per cent higher	\$1,563,267	5
<b>Negotiated waivers</b>		
50 per cent lower	\$1,077,886	4
50 per cent higher	\$1,961,257	6
<b>Accessed grants</b>		
50 per cent lower	\$1,496,415	5
50 per cent higher	\$1,542,729	5
<b>Avoidance of bankruptcy</b>		
50 per cent lower	\$1,330,309	4
50 per cent higher	\$1,898,097	6

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<sup>8</sup> For example, if negotiated debt reductions were 50 per cent lower than estimated (\$69,470 instead of \$138,941), and all other estimates remained constant, the BCR would remain at 5.

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## APPENDIX A. DOCUMENT REVIEW QUESTIONNAIRE

<b>DOCUMENT REVIEW</b>	AGENCY NAME: _____						
Client ID _____	Start date: ____/____/____ (DD/MM/YYYY)						
Client Post Code _____							
<b>1. Gender (please select one)</b>							
<input type="checkbox"/> Female							
<input type="checkbox"/> Male							
<input type="checkbox"/> Unknown/ not stated							
<b>2. Date of birth ____/____/____ (DD/MM/YYYY)</b>							
<b>3. Does the client identify as Aboriginal or Torres Strait Islander?</b>							
<input type="checkbox"/> Yes <span style="margin-left: 200px;"><input type="checkbox"/> No</span>							
<b>4. Does the client speak English as a first language?</b>							
<input type="checkbox"/> Yes <span style="margin-left: 200px;"><input type="checkbox"/> No</span>							
<b>5. How does the client describe his / her household?</b>							
<input type="checkbox"/> Living alone							
<input type="checkbox"/> Sole parent							
<input type="checkbox"/> Living with a spouse or partner without dependent child/ren							
<input type="checkbox"/> Living with a spouse or partner with dependent child/ren							
<input type="checkbox"/> Living in a share house with family							
<input type="checkbox"/> Living in a share house with unrelated adults							
<input type="checkbox"/> Not reported / not adequately described							
<input type="checkbox"/> Other (please specify) _____							
<b>6. Number of dependent children in the household (if applicable) _____</b>							
<b>7. Gross income? (Please tick one box for each line)</b>							
	\$0 to \$20,000	\$20,001 to \$40,000	\$40,001 to \$60,000	\$60,001 to \$80,000	\$80,001 and over	Not stated	Not applicable
Individual income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Household income	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**8. Income source** *(Please select as many as apply)*

- |  |   |
|--|---|
| <input type="checkbox"/> Employment – casual, seasonal or short-term | <input type="checkbox"/> Workers' compensation                |
| <input type="checkbox"/> Employment – permanent, full-time           | <input type="checkbox"/> Royalties                            |
| <input type="checkbox"/> Employment – permanent, part-time           | <input type="checkbox"/> No income                            |
| <input type="checkbox"/> Superannuation / investments                | <input type="checkbox"/> Other income <i>(please specify)</i> |
| <input type="checkbox"/> Self-employment                             | _____   |
| <input type="checkbox"/> Child support / maintenance                 | <input type="checkbox"/> Centrelink benefits                  |

**8.1 If deriving an income from Centrelink benefits, please specify the client's primary payment** *(Please select as many as apply):*

- |   |  |
|---|--|
| <input type="checkbox"/> Youth Allowance – Independent  | <input type="checkbox"/> Newstart Allowance            |
| <input type="checkbox"/> Youth Allowance – At Home Rate | <input type="checkbox"/> Sickness Allowance            |
| <input type="checkbox"/> Disability Support Payment     | <input type="checkbox"/> Austudy                       |
| <input type="checkbox"/> Age Pension                    | <input type="checkbox"/> Abstudy                       |
| <input type="checkbox"/> Parenting Payment Single       | <input type="checkbox"/> Special Benefit               |
| <input type="checkbox"/> Parenting Payment Partnered    | <input type="checkbox"/> Other <i>(please specify)</i> |
| <input type="checkbox"/> Carer Payment                  | _____  |

**9. How did the client report his / her housing type?** *(Please select one):*

- |   |  |
|---|--|
| <input type="checkbox"/> Home owner (no mortgage)                           | <input type="checkbox"/> Public or community housing             |
| <input type="checkbox"/> Paying off mortgage                                | <input type="checkbox"/> Caravan / car                           |
| <input type="checkbox"/> Private rental, \$_____ per week                   | <input type="checkbox"/> Boarding house                          |
| <input type="checkbox"/> Share house with family                            | <input type="checkbox"/> Short term / transitional housing       |
| <input type="checkbox"/> Share house with unrelated adults                  | <input type="checkbox"/> Crisis accommodation                    |
| <input type="checkbox"/> Residential aged care                              | <input type="checkbox"/> Homeless / no fixed address             |
| <input type="checkbox"/> Supported residential facilities (eg for disabled) | <input type="checkbox"/> Not reported / not adequately described |
| <input type="checkbox"/> Hospice or rehabilitation centre                   | <input type="checkbox"/> Other <i>(please specify)</i>           |
|   | _____  |

**10. What issue(s) brought the client to the financial counselling service? (Please tick as many as apply)**

- |  |   |
|--|---|
| <input type="checkbox"/> Mortgage repayments   | <input type="checkbox"/> Utility debts                                    |
| <input type="checkbox"/> Rental arrears / eviction notice                                  | <input type="checkbox"/> Telephone / internet debt                        |
| <input type="checkbox"/> Centrelink payment suspended                                      | <input type="checkbox"/> Loan from family member / friend                 |
| <input type="checkbox"/> Centrelink overpayment  | <input type="checkbox"/> Debts from former partner                        |
| <input type="checkbox"/> Registered with Centrelink but still awaiting benefit             | <input type="checkbox"/> Contract dispute                                 |
| <input type="checkbox"/> Child support owed  | <input type="checkbox"/> Fines (speeding, parking, public transport etc.) |
| <input type="checkbox"/> Credit card or store card debt                                    | <input type="checkbox"/> Gambling debt                                    |
| <input type="checkbox"/> Payday loan (e.g. Cash Converters, pawn shop, high street lender) | <input type="checkbox"/> Business debt                                    |
| <input type="checkbox"/> Personal loan (from bank or building society)                     | <input type="checkbox"/> Taxation debt                                    |
| <input type="checkbox"/> Car loan  | <input type="checkbox"/> Not reported / not adequately described          |
| <input type="checkbox"/> Mechanics repairs and/or car accident                             | <input type="checkbox"/> Other (please specify)                           |
- 

**11. Has the client and/or close family member experienced one or more of the following in the past year? (Please tick as many as apply)**

	Self	Family member		Self	Family member
Housing issues			Alcohol dependency		
Domestic violence			Drug dependency		
Relationship / family break up			Disability		
New conflict with family members			Physical injury that impacted on ability to work		
Felt stressed about the future			Mental illness		
Reduction in working hours			Prolonged or chronic illness		
Taken on new debt (loans, credit card etc.)			Retrenchment		
Attempted to supplement income by gambling (e.g. Pokies)			Harassment from creditors		
Needed to sell or pawn possessions			Legal issues (e.g. legal actions by court)		
Death of partner			None of the above		
Birth of a child			Not reported / not adequately described		
Unable to fulfil caring duties due to illness of partner or dependent					

12. How was the client referred to your service? (Please tick as many as apply)

- |   |   |
|---|---|
| <input type="checkbox"/> Your agency / organisation                       | <input type="checkbox"/> Financial counsellor – other             |
| <input type="checkbox"/> Emergency relief provider                        | <input type="checkbox"/> Centrelink                               |
| <input type="checkbox"/> Drug / alcohol treatment service                 | <input type="checkbox"/> Child Support Agency                     |
| <input type="checkbox"/> Migrant / ethnic support service                 | <input type="checkbox"/> Insolvency and Trustee Service Australia |
| <input type="checkbox"/> Housing / supported accommodation service        | <input type="checkbox"/> Other government agency                  |
| <input type="checkbox"/> Disability support service                       | <input type="checkbox"/> Medical service / practitioner           |
| <input type="checkbox"/> Family relationship service                      | <input type="checkbox"/> Mental health service                    |
| <input type="checkbox"/> Money management worker                          | <input type="checkbox"/> Self / family / friends / other client   |
| <input type="checkbox"/> Other community or local government organisation | <input type="checkbox"/> Utility company                          |
| <input type="checkbox"/> Court / lawyer / legal aid                       | <input type="checkbox"/> Not reported / not adequately described  |
| <input type="checkbox"/> Creditor (other than utility company)            | <input type="checkbox"/> Other (please specify)                   |
| <input type="checkbox"/> Financial institution                            | _____   |

13. Did you refer the client to other services? (Please tick all that apply)

- |  |   |
|--|---|
| <input type="checkbox"/> Your organisation                               | <input type="checkbox"/> Centrelink                               |
| <input type="checkbox"/> Emergency relief provider                       | <input type="checkbox"/> Child support agency                     |
| <input type="checkbox"/> Drug / alcohol treatment service                | <input type="checkbox"/> Insolvency and Trustee Service Australia |
| <input type="checkbox"/> Housing / supported accommodation service       | <input type="checkbox"/> ATO                                      |
| <input type="checkbox"/> Disability support service                      | <input type="checkbox"/> Other government agency                  |
| <input type="checkbox"/> Family relationship service                     | <input type="checkbox"/> Mental health service                    |
| <input type="checkbox"/> Court / lawyer / legal aid                      | <input type="checkbox"/> Not reported / not adequately described  |
| <input type="checkbox"/> Other community / local government organization | <input type="checkbox"/> Other (please specify)                   |
|  | _____   |

14. What was the status of the case at 31 August?

- |  |   |
|--|---|
| <input type="checkbox"/> Closed - totally resolved   | <input type="checkbox"/> Active (comment) _____ |
| <input type="checkbox"/> Closed - partially resolved | _____   |

Date closed: \_\_\_\_/\_\_\_\_/\_\_\_\_ (DD/MM/YYYY)

Date of last contact: \_\_\_\_/\_\_\_\_/\_\_\_\_

15. Please indicate the level of change in the client's knowledge, confidence and/or skills in handling financial matters, as a result of the client's involvement with financial counselling: *(Please tick one)*

No change (0)	Limited improvement (1)	Moderate improvement (2)	Improvement (3)	Great improvement (4)

16. Which of the following tasks have been identified by a financial counsellor during the case? Please provide a dollar value, where applicable.

Item	Yes / No If applicable	\$ Amount (where applicable)
Completion of an income and expenditure statement		
Check that client is receiving full Centrelink entitlements		
Accessed all concession for which client is eligible		
Set up Centrepay		
Negotiated debt reduction(s)		
Negotiated moratorium(s)		
Negotiated waiver(s)		
Established negotiated payment plan(s) with creditor(s)		
Considered / accessed grant(s)		
Considered / accessed No Interest Loan		
Considered / accessed brokerage from within own agency / organisation		
Considered / accessed superannuation		
Other (please specify)		
Other (please specify)		

17. Were any of the following achieved through this case? If so, please provide details:

Item	Yes / No / Unrecorded	Details
Avoidance of bankruptcy		
Avoidance or curtailment of legal action		
Stabilising the client's housing situation		
Improvement in the client's health and wellbeing		
Other (please specify)		

18. **If the client had previous contact with your financial counselling service, please provide the date(s) of that previous contact:**

19. **Within the last six months, how many hours IN TOTAL were spent on the client (including direct time with the client and follow-up / advocacy)?**

\_\_\_\_\_

20. **Use the space below for any additional comments *(if required)***



