

## Case for change - Draft

### The consultation

We engaged in a wide consultation process to inform the review of the Diploma of Financial Counselling (Diploma). This consultation was conducted over the six-month period between September 2019 and February 2020 and included:

- One-on-one qualitative interviews with 14 financial counsellors who had graduated within the past two years
- A survey of recent students of the Diploma (both graduates and people who did not complete the Diploma). 61 recent students participated.
- One-on-one qualitative interviews with eight selected financial counselling agency managers
- A one-day workshop with stakeholders from the rural financial counselling sector, including agency managers, experienced and new rural financial counsellors, and funders
- A one-day workshop with key members of the generalist financial counselling sector, including agency managers, experienced and new financial counsellors, and RTOs
- One-on-one qualitative interviews with representatives of each of the nine RTOs offering the Diploma
- One-on-one qualitative interviews with all of the training managers from the State financial counselling associations
- A face-to-face discussion with the FCA Representative Council (a key part of FCA's governance structure)

This consultation took place prior to the coronavirus pandemic. The pandemic has made the need for a well-equipped workforce of financial counsellors more urgent (see accompanying *Skill Forecast Update 2021*)

### Recommendations

There will be a significant increase in the demand for financial counsellors for a number of reasons, including:

- current and anticipated increases in funding for the sector,
- the increasing profile of the profession, and
- an anticipated increase in the number of Australians experiencing financial hardship as a result of the coronavirus recession (see *Skills Forecast Update 1.1*).

Given that financial counsellors are required to have completed or be enrolled in the Diploma of Financial Counselling to be employed, the increasing demand for financial counsellors will flow through to an increase in the number of students enrolled in the Diploma.

It also means that it is imperative that students graduate from the Diploma with the core skills and knowledge they need to perform their roles.

Financial counselling is an evolving profession. The core skills and knowledge required for the role have changed since the design of the current course. The provision of advice - which requires financial counsellors to tailor financial counselling services to reflect the specific circumstances of the client - in addition to support and information, is now recognised as a key aspect of the role. Further, increasingly complex case work and the need to support small business clients have become central parts of the role in recent years (see *Skills Forecast Update*).

Taking into account the feedback from the consultation, and in light of the current strategic context, we have made the following recommendations for updating the Diploma:

1. The addition of a small business financial counselling unit
2. The addition of a fourth financial counselling unit
3. A review and update to the existing three financial counselling units
4. The removal of the systems advocacy unit (with systemic advocacy components incorporated other units)
5. The removal of one of the counselling units (with counselling incorporated already into other units)

## Recommendation 1 – Add a stand-alone small business financial counselling unit

The Sylvan review described in the Skills Forecast Update noted that service providers and industry recognised an increasing demand for financial counselling for small business owners. This highlighted the interconnected nature of small business debt with family finances, and the fact that financial counselling for small business requires an additional skill set than financial counselling for individuals. According to Australian Banking Association figures, some 70% of small businesses have outstanding debts.

In the period since the 2019 Skills Forecast, the need to support small business has become more urgent and apparent as a result of drought, bushfires and the coronavirus pandemic. The government has recognised the unique capacity of financial counsellors to provide holistic support to individuals running small businesses. Rural financial counsellors already provide these sorts of services and the Federal Government recently funded a specialist small business financial counselling service for businesses affected by the bushfires.<sup>1</sup>

Small business is now firmly within the scope of the financial counselling role. Financial counsellors need an understanding of small business and the way small business and personal finances intersect.

The addition of small business content in the diploma received support from all key stakeholder groups.

*Recommendation:* We recommend that a small business financial counselling unit be added to the Diploma.

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<sup>1</sup> See media release 20<sup>th</sup> January 2020, <https://ministers.treasury.gov.au/ministers/josh-frydenberg-2018/media-releases/immediate-small-business-support-bushfire-affected>

## Recommendation 2 - Update financial counselling units

*“We find there are still lots of gaps in the technical knowledge of students and their confidence levels.” Agency manager*

*“What was missing had more to do with the depth of information. The detail was lacking. There was not much about Centrelink debts, payday loans, consumer leases, credit reports, and early access to super, for example.” Recent graduate*

*“The detailed technical knowledge is missing and that is because there is too much focus on the counselling skills.” Recent graduate*

*“The presentations on bankruptcy and consumer credit law should have been extended and drummed home. That work is our bread and butter; we are using that information all the time. When starting at a base of zero knowledge, this needs to be taught well.” Recent graduate*

The three purpose-built financial counselling units are a highly valued part of the Diploma. Recent graduates and agency managers frequently identified them as the most useful units in the Diploma.

The feedback, however, was also that the financial counselling units did not focus enough on the skills and knowledge that financial counsellors needed most in their roles. In particular, the three core units need to be reviewed to reflect an emphasis on the provision of advice – tailoring financial counselling to the circumstances of each individual client - which is currently absent from the training package.

The feedback also indicated that there needs to be more time spent on core areas of technical knowledge in a number of areas. These include:

- Bankruptcy legislation
- Government entitlements, such as Centrelink
- Industry Codes of Practice
- Credit and consumer law
- Case management skills, including case notes
- New and emerging products, such as buy-now-pay later.

There was also feedback from some of the RTOs that the assessment requirements for these units were very difficult to fulfil. The recent changes to the package to allow for simulated placement may have remedied this, but minor changes may still be required.

*Recommendation:* We recommend that a technical advisory committee be established to review the financial counselling units so that they better reflect the technical knowledge required for the role.

### Recommendation 3 - Add a fourth financial counselling unit

*People don't see us because they need a counsellor with a bit of financial knowledge. It's the other way around and yet only three of the 17 units are financial.* – Financial counsellor

*The plopping of counselling units into the financial counselling diploma is not a good fit.* – Financial counsellor

The recommendation that a fourth targeted financial counselling unit be added to the Diploma is made in response to three themes in the feedback from the consultation:

- In addition to the technical knowledge outlined above, there are areas of content that are core to the financial counselling role that are absent or underdone in the current Diploma. These include ethics and professional standards and responding to complex issues such as gambling addiction, family and domestic violence and trauma.
- Some of the current content in the Diploma is mandatory. However, delivering this content in generic stand-alone units that are borrowed from other training packages means that it is not always appropriate in a financial counselling context. This content, which includes systemic advocacy, some counselling and professional practice, would be included in the fourth unit.
- There was a lot of feedback that the current structure of the Diploma covers many relevant, but disparate areas. There is a need for targeted training in how to integrate the various aspects of the role. The lack of clarity around how to hold together the technical/financial support and the counselling aspects is particularly problematic.

*Recommendation:* It is proposed that the fourth unit cover:

- Ethics and professional standards
- Counselling in a financial counselling context
- Financial counselling and the importance of systemic advocacy
- Responding to complex needs in the financial counselling context, including gambling addictions, family and domestic violence and trauma

#### Recommendation 4 - Remove the systems advocacy unit

The systems advocacy unit focuses on how to develop and execute a campaign for changing the broader financial services or consumer law frameworks. For example, how to conceptualise and run a campaign to prevent issues causing financial hardship such as stopping businesses from engaging in predatory lending practices.

While financial counsellors play a vital role in systems advocacy, actually *running* systems advocacy campaigns is not a core part of their role. As the sector has grown and professionalised, the role of driving systems advocacy is more typically done by senior financial counsellors, with the support of their agencies, or by state and national peak bodies, rather than as a stand-alone function by financial counsellors.

It is vital however that the Diploma retains some content relating to systems advocacy, but it needs to be understood in the broader context of the role. The current emphasis and approach of the generic community services unit does not reflect the core role of financial counsellors.

There were some different views about the systems advocacy unit in the consultation. Some RTOs and one state training manager argued that the unit should be retained. However, most RTOs, recent students, agency managers and training managers said that while financial counsellors should be involved in campaigns to improve the marketplace for consumers, it did not warrant a whole unit and they did not generally *run* these type of campaigns.

Part of the issue may also be a confusion about the different uses of the word “advocacy”. Financial counsellors definitely advocate for their clients, for example in negotiations with creditors, and this is fundamental to the role. The focus in the Diploma on advocating for clients in this way will not change at all. Systems advocacy however is a different use of the word. The proposed change will still systems advocacy covered in the Diploma, but not as a whole unit.

*Recommendation:* The relevant content from the systems advocacy unit should be incorporated into the fourth targeted financial counselling unit.

## Recommendation 5 - Removing one of the counselling units

Counselling skills are absolutely essential to financial counselling. This is especially the case because it is increasingly common for financial counselling students to come from the financial services industry and business, rather than the community sector.

The Diploma currently incorporates four generic counselling units. There was strong feedback from the sector that, while counselling must remain one of the foci of the Diploma, the existing units were too repetitive.

As well, there were concerns that the units were not always appropriate to the financial counselling role. Recent graduates and experienced financial counsellors for example, expressed concern that the structure of the Diploma encouraged students to cross professional boundaries to offer therapeutic counselling. This was understood to contribute to burn out and also posed a professional risk to both financial counsellors and to their clients.

In response, we are proposing to remove one of the counselling units, "Facilitate the counselling relationship and process". This is also because other counselling units offered in the Diploma cover much of the content covered in this specific unit. Furthermore, removing this unit would allow for the development of more targeted counselling content in the fourth financial counselling unit.

*Recommendation 6 – Exempting rural financial counsellors from CHCCDE002 Develop and implement community programs*

While it is relevant for generalist financial counsellors, the Department of Agriculture have noted that the community development unit is not appropriate for rural financial counsellors. According to the Department of Agriculture

“The RFCS is already an established program developed and administered by the Australian Government. Any engagement strategies at the ground level are implemented by the service provider and would be developed at a corporate/executive level.”

*Recommendation:* It is recommended that the unit be removed for students undertaking the Diploma of Financial Counselling (rural) and replaced with an elective unit.



## Proposed structure of the core units of the revised Diploma

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CHCADV001	Facilitate the interests and rights of clients
CHCCCS019	Recognise and respond to crisis situations
CHCCDE002	Develop and implement community programs
CHCCSL001	Establish and confirm the counselling relationship
CHCCSL002	Apply specialist interpersonal and counselling interview skills
CHCCSL007	Support counselling clients in decision-making processes
CHCDIV001	Work with diverse people
CHCFIN001 (update)	Facilitate the financial counselling process
CHCFIN002 (update)	Identify and apply technical information to assist clients with financial
CHCFIN003 (update)	Develop and use financial counselling tools and techniques
NEW UNIT	Financial counselling – integrated model
NEW UNIT	Small business financial counselling
CHCLEG002	Interpret and use legal information
CHCPRP003	Reflect on and improve own professional practice