

**Attachment 16.2A****Board Discussion Paper****A proposed funding model to support a national approach to survivors of child sexual abuse**

May 2015

**1. Introduction**

This paper proposes a funding model to support the policy on a national approach to redress for survivors of child sexual abuse.

While Member Associations may endorse a national approach, such an approach will only have legitimacy if the approach is financially sustainable.

This funding model will ensure that where Associations do not have the financial resources to meet the national policy or where the Association is no longer in existence, that financial resources exists which allows the national policy to be consistently applied.

Since the 1950's approximately 20 to 30 YMCAs have ceased trading. Most have simply transferred assets to another YMCA (if there were residual assets) and have been wound up. The lack of an existing legal entity to take responsibility poses a real threat to the integrity of the national policy if there is no mechanism to fund any redress payments that may become due.

**2. Principles of the funding model**

The principles of the funding model are as follows:

- Funds are for redress only, they do not cover litigation.
- It is a 'last resort' fund - if Associations can pay, they must.
- The Fund covers monetary payments for redress including ongoing counselling
- The Fund does not cover the ongoing costs of managing the national policy
- Where the Association cannot finance disbursements to survivors and seeks support from the Fund, it shall be by way of borrowings to Associations on extended repayment terms.
- Borrowings shall incur interest at Westpac overdraft rates.

**3. Quantifying the amount required for the Fund**

At this early stage it is not possible to quantify the amount of funds required to satisfactorily meet the financial requirements of the Fund. YMCA Australia is in the process of engaging an actuary to provide an assessment of the extent of the funds that might be required.

These factors will influence the actuary in their assessment of the funds required:

- Based on current information and existing cases, it is expected that the bulk of redress monetary claims will be made to capital city YMCAs who will have the capacity to pay.

- Many defunct YMCAs were in high population areas and where there is already anecdotal evidence of abuse cases. These will form the bulk of claims made to the Fund.
- Past and current insurance arrangements, e.g. nature of cover (claims made or claim occurrence), per claim excesses/deductibles.
- Activities of YMCA Associations in relation to children (this information is being gathered)
- History of risk management initiatives applied by YMCA in terms of child protection

An actuarial assessment is expected in time for the Presidents' Forum.

#### 4. A model for resourcing the Fund

It is expected that the actuary will be able to provide an 'educated guess' as to the amount of funds required. The amount will incorporate an estimate of claims over a period of time and not all of the funds will be required immediately but will be an estimate of the amounts required over a period of time (perhaps 10 years or longer).

Discussions with the Movement (NLT and other CEOs and Boards) suggest that there will be a reluctance to support this fund where the exposure cannot be quantified. Also there is very little appetite to resource the Fund in advance, where an amount cannot be accurately assessed.

Any formulae for resourcing the Fund through Association contributions must allow sufficient time for Associations to budget and incorporate future cash flow considerations.

Some consider that YMCA Australia should utilise its own reserves to support the Fund. In this regard, YMCA Australia has a working capital ratio of over 3 and has the capacity to allocate reserves to the Fund. For example an allocation of \$1 million would still provide YMCA Australia with a healthy working capital ratio (approximately 1.8).

However it should be noted that YMCA Australia's capacity to carry out its role is, in part, supported by a strong net asset position and a substantial erosion of this asset base should be avoided.

Bearing in mind these factors, a resourcing model which may receive Movement acceptance could incorporate these terms:

- YMCA Australia funds payments up to a total of \$250,000 (under the principles of the Fund outlined above) by way of loans to Associations (for Associations still in existence and who can pay) and for defunct Associations.
- Once the amount of payments made on behalf of defunct Associations or where Association debts are written off, reaches the cap of \$250,000, YMCA Australia will continue to pay amounts as required under the Fund's principles and terms. However amounts paid over the \$250,000 shall be recouped from the Movement through a levy payable in the following year.
- The levy per Association shall be calculated on the same formula as that applied to the subscription model.

#### 5. Ongoing costs of supporting the national approach to redress

In addition to redress payments under the national policy, there is an ongoing administration cost associated with managing the scheme. An estimate of these costs is \$200,000 per annum, calculated as follows:

YA staff expenses	\$100,000
Legal	\$50,000
External consultants	\$25,000
Independent panel	\$50,000
Travel & accommodation	\$25,000
	<u>\$250,000</u>
YA contribution	\$50,000
Net	<u>\$200,000</u>

Based on Association declared insurance revenue for the year ended June 2016, this cost could be covered through an additional .05% level (in addition to the existing .5% subscription).

This levy would be included in the annual subscription formulae and would continue until Movement revenue reached a level where the additional levy was not required.

#### **6. Matters for discussion**

- a) Does the Board consider the principles of the Fund appropriate?
- b) Is the methodology for resourcing the Fund practical and reasonable?
- c) Is the Board prepared to set aside \$250,000 out of reserves for this scheme?
- d) Cases involving defunct Associations will include situations where Association activities and assets have been taken over by large Associations, especially YMCA Victoria. Is it an equitable approach to refer these cases to the Fund for payment?