



Australian Government
Department of Human Services

Parliamentary Joint Committee on Corporations and Financial Services

Department of Human Services

Submission into the Inquiry into
the Consumer Credit and
Corporations Legislation
Amendment (Enhancements) Bill
2011.

October 2011

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1 Introduction

The Department of Human Services (DHS) is responsible for the development of service delivery policy and provides access to social, health and other payments and services. The DHS portfolio includes CRS Australia, Australian Hearing and the three DHS departmental master programs: Medicare Australia; Centrelink; and the Child Support Program. DHS and its master programs endeavour to ensure that the services provided are fully accessible to people from across the Australian community.

Policy responsibility for programs and services that are delivered by DHS reside with numerous policy departments including the Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA), Department of Education, Employment and Workplace Relations (DEEWR), Department of the Treasury; and Department of Health and Ageing. DHS works closely with policy departments to ensure that service delivery perspectives are taken into account in the development and delivery of policy initiatives and changes.

DHS, through the Centrelink master program, is often at the forefront of assisting people handle circumstances of low income, financial duress and changing life circumstances. This submission will highlight the key services that DHS offers in these circumstances. The submission will also outline other related services that are administered by DHS that relate to assisting people in making financial decisions.

2 Income support and family payments

The Centrelink master program (Centrelink) administers the Australian Government's income support system. The legislation and policy for the income support system is administered by FaHCSIA and DEEWR. Through the Family Assistance Office, DHS also administers family payments for a number of customers. The Australian Taxation Office also administers family payments through the tax system.

2.1 Advance payments

A customer may ask Centrelink for an advance payment of their Social Security Entitlement Payment and/or, Family Tax Benefit Part (A). This enables access to a lump sum of future entitlements which is then repaid over the following six months.

The following categories outline the payments that may be eligible for an advance payment, with each category subject to separate rules and thresholds for the amount available to be advanced:

- **Family Tax Benefit Part (A);**
- **Pension:** Age Pension, Carer Payment, Disability Support Pension, Widow B Pension and Wife Pension; and
- **Non-pension:** ABSTUDY, Austudy, Newstart Allowance, Parenting Payment (Partnered and Single), Widow Allowance and Youth Allowance.

Amounts available to be advanced as at the 13 October 2011:

Advance category	Family Tax Benefit Part (A)	Pension ¹		Non-Pension
		Single	Couple	
Minimum	\$160.96	\$358.20	\$270.10	\$250
Maximum	\$1,000 ²	\$1,074.90	\$810.30	\$500

¹Minimum and maximum threshold for Pension advances are indexed every six months

²Maximum amount is 7.5% of the annual entitlement of FTB Part A (including add-ons but excluding FTB Part A supplement)

Within these thresholds, the amount available for each individual is determined according to their individual rate of payment and their own ability to meet repayments of the advance over the subsequent 13 fortnights. A referral process to financial counselling services has recently been introduced for Family Tax Benefit customers who have been identified as experiencing financial hardship. There is potential to extend this service offer across all advance categories.

An advance payment is generally not available if a person has an outstanding debt to the Commonwealth that is recoverable from their payments.

Each advance category is subject to its own assessment rules, reflecting their separate governance and development histories. For example, Family Tax Benefit advances, once repaid, do not have any impact on future availability of advances. By comparison, Pension advances are limited to a maximum amount per six months, and non-pension customers are limited to one advance per year, regardless of whether the previous has been repaid.

Advance Payments in the 12 months to 23 September 2011:

Payment Type	Number	Average
Family Tax Benefit	642,625	\$374.34
Pensions	900,778	\$681.10
Non-pensions	601,073	\$470.44
Total	2,144,476	

Key point:

A lump sum Advance Payment of some Social Security payments and or Family Tax Benefit Part (A) may be available for any purpose, and can assist customers to manage their finances. The amount of the advance is limited by minimum and maximum thresholds (determined by the type and rate of payment received), and the customer's own capacity to meet the repayments.

2.2 Weekly payments

Centrelink payments are usually paid on a fortnightly basis in arrears. While this is suitable for the majority of customers, some may have difficulty budgeting for the 14 day period between payments. These customers will often suffer considerable hardship towards the end of each fortnight. To help assist these customers with their budgeting needs, some customers may be eligible to be paid their entitlement on a weekly basis. The offer of a weekly payment forms part of a broader service offer and is as a complement to other services – it is generally considered a short term option.

Key point:

Receiving income support benefits on a weekly basis is voluntary. Centrelink will work with vulnerable people to assess their needs and offer weekly payments where this is the best option for the customer.

2.3 Refugees and Prison Servicing

Newly arrived refugees require additional support in their initial settlement period and may be vulnerable to financial difficulty or exploitation due to unfamiliarity with financial systems and concepts. DHS have procedures to ensure newly arrived refugees have access to income support as soon as possible after arrival. To assist with settlement and financial capability, DHS also invites refugees, humanitarian entrants and protection visa holders to an information seminar within thirteen weeks of grant of their Centrelink income support payment. The seminar provides information on payments, services, referrals, rights and obligations, language services and other important topics. One of the services promoted during the seminar is Centrepay - a voluntary bill paying service that assists customers to manage their money and budget. Translated fact sheets and products are also distributed during the seminar which provide additional guidance and support regarding expenses, debts and budgeting.

Released prisoners are also financially vulnerable as they generally need to re-establish themselves in the community after release from prison. DHS operates a network of Prison Liaison officers that visit correctional facilities across Australia to provide inmates with access to payments and services on the day they are released. This service aims to assist prisoners to rejoin the community and to reduce the possibility of them offending again.

Key point:

Vulnerable DHS customers such as refugees and released prisoners may be prone to financial hardship and exploitation due to their need to establish or re-establish themselves in their community. DHS provides tailored assistance that may reduce financial vulnerability.

2.4 Income Management

Centrelink administers the Income Management program on behalf of FaHCSIA. Income Management is a key tool in helping people stabilise their lives so that they can care for their children and join or return to the workforce. It assists customers to participate economically and socially they can cover the costs of essentials goods and services. In cases where children are at risk of neglect, it also makes sure that welfare payments are spent in the best interests of children rather than on tobacco, alcohol, gambling or other harmful items

It does not reduce a customer's entitlements, rather it sets aside a percentage of certain income support and family payments to be spent on priority goods and services such as food, housing, clothing, education and health care. Customers receive the remaining part of their payments as usual, and have total discretion to spend that money as they wish.

Income Management is currently used to support the following welfare payments reform measures:

- Child Protection and Voluntary Income Management in Western Australia;
- Income Management in the Northern Territory including:
 - Long Term Welfare Payment Recipient Measure;
 - Disengaged Youth Measure;
 - Vulnerable Welfare Payment Recipient Measure;
 - Child Protection Measure;
 - Voluntary Income Management Measure; and
 - Cape York Trial Queensland.

At 24 June 2011 there were:

- 19 Current customers on the Northern Territory Emergency Response measure (ceased on 31/06/2011);
- 257 current customers on the Child Protection measure;
- 5,212 current customers on the Voluntary Income Management measure (W.A, N.T);
- 8,562 current customers on the Long Term Welfare Payment Recipient measure;
- 4,204 current customers on the Disengaged Youth measure;
- 229 current customers on the Vulnerable Welfare Payment Recipient measure; and
- 152 current customers on the Cape York measure.

Key point:

Income management is primarily concerned with assisting Centrelink customers to spend their entitlements on essential household needs and focuses on particular cohorts of customers.

2.5 Centrepay

Centrepay is a facility that allows Centrelink customers to have automatic deductions taken from their Centrelink payments for various purposes, such as payment of rent, gas, water, rates, or electricity. Once a business or organisation has been approved for Centrepay, their customers who are in receipt of a Centrelink payment can nominate to use the deduction service. Centrepay is free, voluntary bill paying service available to all customers receiving a Centrelink payment.

For the month of June 2011:

- 501,467 customers were using Centrepay;
- 13,248 organisations actively participated in Centrepay;
- 1,683,914 deductions were made; and
- In total \$1.5 billion was disbursed via Centrepay in 2010–11.

Key point:

Centrepay is a free, voluntary bill paying service available to all customers receiving a Centrelink payment. Centrepay only makes payments to registered third parties – and payments are only of amounts from a customer's entitlement.

3 Social Work Services

Social Work Services works with vulnerable people with complex needs who may be in financial hardship. These customers will at times, seek assistance through expensive credit options or may use it as a regular means to supplement their income. Social workers work closely with internal services such as Financial Information Services and Community Engagement Officers who are referred people who are in financially desperate circumstances.

Social workers provide support in Call Centres, Participation Solutions Teams, Business Integrity, community settings and Customer Service Centres to people in financial hardship and have a sound knowledge of local resources that can assist customers to receive support and education around financial management matters. Social workers offer case consultation and support to other staff as they undertake assessments around payment eligibility.

Below is a case study as an example where a vulnerable customer has been the recipient of 'pay day lenders' who are often located in the vicinity of DHS-Centrelink offices.

Case Study

Fatima (name changed for confidentiality purposes) is in receipt of Disability Support Pension and has an intellectual disability. Fatima demonstrates great difficulty around making good choices on how she spends her money. Fatima puts jewellery on layby, will spend ninety dollars on her hair and eat out at restaurants. A lot of these decisions are due to boredom and thus feels the need to shop to make her day seem more productive.

Fatima presents at Centrelink several times a week for urgent payments, as her pension is not sufficient to supplement her need to spend.

Already Fatima has an accumulated a debt of \$6000 with a Telco provider, which was waived under the the ACCC's Compliance Guide "Don't Take Advantage of The Disadvantage." Fatima also frequents the Pay Day Lenders and has taken out a loan of one thousand dollars with a very high interest. Fatima has signed a contract to retrieve this money. Having an intellectual disability has meant that Fatima has limited comprehension of the contract and how this will impact her financially in future. This is a significant disadvantage for Fatima and there needs to be more protection for her and others like her, so that she does not fall in further financial hardship.

4 Financial Information Service

The Financial Information Service (FIS) is an education and information service available to everyone in the community. FIS Officers help people to make informed decisions about investment and financial issues for their current and future financial needs.

FIS is an independent and confidential service and is not limited to customers receiving a Centrelink payment. All Australians can benefit from the free information and education programs available.

There are 164 FIS Officers working across the country in all states and territories. The service is available by phone (13 2300), appointments and through a program of seminars.

In 2011 the FIS program worked with the Australian Securities and Investments Commission to deliver education seminars in major cities across the country. The 'Investing between the Flags' seminars offered practical information on how to get started and make smarter and safer investment decisions.

In 2010–11 FIS Officers:

- dealt with more than 100,100 phone calls, compared to 132,000 in 2009–10;
- conducted more than 79,700 interviews, compared to 91,000 in 2009–10 ;
- delivered 6,200 hours of outreach services, compared to 8,200 in 2009–10; and
- held 2,700 seminars for more than 72,000 participants, compared to 3,100 seminars and 83,000 participants in 2009–10.

In 2009-10 the demand for FIS was higher than usual due to the pension reform changes. In 2010-11 some FIS Officers also assisted in the response to the floods.

Key point:

The Financial Information Service provides information only – it is not an advisory service and does not make recommendations.

5 Early access to superannuation

Since 3 February 2011, DHS has delivered the early release of superannuation benefits on specified compassionate grounds function through a service agreement on behalf of Australian Prudential Regulatory Authority (APRA). The Treasury has sought legislative amendment to transfer the full responsibility for the function to the DHS Portfolio. The Bill passed through both houses of Parliament on 15 September and is now awaiting Royal Assent.

The grounds under which superannuation can be released are specified in legislation. The specified grounds are:

- a. Medical Treatment expenses
- b. Medical Transport
- c. Modifications to a home or motor vehicle
- d. Funeral and palliative care expenses
- e. Mortgage Assistance
- f. Consistent with grounds A to E
- g. Multiple Grounds

DHS is currently reviewing the way the service is delivered to ensure that it provides high quality outcomes through the efficient and effective use of existing resources and infrastructure. DHS is also exploring the linkages with the release of superannuation for severe financial hardship and social worker support to ensure, as far as possible, that customers can receive an integrated service.

The Business Services Division within DHS is working with relevant stakeholders on a business redesign program to develop a system on DHS infrastructure and telephony platforms to support the business to be implemented through-out 2012.

2010 - 2011 Financial Year – Early Release of Superannuation on Specified Compassionate Grounds approvals:

Criteria	Applications received	Total approved	Amount approved for release	Average amount
A	4,062	2,277	\$20,696,252.67	\$9,089.26
B	254	201	\$1,932,165.70	\$9,612.76
C	472	285	\$3,479,231.77	\$12,207.83
D	949	559	\$4,030,537.25	\$7,210.26
E	8,403	5,799	\$79,808,308.16	\$13,762.43
F	578	764	\$10,164,185.29	\$13,303.91
G	1,077	256	\$2,865,117.28	\$11,191.86
TOTAL	15,795	10,141	\$122,975,798.12	\$12,126.59

Historical Approval Figures:

Financial Year	Applications received	Applications approved in full or in part	Amount approved for release	Average amount
2008-2009	17,918	11,776	\$144,739,434	\$12,291
2009-2010	16,331	10,539	\$111,121,975	\$10,544

Key point:

Early access to superannuation as administered by DHS is not for general finance purposes – specific circumstances must apply.

6 Conclusion

DHS provides a range of services to customers and the Australian community to assist them in meeting the challenges of managing their financial circumstances. DHS is a significant provider of services and community support for people meeting the challenges of financial stress. DHS will continue to work with relevant Commonwealth agencies with policy responsibility for payments and programs to improve the services and outcomes for people who come to DHS for assistance.