

# **Australian Government**

Australian Government response to the House of Representatives Standing Committee on Social Policy and Legal Affairs report:

From conflict to cooperation – Inquiry into the Child Support Program

#### Introduction

The Australian Government welcomes the House of Representatives Standing Committee on Social Policy and Legal Affairs report on its Inquiry into the Child Support Program: From Conflict to Cooperation. The Government is committed to helping families manage their responsibilities for their children following separation and acknowledges the Committee's findings in response to the experiences and accounts presented during the Inquiry.

The Child Support Scheme was designed to ensure that both parents contribute to the cost of their children, according to their capacity. There are approximately 1.3 million parents and 1.1 million children involved in the Scheme, and more than 40 per cent of Australian families who receive Family Tax Benefit include a child support parent.

The Child Support Program was introduced in Australia in 1988 to strike a fairer balance between public and private forms of support for children to alleviate the poverty of sole parent families. The Program has undergone a range of changes since its original introduction in the late 1980s, including the substantial changes on 1 July 2008 to the child support formula and the introduction of the Costs of the Children Table. The Government continues to support the basic principles underlying the method of calculation for the child support formula.

The 2015 Parliamentary Inquiry report covers a number of themes, including mediation, ensuring the child support formula reflects contemporary Australia, ensuring compliance with child support obligations, improving information for Program users and administrators, and special support services to families or individuals who have experienced family violence.

The Australian Government's response to this Inquiry (the Response) considers that a holistic approach to meeting the complex needs of separated families is likely to achieve the best possible outcomes for children. The Response seeks to enhance existing support mechanisms, utilise new tools and information, as well as consider new insights and approaches to achieve improved outcomes for separated families.

In developing this Response, the Government has considered the interactions and flow-on impacts that child support policies have with family law, taxation, government payments, particularly Family Tax Benefit, and strategies used to address family and domestic violence.

The Government is also currently developing a new child support computer system that will provide a better service to separated families and deliver high quality data and payment integrity. Associated with this will be improvements to letters and other communication tools and an improved capacity to manage and enforce child support debts.

The Response agrees (or agrees in principle, or in part) with 18 of the 25 recommendations. The Government already has arrangements in place or has undertaken previous work, which address some of the recommendations. The Response refers to these arrangements or previous work where relevant.

Some of the responses would have financial implications which will need to be considered in context with the Government's other competing budget priorities. Therefore in principle agreement does not represent a commitment to funding.

# **Standing Committee Recommendations**

## Recommendation 1

The Committee recommends the Australian Government take steps to collect comprehensive demographic information on all clients of the Child Support Program, and use that information to ensure that child support tools, practices and procedures are culturally and linguistically tailored for the range of Child Support Program clients.

## Recommendation 2

The Committee recommends that the Australian Government make anonymised statistical information on the Child Support Program and its clients available so that the effects of the scheme may be better researched, evaluated and understood.

#### Recommendation 3

The Committee recommends that the Australian Government provide additional funding and training to Family Relationship Centres to assist separating or separated parents to negotiate child support arrangements, including:

- the use of mediation at the initial stages of new child support cases,
- the provision of financial counselling and training in the mediation process to assist people to understand and plan for their likely child support liability, especially those on variable incomes, and
- the strengthening of mediation agreements to include appropriate enforcement and review provisions.

The Committee notes that mediation is not considered appropriate for families where domestic violence is present.

# Government response to recommendations

The Australian Government agrees with this recommendation.

The Government acknowledges that having additional information about an individual can facilitate a more tailored service for the individual's needs. The collection of demographic information from individuals must be carefully balanced with the individual's right to privacy. The Government will assess the most effective and sensitive way to collect additional demographic information to enable better targeting of service delivery initiatives and an improved capacity for policy development and advice.

The Australian Government agrees with this recommendation.

A new and improved Child Support computer system is currently being developed that will enable the Government to provide a better service to separated families and also deliver better data and payment integrity. When the new Child Support computer system is available, the Government will seek to publish additional child support demographic and program information on data.gov.au. Data.gov.au provides an easy way to find, access and reuse public datasets from the Australian Government.

The Australian Government agrees in principle with this recommendation.

The Government agrees with the use of mediation at the initial stages of new child support cases, noting that this would increase demand for family law services. A holistic approach to meeting the complex needs of separated families is likely to achieve the best possible outcomes for children. Existing exceptions to the requirement to attempt mediation for parenting disputes, such as where family violence or child abuse is a factor, would also apply to any use of mediation in new child support cases. Consideration would need to be given to the best way of ensuring separated families are fully informed of their existing rights and obligations around child support.

The Government notes specialist financial counselling services funded by the Department of Social Services are already available, and Family Dispute Resolution Practitioners can

provide referral to separated families where appropriate. The Government will work with Family Law Services to increase visibility of and referral to these specialist services for use by separated families.

The Government agrees in part with the recommendation that mediated agreements include enforcement and review provisions. The Government agrees that including review points and dispute resolution provisions in a mediated parenting agreement is appropriate. However, the Government does not agree that enforcement provisions should be included in parenting agreements. Where parties consider that enforceable agreements are necessary, including where an agreement includes financial matters, it is recommended that they obtain parenting orders made by consent in a family law court.

#### Recommendation 4

The Committee recommends that the Australian Government provide additional funding and training to Family Relationship Centres to trial the provision of mediation services in cases involving child support objections or change of assessment processes, where these are in dispute. The Committee notes that mediation is not considered appropriate for families where domestic violence is present.

The Australian Government agrees in principle with this recommendation.

Developing a pilot for separated families who agree to mediate in cases where child support objection/change of assessment processes arise may provide them with an opportunity to address underlying issues and act as a circuit breaker. In developing any pilot, consideration would need to be given to the available resourcing for family dispute resolution and training, and the appropriateness of mediation in each individual's circumstances. A thorough evaluation process would be an important part of any trial.

In conducting a review of the child support formula, the Committee believes that the Australian Government should have regard to a range of guiding principles including the best interests of the child/ren involved, whether fair and amenable private shared parenting arrangements have been successfully entered into, and whether any family violence is present in the family dynamic.

Taking into account the framing principles of the Child Support Program which aim to ensure that the system operates in the best interests of the child, the Committee recommends that the Australian Government review the Child Support Program to ensure the adequacy of calculated amounts and equity of the program for both payers and payees with respect to:

- the current self-support amount and indexation mechanisms;
- the cost of children table and indexation mechanisms;
- the use of gross income levels for child support payment calculations; and
- consideration of child support income management where there are substantiated allegations of child support payments not being adequately spent on the needs of the child.

The Australian Government agrees, in part, with this recommendation.

The Government agrees to a review of the following components of the child support formula:

- the self-support amount and the indexation mechanism;
- the cost of children table and indexation mechanism;
- the use of gross income levels.

The objective of the review will be to assess whether adjustments and/or design changes should be made to the above components to ensure the amount of child support calculated under the formula remains appropriate and up to date.

The Government supports the basic principles underlying the method of calculation for the child support formula. In agreeing to the review, the Government recognises the value of periodically reviewing elements of the formula to continually assess whether any improvements should be made. The review will include gathering up-to-date evidence on the relative costs of children in Australia from external experts. The review will also involve the Department of Social Services undertaking modelling and analysis of the impact of any changes to the formula.

Child support is the transfer of private income between two parties. Income management only applies to certain categories of income support payment outlined in Part 3B of the *Social Security (Administration) Act 1999*. For this reason, the Government would only consider income managing child support where the person also receives an income support payment which is already subject to income management.

In considering the feasibility and merits of such a proposal, the Government would have regard to the anticipated low volume of recipients and small amounts of child support payments which may be income managed; the circumstances in which these arrangements might apply for Centrelink payments; and the costs of redesigning income management and Department of Human Services systems.

The Committee recommends the Australian National Audit Office conduct a performance audit of the cooperation between the Australian Taxation Office and the Department of Human Services to address the non-lodgement of tax returns by clients of the Child Support Program. The recommendations of the audit should be incorporated into the next memorandum of understanding between the Australian Taxation Office and the Department of Human Services relating to this area of cooperation, negotiations of which should not commence until the audit has been presented in Parliament.

The Australian Government agrees in principle with this recommendation.

The Australian National Audit Office (ANAO) audit program is determined by the Auditor-General. The Government supports the ANAO conducting a performance audit of the cooperation between the Australian Taxation Office (ATO) and the Department of Human Services (DHS) to address the non-lodgement of tax returns by child support parents.

The Government considers that an ANAO performance audit would best occur when revised arrangements between the ATO and DHS have been implemented.

The Government is also aware that the Auditor-General responded separately, in a letter dated 16 September 2015 to the Committee Chair, to this recommendation.

#### Recommendation 7

The Committee recommends the Australian Government amend current policy to ensure that the penalties applicable to the non-lodgement or late-lodgement of tax returns are enforced for all clients of the Child Support Program. The penalty should allow for defences where the individual has a reasonable excuse for non-lodgement, such as circumstances outside their control. Consideration should also be given to the annual indexation of the penalty. A working group comprising representatives of the Australian Taxation Office, the Department of Social Services and Department of Human Services should be established to recommend the size of the penalty.

The Australian Government agrees in principle with this recommendation.

The Government will investigate the best ways to ensure the lodgement of tax returns as part of the support of the Child Support Program. This will include an examination of the way in which the current penalty regime is enforced and how it could be improved, including the regularity of enforcement, and the nature and size of the penalty. The Government will also examine other measures aside from penalties that may encourage compliance.

The Committee recommends that the Australian Government amend legislation to enable a greater period of time before determining when to adjust the amount of child support payable in interim care determinations. The Committee considers that the current fourteen week period, after which Department of Human Services changes the child support payable to reflect the care taking place at that time, does not provide sufficient time for relevant legal proceedings to be completed or for prior agreed arrangements to be enforced by a court or for revised arrangements to be agreed upon. The best interests of the child must be paramount in any amendment made.

The Australian Government agrees with this recommendation.

The Government acknowledges the current interim period should be extended in certain circumstances. This would include where a disputed care change occurs within the first year of a court order, or where a parent does not take reasonable action to participate in family dispute resolution. The Government is supportive of improvements to the policy for disputed care arrangements that would better support attempts by separated families to resolve disputes. The best interests of the child will be paramount in the Government's consideration of such improvements. The current safeguards that apply for situations involving family violence will remain.

#### Recommendation 9

The Committee recommends that the Australian Government consider international models for enforcing contact/parenting orders through the child support program and how these models may be applied to the Australian context. The Committee notes that where family violence is present, these models may not be appropriate.

The Australian Government does not agree with this recommendation.

There are existing options available in the family law system for effectively resolving disputes about parenting orders. Any proposal to enforce parenting orders through the child support program risks confusing the responsibility of parents to financially support their children with the rights of children to enjoy a meaningful relationship with their parents and to be protected from harm.

#### **Recommendation 10**

The Committee notes that the intent of the "capacity to earn" criteria is to prevent payers deliberately avoiding their financial responsibilities in respect to shared parenting. However there are also genuine instances where a person's earning capacity may decrease due to decreased market demand for certain skills, the need to retrain, health issues or other life changes. A greater degree of flexibility is required. The Committee therefore recommends the Australian Government review "capacity to earn" as a rationale for initiating Changes of Assessment under Reason 8.

The Australian Government agrees with this recommendation.

The Government supports the use of the "capacity to earn" criteria in change of assessment decisions to ensure parents financially support their children in line with their capacity to do so. However, the Government also recognises that there may be genuine instances where a person's earning capacity may decrease, and it is not reasonable to change the child support assessment.

The Government will conduct a review of the use of the "capacity to earn" criteria for making change of assessment decisions to ensure that these provisions are providing appropriate outcomes for separated families.

The Committee recommends that the Australian Government seek to develop a clearer system for resolving disputes about the payment of school fees as Non-Agency Payments.

The Australian Government agrees in principle with this recommendation.

The Government supports the need for a clearer system for resolving disputes about the effect on child support of the payment of school fees. The Government will review the provisions that enable a change from the amount payable under a formula assessment. The interaction of the non-agency payment provisions in relation to school fees will also be reviewed.

#### Recommendation 12

The Committee recommends that the Australian Government consider matters pertaining to:

- the hurdle for courts to set aside Child Support Agreements made before 1 July 2008, and to set aside all Binding Child Support Agreements, and
- the amendment of section 56(2) of the Child Support (Assessment)
   Act 1989 to allow the Registrar to take into account amended tax
   assessments.

The Australian Government agrees with this recommendation.

The Government continues to monitor the effect of child support legislation and acknowledges that legislative clarification can help to ensure consistent and equitable outcomes for separated families. Any such clarification regarding child support agreements would need to be consistent with the objects of the Child Support Acts and also consider the arrangements for setting aside financial agreements under the Family Law Act 1975, noting that some agreements can serve as both a child support agreement under Child Support legislation and a financial agreement under the Family Law Act. The Government will consider amendments to section 56(2) of the Child Support (Assessment) Act 1989 to allow the Registrar to take amended tax assessments into account in a broader range of circumstances.

#### Recommendation 13

The Committee recommends that the Australian Government institute an ongoing internal audit of the consistency of advice and decision-making by Child Support Program staff, with results published regularly and summaries provided in the Department of Human Services Annual Report.

The Australian Government agrees in principle with this recommendation.

The Government considers that there is scope to take a more active approach towards quality assurance and overall program assurance in the Child Support Program. The Government will also assess the most useful and transparent way of publishing quality assurance outcome data in future annual reports.

The Committee recommends that the Australian Government introduce a Centrelink policy to actively ask all CSP clients with an FTB entitlement which FTB calculation method they wish to use, at least every six months, thereby reducing unintentional financial hardship.

The Australian Government agrees in part with this recommendation.

Separated families may choose between two methods used by the Department of Human Services (DHS) to estimate their maintenance income for Family Tax Benefit. The two methods are known as the 'entitlement method' and the 'disbursement method'. The Government does not consider it appropriate to contact existing separated families receiving Family Tax Benefit every six months about their preferred method, however agrees that awareness of the two methods should be improved for certain families, to enable them to choose their preferred method. This would benefit those at risk of financial hardship due to not receiving their correct child support entitlement. The Government will help families to be better aware of the two methods through enhancements to a range of communication options, including information on the DHS website and through existing contact points with families.

## **Recommendation 15**

The Committee recommends the Australian Government expedite the conclusion of the Department of Human Services videoconferencing trial, and prioritise the provision of videoconferencing services to all Child Support Program clients, for non-routine or significant Child Support Program processes.

The Australian Government does not agree with this recommendation.

The Department of Human Services (DHS) assists child support parents via phone and online services. All child support business, including registration, changes to care, payment discussions and change of assessment, can be effectively managed via the phone channel. Services available to child support parents via online services continue to evolve, including with a specific Child Support App.

As the DHS service strategy continues to evolve, including utilisation of digital opportunities, the department will continue to consider the needs of child support parents.

The Committee recommends the Australian Government address the Child Support Program's issues of complexity and proliferation in communications by seeking advice on how to incorporate insights from behavioural economics and best-practice in the communication of financial information.

The Australian Government agrees with this recommendation.

The Government agrees to examine how to incorporate insights from behavioural economics and best practice into its communications of financial information to separated families.

The Government will evaluate the efficacy of current communications processes to child support payments by applying behavioural insights, including by conducting randomised control trials where relevant. A review of all child support letters and forms is underway to coincide with the implementation of the new child support computer system.

## **Recommendation 17**

The Committee recommends the Department of Human Services appoint dedicated and suitably trained 'information officers' in the Child Support Program to clearly explain how advice or a decision was arrived at in a particular case. Such officers:

- should be senior APS-level officers (APS 5-6),
- should be experts in child support legislation, policy and procedures,
- should proactively contact clients with a history of disputed decision making when any decision is made,
- should consult with individual decision makers as necessary to fully comprehend a case before contacting a client,
- should be able to explain any documentation created by the Child Support Program,
- should be provided with comprehensive interpreting facilities for culturally and linguistically diverse clients, and
- should not be tasked with collecting any information from clients.

The Australian Government does not agree with this recommendation.

The Government does not agree with appointing dedicated information officers. However, the Government agrees with the continuous need to review and improve training of staff in child support legislation, policy and procedures and providing child support parents with clear and consistent advice.

The Department of Human Services ensures that child support parents are proactively assessed, triaged and connected with tailored service responses as required. All child support decision makers are able to provide each parent with an explanation of the decision, including the information considered in making the decision and the parent's rights, such as objection and appeal rights.

The Committee recommends the Australian Government create a mechanism for Child Support Program clients to nominate preferred communication methods, including restriction to phone calls or letters, to ensure that communication by the Child Support Program does not cause harm.

The Australian Government agrees in part with this recommendation.

The Government agrees that separated families should be able to nominate their preferred communication method and notes that existing procedures allow for this.

However, the Government also notes that this is not possible in all instances, as there are statutory obligations to inform families in writing of various decisions and changes relating to their child support assessment. The Government therefore supports the maintenance of processes that allow separated families to nominate their preferred contact arrangements and to place restrictions on certain types of contact or the times at which contact occurs. The preferred communication arrangements of separated families should only be departed from where required by legislation or to ensure compliance with their obligations.

#### Recommendation 19

The Committee recommends the Australian Government conduct ongoing statistical surveys of the rate of actual payment for Child Support Program clients using Private Collect, with results published regularly and summaries provided in the Department of Human Services annual report.

The Australian Government agrees in principle with this recommendation.

The Government will continue to draw on existing resources such as the Child Support Reform Study and future waves of the Longitudinal Study of Australian Children (LSAC), to periodically review the circumstances of child support parents, including parents who use private collect arrangements. The results of child support statistical analysis will be published in relevant formats, such as LSAC Annual Reports or government reports.

#### Recommendation 20

The Committee recommends the Australian National Audit Office conduct a performance audit of the Child Support Program's Legal Enforcement service, including the extent of the Child Support Program's public criteria for pursuing litigation.

The Australian Government agrees with this recommendation.

The Government supports the Australian National Audit Office (ANAO) conducting a performance audit of the Child Support Program's legal enforcement procedures, acknowledging that the ANAO audit program is determined by the Auditor-General. The Government agrees that legal enforcement action is an important enforcement measure to help address more entrenched instances of non-compliance.

The Government is also aware that the Auditor-General responded separately, in a letter dated 16 September 2015 to the Committee Chair, to this recommendation.

The Committee recommends the Australian Government seek to amend the legislation governing Departure Prohibition Orders (DPOs) such that DPOs are only issued by a tribunal or court on the application of the Registrar and after providing an opportunity for the subject of the DPO to be heard. In cases of urgency, the Registrar should have a limited power to issue an interim DPO, for a non-renewable period of no more than 30 days. Whenever a DPO or interim DPO is considered in relation to a person who resides outside of Australia, the tribunal, court or Registrar must give special consideration to those circumstances.

The Australian Government does not agree with this recommendation.

The purpose of a departure prohibition order is to prevent a person who has persistently and without reasonable grounds failed to pay a child support debt from leaving Australia without discharging the debt or making satisfactory arrangements to do so. The Government considers that there are considerable procedural and legislative safeguards already built into the departure prohibition order framework that provide liable parents with opportunities to discuss their financial situation before the making of a departure prohibition order, and to appeal the making of one afterwards. The Government also notes that travel can be approved for liable parents in appropriate circumstances, even after the making of a departure prohibition order.

However, the Government will examine the criteria for making departure prohibition orders against liable parents who reside outside of Australia, considering the potential impact they may have on such parents, particularly on their employment prospects. In considering whether to make changes to departure prohibition orders against overseas resident parents, the Government will pay particular regard to the need for as much consistency as possible across child support, taxation and law enforcement.

#### Recommendation 22

The Committee recommends that the Australian Government ensure equity in the collection of child support debts and of overpayments, in particular that the same flexibility that applies to the collection of overpayments is applied to the collection of debts, especially where the debts were unintended. In implementing this recommendation the Government should at all times take into account the best interests of the child.

The Australian Government agrees with this recommendation.

The Government will introduce amendments to the child support legislation to provide for broader powers to administratively collect child support overpayments in a wider range of circumstances. This will provide greater equity in the collection of child support and child support overpayments.

In collecting overdue child support or child support overpayments, the Government agrees that an appropriate balance should apply between collecting amounts in the shortest time possible and ensuring parents are not placed in undue hardship.

The Committee recommends that the Australian Government respond to Australian Law Reform Commission Report 117 Family Violence and Commonwealth Laws — Improving Legal Frameworks as a priority.

The Australian Government notes this recommendation.

The Government acknowledges the Australian Law Reform Commission's (ALRC) comprehensive report into family violence and Commonwealth laws - Report 117 Family Violence and Commonwealth Laws-Improving Legal Frameworks (ALRC117), but does not intend to respond formally.

Results from the 2012 Personal Safety Survey show that, since the age of 15, one in six women had experienced physical or sexual violence from a current or former partner, so it is imperative that justice responses are effective in protecting victims. The Government recognises the devastating impact of violence in families and is committed to improving the way that the federal legal frameworks tackle the issue, including strategies to reduce family and domestic violence and support people who have been affected. The Government is committed to keeping women and children safe, not only through legislative change but through funding practical actions to address the symptoms and causes of family and domestic violence.

Some of the ALRC's recommendations in ALRC117 have already been implemented or partially implemented for example through the Department of Human Services' Family and Domestic Violence Strategy. The Council of Australian Governments has made family and domestic violence a national priority, and work is underway on a number of initiatives to reduce violence against women and their children. Moreover, in September 2015, the Government committed a further \$100 million towards measures to keep women and children safe from family and domestic violence.

The Government will continue to monitor the effectiveness of its responses on this issue.

The Committee recommends that the Australian Government recognise the importance of specialist response and support to separated families where family violence is present. Accordingly, the Committee recommends the establishment of a dedicated family violence response unit within the Department of Human Services. This response unit should be responsible for ensuring that the safety and wellbeing of the child are paramount and should be tasked with:

- providing a one-stop point of contact for all enquiries and support services
- providing a means of intermediary communication between the parties
- coordinating access to services across Australian Government
  Departments.

The Australian Government does not agree with this recommendation.

The Government does not agree with the establishment of a dedicated family violence response unit within the Department of Human Services (DHS). Australians with family and domestic violence concerns present across all service delivery areas of government and community service providers. The Government recognises the need for a specialised response to family and domestic violence, particularly in the context of family separation. The family law and child support systems have a strong focus on keeping women and children safe from violence.

In addition, the Government has recently announced a \$100 million package of measures to provide a safety net for women and children at high risk of experiencing violence. The package will improve frontline support and services, leverage innovative technologies to keep women safe and provide education resources to help change community attitudes to violence and abuse.

The Government acknowledges that DHS is well positioned as a contact point to provide information and support to Australians. The department's Family and Domestic Violence Risk Identification and Referral process ensures staff are actively identifying family and domestic violence concerns, and providing targeted referrals to specialised service providers in the community or departmental social workers. This model recognises the expertise of professional staff and community providers and aligns with DHS's mission of connecting Australians to the services they need. This expertise currently exists across the department.

DHS navigates Government services, and regularly engages with external service providers to ensure families are referred to the right services. The Government will continue to monitor the effectiveness of its response.

The Committee recommends that the Australian Government:

- examine the social and economic impacts in other jurisdictions of a limited child support guarantee system,
- conduct modelling to assess if there is capacity to apply such a limited guarantee to the Australian context, and then
- consider the feasibility of conducting a trial of a limited guarantee for either vulnerable families or for a random sample of Child Support Program clients.

The Australian Government does not agree with this recommendation.

The Government considers that the child support scheme should continue to ensure that parents are responsible for the payment of child support. The payment of government family assistance is currently payable at a higher rate if child support payments collected by the Department of Human Services are not received and would otherwise have reduced the rate payable, and this will continue to apply.