



Australian Government
Department of Human Services

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SERVICES**

**STATEMENT TO THE COMMUNITY AFFAIRS LEGISLATION
COMMITTEE**

ADDITIONAL BUDGET ESTIMATES 2016–17

THURSDAY 2 MARCH 2017

COMMITTEE ROOM 2S1

PARLIAMENT HOUSE

Today I would like to highlight some of the recent key work of the Department of Human Services and take this opportunity to explain the Online Compliance Initiative, to clarify matters which have been misconstrued and incorrectly reported.

The department has made some important progress in relation to the Welfare Payment Infrastructure Transformation Programme, the Farm Household Allowance, myGov, the Cashless Debit Card, domestic violence and our multicultural servicing strategy.

In relation to the Welfare Payment Infrastructure Transformation Programme, the Government has recently invested a further \$313.5 million net expenditure over four years to commence Tranche Two, which has moved the programme from planning into delivery.

- This work will begin by developing new welfare payment processes and services for students, revamping how \$3 billion in student payments are administered and delivered.
- In continuation from Tranche One, digital enhancements are being progressively rolled out to make online interactions quicker and easier.

In relation to the Farm Household Allowance, the department has been working closely with the Department of Agriculture and Water Resources to provide support to those affected by the dairy industry downturn. We have done this through:

- engaging a Dairy Industry Liaison Officer to help dairy farmers to access information on the various types of support available to them;
- providing additional resources to support Farm Household Allowance claims processing and the Farmer Assistance Hotline; and
- visiting affected areas with the Australian Government Mobile Service Centres.

Moving to myGov, the department has worked with the Digital Transformation Agency over the first half of the financial year to review the user experience and explore ways to further improve on the myGov service, leading to a single prototype.

The department is working with the Department of Social Services on the Cashless Debit Card Trial. The department has a supporting role in the trial, which includes referring participants to the card provider, Indue Ltd.

More generally, the department is actively assisting both staff and customers affected by the important issue of family and domestic violence. This includes providing access to support services, information or payments.

- Customers are proactively identified and assisted using the department's risk identification and referral model. This uses a targeted proactive approach to identify and respond to customers with family and domestic violence concerns.
- For example, at certain life events, where domestic violence may be more likely, customers are proactively asked if they feel safe, and if appropriate, are offered a referral to an external specialist service provider, or a departmental social worker.
- The department is currently exploring opportunities to replicate the risk identification and referral model in the online channel.
- Also a specialist Staff Family and Domestic Violence Contact Officer network has been established, providing a telephone based advice and support service for staff.

In August 2016, the Minister launched the department's Multicultural Servicing Strategy 2016–19.

- This strategy spans three years and is a public statement of the department's commitment to provide accessible, high quality services to our culturally diverse customers and communities, particularly as we adopt new technology and move to the digital age. We are bringing our culturally diverse customers along on this journey.
- An important new action in the strategy is a multicultural awareness program 'Multiculturalism: Our Stories' which is delivered by our staff to our staff. Facilitators are from refugee or migrant backgrounds or have extensive experience in the multicultural space. The program is based on the sharing of stories in a conversational style so we keep connected to the real challenges our customers face.

I now turn to the Online Compliance Initiative.

Ensuring the integrity of the welfare system is a key focus for the Australian Government and for the Department of Human Services.

The Government considers that Australians expect the welfare payments system to be fair. This means that people should receive payments for which they are eligible: no more and no less.

Data-matching is not new. It is a long-standing approach, used to detect potential non-compliance since the 1990s. It helps to find potential overpayments by, for example, comparing a person's taxation records against the income reported to the department. People have always been responsible for providing the department with correct information.

The introduction of a self-service digital solution for compliance interventions, was announced as part of the 2015–16 Budget measure, ‘Strengthening the Integrity of Welfare Payments’.

In 2015–16, just under 105,000 manual assessments were initiated, with over 101,000 completed. Between July and December 2016, almost 220,000 assessments were initiated with almost 168,000 completed. This measure did not commence in the weeks before Christmas.

This measure only concerns people who have earned an income, not those who are wholly dependent on social welfare. Almost half of the cases described in public reports did not relate to the online compliance initiative.

How we assess income and calculate debts has not changed. The data-matching process identifies differences which we ask people to check. No debt is raised until we have attempted to contact a person and given them the opportunity to explain differences.

Initial letters are not debt letters. The initial letter requests people to confirm employment and income details, and to correct any inaccuracies. No assumption about debt is made. A second letter is also sent to remind people of the need to engage.

Only part of the process is online, and our staff are involved. The online process enables people to confirm their details, in their own time, without having to speak to us if they don’t wish to. However, anyone with a query about the letters or using the online system can easily get in contact with us by calling the designated compliance phone line 1800 086 400, with minimal wait times.

People can also request a reassessment of a debt. There is no time limit for this, and if a person is not satisfied with the outcome of a reassessment this can be progressed to a formal review. If they disagree, people can appeal.

No error exists where differences are explained and no debt arises. In around 20 per cent of completed cases from July to December 2016 the difference was explained and the matter was settled. This shows the system working as intended. Accordingly, around 80 per cent of assessments resulted in debts.

Currently, people have 28 days to confirm or update their information online, with a reminder sent at the 14 day mark. Even with this amount of time, our experience is that some people will not engage with our initial letters. Indeed, sometimes they don't engage with us until their payments are suspended or they receive a debt notice.

For example, in 2016 we sent 260,000 reminder letters to Family Tax Benefit recipients who hadn't lodged a tax return, then we needed to raise 65,000 debt notices. Once the recipient engaged with us, 33 per cent of these were changed to zero dollars.

By contrast, only 3.5 per cent of 130,000 online compliance debts raised from July 2016 to January 2017, were later reduced to zero dollars.

As with all our systems and processes, the department is constantly refining how we operate. We piloted the new system with around 1,000 people over two months in July and August 2016 and used feedback to make a number of improvements.

We have continued to refine the system since July 2016.

One such refinement relates to former recipients. I acknowledge some former welfare recipients may not have received their initial letter, reminder letter or debt assessment account payable letter because we did not have their latest address recorded.

Then, the first they may have known about the issue was when contacted by a debt collection agency. The number of people in this category is around 6,600, not the hundreds of thousands reported in the media, which represents less than 5 per cent of assessments initiated.

We now send both the initial and first reminder letter by registered mail. If letters are returned, we will conduct further address checking. We have also provided more streamlined access to the online system using a security code, with instructions provided in the initial letters.

We have adjusted the design and layout of the online system to enhance readability. We now offer people the chance of using their bank statements to enter net pay, rather than gross pay. As bank statements are available for 7 years, this will assist recipients in providing confirmation of income. We also offer to pause the debt recovery action while the department reviews the debt.

Letters have also been refined to encourage recipients to engage with the department sooner. Instructions about what the recipient needs to do are clearer, and the dedicated compliance number that I mentioned earlier, 1800 086 400, is in the initial letter.

We are also correcting the record. Section 202 of the *Social Security (Administration) Act 1999* and section 162 of the *A New Tax System (Family Assistance) Administration Act 1999* authorise the release of relevant information for the purposes of administering those Acts. This allows us to correct the record when a person publically makes claims that do not accord with our records. We have had this capacity for many years.

Unfounded allegations unnecessarily undermine confidence in the department and the social welfare system.

I would also note that time spent dealing with unfounded allegations takes staff effort away from dealing with other claims.

Claims about the department's recent staff numbers are also misleading. It is normal to move staff, as required, to manage fluctuating priorities. Staff numbers have reduced from 2010 levels. These reductions were due to the following reasons:

- Reduction of staff from 2009–10 levels when Centrelink had been resourced to handle the expected increase in unemployed from the then global financial crisis.
- There were immediate efficiencies implemented upon integration of the department through the Service Delivery Reform measure introduced in the 2011–12 Budget, which culminated in ongoing annual savings of over \$200 million. Savings were achieved through simplifying and automating online services, corporate integration, and integrating business operations, among others.
- The department has met the regular annual cumulative efficiency dividend. It has also met the additional efficiency dividends that were applied in the 2011–12, 2013–14 and 2014–15, which have had an ongoing reduction to the department's funding of over \$300 million per annum.
- In addition to these measures, during the 2012–13 MYEFO, 2013–14 Budget, 2013–14 MYEFO and 2015–16 Budget there have been a range of specific departmental and public sector efficiencies measures applied to the department, with ongoing annual savings of over \$60 million per annum.

- There were reductions in the average staffing level as a result of CRS Australia activities ceasing.
- In 2015–16, 350 ASL who were undertaking the health compliance function were transferred to the Department of Health as part of Machinery of Government changes.

Over 700 staff have been allocated to this compliance work and related compliance budget measures since October 2014. Our compliance staff continue to provide valuable support to recipients in the process. Our staff are fully supported in their role of delivering services to the Australian community. All staff conducting the reviews received additional training.

- Over 900 staff undertook more than 8,500 hours of facilitated training and workshops in preparation for the measure.
- Staff also completed five key eLearning packages before they undertook formal training.

The department manages service delivery in face-to-face, telephony and processing. The volume of interactions are the same as would be usually expected at this time of year. In addition, we have seen no increase in customer aggression.

In closing, we are proud of the work that we do. Our 35,000 staff are dedicated to their work which touches the lives of almost 24 million Australians.

We respond to evolving government priorities which means transforming our services and service channels, to ensure government outlays are protected and government outcomes are achieved. We will continue to ensure our people have the capabilities, understanding and support they need to meet these challenges.