

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Finance and Administration Portfolio**

**Department of Human Services and agencies**

Budget Estimates 2005-2006, 26 May 2005

**Question: HS93**

**Outcome 1, Output Group 1.1**

**Topic: Centrelink - Centrelink debt recovery**

**Hansard Page/Written Question on Notice: Written**

**SENATOR EVANS** asked on 26 May 2005:

- (1) Please provide copies of the 2002-03 and 2003-04 Centrelink Compliance Activity Reports? If not, why not?
- (2) Will a 2004-05 Centrelink Compliance Report be available? If not, why not?
- (3) Please provide a progress report on Centrelink's response to the 2004 ANAO report into Management of Centrelink Debt Recovery?
- (4) Could the officers outline the new streamlined approach taken by debt recovery officers since October 2004? Are there any e-references and other material that we could have which would explain this approach to us?
- (5) What has been the result of this new approach? (That is, what is the number of clients who have been placed on less than standard rates of withholdings (in total and by payment type)? Are these new or old debts? What percentage of debts are on lower rates of withholdings compared to other debts?
- (6) What measures are in place to inform customers of these new arrangements?
- (7) As a result of the changes, and response from clients to the streamlined approach, have any views been formed as to whether the standard rate of recovery is placing particular clients in financial hardship?

**Answer:**

- (1) The tables on the following pages are provided in response to question (1).

Note: The 2002-03 and 2003-04 Centrelink Compliance Activity Reports were not tabled in parliament. Tables 1-4, on the following pages provide information for 2002-03 and 2003-04 and are consistent with the body of the previously tabled reports.

## Senate Finance and Public Administration Legislation Committee

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#### Finance and Administration Portfolio

#### Department of Human Services and agencies

Budget Estimates 2005-2006, 26 May 2005

**Table 1: Centrelink review activity by Output/Payment, 1 July 2002 to 30 June 2003.**

Output/Payment	Reviews		Cancellations		Decreases in Payment [1]		Debts Identified		
	No.	%	No.	%	No.	%	No.	%	\$
<b>1.1 Family Assistance</b>									
Family Allowance	2,908	0.1	1	0.0	26	0.9	2,331	80.2	2,495,154
Family Tax Benefit	181,953	4.1	1,638	0.9	24,977	13.7	5,520	3.0	6,497,214
Subtotal	184,861	4.2	1,639	0.9	25,003	13.5	7,851	4.2	8,992,368
<b>1.2 Youth and Student Support</b>									
Youth Allowance	404,792	9.2	24,221	6.0	51,681	12.8	56,894	14.1	64,063,322
Austudy Payment	17,837	0.4	769	4.3	1,077	6.0	3,327	18.7	10,018,246
Subtotal	422,629	9.6	24,990	5.9	52,758	12.5	60,221	14.2	74,081,568
<b>1.4 Child Care Support</b>									
Child Care Benefit	5,372	0.1	122	2.3	571	10.6	183	3.4	2,869,032
<b>3.1 Labour Market Assistance</b>									
Newstart Allowance	1,253,404	28.6	69,142	5.5	185,959	14.8	133,473	10.6	91,486,933
Parenting Payment (Partnered)	198,044	4.5	6,349	3.2	27,416	13.8	25,182	12.7	23,299,942
Parenting Payment (Single)	711,384	16.2	11,387	1.6	198,663	27.9	68,476	9.6	66,672,475
Partner Allowance	199,969	4.6	750	0.4	17,035	8.5	3,343	1.7	3,809,757
Pensioner Education Supplement	6,440	0.1	1,041	16.2	74	1.1	3,734	58.0	2,568,666
Special Benefit & Widow Allowance	137,996	3.1	1,042	0.8	18,008	13.0	3,896	2.8	3,479,315
Subtotal	2,507,237	57.1	89,711	3.6	447,155	17.8	238,104	9.5	191,317,088
<b>3.2 Support for People with a Disability</b>									
Disability Support Pension	545,474	12.4	3,608	0.7	73,532	13.5	31,352	5.7	75,709,720
Mobility Allowance	3,591	0.1	35	1.0	95	2.6	28	0.8	20,973
Sickness Allowance	35,632	0.8	2,951	8.3	4,087	11.5	1,884	5.3	1,666,103
Subtotal	584,697	13.3	6,594	1.1	77,714	13.3	33,264	5.7	77,396,797
<b>3.3 Support for Carers</b>									
Carer Payment	55,943	1.3	626	1.1	6,670	11.9	3,554	6.4	8,147,120
Carer Allowance	109,366	2.5	168	0.2	3,431	3.1	229	0.2	160,871
Subtotal	165,309	3.8	794	0.5	10,101	6.1	3,783	2.3	8,307,992
<b>3.4 Support for the Aged</b>									
Age Pension	519,801	11.8	2,420	0.5	93,253	17.9	21,063	4.1	50,103,346
<b>Total</b>	<b>4,389,906</b>		<b>126,270</b>	<b>2.9</b>	<b>706,555</b>	<b>16.1</b>	<b>364,469</b>	<b>8.3</b>	<b>413,068,191</b>

Notes:

[1] Decreases in Payment includes Downward Variations, Suspensions and Rejections.

## Senate Finance and Public Administration Legislation Committee

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#### Finance and Administration Portfolio

#### Department of Human Services and agencies

Budget Estimates 2005-2006, 26 May 2005

**Table 2: Centrelink review activity by Review Type, 1 July 2002 to 30 June 2003.**

Review Type	Reviews		Cancellations		Decreases in Payment [1]		Weekly Savings	Debts Identified		
	No.	%	No.	%	No.	%	\$	No.	%	\$
Accelerated Claimant Matching	116,230	2.6	2,487	2.1	4,145	3.6	472,072	2,324	2.0	2,441,926
Child Care Provider	670	0.0	0	0.0	0	0.0	0	161	24.0	2,807,148
Compliance	819,231	18.7	46,305	5.7	64,456	7.9	11,252,827	276,872	33.8	365,365,094
Payment System	3,073,850	70.0	67,154	2.2	558,232	18.2	34,026,427	69,397	2.3	26,469,785
Research & Development	7,590	0.2	387	5.1	1,029	13.6	116,604	4,510	59.4	9,666,166
Service Updates	372,335	8.5	9,937	2.7	78,693	21.1	5,092,730	11,205	3.0	6,318,071
<b>Total</b>	<b>4,389,906</b>		<b>126,270</b>	<b>2.9</b>	<b>706,555</b>	<b>16.1</b>	<b>50,960,659</b>	<b>364,469</b>	<b>8.3</b>	<b>413,068,191</b>

Notes:

[1] Decreases in Payment includes Downward Variations, Suspensions and Rejections.

**Table 3: Tip-off review activity conducted by Centrelink, 1 July 2002 to 30 June 2003.**

Output	Reviews		Cancellations		Decreases in Payment [1]		Debts Identified		
	No.	%	No.	%	No.	%	No.	%	\$
1.1 Family Assistance	1,917	3.3	128	6.7	308	16.1	240	12.5	869,259
1.2 Youth and Student Support	3,613	6.2	311	8.6	362	10.0	709	19.6	1,110,926
1.4 Child Care Support	102	0.2	1	1.0	2	2.0	3	2.9	31,308
3.1 Labour Market Assistance	40,866	69.7	4,095	10.0	5,283	12.9	7,052	17.3	20,254,091
3.2 Support for People with a Disability	8,995	15.3	210	2.3	1,348	15.0	1,193	13.3	4,075,264
3.3 Support for Carers	938	1.6	41	4.4	128	13.6	176	18.8	760,007
3.4 Support for the Aged	2,206	3.8	26	1.2	283	12.8	217	9.8	2,080,640
<b>Total</b>	<b>58,637</b>		<b>4,812</b>	<b>8.2</b>	<b>7,714</b>	<b>13.2</b>	<b>9,590</b>	<b>16.4</b>	<b>29,181,494</b>

Notes:

[1] Decreases in Payment includes Downward Variations, Suspensions and Rejections.

**Senate Finance and Public Administration Legislation Committee**

**ANSWERS TO QUESTIONS ON NOTICE**

**Finance and Administration Portfolio**

**Department of Human Services and agencies**

Budget Estimates 2005-2006, 26 May 2005

**Table 4: Centrelink prosecution activity, 1 July 2002 to 30 June 2003.**

Output	Social Security/Family Assistance Acts Crimes and Criminal Code Acts	
	Convictions	Amount Involved
	No. [1]	\$'000
1.1 Family Assistance	26	875
1.2 Youth and Student Support	235	1,816
3.1 Labour Market Assistance	2,193	21,200
3.2 Support for People with a Disability	242	4,556
3.3 Support for Carers	38	427
3.4 Support for the Aged	60	1,931
Special Circumstances [2]	35	138
<b>Total</b>	<b>2,829</b>	<b>30,943</b>

Notes:

[1] 98% of cases prosecuted resulted in a conviction.

[2] Non-customers prosecuted for failure to provide information and for being knowingly concerned in customers' offences.

## Senate Finance and Public Administration Legislation Committee

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#### Finance and Administration Portfolio

#### Department of Human Services and agencies

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**Table 1: Centrelink reviews of FaCS Payments, 1 July 2003 to 30 June 2004.**

Output/Payment	Reviews		Cancellations		Decreases in Payment [1]		Rate Reductions [2]		Debts Identified		
	No.	%	No.	%	No.	%	No.	%	No.	%	\$
<b>1.1 Family Assistance</b>											
Family Allowance	1,643	0.0	1	0.1	31	1.9	32	1.9	1,136	69.1	1,052,752
Family Tax Benefit	201,239	4.9	702	0.3	31,397	15.6	32,099	16.0	8,857	4.4	7,116,573
Subtotal	202,882	4.9	703	0.3	31,428	15.5	32,131	15.8	9,993	4.9	8,169,325
<b>1.2 Youth and Student Support</b>											
Youth Allowance	424,208	10.3	26,764	6.3	53,391	12.6	80,155	18.9	68,969	16.3	87,301,511
Austudy Payment	17,453	0.4	854	4.9	1,738	10.0	2,592	14.9	3,872	22.2	14,497,700
Subtotal	441,661	10.7	27,618	6.3	55,129	12.5	82,747	18.7	72,841	16.5	101,799,211
<b>1.4 Child Care Support</b>											
Child Care Benefit	6,452	0.2	103	1.6	698	10.8	801	12.4	247	3.8	4,572,863
<b>3.1 Labour Market Assistance</b>											
Newstart Allowance	1,298,739	31.6	71,255	5.5	190,887	14.7	262,142	20.2	149,902	11.5	112,233,943
Parenting Payment (Partnered)	190,670	4.6	6,808	3.6	32,423	17.0	39,231	20.6	28,676	15.0	31,845,023
Parenting Payment (Single)	394,027	9.6	8,284	2.1	81,438	20.7	89,722	22.8	48,870	12.4	76,552,215
Partner Allowance	251,814	6.1	899	0.4	24,011	9.5	24,910	9.9	4,049	1.6	4,450,981
Pensioner Education Supplement	9,972	0.2	9	0.1	58	0.6	67	0.7	5,790	58.1	4,380,747
Special Benefit & Widow Allowance	124,585	3.0	1,543	1.2	17,921	14.4	19,464	15.6	4,173	3.3	4,783,859
Subtotal	2,269,807	55.2	88,798	3.9	346,738	15.3	435,536	19.2	241,460	10.6	234,246,768
<b>3.2 Support for People with a Disability</b>											
Disability Support Pension	507,702	12.4	2,028	0.4	67,356	13.3	69,384	13.7	29,509	5.8	55,933,581
Mobility Allowance	2,991	0.1	25	0.8	57	1.9	82	2.7	14	0.5	7,827
Sickness Allowance	38,090	0.9	3,212	8.4	3,936	10.3	7,148	18.8	2,072	5.4	1,776,271
Subtotal	548,783	13.4	5,265	1.0	71,349	13.0	76,614	14.0	31,595	5.8	57,717,679
<b>3.3 Support for Carers</b>											
Carer Payment	67,293	1.6	670	1.0	7,384	11.0	8,054	12.0	3,678	5.5	6,452,496
Carer Allowance	147,111	3.6	246	0.2	4,020	2.7	4,266	2.9	329	0.2	253,147
Subtotal	214,404	5.2	916	0.4	11,404	5.3	12,320	5.7	4,007	1.9	6,705,643
<b>3.4 Support for the Aged</b>											
Age Pension	424,604	10.3	2,229	0.5	65,786	15.5	68,015	16.0	18,104	4.3	39,606,267
<b>Total</b>	<b>4,108,593</b>		<b>125,632</b>	<b>3.1</b>	<b>582,532</b>	<b>14.2</b>	<b>708,164</b>	<b>17.2</b>	<b>378,247</b>	<b>9.2</b>	<b>452,817,756</b>

Notes:

[1] Decreases in payment includes Downward Variations, Suspensions and Rejections.

[2] Rate Reductions includes Cancellations, Downward Variations, Suspensions and Rejections.

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**Finance and Administration Portfolio**

**Department of Human Services and agencies**

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**Table 2: Centrelink reviews of FaCS Payments, 1 July 2003 to 30 June 2004.**

	Reviews		Cancellations		Decreases in Payment [1]		Rate Reductions [2]		Weekly Savings	Debts Identified		
	No.	%	No.	%	No.	%	No.	%	\$	No.	%	\$
Accelerated Claimant Matching	132,066	3.2	2,110	1.6	2,944	2.2	5,054	3.8	425,739	1,654	1.3	1,819,936
Child Care Provider	1,948	0.0	0	0.0	0	0.0	0	0.0	0	194	10.0	4,541,692
Compliance	824,558	20.1	58,926	7.1	93,046	11.3	151,972	18.4	18,136,488	310,654	37.7	403,502,363
Payment System	2,317,244	56.4	37,929	1.6	311,107	13.4	349,036	15.1	21,158,421	20,707	0.9	11,104,015
Research & Development	2,148	0.1	81	3.8	870	40.5	951	44.3	28,369	1,230	57.3	4,230,508
Service Update	830,629	20.2	26,586	3.2	174,565	21.0	201,151	24.2	12,330,833	43,808	5.3	27,619,242
<b>Total</b>	<b>4,108,593</b>		<b>125,632</b>	<b>3.1</b>	<b>582,532</b>	<b>14.2</b>	<b>708,164</b>	<b>17.2</b>	<b>52,079,849</b>	<b>378,247</b>	<b>9.2</b>	<b>452,817,756</b>

Notes:

[1] Decreases in payment includes Downward Variations, Suspensions and Rejections.

[2] Rate Reductions includes Cancellations, Downward Variations, Suspensions and Rejections.

**Table 3: Tip-off reviews of FaCS Payments conducted by Centrelink, 1 July 2003 to 30 June 2004.**

Output	Reviews		Cancellations		Decreases in Payment [1]		Rate Reductions [2]		Debts Identified		
	No.	%	No.	%	No.	%	No.	%	No.	%	\$
1.1 Family Assistance	2,209	3.1	31	1.4	171	7.7	202	9.1	253	11.5	598,143
1.2 Youth and Student Support	3,650	5.0	339	9.3	491	13.5	830	22.7	710	19.5	1,140,971
1.4 Child Care Support	86	0.1	0	0.0	0	0.0	0	0.0	2	2.3	1,579
3.1 Labour Market Assistance	51,122	70.7	6,135	12.0	7,702	15.1	13,837	27.1	9,671	18.9	27,199,937
3.2 Support for People with a Disability	11,203	15.5	187	1.7	1,748	15.6	1,935	17.3	1,696	15.1	6,393,840
3.3 Support for Carers	1,319	1.8	66	5.0	209	15.8	275	20.8	240	18.2	641,849
3.4 Support for the Aged	2,706	3.7	48	1.8	392	14.5	440	16.3	369	13.6	2,728,733
<b>Total</b>	<b>72,295</b>	<b>100.0</b>	<b>6,806</b>	<b>9.4</b>	<b>10,713</b>	<b>14.8</b>	<b>17,519</b>	<b>24.2</b>	<b>12,941</b>	<b>17.9</b>	<b>38,705,052</b>

Notes:

[1] Decreases in payment includes Downward Variations, Suspensions and Rejections.

[2] Rate Reductions includes Cancellations, Downward Variations, Suspensions and Rejections.

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**Department of Human Services and agencies**

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**Table 4: Centrelink prosecution activity for FaCS Payments, 1 July 2003 to 30 June 2004.**

Output	Social Security/Family Assistance Acts Crimes and Criminal Code Acts	
	Convictions	Amount Involved
	No. [1]	\$'000
1.1 Family Assistance	17	622
1.2 Youth and Student Support	404	3,276
3.1 Labour Market Assistance	2,100	23,798
3.2 Support for People with a Disability	331	6,032
3.3 Support for Carers	32	534
3.4 Support for the Aged	73	2,331
Special Circumstances [2]	20	29
<b>Total</b>	<b>2,977</b>	<b>36,622</b>

Notes:

[1] 98% of cases prosecuted resulted in a conviction.

[2] Non-customers prosecuted for failure to provide information and for being knowingly concerned in customers' offences.

(2) A 2004-05 Centrelink Compliance Report will be prepared for consideration by the Minister for Human Services.

(3) The ANAO made nine recommendations and Centrelink has agreed to take steps to implement each of these. Two of the recommendations (8 and 9) have been implemented and the remainder are under way.

(4) Relevant procedures relating to debt recovery are at Attachment A. Please note the dollar and percentage limits have been deleted, as a release of this information into the public domain would risk the effectiveness of the procedures and have substantial adverse effect on Commonwealth revenue. The attached procedures are copies of e-Reference workflow for customers receiving Centrelink payments and an extract from the debt recovery newsletter for customers not on payment. An overview of the procedures follows:

*Customers receiving Centrelink payments:*

Where a customer contacts Centrelink to ask for a reduction in the amount being withheld from their Centrelink or Family Assistance Office payments for debt recovery, Customer Service Officers in Centrelink have guidelines about which alternative repayment offers they can accept immediately and which offers they need to investigate further before acceptance (for example by obtaining financial information from the person to verify their repayment capacity).

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Prior to October 2004, these arrangements allowed for most alternative offers from customers who owed less than \$1500 to be accepted without further investigation. From October 2004, customers owing \$1500 or more and in receipt of a full rate income support payment (ie having little or no income other than Centrelink payments) also fall within these arrangements. Where customers offer less than the amount that can be automatically accepted, financial information should be obtained to determine whether a temporary period with no repayments should be applied.

*Customers not receiving Centrelink payments:*

Since June 2004, streamlined criteria have also been in place to assess offers from customers who are not in receipt of Centrelink payments. Since May 2005, for customers owing \$1500 or more and who provide Centrelink with employer name and wage/salary details, these arrangements have been extended to allow acceptance of lower offers without further investigation of the customer's financial circumstances.

(5) No data is available. To gather the information required each customer record would have to be reviewed separately and this would be extremely resource intensive.

(6) Customers are advised by an Account Payable notice which gives detail of the debt amount and a contact number to call (136330). Upon calling this number a Centrelink Debt Recovery Officer answers specific queries about the repayment options available to the customer.

Centrelink telephone technology streams customers based on geographic location or the customer's surname. With this information, customers are then automatically referred to the relevant debt recovery team based on a prompt relating to the size of the debt. This provides a seamless service and creates greater efficiencies.

(7) Centrelink has not formed any views. The rate of recovery of debts is a policy matter for Centrelink's purchasing departments.



e-Reference Procedures

**107.11360 - Withholdings to recover accounts - procedures for Debt Recovery Team (Workflow)**

**For Debt Recovery Team only**

Check the Debt List (**OPDL**) and view the **Rsn:** field.



Does the customer **only** have accounts outstanding that result from a Family Assistance Office (FAO) reconciliation (i.e. (FAO Reconciliation (**FRC**), ATO Reconciliation (**FRA**) or FAO Re-reconciliation (**FRR**))?

→ **Yes**

See *Withholding Arrangements for Family Assistance Office (FAO) reconciliation*



**No**

If the customer has a current repayment arrangement, is this query regarding an account they have received since that arrangement was made?

→ **Yes**

w The arrangements for repaying their *existing account* will continue towards repayment of all accounts.

w The customer can change this arrangement if they are not happy with it:

v If they want to **pay more**, *cease the withholding instruction and code the new withholding arrangements*

v If they want to **pay less**, continue with the Workflow.



**No**

Check the Debt List (**OPDL**)

→ **No**

screen.

Is the balance of all accounts owed more than \$1 500?

w If the customer's **offer is at or above** the acceptable withholding level, accept the offer and code *the withholding arrangement*. Record details on a **DOC**.

w If the customer's **offer is below** the acceptable withholding level or the customer will not make an offer, see *Detail Step 14*.



**Yes**

Does the customer have *any money in the bank or other assets* they can use to pay towards the amount owed?

→ **Yes**

w Negotiate a lump sum amount and the *payment method*.

w If a balance will remain after this payment, continue with the Workflow.



**No**



If the customer's record does not indicate *any income and investments*, advise the customer of the withholding start date.

→ **No**

A delay can be considered in severe financial hardship cases, see *Assessing customer's financial circumstances for account recovery purposes*.

Does the customer agree with the withholding start date?



**Yes**

Advise the customer of the *standard withholding rate*. Will the customer pay the standard withholding rate or more?

→ **Yes**

Discuss the amount the customer wishes to pay, where this is more than the standard rate, and *code the withholding arrangement* and record the details on a **DOC**.



**No**

Is the customer receiving a full rate income support

→ **Yes**

Ask the customer how much they can afford to

payment (i.e. non FAO payment)?

have deducted from their payment.

w If the customer offers a withholding rate of \$XXXXpf <sup>(1)</sup> or more, *code the withholding arrangement* and record details on a **DOC**.

w If the customer cannot make an offer or they need assistance to decide what they can afford, continue with the workflow.



**No**

Use the *financial information calculators* to assist in asking the relevant questions regarding the customer's financial situation.



Determine a reasonable repayment arrangement, or a period of non-recovery, see *Assessing customer's financial circumstances for account recovery purposes*.



*Code the withholding arrangement* and record the details on a **DOC**.

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Extract from Debt Recovery Newsletter No 10 of 2005

**Action: New Acceptable Cash Levels for customers owing \$1500-\$5000 where employment details are provided.**

John Harrower on Spectrum 448339

Prior to 9 May 2005, staff CSOs automatically accept a customer's repayment offer for an amount owed of \$1500 or more, only where the offer would see the amount owed recovered within six months.

Effective 9 May, CSOs can also automatically accept a customer's repayment offer in the following circumstances.

- The customer owes a total \$1500-\$4999
- The customer is unable to pay in full or pay an up-front lump sum
- The customer advises and the CSO documents the customer's employer details and **gross** income. **NOTE:** The new acceptable cash levels do not apply unless these employment details are obtained.
- Having given their employment details, the customer offers:
  - at least \$XXXX<sup>(1)</sup> per fortnight for total amount owed \$1500-\$2499; or
  - at least \$XXXX<sup>(1)</sup> per fortnight for total amount owed \$2500-\$5000; or
  - where the customer's offer is lower than these amounts, the offer is to repay at least XXXX<sup>(1)</sup> of their gross income.

If any one of these requirements is not met, abridged financial circumstances must be obtained.

CSOs must never disclose Centrelink's automatic acceptance levels.

NOTE:

<sup>(1)</sup> The limits that would be accepted automatically have been removed (see answers 4 and 6 for explanation).