

Senate Finance and Public Administration Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Finance and Administration Portfolio

Department of Human Services and agencies

Supplementary Budget Estimates 2005-2006, 1 November 2005

Question: HS42

Outcome 1, Output 1.1

Topic: Centrelink – Centrelink debt recovery

Hansard Page/Written Question on Notice: Written

SENATOR EVANS asked the Minister for Human Services, upon written notice:

1. What are the standard rates for debt recovery?
2. What account is taken of customers' individual financial circumstances when determining whether the standard rate of debt recovery is appropriate?
3. Does Centrelink undertake any checks before imposing the standard rate of recovery on individual customers? If so, please give details. Or is it up to the customer to request a change to the standard rate to suit their particular circumstances?
4. What has been the impact of the new streamlined approach to debt recovery that was introduced in October 2004?
5. Does Centrelink now measure or monitor customer perceptions of the recovery process, in accordance with the findings of last year's audit report on debt recovery issues? If not, why not?
6. Wasn't this one of the key areas of concern raised by the Audit Office last year?
7. Didn't the Audit Office criticise Centrelink for not taking customers' financial circumstances into account in framing its debt recovery arrangements?
8. Why doesn't Centrelink have a view about whether its debt recovery arrangements place customers in financial hardship?
9. Why isn't Centrelink able to ascertain whether it is meeting its objective of ensuring that its debt recovery procedures are not placing its customers in 'severe financial hardship'?
10. Does Centrelink have any plans to do this in the future? If not, why not?

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Answer:

1. The table below details the standard rates of debt recovery.

Payment Type	Withholding Rate
Newstart Allowance	<ul style="list-style-type: none"> ▪ 14% of the basic rate of payment (after the income and asset test has been applied) ▪ + 55% of any other income up to the income free area ▪ + 27.5% of income over the free area up to 70% taper.
Pensions, Parenting Payment - Single (PPS) and Partnered (PPP)	<ul style="list-style-type: none"> ▪ 14% of the basic rate of payment (after the income and asset test has been applied) and pension supplement (e.g. Youth Disability Supplement) ▪ + 55% of any other income up to the income free area ▪ + 27.5% of income over the free area.
Abstudy, Assistance for Isolated Children (AIC)	<ul style="list-style-type: none"> ▪ 14 % of the basic rate of payment
Family Tax Benefit (FTB)	<ul style="list-style-type: none"> ▪ 95% of the customer's total entitlement if they are paid the base rate Part A (which may or may not include a payment of Part B) ▪ 25% of the customer's total entitlement if they are paid more than base rate Part A (which may or may not include a payment of Part B) ▪ 95% of Part B if that is the customer's only payment <p>Note: When the only account outstanding is a FAO reconciliation or re-reconciliation account, see Standard Reconciliation Withholding Rate below.</p>
Standard Reconciliation Withholding	<p>Where the balance of the reconciliation overpayment at the day the account is raised is:</p> <ul style="list-style-type: none"> ▪ less than \$750 - \$20 per fortnight ▪ \$750 or above - \$40 per fortnight. <p>Note 1: These withholding rates apply when the only overpayment/s outstanding are FAO reconciliation or re-reconciliation.</p> <p>Note 2: If another reconciliation account is raised, which increases the amount owed to \$750 or above, the \$40 withholding rate will apply.</p>
Carer Allowance (CA), Double Orphan Pension (DOP), Mobility Allowance (MOB)	<p>95%</p> <p>Note: Withholdings will only be applied to these payments if a customer is not in receipt of any other payment.</p>

2. A financial circumstances check establishing income and expenses is completed to determine capacity to pay.

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3. Customers are requested to contact Centrelink within 28 days of notification of a debt to discuss recovery options if they are unable to repay the debt in full.
4. To measure the impact of the new streamlined approach Centrelink conducted Value Creation Workshops with customers between May and July 2005 to obtain feedback about their perception of Centrelink's debt management practices. Customer feedback during these workshops indicated that customers found the debt recovery process flexible and responsive to their circumstances.
5. Yes.
6. Yes.
7. Yes.
8. 9. and 10. Centrelink debt recovery arrangements are designed to protect customers from being placed in severe financial hardship.