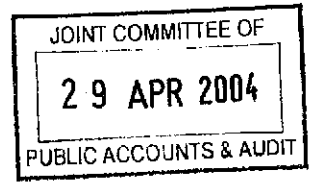
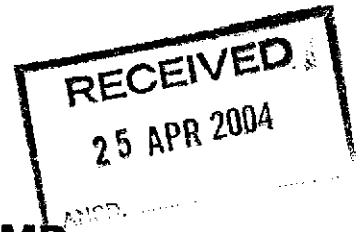




**THE HON CHRISTOPHER PYNE MP**

**Parliamentary Secretary to the  
Minister for Family and Community Services**



**15 APR 2004**

Mr Bob Charles MP  
Chair  
Joint Committee Public Accounts and Audit  
Department of the House of Representatives  
Parliament House  
CANBERRA ACT 2600

Dear Mr Charles, <sup>Bob</sup>

The JCPAA report No 396 recommended that the Child Support Agency make a detailed report on the implementation of new strategies to address debt management for clients, and advise on progress towards implementing the recommendations contained in JCPAA report 367.

Please find attached the Department's response to Report No. 396.

Yours sincerely

**Christopher Pyne MP**

**EXECUTIVE MINUTE**

on

**JOINT COMMITTEE OF PUBLIC ACCOUNTS AND AUDIT  
REPORT [No. 396]**

*[Review of Auditor-General's Reports 2002-2003, First, Second and Third  
Quarters.]*

**General comments**

This advice is provided by the Child Support Agency (CSA) in response to the JCPAA Report No.396 of 2002-2003. The Agency has considered and accepted each of these recommendations.

**Response to the recommendations**

**JCPAA Report No. 396 Recommendation No.3**

*The Child Support Agency should advise the Joint Committee of Public Accounts and Audit of the Agency's progress towards implementing the recommendations directed to it in Report 367, Review of Auditor-General's Reports 1997-98, Third Quarter*

**Response in regard to this recommendation covers Recommendations 2, 3 and 4 from Report 367 and these are set out below.**

**Recommendation No. 2 in Report 367**

*In order to ensure that all the Child Support Agency's clients are able to understand their letters and forms, the Agency should take immediate action to simplify the language and style used in its publications and should employ an outside consultant to undertake the task.*

CSA supports this recommendation and commenced action on this issue in 1998 with the employment of consultants to review the language and style of communications. There have been three key phases of work on communication material undertaken since 1998. These are outlined below.

**1. 1998-1999**

Phase One covered analysis by external consultants, as recommended by the JCPAA. Formal client research on letters was conducted by an external consultant between August and September 1998. Research on publications such as fact sheets was conducted in August 1998, followed by further content testing in September 1999.

Informal feedback on letters was also received from staff and clients through CSA's Opportunities For Improvement Scheme and the Client Research Mailbox. This research and feedback led to the redrafting of generic letters where major issues were identified. The letters were rewritten by a panel of professional writers and market

tested on client groups. This process significantly reduced the number of letters – from over 200 down to 123. Professional letter writers were used to ensure that the letters were client focussed, embraced the principles of plain English and used the correct tone, style, grammar etc. The majority of the new letters were less than one page long (99 out of 123)

In addition to the generic system letters, CSA catalogued all section and system letters used across the country, categorised them according to a set of key criteria and marked duplicate or redundant letters for elimination. In this process over three thousand letters were catalogued.

Other strategies adopted to address cultural and training issues were:

- Leadership programs – The Senior Management Leadership Program addressed the cultural change issues;
- Stage 2 of the New Legislation training (June 1998);
- Induction Program – Communications Skills Module (Aug. 1998);
- Client contact skills were integrated into the range of programs designed specifically for CSA staff (July 1998);
- System Redevelopment training (Sept./ Oct. 1998); and
- Skills Audit process – inclusion of interpersonal communication skills (May/June 1998).

## **2. 1999-2001**

Phase Two covered the utilisation of the research in the revision of all system generated letters prior to the introduction of a new computer system. A communication protocol was also developed to improve ‘unique’ letters and specific training implemented for relevant staff. Increased staff awareness of these developments was generated through meetings with their team leaders and promulgation on the intranet. This was supported by client service reforms underpinned by a phone first culture.

The computer generated generic correspondence was redrafted incorporating the information from the formal and informal client research and addressing issues such as plain English and tone. In keeping with the research findings, procedures were also changed to minimise the use of letters to explain complex matters. A ‘please contact’ letter was developed so that there could be a telephone conversation to inform and advise the client and provide immediate response to questions.

When ‘unique’ letters were used – though generic letters were encouraged, several measures were put in place to improve consistency, standard and quality. Within its Communication Framework, CSA introduced a ‘Letters protocol’ outlining steps to improve the effectiveness of letters and advised that approval from a technical adviser should be sought. The protocol was based on research data about what clients expect and prefer in letters. Specific training, based on the research advice, was also provided to staff most likely to write unique letters, with a view to improving the standard of written correspondence.

### 3. 2002 -2004

Following introduction of a new computer system and as part of ongoing organisational improvement, a further review of all system generated communication commenced in May 2003 with the major focus being on consistency and style. As at February 2004, 152 generic letters have been redrafted to provide greater clarity and more specific information for the client. In addition, the client statement has been re-designed with unnecessary or potentially confusing material removed.

CSA is presently undertaking a review of all other client communications, having regard to recent recommendations to provide a better focus on client options and choices. The results of this review are expected to be released by September 2004. This will again be supported by continuing client service reforms.

#### **Recommendation No. 3 in Report 367**

*The Child Support Agency should commission an expert consultant to undertake comprehensive and regular client surveys in order to determine the level of client awareness of the Charter and complaints service.*

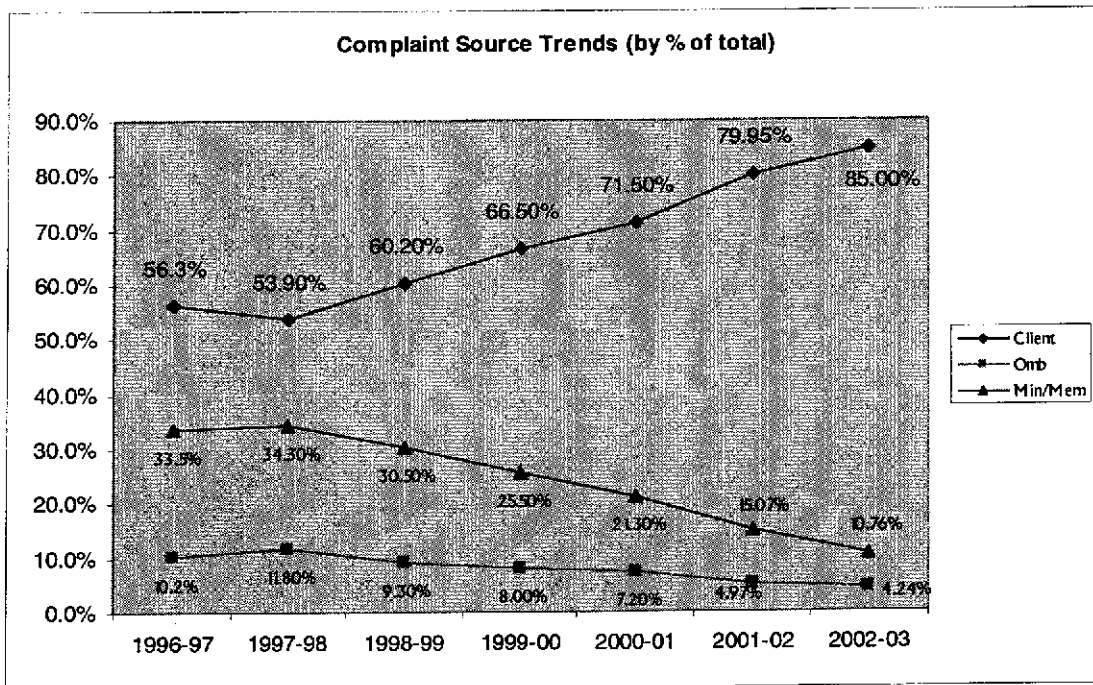
There are two key elements to the work undertaken by CSA in regard to this recommendation. The first element relates to measuring awareness and use of the CSA charter and complaints service. The second element relates to increasing client awareness and their use of the CSA charter and complaints service. Information on the work undertaken in each of these elements is set out below.

#### **1. Measuring client awareness and use of the client charter and complaints service**

Measurement of client awareness has been undertaken by collection and analysis of information on use of the complaints service and surveys of clients. Information on each of these approaches is set out below.

##### ***Collection and analysis of information***

In 1997 only 56.3% of all complaints were made to the CSA complaints service. The data from the internal Complaints Quarterly and Annual reports now shows that the CSA complaints service is the preferred mechanism for 85% of all complaints.



### *Surveys of clients*

#### *Charter*

The second review and redevelopment of CSA's Client Charter commenced in June 2003. CSA engaged a consultancy firm to rigorously test the draft new Charter through focus groups of clients. The new Client Charter, which is now at production stage and will be launched in early 2004, incorporates client feedback obtained through the consultation process.

Some questions in the focus groups were designed to test clients' awareness of and reaction to Client Charters generally, and CSA's Charter specifically. Awareness and comprehension of the concept of Client Charters in general was limited. Very few participants could recall seeing a Client Charter for any organisation. Clients' awareness of CSA's current Client Charter was similarly limited; very few believed they had seen it and they could recall little about it.

#### *Point of Service and On-line research*

CSA has recently completed its pilot of a new, innovative way of gathering feedback from our clients. This new approach uses CSA's Interactive Voice Response (IVR) system to randomly select clients for inclusion in an automated client satisfaction survey. Those clients who would like to participate are transferred through to the survey immediately after they complete their call with the client service officer. They are then asked several questions based on CSA's Charter commitments (ie our service promise to clients). This new approach aims to provide CSA with timely (i.e. monthly), relevant and detailed service data, at the team level, that will enable us to better understand the needs of our clients and to improve the service we provide. This initiative will be implemented nationally by 30 June 2004.

The model used in this survey was developed with an external research company. The model was developed from research conducted with CSA clients that explored what they valued in service delivery and expected from CSA. The model is based on CSA's Client Charter and will therefore allow CSA to measure performance against the service commitments made to clients.

In addition to this, CSA is also utilising the advantages of the Internet and conducting on-line client satisfaction research.

#### *Client Satisfaction*

Since 1995 CSA has benchmarked and monitored client satisfaction through the Client Satisfaction Index and the Professionalism Index. The quantitative data obtained through both of these measures has been used to identify areas where improvements can be made and where further research should be undertaken in order to gain a better understanding of the issues involved.

#### Client Satisfaction Index Survey

The Client Satisfaction Index was developed in conjunction with an external market research organisation. The survey was first conducted in 1995 and since been repeated every 12-18 months until 2000.

The survey consists of 6 indices which were developed to measure client satisfaction around particular themes. The Charter is one of these themes. The themes are described in Attachment A.

#### Professionalism Index Survey

The Professionalism Index was developed in 1998 by CSA and external consultants. The four elements that form the core of this survey are described in Attachment A. This model is linked to CSA's Agency Agreement as the measurement of CSA's client satisfaction. Client satisfaction is one of the key corporate outcomes required in order for agency staff to receive an annual pay increase. The Professionalism Index has been conducted on a regular basis since May 1998.

The next Professionalism Index will be conducted in May 2004 and will include two questions relating to the awareness of CSA's Complaint Service and Client Charter. This information will be used as the initial benchmark to gain an understanding of client awareness.

Following on from this, and as a strategy to benchmark this awareness over time, these questions will be included as an additional question set in the point of service survey (ie using CSA's IVR system). These questions will be included in the survey on a regular basis (i.e. every six months). At this stage this will be implemented in late 2004.

These measures provide CSA with information to monitor client awareness of the client charter and complaints service.

## **2. Increasing client awareness and use of the CSA charter and complaints service.**

A number of actions have been taken to increase client awareness and use of the CSA charter and complaints service. These actions are outlined in Attachment B.

**Recommendation No. 4 in Report 367**

*To ensure that equitable outcomes are delivered, the CSA should take prompt action to ensure that the setting of levels of Employer Withholding of Arrears reflect the annual income of the client.*

Initial efforts by CSA after the 1996/97 report were directed towards the recognition of payers' incomes and financial commitments in determining amounts for Employer Withholding of Arrears (EWA). This initial work focused on negotiating an EWA amount consistent with payers' incomes and commitments; however, further analysis revealed that this work was not having the desired impact.

Consequently, CSA then established an EWA calculator to better support client service officers in determining appropriate amounts. This was included in the revised Procedural Guidance which was introduced in August 2002 to ensure that the application of Employer Withholding Arrears (EWA) was based on the capacity of the parent's income.

The importance of this issue resulted in CSA including a review of EWA arrangements in its internal process checking program in July 2003. This audit recommended further training for staff in this area. As a result, a new EWA training module based on casework has been developed and this is currently being delivered to all relevant staff. As well, all new staff are receiving training which includes EWA.

A recent analysis by CSA of EWA rates and Income Strata shows an improvement in EWA rates since the Australian National Audit Office (ANAO) performance audit identified that clients on lower incomes were paying, on average, more than clients on higher incomes.

Whilst these results are positive, CSA continues to monitor this area in order to build on the improvements achieved to date.

**JCPAA Report No. 396 Recommendation No. 4**

*The Committee recommends that the Child Support Agency make a detailed report to the Committee on progress made in implementing new strategies to address debt management for clients of the Child Support Agency*

The implementation of new strategies has reduced domestic debt by about \$10.5 million over the last 8 months and a detailed report is provided at Attachment C.

Overall CSA's new strategies to address the growth in debt have been successful. However, the effort required to sustain these results and continue to reduce debt is considerable and the challenge will be to remain focussed on continuous improvement in this very important area. Key sources of future improvements include;

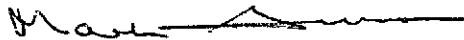
- planned and current investments in enhanced **Business Intelligence** (eg. improved Data Warehouse and data matching activities);
- further **client segmentation research**;

- trialling of **new technologies**, such as outward bound call technology;
- possible future expansion of the **Intensive Debt Collection measure**;
- **streamlining of litigation** cases;
- further **workload management reforms**; and,
- further management reform and **improved international arrangements** associated with the International Stream located in Hobart.

## Summary

This report provides an update on the CSA's progress in relation to the recommendations outlined in JCPAA Report No: 396.

CSA is happy to provide any additional information or clarification on the issues considered in this report.



Mark Sullivan  
Secretary  
Department of Family and Community Services



## **Attachment A**

### **Themes – Client Satisfaction Index**

- *first contact* – asked of those clients who reported that their first interaction with CSA was within the last 12 months;
- *information* - related to the written information clients receive from CSA;
- *client service* – relates to telephone contact. The component questions are only asked of those clients who had had interaction with CSA staff by phone in the last six months;
- *charter* – measures the attributes that staff are required to display when interacting with clients;
- *performance* - these questions cover higher level outcomes issues, as well as an overall measure of satisfaction with the services; and,
- *loyalty*.

### **Elements – Professionalism Index**

- *personal characteristics* of staff members, typified by staff having a sincere desire to help clients;
- *professional characteristics* of staff members, typified by staff taking pride in their work;
- *how the client is treated* by staff members, typified by staff having empathy with client needs; and,
- *the outcomes of the interaction* between staff members and their clients, typified by staff commitment to quality and fairness.

## **Attachment B**

### **Increasing client awareness and use of the CSA charter and complaints service.**

CSA actions have been undertaken in several areas to increase client awareness of the charter and complaints service. These have been;

#### **Promotion to clients**

- client Charter included in Information Kits to new applicants;
- advertising of complaints number in White Pages;
- Ombudsman refers clients to CSA Complaints Service as a first avenue to resolve issues; and,
- Charter included in information provided to clients during community information sessions.

In relation to publications, since 2002 CSA has used a total of 192 700 Child Support Handbooks. All CSA new clients receive a copy of the Handbook at registration via the New Clients Kit. The Handbook contains the CSA Client Charter as well as information about the CSA Complaints Service.

In addition a complaints flyer was produced in 1999 and CSA has distributed 16 850 of these since February 2002.

#### **Promotion to Key Stakeholders**

The National Registrar's Advisory Panel and Regional Registrars' Advisory Panels have been used to raise awareness and obtain feedback for both the charter and complaints service. These panels include representation of peak bodies such as Lone Fathers, Dads in Distress, the National Council for the Single Mother and her Child and the Sole Parents Union.

In relation to the National Registrar's Advisory Panel, this group has considered the Charter (of which the Complaint's service is a key component) on a number of occasions:

- special workshop held on 6 August 1998 to seek feedback in the review and development of CSA's Charter and Staff Charter package;
- regular updates about progress of development and then subsequent communication strategy and launch;
- acknowledgement from the Ombudsman's office at a Registrar's Advisory Panel meeting which acknowledged the effectiveness of CSA's complaints' service (7 November 2002); and,
- most recently discussions have once again been undertaken with Registrars' Advisory Panel members (September 2003) for the next review of the Charter.

The Regional Registrars' Advisory Panel has also been used as forums for discussion, input and feedback. The Charter and complaints service was launched at all Regional Registrars' Advisory Panels across Australia. In addition all Regional Registrars' Advisory Panels have regular discussion about the performance and effectiveness of

the complaints service. They have also been used as regular forums to promote and discuss the Charter

### **Strategies for the Future**

CSA's new Client Charter will be produced in a format designed to expand client awareness of both the Charter and our complaints service. The new Charter will be printed on durable material and include a removable section, which can be folded to a wallet-sized card. The wallet card section will contain CSA contact details and information about our complaints service, facilitating clients' ready and on-going access to the information which clients identified as the most useful elements of the Charter. This innovation arose from client suggestions through formal external focus group research conducted by a consultant.

CSA's distribution strategy for the new Client Charter incorporates client suggestions about the most effective methods of distributing the information and aims to make the Charter available to clients through a wide range of avenues. It includes:

- inclusion of the Client Charter in all New Client starter kits;
- investigating the feasibility of mailing the Charter to some existing clients;
- displaying the Charter on CSA's Web site;
- including information about the Charter, and the option to obtain it, in recorded information/options provided on CSA's client contact telephone number;
- promoting the Charter at face-to-face meetings with clients; and,
- encouraging staff to promote the Charter, where appropriate, during telephone discussions with clients.

## **Attachment C Implementation of New Debt Strategies**

### **Context – CSA's overall collection performance**

Since CSA was formed in 1988 more than \$13.9 billion has been transferred between parents. This means that 94% of all child support has been collected and transferred for the benefit of children. CSA has a well established international reputation as world's best practise in the area of child support collections. CSA in the last 4 years has increasingly supported self-reliance amongst parents and now over 50% of parents transfer their child support privately. The majority of parents do the right thing and pay their child support.

### **The Challenge – To halt the growth in debt**

Since the start of the scheme, \$844 million (6%) in debt has accumulated to June 2003. Of this debt, \$765m is associated with Domestic or Australian cases. The composition of the debt is as follows:

- 61% of parents have no debts;
- 20% of parents have debts less than \$1,000;
- 19% of parents have debts over \$1,000; and of these, less than 3% of parents have debts of \$10,000 or more.

It is important to note that almost 40% of overall debt is associated with parents on incomes of less than \$12,000 p.a. Hence, collectability is in question for this proportion of debt.

The growth in debt over recent years is mainly attributable to:

- the rapid increase in international child support cases with high debts (i.e. accounts for 9.3% of total debt or almost \$79m);
- introduction of the \$260 minimum assessment; and,
- caseload growth.

In 2002/3 the debt grew by over \$85m and the challenge for 2003/4 was to halt this growth in debt by year end.

### **New Strategies – addressing the growth in debt**

Notwithstanding CSA's international reputation as world's best practise in the area of child support collections, it is acknowledged that every child support dollar is important. As such, the CSA in the last 12 months has put in place a range of strategies to further reduce debt, with the aim of halting the growth in debt by 30 June 2004.

As part of a National Collection Strategy several key strategies were developed and put in place to address and better manage the growth in debt for 2003/4. These included:

- **conducted key Debt Research.** In 2002 the CSA undertook a comprehensive study into the nature of CSA debt. The research analysis identified 12 key debt categories and established the collectability of debt across these categories (i.e. costs and benefits). Results from this study continue to guide our collection activity;
- **established Intensive Debt Collection (IDC) Measure.** The results from the above study were used to support a successful new policy proposal (2003-04 budget round) for the funding of an **intensive debt collection** measure. The Government has provided an extra \$31 million over four years to target some 66,000 'hard debt' cases. The expected outcome is \$130 million in extra child support payments over this period;
- **utilised Key Learning.** The IDC measure has also resulted in some key learning that has been incorporated into other core areas of CSA. For example, the IDC team developed a new approach with child support Late Payment Penalties that has been highly successful in collecting debt;
- **improved Employer Withholding of Arrears.** We have distributed new procedural instructions to front line staff to ensure that arrears collections through employer deductions and other payment arrangements are set at rates commensurate with payer incomes (see response above to recommendation No. 4 in Report 367);
- **improved Payer Telephone Contact.** Significant efforts were made and have resulted in increased payer telephone contact in our New Client (NC) Stream (i.e. parents are individually case managed in NC in the first 9 months);
- **implemented Workload Management Reforms.** We have implemented a series of workload management reforms, including revisions to our Client Management Procedural Instruction to provide space for greater pro-active and planned debt collection work.
- **increased focus on Employer Withholding.** The above workload management reforms have enabled a greater realisation of employer withholding opportunities. Employer withholding has increased from 20.1% of all collect paying parents to 22.3% over the last 12 months;
- **enhanced Computer System (CUBA) to better support debt collection.** For example, the automation of the Tax Refund Intercept Processing System (TRIPS) has increased debt collection in this area;
- **introduction of an Annual Rolling Collection Rate Measure.** The introduction of a 12 monthly rolling collection rate measure has enabled the CSA to better understand its current (i.e. last 12 months) collection performance compared with the collection performance since the beginning of the Scheme. This was recommended by ANAO in its performance audit;
- **increased use of Departure Prohibition Orders (DPOs).** We have actively increased the use of DPOs with respect to international cases and plan to extend them more generally to domestic cases. This will be facilitated by a data match with Department of Immigration & Multicultural & Indigenous Affairs in the near future;

- **active Referral of Parents to Community Support Services.** As part of its overall approach to better supporting parents, the CSA has conducted a number of pilots over the last few years that actively refer parents to support services. Of particular note is the active referral of newly separated parents to a telephone counselling and assessment service in Queensland. This pilot service actively supports parents with their financial, relationship and parenting issues. Our experience is that once some paying parents receive this support they are better able to deal with their child support issues.
- **newly Separated Unemployed Non-Resident Parents Measure.** In order to better address the issue that many of CSA's paying parents have low incomes and therefore pay little or no child support, the Government has provided an extra \$12m in the last budget round to help address the relationship and parenting needs of some 31,500 newly separated unemployed non-resident parents. By supporting parents in this way it is believed that they will be motivated to gain work sooner than might be otherwise possible thus increasing their capacity to pay child support;
- **increased Registrar Initiated Change of Assessment (RICA) and Litigation Activity.** An increase in the number of Litigation and RICA cases actioned has resulted in improved results over the last 12 months;
- **established the International Stream.** Given the significant increase in the number of international cases (i.e. 2,713 at 30 June 2000 to 16,203 at January 2004) and the high associated debt levels, the CSA established a separated 'International' stream in Hobart. This allows for specialisation in the management of these cases which are typically more complex and are resourced accordingly; and,
- **development of Advanced Debt Collection Training.** Development and piloting of an advanced debt collection training package through the Intensive Debt Collection Project to optimise debt outcomes.

### **Results of New Strategies - over last 12 months**

Over the past twelve months there have been strong indications of the success of the new strategies. These outcomes include:

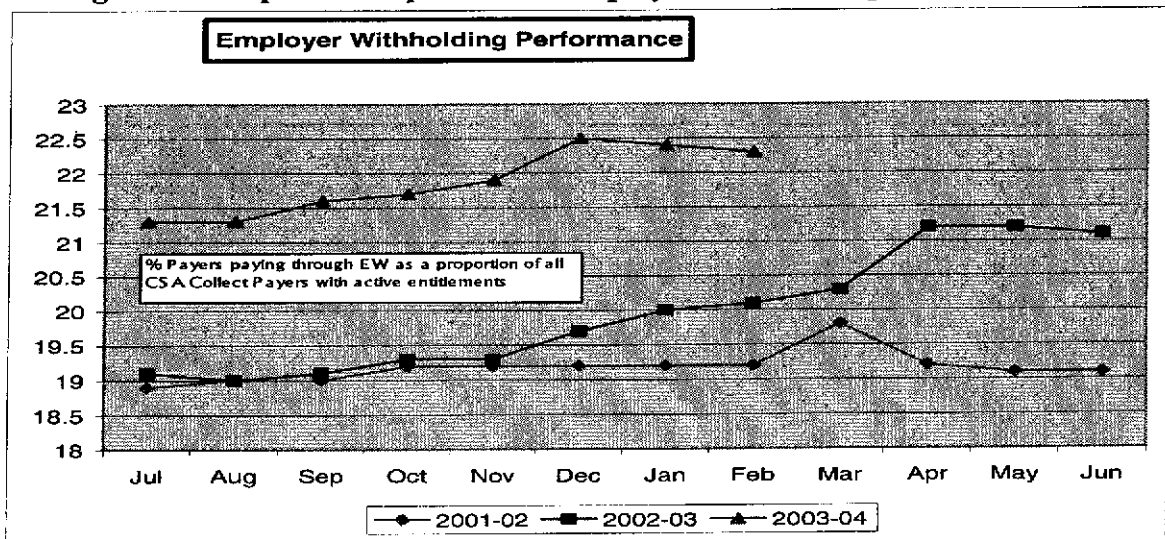
- **Positive changes in the Structure of debt.** These include:
  - the proportion of cases with no debt has increased from 61.4% in December 2002 to 62.7% in December 2003 (i.e. 35,500 cases);
  - the age of CSA debt has declined over the last 12 months;
  - the proportion of high debt high income cases has reduced since December 2002 (see Table 1); and,
  - the percentage of high income cases with no debt has increased since December 2002 (see Table1).

**Table 1: High Income (50k+) by level of Debt**

Maint. Debt (\$)	December 02		December 03	
	No.	%	No.	%
0	58,424	82.8	78,680	85.0
1 – 260	2,496	3.5	2,960	3.2
261 – 500	1,130	1.6	1,293	1.4
501 – 1K	1,660	2.4	1,762	1.9
1,001 – 2K	1,804	2.6	1,868	2.0
2,001 – 5K	2,132	3.0	2,479	2.7
5,001 – 10K	1,411	2.0	1,544	1.7
10,000+	1,532	2.2	1,987	2.1
Total	70,589	100.0	92,573	100.0

- **Increased payer contact** has seen the collection rate for parents in the New Client Stream grow from 76.8% in July 2002 to 90.7 % in January 2004;
- Despite strong growth in **international debt**, the collection rate associated with international cases has increased from 52.3% in June 2003 to 56.4% by February 2004. However, growth in International debt, particularly that associated with New Zealand (NZ), remains an area of concern. Discussions with NZ Inland Revenue(Child Support) have acknowledged the issues and we are working on joint approaches to address backlogs including resourcing more effective transfer scrutiny and joint case management;
- The **Intensive Debt Collection Measure** has resulted in:
  - contact with some 12,000 parents;
  - the collection of an additional \$11.7m; and
  - debt correction of a further \$7m. This means that overall debt has been reduced by almost \$20m since June 2003 for this group of parents. This measure is on track to meet its annual target.
- There have been improved collections through increased employer withholding and employer withholding of arrears (see Figure 1).

**Figure 1: Proportion of parents on Employer Withholding over time**

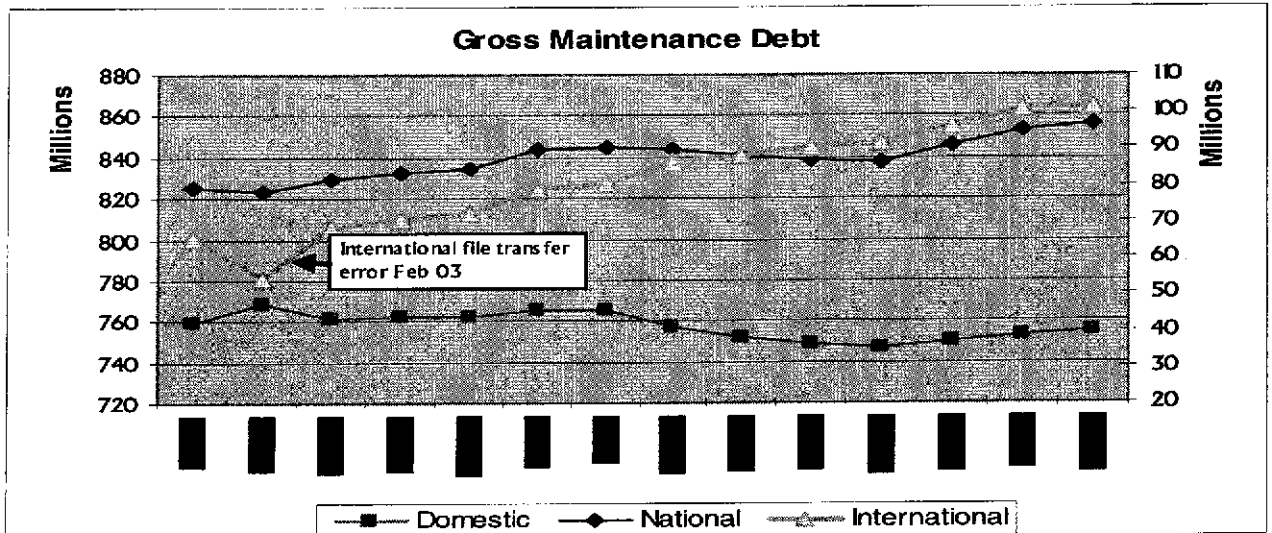


## Overall impact on growth in Debt – domestic debt is now declining

The overall result of these combined new strategies has been to:

- reduce domestic debt by about \$10.5 million over the last 8 months. That is, domestic debt (instead of continuing to increase) has reduced from \$765.4m at June 2003 to \$754.9m by end February 2004. This reduction is expected to continue, which means more children will receive the child support to which they are entitled (see Figure 2); and

**Figure 2: Comparison of International, Domestic and GMD over time**



- see a significant reduction in the growth of Gross Maintenance Debt (GMD) in the period June 2003 (\$844.1m) to February 2004 (\$856.4m). This represents a small increase of \$12.3m compared with an expected (trend) growth of around \$60m. This small increase is made up of a decrease in domestic debt of \$10.3m and an increase in international debt of \$21.7m (see Figure 2 and 3).

**Figure 3 CSA Gross Maintenance Debt over time**

