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28 October 2019

Senator Rachel Siewert
Chair, Senate Community Affairs References Committee Inquiry into Centrelink's compliance program
PO Box 6100
Parliament House
Canberra ACT 2600

Dear Senator Siewert,

Re: Response to Questions on Notice

Thank you for the opportunity to present evidence at the recent public hearing of the Senate Community Affairs References Committee's Inquiry into Centrelink's compliance program. We are writing to elaborate on that evidence, and to provide responses to questions we agreed to take on notice.

The cost of Centrelink automation to the Anglicare Australia Network

In 2018, Anglicare Australia conducted research on the impact of the automation of Centrelink services on our Network. This included the impact Centrelink's compliance program, as well as the automation of Centrelink services more broadly. As part of the study, three large member agencies working across different service types in three different jurisdictions were surveyed.

Our study found that they are now spending the equivalent of 6.6 full-time positions dealing with Centrelink issues, with compliance and debt recovery as a major source of that work. This represents a $408,000 donation from the Anglicare Australia Network to the Australian Government over the course of a year.

The surveyed members represent just on 19 per cent of our Network. When these are extrapolated to our wider membership, the cost represents $2.15 million each year.

Anglicare Australia has tabled the *Paying the Price of Welfare Reform* report to the Committee with our submission. The full report contains additional information on our methodology, and the impact that these costs have on other aspects of our service delivery.

The impact of recent changes to the program, including any improvements
Following the hearing, Anglicare Australia sought feedback from our Network members regarding the impact of recent changes to the program and any possible improvements. Overwhelmingly, we were told that the changes do not address the fundamental problems with the system – the averaging process, the absence of manual checking before letters are sent, and the reversal of the onus of proof.

Initial letters force clients to explain discrepancies generated by a data matching process, which is prone to error because it is at odds with how Centrelink itself calculates payments (actual fortnightly earnings as opposed to averaged annual earnings). In the hearings, Anglicare Australia was told by Senators that people are now supported to get bank records if they are attempting to disprove a debt. But since the hearing, Anglicare Australia has not found a single case of a client who has been able to get this help.

In one case, a client from our Network was eventually able to secure bank statements on his own only to be told they were not sufficient to explain the discrepancy. This was because the bank statements only show net income, whereas eligibility for payments is determined using gross income and a range of other factors. The difference between net and gross income in these documents is a major source of frustration. As one staff member told us:
"A major problem is the ability to prove net rather than gross earnings for those with any employment. I am aware of one case where the debt is twelve years old. The client had been working in their gap year before commencing full-time study. He has not been furnished within any information to substantiate the debt, yet his family's Family Tax Benefit reconciliation payment was taken and applied to a debt."

Discrepancies become even harder to explain when multiple sources of income are involved. One client has been levied a debt that is nine years old. Historical bank statements alone will not be able to capture the complexity of her case, yet payslips and other documents are no longer available. She opted not to challenge the discrepancy and reported finding the process overwhelming.

We found this was a common pattern. One staff member told us:
"My clients just seem to accept the debt and try and fit it in with all of their other debts."

Another said:
"People are not fighting their debts. I ask them and they say "I don't have the evidence to fight the debt," and just want to organise a repayment plan they can afford."

Our feedback is that changes to the initial letter under the CUPI scheme do not change the difficulties that stem from the use of a data-matching process that is so flawed. We were not able to find any instances of people successfully getting support to track down documents. Even if this support were to be granted more freely, it is unlikely to have a major impact. It is clear that historical bank statements alone are not sufficient to challenge a debt, and people cannot be supported to recover additional supporting documents if they no longer exist.

The garnishing of tax returns and Family Tax Benefit payments

After the hearing, Anglicare Australia sought feedback from our Network on the garnishing of tax returns and its impact on clients. Although the Department has publicly said that clients are contacted before this is done, our staff reported several instances of people learning that their tax return has been garnished after the fact. One staff member told us:

"The majority of clients have reported that this has caused them significant financial distress. In these cases clients have often told me that they await the reconciliation payment as a means of retiring debt. They are shocked when the payment is offset against the debt."

Although it is possible to be exempt from this process on the grounds of hardship, the definition appears opaque and subjective. Despite working with highly vulnerable clients, including people experiencing homelessness, family violence, or bereavement, we have not been able to find a client who has had a garnished tax return given back due to hardship. One staff financial counsellor told us that this process was not transparent:

"In mid-June this year, Centrelink announced that they would be taking the Family Tax Benefit supplements in July for any other outstanding debt, even if the person was already on a repayment plan. They also required affected clients to apply by the end of the financial year if losing their supplements or tax returns was going to cause 'undue hardship'.

They never clarified what constituted 'undue hardship' and we never found out. It certainly sounded discretionary upon Centrelink. Needless to say that losing some or all of these payments was devastating for clients with young families who rely on those annual amounts for essential annual bills."

In any case, people are not given the opportunity to demonstrate hardship if they are not informed that their payments will be garnished in advance. We hope that the Committee will investigate the discrepancy between the experiences of clients and claims that no action is taken without their knowledge.

Finally, Anglicare Australia notes that a spokesperson for the Department of Human Services told the ABC that "we only take this action [garnishing tax returns] when other attempts to recover money owed have failed." However, since the hearing, we have learned of several clients who have had their tax return garnished in spite of having repayment plans and having made repayments. We hope that the Committee will look into this practice before issuing its final report.

We have based these responses on a review of the draft Hansard proof. Should the Committee wish to direct additional questions to Anglicare Australia, please don't hesitate to contact the Anglicare Australia office on (02) 6230 1775.

Yours sincerely,

Roland Manderson
Acting Executive Director
Anglicare Australia