



Submission in response to:

Discussion Paper on the Expenditure Review of the ACT Concessions Program
2015

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Discussion Paper on the Expenditure Review of the ACT Concessions Program 2015

Care Inc. Financial Counselling Service (Care) has been the main provider of financial counselling and related services for low to moderate income and vulnerable consumers in the ACT since 1983. Care's core service activities include the provision of information, counselling and advocacy for consumers experiencing problems with credit and debt. Care also has a Community Development and Education program, provides gambling financial counselling as part of the ACT Gambling Counselling and Support Service (AGCSS) in partnership with lead agency Relationships Australia; makes policy comment on issues of importance to its client group and operates the ACT's first No Interest Loans Scheme which was established in 1997. Care also hosts the Consumer Law Centre (CLC) of the ACT. Across Care's service delivery programs, the agency responds to over 2000 new requests for assistance every year.

Care welcomes the opportunity to provide comment on the Expenditure Review of the ACT Concessions Program.

Background

As a financial counselling service funded to work with low to moderate income earners, Care's financial counsellors assist a significant number of clients who are eligible for one or more concessions. Over fifty per cent of Care's clients in 2014 were wholly dependent on Centrelink payments¹; many of the remaining fifty per cent of clients, including those who were working, also received part Centrelink payments. A large number of our clients therefore held a Pensioner Concession Card or Health Care Card or eligibility for other concessional entitlements. Since clients access Care's services when they are in financial difficulty or hardship, this allows Care insight into the interaction between what income and allied concessions they receive, their experience of financial hardship and the importance of concessions in assisting them to access basic goods and services.

Care's clients experience a range of circumstances that lead them to be in financial difficulty. For some it is long-term chronic poverty where they have been existing for long periods of time on inadequate incomes. For others there has been a change in circumstances such as illness, relationship breakdown or unemployment that impacts their finances and means they cannot pay their commitments as they fall due. There are also mounting external pressures more generally on households such as the fall in ACT household incomes revealed in the recently released National Centre for Social and Economic Modelling (NATSEM) Household Budget Report. This report showed that despite the standard of living nationally returning to trend growth in the second half of 2014, ACT household incomes fell by \$2,517 in 2014. NATSEM attributes this decrease to cuts to the Commonwealth Public Service.²

In Care's experience clients are often expert at managing their incomes despite not having enough to live on, particularly those on Centrelink or fixed incomes; they are

¹ Care Annual Report 2014 www.carefcs.org

² NATSEM Household Budget Report December Quarter 2014
<http://www.natsem.canberra.edu.au/publications/?publication=sas-natsem-household-budget-report-december-2014>

constantly trying to juggle their finances to try to make the best of their limited resources. This incorporates any allowable concessions as a part of their money management strategies.

*'There is little evidence to support the view that people on low incomes are more likely than high income earners to be poor managers of finances. For many low income households it is simply that there is not enough for essentials in the first place, and if something goes wrong they have fewer resources to draw upon.'*³

Provision of concessions is recognition that without them there is not equitable access to vital goods and services for all members of a given community. Concessions are a way to 'promote equity in the standard of living and access to essential services for all members of the ACT community. Concessions seek to do this by providing financial assistance in a range of areas, including energy, water and sewerage, public transport, motor vehicle registration, drivers' licences and spectaclesto ameliorate the cost of such services for people particularly those on low incomes'.⁴

We acknowledge the challenges the ACT Government faces with the concessions program given the withdrawal of funding by the Commonwealth under the National Partnership Agreement on Certain Concessions for Pensioner Concession Card and Seniors Card Holders.⁵ **It is vital however that current concessions are maintained for low-income ACT households.** We would also argue that an expansion of several basic concessions should be examined as part of this review. We regard the increase of 130per cent in expenditure on the utility concession since 2008-9⁶ to be evidence of a growing need for, as well as possibly a greater awareness of, available concessions. In part this may be attributed to greater promotion of the concessions portal following the release of the 2012 ACT Targeted Assistance Strategy.

In our experience financial stress places individuals and families at greater likelihood of other negative events such as mental or physical ill health and reduces interaction with the broader community leading to isolation and potential deterioration of social connections. Given that concessions are intrinsic to the way low-income households need to manage financially, reduction or removal of concessions will likely impact them significantly. People on low incomes already make choices about what basic or essential need to go without on a daily basis. Many clients of Care's are experts at juggling bills and finances; reduced concessions will make their lives even more precarious. An ACT Government Taxation review conducted in 2012 stated that

*'Overall the ACT Concessions' program provides an efficient and effective means of promoting equity within society and in some instances of achieving Government priorities.'*⁷

³ A Cost of Living Strategy for Tasmania October 2011 Social Inclusion Commissioner
http://www.dpac.tas.gov.au/data/assets/pdf_file/0015/152070/A_Cost_of_Living_Strategy_for_Tasmania.pdf

⁴ ACT Targeted Assistance Strategy 2012 – ACT Government

⁵ Australian Government Budget 2014-15 budget.gov.au

⁶ Discussion Paper on the Expenditure Review of the ACT Concessions Program 2015
<http://www.timetotalk.act.gov.au/consultations/?engagement=public-consultation-on-the-expenditure-review-of-the-act-concessions-program>

⁷ACT Government: ACT Taxation Review 2012

<http://www.treasury.act.gov.au/documents/ACT%20Taxation%20Review/ACT%20Taxation%20Review%20May%202012.pdf>

As one of the Government's most recently stated priorities is to:

*'Enhance the social and economic health of the Territory to promote mental health and wellbeing.'*⁸

reducing or restricting concessions is at odds with this priority.

Care is aware that the ACT Government has done work in the recent past to expand the Concessions program in a number of areas. This includes the recently introduced Infringement Notice Management Plan (INMP) for fines, and the Targeted Assistance Strategy (TAS) to help households on slightly higher incomes but without concessions to access some assistance for very specific usually shorter term needs in recognition that these households sometimes struggle in a similar way to the low income households that can access ongoing concessional help. Both the INMP and assistance provided under the TAS have been welcome developments for clients of Care. The INMP in particular allows clients who otherwise may be struggling to pay off fines, a dignified way to now do so through work development orders and there is also a greater flexibility for payment of fines for clients who need to pay them off.

What concessions are more important for the ACT Government to maintain to most effectively support those in need?

Should the ACT Government propose to reduce either the number of concessions or the amount of monetary assistance, **Care would urge the government to firstly undertake research to assess and analyse the likely impact of any proposed reduction or withdrawal of concessions** on those in the community who currently rely on them to support their access to basic goods and services. *These are some of the most vulnerable and disadvantaged members of our community.*

We recognise that for many low income people there is an interaction between inadequate income support and the need for concessions. There may also be the flow on effect of debt; either short-term or longer term debt that has been drawing financial resources from them over long periods of time. Even with the intervention of financial counselling, and resolution of the debt situation, many will still struggle to make ends meet where there are sole parents, mental or physical illness, disability or issues associated with aging. Many will likely remain dependant on income support for the foreseeable future making the retention of concessions a real need and reinforcing the need for adequate analysis of any proposed changes before they are implemented.

Households, whether individuals or families, existing on low incomes are particularly sensitive to even small rises in prices for basic goods and services; they rarely have any savings and generally find it difficult to make their incomes last until the next payday. At Care the financial counsellors regularly see clients who pay their bills and then do not have not enough money for food or medical expenses. Many eventually become reliant on emergency relief providers or low cost food shops run by charities to help with purchasing food, as they have no income left after paying the basics. Some will already be going without essentials such as medications because they do not have enough to make ends meet. Some may come to rely on high cost credit to pay for essential household costs, leading to an unsustainable debt spiral.

⁸ The ACT Mental Health and Wellbeing Framework 2015-2025

<http://timetotalk.act.gov.au/storage/2-Consultation%20Draft%20MH%20Framework%202015-2025.pdf>

Care has a number of concerns about the flow on effects for clients of a reduced concessions program including:

- Low-income households being disconnected from utilities. The ACT experiences a large seasonal variation in temperature and it is not possible to live healthily here without access to a regular supply of electricity in particular. We recognize the work of the ACT Civil and Administrative Tribunal Energy and Water Division in assisting hardship clients, however there will be more possibility of people being disconnected if they incur larger debts before seeking help. Utility providers need to be proactive in identifying those households that are clearly having difficulty with their utility bills and connecting them to either their own hardship program or with ACAT-EW much earlier than occurs currently. This should reduce the size of debt that the person takes with them when accessing the tribunal
- Greater dependence on community services, in particular charities and emergency relief providers; these services are already under enormous pressure to meet the growing needs of disadvantaged people and increases will be unsustainable
- Potential risks of homelessness if rental rebates are reduced in Housing ACT properties. Approximately two thirds of Care's clients are renting ⁹ either privately or publicly. Many clients in Housing ACT properties struggle to pay their rent even while receiving a rebate due to social or medical issues. People renting privately are at great disadvantage in terms of the amount of rent they pay and if in receipt of any concessions, losing these would possibly tip them into being unable to sustain tenancies, leading to more pressure on public and community housing
- The possibility that low income people will access 'Payday Lenders' even more than they currently do, leading them into an increasing spiral of indebtedness. Care already assists clients who are caught in this trap having accessed loans for things like medical bills, school costs and other daily living expenses. A recent ABC 4Corners¹⁰ report exposed the payday loan industry as charging annualized percentage interest rates of up to three hundred per cent (300%) and repeatedly lending to clients who were struggling to pay their loans
- People feeling they have no choice but to make decisions that they would prefer not to e.g. driving cars unregistered if they can't access the INMP when there is a compelling reason such as taking a sick family member to hospital
- Poorer dental health and associated physical and social effects. 'The impact of oral disease on people's everyday lives is subtle and pervasive, influencing

⁹ Care Annual Report 2014 www.carefcs.org

¹⁰ ABC Television 4Corners Program 'Game of Loans: How fast cash loans become a ruinous debt trap' 30/3/15

eating, sleep, work and social roles.’¹¹

- Being excluded from the community and becoming more socially isolated with attendant mental and other health consequences
- The possibility of family violence occurring as financial pressures increase. According to a report by the Office for Women:

Rising ‘..financial pressures on households continue to intensify because of the increasing unaffordability of housing and the rising cost of living generally, creating tension within some family units and, in some cases, translating into violence within a household...’¹²

For government, the possibility exists of flow on costs to other areas such as medical or hospital services, courts and tribunals and community services.

As Care’s clients are disadvantaged and often very vulnerable, it is not possible to identify which concessions should be pared back or cut: over time concessions have become a valuable addition to clients’ incomes as they struggle with the costs of living. **All the concessions our clients receive are important to them, particularly those that support their access to all the basic needs including housing, medical and dental, transport, utilities and more broadly maintain connection to their community.**

Do you consider that the levels of assistance and/or eligibility requirements appropriately target those most in need and facilitate an equitable distribution of the available resources? If not how could the concessions program be re-targeted or adjusted to improve equity?

Currently access to concessions for clients of Care is determined by their level of income and assets as determined by Commonwealth Government eligibility for a Pensioner or Health Care Card (various) or ACT Government eligibility such as age. Care feels that this generally targets those most in need of assistance, particularly those clients we work with who are on Centrelink incomes (either part or full). We are concerned to see that those who are most in need continue to receive the concessions they are currently able to receive. **Reducing access to concessions should only be done after careful analysis of how any reduction will impact the recipients.**

Further we would argue that targeting concessions more broadly than just for those people at the absolute margins results in a more inclusive, and therefore healthier, community and lessens the likelihood of people experiencing deep and persistent financial (and other) disadvantage:

¹¹ Healthy Mouth, Healthy Lives: Australia’s National Oral Health Plan 2004-13, National Advisory Committee on Dental Health. www.health.gov.au

¹² Women, Domestic and Family Violence and Homelessness: A Synthesis Report Flinders Institute for Housing, Urban and Regional Research prepared for the Office of Women, FHCSIA 2008 www.dss.gov.au

‘The probability that someone will experience disadvantage is influenced by a number of factors including: their personal capabilities; their family circumstances; the support they receive; the community where they live (and the opportunities it offers); life events; and the broader economic and social environment.’¹³

Ensuring an equitable distribution of available resources requires

- An analysis of eligibility for all parties including individuals, community groups and institutions; updating and reviewing this information in a systematic and structured way on a regular basis
- Access points for all potential recipients to be easily identifiable and accessible. This should include non-internet based information for people without access to computers; information in languages other than English. Care acknowledges the ACT Government’s Concessions portal and the clear access ‘buttons’ on the site as a good starting point
- Streamlining the documentation required (online and hard copy) to access concessions by having one form that includes all available concessions.
- Putting in place systems for low income people to pay accounts (such as car registration) on a fortnightly basis and *without any* additional fees incurred. This may encourage greater compliance and reduce the stress low income households experience as they are generally living from pay to pay
- Having in place consistent policies for debt waiver across Government.

What options could the ACT Government consider to reduce the current and future pressures on the concessions program?

We feel there are some areas that could possibly reduce pressure on the current concessions program, including centralising the concessions program and streamlining the access process; thereby reducing red tape. There should also be an adequate data collection process and systemic evaluation of the program on a regular basis to anticipate any future expansion of the program and to allow Government to prepare adequately for such times.

At present there is a need for a thorough analysis of the concessions as they are currently available and accessed. There should also be a detailed examination of the future effects of any reduction either in amounts or access to, concessions. A process involving community agencies, people currently accessing concessions and Government should be undertaken, perhaps beginning with a round table discussion format before any decisions are made.

Given the ACT Government’s ongoing commitment to an inclusive community; a far more considered and comprehensive approach to concessions than can be undertaken in the short timeframe allowed for this review is needed.

¹³ Deep and Persistent Disadvantage in Australia Productivity Commission Staff Working Paper July 2013
<http://www.pc.gov.au/research/completed/deep-persistent-disadvantage/deep-persistent-disadvantage.pdf>

