

17 August 2022

Ministry of Social Development
AISA Amendment
Wellington

Submitted via: AISAAmendment_consultations@msd.govt.nz

RE: Approved Information Sharing Agreement

All whānau should have access to a support system that truly supports the wellbeing of their whole whānau. A fit for purpose child support system will help to ensure that tamariki do not have to go without essentials because of the confusing and harmful rules of that support system.

FinCap strongly supports the changes to the child support system which will see child support going directly to the parent on a sole parent benefit from 1 July 2023. We welcome the opportunity to give feedback for this consultation on waiving the 10 working days' notice period (the notice period).

Everyone in Aotearoa should have access to essential services without incurring unfair costs or extensive time. The efforts to ensure that the creation of debt to government is limited during the changes to the child support system are critical. However, it is also important to ensure that communication is clear and that whānau have clear options for disputing changes that are made.

About FinCap

FinCap (the National Building Financial Capability Charitable Trust) is a registered charity and the umbrella organisation supporting the 200+ local, free financial mentoring services across Aotearoa. These services support more than 70,000 people in financial hardship annually. We lead the sector in the training and development of financial mentors, the collection and analysis of client data and encourage collaboration between services. We advocate on issues affecting whānau to influence system-level change to reduce the causes of financial hardship.

Response to the guidance document

General comments

Financial mentors have noted that issues with overpayment debt are a major challenge. Debt to government creates a significant financial burden for whānau. It often compounds already present challenges and creates or entrenches distrust in the welfare system. Whānau have commented that when they have been told that they owe money back due to overpayments it has often been a big shock, when they have been trying hard to avoid this.

FinCap therefore welcomes the consideration that has been conveyed in this consultation document to ensure that the risks of debt being incurred are mitigated. Waiving the notice period so that child support can be charged as income at the closest time possible to the change appears to eliminate chances of overpayment debt occurring. However, this submission recommends additional considerations that should be made alongside these changes.

Grace periods

A grace period is the additional time given to a person to pay money that is owed without incurring fees or debt. Time-limited grace periods across the social security system to smooth the times where changes occur would provide a breathing space for whānau.

The Welfare Expert Advisory Group in 2019 recommended improvements to the relationship rules system.¹ An element of this recommendation was the establishment of grace periods for discussing the nature of their relationship with MSD to limit the stress of changes in income. This is an example of how the grace period concept can support whānau by giving more time to changes without adding the likelihood of debt being created. An example of where this concept would be useful is in the following section.

Communication and digital exclusion

Communication should be clear so that confusion and stress for the whānau receiving any news is minimised. For many, communications from MSD and Inland Revenue about changes in income may be stressful initially. Where changes to a benefit amount made there should be great effort to ensure that it's clear for the MSD client exactly what this means for them and what they will be receiving overall.

Whānau may be aware that they are to expect child support in addition to their benefit. Clarity about what they will receive where abatement occurs should be timely to give the whānau as much preparation time as possible. If there is any risk that the recipient will be receiving less overall than usual or expected, then there should be an obligation to notify them in advance of the payment being made. The communication of changes is crucial as MSD clients may have already calculated the amount that they expect to receive, and this may be different to what they will actually receive.

The safeguards that are listed in the consultation document address this risk to some extent. However, we strongly recommend that special efforts are made to ensure that every client is given notice before the changes. Where the only means of communication is via the post there should be a grace period provision to cover this so that there is no risk of them not being notified before the payment is made. There is a risk that digital exclusion will be exacerbated because those that are not receiving notifications digitally are potentially losing out on the notification altogether.

Direct phone lines for financial mentors

In conjunction with this, we recommend that direct phone lines for financial mentors to MSD and Inland Revenue are established. This will allow financial mentors and the whānau they work with to gain clarity on what the child support pass-on means for them at the time that the whānau is with the financial mentor.

Financial mentors have repeatedly mentioned that the extensive wait time on the phone to Inland Revenue and WINZ is disruptive to the support they are providing to whānau. Self-service phone line options have become available for accessing certain Inland Revenue tools. However, the self-service options are limited and do not provide access to important tools, such as the ability to change income details. WINZ have a similar self-service option; however, this offers fewer options for clients calling for support. This highlights the inconsistencies between government departments which are often used simultaneously by whānau accessing welfare support.

Furthermore, although the self-service system may be beneficial to many, it should not be solely relied upon to fill the communication gap. Financial mentors have mentioned that whānau often want to speak to a 'real' person on the phone. This preference is more probable when a whānau have had negative experiences in the past, such as having to pay back overpayment debt to

¹ See page 114 of <http://www.weag.govt.nz/assets/documents/WEAG-report/aed960c3ce/WEAG-Report.pdf>

government due to a misunderstanding of complex expectations and rules. There should also be the option that for anyone to request an outbound call. The onus should be on the government department to call them back and talk them through any issue.

A direct phone line to MSD and Inland Revenue for financial mentors would help to ease these challenges for whānau and financial mentors. This would create a more efficient and effective system, that allows financial mentors to help solve issues that are time pressured and ensure that the wellbeing of the whānau they work with is not jeopardised. This enables client agency, as they can be on the phone together with the financial mentor. A direct phone line for financial mentors is of net benefit as financial mentoring sessions are Government funded. Rather than spending up to several hours waiting on hold, the financial mentor and client could use the session more effectively and reach support directly.

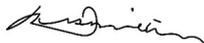
An additional issue with the access to services over the phone, is the application of fees when paying a late payment fee via the phone with IRD. This fee seems counterproductive considering the likelihood that these payments are already unaffordable if they have already been paid late.

Abatement thresholds

The abatement thresholds and systems are a commonly highlighted issue by financial mentors. This becomes especially difficult for those that have fluctuating weekly work hours or gain a small pay rise. At times where the change is minor, it can push a whānau above the threshold, but means that they are not gaining any further income. We recommend that the abatement threshold is lifted to a higher amount so that whānau are able to meet the needs of their children where time is precious.

Please contact Janeka Rutherford-Busck, policy advisor at FinCap on 027 261 3690 or at janeke@fincap.org.nz to discuss any aspect of this submission.

Ngā mihi,



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FinCap