



Child Support (Pass On) Acts Amendment Bill
Social Services and Community Select Committee

The Salvation Army Te Ope Whakaora New Zealand, Fiji, Tonga, and Samoa Territory
14th April 2023

Summary

- The Salvation Army Te Ope Whakaora strongly supports the intention of this Bill to ensure a fair pass on of child support payments to carers of children who are receiving the sole parent rate for a range of welfare income support payments.
- Seen from the perspective of the people that The Salvation Army works with who are relying on sole parent benefit payments, the Bill adds complexity to an already confusing welfare system. There appears to be real risk of overpayments occurring resulting in further debt because of irregular flows of child support payments to carers.
- Communication with people receiving income support is crucial. The automation of income assessment requires proactive and effective communication to carers whose income is affected.
- We are concerned that there is the short time period available to prepare systems and train frontline staff in Work & Income as well as in support agencies like ours. Further delaying implementation would continue the current unfairness so we urge the Ministry of Social Development (MSD) and Inland Revenue (IR) to engage promptly and effectively with financial mentor and welfare advocates as soon as possible to ensure the roll-out of the changes is prepared well.
- Excluding the Unsupported Child Benefit from these changes is unfair and leaves a disadvantaged group of children and their carers without this much-needed additional support.

Background

1. The mission of The Salvation Army is to care for people, transform lives and reform society through God, in Christ and by the Holy Spirit's power. The Salvation Army is a Christian church and social services organisation that has worked in New Zealand for one hundred and forty years. It provides a wide range of practical social, community and faith-based services around the country.
2. The Salvation Army employs almost 2,000 people in New Zealand, and the combined services support around 150,000 people annually. In the year to June 2022, these services included providing around 83,000 food parcels to families and individuals, providing some 2,300 people with short-or long-term housing, over 4,000 families and individuals supported with social work or counselling, around 6,600 people supported to deal with alcohol, drug or gambling addictions, around 3,500 families and individuals helped with budgeting, court and prison chaplains helped 3,300 people.

3. This submission has been prepared by the Social Policy and Parliamentary Unit (SPPU) of The Salvation Army. The SPPU works towards the eradication of poverty by encouraging policies and practices that strengthen the social framework of New Zealand. This submission has been approved by Commissioner Mark Campbell, Territorial Commander of The Salvation Army's New Zealand Fiji, Tonga, and Samoa Territory.
4. This submission has had to be prepared in the very short time made available for public comment. We request the opportunity to make further comment in an oral submission to the Select Committee and by supplementary submission if circumstances permit.

General Comments

5. The Salvation Army Te Ope Whakaora strongly supports the intention of this Bill to ensure a fair pass on of child support payments to the carers of children on a sole parent support (SPS) income support payment. The supporting information suggests that more than 41,000 of the nearly 96,000 people currently receiving the sole parent rate for a range of welfare benefits will see increases in their incomes, with a median gain of \$20 per week. In a cost of living crisis, such additional support is urgently needed. The increases in incomes are estimated to deliver proportionately higher increases to Pacific and Māori sole parent households, as well as for those living with a disability, which is a welcome reduction in the income disparities they currently experience.
6. We are concerned that there is the short time period available to prepare systems and train frontline staff in Work & Income as well as in support agencies like ours. Extending the time period to prepare and implement might improve the process of implementation. But we are reluctant to recommend further delays in a policy that is expected to lift incomes for tens of thousands of children living in households relying on the SPS. They have waited long enough, and it is now important the government and officials get the implementation right.
7. Seen from the perspective of the sole parents relying on income support that The Salvation Army works with, the Bill adds complexity to an already confusing welfare system. Our experience is that people needing support struggle to understand the complex requirements for information on their income and personal circumstances under current welfare legislation. Reporting income is difficult for those who may have some earnings over and above the welfare benefit. A significant proportion of people receiving core welfare benefits also earn some income from employment. For example, people may report their net income instead of gross income, based on the actual payment they receive rather than the income before tax.

Unsupported Child Benefit excluded Clauses 4,9,11-13, & 15-18

8. Excluding the Unsupported Child Benefit from these changes is disappointing and continues the existing unfairness for children in those households. It leaves a disadvantaged group of children and their carers without this much-needed additional support with no indication of when relief may be provided.

Overpayment risk Clauses 32-33 & 35

9. Child support payments are often irregular and may come as lump sum payments. It is crucial that the new system improves the way such irregular income is managed and leads to better outcomes for people receiving SPS. There is a real risk of overpayments occurring resulting in further debt or of underpayment of much-needed income because of irregular flows of child support income to carers. The ‘spreading forward’ principle being applied where payments are spread over the subsequent four – five weeks for the purpose of assessing income is a reasonable attempt to reduce the impact of this.
10. Debt to government is already a significant burden on households relying on welfare. The Salvation Army and others have called for proactive debt-relief for low income families and a centralised approach to managing debt people owe to multiple government entities. The Regulatory Impact Statement (p.38) describes this as a “high risk project” because of the tight timeframes for the necessary administrative and IT changes. There will be mistakes made by all parties involved and this must not result in further unfair burden on carers living on very low incomes. We recommend that the implementation phases of this legislative changes be accompanied by a grace period where debt arising from the changes to the rules is not actively pursued.

Automation and Communication Clauses 30-31, 34, & 55-56

11. The indication that systems failure or processing errors resulting in overpayments through the information sharing between MSD and IRD would not be recovered from the client is a welcome initiative in these changes.
12. Communication with people receiving income support is crucial. The automation of income assessment requires proactive and effective communication to carers whose income is affected. It is not clear from the legislation what the requirements will be for Work & Income for timely communication to carers. The 10-day notice period for adverse action has been waived as part of the information sharing agreement. This would appear to mean that people may not find out about changes to their income support payments until the money is paid into their accounts.
13. There appears to have been little or no engagement with the non-government sector in preparing this legislation that we are aware of. We urge MSD and IRD to engage promptly and effectively with financial mentors and welfare advocates as well as people in receipt of sole parent benefits as soon as possible to ensure the roll-out of the changes is prepared well.
14. Limited information is provided about the phased introduction proposed, with no indication of when the phase two legislation will be actioned. As a result, we do not feel able to offer comment on the second part of the proposed changes.

Allowable Cost Clauses 52-53

15. For those paying child support, greater opportunity is being offered to access welfare support which is a welcome change. Our financial mentors see the difficulties people on low

incomes have with managing obligations to pay child support. Making these allowable expenses for the purposes of calculating entitlements to such support TAS or IRRS will help ease this financial pressure for people who are already struggling.