



# Shepparton Income Management Trial

**What we know;  
What we hope;  
What we are concerned about...**

**Speech presented at the National Council of Single Mothers and their Children 2011 Conference 'Diversity, Dignity, Determination'  
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When the 2011 Federal Budget announced Shepparton as one of a handful of locations around the country to receive a package of Commonwealth welfare reform programs, it came as a surprise to the local community. The package included:

- The commencement of Communities for Children activities;
- New participation requirements for teenage parents;
- Additional obligations and activities for jobless families; and
- A trial of Income Management, commencing on 1 July 2012.

The first two elements in the list above commence on 1 January 2012, with the remaining two commencing on 1 July 2012.<sup>1</sup>

I was on holiday for a week with my family at the time the budget was handed down and received the news via email. It turned out to be a bit of a blessing, with a number of colleagues reporting calls from media representatives asking useful and engaging questions like:

*What makes Shepparton so bad that you have been chosen as one of the ten most disadvantaged communities in the country?*

Government has indicated that a range of factors were considered in selecting the ten sites for additional attention, and in turn five out of those ten for Income Management, including unemployment, reliance on welfare payments and the length of time receiving welfare payments.<sup>2</sup>

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<sup>1</sup> Macklin, The Hon J, MP, *New approaches to address disadvantage in targeted communities*, Media Release (joint), Canberra 10 May 2011

<sup>2</sup> See the answers to Questions on Notice in the 2011-2012 Budget Estimates Hearings and in particular [http://www.aph.gov.au/Senate/committee/clac\\_ctte/estimates/bud\\_1112/FaHCSIA/083.pdf](http://www.aph.gov.au/Senate/committee/clac_ctte/estimates/bud_1112/FaHCSIA/083.pdf)

Since its inception Income Management has stirred some very deep passions in the community sector. Its evolution away from the initial Indigenous specific approach has done little to quell those emotions. Some public commentary describes a growing sense of fear and division; hardly solid ground on which to build capacity and generate new opportunities.<sup>3</sup>

What I am going to try to do this morning however is steer away from the broader disquiet with the philosophy behind Income Management. The concerns are important and I share grave misgivings about the policy approach. When you choose to work in a manner that values empowerment and advocates for solutions to structural disadvantage, anything that further diminishes choice for those who have the least choice available to them, does not sit well.

But the programs announced in May 2011 are coming and to serve our community we have to prepare. It is now only a few weeks until the commencement of a number of Commonwealth activities in Shepparton and about half-way between the announcement of the five locations for the expanded Income Management trial and its activation.

FamilyCare is the largest provider of Child and Family Services in Shepparton. We Chair the regional ChildFIRST Alliance and host the main client referral/intake process. We operate a Parent Child Program which includes the only local Mother/Baby day-stay facility and actively participate in the Council of Greater Shepparton's Early Years and Best Start Partnership. FamilyCare has a variety of men's services, including counselling and anger management programs. Across the programs, our clients tend to be those who are vulnerable, disadvantaged, or both. They are very much 'in the frame' across the range of the Commonwealth's planned activities and in particular Income Management.

Along with a number of other community service providers we are trying to get a handle on what will be happening when. Our clients will need that information and for a variety of reasons will probably want to be able to choose places other than government offices to get access to it and discuss their rights and obligations.

I would like to describe for you the current situation as our community readies itself, based on what we know, what we hope and what we are concerned about.

### **What we know:**

There are three referral streams for the Shepparton Income Management trial:

- Voluntary self-referral;

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<sup>3</sup> One example would be the story run on *A Current Affair* on 20 October 2011, entitled *Welfare Outrage*. The on-line link to the story is: <http://aca.ninemsn.com.au/article/8363109/welfare-outrage>

- Referral by Centrelink Social Workers where benefit recipients are identified as 'vulnerable'; and
- Referral by the state child protection authority where assessment indicates a child is at risk of neglect.

For the first two of the listed categories, voluntary referral and referral by Centrelink, 50 per cent of benefit incomes and family assistance payments will be income-managed and must be spent on essential items including food, clothing and accommodation. For the child protection stream, the proportion of income managed payments increases to 70 per cent. Income-managed funds cannot be spent on alcohol (including home brewing materials), tobacco, pornography and gambling products or services.

For the quarantined portion of their incomes, income-managed people can only purchase products and services from approved traders. Local traders in the Shepparton area are being recruited to participate in the trial, with public advertisements and information sessions facilitating that process. Access to quarantined funds will primarily be via the *Basics Card* which operates similarly to most EFTPOS Debit facilities, although with the limitations in functionality demanded by the policy settings of Income Management.<sup>4</sup>

There will be some incentives for those who choose to be income-managed. For example and again as was the case in Western Australia, there will be a matched saving contribution from the Commonwealth. It is also our understanding that the Commonwealth is considering providing an additional incentive sum for young people who take up the *Basics Card* option. The details on precisely what incentives will be available and how they can be accessed is yet to be announced.

### **What we hope:**

As noted earlier, Income Management is just one of a package of programs coming to Shepparton in 2012 and the last of those programs to commence. All of the initiatives are a much smaller sub-set of the Government's *Building Australia's Future Workforce* policy.<sup>5</sup> Welfare reform is not being undertaken here in isolation, or for its own sake. It is driven by a productivity agenda, with the intention to lift skills and increase workforce participation.

Critical to the success of any broad national policy/reform process is the ability of the various streams to link-up. Translating that from the macro-level, what does a community like Shepparton hope for to ensure that all of this Commonwealth attention and additional resource produces something positive and sustainable?

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<sup>4</sup> These details can all be found on the FaHCSIA website at: [http://www.fahcsia.gov.au/sa/families/progserv/welfarereform/Pages/income\\_mgt\\_greater\\_shepparton.aspx](http://www.fahcsia.gov.au/sa/families/progserv/welfarereform/Pages/income_mgt_greater_shepparton.aspx)

<sup>5</sup> Treasury, *Building Australia's Future Workforce: trained up and ready for work*, Canberra, May 2011. The document can be downloaded from: [http://cache.treasury.gov.au/budget/2011-12/content/download/glossy\\_skills.pdf](http://cache.treasury.gov.au/budget/2011-12/content/download/glossy_skills.pdf)

Our first hope is that our new friends from Canberra recognise they are coming to a community that understands the challenges it faces better than they do. Then there is the hope that the practical roll out of new activities will be effectively assimilated to that which already exists. Local community organisations, local Council, Victorian State Government, volunteers and various philanthropic interests already exist in Shepparton and the surrounding region, along with pre-existing Commonwealth programs and resources. Getting a handle on the strengths and weaknesses, coverage and gaps of that system, should create a stronger whole. It is what we understand the design of so-called 'place-based' solutions to be all about.

Most importantly of all we are hopeful that the intended recipients, particularly those considered for referral to mandatory Income Management, will be informed about all of programs and resources that might help to improve their lives and those of their families. More focus on the carrots and less on the sticks will in our view improve the prospects for reaching and genuinely engaging those who are most disconnected at present.

It is also our hope that some of the additional resourcing for innovative projects referred to as the Local Solutions Fund,<sup>6</sup> will allow Shepparton to tackle some recognised barriers to effective community inclusion. A good example of such a barrier is a patently inadequate public transport system. It is worth noting however that the announced \$25 million Local Solutions Fund starts looking a little less impressive when spread over the ten selected locations and over four years.

### **What we are concerned about:**

Many of the immediate concerns about the Shepparton Income Management trial are of a practical nature. I will share just a couple with you.

Having mentioned the transport challenges in the Shepparton area, ensuring people have reasonable access to purchase approved products and services is likely to be problematic. The question of how the community – users, traders and casual observers alike, will respond to the new *Basics Card* is another matter entirely.<sup>7</sup>

Government has been keen to point out the card looks just like every other EFT card. Except that it does not. It is green with the words *Basics Card* prominently displayed. Participants in some of the earlier trials have reported that carrying and presenting the card is like a public pronouncement that they are less worthy citizens.<sup>8</sup>

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<sup>6</sup> The Local Solutions Fund was also referred in Minister Macklin's Budget Media Release (ibid, 10 May 2011).

<sup>7</sup> More detail about the *Basics Card* can be found on the Centrelink website: [http://www.centrelink.gov.au/internet/internet.nsf/individuals/basics\\_card.htm](http://www.centrelink.gov.au/internet/internet.nsf/individuals/basics_card.htm)

<sup>8</sup> Equality Rights Alliance, *Women's Experience of Income Management in the Northern Territory*, Canberra, July 2011, page 32.

The question I cannot reconcile regarding this facility is why the Commonwealth would choose to develop, design, deliver and maintain an EFT card platform. Centrepay, the process for direct debiting payments from benefits has been around for many years. But there is a world of difference between a direct payment facility and an EFTPOS card.

All financial institutions with savings account products issue debit cards. Each one of those institutions is subject to many layers of regulation, intended to provide confidence in the system and effective consumer protection.<sup>9</sup> It would not have been difficult for the Commonwealth, given that it oversees most of that regulation, to have required financial institutions provide an EFT access option with all of the features in the *Basics Card*.

If this option had been pursued the card would have looked like every other EFTPOS card, because it would have been one. In the event of system malfunction or failure, it would also have provided some additional confidence. Financial institutions well-used to managing those risks and answerable under regulation for fixing the problems, would have to do so. A problem with one card issuer would also not result in the paralysis of the entire Income Management system.

It is also worth mentioning the likely limitations that will apply to the list of traders included in the Income Management/*Basics Card* system. Shepparton and the Goulburn Valley are often referred to as the nation's Food Bowl. It certainly is renowned for its high quality fruit and vegetables, which in season can be purchased in great variety very cheaply at local markets and from farms and orchards directly. Income-managed consumers will presumably not have that option available to them from their quarantined payments.

Another example of practical concern relates to the mandatory Income Management referral stream from child protection. The details about how this referral process will work in Victoria are still being developed through government to government communications. There appears from outside that conversation to be a significant additional difficulty in making the referral process compatible with the requirements of the Victorian *Children, Youth and Families Act 2005*.

All parties in the Victorian child protection system, from the Department of Human Services Child Protection Workers, to community support providers, are required to give central priority to the best interests of the child or children. Income Management may not in all circumstances be compatible with this

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<sup>9</sup> For example all deposit taking institutions are subject to licensing and supervision of their prudential obligations, liquidity etc. Whilst financial stability is not an issue for an Australian Government Department, some more specific financial services regulation is relevant to the service being offered. The Electronic Funds Transfer Code, administered by the Australian Securities and Investments Commission, considers issues of fraudulent access to funds, system errors and the like. The Commonwealth is not a signatory to the Code and more specifically neither is Centrelink. More information about the EFT Code, its operation and the institutions covered can be located at: <https://westpoint.asic.gov.au/asic/asic.nsf/byheadline/Electronic+Funds+Transfer%3A+Code+of+Conduct?openDocument>

requirement.<sup>10</sup> What might under the Commonwealth scheme be considered to be appropriate for the referral of a parent or parents for Income Management may not be in the best interests of the child, applying the Victorian legislative test. Adding this further consideration to the already complicated, stressful and pressured environment in which child protection staff operate is a big ask. Its resolution may in any event be better managed through a judicial, rather than administrative process.

And finally, exactly how Income Management is meant to support improvements in the lives of the target group is unclear. This is not a concept unique to the Shepparton trial. The Commonwealth's evaluations of the trials already conducted do not paint a consistent picture.

At its heart Income Management is about money and how it is used. Better budgeting and money management skills are useful for everyone and particularly so for those on low, fixed incomes. But they will not fix the inadequacy of many of the benefit incomes at issue. Nor will they improve the entrenched structural disadvantages low-income people face daily. The poor really do pay more, because markets have largely decided they are of insufficient commercial consequence to bother attracting and keeping them as customers. Then there is the question of how the 'conduct' that leads to compulsory Income Management is actually tackled and sustainably overcome.

Observations of this type stray into areas that might be described as questioning the philosophy of Income Management. It might therefore be a good place to stop for today. Community service providers in Shepparton and in the other four Income Management trial sites will however carry the responsibility to make sure the client groups they work with and the broader communities they serve have opportunities to be heard in the process. These trials may after all be final stage before a national roll-out takes place.

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<sup>10</sup> Answers to Budget Estimates questions this year confirmed that the best interests of children represent a critical element to be weighed in a child protection referral to Income Management ([http://www.aph.gov.au/Senate/committee/clac\\_ctte/estimates/bud\\_1112/FaHCSIA/076.pdf](http://www.aph.gov.au/Senate/committee/clac_ctte/estimates/bud_1112/FaHCSIA/076.pdf)). The question is, however, does 'best interests' mean the same thing in every jurisdiction?