

Debt to Government

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New Zealand Council Of
Christian Social Services

Contact Name:	Nikki Hurst Hamish Jarvie
Organisation Name:	New Zealand Council of Christian Social Services (NZCCSS)
Organisation description:	<p>The New Zealand Council of Christian Social Services (NZCCSS) welcomes the opportunity to provide feedback on the IRD Debt to Government Framework.</p> <p>NZCCSS has six foundation members; the Anglican Care Network, Baptist Churches of New Zealand, Catholic Social Services, Presbyterian Support and the Methodist and Salvation Army Churches.</p> <p>Through this membership, NZCCSS represents over 250 organisations providing a range of social support services across Aotearoa. We believe in working to achieve a just and compassionate society for all, through our commitment to our faith and Te Tiriti o Waitangi. Further details on NZCCSS can be found on our website www.nzccss.org.nz.</p>

Tirohanga Whānui | Overview

We support the kaupapa to update the manner in which central agencies address debt to government in Aotearoa. Despite this, we have some significant concerns regarding the implementation of this framework and accountability in this area.

Taunakitanga | Recommendations

Our main points are:

One: Low rates of initial benefits increase debt.

Two: Grants for essential items and emergencies must become non-recoverable.

Three: Legislative change is necessary for MSD to realistically help people.

Four: Assurance that this framework will be adopted across government agencies and ministries is necessary.

Five: Centralisation of Debt.

Six: Overpayment is a symptom of the complexities of the system.

Seven: Plain language communication around debt is necessary.

Item One: Low rates of initial benefits increase debt.

People receiving benefits do not currently have the ability to set aside even small amounts of money each week for emergency purposes. The low rates at which benefits are provided to those accessing them trap people in a cycle of poverty, both through insufficient money week-to-week as well as the inability to save for emergency situations. A lack of savings forces people to access grants from MSD, eventually leading to the accrual of debt which cannot feasibly be paid back.

The increase of benefits to a living standard would not only allow for families and individuals to live more comfortably week to week, but it would also allow for savings to be accrued and as a result reliance on grants to be reduced.

Recommendation 1: NZCCSS recommends that main benefits be increased to a living wage level.

Item Two: Grants for essential items and emergencies must become non-recoverable.

The impetus to apply for a grant or hardship payment from MSD is most often the need for essential items and emergencies. These grants and payments are especially important for single parent households, as they provide for the well-being of children as well as adults. In many situations these grants are non-recoverable, however this is not universal, and the recovery process can put children at risk of deprivation through no fault of their own.

NZCCSS sees a potential to both improve the living conditions of families on low incomes and reduce the administration costs involved in recovering these grants by ensuring that all grants and hardship payments are non-recoverable.

Recommendation 2: NZCCSS recommends that all grants approved for essential items and emergencies be labelled non-recoverable.

Item 3: Legislative change is necessary for MSD to realistically help people.

MSD is legislatively bound to pursue debt and can only forgive debt when it arises from administrative error on the part of MSD itself, or when it is uneconomic to recover. This fact puts a roadblock in the way of a people-centred approach to debt recovery, as significant debt forgiveness is necessary. The current settings are also underutilised and poorly administered.

A starting point for this legislative change is to automatically write off debt as a factor of overall income that is likely to induce hardship. With low incomes, rising inflation and costs even 2-5% of debt is onerous.

Recommendation 3: NZCCSS recommends an overhaul of the legislation governing MSD, narrowing its obligations in debt recovery.

Item Four: Assurance that this framework will be adopted across government agencies and ministries is necessary.

Comment Four: While the development of this framework is commendable, NZCCSS remains concerned around the ability of progressive policy to be adopted and implemented across government agencies and ministries. The Productivity Commission has highlighted the [difficulties](#) in intra-governmental cooperation, which we feel may impede the effectiveness of this work.

The value of this framework relies upon its implementation as much as it does the content and aims included in it. If each ministry is able to implement a people-centred framework for both debt recovery and forgiveness, it is inevitable that people will be better off as a result.

Recommendation Four: NZCCSS recommends implementation of a Government Policy Statement which aligns with a people-centred framework for debt management.

Item Five: Centralisation of Debt.

Comment Five: In acknowledging the complexity of applying the above recommendations across government departments, NZCCSS sees an opportunity for a consolidation of debt owed to government to a single account for collection.

Debt consolidation is a recognised strategy for individuals to manage their debt repayment, and would mean lower expenditure on debt recovery. Debt consolidation and recovery through a singular agency would allow for consistent application of the guidelines for a people centred approach to debt.

Recommendation Five: NZCCSS recommends the consolidation of individual debts to government into a singular account managed by one government entity.

Item Six: Overpayment is a symptom of the complexities of the system.

Comment Six: Alongside the above-mentioned consolidation of debts, a degree of universal payments from government would reduce the incidence of debt to MSD, as well as reduce the expenditure of capital and time in its recovery.

The welfare system which recipients navigate is significantly more complex than necessary, in many cases requiring regular input of information and time in order to receive correct entitlements. The input of this information is intended to increase the impact of supports through accurate allocation, however it is complex, difficult to do, and leads to overpayment when inaccuracies occur.

Consolidating benefits to a core group of entitlements which pay enough for a valuable and meaningful life for individuals and whānau has the potential to reduce expenditure of time on both ends, and money in the recovery of debt.

Recommendation Six: Consolidate means-tested benefits into packages that allow for a dignified life.

Item Seven: Plain language communication around debt is necessary.

Comment Seven: While this document recognises the need for plain English communication from government departments in matters relating to debt, the reality is that plain language communication should be available in whichever language the debtor requires.

Aotearoa has a vibrant and diverse population, who all have the right to access their entitlements and settle their debts in a manner which they understand.

Recommendation Seven: Inclusion of “plain language communication” around debt must be included in this framework.