



**LEGISLATIVE ASSEMBLY**  
FOR THE AUSTRALIAN CAPITAL TERRITORY

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**SELECT COMMITTEE ON COST OF LIVING PRESSURES IN THE ACT**  
Mr Johnathan Davis MLA (Chair), Dr Marisa Paterson MLA (Deputy Chair)  
Ms Nicole Lawder MLA

## Submission Cover Sheet

### Inquiry into Cost of Living Pressures in the ACT

**Submission Number: 012**

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## ***Submission in response to Inquiry into Cost of Living Pressures in the ACT***

### *Overview*

Care has been offering financial counselling and related services to people on low to middle incomes in the local community for almost forty years. Our programs include:

- Financial Counselling and Capability
- Consumer Law
- Community Education
- Community Loans

Over the last 12 months most calls to our service have focused on cost-of-living challenges. The primary issues raised by clients include:

- Increases in private rent
- Mortgage stress following several interest rate rises
- Large arrears in land rates
- Energy stress and inability to afford more energy efficient options
- Car and house repossessions
- Financial abuse

Many of our clients discuss the impact of financial stress on their mental health with a common theme being an increase in anxiety. This is compounded by the ongoing lack of accessible and affordable options for people on low incomes for mental health support. The recent decision by the Federal government to reduce the number of sessions available under the Better Access Program from twenty to ten has had a profound impact on people otherwise unable to access such support.

During the Covid-19 pandemic the Federal and ACT Governments offered a range of supports from increased jobseeker payments, increased concessions and moratoriums on evictions. At the same time financial institutions and utility providers offered more generous hardship provisions. All of this led to a decrease in people experiencing financial hardship.

Over the last 12 months additional support has been gradually reduced or ceased altogether, Jobseeker has returned to an inadequate amount and credit providers are being more forceful in their demands for arrears to be repaid. This comes at the same time as interest rates have been rising (10 increases over the past 10 months) and cost of living is soaring, leaving an increasing number of people in the community experiencing

significant financial stress, and effectively plunging many lower income Australians into an extremely precarious financial situation again.

We acknowledge that there is no single or simple solution to the current cost of living challenges and recognise that the ACT Government is already providing some support to people in the community on low incomes. We are pleased that the Government recently announced the re-introduction of the Rent Relief Scheme, with a focus on private rental and a higher grant amount. We believe this scheme has significant benefits particularly if people accessing a grant are also able to access free financial counselling and capability to assist in longer term housing sustainability. The Scheme is not yet operational, but we hope it will be available to people in rental stress very soon. The Scheme is proposed to operate until June 2024. It is likely that cost of living pressures will continue beyond this period and recommend the Government consider a longer-term Scheme pending successful outcomes once it is introduced.

In addition to current and proposed supports Care believes there is benefit in the ACT Government reviewing concessions and grants with a view to expanding eligibility.

Further information is provided below.

***Cost of living pressures faced by low- and moderate-income households that are not currently alleviated by ACT or Commonwealth Government assistance programs.***

The ACT Government has several assistance programs in place which alleviate some pressure on people struggling with cost-of-living increases. However, the eligibility for most of the concession or grant programs are restricted to people on a Pensioner Concession Card or a Health Care Card. It is clear that financial stress is now being experienced by a broader sector of the community. Care recommends:

1. Expanding the eligibility criteria to include people on middle incomes. One financial threshold that could be used in determining eligibility would be the Personal Insolvency Base Income Threshold Amount (BITA). This is the income threshold used to determine whether people entering bankruptcy are required to make contributions. The current threshold for a single person is \$64,264 (after tax) compared to Health Care Card eligibility of \$35,360. Expanding the eligibility criteria for access to the Education Equity Fund for example would ease the pressure on families. Since July 2022 almost 40% of Care's clients have been employed which highlights the increasing pressure being experienced by people who are working and on middle incomes.
2. Increasing the quantum of current concessions. For example, the Government has permanently increased the utilities concession to \$750 with an additional one-off rebate in 2022-2023 of \$50. Given the likely increase in energy costs particularly with the anticipated increases in wholesale power prices in coming months, we believe

the concession should be set to a minimum of \$800 for the next financial year and indexed annually. At present even with the current concessions, there are people going without heating in winter as they cannot afford the bills or instead going without other essential items to pay for their heating. An associated issue is ensuring people who are eligible for concessions do in fact receive them. Care operates an energy support program which provides energy support vouchers, checks eligibility for concessions, discusses payment plans and links people to hardship programs. In the 2021-22 financial year we assisted people to access \$13,584 in backdated concessions they should have been receiving.

3. Exploring and potentially adopting a percentage-based utility concession arrangement. The current fixed concession rate means there is an inequity in support depending on factors such as household composition, house size and heating/cooling appliances. a percentage-based model operates in Victoria and should be examined as an option for ACT.
4. Increasing the amount of funding allocated for grants. As an example, Care supports many people impacted by domestic and family violence. These are generally women who are often left in dire financial situations when a violent relationship ends. We regularly refer them to the ACT Safer Families Assistance which provides grants up to \$2,000 for the cost of maintaining and establishing a home. Funds for this valuable program have already been expended in the current financial year, yet there are many more people who could benefit from the assistance over the next few months. The allocation for such grants is insufficient to meet demand.

***Advice and ideas on how the ACT Government can further help address cost of living pressures.***

In addition to the suggestions above Care recommends:

- Expand the utility hardship fund. The ACT Government contributes to the Utilities Hardship with \$1 million allocated over four years from 2021-22. The fund allows people experiencing energy stress to receive a \$100 voucher to offset their energy bill. In the current financial year ActewAGL are offering an additional \$100 voucher for people who are in significant financial stress. Given the likely increase in energy costs we believe the voucher should be increased to \$200 with an additional \$100 available for people in hardship.
- Extend the eligibility for the ACT Government Home Energy Support program to Health Care Card holders (or other suitable income threshold determinant). The Home Energy Support Program supports homeowners to improve home comfort, save money on energy bills, and reduce their environmental impact with rooftop solar systems, hot water heat pumps, reverse cycle heating and cooling systems,

and electric stovetop upgrades. It allows eligible homeowners to apply for rebates of up to \$5,000. Care supports the ACT Government pathway to electrification and would also support more homeowners being supported to make the transition away from gas appliances. Gas prices are expected to rise significantly as fewer people remain on the network so this support would assist already stressed households to reduce their energy costs.

- The ACT Government could take more measured approach to debt collection in the current climate. Several recent calls to Care have been from distressed homeowners unable to repay arrears on their land rates within the timeframe required by ACT Revenue. There appears to be little flexibility despite the obvious pressures on households, with people at risk of losing their homes. It is unreasonable to expect a person in financial hardship with what is usually a significant amount of arrears debt, to be able to repay it within the requested twelve-month timeframe, given the current climate of rising interest rates and cost of living pressures. It also potentially adds to the growing list of people needing social housing or having to compete for properties in a stretched private rental market if they are unable to remain in their properties.
- Introduce an income-based approach to ACT Government fines, fees and other charges to ensure people on the lowest income are not unfairly disadvantaged. Care is a Work Development Order Provider and offers Budgeting for Life sessions for people who are on an ACT Government Work Development Plan. Attending workshops allows people unable to pay their fine to reduce it by \$50 for each hour of training they undertake. The program not only benefits participants financially, but it also provides valuable life skills to build financial capability and resilience. We have been providing this program for a few years now without any funding assistance for the Government. The demand for the program is increasing with a regular wait list of people wanting to participate. In 2021–22 participation in Care’s Work Development sessions led to a reduction in outstanding fines of \$24,832. With dedicated funding Care could offer additional sessions and support more people.
- Expend the Sustainable Household Scheme to include loans for electric bikes as well as electric vehicles. At current market values, EVs are out of reach for many low-income households. Access to an electric bike may well suit some people and will be far more affordable.

***Recommendations to help inform the considerations of the Expenditure Review Committee of Cabinet in the Budget process.***

- The demand on emergency and material aid organisations is increasing. Care’s financial counsellors regularly refer clients to emergency relief providers and food banks for immediate assistance with food and other essential costs. We have seen

this being an issue increasingly affecting clients who are working but unable to afford food. We recommend that the Expenditure Review Committee consider increased funding for Emergency Relief providers.

- There is and will continue to be a strong demand for financial counselling services over the next couple of years. Financial counsellors provide free, confidential, and tailored information, advice and advocacy to people in financial hardship. We can support people to negotiate more affordable repayments, set up bill payment arrangements and advocate for waiver of debts in situations of financial abuse, long term ill health or irresponsible lending. In the 2021-22 financial year Care achieved \$1,432,453 in debt waivers and reductions. This is a significant reduction in the amount of debt people were required to pay and importantly led to a positive impact on people's wellbeing. We recommend the Expenditure Review Committee consider additional funding support for financial counselling in the upcoming budget.

***Longer term recommendations on cost-of-living trends to inform the development of future budgets.***

In 2012, then Chief Minister, Katy Gallagher, set up a task force to develop a Targeted Assistance Strategy (TAS). It is timely, and in fact overdue for this strategy to be reviewed. We strongly support the ACT Government undertaking a review of the TAS, with an emphasis on any recommendations not yet implemented or recommendations that need updating to reflect the current economic conditions.

We would also support a review and update of the ACT Government's Assistance website to ensure the information is accessible and up to date. A page where all information on concessions and grants is available with icons to support people with low levels of literacy would make the site more useful.

We note that in the ACT as in many jurisdictions, a lot of money is spent on gambling with the resultant gambling harm an ever present and concerning issue. In the current economic climate, the risk of gambling harm could increase with people turning more to gambling because of stress or to chase losses in the hope of improving their financial circumstances. We believe education, access to support services and stronger gambling regulation (such as cashless gaming, elimination of reward programs and mandatory pre-commitment) are longer term strategies to assist financial pressures in the community. Attention to these strategies for reducing gambling harm will also potentially benefit family members of gamblers as the family is often affected financially and psychologically into the future.

We appreciate the opportunity to provide input into the ACT Government's Inquiry into Cost of Living Pressures and look forward to future opportunities to work with the Government and other community organisations to improve the circumstances of people in our community.

Carmel Franklin

CEO

Care