A NILS Network for Tasmania

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Background to this project

This project was initiated by Aurora Energy after a forum organized by the Office of the Electricity Ombudsman was held in Hobart in February 2000. Entitled *Electricity and the Battlers*, the forum was held in response to concerns raised in the Just Tasmania Coalition report, Hearing the Voices: Life on A Low Income in Tasmania (Anglicare, 2000) which raised issues about the inability of Tasmanians living on low incomes to meet the cost of essential bills.

A research project was developed by Anglicare's Social Action and Research Centre to look at credit and grant schemes for people living on low incomes, to assist them with the cost of essential bills. Funding for the research was provided by Aurora and the State Government's Family Assistance Program. A steering committee of representatives of the Department of Health and Human Services, Aurora and an independent Community Service agency was formed and reviewed an interim report by the researchers on a wide range of credit and grant schemes. The report in its final form emerged from the recommendations of this group.

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A NILS Network for Tasmania – Summary

Large numbers of Tasmanians live on incomes which barely cover the cost of the essentials of life and significantly restrict their ability to access resources and services within the community. Access to credit for these Tasmanians, both as a means for purchasing goods essential to a standard of living deemed to be the norm within our community, and as a buffer against financial crises, is limited. Research in the Tasmanian context has repeatedly highlighted that poverty is critical, widespread and multi-dimensional.

Access to affordable credit is essential to social participation. The ability to participate in a range of social activities deemed to be normal by the community is critical to overcoming the disadvantage and isolation of poverty. For many people living on low incomes, however, credit is only available at high rates of interest.

An examination of the patterns of debt of Tasmanians reveal that housing costs, domestic power bills, food and transport costs are the areas of household expenditure which have the largest impact on the budgets of the poorest people in the community. The systems of support structured to assist people in financial crisis are focused on food relief and emergency rental assistance. The only no interest credit system available to low income earners, Centrelink advance payments, lacks flexibility in dealing with the frequent financial crises faced by those living on or below the Poverty Line.

The research has identified a need for a no-interest credit system for low income earners to assist them to purchase goods which might help them to lower their cost of living or to participate in the normal patterns of social interaction in their community. Such schemes have been successfully trialed on the mainland in the form of No Interest Loans Schemes (NILS) – a system of community based, revolving door credit.

It is recommended that a network of NILS be established in Tasmania with participating agencies spread around the State. Such a network should have a centralised administration to ensure maximum efficiency in the handling of the loan funds. The network would be modelled on the successful Good Shepherd NILS scheme with modifications drawing on the successful Western Australian NILS Network.

An efficiently run NILS network, offering loans to Tasmanian "battlers" and demonstrating very low default rates, would be well placed to attract philanthropic funds. The Ian Potter Foundation has recently requested a NILS proposal for $15,000 each from Anglicare and Centacare and both agencies have expressed a willingness to make these funds part of a central NILS Network on the condition that a viable network can be established with support from the private and/or government sectors.

Mainland experience has shown the NILS network to be popular with the community and the community service agencies who advertise and resource them. It is an opportunity to act positively and assist the many Tasmanians who face the difficulties of life on very low incomes.

CONTENTS

1. Introduction

1.1 Research Objectives

To overview existing interstate and overseas models of grants and credit and concession schemes available to people living on low incomes, especially those providing assistance with the payment of essential services bills, and develop in consultation with key stakeholders, practical program proposals for possible piloting in Tasmania.

The specific objectives of the research were to:

- Provide a breakdown of the different needs existing in Tasmania for grants, and no and low interest credit.
- Describe the main interstate and overseas models relevant to these needs
- Make recommendations regarding possible pilot programs most relevant to Tasmania
- Develop detailed program guidelines in relation to the recommended models.

1.2 Methodology

The initial stage of this research, reported in Sections 1 to 6, involved the researchers investigating and evaluating written material on Grant Schemes and No Interest Loan Schemes. The second stage of the research involved face to face interviews with key informants to compare two NILS models and gather detailed information on the operation of the schemes.

Traditionally it has been important to explicitly state in which paradigm a research project was undertaken. Epistemological concerns rated highly in any assessment of the project. This would appear to still be true for academic undertakings. However, "in the real world practice methods can be separated from the epistemology out of which they have emerged," and this is possible because "the methods of qualitative inquiry now stand on their own as reasonable ways to find out what is happening in programs and other human settings" (Patton 1990).

This project has a phenomenological theme. Patton (1990) defines a phenomenological study as one "that focuses on descriptions of what people experience and how it is that they experience what they experience." This approach is evident within this report with the constant insertion of quotes from people who survive on a low income ("participants").

The other theme of the project is one of orientational qualitative inquiry which Patton (1990) informs us "does not even attempt any pretense of open-mindedness in the search for grounded or emergent theory, not does it present multiple perspectives. Orientational qualitative inquiry begins with an explicit theoretical or ideological perspective that determines what variables and concepts are most important and how the findings will be interpreted." The research has been undertaken in accordance with the above mentioned fundamental commitment of Anglicare Tasmania to social justice and a priority to working with those who live in poverty. There can be no doubt that this report has a perspective in favour of the poor. Yet the challenge is to ensure that those who funded it are engaged so that its recommendations are implemented.

The final theme to note is that the report seeks to make use of action research methodology. Action research is:

> action which is intentionally researched and modified, leading to the next stage of action which is then again intentionally examined for further change, and so on as part of the research itself. In this way, research can be thought of as following a cycle or spiral of action, reflection, questioning, researching hunches, drawing conclusion, evaluating options and planning further action, then taking the new action and reflecting again and so on (Wadsworth, 1997).

The involvement of clients, on an ongoing basis, in a cooperative environment with researchers is an essential part of action research. It is worth remembering that action research has the potential to have significant political capacity (Burns, 1997). This power can be of enormous positive benefit to clients.

The project is not pure action research. In the course of this report various research methods are used: interviews (government departments, service providers), literature review (various web sites) and analysis of secondary data (Centrelink, ABS). The involvement directly with consumers occurred in an earlier project and the interaction is now with their material that has been published (Flanagan, 2000). There are plans to re-establish contact with the clients to follow up what actually gets implemented.

The various stages in action research are shown in Lewin's Cyclic Model (re-produced in Burns, 1997). Initial Idea, Reconnaissance Fact Finding, Form General Plan, Action Steps 1, 2, 3, …, Implement, Monitor, Evaluate, Amend Plan. This project goes right up to the fourth step. All the plans are made and it is just a matter of taking action, which in the case of this project is dependent on further funds being available.

2. Recommendations

2.1 Direct Grant Schemes

That a comprehensive retrofitting service be investigated by Housing Tasmania for public housing stock with particular emphasis on the installation of energy efficient heating and curtains.

2.2 A No Interest Loans Scheme Network for Tasmania

That a statewide NILS network be established in Tasmania (see sections 7 Comparison of Models, 8 Implementation Plan and 9 Policies and Procedures)

That Tasmanian Community Foundation, Ian Potter Foundation, State Government and other sources of funds be sought to support the NILS network.

It is suggested the State Government be approached for $100,000 initially and $75,000 annually thereafter.

3. Low income earners?

"Living on a low income? Well, I call it poverty."
Mother raising two sons on Parenting Payment Single, 1999

"Low income earners" is a relatively fluid phrase used to embrace those people who, because of income levels, find themselves constrained in their access to services, institutions and choices. It is intended to signal those members of the community potentially vulnerable to structural disadvantage because of these financial constraints. The phrase is used to include not only those people for whom Commonwealth pensions and benefits are the primary source of income, but those people whose income is equivalent to, or below, pension and benefit level.

Tasmania has a high proportion of its community dependent on pensions and benefits (37%) and a significantly high proportion of its population dependent on casual, seasonal and irregular wages (ABS, 2000). Many of these people could be said to have lives which are significantly affected by poverty.

Measuring poverty

There are many ways of measuring poverty which are being used in current research. One of the most widely accepted is that of the Henderson Poverty Line, developed as a result of the Australian Government Commission of Inquiry into Poverty (1975). This line is an income level designated for various types of households based on a benchmark income which was required to support individuals in what Henderson described as "an austere level of poverty". The Poverty Line is useful as a relative measure of poverty but it doesn't take into account factors such as home ownership and access services such as health, education or transport - all of which have a huge impact on standards of living.

Poverty in the developed world is a complex issue, difficult to define and measure consistently. It is best understood only in terms of relative deprivation. The important experiences which determine quality of life revolve around access to friends, family, and networks of support; access to services, facilities and information. Poverty acts as a restraint to participation in and access to all these things, yet they are difficult things to measure. The concept of "social exclusion" that has emerged in British poverty research is partly an attempt to grapple with this dimension of poverty.

> "Individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the types of diet, participate in the activities and have the living conditions and amenities which are customary, or are at least widely encouraged or approved, in the societies to which they belong. Their resources are so seriously below those commanded by the average individual or family that they are, in effect, excluded from ordinary living patterns, customs and activities."
>
> (P. Townsend, *Poverty in the UK*, Penguin, 1976)

One attempt to measure the indicators which make up the quality of social participation is the UN Human Development Index, which looks at three aspects of well being: life expectancy, educational attainment and real GDP per capita. In the course of the 1990s, Australia slipped from 7th to 15th place in the developed world on the HDI (ACOSS, 1998).

In addition, Tasmania has not been immune to the national trend towards growing inequality in wealth distribution. Over the last 20 years a national tradition of relatively equitable distribution of wage earnings has been overturned with a lowering of real wages at the bottom of the wage distribution and a rapid and unrestrained rise in top end incomes.

Coupled with this is the increasingly locational nature of poverty. Unemployment and low incomes are increasingly concentrated in particular areas. Around Australia unemployment is alarmingly high in specific rural areas and on public housing estates. In Tasmania, however, areas of high unemployment are far more widespread than in any other state. Half the Tasmanian "small local areas" used by the Australian Bureau of Statistics to gather its information for the 1996 census reported unemployment rates of 12% or over. The nearest State to come close to this widespread pattern of unemployment was South Australia with half Tasmania's number of small local areas affected by high unemployment.

While other States have numerous areas of very low unemployment to balance against their regions of high unemployment, Tasmania has very few. The municipalities of Break O'Day, George Town, Brighton, Hobart and the Tasman Peninsula are all badly hit by unemployment, with unemployment rates ranging from 15 to 21%. Only four of the 43 Tasmanian areas used by ABS report an unemployment rate equivalent to, or less than the national unemployment rate of 7.4% (ABS, 1996).

Tasmanians living on low incomes are subject to some of the highest prices in the country for essentials. Food prices in Tasmanian cities are the highest of the 24 cities surveyed by Choice Magazine (Choice, 1998). Private rentals, while lagging behind Sydney and Melbourne prices are comparable with mainland capitals such as Adelaide and Perth and public rental costs are similar around the nation (ABS, 2000).

The widespread impact of poverty across Tasmanian communities needs to be understood in relation to individual's access to credit. Around one in four Tasmanians are reporting that they are "finding it very difficult" to manage their finances (DHHS, 1998). The networks which once acted as a cooperative source of interest-free credit do not exist to the same extent any more as we increasingly find whole families, neighbourhoods and even towns with few people having an income from work.

Who is living in poverty?

According to current estimates of the Poverty Line, significant numbers of pension and benefit recipients are living below the poverty line (Institute of Applied Economic and Social Research, 1999).

The type of households at greatest risk of poverty has changed since the Henderson Report. In Australia today the major cause of individual poverty and family hardship is unemployment. People on unemployment benefits have poverty levels above other Australians, even above other people who depend on social security payments. Poverty rates increase with the increasing length of unemployment as people run down their financial reserves.

In August 2000 there were 21,572 Tasmanians living on Newstart Allowance, the unemployment benefit. Of these, 61% have been on Newstart Allowance for over a year and 44% for 2 years or more (Centrelink stats).

Poverty is worse among unemployed households because social security payments for unemployed adults are significantly less than the pension. Single unemployed people receive only 80% of the money required for them to reach the poverty line. Single unemployed young people on Youth Allowance are even worse off — under 21 year-olds receive only 68% of money needed to reach the poverty line (ACOSS, 2000).

Other factors most strongly associated with poverty are living in a sole parent family and disability. Around 20% of Tasmania's population are dependent on the pensions and benefits set to support people in these situations as their main source of income (Newstart, Youth Allowance, Disability Pension and Parenting Payment Single). Given the association between poverty rates and length of time in receipt of pensions or benefits, it is disturbing that around 70% of these recipients have been dependent on these benefits for 12 months or more.

TYPE OF BENEFIT	NO. OF RECIPIENTS	NO. OF DEPENDENT CHILDREN	NO. RECEIVING BENEFIT 12 MONTHS +
Newstart Allowance	21,572	7637	13,221
Youth Allowance	12,644	115	7,251
Disability Pension	21,232	2,061	19,389
Parenting Payment Single	11,831	21,145	8387
TOTAL	**67,279**	**30,958**	**48,248**

Centrelink stats for August 2000

Participating in a quality of life

Measures of poverty which are based on incomes or budget expenditure do not give an insight into the experiences of people who are living in poverty, or an understanding of their quality of life. Recent research seeking to explore this issue through both qualitative and quantitative measures, has painted a disturbing portrait of poverty in the Tasmanian context.

The Healthy Communities survey (DHHS, 1998) found that almost 10% of Tasmanian adults reported a high level of concern about whether the food that they can afford to buy will be enough. Almost 6% reported that they could not afford to buy sufficient food for themselves or their children. On a range of questions, querying whether they worry whether their food would run out, whether their food did in fact run out, if they couldn't afford to eat properly and if they/their child(ren) is/are not eating enough because they could not afford enough food, a startling 16.5% of the population reported that this was "always" true.

An unpublished research study by the Health and Wellbeing Outcomes Unit, "Profile of Economic Wellbeing", using data from the Healthy Communities Survey, reveals that these rates were particularly high among unemployed Tasmanians, Tasmanians who are permanently unable to work, Tasmanians who are seperated or divorced, Tasmanians in unskilled work, Aboriginal and Torres Strait Islanders, and Tasmanians engaged in home duties (section 14, p14).

Similarly, the Just Tasmania report *Hearing the Voices* (Flanagan, 2000) included among its key findings the conclusion that income levels for people on a range of pensions and benefits "are too low to afford the essentials of life" (p3).

"Many Tasmanians are being denied the standard of living adequate for the health and wellbeing of themselves and their families – shortages of food, inadequate clothing and difficulties obtaining health care are pressing problems for many."

The people participating in this research project had not been identified as being in immediate crisis, yet they revealed constant strain on their budgets which was forcing them to access services such as Emergency Relief as a regular source of income support.

"I can't afford basic food. I have a 16-year-old boy who is always hungry. He eats a loaf of bread a day. One standard loaf of bread a day costs $1000 per year out of an income of $12,000 a year. You're feeding a man."
(Participant, Zeehan)

The participants in this research report indicated that the strictest financial controls did not ease their budgetary crises. Regular commitments such as rental payments and payment plans for essentials such as energy simply shifted the burden of dealing with any unexpected financial pressure to the only discretionary part of their budget – that set aside for groceries.

"I've had days when I've gone without food to feed the kids. I've done that a lot, you get used to it. It probably happens every couple of months – when the Hydro bill comes in."
(Participant, Zeehan)

"I live on basics. If I want something, I go without something else. My diet is cereal, sandwiches, cheese, eggs on toast, sausages, mash. It's rare to go outside that. I spend $25 a week on food. Groceries are the only area where you can cut back."
(Participant, Burnie)

4. Credit issues for low income earners

4.1 History of credit

"If we had jobs we could get credit, we could get nice houses and cars."
(Just Tasmania research participant, Clarendon Vale)

In Anglo-Celtic Australian history, the use of credit was seen as a moral evil. For those on low incomes, it was potentially the first step on the road to financial ruin, and being forced to access credit invited moral and personal judgements of the lender. However, in the second half of this century the availability of consumer credit has assumed a central place in the daily lives of Australians. By the early 1970s, Australians had become the third largest users of credit in the world and by 1992 more than half the adult population had a least one credit card, in addition to other forms of credit (Hahn, 1997).

The increased availability of consumer durables since the war and rising standards of living nationally have created dramatically changed patterns of consumption and expectations of normality within the community. A range of goods once considered "luxury' have become 'basic household items'. These include a fridge, a washing machine, a television and other electrical appliances (Whitwell, 1989).

However, the expansion of the availability of credit has not benefited all Australians. Those living on low incomes are not only denied access to the benefits of readily accessible credit, they are relegated to the financial fringe, forced to pay the highest costs for consumer credit and with decreasing access to the banking system.

Consumer advocates argue that access to credit is a basic right of citizenship, and that it is central to notions of social inclusion.

> "Credit, in certain circumstances, especially where it is required for the purchase of necessary household goods and other essential items should be regarded as a social good and can therefore be regarded as a right of all citizens. Indeed, low income consumers must have access to credit if they are to have the capacity to participate in a range of social activities deemed to be normal by most citizens." (Hahn, 1997)

4.2 Inability to save on low incomes

"We took out a huge loan and brought a big heater but we've never regretted it because even if we can't provide other things at least the house is always warm. We also bought doonas on (high interest) credit – the kids were getting chills. You have to go beyond your income to get basics like that."
(Just Tasmania research participant, Huon Valley)

The desperate financial plight of those on the lowest incomes in our community is well documented. Complex interactions of issues around housing costs, access to services, health, transport and education costs combined with incomes hovering on, or well below, the poverty line, conspire to keep many people in a position where the most frugal budgets do not allow any surplus to be set aside as savings. The most essential struggle engaged in by many Tasmanians is the struggle against sliding into uncontrolled debt.

An unpublished research study by the Health and Wellbeing Outcomes Unit, "Profile of Economic Wellbeing", using data from the 1998 Healthy Communities Survey, found that nearly one-third (31%) of adult Tasmanians experienced difficulty in meeting their financial needs in the last 12 months (DHHS, unpublished).

The types of difficulties the research participants encountered were inability to pay utility bills on time (such as electricity or telephone bills), inability to heat their homes, not accessing health care, or purchasing prescriptions ordered by their GP. Similarly a 1998 survey of people accessing Emergency Relief services in Hobart found that the major reasons for their financial difficulties were because of their inability to pay for food, electricity or housing costs. As secondary financial problems these participants indicated that they were unable to meet phone bills, clothing and medical costs (Wolstenholme, 1998).

As the nature of poverty in our society becomes increasingly locational, we are seeing the effect on community networks as extended families, neighbourhoods and sometimes entire communities have few individuals who are waged. As an indicator of economic wellbeing, the 1998 Healthy Communities survey asked Tasmanians about their ability to raise $2000 in a week for an emergency. Just over 40% of the population (or 128,956 people) indicated that they could not raise this amount of money for an emergency. Those groups with higher rates of inability to raise the money included unemployed Tasmanians, Tasmanians who are unable to work or have never had a paid job, unskilled workers, people who are separated or divorced, Aboriginals and Torres Strait Islanders. The survey found that the absence of this unofficial "crisis insurance" was having an enormous impact on people's sense of well being. Tasmanians who cannot raise $2000 for an emergency reported higher rates of fair or poor health, they experienced greater stress and greater barriers to social participation.

The Healthy Communities survey also asked participants to rate how often they felt a lack of control over their financial situation. This was a subjective assessment of the level of constraint or choice they felt over their financial situation. The survey found that the lower a person's economic capacity the less likely they will be to feel in control of their financial situation. Overall, the survey found that 23.6% of Tasmanians often feel they lack control over their financial situation. This feeling of a lack of control was particularly high among unemployed Tasmanians, people whose spouse / partner is unemployed, people permanently unable to work, Tasmanians who are separated or divorced, people in unskilled or casual work.

With an income level which does not allow for savings, large purchases for essential goods are impossible without incurring debt. For middle income earners, credit facilities provide an opportunity to get access to "extras" with no need to wait, but for those on low incomes, access to credit is an essential means of meeting basic needs.

4.3 Low cost credit

People living on low incomes have few options with regard to credit. Low incomes combined with lack of income security for those who are engaging in paid work creates particular barriers to meeting credit commitments. Traditionally, credit providers have seen low income earners as "high risk" customers. The consequence of this perception is that credit providers have charged these "high risk lenders" higher interest rates to minimise the risk of loss, and have shown a lack of flexibility for those people who have had even temporary difficulty maintaining repayments.

This view of low income earners has successfully been challenged by research which has found that low income consumers are low risk borrowers (Chalmers & Prosser, 1989). It has also been dealt a blow by those community organisations and credit cooperatives which have shown that low, or no, interest credit schemes can viably be offered to low income earners.

4.4 High cost credit

> *"For emergencies, you do go into credit which has enormous interest rates – you have to have something to fall back on. Richer people don't need to pay interest."*
>
> (Just Tasmania research participant, Huon Valley)

Participants in the Just Tasmania research reported difficulties in accessing credit from mainstream financial services for consumer goods. They were often forced to use credit cards to purchase household goods, or to turn to finance companies at high rates of interest.

Hahn reports that interest rates for credit, often as high as 30%, are justified by mainstream financial institutions on the basis that the nature of the loan and its recipient makes it high risk lending. (Hahn, 1997). The Macquarie Legal Centre has reported that many of its clients are facing loan rates of 26-29% (Girdler, 1999).

It is low income earners who are increasingly bearing the brunt of harsh debt recovery strategies. A Consumer Credit Legal Service report which found that "most of the harassed debtors are low income earners in financial hardship" has prompted the Australian Competition and Consumer Commission to investigate the issue (WA NILS Network, 1998).

The inequality of access to credit exacerbates the other disadvantages faced by low income earners. By being forced to access credit at high interest rates, indebtedness becomes a further marginalising force contributing to high levels of distress and social exclusion.

4.5 Other options

Outside the world of established financial services, the options for low income earners are limited and expensive. Using pawnbrokers, renting appliances, buying second hand goods or requesting advance payments from Centrelink are some of the options they face.

Pawnbrokers and appliance rental are extremely expensive forms of credit while buying second hand goods can still be beyond the financial resources of many low income earners.

Advance payments from Centrelink are lump sum advances on pension or benefit entitlements, which are repaid over a set period with no interest charged. While this system does give low income earners access to small loans without the penalty of high interest rates, there are concerns that the repayment period can cause further hardship and that in some circumstances such a loan does little to address the larger financial issues faced by the client.

4.6 Other issues

4.6.1 What constitutes an essential bill?

Dramatic demographic and social changes have also impacted on community perceptions of what technology or consumer goods constitutes an essential. As the densely populated inner cities depleted and outer suburbs grew, the importance of telephones increased. On far flung housing estates with high rates of poor health, little access to services, public transport, and public telephones they have become essential tools for survival.

"My daughters say 'you get $400 a fortnight – what do you do with it?' But I pay $240 rent, and I have to make payments off the power bill (it's high because of the off peak heating bill) and the phone bill. A phone is a necessity because I have epileptic seizures."
(Just Tasmania research participant, Burnie)

Similarly, with an inadequate, or in many areas non-existent, public transport system and a scattered population, access to a motor car is an essential tool of survival for most Tasmanians. Credit schemes targeted at car buyers have exploited the inability of low income earners to access low interest loans for these elsewhere.

"It's almost impossible to keep a safe and reliable car on the road – you can only afford a bomb. Access to mechanical help would be great. If you are on a low income, loans are difficult to negotiate."
(Just Tasmania participant, Huon Valley)

"If you are on a pension, they won't give a loan of more than 30% of your pension, and with such a small loan, you can only afford a bomb. I have been to all the car yards, and have not been able to buy a car. All the finance deals they advertise don't apply to us."
(Just Tasmania participant, Huon Valley)

However, in spite of these enormous social changes, credit and concession schemes targeted at low income earners have not recognised this shift. Emergency Relief provision prioritises assistance for food and many service providers continue to view the telephone as a luxury. There is no assistance available for low income earners with the costs of purchasing or maintaining vehicles and no concession for low income earners on registration costs.

5. Tasmanians and debt issues

There is limited data on patterns of debt in the Tasmanian context. Brief snapshots of queues of outstanding bills are available from different utilities or services but limited research has been done into patterns of debt in this state. Research conducted thus far has focussed on recipients of Emergency Relief, that is, those people presenting to Community Services in acute financial crisis. The findings of such research reflect the immediate needs of such critical moments – participants report that their most pressing need is to put food on the table or to avoid eviction. Where questions have been asked about the interplay of financial pressures behind the crisis, a pattern of debt around a series of essential bills (food, clothing, housing, electricity, telephone, medical bills) is reported.

5.1 After housing poverty

Research investigating the situation of Tasmanians in financial crisis has repeatedly shown housing costs to be a significant factor in their situation. This is particularly significant given the role housing plays in escaping, or sliding into poverty.

> "Historically housing has been a key factor in poverty, principally because housing has always been the largest single household expenditure. If the income of a household after meeting housing costs is not sufficient to afford other necessary expenditures for existence that household will be plunged into poverty."
>
> (Fincher and Nieuwenhuysen, 1998)

Outright ownership of housing, or access to public housing can reduce the incidence of poverty. However, private rental and purchasing homes can push people into poverty. National studies suggest that a combination of low incomes and increased housing costs has combined to drive more people into poverty and that after-housing poverty is greatest in the private rental sector (Fincher and Nieuwenhuysen, 1998).

In the 1999/2000 financial year, 5672 Tasmanian households were assisted with emergency cash payments to help cover housing costs. The total amount of this cash assistance was $967,745 with a further $193,418 committed to security deposit guarantees. The average assistance received by households were the relatively modest sums of $202 for a security deposit, $111 for rent in advance, $216 for rent in arrears or $168 to assist with removal costs (DHHS data).

Research conducted into Emergency Relief services has consistently showed that people renting their homes were over-represented in the statistics of recipients of Emergency Relief (TasCOSS, 1997).

5.2 Electricity bills

There is considerable evidence that large numbers of Tasmanians cannot afford the cost of domestic fuel, and that electricity bills in particular represent a source of hardship. "This causes considerable hardship and requires hidden cross subsidies from community organisations, emergency relief providers and probably Aurora itself to sustain." (Boyce, 1999)

Australian Bureau of Statistics (ABS) Household Expenditure Survey (HES) data reveals a dramatic, and disproportionate rise in the amount of money spent by Tasmanians on household fuel and power over the ten years from 1984 to 1994. This represented an increase over the decade of 61% compared with a national average increase of 30.3%.

As an essential of life, electricity consumption has little correlation to income. Rather, the poorest sections of the community are those least able to afford energy efficient measures and appliances. Overall, unemployed people have roughly the same size bills for their electricity as those in the community on the highest wages. As a proportion of their income, this is a devastatingly high expenditure. HES data indicates that, as a proportion of their income, the poorest 20% of the population spend about five times on household fuel and power as the richest 20% (ABS, 2000).

Research has shown the impact these bills have on growing numbers in the community. *Paying the Family Bills* (Wolstenholme, 1998) found that electricity costs were nominated by almost all respondents as among their most pressing problems. It also found that most people interviewed were in constant credit arrangement with electricity payments, hoping to pay off one account before the next one arrived; and that emergency relief and financial counselling agencies were increasingly dealing with the impact of people's inability to pay for this essential. In fact, this research found that financial counsellors were contacting Aurora for more than 21% of all clients, far more than any other business, including banks, Telstra or collection agencies.

While Aurora has demonstrated a willingness to approach consumer issues with flexibility, the scale of hardship caused by high domestic power prices is reflected in the number of outstanding accounts, debt reduction arrangements, payment plans and disconnections the utility is dealing with.

On June 30, 2000 $4,692,996 was owed to Aurora in outstanding accounts. This figure comprises overdue accounts, accounts having received extension to pay and accounts on payment plans. Aurora creates around 6500 debt reduction arrangements (or bill extensions) each month. These do not include payment plans, of which around 34 are created each month (Aurora).

In the first six months of 2000 Aurora had issued 24,154 notices of pending disconnection and have disconnected 2325 premises for non-payment (Aurora).

5.3 Transport costs

The Department of Infrastructure, Energy and Resources estimate that around 4% of private vehicles in Tasmania are unregistered. This constitutes around $3m in lost revenue for the state and is a significant issue in terms of the numbers of drivers without third party insurance. Analysis of non-payment of registration conducted by the Department in the past has revealed that drivers will pay the registration costs in time (95% of payments are received within 28 days). Around 2% of vehicles go on to be long term unregistered.

Participants in research on the impact of poverty on Tasmanian communities noted the critical role played by private transport in ensuring their access to services and facilities, in addition to meeting their mutual obligation requirements and thereby ensuring their access to income. The importance of private cars was particularly significant in areas with minimal or no public transport. Research participants reported driving unregistered cars or selling their car at registration time and "trading down" to a cheaper car with longer registration (Flanagan, 2000).

5.4 What credit is available

Emergency Relief

For people living on low incomes facing financial crisis or in need of access to credit there are few options. Emergency relief systems, which should be reserved to assist with exceptional and essentially individual circumstances, are increasingly being used as a regular form of income support for those whose incomes are too low to afford the essentials of life. Research has consistently shown that women, sole parents, and young people represent a high proportion of those who are approaching Emergency Relief providers for assistance (TasCOSS, 1997; Wolstenholme, 1998).

While most recipients of Emergency Relief indicate the main budgetary crisis that they are facing is that of food (TasCOSS, 1997), expenses such as rental and electricity bills are indicated as complicating financial issues.

Under the terms of the grant agreements, Emergency Relief can be given in the form of cash/cheque assistance to cover food; housing costs; utility bills; medical and educational expenses; as food and energy vouchers and in-kind assistance (clothing food and other household items). In practice in Tasmania relief tends to be dominated by donations of food or food vouchers. A survey of Emergency Relief providers conducted in 1996 found that in 68.3% of cases the assistance provided to Tasmanians seeking Emergency Relief were food vouchers, with a further 46.4% receiving food parcels. Direct grants or loans were made to the applicant in only 3.6% of cases, assistance was given with utility bills in 2.1% of cases and assistance with other creditors, debts or essential bills was given to a further 4%. In financial terms, 73% of Emergency Relief resources were directed to food provision (TasCOSS, 1997).

Other issues with Tasmanian Emergency Relief services revolve around access. Limited opening hours, waiting periods for service and limitations on frequency of use all cause problems for clients.

Restraints around limiting use of Emergency Relief have historically been imposed because of a desire to avoid creating dependency and because "they did not want to provide income support". A further rationale was that of eking out limited funds to last the financial year. Such logic is rapidly being overturned with increasing evidence showing that many Tasmanians are now going without food on a semi-regular basis because of financial restraints (DCHS, 1999; Flanagan, 2000). In such conditions, and in the absence of any Federal increase in pension and benefit payments to sustainable levels, Emergency Relief does in fact become de facto income support.

Centrelink Advance Payments

With advance payments from Centrelink one of the few forms of low-interest credit available to people living on pensions and benefits, it is hardly surprising that this is a service which is well utilised. In the 1999/2000 financial year, 35,115 Tasmanian recipients of pensions and benefits received Advance Payments on their Centrelink entitlements. Of these lump sum advances, 86% went to the recipients of Youth Allowance, Disability Support Pension, Parenting Payment Single and Newstart Allowance. These figures are out of proportion to the numbers of beneficiaries in these categories, but they are consistent with the findings of those population groups most likely to be subjected to extreme poverty (see section 1). These figures may also reflect the long-term nature of current unemployment trends, and the accompanying downward spiral into poverty. Centrelink figures on recipients receiving the benefit for 6 months or more are: Newstart – 75%, Youth Allowance, 71%; Parenting Payment Single, 80% and Disability Pension, 95%.

6. Possible schemes to assist low income earners

6.1 No Interest Loans Schemes

6.1.1 Background to NILS

The high cost of consumer credit for low-income earners has long been recognised as a poverty trap by welfare and consumer groups. In response to this discrimination, the Fitzroy-Carlton Community Credit Cooperative was established in 1977 to provide a savings and loans service to low income earners who were denied access to mainstream financial services. In the late 1970s, the Macaulay Community Credit Cooperative (Kensington) was established along similar lines. In 1981, the Good Shepherd Youth and Family Service started its No Interest Loans Scheme to assist low-income earners to purchase essential household items.

Research conducted by Prosser & Chalmers (1990) into a range of low cost loans schemes operated by community services in the early 1990s found them to have the following characteristics:

- loans are for small amounts, usually less than $1000
- the largest loans given are for household furnishings and car expenses
- the bulk of lending is for purchases to improve the living standards of households
- the "typical" borrower from community credit agencies is a woman, with dependent children, living without the support of a partner and renting accommodation from government
- Most recipients of loans from community agencies receive more than one loan, some using the service as a form of "revolving credit"
- The incidence of significant arrears problems among pensioner and beneficiary borrowers appears to be very low
- Those most at risk of falling into significant arrears were:
  - people with insecure housing
  - people whose housing was relatively secure, but who attempt to repay over periods longer than 2 years
- Community agencies do not provide credit in isolation. Most provide a range of other services such as financial counselling, consumer advocacy, budgeting and buying services.

This report also found that a range of agencies were successfully operating loans schemes as part of a wide range of financial and consumer advocacy programmes. These findings were reinforced by an evaluation of the NILS conducted by Good Shepherd Youth and Family Services in 1997.

Since this time low interest loans schemes have blossomed around Australia. Victoria, inspired by the leadership shown by Good Shepherd, has over 40 schemes and a state NILS network which supports existing autonomous schemes and organisations interested in establishing schemes. A substantial range of schemes also exist in South Australia, Queensland and New South Wales. The Western Australian NILS network was established in 1999.

Most schemes adopt three basic criteria with regard to eligibility to receive a loan. Loan recipients must be:

- Low income earners (Health Care Card Holders and individuals who are not Health Care Card Holders but whose disposable income is assessed as very low)
- Residents of the region serviced by the program.
- They must have the capacity to repay the loan.

6.1.2 hat is a No Interest Loans Scheme?

The distinctive feature of no interest loans schemes is the provision of small loans (usually under $1000) without interest or charges to low income earners. The loans are to assist them to purchase basic necessities to improve their standard of living.

Assessments of applicants against the eligibility criteria are solely based on their ability to repay the loan. An analysis of the applicants' financial situation is therefore an essential part of the process. Repayments are made according to the applicants' capacity, but are generally repaid over 18 months. The loans are made for new goods.

The Good Shepherd Youth and Family Services NILS model has provided the basis for many of these NILS schemes. This model emphasises that the purpose of the loans is the provision of an alternative form of credit, that **it is not** a form of emergency relief provision. With this distinction, Good Shepherd emphasises the importance of alternative support services; that is, NILS programs must be established alongside a broader range of community service programs, for example, emergency relief provision, financial counselling, consumer advocacy and/or a buying service.

Under the guidelines of the Good Shepherd model, loans are **not** approved for:

- items for which other forms of assistance are available
- gas, electricity and telephone bills
- rent arrears
- general expenses
- consolidation of debts or unpaid bills

Good Shepherd attribute the success of their model to:

- the procedures developed to support the model
- the clear distinction placed between NILS and Emergency Relief, ie, the focus on participant's ability to repay
- the opportunity it offered individuals to get some relief from financial pressure
- the "money recycling" aspect engendered a sense of ownership and community support

6.1.3 Accompanying schemes

(a) The Buying Service

One of the distinctive features of the Good Shepherd scheme is its accompanying Buying Service which operates with funding from the Office of Fair Trading. This service allows low income earners to purchase white goods at the lowest available market price. This scheme is available to all low income earners, not just loan recipients. The outcomes from this scheme include:

- significant savings for low income earners
- increased consumer confidence
- the development of partnerships with business

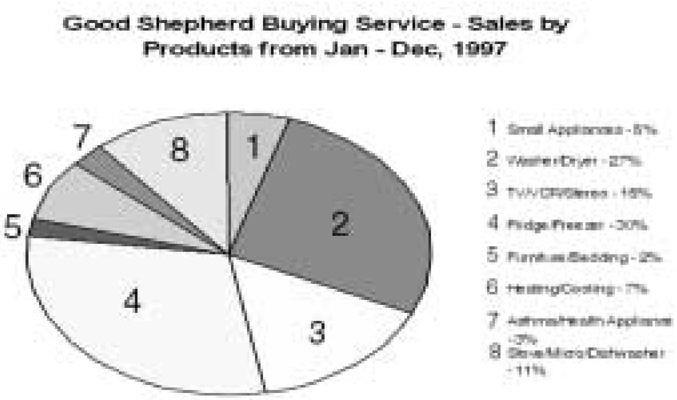
In 1995/6 the Buying Service facilitated total sales of goods of over $850,000 with average savings of 20% for the consumer.

The following table shows the savings for a low income consumer who accesses a no interest loan and uses the Good Shepherd Buying Service. In this instance, using these two services has saved the consumer $418.58.

SOURCE OF LOAN	ITEM	LOAN AMOUNT	INTEREST RATE	MONTHLY REPAYMENT	LENGTH OF LOAN	TOTAL COST
Good Shepherd Loans Program and Buying Service	Fridge	$766 (BuyingService Price)	Nil	$40.00	19 mths	$766
Credit	Fridge	$867	26.6%	$40.85	29 mths	$1,184.58

(Source: Good Shepherd Youth and Family Services website)

The Buying Service offers access to a range of products and generates considerable savings for low income earners. The table below shows the range of goods purchased through the service.



GOOD SHEPHERD BUYING SERVICE

Product Sales/ Savings, Jan – Dec, 1997	
Total sales	$721,233
Savings to consumer	$133,888
Average monthly sales	$60,103
Average percentage	19%
Total number of sales	1402
Approx. no. of enquiries	5783

(Source: WA NILS Network Proposal 1998)

Buying schemes have the capacity to value add to the NILS service. It complements NILS by offering access to significant cost savings. Other financial services also potentially complement NILS schemes.

(b) the No Interest Deposit Scheme (NIDS)

NIDS offer consumers who have completed their loan repayments the opportunity to continue the budgetary habits developed during the repayment period. Money can be invested in the NIDS scheme at the same rate as the NILS repayment.

These deposits attract no interest but also no bank charges. Participants in the NIDS scheme have an increased sense of participation in a community development project as their money is going towards loans to other low income earners.

6.1.4 How can a NILS assist low income earners?

NILS can only assist those low income earners with some capacity to repay a loan. Those people whose financial situation is too difficult to allow this small amount of budgetary flexibility are not eligible for assistance. This scheme, therefore, does not assist the very poorest people in the community, who in their critical inability to pay recurrent bills, must rely on the limited resources of Emergency Relief services.

For those low income earners eligible for a no interest loan, however, the scheme offers an opportunity to increase their standard of living, to build confidence, self-esteem and consumer skills. The purchase of first-hand goods with guarantees attached makes for better economy than the purchase of second-hand goods or accessing appliance rental services. Community-based NILS, particularly those with a NIDS attached, also have the capacity to develop positive community partnerships.

Evaluation of the scheme by loan recipients reflect its effectiveness in reaching people otherwise denied credit and the high value they placed on the non-punitive nature of the scheme.

"I've got four kids. We'd been living out of an esky to keep our food. So much got wasted because it went off. I had to buy each day and often that would be at the milk bar. It was costing me a fortune and we were going backwards."

"My hands were sore from hand washing for so long. Kids need you to wash a lot. If I went to the laundromat it would cost me $12 to do it. I rang up in tears."

"I'm determined to pay it all — people trusted me to give me a loan. I'd feel guilty if I didn't pay it back."

"You don't think 'How do I put them off this time?' You just contact them and they talk to you."

"The kids were really excited – they could have icecream sometimes now [with the fridge] and I felt that I'd been approved of."

(quotes from Credit Where It's Due, Good Shepherd, 1997)

NILS also offers a community based model of credit provision which effectively maximises resources by recycling money to a large number of recipients.

6.1.5 Who benefits from a No Interest Loans Scheme?

Evaluations of NILS projects have revealed that the vast majority of loan recipients are women and that most of these women have dependent children. Just over half the recipients in the Good Shepherd evaluation were sole parents. Loan recipients tend to be aged between 25 and 45 (73%). (Sixteen percent of recipients are aged 18 – 25 and 11% are aged 45+.) The majority of recipients are in rented accommodation, private and state-owned (76% total) (Good Shepherd, 1997).

6.1.6 Issues around capital

The initial outlay of funds to establish a NILS scheme would be quite substantial.

In their business plan for the establishment of the WA network, the WA NILS Network sought $500,000 annually with an additional $57,200 for establishment costs. A further $52,500 annually was sought for a Buying Scheme with a one off grant of $6,400 to cover establishment costs.
For a projection of Tasmanian costs, see the implementation plan.

(a) Battling the erosion of capital

An adequate capital base is essential for the start-up of a No Interest Loans Scheme. While most schemes advertise loans of under $1000, average loans tend to be $650 - $800. A relatively low number of loans can therefore absorb all the scheme's start-up capital and it is a long time before sufficient sums are returned to the scheme in repayments.

The Good Shepherd NILS Resource Kit suggest that community groups hold capital in reserve and invest it in high interest bearing accounts, using the proceeds to offset funds lost due to defaults. However, in 1999 it was reported that most schemes in NSW had more than half their capital invested in short term deposits. This policy was due to concerns about new schemes, with new management committees and administrators exercising extreme caution about offering loans, and also because they were concerned about inflation, bank charges and administration costs (Ziller, 1999). This conservative approach to the use of the capital meant that over 50% of potential loan funds were being tied up in income production through interest earned, substantially reducing the number of people who could access a no interest loan.

What is required is a formula which will assist administrators to identify how much capital is needed to be invested at current interest rates in order to safeguard their capital (Ziller, 1999) or identified sources of income prepared to regularly "top up" NILS capital. The second option would be preferred policy as it allows maximum social impact from the widest distribution of loans.

NILS cannot be run without administrative support. This support covers assessment and decision making and recording of transactions and maintenance of financial records. The level of support depends on the size of the scheme. Good Shepherd report that most small schemes operate with approximately 1 – 1½ days of paid worker time each week. A 1997 review of eight Victorian NILS found that in each case auspicing agencies contributed financial and in-kind resources to NILS, most notably by absorbing all administrative costs associated with each NILS (Good Shepherd, 1997).

Even with strategic capital investment, NILS schemes also require limited regular injections of new funds to compensate for administrative costs and default rates.

(b) Default rates

The majority of No Interest Loans Schemes have enjoyed low default rates in spite of the absence of punitive measures taken in the situation of defaulting payments. NILS contacted in the course of this research project reported default rates ranging from less than 1% to 32% but it is difficult to evaluate these figures because of different policies around what constitutes defaulting and the flexible processes by which NILS encourage consumers to resume payments. The centralised Western Australian model discussed in Section 7 budgeted for an 11% default rate but has actually had less than a 1% default rate in its first nine months of operation.

LOAN DEFAULT RATES FOR COMMUNITY BASED NILS

SCHEME	DEFAULT RATE
Victoria Average	11% pa
South Australia	5 – 20% pa

(Source: WA NILS Network Proposal 1998)

Successful NILS have been community-based, run by community service organisations valued in their local region. There has been a sense broadcast by these schemes that repayment of loans frees capital to be loaned to other low income earners, giving participants a sense of contribution to community development. This community ownership of the scheme cannot be underestimated. Mainland NILS schemes report instances of consumers returning up to 2 years after defaulting to resume payments. The experience of micro-credit enterprises world-wide suggests that loan default rates are low where there is strong peer group pressure for repayment. (Micro-credit schemes, on the Grameen Bank model, lend small loans at low interest rates, to small peer groups).

The application process established by most NILS is also possibly a contributory factor to the success of these schemes. Lending policies are quite conservative – the strictures on what purchases will be funded, the level of information required by many schemes and the requirement that consumers have been resident in a community for a set period can make for higher requirements than some traditional financial institutions. It is possible that these practices have also substantially reduced the risk involved for many NILS.

6.1.7 Establishing a NILS scheme

The Good Shepherd NILS model has been proven a successful model of no interest credit delivery. Local agencies have extended the parameters of this model in minor ways to adapt to local circumstances.

The Good Shepherd Community Resource Kit recommends that community groups wishing to establish a loans scheme develop a clear policy and procedures document covering the following issues:

- Capital Base
- Administrative Support
- The Purpose of Loans
- Eligibility Criteria
- Other options – policy, development and advocacy
- Referral Networks and Publicity
- Administrative Procedures
- Assessments and Decision Making
- Proof of Identity
- Loan Limits
- Subsequent Loans

Conclusion

NILS are an effective way of meeting the needs of some low income earners. They can assist low income earners to improve their standard of living and lower their costs with regard to essential bills. To be an effective strategy for low income earners, a network of NILS must be established through partnerships with key community agencies in different areas.

See Section 7, 8 & 9 for a Comparison of NILS Models, Implementation Plan and Policies and Procedures.

6.2 Direct Grant Schemes

Direct Grant Schemes have been used in several communities interstate and overseas to assist with the payment of electricity bills or to make home improvements which will reduce electricity or water consumption and thus reduce utility bills.

6.2.1 Direct payments or reductions in electricity bills

(a) Electricity Accounts Payment Assistance (EAPA)

The NSW Government presently allocates $7 million per year towards this scheme in addition to its electricity concessions scheme. The scheme provides assistance in the form of $30 vouchers through welfare organisations to low income earners experiencing hardship in paying their electricity bill. More than one voucher can be given to a client at the discretion of the agency. The NSW Council of Social Service (NCOSS) has raised concerns about the accessibility and fairness of this system. People in areas without a social welfare agency have difficulty accessing the scheme and the discretionary nature of the program means that provision of vouchers may vary widely among agencies and that some clients may be disadvantaged. NCOSS has suggested that increased funding to the electricity concession system to allow access for Health Care Card Holders may be a more equitable alternative to this scheme. A similar voucher scheme also operates for water rates in NSW.

(b) Power Assist

Power Assist is a small scheme ($30,000 annually) funded by the Western Australian government. It is administered by a non-government organisation to assist low income earners in financial crisis pay electricity debt. The scheme can only be accessed through Financial Counsellors who can apply to have up to $150 paid off a customer's electricity debt. The scheme's small scale means that only about 200 people per year are assisted.

(c) Utility Relief Grants Scheme (URGS)

The URGS is a Victorian program which provides once-off assistance of around $300 to low income earners who are unable to pay their gas, electricity or water bills due to a temporary financial crisis. The financial crisis may be because of: a significant increase in bills caused by a faulty appliance; a recent decrease in income caused by loss of a job, illness or breakdown of a family; or due to high unanticipated expenses on essential items such as a funeral, repairs or replacement of essential items. The scheme is not available to assist in cases where there is an ongoing inability to meet household expenses. The URGS is funded and administered by the State Government and can be accessed directly by the consumer who must complete an application form. It is a large scheme which received $2.3 million in the 1999/2000 financial year.

The South Australian government also runs a very similar scheme, the Energy Payment Scheme, with the same guidelines and once-off payments of up to $200.

(d) Prompt payment discounts

British Gas offers discounts to consumers who pay their bill by the due date. For this scheme to be of assistance to low income earners it would need to be a true discount on the ordinary bill (rather than any additional charge on late bills). Such a scheme would also need to be targeted only at low income earners or else most benefits would go to high income earners who could afford to pay their bills on time. Such a scheme could be offered only to people holding Health Care Cards or Pension Concession Cards although it would continue to most assist those who have least difficulty meeting their electricity bills. People in the most desperate financial positions would be unlikely to be assisted by such a scheme.

(e) Project Deserve

Several electricity companies in the United States run direct donation programs to assist low income earners to pay electricity bills. The Tennessee based company Volunteer Electric Cooperative runs a typical scheme called Project Deserve. Under the scheme electricity consumers elect to add a monthly donation to their electricity bill which goes directly into an Energy Fund to assist low income families. Funds can be accessed through community organisations to assist low income households to pay electricity bills.

6.2.2 Retrofitting

Retrofitting is the process of making modifications to a home to reduce energy consumption and thus energy costs.

(a) NSW Retrofit Program

NSW electricity company Energy Australia has provided $1.2 million over four years to pay for free retrofits for low income households in NSW. A standard retrofit costs $270 and may include installation of: AAA showerheads, tap aspirators, door seals, fluorescent light fittings, cistern weights for toilets and sometimes window coverings and insulation. It is estimated that households which have been retrofitted will save between $50 and $90 per year on water and electricity bills.

(b) Electricity Capital Grants Scheme (ECGS)

The ECGS is a Victorian program which provides once-off assistance of between $800 and $1500 to replace appliances such as hot water cylinders, heating systems and fridges which are energy inefficient. The scheme is small with $100,000 allocated to the program for 1999/2000. The ECGS can only be access through a financial counsellor and is administered by the State Government.

(c) UK: The Home Energy Efficiency Scheme

The HEES is funded by the UK government in addition to its concession system. The scheme is available to low income households and provides a comprehensive package of energy efficiency measures which may include: roof insulation, draught proofing of doors and windows, cavity wall insulation, hot water tank insulation, compact fluorescent lamps, gas room heaters with thermostat controls, electric storage heaters, closed solid fuel fire cassette, electric dual immersion water heater with foam insulated tank and timer controls for electric space heaters and water heaters. The maximum payment is A$1900 and recipients are expected to save between A$800 and A$1600 per year on their heating costs. Additional assistance is available to people aged over 60 living on low incomes. These households may also be offered central heating systems as well as the above insulation and heating systems. Total assistance available to these older HEES recipients is up to A$4900 with expected savings of between A$800 and A$2700 on heating costs each year. The government aims to reach a total of 500,000 homes in the next two years.

This scheme represents a major commitment by the UK government to alleviate fuel poverty for the poorest members of the community. It is a very large program which is likely to make a real difference in the lives of people living on low incomes. It is particularly creditable because it includes expensive items such as insulation and heating systems which low income earners are unable to afford but which will have a major impact on their energy consumption and expenditure and the level of warmth in the home.

(d) US Weatherization Programs

The Department of Community, Trade and Economic Development in Washington offers retrofits to low income households in the state. The program is funded by the Federal Government, the Bonneville Power Administration and Energy Matchmakers. The program aims to make homes more energy efficient through measures such as ceiling, wall and floor insulation, closing gaps, broken window replacement and heating system efficiency modifications. Energy savings of up to 23% have been recorded among the 75,000 low income households which have received services as part of the program. The program administrators note that the program has created or sustained more than 2000 jobs in Washington.

(e) Low Income Home Energy Assistance Program (LIHEAP)

This is another Washington based scheme which includes weatherization as one feature of a more comprehensive program. LIHEAP uses federal funds to assist the lowest income households with the highest energy consumption, taking into account family size. The maximum benefit under the scheme is A$1240 and may include weatherization, payment assistance once a year to help cover electricity bills, furnace repairs and client education about ways of reducing energy consumption.

Conclusion

Direct grant and retrofitting schemes both offer significant assistance for low income households in the communities serviced by the programs. While concessions are the most effective way of reducing ongoing bills, emergency grant schemes are particularly useful for assisting families who face unexpected circumstances. Retrofitting services, particularly the comprehensive system offered in the United Kingdom can have a major impact on the lives of those assisted. Low income households are able to heat their homes properly at a greatly reduced cost. Employment outcomes are also significant as retrofitting schemes are quite labour intensive.

7. Comparison of NILS Models

Western Australia and Victoria operate the largest NILS programs in Australia. Many of the Victorian NILS schemes have been operating for many years while the Western Australian scheme has only been running since January 2000. The Victorian model is a loose network of community organisations linked by a common committment to the Good Shepherd principles of accountability. Each community organization has its own pool of NILS funds which it administers independently. The Ian Potter Foundation has been one of the major supporters of the Victorian schemes granting $377,000 to 27 organisations. The Potter Foundation has also recently conducted a study into the schemes it has funded and this provides valuable analysis of the Victorian model. The Western Australian model is also based loosely on the Good Shepherd principles of accountability but is centrally administered. Under this model community organizations sign up to be part of the network and, after receiving training delivered by the central office, are able to complete loan applications on behalf of clients and members of the community. These applications are sent to the central office to be processed and accepted or rejected by the central loans committee. Victorian NILS providers administer loans within small geographical areas which surround their agencies usually to people who are already clients of the agency. The Western Australian model aims to eventually provide NILS through a statewide network of agencies.

7.1 Funding

The Victorian schemes are funded through grants from philanthropic trusts to individual agencies. These grants do not usually include any funds for administration costs. The Western Australian model is funded by the State Government with a three year committment of $1.5 million. The government has agreed that 30% of the funds may be used for administration with the remaining 70% to be used for loans. At present all administration costs go to the central agency which administers the NILS Network. This funds training of member agencies, loan administration and monitoring. The member agencies do not receive any funding to cover the costs of completing loan applications.

The Potter Foundation study suggests that there is evidence that "where no or insufficient administrative input has been available, this has led to much faster depletion of the capital base" (Roberts, 2000).

The Western Australian model offers much greater ease of entry in becoming a NILS provider as the funds are centrally pooled and can be accessed by any agency which completes the training program and joins the network. This offers greater possibilities for extending the network geographically. Under the Victorian model each agency wishing to run a NILS program must first secure its own funding source.

7.2 Advertising of the Schemes

The Victorian schemes receive almost no promotion due to concerns about potentially very high levels of demand. This means that loans are most easily available to clients who are already using an agency which offers NILS, through referrals from other community service agencies or those people who might hear about the scheme through word of mouth. The Western Australian scheme was widely publicised prior to its establishment. This premature publicity caused significant problems with many people wanting to access loans before they were available. The scheme is now promoted through brochures and is available to any person who meets the eligibility criteria in an area which is serviced by a member agency. The scheme aims to have full coverage of the state in the next year. Loan applicants do not need to be clients of any agency to use the service and can contact the NILS Network central office to be referred to their nearest NILS Network community agency.

7.3 Loan Interviews

The loan interviews are conducted by staff or volunteers of community service agencies in both NILS models. In the Victorian model the person who conducts the loan interview may also be involved on the loan assessment panel and in some cases is responsible for the administration of the scheme.

In the Western Australian model the person who conducts the loan interview sends all of the information and a covering letter to the NILS Network central office. The initial loan interview takes about one hour to complete. The central office ensures that all of the necessary paperwork is included in the application and then passes it on to the loan assessment committee.

The Ian Potter study suggests that there is some correlation between solo financial counselor management and higher than desired default rates (Roberts, 2000).

Both models allow the worker to act as an advocate for their client. This role is particularly clear in the WA model as the worker puts the client's case to an external body which makes the final decision about whether the loan is granted. Workers interviewed felt that this helped them to preserve a supportive relationship with the client as even if the loan was rejected the clients did not feel a resentment towards the individual agency.

7.4 Loan Assessments

Loan assessments are completed by committees in both models. The WA NILS Network has two loans committees which meet on alternate weeks. The committees are made up of the WA NILS Network coordinator and two representatives of member agencies.

The loan committees in the Victorian model are made up of workers from within the agency. The committees may meet regularly or as needed.

7.5 Unsuccessful Loan Applications

Unsuccessful loan applicants are informed in writing under both models. Both models include the possibility of an appeals process if the loan applicant is dissatisfied with the decision and wishes to pursue the matter further. The WA model has a centralized appeals process while only some agencies in the Victorian model have an appeals process available.

Applicants and workers may feel more comfortable utilizing the appeals process in the Western Australian model as they are not appealing against the individual agency's decision but against the decision of a central organization.

No clear figures are available on the proportion of unsuccessful loan applications in the Victorian model as agencies keep their own statistical information. In its first six months of operation the WA NILS Network rejected 39 of the 144 applications received. In both models there is some "gate keeping" by agency staff if they feel sure that an application will be rejected.

7.6 Successful Loan Applications

Successful loan applicants are informed in writing under both models and return to the community agency where they lodged their application to sign the loan agreement. The repayment methods vary between the two models.

The WA NILS Network has a clear expectation that the loan will be repaid through Centrelink direct debit "Centrepay". Loan recipients can cancel or reduce this payment by filling in another Centrelink form at any time. Each direct debit costs the NILS Network 94c. Workers at the network feel that the use of Centrepay has been a key factor in the low default rate experienced by the scheme so far. Where loan recipients do not receive a Centrelink benefit they are able to use a Commonwealth Bank deposit book to make loan payments.

The Victorian model uses a range of repayment methods with some agencies receiving payments directly from recipients, some using Centrepay or other direct debit and a majority issuing Commonwealth Bank or Credit Union deposit books.

While Centrepay attracts a charge and offers less flexibility for loan recipients to vary repayments on an ad hoc basis it does offer significant advantages in allowing repayments from people living in areas which are not serviced by banks and reduces administrative costs associated with chasing missed payments.

7.7 Defaults

The Western Australian scheme has written off one loan of the 116 loans which have been approved in the past nine months. All other loans are presently being repaid. While it is still early in the WA process this low default rate is extremely encouraging considering that the scheme was set up with an expectation of up to 11% default rates. The Potter Foundation study also suggests that default rates are known to be higher in the early days of a NILS scheme.

Recent data on the Victorian default rate is much more difficult to access as each agency keeps its own statistics. A Good Shephard study in 1997 found a default rate of 11% (Farrow, 1997). The Ian Potter study found that default rates varied widely with some agencies having completely depleted the capital base due to very high default rates while others had been able to maintain very low default rates (Roberts, 2000).

Lack of dedicated administrative support for schemes was identified as increasing default rates.

7.8 Record Management and Monitoring

The Good Shepherd Youth and Family Service has developed a NILS Administration Database System which is widely used in the Victorian model. Some agencies choose to use their own software packages. All record management and monitoring is completed within the individual agencies under the Victorian model. The WA NILS Network has had the Good Shepherd Database extensively modified to meet the statistical reporting requirements of the State Government which funds the program. Record management and monitoring is completed within the central agency in the WA model.

7.9 Reporting and Accountability

Regular reporting to funding bodies is a requirement under both models of NILS provision. The WA model tends to require a greater level of detail.

7.10 Program Support and Development

Program support and development is provided by the central NILS Network under the Western Australian model. In Victoria Good Shepherd Family and Youth Services convenes quarterly meetings of NILS providers which are attended by many agencies. The Good Shepherd has trademarked the "NILS" name and plans to ensure that all agencies which use the term have agreed to the "Common Principles and Accountability Standards".

7.11 Policy Issues within either model

7.12 Eligibility

Elegibility for loans is similar in both models with low income earners holding a Health Care Card or Pension Concession Card generally able to access the scheme. Both models require that applicants have some housing stability although exceptions on this criteria are made for women escaping domestic violence or newly arrived migrants. For a loan to be granted loans committees must agree that the applicant has the capacity to repay the loan. Each applicant must fill in a budget sheet as part of their application.

The Western Australian model uses two major criteria to determine if the applicant can afford to repay the loan:
The applicant must have an income which is greater than their expenditure.
The applicant must have debt to income ratio of less than 45%; that is, their fixed costs for accommodation (including arrears payments), utilities and other debts cannot total more than 45% of their income.

The Victorian criteria for determining if an applicant repay the loan is determined by the individual agency.

7.13 Loan Size

Maximum loan sizes for both NILS models are between $800 and $1000. Both schemes tend to lend for one item only even if the client would prefer two items with a combined cost of $800 to $1000. There is some scope for variation of this rule on an agency by agency level within the Victorian model. However, many agencies believe that allowing one item assists in keeping loan size as small as possible and increases the likelihood of successful repayment of the loan.

7.14 Loan Purpose

The WA NILS Network has less flexibility around what loans may be used for than many of the Victorian schemes. Whitegoods such as fridges, washing machines and dryers are a key part of both schemes. Some of the Victorian schemes have significant flexibility in allowing clients to use loans to buy items such as hot water systems, sewing machines, car repairs (where the car is in otherwise good condition), medical equipment, computers, TV/videos, beds, sewerage connection and other major items.

This flexibility of loan purpose been very successful in agencies where it is used with repayment rates for unusual items similar to rates for whitegoods. This flexibility also significantly reduces the likelihood that clients might take a loan for a whitegood even though they need some other item and then pawn the whitegood in order to purchase the item they really need.

8. An Implementation Plan for a Tasmanian Scheme

8.1 Proposal

It is proposed that a NILS Network be established in Tasmania, with loan applications commencing on 1 July 2001.

Funding for the Network will be sought from Aurora Energy, the Ian Potter Foundation and the Tasmanian Community Trust.

This implementation plan draws on the Victorian and West Australian NILS experience, particularly the Good Shepherd publication *No Interest Loans Schemes (Victoria): A Resource Kit for Community Groups*, (Good Shepherd Youth and Family Service, Melbourne, 1997) and the research material and business plan produced by the West Australian NILS Network.

8.2 Goals of the NILS network

Tasmanians living on low incomes have the right to share in a decent standard of living. This includes access to reliable and efficient whitegoods, heating appliances and medical equipment. This also includes being able to access other household goods and equipment which will improve their quality of life.

It is a goal of the NILS Network to provide interest free credit to those low income Tasmanians who are able to afford to repay a loan of this type.

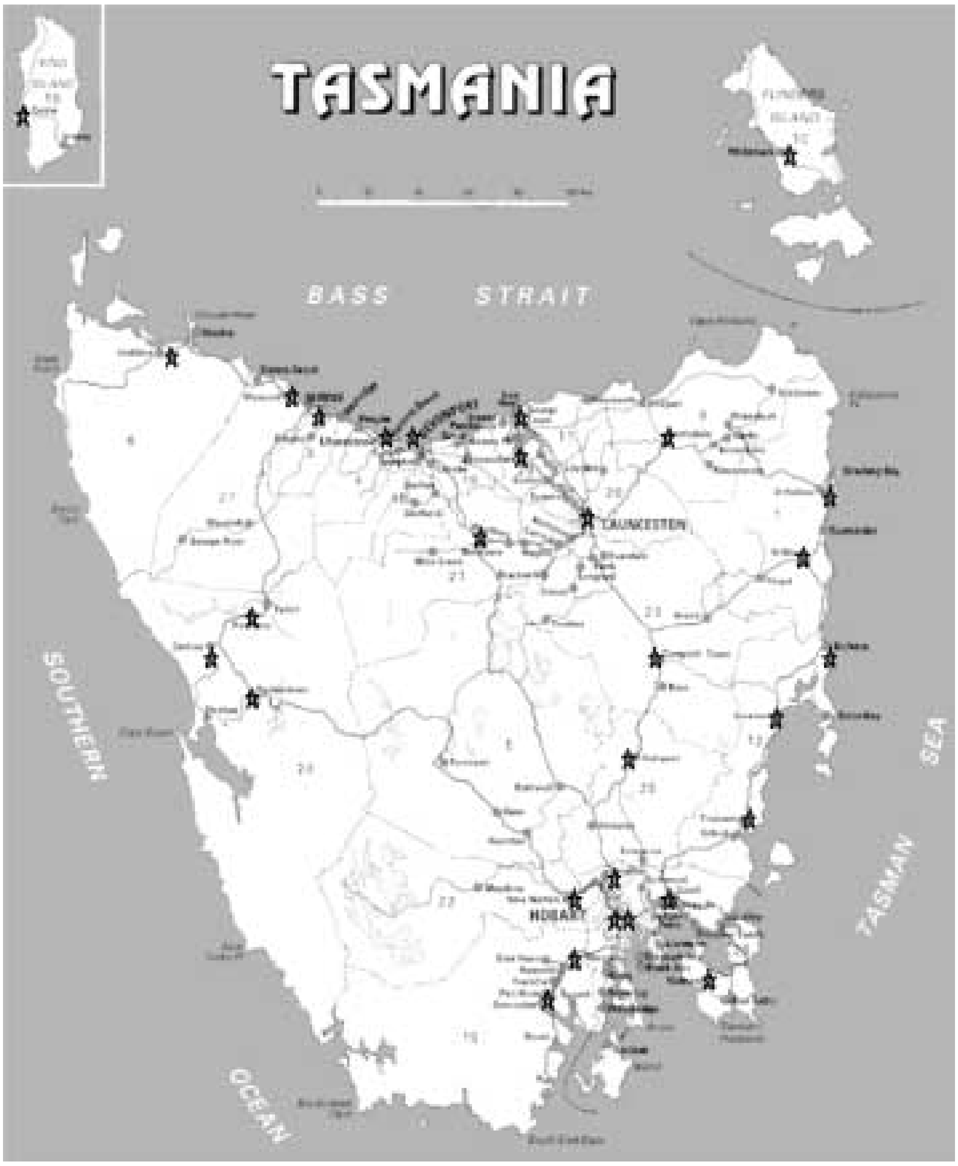
8.3 Mission statement of the network

The NILS Network exists to provide interest free credit to low income earners for goods which will significantly improve their standard of living.

8.4 Geographical scope

It is proposed that the NILS Network should be available to all Tasmanians through community agencies and neighbourhood houses. The scheme would aim to have full coverage of the state by the end of its first full year of operation.

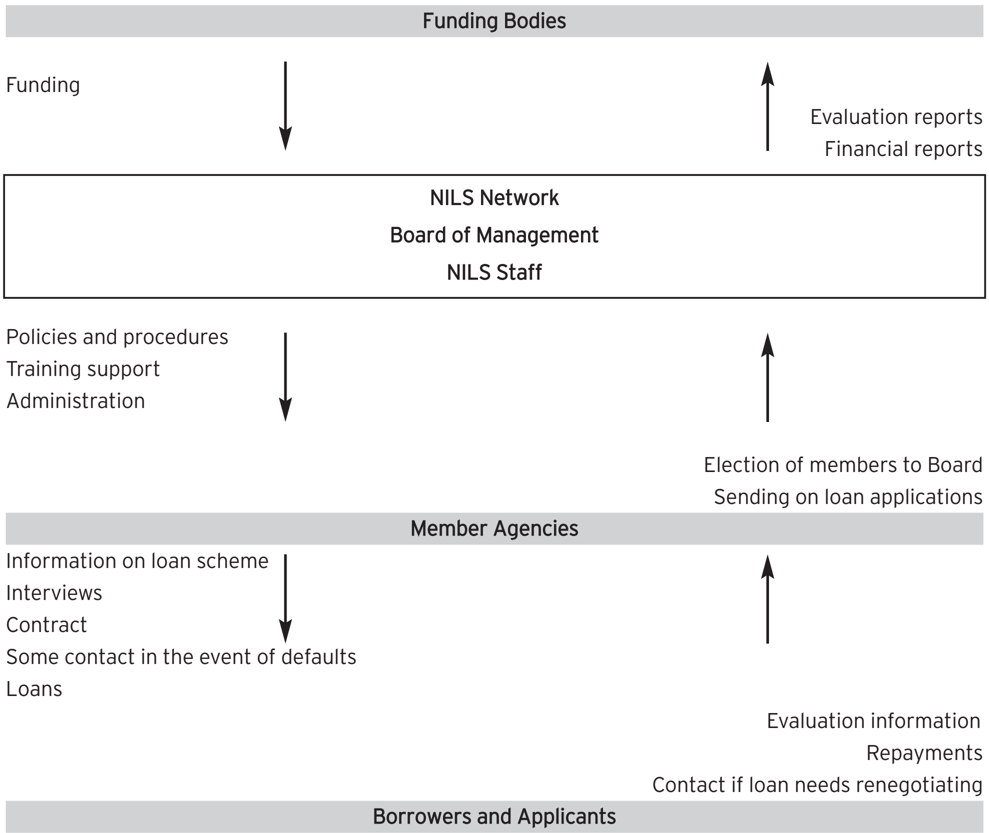
Potential sites for loan network members will be population centers over 5000 people and/or those towns which have an infrastructure established to support the network. Potential sites are marked with a red star on the page below.



Further centres could be added if agencies expressed interest in taking loan applications. More than one agency may accept loans in each centre.

8.5 Stakeholders

The network's stakeholders are represented in the figure below



8.6 The network

8.6.1 The NILS Network - legal status

The Tasmanian NILS Network will be an incorporated community agency. As in Western Australia the Network would apply for Public Benevolent Institution Status, Income Tax Exempt Charity Status and Gift Deductability Status.

8.6.2 Network membership

Incorporated community agencies including neighbourhood houses would be accepted as network members. A membership fee of $5 would be charged annually. Network members who wish to complete loan applications on behalf of clients would be required to attend a comprehensive training session conducted by the Network Coordinator. Network members must be able to effectively operate the scheme by:

- Having appropriately skilled staff who are able to complete loan applications in a respectful manner;
- Having an effective knowledge of the network and other agencies for referral of unsuccessful or ineligible applicants;
- Being easily accessible by clients;
- Being able to advocate and negotiate on behalf of borrowers.

The Board may establish associate membership status for organizations wishing to receive information and support from the Network, but who do not meet the criteria.

Each member agency will sign a contract with the NILS Network before loan applications can be completed. This contract will:

- Allow access to loan funds
- Commit member agencies to the operating policies and procedures of the network
- Define the roles and responsibilities of the member agencies and the central network
- Define reporting, accountability grievance and review arrangements
- Define other issues such as how the contract can be terminated, confidentiality and dispute resolution

8.6.3 Administrative Support

Network members will be responsible for conducting loan interviews with clients and completing loan agreements if loan applications are successful. Network members may also be asked to make contact with borrowers in cases where a borrower has stopped making repayments. It is proposed that a small payment be made to agencies to cover some of the administrative costs associated with completing loan applications. This payment would be $20 for each successful application. All other administrative and financial management support will be provided by the NILS Network central office staff.

8.6.4 Insurance

The Network will hold public liability, property, contents and related insurance. The Board will consider if the Network requires professional indemnity insurance.

8.7 Management structure

The Network will be an incorporated association. Accountability will be to a Board of Management, made up of representatives of member agencies nominated and elected at the Annual General Meeting.

Day to day management of the Network would be conducted by paid Coordinator who is accountable to the Board.

8.7.1 The Board of Management

Election

A Board of no less than four and no more than eight will be elected by members of the network. Only one representative of any agency may be on the Board. Each agency can nominate one member for election to the board. Nominations will include the name, agency and position within the agency of the nominee. Elections for positions on the Board will be held at the AGM. Board members may be elected each year for up to five continuous years.

The Board will include a Chair, Vice-Chair, Secretary and Treasurer.

The Treasurer and one other board member will have the authority to co-sign cheques.

An interim board of management will be established at least one month before the election of the formal board for the purpose of the securing incorporation for the NILS Network central agency.

The Board will establish two loans committees, one in the north of the state and one in the south with responsibility for making decisions on loan applications.

Responsibilities

The Board will fulfil the governance responsibilities associated with the Network. It will:

- Set strategic directions for the network as part of a planning process
- Evaluate and review the work of the employees and the Network in achieving its objectives
- Fulfil the responsibilities of an employer
- Approve membership applications
- Determine the allocation of loans funds to the regions based on socio-economic indicators
- Establish a loans committee or committees
- Manage loan appeal and grievance processes
- Ensure the continued viability and development of the network
- Assume responsibility for the financial decisions relating to the network

8.8 Roles and responsibilities of network and member agencies

8.8.1 Member Agencies

The role of Member Agencies is to:

- advertise the existence of the scheme to their clients
- provide information on the scheme
- provide "loan officers"
- allow loan officers to attend network training
- arrange and conduct interviews between loans officers and clients
- oversee the signing of the loan agreement
- conduct limited follow up with borrowers who have defaulted on loan repayments (on advice from the Network)
- keep data on enquiries which do not progress to loan applications

8.8.2 NILS Network

The role of the NILS Network is to:

- monitor policies and procedures for loans
- produce advertising information on loan scheme
- respond to community enquiries re loans scheme
- provide training and support and networking opportunities to loans officers
- make loans decisions
- control loans funds
- invest loans funds
- oversee loans payouts
- monitor repayments
- advise member agencies of defaults
- provide borrowers with information on their loans
- maintain data on loan recipients to ensure scheme is targetting those most at need in the community
- keep agencies informed of the development of the network and any changes to policies and procedures through a regular newsletter to member agencies

STAKEHOLDER	NETWORK ACCOUNTABILITY	PROCESS
Borrowers	• Provide services which meet the borrowers needs • Effective and efficient management of loans	• Evaluation through written and verbal surveys from successful and unsuccessful applicants • Effective record keeping and financial systems • Loan review processes • Grievance process • Regular correspondence with loan borrowers through loan statements
The Community	• Ensuring maximum availability of loans to low income earners • Efficient and effective operation as an incorporated association	• Evaluating data to ensure funds are directed to the most disadvantaged communities and the lowest income earners • Production of annual report and financial statements
Member Agencies	• Processes which meet the objectives of the Network and are practical and efficient for member agencies to administer	• Election and membership of the Board
All stakeholders	• Sound financial record keeping and management	• Annual audit of Network accounts

8.9 Accountability

8.9.1 Accountability to funding bodies

The Network will develop written agreements with any organizations which provide funding for the scheme. The agreements will include:

- Purpose and outcomes of the scheme
- Service Standards
- Target group
- Outcome objectives and service strategies
- Outcome measures
- Provision for payment of funds
- Accountability arrangements (including financial accountability, demographic data and other information to be maintained)
- Agreement termination, variation and dispute resolution

Annual performance statements of the Network will be provided to all funding bodies reporting on performance against the agreement.

8.10 Evaluation

8.10.1 Annual Evaluation

As part of the strategic planning process for the NILS network, an evaluation of the Network's performance against its goals and objectives will be conducted. This evaluation will also look at any issues around structure and management which may have emerged in the year.

At the end of the first year of operation this evaluation will specifically evaluate against the following criteria:

- Coordinator employed and office premises and infrastructure established
- The Network established and operating (Coordinator inducted, Network incorporated, policies and procedures finalised)
- A membership of 12 agencies
- Training conducted for member agencies
- Board of Management elected and inducted
- Loans Committee established
- Member agencies' Loans Officers operating loans processes effectively (assessed through appointment take-up, administrative processes carried out and the number of complaints)
- A default rate for loans of no more than 11%
- Three "newsletters" to have been produced and distributed
- Evaluation questionnaires distributed to member agencies and borrowers should return a 65% rate of satisfaction with the service

8.11 Capital

Network funds are the property of the NILS Network and are directed according to the discretion of the Board of Management guided by the principles of the Network.

8.11.1 Allocation of funds to regions

If demand for loan funds begins to exceed supply, strategic allocation of the funds by the board must be based on the median household income for Local Government Areas contained in ABS census data. Proportionally greater funds are to be directed to those areas with the lowest median average income. Member agencies in areas which have reached their maximum loan allocations will be informed and successful loan applicants will be placed on a waiting list.

8.11.2 Community Agencies raising own funds

Community agencies may raise funds for the loans scheme from within their communities. Funds raised by individual agencies will be the full responsibility of that agency and will not be banked with network funds. Agencies will be asked not to seek money from Aurora Energy, State or Federal Government or Philanthropic trusts which may be approached by the NILS network. This understanding will be written into the contract between the NILS network and the individual agency.

8.12 Financial Projections

8.12.1 Set-Up Phase Costs (first six months)

Salary (inc oncosts)	$20,000
Advertising (vacancies)	$1000
Incorporation	$500
Legal Advice	$2000
Travel	$700
Training workshops	$600
Office Equipment	$15,000
NILS Software	$2500
Stationary	$1000
Rent (inc oncosts)	$2000
Printing	$2000
Artwork	$1000
TOTAL	**$48,300**

8.12.2 Option 1 Annual Administrative Costs
Coordinator 0.8 FTE + Bookkeeper 0.5 FTE stand alone service

Salary (inc oncosts)	$55,500
Auditing	$1000
Travel	$2000
Office Equipment (deprec)	$1500
Rent (inc oncosts)	$7,000
Training Workshops	$600
Advertising	$300
Staff training	$1500
Stationary	$500
Postage	$1000
TOTAL	**$70,900**

Under this option the NILS Network would be a stand alone service able to meet all of its accounting needs internally and able to pay market rent in a standard office building. To justify this level of administrative costs the loan pool would need to be maintained (at least) at $250,000 (see attached spreadsheet for projections including annual loan pool injections).

8.12.3 Option 2 Annual Administrative Costs
Coordinator 0.8 FTE, outsourced accounting services, collocated service.

Salary (inc oncosts)	$36,000
Accounting services (inc auditing)	$10,000
Travel	$2000
Office Equipment (deprec)	$1000
Rent (inc oncosts)	$4000
Training Workshops	$600
Advertising	$300
Staff training	$1000
Stationary	$500
Postage	$1000
TOTAL	**$56,400**

Under this option the accounting services for the network, including the loan fund administration would be outsourced to another provider. This results in a cost saving of $9000 as a bookkeeper is no longer required. However, the Network Coordinator would need to spend more time liaising with the accountants to ensure that full reports on loan funds could be made to the board. Services for loan recipients, such as checking on a loan balance, may be slower under this model as the clients would need to contact the Network coordinator who would contact the accountants and wait for their response.

Colocation also has the capacity to bring cost savings but reduces the agency's autonomy. The Network would become reliant on the larger agency's willingness to remain in a collocation arrangement. Again the network coordinator may need to spend time sorting out colocation issues as they arise.

Employing a solo worker would also be expected to raise some issues in terms of worker support. A worker without any colleagues would be expected to require greater levels of support from the board.

To justify this level of administrative costs the loan pool would need to be maintained (at least) at $150,000 (please see attached spreadsheet for projections including annual loan pool injections).

8.13 Set-up Phase

A project worker would be employed (at 0.8 FTE) for six months, four months prior to the formal establishment of the service to set up an office, recruit member agencies, train potential loan officers from member agencies, recruit nominees for board membership, set up an interim Board and organize elections for the first Board. The project worker will also develop a constitution for approval by the Board. The project worker will report directly to the community service agency funded to coordinate the set-up of the scheme and will have an interim but inactive Board in place to allow incorporation of the Network at least one month prior to the elections of the first Board. As soon as the elections to the Board are completed it will take over full responsibility for the Network and employ the permanent workers.

8.13.1 Time line for establishment for Loans Start Date in July 2001

BY MONTH END	ACTIVITY
October 2000	Draft report to Aurora and State Government
November	Final Report to Aurora and State Government Decision about funding
December	Set up Project worker recruitment by Community service agency
January 2001	Set Up Project worker commenced work
February	Recruitment of agencies
March	First agencies training session Interim board established Incorporation of NILS Network
April	Second agencies training session Board Elections: formal responsibility and control pass to the board Recruitment for permanent positions
May	Coordinator and Bookkeeper employed Training sessions for new employees
June	Third agencies training session Set-up project worker contract completed
July	Loan applications accepted

8.14 Position descriptions for NILS network

8.14.1 The Coordinator

Position Title:	NILS Network Coordinator
Reports to:	NILS Network Board of Management
Employment Condition:	Permanent, 0.8 FTE
Classification:	CSA Level 6

Function: The NILS Network coordinates a network of independent community agencies in providing No Interest Loans to low income earners around Tasmania. The Coordinator's role is to provide information, support, training and administrative support to the network.

Primary Tasks

- To establish, in consultation with the Board of Management and the participating agencies, a policies and procedures manual for each participating agency.
- To produce, and regularly update, advertising information on the loans scheme for the use of member agencies.
- To respond to community enquiries with regard to the loans scheme.
- To maintain the financial accounts of the Network, including the following:
  – invest loans funds as directed by the Board;
  – administer loans payouts;
  – monitor repayments;
  – advise member agencies of defaults;
  – provide borrowers with information on their loans.
- To maintain data on loan recipients to ensure scheme is targetting those most at need in the community.
- To work proactively to ensure that all low income earners with housing stability are able to access the scheme.
- To provide training to the Loans Committee, support and networking opportunities to member agencies.
- To convene the Loans Committees.
- To supervise volunteers.
- To provide support to the Board of Management.
- To produce a communications strategy for the network, through which member agencies will be informed of the general operation of the scheme, training and network opportunities and any further development ideas.
- To maintain linkages with peak community service bodies, networks and forums.
- To liaise with the accountant **(Under funding Option Two only)**

Knowledge and skills required

- Experience in community development and an understanding of the issues impacting on low income earners in Tasmania today.
- Financial counselling experience and demonstrated skills in financial analysis.
- Experience in advocacy and representation of clients facing social disadvantage.
- Experience in book-keeping and an ability to use computer word processing, database and spreadsheet software.
- High level of written and oral communication skills.
- An ability to network effectively within different sectors: community, business and government.
- Demonstrated decision-making skills.

Qualifications required

A degree in an appropriate discipline or equivalent relevant experience.

Direction/supervision required

Works under the general policy direction of the Board of Management.

Level of responsibility

This is a position with a high level of responsibility. The position works without direct supervision on a day-to-day basis. The Coordinator keeps the Board informed with monthly account statements and regular reports and consults the Board when difficulties or policy questions arise.

8.14.2 The Bookkeeper (funding Option One only)

Position Title:	NILS Network Bookkeeper
Reports to:	NILS Network Coordinator
Employment Condition:	Permanent, 0.5 FTE
Classification:	CSA Level 4

Primary Tasks

- Oversee payroll operations and record keeping to ensure maintenance of the financial aspects of personnel records, management of payroll transactions, preparation and issuing of group certificates, maintenance of leave registers and compliance with relevant taxation, superannuation and award requirements.
- Responsible for creditor and debtor functions including processing creditor payments, controlling authorisations, monitoring expenditure in relation to budgets, initiating invoicing and controlling payments, preparing bank reconciliations and monitoring cash flow and investment.
- Establish and monitor loan accounts for borrowers, issue statements and form letters in cases on non payment.
- Co-ordinate the preparation of accounts for the Network Coordinator.
- Exercise control on accruals and clearing accounts including account reconciliations.
- Responsible for overseeing all insurance matters including processing of claims and renewal of policies.
- Assist auditors with enquiries.
- Ensure acquittals and reports as required by various funding bodies are forwarded accordingly.
- Provide the Australian Bureau of Statistics with relevant statistics as required.
- Administrative procedures such as banking, invoicing and ordering.
- Other duties as required.

Knowledge and skills required

- Comprehensive knowledge of accounting principles and procedures including a detailed knowledge of budgeting, debtors and credits
- Detailed knowledge of payroll operations
- High level communication and interpersonal skills
- Computer skills including the ability to operate relevant software packages including, Word, Excel and Access
- Ability to exercise considerable initiative, discretion and professional judgement
- Project management, organisational and time management skills
- Ability to develop and implement relevant policies and procedures

Qualifications Required

No formal qualifications required however substantial relevant experience is essential.

Direction/Supervision Required

The Accounts Administrator works without close day to day supervision or direction, exercising considerable initiative and judgement.

Level Of Responsibility

Responsible for managing and organising own work activities within the given time constraints.

9. Policies, procedures and operating principles

9.1 Eligibility Criteria

Only people on low incomes are eligible to access the scheme. All loan recipients must hold, or be eligible to hold a Health Care Card or a Pensioner Concession Card.

- Clients must have resided at their current address for at least six months unless they are escaping a domestic violence situation or have lost their residence through a natural disaster or fire.
- Clients must be at least 18 years old.
- Clients must be able to afford to repay the loan and must have:
- An income which is greater than their expenditure
- A debt to income ratio of no more than 45% (including rental costs, rent arrears, utility costs and other debt payments)

9.2 Applications from Staff/Volunteers

Where the loan applicant is a staff member or a volunteer of a member agency the following conditions apply:

- Employees and volunteers will be treated in the same way as other applicants providing they meet the eligibility criteria and conditions for a loan.
- Where possible, normal procedures will be adopted regarding the interview and assessment procedures.
- It will be made clear at the time of the interview that if the applicant defaults on the loan, they will be followed up in the same way as other loan applicants.

Members of the Board will not be eligible for a loan.

9.3 Purpose and loan limits

No interest loans should be seen as an alternative form of credit to enable low-income consumers to purchase essential household items and certain medical appliances. No interest loans are not available for emergency relief purposes. The maximum loan limit will be $1000. Loans will be granted for one item only.

Loans will not be considered for:

- Items for which other forms of assistance are available (eg bond)
- General living expenses such as food, electricity, phone
- Rent arrears or payments
- Debt payments or consolidation

Loans will be considered for major items which will improve the quality of life of the applicant. This generally includes whitegoods, black goods such as televisions and video recorders, computers, medical equipment, heaters and other major items. This may include car repairs if the car is in otherwise good condition and is expected to last well beyond the life of the loan without the need for further major repairs.

The Board may set maximum loan limits for particular items. The board may also set a minimum loan limit to emphasise that NILS is not for emergency relief.

Loans will not be provided for second hand items.

9.4 Additional Loans

At the Board's discretion a second loan may be considered after a client's first loan has been paid off. Where loan requests are exceeding the supply of funds, clients seeking first loans will be prioritized over clients seeking second loans

9.5 Advertising of the Scheme

The Network will create material promoting the loans scheme to be provided to member agencies and other community service and government agencies who would deal with potential loan clients.

The Network will operate a 1300 telephone number and provide information on the loan scheme to potential applicants and referring agencies.

The Board will consider if a television Community Service Announcement is appropriate for the service if the number of applications for loans are well below the number of loans available.

9.6 Administrative Procedures

The NILS will be administered with clear processes for each aspect of the loans operation. All processes will uphold a commitment to professional conduct, respect for confidentiality and a commitment to the principle of access and equity.

9.7 Initial Inquiries

Potential applicants contacting a member agency will be taken through an initial inquiry sheet over the telephone. Information required will include name, address, length of residency, income source and purpose of loan. Potential applicants will be asked if they hold a HCC or PCC. Applicants who do not meet the initial eligibility criteria will be informed at this point. Potential applicants who contact the central agency directly will be referred to a member agency in their area.

9.8 Pre-interview letter

Applicants who meet the initial eligibility criteria will be sent a letter detailing the documentation to be brought to the loan application interview. This includes:

- Health Care Card/Pension Concession Card
- Proof of identity such as drivers licence, Centrelink card or other official papers including name and address
- Current electricity and telephone accounts
- Tenancy agreements
- Statement of income such as a statement or letter from Centrelink•
- Proof of length of residency such as an old telephone account
- Clients may wish to bring or at least consider their fortnightly budget
- A quote for the item they wish to purchase including the name of the item, make and model number

Once the applicant has received this information they will ring the member agency to make an appointment for the loan interview.

9.9 Loan Interview

Loan interviews will be conducted in a way that shows respect and understanding for all applicants.

Loan applications cannot be completed without a loan interview.

During the loan interview the worker will complete a sheet showing income and expenditure, including income reduction if the applicant has a Centrelink Advance Payment.

Confidentiality procedures will be explained to applicants at the time of interview.

Following the interview loan officers will copy all documentation, write a short cover letter and send a copy of the documents to the NILS Network for assessment.

If the member agency loan officer feels that the applicant has no chance of securing a loan and refers them to another form of assistance, the officer will keep a record of the client's demographic data and the reason why the applicant was dissuaded from applying. This data will be provided to the NILS Network as part of the regular data collection process.

9.10 Loan Assessments

Loan assessments will be made by at least three people including the Network coordinator. Other Loan Committee members will be representatives of member agencies. It is planned that there be one loans committee in the north of the state and one in the south meeting on alternate weeks. Loan Committee members must have completed a training session on the scheme and must have a working knowledge of the policies and procedures of the Network.

Assessments will be based on the policies of the scheme and not the personal values of those making the decisions.

Assessment processes will uphold a commitment to the Equal Opportunity Act that disallows discrimination on the basis on a person's status or private life.

The assessment is based on the eligibility criteria, financial circumstances of the applicant, purpose of the loan, ability to repay the loan, long term benefit to be derived from the loan and any other available options. Assessments of ability to repay the loan will be based on the following criteria:

- The applicant must have an income which is greater than their expenditure.
- The applicant must have debt to income ratio of less than 45%; that is, their fixed costs for accommodation (including arrears payments), utilities and other debts cannot total more than 45% of their income.

9.11 Notification of Loan Application

Loans approvals will be notified in writing. The letter will include an appointment time for the applicant to meet with the loan interviewer to read and sign the loan agreement and complete Centrepay forms. Applicants will be given a copy of the signed loan agreement. The loan agreement will encourage recipients to contact the scheme if they begin to experience difficulties with repayments. The loan agreement will include:

- The rights and responsibilities of the borrower
- The loan amount and purpose
- The repayment rate
- The grievance procedure

Loan rejections will also be advised in writing. The reasons why the application has been unsuccessful will be clearly outlined along with the appeals process.

9.12 Release of Loan Funds

To ensure that loans are used for the purpose for which the loan was issued:
Cheques will be sent directly to the trader from whom the goods are to be purchased stating what the cheque is for.
Personal cheques will not be issued.

9.13 Repayment of Loans

Repayments will be set by the borrower and loan interviewer at the time of the loan application and will generally range from $15-$30 per fortnight for a duration of between 12–24 months.

Payments will be made using Centrepay. In cases where applicants are not receiving a Centrelink payment they will be issued with a Commonwealth Bank deposit book.

Borowers may repay their loan at a faster rate than initially agreed.

9.14 Loan Variations

For loan recipients who experience difficulties maintaining the negotiated repayments, repayment variations can be arranged with the central NILS Network.

Where payments are renegotiated, a variation agreement will be completed and signed by the borrower. A copy of this new agreement will be sent to the borrower. For short-term variations a verbal agreement can be made. Written verification may also be required if deemed as necessary by the worker involved.

9.15 Loan Defaults

If two consecutive loan payments are missed and the loan recipient does not contact either agency the recipient will be contacted by letter. The letter will be sent by the central agency on behalf of the relevant member agency requesting that they make contact with the member agency to discuss their circumstances. The member agency will be informed that the letter has been sent. Letters will be encouraging and in no way threatening. If the member agency has not heard from the client within seven working days they will make a phone call to the borrower.

Practices which will NOT be used

Home visits without an invitation from the borrower.
Telephone contact at unreasonable hours (before 9am or after 7pm).
Writing numerous letters or making repeated phone call when it is clear that the loan recipient is aware that the organisation has tried to make contact.
Leaving messages or notes which may indicate to other persons such as family or household members why the organisation is attempting to contact the loan recipient.
Any activity which may be considered as harassment.
Any legal enforcement or threat of legal enforcement.

The full Board will have the discretion to write-off a loan if it is clear that the recipient no longer has the capacity to make repayments.

9.16 Information to Borrowers

Publicity material will be distributed to borrowers outlining the purpose of the scheme, criteria for eligibility, policies and procedures.

The central agency will provide regular information on the repayment of loans in the form of statements.

Borrowers have the right to view their file if they wish.

9.17 Appeals/Complaints

If an applicant is unhappy with the decision regarding their application, or if the person has a complaint over any aspect of the NILS scheme, the matter will be dealt with as part of a formal appeals process.

Loan decisions can be appealed to the full board of the Network.

Grievances regarding the management of the loan can be discussed with the worker involved. If the client is not satisfied with this discussion they may discuss the issue with a member of the Board. If necessary the board member can take the grievance to the full board for discussion. The member agency or staff member will have a right of reply.

9.18 Cost to the Loan Recipient

Loan recipients will not be asked to pay any fees, interest charges or other costs during the period of their loan.

9.19 Security on Loans

No form of security will be taken over the loan.

9.20 Record Keeping

The loans scheme will maintain:

- Hard copy borrowers file by the member agency
- Hard copy borrowers file by the central agency
- Electronic borrowers file of repayments by the central agency

The Network will use the Good Shepherd NILS computer package. The financial records will be maintained using suitable financial software.

9.21 Document Security

Documents associated with the loans will be kept in a locked filing cabinet and only authorised workers or board members will have access to the files. The files will be kept for seven years.

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No interest loans scheme calculations -- Anglicare 2000

Global Variables	
Average loan size	$700
Default percentage	11
Months to repay	18
Monthly payment	$39

Loaned = months x loans per month
Repayed = (loans outstanding x monthly payment) - amount defaulted
Defaulted = (loans outstanding x monthly payment) x (default percentage/100)
Repayment fee = loans outstanding x 0.94 cents
Loss = amount defaulted - repayment fee

Grey figures with black text can be modified
Black is the total pool
rey with white text indicates the yearly loss

Calculations 2001		Average loans per month		22		Loan fund injection		$150,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$15,400	$184,800
Months from start	1	2	3	4	5	6	7	8	9	10	11	12	
Loans fully repayed	0	0	0	0	0	0	0	0	0	0	0	0	
Loans outstanding	22	44	66	88	110	132	154	176	198	220	242	264	
Repayed	$761	$1,523	$2,284	$3,046	$3,807	$4,569	$5,330	$6,092	$6,853	$7,614	$8,376	$9,137	$59,393
Agency fee	$440	$440	$440	$440	$440	$440	$440	$440	$440	$440	$440	$440	$5,280
Amount defaulted	$94	$188	$282	$376	$471	$565	$659	$753	$847	$941	$1,035	$1,129	$7,341
Repayment fee	$21	$41	$62	$83	$103	$124	$145	$165	$186	$207	$227	$248	$1,613
Pool size	$134,901	$120,542	$106,925	$94,048	$81,911	$70,516	$59,861	$49,948	$40,774	$32,342	$24,650	$17,700	
												LOSS	$14,234

Calculations 2002		Average loans per month		18		Loan fund injection		$14,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$151,200
Months from start	13	14	15	16	17	18	19	20	21	22	23	24	
Loans fully repayed	0	0	0	0	0	0	22	44	66	88	110	132	
Loans outstanding	282	300	318	336	354	372	368	364	360	356	352	348	
Repayed	$9,760	$10,383	$11,006	$11,629	$12,252	$12,875	$12,737	$12,598	$12,460	$12,322	$12,183	$12,045	$142,252
Agency fee	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$4,320
Amount defaulted	$1,206	$1,283	$1,360	$1,437	$1,514	$1,591	$1,574	$1,557	$1,540	$1,523	$1,506	$1,489	$17,582
Repayment fee	$265	$282	$299	$316	$333	$350	$346	$342	$338	$335	$331	$327	$3,863
Pool size	$28,235	$25,376	$23,124	$21,477	$20,437	$20,002	$19,433	$18,730	$17,891	$16,918	$15,810	$14,568	
												LOSS	$25,765

Calculations 2003		Average loans per month		18		Loan fund injection		$25,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$151,200
Months from start	25	26	27	28	29	30	31	32	33	34	35	36	
Loans fully repayed	154	176	198	220	242	264	282	300	318	336	354	372	
Loans outstanding	344	340	336	332	328	324	324	324	324	324	324	324	
Repayed	$11,906	$11,768	$11,629	$11,491	$11,352	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$136,645
Agency fee	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$4,320
Amount defaulted	$1,472	$1,454	$1,437	$1,420	$1,403	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$16,889
Repayment fee	$323	$320	$316	$312	$308	$305	$305	$305	$305	$305	$305	$305	$3,711
Pool size	$38,191	$36,679	$35,032	$33,251	$31,335	$29,285	$27,234	$25,184	$23,133	$21,083	$19,032	$16,981	
												LOSS	$24,920

Calculations 2004		Average loans per month		18		Loan fund injection		$25,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$151,200
Months from start	37	38	39	40	41	42	43	44	45	46	47	48	
Loans fully repayed	390	408	426	444	462	480	498	516	534	552	570	588	
Loans outstanding	324	324	324	324	324	324	324	324	324	324	324	324	
Repayed	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$134,568
Agency fee	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$4,320
Amount defaulted	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$16,632
Repayment fee	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$3,665
Pool size	$39,931	$37,880	$35,830	$33,779	$31,729	$29,678	$27,628	$25,577	$23,526	$21,476	$19,425	$17,375	
												LOSS	$24,607

Calculations 2005		Average loans per month		18		Loan fund injection		$25,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$151,200
Months from start	49	50	51	52	53	54	55	56	57	58	59	60	
Loans fully repayed	606	624	642	660	678	696	714	732	750	768	786	804	
Loans outstanding	324	324	324	324	324	324	324	324	324	324	324	324	
Repayed	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$134,568
Agency fee	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$4,320
Amount defaulted	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$16,632
Repayment fee	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$3,665
Pool size	$40,324	$38,274	$36,223	$34,172	$32,122	$30,071	$28,021	$25,970	$23,920	$21,869	$19,819	$17,768	
												LOSS	$24,607

No interest loans scheme calculations -- Anglicare 2000

Global Variables	
Average loan size	$700
Default percentage	11
Months to repay	18
Monthly payment	$39

Loaned = months x loans per month
Repayed = (loans outstanding x monthly payment) - amount defaulted
Defaulted = (loans outstanding x monthly payment) x (default percentage/100)
Repayment fee = loans outstanding x 0.94 cents
Loss = amount defaulted - repayment fee

Grey figures with black text can be modified
Black is the total pool
Grey & white text indicates yearly loss

Calculations 2001		Average loans per month		38		Loan fund injection		$250,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$26,600	$319,200
Months from start	1	2	3	4	5	6	7	8	9	10	11	12	
Loans fully repayed	0	0	0	0	0	0	0	0	0	0	0	0	
Loans outstanding	38	76	114	152	190	228	266	304	342	380	418	456	
Repayed	$1,315	$2,630	$3,946	$5,261	$6,576	$7,891	$9,207	$10,522	$11,837	$13,152	$14,467	$15,783	$102,587
Agency fee	$760	$760	$760	$760	$760	$760	$760	$760	$760	$760	$760	$760	$9,120
Amount defaulted	$163	$325	$488	$650	$813	$975	$1,138	$1,300	$1,463	$1,626	$1,788	$1,951	$12,079
Repayment fee	$36	$71	$107	$143	$179	$214	$250	$286	$321	$357	$393	$429	$2,786
Pool size	$223,920	$199,119	$175,597	$153,355	$132,393	$112,710	$94,306	$77,182	$61,338	$46,773	$33,467	$21,481	
												LOSS	$24,585

Calculations 2002		Average loans per month		30		Loan fund injection		$25,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$252,000
Months from start	13	14	15	16	17	18	19	20	21	22	23	24	
Loans fully repayed	0	0	0	0	0	0	38	76	114	152	190	228	
Loans outstanding	486	516	546	576	606	636	628	620	612	604	596	588	
Repayed	$16,821	$17,859	$18,898	$19,936	$20,974	$22,013	$21,736	$21,459	$21,182	$20,905	$20,628	$20,351	$242,762
Agency fee	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Amount defaulted	$2,079	$2,207	$2,336	$2,464	$2,592	$2,721	$2,686	$2,652	$2,618	$2,584	$2,550	$2,515	$30,004
Repayment fee	$457	$485	$513	$541	$570	$598	$590	$583	$575	$568	$560	$553	$6,593
Pool size	$41,245	$37,020	$33,804	$31,599	$30,403	$30,218	$29,764	$29,040	$28,046	$26,784	$25,252	$23,450	
												LOSS	$43,797

Calculations 2003		Average loans per month		30		Loan fund injection		$41,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$21,000	$252,000
Months from start	25	26	27	28	29	30	31	32	33	34	35	36	
Loans fully repayed	266	304	342	380	418	456	486	516	546	576	606	636	
Loans outstanding	580	572	564	556	548	540	540	540	540	540	540	540	
Repayed	$20,074	$19,798	$19,521	$19,244	$18,967	$18,690	$18,690	$18,690	$18,690	$18,690	$18,690	$18,690	$228,433
Agency fee	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$600	$7,200
Amount defaulted	$2,481	$2,447	$2,413	$2,378	$2,344	$2,310	$2,310	$2,310	$2,310	$2,310	$2,310	$2,310	$28,233
Repayment fee	$545	$538	$530	$523	$515	$508	$508	$508	$508	$508	$508	$508	$6,204
Pool size	$62,380	$60,039	$57,430	$54,551	$51,403	$47,985	$44,568	$41,150	$37,732	$34,315	$30,897	$27,480	
												LOSS	$41,637

Calculations 2004		Average loans per month		18			Loan fund injection	$25,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$151,200
Months from start	37	38	39	40	41	42	43	44	45	46	47	48	
Loans fully repayed	390	408	426	444	462	480	498	516	534	552	570	588	
Loans outstanding	324	324	324	324	324	324	324	324	324	324	324	324	
Repayed	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$134,568
Agency fee	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$4,320
Amount defaulted	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$16,632
Repayment fee	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$3,655
Pool size	$39,931	$37,880	$35,830	$33,779	$31,729	$29,678	$27,628	$25,577	$23,526	$21,476	$19,425	$17,375	
												LOSS	$24,607

Calculations 2005		Average loans per month		18			Loan fund injection	$25,000					End of year
Month number	1	2	3	4	5	6	7	8	9	10	11	12	TOTAL
Loaned	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$12,600	$151,200
Months from start	49	50	51	52	53	54	55	56	57	58	59	60	
Loans fully repayed	606	624	642	660	678	696	714	732	750	768	786	804	
Loans outstanding	324	324	324	324	324	324	324	324	324	324	324	324	
Repayed	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$11,214	$134,568
Agency fee	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$360	$4,320
Amount defaulted	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$1,386	$16,632
Repayment fee	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$305	$3,655
Pool size	$40,324	$38,274	$36,223	$34,172	$32,122	$30,071	$28,021	$25,970	$23,920	$21,869	$19,819	$17,768	
												LOSS	$24,607