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HOUSE OF REPRESENTATIVES

SOCIAL SECURITY AND VETERANS' AFFAIRS LEGISLATION
AMENDMENT BILL 1992

EXPLANATORY MEMORANDUM

(Circulated by the authority of the Minister for Social Security
the Hon Neal Blewett MP)

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SOCIAL SECURITY AND VETERANS' AFFAIRS LEGISLATION
AMENDMENT BILL 1992

OUTLINE AND FINANCIAL IMPACT STATEMENT

This Bill gives effect to several social security measures announced in the February 1992 Economic Statement.

Family allowance bonus

There will be a one-off payment of a family allowance bonus in addition to any other family allowance amount payable to an Australian resident family on or in respect of 2 April 1992. The amount of the bonus will depend on the number of family allowance children in the family on 2 April 1992:

- . \$125 for a family with one family allowance child;
- . \$175 for a family with two family allowance children;
- . \$200 for a family with three family allowance children;
- . \$225 for a family with four family allowance children;
- . \$250 for a family with five or more family allowance children.

An institutional recipient of family allowance in respect of one or more children will be paid \$125 for each family allowance child who resides in the institution.

This initiative affects the Social Security Act 1991. Program costs for this initiative are estimated at \$317 million in financial year 1991-92.

Increased family allowance supplement and additional pension or benefit in respect of a child

The rate of family allowance supplement paid fortnightly in respect of a child other than a child who attracts a frozen rate of family allowance supplement will rise by \$6. This will apply to all payments that fall due on or after 16 April 1992.

Social Security pensioners and beneficiaries and veteran service pensioners who have dependent children in respect of whom their rate of pension or benefit includes a dependent child add-on will receive an additional \$6 a fortnight child add-on in respect of each child other than a child whose add-on rate is frozen. The increase will commence on the person's first pension or benefit payday which falls on or after 3 April 1992. This increase will become a permanent feature of these payments. The indexation arrangements for these payments will be changed as a part of the legislation soon to be introduced to integrate all family payments so that the \$6 increase is itself indexed. The intention is to increase from 15% to 16.2% of the combined pensioner couple maximum basic rate the benchmark used in indexing family payments in respect of children aged under 13 and from 20% to 21.2% of the

combined pensioner couple maximum basic rate the benchmark for indexation of family payments in respect of children aged 13 to 15 years on 1 January each year

This initiative affects both the Social Security Act 1991 and the Veterans' Entitlements Act 1986. Program costs for this initiative are estimated at \$50 million in financial year 1991-92; \$240 million in 1992-93; \$255 million in 1993-94; \$260 million in 1994-95; and \$270 million in 1995-96.

Rent assistance waiting periods

Certain pensioners and beneficiaries are currently subject to a 26 week waiting period once their payments commence before rent assistance becomes payable. A decision announced in the 1991 Budget would reduce the waiting period to 18 weeks as of 20 March 1992. In the February 1992 Economic Statement the 18 week waiting period was abolished for most pensioners and beneficiaries as of 20 March. The waiting period will now apply only to beneficiaries aged under 18 years who are not married and who also have no dependent children.

This initiative affects the Social Security Act 1991. Program costs for this initiative are estimated at \$15 million in the 1991-92 financial year; \$50 million in 1992-93; \$46 million in 1993-94; \$39 million in 1994-95; and \$34 million in 1995-96.

SOCIAL SECURITY AND VETERANS' AFFAIRS LEGISLATION
AMENDMENT ACT 1992

PART 1 - PRELIMINARY

Part 1 of the Bill sets out how the amendment Act is to be cited [**clause 1**], when various Parts and sections of the Act are to commence [**clause 2**] and, where necessary, the application dates of some of the changes [**clause 3**].

PART 2 - AMENDMENTS OF THE SOCIAL SECURITY ACT 1991

1. Summary of proposed changes

- (i) A one-off payment of family allowance bonus in addition to any other family allowance amount payable to an institution or an Australian resident family on or in respect of 2 April 1992 will be made.
- (ii) The non-frozen rate of family allowance supplement or child add-on payable to a social security pensioner or beneficiary will rise by \$6 a fortnight as of the first payday which falls on or after 3 April 1992.
- (iii) All rent assistance waiting periods applicable in respect of a social security pensioner or beneficiary will be abolished as of 20 March 1992 except those which apply to a single beneficiary aged below 18 who has no dependent child.

Part 2 also provides that, for convenience, the Social Security Act 1991 is referred to in this Part as the "Principal Act" [clause 4].

2. Background

- (i) Part 2.17 of the Principal Act provides for the payment of family allowance. Family allowance is essentially a fortnightly payment made to a family or an approved care organisation with at least one family allowance child. The payment is income and assets tested where it is paid to a family. There is a flat rate payable per child to an approved care organisation whereas the rate paid per child to a family varies with the number of family allowance children in the family. The Principal Act will be changed to provide for the one-off payment of the family allowance bonus.
- (ii) The Principal Act currently imposes rent assistance waiting periods of 26 weeks in respect of:
 - certain disability support pensioners aged under 21 (points 1066A-EA4, 1066A-EB5, 1066B-EA4 and 1066B-EB5 of the Principal Act);
 - certain social security beneficiaries aged under 18 (point 1067-F4); and
 - certain social security beneficiaries aged 18 or over (point 1068-F6).

A 1991 Budget decision provided for reduction of waiting periods to 18 weeks as of 20 March 1992. The Principal Act will be changed to remove all rent assistance waiting periods as of 20 March except those applicable to single beneficiaries aged under 18 without a dependent child.
- (iii) Family allowance supplement is payable fortnightly to low income families with children who satisfy an assets and income test provided the children's parents do not receive a social security or service pension or a social security

benefit. For those in receipt of one of these social security or service payments the add-on amounts payable fortnightly in respect of dependent children are equivalent to family allowance supplement. These fortnightly amounts will increase by \$6 in respect of each dependent child other than those who attract a frozen rate.

3. Explanation of the clauses involved in the changes

Family allowance bonus

Clause 2(3): specifies the commencement date as 2 April 1992.

Clause 5: amends section 855 of the Principal Act by inserting new subsections 855(1A), (1B) and (1C). Subsection 885(1A) describes the persons to whom the family allowance bonus will be paid. Family allowance must be payable to a person on 2 April 1992 and the person must be paid in Australia on that date. A note points out that a person paid family allowance on a later date in an amount which includes a component in respect of the 2 April 1992 payday will also qualify to receive the family allowance bonus. Subsection 885(1B) sets the amount of family allowance payable to a person. A table is provided. A note makes clear that a person can fit within only one of the categories in the table and only one tabular amount is payable to the person. Subsection 884(1C) makes clear that the bonus is payable only in respect of the family allowance payday that falls on 2 April and that it is not payable in respect of any later payday. This clause also inserts new subsections 855(3) and (4) applicable to family allowance payments made to an institution which houses a family allowance child. New subsection 855(3) provides for a one-off payment of \$125 to an institution in respect of each family allowance child residing in that institution. The amount will be in addition to the family allowance otherwise payable to the institution on 2 April 1992. New subsection 855(4) emphasises that the payment is to be made once only.

Clause 6: amends section 889 which provides for the payment of a lump sum in respect of 4 weeks of family allowance where a dependent child dies. At present section 889 provides for calculation of the lump sum by reference to a family allowance rate payable on the payday immediately before the expiry of a 4 weeks period from the death of the dependent child had the deceased child not died. A lump sum consisting of 4 times that rate is payable. New subsections 889(2) and (3) are designed to (i) omit the family allowance bonus in calculating the lump sum where the relevant payday is 2 April 1992 (subsection 889(2)), and (ii) include the family allowance bonus in a total where it would otherwise be ignored (subsection 889(3)). This is necessary to prevent distortions where (i) the bonus could be arbitrarily paid 4 times over; or (ii) the bonus could be arbitrarily omitted from calculations of bereavement payments.

Abolition of rent assistance waiting periods

Clause 2(2): specifies the commencement date as 20 March 1992, immediately after the commencement of Division 5 of Part 2 of the Social Security Legislation Amendment Act (No. 3) 1991 and Division 2 of Part 2 of the Social Security Legislation Amendment Act (No.4) 1991..

Clause 3(1): specifies that these amendments apply to payments that fall due on or after 20 March 1992.

Clause 7: provides for the amendments in Schedule 1 of the Bill.

Schedule 1: provides for repeal of certain points in pension and benefit rate calculators which impose and regulate waiting periods before rent assistance is payable. The Schedule also provides for minor other consequential amendments to cross-references. The Schedule achieves the result that a rent allowance waiting period will be imposed on only single beneficiaries aged under 18 without a dependent child.

Increases in child amounts

Clause 2(1): specifies the commencement date as the date of Royal Assent.

Clause 3(2): specifies that these amendments apply to payments that fall due on or after 3 April 1992.

Clause 8: provides for the amendments in Schedule 2 of the Bill.

Schedule 2: provides for amendments to the pension and benefit rate calculators and to the family allowance supplement rate calculator to incorporate the \$6 a fortnight increase per dependent child not subject to a frozen rate.

In later legislation designed to integrate the child payments made by the Government to pensioners, beneficiaries and others this increase will be entrenched and indexed.

PART 3 - AMENDMENTS OF THE VETERANS'
ENTITLEMENTS ACT 1986

1. Summary of proposed changes

The non-frozen rate of child add-on payable to a service pensioner in respect of each child will rise by \$6 a fortnight as of 16 April 1992.

Part 3 also provides that, for convenience, the Veterans' Entitlements Act 1986 is referred to in this Part as the "Principal Act" [clause 9].

2. Background

For a person in receipt of a service pension an amount per dependent child is added on to the basic fortnightly rate of pension. This is equivalent to the rate of family allowance supplement payable under the Social Security Act 1991 to certain low income families not in receipt of social security pensions or benefits or a service pension. These fortnightly amounts will increase by \$6 in respect of each dependent child other than those who attract a frozen rate.

3. Explanation of the clauses involved in the changes

Clause 2(1): specifies the commencement date as the date of Royal Assent.

Clause 3(3): specifies that these amendments apply to payments that fall due on or after 16 April 1992.

Clause 10: provides for the amendments in Schedule 3 of the Bill.

Schedule 3: provides for amendments to the service pension rate calculators to incorporate the \$6 a fortnight increase per dependent child not subject to a frozen rate.

In later legislation designed to integrate the child payments made by the Government to pensioners and others this increase will be entrenched and indexed.

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