

## EXPLANATORY STATEMENT

### **Social Security (Administration) (Deductible portion — section 123XPA) Specification 2010**

The *Social Security (Administration) (Deductible portion — section 123XPA) Specification 2010* (the Specification) is made under paragraph 123XPA(3)(b) of the *Social Security (Administration) Act 1999* (the Act). The Minister for Families, Housing, Community Services and Indigenous Affairs, as well as making the Specification in her own capacity, is also making it on behalf of the Minister for Education and the Minister for Employment and Workplace Relations.

#### **Background**

Part 3B of the Act establishes an income management regime that applies to recipients of certain welfare payments. If a person is subject to the income management regime under Part 3B, the Secretary must deduct amounts from the person's relevant welfare payments and credit those amounts to the person's income management account, in accordance with Part 3B, for the purpose of taking actions directed to meeting the priority needs of the person or his or her dependants.

Subdivision A of Division 2 of Part 3B sets out the various situations in which a person is subject to the income management regime. Section 123UFA, in that Subdivision, provides that a person is subject to the income management regime at a particular time if a voluntary income management agreement is in force in relation to the person. Section 123UM provides that a person may enter into a written agreement with the Secretary under which the person agrees to be voluntarily subject to the income management regime throughout the period the agreement is in force. Amongst other things, in order to be able to enter into a voluntary income management agreement, the person must be an eligible recipient of a relevant welfare payment, and their usual place of residence must be in a declared voluntary income management area. Certain areas in Western Australia have been determined to be declared voluntary income management areas in the *Social Security (Administration) (Declared voluntary income management areas - Western Australia) Determination 2009 (No. 4)*.

Division 5 of Part 3B sets out the amounts that are to be deducted from the prescribed welfare payments of a person who is subject to the income management regime. Subdivision DA of Division 5 applies to a person who is subject to the income management regime under section 123UFA of the Act. Section 123XPA, in that Subdivision, applies if an instalment of a category I welfare payment is payable to the person. (Section 123XPB applies if a category I welfare payment is payable to the person as a lump sum payment.) The term 'category I welfare payment' is defined in section 123TC of the Act and includes all social security benefits and social security pensions, other prescribed social security, family assistance and education payments, and some payments under the *Veterans' Entitlements Act 1986*.

Subsection 123XPA(3) of the Act sets out the amount that the Secretary must deduct from an instalment of a category I welfare payment ('the deductible portion'). Subsection 123XPA(3) specifies that the deductible portion is 70% or such other percentage as is specified in a legislative instrument made by the Minister for the purposes of paragraph 123XPA(3)(b). Subsection 123XPA(4) of the Act allows different percentages to be specified in relation to different category I welfare payments.

Voluntary income management is currently being trialled in Western Australia across metropolitan Perth and the whole of the Kimberley region. Since the commencement of this initiative in November 2008, a total of 836 voluntary income management agreements have been entered into. The increasing numbers of voluntary income management customers is a good indication of customers' willingness to utilise income management as a tool to better manage, and in some cases protect, their money. Feedback from individuals that have participated in the trials indicates positive outcomes such as the payment of debts, an ability to purchase large items such as whitegoods, and an increased capacity to ensure priority needs are met.

In November 2009, the Minister for Families, Housing, Community Services and Indigenous Affairs and the Minister for Indigenous Health, Rural and Regional Health and Regional Services Delivery announced major reforms to the welfare system. These reforms included the introduction of a new non-discriminatory income management scheme to protect children and families and to help disengaged youth. This new scheme will be rolled out first across the Northern Territory, to an estimated 20,000 people in urban, regional and remote areas, as a first step in a national roll out of income management in disadvantaged regions.

The Ministers also announced that individuals in the Northern Territory would be able to voluntarily participate in income management, under the existing voluntary income management measure.

Most people who become subject to income management under the new scheme of income management will have 50% of their regular (instalment) payments, and 100% of lump sum payments, income managed. To ensure that people who choose to be income managed under the voluntary income management measure have the same discretion over their spending as people who are subject to compulsory income management under the new scheme, this Specification provides that, for the purposes of the voluntary income management measure, the deductible portion for an instalment of a category I welfare payment (other than three specified category I welfare payments) is to be 50%. (The three specified category I welfare payments are: baby bonus; a payment under the scheme known as the ABSTUDY scheme that includes an amount identified as living allowance ('ABSTUDY LA'); and a payment under the scheme known as the ABSTUDY scheme that includes an amount identified as pensioner education supplement ('ABSTUDY PES').)

This Specification revokes the *Social Security (Administration) (Deductible portion — section 123XPA) Specification 2009* (2009 Specification). That Specification specified the higher percentage of 100% for baby bonus, ABSTUDY LA and ABSTUDY PES. Paragraph 5(b) of this Specification maintains the position under the 2009 Specification in relation to these three payments.

This Specification will not affect the total amount of the welfare payment paid to each person, and so should not necessitate a change in a person's established budget. Centrelink will work with each affected individual to assist them to ensure their priority needs continue to be met. As applies at present, where priority needs exceed income managed funds, customers will be assisted to use facilities such as Centrepay to direct their discretionary funds as required.

### **Purpose**

The purpose of this Specification is to specify a percentage other than the standard 70%, for the purposes of paragraph 123XPA(3)(b) of the Act. **Section 5** specifies the lower percentage of 50% for category I welfare payments other than baby bonus; ABSTUDY LA and ABSTUDY PES. That section also specifies the higher percentage of 100% for baby bonus, ABSTUDY LA and ABSTUDY PES.

The effect of the Specification is that, for the purposes of subsection 123XPA(2) of the Act, the deductible portion of an instalment of a category I welfare payment (other than baby bonus, ABSTUDY LA or ABSTUDY PES) is 50%, while the deductible portion of an instalment of baby bonus, ABSTUDY LA or ABSTUDY PES is 100%.

The Specification also revokes the *Social Security (Administration) (Deductible portion — section 123XPA) Specification 2009* (2009 Specification). As described above, the 2009 Specification specified the higher percentage of 100% for baby bonus, ABSTUDY LA and ABSTUDY PES. **Section 3** of this Specification provides that the 2009 Specification is revoked, with effect from the commencement of this Specification.

This Specification is a legislative instrument. It commences on 1 July 2010.

### **Consultation**

Consultation on the Determination was undertaken with the Department of Education, Employment and Workplace Relations to ensure a co-ordinated approach in respect of welfare payments for which that Department has responsibility, which may become subject to the income management regime.

### **Regulatory Impact Analysis**

The Specification does not require a Regulatory Impact Statement or a Business Cost Calculator Figure. The Specification is not regulatory in nature, will not impact on business activity and will have no, or minimal, compliance costs or competition impact.