



Australian Government

**GOVERNMENT RESPONSE TO
SENATE COMMUNITY AFFAIRS COMMITTEE
REPORT**

***A DECENT QUALITY OF LIFE:*
INQUIRY INTO THE COST OF LIVING PRESSURES ON OLDER AUSTRALIANS**

September 2008

INTRODUCTION

The Commonwealth Government welcomes the Senate Community Affairs Committee's report, *A decent quality of life: Inquiry into the cost of living pressures on older Australians*.

The Government understands that cost increases in the essentials like food, petrol, gas and electricity bills are having a significant impact on people on fixed incomes, including age pensioners and other seniors.

Before being elected in November 2007, the Australian Labor Party had growing concerns about claims that many age pensioners have difficulty managing on the base pension rate.

Acting on these concerns, the following matters were referred on 14 June 2007 to the Senate Committee on Community Affairs for inquiry and report:

- a. the cost of living pressures on older Australians, both pensioners and self-funded retirees, including:
 - i. the impact of recent movements in the price of essentials, such as petrol and food,
 - ii. the costs of running household utilities, such as gas and electricity, and
 - iii. the cost of receiving adequate dental care;
- b. the impact of these cost pressures on the living standards of older Australians and their ability to participate in the community;
- c. the impact of these cost pressures on older Australians and their families, including caring for their grandchildren and social isolation;
- d. the adequacy of current tax, superannuation, pension and concession arrangements for older Australians to meet these costs; and
- e. review the impact of Government policies and assistance introduced across all portfolio areas over the past 10 years which have had an impact on the cost of living for older Australians.

After hearing evidence and taking submissions from a wide range of groups and individuals, the Senate Committee on Community Affairs released its comprehensive report on 20 March 2008. It highlights a number of issues relating to the adequacy of assistance for seniors and provides evidence that some groups, such as single women and people who rent, are not faring as well as others. The report provides thought-provoking material and provides a solid basis for further work. Through its recommendations, it clearly identified a range of issues for the Government's consideration.

In other action before its election, the Australian Labor Party framed a number of election commitments in its "Making Ends Meet" package that would enable increased financial assistance to be delivered quickly to senior Australians.

Since the election, the Government has been implementing its election commitments, including those that provide more support to senior Australians, and also announced measures in the 2008-09 Budget that provide additional support.

All eligible seniors received a \$500 bonus payment resulting from the Government's first Budget. The \$500 bonus was paid directly into bank accounts before 30 June 2008.

The Government is paying pensioners an increased Utilities Allowance of \$500 a year (singles or couples combined). The first \$125 instalment of the increased Utilities Allowance was paid in March and the second payment was made in June 2008.

For the first time the Utilities Allowance has been extended to all recipients of Carer Payment, Disability Support Pension, Widow B Pension, Invalidity Service Pension, Income Support Supplement, Partner Service Pension, Wife Pension and Bereavement Allowance.

Commonwealth Seniors Health Card holders and certain Veterans' Affairs Gold Card holders have received an increased Seniors Concession Allowance of \$500 a year, which is paid in quarterly instalments, in line with the Utilities Allowance.

The Government has increased the Telephone Allowance to \$132 a year for those who have the internet at home. This is available for eligible veterans, income support recipients of age pension age, Commonwealth Seniors Health Card holders and recipients of Carer Payment and Disability Support Pension who have a home internet connection.

From 20 September 2008, almost four million Australians will receive an increase in their pensions and other income support payments and allowances. Indexation will deliver an increase of \$15.30 a fortnight in the maximum single pension and \$12.70 in the maximum partnered rate for each member of a pensioner couple.

The third instalment (now \$128.50) of the increased Utilities Allowance and the Seniors Concession Allowance (now \$514 per annum) will also be paid from 20 September.

In addition, the Government has provided extra assistance with dental and aged care costs. It is also working with State and Territory Governments to introduce national reciprocal transport concessions for older Australians with a Seniors Card when interstate. The Commonwealth Government is working with State and Territory Governments to have these concessions in place from 1 January 2009.

The Commonwealth Government also provides substantial income tax relief for eligible senior Australians through the senior Australians tax offset. When the senior Australians tax offset is combined with the low income tax offset, eligible single older Australians can have income up to \$25,867 in 2007-08 without paying income tax.

As part of the Government's plan to reduce income taxes, this has increased to \$28,867 for 2008-09, and will increase to \$29,867 for 2009-10 and \$30,685 in 2010-11.

Similarly a senior Australian who is a member of a couple can earn up to \$21,680 in 2007-08 without paying income tax. For 2008-09 this threshold has increased to \$24,680 and will increase to \$25,680 in 2009-10 and finally to \$26,680 in 2010-11.

The Government recognises that housing affordability can be an issue for senior Australians. Through measures such as the National Rental Affordability Scheme (NRAS) and the A Place to Call Home Program, the Government is addressing these challenges. In relation to NRAS, a total of \$622.7 million has been allocated for the implementation of the Scheme to create 50,000 new affordable rental dwellings over the next four years (2008 to 2012) for low and moderate income households.

Under the A Place To Call Home initiative the Government will implement its election commitment and spend \$150 million over five years to deliver at least 600 additional

homes across Australia for families and individuals who are homeless (2008-09 to 2012-13). It is anticipated that older people will benefit from the scheme.

The Government has already implemented a wide variety of measures, which are specifically targeted at helping seniors with cost of living pressures. However, the Government recognises that more needs to be done.

As this year marks the centenary of the introduction of legislation for the Age Pension, it is timely to consider the assistance being provided to senior Australians. The Government is committed to getting this right for the long term.

On 13 May 2008, the Treasurer, the Hon Wayne Swan MP, announced a comprehensive review of Australia's tax system to create a tax structure that positions Australia to deal with the demographic, social, economic and environmental challenges of the 21st century and enhance Australia's economic and social outcomes.

The inquiry into Australia's Future Tax System will consider improvements to the tax and transfer payment system for individuals and working families. This will include consideration of the relationships of the tax system with the transfer payments system and other social support payments, rules and concessions, with a view to improving incentives to work, reducing complexity and maintaining cohesion.

As part of the Review, the head of the Department of Families, Housing, Community Services and Indigenous Affairs, Dr Harmer has been asked to investigate measures that may be adopted to strengthen the financial security of seniors, carers and people with disability. This will include appropriate levels of income support and allowances, including the base rate of the pension, with reference to the stated purpose of the payment; the frequency of payments, including the efficacy of lump sum versus ongoing support; and the structure and payment of concessions or other entitlements that would improve the financial circumstances and security of seniors, carers and people with disability.

In establishing the Review, the Government was cognisant of the Senate Committee's first three recommendations, which call for a review of the base level of pension, of indexation arrangements and of incentives and initiatives related to superannuation savings.

On 11 August 2008, the Pension Review Background Paper was released. This paper begins to address the terms of reference for the Pension Review. A reference group comprised of representatives from seniors and community groups has been established and a public consultation process is underway to inform the Pension Review.

Finally, the Government recognises that its primary response to tackling climate change — the introduction of the Carbon Pollution Reduction Scheme in 2010 — will have an impact on the cost of living for all Australians.

The introduction of the Carbon Pollution Reduction Scheme will result in changes to a wide range of prices, although the overall increase in the cost of living is expected to be modest. Nonetheless, the Government recognises that even a modest increase in the cost of living impacts on household budgets.

The Government has therefore committed to assist households adjust to the impact of the scheme. Notably, the Government will increase payments, above automatic indexation, to people in receipt of pensioner, carer, senior and allowance benefits and

will provide other assistance to meet the overall increase in the cost of living flowing from the scheme. The Government also commits to increase assistance to other low-income households through the tax and payment system to meet the overall increase in the cost in living flowing from the scheme.

The following section provides a response to each of the Committee's recommendations.

RESPONSE TO RECOMMENDATIONS

The Committee made fifteen recommendations. The Government response to specific recommendations is provided below.

BASE PENSION LEVELS

Recommendation 1

The committee recommends that the Government review the suitability of the base pension levels through economic analyses of amounts required to achieve at least a modest standard of living for retired Australians, with particular consideration given to the adequacy of the percentage rate for single older people receiving the age pension compared to couples. (*Chapter 3*)

Response

The income support system pays a higher rate to single people than to each member of a couple. This recognises that a single person living alone usually does not have the economies of sharing household expenses commonly experience by a couple. The single rate is currently 60 per cent of the combined couple rate.

The Government is very concerned to ensure that assistance to older Australians is adequate, and has already taken steps to act on this recommendation. On 15 May 2008, the Government announced that a central element of the Australia's Future Tax System Review will be an investigation into measures to strengthen the financial security of seniors, carers and people with disability. Dr Jeff Harmer, Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs, will undertake this investigation.

The investigation will examine issues including levels of income support and associated allowances, as well as the frequency and structure of payments and concessions. It will also consider the other issues specifically raised by Recommendation 1.

This work will be supported by a Reference Group of representatives from relevant groups. Dr Harmer will report to the Treasurer and Minister for Families, Housing, Community Services and Indigenous Affairs, through the chair of the Tax Review Panel, by no later than 28 February 2009.

The Government's election commitments and budget measures provide additional support to older Australians. The Government has already taken the following action.

- Eligible seniors have each received a \$500 bonus payment that was paid before 30 June 2008.
- The Utilities Allowance has been increased from \$107.20 to \$500 a year (singles or couples combined). The first \$125 instalment was paid in March. The latest instalment has been paid in the fortnight beginning 20 June 2008.
 - The Utilities Allowance has also been extended, for the first time, to all recipients of Carer Payment, Disability Support Pension, Widow B Pension, Invalidity Service Pension, Income Support Supplement, Partner Service Pension, Wife Pension and Bereavement Allowance.

- The Seniors Concession Allowance has also been increased from \$218 a year to \$500 a year. This benefits Commonwealth Seniors Health Card holders and certain Veterans' Affairs Gold Card holders. Seniors Concession Allowance is also now paid in quarterly instalments, in line with the Utilities Allowance.
- The Government has increased the Telephone Allowance from \$88 to \$132 a year for those who have the internet at home. This benefits eligible veterans, income support recipients of age pension age, Commonwealth Seniors Health Card holders and recipients of Carer Payment and Disability Support Pension who have a home internet connection.
- The Government committed to index pensions in line with increases in the Analytical Living Cost Index for Age Pensioner Households produced by the Australian Bureau of Statistics, the Consumer Price Index or 25 per cent of Male Total Average Weekly Earnings, whichever is the greater. Indexation issues will be examined in the context of the Australia's Future Tax System Review and the associated review of support for seniors.

STANDARDISATION OF INDEXATION

Recommendation 2

The committee recommends that:

- (i) the Government review and standardise the indexation methodology of pensions, social security and other government retirement benefits to ensure they maintain their relative levels. In particular, the Government should note limitations highlighted during the inquiry about the use of the Consumer Price Index, as well as other possible indexation mechanisms such as the Australian Bureau of Statistics' Household Expenditure indices.
- (ii) the review should also address the particular financial disadvantage of single women, many of whom have had a life of broken working patterns and an inability to access superannuation arrangements.
- (iii) while the review is undertaken and to ensure immediate relativity, the Government should index Commonwealth funded superannuation benefits and the military pension to Male Total Average Weekly Earnings or the Consumer Price Index, whichever is the higher, as is currently the practice with the age pension. (*Chapter 3*)

Response

Parts (i) and (ii)

The Government committed to index pensions in line with increases in the Analytical Living Cost Index for Age Pensioner Households produced by the Australian Bureau of Statistics, the Consumer Price Index, or 25 per cent of Male Total Average Weekly Earnings, whichever is the greater.

The issue of indexation links to the adequacy of existing support provided to pensioners, and these issues will also be examined in the context of the investigation by Dr Harmer into measures to strengthen the financial security of seniors.

Part (iii)

On 26 June 2008 the Government announced a review of the pension indexation arrangements in the Australian Government superannuation schemes. The schemes that will be the subject of the review are those Australian Government superannuation schemes, civilian and military, that are indexed to increases in the Consumer Price Index.

Information about the review, including its terms of reference is available at www.finance.gov.au/super.

SUPERANNUATION

Recommendation 3

The committee recommends that the Government continues its review of incentives and initiatives related to superannuation savings, especially aimed at facilitating and encouraging greater savings for older people in vulnerable groups. In particular this review should consider measures that will ensure a reasonable standard of living for older people, especially women, those on below average incomes, those who have lived with long-term chronic illnesses and those whose earning capacity has been greatly limited by their caring responsibilities. (*Chapter 3*)

Response

The Government assists individuals to achieve their retirement income objectives by providing incentives to save and contribute to superannuation. For example, the Government co-contribution for low income earners matches eligible personal superannuation contributions made by a person at \$1.50 for every dollar contributed. For contributions made in the 2008-09 income year the maximum Government co-contribution of \$1,500 is payable for individuals on incomes up to \$30,342. To qualify, the individual must meet other eligibility criteria.

Australia's Future Tax System Review will be looking to make recommendations to the Government to ensure that there are appropriate incentives for individuals to save and provide for their future.

The Government recognises that some groups have little opportunity to accrue superannuation savings. In these circumstances, Government benefits play a more significant part in providing a retirement income. As part of the Review, an investigation into measures to strengthen the financial security of seniors, carers and people with disability will be undertaken by Dr Jeff Harmer, Secretary of the Department of Families, Housing, Community Services and Indigenous Affairs. The investigation will examine issues including levels of income support and associated supplements, as well as the frequency and structure of payments and concessions.

In addition, on 15 May 2008 the House of Representatives Standing Committee on Family, Housing, Community, and Youth announced a parliamentary inquiry to investigate how carers can be better recognised and supported in their vital role.

The Committee will report on:

- the role and contribution of carers in society and how this should be recognised;
- the barriers to social and economic participation for carers, with a focus on helping carers to find and/or retain employment;
- the practical measures required to better support carers, including key priorities; and
- strategies to assist carers access the same range of opportunities as the wider community, including increasing the capacity for carers to make choices within their caring roles, transition into and out of caring and effectively plan for the future.

The Government has also established a Disability Investment Group which is identifying ways to encourage private investment (including from families) and avenues for new products and services to assist families make financial provision and plan for the future care of a family member with disability.

REVERSE MORTGAGES

Recommendation 4

The committee recommends that the Government monitor the usage and impact of older people accessing reverse mortgages and other similar products, including their effect on the eligibility of older people for government benefits and pensions.

(Chapter 2)

Response

The Government agrees with the recommendation and has already begun taking steps to monitor these arrangements.

As credit products, equity release products including reverse mortgages are currently regulated by the States and Territories under the Uniform Consumer Credit Code (UCCC).

In light of concerns about the use of equity release products, the Government is participating in a working group with the Australian Securities and Investments Commission (ASIC), Office of Fair Trading New South Wales and Consumer Affairs Victoria on behalf of the Uniform Consumer Credit Code Management Committee to introduce an information statement in the pre-contractual disclosure requirements for reverse mortgage providers under the Uniform Consumer Credit Code. The information statement is intended to provide relevant warnings for consumers interested in taking out a reverse mortgage and information on where to obtain further advice including avenues to seek advice regarding the impact on benefits.

Looking ahead, the Council of Australian Governments has decided in-principle that the Government will assume responsibility for the regulation of mortgages (including reverse mortgages). This issue is canvassed in the Green Paper on Financial Services and Credit Reform – Improving, Simplifying and Standardising Financial Services and Credit Regulation which the Government released on 3 June 2008.

When considering the most appropriate regulation of reverse mortgages, the Government will consider, among other things, the work being undertaken on the information statement discussed above.

Reverse mortgages are one of many financial products available to Australians. For some older Australians they may be suitable products for their particular needs.

However, reverse mortgages have particular characteristics and given the complexity and the many detailed conditions, the Government encourages people who are considering them to seek independent financial and legal advice.

Like all financial products it is important that people understand the benefits, costs and risks that are involved with reverse mortgages, as well as their possible effect on social security benefits including the Age Pension. The Government recognises the importance of assisting senior Australians to understand money management issues.

Through ASIC, which is responsible for delivering the Government's financial literacy response, the Government provides consumers with readily accessible and easy to understand information on a range of money management issues including reverse mortgages. Information on reverse mortgages which covers important considerations such as "no negative equity guarantee" clauses, fees and charges (including interest rates) and terms and conditions, is on the FIDO and *Understanding Money* websites. FIDO (the consumer watchdog website for ASIC) has a reverse mortgage checklist and a reverse mortgage calculator that provides consumers with an indication of the cost implications of reverse mortgages.

Centrelink's free Financial Information Service (FIS) also provides information to consumers on reverse mortgages and their possible effect on social security benefits including the Age Pension. General information is available through public seminars and more detailed information relevant to people's particular circumstances is available by making an appointment with a FIS officer.

INDIRECT BENEFITS INCLUDING CONCESSIONS AND REBATES

Recommendation 5

In order to increase the capacity of indirect benefits to meet the needs and ameliorate financial stress experienced by older people, the committee recommends that:

- i. the Government review the efficacy of indirect benefits.
- ii. governments at all levels should provide services, subsidies, rebates and concessions for older people which recognise the limited incomes available to this age group and should ensure these indirect benefits are set at a fair and appropriate level and are sufficiently indexed to maintain their real value.
- iii. the financial thresholds for eligibility for indirect benefits, including the Commonwealth Seniors' Health Card, should also be set at a fair and appropriate level, and be indexed to maintain their relative accessibility.
- iv. in order to achieve greater national uniformity, Commonwealth, State, Territory and Local Governments work together to develop a nationally recognised senior's card to provide concessions and benefits to eligible older people and to negotiate reciprocal arrangements across jurisdictions with respect to public transport concessions. (*Chapter 4*)

Response

Parts (i), (ii) and (iii)

The Government agrees that the efficacy of indirect benefits should be reviewed. The role and structure of services, subsidies, rebates and concessions impact directly on the adequacy of existing support provided to pensioners and seniors, and will be considered in the course of the investigation by Dr Harmer into measures to strengthen the financial security of seniors, carers and people with disability.

The Government has direct responsibility for some subsidies, rebates and concessions provided to older people. Other subsidies, rebates and concessions are administered by State, Territory and Local Governments and some private organisations. The Commonwealth Government provides funding through a Special Purpose Payment to State and Territory Governments (estimated at \$220 million for 2008-09) to assist with the costs of providing core concessions such as utilities, municipal and water rates, public transport and motor vehicle registration to part-rate pensioners with a Pensioner Concession Card.

Eligible older people also receive indirect benefits through aged care subsidies and concessions, the Pharmaceutical Benefits Scheme and the Medicare Safety Net.

Aged Care Subsidies and Concessions

The Government subsidises the costs of care for older Australians receiving residential or community aged care. All residential care subsidies were reviewed recently and changed fee and subsidy arrangements were introduced on 20 March 2008. The new means testing arrangements are simpler and fairer, and care subsidies are better matched to the costs of care for residents with complex health care needs.

Pharmaceutical Benefits Scheme

Older people who are self-funded retirees and who hold a Pensioner Concession Card, Commonwealth Seniors Health Card, or Health Care Card are currently able to obtain medicines supplied under the Pharmaceutical Benefits Scheme (PBS) at the concessional co-payment of \$5.00, compared to \$31.30 for the general population. Once reaching the concessional safety net amount of \$290.00 (equal to 58 prescriptions) in expenditure on their PBS medicines over a calendar year they are eligible for PBS medicines free of charge for the remainder of that calendar year. Changes to the co-payments and safety net thresholds occur on 1 January each year, based on the Consumer Price Index.

Medicare Safety Net

The extended Medicare Safety Net assists Australian families and individuals who have high out-of-pocket costs for out-of-hospital services that are covered by Medicare. Out-of-hospital services include GP and specialist attendances and services provided in private clinics and private emergency departments. Once the relevant annual threshold has been met, Medicare will pay for 80 per cent of any future out-of-pocket costs for out-of-hospital Medicare services, in addition to the Medicare Rebate, for the remainder of the calendar year.

In the 2008 calendar year, eligible families and individuals qualify for the extended Medicare Safety Net when their out-of-pocket costs for eligible services exceed \$1,058.70. The Government caters for families and individuals on low incomes through a lower extended Medicare Safety Net threshold. In the 2008 calendar year, people who hold a Pensioner Concession Card, a Health Care Card or a Commonwealth Seniors Health Card or families who are paid Family Tax Benefit (Part A) payments are eligible for a lower safety net threshold of \$529.30.

There are no current plans to change the way the extended Medicare Safety Net operates. However, the *Health Legislation Amendment (Medicare) Act 2004* requires that a review of the operation, effectiveness and implications of the extended Medicare Safety Net be conducted. It is anticipated that this review will be completed in 2008.

Utilities Allowance and Seniors Concession Allowance

In addition to indirect benefits, the Government is providing some direct benefits to senior Australians. The Government is providing \$5.1 billion over five years to increase the rate of the Utilities Allowance and to extend the allowance to a range of pension recipients, including all recipients of Carer Payment, Disability Support Pension, Widow B Pension, Invalidity Service Pension, Income Support Supplement, Partner Service Pension, Wife Pension and Bereavement Allowance.

The Government will provide \$324.4 million over five years (including \$40.5 million in 2007-08) to increase the rate of the Seniors Concession Allowance. These measures deliver on the Government's election commitment.

Part (iv)

The Government accepts the recommendation to negotiate reciprocal transport concessions for Seniors Card holders. The Government has committed to negotiating with State and Territory Governments to achieve reciprocal concessions for State Seniors Card holders who access public transport services outside their home state. In the 2008-09 Budget, \$50 million was provided over four years to implement this plan from 1 January 2009.

Seniors Cards are issued by State and Territory Governments to their residents who are generally aged over 60 and no longer working full time. In general, Seniors Cards provide concessions on services funded by the States and Territories and are therefore aimed at State and Territory residents. (For example, Seniors Cards may provide concessions on motor vehicle registration and dog registration). Many benefits available to State Seniors Card holders are offered by the private sector, including dining and entertainment or financial products. The private sector offers these concessions at its own discretion.

The Commonwealth Government would support any moves by State or Territory Governments or private service providers to offer discounts to people moving between jurisdictions.

RESIDENTIAL AGED CARE

Recommendation 6

The committee recommends that the Government review the access and funding arrangements for concession residents in residential aged care facilities under the hardship provisions of the *Aged Care Act 1997*. In particular, it should determine the amount required to finance basic needs such as pharmaceuticals – including medication not covered under the Pharmaceutical Benefits Scheme – clothing, toiletries, and some discretionary spending to allow necessary social participation and at least a decent quality of life. (*Chapter 6*)

Response

Much has recently been done in the area of residential aged care fees.

Basic daily fees for residential aged care are set at the equivalent of 85 per cent of the single Age Pension. A resident with income greater than the Age Pension may also be requested to pay income-tested fees. The intention is to leave residents with at least the equivalent of 15 per cent of the Age Pension for discretionary spending on such items as clothing, toiletries and medication not covered under the Pharmaceutical Benefits Scheme.

The financial hardship assistance provisions of the *Aged Care Act 1997* allow residents who are experiencing financial difficulties due to circumstances outside of their control, to pay a lesser amount in fees. The financial hardship provisions are flexible ensuring that each resident's particular financial situation is taken into consideration. Since 20 March 2008, the Government is paying higher accommodation subsidies for new residents with few assets. This increase means fewer residents will need to apply for hardship assistance.

Recommendation 7

The committee recommends the Government review the disparity in the fees paid by those people entering residential aged care requiring high level care and those requiring low care to ensure that all people in residential aged care are treated equitably. (*Chapter 6*)

Response

All residential care fees and charges were reviewed prior to the changes which came into effect on 20 March 2008.

HOUSING

Recommendation 8

The committee recommends that the Government review current arrangements, incentives and initiatives related to the housing of older people and develop a strategy to ensure a diversity of affordable housing options for older people. This strategy should include the availability of public housing, an enhancement of the capacity of housing associations, local government, religious groups, community organisations and the private sector to assist older people.

In particular, the review should consider initiatives that would improve the situation of those in the most vulnerable economic situations – such as the adequacy of rental assistance for pension recipients in private rental accommodation – and ensure that subsidies and rental assistance are adequate to cope with rental cost increases and allow access to affordable and appropriate housing. (*Chapter 6*)

Response

The Government recognises housing affordability and homelessness are a major issue for many Australians including older Australians. An additional \$2.2 billion was committed in the 2008-09 Budget to address housing affordability and homelessness and the Government is currently developing a White Paper to provide a longer term plan to address homelessness.

Through the Council of Australian Governments (COAG), a new National Affordable Housing Agreement is being negotiated with the States and Territories, to commence in 2009. The new Agreement will encompass housing assistance provided at all levels of government – including all programs funded by State and Territory Governments through the Commonwealth-State Housing Agreement, the Supported Accommodation Assistance Program and Commonwealth Rent Assistance.

It will improve the ability of all governments to deliver affordable housing for low and moderate income earners.

The roles and responsibilities of each level of government will be clearer and there will be greater accountability for outcomes at each level of government – the Commonwealth, States and Territories and Local Governments. The integration of these programs will improve the coordination of housing and support services for residents of social housing.

Through the National Rental Affordability Scheme (NRAS) the Commonwealth Government will provide incentives for private institutional investors to construct 50,000 affordable rental properties for low and moderate income earners.

NRAS will increase the supply of affordable rental housing by offering a financial incentive to investors to establish new dwellings and to rent them to eligible low and moderate income households at 20 per cent below the market rate of rent for a period of 10 years. The dwellings must be managed by an appropriate tenancy manager which will be required to ensure dwellings are rented to eligible tenants only. Older Australians on low to moderate incomes who are in need of rental housing are one of the groups expected to benefit from this Scheme. Tenants in receipt of Commonwealth Rent Assistance will be able to retain this allowance.

The Government has allocated a total of \$622.7 million for the implementation of the Scheme to create 50,000 new affordable rental dwellings over the next four years (2008 to 2012). The Scheme is being implemented in partnership with the State and Territory Governments, which are co-contributors to the National Rental Incentive. The Commonwealth contribution to the Incentive is \$6,000 (paid either as a tax offset or cash grant) and the State/Territory contribution is \$2,000 (paid as either cash or in-kind). If the Scheme proves successful and demand remains strong, the Commonwealth Government has indicated it will allocate a further 50,000 incentives from 2012-2017 in partnership with the State and Territory Governments.

On Thursday 24 July, the Treasurer the Hon Wayne Swan MP and the Minister for Housing the Hon Tanya Plibersek MP, launched the National Rental Affordability Scheme and announced the first call for applications for dwellings which will be available for rent in 2008-09 and 2009-10. Applicants will be required to demonstrate the need for their proposal, including the locations proposed, number and type of dwellings and expected tenant profiles.

Housing costs and assistance provided for these costs has an impact on the adequacy of pension payments. Housing support for seniors will be a consideration of the investigation by Dr Harmer into measures to strengthen the financial security of seniors.

Under the A Place To Call Home initiative the Government will implement its election commitment and spend \$150 million over five years to deliver at least 600 additional homes across Australia for families and individuals who are homeless (2008-09 to 2012-13). It is anticipated that older people will benefit from the scheme.

The Commonwealth Government will also monitor the levels of homelessness among older Australians to ensure that new initiatives in the housing and homelessness areas result in decreases in homelessness among this age cohort.

DENTAL CARE

Recommendation 9

The committee recommends that the Government consider the appropriateness of current dental care arrangements for older people. The consideration should involve engagement with the State and Territory Governments and aim to introduce measures to increase access to adequate dental care and include a cost-benefits analysis of the impact of inadequate access to dental care on other aspects of the health care system. (*Chapter 5*)

Response

In keeping with its election commitment, the Government's new Commonwealth Dental Health Program will provide \$290 million over three years from 2008-09 to the States and Territories. The Commonwealth, State and Territory Governments are working together to improve the standard of oral health in Australia and this program will help reduce the number of people waiting for public dental treatment by providing up to one million additional services. The Commonwealth Dental Health Program will also provide priority services to people with chronic diseases affected by poor oral health.

VOLUNTEERS

Recommendation 10

The committee recommends that the Government consider financial initiatives to assist older people in continuing to contribute to the community as volunteers. Such measures should recognise the benefits derived by the community from such participation and address the increasing cost burdens met by volunteers. (*Chapter 6*)

Response

The 2008-09 Budget provided \$15 million over three years under the Volunteer Grants Program to assist community organisations and their volunteers with their work, including fuel costs. It also confirmed an allocation of \$16.7 million over four years to continue support for volunteers and the not-for-profit sector under the Volunteer Management Program. Funding of \$5 million has been announced for 2008-09 to enable Volunteer Resource Centres to continue to provide a range of services to support volunteers.

The Department of Veterans' Affairs provides assistance to volunteers through programs such as Building Excellence in Support and Training (BEST) and Training Information Program (TIP). These programs received additional Budget funding of \$14.9 million over 4 years, including in 2007-08.

LABOUR MARKET PARTICIPATION

Recommendation 11

The committee recommends that the Government continue developing initiatives and incentives to encourage greater involvement in the labour market among older people to improve the quality of life of their retirement, contribute to the economy's productivity and reduce the strain on the Government's social security budget. (*Chapter 7*)

Response

The Government agrees with the committee's recommendation.

The Australia's Future Tax System Review will examine and make recommendations to enhance economic, social and environmental wellbeing, with a particular focus on ensuring appropriate incentives for workforce participation and skill formation as well as other matters. The Review will consider, among other things, improvements to the tax and transfer payment system for individuals and working families, including those for retirees.

This recommendation should also be considered in the context of the range of initiatives that already exist to encourage participation by older Australians. Such incentives include tax free superannuation benefits paid from a taxed source to individuals over the age of 60, the Pension Bonus Scheme, tax offsets currently accessible by older Australians and the income test taper rate on earned income under the social security means test.

As announced in the 2008-09 Budget, when combined with the increases to the low income tax offset, the income thresholds for senior Australians eligible for the senior Australians tax offset (SATO) will be lifted to \$28,867 (up from \$25,867) for singles and \$24,680 (up from \$21,680) for each member of a couple. By 2010-11, the income levels will be \$30,685 for singles and \$26,680 for each member of a couple. This will provide incentives for older workers to participate in the workforce.

This recommendation is also addressed in part by the Government's commitment to ensure that mature age Australians receive assistance to take up employment opportunities.

As part of its Skilling Australia for the Future initiative, the Government recognises the importance of nationally endorsed training in assisting job seekers to acquire skills and gain lasting employment and assisting existing workers to update or upgrade their skills.

The Government has allocated funds for 630,000 training places over five years to ensure that Australians develop the skills that industry needs. The training places are delivered in an industry-driven system, ensuring that training is more responsive to the needs of enterprises and individuals. The training places are now available as part of the Productivity Places Program.

Of the total additional vocational education and training places funded over the next five years, more than 238,000 are allocated to people who are outside the workforce. A further 392,000 places will provide improved qualifications and skills for people who are employed but who need to update or upgrade their skills.

The program commenced in April 2008, with 20,000 places available for people outside the workforce (job seekers). Phase II of the program commenced on 1 July 2008, with an additional 22,000 places made available for jobseekers.

The program will also be expanded to provide training for those in the existing workforce. Arrangements are currently being finalised with each State and Territory.

There is no age cap on the Productivity Places Program which ensures that older Australians can have access to the training places available under the program.

More information is available at www.productivityplaces.deewr.gov.au

SAME-SEX COUPLES

Recommendation 12

The committee recommends that the Government amend the *Aged Care Act*, Commonwealth supported superannuation schemes, taxation measures and other relevant Commonwealth legislation and mechanisms to remove any actual or potential discrimination against same-sex couples. This should ensure such couples experience identical opportunities to heterosexual couples in achieving quality of life in retirement, meeting cost of living pressures and enjoying retirement benefits. (*Chapter 6*)

Response

The Government agrees with this recommendation.

Acting on its election commitment, the Government is removing discrimination against same-sex couples in Commonwealth laws. Following these reforms, same-sex relationships will be treated in the same way that opposite sex de facto relationships are treated for the purposes of Commonwealth entitlements and programs, except in relation to certain issues under family law. The general areas of laws that will be reformed are taxation, superannuation, social security, health, aged care, veterans' entitlements, workers' compensation, employment entitlements, immigration and other areas of Commonwealth administration.

The *Same-Sex Relationships (Equal Treatment in Commonwealth Laws – Superannuation) Bill 2008* was introduced into the House of Representatives on 28 May 2008. It is designed to remove discrimination against same-sex couples from government defined benefit superannuation schemes. Legislation implementing further reforms will be introduced in the Spring sittings. All of the changes are expected to be implemented by mid-2009.

FINANCIAL ADVICE AND OTHER INFORMATION

Recommendation 13

The committee recommends that the Government review the range of financial advisory options for older people, including those planning for retirement, and enhance information programs that aim to inform and educate older people about their entitlements and ways to manage and maximise personal finances.

Response

The Government agrees with the Committee's recommendation.

The Centrelink Financial Information Service continues its important role of providing financial information and education to help people take control of their finances and actively plan for their retirement.

The 2008-09 Budget provided \$20 million over four years for increased financial counselling to assist people in managing their finances. Funding for the Commonwealth Financial Counselling program will be increased by \$10 million over four years, doubling the size of the program. In addition, \$10 million will be provided over four years to develop and distribute easy to understand and practical financial management information products through Centrelink's Financial Information Service and other providers of financial information and counselling.

There is already related work underway in both FaHCSIA and Centrelink to review approaches to financial management.

Centrelink's Financial Information Service and the National Information Centre on Retirement Investments (NICRI) provide public financial information to a broad section of the community.

FaHCSIA in partnership with other agencies has contributed to the development of a number of resources aimed at improving the financial literacy education of women. For example:

- in association with women's groups, it provided advice to the Financial Literacy Foundation, which developed a series of information sheets about a range of money management issues, including superannuation;
- in partnership with the Australian Taxation Office, it has developed a brochure to deliver superannuation messages on topics that are relevant to women under 40 years of age; and
- the Commonwealth, States, Territories and New Zealand Ministers' Conference on the Status of Women has prepared a summary guide to assist community organisations and financial institutions and policy makers to develop information that is specifically targeted to women during their key life-stages.

On a community level, the Government recognises the importance of financial literacy as a life skill that assists individuals and families to secure their financial wellbeing and plan for the future. Further to a 2008-09 Budget decision, the Australian Securities and Investments Commission (ASIC) has been responsible for delivering the Government's financial literacy response from 1 July 2008. ASIC will deliver the response within the framework of a consolidated national financial literacy strategy. The financial literacy needs of particular population groups, including older Australians, will be considered in developing the strategy.

On the individual level, the Government's policy regarding financial services includes ensuring that older Australians are provided with adequate financial information in making superannuation fund choices. The Government considers that it is essential that older Australians are able to choose the superannuation product that best suits their individual needs and circumstances.

As a major reform initiative, the Government aims to make the information provided to superannuation products purchasers simpler by making these documents shorter, less complex and easier to understand.

With this in mind, on 5 February 2008, the Government announced the formation of a tripartite working group, the Financial Services Working Group (Working Group). The Working Group, comprising officials from Treasury, the Australian Securities and Investments Commission and the Department of Finance and Deregulation, will examine the key issues associated with the length and complexity of financial services disclosure documents. It will look to develop solutions that provide all consumers, including older Australians with documents that are effective for investment decision making.

The Working Group will also be examining barriers to the provision of superannuation intra-product advice, with a view to improving access to this advice. The Government is keen to give consumers the best tools possible to help them make informed decisions about their financial futures. Advice which assists investors to make informed decisions about their investment in a superannuation fund is of paramount

importance. In particular, once an investor has made a decision with regard to the superannuation fund they are comfortable with, it is important that their investment in that fund works in the best possible way for them. The Government considers that this reform will be of particular benefit to older Australians who have significant levels of savings invested in superannuation products.

FINANCIAL INSTITUTIONS, BUSINESS AND OTHER PROFESSIONAL SERVICES

Recommendation 14

The committee recommends that the Government encourage financial institutions, businesses and other professional services structure their customer services, fees and penalties to take into account the position of pensioners and other older people with limited capacity to pay and, wherever possible, assist them to take advantage of low-fee plans and options.

Response

The Commonwealth Government agrees with this recommendation. The Government supports industry initiatives to take into account the position of pensioners and other older people with limited capacity to pay service fees and penalties. The Government also acknowledges that financial institutions have already undertaken extensive work to address this issue, with many financial institutions already providing special accounts with low charges or no fees for pensioners.

KINSHIP CARE

Recommendation 15

The committee recommends that:

- i. the Government investigate the circumstances of grandparent carers, with particular concern for the type and level of support available to those taking on the role of primary carer through both formal adoption and informal kinship care;
- ii. governments at all levels increase the level of support and respite available to older Australians undertaking kinship care, particularly for those taking on the role of primary carer to younger children. (*Chapter 6*)

Response

The Government is developing a national child protection framework by the end of 2008.

The development of the framework is being guided by consultation with appropriate stakeholders including State and Territory Governments, peak organisations and non-government organisations working with children, families, and out-of-home care systems as well as grandparent carers and foster carers. Consideration is being given to the circumstances of grandparents and other relative carers taking on the role of primary care for children.

Practical measures being considered for inclusion in the framework include:

- making better use of Commonwealth levers, including income and family payments;
- better integrating the different parts of the child protection system - both within and across jurisdictions and the non-government sector;
- developing common national standards and measures of performance;
- addressing workforce problems and shortages;
- improving the system for indigenous children, and support the Government's measures to "close the gap"; and
- improving the out of home care system and the support provided to young people transitioning from care.

It is envisaged that grandparent carers and other forms of out-of-home care will be a key area of focus for the framework.

FaHCSIA is a partner agency in the research led by Professor Bettina Cass of the Social Policy Research Centre at the University of NSW to investigate the needs and special circumstances of both formal and informal grandparent carer families in Australia. This research is expected to provide reliable evidence on which to base future policy and service delivery decisions for this group. This three-year project is expected to finish in 2011.

The Government provides financial support, including pensions and benefits that are the main source of income for many grandparents raising grandchildren.

Grandparent and other relative carers are eligible for the same family assistance and other payments as parents or foster carers. This includes Family Tax Benefit and Parenting Payment. In addition, grandparent carers can get concession card coverage for their grandchildren via one of a number of different types of concession cards (e.g. the grandparent's Pensioner Concession Card, or a foster child Health Care Card).

On 15 May 2008 the House of Representatives Standing Committee on Family, Housing, Community, and Youth announced a parliamentary inquiry to investigate how carers can be better recognised and supported in their vital role.

Over the course of this year, the Committee will look at the many challenges facing carers and provide recommendations on the practical measures required to better support carers. It will also look at the specific needs of groups within the caring population including new carers, younger carers, older carers, Indigenous carers and those with multiple care responsibilities, including grandparent carers caring for a child with disability.