



**Australian Government**  
**Department of Social Services**

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Participation Payments  
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Ms Jeanette Radcliffe  
Committee Secretary  
Senate Standing Committee on Community Affairs  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600

Dear Ms Radcliffe

**SUBMISSION TO SENATE COMMUNITY AFFAIRS LEGISLATION COMMITTEE**

Please find attached a submission by the Department of Social Services to the Senate Community Affairs Legislation Committee Inquiry into the Family Assistance Legislation Amendment (Extend Family Assistance to ABSTUDY Secondary School Boarding Students Aged 16 and Over) Bill 2019.

Thank you for providing the department with the opportunity to make a submission.

Yours sincerely,

 Shane Bennett

16 August 2019

## **Introduction**

The Family Assistance Legislation Amendment (Extend Family Assistance to ABSTUDY Secondary School Boarding Students Aged 16 and Over) Bill 2019 (the Bill) will implement the 2019-20 Budget measure *Extending Family Tax Benefit (FTB) to ABSTUDY recipients aged 16 and over who study away from home* measure (the measure).

The Bill will extend Family Tax Benefit to the families of those ABSTUDY students aged 16 and over who board away from home in order to attend secondary school. This will mean that families of Indigenous boarding students receive Family Tax Benefit until their child reaches the end of secondary school.

The measure will not impact the funding of local schools and is intended to support educational opportunities for Indigenous secondary students who board away from home in order to attend secondary school.

## **Impact of current policy**

Families with boarding students rely on Family Tax Benefit to assist with the ongoing costs of their children's daily incidentals while they are away at school, such as clothing, toiletries, medicines and pocket money as well as their essential living costs when they are at home during school holidays.

However, once the student turns 16, Family Assistance legislation precludes the families of ABSTUDY students who board away from home to attend secondary school, from receiving Family Tax Benefit. This leaves many families with no assistance for the costs of everyday essentials for their child.

The loss of Family Tax Benefit when a boarding student turns 16 can represent a significant drop in income support for families, which can be as high as \$6,900 per year, and contributes to financial pressure on families who continue sending their child away to secondary school to attain a year 12 qualification.

This is a policy anomaly that is not aligned with supporting Indigenous students completing year 12.

## **How the Bill will operate**

Under current arrangements, families of Indigenous boarding students aged under 16 are generally eligible for both ABSTUDY and Family Tax Benefit. ABSTUDY, while an individual entitlement, is paid directly to the school and boarding provider to cover tuition and boarding costs. Family Tax Benefit is paid directly to the family to help with the cost of raising children. The Bill does not change the amount of ABSTUDY paid to schools and boarding providers to cover tuition and boarding costs.

The Bill will operate to address the existing legislative anomaly that results in the families of ABSTUDY boarders ceasing to receive Family Tax Benefit once the student turns 16. This leaves many families under financial pressure to cover clothing, medical expenses, or the essential living costs associated with raising children.

As a result of the Bill, families with Indigenous children aged 16 years and over will be entitled to both ABSTUDY to cover boarding school fees and Family Tax Benefit to assist them with the ongoing costs of raising the child.

The measure costs \$36 million over four years and will help the families of more than 2,000 Indigenous secondary students.

### **Background and policy rationale**

The Bill is designed to extend Family Tax Benefit to the families of those ABSTUDY students aged 16 and over who board away from home in order to attend secondary school.

For further information on ABSTUDY and ABSTUDY for secondary boarding students, please see Attachment A.

The Prime Minister's 2019 Closing the Gap address to Parliament emphasised that for Indigenous students in remote and very remote areas, access to quality education can be a lifeline to future prosperity and wellbeing.

The House of Representatives Standing Committee on Indigenous Affairs in its 2017 report on Indigenous education stressed the importance of education but found room for improvement in the support of Indigenous boarding students.

Currently, remote and very remote communities may have no local accessible secondary school (on a daily basis), so boarding is frequently the only option for children to go to secondary school.

Indigenous boarding students are disproportionately dropping out of boarding school around the age of 16. Data provided by the Department of Human Services shows that the number of ABSTUDY boarding students drops by approximately 60 per cent between the ages of 15 and 17.

The Bill is an important initiative that can contribute to reducing this dropout rate, as it will remove an existing perverse incentive for students to drop out of school at 16. This occurs because the only way families can continue to receive Family Tax Benefit is to pull their child out of boarding school.

In addition, modelling using the Priority Investment Approach shows ABSTUDY students who stay in boarding for their senior schooling are less likely to need income support in the future.

On average, within five years of leaving school, Indigenous young people who study year 11 as boarding students are projected to have income support costs that are 38 per cent lower than those of their peers who leave school early.

This modelling shows that these students do better in the long-term compared with Indigenous young people who drop out of school early.

For example, the Priority Investment Approach reflects that ten years after leaving school, Indigenous young people who drop out early are:

- one third more likely to be on an unemployment payment, and
- 25 per cent more likely to be a young mother on income support.

### **Stakeholder recommendations and consultation**

The Bill aligns with recommendations from the 2014 Forrest Review 'Creating Parity'. The Forrest Review recommended that Indigenous families with children at boarding school have access to Family Tax Benefit payments until students finish year 12 in recognition of the costs parents incur for their children.

This view is also supported by a 2017 report by the Centre for Aboriginal Economic Policy Research at the Australian National University, which outlined that research shows 'often parents could not afford to supplement ABSTUDY.'

Furthermore, consultation undertaken by the Department of Social Services with the schools and boarding sector has indicated that a factor in students dropping out of school at age 16 is because their families lose Family Tax Benefit.

These stakeholders also identified that they see significant drops in their school attendance rates after ABSTUDY students turn 16.

### **Conclusion**

The Bill does not change the amount of ABSTUDY paid to schools and boarding providers to cover tuition and boarding costs.

The Bill will support the families of ABSTUDY boarding students by ensuring they receive Family Tax Benefit until their child completes secondary school.

This will support more Indigenous students to complete year 12 and is consistent with the Government's focus on closing the gap in educational attainment between Indigenous and non-Indigenous students.

The families of more than 2,000 Indigenous secondary students will benefit from the Bill. On average, these families will receive an additional \$5,911 per year.

The Bill aligns with Priority Investment Approach modelling that suggests an increase in support for young Australians to complete year 12 will lead to longer-term benefits for Indigenous young people and income support outlays.

These changes will also build on the 2018-19 Budget measure '50 Years of ABSTUDY', which improved assistance for Indigenous secondary students who need to study away from home, by including better, fairer and more flexible travel provisions and improving the portability of ABSTUDY benefits if students change schools.

## Attachment A

### Background:

#### ABSTUDY

The ABSTUDY scheme assists in addressing the educational disadvantages faced by Aboriginal and Torres Strait Islander people. In particular, the role of ABSTUDY is to enable access to education and training.

ABSTUDY supports students from secondary school (and primary school in limited circumstances) through to doctorate level at university. Support is also available for apprentices and trainees.

#### ABSTUDY for secondary boarding students

ABSTUDY is not school funding – it is an individual student entitlement paid to a boarding school or student hostel on the student's behalf. Payment is made directly to schools and hostels to help cover the student's boarding and tuition fees.

Fees are set by the schools and hostels. ABSTUDY can pay actual costs up to \$26,720.71 per year for a student's tuition and boarding (rate as at 1 January 2019). The fees charged for ABSTUDY students must be the same amount as those fees charged for non-ABSTUDY students at the school or hostel.

ABSTUDY payments to boarding schools		2019*
Maximum annual amount of ABSTUDY for an eligible secondary school student approved to live away from home to attend school (excludes Energy Supplement).		\$26,720.71
Includes the following payments:		
Maximum Living Allowance for under 22 y/o (means tested)**		\$11,867.71
School Fees Allowance (boarding rate)		\$10,838.00
Non-means-tested component	\$8,422.00	
Means tested component	\$2,416.00	
Rent Assistance		\$3,540.50
Remote Area Allowance		\$474.50
Fares (arranged by DHS-Centrelink)		Actual costs, paid to travel provider

\* 2019 rates as at 1 January 2019 (excluding Energy Supplement)

\*\*Living Allowance eligibility and payment rates are subject to income and assets tests. Some students may have no entitlement or receive less than the maximum amounts due to parental income or not meeting the one of the approved away from home provisions.

Means tested components may not be paid if current parental income information has not been provided to DHS-Centrelink.