Income support for households affected by natural disasters: a quick guide

Michael Klapdor
Social Policy Section

Australian Government financial assistance during and following natural disasters can be delivered indirectly via the Disaster Recovery Funding Arrangements (DRFA) with state and territory governments, or directly through disaster recovery payments made under the Social Security Act 1991. For those receiving Australian Government income support payments such as pensions or allowances who live in disaster areas or who volunteer during state or national emergencies, special exemptions from mutual obligation and debt recovery arrangements may apply.

This Quick Guide summarises the main Australian Government disaster recovery payments, their eligibility criteria and key changes to the criteria over time. It also sets out some of the special circumstance provisions that can apply to those receiving other Australian Government payments who are affected by disasters or who volunteer during a disaster event.

Details of the assistance available from the Australian Government for specific events are available on the DisasterAssist website.

Disaster recovery funding and programs

The DRFA provide a basis for the Commonwealth to enter into cost-sharing arrangements with state and territory governments where a disaster presents a significant financial burden. Up to 75 per cent of state expenditure on natural disasters can be eligible for reimbursement by the Commonwealth under the DRFA. There are different DRFA categories aimed at different groups or needs and which attract different levels of financial assistance. Disbursement can be through grants or packages relating to recovery from specific disasters or emergencies.

Separate to the DRFA, the Emergency Response Fund established on 12 December 2019 allows the Australian Government to draw up to $200 million in a financial year to supplement funding available for emergency response, disaster recovery and preparedness.

Additional assistance may be provided through disaster resilience programs, grants to local government and non-government organisations, and special tax concessions or exemptions.

For more information on the DRFA and other disaster-related programs, see the Parliamentary Library publication, Emergency management and disaster resilience: a quick guide, by Helen Portillo-Castro.

Australian Government disaster payments

There are two main Australian Government assistance payments that can be provided via Services Australia (Centrelink) during or following a disaster:
• the Australian Government Disaster Recovery Payment (AGDRP)—a lump sum, non-means tested payment of $1,000 for eligible adults and $400 for eligible children and

• the Disaster Recovery Allowance (DRA)—a short-term, means-tested, income support payment with rates equivalent to Newstart/Youth Allowance for those whose income has been affected by the disaster.

The payments become payable after the Minister responsible for emergency management and disaster assistance (currently the Minister for Water Resources, Drought, Rural Finance, Natural Disaster and Emergency Management, David Littleproud) makes a determination that an event is a major disaster—separate determinations are made for each payment and, depending on the disaster, one or both payments may be activated. Only determinations for the AGDRP are legislative instruments.

The Minister’s determinations can set out specific eligibility criteria and rates of payment—the rate of the DRA cannot exceed the maximum rate of Newstart Allowance or Youth Allowance (for those aged under 22 years).

The rate of the AGDRP has not been changed since it was introduced in 2006. On 15 January 2020 the Prime Minister and Minister for Families and Social Services announced an additional $400 would be paid to recipients of the AGDRP child rate. It is to be delivered through one-off payments of $400 to eligible recipients using powers under the Financial Framework (Supplementary Powers) Act 1997. The Governor-General made regulations on 20 January 2020 to provide the one-off payments. The rate of the AGDRP itself was not changed.

Both payments are generally only payable to Australian citizens and permanent residents but some temporary visa-holders (such as refugees/asylum seekers) are also eligible—see the list of visa subclasses eligible for Special Benefit.

Ex gratia payments for New Zealanders

The Prime Minister or Cabinet can also make a decision to provide ex gratia payments to New Zealand non-protected special category visa holders (i.e. New Zealanders in Australia who are not considered permanent residents). These ex gratia payments will generally match the rates and conditions for the AGDRP and DRA and it is now common practice for them to be granted alongside payments to Australian citizens and permanent residents.

Expenditure on disaster payments

Expenditure on disaster payments varies significantly by disaster and different payments may be activated for different disasters. Table 1 details AGDRP claims and expenditure by major disaster in 2018–19 and Table 2 details DRA claims and expenditure by major disaster in 2018–19.

Table 1: Australian Government Disaster Recovery Payments, 2018–19

<table>
<thead>
<tr>
<th></th>
<th>Far North Queensland floods 2019</th>
<th>Northern NSW bushfires 2019</th>
<th>Tropical Cyclone Debbie 2017¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims finalised</td>
<td>106 094</td>
<td>1 770</td>
<td>&lt;5</td>
</tr>
<tr>
<td>Claims paid</td>
<td>100 665</td>
<td>1 533</td>
<td>&lt;5</td>
</tr>
<tr>
<td>Amount paid</td>
<td>$117 749 400</td>
<td>$1 858 400</td>
<td>$2 800</td>
</tr>
</tbody>
</table>


Source: Services Australia, Annual report 2018–19, Services Australia, Canberra, 2019, p. 120.
Table 2: Disaster Recovery Allowance payments, 2018–19

<table>
<thead>
<tr>
<th></th>
<th>Far North Queensland floods 2019</th>
<th>Northern NSW bushfires 2019</th>
<th>Tasmanian bushfires 2019</th>
<th>Tropical Cyclone Debbie 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims finalised</td>
<td>1 986</td>
<td>12</td>
<td>94</td>
<td>&lt;5</td>
</tr>
<tr>
<td>Claims paid</td>
<td>489</td>
<td>&lt;5</td>
<td>30</td>
<td>&lt;5</td>
</tr>
<tr>
<td>Amount paid</td>
<td>$1 176 193</td>
<td>$3 892</td>
<td>$107 069</td>
<td>$3 481</td>
</tr>
</tbody>
</table>


Source: Services Australia, *Annual report 2018–19*, Services Australia, Canberra, 2019, p. 120.

In 2018–19, an ex gratia AGDRP was activated for New Zealanders ineligible for the AGDRP who were affected by the Far North Queensland floods or the northern NSW bushfires. As at 30 June 2019, Services Australia had paid more than 710 claims worth over $832,000. An ex gratia DRA was also activated for the Far North Queensland floods, with 30 claims paid worth over $62,000 as at 30 June 2019 (Services Australia, *Annual Report 2018–19*, p. 121).

**Eligibility criteria for the AGDRP**

The key eligibility criterion for the AGDRP is that the person be considered ‘adversely affected by a major disaster’ as defined in the relevant legislative instrument. For example, the criteria for the 17 January 2020 determination for the New South Wales bushfires sets out the major disaster dates (August 2019 onwards) and the local government areas affected. A person is taken to be adversely affected by this major disaster if:

- a) the person is seriously injured as a direct result of the disaster;
- b) the person is an immediate family member of an Australian who is killed as a direct result of the disaster;
- c) the person’s principal place of residence has been destroyed or has major damage as a direct result of the disaster;
- d) a major asset or assets of the person has or have been destroyed or suffered major damage as a direct result of the disaster;
- e) the person is a principal carer of a child to whom paragraphs (a), (b) or (c) apply.

The January 2020 determination provides that a person’s ‘principal place of residence’ is a place where the person regularly lives with a ‘degree of settled purpose’. A person may have more than one principal place of residence but a secondary residence used for holidays is not considered a principal place of residence. A ‘major asset or assets’ means one or more assets with a total market value of at least $20,000 located at the person’s principal place of residence. Examples suggested in the determination include buildings, vehicles, caravans, water tanks, and machinery.

**Seriously injured**, for a person, means:

- a) the person has sustained an injury; and
- b) because of the injury:
  - i. the person was admitted to hospital; or
ii. under normal circumstances, the person would have been admitted to hospital.

**Major damage** means:

a) for a residence

i. damage to the interior of the residence; or

ii. that the residence is structurally unsound; or

iii. damage to the residence that exposes the interior of the residence to the elements; or

iv. sewage contamination of the interior of the residence or of the water supply to the residence.

b) for a major asset or assets other than a water tank—that it is burnt, or damaged by heat, ash or smoke, to the extent that it needs to be replaced; or

c) for a water tank—damage to the extent that it needs to be repaired or cleaned, or the water replaced.

**Changes in criteria**

Other bushfires in 2019–20 for which the AGDRP was activated used the same criteria. However, the AGDRP eligibility criteria have changed over time with determinations for different disaster events using different definitions. The Productivity Commission’s 2014 report *Natural Disaster Funding Arrangements* described the gradual changes in eligibility:

The AGDRP eligibility criteria have expanded over time. Initially (in 2006), the payment was only available to individuals whose principal place of residence was destroyed or rendered uninhabitable. By 2009, eligibility had been extended to people who were unable to return to their residence for 24 hours, and people who experienced a utility failure for 48 hours. The eligibility criteria were subsequently tightened for the Blue Mountains bushfires in October 2013 so that the AGDRP was available only to people who were seriously injured, who lost family members or whose residence was destroyed or sustained major damage. It was no longer provided to people who lost access to their residence for 24 hours, were isolated in their residence for 24 hours or experienced a utility failure. (p. 116)

The Commission found that ‘tinkering with the AGDRP eligibility criteria has led to inequality and perceptions of unfairness (including the perception that the criteria have been both too narrow and too broad)’ (p. 117). The Commission recommended the criteria for the payment be legislated and that ministerial discretion should be removed (p. 42).

From 2008 to 2019, the definition of major damage used in AGDRP determinations included criteria relating to the extent of damage to a property. For example, the determination made for the January 2016 bushfires in the Pell and South West regions of Western Australia defined major damage as ‘damage to at least a quarter of the interior of the residence’ or ‘damage to the residence that exposes at least a quarter of the interior of the residence to the elements’. From February 2019, the ‘at least a quarter’ minimum damage definition has not applied and any damage to the interior, or which exposes the interior, has been considered major damage.

Damage to or the destruction of major assets has not previously been included as a criterion for a person being adversely affected by a major disaster. This new criterion was announced by the Prime Minister in a press conference on 15 January 2020.
Eligibility for the DRA

The DRA is a short-term income support payment which can be paid to those who can demonstrate that their income has been directly affected by a disaster. It is payable for up to 13 weeks from the date at which the person starts losing income as a direct result of a disaster. It is income tested, taxable, and cannot be paid to those already receiving another income support payment (such as a pension or allowance) or paid parental leave pay/dad and partner pay.

While the payment is considered taxable income, recipients can claim the Beneficiary Tax Offset. In some cases, the payment may be made specifically exempt from tax. On 8 January 2020 Treasurer Josh Frydenberg announced the DRA paid to those affected by the 2019–20 bushfires would be made tax exempt.

In making a determination to activate the payment (under section 36A of the Social Security Act 1991), the Minister responsible for emergency management and disaster assistance must determine that an event is a major disaster and specify either:

- one or more industries and the areas affected by the event or
- one or more areas affected by the event.

The determination is made in writing but is not a legislative instrument.

To be eligible for the DRA, a person must derive income from an affected industry in one of the affected areas, derive income from an affected area, or reside in one of the areas affected. Their income following the disaster must also not exceed certain cut-off limits. This means that the DRA is means tested, but based on post-disaster means.

The rate of the DRA is set out in a legislative instrument and can be varied by the Minister. However, under section 1061KC of the Social Security Act 1991, the maximum rate of the DRA cannot exceed the maximum basic rate of Newstart Allowance or Youth Allowance (where the recipient is aged under 22 years). The Newstart Allowance maximum basic rate for a single person with no children is currently $559.00 per fortnight. For a couple it is $1,009.40 per fortnight (combined). The Youth Allowance maximum basic rate for a person aged 18 years or older who needs to live away from home is $462.50 per fortnight.

The ministerial determination issued on 19 January 2020 includes a rate calculator which is significantly different to previous DRA rate calculators. Under the new rate calculator, a person’s average income in the 13 weeks after the disaster is compared with Australian average weekly earnings. If the person’s disaster-affected income is less than average weekly earnings for a full-time adult (currently $1,634.80), then they will receive the maximum rate of DRA. If a person’s disaster-affected income is more than average weekly earnings, then the person will not be eligible for the DRA. The new rate calculator applies retrospectively from 1 July 2019, but if any individual is worse off under the new calculator, then the previous determination will continue to apply to them.

Under the previous ministerial determination, the rate of DRA was calculated as the difference between the person’s income in the 13 weeks after the disaster and what they would reasonably have expected to earn in the 13 weeks had the disaster not occurred, up to the maximum rate (of Newstart or Youth Allowance). Payment rates are calculated on a fortnightly basis.

The previous rate calculator also applied an income test to the DRA—income at the time the payment was claimed (their disaster-affected income) could not exceed a certain threshold or the person would be ineligible for the payment. The threshold was worked out according to formulae in the ministerial determination. For single people with no children aged 22 years or over, the
threshold as at January 2020 was $1,060.67 per fortnight. Under the new rate calculator, which compares disaster-affected income with Australian average weekly earnings, a person would have to earn income over $3,269.60 per fortnight to be ineligible.

Changes in criteria
The DRA was established in 2013 and first used in response to the October 2013 NSW bushfires. There were no significant differences in eligibility criteria for the payment in response to bushfires until the new rate calculator was issued on 19 January 2020 (see previous section). In each bushfire for which it has been activated, the criteria have set out specific local government areas in which those whose incomes have been affected by the fires may be eligible for the DRA. The Services Australia website (previously known as the Department of Human Services) lists disasters, payments available and eligibility conditions, including the local government areas where the DRA has been activated.

Exemptions and special arrangements for income support recipients during disasters
During disasters and emergencies, special arrangements may be put in place to assist those receiving income support payments, such as pensions or allowances. This can include exemptions from mutual obligation requirements, as well as allowing cashless debit card trial participants or those subject to income management to access more of their payment as cash.

Services Australia can deploy staff to disaster areas and have mobile service centres that can be used to provide access to payments and other services. Normal pre-grant identity confirmation processes do not apply to victims of major disasters.

Exemptions from mutual obligation requirements for those affected by a declared natural disaster
For those receiving payments with mutual obligation requirements (including Newstart Allowance, Youth Allowance (Other) and Parenting Payment), a special circumstance exemption from these requirements can apply where they have been affected by a declared national disaster. An official declaration that the area has natural disaster status must be in place. An initial exemption of four weeks will normally be granted but exemptions of up to 13 weeks at a time can be applied. On 6 January 2020 Prime Minister Scott Morrison announced that those affected by bushfires would be provided with an initial exemption of two months and that this would be subject to further review.

Exemptions from mutual obligation requirements for volunteers in state and national emergencies
Similarly, for those volunteering during state or national emergencies, an exemption from mutual obligation requirements can be granted for up to 13 weeks. Payment recipients will need to provide proof of active involvement, which can be a written statement from their fire service or State Emergency Service commander.

The Department of Employment, Skills, Small and Family Business issued a media release on 13 December 2019 to reiterate that volunteer firefighters would not have their income support payments cut while fighting fires:

When involved in an emergency response, volunteer firies on income support are able to be released from their mutual obligation requirements, under Special Circumstances Exemptions.

They just need to provide some evidence to Centrelink. This can be in the form of a letter from their Rural Fire Services commander, for example.
The exemption from mutual obligations covers all of their requirements, including Work for the Dole.

This applies to all firefighters responding to emergencies, regardless of whether their organisation is on the list of approved volunteer organisations with Centrelink or not (although many fire services have registered and have been approved).

Being on the approved list is only necessary if a job seeker wants to have their volunteering recognised as an ongoing activity that is counted towards their mutual obligation requirements.

For a short-term exemption — up to 13 weeks — a letter is all that’s needed to let Centrelink know.

It’s also possible to apply for an extension if required.

Debt recovery exemptions

During disaster events, Services Australia may suspend debt recovery processes for those affected. The Secretary of Services Australia, Renée Leon, told a Senate Estimates hearing that the ‘practice for natural disasters, and the practice in previous disasters, has been to pause debt recovery for six months’. On 6 January 2020 Prime Minister Scott Morrison announced that those affected by bushfires would have any debt recovery processes paused for an initial two months and that this would be subject to further review.

Cashless Debit Card and income management

Income support recipients who are participants in the Cashless Debit Card trials and those subject to income management have a portion of their payments quarantined to a special debit card or account that can only be used to purchase non-prohibited items. Quarantined amounts cannot be withdrawn as cash.

The Department of Social Services has stated that if, during natural disasters, card payment systems do not work Cashless Debit Card participants may be able to access additional cash from their quarantined funds via an online transfer from their Indue account or by contacting the Cashless Debit Card hotline (1800 252 604). Provisions in the Social Security (Administration) Act 1999 also allow for restricted income management amounts (quarantined amounts) to be used as an unrestricted direct payment to individuals (including via a transfer to a bank account or as cash), particularly in order for them to meet priority needs. While no specific guidance is given in regard to natural disasters, the legislation provides for amounts to be made available to withdraw as cash where the Department of Social Services has deemed it necessary.

A key issue for those subject to income management or who are Cashless Debit Card participants is that they will need to contact government agencies to arrange for their restricted funds to be made unrestricted. This may be very difficult in situations where communications infrastructure has been damaged in the disaster.