



Australian Government
Department of Social Services



Australian Government
Department of Human Services

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

Dear Ms Radcliffe

**SOCIAL SECURITY (ADMINISTRATION) AMENDMENT (INCOME
MANAGEMENT TO CASHLESS DEBIT CARD TRANSITION) BILL 2019**

Thank you for the opportunity to make a submission to the Community Affairs Legislation Committee about the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019 (the Bill), referred for inquiry by the Senate on 12 September 2019. The Department of Social Services and Services Australia is pleased to support the Committee's deliberations through providing information regarding the proposed amendments to Parts 3B and 3D of the *Social Security (Administration) Act 1999* (the Act).

Overview of Bill

The Bill gives effect to the Government's decision in the 2019-20 Federal Budget to transition Income Management (IM) in the Northern Territory and Cape York area in Queensland to the Cashless Debit Card (CDC) and the extension of the CDC in existing sites until 30 June 2021.

The Bill will:

- establish the Northern Territory and Cape York in Queensland as CDC areas and transition IM participants in these areas onto the CDC trial in 2020;
- extend the end date for existing CDC trial areas from 30 June 2020 to 30 June 2021 and establish an end date for the CDC in Cape York of 31 December 2021;
- remove the cap on the number of CDC participants, in order to ensure any person identified as someone who should participate in IM or the CDC is not prevented from doing so;
- remove the exclusion to allow people in the Bundaberg and Hervey Bay trial area to be able to voluntarily participate in the CDC;
- enable the Secretary to advise a community body when a person has ceased to be a participant (through either a general exit or wellbeing exemption) to assist community panels to monitor the trials' effectiveness and ensure a participant does not re-enter the CDC where it would be contrary to their wellbeing; and
- improve the workability of the evaluation process.

Transitioning participants in the Northern Territory

In the Northern Territory, there will be a staggered rollout of the CDC commencing on 8 April 2020, or three months after the Act receives the Royal Assent, under which approximately 23,000 IM participants in the Northern Territory will transition to the CDC over a period of nine months.

From 1 January 2020, no new participants will be placed onto IM under the disengaged youth and long-term welfare payment recipient IM measures. This means that these individuals will not have to participate in IM prior to becoming a CDC participant.

Transitioning participants in Cape York

In Cape York, approximately 150 IM participants within the Cape York area will transition to the CDC on 8 April 2020 or three months after the Act receives Royal Assent.

Under IM in Cape York, an individual becomes an IM participant if a Queensland Commission, currently the Family Responsibilities Commission, issues a notice and the participant meets eligibility criteria under section 123UF of the Act. The Bill enables notices issued by the Family Responsibilities Commission, which remain in force, to be taken to be notices for the purposes of the CDC. This approach maintains the existing legal framework, ensures that the Family Responsibilities Commission maintains its functions and jurisdiction and avoids unnecessary administrative burden.

The CDC participation criteria for the Cape York is consistent with IM criteria. The provision enabling an individual in receipt of veteran payments to be IM participants will not transition to the CDC, as this measure is redundant. As at 16 August 2019, there were no IM participants in Cape York on a veteran payment.

Extension of the end date for the CDC

The Bill extends the end date for the CDC trial in most areas to 30 June 2021 to enable the trial to continue supporting positive outcomes in communities and develop the evidence base to inform policy decisions into the future. However, the CDC will end on 31 December 2021 for the Cape York area to align with funding provided for the operation of the Cape York measure by the National Indigenous Australians Agency.

The Bill also removes the cap on CDC participants to ensure IM participants in the Northern Territory and Cape York are able to transition to the CDC and ensure individuals are not prevented from accessing the CDC because of a numerical limit.

CDC background

The objective of the CDC is to learn more about whether limiting the amount of welfare payments available to be spent on alcohol, drugs and gambling will lead to a reduction in community-level harm. In the current sites it applies to most people on working-age welfare payments in order to reduce the cash available in a community to spend on harmful goods.

The CDC trial has the objective of reducing immediate hardship and deprivation, reducing violence and harm, encouraging socially responsible behaviour, and reducing the likelihood that welfare payment recipients will remain on welfare where there are work opportunities to be had.

The CDC program commenced on 15 March 2016 in the Ceduna region in South Australia, 26 April 2016 in the East Kimberley region in Western Australia, 26 March 2018 in the Goldfields region in Western Australia, and on 29 January 2019 in the Bundaberg and Hervey Bay region in Queensland.

In current CDC trial sites, 80 per cent of a participant's welfare payment is placed on a Visa debit card that can be used at any merchant that accepts eftpos and Visa and does not primarily sell restricted goods. The CDC operates like a standard, mainstream banking product and also enables a range of flexible payment options including online transfers, BPAY, online shopping, and recurring deductions. The CDC cannot be used for the purchase of alcohol, gambling products, open-loop gift cards, or to withdraw cash.

Recognising that participants still need cash for minor expenses, such as for children's lunch money or garage sales, the remaining 20 per cent of the welfare payment is deposited into the participant's regular bank account and can be withdrawn as cash.

The benefits of CDC, compared to IM, include it being less restrictive on individuals and merchants, using improved technology, and placing fewer restrictions on purchases that allow participants to shop from a wide variety of businesses, including online retailers.

The CDC is automatically accepted at over 900,000 eftpos terminals nationally.

While upfront costs for CDC were high due to initial one-off implementation elements, the ongoing costs, which include card provider and other components, are a fraction of these initial costs. The ongoing costs for the CDC across all four sites is below \$2,000 per participant. This figure is at least \$1,000 less than the per participant costs under the IM regime.

IM background

IM has been operating in communities in the Northern Territory and Cape York for more than ten years.

The key objectives of IM under the Act are to:

- reduce immediate hardship and deprivation by directing welfare payments to the priority needs of recipients, their partner, children and any other dependents;
- help affected welfare payment recipients to budget so that they can meet their priority needs;

- reduce the amount of discretionary income available for alcohol, gambling, tobacco and pornography;
- reduce the likelihood that welfare payment recipients will be subject to harassment and abuse in relation to their welfare payments; and
- encourage socially responsible behaviour, particularly in the care and education of children.

Under IM, a welfare recipient has the option to access their income managed funds via a BasicsCard. The BasicsCard is a Personal Identification Number (PIN) protected, reusable card which can be used at approved stores and businesses, through the eftpos system.

The BasicsCard is issued at either a Services Australia service centre or by remote servicing teams in a face-to-face interview.

BasicsCard merchants are stores or businesses that have applied and been approved to accept the BasicsCard through the eftpos system.

The key criteria for approval includes the merchant's:

- main business activity must be the sale of priority goods or services as defined in the approval framework;
- ability to prevent the sale of excluded goods and services including alcohol, tobacco, pornography and gambling goods and services; and
- ability to comply with the obligations set out in the BasicsCard Merchant Terms.

As at 28 June 2019 there were approximately 16,400 BasicsCard approved merchants across Australia.

Engagement with affected communities

The rollout of the CDC has been, and continues to be, the subject of extensive community consultation and engagement processes.

As part of the first round of community engagement for the transition to CDC, the Department of Social Services held meetings with key community leaders and organisations in the Barkly region in the NT during August and September 2018. This engagement provided initial information about the CDC and sought guidance about the most appropriate way to engage with the broader community.

The consistent messages from the majority of community members were that:

- the CDC is a superior product and offers improved functionality and greater consumer choice for participants as compared to the BasicsCard
- the percentage of quarantined funds (50 per cent for most participants) should be retained for participants transitioning from IM to CDC.

Engagement on the transition is continuing and community information sessions will be held across the Northern Territory and Cape York ahead of April 2020.

IM to CDC Transition

Currently, Services Australia has a limited service delivery role in the CDC, with the majority of service delivery functions managed by the card provider (currently Indue Limited) and the Department of Social Services.

Along with the Government's decision to extend the CDC in all existing sites until 30 June 2021, the extension transitions service delivery support for CDC participants from the Department of Social Services to Services Australia between 1 January 2020 and 31 March 2020. The card provider will continue to provide all card and transaction support to participants.

Services Australia also provide support to the Department of Social Services' community engagement in relation to the IM to CDC transition. In addition, the departments are actively engaged in transition planning for customers and impacted stakeholders, including the development of communication strategies and the migration of service delivery activities.

Services Australia, in partnership with the card provider, will support IM participants to transition to the CDC from 8 April 2020 in the Northern Territory and Cape York. The transition will be based on feedback from engagement sessions and ensure a smooth experience for participants. Services Australia will develop a transition strategy in consultation with the Department of Social Services and the card provider.

The strategy will assist customers to understand:

- the differences between IM and the CDC
- how to access money and manage expenses.

The processes and supports in the strategy will account for the remote and very remote locations. Services Australia will support customers in multiple ways, through digital and telephony channels, remote services teams and face to face service centres.

Evaluation of the CDC

The final report of the first independent evaluation of the CDC trial which was completed by ORIMA Research, was released on 1 September 2017. It included the Ceduna and East Kimberley CDC sites and reported that the trial "has been effective in reducing alcohol consumption and gambling in both trial sites and [is] also suggestive of a reduction in the use of illegal drugs" and "that there is some evidence that there has been a consequential reduction in violence and harm related to alcohol consumption, illegal drug use and gambling."

In particular, the evaluation reported that:

- of those who drank alcohol before the trial started, 41 per cent of participants surveyed said they are drinking alcohol less frequently, while 37 per cent of participants surveyed reported binge drinking less frequently;
- of those participants surveyed who said they gambled before the trial started, 48 per cent reported gambling less; and
- of those participants surveyed who said they were using illegal drugs before the trial started, 48 per cent reported using these less since the trial began.

A baseline data collection in the Goldfields, Western Australia, was undertaken by the University of Adelaide, and on 21 February 2019 the *Cashless Debit Card Baseline Data Collection in the Goldfields Region: Qualitative Findings* report was released. The independent baseline data collection captured a snapshot of social conditions in the Goldfields at the time the card was introduced, and the community's initial perceptions of the CDC immediately following implementation.

The report noted that "a majority of respondents were of the opinion that early impacts were starting to be observed" after the introduction of the CDC. Many respondents reported a reduction in levels of substance misuse, a decrease in alcohol-related antisocial behaviour and crime, improvements in child welfare and wellbeing, improvements in financial literacy and management, and that their communities were now quieter and safer.

The University of Adelaide is currently undertaking a second independent impact evaluation of the CDC in the first three sites of Ceduna, East Kimberley, and the Goldfields region, and a baseline data collection in Bundaberg and Hervey Bay region.

The Department of Social Services and Services Australia welcome the opportunity to provide additional assistance or information that is required by the Committee to support their deliberations.

Yours sincerely

Liz Hefren-Webb
Deputy Secretary
Department of Social Services

11
October 2019

Catherine Rule
Deputy Secretary
Services Australia
11 October 2019