



Australian Government  
Department of Social Services

# Cashless Debit Card Final Assessment Regulation Impact Statement

OBPR ID 24100





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## Executive Summary

The Australian Government is committed to maintaining a strong welfare system that operates as a safety net while reducing social harm in communities with high levels of welfare dependency, and supporting people, families and communities to achieve positive outcomes.

The Government aims to achieve this commitment through programs such as the Cashless Debit Card.

Prior to the introduction of the Cashless Debit Card, the Government introduced the Income Management program in 2007, which was designed to help identified individuals, their families and wider cohorts to budget and direct their welfare payments to priority needs, such as food, housing, electricity and education. Comparatively, the objective of the Cashless Debit Card is to limit the amount of welfare payment available as cash with the aim to reduce the overall social harm caused by welfare-fuelled drug and alcohol misuse and problem gambling. The Cashless Debit Card is also designed as a helpful budgeting and financial management tool, which aims to help participants stabilise their circumstances and ensure they have money available to meet essential expenses.

The Government's broader welfare reform agenda ensures that a social security safety net continues to be there for people who need it most, when they need it. The Cashless Debit Card builds from Income Management and has undergone considerable refinement since its first implementation, in order to ensure it reflects feedback from communities and the experience of participants, and continues to address the policy problem in a cost effective manner.

The policy problem is serious and complex, and requires a coordinated response. Support from all levels of government is essential in promoting positive social norms and building a culture of opportunity and personal responsibility for people with the capacity to provide for themselves and their children.

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## 1. BACKGROUND

This Regulation Impact Statement (Statement) has been prepared by the Department of Social Services (the department), regarding proposed changes to the delivery of welfare payments in Australia.

### 1.1 The Government's welfare reform agenda

The Australian Government seeks to maintain a strong welfare system that operates as a safety net, while reducing social harm in communities with high levels of welfare dependency, and supporting people, families and communities to achieve positive outcomes. The Government currently delivers two programs to deliver this commitment, Income Management and the Cashless Debit Card.

Maintaining a welfare system that operates as a safety net supports Australians who are most in need and encourages people to build the skills, knowledge and experience required to find work. This approach focusses on providing people with the right supports at the right time, increases a person's chance of getting and keeping a job, reduces the risk of intergenerational welfare dependency, and ensures that the Government continues to deliver cost-effective welfare support to those in need.

The AIHW report, *Australia's welfare 2019: in brief*, stated that in 2017-18 the Australian and state/territory governments spent nearly \$161 billion on welfare services and support.<sup>1</sup> Between 2001-02 and 2017-18, Australian welfare spending in real terms (adjusted for inflation) grew faster than the population, with the per-person spend rising from \$5,287 to \$6,482. The proportion of people 15 years and older in long-term unemployment (i.e. having been unemployed for 52 weeks or more) also rose from 15 per cent in 2009 to 25 per cent in 2018.<sup>2</sup> This highlights the need to ensure welfare is meeting its objectives in a cost effective manner.

Both Income Management and the Cashless Debit Card involve restrictions on what welfare recipients can spend their welfare payment on to support better outcomes for communities, families and individuals. These programs also aim to drive changes in behaviour, at the individual, family and community levels. This agenda is focused on ensuring welfare payments are not misused in a manner that is responsible for, or contributes to, social harm underpinned by high levels of alcohol, drug and gambling consumption.

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<sup>1</sup> Australian Institute for Health and Welfare, *Australia's welfare 2019: in brief*, <https://www.aihw.gov.au/getmedia/795385cc-6493-45c9-b341-7ddf6006d518/aihw-aus-227.pdf.aspx?inline=true>

<sup>2</sup> Australian Institute for Health and Welfare, *Australia's welfare 2019: in brief*.



## 1.2 Welfare reform policies

### 1.2.1 Income Management

Income Management was first introduced in the Northern Territory in 2007 as part of the Northern Territory Emergency Response (NTER). The NTER was authorised under the *Northern Territory National Emergency Response Act 2007* as a response to the first recommendation of the *Little Children Are Sacred* report. It has since been progressively implemented to a range of locations across Australia. The Government selects Income Management sites based on certain criteria, including:

- high levels of antisocial behaviour, including violence and alcohol consumption;
- following a consultation period at the request of a community; and
- in response to a recommendation of an inquiry or inquest.

Income Management aims to reduce hardship by directing between 50 and 90 per cent of a welfare payment to the priority needs of participants and their family and other dependents. Income Management is used primarily as a budgeting tool; participants who have been identified as particularly vulnerable receive intensive face-to-face support from Services Australia (formerly the Department of Human Services) to ensure their welfare payment is being directed to essentials, such as food, housing, electricity and education. Income managed funds are unable to be spent on alcohol, gambling, tobacco and related products, and pornography, and are unable to be withdrawn as cash.

Income Management participants can be provided with a BasicsCard to access their income managed funds. The BasicsCard is PIN-protected card that operates through the existing eftpos infrastructure, and can be used at approved BasicsCard merchants. It provides a secure way for participants to spend their income managed funds while preventing participants from purchasing restricted items or withdrawing cash.

Under Part 3B of the *Social Security (Administration) Act 1999*, the key objectives of Income Management are to:

- reduce immediate hardship and deprivation by directing welfare payments to the priority needs of recipients, their partner, children and other dependents;
- help participants 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 payments; and
- encourage socially responsible behaviour, particularly in the care and education of children.

Building on the experience of Income Management as part of the NTER, Income Management has been expanded to new locations through different measures since 2007. The different measures allow the Government to tailor the program to best suit the needs of an individual, their family and their wider community.

Between 2008 and 2015, different Income Management measures were introduced to locations in Western Australia, Queensland, the Northern Territory, South Australia, New South Wales and Victoria. This was in response to a range of reasons, including State Coroner's reports, high unemployment rates, community interest and wider legislative reforms. A detailed table of the expansion of the different Income Management measures is at **Attachment A**.

The Government has commissioned seven evaluations of Income Management, the findings of which have supported the development of Income Management in its current form.<sup>3</sup> These evaluations have indicated improvements for Income Management participants and their families, including:

- protection against financial harassment, including unreasonable or excessive demands from family and community members to provide money or other goods;
- ability to stabilise financial circumstances;
- housing stability; and
- improved health and wellbeing outcomes for children.

However, Income Management is also a complex and costly policy, not suited for further expansion. The ongoing operating cost for Income Management is around \$73 million per year. This is mainly due to the individualised nature of referral and servicing, as well as the intensive merchant management processes. The personalised targeting of Income Management and different placement criteria and payment splits adds to the complexity of the program.

Australian communities are continuing to experience the serious effects of social harm caused by drug and alcohol misuse and problem gambling, as well as long-term welfare dependence.

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<sup>3</sup> Australian Department of Social Services, *Income Management Evaluations*, <https://www.dss.gov.au/families-and-children-programmes-services-welfare-conditionality-income-management/income-management-evaluations>

## 1.2.2 The Northern Territory Emergency Response

On 8 August 2006, the Northern Territory Government established a Board of Inquiry into the Protection of Aboriginal Children from Sexual Abuse to investigate reports of child sexual abuse in the Northern Territory and suggest possible solutions. The resulting report, *Little Children Are Sacred*, was published on 30 April 2007.<sup>4</sup> The report contained 97 recommendations to the Northern Territory Chief Minister, including designating the issue of child protection as one of urgent national significance by both the Australian and Northern Territory governments, and improving policies around:

- education and school attendance;
- coordination with Family and Child Services;
- alcohol management and reduction of alcohol-related harm;
- illicit substance abuse;
- employment opportunities;
- housing, in particular overcrowding;
- pornography; and
- gambling.

In response to the findings and recommendations from *Little Children are Sacred*, the Government introduced Income Management in 2007 as part of the Northern Territory Emergency Response (NTER), authorised under the *Northern Territory National Emergency Response Act 2007*. Income Management was one of a raft of policies across the areas of service coordination, law and order, family support, employment, health, education, and housing and land reform that the NTER delivered.

The Act facilitated Income Management for welfare payment recipients in 73 prescribed Aboriginal communities and town camps, with 50 per cent of a person's welfare payment income managed and reserved for priority needs to support that person and their family, in particular any children.

A review conducted by the Government, titled the *Northern Territory Emergency Response: One Year On*, identified that within one year of Income Management being introduced into the Northern Territory, more than 90 per cent of income managed funds had been spent on priority needs by more than 13,300 participants.<sup>5</sup>

The NTER board was appointed to conduct an independent review of the NTER measures which was released on 13 October 2008. The Board found the benefits of Income Management were increasingly being experienced by participants. The Government formally responded to the review in May 2009 with the release of *Future directions for the Northern Territory Emergency Response: a discussion paper*.

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<sup>4</sup> Northern Territory Government, *Little Children Are Sacred*, [http://www.inquirysaac.nt.gov.au/pdf/bipacsa\\_final\\_report.pdf](http://www.inquirysaac.nt.gov.au/pdf/bipacsa_final_report.pdf)

<sup>5</sup> Australian Government, *Northern Territory Emergency Response: One Year On*, [https://www.dss.gov.au/sites/default/files/documents/05\\_2012/nter\\_review.pdf](https://www.dss.gov.au/sites/default/files/documents/05_2012/nter_review.pdf)

The discussion paper set out a number of proposals of how NTER measures should be continued and community views were being sought when evaluation was being completed. The Government's view in the paper stated that Income Management should be continued as it was helping children, improving families financial security and community safety by minimising the amount of money available to purchase alcohol and gambling.

### 1.2.3 Cashless Debit Card

In 2014 The Forrest Review: Creating Parity was published which made 27 recommendations around Indigenous education, welfare reform, housing and training and employment opportunities.<sup>6</sup> The Forrest Review noted that while Income Management had been successful in helping people stabilise their financial circumstances and protecting vulnerable people from harm, it was becoming too complex and costly to sustain. A recommendation in the report was to replace Income Management with a Healthy Welfare Card.

The Government accepted the recommendations of the Forrest Review around improving Income Management.

The Review identified the challenges of ensuring Australia's welfare system was used to build healthy lifestyles and support people make the best choices for themselves and their families – particularly their children.

A lack of financial understanding was identified as a key contributor to ongoing poverty and exclusion from economic participation. The Review also identified that the use of welfare funds on alcohol or gambling can further exacerbate problems and directly lead to social harm and poor community outcomes.

To address the policy problem identified, the department undertook consultation with representatives from business and industry, the community sector, community leaders, and all levels of government on the issue. These consultations resulted in the development of the Cashless Debit Card, which aligned with community and industry expectations and capabilities.

The Cashless Debit Card first commenced in Ceduna, South Australia, on 15 March 2016, and has since been expanded to the East Kimberley and Goldfields regions, Western Australia, and Bundaberg and Hervey Bay region, Queensland.

The objective of the Cashless Debit Card is to limit the amount of welfare payment available as cash with an aim to reduce the overall harm caused by welfare-fuelled drug and alcohol misuse and problem gambling. The Cashless Debit Card can also assist participants as a helpful financial management tool to provide them with assistance to budget better for their circumstances. Under the Cashless Debit Card, 80 per cent of a participant's welfare payment is placed on a Visa debit card that operates like a regular bank card, except it cannot be used to purchase alcohol, gambling products and open loop gift cards, and it cannot be used to withdraw cash.

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<sup>6</sup> The Minderoo Foundation, *The Forrest Review: Creating Parity*, <https://cdn.minderoo.com.au/content/uploads/2019/02/05183022/3838-Forrest-Review-Update-Full-Report-Complete-PDF-PRO1-p.pdf>

Legislative authority for the Cashless Debit Card is established under Part 3D of the *Social Security (Administration) Act 1999*. The objectives of the Cashless Debit Card include to:

- reduce the amount of certain welfare payments available to be spent on alcohol, gambling products and illicit drugs;
- support program participants with their budgeting strategies; and
- encourage socially responsible behaviour.

The card, currently provided by Indue Ltd., supports a range of flexible payment options, including online transfers, BPAY, online shopping and recurring deductions. The card can be used at almost all merchants with Visa or eftpos facilities and has very little impact on participants who already spend their money responsibly.

In Ceduna, the East Kimberley and the Goldfields, the card applies to all people on a working-age welfare payment, and in Bundaberg and Hervey Bay, it applies to those aged 35 years and under on Parenting Payment (Partnered), Parenting Payment (Single), JobSeeker Payment (formerly Newstart Allowance) and Youth Allowance (Job seeker). The four sites are currently legislated until 31 December 2020.

Cashless Debit Card sites are selected based on a number of factors, including:

- community interest, support, readiness and willingness;
- high levels of disadvantage and welfare dependence; and
- high levels of social harm caused by drug and alcohol use and gambling.

#### 1.2.4 Income Management and the Cashless Debit Card

Income Management is targeted towards vulnerable individuals, while the Cashless Debit Card restricts the amount of cash in a community with the aim to reduce the overall social harm caused by welfare-fuelled alcohol, gambling and drug misuse at the individual and community level.

Income Management is designed to help identified individuals, their families and wider cohorts to budget and direct their welfare payments to priority needs, such as food, housing, electricity and education. Comparatively, the purpose of the Cashless Debit Card is to reduce social harm in identified communities caused by alcohol and drug abuse and problem gambling, through limiting the amount of welfare payment available as cash in that community. In order to achieve the different objectives whilst addressing the policy problem, the two programs are different in both policy and operation.

The introduction of Product Level Blocking (PLB) is a key improvement for the Cashless Debit Card. Current merchant management involves blocking entire merchants that sell restricted items, blocking specific PIN pads or entering into agreements with merchants to manually identify the Cashless Debit Card and block specific products. PLB uses a merchant's point-of-sale (POS) system and the PIN pad to identify restricted items in a basket and block the purchase of individual products with a Cashless Debit Card. Using this new technology, the merchant staff do not need to know what type of card the customer is using for payment and they also do not need to know which of their products are restricted. This improves the shopping experience for the cardholder, opens up opportunities for participants to shop at more businesses, reduces stigma and simplifies operations for the merchant.

The main difference between policy intentions of the two programs is that Income Management is focussed on directing participants to the purchase of essential needs, whereas the Cashless Debit Card is focussed on minimising exposure to goods that cause community-level harm. Key operational and policy differences between Income Management and the Cashless Debit Card are summarised in Table 1.

**Table 1: Policy and operational differences between Income Management and the Cashless Debit Card**

Feature	Income Management	Cashless Debit Card
Policy Objectives	Directing expenditure towards priority needs and helping participants budget so they can meet their priority needs.	Providing budgeting support and restricting expenditure on harmful good to reduce the social harm caused by these goods.
Merchant Management	Merchants are automatically <b>excluded</b> unless they enter into an agreement with Services Australia. All merchants require manual management and ongoing compliance checks.	Merchants are automatically <b>included</b> unless they sell a restricted item. Manual management and compliance agreements are only required for mixed merchants (those selling restricted and non-restricted goods).
Operational	Accepted at around 17,000 merchants. Can only be used at approved merchants and not for online shopping or bank transfers.	Accepted at over 900,000 terminals. Flexible payment options including online transfers, BPAY, online shopping, recurring deductions
Restricted Goods	Alcohol, tobacco and tobacco products, pornography, gambling products, or to withdraw cash	Alcohol, gambling products, cash-like products, or to withdraw cash
Interest	No interest accrued	Interest at standard industry rates
Technology	Works by blocking entire merchants, unless they've entered an agreement.	PLB technology will block the purchase of a particular item
Participant Support	Services Australia initially provides one on one support with each participant in order to identify their basic needs and those of their family, and set up the appropriate payment deductions. Can assess ongoing support from Services Australia through a range of channels.	Can access banking services via an online portal, a mobile app and a telephone hotline, provided by Indue. Services Australia provides face-to-face support, online servicing and a hotline.

### 1.2.5 Participants

People become Income Management participants either through automatic criteria, similar to the Cashless Debit Card, or via referral. People are placed onto Income Management under the Disengaged Youth, Long-term Welfare Recipient and Vulnerable Welfare Recipient - Youth measures due to automatic criteria, such as age and time on payment.

People are referred onto Income Management under the Cape York, Child Protection, Supporting People at Risk and Vulnerable Welfare Payment Recipient measures by a social worker or other authorised body. People can also volunteer to be placed on Income Management. See **Attachment A** for more information on the different measures and their eligibility criteria.

Similar to some Income Management measures, all Cashless Debit Card participants are placed onto the card using automatic age, welfare payment and location criteria. Once placed onto the card, a person will remain on the Cashless Debit Card so long as they continue to meet the eligibility criteria, even if they move outside the boundaries of a Cashless Debit Card site. People can also volunteer to be placed on the Cashless Debit Card. The use of automatic criteria for Cashless Debit Card participants enables the Government to deliver a cost-effective welfare reform agenda while ensuring that the policy problem has the best chance of being addressed.

### 1.2.6 Payment split

The different Income Management measures have different payment splits, with anywhere from 50 to 90 per cent of a participant's welfare payment being placed on their BasicsCard. The multiple payment splits are a result of policy targeting of the separate measures and have been informed by community consultation. Continuing to implement the eight Income Management measures with five payment splits contributes to the costliness and complexity of the program.

Currently, Cashless Debit Card participants have 80 per cent of their welfare payment placed onto their Cashless Debit Card. As with the participant criteria, simplifying it across locations and cohorts results in a greater likelihood of the policy problem being addressed while delivering on the Government's commitment for sustainable and responsible welfare.

The transition of Income Management participants in the Northern Territory and Cape York region to the Cashless Debit Card will be consistent with the payment split under Income Management. This maintains the policy settings of Income Management introduced in 2012 as part of the Stronger Futures in the Northern Territory policy.

### 1.2.7 Legislation and implementation of the Cashless Debit Card

Indue, the card provider, engages local partners to assist participants with practical enquiries and support, such as card activations, online account set up, paying bills and arranging housing and other transfer limits. Engaging established and trusted local organisations as local partners allows participants to receive targeted assistance and helps facilitate the ongoing partnership between the Government and community leaders.

Community panels were also established in Ceduna, Kununurra and Wyndham so that Cashless Debit Card participants could apply to reduce the percentage of their welfare payment placed onto the card and thus have greater access to cash.

The department worked closely with the community leaders to develop the guidelines and membership of the panels, in line with each community’s identified objectives and agreed-upon social norms. The community panel model allows community leaders to be involved in the delivery of the program, in the same manner as the models of local partners, consultation and co-design.

The Cashless Debit Card has undergone evaluation and review, which has informed legislative amendments and further refined the program. Table 2 provides a summary of the evaluation done to date and the major findings, additional details can be found in **Attachment C**. A high-level summary of the legislation and various amendments is in Table 3, further details can be found in **Attachment B**.

**Table 2: Summary of evaluation and findings of the Cashless Debit Card**

Evaluation	Key Date	Key Findings
ORIMA <i>Cashless Debit Card Trial Evaluation – Final Evaluation Report</i>	The final evaluation report was released on 1 September 2017	The Final Evaluation Report findings included: <ul style="list-style-type: none"> <li>• of those who drank alcohol before the Cashless Debit Card program started, 41 per cent said they were drinking alcohol less often, up from 25 per cent reported in the Wave 1 Interim Evaluation Report;</li> <li>• of those who said they were using illicit drugs before the program started, 48 per cent reported using less, up from 24 per cent reported in the Wave 1 Interim Evaluation Report;</li> <li>• of participants who said they gambled before the program started, 48 per cent reported gambling less, up from 32 per cent reported in the Wave 1 Interim Evaluation Report;</li> <li>• of people with caring responsibilities surveyed, 40 per cent reported being able to better care for their children since the program started, and 39 per cent reported being more involved in homework and school; and</li> <li>• 45 per cent of participants reported being able to save more money than before being a participant, up from 31 per cent reported in the Wave 1 Interim Evaluation Report.</li> </ul>
The Australian National Audit Office’s report, <i>The Implementation and Performance of</i>	On 17 July 2018, the Australian National Audit Office (ANAO) tabled its report, titled <i>The</i>	The report made six recommendations which the department agreed to and the department has undertaken action to improve practices in relation to the Cashless Debit Card program.



Evaluation	Key Date	Key Findings
<i>the Cashless Debit Card Trial</i>	<i>Implementation and Performance of the Cashless Debit Card Trial in Parliament</i>	
<p>The <i>Cashless Debit Card Baseline Data Collection in the Goldfields Region: Qualitative Findings Report</i></p> <p>Future of Employment and Skills Research Centre (FES) at the University of Adelaide, draft Second Impact Evaluation</p>	<p>Published on 21 February 2019.</p>	<p>Several early positive impacts were already being observed, with many stakeholder and participant respondents reporting that:</p> <ul style="list-style-type: none"> <li>• the Cashless Debit Card seemed to be having a positive effect on the prevalence and severity of crime, family violence and antisocial behaviour;</li> <li>• communities seemed quieter and safer;</li> <li>• levels of substance abuse, alcohol-related antisocial behaviour and crime appeared to have reduced;</li> <li>• the provision of food, clothes and toys to the children of participants had increased;</li> <li>• spending patterns of some participants were changing, with less money spent on alcohol and more on food, bills and household items; and</li> <li>• levels of financial literacy and management were improving for some participants, including the ability to budget and save.</li> </ul> <p>Early findings from the Draft Second Impact Evaluation indicate:</p> <ul style="list-style-type: none"> <li>• 25 per cent (of those who drink alcohol) reported they have reduced the amount they drink at any one time, since the introduction of the Cashless Debit Card, and 22 per cent reported they have reduced the frequency of drinking;</li> <li>• Overall, 9 per cent reported the Cashless Debit Card had helped decrease the use of illicit drugs for themselves, 10 per cent for their family and 14 per cent for their community; and</li> <li>• Around 21 per cent of Cashless Debit Card participants reported a change in gambling behaviours for themselves or the people around them. The qualitative evidence found that cash previously used for gambling had been redirected to essentials such as food.</li> </ul>

**Table 3: Summary of legislation related to the Cashless Debit Card**

<b>Legislation</b>	<b>Key Date</b>	<b>Objectives</b>
<i>Social Security Amendment (Debit Card Trial) Act 2015</i>	Royal Assent received 12 November 2015	Established the original Cashless Debit Card trial with: <ul style="list-style-type: none"> <li>• three trial sites;</li> <li>• a trial period of 1 February 2016 to 30 June 2018; and</li> <li>• a maximum of 10,000 participants.</li> </ul>
<i>Social Services Legislation Amendment (Cashless Debit Card) Act 2017</i>	Royal Assent received 20 February 2018	The Act allowed for: <ul style="list-style-type: none"> <li>• an end date of 30 June 2019 for three Cashless Debit Card sites;</li> <li>• the creation of the Goldfields site; and</li> <li>• the power to define future trial site be moved to primary legislation.</li> </ul>
<i>Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Act 2018</i>	Royal Assent received 21 September 2018	The Act: <ul style="list-style-type: none"> <li>• Established Bundaberg and Hervey Bay as the fourth Cashless Debit Card trial site;</li> <li>• established an end date for the Bundaberg and Hervey Bay site of 30 June 2020;</li> <li>• increased the maximum of trial participants to 15,000;</li> <li>• created an exception from Part IV of the Competition and Consumer Act 2010 to allow for product-level blocking; and</li> <li>• restricted cash-like products, including open-loop gift cards.</li> </ul>
<i>Social Security (Administration) Amendment (Income Management and Cashless Welfare) Act 2019</i>	Royal Assent received 12 August 2019	The Act: <ul style="list-style-type: none"> <li>• Made the department Secretary the decision-maker for all exit applications, regardless of where Cashless Debit Card participants live;</li> <li>• broadened the exit criteria to take into account a person's ability to manage their affairs generally, including financial affairs;</li> <li>• clarified that the exit applications must be made in a form approved by the Secretary; and</li> <li>• expanded the wellbeing exemption provisions to ensure they apply across all regions.</li> </ul>
<i>Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019</i>	Not yet passed	The Bill proposes to: <ul style="list-style-type: none"> <li>• Establish the Northern Territory and Cape York as Cashless Debit Card sites</li> <li>• transition Income Management participants onto the card from mid-2020</li> <li>• extend the end date of all Cashless Debit Card sites to 30 June 2021 and establish an end date for the trial in Cape York to 31 December 2021, to align with existing funding arrangements;</li> </ul>

Legislation	Key Date	Objectives
		<ul style="list-style-type: none"> <li>• remove the cap on the number of Cashless Debit Card participants;</li> <li>• remove the exclusion to allow people in Bundaberg and Hervey Bay to voluntarily participate in the trial;</li> <li>• improve information-sharing provisions to streamline the exit pathway; and</li> <li>• amend the provision requiring an independent review of an evaluation, to avoid duplicating existing processes.</li> </ul>

### 1.2.8 Consultation to further expand the Cashless Debit Card

As part of the 2018-19 Mid-Year Economic and Fiscal Outlook (MYEFO), the Government allocated funds for a possible expansion of the Cashless Debit Card in mid-2019. The department undertook consultation with communities that expressed an interest in learning more about the card and how it may support their communities.

In July 2018, the Government announced a Regional Deal for the Barkly region, Northern Territory. Initial discussions raised the potential of including the Cashless Debit Card as part of the Regional Deal, subject to community support. Between August 2018 and April 2019, the department conducted more than 40 meetings and feedback sessions across the Barkly region with key stakeholders, including leaders, communities, local organisations and peak bodies.

The Government consulted with other communities on a potential expansion of the Cashless Debit Card, and continued to engage with the communities of the Barkly region to identify solutions to the social harm they were experiencing, including a potential trial of the card.

In the 2019-20 Budget, the Government announced that Income Management participants in the Northern Territory and Cape York, Queensland would transition to the Cashless Debit Card from April 2020. The Government built on initial consultations held in the Barkly region in 2018 to engage with Income Management recipients in the Northern Territory and Cape York on the transition onto the Cashless Debit Card.

These sites were chosen to transition from Income Management to the Cashless Debit Card to provide the improved technology and better experience of the Cashless Debit Card.

The transition to the Cashless Debit Card in the Northern Territory and Cape York will provide welfare recipients living in these locations with the benefits of the Cashless Debit Card, which include a range of flexible payment options, fewer restrictions on participants and merchants, and significant, sustained improvements in communities.

## 1.3 Programme Monitoring and Enhancements

### 1.3.1 Monitoring circumvention activity and program integrity

The Government is aware that some Cashless Debit Card participants undertake circumvention activities, also known as workarounds. Circumvention activities usually relate to the purchasing of restricted items or increasing access to cash from merchants or individuals.

The department monitors administrative data through its program monitoring strategy (more detail at 1.3.2) and identifies and mitigates circumvention activity as it arises. When the data indicates potentially circumventive behaviour, the department analyses this to determine the best action to address the issue. Monitoring circumvention activity is critical to ensure that cash continues to be limited in Cashless Debit Card communities to maintain the policy intent and address the policy problem.

With further enhancements to the technology, managing circumvention behaviour has become easier and more effective. The PLB pilot reduces the number of circumvention avenues by automatically blocking at the product level rather than the merchant level. This means that Cashless Debit Card participants will not be restricted in where they shop, but will only be restricted from purchasing alcohol, gambling or cash-like products.

### 1.3.2 Cashless Debit Card program monitoring strategy

In response to the ANAO report, the department developed the Cashless Debit Card program monitoring strategy to improve visibility of the program, and how it is being implemented across all sites. The strategy utilises administrative data to provide assurance that the program is operating as intended, and that people are using their cards regularly. The strategy makes use of operational data already collected, payment and participant data from Services Australia, and transaction data from the card provider, Indue.

A function of the program monitoring strategy is community engagement. The department regularly meets with local leaders in each site, through either established forums or purpose-built meetings, to share and discuss the Cashless Debit Card data. These meetings also enable leaders to provide the department with a more holistic understanding of the card's impact on their community and discuss current concerns.

Partnerships developed through the sharing of data and local knowledge between leaders and the department is a key way in which solutions to the policy problem continue to be examined as the operating environment evolves.

### 1.3.3 Technological enhancements to the Cashless Debit Card

The Cashless Debit Card has been continually upgraded and refined since its first introduction to Ceduna in 2016, making it look and operate like a standard banking product while still addressing the policy problem. These were the result of feedback from participants with improvements in the available technology including:

- upgrading the card to a dial VISA-eftpos card;
- enabling ATM balance checks;
- enabling direct debits using a participant's BSB and account number;
- amending the process for online shopping to replicate that of regular shopping, i.e., blocking restricted merchants rather than approving unrestricted merchants; and
- allowing a participant to save BPAY and account details online.

### 1.3.4 Product Level Blocking

PLB provides a new technology solution to the blocking of restricted items under the Cashless Debit Card. The current process involves blocking entire merchants that sell restricted items, blocking specific PIN pads or entering into agreements with merchants to manually identify the Cashless Debit Card and block specific products. In comparison, PLB introduces a technology solution that allows individual restricted items to be automatically blocked through changes to a merchant's POS system and PIN pad.

Once PLB is implemented, a merchant's POS system checks customers' shopping for restricted items. If no restricted items are present, the transaction continues as normal regardless of the payment method. If any restricted items are in the basket, and a Cashless Debit Card is presented for payment, then the PIN pad will cancel the transaction. The POS system will offer options to complete the transaction, including accepting an alternative payment, removing the restricted items and paying with a Cashless Debit Card, or cancelling the sale.

PLB is a crucial element to addressing the policy problem, as it reduces stigma, limits the potential for circumvention, increases shopping options for participants and facilitates easy operation of the card for both participants and merchants.

The department is currently undertaking a PLB pilot with selected small and medium merchants and is engaging with major national merchants to implement their own PLB solutions.

### 1.3.5 Stand-in processing

In November 2019, stand-in processing (STIP) went live on Cashless Debit Card accounts. STIP enables Cashless Debit Card participants to continue to make card-based transactions in the event that the current card provider, Indue, has a system outage. This ensures that participants are not disadvantaged by a lack of access to cash in the event of an Indue system outage.

## 2. THE POLICY PROBLEM

Evidence suggests that there is a relationship between the consumption of alcohol, drugs and gambling and the receipt of welfare payments in Australia.

In defining the policy problem, it is essential to consider the sustained impacts of intergenerational welfare dependency and social harm in Australia on individuals, families and communities, as well as the significant social and economic costs associated with these issues.

### 2.1 Welfare Dependence

Current evidence suggests that long-term welfare dependence, including intergenerational welfare dependence, is detrimental to Australian families and exposes them to a cycle of limited opportunities and harmful behaviours.

The department's 2018 Valuation Report<sup>7</sup> includes the level of parental welfare dependence as an indicator of estimated lifetime cost of welfare. This report found that a person's reliance on welfare is impacted by the time during their childhood that their parent relied on welfare. The report also found that people who were in receipt of a studying, parenting or disability support welfare payment and had high levels of parental welfare dependence were associated with higher lifetime costs. Furthermore, 20 to 25 year olds in receipt of a working-age welfare payment with high levels of parental welfare dependence tended to have high levels of welfare dependence in their own right.

In 2018, the House of Representatives Select Committee on Intergenerational Welfare Dependence examined the reasons for welfare dependence. The Committee published its final report in February 2019, entitled *Living on the Edge: Inquiry into Intergenerational Welfare Dependence*.<sup>8</sup> The report stated that by 25 years old 90 per cent of people, who experienced very high levels of parental welfare dependence in childhood, will have interacted with the welfare system themselves.

Additionally, evidence suggests that long-term welfare dependence, including intergenerational welfare dependence, is detrimental to Australian families and results in significantly worse health and wellbeing. Intergenerational welfare dependence has been linked with poorer health, learning and cognitive outcomes. The use of alcohol and other drugs is one risk factor associated with socio-economic disadvantage.<sup>9</sup> Intergenerational welfare also increase the economic cost of welfare programs.

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<sup>7</sup> Australian Department of Social Services, 2018 Valuation Report, <https://www.dss.gov.au/review-of-australias-welfare-system-australian-priority-investment-approach-to-welfare/2018-valuation-report>

<sup>8</sup> Australian House of Representatives Select Committee on Intergenerational Welfare Dependence, *Living on the Edge*, [https://www.aph.gov.au/Parliamentary\\_Business/Committees/House/Former\\_Committees/Intergenerational\\_Welfare\\_Dependence/IGWD/Final\\_Report](https://www.aph.gov.au/Parliamentary_Business/Committees/House/Former_Committees/Intergenerational_Welfare_Dependence/IGWD/Final_Report)

<sup>9</sup> Australian House of Representatives Select Committee on Intergenerational Welfare Dependence, *Living on the Edge*.

## 2.2 Social harm in Australia

The impacts of drug and alcohol misuse and problem gambling are widespread, with serious consequences for families, children and communities. Drug and alcohol misuse and problem gambling costs Australia tens of billions of dollars every year. This includes costs to the health system and justice system, and costs associated with productivity loss, household financial events and, in some cases, premature mortality. The estimated social cost for opioid and cannabis use was \$20 billion in 2015-16, while alcohol misuse costed the Australian economy about \$14 billion in 2010.<sup>10</sup>

In addition to this, gambling also costs the Australian economy over \$4 billion per year.<sup>11</sup> The use of taxpayers' money, through welfare payments, to fund this harm does not support the intentions of social security support.

### 2.2.1 Alcohol and Drug Misuse

Welfare dependency and drug and alcohol misuse continue to impact life outcomes for welfare recipients and communities. Alcohol is a contributing factor in an estimated 65 per cent of all domestic and family violence incidents and an estimated 47 per cent of child abuse cases.<sup>12</sup> Additionally, the highest number of Australian alcohol-induced deaths in two decades was recorded in 2017.<sup>13</sup> Similarly, the number of drug-related hospital separations rose from 116,778 in 2013-2014 to 136,156 in 2017-2018.<sup>14</sup>

The 2016 National Drug Strategy Household Survey (NDSH Survey) found that unemployment is strongly linked to greater levels of risky alcohol and illicit drug intake. In addition, the Household and Income Labour Dynamics in Australia (HILDA) found that, on average, gamblers who lived in low-income households spent 10 per cent of their total disposable income on gambling compared with one per cent in high-income households.<sup>15</sup>

The National Drug Strategy 2017-2026 notes that disadvantaged communities have a higher risk of experiencing disproportionate harms associated with alcohol and drug use.<sup>16</sup> A study undertaken by the University of Newcastle in 2013 examined the prevalence of high-risk health behaviours among a disadvantaged population, the majority of whom were welfare-dependent.<sup>17</sup>

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<sup>10</sup> Australian Institute of Health and Welfare, *Alcohol, tobacco and other drugs in Australia*, <https://www.aihw.gov.au/reports/alcohol/alcohol-tobacco-other-drugs-australia/contents/introduction>

<sup>11</sup> Australian Treasury, *Productivity Commission Report into Gambling*, <https://ministers.treasury.gov.au/ministers/nick-sherry-2009/media-releases/productivity-commission-report-gambling>

<sup>12</sup> Foundation for Alcohol Research and Education (FARE), *The hidden harm; Alcohol's impact on children and families*, <https://fare.org.au/the-hidden-harm-alcohols-impact-on-children-and-families/>

<sup>13</sup> AIHW, *Alcohol, tobacco and other drugs in Australia*.

<sup>14</sup> AIHW, *Alcohol, tobacco and other drugs in Australia*.

<sup>15</sup> AIFS, *Gambling in Australia: findings from wave 15 of the HILDA Survey*.

<sup>16</sup> Department of Health, 2017. *The National Drug Strategy 2017 – 2026*. [http://health.gov.au/sites/default/files/national-drug-strategy-2017-2026\\_1.pdf](http://health.gov.au/sites/default/files/national-drug-strategy-2017-2026_1.pdf)

<sup>17</sup> Bryant, J., Bonevski, B., Paul, C. L., & Lecathelinais, C. L. (2013). A cross-sectional survey of health risk behaviour clusters among a sample of socially disadvantaged Australian welfare recipients. *Australian and New Zealand Journal of Public Health*, 37(2), 118–123.

The study found that 51.4 per cent of participants drank alcohol at risky levels compared to 17.4 per cent for the general Australian population. This identifies a need to address problem gambling and alcohol and drug misuse in areas where welfare dependency is high.

Drug and alcohol misuse and problem gambling are pervasive issues that impact the most vulnerable in a community. Alcohol and drug abuse is associated with increased risky and criminal behaviours, physical assault, mental health issues, and chronic disease, injury and premature death. Problem gambling can lead to significant negative impacts on individuals and families including food stress, housing instability and poorer psychological wellbeing.

Mental health issues are closely associated with drug use. The NDSH Survey found an increase in mental health diagnosis and treatment linked with drug use for meth/amphetamines, cannabis, ecstasy and cocaine users. Additionally, high and very high psychological distress rates for drug users increased from 17.5 per cent in 2013 to 22 per cent in 2016 indicating a growing problem in Australian society.<sup>18</sup>

Drug and alcohol misuse plays a key role in risky and criminal behaviours and use is disproportionately overrepresented within the criminal justice system. In 2019, 45 per cent of drug-using respondents reported engaging in criminal activity, with the most common offences including drug dealing and property crime according to the Ecstasy and related Drugs Reporting System (EDRS) and the Illicit Drugs Reporting System (IDRS). The EDRS and IDRS also found that 11 per cent and 34 per cent, respectively, of respondents reported being arrested in the past year.<sup>19</sup> The Australian Bureau of Statistics (ABS) has noted that crime rates are interrelated with social factors such as low income, high unemployment and high levels of drug use. Reducing the amount of cash available in communities aims to limit access to drugs and improves financial stability, which contributes to a reduction in crime levels.

Alcohol and other substances are also major contributing factors in incidents of physical assault. Of those who have experienced an incident of physical assault from a male perpetrator, 61 per cent of men and 49 per cent of women believed that alcohol or another substance was a key contributing factor to their most recent incident, according to the Australian Bureau of Statistics' 2016 Personal Safety Survey. This association was similar for physical assault perpetrated by females with 46 per cent of males and 45 per cent of females believing alcohol or another substance contributed to their most recent incident. Furthermore, the NDSH Survey found that 22 per cent of Australians had experienced verbal or physical abuse, or been afraid of someone under the influence of alcohol in 2016.<sup>20</sup>

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<sup>18</sup> AIHW, *National Drug Strategy Household Survey 2016*.

<sup>19</sup> AIHW, *Alcohol, tobacco and other drugs in Australia*.

<sup>20</sup> AIHW, *National Drug Strategy Household Survey 2016*.



## 2.2.2 Problem Gambling

Australia has the highest per capita gambling losses in the world. In a survey by the Australian Gambling Research Centre (AGRC), it was found that Australians lost approximately \$22 billion to legal gambling. AGRC also found that gamblers in areas of higher social disadvantage lose more money to gambling to those in areas of lower social disadvantage. This suggests that gambling further entrenches inequality into already socially disadvantaged Australian communities. This is supported by Wave 15 of the Household and Income Labour Dynamics in Australia (HILDA), which found that, on average, gamblers who lived in low-income households spent 10 per cent of their total disposable income on gambling, compared with one per cent in high-income households.<sup>21</sup>

The Wave 15 Survey also found that while problem gamblers represented 17 per cent of all regular gamblers, they represented nearly half of all expenditure.<sup>22</sup> This particularly concerning as unemployed respondents, including those either looking and not looking for work comprised 31.5 per cent of all problem gamblers in the Wave 15 Survey.

Gambling has direct and significant negative impacts on household finances. Gamblers often report the following consequences of their gambling:

- accruing debts from credit cards and short-term loans;
- borrowing from friends and family;
- being forced to sell possessions; and
- engaging in criminal activity in order to generate enough income.

Other consequences of gambling include food stress, housing instability, reduced work performance and job loss. Additionally, the AGRC report described a recent study that found that for every problem gambler, an average of six others are directly affected.<sup>23</sup>

Gambling not only has a major impact on the financial circumstances of people, it also contributes to poorer psychological wellbeing of gamblers themselves and those around them. One in ten problem gamblers reported having contemplated suicide because of gambling according to the Australian Bureau of Statistics (ABS)<sup>24</sup>.

The ABS also found that accessibility to gambling services such as poker and gambling machines is directly related to the prevalence of problem gambling.

If the problem remains unchallenged, taxpayer-funded welfare payments will continue to fund social harm, instead of providing a strong social welfare safety net and driving positive change within communities.

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<sup>21</sup> AIFS, *Gambling in Australia: findings from wave 15 of the HILDA Survey*.

<sup>22</sup> Australian Institute of Family Studies, *Gambling activity in Australia: findings from wave 15 of the Household, Income and Labour Dynamics in Australia (HILDA) Survey*, [https://aifs.gov.au/agrc/sites/default/files/publication-documents/rr-gambling\\_activity\\_in\\_australia\\_0.pdf](https://aifs.gov.au/agrc/sites/default/files/publication-documents/rr-gambling_activity_in_australia_0.pdf)

<sup>23</sup> AGRC, *Gambling in Suburban Australia*.

<sup>24</sup> *Australia Bureau of Statistics, Gambling in Australia*

<https://www.abs.gov.au/Ausstats/abs@.nsf/0/99d3b5096368c2e9ca2569de002842b7>

## 2.3 Need for Continued Action

The Cashless Debit Card sites all experience significant rates of social harm, unemployment and intergenerational welfare. For example, the Bundaberg and Hervey Bay region has the second highest youth unemployment rate in Queensland at 28.7 per cent, with many now experiencing intergenerational welfare dependence.

The Goldfields region was selected based on the support of community leaders for its introduction and a demonstrable need identified. For example, Western Australian Police data indicated the domestic and non-domestic assault rate in the Goldfields is more than twice the state average. Alcohol is a factor in two thirds of all domestic assaults (2009-13) and half of all non-domestic assaults. Alcohol-related hospitalisations and deaths are 25 per cent higher than the Western Australia state average in 2007-11.

Across Australia, alcohol and drug misuse continue to be a significant issue which requires continued action. Evidence shows that across Australia there has been little change in the proportion of people drinking at risky levels. In 2019, 1 in 4 people drank at a risky level on a single occasion at least monthly, while about 1 in 6 (16.8%) exceeded the lifetime risk guideline.<sup>25</sup> This remains stable with the results from the same survey in 2016.

More people were also victims of an illicit drug-related incident in 2019, compared to 2016, with reports of verbal and physical abuse both increasing.<sup>26</sup>

These concerns were also identified in the first two regions the Cashless Debit Card, the Ceduna region and the East Kimberley region.

The 2017 evaluation found widespread local concern about high levels of alcohol consumption and, to a lesser extent, illicit drug use and gambling activity.<sup>27</sup> These were commonly identified in relation to:

- The health of adults and children in the communities (e.g. a range of injuries and longer-term health issues such as anxiety, depression, cancer, high blood pressure and Foetal Alcohol Syndrome).
- Safety and security (e.g. domestic and family violence, sexual violence, assaults and harassment/intimidation).
- Financial problems (e.g. inability to pay fines, inability to fund basic living expenses for items such as food, clothing, rent and utilities).
- Social problems such as family arguments/disputes, unemployment/underemployment and humbugging.
- Inability to secure stable housing.
- Living in overcrowded housing conditions.
- Adverse impacts on the wellbeing of children as a result of poor parenting/neglect of family responsibilities and lack of engagement (e.g. lower school attendance and engagement, poor educational outcomes and poor nutrition).

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<sup>25</sup> AIHW, National Drug Strategy Household Survey 2019

<sup>26</sup> AIHW, National Drug Strategy Household Survey 2019

<sup>27</sup> ORIMA Research, *Cashless Debit Card Trial Evaluation – Final Evaluation Report*, [https://www.dss.gov.au/sites/default/files/documents/10\\_2018/cashless-debit-card-trial-final-evaluation-report\\_2.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2018/cashless-debit-card-trial-final-evaluation-report_2.pdf)

Data shows that while the rates of social harm are remaining stable or increasing across Australia, the rates of social harm in Cashless Debit Card sites is either decreasing or increasing at a significantly lower rate. In the Goldfields region between 2016-17 and 2018-19 financial years, the incidence of all offences decreased by 26.56% while the state total has only reduced by 3.65%<sup>28</sup>.

The Cashless Debit Card is an important tool that operates alongside other federal, state and local reforms to address the devastating impacts of alcohol and drug misuse, and problem gambling. While early results demonstrate that the Cashless Debit Card is working, the continuation of the Cashless Debit Card is essential to ensure the positive results are not reversed.

### 3. THE ROLE OF GOVERNMENT

The Government's role is to provide a welfare system that operates as a safety net, supporting Australians who are most in need and encouraging people to build the skills, knowledge and experience required to find work. This approach focusses on providing people, and their families and children, with the right supports at the right time, seeks to increase a person's chance of getting and keeping a job, reduce the risk of intergenerational welfare dependency, and ensure that welfare recipients are meeting the essential needs of children individuals and families.

Stabilising a person's circumstances through limiting exposure to harmful goods can increase their chance of finding training or employment, and thus reduce the risk of entrenching welfare dependence within their family.

#### 3.1 Acknowledging limitations on what the Government can achieve

##### 3.1.1 Other contributions to social harm

As demonstrated in section 2.2, there is evidence to suggest that there is a relationship between drug and alcohol misuse and problem gambling, and the receipt of welfare payments. However, people who do not receive welfare can also contribute to social harm caused by the abuse of harmful goods. Clear policies to reduce the amount of non-welfare income spent on harmful goods that operate alongside the Government's welfare reform agenda, will maximise the chance for meaningful positive change in communities.

The Cashless Debit Card currently operates in discrete locations, and applies to certain welfare payment recipients who permanently reside in these locations. Visitors, including transient populations, are not subject to the Cashless Debit Card policy parameters and therefore can spend their money, including all of their welfare payment, on alcohol and gambling products, and withdraw it as cash to spend on illicit goods. Cooperation with state and local governments is essential to ensure the impacts of this is minimised and communities remain supported to achieve outcomes.

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<sup>28</sup> WA Crime Statistics  
<https://www.police.wa.gov.au/Crime/CrimeStatistics#/>

### 3.1.2 Attributing results to the Cashless Debit Card

Social harm caused by drug and alcohol misuse and problem gambling can be entrenched in some communities, which means that significant and long-lasting positive change may be years in the making. Evaluations and reviews ensure that changes in communities are captured and evaluated within the relevant context.

Some communities with serious social issues, such as very high levels of alcohol abuse and related crime and violence, may have multiple federal, state and local interventions to address the issue. This can be an effective approach, as it engages at-risk individuals through a number of channels, and maximises the use of local knowledge and expertise.

The Cashless Debit Card is one of a suite of policies and programs that collectively aim to improve outcomes for people and families, including their children. These policies and programs, individually and collectively, impact the outcomes in the areas they operate and are considered in attributing success to particular measures.

Evaluations include both qualitative and quantitative research methods to ensure a breadth of analysis to deliver their findings and the baseline report is able to identify changes over time and inform policy decisions about the operations of the program.

## 4. POLICY OPTIONS

### 4.1 Option One: Allow the Cashless Debit Card to expire in current sites

Under current legislation, the Cashless Debit Card in the four current sites of Ceduna, the East Kimberley, the Goldfields region, and Bundaberg and Hervey Bay will expire after 31 December 2020.

Option One involves the cessation of the Cashless Debit Card in all locations and will result in Income Management continuing in Northern Territory, Cape York and other Place based Income Management sites.

Legislation would be required to extend the operation of Income Management in the Cape York region of Queensland. Legislative amendments are not required to support the continuation of other Income Management sites, as they have no legislated end date.

As Ceduna, the East Kimberly and Goldfields Cashless Debit Card sites were formerly Income Management locations, these communities would return to Income Management arrangements consistent with Part 3B of the *Social Security (Administration) Act 1999*. This would involve current Cashless Debit Card participants ceasing their current arrangements, cancelling current deductions and having to establish new payment arrangements under Income Management. Returning to Income Management in these site would require considerable resourcing from Services Australia.

Under this option, based on figures prior to the rollout of the Cashless Debit Card in these sites, of the total of 12,194 participants as at September 2020, only approximately 370 participants would be anticipated to return to Income Management. This includes an assumption that previous volunteers would choose to return to volunteer Income Management to continue to access the financial management support it offers.

However, as the return to Income Management would only capture a limited number of participants, the majority of participants in these sites and all participants in Bundaberg and Hervey Bay would cease to have access to the financial management support provided by either Income Management or the Cashless Debit Card.

## 4.2 Option Two: Continue the Cashless Debit Card program as an ongoing measure in current sites, including Northern Territory and Cape York and invest in improving technology

Option Two would require legislative amendments to establish the Cashless Debit Card program as an ongoing measure in the existing sites of Ceduna, the East Kimberley, the Goldfields region and Bundaberg and Hervey Bay, as well as the Northern Territory and Cape York region. This option will provide certainty for communities and responds to calls from community leaders to make the Cashless Debit Card an ongoing program.

It would continue existing Cashless Debit Card policies and practices for current participants and would place new, eligible income support payment recipients in these regions onto the Cashless Debit Card.

Current service delivery arrangements would also continue, with Services Australia providing face to face support for Cashless Debit Card participants, including through a Hotline, and a card provider providing banking support to participants.

This option would also allow the Government to invest in, and undertake, work on future technology improvements to create a better user experience for Cashless Debit Card participants and businesses.

Key stakeholders and community leaders in existing sites have consistently and publicly expressed support for the program in their communities. Continuing the Cashless Debit Card as an ongoing program directly responds to calls from community leaders asking that the Government deliver certainty to their communities by making the program ongoing. Continuing the Cashless Debit Card as an ongoing program also demonstrates that the Government remains committed to communities whose leaders nominated their communities for the Cashless Debit Card.

Option 2 ensures welfare payments in these communities continue to be spent in a socially responsible way and allows participants to continue to benefit from the budgeting support the program offers.

### 4.3 Option Three: Expand the Cashless Debit Card to new locations and extend the duration of the program

Option Three would involve introducing new legislation to expand the trial of the Cashless Debit Card to new sites and extend the operation of existing sites. For any expansion of the Cashless Debit Card, the Government would undertake consultation with various Australian communities and scoping activities to identify one or more appropriate new sites for expansion.

This option does not require that a potential expansion site have a specific geographical or demographic profile, nor cohort size. As with existing sites, potential expansion locations would be considered on a case-by-case basis and would take into account community interest and need. Any expansion of the Cashless Debit Card would be preceded by extensive consultation with various communities along with in depth location scoping activities. Potential locations for expansion could be based on requests from communities and their respective leaders and key stakeholders or may be selected by geographic locations based on community characteristics such as socio-economic conditions and unemployment rates.

The department would then consolidate the consultation findings with scoping results and undertake a comprehensive assessment to determine which locations meet the Cashless Debit Card site selection criteria. The selected sites could be an urban, regional, rural or remote community or a combination to reflect the findings that emerge from consultation and scoping.

Subsequent to the passage of legislation, the department would undertake a period of intensive consultation and implementation, which would require sufficient resourcing.

Option Three would also seek to continue to invest in improving the technology associated with the Cashless Debit Card to maximise the experience for participants and merchants.

## 5. IMPACT ANALYSIS

### 5.1 Option One: Allow the Cashless Debit Card to expire in current sites

Option One would allow the majority of individuals in existing sites to access their full welfare payment as cash with most Cashless Debit Card participants no longer being on a welfare quarantining measure, and communities will experience a sudden increase in cash. The cessation of the Cashless Debit Card would apply to the existing sites of Ceduna, the East Kimberley, the Goldfields and Bundaberg and Hervey Bay.



Under this option, Income Management would continue in the Northern Territory and Place-based Income Management locations. Income Management in these regions would continue to operate under existing arrangements, that is, the same measures and referral mechanisms would apply and eligible welfare payment recipients would be placed onto Income Management. Current service delivery and operational arrangements would also continue for all participants remaining on Income Management. Table 4 outlines how Income Management would continue under Option One.

If the Cashless Debit Card expires it is crucial Income Management continues in the Cape York region as without a substitute welfare reform program in place, it could lead to increased risk of financial hardship, financial exploitation, failure to undertake reasonable self-care or homelessness.

The evaluations undertaken on the Cashless Debit Card have shown the card has been effective at meeting its program objectives. As such, Option One would result in a reversal of the positive results the Cashless Debit Card has been achieving with communities likely to experience an increase in alcohol and drug abuse, problem gambling and welfare dependence. This may also lead to antisocial behaviour, reduced child wellbeing and poor financial management outcomes, as well as an increased demand for support services.

Participants would have to alter their banking arrangements before 31 December 2020 and potentially take steps to minimise the impact of the resulting exposure to harmful goods on themselves and their family. There is a risk participants will have insufficient time to establish new payment arrangements for critical needs, such as rent, utilities and other bills. Disruptions to scheduled payments and bills may result in late fines or dishonour fees and lead to an increased risk of debt for participants. Other impacts may include:

- increased likelihood of entrenching welfare dependence within their family;
- increased difficulty managing their money; and
- increased exposure to financial harassment, including unreasonable or excessive demands from family or community members to provide money or goods.

Local support services would need to be increased to offer support for people transitioning off the card, including drug and alcohol services and financial capability services. This will ensure participants continue to have access to support and direct funds to essentials items and continue to develop budgeting skills. The current four sites were chosen in part to community willingness and interest, and Option One may cost the Government its relationships with community leaders.

The continuation of Income Management in the Northern Territory and Cape York region would involve increased costs and complexity in program management, while also preventing participants from accessing the improved technology, flexibility and user experience offered by the Cashless Debit Card.

Due to the nature of the program set up and implementation, the Cashless Debit Card becomes more cost-effective with each rollout. The cost of the Cashless Debit Card rollout in the most recent site, the Bundaberg and Hervey Bay region in Queensland, being approximately \$820 per annum per head based on the card's maximum contract value.

For further comparison Income Management in the 2018-19 financial year totalled \$76.383 million, while the total cost of Cashless Debit Card was \$79.754 million from 2015-16 to the end of 2019-20 financial year. Given the early success the evidence has produced to date, Option One would have a higher per-head cost for less benefit than if the program were allowed to continue.

Table 5 shows the average annual regulatory burden costs that are associated with Option One. This has been calculated using the following assumptions. There are fewer than 16,000 merchants that accept the BasicsCard. Under Income Management, it is assumed it will take each merchant on average 30 minutes to fill in the BasicsCard Merchant application form (a one-off regulatory cost) and each merchant will have approximately one hour of compliance costs per year, this includes training staff, record keeping and compliance reviews as required.

Any delay costs associated with the time taken for Services Australia to assess and grant applications has not been calculated, as generally only 50 per cent of a person's welfare payment is restricted under Income Management, meaning the delay cost to the merchant is minimal.

Under this option, there would be significant additional costs to Government, as well as an increased regulatory burden for individuals and participants, resulting from the cessation of the Cashless Debit Card and the return to Income Management as the single model of welfare quarantining. It would increase the cost of frontline services that would have increased presentations due to the increased access to alcohol, drugs and gambling products. This option also requires action by officers of state agencies, such as child protection officers, in making referrals to Income Management. As identified by the Forrest Review, the expansion of Income Management is unsustainable given the resourcing impacts to support the delivery of this program, contributing to the reasoning why Option One is not recommended.

**Table 4: Program arrangements under option One**

Location	Program arrangements under option One
<b>Ceduna and surrounds, SA</b>	Majority of participants will cease to be on any model of welfare quarantining, with a small number participants (such as those who may be referred by Child protection workers) returning to Income Management. This will lead to a significant increase in cash available in these communities, impacting the positive results seen since the implementation of the Cashless Debit Card.
<b>East Kimberley, WA</b>	
<b>Goldfields, WA</b>	
<b>Bundaberg and Hervey Bay, Qld</b>	All participants will cease to have access to the financial management support offered by the Cashless Debit Card or Income Management. This will lead to a significant increase in cash available in these communities, impacting the positive results seen since the implementation of the Cashless Debit Card.



Location	Program arrangements under option One
<b>Northern Territory</b>	Current Income Management arrangements will continue and these participants will not have access to the improved technology and user experience that the Cashless Debit Card offers.
<b>Cape York, Qld</b>	Legislation will be required to extend the operation of Income Management in Cape York to 30 June 2021, in line with the funding agreement with the Family Responsibilities Commission. These participants will not have access to the improved technology and user experience that the Cashless Debit Card offers.
<b>Logan, Rockhampton and Doomadgee Qld</b>	These sites are not impacted by Option One.  Place-based Income Management will continue in these sites in line with existing arrangements.
<b>Metropolitan Perth, the Kimberley region, the Ngaanyatjarra Lands and Kiwirrkurra community, WA</b>	
<b>The Anangu Pitjantjatjara Yankunytjatjara Lands, Playford and Greater Adelaide, SA</b>	
<b>Bankstown, NSW</b>	
<b>Greater Shepparton, Vic</b>	

**Table 5: Average annual regulatory burden costs**

Change in costs (\$ million)	Business	Community organisations	Individuals	Total change in cost
<b>Total, by sector</b>	\$1.188	\$0.0	\$0.0	\$1.188

## 5.2 Option Two: Continue the Cashless Debit Card Program as an ongoing measure in current sites, including Northern Territory and Cape York, and invest in improving technology

Currently, the Cashless Debit Card operates as a trial program and requires legislative approval to continue each year. This creates a sense of uncertainty around the future of the program for Cashless Debit Card participants, communities and merchants. This limits the capacity for Government to improve the user experience for Cashless Debit Card participants.

Option Two would establish the Cashless Debit Card program as an ongoing measure in the existing sites of Ceduna, the East Kimberley, the Goldfields region and Bundaberg and Hervey Bay, as well as the Northern Territory and Cape York region, following the transition from Income Management in those areas.

An ongoing measure will ensure continuity of impactful support for the current communities. Future evaluation and data monitoring activities will further strengthen the evidence base and guarantee that participants, their families and the wider community continue to receive ongoing support. This option would not require Cashless Debit Card participants in the existing sites to undertake any further action and they would continue to be part of the program.

Option Two addresses the policy problem by ensuring that communities with an already identified need for support receive the best possible chance of achieving positive outcomes at the community level. This will continue to provide these communities with essential support to reduce alcohol, drug misuse and gambling and provide budgeting skills to participants.

The extent of social impacts likely to be experienced under Option Two is outlined in the findings from the ORIMA Research, and Cashless Debit Card program data. These show the Cashless Debit Card is meeting the program objectives and is contributing to a reduction in alcohol and drug abuse and gambling within the program sites. In addition, early findings of the FES Draft Second Impact Evaluation also show a reduction in alcohol and gambling within the program sites.

The Cashless Debit Card has shown to be an effective budgeting tool which has helped participants direct spending towards priority needs. Since the rollout of the Cashless Debit Card program commenced in March 2016, data shows that 56% of the \$409.4 million in income support payment direct deposited into participant's accounts have been spent on priority good and services. The Cashless Debit Card has also supported participants to build savings, with the payment of interest on funds held in their Cashless Debit Card accounts. Program data shows that 14% of participants have been able to hold \$500 or more in their accounts, with approximately 500 of those being single parents.

The first impact evaluation found that the Cashless Debit Card has had a “considerable positive impact” in the two trial communities of Ceduna and the East Kimberley.

Key findings from the report include:

- Alcohol – of participants who reported that they do drink alcohol, 41 per cent of participants reported drinking alcohol less frequently, while 37 per cent of participants reported binge drinking less frequently.
- Gambling – of participants who reported they do gamble, 48 per cent of participants reported gambling less.
- Drug use – of participants who reported using illegal drugs before the program commenced, 48 per cent reported using illegal drugs less often.

The evaluation also found “widespread spill-over benefits” from the card:

- 45 per cent of trial participants have been better able to save money
- Feedback that there had been a decrease in requests for emergency food relief and financial assistance in Ceduna
- Merchant reports of increased purchases of baby items, food, clothing, shoes, toys and other goods for children
- Considerable observable evidence being cited by many community leaders and stakeholders of a reduction in crime, violence and harmful behaviours over the duration of the trial.

While the FES Draft Second Impact Evaluation has not been finalised, survey responses saw that 21% of Cashless Debit Card participants reported a positive change in gambling behaviours, in which 34% said the Cashless Debit Card has helped with gambling in relation to themselves, 43% in relation to family, 38% in relation to friends and 59% in relation to where they live.

The early findings of the FES Draft Second Impact Evaluation also indicated that 25% of survey respondents (who reported they drink alcohol) reported reducing the amount they drink at any one time since being on the Cashless Debit Card. The rate of reduction in alcohol consumption indicated in these survey results exceeds the national figures for reduction of alcohol consumption, supporting that the Cashless Debit Card is having a significant impact.

This early findings from the FES Draft Second Impact Evaluation state that 45 per cent of participants surveyed reported the card had improved things for themselves and their family (either sometimes, most, or all of the time). Notably, improvements were felt most by Cashless Debit Card participants surveyed in Ceduna, at 57 per cent, followed by East Kimberley at 50 per cent and the Goldfields at 40 per cent.

Of the surveys responses provided, 45% of respondents reported the Cashless Debit Card had improved things for themselves and their family (either ‘sometimes’, ‘most of the time’, or ‘all of the time’).

In addition, crime data shows that total number of offences in the Goldfields region between 2016-17 and 2019-20 financial years, decreased by 26.56% while Western Australia as a whole only saw a 3.65% reduction<sup>29</sup>. Similar patterns can be seen in other sites, for example in Ceduna the incidence of family and domestic abuse and offences 'against the person' have decreased by 19% and 15% respectively, while the state totals have decreased by 2% and 5% respectively.<sup>30</sup>

While there is substantial evidence to support that the Cashless Debit Card is addressing the policy problem, the 2017 evaluation found that some Cashless Debit Card participants reported they felt stigma and a sense of shame associated with having a Cashless Debit Card.<sup>31</sup> These findings have continued in the early results from the Draft Second Impact Evaluation as feelings of discrimination, embarrassment, shame, and unfairness as a result of being on the card were experienced by participants. However, this feedback has been recognised and continual improvements have been made to the Cashless Debit Card to ensure it looks and functions like any other debit card. For example, as of 29 July 2020, contactless cards became available to participants. Participants have the choice to order a new contactless card or keep their existing contact-only card until it expires. This is a positive next step for ongoing improvements for the card to be like any other bank card, and reduce perceived stigma.

Qualitative interviews undertaken as part of the FES Draft Second Impact Evaluation indicated that both participants and stakeholders reports that the Cashless Debit Card was encouraging spending on essential items, while some interview respondents indicating the Cashless Debit Card was helping participants to budget their finances better.

However, some survey respondents also reported no change as a result of being on the Cashless Debit Card. These results indicate that while the Cashless Debit Card is working to support some participants with managing their finances, further work can be done to improve the function of the Cashless Debit Card as a budgeting tool.

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<sup>29</sup> WA Crime Statistics  
<https://www.police.wa.gov.au/Crime/CrimeStatistics#/>

<sup>30</sup> <https://data.sa.gov.au/data/dataset/crime-statistics>

<sup>31</sup> ORIMA Research, *Cashless Debit Card Trial Evaluation – Final Evaluation Report*,  
[https://www.dss.gov.au/sites/default/files/documents/10\\_2018/cashless-debit-card-trial-final-evaluation-report\\_2.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2018/cashless-debit-card-trial-final-evaluation-report_2.pdf)

Continuing the Cashless Debit Card as ongoing measure will also lead to a continued limitation on participant's ability to determine how and where they access and spend their social security payments. However, in contrast with other measures, the Cashless Debit Card has been designed to have minimal impact on participants who already spend their funds responsibly. Given the ability for participants to exit the Cashless Debit Card where they can demonstrate they are reasonably and responsibly managing their affairs, including their financial affairs, or where being on the program poses as a serious risk to their physical, mental or emotional wellbeing the impact of this limitation is proportionate. The proportionate nature of the limitations is further demonstrated when balanced with the important role the Cashless Debit Card has in contributing to the safety of participants, their families and communities.

In addition to the benefits of social harm reduction, the Cashless Debit Card also presents a significant reduction in costs to Government when compared to the costs associated with administering Income Management, with the cost of the Cashless Debit Card rollout in the most recent site, the Bundaberg and Hervey Bay region in Queensland, being approximately \$820 per annum per head based on the card's maximum contract value. While the benefits of the program in reducing social harm and providing budgeting support to participants are difficult to quantify from an economic perspective, the impact on reducing the amount of welfare payments that can be used to contribute to drug and alcohol misuse which is demonstrated in the evaluation results and program data is significant.

Option Two ensures that those on the Cashless Debit Card are in the best position to be able to seek and take up employment and education opportunities. It also gives the public confidence in the delivery of welfare payments and that public funds are being spent in an appropriate and meaningful way. The wider community will continue to benefit indirectly from the Cashless Debit Card, as it is anticipated that the early results of safer communities, decreased rates of alcohol-fuelled violence, and decreased rates of antisocial behaviour, will continue.

Option Two ensures the continued budgeting support provided by the Cashless Debit Card and the continuation of support services associated with the Cashless Debit Card. This is supported through evaluations which have found both stakeholders and Cashless Debit Card participants reported the Cashless Debit Card was prioritising, and therefore encouraging, greater spending on essential items such as food, bills, clothes household goods and fuel.

The continuation of the Cashless Debit Card as an ongoing measure would send a strong signal to financial institutions of the Government’s commitment to the program. It would provide necessary assurances and encourage continued investment by the financial sector to co-design technical solutions to improve user experience for participants and merchants. It is anticipated that improved technology will result in:

- a more effective and efficient method of mitigating circumvention and merchant management;
- greater choice and flexibility for participants;
- reduction in genuine perceptions of stigma; and
- more effective monitoring and data collection
- more competition to drive cost efficiencies

Table 6 shows the average annual regulatory burden costs associated with Option Two. This has been calculated using the following assumptions. The Cashless Debit Card has a regulatory burden cost on mixed merchants and little impact on other business, as the card is automatically accepted at other merchants. There are over 400 mixed merchants across all sites, including the Northern Territory and Cape York region. It is assumed it will take each mixed merchant approximate 15 minutes to fill in the Mixed Merchant Application form (a one-off regulatory cost) and that each mixed merchant will have roughly one hour of compliance costs per year, this includes training staff, record keeping and compliance reviews as required.

There are over 45 businesses that the department will consult with regularly as part of the PLB technology trial. It is estimated this will come at a regulatory cost of one and a half hours per month for each merchant.

As the Cashless Debit Card impacts a smaller number of businesses and is a less intensive program compared to Income Management, the regulatory burden cost on businesses is less in the Northern Territory and Cape York region. The regulatory cost of Option Two is reduced as the regulatory burden of continuing the administration of Income Management in the Northern Territory and Cape York region is more than the regulatory burden on businesses in existing Cashless Debit Card sites. This will result in an average annual regulatory saving for businesses.

**Table 6: Average annual regulatory burden costs**

<b>Change in costs (\$ million)</b>	<b>Business</b>	<b>Community organisations</b>	<b>Individuals</b>	<b>Total change in cost</b>
<b>Total, by sector</b>	(\$1.101)	\$0.0	\$0.0	(\$1.101)

### 5.3 Option Three: Expand the Cashless Debit Card to new locations and extend the duration of the program

Option Three would involve introducing new legislation to implement the Cashless Debit Card in new sites and extend the duration of existing sites. Several communities across Australia have expressed a strong interest in the Cashless Debit Card program due to the positive results experienced in existing sites and in expanding to other areas these communities can be given the opportunity to be involved in the program.

Subsequent to the identification of one or more sites and the passage of legislation, the department would undertake a period of intensive consultation and implementation, which would require sufficient resourcing, including funding.

Option Three would result in more communities utilising the Cashless Debit Card to tackle issues relating to high levels of alcohol and drug abuse, problem gambling and welfare dependence and ensures that welfare recipients in these communities are in the position to take up employment and education opportunities.

While initially Option Three would involve intensive periods of consultation and subsequent implementation, as the Government has rolled out the Cashless Debit Card to new locations, eventually the program would operate in a business as usual manner, similar to how it operates in current sites.

Option Three may involve expanding the Cashless Debit Card through the transition of all Income Management participants in all Income Management locations. This would acknowledge that Income Management is not sufficient to solely address the policy problem, and that further action is required to address social harm in communities across Australia.

Option Three would not require Cashless Debit Card participants in current sites to undertake any further action. New participants in future sites would be required to activate their Cashless Debit Card accounts, which includes altering banking arrangements. Participants in future sites would become subject to the restrictions of the program, however any cost involved will likely be outweighed by the individual, family and community level benefits of the card.

The extent of social impacts likely to be experienced under Option Three is similar to the outcomes highlighted in Option Two and these social impacts will be experienced by more communities under Option Three. Option Three also gives the public confidence in the delivery of welfare payments and that public funds are being used in a responsible and meaningful manner.

As this option continues the Cashless Debit Card as a trial, this creates uncertainty for participants and businesses in both existing and future sites. This may limit businesses from investing in the Cashless Debit Card technology. As shown in Option Two, investing in technology is necessary for improving the user experience of the Cashless Debit Card.

Ultimately, while this option is likely to continue the results which can be identified in existing sites as discussed under Option Two and expand these benefits to more communities, prior to the further development of technology, this option will create additional costs and continue the uncertainty around the future of the program.

Table 7 shows the average annual regulatory burden costs associated with Option Three. This has been calculated using the following assumptions. An assumption of an additional 45 mixed merchants will be required to enter into mixed merchant agreements with the expansion of the Cashless Debit Card. This is based on the proportion of mixed merchants to participants across the four initial sites. These new merchants would be required to engage with the department, for approximately an hour, prior to entering into a mixed merchant agreement.

In this option, there would be over 400 mixed merchants and it is assumed that each of these merchants will have annual compliance costs associated with training staff, compliance reviews and record keeping.

It has been assumed that the average number of businesses within the technology improvement trial will remain the same as option two. Therefore, there would be 45 businesses that the department would regularly consult with who will each have a regulatory burden cost of one and a half hours per month.

The total regulatory cost is the upfront cost for the 45 new mixed merchants, as well as the ongoing associated costs for mixed merchants in the current four sites and the Northern Territory and Cape York region. It also includes the regulatory cost on businesses involved in technology improvements. The regulatory burden is reduced by the decrease in regulatory burden compared to continuing the administration of Income Management, resulting in an average annual regulatory saving for businesses

**Table 7: Average annual regulatory burden costs**

<b>Change in costs (\$ million)</b>	<b>Business</b>	<b>Community organisations</b>	<b>Individuals</b>	<b>Total change in cost</b>
<b>Total, by sector</b>	(\$1.066)	\$0.0	\$0.0	(\$1.066)

## 5.4 Discounted option

### Expand Income Management into new locations

As presented in this document, Income Management is a costly and complex program to run, that requires the Government to provide significant support to participants and merchants. Due to the complexity of the separate measures, including personalised targeting, different placement criteria and payment splits, Income Management is a largely incoherent policy that has a limited ability to create change within communities.

Additionally, technology associated with Income Management has not advanced as much as the Cashless Debit Card, which increases the burden on participants and merchants. It limits the number of merchants who can accept the BasicsCard, which limits the options for where Income Management participants can purchase essential items.



## 6. CONSULTATION

The Government is committed to engaging with communities on the Cashless Debit Card to ensure that Cashless Debit Card sites have access to clear and accurate information. The department consults with a range of audiences, including community leaders, representative groups, stakeholders and directly with participants. This includes conducting community information sessions, engaging with local service providers and ensuring communication tools are provided in-language. The department maintains partnerships in current sites to provide a forum to discuss the impact of the card, circumstances in the wider community and resolve any issues as they arise. The department builds on lessons learned in previous sites to refine approaches to engagement and communication in new sites, while acknowledging that different communities require different approaches.

### 6.1 Purpose and objectives of consultation

The Cashless Debit Card has been developed in close consultation with local community leaders, local and state/territory government agencies, other Australia Government agencies and key stakeholders including participants. Initial consultation and engagement is an opportunity to gain community support for the Cashless Debit Card. Consultation provides the department, as well as community members, with the opportunity to discuss and build understanding of the particular issues facing those communities and identify how the Cashless Debit Card may assist to address these issues.

## Objectives

All consultation and engagement for the Cashless Debit Card has been in line with the following objectives:

- acknowledge that local communities have the best understanding of the issues they are facing, and the ways to solve these issues;
- take an open and collaborative approach that prioritises listening;
- be culturally appropriate and respectful;
- be targeted to ensure all stakeholders understand the intent and objectives of the Cashless Debit Card, including why the Cashless Debit Card may be implemented in a particular community;
- share information and data held by the department about a particular community (including existing services, demographics and social harm data) to support communities to find local solutions to the issues they are facing and empower them to negotiate with government;
- take into account the needs of people with disability, people from culturally and linguistically diverse (CALD) backgrounds and Indigenous Australians;
- understand the complexities of community leadership and not limit consultation to those holding formal leadership positions. Diverse forms of leadership could include Indigenous elders, native title owners, respected community members or informal representatives of particular groups within the community;
- be gender-balanced and seek out the voices of women and their children, particularly where there is high male representation in community leadership roles;
- take a collaborative, cross-agency approach to ensure the Cashless Debit Card program connects to the work being done by other Commonwealth and state and territory governments;
- build trust with community leaders and members and aim to involve consistent faces and people.

## 6.2 Type of consultation

The Cashless Debit Card has used a variety of consultation methods. The type of consultation and the format it was carried out has been tailored to the appropriate target audience. Full public consultation was undertaken with community members in proposed expansion sites in the form of community information session. These were open to the public to attend. Targeted consultation has been undertaken with key stakeholders including merchants, banks, POS providers and community leaders. Post-decision consultation has been carried out by the department in Northern Territory and Cape York with communities that are affected by the Income Management to Cashless Debit Card transition bill.

## 6.3 Consultation Process

The department has established a consultation framework to streamline the consultation process. The protocols are designed to create transparency and consensus across the consultation process and to enable the Government to clearly demonstrate community support for the Cashless Debit Card to Parliament and the wider community. This includes a governance plan, consistent consultation reporting and stakeholder identification and engagement.

### **Governance**

Before the Department begins a consultation process in a new location, there is a written governance plan that includes the following details:

- timeframe of the initial, pre-announcement consultation period
- number of meetings that reflects the community's size
- initial stakeholder mapping and
- format for consultation reporting.

### **Reporting**

Consultation reports have a consistent format, so that different consultation processes can be easily compared. The frequency of reporting updates is agreed before the consultation process begins.

Internal consultation reports should be the primary reporting focus during the consultation period. They contain information such as:

- with whom the department met
- what organisation they represent
- what stakeholder group the organisation represents e.g. state government, peak body
- which departmental representatives were present
- where the meeting took place
- what was discussed
- any action items or next steps and
- an indicator of the individual's and/or the organisation's support for the program.

External consultation reports are designed to be used for Senate Estimates or other public hearings. They contain information such as:

- how many meetings the department has had in the location;
- how many people attended these meetings; and
- what stakeholder groups the department has met with.

## Stakeholders

Identifying and approaching appropriate stakeholders is essential to a successful consultation process with the Cashless Debit Card. Local departmental staff and other government agencies with a presence in the location have provided information on local politics, key stakeholders, previous government engagement and current government programs. This information will enable departmental staff to identify local leaders and other key stakeholders to be consulted.

The Department engaged Indigenous Liaison Officers to guide a consultation process in a location with a high Indigenous population.

## Three Tiered Engagement Process

To date, the engagement process in the Northern Territory and Cape York region in relation to the Income Management to Cashless Debit Card transition has been delivered by a three-tiered process. This is outlined in Table 8.

**Table 8: Engagement process**

<b>Tier</b>	<b>Audience</b>	<b>Purpose</b>
Tier One	Community information sessions	Information sessions for participants directly affected by the transition from Income Management to the Cashless Debit Card.
Tier Two	Key Stakeholder engagement	High-level stakeholders and organisations who have a vested interest in the transition from Income Management to the Cashless Debit Card.  Engagement occurs with senior levels of representative bodies, Land Councils and Indigenous organisations
Tier Three	Stakeholder engagement	Engagement with stakeholders in a community who are interested in the transition from Income Management to the Cashless Debit Card.

Engagement to date has included significant community information sessions. In anticipation of legislation passing, the department has been conducting engagement sessions with Income Management recipients and stakeholders in the Northern Territory and Cape York region.

## 6.4 Summary of consultation to date

### 6.4.1 Consultation in current sites and engagement in the Northern Territory and Cape York

Cashless Debit Card trial locations were selected based on a range of factors, including community interest, support, readiness and willingness; high levels of disadvantage and welfare dependence; and high levels of social harm caused by drug and alcohol misuse and problem gambling. These communities sought a stronger tool to address drug, alcohol and gambling issues at the community level. Table 9 provides a high-level summary of the consultation undertaken in Cashless Debit Card sites, including the Northern Territory and Cape York.

**Table 9: Summary of consultation in Cashless Debit Card sites and the Northern Territory and Cape York**

Location	Consultation Dates	Number	Who	Format
Ceduna and surrounds, SA	April 2015 – March 2016	Approximately 300 consultation sessions held, over 1,000 people consulted.	Indigenous leaders (incl. Aboriginal corporations), local government, service providers, state government, local merchants and the general public.	Face to face meetings (round table or one on one meetings), teleconference.
East Kimberley, WA	April 2015 – September 2016	110 consultation sessions.	Community members, Indigenous leaders, service providers, police, and local and state government agencies.	Face to face meetings (round table or one on one meetings), teleconference.
Goldfields region, WA	May 2017 – September 2017	Over 270 consultation sessions.	Community members (church leaders, business owners, general public), service providers (health, family & child support and financial counselling), business sector (Chamber of Commerce & local merchants), community sector, local government, and other Commonwealth Government agencies.	Formal and informal community information sessions, one on one meetings and written consultation

Bundaberg and Hervey Bay, QLD	May 2017 – December 2017	220 consultation sessions prior to trial establishment.	Community members, service providers, all levels of government, emergency relief and housing services.	One on one and round table meetings.
Northern Territory and Cape York, QLD	October 2019 – March 2020	83 information sessions to over 70 communities, engaged nearly 3,500 community members and met with over 120 stakeholders and local organisations.	Land Councils and other Aboriginal corporations, local providers and councils, community groups, police, state and territory government departments.	One on one meetings, round table, large and small community information sessions.

In addition to conducting community information sessions, the department utilises a range of tools to convey key messages on the Income Management to Cashless Debit Card transition, particularly for those participants where English is a second (or more) language:

- the department seeks advice from local stakeholders on the requirement for interpreters. Where necessary, the services of the Aboriginal Interpreter Service, local community volunteers or NIAA Indigenous Engagement officers are sought to support the community information sessions;
- between October 2019 and March 2020 the department advertised across three print locations and 14 radio stations, playing around 2,500 advertisements;
- the Aboriginal Interpreter Services translated key Income Management to Cashless Debit Card messages into 18 languages as an audio tool for use in community information sessions;
- a range of fact sheets have been developed and housed on the department's website, with detailed fact sheets translated into 14 languages.
- a mapping tool for use by stakeholders and participants to understand the detailed differences between the Income Management to Cashless Debit Card service offered; and
- a production company has been contracted to develop a suite of multimedia products to articulate the differences in the Income Management to Cashless Debit Card service office.

Community engagement has been on hold since 6 March 2020, when the Northern Territory Government announced the closure of remote communities to non-essential services and interstate travel was restricted due to the COVID-19 pandemic.

## 6.4.2 Communities consulted with but did not proceed as expansion sites

### **Port Hedland**

In January 2017, Port Hedland Mayor Camilo Blanco raised the possibility of implementing the Cashless Debit Card in the town of Port Hedland, Western Australia. Mayor Blanco claimed that Port Hedland was experiencing high levels of antisocial behaviour due to alcohol abuse.

The department undertook consultation within the community, including attending a Port Hedland Council Meeting, to gauge community interest and support for the Cashless Debit Card, and to discuss how the card would work to help address social issues. After several months of consultation, in which people were given the opportunity to learn about how the Cashless Debit Card would work in their community, the Port Hedland Council voted against supporting the introduction of the Cashless Debit Card and it was decided, in consideration with other factors, that it would not be introduced to Port Hedland .

### **Tennant Creek**

Commencing August 2018, the department held meetings with key Tennant Creek community leaders and organisations to provide initial information about the Cashless Debit Card and seek guidance about the most appropriate way to consult with the broader community. These consultations were to consider the Barkly region as a potential fifth Cashless Debit Card trial site.

On 8 February 2019, meetings were held with key stakeholders to elicit support for facilitating information sessions directly with grass-roots communities in the week beginning 18 February 2019. The department received support for the consultation process and stakeholders offered logistical support to facilitate community sessions. Between 18 and 22 February 2019, the department commenced Cashless Debit Card community information sessions across the Barkly Region, Northern Territory. Departmental representatives from National Office and the Northern Territory State Office, led by Indigenous staff, worked in collaboration with Services Australia representatives (formally Department of Human Services) to co-ordinate and facilitate each information session. Information sessions focused on providing communities with an understanding of the Cashless Debit Card product, how the Cashless Debit Card operates, what the Cashless Debit Card can be used to purchase and how the Cashless Debit Card is different in policy and function to the BascisCard.

Through the information sessions, there was a clear directive to ensure communities were well informed about the Cashless Debit Card, involved in any decision making process and are provided sufficient time to caucus and digest the information provided. A broad cross-section of the community was reflected at each session including equal representation of male and female community members across a range of age demographics. Communication materials including factsheets, posters and information cards were available at each Information Session and were disseminated.

Between 11 and 15 March 2019, the department commenced Cashless Debit Card community feedback sessions with communities across the Barkly region, Northern Territory. Feedback sessions typically ran for two hours and were primarily aimed at providing community members with an opportunity to share their feedback on the Cashless Debit Card, give an insight into whether they believe the card would benefit their community and express their preference for either the BasicsCard or the Cashless Debit Card. The sessions also allowed community members to voice their concerns and seek clarification on the Cashless Debit Card policy and function.

The department conducted a total of 17 sessions including both information and feedback consultations with over 960 community members:

- Tennant Creek (six sessions, approximately 545 attendees)
- Elliot (two sessions, approximately 100 attendees)
- Canteen Creek (one session, approximately 20 attendees)
- Epenarra (Wutunugurra) (two sessions, approximately 65 attendees)
- Ampilatwatja (two sessions, approximately 75 attendees)
- Ali Curung (two sessions, approximately 85 attendees)
- Alpururulam (two sessions, approximately 75 attendees)

### 6.4.3 Technology Consultation

In order to position the Cashless Debit Card for future functionality expansion, technological enhancements are required. These enhancements will improve the user experience for Cashless Debit Card participants and merchants, and allow for analysis of the costs, risks, benefits and scalability of the program. The technological enhancements include PLB and improvements to the Cashless Debit Card user experience.

Critical to the success of scaling up the Cashless Debit Card, technology consultation has been undertaken to:

- ensure the Cashless Debit Card can operate as much like a standard banking product as possible;
- understand and limit opportunities for circumvention;
- support merchants via automated identification of restricted products; and
- improve the Cashless Debit Card user experience.

Consultation has been undertaken with mixed merchant stakeholders and those stakeholders who will assist to implement technological advancements, such as:

- financial institutions, including acquirers and issuers, POS providers, payment integrators and PIN Pad manufacturers;
- large corporate merchants (to implement PLB within their own POS environment), merchant networks e.g. franchises, and small to medium mixed merchants; and
- small and medium mixed merchants.



Consultation has contributed to Cashless Debit Card technology initiatives including:

- transition from proof-of-concept of PLB to trial;
- the possibility of cloud-based automated PLB; and
- possibility of improvements to end-user experience.

## 6.5 Findings from consultation and how it affected final decision making process

Consultation has been essential to tailor the program to meet each community's needs to address issues of social harm. Consultation has led to significant changes in policy development of the Cashless Debit Card Program, while feedback from participants and their communities has also led to improvements to the function of the card and how it is delivered.

The Cashless Debit Card has developed over time in response to feedback and will continue to do so through ongoing consultation. Some of the key findings from community and stakeholder consultation is listed below, including how this has affected the Governments final decision-making process.

### **Ceduna region and the East Kimberley region**

Consultation with stakeholders and community members was overall positive, with many people stating they felt the card would be beneficial in their community. Some individuals expressed concern about being placed on the card if they didn't drink or gamble, however they were often understanding of the community wide approach of the card in order to reduce social harm.

Community consultation in Ceduna and the East Kimberley resulted in the establishment of the community panel, comprised of local leaders. The community panel was involved in the co-design process and determines key aspects of the program in this region, giving the community greater autonomy. Welfare recipients can apply to the community panel to reduce the percentage of payment going onto their Cashless Debit Card account, giving them greater access to cash.

### **Goldfields region**

Many community members discussed the issue of alcohol and drug misuse, and associated violence within their community, and felt the Cashless Debit Card could be beneficial in addressing these issues. Based on consultation with stakeholders, the community identified they did not wish to have a community panel established in this region.

Building on lessons learned during the initial rollout, the department held both formal and informal community information sessions. The different types of sessions allowed the department to consult with different cohorts in settings that maximised engagement. The intensive consultation prior to rollout enabled the department to allay concerns and clarify misconceptions about the card.

Feedback from consultations was that providers needed to work better together to support vulnerable people. The department has worked closely with the community to ensure the right mix of services is in place to support them. This feedback has resulted in increased funding for support services. The department continually works with local stakeholders and Leaders to identify appropriate funding opportunities for the community.

### **Bundaberg and Hervey Bay region**

Two Community Reference Groups of experts from a broad range of backgrounds were formed in the Bundaberg and Hervey Bay region. These Groups work collaboratively with the Government to provide advice on the operation of the program. From consultation with stakeholders in this region, the local community identified that high youth unemployment and intergenerational welfare dependency was of great concern. To address this, the Cashless Debit Card program has been altered to target a younger cohort of 35 years and under, who will benefit most from the program.

### **Northern Territory and Cape York**

Feedback from community members at engagement sessions conducted between October 2018 and March 2020 is typically mixed, however the majority of discussions with departmental staff remains positive. The primary theme emerging through departmental engagement session in the Northern Territory and Cape York is that, once participants become aware of the technology improvements and the increased functionality the Cashless Debit Card offers, a number of participants across the Northern Territory and Cape York indicated they would welcome the introduction of the Cashless Debit Card over the BasicsCard. In the Cape York region, participants have been positive about the transition from the BasicsCard to the Cashless Debit Card, with other community members seeking advice from the department on the process to volunteer to be on the Cashless Debit Card. Table 10 summarises the key themes emerging from engagement with participants and stakeholders in the Northern Territory and Cape York.

**Table 10: Key themes emerging from participant and stakeholder feedback**

<b>Participant feedback</b>	<b>Stakeholder feedback</b>
Positive toward increased functionality and usability of the Cashless Debit Card.	Perceived lack of evidence about the benefits of compulsory welfare management.
Positive towards the rate of payment placed on the card remaining the same.	An opposition to mandatory welfare quarantining, which dates back to the introduction of Income Management in 2007.
Mixed reaction to tobacco. Some participants are happy they would be able to purchase tobacco, while others feel the inclusion of tobacco may see participants redirecting money currently spent on essential items such as food towards smoking.	Concern in regard to tobacco being an allowable purchase on the Cashless Debit Card.
Most concerns from participants relate to the transition and how it will impact on them. This includes requesting details on when transition will occur in their communities, how they will receive and activate their card and what supports will be available to assist in this process.	A misconception that the Cashless Debit Card is targeted at Indigenous people.
Positive toward the new design of the Cashless Debit Card, which reduces the stigma of the identifiable BasicsCard.	Improvements to ensure the Cashless Debit Card looks and operates like a regular bank card.

Feedback from participants and stakeholders continues to inform the Australian Government's approach to the proposed transition to the Cashless Debit Card in the Northern Territory and Cape York region. An example of this is in existing Cashless Debit Card trail sites the quarantined portion of a person's welfare onto the Cashless Debit Card is 80 per cent, which was negotiated with community leaders at the commencement of the trail. After listening to feedback from participants and stakeholders through community feedback sessions in Barkly region, the Government has kept the percentage of payments placed on the card at 50 per cent, which is in line with current Income Management arrangement in the Northern Territory.

Consistent with culturally appropriate engagement principles, the department seeks advice from communities on scheduling of visits. The department works with communities to reschedule where sorry business, unforeseen community events and weather conditions impact on engagement.

### **Card Functionality**

The functionality of the Cashless Debit Card has been subject to regular feedback, with the department committed to ensuring that it looks and operates like any other debit card. Feedback on the card has included the design and function, such as being unable to use Contactless payment during the COVID-19 pandemic. In response, the card was redesigned to look like any other debit card and contactless was made available for those who wanted this functionality.

Feedback has also been received around the requirement for participant's to maintain accounts with two different financial institutions while on the Cashless Debit Card. The Government is exploring the feasibility of having multiple card issuers providing a Cashless Debit Card product through the program. Allowing multiple issuers will give participants to have more choice in whom their issuer is with, and may enable participants to have both their Cashless Debit Card and regular bank account with the same provider.

## **Technology**

Feedback from technology stakeholder engagement has shown there is an appetite for PLB implementation and investment from financial institutions and merchants, along with positive reviews for work to improve the user experience for Cashless Debit Card participants. Stakeholder engagement has assisted with harnessing existing technologies to expand merchant base, understanding ways of addressing circumvention activities and has aided in understanding needs and requirements of both participants and stakeholders.

Stakeholder feedback from consultation sessions has led to key department decisions of the technology enhancements of the program. Consultations have also laid way for the decision to move from proof of concept to trial of PLB; and to phase two of an automated cloud-based PLB mechanism.

## **Certainty**

A consistent focus emerging in feedback from participants, communities and other key stakeholders is the lack of certainty around the Cashless Debit Card, due to a number of short-term legislative extensions and the time-limited nature of the trial. In removing the trial parameters and establishing the Cashless Debit Card as an ongoing program as is the recommended option, this feedback will be addressed and participants and their communities will have certainty around the Government's commitment to the program.

## **Restricted Items**

While tobacco is a restricted item under Income Management, it is not restricted under the Cashless Debit Card given the focus of the Cashless Debit Card on addressing community-wide social harm caused by alcohol, drugs and gambling products.

This issue has been raised in community information sessions in the Northern Territory with some stakeholders and participants concerned that the removal of the restriction on tobacco will impact on communities. While expenditure on tobacco will be monitored, Cashless Debit Card policy has not been changed to apply a more restrictive product to Northern Territory participants only.

## **6.6 Ongoing and future consultation**

Formal community engagement commenced by the department in early October 2019, through to mid-December, when the engagement schedule took a planned pause in acknowledgement of the wet season and in respect of traditional cultural business occurring at that time of year. Engagement sessions resumed in late January 2020 and continued until March, when communities announced their closure to visitors and interstate travel was restricted due to the COVID-19 pandemic.

Consistent with culturally appropriate engagement principles, the department will also seek advice from communities on scheduling of future engagement, taking into account any health and safety concerns they may have.

In addition, stakeholder consultation is constantly occurring as part of the PLB trial to ensure operations are running smoothly. Table 11 outlines the stakeholders the department regularly consults with and how often.

**Table 11: Ongoing stakeholder engagement with the department**

<b><u>Stakeholder</u></b>
<b>Card Issuer</b>
Indue
<b>Primary</b>
DXC
eftpos
<b>A range of payments industry stakeholders, including Point of Sale (POS) Providers, Payment Integrators and PIN Pad Manufacturers</b>
Numerous organisations, including several small businesses
<b>Acquirers</b>
ANZ
Commonwealth Bank
NAB
Suncorp
Tyro
Westpac
<b>Large Corporate Merchants</b>
Woolworths
Coles
ALDI

Australia Post
Euro Garages
Caltex
Ampol
Liberty Fuels
United Petroleum
Reject Shop
Best and Less
Metro Petroleum
Numerous other merchants
<b>Merchant Networks</b>
Metcash
<b>Small to Medium Mixed Merchants</b>
Numerous

## 7. RECOMMENDED OPTION

The recommended option is to continue the Cashless Debit Card as an ongoing measure in current sites, including Northern Territory and Cape York, and improve technology (Option Two). It is anticipated that this will be the lowest cost option that continues the benefits of the Cashless Debit Card and will provide the greatest regulatory cost reduction. This option would provide certainty to participants in the current sites and would sustain the positive impacts of the program. Consultation with community leaders has also demonstrated support for the Cashless Debit Card.

Option Two ensures there is time to invest in improving technology and also provides stakeholders, such as banks, with confidence that there is value in investing in the technology improvements. By investing in technology, the user experience of the Cashless Debit Card will continue to improve and it will reduce some of the burden placed on the participant and merchants. This option also provides the benefit of allowing the time for long term outcomes of the card, such as social change, to be realised.

This option also gives the public confidence in the delivery of welfare payment and that public funds are being used in an appropriate manner.

Findings from the evaluations, particularly around reduced alcohol use and gambling, demonstrate that the Cashless Debit Card is successfully meeting its objectives. This supports implementing the Cashless Debit Card as an ongoing measure.

The first impact evaluation found that the Cashless Debit Card has had a “considerable positive impact” in the two trial communities of Ceduna and the East Kimberley.

It concluded that the Cashless Debit Card 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”.

Early findings from the Draft Second Impact Evaluation include:

- The quantitative survey of Cashless Debit Card participants found 25 per cent (of those who drink alcohol) reported they have reduced the amount they drink at any one time, since the introduction of the Cashless Debit Card, and 22 per cent reported they have reduced the number of times frequency they are drinking
- Overall, 9 per cent reported the Cashless Debit Card had helped decrease the use of illicit drugs for themselves, 10 per cent for their family, 9 per cent for their friends and 14 per cent for their community.
- Around 21 per cent of Cashless Debit Card participants reported a change in gambling behaviours for themselves or the people around them. Around 20 per cent of Cashless Debit Card participants noted reductions in gambling for themselves or the people around them. The qualitative evidence found that cash previously used for gambling had been redirected to essentials such as food.

Overall, establishing the Cashless Debit Card as an ongoing measure and investing in technology will provide the highest net benefit. It provides participants and stakeholders with certainty and allows time to see the positive outcomes of the card to eventuate. It also ensures there is time and investment into technology improvements, which will reduce any ongoing burden of the card for participants and merchants.

## 8. IMPLEMENTATION

Continuing the Cashless Debit Card as an ongoing measure will require the passage of legislation. There is the risk that the legislation to establish the program as an ongoing measure will not receive passage in Parliament. If this occurs, legislative amendments and funding will need to be sought each year to support the continuation of the program, creating uncertainty around the future of the program for Cashless Debit Card participants, communities, stakeholders and other financial institutions.

As the Cashless Debit Card already exists as a trial, current participants and merchants will not be required to do anything additional with the implementation of an ongoing measure.

The current PLB pilot will continue under the preferred option. This will involve ongoing engagement with the current businesses in the pilot. At the completion of the pilot, it is expected that PLB will be rolled out to businesses outside of the pilot. The department will engage with any affected business, as required, to ensure the technology is rolled out effectively. There is a risk that business may not wish to use the new technology. This will be mitigated through engagement, which will allow the department to explain to businesses the benefits of rolling out this technology.

The department will continue to work closely with community leaders and merchants, and also monitor the available data, to ensure the positive impacts of the program continue to be realised and to mitigate any issues.

As announced in the 2019 Budget, FES at the University of Adelaide was funded by the department to undertake baseline data collections in the Goldfields and Bundaberg and Hervey Bay regions. FES was also funded to complete an evaluation report on the outcomes of the Cashless Debit Card in East Kimberley, Ceduna and surrounds and the Goldfields.

The outcomes of evaluation, along with available administrative data, will be used to inform future decisions of the Cashless Debit Card.



# ATTACHMENT A

## Income Management 2008 to 2015

Income Management measure	Expansion
<b>2008 – 2009</b>	
<p><u>Child Protection</u></p> <p>Individuals referred by child protection caseworker if that caseworker believes a child in their care is at risk of neglect.</p> <p>70-30 payment split.</p> <p><u>Voluntary</u></p> <p>Individuals volunteer through the department.</p> <p>50-50 payment split.</p>	<p>Introduced Child Protection and Voluntary Income Management measures to Cannington, in Perth, and the Kimberley region, Western Australia, in response to the Western Australian State Coroner’s report into the deaths of 22 people from the Kimberley region.</p> <p>Expanded Income Management to the remainder of metropolitan Perth.</p>
<p><u>Cape York</u></p> <p>Individuals referred by the Family Responsibilities Commission (FRC) if the individual is failing to uphold positive community norms.</p> <p>60-40, 75-25 or 90-10 payment split, at discretion of FRC.</p>	<p>Introduced Income Management to the Cape York, Queensland, communities of Aurukun, Coen, Hope Vale and Mossman Gorge, as part of the Cape York Welfare Reform package.</p>
<b>2010</b>	
<p><u>Child Protection, Voluntary</u></p> <p><u>Disengaged Youth</u></p> <p>Individuals, aged 15 to 24 years old, are placed onto this measure if they have received a welfare payment for more than 13 out of the last 26 weeks.</p> <p>50-50 payment split.</p> <p><u>Long-term Welfare Payment Recipient</u></p> <p>Individuals, aged 25 years and above, but below Age Pension age, are placed onto this measure if have they received</p>	<p>Introduced New Income Management, which repealed the compulsory model that applied to all welfare payment recipients in the Northern Territory and introduced the following measures:</p> <ul style="list-style-type: none"> <li>• Disengaged Youth;</li> <li>• Long-term Welfare Payment Recipient;</li> <li>• Vulnerable Welfare Payment Recipient;</li> <li>• Child Protection; and</li> <li>• Voluntary.</li> </ul>

Income Management measure	Expansion
<p>a welfare payment for more than 52 of the last 104 weeks.</p> <p>50-50 payment split.</p> <p><u>Vulnerable Welfare Payment Recipient</u></p> <p>Individuals referred by a Centrelink social worker.</p> <p>50-50 payment split.</p>	
<b>2011 – 2012</b>	
<p><u>Place-based Income Management</u></p> <p>Child Protection, Voluntary and Vulnerable Welfare Payment Recipient.</p>	<p>Introduced Place-based Income Management to five Local Government Areas (LGA), chosen due to high unemployment rates and an overreliance on welfare payments:</p> <ul style="list-style-type: none"> <li>• Playford, South Australia;</li> <li>• Bankstown, New South Wales;</li> <li>• Logan, Queensland;</li> <li>• Rockhampton, Queensland; and</li> <li>• Greater Shepparton, Victoria.</li> </ul> <p>Expanded Place-based Income Management to the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands, South Australia, at the community's request.</p>
<p><u>Supporting People At Risk</u></p> <p>Complementing the Banned Drinkers' Register, individuals are referred by a state or territory statutory body.</p> <p>70-30 payment split.</p>	<p>Introduced the Supporting People at Risk measure to the Northern Territory and authorised the Northern Territory Alcohol Mandatory Treatment Tribunal as the referring body.</p>
<b>2013</b>	
<p>Place-based Income Management</p>	<p>Expanded Place-based Income Management to Laverton and the Ngaanyatjarra (Ng) Lands in Western Australia, following community consultations.</p>

Income Management measure	Expansion
<b>2014 – 2015</b>	
Place-based Income Management	Expanded to Ceduna after multiple requests from the mayor and other local peak bodies.
Child Protection and Voluntary	Introduced to the Greater Adelaide region following a recommendation from the South Australian State Coroner's inquest into the death of Chloe Lee Valentine.
Cape York	Expanded to Doomadgee, Queensland.

## ATTACHMENT B

### Legislation

#### *Social Security Amendment (Debit Card Trial) Act 2015*

The *Social Security Amendment (Debit Card Trial) Act 2015* received Royal Assent on 12 November 2015 and established the original Cashless Debit Card trial with:

- three trial sites;
- a trial period of 1 February 2016 to 30 June 2018; and
- a maximum of 10,000 participants.

The Cashless Debit Card was rolled out to Ceduna and surrounds on 15 March 2016 and the East Kimberley on 26 April 2016.

#### *Social Services Legislation Amendment (Cashless Debit Card) Act 2017*

The Social Services Legislation Amendment (Cashless Debit Card) Bill 2017 was introduced to Parliament on 17 August 2017. The Bill proposed to repeal section 124PF of the *Social Security (Administration) Act*, which specified that the Cashless Debit Card:

- could be trialled in a maximum of three discrete sites;
- include no more than 10,000 participants; and
- end on 30 June 2018.

This amendment supported greater flexibility to extend and expand the Cashless Debit Card, while maintaining legislative safeguards.

The Bill was referred to the Senate Community Affairs Legislation Committee for inquiry and report. The Committee held public hearings in Kalgoorlie, Western Australia and Canberra, Australian Capital Territory and received 172 written submissions from a range of different stakeholders. During this time, the fourth site of Bundaberg and Hervey Bay, Queensland was announced. The Bill would support the creation of both the Goldfields and Bundaberg and Hervey Bay sites through disallowable instrument.

The Committee published its majority report on 6 December 2017, in which it recommended that the Bill be passed.

The *Social Services Legislation Amendment (Cashless Debit Card) Act 2018* received Royal Assent on 20 February 2018. As a result of the Committee's inquiry and further stakeholder consultation, the Government amended the Act to allow:

- an end date of 30 June 2019 for three Cashless Debit Card sites;
- the creation of the Goldfields site; and
- the power to define future trial site be moved to primary legislation.

## *Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Act 2018*

The Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Bill 2018 was introduced to Parliament on 30 May 2018. The Bill aimed to:

- establish Bundaberg and Hervey Bay as the fourth Cashless Debit Card trial site;
- establish an end date for the Bundaberg and Hervey Bay site of 30 June 2020;
- increase the maximum of trial participants to 15,000;
- create an exception from Part IV of the *Competition and Consumer Act 2010* to allow for product-level blocking; and
- restrict cash-like products, including open-loop gift cards.

The Bill was referred to the Senate Community Affairs Legislation Committee for inquiry and report. The Committee held a hearing in Canberra and received 108 written submissions. The Committee recommended the Bill be passed.

The *Social Services Legislation Amendment (Cashless Debit Card Trial Expansion) Act 2018* received Royal Assent on 21 September 2018.

In addition to the amendments outlined in the Bill, the Act also sought to:

- move the content of the *Social Security (Administration) (Trial of Cashless Welfare Arrangements) Determination 2018* into primary legislation, including determining participant criteria and the payment split;
- move uncontentionous powers, such as the power to authorise a community panel, into notifiable instrument; and
- include a non-government amendment for an independent review of an evaluation.

## *Social Security (Administration) Amendment (Income Management and Cashless Welfare) Act 2019*

On 25 July 2019, the Government introduced the Social Security (Administration) Amendment (Cashless Welfare) Bill 2019 to Parliament to amend the exit pathway introduced in the *Social Security (Administration) Amendment (Income Management and Cashless Welfare) Act 2019*.

These amendments came about after the department held consultations in all sites and identified concerns held by key stakeholders with the exit pathway as set out in the Act. The new Bill was designed to:

- make the department Secretary the decision-maker for all exit applications, regardless of where Cashless Debit Card participants live;
- broaden the exit criteria to take into account a person's ability to manage their affairs generally, including financial affairs;
- clarify that the exit applications must be made in a form approved by the Secretary; and
- expand the wellbeing exemption provisions to ensure they apply across all regions.

The amendments were designed to remove the practical difficulties of implementing the exit process. The pathway mainly uses information currently available to Services Australia, and the participant may be required to provide additional information in some circumstances. This is not onerous to the participant and ensures the department has sufficient information to make an informed decision.

The *Social Security (Administration) Amendment (Cashless Welfare) Act 2019* received Royal Assent on 12 August 2019.

Enabling some participants within a Cashless Debit Card site to exit the program through an exit pathway has the potential to undermine the program's objective of limiting the amount of welfare payment available as cash with the aim to reduce the overall harm caused by welfare-fuelled drug and alcohol misuse and problem gambling. This risk, however, is mitigated through the government amendments brought forward in the *Social Security (Administration) Amendment (Cashless Welfare) Act 2019*, which ensures that exited participants are not contributing to the harms that the Cashless Debit Card program aims to address. The Act also ensures that if an exited participant begins to behave in a way that contributes to their community's social harm, a social or community worker can refer them back onto the Cashless Debit Card.

The Government and the department continue to engage in close partnerships in the Cashless Debit Card sites, including through the data sharing partnerships developed under the program monitoring strategy. These relationships, coupled with the Government's ongoing commitment to evaluation, will ensure that any future decision making will be informed by a clear understanding of the impact of the exit pathway on the program's ability to address the policy problem.

### Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019

On 11 September 2019, the Government introduced the Social Security (Administration) Amendment (Income Management to Cashless Debit Card Transition) Bill 2019 to Parliament. The Bill sought to minimise the serious impacts of drug and alcohol misuse and problem gambling in Australian communities with high levels of welfare dependence. It also signals the changing technological environment of cashless welfare, and acknowledges that the Cashless Debit Card, having been continually refined and updated since its first introduction in 2016, provides a more cost-effective, sophisticated and functional product, underpinned by a coherent and effective policy.

The primary objective of the Bill is to establish the Northern Territory and Cape York as Cashless Debit Card sites and transition Income Management participants onto the card.

However, the Bill also has a number of other aims, including:

- extend the end date of all Cashless Debit Card sites to 30 June 2021 and establish an end date for the trial in Cape York to 31 December 2021, to align with existing funding arrangements;
- remove the cap on the number of Cashless Debit Card participants;
- remove the exclusion to allow people in Bundaberg and Hervey Bay to voluntarily participate in the trial;
- improve information-sharing provisions to streamline the exit pathway; and
- amend the provision requiring an independent review of an evaluation, to avoid duplicating existing processes.

The Bill was referred to the Senate Legislation Committee on Community Affairs for inquiry and report. The Committee held hearings in Alice Springs and Darwin, Northern Territory, and Canberra, and received 110 written submissions. A key issue raised across the hearings and submissions was the ministerial power to increase the percentage placed onto the card, up to 100 percent, for a community at that community's request. This power is consistent with Income Management policy introduced in 2010 by the *Social Security and Other Legislation Amendment (Welfare Reform and Reinstatement of Racial Discrimination Act) Act 2010*.

The Committee recommended that the Bill be passed on the condition that the department clarified the ministerial power to increase a community's rate of payment on the card and the process by which a community could request such an increase.

Upon further consultation with stakeholders, the Government moved the following amendments to further ensure a smooth, successful transition:

- amend the ministerial power to increase the portion of a person's payment placed onto the card to a maximum of 80 per cent for Northern Territory participants;
- exclude Age Pension recipients from being compulsory Cashless Debit Card participants in the Northern Territory; and
- establish a power to terminate Voluntary Income Management agreements in the Northern Territory.

Amending the power to allow communities that wish to increase percentage of a person's payment placed onto the Cashless Debit Card to a maximum of 80 per cent is consistent with arrangements for existing Cashless Debit Card sites. The Minister will only exercise this power following a request from the community. The Act does not define what a community is to ensure there is flexibility to respond to the views and circumstances of different communities. For example, some communities may prefer to use a local Aboriginal corporation, local government organisation or other representative body to act on behalf of the community in making such a request. Allowing communities to engage with the Government through the lens of genuine partnership maximises the chance for achieving positive outcomes for individuals and families.

# ATTACHMENT C

## Evaluation and Audit

### ORIMA Research evaluation

The Government commissioned ORIMA Research to undertake three independent evaluations of the Ceduna and East Kimberley Cashless Debit Card sites. The first report in this series was published in July 2016 titled the *Evaluation of the Cashless Debit Card Trial – Initial Conditions Report*.<sup>32</sup> It identified a clear need for intervention by the Government to assist the communities of Ceduna and the East Kimberley in striving for better outcomes for people and families. The Report found that the majority of stakeholders in both sites reported serious concerns with drug and alcohol misuse and problem gambling and reported that these issues had deteriorated in the last five to 10 years. In particular, stakeholders interviewed reported that:

- “excessive alcohol consumption was at crisis point”, and was having negative impacts on all levels of the community; and
- the effects of widespread and serious drug and alcohol misuse and problem gambling has led to:
  - high levels of crime and violence;
  - the erosion of a sense of safety and security within the community;
  - mental and physical health issues in adults and children;
  - financial issues;
  - social problems, including family disputes and unemployment;
  - housing instability and overcrowding; and
  - poor child wellbeing due to parental and family neglect, and lack of engagement.

In February 2017, the second evaluation report by ORIMA Research was published. This report, the *Cashless Debit Card Trial Evaluation – Wave 1 Interim Evaluation Report*<sup>33</sup> is based on data collected in the first 6 months of the trial. The final evaluation of the Ceduna and East Kimberley sites was conducted and published on 1 September 2017, titled *Cashless Debit Card Trial Evaluation – Final Evaluation Report*. The Final Evaluation Report found that the Cashless Debit Card had a “considerable positive impact” in Ceduna and the East Kimberley. It was concluded that the Cashless Debit Card “has been effective in reducing alcohol consumption and gambling in both 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.”<sup>34</sup>

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<sup>32</sup> ORIMA Research, *Evaluation on the Cashless Debit Card Trial – Initial Conditions Report*, [https://minister.servicessaustralia.gov.au/sites/default/files/cdc-initial-conditions-report.pdf?acsf\\_files\\_redirect](https://minister.servicessaustralia.gov.au/sites/default/files/cdc-initial-conditions-report.pdf?acsf_files_redirect)

<sup>33</sup> ORIMA Research, *Cashless Debit Card Trial Evaluation – Wave 1 Interim Evaluation Report*, [https://www.dss.gov.au/sites/default/files/documents/03\\_2017/final\\_cdct\\_evaluation\\_-\\_wave\\_1\\_interim\\_evaluation\\_report\\_9\\_february\\_2017.pdf](https://www.dss.gov.au/sites/default/files/documents/03_2017/final_cdct_evaluation_-_wave_1_interim_evaluation_report_9_february_2017.pdf)

<sup>34</sup> ORIMA Research, *Cashless Debit Card Trial Evaluation – Final Evaluation Report*, [https://www.dss.gov.au/sites/default/files/documents/10\\_2018/cashless-debit-card-trial-final-evaluation-report\\_2.pdf](https://www.dss.gov.au/sites/default/files/documents/10_2018/cashless-debit-card-trial-final-evaluation-report_2.pdf)



The Final Evaluation Report findings included:

- of those who drank alcohol before the Cashless Debit Card program started, 41 per cent said they were drinking alcohol less often, up from 25 per cent reported in the Wave 1 Interim Evaluation Report;
- of those who said they were using illicit drugs before the program started, 48 per cent reported using less, up from 24 per cent reported in the Wave 1 Interim Evaluation Report;
- of participants who said they gambled before the program started, 48 per cent reported gambling less, up from 32 per cent reported in the Wave 1 Interim Evaluation Report;
- of people with caring responsibilities surveyed, 40 per cent reported being able to better care for their children since the program started, and 39 per cent reported being more involved in homework and school; and
- 45 per cent of participants reported being able to save more money than before being a participant, up from 31 per cent reported in the Wave 1 Interim Evaluation Report.

The report also identified some issues with the Cashless Debit Card, which were mainly related to complications/limitations experienced by some on the card. This included being unable to transfer money to children away at boarding school or being unable to make purchases at predominately cashed-based settings (for example, fairs, 'second hand' markets, swimming pools and canteens). There was a significant decrease in participants reporting these issues in the Final Evaluation Report (33 per cent), compared to Wave 1 Interim Evaluation Report (49 per cent), indicating that issues with the card decreased overtime.

Where participants are having difficulties, the department can increase the default \$200 transfer limit to support demonstrated needs, such as to transfer more money to children at boarding school. In addition, there is also the option for participants to withdraw more than 20 per cent of their welfare payment as cash if situations arise where additional cash is required, for example purchasing large items.

Many of these complications and limitations of the Cashless Debit Card have been rectified overtime as a result of greater familiarity with the card and the continued development of policy and technology, as well as education and assistance provided through the department, Indue Ltd. and local partners. The department is committed to further evaluation and consultation with participants on the Cashless Debit Card to ensure any issues are addressed and rectified.

The report also identified that a small proportion of participants felt they were being 'penalised' and/or 'discriminated' against by being forced to participate. These participants reported that they felt there was a stigma and sense of shame associated with having a Cashless Debit Card. In the Final Evaluation Report, only four per cent of participants explicitly raised 'stigma' or 'shame' associated with the card, down from six per cent in the Wave 1 Interim Evaluation Report. In the Final Evaluation Report, six per cent of participants also mentioned a lack of freedom and/or concerns about their rights.

## University of Adelaide's Second Impact Evaluation

On 15 May 2018, the Government announced an independent Second Impact Evaluation to assess the ongoing impact of the Cashless Debit Card in the three sites of Ceduna, the East Kimberley and the Goldfields. Undertaken by the Future of Employment and Skills Research Centre (FES) at the University of Adelaide, the Second Impact Evaluation, and involves qualitative interviews, a quantitative survey and administrative data.

FES also undertook baseline data collections in the Goldfields and Bundaberg and Hervey Bay sites, with the *Cashless Debit Card Baseline Data Collection in the Goldfields Region: Qualitative Findings Report* released on 21 February 2019. The Baseline Report identified significant, widespread social, welfare and economic issues in the region prior to the introduction of the Cashless Debit Card, including issues relating to alcohol and drug use, and associated crime, violence and impacts on child health and wellbeing.

Although the card had only been implemented for a few months, several early positive impacts were already being observed, with many stakeholder and participant respondents reporting that:

- the Cashless Debit Card seemed to be having a positive effect on the prevalence and severity of crime, family violence and antisocial behaviour;
- communities seemed quieter and safer;
- levels of substance abuse, alcohol-related antisocial behaviour and crime appeared to have reduced;
- the provision of food, clothes and toys to the children of participants had increased;
- spending patterns of some participants were changing, with less money spent on alcohol and more on food, bills and household items; and
- levels of financial literacy and management were improving for some participants, including the ability to budget and save.

Early findings from the FES Draft Second Impact Evaluation also found:

- The quantitative survey of Cashless Debit Card participants found 25 per cent (of those who drink alcohol) reported they have reduced the amount they drink at any one time, since the introduction of the Cashless Debit Card, and 22 per cent reported they have reduced the number of times they drink
- Overall, 9 per cent reported the Cashless Debit Card had helped decrease the use of illicit drugs for themselves, 10 per cent for their family, 9 per cent for their friends and 14 per cent for their community.

Around 20 per cent of Cashless Debit Card participants noted reductions in gambling for themselves or the people around them. The qualitative evidence found that for some participants cash previously used for gambling had been redirected to essentials such as food.

## The Australian National Audit Office's report, *The Implementation and Performance of the Cashless Debit Card Trial*

On 17 July 2018, the Australian National Audit Office (ANAO) tabled its report, titled *The Implementation and Performance of the Cashless Debit Card Trial* in Parliament.<sup>35</sup> The ANAO audit assessed the department's implementation and evaluation of the Cashless Debit Card in Ceduna and the East Kimberley.

The ANAO report made six recommendations in the areas of risk management, contract management, procurement practices, and evaluation and monitoring activities.

The department agreed to all six recommendations, and has undertaken action to improve practices in relation to the Cashless Debit Card program.

The ANAO report made several specific criticisms about how ORIMA Research undertook the impact evaluation of the Cashless Debit Card in Ceduna and the East Kimberley. While the Government supports the process and outcome of the evaluation by ORIMA Research, it does accept ANAO's comment, which included criticisms around a lack of analysis of Commonwealth administrative data, no collection of baseline data and unmet interview targets.

In response, the Government announced a Second Impact Evaluation, to be undertaken by the FES at the University of Adelaide that will build on the results of the ORIMA Research evaluation and take into account the ANAO recommendations.

Following criticism that the Cashless Debit Card may cause stigma, the Government has redesigned the card with the Indue logo removed from the front, so it looks like a generic silver card. The updated technology of the Cashless Debit Card further reduces stigma as it allows users to purchase items from mixed-merchant stores without having to line up in separate queues to use the card, as was the case with the BasicsCard.

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<sup>35</sup> Australian National Audit Office, *The Implementation and Performance of the Cashless Debit Card Trial*, <https://www.anao.gov.au/work/performance-audit/implementation-and-performance-cashless-debit-card-trial>