



## Policy costing request—during the caretaker period for a general election

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| <b>Name of policy:</b>   | A new assistance payment for Childcare   |
| Person requesting costing:   | Senator Richard Di Natale  |
| Parliamentary party:   | Australian Greens  |
| Date of request to cost the policy:  | 28 June 2016   |
| <i>Note: This policy costing request and the response to this request will be made publicly available.</i>   |  |
| Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from the Treasury or the Department of Finance)? | No   |
| Details of the public release of this policy (Date, by whom and a reference to that release):  | 9 June 2016<br>Senator Sarah Hanson Young and Adam Bandt MP<br><a href="http://sarah-hanson-young.greensmps.org.au/content/media-releases/childcare-overhaul-%E2%80%98universal-access%E2%80%99-model-proposed-greens">http://sarah-hanson-young.greensmps.org.au/content/media-releases/childcare-overhaul-%E2%80%98universal-access%E2%80%99-model-proposed-greens</a>   |
| <b>Description of policy</b>   |  |
| Summary of policy (as applicable, please attach copies of relevant policy documents):  | The proposal would make the following changes to the early childhood education and care system:<br><u>Component A:</u> Bring forward the implementation of the Child Care Subsidy (CCS) system from 1 July 2018 to 1 July 2017.<br><u>Component B:</u> Change the current activity test so that families with a parent who undertakes 0-16 hours per fortnight of approved activity would receive 48 hours of subsidised childcare per fortnight.<br><u>Component C:</u> Provide a capped ‘Reducing Waiting Lists’ grant of \$200 million dollars to childcare centres to expand services and upgrade facilities.<br><u>The proposal would have effect from 1 July 2017.</u> |
| What is the purpose or intention of the policy?  | These initiatives are aimed at: <ul style="list-style-type: none"><li>- guaranteeing a minimum level of access to early childhood education and care for all Australian families and</li><li>- addressing the rising cost of childcare for parents; and</li><li>- addressing long waiting list at many childcare centres.</li></ul>  |
| <b>What are the key assumptions that have been made in the policy, including:</b>  |  |
| Is the policy part of a package?<br>If yes, list the components and interactions with proposed or existing policies.                               | It interacts with the government’s childcare policy, as announced in May 2015 and included in the 2015/16 Federal Budget.  |

PBO Policy costing request—during the caretaker period for a general election

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| <p>Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?</p>  | <ol style="list-style-type: none"> <li>1. Universal Childcare – demand driven</li> <li>2. Reducing Waiting Lists Scheme – capped</li> </ol>                     |
| <p>Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?<br/>If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p> | <p>No.</p>  |
| <p>Are there associated savings, offsets or expenses?<br/>If yes, please provide details.</p>   | <p>No.</p>  |
| <p>Does the policy relate to a previous budget measure?<br/>If yes, which measure?</p>  | <p>Yes. These changes are intended to interact with the government’s childcare policy, as announced in May 2015 and included in the 2015/16 Federal Budget.</p> |
| <p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>  | <p>No.</p>  |
| <p>Will the funding/program cost require indexation?<br/>If yes, list factors to be used.</p>   |   |

PBO Policy costing request—during the caretaker period for a general election

| <b>Expected impacts of the proposal</b>   |         |         |         |         |
|---|---------|---------|---------|---------|
| If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis? |         |         |         |         |
| <b>Estimated financial implications (outturn prices)<sup>(a)</sup></b>  |         |         |         |         |
|   | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
| <b>Component A – Bringing Forward CCS System:</b>   |         |         |         |         |
| <i>(i) Underlying cash balance (\$m)</i>  |         |         |         |         |
| Administered  | -       | -1,135  | -78     | 71      |
| Departmental  | -       | -7      | 9       | 8       |
| <i>(ii) Fiscal balance (\$m)</i>  |         |         |         |         |
| Administered  | -       | 1,217   | -3      | 78      |
| Departmental  | -       | -8      | 9       | 8       |
| <b>Component B – Changing the CCS activity test:</b>  |         |         |         |         |
| <i>(i) Underlying cash balance (\$m)</i>  |         |         |         |         |
| Administered  | -       | -295    | -361    | -403    |
| Departmental  | -       | -2      | -2      | -2      |
| <i>(ii) Fiscal balance (\$m)</i>  |         |         |         |         |
| Administered  | -       | -328    | -364    | -407    |
| Departmental  | -       | -2      | -2      | -2      |
| <b>Component C – ‘Cutting the Waitlist Fund’:</b>   |         |         |         |         |
| <i>(i) Underlying cash balance (\$m)</i>  |         |         |         |         |
| Capped grants (administered)  | -       | -50     | -50     | -50     |
| Flow-on to child care system (administered)   | -       | -35     | -115    | -206    |
| Departmental  | -       | ..      | -1      | -2      |
| Departmental- DET   | -       | -2      | -2      | -2      |
| <i>(ii) Fiscal balance (\$m)</i>  |         |         |         |         |
| Capped grants (administered)  | -       | -50     | -50     | -50     |
| Flow-on to child care system (administered)   | -       | -39     | -123    | -215    |
| Departmental  | -       | ..      | -1      | -2      |
| Departmental- DET   | -       | -2      | -2      | -2      |

PBO Policy costing request—during the caretaker period for a general election

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| (a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number in the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms. |   |
| What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?  | The \$200 million capital grants fund is not intended to be spent in equal portions, but the amount must be contracted by 30 June 2021.   |
| Has the policy been costed by a third party?<br>If yes, can you provide a copy of this costing and its assumptions?  | No  |
| What is the expected community impact of the policy?<br>How many people will be affected by the policy?<br>What is the likely take up?<br>What is the basis for these impact assessments/assumptions?  | 1.5 million Australian children access childcare.<br><br>These proposals would positively impact the quality, availability and cost of early childhood education and care for the Australian community. |
| <b>Administration of policy:</b>   |   |
| Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc)?  | Federal Department of Education   |
| Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).  | Departmental costs are expected to be absorbed.   |
| Intended date of implementation:   | 1 July 2017.  |
| Intended duration of policy:   |   |
| Are there transitional arrangements associated with policy implementation?   |   |
| List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).   |   |
| Are there any other assumptions that need to be considered?  |   |

**NOTE:**

*Please note that:*

*The costing will be on the basis of information provided in this costing request.*

*The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.*