



## Policy costing

Restoring Parenting payment Single	
Person/party requesting the costing:	Ms Zoe Daniel MP, Member for Goldstein
Date costing completed:	27 April 2023
Expiry date of the costing:	Release of the next economic and fiscal outlook report.
Status at time of request:	Submitted outside the caretaker period
	<input checked="" type="checkbox"/> Confidential – <i>Authorised for public release on 28 April 2023</i> <input type="checkbox"/> Not confidential
<p>Summary of proposal:</p> <p>To claim the parenting payment single under the current arrangements, single parents must have the youngest child aged under 8.</p> <p>This proposal would increase the youngest child of single parents from under 8 to 13.</p> <p>The proposal would have effect from 1 July 2023.</p>	

## Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$784.8 million over the 2022-23 Budget forward estimates period. This impact primarily reflects an increase in administered expenses, partially offset by an increase in personal income tax revenue and a net decrease in departmental expenses. Due to time constrain, the PBO has not completed a costing for the impact over the medium term.

The costing includes estimated ongoing departmental cost savings associated with the unit administration cost of parenting payment being less than the unit cost of administering the JobSeeker payment. These savings are partly offset in the first year of the proposal, which includes an allowance for additional departmental costs to allow the Services Australia to make system related changes.

This proposal is expected to have an ongoing impact that extends beyond the 2022-23 Budget forward estimates period. Due to time constrains, the PBO has not been able to estimate these impacts. A separate public debt interest (PDI) table has been provided at Attachment A.

While the estimates are based on detailed transfer payment data, they are sensitive to uncertainty associated with forecast economic and demographic parameters, particularly the population growth rates over the medium term. The estimates are also sensitive to the assumption that there would be no behavioural changes to the earned income and reported marital status of transfer payment recipients in response to the proposal.

**Table 1: Restoring Parenting Payment Single – Financial implications (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	Total to 2025-26
Fiscal balance	-	-254.7	-266.1	-264.0	<b>-784.8</b>
Underlying cash balance	-	-254.7	-266.1	-264.0	<b>-784.8</b>

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) PDI impacts are not included in the totals.

- Indicates nil.

## Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in costing this proposal.

- Based on historical data, newly eligible parenting payment recipients were largely assumed to transfer from Newstart Allowance (now known as JobSeeker payment), with a much smaller proportion assumed to transfer from Austudy or from outside the social security system.
- Growth in the number of newly eligible parenting payment recipients over time would be the same as the historical growth rate of the current parenting payment single recipient population.
- Transfer payment recipients would not alter their earned income or reported marital status in response to the proposal.

## Methodology

All estimates were calculated using the Policy and Evaluation Model (PoEM). PoEM was used to calculate revenue and administered expense estimates under the proposal. PoEM is a microsimulation model of administered transfer payments developed by the Department of Social Services which was provided to the PBO for use in costing policy proposals.

Departmental expenses were estimated based on similar previous Budget measures.

The offsetting revenue impacts occur as the extra parenting payment single payments are taxable income to the single parent, which is then subject to income tax at marginal rates.

Financial implications were rounded consistent with the PBO's rounding rules as outlined on the PBO Costings and budget information webpage.

## Data sources

The Department of Social Services provided PoEM as at the October 2022-23 Budget.

The Department of Social Services provided expenditure and population forecasts for income support recipients as at the 2022-23 October Budget.

The Treasury provided CPI parameters as at the 2022-23 October Budget.

## Attachment A – Restoring Parenting payment Single – financial implications

Table A1: Restoring Parenting payment Single– Fiscal and underlying cash balances (\$m)<sup>(a)</sup>

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Receipts</b>													
<b>Tax receipts</b>													
<b>Administered tax</b>													
<i>personal income tax</i>	-	37.3	45.1	50.1	n/a	n/a	n/a	n/a	n/a	n/a	n/a	132.5	n/a
<b>Total – receipts</b>	-	<b>37.3</b>	<b>45.1</b>	<b>50.1</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>132.5</b>	<b>n/a</b>
<b>Payments</b>													
<b>Administered</b>													
<i>Increase the youngest child for PPS</i>	-	-294.0	-315.0	-318.0	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-927.0	n/a
<b>Total – administered</b>	-	<b>-294.0</b>	<b>-315.0</b>	<b>-318.0</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>-927.0</b>	<b>n/a</b>
<b>Departmental</b>													
<i>Services Australia</i>	-	2.0	3.8	3.9	n/a	n/a	n/a	n/a	n/a	n/a	n/a	9.7	n/a
<b>Total – departmental</b>	-	<b>2.0</b>	<b>3.8</b>	<b>3.9</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>9.7</b>	<b>n/a</b>
<b>Total – payments</b>	-	<b>-292.0</b>	<b>-311.2</b>	<b>-314.1</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>-917.3</b>	<b>n/a</b>
<b>Total (excluding PDI)</b>	-	<b>-254.7</b>	<b>-266.1</b>	<b>-264.0</b>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	<b>-784.8</b>	<b>n/a</b>

(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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

- Indicates nil.

(b) Medium term estimates have not been calculated.

**Table A2: Restoring Parenting payment Single –Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)<sup>(a)(b)</sup>**

	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	Total to 2025-26	Total to 2032-33
<b>Fiscal balance</b>	-	-4.8	-14.8	-25.4	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-45.0	n/a
<b>Underlying cash balance</b>	-	-4.0	-13.1	-23.6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-40.7	n/a

- (a) As this table is presented as a memorandum item, these figures are not reflected in the totals in the table above. This is consistent with the approach taken in the budget where the budget impact of most measures is presented excluding the impact on PDI. If the reader would like a complete picture of the total aggregate, then these figures would need to be added to the figures above. For further information on government borrowing and financing please refer to the PBO's online budget glossary<sup>1</sup>.
- (b) 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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.
- Indicates nil.
- (c) Medium term estimates have not been calculated.

<sup>1</sup> [Online budget glossary – Parliament of Australia \(aph.gov.au\)](https://aph.gov.au)