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

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| **Name of policy:** | 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 |
| *Note: This policy costing request and the response to this request will be made publicly available.* |
| 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 2016Senator Sarah Hanson Young and Adam Bandt MP<http://sarah-hanson-young.greensmps.org.au/content/media-releases/childcare-overhaul-%E2%80%98universal-access%E2%80%99-model-proposed-greens>  |
| **Description of policy** |
| 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:Component A: Bring forward the implementation of the Child Care Subsidy (CCS) system from 1 July 2018 to 1 July 2017.Component B: 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.Component C: Provide a capped ‘Reducing Waiting Lists’ grant of $200 million dollars to childcare centres to expand services and upgrade facilities.The proposal would have effect from 1 July 2017. |
| What is the purpose or intention of the policy? | These initiatives are aimed at:* guaranteeing a minimum level of access to early childhood education and care for all Australian families and
* addressing the rising cost of childcare for parents; and
* addressing long waiting list at many childcare centres.
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| **What are the key assumptions that have been made in the policy, including:** |
| Is the policy part of a package?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. |
| 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? | 1. Universal Childare – demand driven
2. Reducing Waiting Lists Scheme – capped
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| Will third parties (for instance the States/Territories) have a role in funding or delivering the policy?If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged? | No. |
| Are there associated savings, offsets or expenses?If yes, please provide details. | No. |
| Does the policy relate to a previous budget measure? If yes, which measure? | 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. |
| If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program? | No. |
| Will the funding/program cost require indexation?If yes, list factors to be used. |  |
| **Expected impacts of the proposal** |
| 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? |
| **Estimated financial implications (outturn prices)(a)** |
|  | 2016–17 | 2017–18 | 2018–19 | 2019–20 |
| **Component A – Bringing Forward CCS System:** |  |  |  |  |
| *(i) Underlying cash balance ($m)* |  |  |  |  |
| Administered | - | -1,135 | -78 | 71 |
| Departmental | - | -7 | 9 | 8 |
| *(ii) Fiscal balance ($m)* |  |  |  |  |
| Administered | - | 1,217 | -3 | 78 |
| Departmental | - | -8 | 9 | 8 |
| **Component B – Changing the CCS activity test:** |  |  |  |  |
| *(i) Underlying cash balance ($m)* |  |  |  |  |
| Administered | - | -295 | -361 | -403 |
| Departmental | - | -2 | -2 | -2 |
| *(ii) Fiscal balance ($m)* |  |  |  |  |
| Administered | - | -328 | -364 | -407 |
| Departmental | - | -2 | -2 | -2 |
| **Component C – ‘Cutting the Waitlist Fund’:** |  |  |  |  |
| *(i) Underlying cash balance ($m)* |  |  |  |  |
| Capped grants (administered) | - | -50 | -50 | -50 |
| Flow-on to child care system (administered) | - | -35 | -115 | -206 |
| Departmental | - | .. | -1 | -2 |
| Departmental- DET | - | -2 | -2 | -2 |
| *(ii) Fiscal balance ($m)* |  |  |  |  |
| Capped grants (administered) | - | -50 | -50 | -50 |
| Flow-on to child care system (administered) | - | -39 | -123 | -215 |
| Departmental | - | .. | -1 | -2 |
| Departmental- DET | - | -2 | -2 | -2 |
| 1. 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.
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| 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?If yes, can you provide a copy of this costing and its assumptions? | No |
| What is the expected community impact of the policy?How many people will be affected by the policy?What is the likely take up?What is the basis for these impact assessments/assumptions? | 1.5 million Australian children access childcare. These proposals would positively impact the quality, availability and cost of early childhood education and care for the Australian community. |
| **Administration of policy:** |
| 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.* |