

Senate Finance and Public Administration Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
ADDITIONAL ESTIMATES 2016-17

Finance Portfolio
28 February 2017

Department/Agency: Finance
Outcome/Program: 1/1.1
Topic: Childcare model

Senator: Gallagher

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Question:

Senator GALLAGHER: What led to you thinking that the model was wrong? Was the increasing cost, without explanation?

Ms Huxtable: When we see that from one budget update to the next we are not accurately forecasting spending on a program, we need to look carefully at the models to see if we can improve the accuracy of the forecasts. It is basically our responsibility to ensure that the budget forecasts are as accurate as possible. So we will continue to scrutinise at all times how those models are constructed.

Senator GALLAGHER: So when it was escalating—

Senator Cormann: The projections were escalating, not the actual expenditure.

Senator GALLAGHER: Then you were essentially having underspends, were you, when it came to actual—

Ms Huxtable: Remember that the projections were going out into the forward estimates period.

Senator GALLAGHER: Yes.

Ms Huxtable: I would probably have to take on notice exactly what happened in the current year in terms of forecast versus spending. But this was more about what was in the forecasts going forward.

Answer:

The previous child care forward estimates model projected expenditure using a combination of quarterly actual data and a ten year rolling average, applied to an annualised reference week. The model was unresponsive to changes in child care usage, particularly the significant slowing of growth in Family Day Care in response to the Government's 2015-16 MYEFO measure *Family Day Care – Improving Integrity*. This resulted in an expected overestimation of projected expenditure over the forward estimates period.

The new model projects expenditure based on trends in actual expenditure from the most recent complete year (at 2016-17 MYEFO this was the 2015-16 financial year).