



**POLICY COSTING REQUEST – DURING THE CARETAKER PERIOD FOR A
GENERAL ELECTION**

Name of policy:	Childcare
Person requesting costing:	Senator Milne
Date of request to cost the policy:	2 September 2013
<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 (i.e. from the Treasury or the Department of Finance and Deregulation)?	No
Details of the public release of this policy (Date, by whom and a reference to that release)	Capital grants, Senator Hanson-Young, 14 August 2013, http://greensmps.org.au/campaigns/childcare New Childcare payment and HECS Waiver, 27 August 2013, Senator Hanson-Young, http://greensmps.org.au/content/news-stories/fixing-childcare-affordability
Description of policy:	
Summary of policy (as applicable, please attach copies of relevant policy documents):	1. A \$200 million capital grants fund over four years from 1 July 2014 to assist new childcare centres be established and for existing childcare centres to expand; 2. Roll the Child Care Rebate into the Child Care Benefit and boost funding to raise the base hourly benefit. Replace with a 'New Benefit' to be paid directly to child care centres. Parents to pay the gap thereafter. The rate of benefit for families meeting highest eligibility would be enough to ensure that 90 per cent of child care costs for low income families and 100 per cent for at risk or vulnerable children and families. The New Benefit would also continue to cover 50% of the remaining expenses after the income tests hourly subsidy, as is currently the case with CCR. The amount of assistance which is available under that component of the New Benefit would be capped at the same level that is currently available under CCR, \$7500 . On top of the base hourly subsidy, extra loadings of 10% for babies (0-2) and a further 10% for children in high needs areas (rural and regional). Maintain existing loadings applicable (eg multiple children). 3. Assist workers to get qualified and grow the workforce of childcare

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	educators. Establish a HELP waiver scheme to encourage new and current child care teachers to join and stay in the workforce thereafter. Under the program the Government would forgive a year of HELP debt for every year a 4-year bachelor degree qualified early childhood education graduate remains working in a long-day child care centre (1:1). Early childhood teaching graduates who go to high need areas, such as regional and remote Australia, will have two years' worth of HELP debt waived for each year spent working in long day care (1:2).
What is the purpose or intention of the policy?	To improve the accessibility, affordability and quality of childcare in Australia.
What are the key assumptions that have been made in the policy, including:	
Is the policy part of a package? If yes, list and outline components and interactions with proposed or existing policies.	No. It is its own package
Where relevant, is funding for the policy to be demand driven or a capped amount?	First element is capped, other two are demand driven
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?	No
If the proposal would	No

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change an existing measure, are savings expected from the departmental costs of implementing the program?				
Will the funding/program cost require indexation? If yes, list factors to be used.	Yes – in relation to the new payment, indexed to CPI.			
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) Capital grants				
	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)		-50	-50	-50
Fiscal balance (\$m)		-50	-50	-50
Estimated financial implications (outturn prices) ^(a) New payment				
	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)		-5	-1115	-1170
Fiscal balance (\$m)		-5	-1115	-1170
Estimated financial implications (outturn prices) ^(a) HELP-waiver				
	2013-14	2014-15	2015-16	2016-17
Underlying cash balance (\$m)		-6	-7	-8
Fiscal balance (\$m)		-6	-7	-8
(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)?	See previous PBO costings. Policies are the same as most recently costed by the PBO.			

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Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?	Yes , PBO , 22 August 2013; and 16 April 2013
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?	The policy would impact all parents using and seeking to use childcare. It will improve workforce participation by parents, particularly women by making childcare more affordable and accessible.
Administration of policy:	
Who will administer the policy (for example, Australian Government entity, the States, non-government organisation, etc.)?	Australian government
Should departmental expenses associated with this policy be included in this costing? If no, will the Department be expected to absorb expenses associated with this policy? If yes, please specify the key assumptions, including whether departmental costs are expected with respect to program management (by policy agencies) and additional transactions/processing (by service delivery agencies).	Yes – included in estimates costs above.
Intended date of implementation.	1 July 2014 for capital grants and HELP-waiver 1 July 2015 for new payment
Intended duration of policy.	ongoing

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Are there transitional arrangements associated with policy implementation?	No
List major data sources utilised to develop policy (for example, ABS cat. no. 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.*