



Policy costing

Increase of the Assistance for Isolated Children (AIC) boarding allowance	
Person/party requesting the costing:	Senator Canavan, The Nationals
Date costing completed:	14 March 2025
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 type="checkbox"/> Confidential <input checked="" type="checkbox"/> Not confidential
<p>Summary of proposal:</p> <p>The proposal would increase the Basic Boarding Allowance (BBA) under the Assistance for Isolated Children (AIC) Scheme by \$4,000 per year. The proposal has 2 options:</p> <ul style="list-style-type: none"> • Option 1: Annual indexation of the BBA would be in line with the Consumer Price Index (CPI) as per the current arrangements. • Option 2: Annual indexation of the BBA would be in line with the CPI Education subgroup (CPI Education). The Additional Boarding Allowance (ABA) would also be indexed to the CPI Education. <p>The proposal would commence on 1 January 2027 and be ongoing.</p>	

Overview

The proposal would be expected to decrease the fiscal and underlying cash balances by between \$23.7 million (Option 1) and \$24.3 million (Option 2) over the 2024-25 Budget forward estimates period (see Table 1). This impact reflects an increase in administered expenses.

The proposal would be expected to have an impact beyond the 2024-25 Budget forward estimates period. A breakdown of the financial implications (including separate public debt interest (PDI) tables) over the period to 2034-35 is provided at Attachment A.

The estimates are sensitive to the assumptions around the eligible population and future movements in the indexation parameters.

The Parliamentary Budget Office (PBO) has not made any assessment as to whether the specified increase in the allowance would be sufficient to meet the objectives of the proposal.

Table 1: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Financial implications (\$m)^{(a)(b)}

	2024-25	2025-26	2026-27	2027-28	Total to 2027-28
Option 1: Increase the BBA by \$4,000 per child, indexed to the CPI					
Fiscal balance	-	-	-7.9	-15.8	-23.7
Underlying cash balance	-	-	-7.9	-15.8	-23.7
Option 2: Increase the BBA by \$4,000 per child, indexed to the CPI Education					
Fiscal balance	-	-	-7.9	-16.4	-24.3
Underlying cash balance	-	-	-7.9	-16.4	-24.3

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Key assumptions

The PBO has made the following assumptions in costing this proposal.

- Any behavioural response from families in remote areas to increase uptake of the BBA under the proposal would be negligible.
- The number of BBA and ABA recipients would decline over the costing period in line with historical average, by 2.9% and 1.2% respectively.
 - The proposal is assumed to not significantly affect this long-run trend decline.
 - The decline coincides with an increase in the number of Distance Education Allowance recipients of 12.8% per annum on average over the past 10 years.
- ABA recipients would receive payment at the maximum rate available.
- The CPI Education would grow at around 4% per annum over the costing period, consistent with historical patterns where the CPI Education has been on average 1.5 percentage points higher than the CPI.
- As per current indexation arrangements, the BBA and the ABA would be indexed on 1 January of each year.
- There would be no departmental costs associated with the proposal.

Methodology

Option 1

The administered expenses were estimated by multiplying the projected number of recipients by the additional payment as specified, while keeping the existing indexation arrangements.

Option 2

The administered expenses for the BBA were estimated by multiplying the projected number of recipients by the additional payment as specified and changing indexation to CPI Education.

The administered expenses for the ABA reflect the difference in indexation between the baseline (indexed to the CPI) and under the proposal (indexed to the CPI Education).

- The number of eligible recipients and the CPI Education were estimated as per the *Key Assumptions*.

Financial implications were rounded consistent with the PBO's rounding rules.¹

Data sources

Australian Bureau of Statistics, 2025. *Consumer Price Index, Australia*, Available at [Consumer Price Index, Australia, December Quarter 2024 | Australian Bureau of Statistics](#), accessed 6 March 2025.

Department of Social Services provided information on the historical number of recipients for the Basic Boarding Allowance, Additional Boarding Allowance and Distance Education Allowance.

The Department of the Treasury provided economic parameters as at 2024-25 MYEFO.

¹ <https://www.pbo.gov.au/for-parliamentarians/how-we-analyse/pbo-rounding-rules>

Attachment A – Increase of the Assistance for Isolated Children (AIC) boarding allowance – Financial implications

Table A1: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 1: Increase the BBA by \$4,000 per child, indexed to the CPI - Fiscal and underlying cash balances (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Administered													
<i>Basic Boarding Allowance</i>	-	-	-7.9	-15.8	-15.8	-15.7	-15.6	-15.6	-15.5	-15.4	-15.4	-23.7	-132.7
Total (excluding PDI)	-	-	-7.9	-15.8	-15.8	-15.7	-15.6	-15.6	-15.5	-15.4	-15.4	-23.7	-132.7

(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.

Table A2: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 1: Increase the BBA by \$4,000 per child, indexed to the CPI - Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
<i>Fiscal balance</i>	-	-	-0.2	-0.7	-1.5	-2.3	-3.1	-3.9	-4.8	-5.8	-6.7	-0.9	-29.0
<i>Underlying cash balance</i>	-	-	-0.1	-0.6	-1.3	-2.1	-2.9	-3.7	-4.6	-5.5	-6.5	-0.7	-27.3

(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 glossary².

(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.

² https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_budget_office/online_budget_glossary

Table A3: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 2: Increase the BBA by \$4,000 per child, indexed to the CPI-Education - Fiscal and underlying cash balances (\$m)^(a)

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
Administered													
<i>Basic Boarding Allowance</i>	-	-	-7.9	-16.3	-17.1	-18.0	-18.8	-19.7	-20.6	-21.5	-22.3	-24.2	-162.2
<i>Additional Boarding Allowance</i>	-	-	..	-0.1	-0.1	-0.2	-0.2	-0.3	-0.4	-0.4	-0.5	-0.1	-2.2
Total (excluding PDI)	-	-	-7.9	-16.4	-17.2	-18.2	-19.0	-20.0	-21.0	-21.9	-22.8	-24.3	-164.4

(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.

.. Not zero but rounded to zero.

- Indicates nil.

Table A4: Increase of the Assistance for Isolated Children (AIC) boarding allowance – Option 2: Increase the BBA by \$4,000 per child, indexed to the CPI-Education - Memorandum item: Public Debt Interest (PDI) impacts – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	Total to 2027-28	Total to 2034-35
<i>Fiscal balance</i>	-	-	-0.2	-0.7	-1.5	-2.4	-3.4	-4.4	-5.5	-6.8	-8.2	-0.9	-33.2
<i>Underlying cash balance</i>	-	-	-0.1	-0.6	-1.3	-2.2	-3.1	-4.1	-5.3	-6.5	-7.8	-0.7	-31.1

(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 glossary³.

(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.

³ https://www.aph.gov.au/about_parliament/parliamentary_departments/parliamentary_budget_office/online_budget_glossary