



BUDGET

2015-16

Families Package



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Helping lay the foundation for future prosperity

Supporting Australian families

The 2015 Budget delivers on the Government's commitment to support families by making child care simpler, more affordable, accessible and flexible.

The future prosperity of working families depends on Australia responding to the changing demographics of our population and the economic challenges we all face.

The recent *Intergenerational Report* projected that the proportion of people working is expected to fall as the population ages – a lower proportion of Australians working will mean lower economic growth over this period.

Accordingly, boosting workforce participation is critical to driving higher levels of prosperity.



The Productivity Commission estimated there are up to 165,000 parents who would like to work, or work more hours, but are not able to do so because they are experiencing difficulties with the cost of, or access to, suitable child care.

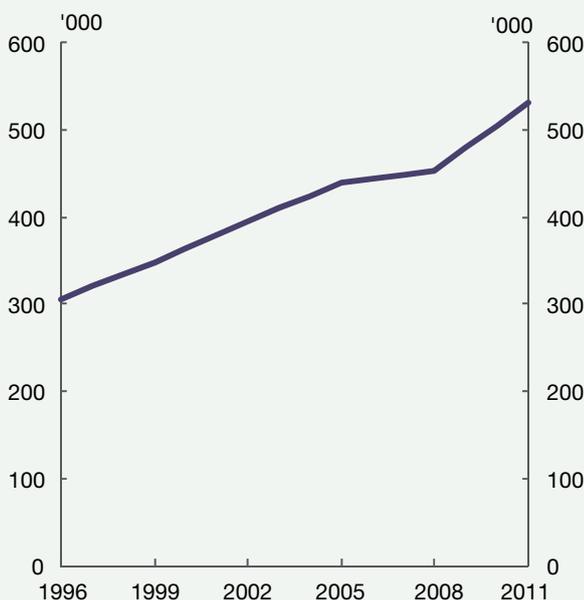
The Government is delivering a \$4.4 billion Families Package to give parents more choice and opportunity to work.

The Families Package will provide greater choice for more than 1.2 million families by delivering more affordable access to quality child care and early childhood learning, especially for low-to-middle income families.

Our future growth and prospects rely on having a sufficient workforce to fill the jobs of tomorrow.

The Government is delivering policies that encourage people who are not working to enter, or re-enter the workforce, and support people to stay in work, where they choose to do so.

Children in formal care





For some Australian families, the decision to go back to work after having a child is not a choice, but a necessity, if they are to continue to manage the demands of life and provide their children with opportunities.

The Government also recognises that we need an accessible child care system that focuses on helping those families who need our assistance the most.

This is why the Government is putting in place the Child Care Safety Net.

The Government's families policies are directed towards improving engagement in the workforce and providing choice for everyday Australian families, while helping the vulnerable.

There are clear opportunities to increase future prosperity by better supporting Australian families to get and keep jobs. The Government's families policies are focused on realising these opportunities.

More affordable child care

A better child care system

The Government's reforms will provide child care that is simpler, more affordable, accessible and flexible.

The Government will invest an additional \$3.5 billion over five years on child care assistance, including a new Child Care Subsidy.

The simplified Child Care Subsidy will be implemented from 1 July 2017 with a single subsidy based on family income, replacing the Child Care Benefit, Child Care Rebate and Jobs, Education and Training Child Care Fee Assistance Programme.

This responds to longstanding community frustration with the current system that is complex and difficult for families to navigate, with many programmes poorly targeted.

The Child Care Subsidy will provide assistance to meet the cost of child care for parents who are working, looking for work, training, studying or undertaking any other recognised activity such as volunteering.

The Child Care Subsidy will be based on a percentage of the actual fee paid, up to a maximum hourly fee cap for each service type, with the level of subsidy based on family income.

These changes will provide more generous assistance for hardworking Australian families

The new Child Care Subsidy

Families earning around \$65,000 or less will receive a subsidy of 85 per cent of their child care fees (up to an hourly fee cap).

The subsidy gradually tapers to 50 per cent for families earning around \$170,000 or more.

There will be no annual cap for families earning less than around \$185,000. Families earning around \$185,000 or more will have a \$10,000 annual cap on the total amount of assistance provided per child per year. This is \$2,500 more than the current Child Care Rebate annual cap per child.

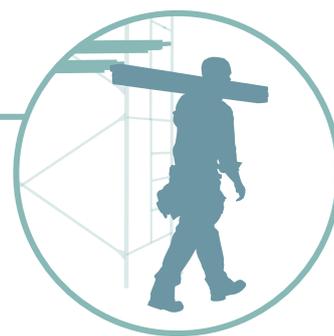
In 2017-18, the hourly fee caps will be set at:

- \$11.55 for Long Day Care;
- \$10.70 for Family Day Care; and
- \$10.10 for Outside School Hours Care.

From 1 July 2018, the income threshold for the maximum subsidy rate will be indexed to the Consumer Price Index, with other thresholds aligned accordingly, therefore increasing over time.

To be eligible for the Child Care Subsidy, children must attend an approved child care service and meet immunisation requirements.

The Child Care Subsidy will be paid directly to providers under these arrangements.



The new Child Care Subsidy will make the decision to return to work, or stay in work, easier

Assistance for working families

Government assistance for child care is to help people get into work and then be able to stay in work.

Eligibility for the Child Care Subsidy will be determined by an activity test that closely aligns the hours of subsidised care with the amount of work, training, study or any other recognised activity such as volunteering by parents.

Eligible activity (per fortnight)	Subsidy entitlement (per child per fortnight)
8 to 16 hours	Up to 36 hours
17 to 48 hours	Up to 72 hours
49 or more	Up to 100 hours

Families with incomes of around \$65,000 or less in 2017-18, who do not meet the activity test, will be eligible to receive up to 24 hours subsidised care per fortnight under the Child Care Safety Net.

Income support recipients with a participation requirement will have their participation count as eligible activity to determine their subsidy entitlement.

Transition

The new Child Care Subsidy will take effect from 1 July 2017.

The existing Child Care Benefit, Child Care Rebate and Jobs, Education and Training Child Care Fee Assistance Programme will continue until the start of the Child Care Subsidy on 1 July 2017.

The Department of Human Services will contact families directly and provide information on current entitlements and how they may change under new arrangements.

The new child care arrangements will be supported by an updated IT system that will streamline administration for services and families.



Access to quality care for families in need

The Government will ensure that children can access quality early childhood learning through targeted support to genuinely disadvantaged and vulnerable children.

The Child Care Subsidy will support low income families with at least one parent not currently undertaking recognised activity, to access 24 hours of subsidised care per fortnight. This will be available to those earning around \$65,000 or less in 2017-18.

In addition to the Child Care Subsidy, the Government will spend \$869 million on the Child Care Safety Net to assist vulnerable, disadvantaged and additional needs children.

Extra assistance for vulnerable children

Children from disadvantaged backgrounds particularly benefit from quality early learning.

To improve the developmental outcomes for these children, the Government will spend \$156 million from 1 July 2017 on top-up fee assistance through the Additional Child Care Subsidy for:

- children who are at risk of serious abuse or neglect;
- families experiencing temporary financial hardship; and
- families transitioning to work from income support.

Child Care Safety Net

Additional Child Care Subsidy (\$156 million)

Extra assistance for 'at risk' children

Community Child Care Fund (\$304 million)

Increasing access to child care in disadvantaged communities

Inclusion Support Programme (\$409 million)

Including children with additional needs

Early childhood education and care play an important role in helping children with additional needs

Accessible child care in disadvantaged communities

The Government will establish a \$304 million Community Child Care Fund (CCCF), to support child care providers servicing their local community. The CCCF will be used to:

- remove barriers for disadvantaged children, or children in regional or remote areas;
- make child care services more viable;
- improve affordability for low income families in high cost areas; and
- increase the supply of centre based and mobile services.

From 1 July 2016, \$10 million will be provided each year to integrate child care services with maternal and child health and family support programmes in disadvantaged Indigenous communities, as part of implementing the early childhood recommendations of the Forrest Review.

The CCCF will commence on 1 July 2017.

Supporting children with additional needs

Children with additional needs often face barriers to access and participate in mainstream child care services.

The Government will commit \$409 million over the forward estimates to the new Inclusion Support Programme, which will commence on 1 July 2016.

The new Inclusion Support Programme will assist parents who have children with additional needs to access child care. The Inclusion Support Programme will provide more funding for services to get the necessary skilled staff and equipment to support these children.

The programme will target support to children with disabilities or from culturally or linguistically diverse backgrounds.



Flexible child care options

The Government will support care by nannies for around 10,000 children where families experience difficulties accessing mainstream child care services.

Supporting home-based care

The Government will spend around \$250 million on an Interim Home Based Carer Pilot Programme (Nannies Trial) to extend subsidy support to eligible families using nannies.

The Nannies Trial will provide eligible families with more choice and flexible child care options.

Shift workers such as nurses, police, firefighters and ambulance officers are often unable to access government-supported child care because of the unpredictable nature and hours of their work.

The Nannies Trial will fund around 4,000 nannies, providing subsidised care to approximately 10,000 children.

The Nannies Trial will:

- provide families with a subsidy at a percentage of an hourly fee cap rate of \$7.00 per child based on family income, similar to the Child Care Subsidy parameters; and
- only be available to families on incomes below \$250,000 per year.

Nannies must be attached to an approved service, be at least 18 years of age, have a current Working with Children Check and meet first aid requirements.

The Nannies Trial will commence on 1 January 2016 and run until 31 December 2017. The programme will be evaluated during 2017 to inform future Government policy.



Universal access to preschool

Children who attend preschool in the year before starting school can benefit from improved academic performance during primary school.

The Government will invest \$843 million in the 2016 and 2017 calendar years for preschool programmes across Australia, to ensure children have a strong start and a bright future.

Early childhood is a vital period for learning and development.

Access to preschool benefits all children in the year before school, particularly disadvantaged children.

The National Partnership Agreement on Universal Access to Early Childhood Education ensures that in the year before school, state and territory governments provide all children with access to a

preschool programme for up to 15 hours a week or for 600 hours a year, delivered by a degree-qualified early childhood teacher.

Investing in early childhood education helps build a productive society. Early education can translate into school readiness, academic success, and lifetime wellbeing. Success builds upon success.



Supporting families

‘No Jab, No Pay’ – Vaccinating our children

The Government recognises that more needs to be done to ensure we protect our children and our community from preventable diseases.

While Australia has a childhood vaccination rate of over 90 per cent for children aged one to five years, more than 39,000 children aged under seven in Australia are not vaccinated because their parents are vaccine objectors. This is not supported by medical research or public policy.

From 1 January 2016, the ‘No Jab, No Pay’ rule will remove all exemptions, excluding those for medical reasons, for access to child care payments and Family Tax Benefit (FTB) Part A end of year supplement.

Improving immunisation rates

The Government is also providing a \$26 million boost to the Immunise Australia programme which will provide additional incentive payments for doctors and immunisation providers to identify and vaccinate children in their practice who are overdue.

The Government will continue to raise awareness of the benefits of vaccinations and enhance an existing register to ensure all adolescent vaccinations are recorded.





Guaranteeing high quality early learning

Maintaining high quality standards is integral to the delivery of early childhood education.

The Government will extend funding for a further three years to support the National Quality Agenda for Early Childhood Education and Care while working with states and territories to streamline its operation.

Simpler and fairer means testing

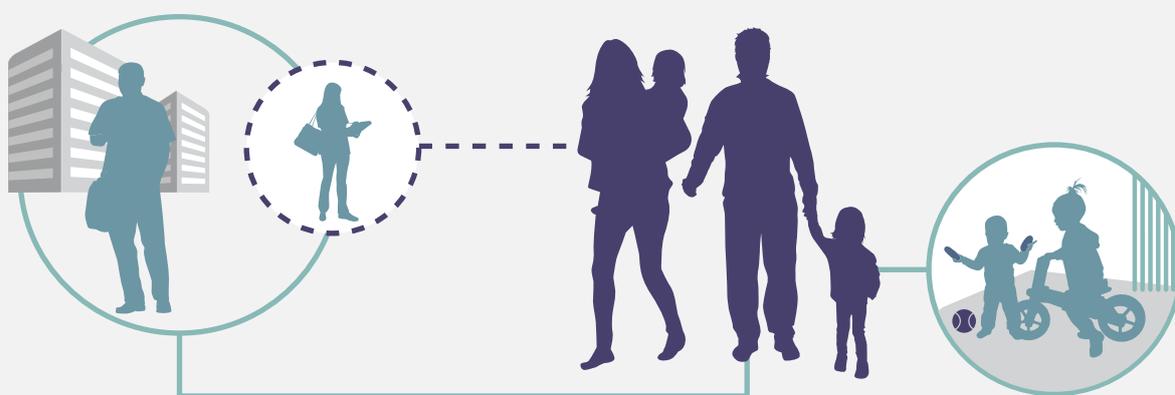
The Government understands the need for a simpler family payments system and a smooth level of support as children get older. The Government will align the eligibility criteria for FTB Part A and youth income support payments, by removing the Family Assets Test and the Family Actual Means Test from 1 January 2016.

The Government will also apply a single Parental Income Test where a family receives both Youth Allowance and FTB Part A.

These changes will provide additional assistance to working families to support their children in transitioning from school to further study, in particular for children from regional and remote areas, who often face higher costs of further study due to the need to move away from home.

How will child care changes affect families

More affordable child care



Two parents, two children

Nick and Kirsty have two children, Andrew aged 1 and Katherine aged 2. Nick works full-time and Kirsty works part-time for 24 hours per week (and travels 20 minutes to get to work). Their combined family income this year is \$108,927, rising to \$115,000 in 2017-18.

Andrew and Katherine attend long day care three days a week, costing \$85.50 per day for each child.

Nick and Kirsty currently receive \$17,266 in Government child care assistance; \$7,855 under the Child Care Benefit and \$9,410 under the Child Care Rebate.

Under the new Child Care Subsidy, Nick and Kirsty would be entitled to 100 hours of subsidised care per fortnight, as their total work hours, including travel time, are both over 48 hours per fortnight. In 2017-18, their long day care centre charges \$98 per child per day.

Based on their family income, they would be entitled to 69 per cent of their costs, and would receive \$67.20 per child, per day.

In total, under the new Child Care Subsidy, they would receive \$20,966 in 2017-18, which is \$3,700 more than they would receive this year under the current system.

More child care support for low income families

Sole parent, two children

Charlotte is a single mother with two children, Calvin aged 9 and Susie aged 7. She works part-time and has an adjusted taxable income this year of \$47,359, rising to \$50,000 in 2017-18.

Calvin and Susie attend out of school hours care for three hours a day, three times a week. This costs \$7.65 an hour this year. After receiving the Child Care Benefit and Child Care Rebate, Charlotte's out-of-pocket child care costs are \$35.52 a week.

Under the Child Care Subsidy, Charlotte will receive a higher rate of assistance. Her out-of-pocket costs will be more than \$12 a week less in 2017-18 than they would in 2015-16.

If Calvin and Susie attend after-school care for 40 weeks, they would receive \$5,263 in 2017-18, which is \$1,176 more than they would receive this year under the current system.



How will child care changes affect families

More flexible child care options

Interim Home Based Carer Pilot Programme (Nannies Trial)

Greg and Sue are shift workers on a combined family income this year of \$120,000. Greg is a cleaning supervisor working full-time on a rotating roster and Sue is a part-time nurse working with an agency. They both have to work nights sometimes and their days vary.

They have three children, all below school age, one year old twins and a three year old. They currently use a combination of formal care, including Greg's mother and the help of family friends as they often need child care outside of normal child care hours. This has meant that Sue has often had to turn down additional shifts.

Under the new Nannies Trial, they will be able to have reliable care for their children in their own home when they need it. The Agency helped them find a carer and work out the contractual and insurance arrangements. They have an agreed number of hours per fortnight but the hours are flexible to ensure care can respond to the changing nature of their shifts.

Because they now have reliable care, Sue feels comfortable taking on an extra shift. In 2016-17, Greg and Sue's total income is \$130,000.

Under the Nannies Trial in 2016-17, the carer, Sally, works a flexible 70 hours per fortnight at \$28.00 per hour.

The subsidy supports 70 hours per fortnight for each child and, based on their family income, they receive a percentage (63 per cent) of the fixed hourly rate of \$7.00 per hour per child or a total of \$13.24 per hour.

In total, they would receive \$24,100 in assistance, or \$927 a fortnight.



Supporting people who want to work

Transition to work

Natasha is not currently working and receives an income support payment, but is studying in order to better her chances of future employment. Her two year old daughter attends a local long day care centre which currently costs \$78.50 per day. By 2017-18 the cost is \$90 per day.

Natasha's annual income of less than \$65,710 in 2017-18 means she will be eligible for assistance under the Child Care Subsidy, and further 'top-up' under the Additional Child Care Subsidy.

As this assistance is activity tested, Natasha would be able to access 50 hours of child care per week as she is studying for 49 or more hours per fortnight (compared to the maximum of 36 hours per week allowed for approved study activities under the current system). Natasha would be subsidised for up to 95 per cent of child care costs, leaving her only five per cent (\$22.50 per week) out of pocket.



New child care support

New subsidy arrangements for Long Day Care commence 1 July 2017

Fee assistance (per child per year) Long Day Care 2017-18

<i>Family Adjusted Taxable Income</i>	<i>Hours of care per week</i>				
	10	20	30	40	50
\$60,000 or less	\$4,332	\$8,663	\$12,995	\$17,326	\$21,658
\$70,000	\$4,259	\$8,517	\$12,776	\$17,035	\$21,294
\$80,000	\$4,089	\$8,178	\$12,267	\$16,355	\$20,444
\$90,000	\$3,919	\$7,838	\$11,757	\$15,676	\$19,595
\$100,000	\$3,749	\$7,498	\$11,247	\$14,997	\$18,746
\$110,000	\$3,579	\$7,159	\$10,738	\$14,317	\$17,896
\$120,000	\$3,409	\$6,819	\$10,228	\$13,638	\$17,047
\$130,000	\$3,240	\$6,479	\$9,719	\$12,958	\$16,198
\$140,000	\$3,070	\$6,139	\$9,209	\$12,279	\$15,348
\$150,000	\$2,900	\$5,800	\$8,699	\$11,599	\$14,499
\$160,000	\$2,730	\$5,460	\$8,190	\$10,920	\$13,650
\$170,000	\$2,560	\$5,120	\$7,680	\$10,240	\$12,800
\$180,000	\$2,548	\$5,096	\$7,644	\$10,192	\$12,740
\$190,000	\$2,548	\$5,096	\$7,644	\$10,000	\$10,000
\$200,000 or more	\$2,548	\$5,096	\$7,644	\$10,000	\$10,000

Notes:

- Lower threshold of \$65,710 at 85 per cent
- Upper threshold of \$170,710 at 50 per cent
- Annual fee cap of \$10,000 applies to family incomes of \$185,710 or more
- Fee cap of \$11.55 applies which will affect subsidies received above this amount
- Assumes fee of \$9.80 per hour in 2017-18
- Assumes 52 weeks per year

New subsidy arrangements for Family Day Care commence 1 July 2017

Fee assistance (per child per year) Family Day Care 2017-18

<i>Family Adjusted Taxable Income</i>	<i>Hours of care per week</i>				
	10	20	30	40	50
\$60,000 or less	\$4,265	\$8,531	\$12,796	\$17,061	\$21,327
\$70,000	\$4,194	\$8,387	\$12,581	\$16,774	\$20,968
\$80,000	\$4,026	\$8,053	\$12,079	\$16,105	\$20,131
\$90,000	\$3,859	\$7,718	\$11,577	\$15,436	\$19,295
\$100,000	\$3,692	\$7,383	\$11,075	\$14,767	\$18,459
\$110,000	\$3,524	\$7,049	\$10,573	\$14,098	\$17,622
\$120,000	\$3,357	\$6,714	\$10,072	\$13,429	\$16,786
\$130,000	\$3,190	\$6,380	\$9,570	\$12,760	\$15,950
\$140,000	\$3,023	\$6,045	\$9,068	\$12,091	\$15,113
\$150,000	\$2,855	\$5,711	\$8,566	\$11,422	\$14,277
\$160,000	\$2,688	\$5,376	\$8,064	\$10,753	\$13,441
\$170,000	\$2,521	\$5,042	\$7,563	\$10,084	\$12,604
\$180,000	\$2,509	\$5,018	\$7,527	\$10,036	\$12,545
\$190,000	\$2,509	\$5,018	\$7,527	\$10,000	\$10,000
\$200,000 or more	\$2,509	\$5,018	\$7,527	\$10,000	\$10,000

Notes:

- Lower threshold of \$65,710 at 85 per cent
- Upper threshold of \$170,710 at 50 per cent
- Annual fee cap of \$10,000 applies to family incomes of \$185,710 or more
- Fee cap of \$10.70 applies which will affect subsidies received above this amount
- Assumes fee of \$9.65 per hour in 2017-18
- Assumes 52 weeks per year

New child care support

New subsidy arrangements for Outside School Hours Care commence 1 July 2017

Fee assistance (per child per year) Outside School Hours Care 2017-18

<i>Family Adjusted Taxable Income</i>	<i>Hours of care per week</i>						
	3	6	9	12	15	18	21
\$60,000 or less	\$877	\$1,754	\$2,632	\$3,509	\$4,386	\$5,263	\$6,140
\$70,000	\$862	\$1,725	\$2,587	\$3,450	\$4,312	\$5,175	\$6,037
\$80,000	\$828	\$1,656	\$2,484	\$3,312	\$4,140	\$4,968	\$5,796
\$90,000	\$794	\$1,587	\$2,381	\$3,175	\$3,968	\$4,762	\$5,555
\$100,000	\$759	\$1,518	\$2,278	\$3,037	\$3,796	\$4,555	\$5,315
\$110,000	\$725	\$1,450	\$2,175	\$2,899	\$3,624	\$4,349	\$5,074
\$120,000	\$690	\$1,381	\$2,071	\$2,762	\$3,452	\$4,143	\$4,833
\$130,000	\$656	\$1,312	\$1,968	\$2,624	\$3,280	\$3,936	\$4,592
\$140,000	\$622	\$1,243	\$1,865	\$2,487	\$3,108	\$3,730	\$4,351
\$150,000	\$587	\$1,174	\$1,762	\$2,349	\$2,936	\$3,523	\$4,111
\$160,000	\$553	\$1,106	\$1,659	\$2,211	\$2,764	\$3,317	\$3,870
\$170,000	\$518	\$1,037	\$1,555	\$2,074	\$2,592	\$3,111	\$3,629
\$180,000	\$516	\$1,032	\$1,548	\$2,064	\$2,580	\$3,096	\$3,612
\$190,000	\$516	\$1,032	\$1,548	\$2,064	\$2,580	\$3,096	\$3,612
\$200,000 or more	\$516	\$1,032	\$1,548	\$2,064	\$2,580	\$3,096	\$3,612

Notes:

- Lower threshold of \$65,710 at 85 per cent
- Upper threshold of \$170,710 at 50 per cent
- Annual fee cap of \$10,000 applies to family incomes of \$185,710 or more
- Fee cap of \$10.10 applies which will affect subsidies received above this amount
- Assumes fee of \$8.60 per hour in 2017-18
- Assumes 40 weeks per year