

## Election Costing Request Form

Details of request	
Party:	Liberals and Nationals Government
Name of Policy:	A bright future for NSW Children
Date of request:	6 February 2023

Description of policy	
<p>Summary of policy (please attach copies of relevant policy documents and include information on what the policy aims to achieve):</p>	<p>This commitment is to help secure a brighter future for NSW children, through an intergenerational accumulation scheme for eligible children.</p> <p>For each child born in NSW, parents would have the opportunity to create an 'account' for their child with the NSW Government. Each child's 'account' would start with a \$400 contribution from the NSW Government. The account would have to be voluntarily created by the parent and would not be automatic.</p> <p>Each subsequent year, for children of families receiving the Commonwealth Family Tax Benefit A, the Government would contribute \$200 into the account. Parents and grandparents of these children could make further contributions to the account, but these are not required to receive the Government's automatic \$200 contribution.</p> <p>Parents and grandparents of all other children would be able to contribute to the fund and the Government would make a co-contribution capped at \$400.</p> <p>This would create a future pool of money for the child that can <u>only</u> be drawn down when the child turns 18 and <u>only</u> for two specific purposes.</p> <p>In the first year of operation only, parents would have the option of also opting in children 10 and under. The same contribution parameters outlined above for new born babies would apply for those children.</p> <p>All money would be pooled in a Special Deposit Account with the investment of funds to be managed by TCorp.</p> <p>Money pooled would earn interest, with the interest earned proportionally shared across accounts.</p> <p>Money from the fund can <u>only</u> be drawn down by the child at age 18 for two purposes:</p> <ul style="list-style-type: none"> <li>• Housing</li> <li>• Education</li> </ul> <p>Money would not have to be drawn down all at once but would have to be drawn down for one of the above purposes.</p>
<p>Has the policy been publicly released yet?</p>	<p>No</p>

Your estimated costing of the policy <sup>1</sup>						
	2022/23 \$'000	2023/24 \$'000	2024/25 \$'000	2025/26 \$'000	2026/27 and later years <sup>2</sup> \$'000	Total \$'000
Impact on General Government Sector (GGS) net operating result <sup>3</sup>						
Impact on GGS capital expenditure <sup>4</sup>						
If different from above, impact on total State Sector net financial liabilities <sup>5</sup>						

**Note:** Has the policy been costed by a third party?  
If yes, can you provide a copy of this costing and its assumptions?

Key assumptions made in the policy	
Does the policy relate to a previous announcement? If yes, which announcement?	No
What assumptions have been made in deriving the financial impacts in your estimated costing? <i>(See checklist)</i>	Take up of the scheme is 77% based on the take-up of active kids 32% NSW families receive FTB A, based on an adjusted per capita share of national FTB A recipients; adjustment is for higher NSW incomes
Is there a range for the costing or any sensitivity analysis that you have undertaken?	
Are there associated savings, offsets or, in the case of a revenue proposal, offsetting expenses? If yes, please provide details.	

<sup>1</sup> Amounts should be expressed in nominal dollars. GGS - General Government Sector.

<sup>2</sup> Please provide information on other years if spending occurs outside the forward estimate years and will be required to cost the policy or will assist in public understanding of the policy.

<sup>3</sup> Negative for a saving that reduces expenditure

<sup>4</sup> Negative for a reduction in capital expenditure.

<sup>5</sup> Only required if proposal is outside GGS. Negative for a reduction in net financial liabilities.

Are there significant costs or savings <b>outside</b> the forward estimates period which should be considered in costing this policy? <sup>6</sup>	
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<b>Administration of policy</b>	
Intended date of implementation:	Oct 2023
Intended duration of policy:	Ongoing
Who will administer the policy (e.g. Government entity, non-government organisation, etc.)?	Service NSW A flat administration fee of \$8M will be provided to Service NSW. A 0.5 per cent fee will be provided to TCorp for management of the funds.
Are there any specific administrative arrangements for the policy that need to be taken into account (e.g. agreements between different levels of government)?	
Are there transitional arrangements associated with policy implementation?	

<b>If the policy is mainly an expenditure<sup>7</sup> commitment</b>	
Demand driven or a capped amount:	Demand
Eligibility criteria or thresholds:	In year 1, the child is born in 2023 or the child is aged up to 10 In year 2, a child born in 2024 In year 3, a child born in 2025

<b>If the policy is mainly a revenue commitment</b>	
Transaction based or capped:	
Thresholds and/or exemptions:	
Collection method:	
Additional expenditure associated with collection:	
<b>If the policy is mainly a capital costs<sup>8</sup> commitment</b>	
<b>Nature of Capital Spending</b>	

<sup>6</sup> Particularly important for large projects with long lead times, policies with a delayed timetable for implementation, or policies where up-front investment is required to achieve long term savings.

<sup>7</sup> Expenditure is operating expenses, e.g. salaries, interest cost and grants. Expenditures are fully included in the impact on operating balance.

<sup>8</sup> Capital costs differ from expenditure in that only depreciation will be included in the impact on operating balance.

Type of work, size and capacity:	
Proposed start and completion date of work:	
Intended construction schedule/cashflow:	
Associated asset sell off (if any):	
<b>Recurrent Impacts</b>	
Offsetting expenditure savings:	
On-going maintenance, depreciation and operational expenses:	
Third party funding involvement:	
Delivery model <sup>9</sup>	

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<sup>9</sup> There is a range of possible delivery models, e.g. built, owned and operated by a NSW government agency; built and transferred to a private operator; privately built for public operation; privately built and operated with government assuming risk or providing a guarantee in relation to future income (often applicable to public/private partnership arrangements), and so on. The policy should provide assumptions about the proposed delivery model.

## **Attachment A**

### **A Brighter Future for NSW Children**

#### **Governance and Management of Accounts**

Monies deposited by parents (or Grandparents or carers) and the Government will flow into a Special Deposit Account SDA. Investment of funds in the SDA will be managed on behalf of the government by TCorp.

#### **Drawdown of monies**

Children can only elect to draw down when they turn 18 for two purposes: housing and education. Until an application is made to draw down the monies, the monies will continue to remain in the account accruing earnings.

#### **Cost and taxation**

Administration of the account will be managed by the Government, meaning that there are no fees for parents.

Contributions made into the fund by parents and grandparents are post tax and there are **no** concessional tax benefits for these contributions. A person will only be able to draw on the money at 18, as an adult and will not be able to draw on the fund at any time prior. Effective control of the money will be with the Government until the person turns 18. At the time of withdrawal, funds may be taxed but would be subject to tax free-thresholds.

#### **Estimated cost of the policy**

The scheme and fund will be established in such a way that government contributions are treated as cash contributions to earn a rate of return.

Whilst there are future expenses, the timing and cashflow of expenses will depend on individual applications and are currently too uncertain to estimate i.e. the earliest drawdown will in 2032 for children entering at the age of ten when the scheme opens.