



## PARLIAMENTARY BUDGET OFFICE

NSW Parliament • Parliament House, Macquarie Street Sydney 2000

**Referred by:** Australian Labor Party

**Proposal No:** C1462

**Date Referred:** 24/02/2023

**Date Published:** 20/03/2023

**Proposal Title:** Build 100 public preschools

**Cluster:** Education

### General Government Sector Impacts

	2022-23 \$'000	2023-24 \$'000	2024-25 \$'000	2025-26 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation					-
Less: Offsets					-
Revenue					-
<b>Net Operating Balance:</b>	-	-	-	-	-

Capital Expenditure	-	-	-	-	-
Capital Offsets					
<b>Net Capital Expenditure:</b>	-	-	-	-	-

<b>Net Lending/(Borrowing):</b>	-	-	-	-	-
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### Total State Sector Impacts

<b>Net Lending/(Borrowing):</b>	-	-	-	-	-
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### Notes and costing assumptions:

The policy proposes to build 100 new preschools at all new primary schools and at existing primary schools that have unused land or spare classrooms and buildings. The preschools will provide long day care (LDC) services for 5 days a week. In addition, any schools undergoing upgrades can also be assessed, on a case-by-case basis, for suitability to have a preschool included in their redevelopment.

The Parliamentary Budget Office (PBO) estimates that the total cost of the policy to be \$552.1 million to fund the 100 preschools. The cost over the forward estimates is \$358.9 million and an additional \$193.2 million in 2026-27 will be required.

This policy will have nil net impact on the State Budget as it would be funded from the NSW Government's \$5.7 billion Universal Pre-Kindergarten (UPK) initiative provision (*see table 1*) and \$5 billion Childcare and Economic Opportunity Fund (CEO) (*see table 2*). There is sufficient funding available within these provisions to cover the preschool construction costs.

The PBO consulted the NSW Department of Education (DoE) and NSW Treasury to prepare this costing.

## Notes and costing assumptions continued:

### Key assumptions:

#### Funding the 100 new preschools

- The PBO assumes that both the UPK and CEOF could be used to fund the new 100 preschools, however, reprofiling the funds' current provisions is required and this must adhere to NSW Government established protocols (see below).
- NSW Treasury advised the capital provision for the UPK initiative is \$3.6 billion across the period from 2024-25 to 2031-32 and recurrent provision is \$2.1 billion. \$53.4 million has been allocated over three years to 2024-24 for recurrent expenses.

**Table 1: Profile breakdown of the Universal Pre-Kindergarten provision (UPK)**

\$ '000	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Recurrent	101,255	163,103	229,185	256,370	284,673	262,188	393,727	404,782	<b>2,095,283</b>
Capital	339,783	1,038,002	1,074,332	370,645	383,617	397,044			<b>3,603,423</b>

- NSW Treasury also advised the capital provision for the CEOF is centrally provisioned and unallocated for specific use. The total provision held is \$775 million over for forward estimates and \$4.2 billion beyond the forward estimates.

**Table 2: Profile breakdown of the Childcare and Economic Opportunity Fund provision (CEO)**

\$ '000	2023-24	2024-25	2026-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	Total
Central provision held	100,000	270,000	405,000	650,000	667,900	687,900	706,800	724,500	742,600	<b>4,954,700</b>

#### Incurred expense for preschools

- For this costing, the PBO assumes a 50-50 split of small and medium preschool sizes (with capacity for 60 and 120 children respectively). The indicative average cost to build a small preschool in a metropolitan area is estimated at \$5 million, which would provide 806 m2 per site for 60 students and 3 teaching spaces. The capital cost to build a medium size pre-school accommodating 120 students is estimated at \$7.6 million. If existing classrooms are converted into a preschool, the estimated cost is \$2.5 million.
- The cost of preschools delivered may also vary depending on location, set up, facilities required and regulatory requirements.
- This costing includes capital expenditure only. The PBO has not costed recurrent expenditure on the assumption that the ongoing operational costs of the preschools will be borne by private sector operators. This is consistent with DoE advice.
- The breakdown of projects and overall costs is outlined in Table 3 below.

**Table 3 - Estimated cost of preschools by project type**

#### *Assume the small size pre-school*

Type of Build	Number Built	Small School	Medium schools	Total
		\$000	\$000	\$000
Preschool at new or upgraded primary school	30	\$74,745	\$113,910	\$188,655
New Preschool at existing primary school	50	\$124,575	\$189,850	\$314,425
Retrofitting existing classrooms into preschool	20	\$49,040		\$49,040
Number of preschools	<b>100</b>	<b>\$248,360</b>	<b>\$303,760</b>	<b>\$552,120</b>

## Notes and costing assumptions continued:

- The capital cost to build a preschool includes the building shell, fit out, landscaping, fencing, plant and equipment, furniture and computers/IT system.
- DoE has advised each preschool construction or retrofit project can be completed over a 24-month timeframe including planning, approval, procurement and construction.
- The PBO assumes projects start from 2023-24 and all projects are completed by 2026-27 as per Table 4.

**Table 4 - Construction and retrofit projects, annual profile**

	2022-23	2023-24	2024-25	2025-26	2026-27	Total
No of school to be built		10	25	30	35	100
Cost ('000)		\$55,212	\$138,030	\$165,636	\$193,242	\$552,120

- The policy states that unused land, where available, should be used for construction purposes. The PBO has therefore not included any land acquisition costs.
- These costs are indicative only and details of the program should be reviewed upon the formation of the government to determine school availability and the suitability of the classrooms for conversion.
- The recurrent expenditure has been included in this costing and DoE advised recurrent costs are estimated at \$93,000 per small preschool and \$186,000 per medium preschool.
- The 2022-23 Budget noted six medium primary schools currently being built, listed below. The PBO has assumed a medium preschool would be added to each at a total cost of \$45.6 million:
  - Albury/Thurgoona (new primary school)
  - Gables (new primary school)
  - Macquarie Park (new primary school)
  - Melonba (new primary school)
  - Nirimba Fields (new primary school)
  - Lennox Head Public School (relocation)
- In addition to the six schools listed above, Westmead Education Campus has since been included in the 2023-23 Half-Yearly Review of the state budget and would receive a preschool under this policy.
- All costs in this policy exclude GST.

### Risk and caveats

- The PBO has excluded allowances for contingency costs relating to planning, design, construction, and clients, equating to 25 per cent of the total capex cost identified by DoE in their costing advice to the PBO.
- The \$1.6 billion of the UPK provision that is allocated in 2024-25 and 2025-26 will need to be reprofiled to provide funding for the policy to begin in 2023-24.
- NSW Treasury has advised that any plans to reprofile must adhere to the Government's established protocols and the [Childcare and Economic Opportunity Fund Act 2022](#). DoE advised that the Government should communicate and work with relevant stakeholders before referring or reprofiling any funds.
- A portion of the Childcare and Economic Opportunity Fund may be required to meet administrative expenses outlined within the Act.