



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 1/11/2018

Proposal No: A071
Date Published: 18/03/2019

Proposal Title: Labor's plan for before and after school care

Cluster: Education

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	78	805	825	846	2,554
Depreciation	-	70	274	575	919
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	(78)	(875)	(1,100)	(1,421)	(3,473)

Capital Expenditure	3,490	10,230	15,020	3,280	32,020
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	3,490	10,230	15,020	3,280	32,020

Net Lending/(Borrowing):	(3,568)	(11,035)	(15,845)	(4,126)	(34,574)
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Total State Sector Impacts

Net Lending/(Borrowing):	(3,568)	(11,035)	(15,845)	(4,126)	(34,574)
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Notes and costing assumptions

This policy proposes a number of changes to the NSW Government's Before and After School Care (BASC) Fund (the Fund). The Fund is designed to help establish new outside school hours care (OSHC) services in government schools and less well-resourced non-government schools.

The policy comprises four components, to be implemented upon formation of government:

1. Increase, from a maximum of \$30,000 to \$50,000, the existing one-off grant payment to eligible providers to construct and fit out BASC facilities
2. Establish a team within the NSW Department of Education, comprising six full-time equivalent (FTE) staff, to assist school principals identify space within existing schools for the creation of new BASC centres, and guide them through the development application process
3. Change the BASC tender process so that the highest weighted criterion to receive a grant is the fee paid by parents. Additionally, not-for-profit providers will receive an additional 10% loading on their assessment/evaluation score when applying for a BASC grant
4. Provide OSHC or preschool care on all new primary school sites.

The estimated total cost of this policy is \$34.6 million over the period 2018-19 and 2021-22, and comprises:

- \$2.6 million for the establishment of a team to assist school principals
- \$32.0 million for establishing BASC facilities at 16 schools.

Assumptions underpinning each of the four components are outlined below.

Notes and costing assumptions continued:

Component 1: Increase the amount for the one-off grant payment

Currently, eligible BASC providers can apply for a one-off grant from the \$20 million Fund to construct and fit out BASC facilities. As at November 2018 the Fund is seeking applications for a third and final tranche of BASC grants (due December 2018). The Department of Education advised that the Fund will cease operating after 2018-19 and that it does not have forecasts of future application rates.

Increasing the maximum grant amount from \$30,000 to \$50,000 is assumed to have an insignificant budget impact over the forward estimates for the following reasons:

- A 2017 Deloitte Access Economics report found that, based on a statistically valid sample, 83% of BASC providers have spare capacity to offer more BASC places. Consequently, they may not be eligible for a grant under the existing criteria
- The same report identified only four Local Government Areas where BASC providers have an average utilisation rate greater than 100%: North Sydney, Ashfield (now Inner West Council), Waverley and Liverpool. The report indicated a deficiency of around 230 places for these areas
- The report also identified a number of regulatory constraints that inhibit the expansion of BASC facilities and services in Sydney
- The Department of Education has also advised that schools with capacity for BASC facilities and services have already been included in the BASC program.

For these reasons, the costing assumes that the remaining provider demand for the one-off BASC grant will be met in the final tranche of grants. The current Fund appears sufficient to cover any additional demand induced by a higher grant amount.

Component 2: A team to help school principals to create new BASC facilities and services

A team of six FTE staff is to be established to assist school principals identify space within existing schools for the creation of new BASC centres, and guide them through the development application process. The estimated total cost for this team is approximately \$2.6 million over the forward estimates and comprises:

- \$78,000 in establishment costs in 2018-19 (\$13,000 per FTE)
- \$800,000 per annum in employee expenses based on median salary and on-costs for one Clerk Grade 11/12 employee, two Clerk Grade 9/10 employees, one Clerk Grade 7/8 employee, and two Clerk Grade 3/4 employees.

An escalation rate of 2.5% per annum has also been applied over the forward estimates.

Component 3: Change the tender process weights and additional loading for specific applicants

The policy proposes, subject to thorough future consultation with stakeholders, two changes to the weighting given to the BASC tender criteria:

- Make the fee paid by parents the highest weighted criterion
- Give not-for-profit providers an additional 10% loading on their assessment/evaluation score.

With regard to the first change, the Department of Education advised that this criterion is already given the highest weighting during tender evaluation. For the 10% loading, it is expected that prioritising not-for-profit providers during tender evaluation would lead to greater representation of these providers among the successful applicants (currently 53% of all providers). This is however unlikely to change the size of the grants under the scheme, and so will not affect costs.

Component 4: Out-of-school-hours care (OSHC) or preschool care facilities/services in primary schools

The policy proposes that all new primary schools will have OSHC or preschool care facilities/services. The estimated cost over the period 2018-19 to 2021-22 is \$32 million plus depreciation costs of \$919,000.

Notes and costing assumptions continued:

The cost is based on Department's advice that 16 K-12 and primary schools will be delivered over the forward estimates, with an indicative cost of \$2 million for each preschool facility. This costing assumes no requirement for specialised OSHC facilities based on the Department's advice that the majority of OSHC programs use existing school facilities (e.g. hall and outdoor play areas).

For preschool facilities, the \$2 million unit cost is based on the Department's high-level estimate of a reasonably sized facility with the following features:

- a single storey building with room to accommodate 20 children
- built space of 300m² and a dedicated and fenced-off outdoor space of 150m²
- associated embellishments for vehicle access/parking and pedestrian access.

This cost assumes that there will be sufficient space on site, and additional development applications or feasibility/business cases are not required.

Table A1 - OSHC facilities unit and per annum cost

	2018-19	2019-20	2020-21	2021-22	Total
New OSHC facilities	-	3	7	6	16
Estimated unit cost (\$'000)^					2,000
Total p.a. cost (\$'000)	3,490	10,230	15,020	3,280	32,020

^Annual costs differ between facilities and so it is not possible to provide a typical unit cost on a per annum basis