



18 August 2010

Our Ref: GOV26

RELEASE OF COSTING OF ELECTION COMMITMENT

The Secretary to the Department of Finance and Deregulation today released the following election commitment costing under the *Charter of Budget Honesty Act 1998*:

Better access to family payments – Baby Bonus as announced by the Government.

This costing was completed consistent with the *Charter of Budget Honesty: Costing Election Commitments* guidelines which are available on www.electioncostings.gov.au.
A copy of the completed costing is attached.

A handwritten signature in black ink, appearing to read 'D. Tune'.

David Tune
Secretary
Department of Finance and Deregulation

Contact: Clive Hawkins
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PUBLIC RELEASE OF 2010 ELECTION COMMITMENT COSTING

Summary of costing: From 1 July 2011, the Australian Labor Party will provide newly eligible recipients of the Baby Bonus with \$500 of their payment upfront. The overall amount of the Baby Bonus will remain the same.

Person making the request: Prime Minister

Date of request: 9 August 2010

Name of policy to be costed: Better access to family payments – Baby Bonus

Date of public release of policy: 4 August 2010

Costing request provided by the Prime Minister/Leader of the Opposition: Prime Minister

Additional information requested (including date): Clarification was sought on 10 August 2010.

Additional information received (including date): The intent of the costing was confirmed on 11 August 2010 as establishing a payment profile of \$868.77 for the first payment with 12 subsequent payments of \$368.77.

Financial implications (outturn prices)^(a)

Impact on	2010-11	2011-12	2012-13	2013-14
Underlying Cash Balance (\$m)	Nil	-18.4	-0.2	-0.2
Fiscal Balance (\$m)	Nil	Nil	Nil	Nil

(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 positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Where relevant, state that the proposal has been costed as a defined or specified amount.

Not applicable

Where relevant, include separate identification of revenue and expense components.

Not applicable

Where appropriate, include a range for the costing or sensitivity analysis.

Not applicable

Qualifications to the costing (including reasons for the costing not being comprehensive).

Not applicable

Where relevant, explain effects of departmental expenses.

Any departmental expenses will be absorbed

Where relevant, explain the reason for any significant differences between the assumptions specified in a party costing request and those used in a Treasury or Finance costing.

Finance has clarified that the intent of this policy is that from 1 July 2011, the first fortnightly payment made under the Baby Bonus scheme will be \$500 greater than the subsequent fortnightly payments. The total amount of the Baby Bonus will remain unchanged meaning that, in 2010-11 dollars, the first fortnightly payment will be \$868.77 with 12 subsequent payments of \$368.77.

Other comments *(including reasons for significant differences between the estimated impact on the fiscal and underlying cash balances).*

As the total benefit provided by the Baby Bonus scheme will remain unchanged, there will be no impact on fiscal balance. Recipients who receive payments over two financial years will have a portion of their payments from the second financial year brought forward to the first financial year, which will impact the underlying cash balance. There is a minor underlying cash impact in 2012-13 and 2013-14 as a result of a growth in estimated recipient numbers.

Background information

Costing methodology used:

- **Costing techniques.**

The impact on underlying cash is calculated as the sum of the portion of payments which will be brought forward in cases where Baby Bonus recipients are receiving their payments over two financial years.

- **Policy parameters.**

All eligible recipients of the Baby Bonus will receive \$500 of their Baby Bonus with their first fortnightly payment. The total amount of the Baby Bonus will remain unchanged meaning that, in 2010-11 dollars, the first fortnightly payment will be \$868.77 with 12 subsequent payments of \$368.77.

- **Statistical data used.**

Estimated Baby Bonus recipient numbers were provided by the Department for Families, Housing, Community Services and Indigenous Affairs.

Behavioural assumptions used (as appropriate).

Not applicable