



# New child care package

The Australian Government is investing an additional \$2.5 billion over four years to support the 1.2 million families who use approved child care. The changes will provide more support for more families and be targeted to those who need it the most.

## Key changes for families

### Simplified

The centrepiece of the package is the Child Care Subsidy. When the Child Care Subsidy commences in July 2018, it will:

- replace the Child Care Benefit (CCB) and Child Care Rebate (CCR) with a single, means-tested subsidy
- be paid directly to service providers
- be simpler than the current multi-payment system
- be better targeted and provide more assistance to low and middle income families.



## Family Income

Families earning \$66,958<sup>^</sup> or less will receive a subsidy of 85 per cent of the actual fee charged (up to 85 per cent of an hourly rate cap). For family incomes above \$66,958<sup>^</sup>, the subsidy gradually decreases to 20 per cent when family income reaches \$341,248<sup>^</sup>. For families with incomes of \$351,248<sup>^</sup> or more, the subsidy is zero per cent.

| Combined Family Income  | Subsidy per cent of the actual fee charged (up to relevant percentage of the hourly rate cap) |
|---|---|
| Up to \$66,958 <sup>^</sup>                                     | 85 per cent   |
| More than \$66,958 <sup>^</sup> to below \$171,958 <sup>^</sup> | Decreases to 50 per cent*   |
| \$171,958 <sup>^</sup> to below \$251,248 <sup>^</sup>          | 50 per cent   |
| \$251,248 <sup>^</sup> to below \$341,248 <sup>^</sup>          | Decreases to 20 per cent*   |
| \$341,248 <sup>^</sup> to below \$351,248 <sup>^</sup>          | 20 per cent   |
| \$351,248 <sup>^</sup> or more                                  | 0 per cent  |

\*Subsidy gradually decreases by 1 per cent for each \$3000 of family income.

When the subsidy commences the hourly fee caps will be:

| Service type               | Maximum hourly rate cap           |
|----------------------------|-----------------------------------|
| Centre Based Long Day Care | \$11.77 <sup>^</sup>              |
| Family Day Care            | \$10.90 <sup>^</sup>              |
| Outside School Hours Care  | \$10.29 <sup>^</sup>              |
| In Home Care               | \$25.48 <sup>^</sup> (per family) |

<sup>^</sup> **Note:** These amounts are correct for 2018/19 and may be subject to adjustment through indexation in subsequent years.

For families earning more than \$186,958<sup>^</sup> an annual subsidy cap of \$10,190<sup>^</sup> per child will apply.

Families will receive a **fortnightly statement of child care usage** from their service, which includes the payment of the subsidy and out of pocket costs. This will make the service more accountable and provide greater transparency for families' entitlements.

## Activity test requirements

Family eligibility for the Child Care Subsidy will be determined by a three-step activity test, more closely aligning the hours of subsidised care with the combined hours of work, training, study or other recognised activity undertaken, and providing for up to 100 hours of subsidy per fortnight.

| Step | Hours of activity (per fortnight) | Maximum number of hours of subsidy (per fortnight) |
|------|-----------------------------------|--|
| 1    | 8 hours to 16 hours               | 36 hours   |
| 2    | More than 16 hours to 48 hours    | 72 hours   |
| 3    | More than 48 hours                | 100 hours  |

A broad range of activities will meet the activity test requirements, including paid work, being self-employed, doing unpaid work in a family business, looking for work, volunteering or studying. There will be exemptions to the activity test for parents who legitimately cannot meet the activity requirements.

Low income families on \$66,958<sup>^</sup> or less a year who don't meet the activity test will be able to access 24 hours of subsidised care per fortnight without having to meet the activity test, as part of the Child Care Safety Net.

For the first time, families who currently use Budget Based Funded services will be eligible for child care fee assistance.

## Support for disadvantaged and vulnerable families

The package also provides targeted additional fee assistance through a new **Child Care Safety Net**.

The **Child Care Safety Net** is being progressively rolled out from July 2016 and will help vulnerable families and children to address barriers in accessing child care, while encouraging parents to enter and return to the workforce.

The Child Care Safety Net and has three components:

- 1 the **Additional Child Care Subsidy (July 2018)** – a top up payment for families who are genuinely disadvantaged.

| Extra support for  | Additional subsidy   |
|--|--|
| Children at risk of serious abuse or neglect; grandparent primary carers on income support; families experiencing temporary financial hardship | A subsidy equal to 100 per cent of the actual fee charged (up to 120 per cent of the hourly rate cap), up to 100 hours of assistance per fortnight       |
| Parents transitioning to work from income support  | A subsidy equal to 95 per cent of the actual fee charged (up to 95 per cent of the hourly rate cap), hours of assistance determined by the activity test |

- 2 the **Community Child Care Fund (July 2018)** – a grants program to assist services to:

- reduce the barriers in accessing child care, in particular for disadvantaged or vulnerable families and communities
- provide sustainability support for child care services experiencing viability issues
- provide capital support to increase the supply of child care places in areas of high unmet demand.

\$61.8 million of the CCCF will provide a third funding stream for Budget Based Funded services to ensure their viability in the new system. This is in addition to the Child Care Subsidy and the Additional Child Care Subsidy.

The Connected Beginnings program, which is part of the CCCF, commenced in July 2016. The program provides for the integration of child care, maternal and child health, and family support services in a number of Indigenous communities experiencing disadvantage, as recommended by Andrew Forrest in his review of Indigenous jobs and training – *Creating Parity*.

- 3 the **Inclusion Support Programme (commenced July 2016)** – assists mainstream services to improve their capacity and capability to provide inclusive practices and address barriers to participation for children with additional needs, particularly children with disability.

Refer to the new child care package Child Care Safety Net factsheet for additional information.

## Transitioning to the new system

The Government recognises that the transition from the existing child care system to a new system will be a significant change for Australian families.

Under the new system existing child care payments will be replaced with the Child Care Subsidy and Additional Child Care Subsidy. Families and service providers will have time to adjust to the new model and we are working towards a seamless introduction of new systems and arrangements.

All families who use, or need to use, child care in the future will be kept informed of the progress of the changes and given timely information on how they may be affected.

Centrelink will contact families directly to provide information on current entitlements and how they may change under new arrangements. This may include asking families for additional information, to ensure that they move onto the new payment system smoothly.

## Implementation timeline

### July 2016

- Inclusion Support Programme commenced
- Connected Beginnings commenced

### April 2017

- Some strengthened compliance powers commenced

### July 2018

- Child Care Subsidy and Additional Child Care Subsidy commence (replacing CCB and CCR)
- Community Child Care Fund commences
- New Compliance Framework commences

For more information on the new child care package, visit [www.education.gov.au](http://www.education.gov.au)