



Child Care Subsidy reform – further measures for strong and sustainable foundations

The Australian Government will achieve net savings of \$410.7 million over four years from 2024-25 through additional activities to strengthen the payment and accuracy of the Child Care Subsidy (CCS) program.

It will also invest \$30 million over two years from 2024-25 in IT and payment services to deliver on its commitment to provide funding towards a wage increase for the Early Childhood Education and Care (ECEC) sector. This will support a response to Fair Work Commission processes as they relate to this sector.

Together, these initiatives build on the investments in previous Budgets to both strengthen the integrity of the CCS system and upgrade administrative systems to provide a foundation for future reforms.

How will this initiative work?

Additional resources will be directed to a range of activities, including:

- bolstering education, audit and compliance activities
- mandating direct collection of gap fees by Family Day Care and In Home Care providers from 1 July 2025
- working with the Australian Taxation Office to ensure satisfactory engagement with the Australian tax system as part of the fitness and propriety requirements of existing and new child care providers, and
- establishing IT and payment services to enable the delivery of funding to support a wage increase for the ECEC sector.

Why is this important?

The measures previously implemented by the Government significantly improved the accuracy of CCS payments and strengthened its response to incidents of serious fraud and non-compliance within the sector.

The Government's Cheaper Child Care reforms have cut average out of pocket costs for families to their lowest level since the September quarter 2018, however the sector itself continues to be a target for fraud and non-compliance.

Investment in IT and payment services will ensure the efficient delivery of the Government's funding commitment to support a wage increase for the ECEC workforce.

Who will benefit?

These initiatives will benefit the sector, children and parents and support the Government's reform agenda as it charts the course for universal, affordable and accessible ECEC.

How much will it cost?

The new measures will cost \$128.6 million and are expected to deliver net savings of \$410.7 million over four years by preventing CCS payments being directed to non-compliant operators or made on fraudulent claims.