

2020 Election Commitment – ACT Labor

Name of Commitment:	Knowledge Capital – Future Jobs Fund	Reference Number: LAB055
Request Submitted by:	Andrew Barr MLA, ACT Labor	
Date Request Received:	14-Oct-20	
Additional Information Requested (details and date)	Advice was sought on the indicative length of the financial instruments (15-Oct-20)	
Additional Information Received (details and date)	Advice was provided to assume a length of seven years (15-Oct-20)	

Financial Implications					
Impact On:	2020-21	2021-22	2022-23	2023-24	TOTAL
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues ^(a)	0.0	0.0	0.0	0.0	0.0
Expenses ^{(a)(b)}	-5,040.0	-5,080.6	-5,121.9	-5,163.9	-20,406.5
- Employee Expenses	0.0	0.0	0.0	0.0	0.0
- Other Expenses	-5,000.0	-5,000.0	-5,000.0	-5,000.0	-20,000.0
- Cost of Financing	-40.0	-80.6	-121.9	-163.9	-406.5
Depreciation	0.0	0.0	0.0	0.0	0.0
Concessional Loan Impacts	-274.5	-187.1	-97.8	-6.5	-565.9
- Concessional Loan Expense	-360.1	-360.1	-360.1	-360.1	-1,440.5
- Unwinding of Concessional Loan Expense	45.6	93.0	142.3	193.6	474.6
- Write-off expense	0.0	0.0	0.0	0.0	0.0
- Interest Received on Concessional Loan	40.0	80.0	120.0	160.0	400.0
Net Operating Balance	-5,314.5	-5,267.7	-5,219.7	-5,170.4	-20,972.4
Capital Requirement	-2,500.0	-2,500.0	-2,500.0	-2,500.0	-10,000.0
Cash Surplus/Deficit	-7,500.0	-7,500.6	-7,501.9	-7,503.9	-30,006.5

(a) A negative number indicates a decrease in revenue or an increase in expenses.
(b) Excludes depreciation

Other Information
Costing Methodology Used:
- Costing Technique:
The costing is fixed at \$30 million over four years from 2020-21 to provide a range of financial support measures to the tertiary education sector and businesses in key industries for job creating or saving projects.
- Proposal Parameters:
<ul style="list-style-type: none"> The costing assumes that administrative expenses associated with the program would be absorbed by the Chief Minister, Treasury and Economic Development Directorate. The costing assumes a full take up of the financial support measures and is expected to support a capped number of applicants. The costing does not include any write-off expenses associated with the financial instruments.
Caveats or qualifications to the costing:
Capital costs are indicative only and would be fully informed by the final composition of financial support measures taken up. Capital inflows have not been included for the financial instruments as they are likely to be longer term investments – with returns beyond the forward estimates. For the purpose of costing, Treasury has assumed the instruments to be concessional loans with no repayment of principal due until at least 2024-25, a concessional interest rate of 1.6 per cent (the ACT Government's current 10-year borrowing cost), and the length of the loans to be seven years.
In accordance with <i>AASB9 Financial Instruments</i> , Treasury notes that there would be a non-cash impact on the Net Operating Balance reflecting the difference between the market borrowing interest rate and the zero interest rate it offers to borrowers. This would be reflected as an upfront expense (negative impact) to Government when the loan is provided, equal to the present value interest rate differential on the loan amount relative to the market rate at which the loan holder would otherwise have accessed financing (for the purposes of the costing assumed to be 4 per cent).
Over the life of the loan, this expense would be unwound. The initial expense recognition would also have a negative impact on Government net debt over and above the face value of the loan. Treasury has sought external accounting advice and has referenced methodology employed by the Commonwealth Department of Finance to accurately reflect these implications.
Other Comments:
Treasury's costing differs from that submitted due to the calculation of the cost of financing.
- Statistical Data Used:
N/A



David Nicol
Under Treasurer
15 October 2020