

2020 Election Commitment – ACT Greens

Name of Commitment:	Just transition to a zero emissions future	Reference Number: GRN007
Request Submitted by:	Shane Rattenbury MLA, ACT Greens	
Date Request Received:	07-Oct-20	
Additional Information Requested (details and date)	N/A	
Additional Information Received (details and date)	N/A	

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)}	-204.7	-634.6	-854.2	-1,066.3	-2,759.8
- Employee Expenses	-140.7	-286.1	-291.6	-297.3	-1,015.8
- Other Expenses	0.0	0.0	0.0	0.0	0.0
- Cost of Financing	-64.0	-348.5	-562.6	-769.0	-1,744.0
Depreciation	0.0	-333.3	-800.0	-1,266.7	-2,400.0
Concessional Loan Impacts	-567.7	-1,232.9	-1,028.8	-847.7	-3,677.1
- Concessional Loan Expense	-683.5	-1,594.8	-1,594.8	-1,594.8	-5,467.8
- Unwinding of Concessional Loan Expense	115.8	376.9	616.0	832.0	1,940.7
- Write-off expenses	0.0	-15.0	-50.0	-85.0	-150.0
- Interest Received on Concessional Loan	0.0	0.0	0.0	0.0	0.0
Net Operating Balance	-772.3	-2,200.8	-2,683.0	-3,180.7	-8,836.9
Capital Outflows (Loan asset)	-8,000.0	-14,000.0	-14,000.0	-14,000.0	-50,000.0
Capital Inflows (Loan repayments)	0.0	285.0	950.0	1,615.0	2,850.0
Net Capital Requirement	-8,000.0	-13,715.0	-13,050.0	-12,385.0	-47,150.0
Cash Surplus/Deficit	-8,204.7	-14,349.6	-13,904.2	-13,451.3	-49,909.8

(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 has been completed using a price by quantity methodology, based on the assumptions made in the proposal (including take-up rates) and includes the following key costs associated with the scheme: interest payable by the ACT Government, debts not repaid and ACT Government staffing costs.
- Proposal Parameters:
<ul style="list-style-type: none"> • Total funding available would be \$50 million, which would be used to provide government funded improvements to public and social housing (estimated total expenditure of \$26 million) and a no interest loan scheme to landlords and low income owner occupiers upgrading properties (estimated total funding available of \$24 million). • The two schemes would commence in January 2021. • Repayment of the no interest loans by households would be over 10 years, at a rate of 10 per cent of the principal repayable each year, with repayments commencing in the year after the loan is issued. • A loan default (write-off expense) rate of 5 per cent is assumed for the no interest loan scheme. • Cost of financing has been calculated at 1.6 per cent. • An average useful life of 15 years for installed upgrades/appliances in Government owned dwellings is assumed for calculating depreciation on a straight line basis. • The average cost of upgrading ACT Government owned dwellings is assumed to be \$10,000 per property, with an estimated total of 2,600 properties upgraded under the program. • An average loan per household of \$10,000 is assumed for the no-interest loan scheme component of the proposal, with an estimated 2,400 households able to access the scheme, with it fully subscribed by 2023-24. • One SOG C and one ASO 6 position would be required to administer the programs.
Caveats or qualifications to the costing:
As there is a fixed amount of government funding for both elements of the initiative, the number of public and social houses upgraded and households that will benefit from upgrades to private properties will depend on the costs of upgrades and the amount of assistance provided for each loan.
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 5 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: <ul style="list-style-type: none"> • the receipt of loan repayments being reflected as a capital inflow rather than as revenue, consistent with standard accounting practice; • the application of <i>AASB Financial Instruments</i>, as outlined above; and • some minor adjustments in relation to calculated depreciation and staffing expenses.
- Statistical Data Used:
Treasury estimates.



David Nicol