

## 2024 Election Commitment – ACT Greens

<b>Name of Commitment:</b>	<b>Local food production</b>	<b>Reference Number:</b> GRN011
<b>Request Submitted by:</b>	Shane Rattenbury MLA, ACT Greens	
<b>Date Request Received:</b>	10-Oct-24	
<b>Additional Information Requested (details and date)</b>	N/A	
<b>Additional Information Received (details and date)</b>	N/A	

<b>Financial Implications</b>					
<b>Impact On:</b>	<b>2024-25</b>	<b>2025-26</b>	<b>2026-27</b>	<b>2027-28</b>	<b>TOTAL</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Revenues <sup>(a)</sup>	0.0	0.0	0.0	0.0	0.0
Expenses <sup>(a)(b)</sup>	0.0	-1,755.7	-2,282.3	-2,676.2	-6,714.2
- Employee Expenses	0.0	-1,303.2	-1,340.9	-1,377.3	-4,021.4
- Other Expenses	0.0	-400.0	-649.9	-1,000.0	-2,049.9
- Cost of Financing	0.0	-52.5	-291.5	-298.9	-642.9
Depreciation	0.0	0.0	-12.5	-87.5	-100.0
Concessional Loan Impacts:	0.0	0.0	-258.1	47.2	-210.9
- Concessional Loan Expense	0.0	0.0	-308.9	0.0	-308.9
- Unwinding of Concessional Loan Expense (Revenue)	0.0	0.0	50.8	47.2	98.0
- Interest Revenue Received on Concessional Loan	0.0	0.0	0.0	0.0	0.0
<b>Net Operating Balance</b>	<b>0.0</b>	<b>-1,755.7</b>	<b>-2,552.9</b>	<b>-2,716.5</b>	<b>-7,025.1</b>
Capital Requirement	0.0	-1,000.0	-3,500.0	0.0	-4,500.0
Capital Outflows (Loan provided)	0.0	0.0	-1,000.0	0.0	-1,000.0
Capital Inflows (Loan repayments)	0.0	0.0	100.0	100.0	200.0
<b>Net Capital Requirement</b>	<b>0.0</b>	<b>-1,000.0</b>	<b>-4,400.0</b>	<b>100.0</b>	<b>-5,300.0</b>
<b>Cash Surplus/Deficit</b>	<b>0.0</b>	<b>-2,755.7</b>	<b>-6,682.3</b>	<b>-2,576.2</b>	<b>-12,014.2</b>

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

<b>Other Information</b>
<b>Costing Methodology Used:</b>
<b>- Costing Technique:</b>
The costing is to increase local food production and protect agricultural land and includes a number of components: <ul style="list-style-type: none"> <li>• a fixed amount of \$4.5 million in capital funding over two years from 2025-26 to establish a Local Food Training Centre and Distribution Hub, and rejuvenate heritage agricultural sites;</li> <li>• \$4.021 million over three years in expense funding from 2025-26 in staffing costs, calculated using the 2024-25 Average Salary Costing Template, which would fund an additional nine staff;</li> <li>• a fixed amount of \$1.2 million in expense funding over three years from 2025-26 to create new community gardens and rejuvenate heritage agricultural sites;</li> <li>• a fixed amount of \$800,000 in expense funding over two years from 2026-27 to procure a service provider to operate and/or provide training services for the Local Food Training Centre and Distribution Hub;</li> <li>• \$800,000 in capital funding and \$149,700 in expense funding over two from 2026-27 for no-interest loans to eligible local farmers, capped at \$1 million; and</li> <li>• \$543,000 for the cost of financing the non-loan components.</li> </ul>

**- Proposal Parameters:**

The costing assumes:

- This loan scheme is not based on the continuation of the Sustainable Household Scheme and would commence in 2026-27 with loans being provided in a 1 year period. The costing assumes that:
  - i. all loans are provided at the beginning of the first year;
  - ii. each loan would be a 10 year interest free loan with equal fortnightly repayments;
  - iii. repayments received are calculated as equal instalments over the life of the loan; and
  - iv. financial impacts have been annualised for the purpose of this costing.
- A loan default (expected credit loss) rate of 1.67 per cent is assumed. This is not reflected in the Net Operating Balance above as this amount is recognised as other economic flows on initial recognition in the consolidated financial statements.
- It is assumed that the loans would be administered by an 'External Third Party Loan Administrator' who would provide loans directly to borrowers, recover principal repayments payments directly from borrowers and manage the loan scheme on a day-to-day basis. The loan management fee for the 'External Third Party Loan Administrator' has been calculated on the outstanding balance of loans at the beginning of the financial year. This loan management fee is consistent with a similar ACT Government concessional loan scheme where it is payable on new loans issued.
- The costing request assumes full take-up of the loan program.
- Construction of the Local Food Training Centre and Distribution Hub and rejuvenation of the heritage agricultural sites is anticipated to commence in 2025-26 and be completed in 2026-27.
- The Local Food Training Centre and Distribution Hub would be ACT Government constructed and operated by a third party operator.
- Depreciation for the Local Food Training Centre and Distribution Hub has been calculated on a straight line basis over a 40-year period.
- A workers' compensation rate of 1.77 per cent for the four SOG C positions and 2.83 per cent for the five ASO 3 positions.
- Repairs and maintenance expenses for the Local Food Training Centre and Distribution Hub are expected to commence in 2028-29 and as such have not been shown.

**Caveats or qualifications to the costing:**

- Financial impacts associated with the proposed Concessional Loan Scheme may vary based on actual take-up and actual Credit Loss rates.
- In accordance with *AASB 9 Financial Instruments*, 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 7.35 per cent). Over the life of the loan, this expense would be unwound.
- No agency based employee and other expenses have been included for operational costs of administering this scheme.
- Treasury assumes the proposal would be delivered by a variety of directorates and agencies across the ACT Government and they may have to reduce or cease existing services to cover the associated administrative costs. The project scope of capped elements would need to be managed within the funding envelope to ensure costs do not exceed budgeted funding.
- Operation of the Local Food Training Centre and Distribution Hub by the ACT Government (not through a service provider) would incur additional costs including staffing, supplies and services and other administrative expenses. Treasury has assumed operating expenses for the facility based on existing arrangements with third-parties to operate food banks.
- The costing does not include the cost of acquiring a site for the Local Food Training Centre or the associated potential revenue from the operation of the centre given the high-level nature of the proposal.
- It is unclear what the role of the Canberra Institute of Technology would be in the Local Food Training Centre, given its vocational education remit.
- The ACT Government's cost of financing is calculated at 5.25 per cent.
- It is assumed funding for repairs and maintenance would be required outside the forward and budget estimate period.

**Other Comments:**

Treasury's costing differs from that submitted due to:

- i. the inclusion of operating expenses for the Local Food Training Centre;
- ii. the inclusion of cost of financing and depreciation;
- iii. the exclusion of revenue as it is unclear what this relates to and it is unable to be assured;
- iv. the inclusion of a loan administration fee; and
- v. the non-cash impact of the market borrowing interest rate and zero interest rate offered to borrowers.

**- Statistical Data Used:**

Treasury estimates. The interest rate used for the market rate at which the loan holder would otherwise have accessed financing was a business lending rate published by the Reserve Bank of Australia.



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Stuart Hocking PSM  
Under Treasurer  
17 October 2024