Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By:	Australian Labor Party	Proposal No:	A296
Date Referred:	29/01/2019	Date Published:	18/03/2019

Proposal Title: Sirius – retain in government ownership

Cluster: Finance, Services and Innovation

General Government Sector Impacts

	2018-19 $'000	2019-20 $'000	2020-21 $'000	2021-22 $'000	4 year Total $'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	4,000	4,000	8,000
Net Operating Balance:	**-**	**-**	**4,000**	**4,000**	**8,000**
Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	**-**	**-**	**-**	**-**	**-**
Net Lending/(Borrowing):	**-**	**-**	**4,000**	**4,000**	**8,000**

Total State Sector Impacts

	2018-19	2019-20	2020-21	2021-22	4 year Total
Net Lending/(Borrowing):	**-**	**(120,000)**	**-**	**-**	**(120,000)**

Notes and costing assumptions

This policy proposes not to proceed with the sale of the Sirius building. The policy would be implemented from April 2019. As a result of this policy the PBO estimates that over the forward estimates Net Lending in the General Government Sector (GGS) would increase by $8 million, but decrease in the Total State Sector (TSS) by $120 million.

The Sirius building refers to 48 Cumberland Street, The Rocks. It is currently owned by NSW Land and Housing Corporation (LAHC).

The GGS comprises entities funded mainly by taxation revenue which carry out policy, regulatory and service delivery functions. This includes the Crown Finance Entity (CFE).

The LAHC is not part of the GGS because it operates semi-commercially and is therefore classified as a Public Non-Financial Corporation (PNFC). The TSS comprises the GGS, PNFCs as well as Public Financial Corporations which are entities that provide financial management services to the government and insurance services to the people of NSW.

Sale of the building

NSW Treasury has advised that $120 million is forecasted to be received by LAHC in June 2020, and this has been included in the forward estimates.

Notes and costing assumptions continued:

Impact to General Government Sector (GGS)

The sale proceeds were intended to repay a $120 million loan provided by the CFE to LAHC, by 30 June 2020.

If the sale does not proceed the loan would have to be extended, resulting in the GGS (CFE) continuing to receive interest revenue from LAHC, from 1 July 2020. This is not included in the forward estimates.

NSW Treasury has advised that the interest rate on the loan would be approximately 3 per cent per annum. The policy would therefore result in an $8 million increase in interest revenue to the GGS over the forward estimates.

Impact to Total State Sector (TSS)

The forecast sale of $120 million is currently recognised in the TSS, attributable to the LAHC. If the sale did not proceed this would result in a decrease in TSS Net Lending by $120 million.

There is nil impact in 2020-21 and 2021-22 as the interest payment made by LAHC and the interest revenue received by the CFE are within the government, and therefore offset each other.

Options if the sale did not proceed

If the sale did not proceed there would be a range of options for how the building could be used by the government. These include:

- renting out the 79 units to the private market
- using it as social housing
- keeping it empty.

The first two options would require refurbishment of the building as the building in its current state, according to Property NSW, is not fit for use. It would then generate revenue for the LAHC across future years that would partially or fully offset its operating and maintenance costs.