



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 14/02/2019

Proposal No: B357
Date Published: 18/03/2019

Proposal Title: Callan Park – Restoration

Cluster: Planning and Environment

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	1,219	1,250	1,281	3,750
Depreciation	-	-	180	194	374
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	(1,219)	(1,430)	(1,475)	(4,124)

Capital Expenditure	-	5,406	417	427	6,250
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	5,406	417	427	6,250

Net Lending/(Borrowing):	-	(6,626)	(1,666)	(1,708)	(10,000)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(6,626)	(1,666)	(1,708)	(10,000)
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Notes and costing assumptions

This policy proposes to establish a public trust to manage Callan Park. The trust would be allocated with \$10 million (m) over the forward estimates:

- \$5m spent across the forward estimates for both operating expenses and capital expenses (ongoing funding)
- \$5m in 2019-20 for immediate capital works.

The table below shows the breakdown of the funding to be provided:

	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	Total \$'000
Operating expenses	1,219	1,250	1,281	3,750
Capital expenses	5,406	417	427	6,250
Total	6,626	1,666	1,708	10,000

The policy specifies the \$5m of ongoing funding over three years will be split between operating expenses (75%) primarily to support staff, and capital funding (25%). The policy allocates \$1.63m of this ongoing funding in 2019-20, and escalates the ongoing funding by 2.5% per year over the forward estimates.

The policy also provides \$5m in 2019-20 for immediate use on capital works to improve the safety and amenity for park users, focussing on repairing and restoring buildings and removing unsafe equipment.

Notes and costing assumptions continued:

Capital expenditure on buildings is typically depreciated over 40 years. Some of the capital works will be for internal fit-outs of buildings and renewals, upgrades or repairs of other park equipment that would have a shorter useful life than 40 years. Hence, the PBO has used an average life of 30 years to calculate depreciation costs to account for the different types of capital expenditure under the policy.

In total, the policy allocates approximately 63% of total funding for capital works and 37% for operational expenditure. The PBO considers the expenditure on buildings is appropriately classified as capital expenditure based on the current condition of buildings within the park.

The Callan Master Plan 2011 identified that 37% of the floor area in the buildings within Callan Park was in a derelict state (page 6) and provided an indicative estimate that it could cost \$56 million to refurbish these buildings (page 21).