



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Australian Labor Party
Date Referred: 13/03/2019

Proposal No: B429
Date Published: 18/03/2019

Proposal Title: Housing and homelessness - \$200 million equity injection for Land and Housing Corporation (LAHC)

Cluster: Family and Community Services

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	11,851	12,868	13,862	38,581
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	(11,851)	(12,868)	(13,862)	(38,581)

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(11,851)	(12,868)	(13,862)	(38,581)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(11,851)	(12,868)	(13,862)	(38,581)
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Notes and costing assumptions

The policy is to provide a \$200 million equity injection to the Land and Housing Corporation (LAHC) from 1 July 2019 for construction of social housing dwellings. The policy also proposes \$10 million per year for homelessness programs over the period 2019-20 to 2022-23, for those unable to obtain social housing.

The PBO estimates the total net lending impact is \$38.6 million over the forward estimates. For the equity injection, the budget impact consists only of costs of headleasing and relocation costs (\$8.6 million over the forward estimates). The Department of Family and Community Services (FACS) has advised that around 480 additional dwellings can be built with this funding. LAHC has advised the staging of the project would be as follows:

Phasing of new supply

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-2025	2025-2026
Unit commitments	125	122	118	115	0	0	480
Unit completion	0	0	125	122	118	115	480

For homelessness programs, the budget impact is \$30.0 million over the forward estimates.

Key assumptions

- The equity injection will be for the purpose of new construction on LAHC owned land.
- Construction will start in 2019-20 with an average project time from commitment to completion of some two years, dependent on the type and size of dwelling constructed. The first houses would become available from 2021-22.

Notes and costing assumptions continued:

- Tenants will be relocated to headleased dwellings during the construction period. Headleasing refers to properties that FACS leases in the private rental market and then sub-lease to clients approved for social housing.
- The LAHC is a NSW Public Non-Financial Corporation (PNFC). An equity injection in a PNFC will in general have no impact on the net operating balance for the General Government Sector (GGS). An equity injection typically is a balance sheet adjustment whereby one asset (cash) is replaced by another (equity in the PNFC, a financial asset).
- NSW Treasury has advised that there are some constraints in providing equity injections to entities outside of the GGS. The relevant accounting standard (AASB 1004) and Government Finance Statistics (GFS) states that the GGS can generally only treat a contribution as an equity injection if there is an expectation of future economic return.
- An entity is classified as a PNFC if its principal activity is the production of market goods or non-financial services, and it charges economically significant prices. A transfer to a PNFC could potentially be considered as a grant rather than an equity injection if these criteria were not met. Given the intention of this policy is to create an asset (housing) from which an ongoing stream of rental income will be derived, the PBO considers it would constitute an equity injection on the same basis as LAHC as a whole is considered a PNFC.