PARLIAMENTARY BUDGET OFFICE
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MEDIA RELEASE

Stadium Concessional Loan

FOR IMMEDIATE RELEASE
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The PBO has been contacted about the appropriate accounting treatment of a concessional loan to the Sydney Cricket Ground Trust (SCGT) to fund the Sydney Football Stadium Redevelopment. The PBO notes it is normal for parties to ask questions about costings. The PBO is not subject to political pressure and is a fully independent body.

The PBO has sought external views on this matter from a range of sources. Based on this advice, the PBO has not made any changes to the costing figures. A summary of the relevant information and considerations is provided below.

This is a complex matter, as it involves flows of funding between the General Government Sector (GGS – agencies that provide public services or perform a regulatory function) and other sectors that together comprise the Total State Sector (TSS). The TSS includes various bodies operating at arms-length from the government, including what are known as Public Non-Financial Corporations (PNFCs). In a broad sense a PNFC is a business owned by government[1]. The SCGT is one such body.

Under either the current government policy or the Opposition's proposed policy there is a nil impact on the TTS. The proposed expenditure is the same. The only question is how best to represent the flows of funding between the different sectors that make up the TSS.

Funding for Rebuilding the Sydney Football Stadium

The stadium redevelopment project is currently funded from a budget allocation to the GGS, with an estimated total cost of $729 million (2018-19 Budget Paper No. 2 page 5-56)

Under the proposed ALP policy, the project is to instead be funded by the SCGT. The General Government Sector would receive revenues from the SCGT to build the stadium. At the same time the SCGT is to receive a concessional loan, on terms to be established in a loan arrangement made by the Crown. The PBO has sought advice on the appropriate accounting treatment of this policy including:

- the accounting treatment of funding flows between the SCGT and the GGS;
- whether an offsetting operational expense should be recorded in the GGS as the project is completed (no expense is recorded in the current costing); and

[1] The formal definition in the NSW Budget Papers is that PNFCs are "government controlled agencies where user charges represent a significant proportion of revenue and the agencies operate within a broadly commercial orientation".

- whether there should be any changes to the capital expenditure profile in the forward estimates under the Labor Policy.

These are complex accounting issues and the PBO has sought independent advice. A range of views about potential accounting outcomes have been expressed. Based on the various pieces of information gathered to date, the PBO has independently concluded:

- on balance, it would be feasible for payments to the GGS to be recorded as revenue
- no offsetting operational expense would be recorded in the GGS, provided the GGS retains ownership of the stadium
- the current treatment of capital expenditure in the costing is appropriate.

Under the ALP Policy that the PBO was requested to cost, the future ownership of the stadium is not specified. The PBO has separately been advised that no decision has been taken on the future ownership structure; this is an open question.

It is therefore reasonable for the PBO to conclude the final ownership of the stadium would be subject to a future government decision. This position is also supported by the NSW Budget Papers (Budget Paper no 2 2018-19 at 5-56), which indicate the expenditure for the Sydney Football Stadium has not been allocated to an agency.

Caveats and reservations
There is a wide range of views on the accounting outcomes arising from stadium funding arrangements. The range arises due to the possibility of different government decisions about asset ownership and the consequential complexity and variability in how to effect the funding of that ownership.

In the time available since the matter was raised with the PBO we have not been able to conduct a full and detailed investigation of the matter. The PBO has reached its conclusion after considering the preliminary views of a range of informed parties both in and outside of government.

The PBO has had to weigh up a number of alternative perspectives and possible accounting outcomes. In reaching a conclusion, on balance, that the treatment shown in the costing is feasible the PBO is making no comment on the merits of the policy.

The relevant wording in the costing should be read in light of this update.