

Election Costing Request Form

Details of request	
Party:	NSW Liberals & Nationals
Name of Policy:	Expansion of Farm Innovation Fund
Date of request:	20 February 2019

Description of policy	
Summary of policy (please attach copies of relevant policy documents and include information on what the policy aims to achieve):	<p>Increase the Farm Innovation Fund by \$350m to \$1 billion</p> <p>Expand the eligible projects under the Farm Innovation Fund to include the uptake of remote sensing and other technical innovations and commercial fishing gear and equipment.</p>
Has the policy been publicly released yet?	No

	2018/19 \$'000	2019/20 \$'000	2020/21 \$'000	2021/22 \$'000	Total \$'000
Impact on GGS expenses					
Impact on GGS revenue					
Impact on General Government Sector (GGS) net operating result ¹					
Impact on GGS capital expenditure ²					
Impact on GGS net lending/borrowing					

Note: Has the policy been costed by a third party?
If yes, can you provide a copy of this costing and its assumptions?

¹ Negative for a saving that reduces expenditure

² Negative for a reduction in capital expenditure.

Key assumptions made in the policy	
Does the policy relate to a previous announcement? If yes, which announcement?	<p>Yes. The Farm Innovation Fund is an incentive-based initiative to assist farmers by providing:</p> <ul style="list-style-type: none"> • low interest loans of up to \$250,000 to improve farm infrastructure and ensure long term productivity and sustainable farm use; and • new loans of up to \$50,000 with a seven year interest free period (two years no repayments) to allow producers to bring in fodder and grain and sustain stock on hand as well as install key water infrastructure. <p>In announcements in June and July 2018, the Farm Innovation Fund was increased to \$650m and changes were also made to provide interest-free loans for new loans of up to \$50,000. Details of these announcements are available here: https://www.dpi.nsw.gov.au/_data/assets/pdf_file/0006/825783/More-than-\$1-billion-in-support-to-help-farmers-through-worsening-drought.pdf https://www.dpi.nsw.gov.au/_data/assets/pdf_file/0003/817824/More-than-\$584-million-to-help-drought-affected-farmers.pdf</p>
What assumptions have been made in deriving the financial impacts in your estimated costing? (See checklist)	<p>The Department of Primary Industries and the Rural Assistance Authority will absorb the cost of administering the additional loan facility.</p> <p>The Department of Industry will absorb the cost of the foregone interest.</p> <p>\$350m increase to the Farm Innovation Fund is assumed to be spread over 4 years from 2019/20 onwards, in \$87.5m increments each year over 4 years.</p>
Is there a range for the costing or any sensitivity analysis that you have undertaken?	No
Are there associated savings, offsets or, in the case of a revenue proposal, offsetting expenses? If yes, please provide details.	<p>The Department of Primary Industries and the Rural Assistance Authority will absorb the cost of administering the additional loan facility.</p> <p>The Department of Industry will absorb the cost of the foregone interest.</p>
Are there significant costs or savings outside the forward estimates period which should be considered in costing this policy? ³	

³ Particularly important for large projects with long lead times, policies with a delayed timetable for implementation, or policies where up-front investment is required to achieve long term savings.

Administration of policy	
Intended date of implementation:	1 July 2019
Intended duration of policy ⁴ :	\$350m increase to the Farm Innovation fund to occur over 4 years from 1 July 2019 Expansion in the criteria for projects is assumed to be ongoing.
Who will administer the policy (e.g. Government entity, non-government organisation, etc.)?	NSW Department of Primary Industries and the NSW Rural Assistance Authority
Are there any specific administrative arrangements for the policy that need to be taken into account (e.g. agreements between different levels of government)?	No
Are there transitional arrangements associated with policy implementation?	No

If the policy is mainly an expenditure⁵ commitment	
Demand driven or a capped amount:	This additional Farm Innovation Fund loan facility is capped at \$350m over 4 years.
Eligibility criteria or thresholds:	No

If the policy is mainly a revenue commitment	
Transaction based or capped:	
Thresholds and/or exemptions:	
Collection method:	The current interest rate for loans under the Farm Innovation Fund is 2.5%. The relevant rate will depend on the rate that applies at the date on which the loan is approved and is fixed for the term of the loan. Current loan repayments can be monthly, half yearly, quarterly or annual repayments of principal and interest.
Additional expenditure associated with collection:	

⁴ Where a policy is intended to be ongoing, please indicate "ongoing" in the space to the right

⁵ Expenditure is operating expenses, e.g. salaries, interest cost and grants. Expenditures are fully included in the impact on operating balance.

If the policy is mainly a capital costs⁶ commitment	
Nature of Capital Spending	
Type of work, size and capacity:	
Proposed start and completion date of work:	
Intended construction schedule/cashflow:	
Associated asset sell off (if any):	
Recurrent Impacts	
Offsetting expenditure savings:	
On-going maintenance, depreciation and operational expenses:	
Third party funding involvement:	
Delivery model ⁷	

Checklist for key assumptions (please be comprehensive and include all relevant assumptions).

Assumptions could include, but are not limited to, questions such as:

- What is the expected community impact?
- How many people will be affected by the policy?
- What is the likely take up or other behavioural response you expect?
- Is there a cap on total spending proposed, a funding formula, resource agreement or other mechanism of this nature associated with the policy?
- Will third parties have a role in funding or delivering the policy (e.g. Commonwealth Government)?
- Will funding/program cost require indexation?
 - If yes, do you have any assumptions about the index that should be applied?
- What assumptions have you made about costs of administering the policy?
- Will additional staff be needed in the agency responsible for the policy?

⁶ Capital costs differ from expenditure in that only depreciation will be included in the impact on operating balance.

⁷ There is a range of possible delivery models, e.g. built, owned and operated by a NSW government agency; built and transferred to a private operator; privately built for public operation; privately built and operated with government assuming risk or providing a guarantee in relation to future income (often applicable to public/private partnership arrangements), and so on. The policy should provide assumptions about the proposed delivery model.

- How many and at what approximate levels?
- Are there other resources required?
- Are you assuming administrative costs will be absorbed within the agency?

Please note that:

- The costing will be on the basis of information provided in this costing request.
- The PBO is not bound to accept the assumptions provided by the requester. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requester in advance of the costing being completed.
- Where the details of the policy costing request differ from the announced policy, the costing will be on the basis of the information provided in the costing request.
- These guidelines are intended to facilitate requests for costing election policies. Persons preparing such requests who wish further assistance are invited to contact the staff of the Parliamentary Budget Office.