



Parliamentary Budget Office - Policy Costing

Referred By: Australian Labor Party (NSW Branch)
Referred Date: 11-Mar-11

Proposal No: C078
Released Date: 22-Mar-11

Proposal Title: Provide \$20m to Shellharbour City Council to start construction of Shell Cove Harbour and Marina under a no interest loan

Lead Agency: Crown Finance Entity

General Government Sector Impacts

Table with 5 columns: 2010-11, 2011-12, 2012-13, 2013-14, 4 Year Total. Rows include Expenses (ex. depreciation), Depreciation, Less: Agency Offsets, Agency Revenue, and Net Operating Balance.

Table with 6 columns: 2010-11, 2011-12, 2012-13, 2013-14, Other Years, Total Cost. Rows include Capital Expenditure, Capital Offsets, and Net Capital Expenditure.

Net Worth: 0 0 0 0

Net Financial Liabilities: 0 0 0 0

Total State Sector Impacts

Net Financial Liabilities: 0 0 0 0

Costing assumptions used:

Costing based on Treasury advice that interest free loan will be advanced in two tranches of \$10m each on 1 January 2014 and 1 January 2015. The principal is repayable over 8 years at six monthly intervals. The loan repayments will be initially be \$0.75 million increasing to \$1.55 million at 31 December 2018. This transaction is subject to AASB 139 Financial Instruments: Recognition and Measurement. Under this accounting standard the discount component of the concessional loan is recognised as an expense when the loan is made. The discount component is in effect a grant or subsidy. Using a discount rate of 6 per cent per annum the discount component is valued at \$3.038 million. The discount expense is wound back (reversed) over the life of the loan, such that at the final payment the net operating balance impact is restored to zero.

Handwritten signature of A.C. Harris

A.C Harris
Acting Parliamentary Budget Officer