



Policy costing

Rescuing the Great Barrier Reef	
Party:	Australian Labor Party
Summary of proposal: <p>This proposal would return to the Commonwealth Government all uncommitted funding, as at 1 July 2019, from the \$443.4 million grant provided to the Great Barrier Reef Foundation (the Foundation) in 2017-18. Funds would be returned in 2019-20 and would include interest earned on the grant. The funds would be spent on the Reef evenly over five years starting in 2019-20. Advice would be sought from the Department of the Environment and Energy about how to allocate the funds to government agencies and other organisations.</p>	

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by \$85 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in non-tax revenue of \$425 million, largely offset by an increase in administered expenses of \$34 million and an increase in departmental expenses of \$306 million.

Departmental expenses to recover the funding are not expected to be material and have not been included. The proposal would be expected to have an impact beyond the 2019-20 Budget forward estimates period in 2023-24.

The financial implications of this proposal are extremely sensitive to the value of uncommitted funds available at 1 July 2019. The Department of the Environment and Energy provided committed and uncommitted funding (inclusive of interest) from the grant as at 31 December 2018, as reported by the Foundation in its first progress report to the Department. The financial implications are also sensitive to the rate of interest earned by the Foundation.

Table 1: Financial implications (\$m)^(a)

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	340	-85	-85	-85	85
Underlying cash balance	340	-85	-85	-85	85

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing this proposal.

- Uncommitted funds as at 1 July 2019 would be equal to uncommitted funds as at 31 December 2018, adjusted for projected new contractual commitments and interest earnings at an annual rate of 3.7 per cent.
 - Projected new contractual commitments over the six-month period 1 January to 1 July 2019 would be \$3 million. This is equal to contractual commitments made over June to December 2018.
 - New commitments would be made halfway through the six months from 1 January to 1 July 2019. As a result, interest earnings for the second half of this period would be lower as the uncommitted funds would be adjusted by the new contractual commitments.
 - The interest earned is consistent with the implied rate of return earned by the Foundation on its bank deposits in 2017, according to the Foundation's 2017 annual report.
- The Foundation would return all uncommitted funds from the grant to the Commonwealth Government in 2019-20.
- The reallocated funds would be largely departmental expenses.
 - The shares of departmental and administered expenses would depend on the decisions about which bodies received funding under the proposal.

Methodology

The financial implications were estimated by projecting uncommitted funds from the grant as at 1 July 2019 as described above, and returning these to the budget in 2019-20.

The reallocation of the recovered funds was spread evenly over five years starting in 2019-20 as per the specification, applying the split between administered and departmental expenses outlined above.

All revenue figures have been rounded to the nearest \$1 million. All expense figures have been rounded to the nearest \$100,000.

Data sources

The Department of the Environment and Energy provided funding data on committed and uncommitted funds from the grant to the Great Barrier Reef Foundation, as at 31 December 2018.

Great Barrier Reef Foundation, Annual report for the year ended 31 December 2017 [Online] Available at: <https://www.barrierreef.org/uploads/2017%20Annual%20Report.pdf> [Accessed 17.04.2019].

Attachment A – Rescuing the Great Barrier Reef – financial implications

Table A1: Rescuing the Great Barrier Reef – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
Total – revenue	425.0	-	-	-	425.0
Expenses					
<i>Administered</i>	-8.5	-8.5	-8.5	-8.5	-34.0
<i>Departmental</i>	-76.5	-76.5	-76.5	-76.5	-306.0
Total – expenses	-85.0	-85.0	-85.0	-85.0	-340.0
Total	340.0	-85.0	-85.0	-85.0	85.0

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.

- Indicates nil.