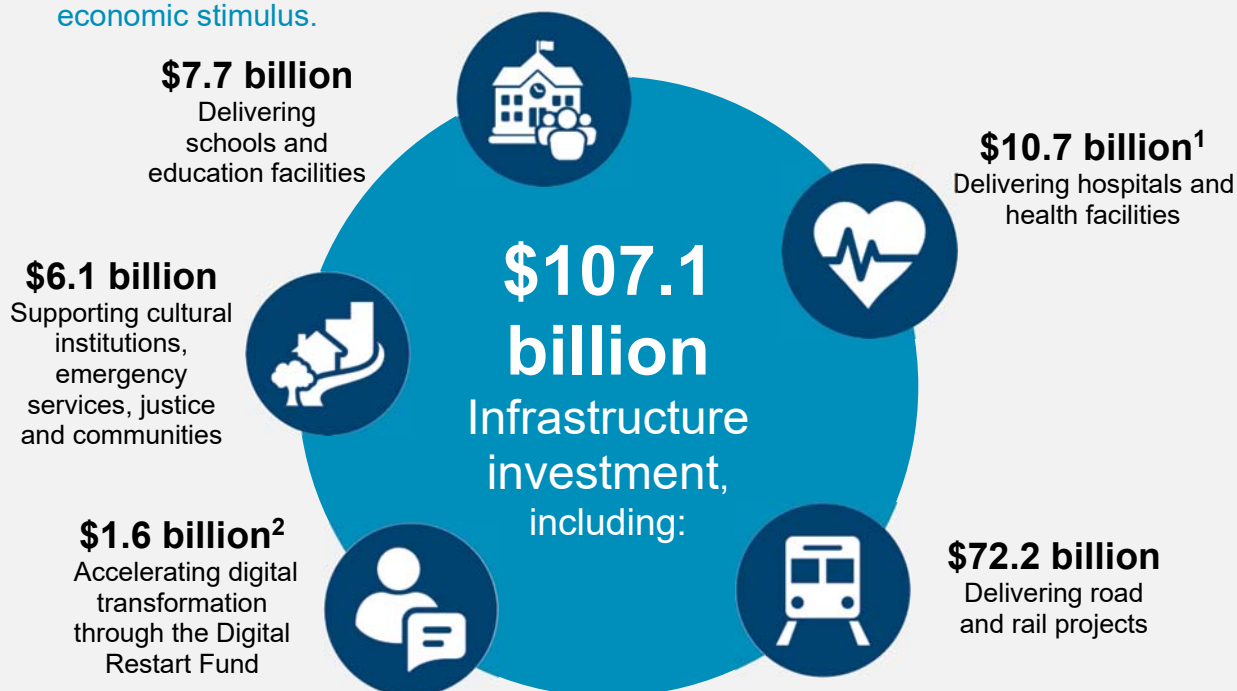


1. OVERVIEW

- The 2020-21 Budget provides for a record infrastructure commitment to support the community through one of the most challenging periods in recent times.
- The unprecedented \$107.1 billion capital program over four years to 2023-24 responds to the challenges of drought, bushfires and COVID-19 with a focus on job creation and economic stimulus.



- The Government's once-in-a-generation infrastructure pipeline means New South Wales is in a uniquely strong position to respond to the COVID-19 pandemic and has been able to rapidly accelerate projects to deliver jobs and economic stimulus in a time of economic uncertainty.
- New funding has been allocated for projects of all sizes to create jobs and support economic activity, from city-shaping major infrastructure projects to maintenance and smaller local projects all across New South Wales.
- The Government is also continuing to invest heavily in regional New South Wales to support jobs, deliver vital public services and provide new infrastructure to improve resilience to natural disasters.
- The benefits of the Government's record infrastructure program continue to be realised, with significant projects completed since the 2019-20 Budget including: the CBD and South East Light Rail, the new WestConnex M8 tunnel, NorthConnex, Arthur Phillip High School and Parramatta Public School, Oran Park High School, Muswellbrook Hospital and the new Mudgee Hospital.

¹ Health Capital Expenditure includes capital expensing amounts. Further information is provided at footnote c) of Table 1.2.

² Digital Restart Fund includes \$400 million of recurrent expenditure. Further information on the Digital Restart Fund is provided in Box 2.15 of Chapter 2.

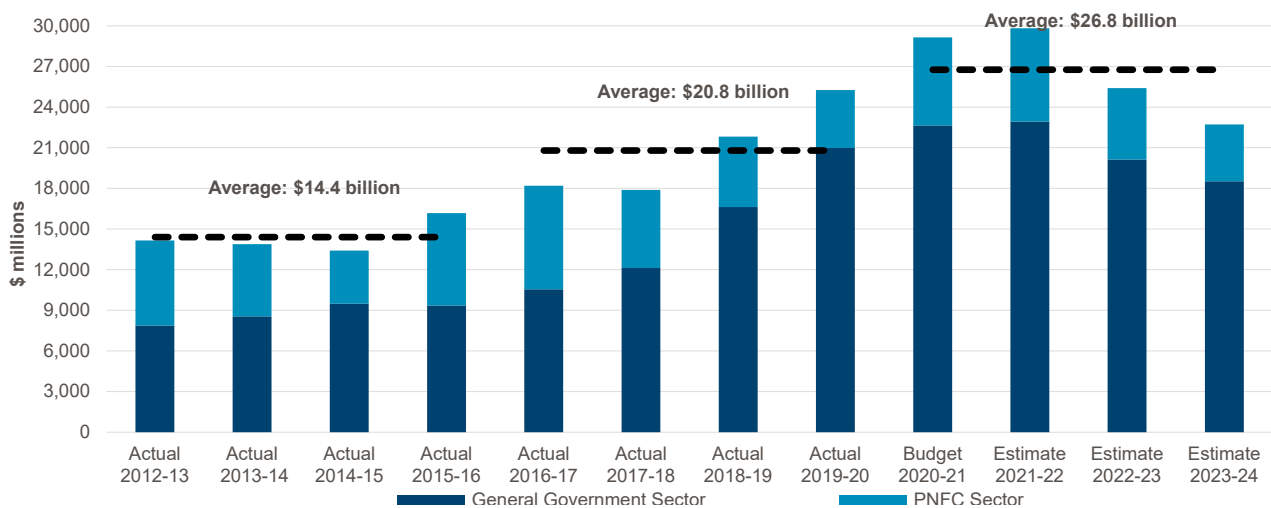
1.1 Adapting the State's infrastructure program

The Government's infrastructure program is guided by key strategic documents including the *NSW Infrastructure Strategy 2018-2038*, the *Greater Sydney Region Plan – A Metropolis of Three Cities*, the *Future Transport Strategy 2056*, and the *Regional Development Framework*. Together these documents set out the Government's priorities and bring together infrastructure investment and land-use planning for our cities and regions.

The onset of the pandemic has presented a number of challenges to delivering infrastructure in a timely manner. Industry closures, disruptions to the supply chain and the need to comply with new health requirements have placed additional burdens on industry. Some projects continue to be impacted by domestic border closures, whilst others have been impacted because overseas experts have been unable to be on-site for essential testing and commissioning. Infrastructure NSW is communicating, monitoring and reporting on the infrastructure related impacts of COVID-19 to ensure that government agencies and industry are receiving consistent and factual information (see Box 1.4 for further information).

The Budget commits \$107.1 billion over the four years to 2023-24 to the Government's infrastructure program. The average infrastructure investment of \$26.8 billion per annum over four years is 15 per cent higher than the average four-year investment of \$23.3 billion announced in the 2019-20 Budget. Chart 1.1 shows the projected growth in the State's capital program from 2012-13 to 2023-24. The average of \$26.8 billion over the four years to 2023-24 represents a 28.8 per cent increase over the four years to 2019-20 and an 86.1 per cent increase over the four years to 2015-16.

Chart 1.1: Infrastructure program from 2012-13 to 2023-24



This Budget is adapting to new challenges brought on by COVID-19 and other natural disasters, with significant investment in digital infrastructure to improve services for customers, regardless of location, and to drive productivity and efficiency across the sector (for further information see Section 2.3 and Box 2.15). There is also a strong focus on building resilient infrastructure to ensure New South Wales is able to respond to natural disasters, including bushfires and drought, now and into the future.

This Budget also highlights key projects delivered since the last budget including the CBD and South East Light Rail (opened December 2019), Arthur Phillip High School (opened January 2020), the WestConnex M4 East tunnel from Homebush to Haberfield (opened July 2019), the WestConnex M8 tunnel from Kingsgrove to St Peters (opened July 2020) and the NorthConnex tunnel from West Pennant Hills to Wahroonga (opened October 2020). Refer to Chapter 2 for further details.

The Government's successful asset recycling strategy and strong economic credentials has enabled record levels of capital spending to support jobs and drive economic activity through an unparalleled economic crisis. The Government has recently announced that it will commence a sale process for its 49 per cent stake in WestConnex as well as commence a scoping study into its lotteries duty revenue stream. Proceeds from the next phase of the Government's asset recycling program will be invested in the NSW Generations Fund (NGF), to earn a competitive return for taxpayers and facilitate investment in world class infrastructure such as Sydney Metro West.

Further information on the Government's asset recycling strategy is provided in Section 1.3 and also in Chapter 3 of Budget Paper 1.

The Government's infrastructure program features funding for a wide range of projects, including:^{3,4}

\$72.2 billion for public transport and roads, including:

- \$10.4 billion over the next four years for the Sydney Metro West
- \$2.8 billion over the next four years for More Trains, More Services
- \$2.2 billion over the next four years for the recently contracted Sydney Gateway
- \$852.6 million over the next four years for the Newcastle Inner City Bypass from Rankin Park to Jesmond and the Pacific Motorway extension to Raymond Terrace (both State and Federal funded)
- \$671.1 million over the next four years to continue planning and development of further upgrades to the Princes Highway between Nowra and the Victorian border (State and Federal funded)
- \$656.3 million over the next four years for new buses to cater for NSW services.

\$10.7 billion for health infrastructure⁵ to plan and deliver new and upgraded hospital builds, including:

- \$750.0 million for the Royal Prince Alfred Hospital Redevelopment
- \$438.0 million for the Shoalhaven Hospital Redevelopment
- \$200.0 million for the Eurobodalla Health Service Redevelopment.

\$7.7 billion for education and skills infrastructure, including:

- over \$1.4 billion in new schools infrastructure funding for new and upgraded schools
- \$100.0 million for the TAFE NSW Asset Renewal Program to continue the delivery of quality training services.

³ The estimated total cost (ETC) of projects identified in this chapter may include prior year expenditure and expenditure beyond the budget and forward estimates.

⁴ Figures represented in the text are on an eliminated Government Sector basis. These numbers may not agree with individual agency reporting which is on an uneliminated basis.

⁵ Health Capital Expenditure includes capital expensing amounts. Further information is provided at footnote c) of Table 1.2.

Other infrastructure, including:

- \$2.8 billion for justice, emergency services and community infrastructure, to better deliver the outcomes that our communities need, including:
 - \$100.0 million for the Sustaining Critical Infrastructure Program, delivering upgrades across the Department of Communities and Justice asset base, including upgrades for courthouses and correctional facilities
 - \$60.0 million to upgrade the Goulburn Police Academy.
- \$1.6 billion for the Digital Restart Fund⁶ to invest in digital transformation projects in New South Wales for the next three years
- significant investment across arts and culture, venues, energy, water utilities and other important infrastructure to provide vital services for communities in the long term, while also supporting job creation in the short term.

Chapter 2 of this *Infrastructure Statement* provides further details on infrastructure projects the Government is delivering.

⁶ The Digital Restart Fund includes \$400 million in recurrent expenditure. Further information on the Digital Restart Fund is provided in Box 2.15 of Chapter 2.

Box 1.1: Jobs and Infrastructure Acceleration Fund

Program: The \$3 billion Jobs and Infrastructure Acceleration Fund was established in May 2020 as part of the Government's COVID-19 response to fund job-creating projects all over the State.

Service delivery objective: Accelerating new and existing projects across the State to create and support jobs.

Implementation: More than 100 infrastructure and local community projects have been funded, supporting up to 20,000 direct and indirect jobs across the State. Over 80 of these projects are in regional areas, supporting and creating up to 12,000 direct and indirect regional jobs.

Funding allocation: \$3.0 billion has been allocated to accelerate projects including:

- \$320.0 million for schools infrastructure including new primary schools at Googong, Murrumbateman and Edmondson Park
- \$194.3 million to fast track the delivery of new commuter car parks
- \$157.8 million for the LED Light Replacement program in schools across the State
- \$120.0 million for the Regional Schools Renewal program to help more than 600 schools deliver modern facilities including libraries, canteens, administration buildings, car parking and play areas
- \$105.0 million to start work on the \$385.0 million St George Hospital Integrated Ambulatory Care Precinct in Kogarah, with the project commencing two years earlier than planned
- \$90.0 million to accelerate Stage 1 of the Spring Farm Parkway at Menangle Park
- \$82.7 million of the \$91.2 million increase in funding to expand the scope of the Tweed Hospital Redevelopment
- \$60.0 million of the \$608.0 million Sydney Children's Hospital Network in Randwick brought forward
- \$51.5 million of the \$320.0 million increase in funding for a new Shellharbour Hospital on a greenfield site with an expanded scope
- \$28.0 million to accelerate Stage 1 of the Mamre Road Upgrade in Western Sydney.

Delivering for regional New South Wales

The 2020-21 Budget includes significant infrastructure investment in regional New South Wales to respond to the challenges of drought, bushfires and COVID-19 while also future-proofing assets against the challenges of tomorrow. These investments are vital to ensure our regional communities remain great places to live, both for current and future generations.

Funding has been allocated for the construction of new and upgraded hospitals, schools, roads and railways all across regional New South Wales. The Government is also investing in local infrastructure in the regions through the Regional Growth Fund, with an additional \$300.0 million allocated as part of this Budget (see Box 1.2 for further information).

Significant regional projects include:

- the Parkes Special Activation Precinct: \$185.4 million for the delivery of vital infrastructure including roads, sewer and water connections in the precinct to promote Parkes as a major inland freight and logistics hub
- the Gig State project: \$100.0 million to enhance digital connectivity through the delivery of a metro-level internet service to regional communities and businesses
- pre-construction and early works for the Wyangala Dam Wall Raising and the new Dungowan Dam: to improve water security and provide greater supply in the Lachlan and Peel Valleys respectively
- Regional NSW Bridge upgrades: \$98.4 million over the next four years to upgrade bridges including Monkerai Bridge, Clarence Town Bridge and Barrington Bridge
- the Rural Access Gap Direct Intervention program: \$365.8 million to improve access to digital teaching, learning aids and collaboration tools to rural and remote schools
- the Tweed Hospital and Integrated Ambulatory Services Redevelopment: \$673.3 million to develop a new hospital on a greenfield site.

The Government has also made a commitment to invest 30 per cent of the \$35.3 billion Restart NSW Fund (as at 31 October 2020) on regional infrastructure over the life of the fund. This is in addition to the \$4.2 billion from the Snowy Hydro Legacy Fund that is delivering major transformative infrastructure projects across regional New South Wales.

Box 1.2: Building regional communities

The 2020-21 Budget includes large investments in small place-making infrastructure to generate jobs and make our regional communities even better places to call home.

The COVID-19 pandemic has highlighted the importance of local infrastructure, such as sporting facilities and public spaces, for the wellbeing of citizens. Through its investment in local infrastructure, the Government is improving amenity and building communities that the people of New South Wales can be proud of.

Significant investments include:

- \$300.0 million in new funding for the Regional Growth Fund, bringing the total allocation to \$2.0 billion to support growing regional centres, activate local economies and improve services
- \$100.0 million for the Greater Cities and Regional Sports Facilities Fund to invest in new and existing facilities to improve sports infrastructure across Greater Sydney, Newcastle, Wollongong and regional New South Wales
- \$25.0 million to fast track the Orange Sports Complex, a regional sporting hub for various sports.

This funding is in addition to funding provided for local projects through the Restart NSW Fund. See Box 3.1 in Chapter 3 for more information.

1.2 Infrastructure generating jobs and economic activity

The Government is building a record level of infrastructure to provide better service delivery and quality of life outcomes for the people of New South Wales. This investment is also driving economic growth and job creation as the State recovers from the shock of the COVID-19 pandemic.

Box 1.3: Smaller scale projects generating local jobs

The Government's infrastructure program includes large scale mega projects and also a record investment in smaller scale projects around the State. Smaller projects tend to be less complex than larger projects, can commence quickly and typically utilise local suppliers and contractors which benefits local communities.

The Government has announced a suite of infrastructure initiatives that will boost local economies and support jobs including:

- \$205.0 million in maritime infrastructure and safety upgrade projects, creating almost 1,300 jobs. This investment includes funding for the construction of the Kamay ferry wharves connecting La Perouse and Kurnell and a range of regional maritime infrastructure and foreshore works
- planning for the Special Activation Precinct in Williamtown, the fifth in New South Wales, bringing total expected investment in the program to \$1.0 billion and supporting an estimated 15,000 jobs
- \$35.8 million over two years to fund maintenance and improvement works at showgrounds across the State, generating local jobs and investment in regional communities
- funding for an additional 10 Service NSW service centres over four years, further expanding the Service NSW footprint throughout local communities
- \$143.5 million over three years to continue the Strategic Open Spaces Program across Greater Sydney including new and upgraded parks at Penrith, Ermington, Appin, Leppington, Frenchs Forest, Carramar, Beaumont Hills, Hurstville and Callan Park
- continuing to upgrade local train stations across the State through the Transport Access Program, making them more accessible and modern to meet the needs of a growing population (see Box 2.9 in Chapter 2 for further information).

The Government's record level of investment over many years means New South Wales is in a uniquely strong position to respond to the COVID-19 economic crisis. The Government's commitment to an ambitious infrastructure pipeline means it has been well positioned to accelerate projects across all sectors to deliver jobs and economic stimulus in a time of economic uncertainty. Key benefits of infrastructure investment include:

- better access to high-quality services for the people of NSW. Infrastructure investment is critical to service delivery outcomes. For example, delivering the schools and hospitals of the future when and where they are needed enables the delivery of world-class education and health services
- empowering the construction industry as a major source of jobs in New South Wales, employing more than 370,000 people prior to the pandemic. The strong pipeline of major public works in New South Wales is critical to driving continued job creation in the construction industry

- quality, smart infrastructure enables businesses and employment precincts to thrive. The Western Sydney Aerotropolis will provide a new economic hub for businesses and jobs of the future, connecting businesses via the new international airport to the rest of the world and to the rest of Sydney via the fully integrated road and rail network
- resilient infrastructure is designed and built to withstand disruption, operate in crisis and adapt to difficult conditions. For example, Sydney Metro included the housing of critical equipment and ventilation systems in their station and drainage which are carefully designed to be resilient to flooding, extreme weather and heat waves. This past year has demonstrated the need for infrastructure to endure drought, bushfires and a global health crisis to provide a safe and secure environment for the people of New South Wales.

The Government is building infrastructure across all sectors to deliver the outcomes targeted in the *Outcomes Statement* (see Budget Paper 2), including:

- public transport infrastructure, to connect communities and to deliver time savings and improve end-to-end commuter experiences
- roads infrastructure, to reduce congestion, improve safety and make our places more accessible
- hospitals and community health facilities, to expand access to world-class healthcare when and where it's needed
- schools and classrooms of the future, to ensure every child can learn in a supportive, flexible and safe built environment
- arts and cultural venues, to inspire NSW citizens and attract visitors to the State
- world-class sporting infrastructure, to improve the spectator experience, attract top events and encourage participation in grass-roots sports around the State
- enhanced digital infrastructure, to improve internet connectivity, speeds and reliability, leading to gains in productivity and social inclusion across our communities, especially in remote and regional areas.

The Government is working closely with the construction industry to ensure that the benefits of its record infrastructure investment are realised for New South Wales citizens, despite the challenges of COVID-19. Further information on how the Government is working with the construction industry is provided in Box 1.4.

Box 1.4: Government leading the way for infrastructure delivery during COVID-19

At the outset of the pandemic, Infrastructure NSW, in collaboration with delivery agencies and industry, released a joint commitment statement to ensure construction environments in New South Wales remain healthy, safe and sustainable during the COVID-19 crisis. The statement includes commitments to:

- keep the construction industry and its workforce safe and healthy
- support the industry to not adversely impact the health of communities and carry out work in accordance with the latest public health advice
- maintain project continuity to keep people in jobs and sustain the construction sector's contribution to Australia's economy.

Delivery agencies are engaging with industry directly to ensure projects are being delivered on time and in accordance with COVID-19 safe work practices.

New funding has also been allocated to establish a unit in Infrastructure NSW to provide coordinated oversight of the Government's infrastructure stimulus program and partner with agencies and industry to accelerate infrastructure delivery.

The Government's leadership role and partnership with industry will ensure the benefits of its record infrastructure pipeline continue to be realised, despite the challenges of COVID-19.

1.3 Our fiscal management

The Government has increased its infrastructure investment in response to the COVID-19 pandemic, while upholding a sustainable and responsible approach to fiscal management. New funding has been allocated to accelerate key projects that support jobs and economic activity, while maintaining the State's triple-A credit rating. This has been enabled by the Government's fiscal strategy which includes:

- continuing management of recurrent expenditure consistent with the *Fiscal Responsibility Act 2012*
- active management of the State's balance sheet, including reinvesting the proceeds of asset recycling into productive infrastructure via the New South Wales Infrastructure Future Fund (NIFF), allowing the Government to generate additional returns for taxpayers
- whole-of-government prioritisation of capital projects, based on a rigorous project assessment process, to enable a more strategic approach to capital allocation
- the establishment of the NGF, NSW's own sovereign wealth fund, that invests asset recycling proceeds to achieve a competitive return for taxpayers allowing the Government to deliver infrastructure, while supporting a sustainable debt position over the medium term.

The Government uses a comprehensive capital investment framework to underpin investment decisions. This framework integrates planning, project selection, funding and delivery and has been designed to ensure the Government invests in critical infrastructure projects that provide the greatest benefit at the most efficient cost.

Infrastructure NSW plays a key role in assisting the Government to identify and prioritise infrastructure projects. It provides independent advice on infrastructure needs and delivery, with a focus on capital investment that brings economic growth and social well-being.

Asset recycling strategy

The Government's successful asset recycling strategy is enabling the delivery of its record infrastructure program, despite the economic impact of COVID-19. Asset recycling proceeds are being invested in special purpose funds such as the NIFF and NGF, strengthening the State's net debt position and boosting budget reserves.

Asset recycling has unlocked additional funding for infrastructure projects and enabled the accelerated delivery of critical projects. Examples include the Sydney Metro City and Southwest, the More Trains, More Services program and the Parramatta Light Rail.

The recognised inflows into Restart NSW are expected to total \$35.3 billion as at 31 October 2020, of which \$25.1 billion relates to proceeds from the Government's asset recycling program. These proceeds have been supplemented by interest earnings in Restart NSW and the Commonwealth Government's Asset Recycling Initiative payments.

The Government has recently announced that it will commence a sale process for its 49 per cent stake in the WestConnex motorway as well as commence a scoping study into its lotteries duty revenue stream. Proceeds from any future asset sales will be invested in the NGF to generate competitive returns for taxpayers, support sustainable debt levels and facilitate investment in world class infrastructure.

For further information on the Government's asset recycling strategy and how it is being used to continue the Government's record infrastructure investment see Chapter 3 of Budget Paper 1.

1.4 Four-year capital program

The Government's capital spending program is forecast to be \$107.1 billion over four years to 2023-24. Table 1.1 provides a reconciliation of capital expenditure between the 2019-20 Budget and the 2020-21 Budget.

Movements in the profile of capital expenditure across years for individual projects are captured at an aggregate level in parameter and other variations. These variations are the result of changes to the cost and timing of capital expenditure that are largely outside government control. Examples include changes in economic conditions, variations to Commonwealth Government grants, accounting and technical adjustments (including accounting standard changes) and changes to project delivery schedules.

For 2020-21 parameter and technical adjustments predominately relate to non-discretionary accounting standard changes mainly impacting the Transport cluster, as well as the re-profiling of expenditure across the forward estimates for the Education cluster.

Table 1.1 shows that capital expenditure has increased from \$25.3 billion in 2019-20 to a forecast \$29.1 billion in 2020-21. Key drivers of this increase include stimulus measures such as new spending initiatives, the acceleration of projects from forward years and the reprofiling of projects from 2019-20 to 2020-21.

Table 1.1: Capital expenditure reconciliation

	2019-20 Actuals \$m	2020-21 Budget \$m	2021-22 \$m	2022-23 Forward Estimates \$m	2023-24 \$m
Capital - 2019-20 Budget	27,739	23,849	22,671	18,775	n.a
Capital measures^(a)	706	834	810	1,038	n.a
Parameter and other variations	377	750	(2)	(199)	n.a
Capital - 2019-20 Half Yearly Review	28,822	25,433	23,479	19,614	n.a
Capital measures^(a)	(120)	4,135	5,032	4,592	1,907
Parameter and other variations	(3,438)	(422)	1,307	1,195	n.a
Capital - 2020-21 Budget	25,264	29,146	29,818	25,401	22,722

(a) Includes the estimated impact of spending funds committed and reserved in Restart NSW.

Breakdown of the capital program

Table 1.2 details the breakdown of capital expenditure by Cluster. More than half of the four-year capital program reflects record levels of investment in productive road and rail infrastructure. The table also highlights the record infrastructure spend in Health^(c) and Education over the four years to 2023-24.

More information on individual agency capital programs is provided in Chapter 4 (general government agencies) and Chapter 5 (public non-financial corporations).

Table 1.2: State capital spending by cluster^(a)

	2020-21 Budget \$m	2021-22 \$m	2022-23 Forward Estimates \$m	2023-24 \$m	Four-year total	
	\$m	\$m	\$m	\$m	\$m	%
Transport ^(b)	16,726	20,595	18,281	16,605	72,207	67.4
Health ^(c)	2,848	2,745	2,117	2,430	10,140	9.5
Education and Skills	2,742	3,053	1,214	626	7,635	7.1
Stronger Communities	1,274	591	511	441	2,817	2.6
Premier and Cabinet	1,487	789	710	293	3,280	3.1
Planning, Industry and Environment	805	683	370	248	2,107	2.0
Regional NSW	316	197	53	17	583	0.5
Customer Service	431	244	88	86	849	0.8
Other ^(d)	2,517	921	2,056	1,976	7,471	7.0
Total^(e)	29,146	29,818	25,401	22,722	107,088	100

(b) Numbers represented in the table are on an eliminated Government Sector basis. This table does not agree with individual agency reporting elsewhere in these Budget Papers which is done on an uneliminated basis.

(c) Includes Transport PNFC agencies.

(d) Health spending on capital is forecast to total \$10.7 billion over the four years to 2022-23. Table 1.2 does not include \$185 million in 2020-21, \$139 million in 2021-22, \$104 million in 2022-23 and \$95 million in 2023-24 for minor capital spending for the construction of health capital projects which fall below a capitalisation threshold and are not reported as capital expenditure.

(e) Mainly comprises energy, water and property PNFC agencies. 2020-21 budgets are set out in Chapter 5. Key expenditure in the year include social housing \$547.4 million and growth and renewal of the metropolitan water supply system \$214.3 million.

(f) Spending excludes capital expenditure by public financial corporations.

1.5 Funding the delivery of infrastructure

The State's capital program of \$107.1 billion over four years to 2023-24 is funded by a range of sources including:

- State sources, comprising:
 - taxation, other own-source State revenues and borrowings (\$75.9 billion)
 - Restart NSW (including the Rebuilding NSW plan) and Snowy Hydro Legacy Fund using asset recycling proceeds, windfall tax revenues and the issuing of Waratah Bonds (\$7.3 billion)⁷
- Public non-financial corporations (PNFC) sources (including from own source revenue, equity, retained earnings and borrowings) (\$13.4 billion)
- Commonwealth Government grants (\$10.5 billion).

Chart 1.2: Summary of capital expenditure and funding sources – 2020-21 to 2023-24



As shown in Chart 1.2, the capital program comprises \$84.2 billion from the general government sector and \$22.9 billion from the PNFC sector.

State sources is expected to be the largest funding source for capital expenditure, totalling \$83.2 billion over the four years to 2023-24.

Commonwealth Government funding comprises infrastructure grants for specific projects and accounts for \$10.5 billion, or 9.8 per cent, of the capital program. PNFC own-source funding is \$13.4 billion, or 12.5 per cent of the capital program.

State funding

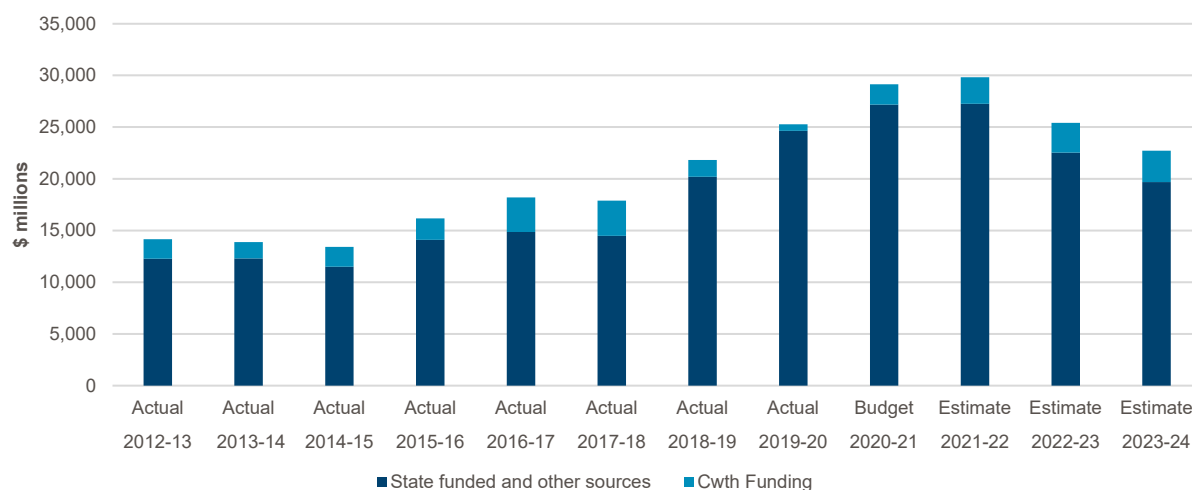
The State funded program is \$83.2 billion over the four years to 2023-24 and includes State sources and Restart NSW. State funded capital expenditure is expected to reach \$19.7 billion in 2020-21, driven by record investment in health and spending on public transport and roads projects, including Sydney Metro West, Parramatta Light Rail Stage 1, the Sydney Gateway, More Trains, More Services and the Sydney Metro - Western Sydney Airport.

⁷ A total of \$35.3 billion is committed and reserved within Restart NSW (see Chart 3.1).

Commonwealth Government funding

The Commonwealth Government will contribute \$10.5 billion to the New South Wales capital program over the four years to 2023-24. Chart 1.3 shows the Commonwealth's contribution as a proportion of the total state capital program over the years 2012-13 to 2023-24. Funding reached over \$3.0 billion in 2016-17 and 2017-18 due to the receipt of Commonwealth Government Asset Recycling Initiative payments, with \$1.0 billion received in 2016-17 and \$847.8 million in 2017-18.

Chart 1.3: Commonwealth contribution to the State capital program 2012-13 to 2023-24



The 2020-21 Commonwealth Budget included an additional \$2.7 billion for New South Wales transport initiatives, with \$1.2 billion of this expected to be received in 2020-21 (see Box 1.5 for further information). As a result of this increase in funding, contributions from the Commonwealth Government are currently forecast to increase over the four years to 2023-24.

Box 1.5: Accelerating road projects

The New South Wales and Commonwealth Governments are working together to accelerate the delivery of major road projects across the State.

As part of its 2020-21 Budget, the Commonwealth Government announced \$2.7 billion in new and accelerated funding to fast track road projects across New South Wales. The 2020-21 New South Wales Budget reflects this increase in funding as well as an increase in State funding for projects including:

- Newcastle Inner City Bypass - \$360.0 million to accelerate works between Rankin Park and Jesmond
- Coffs Harbour Bypass - \$482.0 million to accelerate the Coffs Harbour Bypass
- New England Highway Upgrade - \$587.0 million to accelerate the Singleton Bypass.

This increase in funding will support local economies across the State while also improving key transport corridors to keep New South Wales moving.

1.6 Existing assets and maintenance program

Existing assets

The State's physical assets comprise land and buildings, plant and equipment and infrastructure systems. Key assets include transport networks, public schools, hospitals, police and court facilities, public housing, water storage and supply networks, electricity and distribution networks and roads. Physical assets exclude intangibles, inventories and assets held for sale.

Table 1.3 shows that the State's asset base continues to grow as a result of the Government's record infrastructure program. The State's physical assets are estimated to have a value of \$411.0 billion as at 30 June 2021, representing an increase of \$42.9 billion from 30 June 2020. The State's physical assets across both the general government and PNFC sectors were valued at \$368.1 billion as at 30 June 2020.

Table 1.3: State owned physical assets: value by sector ^{(a)(b)}

As at 30 June	2017 Actual \$m	2018 Actual \$m	2019 Actual \$m	2020 Actual \$m	2021 Budget \$m
General Government Sector	176,199	198,563	221,343	231,776	272,488
Public Non-Financial Corporations	130,960	140,012	131,036	136,314	138,530
Total ^(c)	307,714	339,835	352,973	368,089	411,018

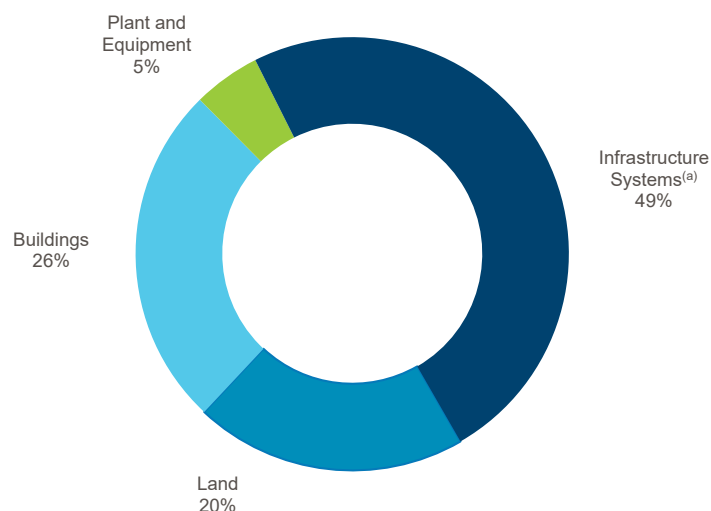
(a) Net of depreciation.

(b) Includes investment properties.

(c) Consolidated total may not equal the sum of the individual sectors due to differences in classification between the individual sectors and the consolidated sector.

Chart 1.4 details the components of the State's physical assets. The largest component as at 30 June 2020 was infrastructure systems (\$180.2 billion), which included roads, railways, ports, dams and pipelines. The remaining components comprise buildings (\$94.2 billion), land (\$74.6 billion) and plant and equipment (\$18.5 billion).

Chart 1.4: State owned physical assets: value by type, as at 30 June 2020



(a) Infrastructure Systems are assets that comprise public facilities and which provide essential services. They also enhance the productive capacity of the economy, including roads, bridges, and water infrastructure and distribution works.

Through the introduction of the new *Asset Management Policy for the NSW Public Sector* (TPP 19-07), a recommendation arising out of the 2018-2038 State Infrastructure Strategy, the Government is driving better management of the State's asset base through strengthening accountability, performance and capability across the public sector. More information on the Asset Management Policy is provided in Box 1.6.

Box 1.6: Asset Management Policy for the NSW Public Sector

The Government's Asset Management Policy seeks to drive better management of State assets through strengthening accountability, performance and capability across the public sector. It provides a whole-of-government framework to support agencies in realising value from their planned and existing assets to support the strategic priorities of the NSW Government and deliver better services for the citizens of New South Wales.

The policy is part of a suite of policies designed to provide robust asset management practices and guide Government investment decisions in New South Wales. This includes the NSW Government Business Case Guidelines, the Infrastructure Investor Assurance Framework (IIAF) and ICT Assurance Framework (IAF).

The policy sets out the core management practices the NSW Government expects agencies to adopt to support the management of non-financial assets, in order to meet service delivery objectives in the most efficient way.

Infrastructure maintenance

Agencies maintain their infrastructure to support the delivery of high-quality services. Table 1.4 shows the forecast maintenance expenditure estimates for the general government and PNFC sectors across the four years to 2023-24. More information on how maintenance works across the State are being accelerated as part of the Government's COVID-19 response is provided in Box 1.7.

Treasury guidelines require that direct employee, contractor and external costs on infrastructure maintenance activities are reported as part of an agency's maintenance expenditure.

Table 1.4: Maintenance expenses^(a)

	2019-20		2020-21	2021-22	2022-23	2023-24
	Budget \$m	Actual \$m	Budget \$m	\$m	Forward estimates \$m	\$m
General Government Sector	2,051	2,144	1,865	1,886	2,043	2,080
Public Non-Financial Corporation Sector	2,139	1,554	2,192	2,134	2,072	2,075
Total	4,184	3,690	4,055	4,019	4,114	4,153

(a) Total spending may not equal the total of general government and PNFC expenditure due to intra-sector purchases.

Box 1.7: Maintenance investment supporting jobs during COVID-19

The Government is accelerating maintenance works as part of its COVID-19 response to provide urgently needed stimulus across the State. Significant allocations include:

- \$812.0 million to deliver new social housing and undertake significant maintenance and upgrades of social and Aboriginal housing
- \$256.0 million for upgrades and maintenance works across National Parks, the Royal Botanic Gardens, Centennial Park, Sydney Olympic Park and the Crown Land portfolio
- \$167.7 million for maintenance of courts, police stations and corrective services as well as upgrades to the Goulburn Police Academy into a state-of-the-art training facility
- \$103.8 million for an Arts Maintenance and Upgrade Fund to stimulate jobs and the economy through improving accessibility, sustainability and functionality of our cultural assets
- \$81.4 million for critical maintenance works at Stadium Australia to ensure the stadium remains fit-for-purpose to host major events, including the 2023 FIFA Women's World Cup.

These allocations will provide for much needed jobs in local areas across the State, complementing the benefits of the Government's investment in major infrastructure projects.

1.7 Infrastructure investment assurance

The Government has a range of policies and frameworks in place to support effective infrastructure project selection, planning and delivery. The Gateway Review Policy and related assurance frameworks aim to provide oversight throughout the entire infrastructure investment lifecycle to support the delivery of projects on time and within budget and meet community expectations for quality and functionality.

Gateway Review

The Gateway Review system is the Government's assurance program for investments. It consists of peer reviews conducted by independent experts at key decision points (or gates) in a project or program's lifecycle. The intention is to provide the Government with a level of investor confidence that programs and projects are being effectively developed and delivered on time, on budget and in accordance with the Government's objectives.

It also provides delivery agencies with independent assessments to complement their internal assurance arrangements, to support the delivery of successful projects.

NSW Treasury issued the NSW Gateway Policy in early 2017. Features of the policy include:

- a Gateway review process that applies to significant government capital projects and major Information and Communication Technology (ICT) and recurrent projects
- a risk-based approach to determine when and at which decision points (or gates) Gateway reviews should be undertaken
- the minimum requirements for risk-based assurance frameworks
- the use of three Gateway Co-ordination Agencies to design and operate risk-based assurance frameworks.

Infrastructure Investor Assurance Framework

In June 2016, the Government approved the Infrastructure Investor Assurance Framework (IIAF), to further enhance the governance and oversight of capital infrastructure projects. The IIAF seeks to:

- provide the Government with confidence as the investor that key capital projects across the State are being delivered on time and on budget
- act as an effective tool to monitor the State's infrastructure program, flagging emerging issues and allowing the Government to act ahead of time to prevent projects from failing.

Infrastructure NSW is the Gateway Co-ordination Agency for the IIAF and is responsible for its design and administration. Under the terms of the IIAF, capital projects developed and/or delivered by agencies covered by the NSW Gateway Policy valued at an estimated total cost of \$10.0 million or greater must be registered on the NSW Assurance Portal. The IIAF is currently being updated to incorporate projects with an estimated total cost up to \$10.0 million to support reporting to Government on smaller projects. Agencies will soon be required to register these projects on the NSW Assurance Portal. Once a project is registered, it will undergo risk profiling to determine appropriate levels of assurance and reporting.

ICT Assurance

ICT Assurance is an independent risk-based process, developed to improve ICT investment outcomes and deliver better value for the State's capital and recurrent ICT spending. The Gateway Co-ordination Agency responsible for ICT Assurance is the newly formed Department of Customer Service which uses the ICT Assurance Framework (IAF) to deliver its objectives. Compliance with the IAF is mandatory and is monitored through a centralised and standardised project monitoring and reporting framework, and by Treasury's annual budget process.

Recurrent or capital ICT proposals greater than \$5.0 million, or other nominated projects below the threshold must register with ICT Assurance. Projects are tiered based on risk and value. Those considered high risk will receive more assurance and reporting support.