

A. CAPITAL STRATEGIES AND POLICIES

Introduction

The Government is committed to continue delivering infrastructure that fosters New South Wales' economic, social and financial objectives. The policies set out in this Appendix reflect a thorough approach to capital, which includes the acquisition of new capital assets and the recycling of existing assets, along with the effective and efficient use of core assets. In conjunction with service delivery strategies, the capital investment framework seeks to effectively meet the current and future needs of the people of New South Wales.

The State's capital strategy has two key components:

- **A high level strategic approach** which defines the objectives and how to meet them. In 2015, the Government announced 30 State priorities. Consisting of 12 Premier's priorities and 18 State priorities, they outline specific goals and clear ways to track progress. The 20-year *State Infrastructure Strategy* (SIS) is the central spoke for the capital program and encapsulates many of the State's priorities. The SIS informs the annually reported five-year funded *State Infrastructure Plan* (SIP) and other specific plans.
- **A project specific approach** to provide assurance for individual projects. This approach continually monitors the development of cluster and agency capital plans and the progression of individual projects from initial planning to delivery. Infrastructure NSW and NSW Treasury jointly play a significant role in evaluating projects at an individual level, including through business cases, Gateway reviews and ensuring consistency with strategic plans. The Department of Finance, Services and Innovation (DFSI) also has a role in providing assurance for Information and Communication Technology (ICT) projects.

A cornerstone of the strategy is the capital investment framework, which addresses the four major components of successful infrastructure delivery:

- **planning** - a single comprehensive infrastructure strategy for the State, with supporting regional and district plans which are integrated with funding and project delivery
- **project selection** - ensuring individual projects or programs represent value for money for the people of New South Wales and are economically, socially and environmentally justifiable
- **funding** - implementing an innovative approach to funding infrastructure, while maintaining the State's triple-A credit rating
- **delivery** - ensuring all committed projects are delivered efficiently, within budget and on time.

The capital investment framework is supported by the strategies and policies outlined in this Appendix, along with the important role played by Infrastructure NSW in:

- providing independent expert advice to the Government on investment priorities
- driving key infrastructure in partnership with the private sector
- managing the presentation of projects to the Commonwealth Government for potential funding

- conducting project reviews and selection advice for the five-year SIP
- recommending projects for Restart NSW funding, based on a consistent and objective assessment framework
- operating the Infrastructure Investor Assurance Framework.

The new Prime IT platform also has a vital role in supporting the Government's strategic approach to capital investment, through the promotion of greater efficiency, enhanced end-to-end management of the capital budget, better decision making and consistency.

Planning

The Government proactively plans for the next generation by mapping future needs and investing in and actively managing strategic capital assets. This helps to ensure service delivery needs are met and expenditure is managed sustainably.

The State priorities announced in 2015 outline the Government's key objectives and provide an overarching direction for capital investment. The 20-year *State Infrastructure Strategy 2012* (SIS 2012), complements these objectives and provides a detailed infrastructure strategy for New South Wales. The SIS outlines many of the immediate priorities for the State and these are reflected in the annual SIP (Chapter 4 of this *Infrastructure Statement*). The SIS and SIP outline overall infrastructure priorities to help support the integrated metropolitan, district and regional plans and sector specific strategies.

In 2017-18, the Government will publish a new 20-year SIS, a new long-term transport masterplan *Future Transport* and a refreshed *Greater Sydney Region Plan*, in order to continue driving strategic capital investments across the State. The concurrent development of these plans will allow for an integrated approach to the planning of infrastructure, transport and land use in New South Wales. The Government has developed Regional Plans, which outline the necessary transport and infrastructure investments to support the long-term vision for each of the regions throughout New South Wales.

The Government will continue to ensure that all the State's infrastructure plans are fiscally sustainable and that five-year plans are funded in current budget estimates.

Intergenerational Report

The Intergenerational Report is published every five years and provides projections on the State's demographic, workforce and housing trends for the next four decades. The analysis assists the Government to lay the foundations today for a strong future.

The latest Intergenerational Report was published in 2016. The analysis identified adequate and appropriate infrastructure investment as being critical to ensuring the achievement of the State's economic potential. Investing in the right infrastructure will lift productivity and participation to deliver longer term economic and social benefits, as well as make the State a more attractive place to live. This includes investing in more:

- housing to support household formation and population growth, which will boost the working age population and offset the economic impacts of the State's ageing population
- transport infrastructure to increase the number of residential areas within commuting range of high value employment opportunities
- economic infrastructure such as roads, rail lines and ports to boost productivity, to enable the efficient transportation of goods and services, and improve travel times

- social infrastructure such as quality schools and hospitals, to deliver critical services to the people of New South Wales, including education and health services, which are expected to grow substantially over the next four decades.

The plans and policies included in this Appendix will continue to support the Government in implementing the necessary capital investments crucial to the long-term sustainability of the State over the next four decades.

Priorities for New South Wales

The Government is currently working to achieve 30 State priorities, which consists of 12 Premier's priorities and 18 State priorities to grow the economy, deliver infrastructure, protect the vulnerable, and improve health, education and public services across New South Wales.

Box A.1: Capital investment and the State priorities

Strategic capital planning and delivery is critical to achieving the State priorities, including:

- reducing road fatalities by at least 30 per cent from 2011 levels by 2021
- improving road travel reliability
- increasing housing supply across the State and delivering more than 50,000 approvals every year
- encouraging more business investment across the State
- planning for 70 per cent of government transactions to be conducted via digital channels by 2019.

The complete set of State priorities can be found at: <https://www.nsw.gov.au>

Refer to Chapter 4 of this *Infrastructure Statement* for more detail on how infrastructure investment contributes to achieving the State priorities.

State Infrastructure Strategy

The strategic direction provided by the 20-year SIS allows for effective infrastructure investment to support growth of the State's economy and community living standards.

The SIS 2012 prioritised major projects aimed at improving productivity and contributing to economic growth through the provision of infrastructure across transport, utilities, health and education. Many of the highlighted projects in the SIS 2012 are well underway. Examples include WestConnex, Sydney Metro Northwest and the Northern Beaches Hospital.

In November 2014, Infrastructure NSW released the *State Infrastructure Strategy Update 2014*. It contained 30 investment recommendations to the Government on the next round of critical infrastructure projects and programs for New South Wales, including priorities that reduce congestion, support population growth and stimulate productivity across Sydney and regional New South Wales. These recommendations were adopted by the Government to make up the \$20 billion Rebuilding NSW plan, with a subsequent update in February 2015.

State Infrastructure Plan

The SIP outlines the Government's funded infrastructure priorities over the next five years, 2017-18 to 2021-22, and incorporates short term priority projects from the Government's SIS.

Refer to Chapter 4 of this *Infrastructure Statement* for more detail.

NSW Long Term Transport Master Plan

In December 2012, the Government released the *NSW Long Term Transport Master Plan*.

Consistent with the SIS, the master plan identifies both the priority infrastructure and the necessary service delivery changes required over the next 20 years to deliver on the Government's objectives for the transport system.

More information can be found at:

<http://www.transport.nsw.gov.au/sites/default/files/b2b/publications/nsw-transport-masterplan-final.pdf>

In 2017-18, the Government will be publishing a new, refreshed long-term transport masterplan for New South Wales, *Future Transport*.

Regional Plans

Regional Plans project growth and change by forecasting the State's future population's needs for housing, jobs, infrastructure and a healthy environment. Regional Plans improve the link between infrastructure provision and population growth, by planning for both to occur in tandem.

Regional Plans are being progressively published throughout 2017, focusing on:

- building a robust and diversified economy
- facilitating greater housing choices to meet the State's changing population needs
- developing vibrant and engaged communities through efficient transport networks and enhanced urban design
- protecting the landscape and environment
- growing the competitiveness of communities to provide more jobs, housing and lifestyle opportunities
- supporting the social fabric to maintain strong, connected and healthy communities.

Sydney District Plans and A Plan for Growing Sydney

The Sydney Metropolitan Strategy, *A Plan for Growing Sydney (2014)*, is the Government's plan to strengthen the global competitiveness of Sydney, and deliver strong investment and jobs across Greater Sydney. It focuses on productivity, sustainability and liveability to make the region a better place to live. The Greater Sydney Commission is currently updating *A Plan for Growing Sydney*, and preparing District Plans for publication in 2017-18 to guide the sustainable management of Sydney's growth. The Greater Sydney Commission is actively engaging with residents, state agencies, local governments and the Australian Government to draft updated plans.

Property Asset Utilisation Taskforce

As part of the Property Asset Utilisation Taskforce (PAUT) Implementation Phase II reform, the Government identified the need to ensure that agencies are appropriately focused on asset utilisation and recycling. Property NSW has been working closely with clusters to develop implementation plans. To date, reviews of property portfolio management in the Education, Health, Finance Services and Innovation, Family and Community Services and Industry clusters have commenced to ensure alignment with the PAUT Implementation Phase II reform principles.

Project selection

Individual projects must be financially, economically, socially and environmentally justifiable to attract government investment. The project selection process helps to provide assurance to the people of New South Wales that investments are directed only to projects that will support economic growth and improve living standards. Many mechanisms are in place to support strong project selection processes including:

- state priorities and the SIS which provide a strong strategic context for project specification and selection
- agency 10-year Capital Investment Plans (CIP) that are consistent with State priorities and the SIS
- robust business cases and cost-benefit analysis which are required for projects above certain thresholds
- Gateway reviews using independent external reviewers and a risk based approach, to allow the Government to act as an informed investor, and to offer assurance for delivery agencies on investment decisions
- a sound process to evaluate unsolicited proposals ensuring value to the State
- implementation of a new infrastructure prioritisation process, to enable a more strategic approach to capital allocation.

Capital planning

Capital planning (formerly known as Total Asset Management) is the foundation for asset management and planning across the whole-of-government. Capital planning allows the Government to make budget decisions on infrastructure that meets the State's current and future needs. Asset strategies and 10-year CIPs are required for asset intensive agencies, to ensure only assets needed for service delivery are held and surplus assets are available for future divestments.

In 2017, NSW Treasury will release a Capital Planning Policy that updates and supersedes the previous Total Asset Management Policy. The Capital Planning Policy will include updates that reflect the new Prime IT platform. The new technology will reduce the data entry requirements of agencies and change the way data is submitted to Treasury. The emerging projects data captured in Prime will help to inform the 10-year CIP, and will be used to prepare new policy proposals. The Capital Planning Policy will reflect the Government's objective for a more strategic and systematic approach to infrastructure and capital investment planning. It will help the Government to achieve a more efficient and effective asset base by optimising asset utilisation and recycling.

Gateway review

The Gateway review system is the Government's assurance program for investments. It consists of peer reviews conducted by independent external experts at key decision points (or gates) in a project or program's lifecycle. The intention is to provide the NSW Government with a level of investor confidence that the State's programs and projects are not only being effectively developed, but also delivered on time, on budget and in accordance with Government objectives. It also provides delivery agencies with independent assessments to complement their internal assurance arrangements to support the delivery of successful projects.

In early 2017, NSW Treasury issued an updated NSW Gateway Policy, which took into consideration recommendations made as part of a review of the NSW Gateway Policy in 2016, along with those made by the Auditor General in reports relating to Gateway. The NSW Gateway Policy has been updated to reflect:

- a Gateway review process that not only applies to significant Government capital projects but also major ICT projects and recurrent projects
- a risk based approach to determine when and at what decision points (or gates) that Gateway reviews should be undertaken
- the minimum requirements for risk based assurance frameworks.

Under the updated NSW Gateway Policy, three Gateway Co-ordination Agencies (GCAs) were nominated to design and operate risk based assurance frameworks. These frameworks would be used as the basis for determining the application of Gateway reviews to individual investments. The three GCAs nominated were Infrastructure New South Wales, the DFSI and NSW Treasury. The nomination of multiple GCAs has avoided a one size fits all approach and ensured that risk based frameworks are tailored to differing types of spend. GCAs are responsible for administering the frameworks including the coordination of Gateway reviews and reporting on performance. GCAs will continue to work collaboratively with each other to support high quality outcomes for agencies and Government.

The updated NSW Gateway Policy has refined the framework for delivering Gateway reviews across the State, promoting stronger financial management over Government investment decisions, which will ensure projects deliver value to New South Wales taxpayers.

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 delivers a tiered, risk based approach to investor assurance for capital projects, which 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 of the State's capital program.

Infrastructure New South Wales is the Gateway Coordination Agency (GCA) for the IIAF and is responsible for the design and administration of the IIAF. Under the IIAF, all capital projects with a value over \$10 million and above that are being developed and/or delivered by agencies covered by the NSW Gateway Policy, must be registered on Infrastructure New South Wales's Reporting and Assurance Portal. The registration process includes risk profiling to determine the appropriate level of assurance and reporting apply to a project.

As at April 2017, 396 projects across all clusters (other than Treasury) were registered under the IIAF with an approximate total value of \$160.0 billion. In total, 96 Gateway reviews and Health Checks were carried out on 69 projects, with a total estimated value of \$109.0 billion across all clusters (other than Treasury) between June 2016 and April 2017.

ICT Assurance Framework

The ICT Assurance Framework (IAF) is an independent risk based assurance process, which provides a level of confidence that the State's capital and recurrent ICT projects are being effectively developed and delivered in accordance with the Government's objectives. The GCA responsible for the IAF is DFSI.

Agencies covered by the NSW Gateway Policy are required to comply with the IAF. Those agencies with recurrent or capital ICT proposals greater than \$10 million, or other nominated projects, must register these projects with DFSI and have them risk assessed. Similar to capital investments, projects considered as high risk will attract the highest level of external scrutiny.

As at April 2017, 66 projects across all clusters were registered under the IAF with a total value of \$6.0 billion. In total, 12 Gateway reviews were carried out on projects with an estimated value of \$1.6 billion during the year to April 2017.

Box A.2 provides a detailed overview of ICT investments in New South Wales.

Box A.2: Continued transformation of ICT strategy, governance and investment

Information and Communication Technology (ICT) is a key enabler of government service delivery.

The ICT Strategy, released by the Government in 2012 and updated annually, set out a plan to build capability across the sector to deliver better, more customer-focused services, and to drive better value for the Government's investment in ICT.

The NSW Digital Government Strategy 2017 includes initiatives that contribute to the Premier's Priority of improving government services. The strategy is supported by four enabling capabilities:

- Technology – improving collaboration across clusters to drive whole-of-government value
- Cyber security – strengthening risk management and response
- Legislation and regulation – future legislation will support digital transformation
- Delivery capability – increasing collaboration and agility across government.

Implementation of the IAF commenced in December 2016. The assurance framework will support the ICT Strategy by:

- providing the necessary tools for Government to select, assess and monitor its investment ICT projects
- ensuring early warning signs of emerging issues are identified and acted ahead of time to ensure ICT projects succeed.

The progress achieved over the four year life of the *NSW Government ICT Strategy 2012* has created a strong platform for delivering better services in New South Wales. This includes work in key areas such as customer service, procurement reform, open data, transition to cloud, data centre consolidation, and cyber security.

Recurrent Investor Assurance Framework

In 2016, a review of the NSW Gateway Policy Framework recommended that the framework be expanded to include major recurrent projects. This recommendation was adopted in the updated NSW Gateway Policy issued in early 2017.

As a GCA, NSW Treasury developed the Recurrent Investor Assurance Framework (RIAF) in alignment with the principles set out in the updated NSW Gateway Policy. RIAF seeks to provide assurance to both the investor and delivery agency for major recurrent projects. The RIAF was approved by Government in December 2016 and will be operationalised in 2017-18.

The RIAF requires recurrent proposals that involve a recurrent investment of \$100 million or more over four years, a recurrent investment of more than \$50 million in any one year, and other nominated projects to be registered with Treasury and risk assessed. Similar to capital and ICT investments, higher risk projects will be required to undergo Gateway reviews at more stages during the project life cycle. This will support the delivery of value for money to the taxpayers of New South Wales on Government investment decisions, from inception through to the delivery and the benefit realisation of these projects.

Cost-Benefit Analysis

Cost-Benefit Analysis (CBA) is a systematic, evidence-based method for conducting appraisals and evaluations of public projects, programs and policies across the NSW Government. The approach helps the Government to understand the economic, social and environmental impacts of projects to the NSW community. This enables decision makers to identify the best means to improve social welfare and assess competing proposals.

In March 2017, NSW Treasury released the NSW Government Guide to Cost-Benefit Analysis ("the CBA Guide") to update and supersede previous guidance. The CBA Guide maintains the established principles for the appraisal and evaluation of projects underlying prior guidance, but has been developed to reflect advances in the application of CBA, including recent developments in analytical techniques. The CBA Guide promotes a consistent approach to the appraisal and evaluation of projects across the whole-of-government, which includes infrastructure projects.

The CBA Guide helps provide agencies with guidance on the application of CBA, which will assist the Government to effectively plan and assess infrastructure projects across the State, including helping to:

- systematically compare the costs and benefits of projects
- prioritise or rank projects to meet objectives with constrained resources
- scope and shortlist options in the early project development phase
- promote consistency in decision making and the assessment of relative priorities
- enhance transparency by using a consistent method that allows assumptions and different scenarios to be tested
- minimise project bias.

In making recommendations to the Treasurer on infrastructure projects, Infrastructure New South Wales considers the economic merit of projects, which is demonstrated through a benefit-cost ratio greater than one. To ensure consistency, these CBA assessments are required to be conducted in accordance with the CBA Guide.

To continue this rigour, CBA will also be used in the assessment of recurrent expenditure.

Unsolicited Proposals Guide

The Government recognises that the private sector can offer innovative ideas, approaches and solutions to the State's policy goals. The Government seeks to encourage a greater level of private sector investment and participation in projects, with rigorous planning and costing to deliver the highest standards of public value and confidence to investors and the community.

The *Unsolicited Proposals Guide for Submission and Assessment 2014* ('the Guide') gives the private sector the consistency and certainty of a transparent and streamlined framework for the assessment of their proposals.

The Guide is subject to regular reviews with the aim of continuous improvement. Since the Guide's initial release in January 2012, the Government has sought feedback from industry and reviewed the Guide and its underlying processes to improve the quality of proposals received.

In March 2016, the NSW Acting Auditor General released a Performance Audit Report *Managing Unsolicited Proposals in New South Wales*. The audit found that the Department of Premier and Cabinet (DPC) effectively coordinates the unsolicited proposals process, and that the Guide is clear, comprehensive and provides a sound framework for the governance of unsolicited proposals.

The Guide is expected to be further enhanced in 2017, taking into consideration the findings of the 2016 Department of Premier and Cabinet review and the Acting Auditor General's report.

The Guide outlines seven minimum criteria for assessing unsolicited proposals, consisting of:

- unique benefits of the proposal providing justification to negotiate directly
- value for money
- whole-of-government impact, including opportunity costs
- appropriateness of the return on investment obtained by the proponent, given project risks
- capability and capacity of the proponent to deliver the proposal
- affordability from the perspective of the Government
- appropriate balance in the allocation of risk.

Infrastructure prioritisation process

The Government is currently working to implement a new whole-of-government infrastructure prioritisation process as part of a more strategic approach to capital allocation in New South Wales. The process aims to facilitate a range of benefits including:

- providing the Government with additional context and analysis, to enable more informed decision making
- allowing the priority of capital projects to be assessed using a 'balanced scorecard' approach to ensure they are assessed fairly between clusters
- promoting transparency of fiscal context.

Funding

The Government is better utilising, and increasing the potential pool of funds available for infrastructure projects by:

- continuing to fund infrastructure projects through the Restart NSW Fund (Restart NSW), a dedicated fund for infrastructure to improve the economic competitiveness of the State (refer to Chapter 2 of this *Infrastructure Statement*)
- working with the Commonwealth Government to secure support for infrastructure funding including through an overarching Asset Recycling Agreement with incentive payments of up to 15 per cent of the asset sale value recycled into productive investment
- securing funding in the 2017 Commonwealth Government Budget of \$7.5 billion over the four years to 2020-21 for road and rail projects, which includes Asset Recycling Initiative (ARI) payments
- applying Capital Planning Limits for major infrastructure portfolios (Health, Education and Transport) to provide longer term security of funding for the portfolios and allow savings to be re-allocated to other approved projects
- delivering options for contestable delivery of new service infrastructure in growth areas, which will contribute to faster and lower cost development
- better setting and management of contingency allowances for efficiency gains and savings to free up funding for other projects
- working closely with the private sector to fund and deliver productive infrastructure projects.

Restart NSW

Restart NSW was established in 2011 to promote economic growth and productivity by funding the delivery of major infrastructure projects. By 30 June 2017, \$29.8 billion is expected to have been deposited in Restart NSW. These inflows are from ARI payments, Waratah Bonds, interest income and windfall tax revenues.

Refer to Chapter 2 of this *Infrastructure Statement* for more detail.

Rebuilding NSW plan

The focus of the Rebuilding NSW plan is on investments that increase productivity and improve the State's overall economic performance. It involves unlocking \$20 billion from the proceeds of the lease of 49 per cent of the NSW electricity network businesses for investment in new infrastructure. Areas of priority include public transport, urban and regional roads, water, hospitals, schools and cultural and sporting infrastructure.

Refer to Chapter 3 of this *Infrastructure Statement* for more detail.

Contingency management

Major infrastructure projects are long duration, highly complex undertakings that are often significantly affected by external events. A contingency component is required, covering costs that are difficult to precisely identify, given the risk profile of these projects.

In 2014, NSW Treasury and Infrastructure New South Wales issued a circular and guidelines to improve the allocation and management of contingencies to materially improve value for money in infrastructure delivery. The guidelines are there to assist agencies to better plan and manage risks, and reuse surplus contingency for investment in other projects.

Contingencies must be managed throughout the full lifecycle of a capital project, including at the following stages:

- strategic business case
- final business case
- pre-tender
- project delivery.

Infrastructure finance / public private partnerships

Infrastructure finance involves a range of tools that facilitate better access to potential financing for infrastructure investments in New South Wales. These include public private partnerships (PPPs), concession agreements, leases, vendor finance and other structured finance arrangements.

The Infrastructure and Structured Finance Unit (ISFU) in NSW Treasury focuses on developing innovative solutions to enable continued partnerships with the private sector. These partnerships support complex service-enabling infrastructure projects and balance sheet and cash flow structuring. ISFU also provides structuring advice to develop alternative sources of capital and leads the restructure, refinancing and renegotiation of existing PPPs projects.

PPPs are an approach to procurement and financing infrastructure that enables appropriate risk allocation between the Government and the private sector on a value for money basis. These partnerships are developed using world class standards and expertise and emphasise the role infrastructure projects play as an enabler for the delivery of government services. PPPs include social infrastructure PPPs (such as availability payment PPPs in health, education, correction transport and roads) and economic infrastructure PPPs (such as user charge PPPs in roads and water).

Following a review, the Government's *NSW Public Private Partnership Guidelines* will be updated and enhanced in 2017. The updated guidelines will reflect current best practice in procuring PPPs, which have the following principal features:

- creating public service-enabling infrastructure assets that involve private sector financing
- a contribution by Government through land, capital works, availability payments, risk sharing, revenue diversion or other supporting mechanisms
- engaging the private sector for a specified period for the provision of related services.

The guidelines will provide a transparent mechanism to competitively pursue innovative solutions to deliver improved services and better value for money and improved affordability. This is primarily achieved through optimal risk allocation, management synergies, encouraging innovation in operations, design and construction, efficient asset utilisation and integrated whole-of-life asset management.

Reducing bid costs for outcome based procurement in New South Wales

In line with continuous improvement, NSW Treasury sought detailed feedback from industry participants on the State's procurement processes for major infrastructure projects and how processes could be improved to reduce the cost of bidding. This review resulted in a number of key policy developments, a PPP Toolbox (a suite of PPP templates and pro-forma documents) and a template Project Deed. This is a new template project deed for availability based PPPs in New South Wales reflecting the most recent market precedent and was developed in collaboration with the private sector.

Box A.3 provides an example of how innovative infrastructure procurement and financing is being implemented in New South Wales.

Box A.3: Innovative infrastructure procurement and financing in New South Wales

Social and Affordable Housing Fund

The Social and Affordable Housing Fund (SAHF) is a new program established to provide access to homes and links to services for social and affordable housing tenants, helping them achieve greater independence.

Procurement for the first phase of the project was announced in March 2017 with contracts awarded to five service providers – BaptistCare, St George Community Housing, Uniting, Compass Housing and St Vincent de Paul. Each will provide a service package that includes access to quality properties in metropolitan and regional NSW, associated tenancy and asset management services, tailored support services to tenants, and performance and data reporting. This first phase will deliver access to 2,200 additional social and affordable homes. Homes will be delivered progressively over the next four years.

The fund has been set up with \$1.1 billion in seed capital from the Government. NSW Treasury Corporation, the Government's investment arm, is investing the money to provide an income stream to fund the payments for the service package and boost social and affordable housing. The SAHF facilitates scalable design and innovation to support a sustainable social housing system, deliver services that achieve outcomes for tenants, and promote partnerships with private and non-government participants.

Project delivery

Delivering infrastructure projects efficiently, on time and on budget is a key priority for the Government. There are a number of policies in place to help achieve this and measure progress along the way, including:

- using strategic plans to advance preparation by delivery agencies and private providers who can rely on a project pipeline
- the ISFU in NSW Treasury continuing to actively engage and work with the private sector
- using innovative project delivery models, like the establishment of the Sydney Motorway Corporation Pty Ltd (SMC Group) which is delivering WestConnex, to focus both expertise and accountability
- the enhancement of the Government Procurement Policy
- the continued implementation of a set of business processes for Enterprise Asset Management
- Infrastructure New South Wales overseeing, monitoring and reporting to government on the progress of all significant projects

- the Projects NSW unit within Infrastructure New South Wales managing the procurement and delivery of nominated priority infrastructure projects
- instituting structural arrangements within major agencies and across government, to drive infrastructure delivery. For example:
 - Health Infrastructure, an independent expert organisation responsible for delivering all major health capital projects over \$10.0 million on behalf of the Ministry of Health
 - School Infrastructure NSW, a specialist assets unit in the Department of Education responsible for the planning and delivery of capital projects in NSW public schools
 - the Transport Asset Holding Entity, a dedicated asset manager for the State's public transport sector responsible for procuring and selling assets consistent with Government requirements and negotiating leases and other contracts with operators
 - constituting the Major Projects Executive Committee, comprising of Chief Executives from central and infrastructure agencies, to supervise all major infrastructure projects and report to the Cabinet Sub-Committee for Infrastructure.

Review and reform of procurement policy

The Government has reformed its procurement system for the New South Wales public sector to deliver value for money, quality government services, and alignment with business needs.

The *Strategic Directions Statement 2014-15* outlines the major actions that have been implemented under the procurement reform program to deliver the Government's objectives of reducing red tape, increasing competition and innovation, and simplifying the procurement process for buyers and suppliers.

The *NSW Procurement Policy Framework 2015* has been developed by the NSW Procurement Board in consultation with agencies and suppliers to the Government, to provide a single source of guidance for agencies on the mandatory requirements for procurement. The policy improves overall procurement and industry engagement that will result in better outcomes.

Enterprise Asset Management

Enterprise Asset Management (EAM) is the efficient and effective management of an organisation's assets across departments, facilities, business units and geographical locations to deliver the services required by customers. In January 2015 the NSW Government successfully launched a set of end-to-end business processes for EAM that aligns with the International Asset Management Standards (ISO 55000) series. The State's asset portfolio includes physical assets, such as:

- buildings
- public transport assets
- health and education assets
- cultural and recreational service assets
- emergency services and police assets.

The continued implementation of EAM will help to reduce the State's annual maintenance expenditure. This new whole-of-life approach to managing assets focuses on the planning and renewal stages in addition to the acquisition and maintenance stages. This provides government agencies with the means to reduce waste and improve return on investment.

Guidelines for construction procurement

The *Implementation Guidelines to the New South Wales Code of Practice for Procurement: Building and Construction 2013* deals with matters including:

- protecting freedom of association laws
- protecting independent contractors (including sub-contractors) from coercion
- restrictions on over-award payments, unregistered workplace agreements and project agreements
- ensuring that right of entry laws are appropriately applied on construction work sites
- arrangements for Workplace Relations Management Plans on larger projects
- ensuring that projects are delivered on time and within budget.

The guidelines apply to contractors, including prospective contractors who participate in government procurement processes for public building and construction work.

Financial Management Transformation Program

The Government is delivering a once in a generation reform program to transform financial management in the New South Wales public sector. The reform delivers greater transparency, efficiency and accountability, and enables a stronger focus on risk management. When complete, it will drive better outcomes for the people of New South Wales, by introducing a stronger focus on results and performance of Government expenditure.

As part of the reform, the Government is taking steps to embed a more strategic and systematic approach to infrastructure and capital investment planning. Prime is the Information Technology (IT) component of the program and replaces a number of historical systems. The new system consolidates functions within a single platform, capturing all financial and non-financial information for inclusion in the budget, including the geographical locations of capital projects. This has helped enhance the preparation of the 2017-18 NSW Budget.

The Prime system will promote:

- end-to-end management of the capital budget, supporting decisions from the planning stage, to project selection through to project delivery
- greater efficiency by improving processes that were previously duplicated year to year so that they are now only undertaken once
- better decision making due to the enhanced ability to prioritise projects and capture more granular information
- best practice with a consistent approach across all Government entities.