



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Coalition
Date Referred: 1/03/2019

Proposal No: Y041
Date Published: 18/03/2019

Proposal Title: Roads to Home

Cluster: Planning and Environment

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	5,500	11,500	19,000	36,000
Depreciation	-	-	-	-	-
Less: Offsets	-	4,100	-	-	4,100
Revenue	-	-	-	-	-
Net Operating Balance:	-	(1,400)	(11,500)	(19,000)	(31,900)

Capital Expenditure	-	-	-	-	-
Capital Offsets	-	-	-	-	-
Net Capital Expenditure:	-	-	-	-	-

Net Lending/(Borrowing):	-	(1,400)	(11,500)	(19,000)	(31,900)
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(1,400)	(11,500)	(19,000)	(31,900)
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Notes and costing assumptions

The 'Roads to Home' policy proposes to fund \$55 million in local infrastructure works and upgrades over four years from 1 July 2019, for ten remote Aboriginal communities in Local Aboriginal Land Councils across NSW. The policy states that the \$55 million represents the initial rollout of the local infrastructure program for remote Aboriginal communities, and that the policy could be expanded in the future to include up to another 51 communities.

The policy also states that:

- the types of local infrastructure will include roads, kerbs, footpaths, stormwater and drainage, public space lighting, electricity and telecommunication works
- local councils will be responsible for providing the above types of infrastructure.

The policy specifies the following breakdown of the costs:

- \$4.1 million for the establishment, ongoing staff and on-costs for the project management office until 2020, which is to be absorbed by the Department of Planning and Environment (DPE)
- \$32.9 million for planning and capital costs for infrastructure works in the ten communities
- \$17.8 million for operation and maintenance costs for up to ten years for the ten communities.

Based on the policy and advice from DPE, the PBO estimates the net budget impact is \$31.9 million over the forward estimates and \$50.7 million by the end of 2022-23. This includes \$4.1 million in project management to be absorbed by DPE in 2019-20, which the PBO considers to be feasible (see table below).

Notes and costing assumptions continued:

	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	2022-23 \$'000	Forward Estimates Total	Total by 2022-23
Project cost	5,500	11,500	19,000	18,800	36,000	54,800
Project management costs absorbed by DPE	(4,100)					
Net budget impact	1,400	11,500	19,000	18,800	31,900	50,700

Capacity of local councils to deliver the program

The PBO assumes that staff and resources from the DPE project management office will assist councils to plan and deliver the infrastructure.

Assumptions about building on Aboriginal land and councils' recurrent expenditure

The costing assumes that the relevant regulatory and legislative changes are made to the Local Aboriginal Land Councils (LALC) framework to allow local councils to deliver infrastructure on LALC land.

The PBO notes that the delivery of infrastructure will present ongoing maintenance and depreciation expenses for the local councils that are incurred beyond 2022-23. As the policy may expand to another 51 communities, the PBO assumes the funding arrangements for local councils' future recurrent expenditure can be considered and addressed when planning for the expansion of this policy.

Capacity for DPE to absorb project management expenses

The PBO considers it feasible for DPE to absorb \$4.1 million for project management expenses in 2019-20. The PBO notes DPE's recurrent expenditure for 2018-19 is approximately \$1.4 billion (excluding cluster grants). This indicates scope for DPE to reprioritise resources from existing programs to absorb the project management costs for this policy.