



Parliamentary Budget Office - Election Policy Costing

NSW Parliament • Parliament House, Macquarie Street Sydney NSW 2000

Referred By: Coalition
Date Referred: 19/02/2019

Proposal No: Y055
Date Published: 18/03/2019

Proposal Title: Water Security for NSW

Cluster: Industry

General Government Sector Impacts

	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	2021-22 \$'000	4 year Total \$'000
Expenses (ex. depreciation)	-	-	-	-	-
Depreciation	-	-	-	-	-
Less: Offsets	-	-	-	-	-
Revenue	-	-	-	-	-
Net Operating Balance:	-	-	-	-	-

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

Net Lending/(Borrowing):	-	-	-	-	-
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Total State Sector Impacts

Net Lending/(Borrowing):	-	(10,000)	(10,000)	(12,000)	(32,000)
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Notes and costing assumptions

The proposal has 4 policies to improve water security for NSW.

Policy 1 proposes to raise the Wyangala dam by 10 meters, with the project financed and built by Water NSW. Data provided by Water NSW indicates the project will cost \$650 million to complete and take 6 years, with \$32 million of that spending occurring over the forward estimates. The policy has a Total State Sector impact, but not a General Government Sector impact because Water NSW is a Public Non-Financial Corporation.

Policy 2 allocates \$25 million from the Safe and Secure Water Program current budget in 2020-21 to fund studies on water infrastructure projects. The policy therefore has a nil budget impact.

Policy 3 proposes amending the Safe and Secure Water Program guidelines with costs to be met from existing resources. The PBO considers this is a reasonable assumption.

Policy 4 proposes allocating \$9 million from the Snowy Hydro Legacy fund to assist the Department of Industry fast track the completion of an additional six regional water strategies by 2020, with additional costs being met by existing resources. The PBO also considers this is reasonable. The \$9 million is included in current budget expenditure; hence this policy also has a nil budget impact.

(Notes continued on the next page).

Notes and costing assumptions continued:

Policy 1 proposes raising the Wyangala Dam by 10 meters to be financed and built by Water NSW. Water NSW has provided the following capital expenditure profile to complete the project.

Financial year	Wyangala Dam capital expenditure \$ m
2019-20	10
2020-21	10
2021-22	12
2022-23	150
2023-24	300
2024-25	168
Total	650

Under this profile, Water NSW spends \$32 million over the forward estimates building the dam and \$650 million in total, with the project completed by the end of 2024-25. Water NSW is a Public Non-Financial Corporation. Therefore the expenditure does not affect the General Government Sector but does increase Total State Sector net borrowing by \$32 million over the forward estimates, and by \$650 million when complete. The policy proposes to deduct the \$650 million cost of the project from the Snowy Hydro Legacy Fund.

The cost estimates for the project may change once final environmental and business case studies are completed.

Policy 2 proposes to allocate \$25 million in 2020-21 from the existing Safe and Secure Water Program (SSWP) to fund feasibility and scoping studies for water infrastructure projects that improve NSW's drought resilience. The proposal is conditional on matched funding from the Commonwealth Government and other States. NSW Treasury advises there is \$60 million of budget funding for the SSWP in 2020-21 in the forward estimates, and the \$25 million allocation could therefore be funded from within this amount producing a nil budget impact.

Policy 3 proposes refining the Safe and Secure Water program guidelines to prioritise water infrastructure projects of importance to regional communities, with costs assumed to be met from existing resources. The PBO considers this is a reasonable assumption as changing guidelines is part of the normal course of business for government agencies. The PBO notes the program was relaunched in October 2018 with new criteria consistent with the above policy.

Policy 4 proposes to fast track the publication of an additional six regional water strategies. The Department of Industry is responsible for publishing the strategies, and has already published one strategy (the Greater Hunter Regional water strategy). Under the proposal a further five water strategies will be delivered in 2019 and a further six in 2020, with funding of \$9 million from the Snowy Hydro Legacy Fund to assist in fast tracking these strategies. The \$9 million is provided for under a \$40.1 million appropriation for Snowy Hydro Legacy Fund projects (See also Pre-Election Budget Update 2019 at pages 22 and 23). Hence, it has a zero impact on the budget.

The policy assumes other expenses would be met from existing department resources. Publishing strategies is part of the normal business of government agencies. Hence the PBO considers it is reasonable these costs could be met from existing agency resources and the \$9 million allocation from the Snowy Hydro fund.