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NSW Infrastructure

Recreation and Arts Baseline Report

Infrastructure NSW

June 2012

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1 Key highlights

Arts

- The NSW 2021 Plan recognises the Arts sector's central economic role and positions the priority action of developing a Cultural Venues Plan as an integral component of the Visitor Economy Action Plan for NSW.
- The assets of NSW's cultural institutions (Opera House, Art Gallery of NSW, Australian Museum, Museum of Applied Arts and Science and State Library of NSW) are worth over \$7.5 billion, with collections alone worth over \$4.2 billion.
- Although the institutions have plans for their sites (developed to varying degrees), there is no overarching strategic plan in place for Arts venues in NSW and a variable approach to assessing individual proposals for government funding. Further, there is a lack of certainty of maintenance allocations with substantial effort each year devoted to negotiating these amounts with NSW Treasury which detracts from capacity for strategic planning.
- NSW has not made comparable investments to other States in new or expanded cultural infrastructure over the last decade e.g. National Gallery of Victoria, Queensland Millennium Art Project and the National Museum (Canberra) which is reflected in the success of blockbuster shows.
- A comparison of attendance at blockbuster shows indicates seven of the top ten events were in Victoria (Tutankhamun and the Golden Age of Pharaohs with about 800,000 attendees was top) or QLD, one was in Canberra and two were in Sydney (around 380,000 attendees Harry Potter: the exhibition at the Powerhouse Museum and 366,286 visitors at Picasso: Masterpieces from the Musee National Picasso)
- Government has received proposals totaling \$1.5bn for the Opera House and Art Gallery and has prioritised the transformation of Walsh Bay into an Arts Precinct with a Master Plan under development but it is not clear how the relative merits of these projects will be assessed and how Government contributions might be prioritised.
- The capital required for these and a range of smaller proposals and the required maintenance for the institutions far exceeds forecast NSW Government funding.
- The Institutions will need to leverage funds from other sources to progress their plans including from the Federal Government, increasing commercial revenue and continuing to attract philanthropic contributions.
- Private funding has grown over the last decade (nearly doubled) and can be leveraged for public facing works and programmes but it is difficult to attract private investment for back of house works that make venues functional eg. shared storage space project in Castle Hill is being funded by Government. However government investment in infrastructure can generate philanthropy for collections, sponsorship of programs and events and increase self generated revenue.
- Excluding the Opera House, NSW Government capital investment has averaged around \$53 million per annum over the last 10 years (without investment in landmark projects) but from 2013/14 will drop to around \$33 million based on forward estimates. Prioritisation and planning is better

enabled by a consistent funding envelope and it is suggested an amount consistent with historical trends is allocated as a baseline amount for maintaining¹, refurbishing and functional upgrades for existing assets.

Historic Houses Trust

- The Historic Houses Trust has been transferred to the Heritage portfolio from the Arts portfolio. It manages 12 sites of historical and cultural importance valued at \$275 million
- Detailed assessments are underway to accurately determine conservation and maintenance needs but estimates suggest these will be significantly higher than current funding levels
- The Trust is reviewing its total asset management system framework to better target its capital and revenue expenditure. It is also developing a new strategic business plan to increase audiences and earned revenue including master planning for the Museum of Sydney and Rouse Hill House and Farm.

Sport and Recreation

- Major stadia owned by the NSW Government are valued at \$2.3 billion (around half is building value)
- There has been criticism that past investment by the former government, particularly in stadia, was ad hoc and poorly coordinated (\$300 million has been invested over the last 6 years)
- The Government has already implemented reforms to governance and most of the major venues are now managed by Venues NSW with opportunities for improved coordination, planning and sharing of asset management resources. The Sydney Cricket and Sports Ground Trust and the Sydney Olympic Park Authority remain separate entities. The Sydney Olympic Park Authority attracts the greatest share of capital funding and it is recommended alternate funding sources are explored for Olympic Park venues
- Given recent investments, it is recommended that investment in stadia is significantly reduced compared to levels of the last 6 years.

Summary of strategies for improved infrastructure provision in the culture sector

1. Leverage the benefits of clustering of NSW's cultural institutions in an "arts ribbon" around Sydney Harbour by:
 - a. Prioritising NSW Government investment in maintaining, refurbishing and functional upgrades of these existing cultural institutions
 - b. Establishing "Development Partnerships" with the Commonwealth Government and the private sector to attract funding for hall mark investments

¹ This refers to capital maintenance. It is assumed recurrent maintenance allocations will be maintained.

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2. Allocate an annual capital funding envelope for arts venues (for capital maintenance and refurbishment) to facilitate more effective planning and prioritisation of investment – excluding the Sydney Opera House, an amount of \$55 million per annum would be consistent with average historical levels. A capital funding envelope for stadia could also be considered but given substantial recent investments in stadia and the existing commitment to fund the redevelopment of standards at the Sydney Cricket Ground, it is proposed this amount be much less than average historical levels.
 3. Integrate asset functions across the arts venues and continue to integrate functions across majors sports venues (through Venues NSW) to:
 - Promote co-use of ‘back-office’ facilities, for example shared storage projects
 - Exploit economies of scale and more efficient asset management e.g. rolling out a life-cycle asset management model across the cultural institutions
 - Improve process for assessing and funding priorities
 - Implement a sustainable maintenance funding model tied to life-cycle asset management that removes the need for inefficient annual negotiation on necessary maintenance.

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2 Introduction

Infrastructure NSW is conducting a high level stocktake of the State's social infrastructure including the culture sector to inform the development of strategies for social infrastructure provision to be included in the 20 year NSW Strategic Infrastructure Strategy.

2.1 Purpose

- The purpose of this report is to:
- Establish a baseline of the existing asset base and existing strategies and patterns of investment
- Seek to answer the following questions:
 - How is infrastructure planned and managed?
 - What is the condition of the existing assets?
 - What is the current capacity and ability to meet demand?
 - How is the infrastructure performing?
 - What are the critical gaps?
- This analysis is used as an evidence base for identifying strategies for improved infrastructure provision in the sector.

2.2 Scope

Infrastructure included in analysis of this sector:

1. NSW Government owned art venues (e.g. performing or visual arts)
2. Historic properties managed by the Historic Houses Trust
3. NSW Government owned major sport and recreation venues (e.g. stadiums)

These three components sit in three different Ministerial Portfolios and agency clusters and there is variability in the information that has been accessed for each.

Cultural facilities are also funded by Local and Commonwealth Governments as well as the private sector. An overview of these funding sources is included. This is important for assessing gaps in needs and in developing strategies for the NSW Government's approach to provision of infrastructure in this sector. However, the analysis and strategies are primarily focused on cultural infrastructure that draws on NSW Government funding.

3 Governance

Governance of the Arts and Sport and Recreation sectors is characterised by multiple Trusts and Boards with limited central policy development, planning and prioritisation.

3.1 Arts

- The NSW Government's Arts Portfolio comprises Arts NSW, Screen NSW and the State's major statutory cultural institutions:
 - Art Gallery of NSW
 - Australian Museum
 - Museum of Applied Arts and Sciences
 - State Library of NSW
 - Sydney Opera House (a Public Trading Enterprise for Treasury Funding purposes with financial reserves managed on a standalone entity basis).
- Governance is largely devolved with each institution having its own Act establishing a Trust to oversee its management
- The key objectives from the Arts NSW Corporate Plan are:
 - Increased participation in the arts across NSW, including rural and regional NSW
 - A national and international reputation for excellence of our artists, arts organisations and cultural institutions
 - A strong and innovative arts sector and growing creative industries
 - Vibrant cultural places throughout NSW.
- There is a lack of an overarching policy direction for the sector which has been recognised and is reflected in a priority action in the NSW 2021 Plan:

“Set the future direction for support for arts and cultural initiatives across the State by developing an Arts and Cultural Policy that recognises the sector's central economic role as part of the Visitor Economy Action Plan.

- Currently, there is no definitive statement about when and how the NSW Government should or should not be involved in providing funding for Arts infrastructure – a Cultural Venues Plan, integrated with the Visitor Economy Action Plan is being developed.

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- Each of the institutions, Arts NSW and Screen NSW, separately prepare annual capital bids – in the past these have been reviewed by the Department which would prioritise funding requests and submit a consolidated and rationalised bid to the Minister for the Arts and NSW Treasury. However, the institutions will often separately advocate for proposals for their institutions directly with central agencies and Ministers.
 - Arts NSW also has a program of Capital Project funding grants – up to 50% of the total cost of a project for the construction, renovation or fitting-out of buildings and other facilities for arts and cultural use up to \$100,000 (or \$250,000 in exceptional circumstances). Grants are provided after assessing annual rounds of applications with the total pool available generally less than \$1 million. This money comes out of Treasury’s recurrent allocation to Arts NSW.
 - To provide major capital funding to other arts organisations/venues, supplementary funding from Treasury is required. For example, Treasury provided supplementary funding to Arts NSW for the Museum of Contemporary Art and Wollongong Town Hall. These funds were paid to Arts NSW as supplementation to its recurrent funding/allocation, not as capital funding/allocation.
 - The funding arrangements of three levels of Government for the broader sector also creates complexity – Local Government is a significant player, seeks grant funding from Commonwealth then tends to seek matching funds from the State. The Arts Funding Program has a very limited capacity to fund Capital Projects. With the total pool of money generally less than \$1 million pa and individual grants up to \$100,000, or in exceptional circumstances up to \$250,000. This money comes out of recurrent funding to Arts NSW. Arts NSW can only provide major capital funding to arts organisations by seeking ad hoc supplementary funding from Treasury. This impacts the ability of Arts NSW and arts organisations in NSW to leverage significant funding from other levels of Governments and the private sector.

3.2 The Historic Houses Trust

The Historic Houses Trust (HHT) was transferred from the Arts Portfolio to the Heritage Portfolio in early 2011. The transfer occurred in the context of implementation of the Government’s election commitment to appoint a Minister for Heritage and “giving heritage an advocate in Cabinet”.

The Trust manages 12 major sites of historical and cultural importance and is established by the *Historic Houses Act 1980*. Its principal objects are:

- To control, manage, maintain and conserve historic buildings or places, having regard to the historic, social and architectural interest and significance of those buildings and places
- To collect, manage, maintain and conserve objects and materials associated with, and of significance to, those buildings and places
- To research and interpret the significance of those buildings, places, objects and materials, having regard to their historic, social and architectural interest and value
- To provide educational, cultural and professional services (including by way of research, publications, information, public programs and activities) in respect of those buildings, places, objects and materials.

3.3 Sport and recreation

Sport and Recreation is part of the Office of Communities, a division of the NSW Department of Education and Communities. Its purpose is to assist people in NSW participate in sport and recreation. The scope of this analysis is limited to major NSW Government owned sporting venues.

In the Lambert review of the State's finances, past investment by government on stadia across NSW was described as lumpy and uncoordinated. This is at least partly attributed to individual Authorities and Trusts pursuing projects for their stadiums without a central overarching plan. Since that review there has been considerable rationalisation of these bodies.

The NSW Government established Venues NSW on 2 March 2012 (under the Sporting Venues Authorities Amendment (Venues NSW) Act 2011) to manage government owned sporting and entertainment venues in the Hunter, Western Sydney and Illawarra including:

- Parramatta Stadium
 - WIN Stadium and WIN Entertainment Centre in Wollongong
 - Hunter Stadium in Newcastle
 - Other venues formerly managed by Hunter Region Sporting Venues Authority e.g. Newcastle Entertainment Centre and Showground
- Venues NSW has asset management responsibilities and the intent is to consolidate structures of the former bodies including staff being shared for asset management and better portfolio management of event attraction and use of the multiple sites. Over time, it is anticipated that other venues may become part of its responsibilities. For example, it is currently planned that the equestrian and rowing venues originally built for the Sydney 2000 Olympics will be part of Venues NSW responsibilities.

Local Venues Councils have also been established in the Hunter, Western Sydney and Illawarra to provide advice to Venues NSW about the needs of their community.

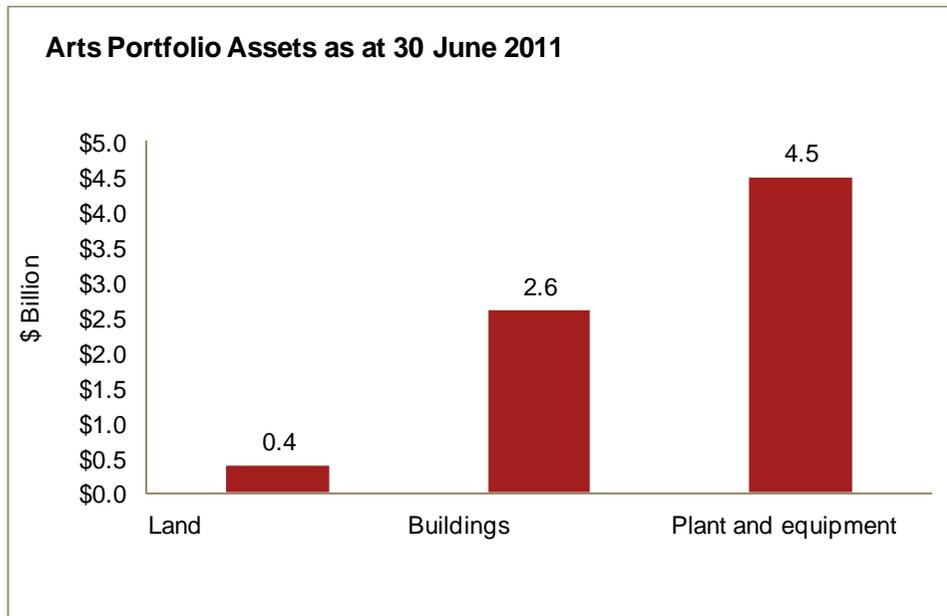
The Sydney Cricket and Sports Ground Trust remains a separate entity as does the Sydney Olympic Park Authority. The Sydney Olympic Park Authority is responsible for promoting, coordinating and managing the orderly use and economic development of Sydney Olympic Park including the provision and management of infrastructure. The largest Olympic Park asset is ANZ Stadium. It was constructed under a PPP. Upon expiry of the lease in 2031, the Stadium and all property in it reverts to full ownership by the NSW Government, through the Sydney Olympic Park Authority.

Given the reforms already in progress and the relatively small size of the sector, only brief analysis is provided of these venues.

The following sections provide summary information about the NSW Government's investment in cultural infrastructure including its cultural institutions, the Historic Houses Trust and large sports stadia and recreation venues.

4 Asset portfolio (Arts)

- The NSW Government has \$7.5b invested in Arts Portfolio assets – more than half of this is the value of collections.
- This section provides an overview of the whole of the portfolio and provides specific information about each of the cultural institutions including patterns of investment, revenue sources and maintenance funding.



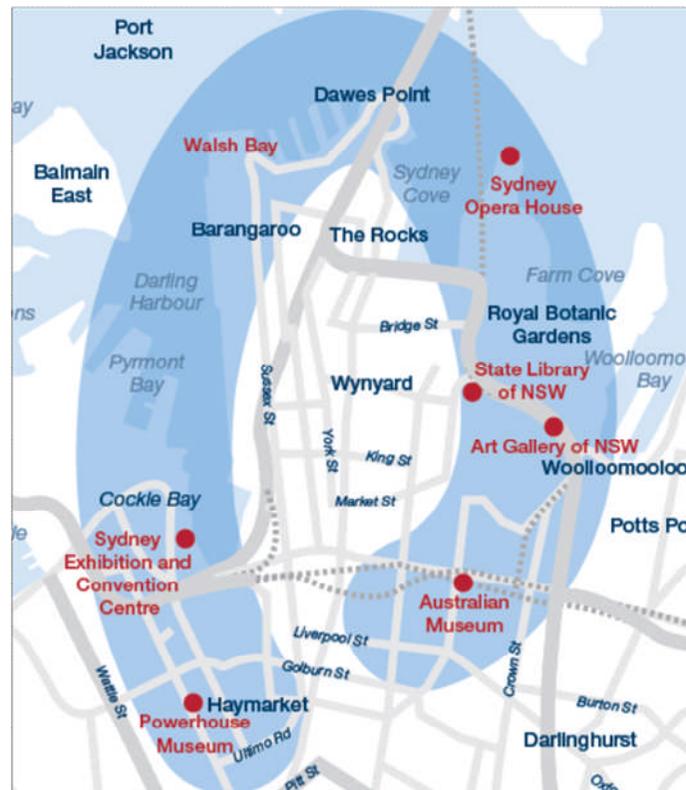
Source: NSW Treasury

Several Arts Portfolio buildings are on heritage registers, including:

- Sydney Opera House – State, National and World Heritage
- State Library of NSW (Mitchell Wing) – State Heritage
- Australian Museum – State Heritage
- Sydney Observatory, Museum of Applied Arts and Sciences – State Heritage
- The Gunnery – State Heritage
- Callan Park Conservation Area and Buildings [Garry Own House] – State Heritage
- Walsh Bay Wharves Precinct [Pier 2/3 and Wharf 4/5] – State Heritage
- Eveleigh Railway Workshops [CarriageWorks] – State Heritage
- Mining Museum (former) [Arts Exchange] – State Heritage.

The cultural institutions, the planned Sydney International Convention Exhibition and Entertainment Centre and the Walsh Bay Arts precinct form a ribbon of cultural venues in prime locations around Sydney Harbour and the CBD

- This configuration of NSW’s world class cultural facilities presents an opportunity to continue to target investment in these iconic venues, build on their strengths and promote access to them as part of the visitor economy.
- Investments that are integrated with broader development and regeneration are likely to achieve greater benefits. A targeted land use policy developed in partnership with the business community and designed to activate the “arts ribbon” and increase hotel and visitor density could have positive investment outcomes for both the east and west sides of the city. These partnerships could be modeled on similar initiatives in London and New York.



Although attendance at NSW's 4 major cultural institutions has grown by 12.5% over the last decade, Melbourne and Brisbane are capturing the majority of major international exhibitions after investing in new facilities with only 2 of the top 10 blockbuster exhibitions in Sydney in recent years

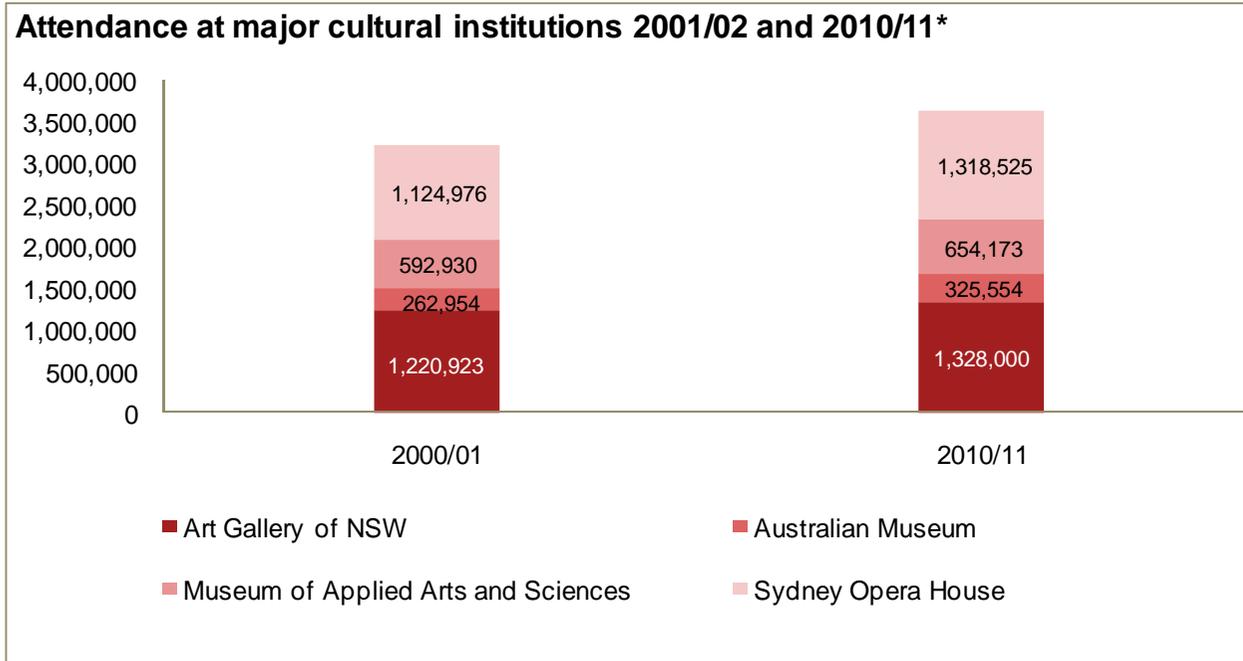
	<i>Exhibition</i>	<i>City</i>	<i>Total Attendance</i>	<i>Year</i>
1	Tutankhamun and the Golden Age of the Pharaohs	Melbourne	796,277	2011
2	The 6th Asia Pacific Triennial of Contemporary Art	Brisbane	531,994	2010
3	Masterpieces from Paris	Canberra	482,000	2010
4	Titanic: The Artefact Exhibition	Melbourne	476,000	2010
5	21st Century: Art in the First Decade	Brisbane	451,000	2011
6	The 5th Asia Pacific Triennial of Contemporary Art	Brisbane	380,867	2007
7	Harry Potter: the exhibition	Sydney	380,000	2012
8	Picasso: Masterpieces for the Musee National Picasso	Sydney	366,286	2012
9	A Day of Pompeii	Melbourne	332,679	2009
10	Salvador Dali: Liquid Desire	Melbourne	332,000	2009

Source: Various media reports and Arts NSW

- Melbourne's and Brisbane's success follow major new investments in cultural infrastructure including:
 - The National Gallery of Victoria (completed 2003)
 - Queensland Millennium Art Project (Gallery of Modern Art, Queensland Art Gallery Plaza, State Library – completed 2006/07)
 - Melbourne Museum (completed 2000)
- The Art Gallery of NSW's temporary exhibition space was not large enough to accommodate the Picasso: Masterpieces from the Musée National Picasso exhibition. The Gallery had to remove a significant portion of its permanent collection from display, to provide the space required for this exhibition.
- The Museum of Applied Arts and Sciences (Powerhouse Museum) reconfigured its entrance to extend its temporary exhibition space, in order to be able to accommodate the Harry Potter exhibition. This was done as Stage 1 of a \$6.6m revitalisation project.

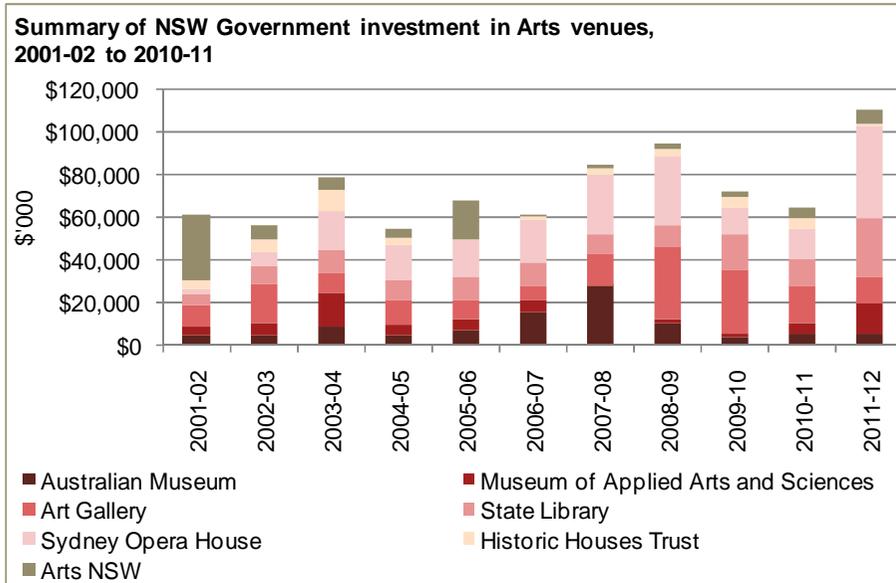
- Both the Powerhouse Museum and the Art Gallery of NSW also received funding from Destinations NSW to assist them present these major international exhibitions.

The NSW 2021 Plan recognises the sector’s central economic role and positions the priority action of developing an Arts and Cultural Policy as part of the Visitor Economy Action Plan.



* Note - estimated site visits to the Sydney Opera House are over 8 million a year

Investment in cultural institutions and Arts NSW properties has averaged just under \$70 million per annum over the 10 years from 2001/02 to 2010/11. The greatest share has been for the Sydney Opera House which has averaged \$17 million per annum. Expenditure each year has been variable with no clear trend over time.



Source: Provided by NSW Treasury

- Capital funding for the statutory cultural institutions within the Arts Portfolio and Arts NSW properties is determined through the Budget process.
- A small allocation (generally less than \$1 million pa) is available annually through the competitive Arts Funding Program.
- Arts NSW has in the past received capital allocations for special capital grants for specific projects or venues – these tend to be ad hoc and are negotiated case by case with Treasury e.g. the NSW Government’s contribution to the recent upgrade of the Museum of Contemporary Art was an ad hoc grant.

Recurrent maintenance funding for the cultural institutions has been significantly less than the overall 2.5% of built asset value across NSW Government and a backlog of maintenance has been identified

- NSW Budget documents show that average NSW Government expenditure on asset maintenance is estimated to be 2.5% of built asset holdings in 2010-11. Maintenance funding for the cultural institutions was significantly less than that this, 1.4% for the Art Gallery, 0.84% for the Australian Museum, 2.3% for the Museum of Applied Arts and Sciences, 0.15% for the State Library of NSW and 1.44% at the Sydney Opera House of asset replacement value in 2011/12.
- In 2010 Communities NSW commissioned confidential reports from Asset Technology Pacific to identify the general condition of built assets and infrastructure and identify the financial liability for backlog maintenance and capitalised maintenance necessary to ensure the ongoing viability of the facilities.
- Asset Technology Pacific estimated that as of August/September 2010, there was \$12.5 M in backlog maintenance across the Arts Portfolio and estimated future maintenance requirements.
- The scope of these reports was limited and did not cover consideration of whether the facilities were optimal in terms of meeting visitors' expectation, for example exhibition display and acoustics. To a large degree these reports were based on existing information provided by the cultural institutions and a visual inspection of properties by Asset Technology Pacific.
- Some institutions consider these underestimates and that the supporting analysis was too limited. For example, the Art Gallery of NSW has advised Arts NSW it rejects the conclusions in the Asset Technology Pacific report. In its detailed Building Maintenance Program it has nominated over \$22.6 M in backlogged maintenance projects and the need for an average of \$5 M per annum for maintenance (compared to \$2.62M allocated in 2011/12).

4.1 Distribution of other cultural facilities

Arts building infrastructure in regional NSW is almost exclusively provided by and maintained by local government. Facilities include:

- Over 400 museums and galleries including 349 volunteer community museums which host various visual arts exhibitions and artworks from Australia and around the world
- Over 235 local libraries
- 20 Aboriginal keeping places and cultural centres
- 17 regional conservatoriums
- A network of seven writers' centres

Through the annual Arts Funding Program, funding is available for program funding (annual and multi-year) and project funding, for arts and cultural facilities and activities across the State. Project funding includes a category for capital projects, which provides funding of up to 50% of the total cost of the project to a limit of \$100,000 or in exceptional circumstances up to \$250,000. Under the 2013 Arts Funding Program only regional organisations are eligible to apply. In 2010/11, the NSW government invested \$10.4 million or 21% of the Arts Funding Program in 2010/11 on 222 projects and programs in regional NSW. \$1.1 million was provided to Museums and Galleries NSW and \$522,750 in core funding to Arts on Tour for activities across regional and metropolitan NSW.²

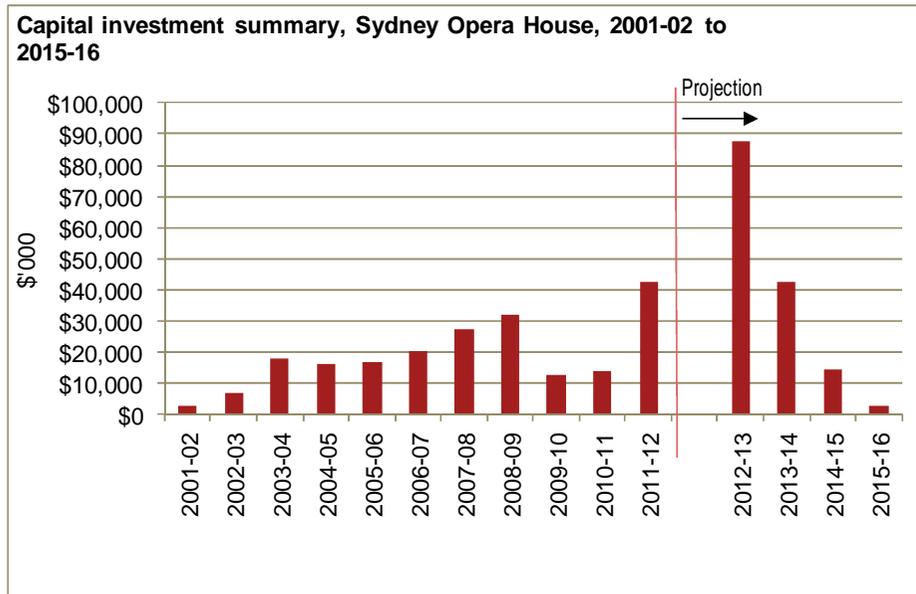
The Sydney based cultural institutions also play an important role in regional NSW through lending and touring collections, offsite presentations and providing online access to resources and digitised collections.

The following sections set out for each of the cultural institutions and for Arts NSW properties, information about past and projected investment, maintenance and the proportion of funding attracted from alternate sources

² Arts Portfolio Regional Presence in 2010/11 accessed at: www.arts.nsw.gov.au

4.2 Sydney Opera House

In 2012/13, capital investment in the Sydney Opera House is projected to be over \$87m, accounting for more than 64% of total Arts capital expenditure. In 2012/13 the major investment is \$77m for the \$152m Vehicle Access and Pedestrian Safety Project.



Source: Provided by NSW Treasury

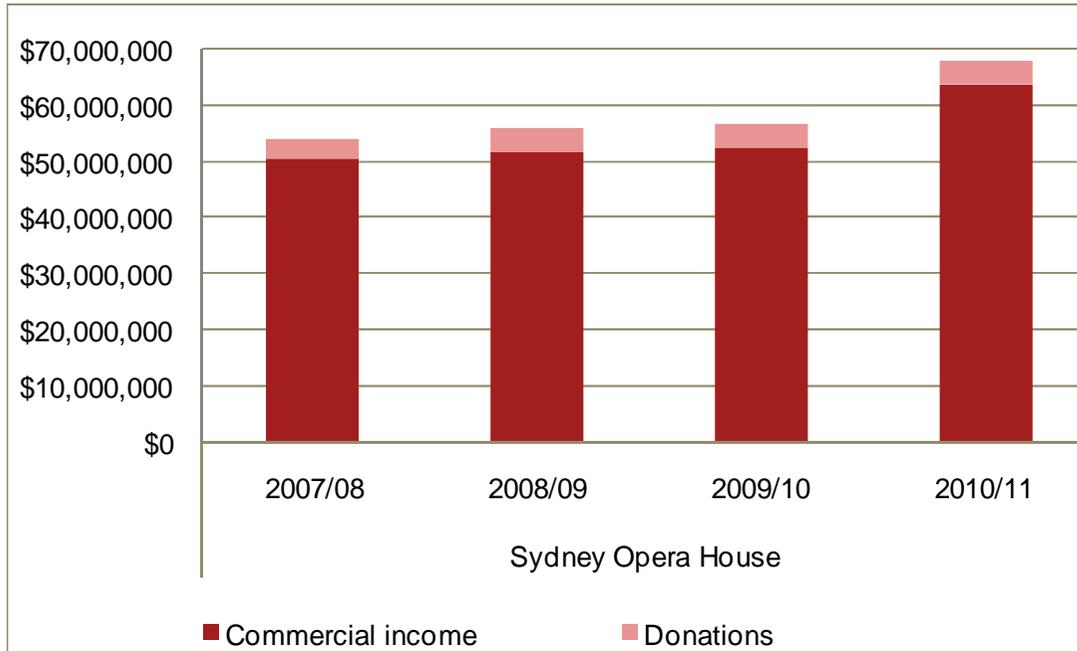
A proposal to progressively upgrade Opera House facilities would require almost \$1.1 billion in additional government funding from 2014 to 2023 if approved in its current form

- The Sydney Opera House Renewal Project seeks to address a range of safety, operational and access issues that are the consequence of an ageing building and theatre infrastructure. The project consists of proposals to improve:
 - **Functionality:** increase seating capacity, improve acoustics and sightlines as well as expand back-of-house space
 - **OH&S:** enhance staff access and performance spaces and replace obsolete equipment
 - **Accessibility:** improve wheelchair access
- The Sydney Opera House has advised that without significant remedial intervention there is a high probability that it will need to begin “repurposing” venues i.e. the Opera Theatre will be repurposed to a drama or recital hall
- The proposal has been referred to INSW for review – NSW Treasury advises there is currently no decision on whether to fund the renewal project
- Proposals of a similar scale for the Opera House are not new and in the last few years, approaches have been made to the Commonwealth Government to fund the renewal. Given the Opera House’s status as a national icon, upgrade proposals with demonstrated economic viability should attract a substantial contribution from the Commonwealth Government – a contribution of 50% would be consistent with its contributions to other infrastructure projects of national significance.
- The Opera House’s proposal outlines alternatives it has considered and rejected, however Arts NSW is not aware of any detailed study the Sydney Opera House has undertaken on options.

4.2.1 Sources of income

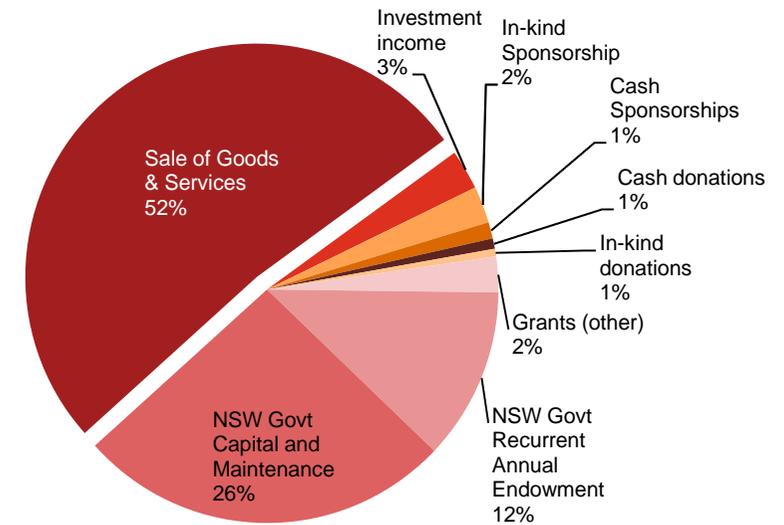
The Sydney Opera House generated \$63.4m in commercial income and \$4.4m in donations in 2010/11. About 60% of the Opera House's revenue in 2010/11 was from private sources.

Self-generated Income 2007/08 - 2010/11



Source: Provided by Arts NSW

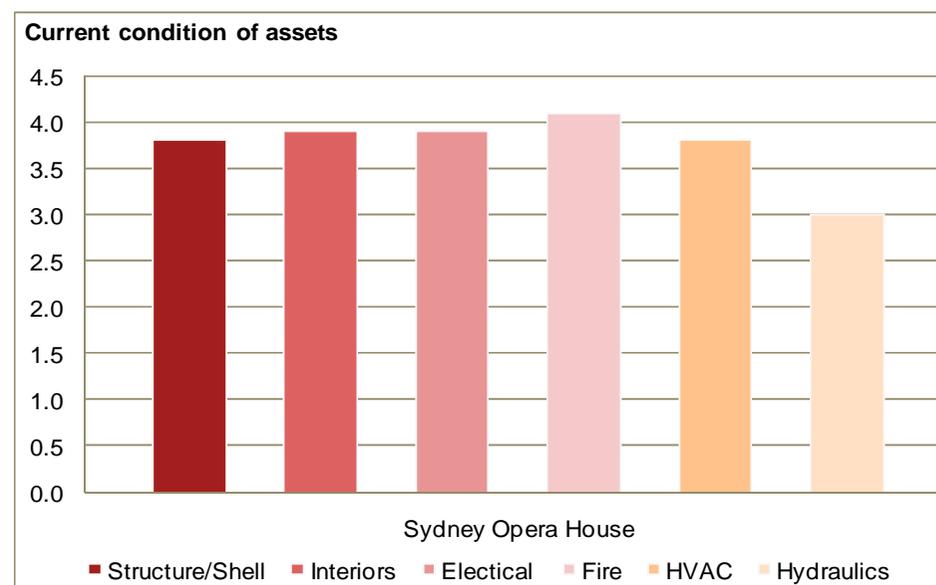
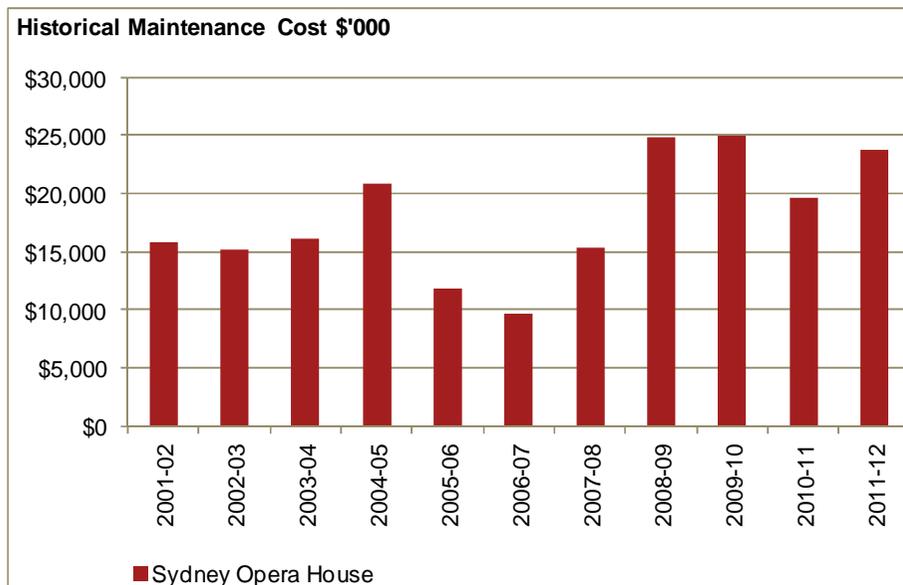
Revenue sources, Sydney Opera House 2010/11



Source: Provided by Arts NSW

4.2.2 Asset condition and maintenance

Sydney Opera House has estimated backlog maintenance of \$0.1m. The average condition of the Sydney Opera House's built assets and infrastructure have been assessed to be in fair to good condition with minor defects



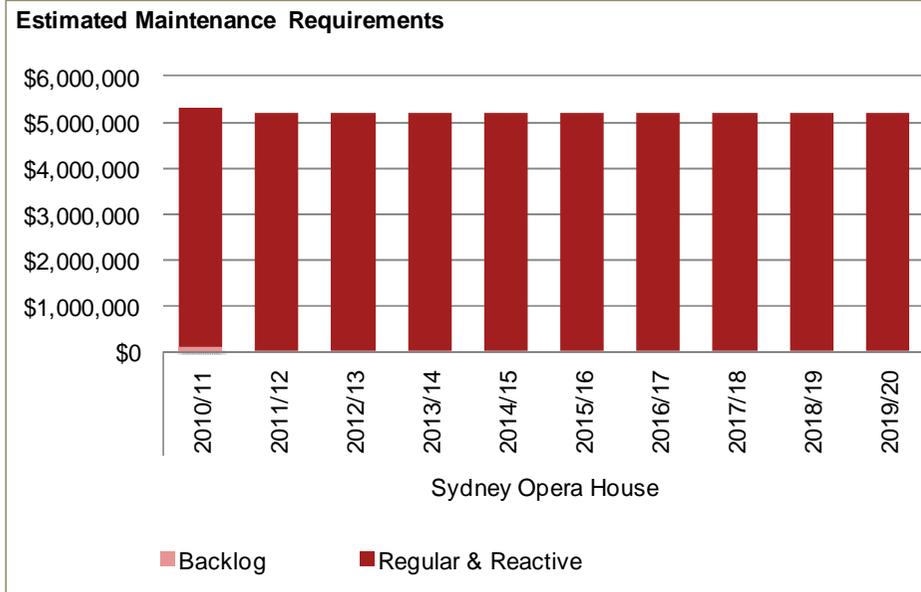
Sources:

Condition and maintenance forecasts: Asset Technology Pacific – confidential condition reports prepared for Communities NSW in 2010.

Historical Maintenance: Treasury

Condition Assessment of the systems, services and structure was made on a group elements basis and assigned a condition rating in accordance with the following rating convention.

Rating	Qualitative rating	Definition
5	Excellent	No deterioration or defects
4	Good	Superficial deterioration and minor defects
3	Fair	Moderate to significant deterioration required attention
2	Poor	Serious deterioration or defect requiring immediate attention
1	Very Poor	Element has failed and is unfit for normal use

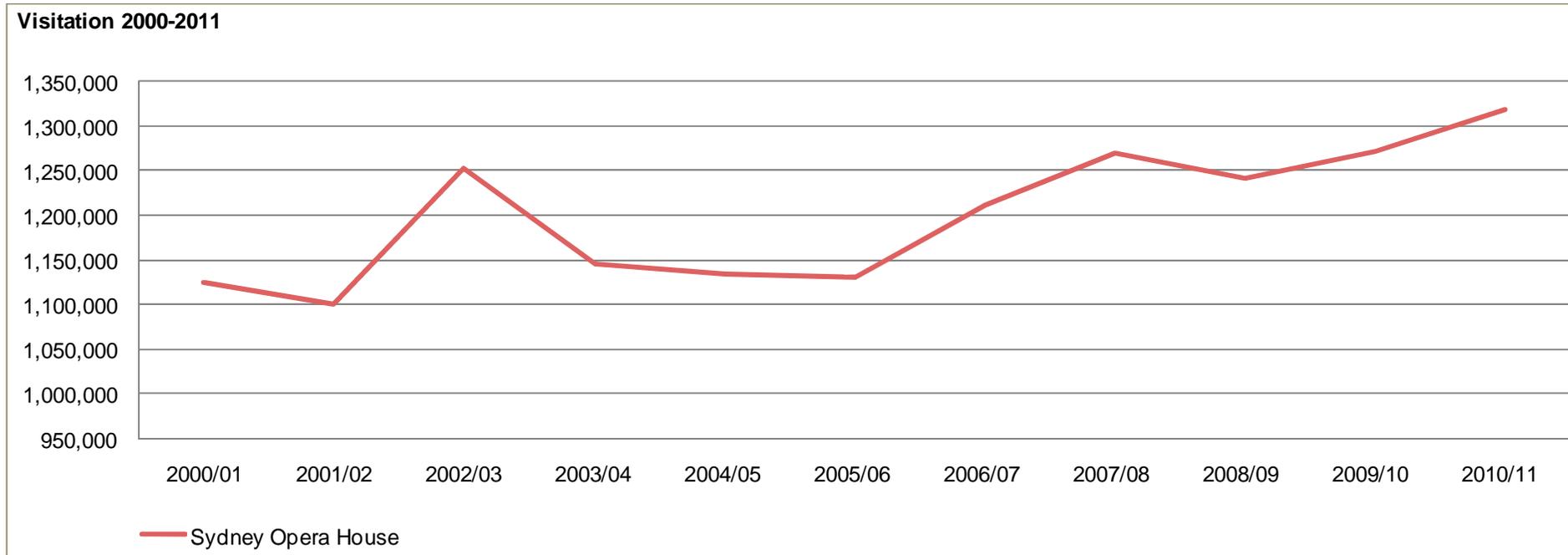


Notes: Backlog maintenance for Sydney Opera House is reported \$104,000 in 2010/11. Annual regular and reactive maintenance is estimated at \$5,200,000

Maintenance funding as a proportion of asset replacement value is of **1.44%** for the Sydney Opera House.
Source: Cultural institutions 2012

4.2.3 Performance

In 2010/11, the Sydney Opera House held 1,795 performances attended by 1.3 million people. Attendances at the Sydney Opera House have increased significantly since 2000/01.



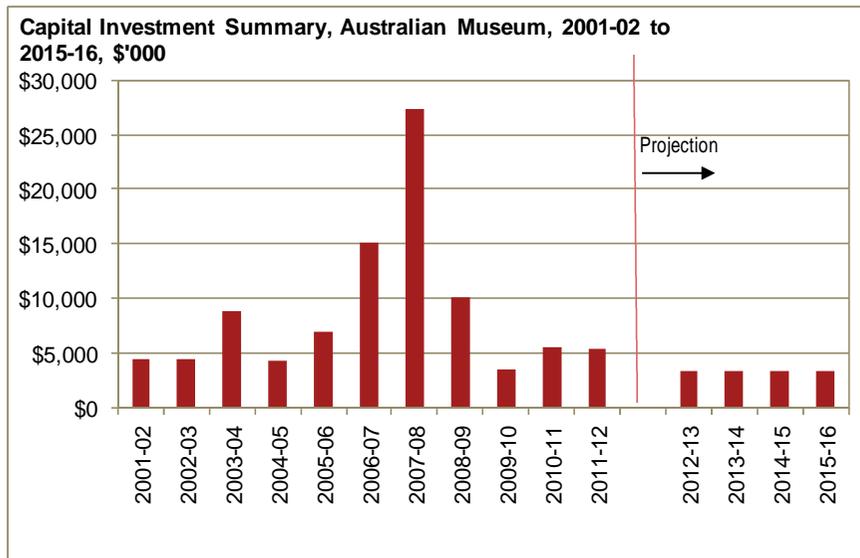
Source: Provided by Arts NSW

4.3 The Australian Museum

4.3.1 Capital program

In 2011/12, capital investment in the Australian Museum is projected to be over \$5m, accounting for 4.8% of total Arts capital expenditure.

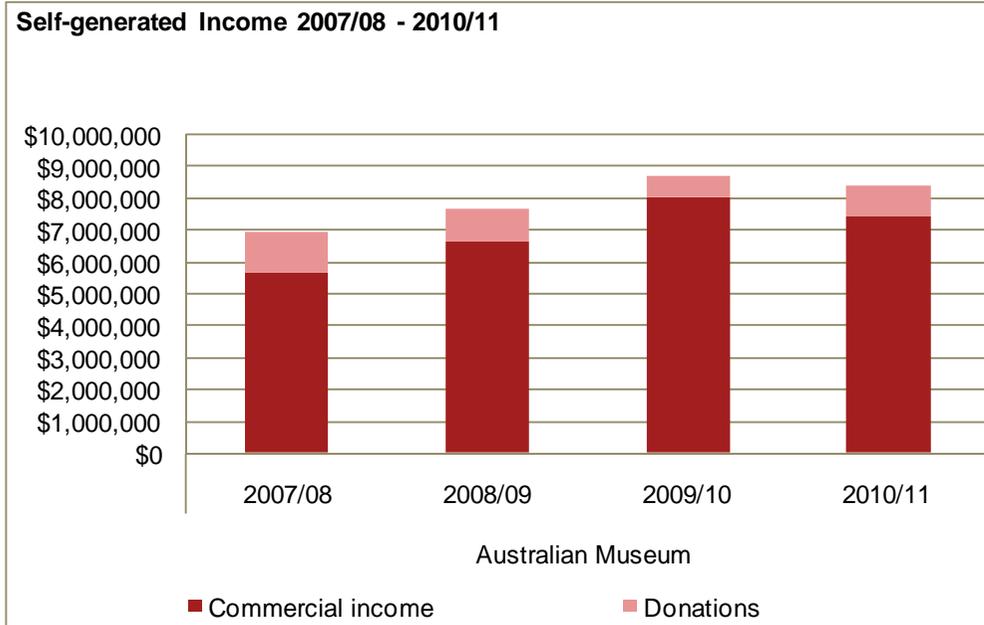
- A recent major project for the Australian Museum was the Australian Museum Research Building (completed 2008) - \$40.9M
- The 2011-12 Budget included \$28.9 million in recurrent and capital funding to the Australian Museum including an additional \$4.3 million over the next four years to operate the new Collections and Research Building, and building and collection storage maintenance



Source: Provided by NSW Treasury

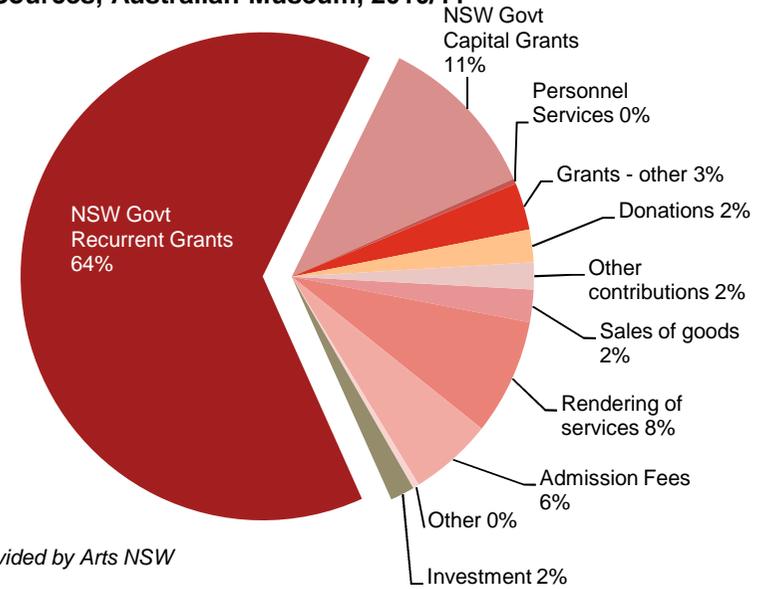
4.3.2 Sources of income

The Australian Museum generated \$7.4m in commercial income and \$1.0m in donations in 2010/11 but about 75% of its funding is from the NSW Government



Source: Provided by Arts NSW

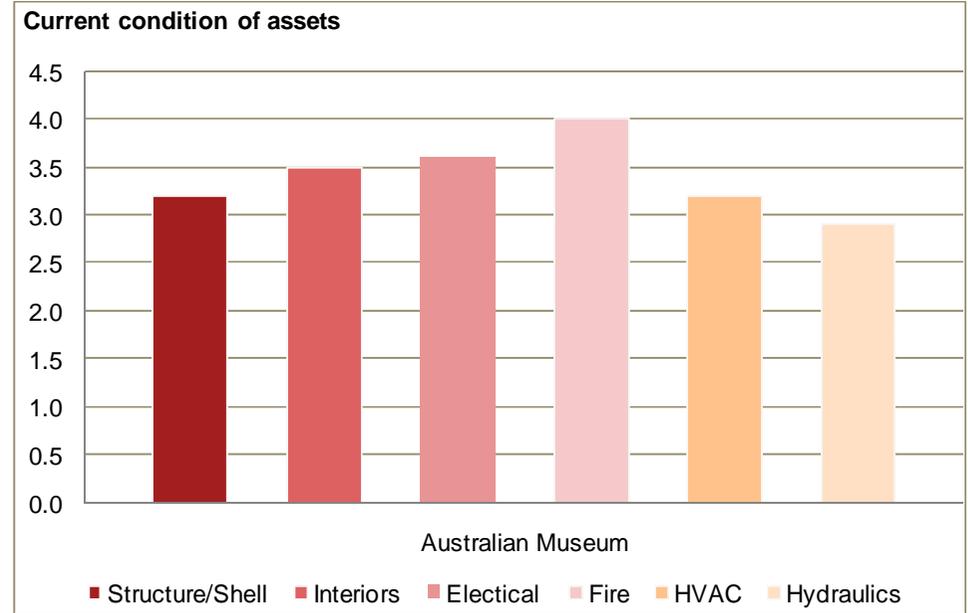
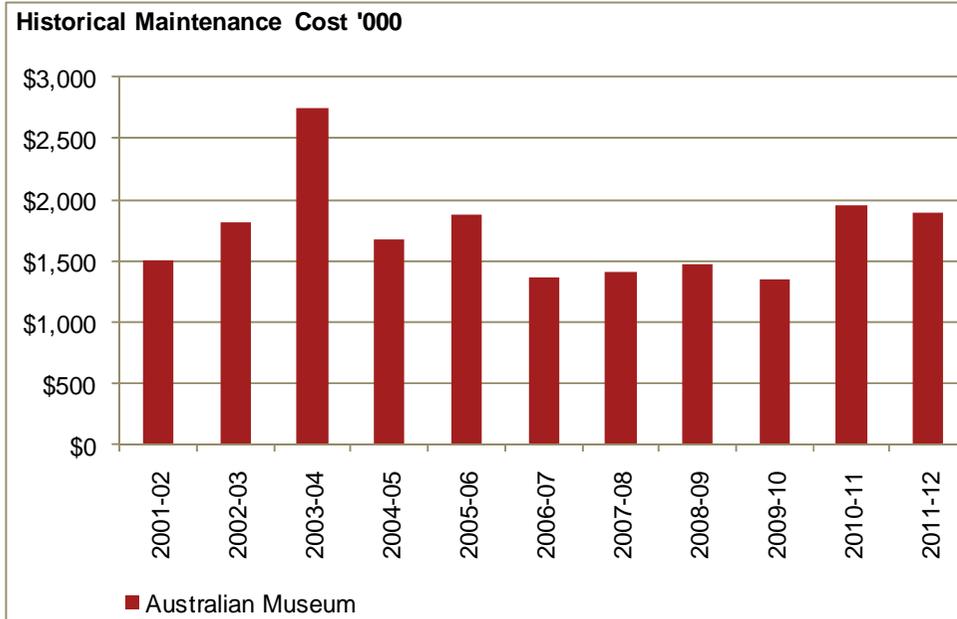
Revenue Sources, Australian Museum, 2010/11



Source: Provided by Arts NSW

4.3.3 Asset condition and maintenance

The Australian Museum has estimated backlog maintenance of \$1.3m. The average condition of the facilities of Australian Museum's built assets and infrastructure were ranked as fair to good



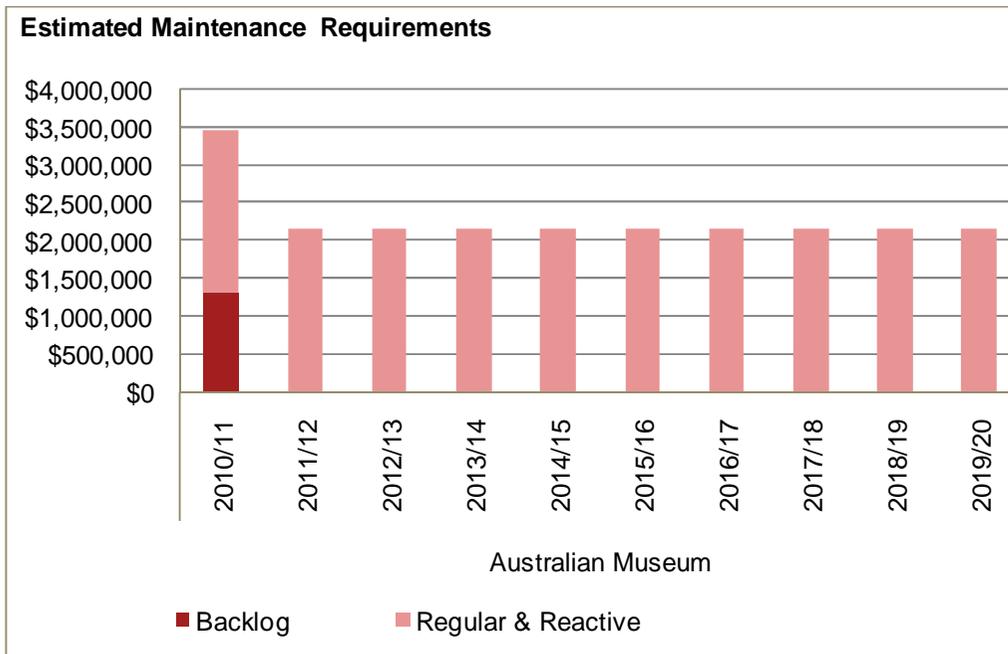
Condition Assessment of the systems, services and structure was made on a group elements basis and assigned a condition rating in accordance with the following rating convention.

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5	Excellent	No deterioration or defects
4	Good	Superficial deterioration and minor defects
3	Fair	Moderate to significant deterioration required attention
2	Poor	Serious deterioration or defect requiring immediate attention
1	Very Poor	Element has failed and is unfit for normal use

Sources:

Condition and maintenance forecasts: Asset Technology Pacific – confidential condition reports prepared for Communities NSW in 2010.

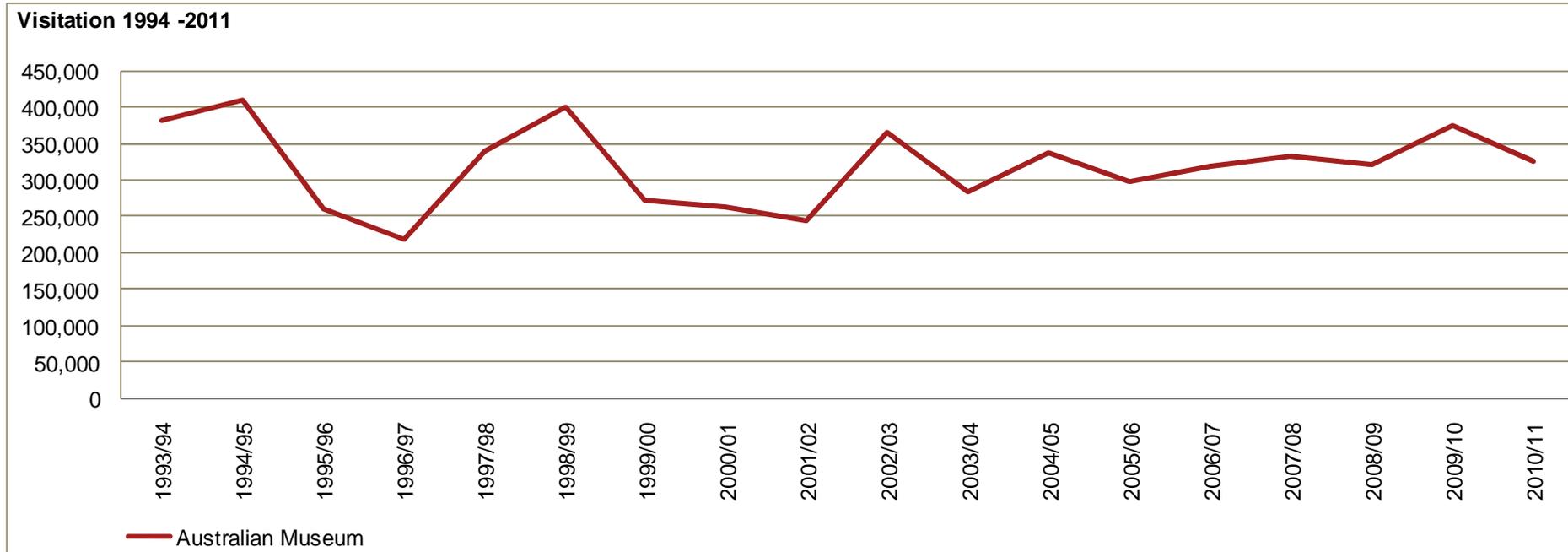
Historical Maintenance: Treasury



Maintenance funding as a proportion of asset replacement value is of **0.84%** for the Australian Museum.
Source: Cultural institutions 2012

4.3.4 Performance

Attendances at the Australian Museum have remained steady in recent years.

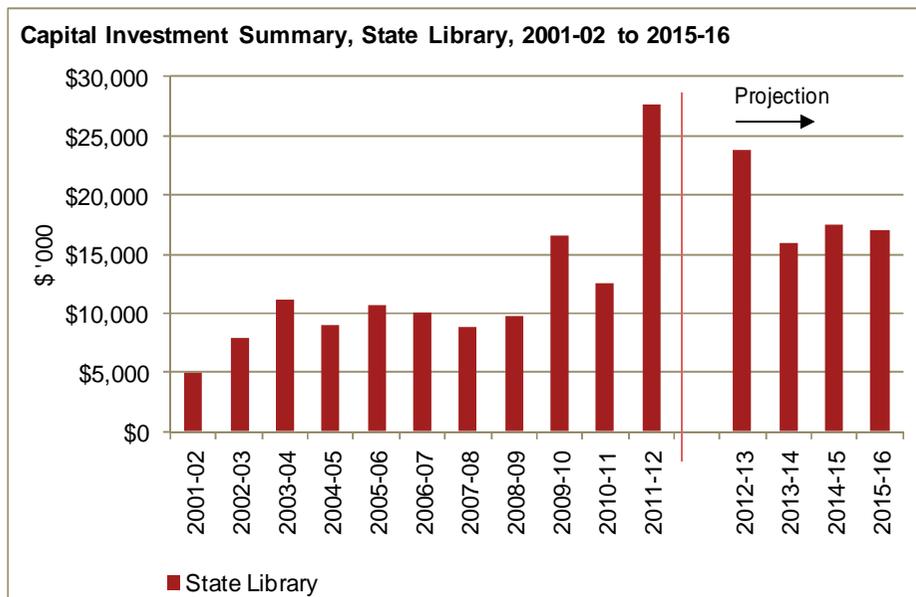


Source: Provided by Arts NSW

4.4 The State Library

4.4.1 Capital program

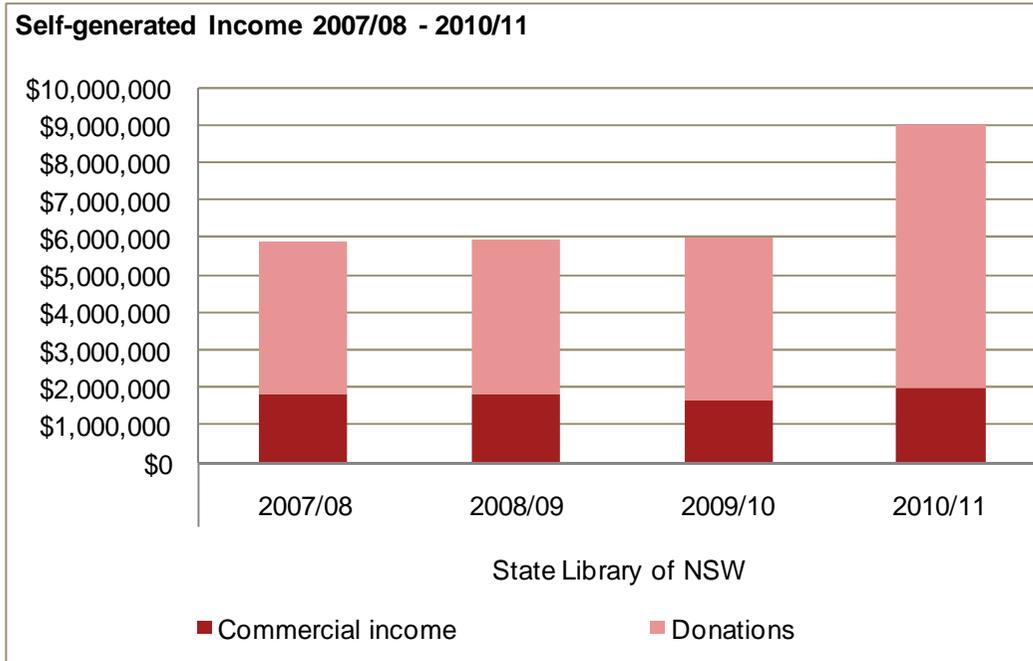
In 2012/13, capital investment in the State Library is \$24m, accounting for 18% of total Arts capital expenditure. The majority of the investment will be in technology including expansion of the Library's electronic catalogue and digitising highly valued and at-risk heritage collection items. Refurbishment of the reading rooms was completed in 2011-12 (\$4.8 m).



Source: Provided by NSW Treasury

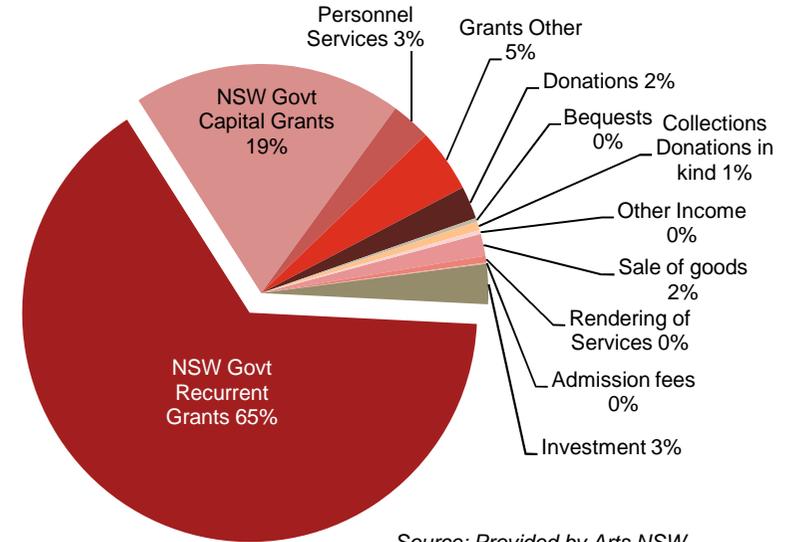
4.4.2 Sources of income

The State Library of NSW generated \$2.0m in commercial income and \$7.1m in donations in 2010/11. The majority of the State Library's funding came from NSW budget allocations (84%).



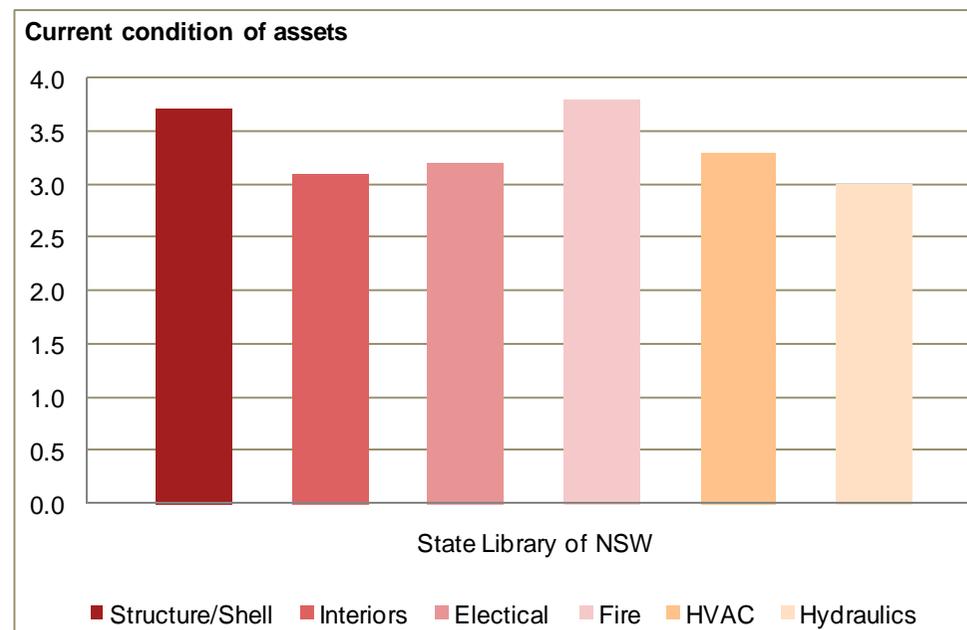
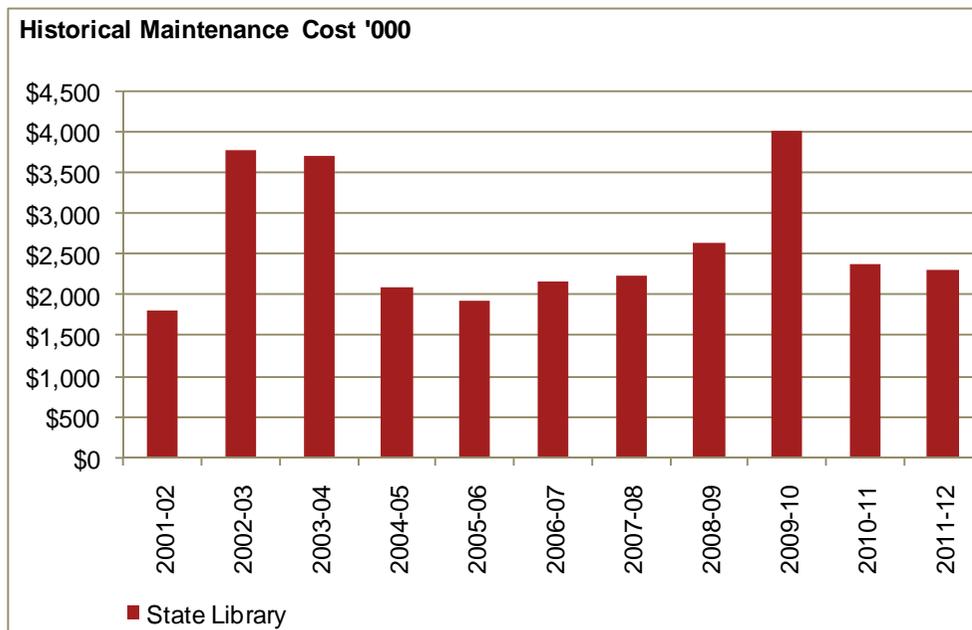
Source: Provided by Arts NSW

Revenue sources, State Library, 2010/11



4.4.3 Asset condition and maintenance

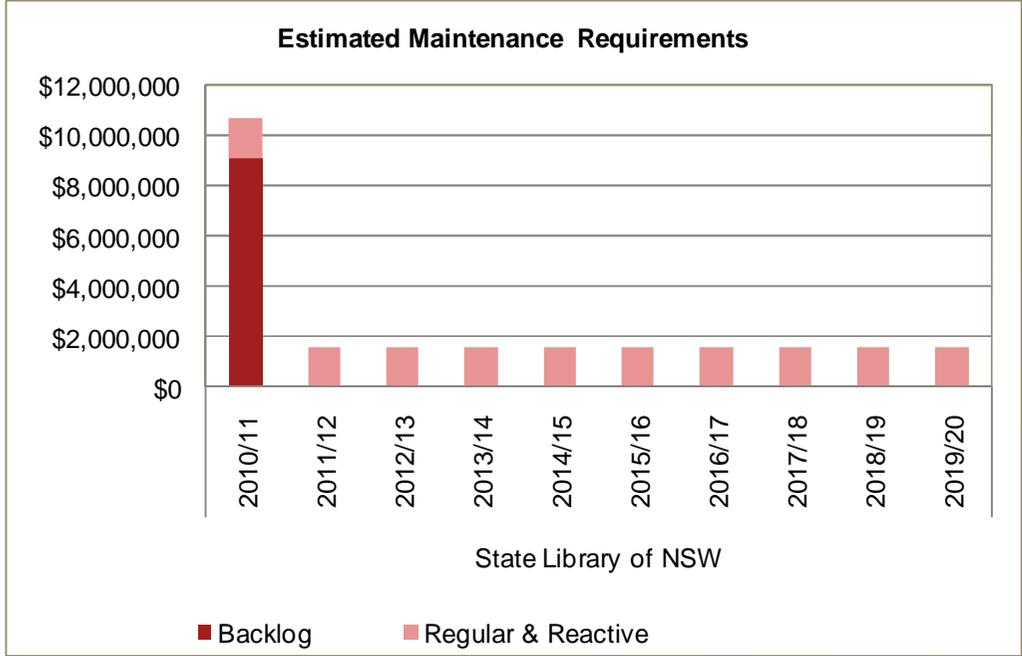
The State Library of NSW has estimated backlog maintenance of \$9.1m. The average condition of the State Library's built assets and infrastructure were ranked as fair to good condition



Sources:
 Condition and maintenance forecasts: Asset Technology Pacific – confidential
 condition reports prepared for Communities NSW in 2010.
 Historical Maintenance: Treasury

Condition Assessment of the systems, services and structure was made on a group elements basis and assigned a condition rating in accordance with the following rating convention.

Rating	Qualitative rating	Definition
5	Excellent	No deterioration or defects
4	Good	Superficial deterioration and minor defects
3	Fair	Moderate to significant deterioration required attention
2	Poor	Serious deterioration or defect requiring immediate attention
1	Very Poor	Element has failed and is unfit for normal use

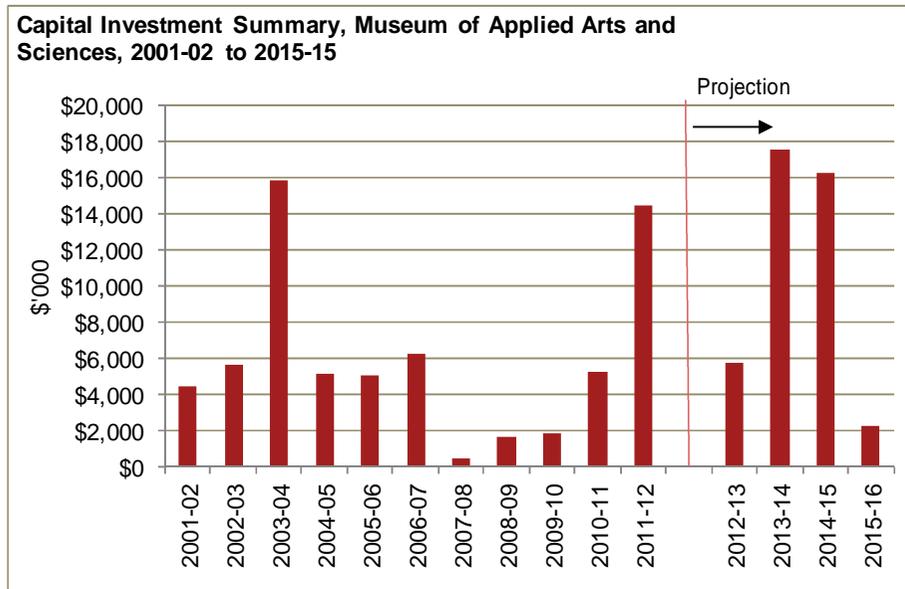


Maintenance funding as a proportion of asset replacement value is of **0.15%** for the State Library of NSW.
 Source: Cultural institutions 2012

4.5 The Museum of Applied Arts and Science (the Powerhouse Museum)

4.5.1 Capital program and forecasts in investment

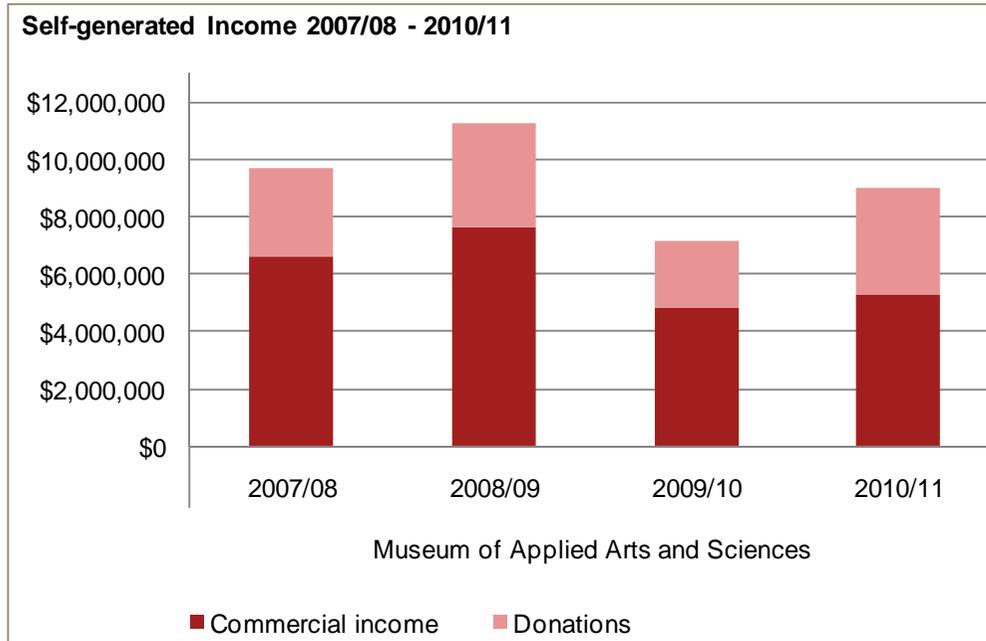
In 2012/13, capital investment in the Museum of Applied Arts and Science is projected to be over \$5.7m, accounting for 4% of total Arts capital expenditure.



Source: Provided by NSW Treasury

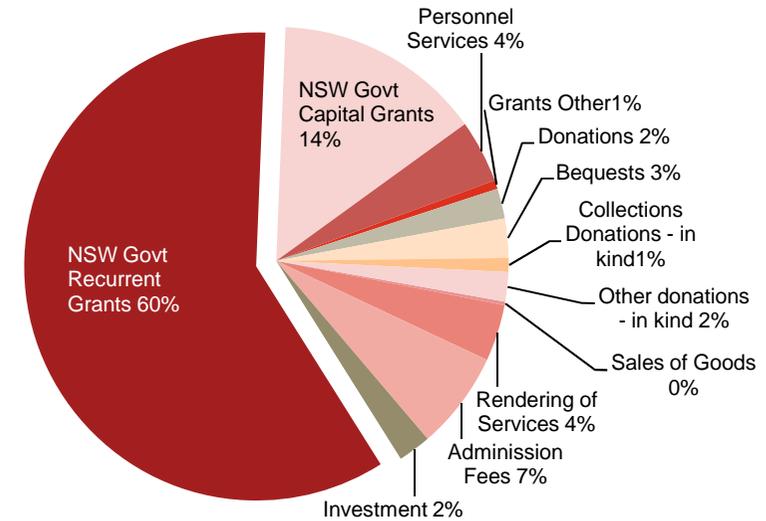
4.5.2 Sources of income

The Museum of Applied Arts and Sciences generated \$5.2m in commercial income and \$3.7m in donations in 2010/11 with 74% of its funding from the NSW Government



Source: Provided by Arts NSW

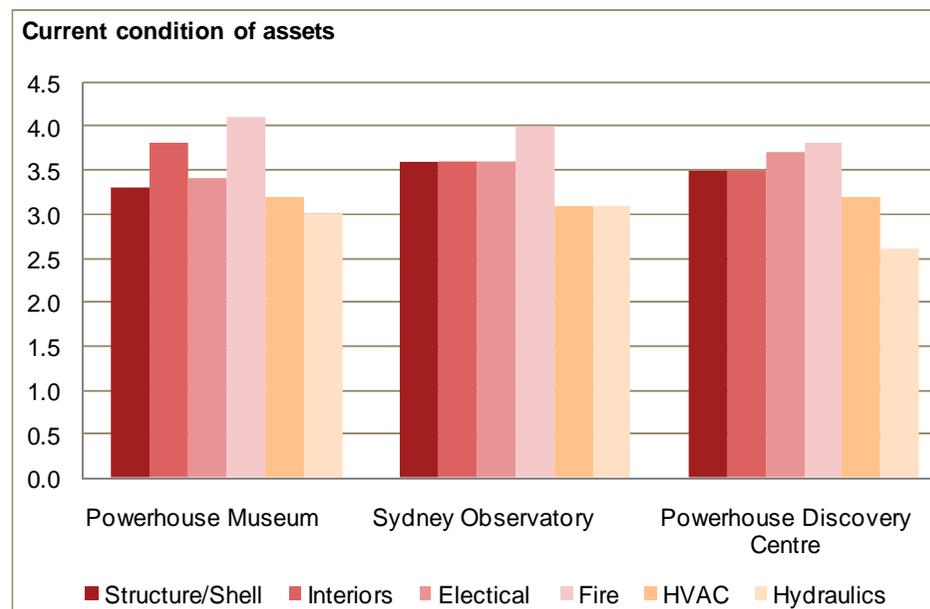
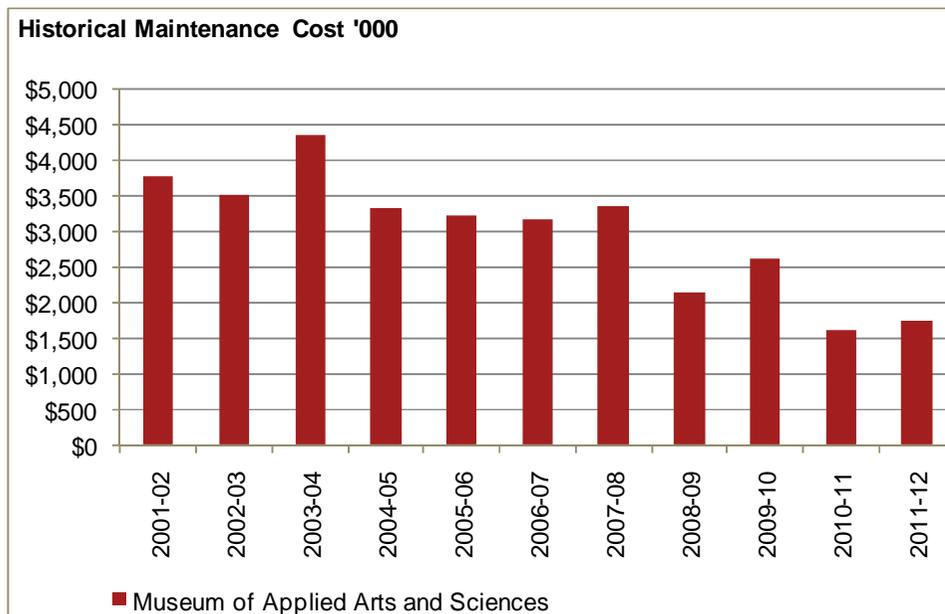
Revenue sources for the Museum of Applied Arts and Sciences, 2010/11



Source: Provided by Arts NSW

4.5.3 Asset condition and maintenance

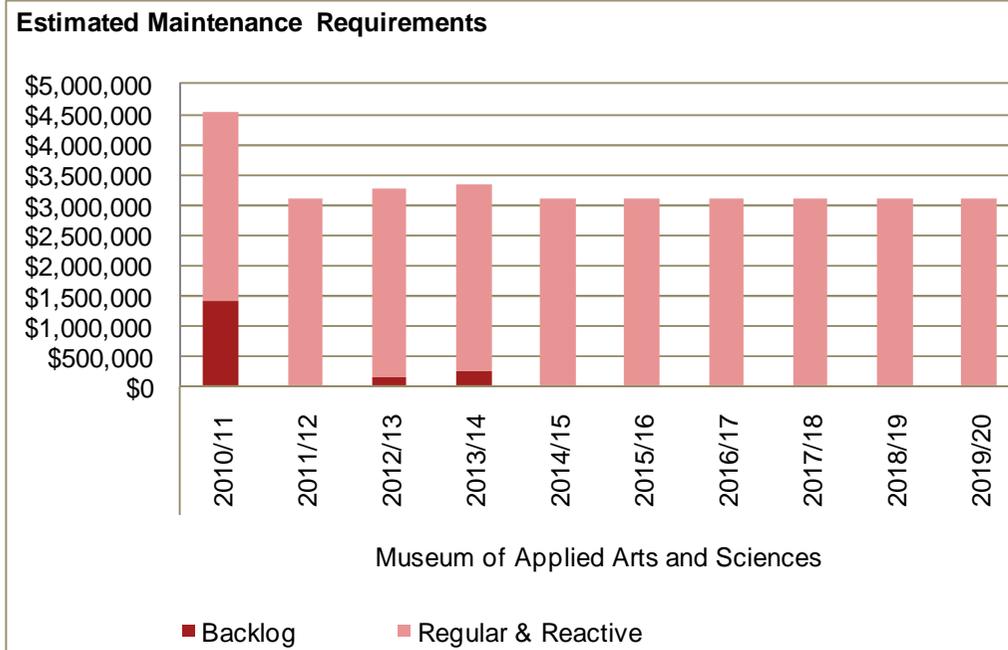
The Museum of Applied Arts and Sciences has estimated backlog maintenance of \$1.8m. The average condition of the facilities of the Museum of Applied Arts and Sciences built assets and infrastructure were ranked as good with moderate deterioration



Sources:
 Condition and maintenance forecasts: Asset Technology Pacific – confidential condition reports prepared for Communities NSW in 2010.
 Historical Maintenance: Treasury

Condition Assessment of the systems, services and structure was made on a group elements basis and assigned a condition rating in accordance with the following rating convention.

Rating	Qualitative rating	Definition
5	Excellent	No deterioration or defects
4	Good	Superficial deterioration and minor defects
3	Fair	Moderate to significant deterioration required attention
2	Poor	Serious deterioration or defect requiring immediate attention
1	Very Poor	Element has failed and is unfit for normal use



Maintenance funding as a proportion of asset replacement value is of **2.3%** for the Museum of Applied Arts and Sciences.
 Source: Cultural institutions 2012

4.5.4 Performance

Despite the Powerhouse Discovery Centre opening in 2007, attendances at the Museum of Arts and Applied Sciences remains stable with attendance levels comparable to those of 1993/94.

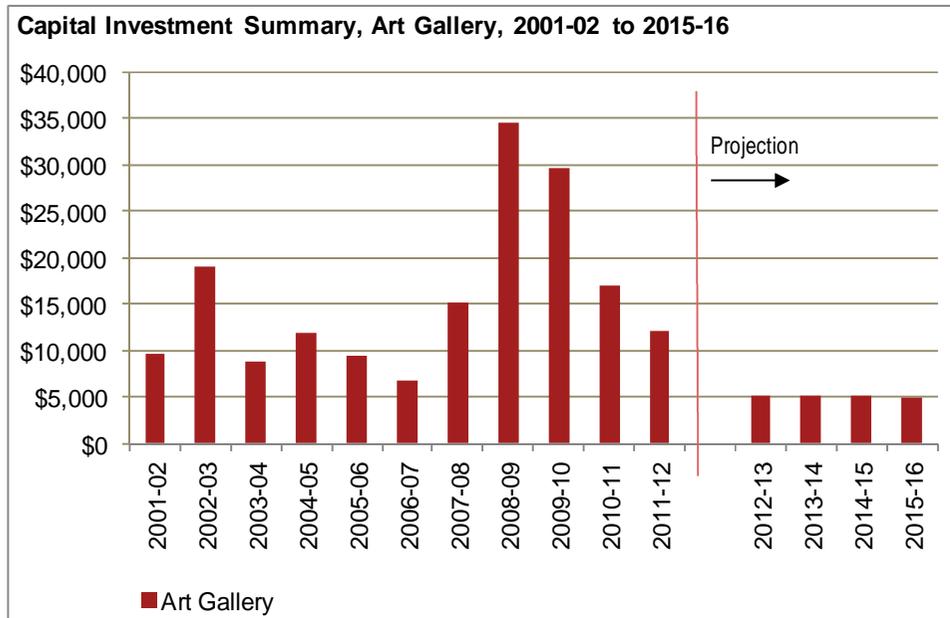


Source: Provided by Arts NSW

4.6 Art Gallery NSW

4.6.1 Capital program and forecasts in investment

In 2012/13, capital investment in the Art Gallery NSW is projected to be \$5m, accounting for 4% of total Arts capital expenditure. No major capital projects are currently funded.



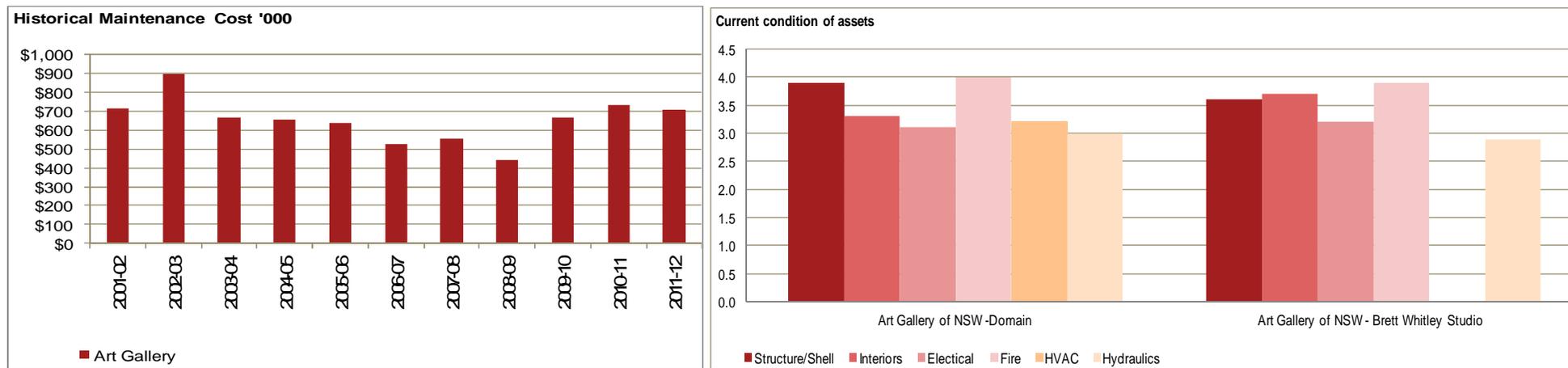
Source: Provided by NSW Treasury

The Art Gallery of NSW is proposing a \$400 million redevelopment to increase floor space by 120 per cent

- The Gallery has submitted a proposal to the Government seeking to increase its floor area by 120 per cent (including doubling the exhibition space) through the construction of a new wing to the north east of the existing building
- The indicative cost is \$400 million in capital costs and around \$8.2 million in additional annual recurrent funding in order to open the wing in 2020 (values in \$2011)
- The expansion is forecast to increase visitation to the Gallery from 1.2 million to 2 million people per annum – it would provide greater scope for blockbuster exhibitions (for example, to stage the recent Picasso exhibition, much of the galleries permanent exhibition had to be put on display in Newcastle).
- This project is yet to be assessed.

4.6.2 Asset condition and maintenance

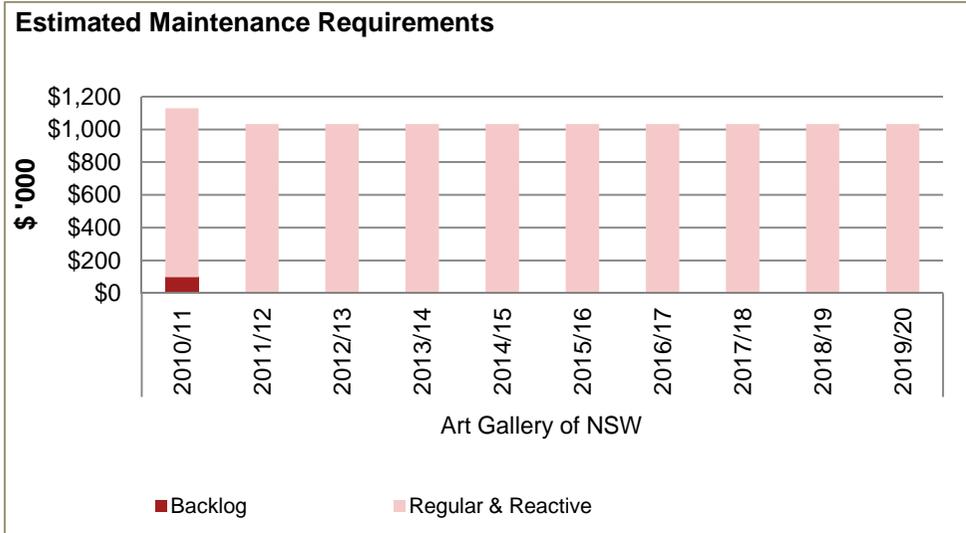
The Art Gallery of NSW has estimated backlog maintenance of \$0.1m. The average condition of the facilities of the Art Gallery was ranked as fair to good.



Condition Assessment of the systems, services and structure was made on a group elements basis and assigned a condition rating in accordance with the following rating convention.

Rating	Qualitative rating	Definition
5	Excellent	No deterioration or defects
4	Good	Superficial deterioration and minor defects
3	Fair	Moderate to significant deterioration required attention
2	Poor	Serious deterioration or defect requiring immediate attention
1	Very Poor	Element has failed and is unfit for normal use

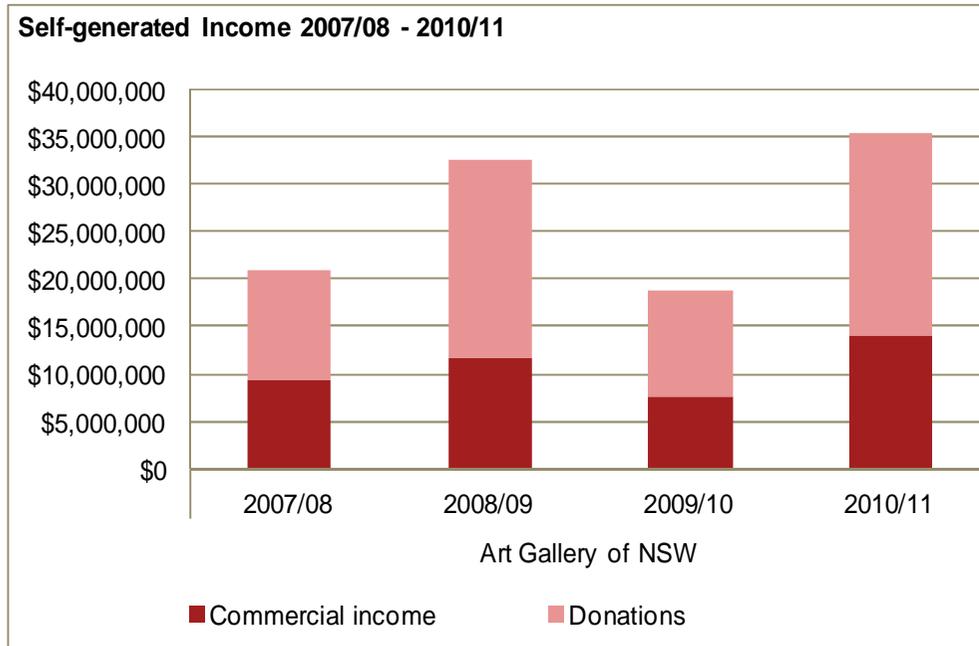
Sources:
 Condition and maintenance forecasts: Asset Technology Pacific – confidential condition reports prepared for Communities NSW in 2010.
 Historical Maintenance: Treasury



Maintenance funding as a proportion of asset replacement value is of **1.4%** for the Art Gallery of NSW.
Source: Cultural institutions 2012

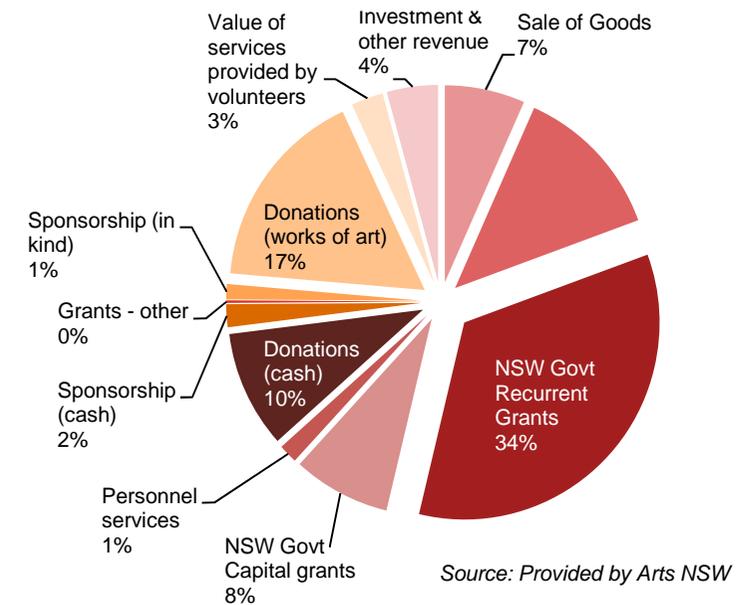
4.6.3 Sources of income

The Art Gallery of NSW generated \$33.1m in commercial income and \$2.3m in donations in 2010/11. More than 50% of funding is from private sources



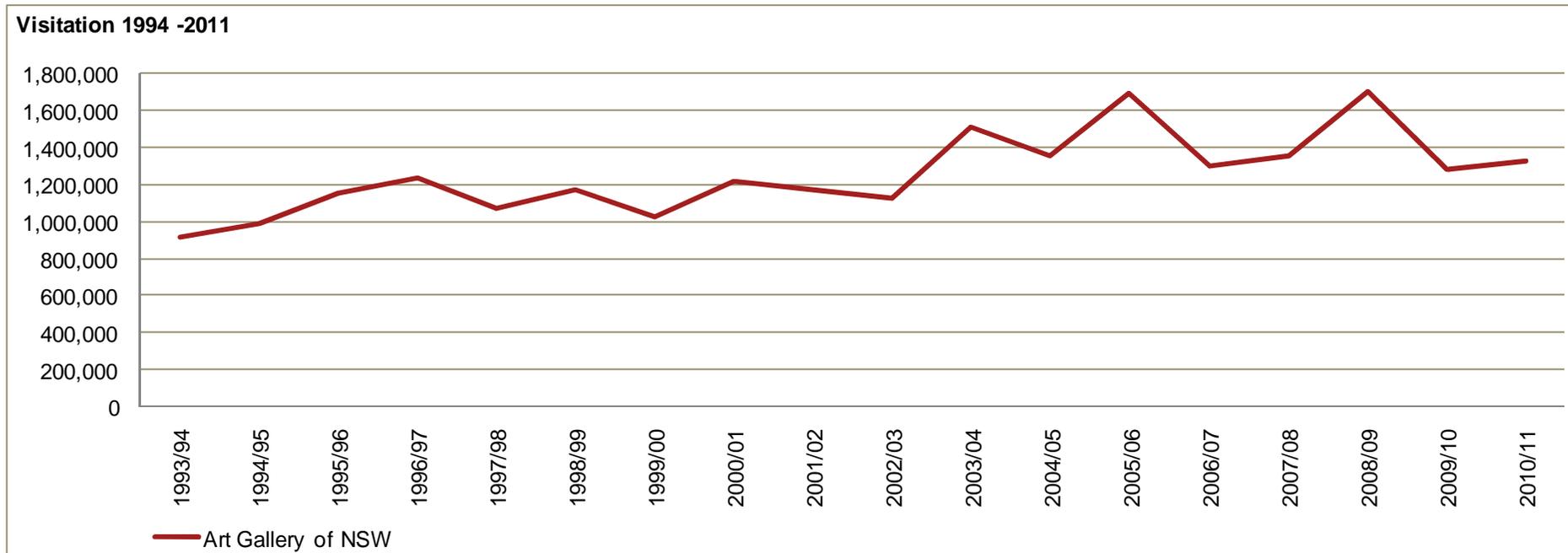
Note: donations include philanthropic income, cash sponsorship and contra sponsorship

Revenue sources, Art Gallery, 2010/11



4.6.4 Performance

Attendance at the Art Gallery has seen a slight increase over time, with spikes in attendance occurring with blockbuster exhibitions or when facilities are upgraded or enhanced



Source: Provided by Arts NSW

4.7 Arts NSW property portfolio

The Arts NSW property portfolio comprise nine properties which provide key arts and cultural organisations with affordable space to support program delivery

- The Infrastructure Support Program (property portfolio) is operated on a recurrent cost neutral basis, whereby rent received funds operating and recurrent maintenance costs and capital funding is sought through the NSW State Budget Process.
- The Infrastructure Support Program also delivers on wider Government priorities such as preservation and adaptive reuse of a number of significant heritage buildings, urban renewal and tourism objectives, such as CarriageWorks at North Eveleigh and Walsh Bay.
- Most properties are owned by other Government agencies and leased to Arts NSW on a long-term basis for arts and cultural purposes.
- Arts NSW is in the process of finalising an infrastructure support program policy. The policy will set a vision for each property and outline a space allocation framework and guidelines for support levels.

Walsh Bay

- Pier 2/3 at Walsh Bay has become the responsibility of Arts NSW through a long-term lease. Funding of \$5.5m over 5 years was provided for lease payments and an additional \$1m was funded from cash reserves. Funding has also been provided for major maintenance (\$1m pa from 2011/12) and specific projects such as the refurbishing of the Arts Exchange as a festivals and peak and service bodies hub (\$4m over 4 years).
- The single main priority for the Arts NSW property portfolio is finalising long-term plans for Pier 2/3 at Walsh Bay and the development of the Walsh Bay Arts Precinct.
- The vision for Walsh Bay is to create a sustainable and activated arts and culture precinct that supports and nurtures Sydney's home-grown culture and creativity. The cultural activities currently being considered for Barangaroo such as an Indigenous cultural centre, lyric theatre and outdoor venue would complement the vision for Walsh Bay. Walsh Bay will also offer a unique but complementary arts and cultural experience to neighbouring institutions such as Sydney Opera House and the Museum of Contemporary Art.
- The Government Architect's Office has been engaged to develop a master plan for the Walsh Bay Arts Precinct including Pier 2/3, Wharf 4/5 and Sydney Theatre. The master plan is due for completion in the first half of 2012.

Arts NSW property portfolio

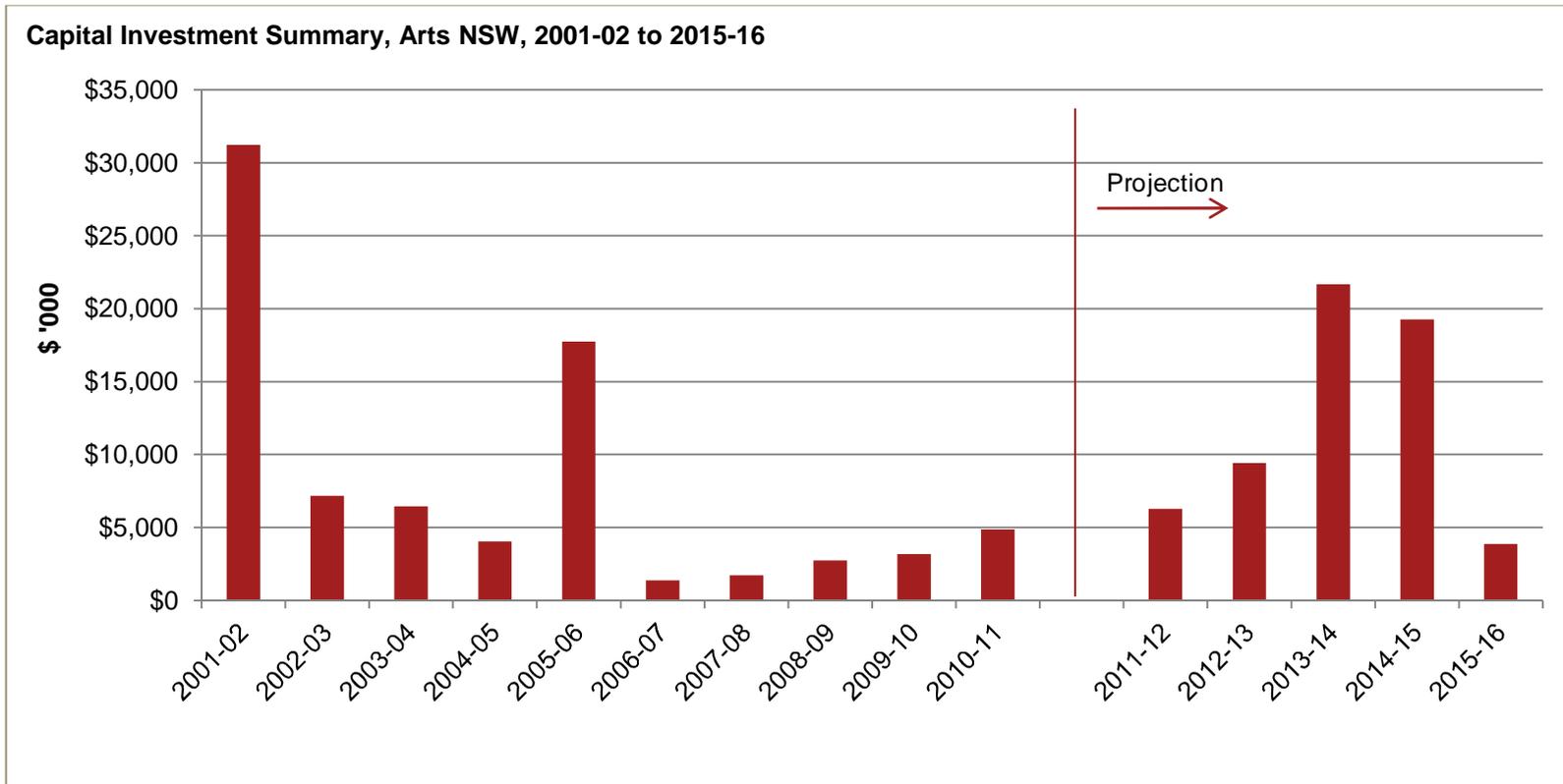
<i>Property</i>	<i>Use</i>	<i>Owner</i>	<i>Lease Expiry</i>	<i>Estimated value³</i>	<i>Area (sqm)</i>	<i>Current occupant/s</i>
Arts Exchange, The Rocks.	Offices	Sydney Harbour Foreshore Authority	2089	\$4.7m	2,611	Sydney Festival, Sydney Writers Festival, The Australian Ballet, Australian Youth Orchestra, The Australian Music Centre
The Gunnery, Woolloomooloo.	Office, gallery and artist studios	Housing	2090	\$3.5m	2,175	Artspace, Arts Law, National Association for the Visual Arts (NAVA), Museums and Galleries NSW, Biennale of Sydney
Wharf 4/5, Walsh Bay.	Performance/rehearsal office, storage and workshop	NSW Maritime	2075	\$15.3m	15,162	Accessible Arts, Ausdance, Australian Theatre for Young People, Bangarra Dance Theatre, Regional Arts NSW, Sydney Children's Choir, Sydney Dance Company, Sydney Philharmonia, Sydney Theatre Company
Pier 2/3, Walsh Bay.	To be developed as a residence for arts organisations and arts facility.	NSW Maritime	2109	\$6.5m	6,669	The Pier is currently utilised by major arts events including the Sydney Writers' Festival and the Biennale of Sydney
Sydney Theatre, Walsh Bay.	Performance and rehearsal	NSW Maritime	2103	\$19.1m	6,624	Hosts productions from the Sydney Theatre Company and the Sydney Dance Company
Parachute Regiment Building, Lilyfield.	Rehearsal, workshop, office, store	DTIRIS	n/a	\$28.7m	16,730	Legs on the Wall performance group
Garry Owen House,	Office,	NSW Health	Ongoing	\$1.6m	750	NSW Writers' Centre

³ As at 30 June 2011

<i>Property</i>	<i>Use</i>	<i>Owner</i>	<i>Lease Expiry</i>	<i>Estimated value³</i>	<i>Area (sqm)</i>	<i>Current occupant/s</i>
Rozelle.	conference rooms					
CarriageWorks, Eveleigh.	Performance, office, rehearsal, commercial	Railcorp (to transfer to DTIRIS)	n/a	\$59.9m	18,204	Erth, Force Majeure, Marrugeku, Performance Space, PlayWriting Australia, Reeldance, Stalker, Version 1.0
Brett Whiteley Studio, Surry Hills.	Studio, gallery	DTIRIS	n/a	\$1.8m	500	Art Gallery of New South Wales

Source: Arts NSW

In 2012/13, capital investment in the Arts NSW is projected to be around \$9m, accounting for 7% of total Arts capital expenditure. Increased expenditure in 2013-14 and 2014-15 is for a shared storage and access project for cultural institutions which will commence in 2012-13.



Source: 2001-02 to 2004-05 data provided by NSW Treasury, remaining data sourced from Budget Papers and Arts NSW

4.7.1 Asset condition and maintenance

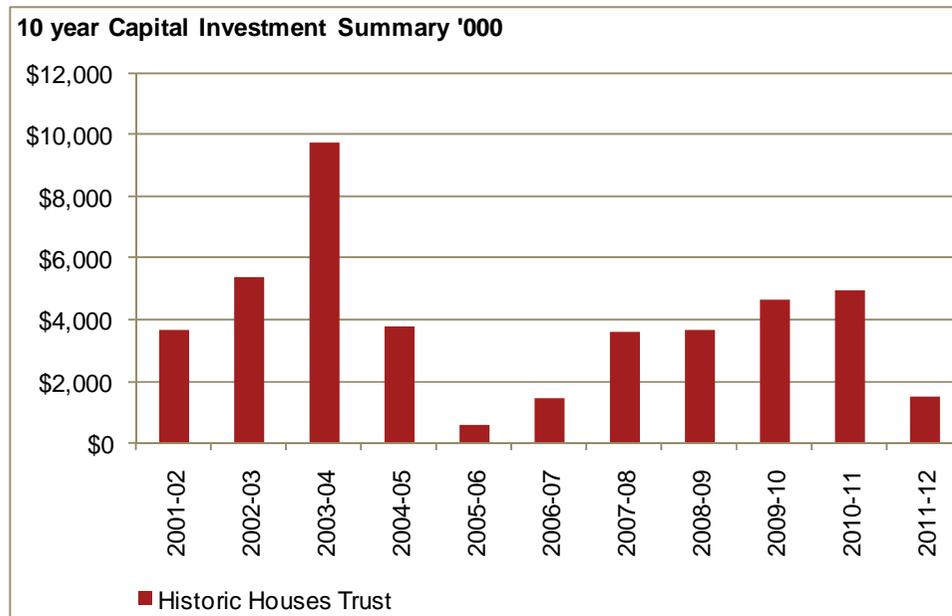
The condition of the facilities in the Arts NSW portfolio were ranked as good with moderate deterioration in a 2010 external report

- A 2010 external report of the condition of the facilities on the condition of Arts NSW's built assets and infrastructure ranked the average condition as good with moderate deterioration. This report also identified backlog maintenance and an estimate of maintenance requirements from 2010/11 to 2019/20.
- Arts NSW is not satisfied with the robustness of the methodology or the conclusions with respect to Arts NSW properties. In particular, it considers the report has not adequately kept pace with changes in the Arts NSW property portfolio in relation to maintenance funding.

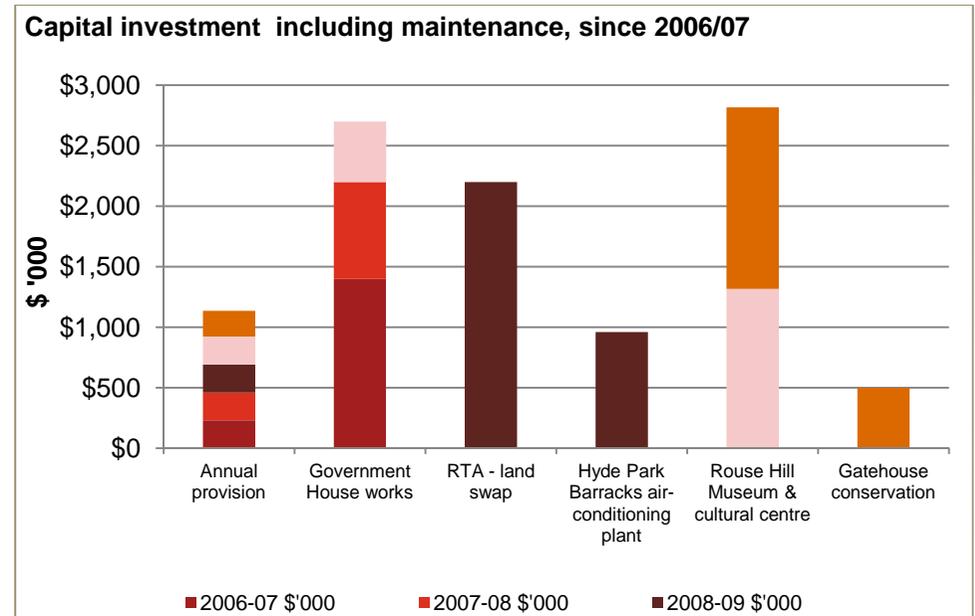
5 Asset portfolio (Historic Houses Trust)

5.1.1 Capital program and forecasts in investment

Although now part of the Heritage Portfolio, the assets of the Historic Houses Trust (HHT) create similar challenges (although at a smaller scale) to those in the Arts portfolio. Recent capital investment has been spread across a number of properties



Source: Provided by NSW Treasury

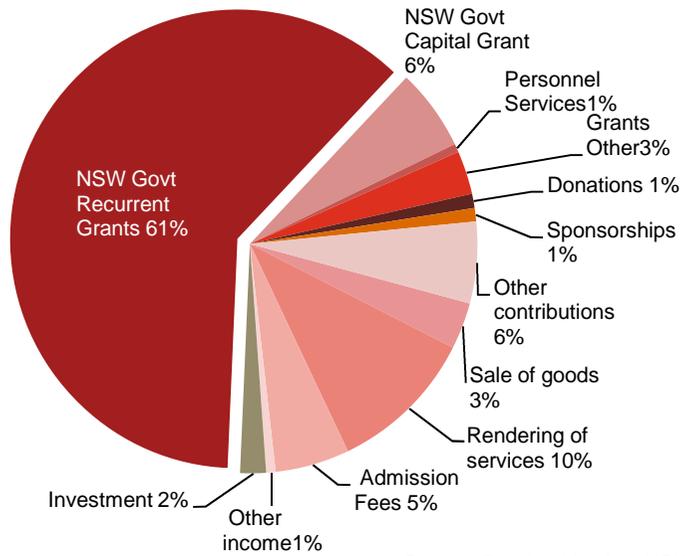


Source: Provided by Arts NSW

5.1.2 Sources of income

Two thirds of HHT's infrastructure funding comes from the NSW Government.

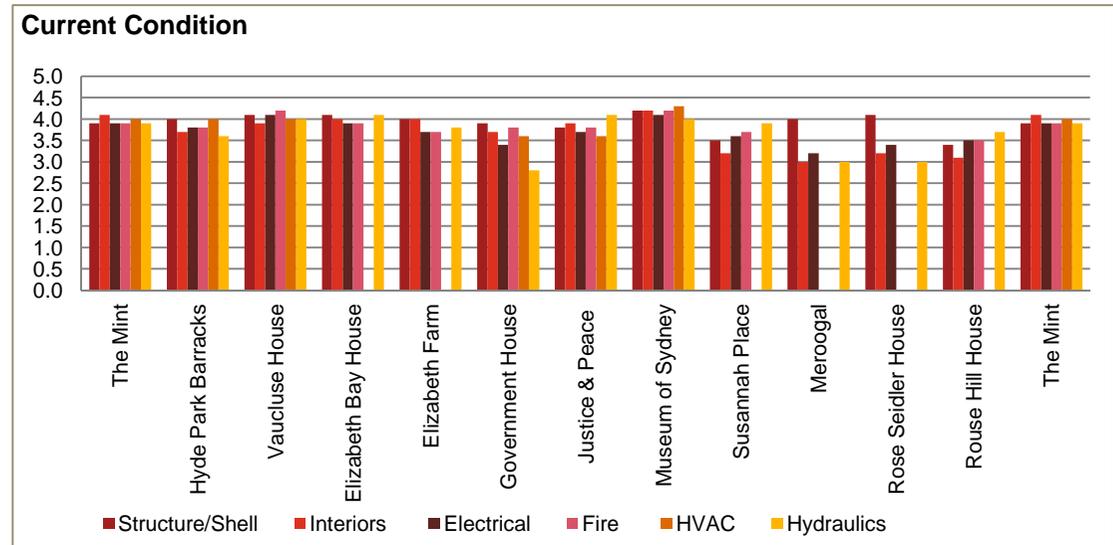
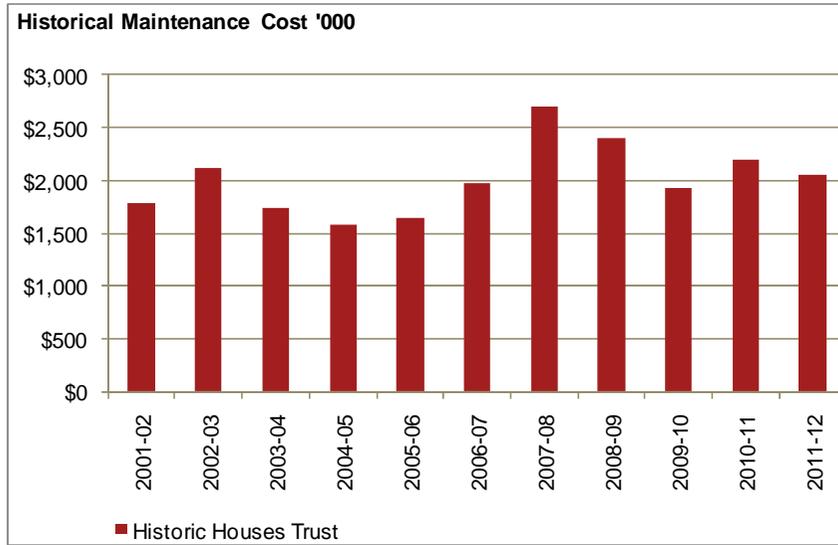
Revenue sources, Historic Houses Trust, 2010/11



Source: Provided by Arts NSW

5.1.3 Asset condition and maintenance

An initial assessment indicates the HHT will need to undertake major periodic maintenance of \$5.4m over the next 3 years. The condition of most of the Trust’s assets has been assessed as fair to good.

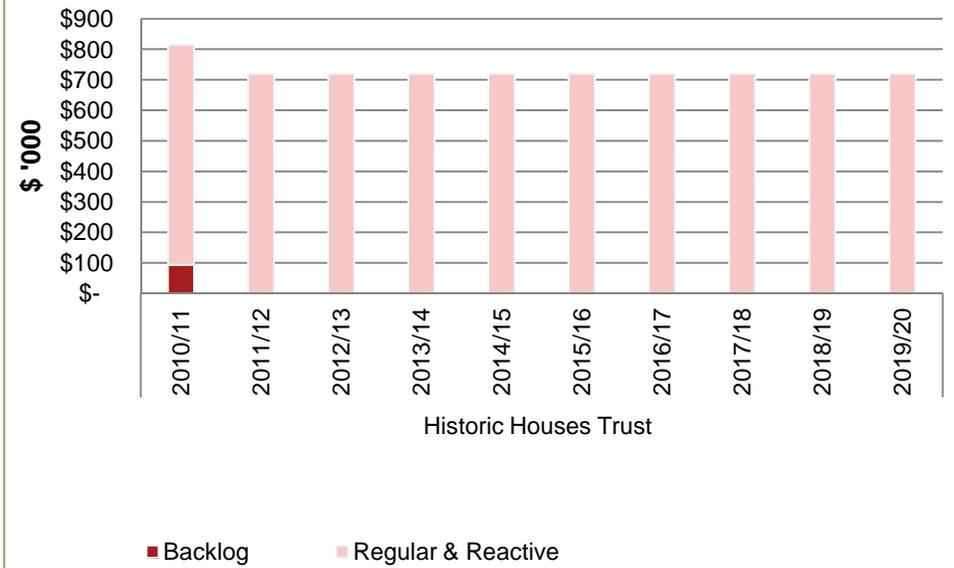


Condition Assessment of the systems, services and structure was made on a group elements basis and assigned a condition rating in accordance with the following rating convention.

Rating	Qualitative rating	Definition
5	Excellent	No deterioration or defects
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3	Fair	Moderate to significant deterioration required attention
2	Poor	Serious deterioration or defect requiring immediate attention
1	Very Poor	Element has failed and is unfit for normal use

Sources:
 Condition and maintenance forecasts: Asset Technology Pacific – confidential condition reports prepared for Communities NSW in 2010.
 Historical Maintenance: Treasury

Estimated Maintenance Requirements

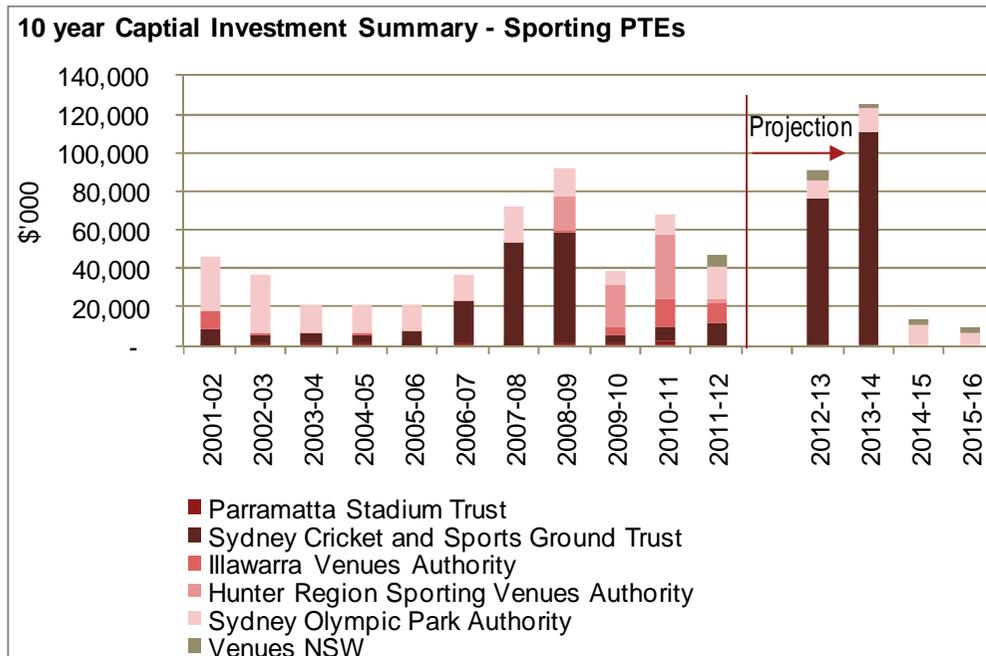


Maintenance funding as a proportion of asset replacement value is of **0.78%** for the Historic Houses Trusts.
Source: Cultural institutions 2012

6 Asset portfolio (Sports and Recreation)

In 2012/13, capital investment in NSW sporting assets is projected to be over \$91m.

- NSW has about \$2.3billion invested in stadiums. About half of this is building value.
- Over the past five years (2006-07 to 2010-11), around \$300 million was allocated to the upgrade of NSW stadia.
- This funding was allocated without an overarching strategy and there has been criticism of duplication of facilities, for example \$45 million was contributed towards the redevelopment of Sydney Showground, Olympic Park next to an existing stadium.⁴
- In 2012-13, \$76m has been allocated to the Sydney Cricket Ground stage 2 redevelopment

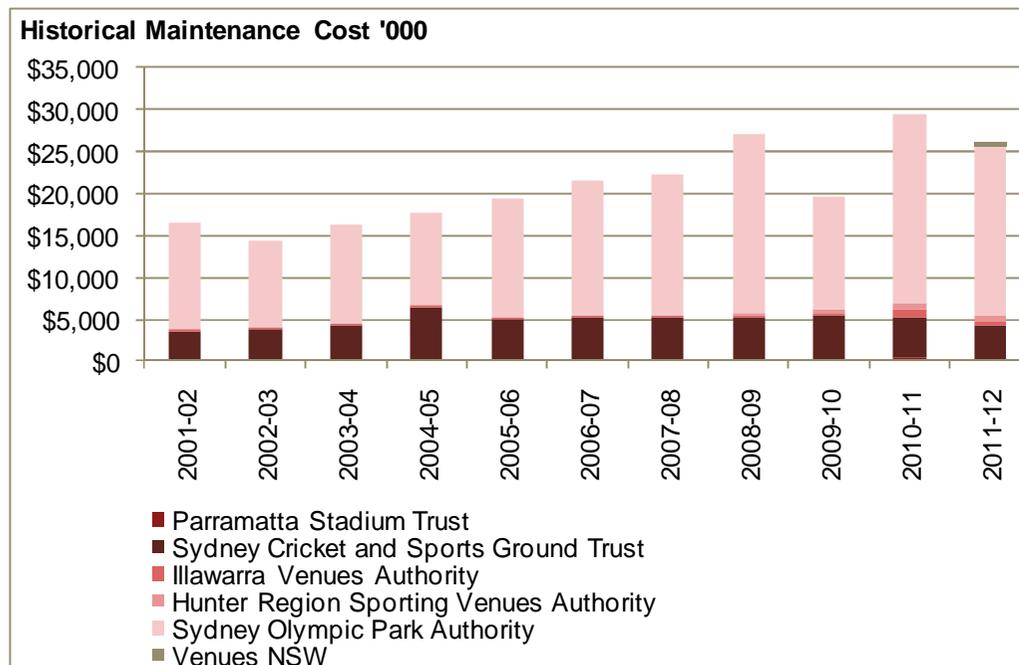


Source: Provided by NSW Treasury

⁴ NSW Government Financial Audit 2011, p 16-10

6.1.1 Asset condition and maintenance

Maintenance funding for NSW sporting assets was \$26 million in 2011-12



Source: Provided by NSW Treasury

Future funding

Venues NSW

- Consolidation of asset management responsibilities for several of the sport and recreation venues with Venues NSW provides the opportunity to optimise use of these assets (which are relatively dispersed) and maximise commercial revenue with less reliance on contributions from government. Any future investment proposals can also be prioritised across the venues. Given recent investments in stadia, it is forecast only minimal funding will be required for these venues over the forward estimates.

Sydney Olympic Park

- A Master Plan for Sydney Olympic Park was approved by the Minister for Planning and came into effect in March 2010
- At that time, there were more than 60 businesses and 6,000 workers located at Sydney Olympic Park
- The plan seeks to eventually provide capacity for a daily population of over 15,500 people in addition to visitors and event patrons including more than 31,500 jobs and about 6,000 new dwellings housing approximately 14,000 residents
- Sydney Olympic Park will also support up to 5,000 students and around 10 million visitor a year while retaining major event capability for up to 250,000 patrons at any one time and improving access to the precinct's 430 hectares of parkland.
- With development, there are opportunities to increase revenue – through fees and charges, ancillary revenues (from retail, restaurants etc) and developer contributions
- Sydney Olympic Park will also attract additional activity (and revenue) during the three year closure of the Sydney Convention and Exhibition facilities while this CBD venue is being redeveloped
- The focus for this cluster of venues should be to move towards self-sufficiency with reduced capital contributions from the NSW Government.

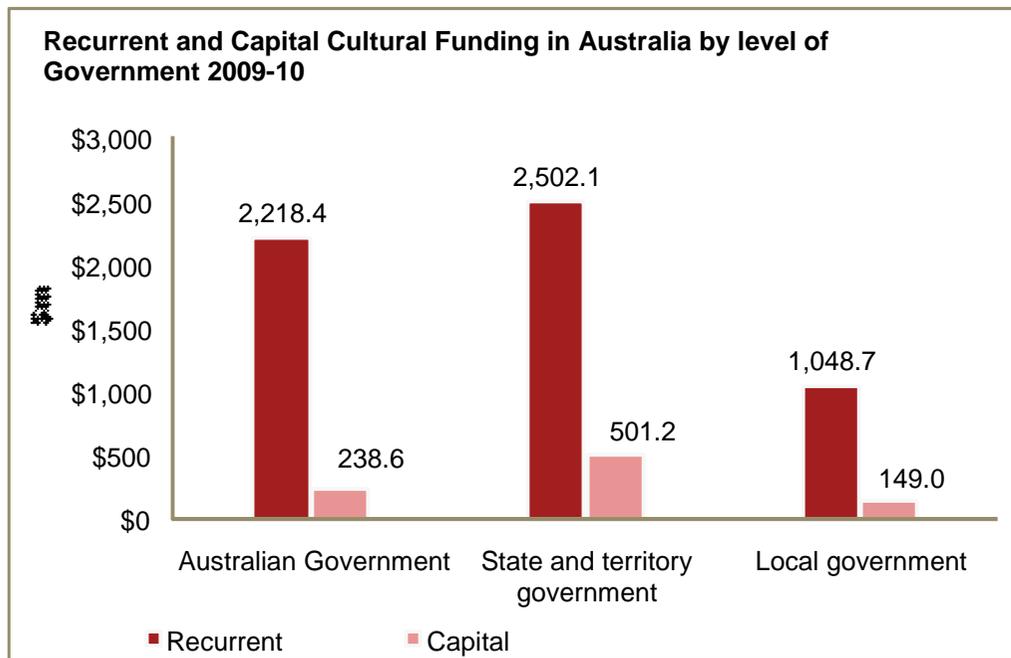
Sydney Cricket Ground Trust

- \$186 million has been committed to the redevelopment of stands at the Sydney Cricket Ground - \$86 million from the NSW Government and \$50 million from each of the Commonwealth Government and the Sydney Cricket and Sports Ground Trust with major work to commence in 2012/13.

7 Comparisons of the arts/culture sector with other jurisdictions

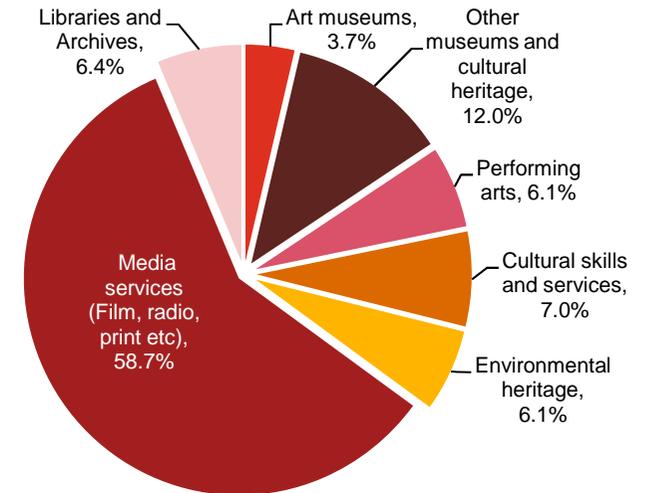
All three levels of government invest in the culture sector in Australia

(The data shown are from ABS for the whole of Australia and encompass broader investment in culture than portfolio assets described above, such as environmental heritage investment)



Source: ABS, Cultural Funding by Government, Australia, 2009-10

Breakdown of Commonwealth Government Funding 2009-10



Source: ABS, Cultural Funding by Government, Australia, 2009-10

Notes:

- Media services (Film, radio, print etc) includes Literature and print media, Radio and television services, Film and video production and distribution, Multimedia
- Cultural skills and services includes Music composition and publishing, Visual arts and crafts, Design and other arts
- Performing arts includes Music performance, Drama, Dance, Music theatre and opera. Other performing arts and Performing arts venues

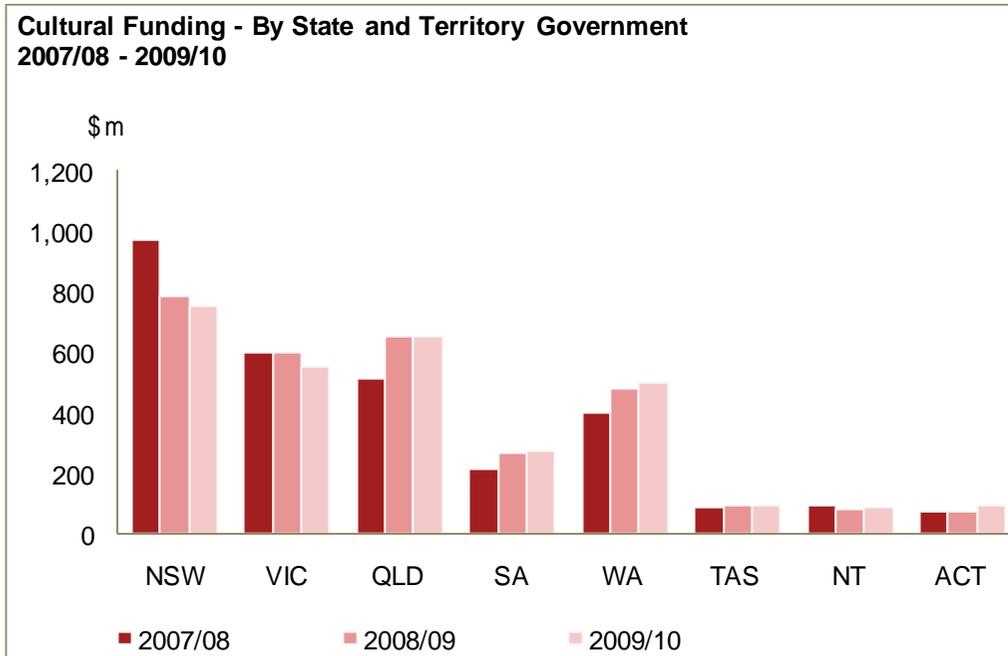
Note: the culture sector as defined by ABS is larger than the Arts NSW Portfolio and HHT and comprise major institutions which specialise in education of a cultural nature, such as the National Academy of Music, the National Institute of Dramatic Art, the Australian Ballet School and the Australian Film, Television and Radio School has been included. Funding for special libraries (e.g. parliamentary libraries), libraries in higher education institutions and schools is excluded.

NSW had a lower than average spend per capita on culture than all jurisdictions except Victoria in 2009/10

In 2009–10, cultural funding provided by the NSW Government totaled \$751.8m or \$104.6 per person. Other jurisdictions spent at least \$40 more per person except VIC (\$99.9 per person). The national average of cultural funding per person in 2009-10 was \$135.6.

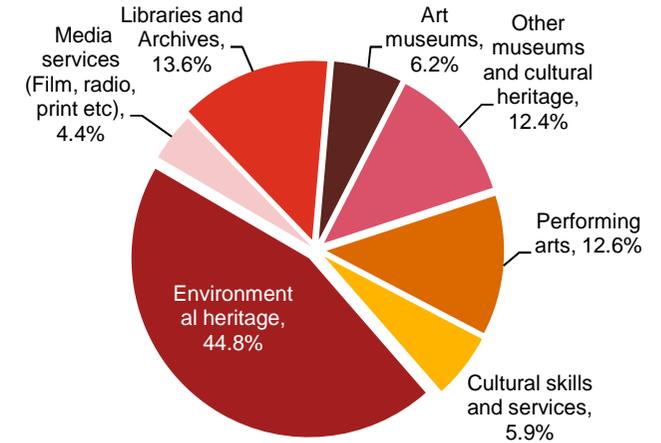
Total cultural funding by the NSW Government decreased by 23% between 2007–08 and 2009-10. Victoria (-8%) is the only other state that decreased funding over the last 3 years.

(The data shown are from ABS and encompass broader investment in culture than portfolio Assets described above, such as environmental heritage investment).



Source: ABS, Cultural Funding by Government, Australia, 2009–10

Breakdown of State and Territory funding (all jurisdictions), 2009-10

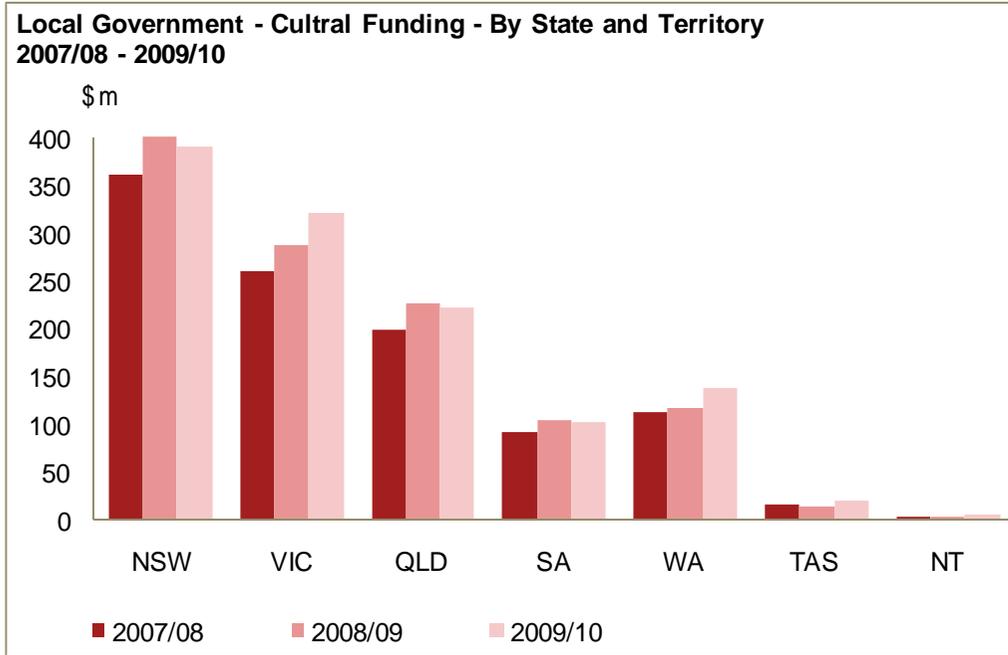


Source: ABS, Cultural Funding by Government, Australia, 2009–10

Notes:

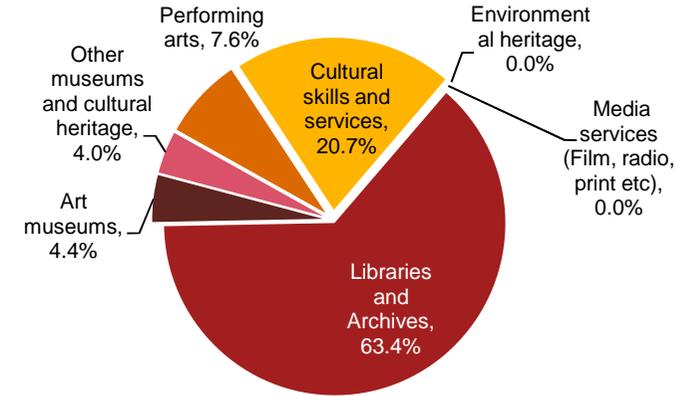
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- Cultural skills and services includes Music composition and publishing, Visual arts and crafts, Design and other arts
- Performing arts includes Music performance, Drama, Dance, Music theatre and opera, Other performing arts and Performing arts venues

The majority of local government funding is allocated to libraries and archives



Source: ABS, Cultural Funding by Government, Australia, 2009–10

Break down of local government funding (all jurisdictions), 2009-10

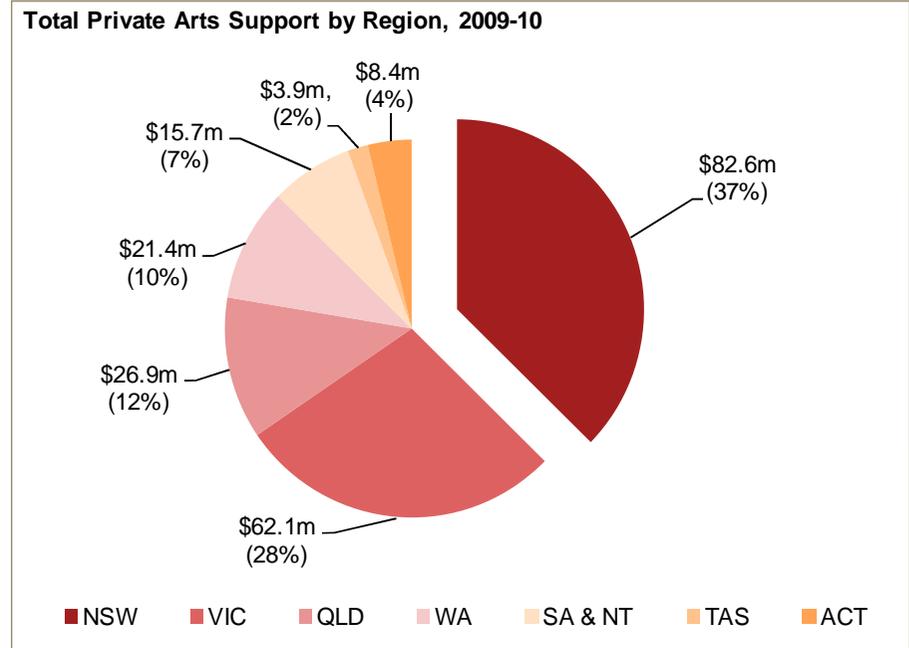


Source: ABS, Cultural Funding by Government, Australia, 2009–10

Notes:

- Media services (Film, radio, print etc) includes Literature and print media, Radio and television services, Film and video production and distribution, Multimedia
- Cultural skills and services includes Music composition and publishing, Visual arts and crafts, Design and other arts
- Performing arts includes Music performance, Drama, Dance, Music theatre and opera, Other performing arts and Performing arts venues

NSW has the greatest share of private sector support for the Arts



Source: Measuring private sector support for the arts in 2009-10, AbaF Survey of Private Sector Support

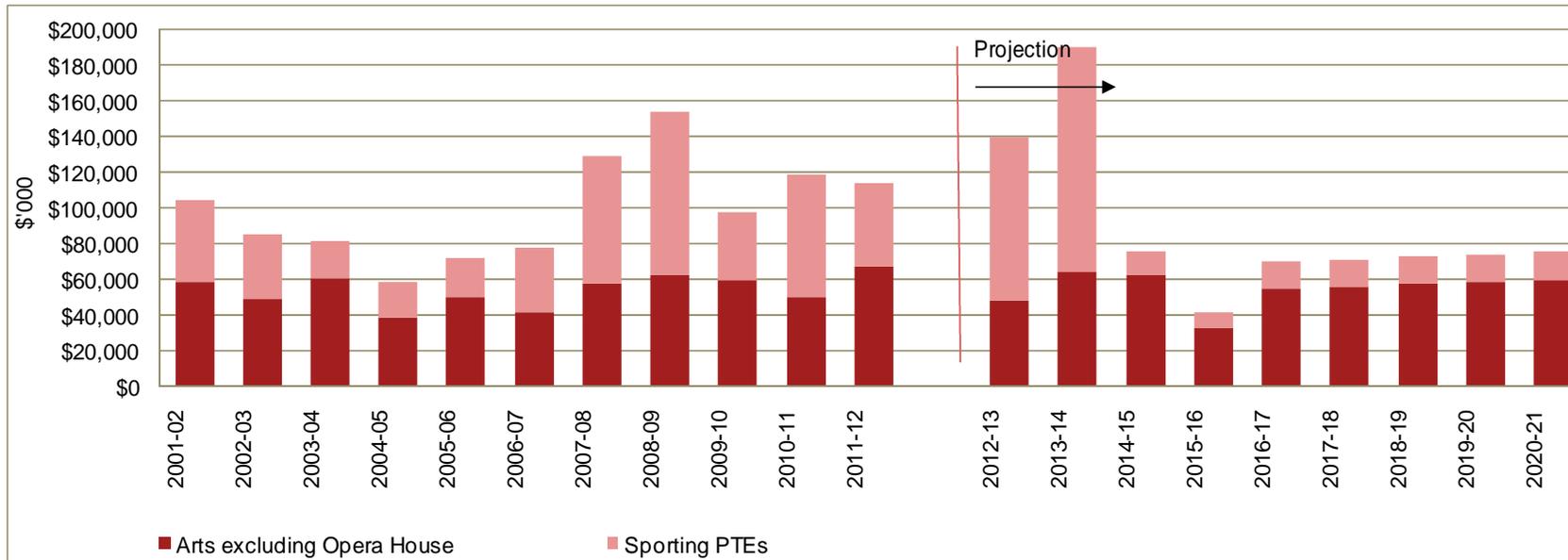
- In 2009-10, NSW accounted for the largest share of private sector support, despite a decline in overall support from 2009-08 to 2009-10 by almost \$7.1 million (-8%)
- Across Australia, art galleries accounted for the largest share of private sector support for the Arts (23%). Other infrastructure funding included museums and heritage (7%) and libraries (3%)

For the NSW Cultural Institutions, private funding for capital works tends to be for public facing works e.g. new galleries or extensions whereas Government tends to fund 'back of house' works that are important to effective functioning of the facility and to maintain collections through appropriate storage e.g. the NSW Government's shared storage facility proposed for Castle Hill.

8 Summary data on past and future investment across the culture sector

- After averaging about \$100 million per annum over the last 10 years (excluding the Opera House), NSW Government investment in Arts venues and major stadiums is forecast to drop to around \$65 million over the forward estimates if both the Opera House and Sydney Cricket Ground Trust are excluded (these venues account for the majority of investment over the next two years).
- Beyond that, investment is less certain.
- It is recommended a regular Arts allocation consistent with historical levels of around \$55 million per annum excluding the Opera House is made from 2016-17 to allow effective planning and prioritisation of capital works to maintain and improve the functionality of existing arts venues. Following recent substantial investments in stadiums, a lower ongoing allocation is recommended - \$15 million is suggested but additional analysis of priorities for these venues and the impacts on commercial revenue of recent upgrades is required to determine an appropriate amount. These amounts should be indexed over time (an index of 2% pa has been applied to the forecasts in the graph.)

Consolidated historic and forecast expenditure, 2001-02 to 2020-21, Arts venues and major stadiums (excluding Sydney Opera House and Sydney Cricket Ground Trust)



Source: Derived from data provided by NSW Treasury, Arts NSW to 2015-16 and PwC projections from 2016-17. Excludes Historic Houses Trust.

9 Proposed strategies for improved infrastructure provision

Target investment to activate 'arts ribbon' around the harbor and Sydney CBD

1. Leverage the benefits of clustering of NSW's cultural institutions in an "arts ribbon" around Sydney Harbour by:
 - a. Prioritising NSW Government investment in maintaining, refurbishing and functional upgrades of these existing cultural institutions – an annual capital funding envelope should be allocated for this purpose
 - b. Establishing "Development Partnerships" with the Commonwealth Government and the private sector to attract funding for hall mark investments in these venues
2. Current proposals for landmark investments which would require funding in addition to the recommended envelope but are yet to be assessed are:
 - a. Transforming the Walsh Bay precinct into an activated Arts precinct
 - b. Doubling the exhibition space at NSW Art Gallery
 - c. Opera House Renewal Project

The viability of proceeding with these projects will increase if private contributions are attracted - Development Partnership models could initially be explored for these projects if an assessment demonstrates feasibility.

Integrate asset functions

3. Integrate asset functions across the arts venues and continue to integrate functions across majors sports venues (through Venues NSW) to:
 - a. Promote co-use of 'back-office' facilities, for example shared storage projects
 - b. Exploit economies of scale and more efficient asset management e.g. rolling out a life-cycle asset management model across the cultural institutions
 - c. Improve process for assessing and funding priorities
 - d. Implement a sustainable maintenance funding model tied to life-cycle asset management that removes the need for inefficient annual negotiation on necessary maintenance.
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