

# Hawker Britton

Government Relations Strategy

## Victorian Budget 2016-17

### April 2016

On 27 April 2016 the Victorian Treasurer, the Hon Tim Pallas MP, delivered the 2016-17 Victorian Budget. The main theme of the Budget is job creation, with significant funding initiatives to attract local and international investment.

This is the second Budget delivered by the Andrews Labor Government since forming Government in November 2014.

The Treasurer's Budget speech is available [here](#).

The 2016-17 Victorian Budget is available in full [here](#).

The Budget Outlook .....	2
State Capital Program.....	3
Jobs.....	3
Payroll Tax.....	3
Transport and Infrastructure .....	4
Roads .....	4
Education.....	4
Health .....	5
Emergency Services.....	5
Tourism.....	5
Regional Victoria .....	5
Renewable Energy.....	5
Creative Industries .....	6
Planning and Housing.....	6
Sport .....	6
Service Victoria.....	6

## The Budget Outlook

This Budget produces an operating surplus of \$2.9 billion for the 2016-17 financial year. A \$1.8 billion surplus is expected for 2017-18 with an operating surplus expected to rise again to \$2.1 billion during the 2018-19 financial year.

Net debt is expected to be 4.7 per cent in the 2016-17 financial year.

The Victorian economy is expected to grow by 3 per cent in 2016-17.

## ESTIMATED FINANCIAL STATEMENTS

**Table 1.1: Estimated general government sector comprehensive operating statement for the financial year ended 30 June**

		(\$ million)			
	Notes	2016-17 budget	2017-18 estimate	2018-19 estimate	2019-20 estimate
<b>Revenue from transactions</b>					
Taxation revenue	2	21 594	21 292	22 468	23 354
Interest revenue		881	915	903	906
Dividends and income tax equivalent and rate equivalent revenue	3	1 059	1 377	846	787
Sales of goods and services	4	6 843	7 036	7 212	7 240
Grant revenue	5	27 424	28 069	28 844	29 957
Other revenue	6	2 569	2 320	2 331	2 374
<b>Total revenue from transactions</b>		<b>60 370</b>	<b>61 009</b>	<b>62 604</b>	<b>64 618</b>
<b>Expenses from transactions</b>					
Employee expenses		21 298	22 121	23 031	23 713
Net superannuation interest expense	7a	791	769	745	720
Other superannuation	7a	2 239	2 255	2 287	2 325
Depreciation	8	2 620	2 780	3 039	3 216
Interest expense	9	2 433	2 231	2 254	2 214
Grant expense	10	9 451	9 697	9 942	10 036
Other operating expenses	11	18 669	19 358	19 223	19 923
<b>Total expenses from transactions</b>	12	<b>57 501</b>	<b>59 212</b>	<b>60 522</b>	<b>62 147</b>
<b>Net result from transactions – net operating balance</b>		<b>2 869</b>	<b>1 797</b>	<b>2 082</b>	<b>2 471</b>
<b>Other economic flows included in net result</b>					
Net gain/(loss) on disposal of non-financial assets		73	337	77	67
Net gain/(loss) on financial assets or liabilities at fair value		11	16	17	17
Other gains/(losses) from other economic flows	13	(318)	(328)	(335)	(349)
<b>Total other economic flows included in net result</b>		<b>(234)</b>	<b>26</b>	<b>(241)</b>	<b>(265)</b>
<b>Net result</b>		<b>2 635</b>	<b>1 823</b>	<b>1 841</b>	<b>2 206</b>

Source: Statement of Finances 2016-17, Budget Paper No.5, pg 7

### **State Capital Program**

The Government has indicated the total estimated investment value of projects under way in 2016-17, excluding Public Private Partnerships (PPPs) is between \$56.7 billion and \$57.7 billion. These figures include new projects announced in the 2016-17 Budget and previous projects from the 2015-16 Budget.

The Victorian Government's state capital program will be funded through a number of sources. Importantly, the Government have extended the funding horizon over 10 years to create greater certainty for key infrastructure projects. The Government indicated that, assuming debt will be held at around six per cent of Gross State Product (GSP) and Commonwealth funding will be available in the form of infrastructure grants, it is expected that \$46 billion will be available to fund infrastructure projects over the next 10 years. The State's capital program can be expanded to the extent the Government is successful in realising alternative funding sources, such as through asset recycling and private investment.

### **Jobs**

The Victorian Government continues to maintain a strong commitment to a framework based on job creation, with funding initiatives to attract investment from the fastest growing industries and international companies in Victoria.

- \$53 million to establish Jobs Victoria, which for the first time will consolidate all Victorian employment services into one system.
- The \$116 million Investment Attraction and Assistance Fund to attract investors and encourage business to explore international markets.
- A further \$12 million allocated towards the Victorian Industry Participation Policy. This is in addition to the \$5.6 million of existing funding in the 2015-16 Budget.
- \$10 million towards the expansion of the Victorian Automotive Transition Plan that will support businesses to hire retrenched workers.

\$111.4 million allocated to the Future Industries Fund, whereby the framework for delivering business growth and new opportunities is based on the following six fast-growing sectors in Victoria:

- Medical technologies and pharmaceuticals;
- International education;
- Professional services;
- New energy technologies;
- Food and fibre; and
- New technology in construction, transport and defence.

Further, an additional \$50 million has been allocated to the now \$558 million Premier's Jobs and Investment Fund, to assist innovative businesses developed business cases and attract investment in Victoria.

### **Payroll Tax**

- For the first time since 2002, the payroll tax threshold will be increased from \$550 000 to \$650 000. The threshold will increase incrementally, with the first increase to \$575 000 taking effect on 1 July 2016, and will continue to increase until 2019-20 at \$650 000.

- From July 1, a further pay roll tax exemption will be available to certain employers of displaced apprentices or trainees.

### **Transport and Infrastructure**

- A centrepiece of the 2016-17 Budget is the allocation of \$2.9 billion over the forward estimates to fully fund the Melbourne Metro Tunnel, with the Government indicating it will be operational by 2026. The project includes two new tunnels under Melbourne city and five new underground train stations, with 65 new high capacity trains to run on the line.
- The Melbourne Metro tunnel and stations work package of the project will be procured through a PPP. The Victorian Government will invite the private sector to design, build, finance and maintain the tunnel and five new underground train stations.
- The High Capacity Metro Trains project will also be procured through a PPP, with the successful consortium invited to design, finance manufacture and commission the 65 High Capacity Metropolitan Trains, a depot a light service facility and will be responsible for maintenance. The contract is expected to be executed in November 2016, with the Government indicating the first train will be delivered in 2018.
- The Victorian Government has also indicated it is also developing a strategic program business case that will explore PPP availability options for bundling packages of outer metropolitan arterial road upgrades and long-term maintenance.

### **Roads**

- \$1.64 billion has been allocated to fully fund the Western Distributor Project. The project will be funded through a combination of tolls on the new road, an extension of the CityLink concession deed and a contribution from the Victorian Government. The Western Distributor Tunnel will be the second River crossing for Melbourne and is expected to reduce travel time by 20 minutes from the west and Geelong. The Government has indicated 5600 new jobs will be created by the project.

### **Education**

- \$116 million to establish 10 new tech schools that will be located in: Gippsland, Bendigo, Ballarat, Geelong, Monash, Casey, Wyndham, Banyule, Yarra Ranges and Whittlesea, enabling students to attend school and develop hands-on experience.
- \$924 million allocated towards building schools and upgrading classrooms, which will be overseen by a new Victorian School Building Authority. Some initiatives in the funding includes:
  - \$287 million to acquire land to build or complete 23 new schools;
  - \$92 million to establish 10 Tech Schools at TAFEs and universities, including four in Regional Victoria; and
  - \$50 million for the new Shared Facilities Fund to help more schools become community hubs.

## Health

An additional \$2.45 billion allocated to the health sector, some of which includes:

- \$1.63 billion towards hospitals, ambulances and health programs that will enable hospitals to admit an extra 79 000 patients, treat an extra 43 000 patients in emergency departments and reduce waiting times;
- \$135 million for Victoria's first Heart Hospital;
- \$70 million for new medical equipment, IT hardware and source new engineering infrastructure in Victorian hospitals;
- \$29.5 million to implement a Real Time Prescription Monitoring system;
- \$27.3 million to rebuild and upgrade ambulance stations and purchase addition vehicles;
- \$19.8 million to support the forthcoming Victorian Government's Health and Medical Research Strategy;
- \$16.8 million to strengthen quality and safety across the health system;
- \$16.6 million for cancer research and support services;
- \$10 million for Better Care Victoria to establish a state-wide hospital innovation fund;
- \$5 million to progress an electronic medical records system for hospitals in Parkville; and
- \$3 million for planning to support the future of the Parkville Biomedical Precinct.

## Emergency Services

- \$37.1 million allocated over four years to continue to expand the Emergency Medical Response (EMR) program to further up-skill fire fighters during medical emergencies.
- \$58 million towards the Emergency Services Telecommunications Authority (ESTA) in order to respond to 2.4 million annual calls.

## Tourism

- Visit Victoria, a Government agency established in 2015 to consolidate Victoria's tourism, major events and marketing campaigns, has been allocated \$38 million towards a new marketing campaign to attract interstate and international visitors.

## Regional Victoria

- \$200 million for a Regional Health Infrastructure Fund.
- \$325 million towards infrastructure and services, with upgrades to irrigation, water security, mobile blackspots and planning for local projects.
- \$101 million for a Regional Tourism Infrastructure Fund for upgrading tourist landmarks, creation of jobs and encouraging tourism across the State.

## Renewable Energy

- \$7.56 million towards the establishment of a Visual Centre for Climate Change Innovation.
- The Government also indicated it will construct a facility that processes the excess food waste generated from commercial and industrial sector into energy.
- \$24.3 million towards delivering the Victorian Energy Efficiency and Productivity Strategy that will improve energy efficiency and reduce energy price pressure on businesses and homes.

### **Creative Industries**

- \$152 million has been allocated towards *Creative State*, which will be Victoria's first Creative Industries strategy, aimed at developing and keeping Victoria's creative talent across film and television, digital games, design, fashion, music and the performing and visual arts in order to provide the opportunity for Victorians to undertake internationally recognised work.
- The package includes \$16.4 million towards Victoria's design industry and \$14.2 million for the screen industry and to support the Melbourne International Film Festival.
- Also included in the package is \$33.7 million to increase opportunities for local and international participation and engagement and to strengthen career pathways.
- Creative State is expected to roll out from July 2016, and will be overseen by the Creative State Advisory Board and will be chaired by the Minister for Creative Industries.

### **Planning and Housing**

- \$25.5 million allocated towards developing a new *Smart Planning* system, which was last reformed 23 years ago. The new *Smart Planning* system will for the first time, enable online planning applications and eliminate the need for permits for certain small projects. Changes to the system includes faster approvals in commercial and industrial zones, improves zone controls to ensure consistency and reduce duplication and online planning scheme amendments and easy access to assessments for decisions for certain proposals such as wind farms and the central city.
- \$500 000 for the Big Issue to establish their Homes for Homes program.

### **Sport**

- \$22 million allocated to the Better Indoor Stadiums Fund to address the demand in Victoria's suburbs and towns.
- \$8 million for the Country Football Netball Program to assist regional clubs with building new and upgrading facilities including installing lights and court re-surfacing.
- An extra \$2 million for the Significant Sporting Events Program, which secures more than 70 events for Melbourne and regional Victoria each year.

### **Service Victoria**

- \$81 million to develop Service Victoria, which will consolidate certain Government services and information and modernise the delivery of the highest volume government transactions. This funding allocation follows on from the allocation of \$15 million in the 2016-16 Budget which enabled the commencement of planning on the project.



## **Further Information**

The Treasurer's Budget speech is available [here](#).

The 2016-17 Victorian Budget is available in full [here](#).

The Hawker Britton Occasional Paper on the 2015-16 Victorian Budget Update is available [here](#).

The Hawker Britton Occasional Paper on the 2015-16 Victorian Budget is available [here](#).

Victorian Budget media releases: <http://www.premier.vic.gov.au/tag/budget-201617/>