

## NSW Budget 2015/16

**On 23 June 2015, the NSW Government released its 2015/16 NSW Budget. The budget delivers significantly increased infrastructure spending and continued expenditure control. Existing programs affecting Local Government have largely been maintained.**

On 23 June 2015, the NSW Treasurer, the Hon Gladys Berejiklian MP, delivered the NSW Budget for the financial year 2015/16.

### Results and forecasts

The NSW Budget 2015/16 continues to benefit from revenue growth as a result of strong economic growth in NSW, including strong housing consumption and related stamp duty revenue.

The estimated budget result for 2015/16 is an underlying surplus of \$712.6 million. Taking account of the NSW Government's reforms to transport assets the budget forecasts a surplus of \$2.520 billion. From July 2015, a new Transport Asset Holding Entity, as part of the Rail Corporation NSW, is to be established to streamline the delivery of public transport asset management.

Future budgets are forecast to achieve results similar to 2015/16, with surpluses exceeding \$2 billion in each year over the forward estimates. The revised budget result for 2014/15 is a surplus of \$2.058 billion.

From 2015/16 revenue growth is expected to be more subdued compared to 2014/15 and forecast to grow at only 2.8% a year over the forward estimates (2015/16 to 2018/19), largely because substantial losses in dividends from government owned electricity businesses, losses in GST revenue as a result of a reduction in NSW's GST relativity, and looming cuts to federal government grants.

This is well down on revenue growth of 4.2% a year for the first term of the NSW Coalition Government when the budget benefitted from a doubling in stamp duty thanks to the house price boom and rising dividends from state-owned electricity networks.

Subdued revenue growth is to be managed by effective expense growth management (capping operational spending growth to 2.8%, matching expected revenue growth over the forward estimates) Public sector wage growth is to continue to be constrained to 2.5%, with a labour expense cap to continue to apply to all agencies.

### Infrastructure spending

The centrepiece of the budget is an allocation of \$16.5 billion in 2015/16 for investment in infrastructure across metropolitan and regional NSW (general government and public trading enterprises sectors). This compares to total actual infrastructure spending of \$13.7 billion in 2014/15 (revised budget figures) and \$15.1 billion budgeted for 2014/15.

This includes \$8.9 billion capital spending on transport infrastructure.<sup>1</sup> Capital expenditure on roads infrastructure<sup>2</sup> has been increased by \$1.2 billion to \$ 4,709 billion; an increase of 34.5%

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<sup>1</sup> Capital expenditure on transport infrastructure includes capital expenditure by the following agencies/entities: Transport for NSW, Roads and Maritime Services, Independent Transport Safety Regulator, Office of Transport Safety Investigations (general government sector - Transport,

on the revised 2014/15 budget figure of \$3,502. Capital expenditure on other (public) transport has been increased by \$729 million to \$ 4,190 billion; an increase of 21% on the revised 2014/15 budget of \$3.461 billion.

Over the forward estimates, infrastructure expenditure in NSW is to total \$68.6 billion representing a significant increase compared to forecast spending over respective forward estimates in previous budgets (\$60.5 in 14/15 budget; 59.7 billion in 13/14 budget). The four year program to June 2019 is 13.4% higher than the four years to 2018 published in the 2014/15 budget.

### ***Rebuilding NSW***

Future revenue and expenditure associated with the Rebuilding NSW capital program is not included in the 2015/16 budget or the forward estimates (proceeds from the partial lease of electricity network service providers are not to be accounted for until the transaction contract has been signed).

However, the budget does include funding of the acceleration of a number of key Rebuilding NSW initiatives. A total of \$590.6 million have been brought forward – funded from the Consolidated Fund and Restart NSW – to enable the immediate commencement of planning and construction of some Rebuilding NSW projects (see page 4.4 of budget paper no.1 – budget statement).

When fully implemented, Rebuilding NSW is to significantly increase capital spending over an extended period, including beyond the budget and forward estimates period.

### ***Key projects over the next four years***

Over the next four years, major capital works include:

- Major upgrades for vital link roads, including Princes Highway (\$487 million), Western Sydney Growth Roads (\$448 million), Great Western Highway and Bells Line of Road (\$265 million), Newell, New England, Oxley, Mitchell, Kings, Central Coast, Silver City and Cobb Highways, and completion of the duplication of Pacific Highway
- The WestConnex Motorway project (\$1.7 billion).
- Western Sydney roads to support Sydney's second airport at Badgerys Creek (\$1.7 billion).
- Rail projects including the Sydney Metro Northwest (formerly called the North West Rail Link) (\$5.7 billion), Fixing the Trains (\$159 million), planning for the Sydney Metro City and Southwest (formerly called Sydney Rapid Transit) (\$84 million), the next generation of the intercity rail fleet (\$563 million), funding for planning and procurement activities to replace the XPT rail fleet (\$41 million) and the Northern Sydney Freight Corridor.
- The Transport Access Program (\$890 million) to provide a better experience for public transport customers by delivering accessible, modern, secure and integrated transport infrastructure.
- CBD and South East Light Rail (\$2.1 billion), planning for the Parramatta Light Rail (\$19 million), new buses (\$454 million) and funding for the Newcastle Light Rail.
- \$560 million contribution to NorthConnex, including up to \$410 million from Restart NSW.

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Infrastructure, Roads and Maritime Cluster) and Rail Corporation NSW including the new Transport Asset Holding Entity, Sydney Trains, Sydney Motorway Corporation Pty Ltd and subsidiaries, State Transit Authority of NSW, Sydney Ferries, NSW Trains (public trading enterprises in the transport sector).

<sup>2</sup> This does not include grants to Local Government for roads capital expenditure (e.g. Regional Road Block Grants and Repair program, Fixing Country Roads program).

- \$5 billion in capital works for hospital upgrades, redevelopments and expansions, new and upgraded ambulance stations and additional Multipurpose Services.
- \$2.1 billion for education and training projects including: \$1.5 billion for new schools and upgrades at existing schools to meet the growth in student numbers and to improve facilities; \$240 million for school information technology works; and \$353 million for TAFE construction and information technology projects.
- \$2.4 billion for social and affordable housing projects.
- \$12.1 billion capital investment for water and electricity including: \$7.8 billion for energy projects to ensure a reliable electricity supply, meet forecast demand and maintain and replace assets as required, as well as deliver essential distribution and transmission networks upgrades; and \$4.3 billion for water and wastewater projects including growth works to service urban development across Sydney, the Illawarra and the Blue Mountains (\$743 million) and upgrades for dams, fishways and reservoirs.

### **Housing sector stimulus**

The budget continues the NSW Government's comprehensive package to stimulate the housing sector.

The 2015/16 budget provides an additional \$400 million for the *Housing Acceleration Fund* (HAF) taking total HAF funding to \$966 million since 2012. The HAF objective is to speed up the delivery of more housing and put downward pressure on home prices through increased supply. The 15/16 funding is to focus on projects that enable and facilitate increased housing in existing areas. This will include projects that help facilitate new housing investment, while improving the infrastructure and amenity of existing areas.

### **Local Government Focus**

Funding for programs directly affecting Local Government, including roads funding, has generally been maintained in real terms. The budget does not appear to contain any new taxes or other financial impositions on Local Government.

Measures include:

#### **Local Government reform – *Fit for the Future* program**

A total of \$11.8 million in 15/16 for the *Fit for the Future* reform package. Advice from the NSW Office of Local Government indicates that increased expenditure of direct assistance of up to \$300 million the announced under the *Fit for the Future* program (mainly related to amalgamations) would not eventuate before the 2016/17 budget.

#### **Pensioner rate rebates**

The budget allocates \$78.5 million to the *Pensioner Rebate Scheme* in line with the NSW Government's commitment to maintain the current level of reimbursement for mandatory pensioner rate rebates up until 2017/18 despite the cuts to the Commonwealth contribution announced in the 2014/15 federal budget (approximately \$7 million a year).

#### **Local Infrastructure Renewal Scheme**

The budget allocates \$16.2 million for ongoing funding under the *Local Infrastructure Renewal Scheme* (LIRS). Under LIRS, councils receive interest rate subsidies for council loans taken out for infrastructure renewal up to 2025. To date 166 projects have been approved for the subsidy.

### **Funding under *Resources for Regions***

The budget does not contain new funding commitments for the *Resources for Regions* program beyond the election commitment to increase total funding for the *Resources for Regions* program to \$217 million, which was mainly allocated during 12/13, 13/14 and 14/15.<sup>3</sup> The budget makes available remaining \$8 million in 2015/16 under the program with a further \$9 million reserved under *Restart NSW*. LGNSW has called for a continuation and expansion of this program.

### **Funding for local roads**

Funding for the *Regional Road Block Grants and Repair* program was increased by 1.5% to \$177 million (\$174.3 million in 2014/15), which is within normal expectations (CPI increases).

Funding under the *Fixing Country Roads* program is budgeted at \$39.3 million in 15/16 (down from \$42.3 million in 2014/15). This program enables councils to address key strategic freight pinch points on their local roads networks.

### **Funding for water supply and sewerage infrastructure**

The budget allocates \$38 million in 2015/16 for the Country Towns Water Supply and Sewerage Program (CTWSSP); in line with the NSW Office of Water's works schedule.

In addition (announced before the budget), funding of \$110 million over a number of years has been made available for CTWSSP backlog projects in 71 communities across NSW that had not previously been allocated a subsidy. This is welcome additional funding.

Further, the budget allocates \$127.4 million in 15/16 under the *Water Security for Regions* program<sup>4</sup> including \$67 million for 16 local infrastructure projects and \$52.3 million to secure emergency water supplies in Broken Hill.

### **Aboriginals Communities Water Supply and Sewerage Program (ACWSP)**

\$11 million have been allocated for this program in 2015/16 (\$12 million in 2014/15).

The ACWSP commenced in 2008/09 and is actively supported by LGNSW and participating councils. The ACWSP obtains support from and provides funding to councils/local water utilities to provide operational, maintenance and monitoring services of water supply and sewerage systems in selected Aboriginal communities.

### **Funding for airports and tourism**

\$110 million has been allocated to the Regional Tourism Infrastructure Fund for investment in regional airport upgrades, including \$95 million to shortlisted regional airports (e.g. Broken Hill in far western NSW, Lismore and Moree in northern NSW as well as Wagga Wagga and Griffith in southern NSW). This is a welcome continuation of the fund which was introduced last year.

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<sup>3</sup> In 2013/14, funding of \$113.7 million was provided to eight councils eligible for assistance – Cobar, Lithgow, Mid-Western Regional, Muswellbrook, Narrabri and Singleton, Newcastle and Wollongong. In 2014/15, funding of \$129.9 million was provided to 11 councils eligible for assistance - Broken Hill, Cessnock, Cobar, Lithgow, Maitland, Mid-Western Regional, Muswellbrook, Newcastle, Singleton and Wollongong.

<sup>4</sup> The NSW Government's *Water Security for Regions* program was announced in the 2014/15 NSW Budget. The program is application based and provides funding for infrastructure projects in regional areas that enhance water security including storage/dam augmentation, pipeline and bore works, and water efficiency mechanisms. In total, it makes available \$366 million.

### **Fire and Emergency Services**

The budget recurrent and capital expenditure allocations in 2015/16 for the three emergency services are as follow:

- The Rural Fire Service budget is \$374.9 million; an increase of 9.7% compared to the revised 2014/15 figures of \$341.9 million.
- The Fire and Rescue NSW budget is \$741.9 million; an increase of 0.1% compared to the revised 2014/15 figures of \$741.8 million.
- The NSW State Emergency Service budget is \$122.7 million; an increase of 27.6% compared to the revised 2014/15 figures of \$96.2 million. This includes additional \$24.3 million for the Strategic Disaster Readiness Package to help prevent and respond to flood and storm events.

Collectively the three Emergency Services budgets have increased 5.1%.

Local Government is directly impacted by these increases as it funds 11.7% of the Rural Fire Service, Fire and Rescue, and State Emergency Service budgets via the Emergency Services Levy. The increase of 5.1% compared to councils 2015/16 rate cap of 2.4% again highlights the need for the Emergency Services to be funded by a broad based property levy compared to the current flawed Emergency Services Levy system.

### **Funding for Local Government libraries**

Funding in 2015/16 to local libraries through the State Library is to remain static at \$27.5 million. In the 2014/15 budget, for the first time in years, funding increased slightly to \$27.5 million from \$26.6 million in 2013/14.

This is a disappointing outcome. LGNSW has been calling for significant funding increases for local libraries for a number of years, including in its submission to the 2015/16 NSW Budget. LGNSW is concerned about the continuous decline in real terms of NSW Government support for council libraries. NSW Government expenditure on Local Government libraries has decreased as a proportion of total public library expenditure from 23.6% in 1980 to 7.7% in 2012/13.

### **Funding for noxious weeds management**

The budget allocation for the control of noxious weeds remains at \$11 million in 2015/16, which is the same as in 2014/15.

This is a disappointing outcome. In its budget submission, LGNSW called for an increase in funding allocated to noxious weed management to \$20 million per annum.

### **Waste Levy and Waste Less, Recycle More**

The budget papers do not specify any estimated payments in 2015/16 to Local Government for waste avoidance and recycling initiatives sourced from the waste levy.

While LGNSW welcomes the NSW Government's focus on waste avoidance and reduction programs under its *Waste Less, Recycle More* (WLRM) initiative (\$465.7 million over 5 years to 2016/17), the rate of hypothecation of councils' waste levy payments for council programs remains at low levels.

LGNSW's estimates show that about 32% of waste levy payments by councils over the WLRM period (2012/13 to 2016/17) are to be returned to Local Government. This represents significant reduction from a hypothecation rate of 54% between 2006 and 2010 (including the *Urban Sustainability Program*).

LGNSW continues to call, including in its submission on the 2015/16 NSW Budget, on the NSW Government to fully hypothecate waste levy payments by NSW councils to support council waste avoidance and reduction, recycling and waste management programs.

### **Funding for coastal, estuary and flood management**

The budget continues to provide funding for the *Coastal, Estuary and Flood Management Grants* program in the order of \$26 million in 2015/16. The grants provide funding to councils through competitive grants program ahead of the coastal reforms.

### **Container deposit scheme**

\$2.5 million allocated to the design of and implementation of a container deposit scheme. The scheme is proposed to start in July 2017.

### **Land use planning and development assessment**

The budget allocates \$19.9 million in 2015/16 to construct the online Planning Portal to make the planning system simpler and easier to use. LGNSW welcomes the continued commitment to this initiative. This was supported in LGNSW's budget submission.

Further, significant funding of \$19 million in 2015/16 has been allocated to establish the Greater Sydney Commission and deliver the NSW Government's *Plan for Growing Sydney*.

The budget also allocates \$77.6 million for councils under the *Local Infrastructure Growth Scheme*, continuing this important initiative that funds the gap between what councils can charge developers in infrastructure levies and what it actually costs councils to build infrastructure.

### **Other funding measures**

Other funding measures of relevance to Local Government include:

#### ***Bridges for the Bush* program**

The budget allocates \$76 million in 2015/16 for the *Bridges for the Bush* program; a program to replace and upgrade bridges on key freight routes in regional NSW; down from \$135 million in 2014/15. This program covers mainly state owned roads infrastructure.

#### **Ageing**

A sizeable portion of infrastructure spending will be directed to making more public transport facilities accessible for those with mobility issues, with the budget allocating \$890 million over the forward estimates in station upgrades and commuter car parks over the coming four years.

The budget also allocates funding committed during the election campaign to expand programs that broaden the interactions, and skills of older people, with \$2 million over four years for the popular *Tech Savvy Seniors Program*, and \$2 million over four years to double the number of outlets offering Seniors Card discounts.

The budget also includes an allocation of \$4 million in grants over four years for local community projects to deliver accessibility, active living, and mobility projects for seniors.

#### **Disability**

The budget provides \$3.3 billion in 15/16 for people with disability, including funding to ensure the smooth transition to the National Disability Insurance Scheme (NDIS).

#### **Early childhood education services**

The budget provides \$348 million in 2015/16 for early childhood education. This funding is

primarily focused on preschool education by continuing the NSW preschool funding model announced in 2014 and contributing towards the ongoing National Partnership Agreement on Early Childhood Education.

The Government will also follow-through with a pre-election announcement to support the co-location of early childhood facilities in primary schools. Funding will also be available for a new program to boost Outside of School Hours Care (OSHC) places. Grants of up to \$20,000 will be made available to at least 1,000 primary schools to help with the cost of establishing an OSHC service to meet growing community demand.

### **Domestic and family violence (DFV)**

The budget allocates \$148.5 million over four years on specialist DFV programs and services. Funding for *Safer Pathway* is \$2.3 million in 2015/16. Additional \$10.4 million in 2015/16 has been allocated to provide short to medium-term financial help for people escaping DFV who are at risk of homelessness under the *Start Safely Program*; \$3.6 million to continue the *Integrated Domestic and Family Violence Service* to prevent the escalation of DFV among high risk groups; and \$1.8 million for the *Men's Behaviour Change Programs* to work with domestic violence perpetrators to change their behaviour.

### **Multicultural**

The budget allocates \$4 million over two years to tackling youth radicalisation through measures to address the impact of overseas conflicts on local communities and build community harmony.

### **Social housing**

The budget includes social housing and homelessness measures to enable social housing tenants to transition into the private market (\$75.7 million) and \$182 million for specialist homelessness services. An additional \$6 million in 2015/16, (\$20 million over three years) has been allocated to improve the livability of social housing neighbourhoods through the *Social Housing Community Improvement Fund*.

Councils, community non-profit groups and private sector organisations will be able to apply for funding up to \$50,000 for projects that improve community infrastructure or facilities, enhance open spaces, improve safety or increase accessibility.

### **Aboriginal Housing**

The budget allocates in 2015/16, \$167.5 million (\$120.9 million recurrent and \$46.6 million capital) to the Aboriginal Housing Office to spend on Aboriginal social housing assistance including:

- \$46.1 million under the National Partnership Agreement on Remote Indigenous Housing and through the Aboriginal Housing Office's own capital works program to deliver safe and affordable housing in regional and remote areas for Aboriginal people
- \$28.4 million to repair and maintain dwellings for the Aboriginal community housing sector to improve the quality of housing available to Aboriginal people.

### **Aboriginal affairs**

The budget allocates \$30 million in 2015/16 to the Department of Education for Aboriginal Affairs to deliver programs and initiatives in partnership with Aboriginal communities. Key initiatives include:

- \$20 million over two years for an Aboriginal Centre of Excellence in Western Sydney; and
- \$3 million to continue implementation of initiatives under OCHRE (Opportunity, Choice, Healing, Responsibility, Empowerment), the NSW Government's plan for Aboriginal Affairs.

### **Environment**

The allocation for the Environmental Trust has increased from \$84.6 million in 14/15 (revised budget figures) to \$106.5 million. The allocation for the Environmental Protection Agency has increased from \$138.4 million in 14/15 (revised budget figures) to \$162.4 million; an increase of 17.3% mainly reflecting added regulatory responsibilities for the coal seam gas industry.

### **NSW Police Force**

The budget allocates increased capital investment of \$178 million in 2015/16 to continue upgrades of NSW Police stations and properties, including more than \$64 million to build or refurbish police stations in Deniliquin, Gunnedah, Bay and Basin, Liverpool, Moss Vale, Tweed Heads, Lake Macquarie, Riverstone and Walgett.

The 2015/16 budget continues the NSW Government's commitment to increase the authorised strength of the NSW Police Force by a further 489 officers to 16,795 by December 2018 and allocates recurrent funding to employ additional police. Also, \$100 million have been allocated to the *Policing for Tomorrow Fund* to provide modern equipment to police officers.

Further, the budget allocates \$1.2 billion for corrective services to address a critical need for expansions and upgrades of NSW's prison facilities including a new jail will in Grafton and an expansion of Sydney's Parklea jail.

### **Drought assistance**

The budget allocates \$50 million in 2015/16 for concessional loans under *the Farm Innovation Fund* to assist primary producers to prepare for future drought and \$13 million in 2015/16 for supporting primary producers in New South Wales to become more resilient and better prepared for future drought conditions consistent with the terms of the Intergovernmental Agreement on National Drought Program Reform.

### **Arts and culture**

Most initiatives for arts and culture are focused on infrastructure, but one major initiative is an allocation of almost \$51 million in 2015/16 for the *Arts and Cultural Development Program* to support artists and organisations across NSW. This goes some way to address LGNSW's election priority to "Create a Local Government arts and cultural development fund, with a key objective being to improve arts and infrastructure outside the Sydney CBD (\$5 million per year)".

Overall, the budget for the arts it is mainly metro-focused, including investments in infrastructure for relocation of the Powerhouse Museum from Ultimo to Parramatta and \$7.5 million for local arts and cultural organisations; \$11 million over two years for planning, design and approvals of the new Walsh Bay arts precinct; and \$4.9 million for upgrades to the State Library, including improved disability access.

### **Further information**

Budget papers are available at [www.budget.nsw.gov.au](http://www.budget.nsw.gov.au).