

NSW

BUDGET 2016-17



BUDGET OVERVIEW

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2016-17 NSW Budget publications include:

Budget Speech

Budget Overview

Regional Overview

Budget Paper No. 1 - Budget Statement

Budget Paper No. 2 - Infrastructure Statement

Budget Paper No. 3 - Budget Estimates

Budget Paper No. 4 - Appropriation Bills

Budget Paper No. 5 - Intergenerational Report

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TREASURER'S MESSAGE



Our strong Budget position means that we can invest record amounts into infrastructure and services for the people of NSW

New South Wales has the strongest economy and the strongest budget position of any state.

In the last year, NSW has created 141,800 jobs, almost two-thirds of the jobs added across the nation.

Households and businesses have high levels of confidence. Home approvals have also reached record highs. Our State is truly Australia's number one destination to live, work and do business.

After five years of fiscal repair, our Budget is comfortably in the black, we are investing more in infrastructure for the future and our triple-A credit rating is secured.

Our above-trend economic growth is expected to continue over the next two years, with gross state product forecast to rise by 3 per cent in 2016-17 and 2¾ per cent in 2017-18.

The Government continues to deliver robust fiscal results with a surplus of **\$3.7 billion** forecast in 2016-17. Surpluses averaging **\$2.0 billion** are also projected over the next four years.

Our solid budget position means that we can invest record amounts into infrastructure and services for the people of NSW. In this Budget, a record **\$73.3 billion** will be invested into the State's infrastructure over four years — building the schools, hospitals, public transport and roads our communities need.

The Government is also spending record amounts on our essential services, including extra nurses, teachers and police.

We are determined to improve the quality of life for the most vulnerable including **\$560 million** additional funding over four years for children and young people in out-of-home care, over **\$300 million** over four years on domestic and family violence services and **\$3.3 billion** a year for disability and ageing support in 2016-17.

This Budget also includes a responsible plan to prepare NSW for any fiscal challenges that may arise in coming years.

The Budget will ensure that no matter where people live in NSW or what their circumstances, they can expect to receive quality services and infrastructure from the NSW Government.

Gladys Berejiklian MP
NSW Treasurer

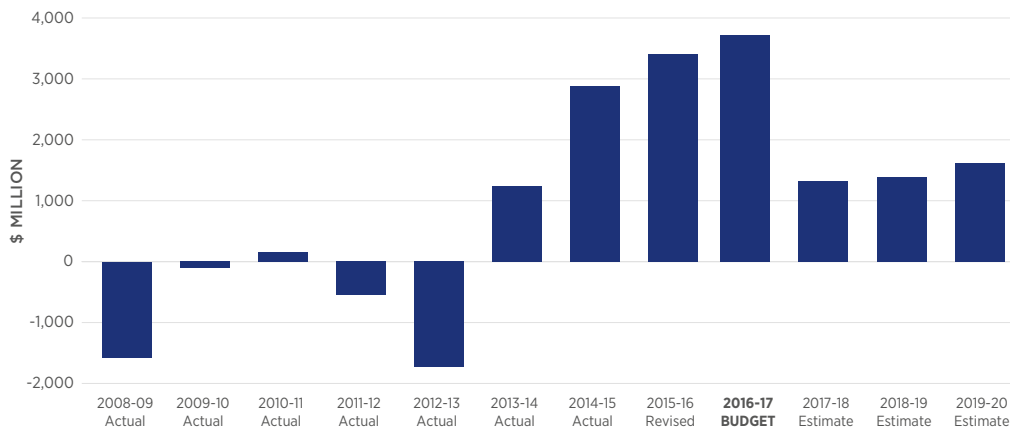
BUDGET RESULT



An impressive record of financial management

- The Budget is in a strong position. A surplus of **\$3.7 billion**, or 0.7 per cent of gross state product (GSP), is forecast for 2016-17.
- Surpluses averaging **\$2.0 billion** (around 0.3 per cent of GSP) are forecast for the budget and forward estimate years.

Budget results over time



This Budget delivers a surplus of

\$3.7b

in 2016-17 and an average of \$2.0b in surpluses across the budget and forward estimate years

Our proven track record of delivering responsible budgets has secured our triple-A credit rating

Investing in infrastructure through asset recycling

- The Government has been able to invest record amounts in new infrastructure, while keeping debt low, through its asset recycling program.
- Since the 2015-16 Budget, the Government has finalised the long-term lease of TransGrid, resulting in net proceeds of **\$6.6 billion** (including stamp duty) becoming available for investment in infrastructure projects across the State.
- The successful conclusion of the State's partial long-term lease of Ausgrid and Endeavour, expected in 2016-17, will further boost cash receipts into the State, reduce net debt below the budget estimates and allow future investment opportunities.
- Asset recycling allows the Government to increase its investment in infrastructure while maintaining our triple-A credit rating.

LEADING THE NATION



NSW has the lowest unemployment rate of any state at

5.2%

(May 2016) and has been below the national average for 15 consecutive months

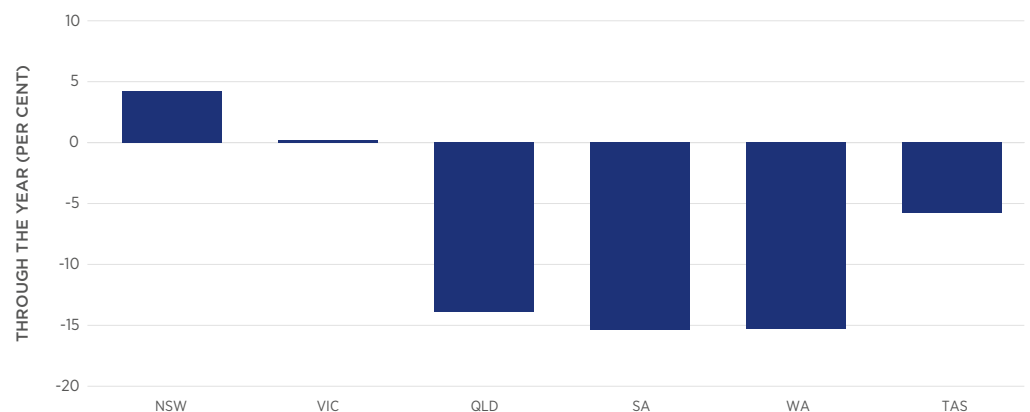
141,800

extra jobs have been created in NSW in the past year

The NSW economy is growing at an above-trend pace

- Above-trend economic growth is expected to continue over the next two years, at **3 per cent** in 2016-17 and **2¾ per cent** in 2017-18.
- Economic growth will be supported by low interest rates, a lower exchange rate, solid population growth and a strong pipeline of public infrastructure and housing construction.
- State final demand, a measure of economic activity in the State and major component of GSP, rose by **3.9 per cent** through the year to the March quarter 2016. This is well above the national average of 0.9 per cent and the strongest of any state.
- The level of residential building approvals in the State remains at around 42-year highs, with over **70,000** approvals in the 12 months to April 2016.
- Growth will be boosted by a record **\$11.7 billion** pipeline of residential construction underway and a **\$73.3 billion** capital expenditure program in the State over the next four years.

Private construction growth since the March quarter 2015



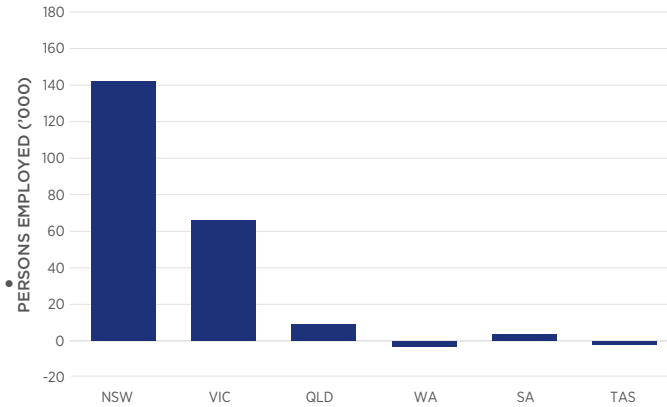
Source: ABS cat. no. 5206.0 National Accounts

Note: Construction is comprised of total private dwelling and non-dwelling construction from the national accounts.

The NSW economy continues to perform strongly at a time when the rest of Australia is experiencing a challenging economic environment

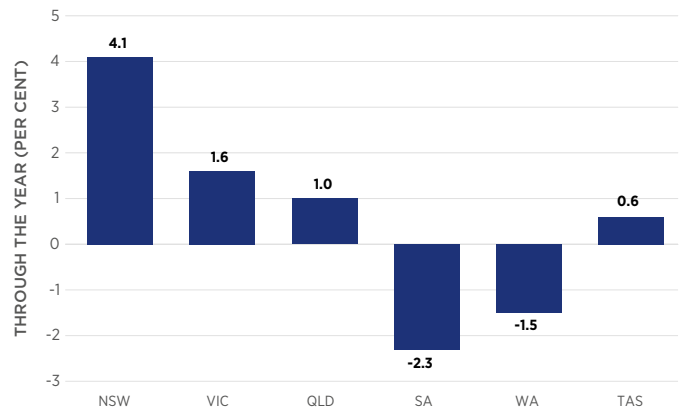
- Employment growth has been robust at **3.9 per cent** over the past year, the fastest in the nation.
- NSW created almost two-thirds of the jobs added nationally in the last year.
- Average earnings of employees grew by **4.1 per cent** in the 12 months to November 2015. Earnings growth was supported by a shift to full-time work.

Employment increase since May 2015



Source: ABS cat. no. 6202.0

Average employee earnings growth to November 2015



Source: ABS cat. no. 6302.0

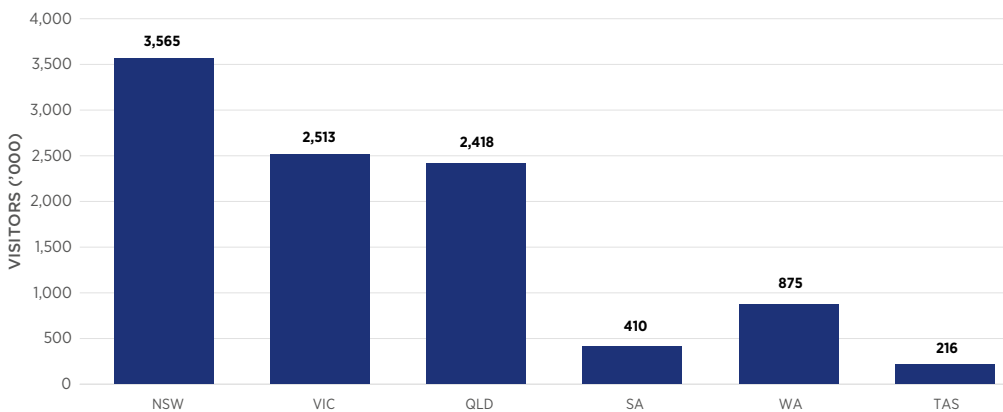
Business confidence high

- Business confidence in NSW remains above the national level and above the decade average.
- NSW business conditions have been positive for the last two years and above the national average for the last year and a half, as measured by NAB's monthly business survey.

Strong consumer confidence

- NSW consumer confidence is the strongest among the states and has been above the national average for the last 11 consecutive months.
- NSW continues to attract more international visitors than any other state, with half of all international visitors travelling to NSW during their stay in Australia.
- These 3.6 million international visitors spent almost **\$9 billion** in NSW over the past year, an increase of over 20 per cent compared to the previous year.

International visitors year ending March 2016



Source: Tourism Research Australia International Visitor Survey

International visitors spent almost

\$9.0b

in NSW over the past year



RECORD INFRASTRUCTURE



NSW infrastructure program over four years:

\$41.5b
for transport projects

\$5.0b
for health projects and infrastructure related investment

\$2.9b
for education and training projects

\$9.7b
for water, wastewater and energy projects

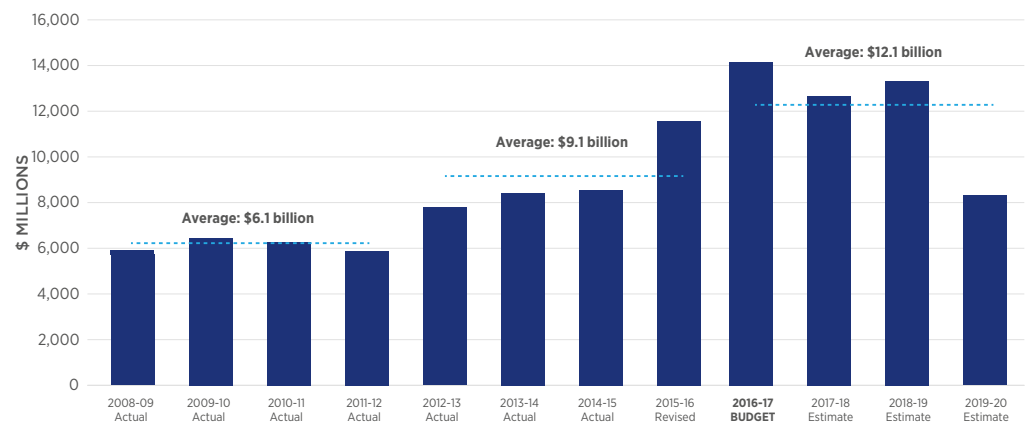
The NSW infrastructure program continues to grow with a record **\$73.3 billion** provided over the next four years for critical infrastructure in key service delivery areas. This record program includes around:

- **\$41.5 billion** for transport projects
- **\$4.5 billion** for health projects
- **\$2.9 billion** for education and training projects
- **\$4.7 billion** for justice projects
- **\$6.0 billion** for energy projects
- **\$3.7 billion** for water and wastewater projects
- **\$2.4 billion** for social housing
- funding for projects in other areas including sports, culture and family and community services.

The **\$73.3 billion** infrastructure program is funded through a range of sources, including State own-sourced funding and Restart NSW that totals **\$48.5 billion** over four years.

The Restart NSW contribution of around **\$9.5 billion** over four years is a significant increase from 2015-16 and includes projects under the Government's **\$20 billion** Rebuilding NSW plan.

State-funded capital expenditure program (including Restart NSW) ^(a)



(a) The state funded capital expenditure program includes expenditure in the general government sector, social housing, public transport public non-financial corporations, Darling Harbour Live and the State-funded contribution to WestConnex.

BOOSTING JOBS AND INVESTMENT



Since coming to office in 2011, the NSW Government has created **338,600 jobs**. This includes **154,000 jobs** since April 2015.

- The NSW Government has met its election commitment to create **150,000 jobs** this term in just 13 months.
- In the last year, NSW has created **141,800 jobs**, almost two-thirds of the jobs added across Australia.

This Budget supports employment opportunities and jobs creation through a range of measures.

- **\$190 million** to Jobs for NSW, a private sector and NSW Government-backed initiative which represents an innovative approach to tap into the insights and knowledge of leading private sector minds to help drive government policy in order to grow the economy and create jobs.
- **\$100 million** over two years for Smart, Skilled and Hired, a targeted youth unemployment program, to create new work pathways including traineeships and apprenticeships.
- **\$10 million** through social impact investment to support regions with high youth unemployment.
- Restructuring the Jobs Action Plan from 31 July 2016, to focus on businesses with 50 or fewer full time equivalent employees and with the payroll tax rebate increased from \$5,000 to \$6,000.
- The Small Business Grant, encouraging small businesses to create new jobs. Small businesses may apply for a grant of up to \$2,000 when they hire new employees. There have been over 2,380 positions registered for the Grant (in the year to May 2016), with 64 per cent for full time positions.
- **\$194 million** in recurrent grants for cultural institutions and **\$78 million** for cultural infrastructure projects and upgrades to enhance cultural, creative and recreational opportunities and create jobs.
- The establishment of the Sydney School of Entrepreneurship, a collaboration between NSW universities and TAFE NSW, which will provide an opportunity for students and the business sector to develop and implement new ideas that ultimately lead to start-up ventures.

Investments in vocational education:

\$100m

over two years for the Smart, Skilled and Hired program

\$97m

in 2016-17 for new and improved TAFE facilities

HEALTH



Investments in health:

\$20.6b

in 2016-17 for health services, an increase of \$972 million from 2015-16

Almost

\$1.6b

in 2016-17 for health infrastructure

With a growing and ageing population, maintaining a responsive healthcare system will be vital to ensuring the highest quality of life for our community.

The record spending on health in 2016-17 includes:

- **\$9.2 billion** for inpatient hospital services
- **\$2.8 billion** for outpatient services
- **\$2.7 billion** for emergency care
- **\$1.8 billion** for mental health services
- **\$1.7 billion** for rehabilitation and extended care
- **\$1.5 billion** for population health and primary and community based services.

The Government will invest in key initiatives in 2016-17 to transform patient healthcare and meet our election commitments and priorities, including:

- **\$197 million** for drug and alcohol services and prevention and harm minimisation programs
- **\$32 million** for delivering increased admitted and non-admitted mental health patient services
- **\$14 million** to tackle childhood obesity, supporting children and families to be healthy and active.

Delivering increased activity in our hospitals

- The Budget includes **\$375 million** for expected increases in hospital activity including 79,000 more emergency department attendances and 4,500 more elective surgery patients.
- The Budget also boosts frontline staff, with around 900 additional doctors, nurses and midwives, allied health professionals and hospital support staff to be engaged in 2016-17.

Improving health infrastructure

A further \$1.6 billion has been provided in 2016-17 for Health's capital program, including:

- **\$133 million** for the redevelopment of Gosford Hospital, including a new carpark
- **\$99.4 million** for the Westmead Hospital redevelopment including the new hospital carpark
- **\$167 million** for the continued redevelopment of St George Hospital acute services building
- **\$150 million** for the Local Health Districts' Local Initiatives projects
- **\$40 million** for a State-wide health asset refurbishment and replacement strategy.



EDUCATION



This Budget delivers a boost to education expenditure of **\$959 million** or 7.5 per cent for 2016-17, including funding for:

- National Education Reform Agreement (Gonski) – **\$367 million**
- more school staff to cater for higher enrolments – **\$100 million**.

An additional **\$942 million** over four years is also provided for infrastructure to support new schools, upgrades and improved facilities, bringing the total infrastructure spend to \$2.6 billion over four years.

Managing our growing enrolments and improving our infrastructure

NSW student numbers are growing, with public school enrolments in 2019-20 projected to be over 40,000 higher than in 2015-16. The Government is funding a number of key initiatives and projects to support higher enrolments while also providing great facilities for our students.

- **\$12 billion** in 2016-17 for government schools to deliver quality teaching services to students and **\$1.2 billion** in support for non-government schools.
- An additional **\$400 million** over four years for a Schools Infrastructure Strategy, delivering more classrooms and schools in key student growth areas, including new schools in North Kellyville and Smalls Road Ryde, and upgrades to Oran Park Public School.
- Additional funding of **\$542 million** over four years for a combination of new schools, upgrades to existing schools and improved facilities, including:
 - the commencement of three Rebuilding NSW projects in Parramatta, Inner Sydney, and Ballina in 2016-17
 - upgrades to schools such as Bolwarra Public School, Coolah Central School and Pottsville Beach Public School.
- **\$330 million** over the next two years to respond to priority backlog maintenance needs in schools across the State.

Key programs supported in 2016-17 include:

- **\$50 million** for the ‘Supported Students, Successful Students’ election commitment providing additional school counsellors, flexible wellbeing resources to provide student support and targeted support for both Aboriginal and refugee students, their families and communities
- **\$38 million** for the ‘Quality Teaching, Successful Students’ election commitment, which enables 1,000 of our best teachers to mentor and coach other teachers
- an additional **\$15 million** to support the Assisted School Travel Program.

Investments in education:

\$13.7b

in 2016-17, an increase of **\$959 million** from the previous year

\$2.6b

over the next four years on infrastructure including new schools, upgrades and improved facilities to respond to growing student enrolments

TRANSPORT AND ROADS



Investments in transport and roads:

\$20.2b

in recurrent and capital funding, an increase of \$3.7 billion on 2015-16

Significant funding for priority projects including WestConnex, Sydney Metro City and Southwest and the B-Line

The Government is continuing to invest in transport and roads projects across the State. In 2016-17 funding includes the following:

Road transport

- **\$2.9 billion** for WestConnex, the largest transport project in Australia linking Sydney's west and south-west with the CBD, the Airport and Port Botany.
- **\$1.5 billion** for the Pacific Highway to continue the duplication program, with construction underway on all remaining sections between Port Macquarie and Glenugie.
- **\$1.5 billion** for road maintenance, including bridge rebuilding, pavement rehabilitation and traffic facilities maintenance.
- **\$338 million** for Western Sydney Roads to support Sydney's second airport at Badgerys Creek.
- **\$147 million** for Western Sydney Growth Roads to support population and economic growth in Western Sydney.
- **\$76 million** over four years on cycleways to encourage cycling for short local trips and help reduce congestion and overcrowding on roads and public transport.
- **\$283 million** towards construction of NorthConnex.

Public transport

- **\$2.7 billion** in 2016-17 to deliver Sydney Metro, Australia's biggest public transport project. The allocation includes **\$1.3 billion** on Stage 1 of Sydney Metro (Sydney Metro North West), which opens in the first half of 2019. On Stage 2 of Sydney Metro, Sydney Metro City & Southwest, **\$1.4 billion** will be invested this year on the tender process and contract for tunnelling and early construction work in 2017.
- **\$1.4 billion** for bus services throughout NSW including rural and regional bus services, school services in country areas and financing buses to replace older vehicles and provide capacity for growth services.
- More than **\$1 billion** over the next four years for growth trains on the existing suburban network.
- **\$560 million** for public transport concessions.
- **\$234 million** for the B-Line Program and Bus Rapid Transit, an integrated package of services and infrastructure to deliver better bus services, including for Northern Beaches residents.
- **\$16 million** per year increased funding to ensure the continued provision of Wheelchair Accessible Taxis, including increasing the cap for the Taxi Transport Subsidy Scheme from \$30 to \$60 per trip and increasing driver incentive payments.

SUPPORTING HOUSING



The Government is committed to increasing housing approvals and supply across the State to improve affordability.

- **\$41 million** of new funding over four years is being provided to the Greater Sydney Commission to support the planned growth in housing supply to assist the Commission in metropolitan planning in partnership between state and local governments.
- **\$1.0 million** to develop the Greenfield Building Code to help convert housing approvals into homes. The new code aims to reduce costs and red tape for owners, increase certainty for investors, and reduce the time to completion.
- The Government is also modernising the State's planning system, amending the *Environmental Planning and Assessments Act 1979* to make the planning assessment process simpler, faster and more inclusive.

The Housing Acceleration Fund (HAF)

- The Government has reserved over **\$966 million** in the HAF since 2012.
- This continues to create new opportunities for housing through key projects, including upgrades to Camden Valley Way, Richmond Road and Schofields Road.
- The targeted HAF allows families to buy new homes in places like Ingleburn Road, Croatia Avenue and Campbelltown Road in south west Sydney. Delivery of infrastructure in these areas will support nearly 43,000 new homes.

Foreign investor surcharges on residential property transactions

- The Government is introducing surcharges for foreign investors in residential real estate.
 - A transfer duty surcharge of 4 per cent will apply to new purchases.
 - A land tax surcharge will also apply at a rate of 0.75 per cent from the 2017 land tax year, with no tax free threshold, including on a principal place of residence.
- These are expected to generate more than **\$1.0 billion** in revenue over four years, to be invested into vital services across NSW.

More than

70,000

residential building approvals over the year to April 2016, with record high levels reached in the last year

Social and Affordable Housing Fund:

\$1.1b

fund will be established to facilitate new housing stock to support vulnerable households



CARING FOR THE VULNERABLE



Protecting the vulnerable:

\$40m

for Youth Homelessness over four years to help those leaving out-of-home care who are at high risk of homelessness

The Government is supporting a range of measures in this Budget to ensure that the most vulnerable are assisted to reach their full potential, including:

- **\$1.3 billion** in 2016-17 for the implementation of the National Disability Insurance Scheme in NSW
- **\$75 million** over four years to tackle drug misuse in our communities focusing on supporting young people and families into treatment
- **\$55 million** in 2016-17 for Future Directions in social housing to break the cycle of disadvantage through improved parenting, health, education, work and training
- **\$8 million** over four years for a Suicide Prevention Fund to prevent suicide in our communities
- **\$6.5 million** in 2016-17 to implement the NSW Ageing Strategy including over **\$600,000** on the Elder Abuse Helpline and Resource Unit.

\$76m

to community housing providers to fund leasing subsidies for vulnerable people in the private rental market

Domestic and family violence services

- The Government is doubling its investment in specialist domestic violence initiatives to over **\$300 million** over the next four years.
- The Budget will allocate **\$53 million** over four years (subject to successful evaluation) for the roll out of Safer Pathway across NSW.
- NSW will also introduce a further **\$20 million** Innovation Fund to support effective initiatives for crisis responses, prevention and early intervention.

Out-of-home care

- **\$370 million** over four years in new funding to meet increased demand for out-of-home care services.
- **\$190 million** over four years in new funding to reform the child protection and out-of-home care systems, initiatives include; intensive preservation services, restoration services and services for Aboriginal children and their families.

Supporting refugees

- The Government is committed to assisting with the additional Syrian Refugee intake, with this Budget delivering **\$146 million** over four years to support their integration.
- This funding will support initiatives such as Intensive English Centres, specialised health services, school enrolments, youth peer mentoring and the Families in Cultural Transition program.



PROTECTING THE COMMUNITY



Improving community safety

The Government is committed to reducing the reoffending rate, creating a more efficient justice system and equipping police with the resources they need to keep communities safe.

- This Budget provides **\$570 million** over four years to implement reforms that protect community safety, speed up the court processes and reduce reoffending.
- **\$57 million** will be spent on new or upgraded police stations including Mount Druitt, Queanbeyan, Gunnedah, Bay and Basin, Moss Vale, Deniliquin, Lake Macquarie Local Area Command, Liverpool, Riverstone, Tweed Heads, Walgett and Coffs Harbour.
- **\$36 million** will continue the implementation of the \$100 million, four year Policing for Tomorrow Technology fund to equip police with the best technology to do their jobs.
- The Government will implement the Illegal Firearms Reward Scheme in 2016-17, providing **\$10 million** in new funding over five years to establish a rewards scheme for information leading to the discovery and seizure of illegal firearms.

Responding to the prison population challenge

The Government is responding to the need for additional capacity in the corrective system to manage growth in prisoner numbers and create a sustainable and effective prison system.

- **\$3.8 billion** will be provided over four years for the Prison Bed Capacity Program to provide about 7,000 additional beds in our prisons.
- A new state of the art 1,700 bed correctional centre will be built in Grafton and the Parklea Correctional Centre will be expanded by 650 beds.

The Government is also seeking to apply an outcomes framework and benchmarking approach to all our existing prison facilities including John Morony Correctional Centre to enable appropriate support for offenders.

Social cohesion and countering violent extremism

An important part of our efforts to prevent terror attacks is working closely with communities on social cohesion, resilience and early intervention. To support these efforts, the Government is continuing funding of **\$40.3 million** for the Countering Violent Extremism program.

Investing in police infrastructure:

\$218m

in 2016-17 for capital expenditure for our police — an increase of 59 per cent on 2015-16

\$6.4m

in new funding in 2016-17 to build the new State Emergency Services headquarters in Wollongong

INVESTING IN NSW



Investments in our community:

\$158m

for renewable energy and energy efficiency programs

\$28.9m

towards delivering education programs and initiatives in partnerships with Aboriginal communities, including establishing the Aboriginal Centre of Excellence in Western Sydney

Destination NSW:

\$175m

for integrated tourism and events programs to grow NSW as a global tourism and event destination

This Budget is providing:

Environment

- **\$158 million** for renewable energy and energy efficiency programs.
- **\$111 million** for public parklands, zoos and gardens throughout the State for community enjoyment, scientific research, education, sport, recreation, leisure and cultural experiences.
- **\$100 million** for the Environmental Trust to increase opportunities for the community, industry and agencies to protect their environments.
- **\$22 million** towards the creation, upgrade and improvement of new parks and business hubs at Horsley Drive and Eastern Creek, through the Western Sydney Parklands Trust.

Diversity

- **\$9.0 million** in 2016-17 for the provision of interpreting and translation services in over 100 languages and dialects.
- **\$2.8 million** in 2016-17 on grants for community projects, activities and partnerships to foster community engagement and celebrate our cultural diversity.

Indigenous

- **\$53 million** to deliver new, and upgrade existing housing.
- Funding of **\$38 million** over four years for regional and remote preschools to enhance preschool participation of Aboriginal and low income families.

Culture and the arts

- **\$129 million** over four years for the construction of new and upgraded production, studio, rehearsal and performance venues at the Walsh Bay Arts Precinct.
- **\$20 million** over two years for major Australian TV drama projects and investment attraction of international films and TV, with a focus on promoting NSW and increasing skills and employment in the screen sector.
- **\$12 million** in 2016-17 to commence the Sydney Opera House Stage 1 of Opera House's Decade of Renewal.
- An additional **\$2.1 million** for NSW public libraries.

NOTES

Images courtesy of:

- Destination NSW
- Destination NSW, Bridgeclimb Sydney
- Destination NSW, photographer: James Horan
- Infrastructure NSW
- NSW Department of Education
- NSW Department of Education, Hazelbrook Primary School
- NSW Department of Family and Community Services
- NSW Health
- NSW Police Force
- Transport for NSW
- Transport for NSW, Roads and Traffic Authority (NSW)
- Transport for NSW, Transdev, photographer Scott Riley
- Sydney Metro, Transport for NSW

