

Analysis of 2023 State Budget Highlights for Victorian Chapter Members.

Department of Transport and Planning

Planning and the Planning Minister were moved from the Department of Environment, Land, Water and Planning (DELWP) to the new Department of Transport and Planning (DTP).

The Government is seeking enhancements to the planning system to meet demand for commercial and residential land, by providing \$23 million to support planning legislative reform, including continuation of the Development Facilitation Program to accelerate assessments of development projects. \$9 million is also provided to implement Plan Melbourne, which will support housing growth around existing infrastructure, as well as a further \$3.5 million to continue delivering Precinct Structure Plans to unlock housing supply across Victoria.

Investment, infrastructure and services

Funding is provided for a program of planning legislative reform, support to councils to increase housing supply and density in established areas, and continuation of the Development Facilitation Program to support the State's infrastructure-building agenda across multiple sectors. This initiative contributes to the Department of Transport and Planning's Planning and Heritage output.

The budget allocates \$11.4m in 2023/24 and \$12.0m in 2024/25.

Building reforms

Funding has been cut for the delivery of proposed building reforms, with the budget now only allocating \$2.5m in 2023/24 and \$1.2m in 2024/25. Last year's budget predicted spending on this in 2023/24 would be \$5.6m.

Plan Melbourne implementation

Funding is provided to support housing growth around existing infrastructure, delivery of the Government's election commitment for planning controls for 13 waterways, and funding for the Geelong Authority for a cross-government project to revitalise central Geelong.

The budget allocates \$4.9m in 2023/24 and \$4.2m in 2024/25.

Unlocking new communities and affordable housing

Funding is provided to continue delivery of Precinct Structure Plans to unlock housing supply across Victoria.

The budget allocates \$3.5m in 2023/24 to deliver these reforms.

The Institute welcomes these programs, and the government's desire to improve planning, fall short of the real need to address the housing crisis in Victoria. As the OVGA has now been moved into the DTP we no longer receive a separate line item in the budget for their operations. Our understandings are that the government's announced cuts from the last budget have been implemented, though we understand no further cuts are planned to this vital agency. The Institute will continue to advocate for better funding for the OVGA.

The Institute would also like to have seen a greater commitment by the government to require the use of and fund Design Review Panels, particularly in relation to apartment projects.

Evolving procurement and delivery

Budget Paper No. 4 states that the State Government is reforming its infrastructure procurement with a modernised suite of policy and contracts to ensure there is a consistent and transparent approach to infrastructure procurement across departments and delivery agencies.

The Government is developing new standard form contracts starting with the development of a new Enhanced Design and Construct deed, Incentivised Target Cost deeds, and a revised Partnerships Victoria deed harmonised with the New South Wales Government. These new standard form contracts will increase procurement efficiencies by minimising the need for bespoke legal and commercial drafting to only focus on matters which address unique project risks and characteristics.

Responding to market constraints

Budget Paper No. 4 also notes the State Government will continue to roll out a coordinated set of responses to address market capacity challenges, listing these as:

- initiatives to address supply chain disruptions and increase the efficiency of resource use, including by identifying regulatory barriers in the supply chain and how to remove them
- promoting Victoria’s Digital Asset Policy to pioneer technology and digital engineering to improve resource utilisation in major infrastructure programs
- increasing the uptake of modern construction methods including offsite and modular construction in Victorian major infrastructure projects
- harnessing new technologies such as artificial intelligence and machine learning to uncover efficiencies in major project delivery.

High Value High Risk (HVHR) Framework

Projects identified as being high-value and/or high-risk (HVHR) are subject to more rigorous scrutiny, independent checking, and government approval processes (HVHR Framework).

A number of the Government’s new investments will be assured under the HVHR Framework. The Department of Treasury and Finance (DTF) website (www.dtf.vic.gov.au/infrastructure-investment) provides further information on the HVHR Framework and Gateway review process.

DTF, in conjunction with OPV, also undertakes a range of regular and targeted assurance activities on HVHR projects to provide advice to the Government. Assurance activities occur at key decision points throughout the project lifecycle, from project inception through to development, procurement, delivery and operations.

Heritage

Unfortunately, despite the efforts of the Institute to ensure the continuation of the “Living Heritage Grants”, the Government has not allocated new funding, and this vital funding for heritage in Victoria will cease at the end of this financial year with the final payments to prior announced plans.

The Institute intends to keep working to increase the understanding of the government on the importance of ensuring heritage funding.

Though, the government has announced that Funding is provided for the progression of the Victorian Trades Hall and Central Goldfields UNESCO World Heritage nominations.

The budget allocates \$1.6m in 2023/24, \$1.1 m in 2024/25 and \$1.1m in 2025/26 to support the nominations.

While the Institute recognises the importance of The Trades Hall building, we would have preferred funding to go directly into directly funding heritage buildings and their maintenance than funding nominations. In particular, this funding could have instead gone into further “living heritage grants”.

Funding is provided to continue and strengthen the Aboriginal Heritage Officer program to protect and manage Aboriginal cultural heritage in Victoria.

The budget allocates \$1.9m in 2023/24.

The Institute welcomes the government’s commitment to improving Aboriginal cultural heritage, it falls short of our pre-budget submission that the government should provide additional funding to the Victorian Aboriginal Heritage Council (VAHC) to make sure Aboriginal heritage sites in Victoria are better protected.

Department of Premier and Cabinet

A new approach to land and precincts

Funding is provided to continue the land and precincts program in the Department of Transport and Planning and the Department of Premier and Cabinet. The program will help design, deliver and coordinate the State’s planning and infrastructure investments according to best-practice. The Land Coordinator General function in the Department of Premier and Cabinet will be expanded to develop a new whole of government land register database.

The budget allocates \$7.0m in 2023/24, and \$7.7m in 2024/25.

Building Equity

Funding is provided to support the Women in Construction Strategy, which aims to increase women’s participation in building, construction, and infrastructure sectors, as a part of the Government’s broader Building Equity agenda.

The budget allocates \$0.8m in each of the 2023/24, 2024/25 and 2025/26 budgets.

While the Institute agrees there is a need to address the issue of diversity and women’s participation in the construction, we are concerned that the proposals do not include architects – and others in the construction sector from outside the TAFE sector. The Institute believes that a lot more can be done to improve the job prospects of new architecture graduates by assisting them in getting practical experience. This is particularly important to attract women and those from diverse backgrounds who may lack the social connections vital to gaining such experience.

Skills and resources

Budget Paper No. 4 notes that Victoria faces unprecedented workforce challenges in the delivery of its infrastructure pipeline. It reports that Infrastructure Australia forecasts that public infrastructure projects across Australia (including small projects) faced a shortage of 214 000 skilled workers in 2022.¹ This is projected to grow to a peak shortage of 248 000 people in 2023. Infrastructure Australia has also found that every occupational group involved in public infrastructure now face shortages, with engineers, scientists and architects particularly affected, followed by finishing trades and labour, and structures and civil trades.⁵

^{4 & 5} Infrastructure Australia Market Capacity Report December 2022

In a response to labour shortages, the Government has been working to enhance major project delivery skills and resources through a series of targeted initiatives:

- providing free TAFE and Big Build Apprenticeships to match labour with specific skills needs, with more than 20 infrastructure related courses now available through Free TAFE alone
- delivery of the Australian Major Projects Leadership Academy (AMPLA), the pre-eminent national leadership program for major project delivery, producing more than 200 graduates
- improving the culture of the construction sector to make it a more appealing place to work for people of all backgrounds, including implementation of the Women in Construction Strategy and the Building Equality Policy to create training and employment opportunities for women
- continuing to play a key part in the Construction Industry Culture Taskforce's development of the new Culture Standard, including two Victorian-based pilots of the standard currently underway
- actively encouraging the Federal Government to increase skilled migration.

While the announcements are welcome, what they lack are responses to address these skills shortages outside of the TAFE sector. Infrastructure projects require a range of skills, in particular architects, engineers and building surveyors, that will not be assisted by these measures

For an architecture graduate to become a registered architect they are required to undertake 3,300 hours of practical, supervised experience. However, tight budgets and the need to pay interns/graduates means that many architectural practices do not have the resources to take on graduates as much as they would like. Many graduates rely on formal and informal connections to the profession. However, this means that many miss out, particularly those from diverse backgrounds who may not have the same connections within the profession.

This issue applies not just to architects, but also engineers, building surveyors and other professions within the construction industry.

We believe that the Victorian government can do more to assist these graduates in attaining this vital practical experience, and the “big build” is one way it can help. The Victorian government could require a specific number of graduates to be employed in these projects and require this includes a diverse spectrum of graduates including women, those from refugee and other disadvantaged groups, as well as LQBQTI representation.

The Victorian government could also assist practices with the costs of taking on a graduate, just as it already does for builders hiring apprentices.

The Institute has worked with the Tasmanian government to get funding to assist architecture graduates in Tasmania to undertake the Practice of Architecture Learning Series (PALS) to become registered as an architect. The financial cost of PALS can be a significant barrier for graduates (costs vary from between \$561 and \$1346), many, if not most, of whom are struggling on low wages and high costs of living.- we believe the Victorian government could replicate this proposal.

The Institute intends to take up these proposals with the Victorian government to address this very real skills gap.

Business Tax reforms

The Government is seeking tax reform, including gradually abolishing some of the state's most inefficient taxes.

The bad news first – COVID Debt Levy

The Covid Debt Repayment Plan contains a temporary and targeted levy that will apply for 10 years, until 30 June 2033. It comes in two parts. One deals with changes to payroll tax, and the second relates to changes to land tax thresholds.

The payroll component will, from 1 July 2023, temporarily levy an additional payroll tax on large businesses with national payrolls above \$10 million a year. A rate of 0.5 per cent will apply for businesses with national payrolls above \$10 million, and businesses with national payrolls above \$100 million will pay an additional 0.5 per cent. The additional rates will be paid on the Victorian share of wages above the relevant threshold.

Payroll tax exemptions, such as those for hospitals, charities, and local councils, and wages paid for parental and volunteer leave will continue to apply.

However, to make things easier for small businesses, from 1 July 2024, the payroll tax-free threshold will be lifted from \$700 000 to \$900 000. This will result in 4,200 fewer businesses paying the tax. Another 22,000 businesses will pay a reduced amount – saving up to \$9,700 per year each.

The payroll tax-free threshold will be lifted again, to \$1 million, from 1 July 2025, meaning a further 1,500 businesses will become exempt. Going forward, the payroll tax-free threshold will be phased out for larger businesses,

Land tax threshold changes (for 10 years). The tax-free threshold for general land tax rates will decrease from \$300 000 to \$50 000.

For general taxpayers, a temporary fixed charge

- of \$500 will be levied on taxpayers with landholdings between \$50,000 and \$100,000;
- of \$975 on taxpayers with landholdings between \$100 000 and \$300 000; and
- For landholdings above \$300 000 (and trust taxpayers with property holdings above \$250 000) land tax rates will temporarily increase by \$975 plus 0.1 per cent of the value of their landholdings above \$300 000.

However, the State Government intends to move away from stamp duty in relation to commercial and industrial property over a 10-year period. Current commercial or industrial property owners will be exempt – the transition will only apply to those choosing to buy commercial or industrial property in the future.

To assist businesses further, the Victorian government is abolishing the business insurance duty over a 10-year period, with a business likely to save around \$3,200 on professional indemnity insurance or \$2,400 on fire and other special risk insurance cumulatively over that time.