

2017-18 Victorian Budget May 2017

On 2 May 2017 Victorian Treasurer the Hon Tim Pallas MP delivered his third Budget. The main theme of the 2017-18 Budget is investment in infrastructure and job creation, especially in regional Victoria. The Government has indicated it will continue to explore opportunities for asset recycling, with any future proceeds to be invested in priority infrastructure.

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

The 2017-18 Budget is available in full [here](#).

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The Budget Outlook

The 2017-18 Budget produces an operating surplus of \$1.2 billion for 2017-18. A \$2 billion surplus is expected for 2018-19 with an operating surplus expected to rise again to \$2.4 billion during 2019-20. Net debt is 18.1 billion in 2017-18, with debt to peak at 6% of GSP over the forward estimates. The Victorian economy is expected to grow by 3.3 per cent in 2017-18.

ESTIMATED FINANCIAL STATEMENTS

ESTIMATED GENERAL GOVERNMENT SECTOR COMPREHENSIVE OPERATING STATEMENT

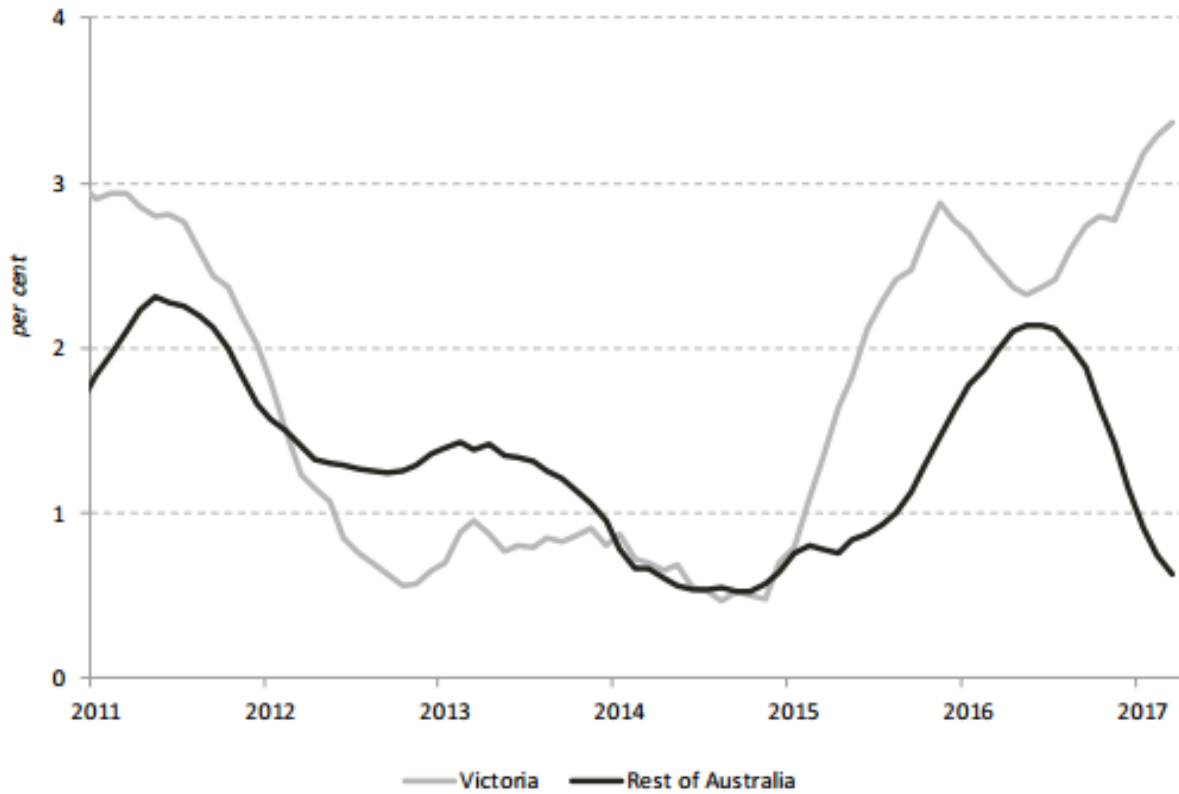
For the financial year ended 30 June

(\$ million)

	Notes	2017-18 budget	2018-19 estimate	2019-20 estimate	2020-21 estimate
Revenue from transactions					
Taxation revenue	1.2.1	21 827	23 163	24 475	25 629
Interest revenue		899	869	858	826
Dividends, income tax equivalent and rate equivalent revenue	1.2.2	1 171	586	645	776
Sales of goods and services	1.2.3	7 187	7 465	7 807	8 097
Grant revenue	1.2.4	29 818	31 915	31 619	32 280
Other revenue	1.2.5	2 502	2 525	2 544	2 560
Total revenue from transactions		63 405	66 524	67 947	70 169
Expenses from transactions					
Employee expenses		23 011	24 039	24 722	25 346
Net superannuation interest expense	1.3.2	761	734	704	674
Other superannuation	1.3.2	2 347	2 379	2 433	2 466
Depreciation	1.4.2	2 788	3 033	3 193	3 394
Interest expense	1.5.3	2 181	2 197	2 201	2 258
Grant expense	1.3.3	11 333	12 876	13 308	13 267
Other operating expenses	1.3.4	19 830	19 291	18 981	20 036
Total expenses from transactions	1.3.5	62 252	64 549	65 542	67 441
Net result from transactions – net operating balance		1 153	1 975	2 405	2 727
Other economic flows included in net result					
Net gain/(loss) on disposal of non-financial assets		82	211	65	65
Net gain/(loss) on financial assets or liabilities at fair value		22	23	23	22
Other gains/(losses) from other economic flows	1.7.1	(370)	(377)	(383)	(391)
Total other economic flows included in net result		(266)	(143)	(295)	(304)
Net result		887	1 832	2 111	2 424

Jobs

Chart 1.2: Employment growth, Victoria and rest of Australia, 12-month moving average, 2011-2017



Source: Australian Bureau of Statistics

Source: Budget Paper No 2: Strategy and Outlook, pg 4.

The Victorian Government continues to be committed to a framework based on job creation, with funding initiatives to attract investment from the fastest growing industries and international companies. Building on record jobs growth in the State, the Andrews Government will:

- Invest \$90 million in the Investment Assistance and Attraction Program to help create and retain jobs in priority industries including manufacturing and aviation, for the first time providing specific funding to help companies manage the volatile national gas market
- Provide an additional \$10 million to the Local Industry Fund for Transition to provide further support for communities in Melbourne’s suburbs affected by the closure of the automotive industry
- Ensure workers and communities in transition are not left behind, with \$4.4 million in support to retrenched workers.

Transport and Infrastructure

An average of \$9.6 billion in infrastructure spending has been allocated across the forward estimates. The 2017-18 Budget delivers the Regional Rail Revival Package, which includes:

- \$435 million to upgrade the Gippsland Line
- \$100 million to begin the new Surf Coast Rail Upgrade, including work towards track duplication at Waurin Ponds
- \$100 million to upgrade the Warnabool Line, allowing it to run more services
- \$91 million to benefit passengers in Bendigo and Echuca with faster trains and an extra daily service to Echuca.

The Budget provides \$311.1 million for 39 new VLocity carriages to be built in Victoria. An additional \$12.5 million will be spent refurbishing V/Line's classic train fleet.

To improve the reliability of the rail network, \$316.4 million will go to replacing sleepers and fixing ageing tracks around Victoria.

Roads

The Budget allocated \$2 billion towards upgrading regional roads and building of new roads throughout Victoria. This includes \$260.3 million for regional road maintenance, ensuring repair and resurfacing works are adequately funded.

The North East Link project will receive \$100 million to complete critical design, planning and preconstruction work.

Other announcements in the Budget include:

- \$700 million to widen the M80 Ring Road, completing the final three sections of the upgrade
- \$96.6 million to fund Stage Two of the Yan Yean Road Upgrade
- \$139.4 million to upgrade Plenty Road
- \$58.6 million over the next three years for essential maintenance work to provide continuous maintenance for the West Gate Bridge
- \$50 million to improve the South Gippsland Highway
- \$65.85 million for a new South Western Victoria Road improvement program.

Education

\$685 million will be provided to improving classrooms, upgrading facilities and building new schools across the State. Included in this funding allotment is:

- \$270 million towards building and expanding a further 13 schools, with funds allocated for planning, land acquisition and construction
- \$195 million towards upgrading and modernising 108 schools – with a majority in regional Victoria, providing for the construction of new classrooms, STEM facilities and gymnasiums
- \$85 million to remove asbestos from classrooms

- \$75 million to assist schools with growing enrolment numbers, funding relocatable classrooms.

The 2017-18 Budget allocates \$456.6 million to new education spending. This includes \$50.7 million to make sure teaching standards are seeing continuous rates of improvement, through the establishment of Turnaround Teams which will be deployed in underperforming schools. \$4.6 million will also be provided to pair 10 000 graduate teachers with experienced teachers, ensuring seamless transition into the workforce.

The Budget allocates \$202.1 million towards delivering better early childhood services, with \$87.1 million to upgrade kindergartens around the State.

Health

The 2017-18 Budget provides for a significant upgrade to the State's hospital system, with \$1.67 in new funding to support hospitals including:

- \$215 million to ensure quality and safety in the health system, driving down the potential for avoidable harm
- \$174.3 million to ensure that 200 000 patients will receive the surgery they need sooner in the next year, cutting down waiting times for elective surgery
- Quicker processing of the 1.8 million patients that report to emergency wards each year, ensuring higher quality and more immediate care for patients
- \$38.4 million for hospitals to train health workers to respond to the unique nature of harm sustained through family violence
- \$12.8 million to screen 45 000 more Victorians from breast, bowel and oral cancer
- \$40 million has been allocated to the Royal Melbourne Hospital for infrastructure upgrades.

Victoria's world leaders in science and medical research will receive \$34.2 million in investment to advance medical breakthroughs.

Justice and corrections

The Budget delivers \$89.2 million to replace outdated IT systems in the Children's and Magistrates' courts.

\$72 million will be spent to upgrade and strengthen the Parkville Youth Justice precinct as well as Malmsbury Youth Justice Centre, acting on recommendations of an independent review carried out by Chief Commissioner of Police Neil Comrie. \$228 has also been allocated to the previously-announced new high security centre.

The Budget includes \$74 million for new prison infrastructure, including a new gatehouse at Barwon Prison and security upgrades to the Dame Phyllis Frost Centre.

\$2 billion will be invested by the Government in additional funding to Victoria Police, resulting in 3000 new officers. Implementing the recommendations of the Harper Review, the Government will invest \$308 million to expand the post-sentence scheme, tightening restrictions on former offenders. A new 10-bed post-sentence facility will also be built.

Emergency services

The 2017-18 Budget resolves to provide higher quality and quicker emergency care across the State, with \$26.5 million in additional funding towards the State's ambulance service, on top of the \$500 million allocated to this area in the 2016-17 Budget.

In response to the thunderstorm asthma incident, the Government will allocate \$15.56 million towards increased monitoring of pollen levels, as well as towards research to inform forecasting and response protocols for one-off health incidents.

Family violence

The Government has provided a landmark \$1.91 billion to implement every recommendation of the Family Violence Royal Commission. The package includes \$448.1 million to establish 17 Support and Safety Hubs across the State. The package also includes:

- \$270.8 million for after-hours crisis support
- \$269.4 million to establish five Specialist Family Violence Courts across the State
- \$161.1 million to expand family services and recruit 450 child protection workers
- \$133.2 million towards extra long-term housing, rental assistance and crisis accommodation.

Small business and trade

The 2017-18 Budget brings forward the Government's announced reforms to payroll tax. Businesses with 85% of their workforce residing in regional areas will receive a reduction in their rate of payroll tax by 25 per cent, reducing costs for thousands of regional businesses.

From 1 July 2017, the payroll tax-free threshold will now increase to \$625 000 and \$650 000 from 1 July 2018.

A commitment was made by the Government to reduce red tape for small businesses, as well as providing opportunities for growth through initiatives such as:

- \$3.5 million to support small businesses in the digital economy, following through on recommendations from the Small Business Regulation Review
- \$2 million to increase Victorian businesses' presence in growing Asian markets, including increased funding to Melbourne's network of global trade and investment offices
- The establishment of the Hamer Scholarship, helping to develop a new generation of Victorian business leaders who have an intimate understanding of Asian business industries.

Renewable energy and gas exploration

The Government has announced \$42.5 million worth of funding towards the *Victorian Gas Program*, a comprehensive geoscientific, environmental and economic study on the potential for any onshore conventional gas exploration in the State. The *Program* will be led by the State's Lead Scientist Amanda Caples. The *Program* will last four years, and will set the State's future direction on onshore conventional gas exploration.

\$88.8 million is allocated in the Budget towards the testing of new technologies such as battery storage to develop the State's renewable energy sector, including the trialling of micro grids.

Also provided for is \$12.9 million to help reform the National Electricity Market, with \$108 million to help consumers better manage their energy costs.

Regional public sector jobs

The Government has announced that 750 local jobs will be created in in Ballarat and the Latrobe Valley, with new GovHub offices to be built in these regions. Plans will be commenced to open a third office in Bendigo in the medium term. The Ballarat office will house 600 workers, whilst the Latrobe Valley site will house 150 and add \$15 million to the local economy

The Latrobe Valley Authority, tasked with overseeing the transitioning workforce of the region, will undertake a joint feasibility study with Bank Australia to attract new private sector investment to the region.

Planning and housing

The 2017-18 Budget provides for \$133.2 million in long-term housing funding, including more rental assistance, improved crisis accommodation and more support for those who have been displaced through consequences family violence.

The Budget includes \$60 million in funding to fund *Plan Melbourne*, a new blueprint for the future handling of population growth in Victoria. The blueprint will examine critical planning areas such as transport links and community services.

\$15 million has also been allocated to *Revitalising Central Geelong Action Plan*, looking at modernising the State's largest regional centre, and the \$10 million re-cast vision for Fisherman's Bend.

Tourism and sport

The 2017-18 Budget provides an extra \$25 million to Visit Victoria, attracting tourists, business leader and students to the State. The Government announced a plan to increase visitor spending in the State by \$36.5 billion per year by 2025. To achieve this, an additional \$20 million will be provided to Victoria's *Major Events Fund* to attract major acts and sporting events to the State.

The Budget includes a provision of \$332.8 million to improve sporting facilities, the centrepiece being a \$271.55 million allocation of funding to complete the third stage of the Melbourne Park redevelopment. This redevelopment is aimed at securing the future of the Australian Open and other major events in the precinct.

Other key sports and tourism initiatives include:

- \$10 million investment in the Victorian Home of Golf
- \$9.6 million additional funding to the State Sport Centre Trust
- \$6 million for new sporting and recreation infrastructure in Yarra Bend Park.

Further information

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

The 2017-18 Budget is available in full [here](#).

Hawker Britton's Occasional Paper on the 2016-17 Victorian Budget is available [here](#).