



ESSENTIAL ECONOMICS

Interface Budget Scorecard 2017

Based on 2017/18 Victorian State Budget

FINAL REPORT

Prepared for

Interface Councils Group

By

Essential Economics Pty Ltd

June 2017

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Contents

1	Funding Scorecard.....	1
2	Budget Cyclical Interface Funding Estimates v Estimated Interface Requirements	4
3	Budget Funding Equity Scorecard.....	6
4	Employment Scorecard	11
5	New Building Investment Scorecard.....	13
6	Economic Output Scorecard	17
7	Early Childhood/Kindergarten Scorecard	18
8	Primary School Funding Scorecard	19
9	Secondary School Funding Scorecard	21
10	Specialist School Funding Scorecard.....	23
11	General School Facilities Scorecard	24
12	Land Acquisition for Education Scorecard	25
13	Further Education Funding Scorecard.....	26
14	Health Funding Scorecard.....	27
15	Justice and Regulation Funding Scorecard.....	28
16	Arts and Cultural Facilities	29
17	Roads Funding Scorecard.....	30
18	Public Transport Funding Scorecard (Rail and Bus)	31
19	Public Libraries Funding Scorecard.....	32
20	Council Scorecard.....	33
21	Key Findings and Conclusions	34

1 FUNDING SCORCARD

Key Points

Total Funding

- Interface Council areas have been allocated approximately \$3,034 million (over 4 years) in Total Estimated Investment (TEI) from the 2017/18 State Budget (and other grants programs) for infrastructure in the following priority service areas:
 - Early childhood and kindergarten facilities
 - Schools facilities
 - Further education facilities
 - Hospitals and health facilities
 - Justice facilities
 - Roads
 - Public transport.
- The \$3,034 million Interface allocation (over 4 years) represents an overall increase from the previous four-year budget allocation of \$2,540 million in 2016/17, and a significant increase in budget allocations of \$910 million in 2015/16, \$1,330 million in 2014/15, and \$1,448 million in 2013/14. Importantly, overall State budget funding for priority infrastructure (including unallocated funding) has more than doubled over this period from \$18,700 million in 2013/14 to \$44,600 million in 2017/18.
- The largest proportion of allocated investment over the four-year period is focused on public transport (\$1,254 million or 41% of allocated TEI), associated with existing projects such as Mernda Rail and Hurstbridge Rail Line duplication projects and the Ballarat Rail Upgrade (which involves a 17km rail duplication between Deer Park West and Melton).
- The next largest allocated infrastructure investment is for roads (\$660 million or 22% of allocated TEI) for new and existing projects, with one new project announced: Yan Yean Road upgrade, Stage 2 (Yarrambat).
- Health has received funding of approximately \$405 million over four years (or 13% of allocated TEI) associated with new and existing projects, with one new project announced: Northern Hospital Inpatient Expansion, Stage 2 (Epping).
- Primary and secondary schools have been allocated approximately \$345 million (or 11% of allocated TEI) over the forward estimates, which includes new and existing projects and proposed land purchases in Interface Council areas.

- Justice has been allocated approximately \$308 million (or 17% of allocated TEI) over the forward estimates, which relates to existing and new projects and this funding is primarily associated with the new youth justice facility to be constructed in Werribee.
- The Growing Suburbs Fund has been allocated \$50 million. However, this allocation is now split over two financial years (2017/18 and 2018/19) in contrast to previous allocations of \$50 million in each of 2015/16 and 2016/17 financial years and in effect represents a 50% cut in funding. The Growing Suburbs Fund will continue to assist in the development of multipurpose facilities, community centres, playgrounds or other spaces needed by the community.
- Early childhood/kindergarten received approximately \$6 million in investment in new and upgraded facilities through the Children's Facilities Capital Program (2016/17).
- At the time of preparing this report, recipients of the \$4.5 million Living Libraries Infrastructure Program 2016 had not been announced.
- As in recent budgets, no specific investment has been made in arts and cultural facilities in Interface Council areas.

Four-year State Budget (2017/18) TEI allocations (which include new and existing funding) for the Interface Council areas are shown in Table 1.1.

Table 1.1: State Capital Investment by Priority Area 2017/18 – Four-Year Budget Cycle Allocation, unless stated (\$'000s).

	Interface Council Areas		Non-Interface Metropolitan Council Areas		Regional Council Areas		Statewide / Unallocated		Victoria	
	Projects	Total Estimated Investment (TEI) ('000s)	Projects	Total Estimated Investment (TEI) ('000s)	Projects	Total Estimated Investment (TEI) ('000s)	Projects	Total Estimated Investment (TEI) ('000s)	Projects	Total Estimated Investment (TEI) ('000s)
Early Childhood/Kindergarten – Annual ⁽¹⁾	10	\$6,263	11	\$5,907	4	\$1,391	-	-	25	\$13,561
Primary School	24	\$143,469	59	\$232,509	71	\$110,991	-	-	154	\$486,969
Secondary School	27	\$138,751	56	\$408,209	54	\$238,031	-	-	137	\$784,991
Specialist School	4	\$9,975	5	\$39,960	6	\$26,165	-	-	15	\$76,100
General School Facilities	-	-	2	\$28,023	2	\$17,000	15	\$392,191	19	\$437,214
Land Acquisitions for Education	8	\$62,622	-	-	1	\$7,828	2	141,700	11	\$212,150
Further Education	-	-	1	\$21,900	-	-	3	\$400,038	4	\$421,938
Health	4	\$404,882	21	\$1,224,525	11	\$689,975	32	\$800,838	68	\$3,120,220
Justice	3	\$307,700	1	\$69,428	1	\$32,540	26	\$1,429,740	31	\$1,839,408
Arts and Culture	-	-	8	\$356,239	-	-	2	\$21,518	10	\$377,757
Roads ⁽²⁾	9	\$659,469	5	\$860,019	18	\$1,944,635	14	\$15,055,000	46	\$18,519,123
Public Transport ⁽³⁾	4	\$1,254,343 ⁽⁴⁾	10	\$1,135,621	14	\$2,071,563	19	\$13,822,939	47	\$18,284,466
Public Libraries – Annual ⁽⁵⁾	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-	-
Growing Suburbs Fund – over two years ⁽⁶⁾	1	\$50,000	-	-	-	-	-	-	1	\$50,000
Total	94	\$3,037,474	179	\$4,382,340	182	\$5,140,119	113	\$32,063,964	568	\$44,623,897

Source: Victorian Budget Papers 2017/18

Notes: ⁽¹⁾ Children's Facilities Capital Program Major Grant recipients 2016/17, Department of Education and Early Childhood Development.

⁽²⁾ Statewide allocations include capital funding for the West Gate Tunnel Project, CitiLink –Tulla Widening Project, Monash Freeway Upgrade and Level Crossing Removal Program.

⁽³⁾ Statewide allocations include \$11.0 billion TEI for the Melbourne Tunnel (Melbourne Metro Rail) project.

⁽⁴⁾ The Ballarat Rail Upgrade Project (\$517 million TEI) is allocated as an Interface project recognising the major component involves duplication of a 17-kilometre section of single track between Deer Park West and Melton.

⁽⁵⁾ Recipients of the \$4.5 million Living Libraries Infrastructure Program 2016 have yet to be announced.

⁽⁶⁾ Growing Suburbs Fund allocation (\$50 million) is spread over the 2017/18 and 2018/19 periods (\$25 million allocation for each year)

Figures rounded to nearest 1,000

2 BUDGET CYCLICAL INTERFACE FUNDING ESTIMATES V ESTIMATED INTERFACE REQUIREMENTS

Key Points

1. Over the current 4-year budget period an estimated \$1,831 million in investment is required for critical infrastructure (ie early childhood/kindergartens, schools, further education, health and public transport) in Interface Council areas (refer to “One Melbourne or Two” updated report, Essential Economics 2013). Note that while the majority of funding is a State responsibility, funding support is also required from the Federal Government and Councils, while some infrastructure will be provided by the private sector.
2. State funding allocated in the 2017/18 budget over a 4-year period represents approximately \$2,010 million (excluding the Growing Suburbs Fund) for these key infrastructure areas, which is above the required four-year requirement. Note, roads funding is not included as a specific measure in the “One Melbourne or Two” report.
3. Further funding allocations for Interface infrastructure are likely to arise from unallocated Statewide funding programs, such as:
 - \$253 million for Trade Training Centres across the State.
 - \$147 million allocated to the TAFE sector, including the TAFE Rescue Fund which is to assist with the reopening of closed campuses.
 - \$75 million allocated to provide relocatable school buildings to meet expanding demand across the State.
 - \$63 million in Tech Schools across the State.
 - \$28 million allocated to the Railway Station Carparking Fund (Statewide) and additional station car parks and upgrades (Metropolitan).
 - \$10 million for planning and construction of early childhood facilities on school sites across the State.
4. In this 4-year budget cycle, schools, health and public transport are adequately funded (although this needs to be balanced against under-investment in previous budgets); however, areas such as early childhood/kindergarten and further education are underfunded and this may result in a shortage of required infrastructure if unallocated State funds and/or private sector funding is not secured.
5. The estimated \$180 million ‘surplus’ in the 2017/178 budget compares to a surplus of \$83 million in the 2016/17 budget and estimated shortfalls in previous budgets of \$920 million (2015/16), \$810 million (2014/15), \$895 million (2013/14) and \$955 million (2012/13). In effect, the four-year funding allocations announced in the 2017/18 budget enable Interface Council areas to continue to ‘close the gap’ in terms of cumulative funding deficits generated over the past few years.

A summary of budget allocations against identified service requirements is shown in Table 2.1

Table 2.1: Budget Cyclical Interface Funding Estimates v Estimated Interface Requirements

	Estimated 4-Year Funding Total Estimated Investment (¹)	Estimated 4-Year Requirement (All funding sources) (²)	Funding Surplus /Deficit (All funding sources)	Main Funding Sources	Potential Under-Provision (if required funding from all sources is not secured)
Early Childhood/Kindergarten	\$6.3m	\$17.1m	-\$10.8m	State/Federal/Private	1,260 places/12 buildings
Schools (primary, secondary, and land acquisitions)	\$344.8m	\$297.4m	+\$47.4m	State/Private	Adequately funded
Further Education	\$0.0m	\$97.1m	-\$97.1m	State	16,370 places/3 TAFE campuses
Health	\$404.9m	\$291.5m	+\$113.4m	State/Private	Adequately funded
Public Transport	\$1,254.3m	\$1,127.7m	+\$126.6m	State/Federal	Adequately funded
Total (Critical Infrastructure)	\$2,010.30m	\$1,830.8m	+\$179.5m	-	-
Growing Suburbs Fund	\$50.0m	n/a	n/a	State	n/a
Justice	\$307.7m	n/a	n/a	State/Federal	n/a
Libraries (annual grant allocation)	n/a	n/a	n/a	State/Council	n/a
Other (roads, special education)	\$669.4m	n/a	n/a	Federal/State	n/a
Total	\$3,3037.4m	-	-	-	-

Source: (¹) Victorian Budget Papers 2017/18; Children's Facilities Capital Program Major Grant recipients (2016/17); (²) Essential Economics, *One Melbourne or Two – Implications of Population Growth for Infrastructure and Services in Interface Area*, 2012.

Note: Figures rounded

3 BUDGET FUNDING EQUITY SCORECARD

Key Points

1. Interface Council areas accommodate approximately 26% of Victoria's population and 34% of Metropolitan Melbourne's population (ABS Estimated Resident Population, June 2016 provisional). Over the most recent 5-year period (2011 to 2016), Interface Council areas have been responsible for accommodating 44% of State population growth and 49% of Metropolitan Melbourne population growth.
2. Over the 2011/16 period, the population growth rate across the Interface Council areas of +3.2% pa (representing an increase of +232,810 persons over the 5-year period) has far outstripped the population growth rate in non-Interface Metropolitan Council areas of +1.6% pa (an increase of +239,460 persons over 5 years) and in Regional Council areas of +0.9% pa (an increase of +59,550 persons over 5 years).
3. However, over recent years Interface Council areas have not received State funding in proportion to their share of total population numbers or their share of population growth.
4. The 2017/18 Budget allocated 24% of new allocated funding to Interface Council areas, which marks a significant decrease from 49% allocated in the 2016/17 budget and 33% allocated in the 2015/16 budget. However, the recent budget allocation of 24% for new infrastructure is notably higher than the 17% share of new funding allocated in the 2014/15 budget, and the 16% share of new funding allocated in the 2013/14 budget.
5. When new and existing funding is considered over the forward estimates, Interface Council areas received 24% of total allocated investment for key infrastructure items, and this compares to 35% funding for Non-Interface Metropolitan Melbourne Council areas and 41% funding for Regional Council areas.
6. In the 2017/18 Budget, Interface Council areas were allocated 89% of land acquisition funds for schools (estimated), 60% of allocated justice funding, 28% of allocated roads funding, 20% of secondary schools funding, and 16% of primary school funding.
7. Just 11% of allocated State health funding was directed towards Interface Council areas in the 2017/18 Budget, and this contrasts with 58% of funding for Non-Interface Metropolitan Council areas and 31% for Regional Council areas. Only 14% of allocated State public transport funding was directed towards Interface Council areas, and this compares to 36% of funding for Non-Interface Metropolitan Council areas and 50% for Regional Council areas.
8. Interface Council areas received no direct funding allocations for further education, or general school facilities, or arts and cultural facilities in the 2017/18 Budget.

9. Interface Council areas received a specific \$50 million allocation through the Growing Suburbs Fund to be spent in 2017/18 (\$25 million) and 2018/19 (\$25 million) for community infrastructure projects.
10. Importantly, the population of Interface Council areas is forecast to continue growing at a faster rate than non-Interface Metropolitan Council areas and Regional Council areas over the coming 15 years. The State Government's Victoria in Future 2016 (Department of Environment, Land, Water and Planning) shows that by 2031 Interface Council areas will accommodate 2,335,745 persons (an increase of +755,400 persons compared to 2016 population levels) and the Interface's share of state population will increase from 24% in 2016 to 30% in 2031. In view of these population projections, it is clear that significant and sustained infrastructure funding will be required to support the needs of Interface communities over the coming decades.

State budget allocations by priority area and by geographical location are shown in Tables 3.1 and 3.2, and illustrated in Figures 3.1 and 3.2

Table 3.1: Budget Funding by Infrastructure Priority Areas (existing and new funding)

	Projects		Total Funding (Allocated and Unallocated)		Allocated Funding Only	
	Number of Projects	Share of Projects	TEI (000s)	Share of TEI	TEI (000s)	Share of TEI
Interface Council Areas	94	16.5%	\$3,037,474	6.8%	\$3,037,474	24.2%
Non-Interface Metropolitan Council Areas	179	31.5%	\$4,382,340	9.8%	\$4,382,340	34.9%
Regional Council Areas	182	32.0%	\$5,140,119	11.5%	\$5,140,119	40.9%
State-wide / Unallocated / location non-specific	113	19.9%	\$32,063,964	71.9%	-	-
Total	568	100.0%	\$44,623,897	100.0%	\$12,559,933	100.0%

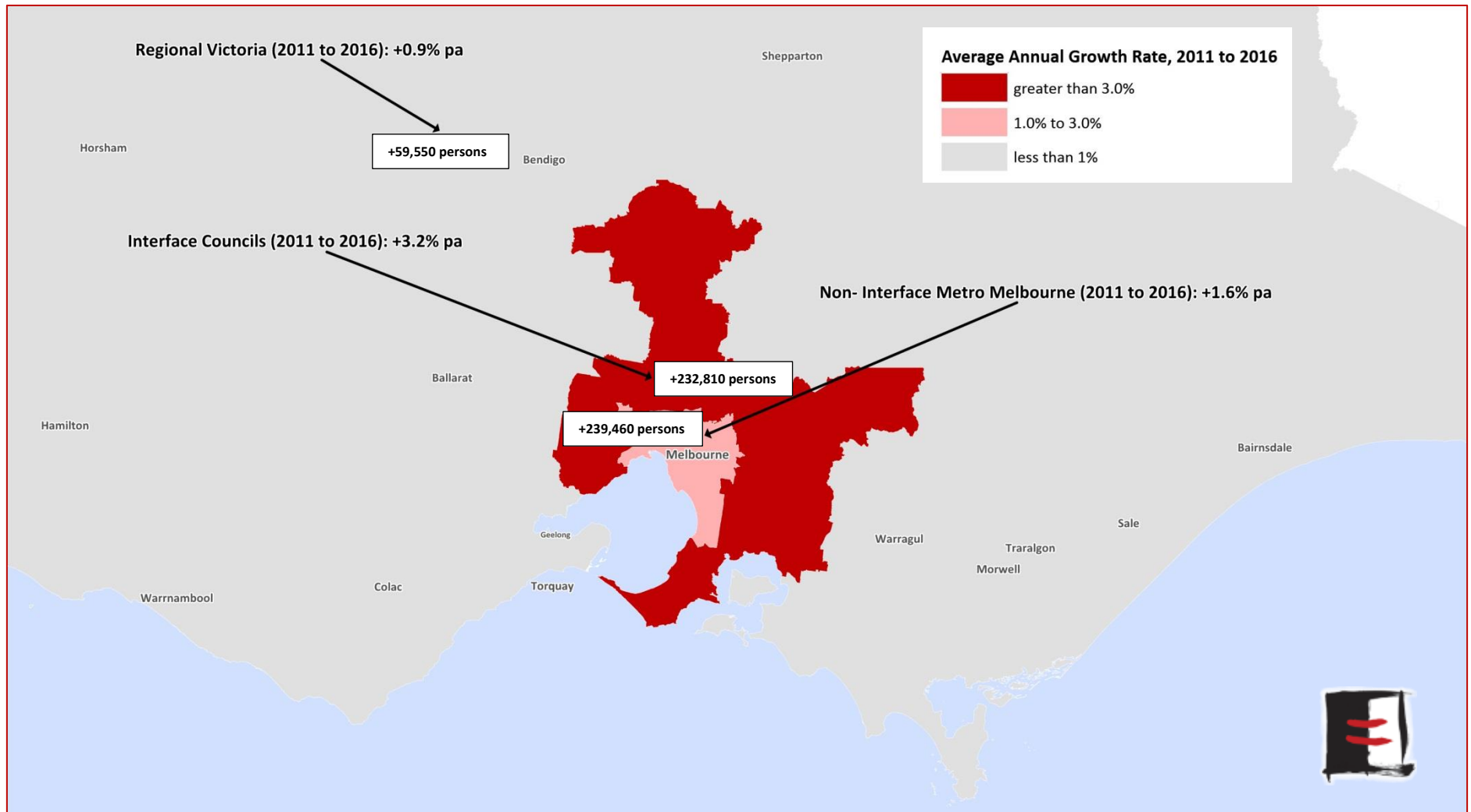
Source: Victorian Budget Papers 2017/18 and Children's Facilities Capital Program Major Grant recipients 2016/17.
Figures rounded

Table 3.2: Budget Funding Equity Scorecard (Allocated Funding Only), by Geographical Area

	Interface Council Areas		Non-Interface Metropolitan Council Areas		Regional Council Areas		Total	
	<i>Projects</i>	<i>Investment</i>	<i>Projects</i>	<i>Investment</i>	<i>Projects</i>	<i>Investment</i>	<i>Projects</i>	<i>Investment</i>
Early Childhood/Kindergarten – Annual	40.0%	46.2%	44.0%	43.6%	16.0%	10.3%	100.0%	100.0%
Primary School	15.6%	29.5%	38.3%	47.7%	46.1%	22.8%	100.0%	100.0%
Secondary School	19.7%	17.7%	40.9%	52.0%	39.4%	30.3%	100.0%	100.0%
Specialist School	26.7%	13.1%	33.3%	52.5%	40.0%	34.4%	100.0%	100.0%
General School Facilities	0.0%	0.0%	50.0%	62.2%	50.0%	37.8%	100.0%	100.0%
Land Acquisitions for Education	88.9%	88.9%	0.0%	0.0%	11.1%	11.1%	100.0%	100.0%
Further Education	0.0%	0.0%	25.0%	5.2%	75.0%	94.8%	100.0%	100.0%
Health	11.1%	17.5%	58.3%	52.8%	30.6%	29.7%	100.0%	100.0%
Justice	60.0%	75.1%	20.0%	16.9%	20.0%	7.9%	100.0%	100.0%
Arts and Culture	0.0%	0.0%	100.0%	100.0%	0.0%	0.0%	100.0%	100.0%
Roads	28.1%	19.0%	15.6%	24.8%	56.3%	56.1%	100.0%	100.0%
Public Transport	14.3%	28.1%	35.7%	25.4%	50.0%	46.4%	100.0%	100.0%
Public Libraries – <u>Annual</u>	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Growing Suburbs Fund	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	100.0%	100.0%

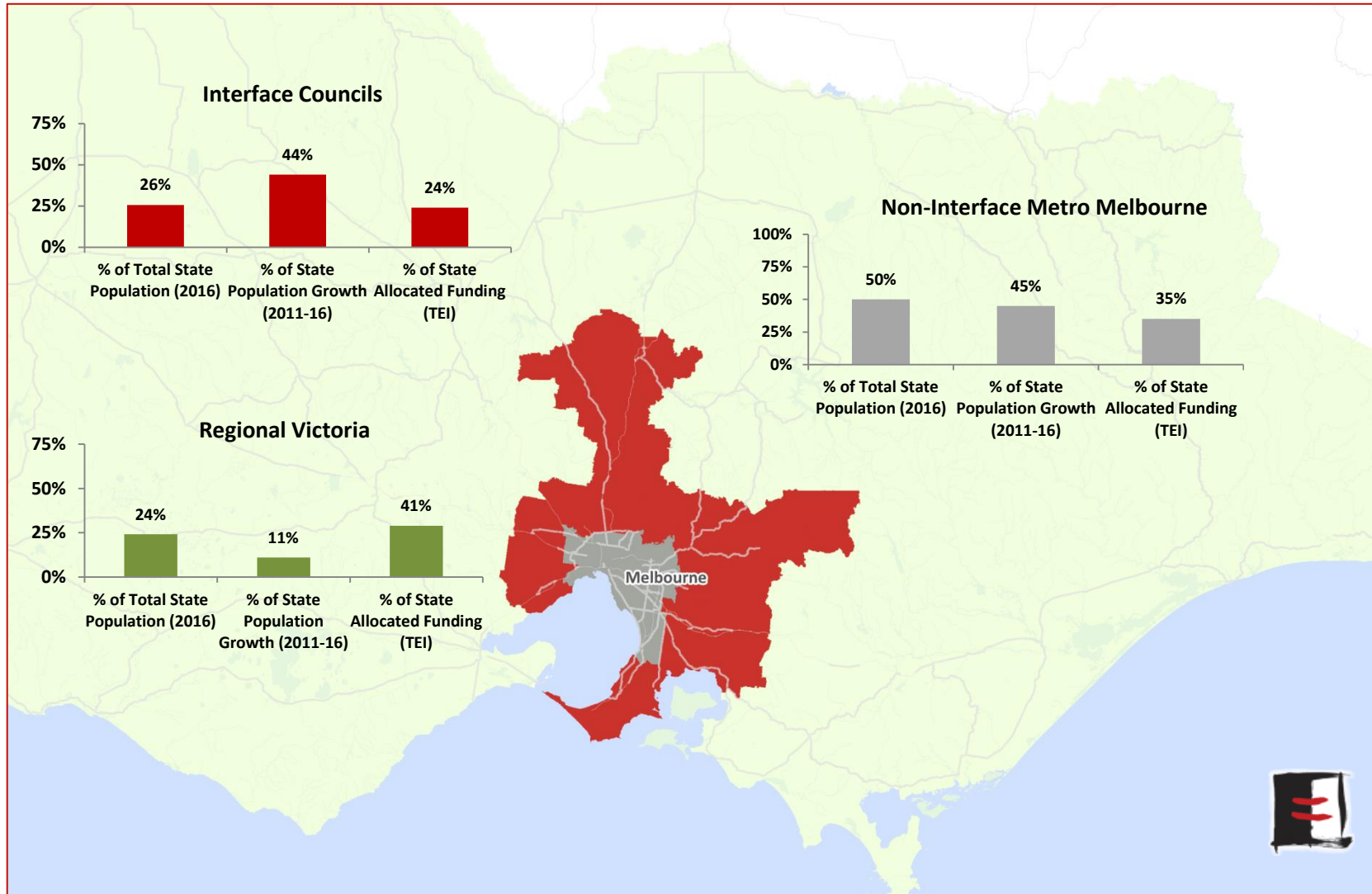
Source: Victorian Budget Papers 2017/18 and Children’s Facilities Capital Program Major Grant recipients 2016/17.
 Figures rounded

Figure 3.1: Population Growth (Annual Average Growth Rate 2011 to 2016), by Region



Source: ABS, 3218.0 Regional Population Growth, Australia and Table 3.1.

Figure 3.2: Percentage Share of Total Population (2016), Population Growth (2011-2016) and Percentage Allocated Funding (TEI), by Geographical Region



Source: ABS, 3218.0 Regional Population Growth, Australia

4 EMPLOYMENT SCORECARD

1. The unemployment rate in Interface Council areas was 6.6% as of December 2016. This is significantly higher than rates for both Non-Interface Metropolitan Council areas (5.5%) and Regional Council areas (5.7%). As of December 2016, 38% of all unemployed persons in Metropolitan Melbourne were labour force participants from Interface Council areas (approximately 55,000 persons), which is higher than the 33% labour force contribution these Interface areas make to Metropolitan Melbourne's overall labour force.
2. ABS Place of Work data (2011) shows local job provision in Interface Council areas is very low at only 0.51 jobs per workforce participant and this represents a decline in provision from 0.55 jobs per workforce participant in 2006. In contrast, Non-Interface Metropolitan Council areas continue to provide approximately 1 job per workforce participant, while job provision in Regional Council areas has improved significantly in recent years, increasing from 0.83 jobs per workforce participant in 2006 to 1.07 jobs per workforce participant in 2011. Note that this information is only updated every five years through the ABS Census, with the next Place of Work data due for release by the ABS by the end of 2017.

Employment data is shown in Table 4.1

Table 4.1: Economic Development Scorecard – Employment and Unemployment

	Interface Council Areas	Non-Interface Metropolitan Council Areas	Regional Council Areas
Unemployment Rate (December 2016) ⁽¹⁾	6.6%	5.5%	5.7%
Unemployment Rate (December 2015) ⁽¹⁾	6.9%	5.8%	5.8%
Unemployment Rate (December 2014) ⁽¹⁾	7.1%	6.5%	6.3%
Unemployment Rate (December 2013) ⁽²⁾	6.5%	5.7%	5.4%
Unemployment Rate (December 2012) ⁽²⁾	6.0%	5.2%	5.7%
Unemployment Rate (December 2011) ⁽²⁾	5.6%	4.7%	5.2%
Employment Self-Sufficiency Rate (2011)⁽³⁾	0.51 jobs provided per labour force participant	0.98 jobs provided per labour force participant	1.07 jobs provided per labour force participant
Employment Self-Sufficiency Rate (2006) ⁽⁴⁾	0.55 jobs provided per labour force participant	1.00 jobs provided per labour force participant	0.83 jobs provided per labour force participant

Sources: ⁽¹⁾ Australian Government Department of Employment – Small Area Labour Markets (December 2014, 2015, 2016) ⁽²⁾ DEEWR – Small Area Labour Markets (December 2011, 2012, and 2013); ⁽³⁾ ABS Place of Work (2011); ⁽⁴⁾ ABS Journey to Work (2006).

5 NEW BUILDING INVESTMENT SCORECARD

1. In 2016, Interface Council areas secured 27% of all new building investment across the State (up from 23% in 2015 and 26% in 2012) which equates to \$8.6 billion in new investment over the year (up from \$6.9 billion the previous year and \$4.4 billion in 2012). The 2016 figure represents an expansion in new building investment in the Interface of approximately +\$1.7 billion (or +25%) over the 12 months, which is well above the uplift experienced in Non-Interface Metropolitan Council areas (+5%) and Regional Council areas (+1%) over the year.
2. New building investment tends to vary by year due to the ‘bulkiness’ of certain major investments, and such variations therefore need not necessarily relate to macro-economic conditions. In this regard an assessment of the longer-term trend is more useful. Five-year investment trends for Interface Council areas show an increase in new building investment from \$4.4 billion in 2012 to \$8.6 billion in 2016, which equates to an +18% pa increase in investment over the period. This is slightly below the five-year investment trend for Non-Interface Metropolitan Council areas (+20% pa), but well above the investment trend for Regional Council areas (+9% pa) over the 2012-2016 period (inclusive).
3. The main focus of investment in Interface Council areas in 2016 remains domestic dwelling construction (\$6.0 billion or 69% of all investment), which represents an increase of +\$0.9 billion (or +17%) over the 12 months. Over the same period the Interface’s share of state-wide domestic dwelling investment increased from 34% in 2015 to 36% in 2016, highlighting the ongoing importance of Interface Council areas in providing new dwelling supply to support Victoria’s expanding population.
4. In 2016 Interface Council areas secured a significantly greater proportion of new State building investment in hospital/healthcare (37%, up from 12% in 2015), while the proportion of State investment in new public buildings declined from 25% in 2015 to 21% in 2016 (although the actual value of building investment increased from \$499 million to \$473 million over the 12-month period). The five-year trend for these key areas of community infrastructure investment shows Interface Council areas securing 17% of hospital/healthcare building investment (compared to 55% for Non-Interface Council areas and 29% for Regional Council areas) and 25% of public building investment over the period (compared to 54% for Non-Interface Council areas and 21% for Regional Council areas).
5. Between 2015 and 2016, Interface Council areas recorded increases in commercial building investment (from to \$506 million to \$867 million) and industrial building investment (from \$140 million to \$234 million), but a decline in retail building investment (from \$415 million to \$345 million) over the 12 months. The five-year trend for these sectors shows Interface Council areas securing 18% of State commercial building investment (compared to 69% for Non-Interface Council areas and 12% for Regional Council areas), 27% of industrial building investment (compared to 40% for Non-Interface Council areas and 33% for Regional Council areas), and 23% of retail building investment (compared to 61% for Non-Interface Council areas and 16% for Regional Council areas).

New building investment data is shown in Table 5.1 and Figures 5.1 and 5.2. Note, values are expressed in current prices, unadjusted for inflation.

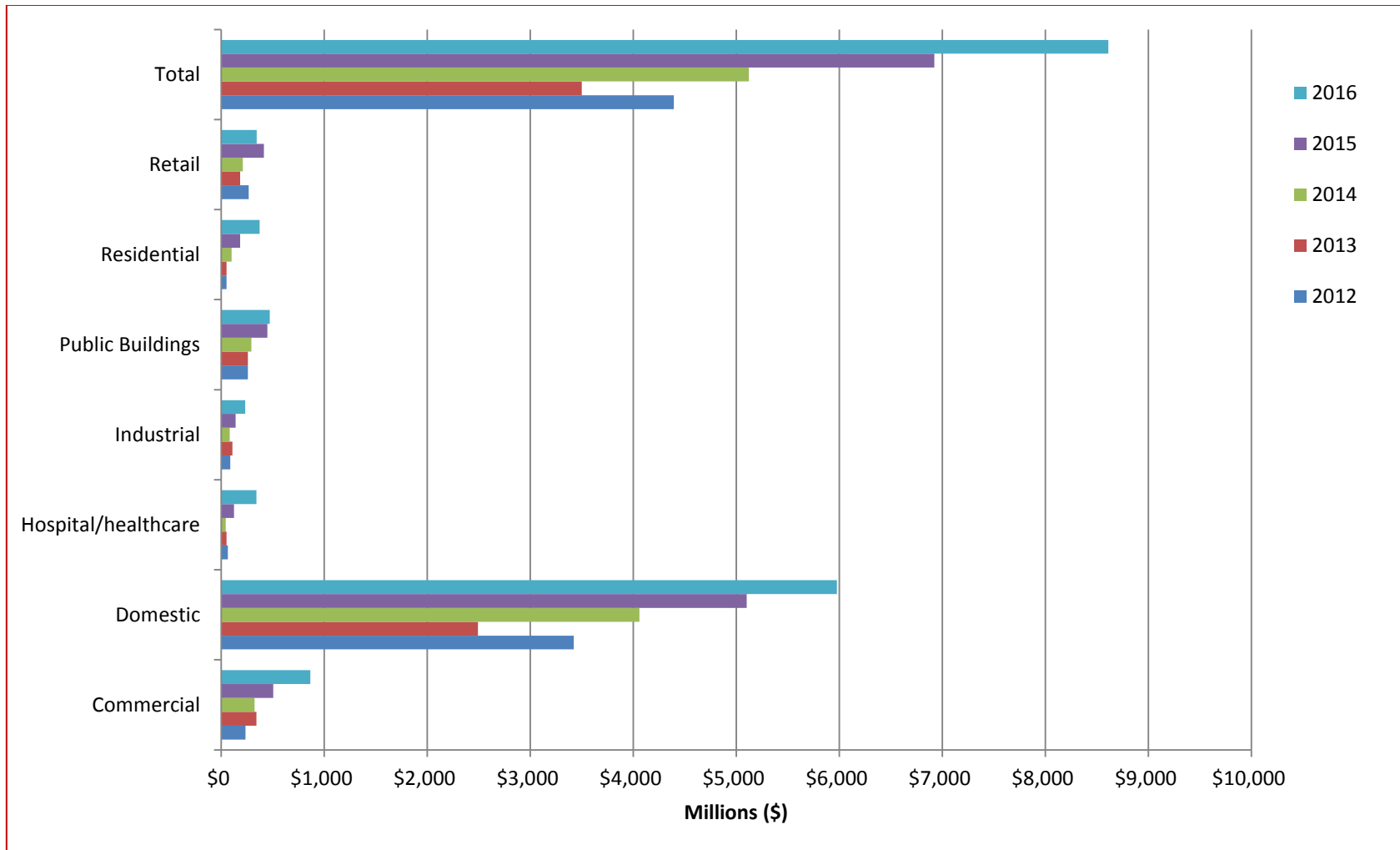
Table 5.1: Economic Development Scorecard – Building Investment, 2012-2016

	2012		2013		2014		2015		2016		2012-2016	
	Value	State Share	Value	State Share	Value	State Share	Value	State Share	Value	State Share	Value	State Share
Interface Council Areas												
Commercial	\$237m	14%	\$344m	21%	\$326m	18%	\$506m	16%	\$867m	21%	\$2,280m	18%
Domestic	\$3,423m	36%	\$2,494m	35%	\$4,061m	35%	\$5,101m	34%	\$5,978m	36%	\$21,057m	35%
Hospital/healthcare	\$65m	13%	\$54m	14%	\$46m	5%	\$126m	12%	\$343m	37%	\$634m	17%
Industrial	\$88m	21%	\$110m	39%	\$83m	16%	\$140m	25%	\$234m	38%	\$655m	27%
Public Buildings	\$259m	23%	\$259m	33%	\$293m	32%	\$449m	25%	\$473m	21%	\$1,733m	25%
Residential	\$53m	2%	\$54m	2%	\$102m	3%	\$185m	3%	\$373m	7%	\$767m	4%
Retail	\$269m	36%	\$186m	24%	\$212m	23%	\$415m	19%	\$345m	21%	\$1,427m	23%
Total	\$4,394m	26%	\$3,501m	26%	\$5,123m	25%	\$6,922m	23%	\$8,613m	27%	\$28,553m	25%
Non-Interface Metropolitan Council Areas												
Commercial	\$1,221m	74%	\$1,154m	69%	\$1,110m	62%	\$2,240m	70%	\$2,921m	70%	\$8,646m	69%
Domestic	\$3,313m	35%	\$2,739m	38%	\$4,453m	39%	\$6,485m	43%	\$7,155m	43%	\$24,145m	40%
Hospital/healthcare	\$311m	62%	\$284m	75%	\$591m	61%	\$442m	44%	\$438m	47%	\$2,066m	55%
Industrial	\$232m	55%	\$117m	41%	\$149m	28%	\$241m	42%	\$223m	36%	\$962m	40%
Public Buildings	\$606m	53%	\$342m	43%	\$374m	41%	\$1,107m	61%	\$1,326m	58%	\$3,755m	54%
Residential	\$2,800m	94%	\$2,297m	88%	\$3,576m	94%	\$5,271m	94%	\$5,035m	92%	\$18,979m	92%
Retail	\$359m	47%	\$479m	62%	\$525m	56%	\$1,468m	69%	\$1,025m	61%	\$3,856m	61%
Total	\$8,842m	52%	\$7,412m	54%	\$10,778m	53%	\$17,254m	59%	\$18,123m	57%	\$62,409m	55%
Regional Council Areas												
Commercial	\$184m	11%	\$163m	10%	\$359m	20%	\$445m	14%	\$397m	9%	\$1,548m	12%
Domestic	\$2,731m	29%	\$1,899m	27%	\$3,003m	26%	\$3,517m	23%	\$3,690m	22%	\$14,840m	25%
Hospital/healthcare	\$122m	24%	\$43m	11%	\$334m	34%	\$445m	44%	\$145m	16%	\$1,089m	29%
Industrial	\$102m	24%	\$59m	21%	\$295m	56%	\$187m	33%	\$166m	27%	\$809m	33%
Public Buildings	\$285m	25%	\$187m	24%	\$237m	26%	\$258m	14%	\$490m	21%	\$1,457m	21%
Residential	\$128m	4%	\$273m	10%	\$141m	4%	\$177m	3%	\$92m	2%	\$811m	4%
Retail	\$129m	17%	\$112m	14%	\$193m	21%	\$254m	12%	\$310m	18%	\$998m	16%
Total	\$3,681m	22%	\$2,736m	20%	\$4,562m	22%	\$5,283m	18%	\$5,290m	17%	\$21,552m	19%

Source: Victorian Building Authority (unpublished data)

Notes: Values expressed in current prices, unadjusted for inflation
Figures rounded

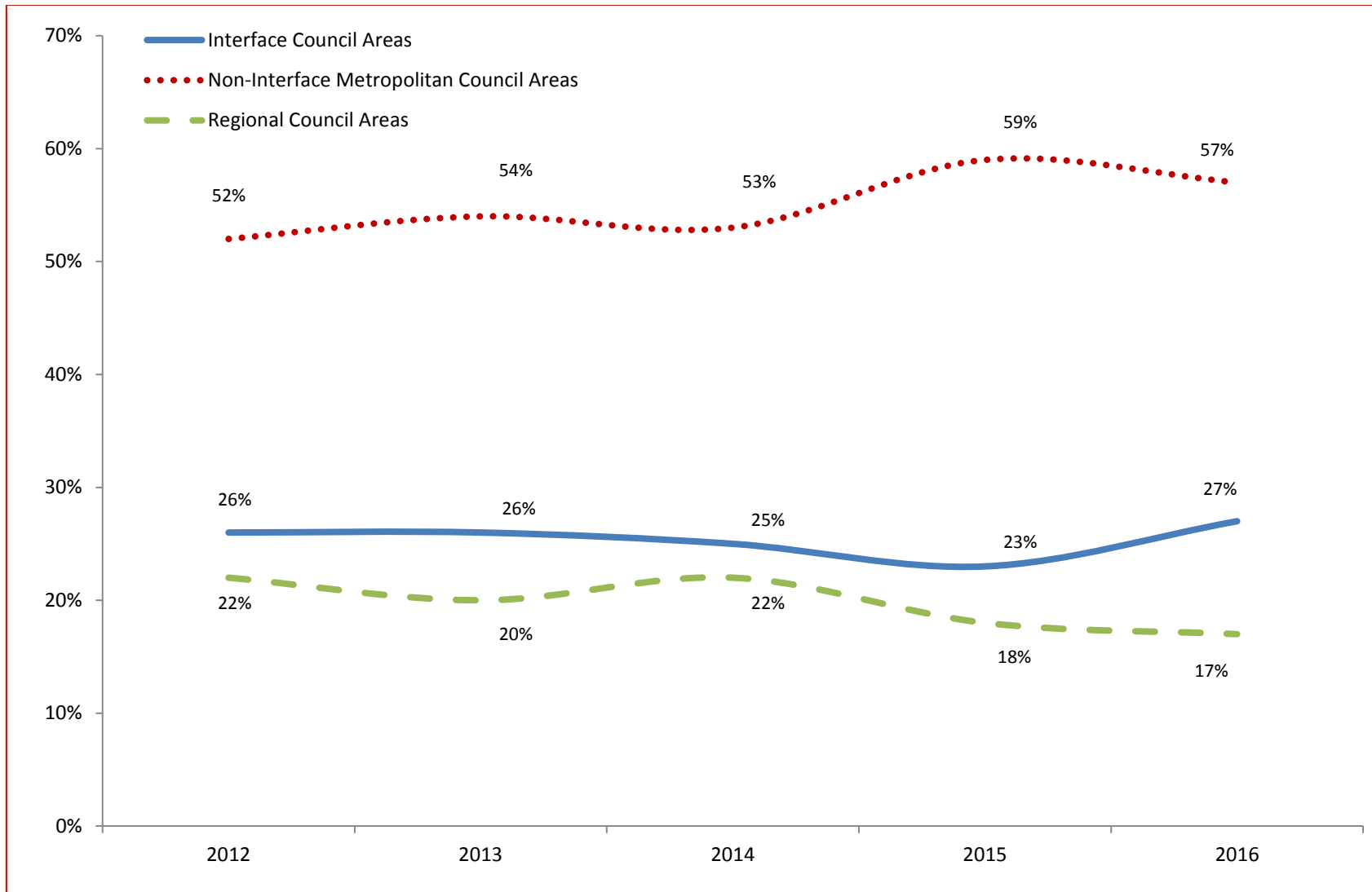
Figure 5.1: New Building Investment Trends by Building Type, Interface Council Areas, 2012 to 2016



Source: Victorian Building Authority

Note: Figures rounded

Figure 5.2: Trends in the Share (%) of Total Victorian New Building Investment by Region, 2012 to 2016



Source: Victorian Building Authority

Note: Figures rounded

6 ECONOMIC OUTPUT SCORECARD

1. Economic output data for 2015/16 (latest available from id National Indicators data), as measured in Gross State Product (GSP), highlights the relative lack of economic infrastructure, capital investment, established industry sectors, supply chains and employment in Interface Council areas. Interface Council areas contributed just \$56 billion (or 15%) to Victoria's GSP of \$370 billion for the 2015/16 financial year.
2. The proportional contribution of Interface Council areas to Victoria's GSP in 2015/16 of 15% represents an increase from 14% in 2014/15, while GSP growth of 14% over the past 12 months (from \$48.8 billion to \$55.5 billion) is twice the state average (7%) over this period.
3. However, the GSP contribution of Interface Council areas (15% in 2015/16) remain well below those of Non-Interface Metropolitan Council areas (66%) and Regional Council areas (19%), with these ratios only shifting marginally between 2010/11 and 2015/16, as shown in Table 6.1.
4. This data highlights the fact that many Interface labour force participants are involved in economic-generating activities outside the Interface (predominantly in other metropolitan areas), as Interface Council areas contribute 25% of the total State labour force, but only generate 15% of Victoria's GSP, as noted above.
5. In contrast, Non-Interface Metropolitan Council areas provide 52% of total State labour force and generate 66% of Victoria's GSP, while Regional Council areas provide 23% of the State's total labour force and generate 19% of Victoria's GSP.

Table 6.1: Economic Output Scorecard – Gross State Product (GSP) 2010/11 to 2015/16

	2010/11		2013/14		2014/15		2015/16	
	GSP Value	Proportion of State GSP	GSP Value	Proportion of State GSP	GSP Value	Proportion of State GSP	GSP Value	Proportion of State GSP
Interface Council Areas	\$42.2b	13%	\$46.7b	14%	\$48.8b	14%	\$55.5b	15%
Non-Interface Metropolitan Council Areas	\$210.2b	67%	\$223.6b	67%	\$230.3b	67%	\$245.6b	66%
Regional Council Areas	\$61.2b	20%	\$62.9b	19%	\$65.6b	19%	\$68.8b	19%
Victoria	\$313.6b	100%	\$333.2b	100%	\$344.7b	100.0%	\$369.9b	100.0%

Source: id National Economic Indicators Series – id Consulting and National Institute of Economic and Industry Research

Note: Figures rounded

7 EARLY CHILDHOOD/KINDERGARTEN SCORECARD

Table 7.1: Early Childhood/Kindergarten Scorecard (note, relates to 2016/17 only)

	Projects	Share of Total	2016/17 Allocation (000s)	Share of 2016/17 Investment
Interface Council Areas	10	40.0%	\$6,263	46.2%
Non-Interface Metropolitan Council Areas	11	44.0%	\$5,907	43.6%
Regional Council Areas	4	16.0%	\$1,391	10.3%
Statewide / unallocated / location non-specific	-	-	-	-
Total	25	100.0%	\$13,561	100.0%

Source: Children's Facilities Capital Program Major Grant recipients 2016/17, Department of Education and Early Childhood Development

Note: Figures rounded

Funded Interface Projects 2016/17 (figures rounded)

- Lilydale Lakeside Children's Centre, Lilydale: \$1,600,000
- Livingston Family and Community Centre, Cranbourne East: \$1,600,000
- Gum Scrub Creek Integrated Children's Centre, Officer: \$1,200,000
- Marymede Early Learning Centre, South Morang: \$650,000
- Truganina South New Early Learning Centre, Truganina South: \$650,000
- Pakenham Kindergarten, Pakenham: \$350,000
- Stewart's Lane Preschool, Sunbury: \$43,000
- Westmeadows Preschool, Westmeadows: \$35,000
- Taylor Drive Preschool, Gladstone Park: \$34,000
- Upfield Kindergarten, Dallas: \$101,000

8 PRIMARY SCHOOL FUNDING SCORECARD

Table 8.1: Primary School Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	24	15.6%	\$143,469	29.5%
Non-Interface Metropolitan Council Areas	59	38.3%	\$232,509	47.7%
Regional Council Areas	71	46.1%	\$110,991	22.8%
Statewide / unallocated / location non-specific	-	-	-	-
Total	154	100.0%	\$486,969	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- Aitken Hill Primary School - funding for construction of new primary school in Hume (Yuroke): \$13.81 million
- Berwick Fields Primary School - modernisation - upgrade existing school facilities (Berwick): \$0.25 million
- Burnside Primary School - funding for construction of new primary school in Melton (Burnside): \$13.81 million
- Campbellfield Heights Primary School - modernisation - upgrade existing school facilities (Campbellfield): \$0.40 million
- Diggers Rest Primary School - modernisation - upgrade existing school facilities (Diggers Rest): \$0.15 million
- Kurunjang Primary School - modernisation - upgrade existing school facilities (Melton): \$1.01 million
- Lilydale Primary School - modernisation - upgrade existing school facilities (Lilydale): \$0.80 million
- Lilydale West Primary School - modernisation - upgrade existing school facilities (Lilydale): \$2.11 million
- Pakenham North East Primary School - funding for construction of a new primary school in Cardinia (Pakenham): \$13.81 million
- Sanctuary Lakes South P9 - funding to construct a new P-9 school in Wyndham (Point Cook): \$13.81 million
- Truganina East P9 - funding for construction of new P-9 school in Wyndham (Tarneit): \$13.81 million
- Wandong Primary School - modernisation - upgrade existing school facilities (Wandong): \$1.30 million
- Yarrambat Park Primary School - funding for construction of new primary school in Whittlesea (Yarrambat): \$13.81 million

Existing TEI funding (figures rounded)

- Bimbadeen Heights Primary School (Mooroolbark): \$5.30 million
- Dallas Brooks Community Primary School (Dallas): \$0.50 million
- Gum Scrub Creek Primary School (Officer): \$13.00 million
- Hampton Park Primary School 2015-16 (Hampton Park): \$5.28 million
- Kismet Park Primary School (Sunbury): \$0.70 million
- Manchester Primary School (Mooroolbark): \$1.38 million
- Mill Park Heights Primary School (Mill Park): \$6.00 million
- Mooroolbark East Primary School (Mooroolbark): \$2.40 million
- Mornington Primary School (Mornington): \$5.00 million
- Tarneit West Primary School (Tarneit): \$13.05 million
- Yarra Junction Primary School (Yarra Junction): \$2.01 million

9 SECONDARY SCHOOL FUNDING SCORECARD

Table 9.1: Secondary School Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	27	19.7%	\$138,751	17.7%
Non-Interface Metropolitan Council Areas	56	40.9%	\$408,209	52.0%
Regional Council Areas	54	39.4%	\$238,031	30.3%
Statewide / unallocated / location non-specific	-	-	-	-
Total	137	100.0%	\$784,991	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- Eltham High School - modernisation - funding to deliver works planned in 2016-17 (Eltham): \$1.51 million
- Fountain Gate Secondary College - modernisation - funding to deliver works planned in 2016-17 (Narre Warren): \$4.50 million
- Gleneagles Secondary College - modernisation - upgrade existing school facilities (Endeavour Hills): \$0.50 million
- Melton Secondary College - modernisation - funding to deliver works planned in 2016-17 (Melton): \$2.50 million
- Monbulk College - modernisation - (Stage 2) upgrade existing school facilities (Monbulk): \$7.58 million
- Narre Warren South P-12 College - modernisation - upgrade existing school facilities (Narre Warren South): \$5.02 million
- Sunbury Downs Secondary College - modernisation - upgrade existing school facilities (Sunbury): \$3.92 million
- Upwey High School - modernisation - Stage 1 funding to deliver works planned in 2016-17 (Upwey): \$10.00 million

Existing TEI funding (figures rounded)

- Baltara School (Thomastown): \$0.40 million
- Broadford Secondary College (Broadford): \$4.00 million
- Cranbourne Secondary College 2015-16 (Cranbourne): \$1.00 million

- Cranbourne Secondary College 2016-17 (Cranbourne): \$9.00 million
- Diamond Valley College (Diamond Creek): \$2.00 million
- Edgars Creek Secondary School (Epping North): \$12.00 million
- Emerald Secondary College (Emerald): \$1.50 million
- Hallam Senior Secondary College (Hallam): \$0.50 million
- Hazel Glen College – Stages 3 & 4 (Doreen): \$7.80 million
- Kambrya College (Berwick): \$3.00 million
- Manor Lakes College (Stage 5) (Werribee): \$10.90 million
- Monbulk College (Monbulk): \$3.00 million
- Sunbury College 2015-16 (Sunbury): \$3.00 million
- Sunbury College 2016-17 (Sunbury): \$4.80- million
- Tarneit Senior Secondary College (Stage 2) (Tarneit): \$11.60 million
- Taylors Hill Secondary College (Taylors Hill): \$12.01 million
- Wallan Secondary College (Wallan): \$5.02 million
- Werribee Secondary College (Werribee): \$7.00 million
- Whittlesea Secondary College (Whittlesea): \$4.70 million

10 SPECIALIST SCHOOL FUNDING SCORECARD

Table 10.1: Special Education Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	4	26.7%	\$9,975	13.1%
Non-Interface Metropolitan Council Areas	5	33.3%	\$39,960	52.5%
Regional Council Areas	6	40.0%	\$26,165	34.4%
Statewide / unallocated / location non-specific	-	-	-	-
Total	15	100.0%	\$76,100	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- Diamond Valley Special Developmental School - Special school upgrades - upgrade existing school facilities (Greensborough): \$0.08 million
- Yarra Ranges Special Developmental School - Special school upgrades - upgrade existing school facilities (Mount Evelyn): \$0.50 million

Existing TEI funding (figures rounded)

- Melton Specialist School: \$5.40 million
- Sunbury and Macedon Ranges Specialist School: \$4.00 million

11 GENERAL SCHOOL FACILITIES SCORECARD

Table 11.1: Specialist School Facilities Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	-	-	-	-
Non-Interface Metropolitan Council Areas	2	10.5%	\$28,023	6.4%
Regional Council Areas	2	10.5%	\$17,000	3.9%
Statewide / unallocated / location non-specific	15	78.9%	\$392,191	89.7%
Total	19	100.0%	\$437,214	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

New TEI funding

- Nil

Existing TEI funding

- Nil

12 LAND ACQUISITION FOR EDUCATION SCORECARD

Table 12.1: Land Acquisition for Education Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	8	72.7%	\$62,622	29.5%
Non-Interface Metropolitan Council Areas	-	-	-	-
Regional Council Areas	1	9.0%	\$7,828	3.7%
Statewide / unallocated / location non-specific	2	18.2%	\$141,700	66.8%
Total	11	100.0%	\$212,150	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- Land acquisition for new schools in Cardinia, Casey, Hume, Melton, Mitchell, Whittlesea, Wyndham and Yarra Ranges (estimated): \$62.62 million

Existing TEI funding

- Nil

13 FURTHER EDUCATION FUNDING SCORECARD

Table 13.1: Further Education Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	-	-	-	-
Non-Interface Metropolitan Council Areas	1	25.0%	\$21,900	5.2%
Regional Council Areas	-	-	-	-
Statewide / unallocated / location non-specific	3	75.0%	\$400,038	94.8%
Total	4	100.0%	\$421,938	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding

Nil

Existing TEI funding

Nil

14 HEALTH FUNDING SCORECARD

Table 14.1: Health Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	4	5.9%	\$404,882	13.0%
Non-Interface Metropolitan Council Areas	21	30.9%	\$1,224,525	39.2%
Regional Council Areas	11	16.2%	\$689,975	22.1%
Statewide / unallocated / location non-specific	32	47.1%	\$800,838	25.7%
Total	68	100.0%	\$3,120,220	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- Northern Hospital Inpatient Expansion – Stage 2 (Epping) – \$162.67 million

Existing TEI funding (figures rounded)

- Broadmeadows Surgery Centre (Jacana): \$17.30 million
- Casey Hospital Expansion (Berwick): \$139.91 million
- Werribee Mercy Hospital – acute expansion (Werribee): \$85.00 million

15 JUSTICE AND REGULATION FUNDING SCORECARD

Table 15.1: Justice Funding Scorecard

	Projects	Share of Total	TEI (000)	Share of TEI
Interface Council Areas	3	9.7%	\$307,700	16.7%
Non-Interface Metropolitan Council Areas	1	3.2%	\$69,428	3.8%
Regional Council Areas	1	3.2%	\$32,540	1.8%
Statewide / unallocated / location non-specific	26	83.8%	\$1,429,740	77.7%
Total	31	100.0%	\$1,839,408	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- New youth justice facility (Werribee): \$288.70 million

Existing TEI funding (figures rounded)

- Mernda Police Station (Mernda): \$15.00 million
- Multi-Disciplinary Centres – new centre (Wyndham): \$4.00 million

16 ARTS AND CULTURAL FACILITIES

Table 16.1: Arts and Cultural Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	-	-	-	-
Non-Interface Metropolitan Council Areas	8	80.0%	\$356,239	94.3%
Regional Council Areas	-	-	-	-
Statewide / unallocated / location non-specific	2	20.0%	\$21,518	5.7%
Total	10	100.0%	\$377,757	100.0%

Source: Victorian Budget Papers 2017/18

Note: Figures rounded

Non-Interface Metropolitan Melbourne infrastructure funding includes capital allocations for major State assets such as the State Library of Victoria, Melbourne Arts Centre, Royal Exhibition Building, Melbourne Exhibition Centre and Australian Centre for the Moving Image.

Funded Interface Projects

New TEI funding

Nil

Existing TEI funding

Nil

17 ROADS FUNDING SCORECARD

Table 17.1: Roads Funding Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	9	19.6%	\$659,469	3.6%
Non-Interface Metropolitan Council Areas	5	10.9%	\$860,019	4.6%
Regional Council Areas	18	39.1%	\$1,944,635	10.5%
Statewide / unallocated / location non-specific	14	30.4%	\$15,055,000	81.3%
Total	46	100.0%	\$18,519,123	100.0%

Source: Victorian Budget Papers 2017/18

Notes: Statewide allocations include capital funding for the West Gate Tunnel Project, CitiLink –Tulla Widening Project, Monash Freeway Upgrade and Level Crossing Removal Program.
Figures rounded

Funded Interface Projects

New TEI funding (figures rounded)

- Yan Yean Road upgrade - Stage 2 (Yarrambat) – \$96.60 million

Existing TEI funding (figures rounded)

- Hallam Road Upgrade (Hampton Park): \$38.40 million
- Kilmore Wallan bypass (Kilmore): \$13.28 million
- O’Herns Road upgrade (Epping): \$77.79 million
- Plenty Road Upgrade – Stage 1 (Mill Park): \$25.19 million
- Plenty Road Upgrade – Stage 2 (South Morang): \$114.21 million
- Thompsons Road duplication – planning and early works (Lyndhurst): \$20.01 million
- Thompsons Road duplication (Lyndhurst): \$148.17 million
- Yan Yean Road duplication (Plenty): \$125.83 million

18 PUBLIC TRANSPORT FUNDING SCORECARD (RAIL AND BUS)

Table 18.1: Public Transport Scorecard

	Projects	Share of Total	TEI (000s)	Share of TEI
Interface Council Areas	4	8.5%	\$1,254,343	6.9%
Non-Interface Metropolitan Council Areas	10	21.3%	\$1,135,621	6.2%
Regional Council Areas	14	29.8%	\$2,071,563	11.3%
Statewide / unallocated / location non-specific	19	40.4%	\$13,822,939	75.6%
Total	47	100.0%	\$18,284,466	100.0%

Source: Victorian Budget Papers 2017/18

Notes: Statewide allocations include \$11.0 billion for the Melbourne Tunnel (Melbourne Metro Rail) project

Figures rounded

Funded Interface Projects

New TEI funding

Nil

Existing TEI funding (figures rounded)

- Mernda Rail Project: \$596.71 million
- Ballarat Rail Upgrade - major component duplication of 17km section of single track b/w Deer Park West and Melton: \$516.72 million
- Hurstbridge Rall Line duplication: \$135.91 million
- Upfield, Somerton and Wallan service enhancement planning: \$5.00 million

19 PUBLIC LIBRARIES FUNDING SCORECARD

Living Libraries Infrastructure Program 2016 – Department of Environment, Land Water and Planning (DELWP)

The Living Libraries Infrastructure 2016 Program provided grants of up to \$750,000, providing the following co-contributions were met:

- Libraries for metropolitan communities
 - DELWP \$1 : \$1 Local (all metropolitan councils)
- Libraries for interface councils
 - DELWP \$1.5 : \$1 Local (Cardinia, Casey, Hume, Melton, Mornington Peninsula, Nillumbik, Whittlesea, Wyndham, Yarra Ranges)
- Libraries for regional cities
 - DELWP \$2 : \$1 Local (Ballarat, Bendigo, Geelong, Horsham, Latrobe, Mildura, Shepparton, Wangaratta, Warrnambool, Wodonga)
- Libraries for regional and rural councils
 - DELWP \$3 : \$1 Local (remaining regional and rural councils – includes Mitchell)
- Libraries for small rural councils
 - No contribution required

The Living Libraries Infrastructure Program 2016 – Successful Grant Recipients

To be confirmed by DELWP later in 2017.

20 COUNCIL SCORECARD

Table 20.1: Interface Councils – Local Government Area Scorecard for Allocated Budget Funding 2017/18 and other Grants (TEI)

	No. of Projects	TEI (000s)	Share of Interface Projects	Share of Interface TEI
Cardinia (C)	5	\$37,336	5.3%	1.2%
Casey (C)	16	\$384,969	17.0%	12.6%
Hume (C)	15	\$61,469	16.0%	2.0%
Melton (C)	8	\$559,419	8.5%	18.4%
Mitchell (S)	5	\$31,418	5.3%	1.0%
Mornington Peninsula (S)	1	\$5,000	1.1%	0.2%
Nillumbik (S)	8	\$383,520	8.5%	12.6%
Whittlesea (C)	12	\$1,023,149	12.8%	33.7%
Wyndham (C)	11	\$456,336	11.7%	15.0%
Yarra Ranges (S)	12	\$44,509	12.8%	1.4%
Growing Suburbs Fund	1	\$50,000	1.1%	1.6%
Total	94	\$3,037,125	100.0%	100.0%

Source: Victorian Budget Papers 2017/18 and Children's Facilities Capital Program Major Grant recipients 2016/17.

Note: Excludes Living Libraries Infrastructure Program 2016, as grant recipients are yet to be announced.

21 KEY FINDINGS AND CONCLUSIONS

State Budget 2017/18 Funding Overview

1. Interface Council areas have been allocated approximately \$3,034 million (over 4 years) in Total Estimated Investment (TEI) from the 2017/18 State Budget (and other grants programs) for infrastructure in the following priority service areas:
 - Early childhood and kindergarten facilities
 - Schools facilities
 - Further education facilities
 - Hospitals and health facilities
 - Justice facilities
 - Roads
 - Public transport.
2. The \$3,034 million Interface allocation (over 4 years) represents an overall increase from the previous four-year budget allocations of \$2,540 million for 2016/17.
3. The largest proportion of allocated investment over the four-year period is focused on public transport (\$1,254 million or 41% of allocated TEI), associated with existing projects such as Mernda Rail and Hurstbridge Rail Line duplication projects and the Ballarat Rail Upgrade (which involves a 17km rail duplication between Deer Park West and Melton).
4. The next largest allocated infrastructure investment is for roads (\$660 million or 22% of allocated TEI) for new and existing projects, with one new project announced, namely Yan Yean Road upgrade - Stage 2 (Yarrambat).
5. Health has received funding of approximately \$405 million over four years (or 13% of allocated TEI) associated with new and existing projects, with one new project announced - Northern Hospital Inpatient Expansion – Stage 2 (Epping).
6. Primary and secondary schools have been allocated approximately \$345 million (or 11% of allocated TEI) over the forward estimates, which includes new and existing projects and proposed land purchases in Interface Council areas.
7. Justice has been allocated approximately \$308 million (or 11% of allocated TEI) over the forward estimates, which relates to existing and new projects and this funding is primarily associated with the new youth justice facility to be constructed in Werribee.
8. The Growing Suburbs Fund has been allocated \$50 million. However, this allocation is now split over two financial years (2017/18 and 2018/19) in contrast to previous allocations of \$50 million in each of 2015/16 and 2016/17 financial years and in effect represents a 50% cut in funding. The Growing Suburbs Fund will continue will assist in the development of multipurpose facilities, community centres, playgrounds or other spaces needed by the community .
9. Early childhood / kindergarten received approximately \$6 million in investment in new and upgraded facilities through the Children’s Facilities Capital Program (2016/17).

10. At the time of preparing this report, recipients of the \$4.5 million Living Libraries Infrastructure Program (2016) had not been announced.
11. As in past budgets, no specific investment has been made in arts and cultural facilities in Interface Council areas.

Funding for Critical Infrastructure

12. Over the current 4-year budget period an estimated \$1,831 million in investment is required for critical infrastructure (ie early childhood/kindergartens, schools, further education, health and public transport) in Interface Council areas (refer to “One Melbourne or Two” updated report, Essential Economics 2012). While the majority of funding is a State responsibility, funding support is also required from the Federal Government and Councils, with some infrastructure to be provided by the private sector.
13. State funding allocated in the 2017/18 budget over a 4-year period represents approximately \$2,010 million (excluding the Growing Suburbs Fund) for these key infrastructure areas, which is above the required four-year requirement. Note, roads funding is not included as a specific measure in the in the “One Melbourne or Two” report.
14. Further funding allocations for Interface infrastructure are likely to arise from unallocated Statewide funding programs, such as:
 - \$253 million for Trade Training Centres across the State.
 - \$147 million allocated to the TAFE sector, including the TAFE Rescue Fund which is to assist with the reopening of closed campuses
 - \$75 million allocated to provide relocatable school buildings to meet growing demand across the State.
 - \$63 million in Tech Schools across the State.
 - \$28 million allocated to the Railway Station Carparking Fund (Statewide) and additional station car parks and upgrades (Metropolitan)
 - \$10 million for planning and construction of early childhood facilities on school sites across the State.
15. In this 4-year budget cycle, schools, health and public transport are adequately funded (although this needs to be balanced against under-investment in previous budgets); however, areas such as early childhood/kindergarten and further education are underfunded and this may result in a shortage of required infrastructure if unallocated State funds and/or private sector funding is not secured.
16. The estimated \$180 million ‘surplus’ in the 2017/178 budget compares to a surplus of \$83 million in the 2016/17 budget and estimated shortfalls in previous budgets of \$920 million (2015/16), \$810 million (2014/15), \$895 million (2013/14), and \$955 million (2012/13). In effect, the four-year funding allocations announced in the 2017/18 budget enables Interface Council areas to continue to ‘close the gap’ in terms of cumulative funding deficits generated over the past few years.

Funding Equity

17. Interface Council areas accommodate approximately 26% of Victoria's population and 34% of Metropolitan Melbourne's population (ABS Estimated Resident Population, June 2016 provisional). Over the most recent 5-year period (2011 to 2016), Interface Council areas have been responsible for accommodating 44% of State population growth and 49% of Metropolitan Melbourne population growth.
18. Over the 2011/16 period, the population growth rate across the Interface Council areas of +3.2% pa (representing an increase of +232,810 persons over the 5-year period) has far outstripped the population growth rate in non-Interface Metropolitan Council areas of +1.6% pa (an increase of +239,460 persons over 5 years) and in Regional Council areas of +0.9% pa (an increase of +59,550 persons over 5 years).
19. However, over recent years Interface Council areas have not received State funding in proportion to their share of total population numbers or their share of population growth.
20. The 2017/18 Budget allocated 24% of new allocated funding to Interface Council areas, which marks a significant decrease from 49% allocated in the 2016/17 budget and 33% allocated in the 2015/16 budget. However, recent budget allocations for new infrastructure have been notably higher than the 17% share of new funding allocated in the 2014/15 budget, and 16% share of new funding allocated in the 2013/14 budget.
21. When new and existing funding is considered over the forward estimates, Interface Council areas received 24% of total allocated investment for key infrastructure items, and this compares to 35% funding for Non-Interface Metropolitan Melbourne Council areas and 41% funding for Regional Council areas.
22. In the 2017/18 Budget, Interface Council areas were allocated 89% of land acquisition funds for schools (estimated), 60% of allocated justice funding, 28% of allocated roads funding, 20% of secondary schools funding, and 16% of primary school funding.
23. Just 11% of allocated State health funding was directed towards Interface Council areas in the 2017/18 Budget, and this contrasts with 58% of funding for Non-Interface Metropolitan Council areas and 31% for Regional Council areas. Only 14% of allocated State public transport funding was directed towards Interface Council areas, and this compares to 36% of funding for Non-Interface Metropolitan Council areas and 50% for Regional Council areas.
24. Interface Council areas received no direct funding allocations for further education, or for general school facilities, or for arts and cultural facilities in the 2017/18 Budget.
25. Interface Council areas received a specific \$50 million allocation through the Growing Suburbs Fund to be spent in 2017/18 (\$25 million) and 2018/19 (\$25 million) for community infrastructure projects.
26. . Over the past five years, 2011 to 2016, Interface Council areas have been responsible for accommodating 44% of all State population growth and 49% of all Metropolitan Melbourne population growth (Estimated Resident Population, June 2016, provisional).
27. In the most recent 5-year period (2011-16), average annual population growth in Interface Council areas (+3.2% pa) has far outstripped population growth in non-Interface Metropolitan Council areas (+1.6% pa) and Regional Council areas (+0.9% pa).

28. Over recent years, Interface Council areas have not received State funding in proportion to their share of total population numbers or their share of population growth.
29. Importantly, the population of Interface Council areas is forecast to continue growing at a faster rate than non-Interface Metropolitan Council areas and Regional Council areas over the coming 15 years. The State Government's Victoria in Future 2016 (Department of Environment, Land, Water and Planning) shows that by 2031 Interface Council areas will accommodate 2,335,745 persons (an increase of +755,400 persons compared to 2016 population levels) and the Interface's share of state population will increase from 26% in 2016 to 30% in 2031. In view of these population projections, it is clear that significant and sustained infrastructure funding will be required to support the needs of Interface communities over the coming decades.

Interface Economic Development and Investment and Output Trends

Employment

30. The unemployment rate in Interface Council areas was 6.6% as of December 2016. This is significantly higher than rates for both Non-Interface Metropolitan Council areas (5.5%) and Regional Council areas (5.7%). As of December 2016, 38% of all unemployed persons in Metropolitan Melbourne were labour force participants from Interface Council areas (approximately 55,000 persons), which is higher than the 33% labour force contribution these Interface areas make to Metropolitan Melbourne's overall labour force.
31. ABS Place of Work data (2011) shows local job provision in Interface Council areas is very low at only 0.51 jobs per workforce participant and this represents a decline in provision from 0.55 jobs per workforce participant in 2006. In contrast, Non-Interface Metropolitan Council areas continue to provide approximately 1 job per workforce participant, while job provision in Regional Council areas has improved significantly in recent years, increasing from 0.83 jobs per workforce participant in 2006 to 1.07 jobs per workforce participant in 2011. Note that this information is only updated every five years through the ABS Census with the next Place of Work data due for release by the ABS by the end of 2017.

Investment

32. In 2016, Interface Council areas secured 27% of all new building investment across the State (up from 23% in 2015 and 26% in 2012) which equates to \$8.6 billion in new investment over the year (up from \$6.9 billion the previous year and \$4.4 billion in 2012). The 2016 figure represents an expansion in new building investment in the Interface of approximately +\$1.7 billion (or +25%) over the 12 months, which is well above the uplift experienced in Non-Interface Metropolitan Council areas (+5%) and Regional Council areas (+1%) over the year.
33. New building investment tends to vary by year due to the 'bulkiness' of certain major investments, and such variations therefore need not necessarily relate to macro-economic conditions. In this regard an assessment of the longer-term trend is more useful. Five-year investment trends for Interface Council areas show an increase in new building investment from \$4.4 billion in 2012 to \$8.6 billion in 2016, which equates to an +18% pa increase in investment over the period. This is slightly below the five-year

investment trend for Non-Interface Metropolitan Council areas (+20% pa), but well above the investment trend for Regional Council areas (+9% pa) over the 2012-2016 period (inclusive).

34. The main focus of investment in Interface Council areas in 2016 remains domestic dwelling construction (\$6.0 billion or 69% of all investment), which represents an increase of +\$0.9 billion (or +17%) over the 12 months. Over the same period the Interface's share of state-wide domestic dwelling investment increased from 34% in 2015 to 36% in 2016, highlighting the ongoing importance of Interface Council areas in providing new dwelling supply to support Victoria's expanding population.
35. In 2016 Interface Council areas secured a significantly greater proportion of new State building investment in hospital/healthcare (37%, up from 12% in 2015), while the proportion of State investment in new public buildings declined from 25% in 2015 to 21% in 2016 (although the actual value of building investment increased from \$499 million to \$473 million over the 12-month period). The five-year trend for these key areas of community infrastructure investment shows Interface Council areas securing 17% of hospital/healthcare building investment (compared to 55% for Non-Interface Council areas and 29% for Regional Council areas) and 25% of public building investment over the period (compared to 54% for Non-Interface Council areas and 21% for Regional Council areas).
36. Between 2015 and 2016, Interface Council areas recorded increases in commercial building investment (from to \$506 million to \$867 million), industrial building investment (from \$140 million to \$234 million), but a decline in retail building investment (from \$415 million to \$345 million) over the 12 months. The five-year trend for these sectors shows Interface Council areas securing 18% of State commercial building investment (compared to 69% for Non-Interface Council areas and 12% for Regional Council areas), 27% of industrial building investment (compared to 40% for Non-Interface Council areas and 33% for Regional Council areas), and 23% of retail building investment (compared to 61% for Non-Interface Council areas and 16% for Regional Council areas).

Economic Output

37. Economic output data for 2015/16 (latest available from id National Indicators data), as measured in Gross State Product (GSP), highlights the relative lack of economic infrastructure, capital investment, established industry sectors, supply chains and employment in Interface Council areas. Interface Council areas contributed just \$56 billion (or 15%) to Victoria's GSP of (\$370 billion) for the 2015/16 financial year.
38. The proportional contribution of Interface Council areas to Victoria's GSP in 2015/16 of 15% represents an increase from 14% in 2014/15, while GSP growth over the past 12 months of 14% (from \$48.8 billion to \$55.5 billion) is twice the state average (7%) over this period.
39. However, the GSP contributions of Interface Council areas (15%) remain well below those of Non-Interface Metropolitan Council areas (66%) and Regional Council areas (19%), with these ratios only shifting marginally between 2010/11 and 2015/16.
40. This data highlights the fact that many Interface labour force participants are involved in economic-generating activities outside the Interface (predominantly in other

metropolitan areas), as Interface Council areas contribute 25% of the total State labour force, but only generate 15% of Victoria's GSP, as noted above.

41. In contrast, Non-Interface Metropolitan Council areas provide 52% of total State labour force and generate 66% of Victoria's GSP, while Regional Council areas provide 23% of the State's total labour force and generate 19% of Victoria's GSP.

Conclusions

- The 2017/18 Interface Scorecard highlights an improved funding position for Interface Council areas, which in this budget received adequate 4-year capital investment in public transport (rail investment), health, schools and justice, as well as a significant allocation for roads funding. However, these increased funding levels need to be considered in the context of long-term underfunding in these key infrastructure areas in the Interface Council areas.
- The \$50 million fund for Interface community infrastructure (Growing Suburbs Fund) has been retained but is spread over two years, which is a reduction of 50% compared with previous budget allocations.
- Insufficient allocated infrastructure funding continues to be prevalent in the areas of further education, early childhood education/kindergarten, and arts and cultural facilities.
- While notable State funding improvements are now occurring with regard to infrastructure in Interface Council areas, the impact of long-term underfunding for critical infrastructure in these areas is highlighted by economic indicators which show high unemployment rates, low levels of non-domestic building investment (commercial, industrial, hospital/healthcare, public buildings etc), and low economic output (GSP) are entrenched in Interface Council areas.
- It is therefore important that improved funding levels observed in the 2016/17 and 2017/18 budgets are sustained and expanded across all critical infrastructure areas to ensure Interface Council areas continue to close the gap in economic performance with non-Interface Metropolitan Areas.