

2021-22 Victorian Budget May 2021

On 20 May 2021 Victorian Treasurer the Hon. Tim Pallas delivered the Andrews Labor Government's seventh Budget.

The 2021-22 Budget is aimed at recovering from the impact of the COVID-19 Pandemic, as well as following through on the commitments made by Labor during the 2018 Victorian State Election.

Treasurer Pallas laid out the Victorian government's plan to spend \$19 billion in the next five years and create creating 152,000 jobs over the next four years, in order to return Victoria to its status as the State with the highest economic and employment growth.

The Budget outlines how the Victorian Government will deliver significant investment in mental health, education, transport, childcare, infrastructure, tourism and housing whilst returning to a budget surplus over the forward estimates.

In addition, this Budget makes significant commitments to creative industries and medical research, keeping in line with the Government's vision to sustain significant leading Victorian industries.

The Victorian State Government will also seek to consolidate the state's revenue base with \$4.4 billion in targeted measures, alongside a \$3.6 billion program of initiatives to reprioritise government spending, for a total of \$8.2 billion revenue increase over the forward estimates.

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

The 2021-22 Budget is available in full [here](#).

The Budget Outlook

The outlook for the Budget is projected to be:

- 2020-2021 an estimated operating deficit of \$17.4 billion.
- 2021-2022 an estimated operating deficit of \$11.6 billion.
- 2022-2023 an estimated operating deficit of \$3.8 billion.
- 2023-2024 an estimated operating deficit of \$2.1 billion
- 2024-2025 an estimated operating deficit of \$2.1 billion

The Victorian economy declined by 2% in the 2020-2021 financial year. It is set to grow 6.5% in the 2021-2022 financial year. The 2022-23 financial year is forecast to see economic growth in Victoria, with GSP estimated to increase 3.25%. Projections for the 2023-24 financial year show growth projections at 2.75%, with growth expected to remain steady in the 2024-2025 financial year at 2.75%.

The 2020-21 financial year saw Government net debt as a percentage of Gross State Product (**GSP**) rise to 16.7%. The ratio is set to rise to 20.3% during the 2021-22 financial year, and continue to rise throughout the forward estimates, peaking at the end of the forward estimates in 2024-2025 at 26.8%. The Reserve Bank of Australia (RBA) has indicated that interest rates will remain low for an extended period. Further, the RBA has previously noted that the Victorian Government’s strategy to capitalise on low-interest rates to invest in infrastructure would provide an economic return on investment.

The deficit will remain relatively low compared to OECD averages, however the Victorian Government is determined to keep its AA rating and will implement a range of revenue raising strategies and internal efficiencies to ensure they return to surplus beyond the forward estimates.

The Department of Treasury and Finance assumptions note that employment is expected to rise by 0.75 per cent in 2021-22 to record an unemployment rate close to pre-pandemic levels at 5.75%. Unemployment is expected fall by another 0.25% in the 2022-23 financial year to 5.50%. Forward projections show unemployment continuing to fall by another 0.25% in the 2023-24 financial year to 5.25% and remain steady over the next financial year 2024-25.

Table 1.1 General government fiscal aggregates

	Unit of measure	2019-20 actual	2020-21 revised	2021-22 estimate	2022-23 estimate	2023-24 estimate	2024-25 estimate
Net result from transactions	\$ billion	(6.5)	(17.4)	(11.6)	(3.8)	(2.1)	(2.1)
Net cash flows from operating activities	\$ billion	(2.9)	(17.4)	(2.0)	1.1	2.4	3.0
Government infrastructure investment ^(b)	\$ billion	12.0	14.5	24.2	21.7	22.7	21.6
Net debt	\$ billion	44.3	77.5	102.1	120.0	138.3	156.3
Net debt to GSP ^(c)	per cent	9.5	16.7	20.3	22.7	24.9	26.8

Source: Department of Treasury and Finance

Notes:

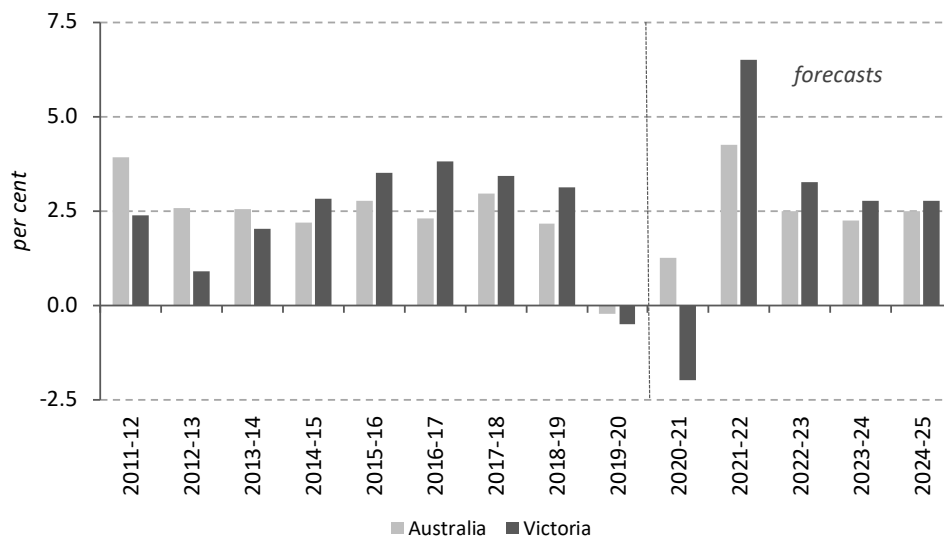
(a) Includes general government net infrastructure investment and estimated construction costs for public private partnership projects.

(b) Includes the estimated private sector construction related expenditure associated with the North East Link held in the public non-financial corporations (PNFC) sector.

(c) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

(Source: Budget Paper No 2: Strategy and Outlook, pg 7.)

Chart 1.2: Real economic growth, Victoria, and Australia



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

Revenue Raising

The *Victorian Budget 2021/22* will seek to consolidate the State's revenue base with \$2.7 billion in targeted measures, alongside a \$3.6 billion program of initiatives to reprioritise Government spending.

A new windfall gains tax will be placed on profits made from rezoned land. The state estimates this measure will raise \$40 million a year.

Developers will face a windfall gains tax of up to 50 per cent applied to planning decisions to rezone land from 1 July 2022.

The total value uplift from a rezoning decision will be taxed at 50 per cent for windfalls above \$500,000, with the tax phasing in from \$100,000. Land subject to the Growth Areas Infrastructure Contribution will also not be affected.

From 1 January 2022, the land tax rate will rise by 0.25 percentage points for taxable landholdings exceeding \$1.8 million and 0.30 percentage points for taxable landholdings exceeding \$3 million. The State expects to raise over \$380 million per year by increasing taxes on large land holdings.

The state expects it will raise \$137 million for Victorians next financial year, by applying a new premium stamp duty rate for property transactions with a value above \$2 million, increasing stamp duty payable to \$110,000 plus 6.5 per cent of the dutiable value more than \$2 million. This change is expected to impact less than 4 per cent of transactions.

Mental Health Levy

A Mental Health and Wellbeing Levy will begin from 1 January 2022. It will be implemented as a payroll surcharge on wages paid in Victoria by businesses with Payrolls over \$10 million a year. A rate of 1 per cent will apply for business with payrolls above \$100 million.

Existing payroll tax exemptions for private schools, hospitals, charities, local councils, and wages paid for parental and volunteer leave will apply for the levy.

This measure is expected to raise over \$1.7 billion over the forward estimates.

Public Sector Wages

Government wages policy will be adjusted with a reduction in the guaranteed annual increase from 2 per cent to 1.5 per cent.

Jobs, Skills and Training

Since 2014, the Victorian Government has announced infrastructure investment that has supported, or will continue to support, over 177,000 jobs.

The investments made in 2021-2022 Budget will support an average of 38,000 jobs every year over the next four years.

The 2021-22 budget prioritises direct investment that will create and train for jobs in the health, mental health, care, and construction sectors.

The Jobs Plan is based on four key elements:

1. Training and upskilling pathways and career counselling.
2. Significant State spending in the infrastructure and care sector.
3. Incentives, support, and relief for existing business with employees.
4. Regional investment.

In an effort to triage Victoria's return to nation leading employment growth, the Victorian Government have made unprecedented investments in training and employment programs.

Funding includes:

Local Jobs Act Enforcement

- **\$41 million** to oversee and enforce compliance with the Local Jobs First Act 2003 and the Local Jobs First Policy, and to implement the Fair Jobs Code.

Business Support

A number of measures will be implemented to encourage businesses to continue to employ and hire staff including:

- Bringing forward the payroll tax-free threshold from 1 July 2021 to \$700,000 .
- Reducing the regional employer from 2.02% to 1.2125% from 1 July 2021.
- Implementing a New Jobs Tax Credit, which supports small and medium businesses to rehire staff, restore hours and create new jobs.

Specific stimulus measures include:

- **\$31 million** to support our ongoing COVIDSafe activities.
- **\$51 million** to support our international education sector.

Skills and Training

A new skills authority headlines a range of initiatives designed to strengthen the quality of teaching and training. The State is prioritising the provision of affordable accredited training to more Victorians and is focused on improving pathways for skilled workers.

The **\$383.8 million** investment includes:

- **\$85.9 million** for a Victorian Skills Authority.
- **\$88.8 million** to subsidise VET to eligible students, including continuing the successful Asylum Seeker VET program. This program is set to deliver up to 12,200 training places, 7,400 of which are at TAFEs.
- **\$72.4 million** to upgrade TAFE Campuses as part of the Building Better TAFEs Fund.
 - \$60 million to redevelop the Bendigo Kangan Institute Broadmeadows campus and
 - \$10.4 million to redevelop the GOTAFE Archer Street Shepparton campus.
- **\$12 million** for modern equipment and tools upgrades such as mobile cranes and 3D Metal Printers.
- **\$14.9 million** for placement officers to better coordinate mandatory practical placements for TAFE students in areas such as allied health, community services and early childhood, education and training.
- **\$6.2 million** to increase places for pre-accredited digital literacy and employability training courses.

Teaching and Leadership

- **\$148.2 million** to establish the Victorian Academy of Teaching and Leadership, a new statutory authority. The Academy will begin operations and the delivery of new programs from January 2022. CBD location is expected to be open early next year (2022) and the Geelong site by mid-2022.

Mental Health and Wellbeing Training

- **\$206 million** for training programs, including 120 graduate placements for nurses, and 140 postgraduate mental health scholarships, 60 new graduate placements for allied health professionals and additional rotations for psychiatry.

Transport and Infrastructure

The Victorian State Government has invested \$80 billion into transport infrastructure over the past six years, to deliver the Melbourne Metro Tunnel, remove 75 level crossings, the Mordialloc Freeway and upgrade thousands of kilometres of local roads.

The 2021-2022 Budget commits **\$6.46 billion** to Transport Infrastructure, with total expenditure exceeding **\$20 billion** a year over the forward estimates. The record spend on infrastructure by the Victorian Government is expected to support more than 177,000 jobs.

The 2021-22 budget measures include:

Roads

- **\$386 million** for new Road Safety Strategy to develop and deliver new safety technology and improvements.
- **\$100 million** to progress planning of targeted upgrades, including improvements to safety and capacity at Calder Park Interchange, along the Calder Freeway between Gap Road in Sunbury and the M80 Ring Road, jointly funded with the Commonwealth Government.

- **\$95 million** to upgrade and maintain our suburban and regional roads.
- **\$42 million** for a upgrades to the road network for freight, upgrading local bridges and improving access for heavy vehicles across the regional road network.
- **\$14 million** is also provided to continue planning the Bulla Bypass.
- **\$3.6 million** to extend the Mode Shift Incentive Scheme until 30 June 2022. Under the scheme, freight operators receive incentives to move up to a combined 42,508 containers by rail.

Rail

- **\$986 million** to build 25 brand-new, modern X'Trapolis 2.0 trains and supporting infrastructure for the metropolitan network.
- **\$242 million** for upgrades the tracks near Caulfield Station, separate the Cranbourne-Pakenham and Frankston lines, and instillation of new signaling equipment.
- **\$94 million** will be invested in the Melton and Wyndham Vale corridor.

Buses

- **\$74 million** to improve and reform our regional and suburban bus network.
- **\$3.1 million** for glass safety screens on 450 Victorian buses.

Trams

- **\$368 million** will deliver infrastructure for Next Tram upgrades.
- **\$42 million** will improve performance on our tram network.

Cycling Network

- **\$21 million** to improve the safety and access of walking and cycling networks across Melbourne's eastern suburbs.

Transport Emissions Reduction Measures

- **\$46 million** a zero-emissions vehicle purchase subsidy.

Accessibility

- **\$25 million** to deliver accessibility and usability upgrades across the public transport network.

Education

The 2021-2022 Victorian Budget invests a total of **\$3.5 billion** in education, including **\$716 million** in school programs and support to educators.

The funding includes:

- **\$218 million** for a School Mental Health Fund allowing schools to select and implement mental health and wellbeing programs and connect to specialists services.
- **\$167 million** to continue the roll-out of three-year-old kinder and expanding access to all local government area in the state.
- **\$148 million** to establish the new Victorian Academy of Teaching and Leadership.
- **\$55 million** to continue swimming and water safety programs in schools.
- **\$39 million** in programs to improve outcomes for Aboriginal students from early childhood to senior secondary.
- **\$20 million** to continue supporting Tech Schools including expanding online teaching, as well as a new mobile delivery pilot for students in remote Gippsland.
- **\$20 million** to extend outside school hours care and school holiday programs for young people with disability, as part of a pilot at six government schools.
- **\$15 million** to improve access to school facilities for students with disability and additional needs, including ramps and handrails, alterations to toilets and showers and technology for students with vision or hearing impairments.
- **\$10 million** to make our schools more inclusive, delivering new playgrounds, outdoor sensory areas, and quiet spaces.

School Building and Upgrades

The Victorian State Government has set a target to open 100 new schools by 2026. The 2021-2022 budget invests **\$1.6 billion** in an effort to meet these targets. This funding includes:

- **\$492 million** to build 13 brand-new schools and additional stages at three further schools.
- **\$340 million** to upgrade 52 schools.
- **\$188 million** to deliver maintenance upgrades at schools.
- **\$105 million** for relocatable buildings to relieve pressure at fast-growing schools and to provide additional functional spaces for learning.
- **\$85 million** to expand six Victorian schools to meet enrolment growth and be ready for the 2024 school year.

Health

In the past six years, the Victorian Government has invested more than **\$133 billion** into the health system. The 2021-2022 budget commits a further **\$7.1 billion** to health services and infrastructure.

The funding includes:

- **\$3.7 billion** for more emergency department staff, highly specialized therapies and support for new wards.
- **\$1.3 billion** is allocated to continue the public health response to the COVID-19 Pandemic.
- **\$1.2 billion** in building and upgrading hospitals and health care infrastructure.
- **\$759 million** in funding for more paramedics, more triage care and support staff for Ambulance Victoria
- **\$266 million** to support the work of Ambulance Victoria, with additional triage nurses, an expansion to secondary triage services and non-emergency patient transfers.
- **\$204 million** investment to bolster Ambulance Victoria's resources through programs like Telehealth.
- **\$50 million** is provided to support manufacturing of mRNA vaccines.

Elective surgery improvement fund

- **\$136 million** for the elective surgery improvement fund to reduce the elective surgery waitlist and deliver better outcomes for patients.

IVF Support Services

The *Victorian Budget 2021/22* will provide for public IVF services, while also establishing Victoria's first public sperm and egg bank. The investment includes:

- **\$70 million** to establish public fertility care services.
- **\$20 million** to improve public hospital facilities to deliver the services.
- **\$50 million** to provide up to 2,700 free treatment cycles and a range of other fertility care services to up to 4,000 Victorians per year.

Australian Institute of Infectious Diseases

The *Victorian Budget 2021/22* will provide for the establishment of a new Australian Institute of Infectious Disease in Victoria. The funding includes:

- **\$245 million** to build the Institute in the Parkville biomedical precinct.

Mental Health

The Victorian Budget 2021/22 provides **\$3.8 billion** to Mental Health and Wellbeing support, following recommendations of the 2021 Royal Commission into Victoria's Mental Health System.

The funding includes:

- **\$954 million** to establish 22 reformed area mental health and wellbeing services. These services are designed to deliver community-based care, providing health and wellbeing support locally.
- **\$370 million** to improve access to mental health beds and better acute care for Victorians living with mental illness. The funding will provide for:
 - A new dedicated 34-bed women's precinct
 - A 48-bed medium security men's facility, as well as clinical administration facilities.
- **\$264 million** for 20 community-based care local services.
- **\$196 million** to support a dedicated system for infants, children and families.
- **\$173 million** for suicide prevention and response – including support for 13 existing Hospital Outreach Post-suicidal Engagement (HOPE) sites and four new sites for youth across Victoria.
- **\$116 million** to support the mental health and wellbeing of Aboriginal Victorians, including funding for Aboriginal Community Controlled Organisations.
- **\$93 million** to establish eight carer-led centres for support groups.
- **\$46 million** for mental illness and health support to community and public housing tenants.

Creative Industries

Funding is provided in recognition of the unique contribution the sector makes to the Victorian economy. The aim of the Creative Industry packages is to deliver initiatives that will reactivate the local industry. A **\$288 million** investment into the sector includes:

- **\$167.3 million** Creative State funding package for new works across Victoria.
 - **\$121 million** for the Victorian screen industry
 - **\$34 million** to revitalise cultural institutions including the Melbourne Museum.
- **\$6.3 million** to keep the Geelong Arts Centre's programming active and support local jobs.
- **\$23.9 million** to support a diverse selection of creative enterprises, venues, and festivals.
- **\$79 million** creative industries support and recovery package.
- **\$10.8 million** to extend the Music Works industry development initiative.
- **\$4.5 million** to deliver new Creative Neighborhoods program.
- **\$33.5 million** for Museums Victoria to deliver a new Gondwana Garden paleontological adventure and a Triceratops.
- **\$4 million** for creative projects by First Peoples, young people and Victorians from diverse backgrounds.

Justice and Corrections

The *Victorian Budget 2021/22* will invest \$210 million to speed up the resolution of court and tribunal matters, through appointments of new judicial officers, expanding IT and digital upgrades, and further support for case management services we know are working. The funding includes:

- **\$56.7 million** for VCAT to transition more of its hearings online.
- **\$55.3 million** for Victoria Legal Aid, Victoria Police, the Office of Public Prosecutions, Corrections Victoria and victim services.
- **\$34.8 million** for extra resources in courts, including innovative case management programs, expanded online services, the appointment of additional judicial officers, court support staff, and remote-hearing services.
- **\$40.9 million** in funding for The Online Magistrates' Court, including two new magistrates to preside over the court and additional courtrooms.
- **\$22.9 million** will continue measures that have helped courts better manage their caseload, including active case management at the Supreme and County courts.

Environment

The Victorian State's climate strategy sets a target of net zero emissions by 2050, with interim targets of a 28% reduction by 2025 and 45% reduction by 2030. This strategy places pressures on the Victorian Budget to invest in renewable energy infrastructure and commit to environmental sustainability.

The 2021-2022 State Budget commits **\$250 million** to environmental measures including:

- **\$52 million** to support volunteers and local community organisations, as well as continue the Victorian Landcare Program.
- **\$25 million** to improve the health of Victoria's regional waterways and wetlands, including river rehabilitation and protection works.
- **\$20 million** investment to position Victoria as a leader in low-emissions agriculture, which includes developing the Victorian Agriculture and Climate Change Statement.
- **\$8.8 million** to continue the Port Phillip Bay Fund, which provides grants to rehabilitate Port Phillip Bay ecosystems.

Planning

The Victorian Government has noted that improving the efficiency of the State's planning system is important to ensure the State's recovery is not slowed by bureaucratic red tape or unnecessary delays. The Government has provided funding to streamline the planning process, in particular for large projects:

Innovation Precinct

- **\$179.4 million** to support stage one of the Fishermans Bend Innovation Precinct development at the former General Motors Holden site.
- **\$15 million** to continue planning, development and protection of mass transit connections to Fishermans Bend.

Manufacturing Precinct

- **\$10 million** for the Morwell Food Manufacturing Precinct to enable the centre to manage greater transport, waste, water, and energy demands.

Central Business District (CBD)

The 2021-2022 Victorian State Budget commits to a number of costs saving and stimulus measures to encourage investment and engagement with the CBD. The State Government offers a concession of up to 100% of stamp duty for new dwellings worth up to \$1 million in the Melbourne local government area, as well as temporarily increasing the eligibility thresholds for off-the-plan purchases, and extending the vacant residential land tax exemption for new developments. Stimulus measures include:

- **\$107 million** business recovery fund including **\$100 million** for the *Dining Experience Scheme*.

Tourism

The 2021-2022 Victorian State Budget commits \$160 million to tourism measures, including:

- **\$43 million** Business Events Program to attract a strong pipeline of business events to Victoria.
- **\$10 million** distillery door grant scheme aimed at growing Victoria's distillery industry.
- **\$8.9 million** to support the *Visitor Economy Partnerships*, focusing on delivering tourists to regional communities.
- **\$7.4 million** voucher scheme is also to be rolled out to entice Melburnians and visitors to support city cafes and restaurants.

Industrial Relations

The *Victorian Budget 2021/22* commits funding to set principles-based standards that provide conditions for on-demand workers and ensure platforms operate transparently. The funding includes:

- **\$5 million** to deliver options for government support to give platform workers and businesses alike access to clear advice around work status, rights and entitlements, while also helping to resolve disputes.

Agriculture

- **\$6.4 million** capacity to manage Queensland fruit fly and protect horticultural production. The funding includes:
 - **\$5.3 million** will be available in grants for Victoria's three key horticultural regions – the Yarra Valley, Sunraysia and the Goulburn Murray.
 - **\$1.1 million** to deliver on-ground help to manage Queensland fruit fly such as monitoring, community awareness programs, hot spot management and trialing of new techniques for improved management.

Emergency Services

The Victorian Government will commit to a **\$517 million** investment to deliver important technology upgrades for firefighters and improved risk management across agencies to reduce the risk of bushfires in a changing climate. The funding includes:

- **\$339.5 million** to fund our Forest Fire Management workers and firefighters - as well make sure technology, fire towers and equipment are upgraded.
- **\$133 million** investment to deliver new digital radios for Forest Fire Management Victoria staff.
- **\$21 million** will be provided for a new Office of Bushfire Risk Management to bring together land and fire managers.
- **\$15.6 million** to address long grasses and other highly flammable undergrowth across Victoria, including delivering fuel management along major arterial road and rail corridors, additional planned burns, new specialist skills and machinery, and advanced bushfire risk modelling.

Traditional Owners Fire Strategy

The *Victorian Traditional Owner Cultural Fire Strategy*, an Aboriginal-led Cultural Fire Leadership group will be established, helping to bring together Traditional Owners and land managers in delivering local cultural fire plans. Funding includes:

- **\$22.5 million** investment to strengthen Traditional Owner-led cultural land and fire management practices. The funding will also provide employment opportunities for First Peoples' communities.

Community

Families

The *Victorian Budget 2021/22* will deliver **\$44.1 million** to support children affected by family violence and sexual assault; including adolescents who use violence in their home. The funding includes:

- **\$1.3 million** to support victim survivors of family violence to ensure the safety of, and ongoing connection with, their pets.
- **\$14.6 million** in Good Money hubs, including an expansion into phone-based and digital services. The enhanced Good Money service is expected to deliver 11,500 no-interest loans over four years, helping around 25,000 Victorians with a low-income.

First Nations

The 2021-2022 Victorian State Budget commits **\$448 million** in direct support to Aboriginal Victorians, primarily in support of self-determination and the state's Treaty process.

The funding includes:

- **\$58 million** to establish the Yoo-rook Justice Commission, and ensure the Government and First Peoples' Assembly of Victoria are appropriately resourced.



- **\$32 million** to continue the transfer of case management of Aboriginal child protection and out-of-home care services to Aboriginal Community Controlled Organisations.
- **\$14 million** will help protect the cultural heritage of Aboriginal Victorians by investing in Victoria's Aboriginal cultural heritage management system.
- **\$17 million** to continue to advance Treaty and self-determination for Aboriginal Victorians.
- **\$3.2 million** to progress Traditional Owner Settlements and complete the Traditional Owner Settlements First Principles Review.
- **\$2.6 million** to grant 400 Aboriginal families each year access to Koorie Supported Playgroups and In-Home Parent Coaching to support young Aboriginal children.

Further information

For more information, please contact your Hawker Britton consultant, Victorian Director, JP Blandthorn on +61 407 366 304 or Policy and Business Analyst, Raphael Mengem at rmengem@hawkerbritton.com.

Further Hawker Britton Occasional Papers on the activities of the Victorian Government are available [here](#). For further coverage of Labor Government Responses to the COVID-19 Pandemic see Hawker Britton Briefs [here](#). For further coverage of Liberal Government Responses to the COVID-19 Pandemic see Barton Deakin Briefs [here](#).