

5 May 2022

Victorian Government Budget 2022-23

Revamping Victoria's healthcare system

The Victorian Government Budget 2022-23 (the budget) - *Putting Patients First* - is primarily focussed on improving Victoria's healthcare system to ensure people receive the care they need.

With record growth in demand for health services, Victoria's health system will receive a \$12 billion boost as part of the *Pandemic Repair Plan*.

The plan aims to ease the pandemic-induced pressures placed on healthcare workers and hospitals, and help ensure the healthcare system can handle the anticipated surge in demand over coming years.

Another major focus area is Victoria's education system, with \$1.8 billion allocated for the building of 13 new schools, upgrading 65 others including 36 special schools, and securing land for future schools.

The Finances

The Victorian economy is rebounding strongly following the COVID-19 pandemic.

The state's unemployment rate sits at 4 per cent and is anticipated to remain steady during 2022-23.

An operating deficit of \$17.6 billion is forecast for 2021-22. It is expected to drop to \$7.9 billion by 2022-23 and return to surplus of \$650 million in 2025-26.

Victoria's debt will grow with total net debt forecast to rise from \$118.5 billion this financial year to \$167.5 billion by 2025-26 – equal to 26.5 per cent of gross state product.

A new Victorian Future Fund will be established to help stabilise net debt with the fund balance to be used to pay down the debt accumulated during the pandemic.

Victoria's fiscal aggregates and economic forecasts are summarised below.

Table 1: General government fiscal aggregates (\$ billion)

	2022-23 budget	2023-24 estimate	2024-25 estimate	2025-26 estimate
Net result from transactions	(7.9)	(3.3)	(1.1)	0.7
Net cash flows from operating activities	1.3	0.8	3.6	5.5
Government infrastructure investment	21.4	23.0	21.7	19.2
Net debt	118.5	137.4	154.8	167.5
Net debt to GSP (%)	21.7	24.1	25.8	26.5

Table 2: Victorian economic forecasts (% change)

	2022-23 forecast	2023-24 forecast	2024-25 projection	2025-26 projection
Real Gross State Product (GSP)	3.25	2.25	2.75	2.75
Employment	1.75	1.00	1.25	1.75
Unemployment Rate	4.00	4.25	4.50	4.75
Consumer Price Index	2.50	2.25	2.50	2.50
Wage Price Index	2.75	3.00	3.00	3.00
Population	1.20	1.70	1.70	1.70

Health

Investment in Victoria's health infrastructure and services is a priority in this budget.

Victoria's health system will receive a \$12 billion boost. Key measures in the *Pandemic Repair Plan* include:

- \$2.3 billion: upgrade and build new hospitals.
- \$1.5 billion: *Covid Catch-Up Plan* to enable more surgical capacity.
- \$1.3 billion: support mental health services across Victoria.
- Training and hiring up to 7000 healthcare workers, including 5000 nurses.
- More paramedics, more support for paramedics and increased capacity for Triple Zero call-takers and dispatchers.

The Committee supports this significant investment in Victoria's healthcare system. The pandemic put considerable stress on the system, especially for our healthcare workers operating on the front line.

Investing in Melbourne's public hospital facilities, in training the city's next generation of skilled health professionals, along with the administrative services required to support the healthcare system, will be enormously beneficial as the population grows and ages.

Given the anticipated surge in demand for aged care services over the coming two decades, the Committee encourages the government to work collaboratively with the incoming Federal Government to ensure planned delivery of modern and appropriate aged care services.

Education and skills

Victoria's education system has received substantial funding in this budget. Investments include:

- \$1.8 billion: build 13 new schools, upgrade 65 others, including 36 special schools
- \$779 million: recruit over 1,900 extra teachers
- \$277 million: transform VCE and vocational education
- \$217 million: early education
- \$103 million: support TAFEs and boost work experience opportunities for students

The Committee supports investment in education and skills. The Committee has called for policies that ensure Melburnians have the skills to navigate the challenges and opportunities presented by the Fourth Industrial Revolution.

With significant growth of Melbourne's construction sector over recent years, which has received significant support from the government, the Committee encourages the government to remain cognisant of the need for Melbourne to have a diverse mix of skills to ensure all Victorians receive the services they need and want.

Transport

Road upgrades across the state have been prioritised in this budget. Key transport investments include:

- \$250 million: 12 new *Vlocity* regional trains to support service improvements on the Shepparton and Warrnambool lines.
- \$246 million: delivery of the *Road Safety Strategy* and the first three-year Road Safety Action Plan.
- \$207 million: upgrade Mickleham Road between Somerton Road and Dellamore Boulevard.
- The Level Crossing Removal Program will expand with 10 additional level crossings to be removed, bringing the total to 85 to be removed by 2025.

While investment in Melbourne's transport network remains welcome, transport infrastructure projects continue to be announced in the absence of a comprehensive, integrated transport plan for Melbourne.

First called for by the Committee in 2020 and supported by Infrastructure Victoria in its 30-year infrastructure strategy, an integrated transport plan would help ensure a more efficient allocation of resources and productive economy through enhanced transit capacity, reliability and predictability.

Housing

Social and affordable housing remains a priority for the government. Building on the \$5.3 billion *Big Housing Build*, additional investments in this budget include:

- \$75 million: transform services for people experiencing or at risk of homelessness.
- \$40 million: building sector reforms and projects to unlock investment.
- \$24 million: new accommodation to help people needing support to maintain their housing.
- \$6 million: speed up precinct planning and approvals.

The Committee welcomes continued investment in Melbourne's housing sector and has been calling for more investment in social and affordable housing to support vulnerable individuals and *key workers*.

The Committee's *Benchmarking Melbourne 2022* report shows that Melbourne is the sixth most unaffordable English-speaking metropolis for buying a home and has the fourth lowest built-up density among its peer group, at just 1,700 people per square kilometre.

There remains much work to do to increase the supply of social and affordable housing. In 2016, as part of its 30-Year Infrastructure Strategy, Infrastructure Victoria identified building approximately 30,000 new social and affordable dwellings was needed in 10 years, while recognising it would not fully meet demand.

Significant structural policies are needed to deliver the social and affordable housing at scale. In our [submission](#) to the government's 10-Year Social and Affordable Housing Strategy (SAHS), the Committee advocated for measures that addresses issues of housing targets, taxation, finance, regulation and densification. The Committee also urged consideration of a broad-based levy to address the supply gap as well as robust and accountable targets for delivery.

The Committee looks forward to the delivery of the government's SAHS and to understanding how various commitments will be funded. Any fund-raising activity (like the Committee's proposed levy) should be administered by an independent body, with regular and transparent reporting that would support policy adjustments to achieve intended outcomes.

Investment and Innovation

A suite of measures to ensure Melbourne and Victoria remain a highly attractive investment destination and a source of innovation were included in this budget:

- \$40 million: Victorian Industry Investment Fund to provide grants to support growing businesses, including supply chains that underpin economic resilience;
- \$40 million: targeted financial incentives to attract business investment into Victoria.
- \$20 million: equity investment pilot fund to attract young, highly-innovative companies looking to grow in areas that align with Victoria's priority strengths.

The Committee's innovation agenda is focussed on the need to translate Melbourne's research strengths into strong commercial outcomes. *Benchmarking Melbourne* recognises the city's research capabilities, ranking Melbourne eighth of 36 cities for the quality and reputation of our universities and research institutes. Though in terms of *Leading Edge Innovation*, Melbourne's ranks 14th of 20 peer cities in this category. Opportunities exist for improving the commercialization of research, as well as capital attraction, specialism growth, and digital and technology uptake.

Arts & Tourism

A \$245.8 million commitment will support Melbourne's arts and tourism sectors, which include the following investments:

- \$127 million: support for major institutions, including ACMI, Arts Centre Melbourne, Melbourne Recital Centre, Museums Victoria, NGV and State Library Victoria.
- \$32 million: support for the National Gallery of Victoria.
- \$17 million: repairs, restoration and planning at some theatres and galleries.

The Committee welcomes government investment into key arts institutions, which are a drawcard for visitors. The government could also consider Melburnians that reside in the outer metropolis. *Benchmarking Melbourne* revealed a 'tale of two cities' whereby the allocation of resources injected close to Melbourne's CBD was not replicated across the wider metropolis. Initiatives that support the ability for all Melburnians to access high-quality arts and cultural amenity could be considered.

Like investment into Melbourne's CBD, the Committee notes that investment in Regional Victoria was a priority, with \$2.6 billion allocated towards preparation for the 2026 Commonwealth Games.

The Committee encourages the government to consider opening a formal dialogue with Greater Melbourne visitor economy groups more broadly, to determine a *road to recovery* strategy that will encompass a connected plan for Greater Melbourne and regional tourism.

Energy & Sustainability

Victoria's transition to cleaner energy sources is well under way with the following investments made:

- \$300 million: renewable energy, securing the grid, and new parks and programs to protect biodiversity
- \$250 million: for households to apply for a \$250 Power Saving Bonus
- \$39 million: recycled and stormwater projects
- \$42 million: solar panel rebates and zero-interest loans
- \$9 million: energy affordability support services

While the government has a clear focus on improving solar savings for families and these measures are positive steps in the right direction, perhaps more investment is required to ensure Victoria has the necessary energy infrastructure, including transmission infrastructure, to transition to a net zero future.

The Committee encourages the next elected state government to consider green energy transition as its primary focus as part of the 2023-24 budget.

Conclusion

The Committee commends the Victorian Government on the focus and delivery of the 2022-23 budget.

Delivering better health outcomes for all Victorians is necessary given the pandemic-induced pressure placed on our healthcare system and the anticipated growth in demand for health services.

There are some areas the Committee would welcome greater focus on moving forward:

- Developing and implementing a comprehensive, integrated transport plan for Melbourne that considers land use and economic development.
- Improving mobility and amenity for Melburnians living in the wider metropolis.
- Committing to even more ambitious social and affordable housing targets and developing a plan for increased supply.
- Remaining committed to reducing Victoria's debt as soon as practically possible.
- Continuing to support organisations in translating research into solid commercial outcomes.
- Investing heavily in infrastructure that supports Victoria's transition to green energy alternatives.

To read *Benchmarking Melbourne* click [here](#)

For more information, contact Director of Policy and Research, Leanne Edwards, at ledwards@melbourne.org.au or Senior Policy and Research Officer, Brett Van Duppen, at bvanduppen@melbourne.org.au