

## South Australia 2012-13 Mid-Year Budget Review

December 2012

On Thursday 20 December 2012 South Australian Treasurer Jack Snelling MP released South Australia's 2012-13 Mid-Year Budget Review (MYBR).

The 2012-13 MYBR shows that South Australia is still on track for a Budget surplus in 2015-16, albeit reduced to \$468 million from the \$512 million surplus that was forecast at the 2012-13 Budget.

The MYBR also shows significant revenue write downs, which have led the Government to impose a further \$464 million worth of budget savings over the four year forward estimates, including an additional one per cent efficiency dividend across the public service. Key factors behind the revenue write downs include lower than projected GST collections, and continued pressures on the Health Budget.

The most significant new operating initiative outlined in the MYBR is an adjustment to the Department for Health and Ageing's savings task.

The MYBR, together with Mr. Snelling's press release, is available [here](#).

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### Fiscal Outlook

**Table 1.1: Fiscal Outlook — Budget and Mid-Year Budget Review (\$million)**

	2012-13	2013-14	2014-15	2015-16	2016-17
<b>Net operating balance</b>					
Budget	- 867	- 778	- 15	512	n.a.
<b>MYBR</b>	<b>-1 169</b>	<b>- 868</b>	<b>- 11</b>	<b>468</b>	<b>763</b>
Change	- 301	- 89	4	- 44	n.a.
<b>Net lending</b>					
Budget	-1 901	-1 038	- 31	-2 045	n.a.
<b>MYBR</b>	<b>- 939</b>	<b>-1 524</b>	<b>- 135</b>	<b>-2 582</b>	<b>775</b>
Change	963	- 486	- 104	- 536	n.a.

<b>Net debt</b>					
Budget	5 329	6 398	6 508	8 755	n.a.
<b>MYBR</b>	<b>5 116</b>	<b>6 688</b>	<b>6 949</b>	<b>9 768</b>	<b>9 208</b>
Change	- 213	289	441	1 013	n.a.
<b>Net debt to revenue ratio (%)</b>					
Budget	35.4	41.3	39.1	49.1	n.a.
<b>MYBR</b>	<b>34.3</b>	<b>43.4</b>	<b>42.0</b>	<b>55.3</b>	<b>49.0</b>
<b>Unfunded superannuation</b>					
Budget	11 821	11 707	11 564	11 391	n.a.
<b>MYBR</b>	<b>12 804</b>	<b>12 662</b>	<b>12 489</b>	<b>12 284</b>	<b>12 045</b>
Change	983	955	925	893	n.a.

Note: Totals may not add due to rounding.

## Revenue

While the South Australian economy overall has remained resilient, total government revenues are falling as a share of the economy. General government revenues are expected to be at the lowest level as a percentage of Gross State Product (GSP) in the last 30 years. General government revenues were revised down significantly in the 2012–13 Budget and have been revised down further in the MYBR. Reductions in revenue have required further expenditure restraint, to ensure that the budget is kept on a sustainable footing. By 2015–16 government spending will be 15.4 per cent of GSP.

Since the 2012–13 Budget, taxation revenue collections have been revised down in all years across the forward estimates. Softer property market conditions, continued subdued household spending and softer employment conditions than were expected in the budget have contributed to these revisions. South Australia's GST revenue grants have also been revised down in all years from 2013–14 compared with budget time estimates. This mainly reflects revisions made to the Commonwealth Government's population growth estimates for South Australia included in the Commonwealth Government's [2012–13 Mid-Year Economic and Fiscal Outlook](#).

### *New Revenue Measures*

New revenue measures outlined in the MYBR include:

- Introducing a transport development levy of \$750 per annum per car park space in the Adelaide central business district from 1 July 2014, raising around \$52.1 million over two years to 2015–16.
- Revising royalty payment arrangements for large mineral royalty producers, with eligible producers to make royalty payments monthly (rather than six monthly) in arrears from 1 July 2013. This measure provides a one-off revenue benefit of \$31.6 million in 2013–14.
- The stamp duty concession for eligible off-the-plan apartments would be extended to the Bowden Village project and the 45 Park, Gilberton development (costing around \$5.9 million over three years) (announced in June 2012).

**Table 1.6: Revenue measures (\$million)<sup>(a)</sup>**

Agency	2012–13 MYBR	2013–14 Estimate	2014–15 Estimate	2015–16 Estimate
<b>Revenue measures — taxation</b>				
Transport development levy	—	—	25.7	26.4
Stamp duty concession for off-the-plan apartment purchases	—	- 2.5	- 1.4	- 2.0
<b>Total revenue measures — taxation</b>	<b>—</b>	<b>- 2.5</b>	<b>24.3</b>	<b>24.4</b>
<b>Agency revenue measures</b>				
Attorney-General	0.1	—	0.1	—
Courts	- 1.3	—	—	—
Environment Protection Authority	0.4	0.4	0.4	0.4
Further Education, Employment, Science and Technology	—	—	—	8.9
Manufacturing, Innovation, Trade, Resources and Energy	0.1	31.7	0.1	0.1
Planning, Transport and Infrastructure	- 1.7	0.4	0.4	0.4
Primary Industries and Regions	- 0.7	2.5	2.6	2.6
<b>Total agency revenue measures</b>	<b>- 3.1</b>	<b>35.0</b>	<b>3.5</b>	<b>12.5</b>
<b>Total revenue measures</b>	<b>- 3.1</b>	<b>32.5</b>	<b>27.8</b>	<b>36.9</b>

Note: Totals may not add due to rounding.

(a) Excludes revenue offsets.

## Expenditure

### *Operating Initiatives*

The MYBR contains new operating initiatives in the general government sector of \$195.8 million by 2015–16. The largest new operating initiative is an adjustment to the Department for Health and Ageing budget following an assessment of its capacity to deliver savings. The Department had been required to deliver a budget improvement of \$168.9 million in 2012–13 increasing to \$503.8 million in 2015–16.

However, the government has now reviewed the additional opportunities for reduction in health expenditure (and increases in revenue) and has re-assessed the level and timing of budget improvement it considers that the department could deliver across the forward estimates. The resulting reduction in the Department for Health and Ageing's savings task will have cost the State Budget of \$523.2 million over the forward estimates, as outlined in the below table.

**Table 1.8: Health budget improvement measures (\$000)**

	2012–13 Estimate	2013–14 Estimate	2014–15 Estimate	2015–16 Estimate
Aggregate budget improvement required	-168 900	-351 300	-448 400	-503 800
Savings previously identified	46 000	184 400	220 200	272 700
Remaining savings task	-122 900	-166 900	-228 200	-231 100
Additional improvements required	—	38 601	79 528	107 768
<b>Reduction in Health's savings task</b>	<b>-122 900</b>	<b>-128 299</b>	<b>-148 672</b>	<b>-123 332</b>

Note: Totals may not add due to rounding.

New operating initiatives in other agencies include:

- Supplementary funding to eligible non-government organisations that provide services on behalf of the government as part of the government's commitment to pay its fair share of the increased costs resulting from the recent Fair Work Australia Equal Remuneration Order for workers in the Social and Community Services Sector. This will cost \$5.8 million on 2012-13 rising to \$41.6 million by 2015-16, a total cost of \$91.6 million over the forward estimates.
- \$27.0 million in assistance for private capital investment in the state's South East, through the South East Forestry Partnership Program in the Department for Manufacturing, Innovation, Trade, Resources and Energy, aimed at encouraging a viable and strong timber sawmilling industry over two years from 2012-13.
- Additional resources in the Department for Education and Child Development for children requiring alternative care. This additional support will cost \$7.8 million in 2012-13, rising to \$11.5 million by 2015-16, a total cost of \$40.3 million over the forward estimates.
- Additional funding of \$8.3 million in 2012-13 to support the Clipsal 500 event.
- Additional resources in the Department of Environment, Water and Natural Resources towards the jointly funded Commonwealth/state Coorong, Lower Lakes and Murray Mouth recovery project under the Murray Futures Program of \$15.6 million in 2012-13 decreasing to \$8.0 million in 2015-16.

### *Savings Initiatives*

The MYBR outlines \$464 million of savings measures over the four year forward estimates to 2015-16, including:

- An additional efficiency dividend of a 1.0 per cent per annum reduction in the net cost of services for agencies for three years from 2013-14 to 2015-16. This savings initiative will generate \$29.6 million in 2013-14, increasing to \$84.6 million in 2015-16, a total saving of \$171 million over the forward estimates.
- A reduction in labour contractors of \$20.0 million per annum (indexed) for three years from 2013-14, primarily in the area of clerical activities, generating a total saving of \$61.5 million over the forward estimates.
- A review of employment and grant programs in the Department of Further, Education, Employment, Science and Technology to better align with Commonwealth Government programs. This will generate savings of \$10.0 million in 2013-14 increasing to \$15.0 million per annum (indexed) from 2014-15. A saving of \$40.4 million over the forward estimates.
- Streamlining the policy-related work in the Department of Environment, Water and Natural Resources saving \$37 million across the forward estimates.

- Reducing the state's annual contribution to the Murray-Darling Basin Authority by 50 per cent from 2014-15, saving \$29.2 million across the forward estimates. South Australia takes only 7 per cent extractions of River Murray water but currently contributes 24 per cent of the authority's Budget.
- Savings of \$8.0 million per annum (indexed) by ceasing the government operation of Zero Waste SA in 2015-16. The government will develop a model for the continuation of the functions of Zero Waste SA as a non-government organisation. A grant of \$1.0 million per annum will be retained to support the non-government organisation in this role.
- Training efficiencies to save \$31.5 million including a review of subsidy levels and targeting funding to areas of industry demand.
- Centralising communications related functions across Government from July 1, 2013, creating an efficiency of around 30 per cent through a whole-of-Government single communication unit, saving \$13.3 million over three years and around 50 full-time communication positions.
- Rationalising the number of boards and committees across Government, saving \$4 million.

**Table 1.7: Expenditure initiatives and savings measures (\$million)**

	2012-13 MYBR	2013-14 Estimate	2014-15 Estimate	2015-16 Estimate
Operating initiatives <sup>(a)</sup>	- 246.6	- 234.6	- 211.0	- 195.8
Revenue offsets	36.7	36.3	26.3	21.6
Operating savings	—	77.9	158.5	227.2
Investing initiatives	8.0	- 117.8	7.4	- 15.0
Asset sales	1.0	3.4	—	—
<b>Total expenditure initiatives and savings measures</b>	<b>- 200.9</b>	<b>- 234.9</b>	<b>- 18.8</b>	<b>38.1</b>

Note: Totals may not add due to rounding.

(a) Excludes depreciation on investing initiatives.

### Background: the 2012-13 South Australian Budget

The 2012-13 South Australian Budget was handed down by Treasurer Snelling on 31 May 2012. In his Budget speech, Mr. Snelling announced that due to the largest revenue write-down ever, the return to surplus was now forecasted to occur in 2015-16 at \$512 million instead of in 2014-15 as previously signalled.

Despite the fall in revenue, the Treasurer has maintained that South Australia's economic fundamentals are strong, pointing to the low unemployment rate of 5.2 per cent, an economic growth forecast of 2.75 per cent for 2012-13, and \$109 billion worth of investment projects already underway or in the pipeline.

Hawker Britton's overview of the 2012-13 South Australian Budget is available [here](#).