

Hawker Britton

Government Relations Strategy

South Australia 2015-16 Budget Review December 2015

On Monday 7 December 2015 South Australian Treasurer the Hon Tom Koutsantonis MP released South Australia's 2015-16 Mid-Year Budget Review (MYBR).

The 2015-16 MYBR shows that South Australia is continuing to forecast a return to a surplus of \$355 million compared to the \$43 million in the 2015-16 State Budget.

Net debt stands at \$3.59 billion in 2015-16, an improvement of \$652 million compared to \$4.24 billion shown in the 2015-16 State Budget.

The final budget outcome for 2014-15 was a net operating deficit of \$189 million, which represented an improvement of \$90 million compared to the estimated result.

A key feature of the MYBR is the allocation of \$208 million over three years to build 1000 new Housing Trust homes, including 100 disability houses, in order to stimulate the housing and construction industry.

The announcement builds on the \$65 million public housing package announced in the 2015-16 State Budget to renovate and rebuild ageing Housing Trust homes.

The 1000 homes in 1000 days program will include:

- The acceleration of the self-funding Better Neighbourhoods Program to replace ageing Housing Trust homes with new social housing; and
- More than 500 new Housing Trust homes across greater Adelaide including Mount Barker and in regional locations including Naracoorte, Goolwa and the Barossa Valley.

The program will be funded through the sale of land and old Housing Trust stock.

The South Australian Housing Trust is the public housing authority.

Furthermore, South Australia will become the lowest taxing State in Australia for commercial property transfers by bringing forward the first one-third reduction in non-residential stamp-duty, taking immediate effect.

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Fiscal Outlook

The MYBR fiscal outlook achieves the government's fiscal target of a general government net operating surplus by the end of the forward estimates.

Net debt to revenue ratio is now below 35% in every year of the forward estimates, declining to 29.7% in 2018-19.

Table 1.3: Fiscal Outlook — Budget and Mid-Year Budget Review (\$million)

	2015-16	2016-17	2017-18	2018-19
Net operating balance				
Budget	43	654	727	961
MYBR	355	500	897	978
Change	312	- 154	170	16
Net lending				
Budget	- 29	-2 556	399	578
MYBR	398	-2 898	193	523
Change	428	- 342	- 206	- 54
Net debt				
Budget	4 238	6 533	6 227	5 761
MYBR	3 585	6 312	6 185	5 751
Change	- 652	- 221	- 42	- 10
Net debt to revenue ratio (%)				
Budget	24.8	36.2	33.5	29.9
MYBR	20.6	34.8	32.7	29.7
Unfunded superannuation				
Budget	12 520	12 196	11 841	11 453
MYBR	12 091	11 801	11 478	11 123
Change	- 429	- 396	- 363	- 330

Note: Totals may not add due to rounding.

Revenue

The Treasurer has said an improved 2014-15 result, along with a surplus forecast in 2015-16, has enabled the Budget to absorb a reduction in State revenues and introduce measures to further promote economic growth and jobs creation, without increasing net debt over the forward estimates.

- A further \$403.5 million dividend received in 2015-16 from the Motor Accident Commission (MAC) will be allocated to improving the safety of local roads via the Highways Fund;
- Royalties have been revised down across the estimates primarily due to further falls in projected commodity prices. Petroleum production volumes are also expected to further decline in response to lower prices;
- Tax revenues have been revised down across the forward estimates by a total of \$389 million, primarily due to a downturn in expected collections of payroll tax, gambling tax and insurance duty;
- The commencement of the first one-third reduction in stamp duty rates on non-residential real property transfers have been brought forward to take effect immediately;
- GST revenue has been revised up across the estimates mainly reflecting revisions to South Australia's expected share of the GST revenue; and

- National Partnership grant revenue has been revised up by \$649 million across the forward estimates. This revision is mainly due to the Commonwealth Government's contribution to the Northern Connector Road Project, which represents 80 per cent of the cost of the \$985 million project, which is reflected in investing expenditure.

Table 1.8: Revenue measures (\$million)^(a)

	2015–16 MYBR	2016–17 Estimate	2017–18 Estimate	2018–19 Estimate
Revenue measures — taxation				
Bring forward first 1/3 reduction in non-residential real property transfers	-15.2	-9.6	—	—
Total revenue measures — taxation	-15.2	-9.6	—	—
Agency revenue measures				
Education and Child Development				
Family Day Care Educator Levy	2.5	3.4	4.5	4.6
Environment, Water and Natural Resources				
South East drainage system	-6.0	-6.1	-6.3	-6.4
Primary Industries and Regions				
Biosecurity Levy	-3.0	-3.1	-3.2	-3.2
State Development				
Extractive royalties applied to local government operations – revised arrangements	-0.2	-0.2	-0.2	-0.2
Total agency revenue measures	-6.7	-6.0	-5.1	-5.3

Note: Totals may not add due to rounding.

(a) Excludes revenue offsets.

Expenditure

The MYBR shows net operating and investing initiatives in the general government sector of \$373.3 million over four years.

Operating Initiatives

- \$24.8 million to bring forward the first one-third reduction in the non-residential conveyance duty from 1 July 2016 to take immediate effect.

Investing initiatives

- \$985 million has been allocated for the jointly-funded Northern Connector Road Project (\$788 million Federal Government and \$197 million State Government). This is expected to create an average 480 jobs per year over the five-year project;
- \$208 million for the construction of 1000 South Australian Housing Trust homes over the next three years. Funding will come from the sale of existing housing stock and it is expected to create an average of about 450 jobs per year; and

Table 1.9: Expenditure initiatives (\$million)

	2015–16 MYBR	2016–17 Estimate	2017–18 Estimate	2018–19 Estimate
Operating expenditure initiatives	- 68.3	- 60.4	- 29.1	- 18.1
Revenue offsets	15.9	0.8	0.3	—
Operating savings	—	—	—	—
Total operating initiatives net of provisions and revenue offsets	- 52.4	- 59.7	- 28.8	- 18.1
Investing expenditure initiatives	- 85.9	- 156.9	- 375.4	- 377.8
Revenue offsets	41.0	114.0	310.6	314.0
Investing savings	—	—	—	—
Asset sales	2.0	—	—	—
Total investing initiatives net of provisions and revenue offsets	- 42.9	- 42.9	- 64.8	- 63.8

Note: Totals may not add due to rounding.

General government investing expenditure

It is expected the purchase of non-financial assets will be \$1.2 billion in 2015–16. The forward estimates contain a major infrastructure investment program of \$9.1 billion in the general government sector over four years, which is an increase from \$8.6 billion at the time of the 2015–16 Budget.

The increase in the investing program over the forward estimates is mainly due to the expenditure of:

- \$985 million on the Northern Connector Road Project;
- \$30.0 million for the purchase of the Reid Building from the University of South Australia in order to progress the City High School project; and
- \$19.2 million for last mile road projects to improve freight access in a range of locations around the state.

Other expenditure initiatives

Other expenditure measures totalling \$88 million over four years has been allocated towards economic growth and creating new jobs. Some of these measures include:

- \$20.0 million over two years to increase mining exploration investment and jobs through a new Plan for Accelerating Exploration (PACE) copper strategy;
- \$19.2 million for last mile road projects in order to improve freight access in a range of locations around the state;
- \$12.0 million in 2015–16 to facilitate current tenancies and create the capacity for further company tenancies within the main assembly building at Tonsley;
- \$6.4 million of additional funding for the Regional Development Fund over two years, to provide grants to stimulate economic growth and job creation in regional South Australia;
- \$2.0 million in 2015–16 to provide one-off grants of \$500 000 to the four Cooperative Research Centres (CRC) headquartered in South Australia to encourage CRC partners and industry collaboration to commit matching funding;
- \$0.5 million for a detailed assessment of the site next to the current South Australian Health and Medical Research Institute, to prepare for the construction of the proposed John Chalmers Centre for Transforming Healthcare. The state has provisioned \$44 million towards the project, and Flinders University \$60 million. A further \$176 million is required from the Commonwealth in order for the project to proceed;



Background: the 2015–16 South Australian Budget

The 2015-16 South Australian Budget was handed down by Treasurer Hon Tom Koutsantonis MP on 18 June 2015. The main theme of the 2015-16 South Australian Budget was tax reform resulting in almost \$670 million in tax reductions.

Further information

The 2015-16 Mid-Year Budget Review Media Release is available [here](#).

South Australian 2015-16 Budget Media Releases are available [here](#).

The Hawker Britton Occasional Paper on the 2015-16 South Australian Budget is available [here](#).