

The South Australian 2013-14 Budget

June 2013

On 6 June 2013 South Australian Premier and Treasurer Jay Weatherill delivered the 2013-14 Budget. The main themes of the 2013-14 Budget are investment in roads and transport, housing, and small businesses.

In the Budget speech, Mr Weatherill announced that the budget was delivered in a context of downward revisions to GST and taxation revenue estimates. In the context of lower revenue projections, and the need to continue supporting economic activity and service delivery, the budget estimates an operating deficit of \$911 million in 2013–14, down from \$1.3 billion in 2012-13. However, without the impact of a change in the accounting treatment, the deficit would have been \$748 million, an improvement of \$120 million against the mid-year position.

As forecast in last year’s budget, the Government expect to return to surplus in 2015–16, with a surplus of \$375 million, strengthening to \$661 million in 2016–17.

Premier and Treasurer Jay Weatherill’s Budget speech is available [here](#).

The 2013-14 South Australian Budget is available in full [here](#).

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Economic Outlook

The Budget forecasts gross state product growth of 2.5 per cent in 2013–14, up from anticipated growth in 2012–13 of 1.25 per cent. Gross State Product growth is forecast to return to trend in 2015–16 and 2016–17.

After lower than trend employment growth in 2011–12, and stable employment estimated in 2012–13, employment growth in 2013–14 is forecast to be 1 per cent. This is forecast to increase to 1.25 per cent in 2014–15 and 1.5 per cent in the out years.

The South Australian CPI is anticipated to be 2.5 per cent across the forward estimates.

Key Economic Indicators

	2011-12 ACTUAL	2012-13 ESTIMATE	2013-14 FORECAST	2014-15 PROJECTION	2015-16 PROJECTION	2016-17 PROJECTION
AUSTRALIA^(a)						
GROSS DOMESTIC PRODUCT (GDP)	3.4	3	2¾	3	3	3
SOUTH AUSTRALIA						
GROSS STATE PRODUCT (GSP)	2.1	1¼	2½	2¾	2¾	2¾
STATE FINAL DEMAND (SFD)	2.3	1¼	2¼	2¾	2¾	2¾
EMPLOYMENT	0.6	– ^(b)	1	1¼	1½	1½
ADELAIDE CONSUMER PRICE INDEX (CPI)	2.6	2¼	2½	2½	2½	2½

Construction and Housing

The 2013-14 Budget provides \$88.7 million funding to support the *Affordable Housing Stimulus Program*, which will provide a boost to the housing construction industry in South Australia. The program is expected to deliver about 175 homes and support more than 500 jobs over the next 18 months.

The *Affordable Housing Stimulus Package* includes three main initiatives:

- \$38.7million to extend the \$8500 Housing Construction Grant for people buying or building a brand new home.
- \$30million for a social housing investment program to build 100 new social housing dwellings.
- \$20million for a capital grant program for community housing to partner with community housing providers to activate stalled developments and deliver approximately 75 homes.

As part of the stimulus package, the State Government also will deliver a range of existing housing projects more quickly.

In total, all of the initiatives will mean construction will start on more than 930 homes over the next 18 months, making a total investment in affordable housing of \$220 million, which will support more than 2400 jobs.

A Coordinator General will be appointed to oversee the *Affordable Housing Stimulus Package* for the next 18 months. The Coordinator General will fast-track developmental and planning approval of 16 housing projects totalling nearly 1000 new dwellings across the State, most of which are aimed to be completed by December 2014.

Please find an outline of anticipated project commencements for each significant in the table below, including the forecast expenditure up to December 2014.

Initiative	Forecast Expenditure to December 2014 \$m	Number of dwellings per project
Community Housing Capital Grant Program	20	Up to 75
Category 1 Social Housing Construction on existing serviced allotments	30	Up to 100
National Rental Affordability Scheme – Shovel Ready Round	16	80
National Rental Affordability Scheme – Round Five	20	100
Community Housing Program	6	40
National Partnership Agreement on Remote Indigenous Housing	38.22	69
Aboriginal Housing Capital Program	4	18
Nation Building Economic Stimulus Plan Disability Construction Program	27	Up to 90
Melrose Park Redevelopment (Stage 1)	2.2	8
Port Lincoln Redevelopment (Eltham Street)	1.8	8
New Build	9	53
Playford Alive	4.17	31
Northway Project	2.84	22
Better Neighbourhoods Program	28.65	168
The Square (Woodville West)	9.61	69
Christies Beach	0.53	5
Total	\$220.02m	936

Infrastructure

The 2013-14 Budget allocates significant funding to new as well as existing infrastructure projects, with a total capital spend of \$10.1 billion over the forward estimates. These include:

- Funding for the development of a new courts precinct in the city to be built in partnership with the private sector.
- \$25.4 million to build a 60 place low security accommodation unit at the Mount Gambier Prison.
- \$152.5 million to finish the Southern Expressway duplication.
- \$248.1 million towards State works for the new Royal Adelaide Hospital.
- \$183.2 million over the next four years for redevelopment at The Queen Elizabeth Hospital, Lyell McEwin Hospital, and the Women’s and Children’s Hospital.
- \$109 million over four years to continue the redevelopment and expansion program of South Australian primary and secondary schools.

Transport and Roads

Funding has been received from the Commonwealth Government for the Nation Building 2 program, which will provide \$385.2million over the forward estimates to the State to

partner in the construction of several key road and rail projects. Expenditure over the forward estimates includes:

- \$530 million from 2014-15 to 2016-17 towards the \$896 million South Road Torrens project.
- \$152.4 million for a new electrical substation and the electrification of the Gawler rail line between Adelaide and Dry Creek.
- \$63 million for the Tonsley public transport project.
- \$56.1 million towards the \$106 million road upgrade into the APY Lands.

The Budget also establishes a new road safety fund, with a \$100 million contribution from the Motor Accident Commission, made possible by unexpectedly strong investment returns on its assets. The fund will be dedicated to road safety initiatives. The first tranche of projects, totalling \$52.3 million includes:

- \$3.2 million for an upgrade of the Britannia roundabout.
- 12.4 million for safety and efficiency improvements to the South Eastern Freeway (co-funded with the Commonwealth).
- \$21 million to fund the \$106 million upgrade of the APY Lands main access road (co-funded with the Commonwealth).
- \$7.7 million for an upgrade to the Sudholz Road/North East Road intersection.
- \$4 million to upgrade the Magill Road/Glynburn Road intersection.
- \$2.5 million towards the installation of traffic lights at Golden Grove Road/Grenfell Road (East), Surrey Downs intersection.

Small Business

In the last year alone, the South Australian Government has delivered payroll and other tax cuts to business cumulatively worth more than \$500 million, while cutting more than \$320 million of red tape.

In a suite of initiatives to support small business in the 2013-14 State Budget small businesses in South Australia will receive a payroll tax concession.

The 2013-14 Budget will provide \$21.6 million over two years to give employers a temporary payroll tax rate cut of up to 2.45 percentage points for taxable payrolls up to \$1 million, with the concession phasing out for payrolls between \$1 million and \$1.2 million.

This concession effectively halves the payroll tax rate for businesses with a taxable payroll of less than \$1 million, providing relief of up to \$9,800. The relief will be in the form of a cash grant paid upfront to eligible small businesses by Revenue SA before the end of each calendar year.

Other measures in the small business package also included:

- \$5.4 million funding over four years to help small businesses start up, become more innovative and gain government contracts and to cut red tape.
- \$3 million over three years to continue the Small Business Innovation Research pilot program, which helps small businesses develop innovative products.

- \$2 million over four years to provide a stamp duty exemption for corporations that are changing their structure.

Health

The 2013-14 Budget commits an extra \$31.7million in 2013-14 to public hospitals and health care services to provide health services to more an additional 28,457 South Australians. The total South Australian Health Budget will reach more than \$5 billion in 2013-14.

New health measures announced in 2013-14 Budget include:

- \$32 million over three years to continue the work in *Closing the Gap in Indigenous Health Outcomes*.
- \$9.1 million of extra support over four years to assist the South Australia Health and Medical Research Institute (SAHMRI) to become a nation leading institute.

Savings Measures

New savings measures were introduced in the 2013-14 Budget in order to offset lower revenue and new spending.

New operating savings of \$140 million and investing savings of \$52 million will reduce net debt by \$192million over the forward estimates and add to significant savings already delivered by the State Government.

The measures include:

- \$16.8 million over five years from 2012-13 for the reduction of two ministers.
- \$43.7 million in 2014-15 by bringing forward one year some agency savings that were to commence in 2015-16, excluding health, education, police, courts, communities and social inclusion.
- \$58.5 million from 2016-17 onwards by extending the 1 per cent efficiency dividend introduced in the Mid-Year Budget Review into the new forward estimate year.
- \$37.9 million over three years from 2014-15 from reducing maximum separation payments to public servants from 116 weeks' pay to 52 weeks' pay.
- \$52 million in investing savings by reducing most agencies' capital programs by 10 per cent.

To watch Hawker Britton Director Danny Pearson talk about the Budget Cycle, [click here](#).