

# Hawker Britton

## South Australian Budget 2016-17

July 2016

On 7 July 2016 South Australian Treasurer the Hon Tom Koutsantonis MP delivered the 2016-17 Budget. The main theme of the Budget is jobs and developing future industries, with a particular focus on providing science, technology, engineering and mathematics (STEM) facilities in schools.

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

The South Australian Budget Overview is available [here](#).

The full 2016-17 South Australian Budget is available [here](#).

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### The Budget Outlook

In his speech, the Treasurer acknowledged the global pressure placed on South Australia's traditional manufacturing industries has had an impact on the State's economy.

In efforts to address these challenges, the Treasurer outlined the need to modernise South Australia's workforce to accommodate a high technology, globally connected and competitive economy.

The Treasurer indicated that the government needed to operate with a well-defined fiscal strategy in order to achieve the key outcomes of the Budget.

The 2016-17 Budget indicates that the net operating balance for the year is estimated to be in surplus of \$258 million, with the Treasurer projecting another \$1.5 billion in budget surpluses over the next four years. This is the first return to surplus since 2009.

The South Australian Government has set key fiscal targets to achieve a general government sector net operating surplus by the end of the four-year forward estimates. Table 1.2 provides the outcome for the fiscal targets based on the 2016–17 Budget estimates.

**Table 1.2: Fiscal targets outcomes — 2016–17 Budget estimates**

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
<b>Target 1: net operating balance surplus</b>					
Target	Achieve a net operating surplus in every year				
2016–17 Budget estimate (\$m)	258	254	415	464	466
<b>Target 2: operating expenditure growth</b>					
Target (%)	Limit to trend growth in household income (4.5% per annum)				
2016–17 Budget estimate:					
– Annual (%)	1.8%	5.7%	2.7%	0.0%	2.2%
– Average (%)	Average growth 2.5% per annum				
<b>Target 3: net debt to revenue ratio</b>					
Target (%)	Less than 35%				
2016–17 Budget estimate (%)	23.5%	34.2%	34.7%	34.5%	33.7%

Source: 2016-16 South Australian State Budget Paper 3, Budget Statement, pg 6.

## Key Economic Indicators

The Budget forecasts both Gross State Product and State Final Demand to increase by 2 per cent in real terms in 2016-17, with employment forecast to grow by 0.75 per cent in 2016-17.

Further, the Adelaide Consumer Price Index is anticipated to increase by 1.75 per cent in 2016-17.

**Table 7.1: Key economic indicators — Australia and South Australia real growth rates (per cent per annum, year averages)**

	2014–15 Actual	2015–16 Estimate	2016–17 Forecast	2017–18 Projection	2018–19 Projection	2019–20 Projection
<b>Australia<sup>(a)</sup></b>						
Gross Domestic Product (GDP)	2.2	2½	2½	3	3	3
<b>South Australia</b>						
Gross State Product (GSP)	1.6	1½	2	2¼	2¼	2¼
State Final Demand (SFD)	1.3	1½	2	2¼	2¼	2¼
Employment	0.5	½	¾	1	1	1
Adelaide Consumer Price Index (CPI)	1.6	¾	1¼	2¼	2½	2½

(a) Australian forecasts from Pre-Election Economic and Fiscal Outlook, 2016.

Source: 2016-16 South Australian State Budget Paper 3, Budget Statement, pg 100.

## **Savings Measures**

The 2016-17 Budget indicates that savings have been implemented by the South Australian Government since 2010-11, which have been substantially delivered, and accounts in part towards restrained growth in general government operating expenses. The Budget indicates expenditure continues to be restrained over the forward estimates, with real growth of 1.6 per cent budgeted from 2015–16 to 2019–20.

Further, the South Australian Government will not proceed with the measure to recover the Natural Resources Management (NRM) water levy to co-produced water extracted by the gas and petroleum industry in the Far North Prescribed Wells Area from 2016.

## **Expenditure**

The 2016–17 Budget includes new operating and investing initiatives totalling \$1613.1 million over the next four years, with funding allocated in order to support confidence, jobs, innovation and the government’s key economic, social and environmental priorities.

## **Attracting Business and Industry**

In order to support the on-going attraction of business and industry to South Australia, the Budget allocates:

- An extra \$20 million to the Economic Investment Fund. The fund has already drawn new businesses and jobs to South Australia including ScreenAway, Orora Limited, Ingham Enterprises and NEC.
- A further \$6 million over three years, with the Industry Attraction Agency’s role enhanced to target and capture defence businesses needed to support the Future Submarines and Frigates projects.
- \$50 million towards upgrading infrastructure at Arrium, in Whyalla for a future buyer.
- \$1.4 million to be provided to the office of the Industry Participation Advocate to ensure State projects include high levels of local content and local employment opportunities.

## **Transport and Infrastructure**

The South Australian Government remains committed to providing transport services to the four quarters of Adelaide CBD, and has allocated:

- \$50 million towards stage one of extending the AdeLINK tram network along North Terrace (Adelaide’s East End) for one kilometre; and
- \$48 million towards a major mechanical upgrade and modernisation of 50 diesel railcars.

## **Assisting Start-Ups and Innovation**

The 2016-17 Budget includes \$135 million in funding to attract new industries to South Australia, which includes:

- \$10 million for the South Australian Early Commercialisation Fund which will assist start-ups at the pre-seed and seed stage of development in order to be better positioned to attract long-term investment; and

- \$7.5 million for the University of South Australia's Future Industries Institute to encourage innovation, collaboration and new industry.

### **Rejuvenating Adelaide CBD**

In efforts to enhance the vibrancy of the CBD, the Budget allocates funding towards improving the city landscape and improving internet speeds for businesses including:

- A commitment of \$7.3 million towards jointly-funded upgrade corridors that link the Adelaide Central Market to the Riverbank. The corridor includes Bank Street, Leigh Street, Topham Mall, Bentham Street and Pitt Street. The State Government will match funding from Adelaide City Council.
- Establishing Adelaide as part of the Gig City network, with the allocation of \$4.6 million towards upgrading Adelaide's internet network in order to offer businesses internet speeds of up to 100-times the national average. The funding will provide affordable one gigabit connections and will use the existing SABRENet optical fibre network. The service will be rolled out at rolled out at Tonsley, Technology Park, Techport, Thebarton BioScience Precinct, St Paul's Creative Centre, the Majoran Co-working Space, Hub Adelaide, and the Stretton Centre.

### **Health**

A centerpiece of the 2016-17 Budget includes the allocation of an extra \$526.8 million over the four year forward estimates, in response to 2014 Commonwealth Budget funding cuts.

### **Education**

The Treasurer has announced unprecedented funding in the education sector with the allocation of funding, including:

- \$500 million to upgrade South Australia's public and non-government schools to ensure students have the skills to participate in the construction and maintenance of submarines in the State.
- \$250 million of the \$500 million funding will be allocated towards building new Science, Technology, Engineering and Maths (STEM) facilities in 139 South Australian public schools with the allocation of \$250 million through a loan scheme, which will provide for infrastructure upgrades at non-government schools.
- An additional \$10.6 will be allocated to modernise the South Australian Certificate of Education (SACE), which will include the transition to online assessments of examinations.

### **Small Business**

The South Australian Government has focused heavily on tax reforms for small business and continues to do so in the 2016-17 Budget by:

- Offering South Australian businesses, with taxable payrolls of \$5 million or less, incentives of \$10 000 for every extra person they employ in the next two years.
- Providing \$4000 in support for businesses with a payroll of \$600 000 or less that hire a new person over two years.

The South Australian Government has also committed to extending the small business payroll tax rebate to 2019-2020. The rebate saves eligible small businesses up to \$9,800 each year by halving the payroll tax rate for small businesses with a taxable payroll less than \$1 million.

### **Arts and Tourism**

In recognition of arts being a major economic driver for South Australia, the Budget allocates significant investment across the forward estimates including:

- An extra \$35 million in funding towards tourism, marketing and major events through to 2018-19,
- As part of the \$35 million, \$2 million will be allocated towards Brand SA, which will undertake an awareness campaign to encourage consumers to identify and choose South Australian local products.
- \$35.2 million over three years towards upgrading Adelaide's Her Majesty Theatre. It is expected the upgrades will create 220 jobs. The funding will enable an installation of an addition 570 seats to the auditorium, and the construction of a new entrance and foyer for the theatre on adjoining land;
- \$700 000 for the Adelaide Festival of Arts;
- \$3 million for Arts South Australia;
- \$4 million each year, over three years to encourage economic activity and job opportunities in the arts sector; and
- \$3.1 million towards further support for the OzAsia Festival.

Further, a \$1 million will be allocated to assist in the creation of a new world-class cultural centre at Sir Hans Heyesen's historic Hahndorf home, known as The Cedars, where an art gallery, cellar door, shop and café, as well as spaces for functions and concerts, have been proposed as part of the new centre.

### **Sport**

The Treasurer announced significant funding towards grass-roots sports clubs including:

- \$40 million towards building and upgrading facilities, of which \$10 million will be allocated towards developing eight artificial pitches and upgrade soccer facilities across the state and another \$10 million in grants to build female change rooms at sports clubs.

### **Community safety**

The Budget allocates funding to address community well-being issues and enhancing services in the justice and sector such as:

- \$56.1 million towards constructing 198 additional prison beds at Mobilong, Mount Gambier, and Port Augusta prisons;
- \$1.3 million towards a national system for South Australian Police to share information on domestic violence orders within and across jurisdictions as part of the National Domestic Violence Order Scheme;
- \$10.6 million for continuous screening assessments of people who work or volunteer with children;
- \$9.9 million for additional rehabilitation programs in prisons; and

- \$16.2 million towards funding the implementation of bushfire management strategies across the State, including additional fire management officers and up to date mapping information to enable better identification of hazards and faster times for response teams.

### **Tax and Levies**

The Treasurer indicated the following measures will increase State revenue in order to fund new initiatives across the State.

- Effective from 1 July 2017, a place of consumption tax of 15 per cent will apply to the Net Wagering Revenue (NWR) of betting companies offering services to South Australia, meaning all bets placed in South Australia with Australian-based betting companies will be liable for the tax. A tax-free threshold of \$150,000 NWR per year is proposed for all betting companies. It is expected the wagering tax will raise \$9.2 million in new revenue each year.
- The Solid Waste Levy will be increased from \$62 to \$103 per tonnes. The increase will occur in five increments across the next four years. It is expected the levy will raise \$64 million in revenue over the four years. The Treasurer has said the revenue will be reinvested into waste, environmental and climate change programs in order to create up to 350 jobs related to recycling efforts.

### **Further Information**

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

The full 2016-17 South Australian Budget is available [here](#).

The 2016-17 South Australian Budget Media Releases are available [here](#).

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

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