

South Australian 2013–14 Mid-Year Budget Review

December 2013

On Tuesday 3 December 2013 South Australian Premier and Treasurer the Hon. Jay Weatherill MP released South Australia’s 2013–14 Mid-Year Budget Review (MYBR). The MYBR will be the final budgetary statement handed down before the state election in March.

The 2013–14 MYBR shows that South Australia remains on track for a budget surplus in 2015–16, despite a modest deterioration in the net operating balance since the 2013–14 State Budget.

The final budget outcome for 2012–13 was a net operating deficit of \$948 million, which represented an improvement of more than \$350 million on the estimated result. This has led to a lower net debt than was projected in the 2013–14 Budget across the forward estimates.

The MYBR also sets out costings for the *Building a Stronger South Australia* policies released by the State Government since the 2013–14 Budget was handed down in June.

Premier Weatherill also announced that South Australians will face no additional budget cuts, no new or increased taxes and no additional saving measures in the MYBR.

The Hawker Britton Occasional Paper on the 2013-14 South Australian Budget is available [here](#).

Contents

Fiscal Outlook.....	2
Revenue	2
Expenditure.....	3
<i>Operating Initiatives</i>	3
<i>Investing Initiatives</i>	3
Building a Stronger South Australia	4
Background: the 2013-14 South Australian Budget	5

Fiscal Outlook

The Mid-Year Budget Review (MYBR) outlook achieves the government's fiscal target of a general government net operating surplus by the end of the forward estimates.

Table 1.2: Fiscal Outlook — Budget and Mid-Year Budget Review (\$million)

	2013–14	2014–15	2015–16	2016–17
Net operating balance				
Budget	- 911	- 431	375	661
MYBR	- 955	- 511	303	614
Change	- 44	- 80	- 72	- 47
Net lending				
Budget	-1 455	- 118	-2 306	744
MYBR	-1 505	- 249	-2 514	660
Change	- 50	- 131	- 208	- 84
Net debt				
Budget	6 951	7 064	9 446	8 751
MYBR	6 640	6 842	9 394	8 744
Change	- 310	- 222	- 52	- 7
Net debt to revenue ratio (%)				
Budget	45.5	44.1	54.2	47.4
MYBR	43.1	42.5	53.9	47.3
Unfunded superannuation				
Budget	11 802	11 635	11 438	11 210
MYBR	10 264	10 133	9 976	9 792
Change	-1 538	-1 502	-1 462	-1 418

Note: Totals may not add due to rounding.

Revenue

Total taxation revenues have been revised up in 2013–14 and down across the forward estimates, primarily due to revisions to payroll tax, property tax and gambling tax revenues.

GST grant revenue has been revised up in 2013–14 and 2014–15 but revised down from 2015–16 onwards. These revisions reflect updated GST pool and population estimates included in the Federal Government's 2013 Pre-Election Economic and Fiscal Outlook and the 2012–13 Final Budget Outcome.

The Hawker Britton Occasional Paper on the 2013 Pre-Election Economic and Fiscal Outlook is available [here](#).

However, decreases in the general purpose revenue sources have been offset by increases in revenues that are tied to new expenditures (largely Federal Government funding). Total revenues across the forward estimates are slightly higher than reflected in the 2013–14 Budget.

Expenditure

The 2013–14 MYBR outlines no additional savings measures since the 2013–14 Budget.

Operating Initiatives

The MYBR contains \$609.6 million of new operating initiatives in the general government sector over four years. These include:

- \$223.9 million over four years for the South Australian River Murray Sustainability Program. The program will be fully funded by the Federal Government, with \$230 million in revenue offsets recognised over the next four years. The Hawker Britton Occasional Paper on the Murray Darling Basin Plan is available [here](#).
- \$128.4 million over four years for the National School Funding Reform, provided by both the State and Federal Government in order to implement the reform directions in the Better Schools Plan. The Hawker Britton Occasional Paper on the Better Schools Plan is available [here](#).
- \$103.6 million over three years to reprofile Department for Health and Ageing savings targets.
- Additional funding of \$45.0 million over four years in for people living with a disability and for carers of people living with a disability.
- \$32.9 million over four years for a number of initiatives to support the State Government's *Building a Stronger South Australia* policy platform (see below).
- \$21.8 million over two years to provide additional resources to the public health system.
- \$15.1 million over four years for additional paramedics, ambulance vehicles and medical supplies, funded through additional revenues associated with increased service activity.
- \$8.4 million over four years in additional Community Service Obligation Payments to SA Water for services in South Australia's remote and regional Aboriginal communities.

The proposed repeal of the carbon tax announced by the Federal Government is predicted to result in reduced operating costs of \$10 million in 2014–15 and \$11.2 million p.a. (indexed) thereafter, as additional agency expenses resulting from the tax will no longer be incurred.

Investing Initiatives

Investing expenditure in the general government sector will be reduced by \$151.9 million over the next four years due to decisions made since the 2013–14 State Budget.

Most significantly, the removal of Federal Government funding for electrification of the Gawler rail line between Adelaide and Dry Creek, and stages 3 and 4 of the Tonsley Park Public Transport Project will result in reduced investing expenditure of \$197.0 million over the next three years. Negotiations over this decision by the Federal Government are ongoing.

Building a Stronger South Australia

Since the 2013-14 Budget was handed down, the South Australian government has announced its *Building a Stronger South Australia* policy platform. The plan covers areas such as education, transport, community safety and jobs. It includes the establishment of a future fund and the development of a smart, user-focused transport system through the Integrated Transport and Land Use Plan.

Costings for the *Building a Stronger South Australia* policies set out in the MYBR include:

- A [Jobs and Skills Policy](#) worth \$16 million over three years to ensure South Australians are supported to find, prepare for and keep meaningful jobs.
- \$867 000 over four years for policies to encourage [greater use of public transport](#).
- \$515 000 in 2014-15 for new laws and increased [support for police](#).
- \$5.9 million over four years for the [Housing in the City plan](#).
- \$2.9 million over four years for measures to support and protect sustainable and internationally-competitive food and agribusiness sectors through the [Premium Food and Wine Policy](#).
- \$597 000 over four years for new actions to help South Australian children experience the benefits of the online world while keeping them safe from harm. The Hawker Britton Occasional Paper on the South Australian Government's Children, Technology and Gambling Policy is available [here](#).
- \$5.5 million over four years for a suite of new measures to ensure a highly-qualified workforce in the education sector and encourage specialist and innovative education institutions for young South Australians. The Hawker Britton Occasional Paper on the South Australian Government's High Quality Education Policy is available [here](#).
- \$553 000 over two years through the [Healthy and Strong Children Policy](#) to help children to be more active outdoors and develop a stronger awareness of the natural environment.

The Hawker Britton Occasional Paper on the South Australian Future Fund is available [here](#).

The Hawker Britton Occasional Paper the Integrated Transport and Land Use Plan is available [here](#).

Further costings are provided on the following page.

Table 1.1: Building a Stronger South Australia initiatives — budget impacts (\$000)

	2013–14 MYBR	2014–15 Estimate	2015–16 Estimate	2016–17 Estimate
Future Fund	—	—	—	—
Jobs and Skills				
Local government stimulus package for minor works	-7 500	3 500	—	—
Employment Strategy	-3 940	-4 030	-4 030	—
Public Transport				
Adelaide Metro — ticketing initiatives	- 449	- 135	- 139	- 144
Safer Communities. Safer Policing				
Mobile data entry terminals	—	- 515	—	—
Transport Plan	—	—	—	—
Housing in the City				
Stamp duty concession for off-the-plan apartment purchases — extension to inner metropolitan area	- 200	-1 100	-2 200	-2 400
Premium Food and Wine				
Establishment of a Sterile Insect Technology Facility in South Australia	145	-1 892	151	156
Phylloxera and other disease and pest testing technology	—	- 120	- 130	- 250
Economic growth in agriculture	- 852	- 100	- 50	—
Healthy and Strong Children				
Healthy Children — Stephanie Alexander Kitchen Garden Program	- 229	- 210	—	—
Nature Play SA	—	- 114	—	—
Children, Technology and Gambling				
Children, technology and gambling initiative	- 393	- 101	- 62	- 41
High-Quality Education				
Quality education initiative	- 400	-1 600	-1 700	-1 800
Total	-13 818	-6 417	-8 160	-4 479

Note: Totals may not add due to rounding.

Background: the 2013–14 South Australian Budget

The 2013–14 South Australian Budget was handed down by Premier and Treasurer Jay Weatherill on 6 June 2013. The main themes of the 2013–14 Budget were investment in roads and transport, housing, and small businesses.

In the context of lower revenue projections, and the need to continue supporting economic activity and service delivery, the budget estimated an operating deficit of \$911 million in 2013–14, down from \$1.3 billion in 2012–13.

The Government announced it expected to return to surplus in 2015–16, with a surplus of \$375 million, strengthening to \$661 million in 2016–17.

Hawker Britton’s overview of the 2013–14 South Australian Budget is available [here](#).