News Release Treasurer Tom Koutsantonis

Tuesday, 23 December 2014

2014-15 Mid-Year Budget Review

Treasurer Tom Koutsantonis today handed down the 2014-15 Mid-Year Budget Review (MYBR).

“The 2014-15 MYBR has met all the State Government’s fiscal targets and is forecasting a surplus for 2015-16 with growing surpluses across the forward estimates,” Mr Koutsantonis said.

“The final outcome for the 2013-14 fiscal outlook was a net operating deficit of $1.07 billion, which was an improvement of $161 million compared to the $1.23 billion estimated result.

“For 2014-15, the net operating balance has also improved by almost $300 million, and is now a net operating deficit of $185 million compared to $479 million in the 2014-15 State Budget.”

The MYBR also shows:

- A surplus of $265 million in 2015-16, increasing to $699 million 2016-17 and $872 million in 2017-18.
- An improvement of $521 million in net debt in 2014-15. It is now $3.99 billion compared to $4.51 billion in the 2014-15 State Budget.
- A 3.8% reduction in the net debt to revenue ratio in 2014-15. It is now 24.2% compared to 28.1%, well below the maximum 35% ratio target set by the State Government.

Mr Koutsantonis said the State Government’s focus remains delivering first-class education and health services that South Australians need and deserve, while reducing government expenditure overall.

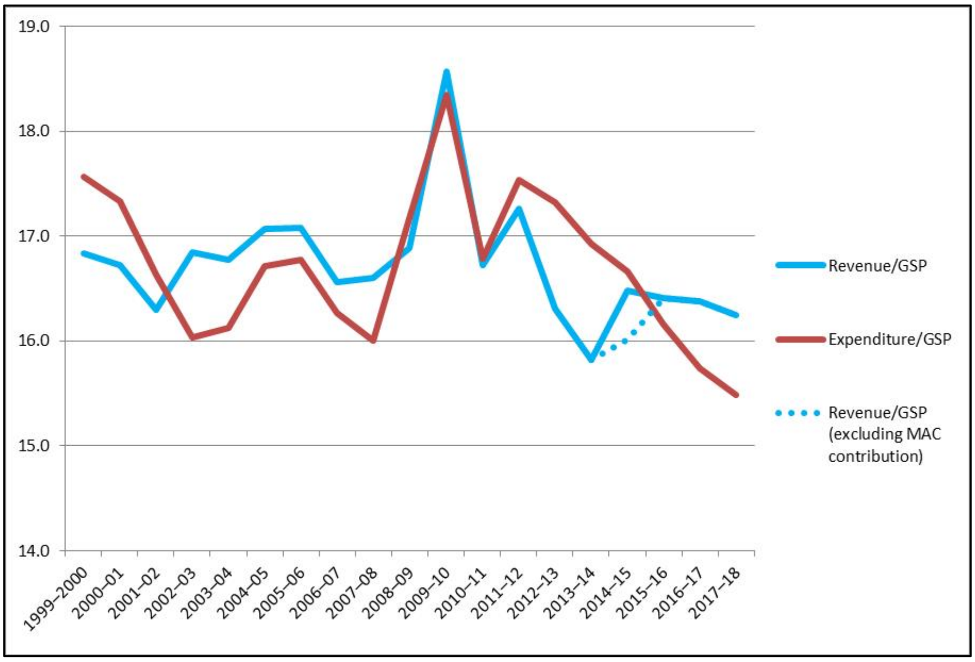
“Real expenditure fell in both 2012-13 and 2013-14 and is forecast to fall further over the forward estimates,” he said.

“By 2017-18, the MYBR forecasts a real terms decline in expenditure of 5 per cent since 2011-12.

“The State Government has proven it can rein in spending through past and current savings measures and general expenditure restraint, while continuing to deliver first-class frontline services, with more doctors, teachers, police and nurses.”

Mr Koutsantonis said since the 2008-09 MYBR, substantial savings measures have already been delivered.

Revenue and Expenditure as a percentage of Gross State Product



“Savings of almost $1 billion have been delivered between 2009-10 and 2013-14. Consistent with the 2014-15 State Budget, between 2014-15 and 2017-18 savings measures of more than $1 billion are included in the forward estimates,” he said.

“The State Government remains committed to the delivery of these savings and revenue measures.”

Mr Koutsantonis said the net debt to revenue ratio remains below 35% across the forward estimates, declining to 29.3% in 2017-18.

The ratio improvements (compared to the 2014-15 State Budget), are driven by the expected return of funds from the Motor Accident Commission (MAC), along with the delay to the expected commencement of financial obligations associated with the new Royal Adelaide Hospital.

“In the 2014-15 State Budget, the State Government announced it would be moving towards private sector provision of Compulsory Third Party (CTP) insurance in South Australia from 1 July 2016,” Mr Koutsantonis said.

“As a result of stronger than expected investment performance, MAC has now paid $852.9 million in 2014-15 from its surplus assets into the Highways Fund.

“A further contribution of $300 million is predicted for 2016-17 after the transfer to the new CTP arrangements.”

However, Mr Koutsantonis said the State does face significant revenue challenges.

“Since the 2014-15 State Budget, revenue (excluding the contribution from the Motor Accident Commission) has been revised down across the forward estimates by a total of $442.5 million by 2017-18,” he said.

“The 2014-15 Commonwealth Mid-Year Economic and Fiscal Outlook reduced National Health Reform Funding payments to South Australia by $133 million across the forward estimates, as part of the $941 million reduction to all states and territories.

“Combined with the State Liberal Opposition’s decision to not support the introduction of a Transport Development Levy, this has had a negative effect on the State Budget of $254 million over the forward estimates.

“While state-based revenues have grown by 15 per cent since 2011-12, this growth has been slower than forecast.

“Conveyance duty, payroll tax and land tax revenues are below forecast by $189 million, $128 million and $54 million respectively over the forward estimates.”

Mr Koutsantonis said continued expenditure restraint is required to ensure the State Government continues to meet its fiscal targets.

“Continued expenditure restraint means that new spending in the MYBR has been largely offset over the forward estimates, including by lower interest costs,” he said.

Full-time equivalents (FTEs) in the general government sector are estimated to decrease by 2585 between 30 June 2014 and 30 June 2018. This compares to 4080 at the time of the 2014-15 State Budget.

This change largely reflects the decision to increase staffing in the Department for Education and Child Development to deliver key reforms such as the Gonski funding agreement (National Education Reform Agreement) as well as increased staff in Families SA.

The FTE reductions associated with savings measures remain on track.