



**Government
of South Australia**

MID-YEAR BUDGET REVIEW

2004-05

*Presented by the
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CHAPTER 1: 2004-05 BUDGET POSITION AND FISCAL OUTLOOK

Overview

The overall budget outlook remains broadly unchanged from the 2004-05 Budget presented in May, with upward revisions to forecast revenue offset by increased expenditure in a range of areas, particularly health and education. A surplus of \$58 million is now forecast for 2004-05 compared with an estimated \$52 million surplus at budget time.

The slight improvement in the projected general government sector net lending position for 2004-05 is due to an upward revision to revenue estimates. The impact of policy decisions, the carryover of expenditure from 2003-04 and the recognition of significant cost pressures has, however, largely offset these improvements.

Recent revenue collections have been higher than expected, due to property values and sales holding up strongly in the opening months of 2004-05. This has resulted in upward revisions to conveyance duty estimates and, to a lesser extent, mortgage duty revenue. The upward revisions are lower in the forward years compared with 2004-05; this is because the property market is still expected to weaken in 2005.

Upward revisions have also been made to projected GST revenue grants, consistent with the revised GST estimates published by the Commonwealth in its *Pre-election Economic and Fiscal Outlook*. However, the Commonwealth Government's decision to terminate competition policy grants to the States has had a negative impact on forecast revenue from 2006-07.

The upward revisions to forecast revenue have provided capacity for the Government to deliver increased spending in key priority areas. Major policy decisions since the 2004-05 Budget include substantial additional funding for schools and health services including elective surgery, biomedical equipment, dental waiting lists and mental health.

As always, there are risks to the budget and they need to be considered when assessing the fiscal outlook. For example, revenue estimates are exposed to unanticipated changes in economic conditions, not only in respect of property market related revenue, but also in terms of GST grants from the Commonwealth (which are now directly related to expenditure in the national economy). These risks emphasise the need for continued sound budget management.

Table 1.1 Fiscal outlook: Budget and Mid-Year Budget Review (MYBR) (\$ million)

Net lending	2004-05	2005-06	2006-07	2007-08
Budget	52	126	137	165
MYBR	58	120	109	174
Change	6	-6	-28	9

