



2009 | 10

BUDGET STATEMENT

BUDGET PAPER 3

Presented by the Honourable Kevin Foley MP
Deputy Premier and Treasurer of South Australia
on the Occasion of the Budget for 2009–10



Government
of South Australia

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CHAPTER 1: FISCAL STRATEGY AND BUDGET PRIORITIES

Overview

During the course of the past year the global economy has faced unprecedented challenges. Governments around the world have been subjected to significant pressures on revenue sources, while at the same time being asked to provide stimulus to rebuild their economies and protect jobs in their communities.

These pressures and responsibilities apply equally to South Australia as they do to other jurisdictions in Australia and around the world.

Efforts over a number of years to re-establish consistent net operating surpluses and a solid balance sheet have placed the state in a better position to react to the global financial crisis than it would otherwise have been.

Ongoing sound financial management will enable the state to respond to and endure the current economic conditions. The government remains committed to delivering its unprecedented capital investment program to provide employment opportunities and a solid basis for future economic prosperity. As the economy enters the recovery phase debt reduction measures and savings initiatives will restore the budget to surplus.

At the time of last year's budget, strong operating surpluses were expected across the forward estimates. By the time of the 2008-09 Mid-Year Budget Review (MYBR) the general government sector net operating balance was expected to be in a slight deficit in 2008-09 and 2009-10. Since the 2008-09 MYBR the fiscal outlook has continued to deteriorate.

Similar to all jurisdictions, South Australia has experienced a significant revenue loss since late 2008 as a result of the global financial crisis. Reductions in both Goods and Services Tax (GST) and state taxation revenues dominate the fiscal outlook. Excluding taxation policy measures, since the 2008-09 MYBR GST revenues have been revised downwards by \$2.0 billion over the forward estimates, and taxation revenues revised down by \$842 million. This takes the total reduction in GST grants since the 2008-09 Budget to \$2.9 billion over the forward estimates, and the total reduction in state taxation to \$1.0 billion over the same period.

The decrease in GST and taxation revenue has been offset to some extent by a significant increase in grant revenue provided by the Commonwealth related to Council of Australian Governments (COAG) initiatives and nation building stimulus funding. In particular, over the next four years South Australia will receive \$1.8 billion in one-off Commonwealth grant funding through the Nation Building — Economic Stimulus Plan, bringing with it associated expenditure to support the economy. A further \$1.1 billion in infrastructure funding for South Australia was also announced in the recent Commonwealth budget.

In framing the 2009-10 Budget there have been a number of expenditure requirements that have had to be taken into account. These include:

- the partnership with the Commonwealth to enhance service delivery in areas including health, education and social housing resulting from COAG;
- demands on our health services;
- drought and water security measures; and

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- the Nation Building — Economic Stimulus Plan.

As a result of the above factors, large net operating deficits are expected in 2008-09 and 2009-10.

The 2008-09 MYBR set out the first steps in response to the changed economic and fiscal environment, including:

- operating savings;
- re-profiling of investing expenditure;
- revenue measures; and
- changes to the structure of the state's balance sheet.

The continuing impact of the global financial crisis reconfirms the need for steps outlined in the 2008-09 MYBR.

In this budget the government has committed to further budget improvement measures from 2010-11 as the economy enters the recovery phase to address the impact of the revenue losses and their impact on net debt on an ongoing basis. Building off a platform of significant wage restraint, further budget improvement measures will be identified by a Sustainable Budget Commission empowered to recommend measures to restore the budget to surplus and to review budget processes.

As a result of the above measures, net operating surpluses are now forecast from 2010-11 onwards.

The government recognises the importance of maintaining a significant capital program over the next decade to meet the infrastructure needs of the state and provide economic stimulus. However, this program has to be delivered while keeping state debt at manageable levels. This will require state operating expenditures to be very tightly constrained in the future.

Despite the revenue pressures, the 2009-10 Budget contains no new taxes.

The following discussion provides further detail on the state's budget priorities and fiscal strategy.

Budget priorities

The 2009-10 Budget contains new operating and investing initiatives totalling \$4.0 billion in the general government sector over the next four years. Council of Australian Governments (COAG) initiatives and the Nation Building — Economic Stimulus Plan and other measures announced in the Commonwealth budget will provide significant funding for the portfolios of Health, Families and Communities, Education and Children's Services and Transport, Energy and Infrastructure.

As indicated previously, a priority for the 2009-10 Budget is the maintenance of a strong capital investment program that strengthens the state's core infrastructure, and supports South Australia's economic growth.

This budget continues the government's major infrastructure investment program, totalling \$7.0 billion for the general government sector and \$11.4 billion for the non-financial public sector over the forward estimates.

Investment in infrastructure is an essential strategy in the short-term and in times of low growth to provide employment opportunities and is crucial to South Australia's future economic growth and prosperity.

At the same time, it is critical that ongoing expenditure reflected in the operating balance is closely monitored. While it is reasonable to expect short-term operating deficits given both the revenue and expenditure impacts discussed previously, an ongoing sustainable net operating position needs to be maintained.

It is for this reason that the budget sets out the establishment of a Sustainable Budget Commission to make recommendations for achieving savings through reviewing revenues, operating and capital expenditures and asset sales. The commission will make its recommendations to the government for the 2010-11 Budget. Further details of this initiative are set out in Chapter 2.

Fiscal strategy

The fiscal strategy of the 2009-10 Budget is to return the state to sustainable surpluses in the medium-term. At the same time, the budget provides for significant additional capital spending across the forward years, and particularly in 2009-10, to provide a stimulus to the South Australian economy and support job creation.

Table 1.1 sets out the expected budget outcomes for 2008-09 and across the forward estimates.

Table 1.1: General government sector budget estimates

		2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
		Estimated result	Budget	Estimate	Estimate	Estimate	Projection ^(a)
Net operating balance	\$m	- 265	- 304	78	96	304	480
Net lending	\$m	- 932	-1 541	-1 324	- 483	17	255
Net debt	\$m	659	2 142	2 807	3 200	3 114	2 902
Net financial liabilities to revenue	%	93.1	97.1	103.3	105.7	102.9	97.6

(a) Projections for 2013-14 are based on projections for revenue and expenditure aggregates rather than the detailed build up of portfolio expenditure and individual revenue items, which form the basis of the forward estimates up until 2012-13.

To achieve these outcomes, the budget introduces a significant savings task from 2010-11 onwards, but recognises that 2009-10, the year forecast to experience negative economic growth, should be quarantined from further savings.

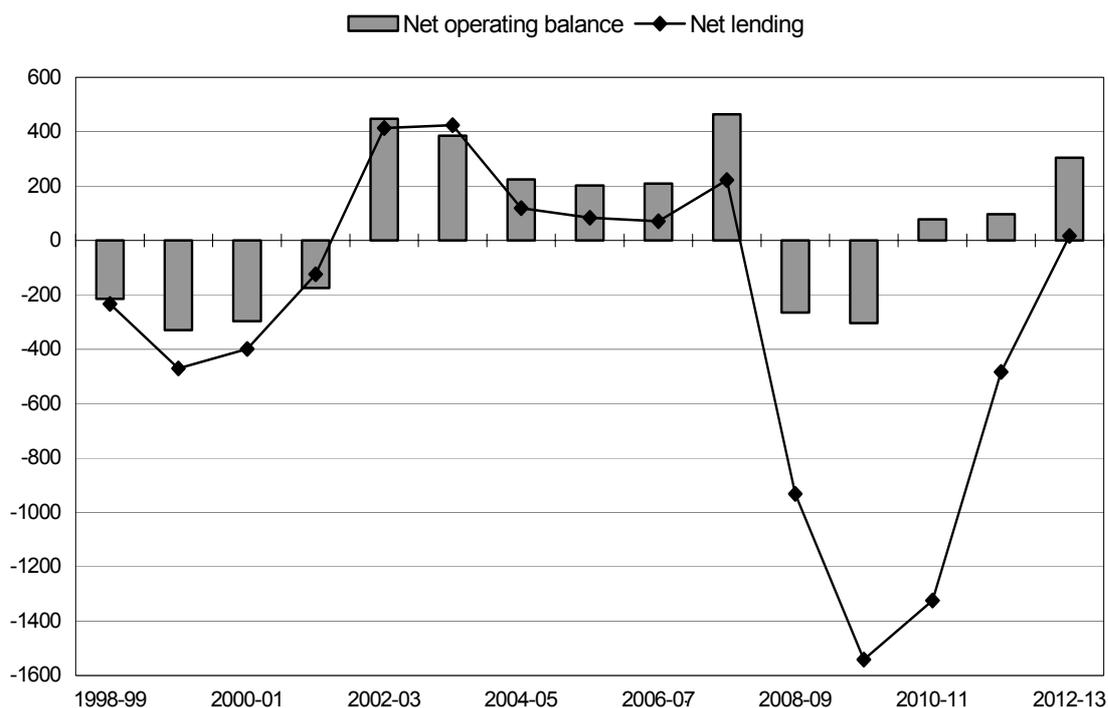
These operating savings, together with a moderation in infrastructure spending, return the budget to surplus on both an operating and net lending basis, and produce an improvement in the net financial liabilities to revenue ratio by 2012-13. Projections for 2013-14 indicate a further strengthening in the state's financial position.

Net operating balance

The net operating balance is a measure of whether revenues are sufficient to meet the expenses incurred by the government in delivering current services to the public, including expenses for future obligations like long service leave for its workforce and the depreciation of assets used in delivering services.

Figure 1.1 illustrates that while the general government sector net operating balance has been in surplus since 2002-03, net operating deficits are now forecast for 2008-09 and 2009-10 before returning to a surplus in 2010-11. These deficits are primarily due to significant reductions in GST and taxation revenue as a result of the global financial crisis.

Figure 1.1: General government sector net operating balance and net lending (\$million)



Note: 1998-99 to 2007-08 are actual outcomes; 2008-09 to 2012-13 are forecasts.

Net lending

The net lending measure is an indication of whether revenues are sufficient to cover expenses and net capital investment. A net lending deficit means that revenues are not sufficient to fund operating and investment expenditure, resulting in increased liabilities.

Net lending deficits are forecast in the budget year and the following two forward years, reflecting the projected net operating deficit in 2009-10 and the significant investment in infrastructure over this period. It is anticipated that the state will return to a net lending surplus by 2012-13.

Net financial liabilities

Net financial liabilities include net debt and other significant liabilities, such as unfunded superannuation and provisions for long service leave entitlements. Net financial liabilities have increased since 2007-08 and over the forward estimates, due mainly to the following reasons.

Firstly, there has been an estimated increase in the unfunded superannuation liability of \$3.3 billion in 2008-09, primarily due to lower earnings on superannuation assets and changes in economic assumptions. This has taken place notwithstanding that there has been no material change in the actual expected payments to beneficiaries. The government remains on track to fully fund the superannuation liability by 2034.

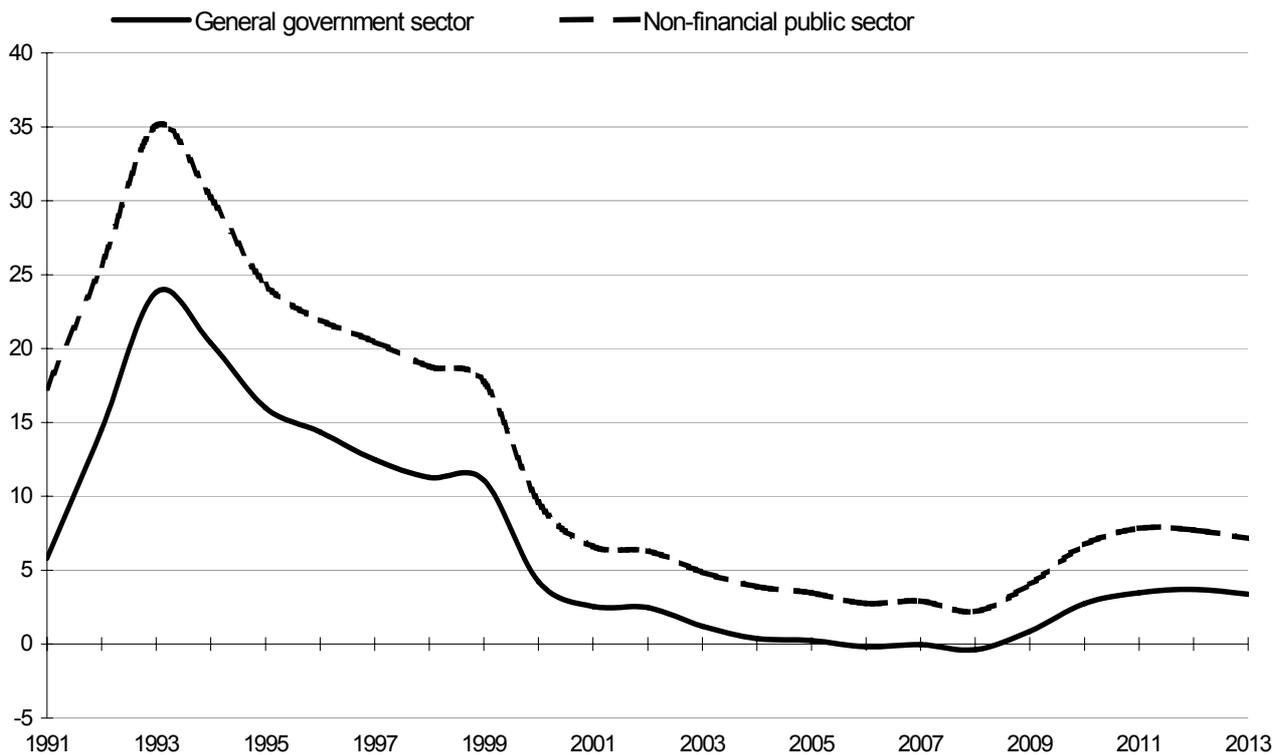
It is important to differentiate between movements in the net financial liabilities that are due to changes in interest rates, earnings rates on assets or actuarial estimates of superannuation or long service leave liabilities, from movements reflecting changes in budget settings. The former are outside the control of the government, and their year to year impact on net financial liabilities can be quite large. Significant variability in the reported level of unfunded superannuation liabilities, primarily due to changes to the accounting treatment of superannuation, changes in the discount rate, and earnings

on superannuation assets, has resulted in the volatility of net financial liabilities over a number of years.

Secondly, net debt is expected to increase over the forward estimates, causing a substantial increase in net financial liabilities over the period. The increase in net debt largely reflects the projected net operating deficit in 2009-10 and the government's significant capital investment program. General government net debt is expected to increase by \$2.5 billion between 30 June 2009 and 30 June 2013.

As a percentage of Gross State Product (GSP), net debt is expected to increase from 0.9 per cent at 30 June 2009 to 3.4 per cent at 30 June 2013, well below the levels of the 1990s.

Figure 1.2: Net debt as a percentage of GSP



Note: 1991 to 2008 are actual outcomes; 2009 to 2013 are forecasts.

The ratio of general government sector net financial liabilities to revenue is forecast to peak in 2011-12 reflecting the growth in net debt associated with high levels of investment in capital projects and short-term net operating deficits. As the operating position moves back into surplus, the ratio declines in 2012-13. Refer to Chapter 5 for further details.

A number of other states are also seeing increases in this ratio as they battle with the effects of the global financial crisis. South Australia has a longer-term fiscal target of reducing this ratio towards that of other triple-A rated states.

The government's performance to date against its broader fiscal targets is summarised in Table 1.2.

Chapter 1: Fiscal strategy and budget priorities

Table 1.2: Progress in achieving the government's fiscal targets

Target	Progress in achieving target
<i>To achieve at least a net operating balance in the general government sector in every year.</i>	The achievement of a net operating balance has ceased to be a realistic fiscal target in the short-term due to the global financial crisis. South Australia is forecasting net operating deficits in 2008-09 and 2009-10 before returning to a surplus in 2010-11.
<i>To achieve net lending outcomes that ensure the ratio of net financial liabilities to revenue continues to decline towards that of other triple-A rated states.</i>	The ratio is forecast to increase across the forward estimates, however this reflects the major infrastructure program. Other triple-A rated jurisdictions are also experiencing increases in their ratios.
<i>To ensure the state has an effective tax regime having regard to the government's social and economic objectives.</i>	In 2009-10 further payroll tax reforms announced in the 2008-09 Budget will take effect. An increase in the payroll tax threshold and a further payroll tax rate cut will assist in maintaining a competitive environment for doing business in South Australia. Previously announced IGA tax reform measures will be implemented during the forward estimates period.
<i>To provide value for money community services and economic infrastructure within available means.</i>	The 2009-10 Budget continues the significant increase in infrastructure spending over the forward estimates in accordance with the <i>Strategic Infrastructure Plan for South Australia</i> .
<i>To fully fund accruing superannuation liabilities and progressively fund past service superannuation liabilities.</i>	The government is on target to fully fund superannuation liabilities by 2034.
<i>To ensure that risks to state finances are managed prudently to maintain a triple-A rating.</i>	Triple-A ratings were confirmed by both Standard and Poor's and Moody's Investor Services in 2009. It is recognised that in the current environment it has been necessary for the government to take short-term steps that may put the rating at risk. However, by continuing to invest in critical infrastructure the government is supporting the state's economy and providing jobs for South Australians. As the economy enters the recovery phase debt reduction measures and savings initiatives will help to restore the state's finances.
<i>To ensure public non-financial corporations (PNFCs) will only be able to borrow where they can demonstrate that investment programs are consistent with commercial returns (including budget funding).</i>	The Department of Treasury and Finance advises on PNFC compliance with the government's target as part of the Cabinet project approval process. It is the government's policy that projects approved by the relevant PNFC boards should also comply with this target.

Fiscal outlook

The full suite of accrual statements produced under the Uniform Presentation Framework is provided at Appendix A. Table 1.3 provides operating statement details for the general government sector for 2008-09, the budget year and the following three forward years.

Table 1.3: General government sector operating statement — 2008-09 to 2012-13 (\$million)

	2008-09 Budget	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue						
Taxation revenue	3 615	3 478	3 526	3 623	3 832	4 046
Grants	6 906	7 199	8 064	7 747	7 595	7 672
Sales of goods and services	1 601	1 711	1 834	1 852	1 940	2 011
Interest income	200	120	144	206	261	321
Dividend and income tax equivalent income	441	348	388	450	398	459
Other	491	529	489	519	560	570
Total revenue	13 255	13 385	14 444	14 397	14 585	15 079
<i>less</i>						
Expenses						
Employee expenses	5 539	5 684	6 035	5 942	6 052	6 147
Superannuation expenses						
Superannuation interest cost	370	383	444	441	437	433
Other superannuation expenses	577	602	623	630	644	657
Depreciation and amortisation	593	595	601	657	703	770
Interest expenses	234	161	174	328	414	476
Other property expenses	—	—	—	—	—	—
Other operating expenses	3 382	3 501	3 728	3 613	3 792	3 838
Grants	2 400	2 724	3 145	2 709	2 448	2 454
Total expenses	13 094	13 650	14 748	14 319	14 489	14 775
<i>equals</i>						
Net operating balance	160	- 265	- 304	78	96	304
<i>plus</i>						
Other economic flows	583	-2 356	925	675	705	756
<i>equals</i>						
Comprehensive result - total change in net worth	743	-2 621	621	753	801	1 060
Net operating balance	160	- 265	- 304	78	96	304
<i>less</i>						
Net acquisition of non-financial assets						
Purchase of non-financial assets	1 396	1 347	2 180	2 199	1 528	1 132
less Sales of non-financial assets	94	85	343	140	246	75
less Depreciation	593	595	601	657	703	770
plus Change in inventories	—	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	709	667	1 237	1 402	579	287
<i>equals</i>						
Net lending / borrowing	- 548	- 932	-1 541	-1 324	- 483	17

Note: Totals may not add due to rounding.

The attachment to this chapter summarises the variations to the general government net operating balance and net lending estimates since the 2008-09 Budget and 2008-09 MYBR.

Key budget aggregates and fiscal trends

Key budget indicators are summarised in Table 1.4.

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Table 1.4: Summary of key general government sector budget indicators

		2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
		Actual	Estimated	Budget	Estimate	Estimate	Estimate
			result				
Budget balances							
Net operating balance	\$m	464	- 265	- 304	78	96	304
Net lending	\$m	222	- 932	-1 541	-1 324	- 483	17
Cash surplus	\$m	379	- 903	-1 540	-1 230	- 418	93
Revenue and expenses							
Revenue real growth	%	6.1	0.7	6.2	-1.8	-0.5	1.0
Expenses real growth	%	4.1	6.5	6.4	-4.4	-0.6	-0.3
Interest ratios							
Net interest to revenue ^{(a)(b)}	%	0.1	0.3	0.2	0.9	1.1	1.1
Net interest plus nominal superannuation interest to revenue ^(b)	%	2.3	3.2	3.3	4.0	4.1	4.0
Balance sheet indicators							
Net debt	\$m	- 276	659	2 142	2 807	3 200	3 114
Net debt to revenue	%	-2.1	4.9	14.8	19.5	21.9	20.7
Unfunded superannuation	\$m	6 468	9 748	9 790	9 815	9 819	9 802
Net financial liabilities	\$m	8 078	12 456	14 023	14 873	15 423	15 511
Net financial liabilities to revenue	%	62.7	93.1	97.1	103.3	105.7	102.9
Net worth	\$m	23 741	21 120	21 741	22 494	23 295	24 355

Note: Real terms calculations use the Adelaide Consumer Price Index.

(a) Net interest does not include nominal superannuation interest cost.

(b) Revenue does not include interest income.

Net operating deficits are expected for the current financial year and 2009-10, before a return to net operating surpluses.

Net lending deficits from 2008-09 to 2011-12 reflect the net operating deficits in 2008-09 and 2009-10 and the record level of capital expenditure aimed at providing jobs for South Australians as well as improving and rebuilding the state's infrastructure. The budget is projected to return to a net lending surplus in 2012-13.

Real general government sector revenue growth is lower than recent experience and projected to average 1.2 per cent per annum over the forward estimate period. This reflects:

- a projected decline in GST revenue in 2008-09 as a result of the sharp deterioration in national economic conditions, with weakness continuing into 2009-10;
- the impact of previously announced tax reforms that take effect over the forward estimates; and
- significant slowing of property market conditions experienced in 2008-09 and the anticipated continuing of these conditions in 2009-10.

General government sector expenditure decreases in real terms after 2009-10 as the Commonwealth economic stimulus measures wind down and new and previously announced savings measures are implemented.

General government sector net debt and net financial liabilities to revenue are forecast to increase across the forward estimates. The ratio of net financial liabilities to revenue ratio is forecast to peak in 2011-12 reflecting the growth in net debt associated with high levels of investment in capital projects

and short-term operating deficits. As the operating position moves back into surplus the ratio declines in 2012-13.

The largest component of net financial liabilities is the unfunded superannuation liability. The unfunded superannuation liability is an obligation to current and former members of the defined benefit superannuation schemes that will need to be met in future years. At 30 June 2009 the unfunded superannuation liability is expected to be around \$9.7 billion. On current forecasts, the unfunded superannuation liability will grow in nominal terms until 2012 before reducing until becoming fully funded in 2034. Chapter 5 provides more information on superannuation assets and liabilities.

Net financial liabilities also includes other liabilities of the general government sector such as long service leave entitlements, offset by financial assets (excluding equity held in public non-financial corporations and public financial corporations) of the sector.

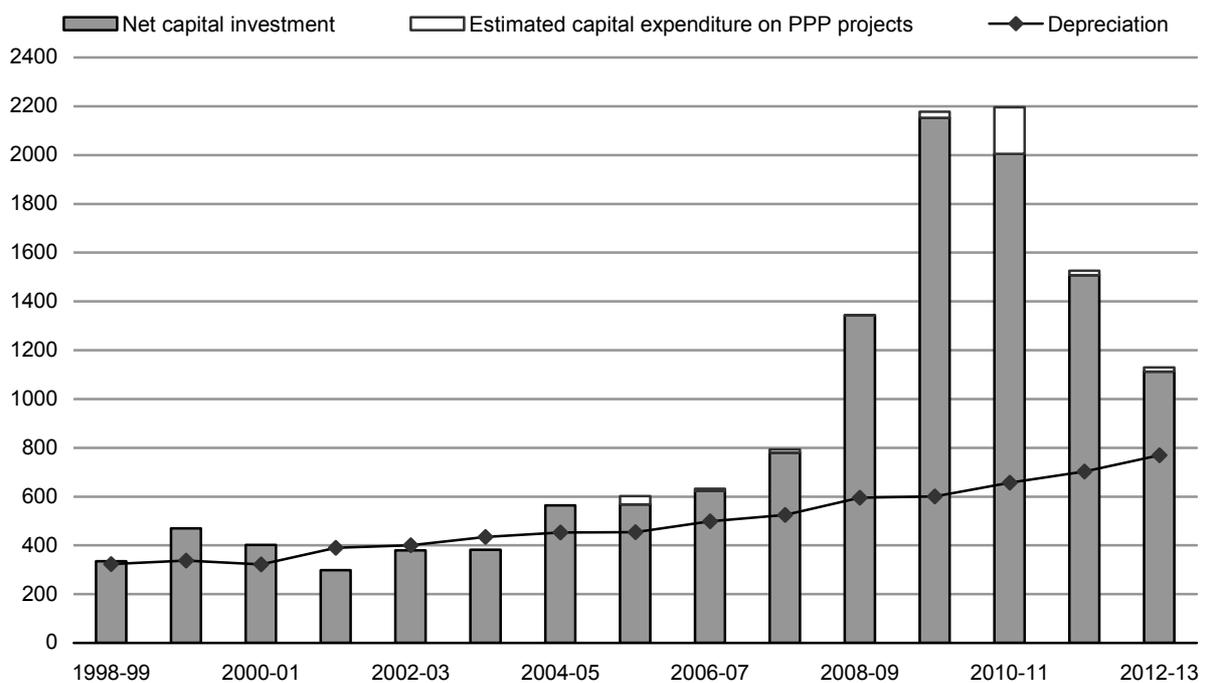
Net worth is the total value of non-financial and financial assets, including the net assets of the public non-financial corporations (PNFCs) and public financial corporations (PFCs), less the value of liabilities.

Table 1.4 shows a \$3.2 billion improvement in the net worth of the general government sector from 30 June 2009 to 30 June 2013. The net assets of PNFCs and PFCs controlled by the government are also forecast to increase across the forward estimates, primarily due to the revaluation of assets. Chapter 5 provides further information on changes in net worth.

Figure 1.3 shows historically high levels of net capital investment across the forward estimates. From 2009-10 to 2012-13 net capital investment (including Public Private Partnerships) is estimated to be \$6.2 billion, with gross capital investment spending totalling \$7.0 billion.

General government sector net infrastructure investment is expected to significantly exceed depreciation over the forward estimate period, providing a major boost to the state's asset base.

Figure 1.3: General government sector capital investment (\$million)



Note: 1998-99 to 2007-08 are actual outcomes; 2008-09 to 2012-13 are forecasts.

Note: Net capital investment is purchases of assets less contributed assets and asset sale proceeds. In addition, Public Private Partnership (PPP) arrangements have been included as they are recognised as finance leases in the balance sheet.

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Chapter 2 and Budget Paper 5, 2009-10 Capital Investment Statement, provide further information on the government's capital investment program.

Capital expenditure can only be funded from operating surpluses, sales of assets or through increases in net debt. Net debt does increase substantially over the forward years. However, this increase is necessary in the current global financial crisis to provide for future economic growth. The government has taken measures to reduce the amount of net debt incurred. Further discussion on these measures is included in Chapter 5.

Table 1.5 compares key general government sector aggregates across jurisdictions. Those states and territories that have tabled their 2009-10 Budget have generally announced a deterioration in most key fiscal aggregates.

Table 1.5: Interstate comparison of key general government aggregates (figures for 2009-10)

Indicators	SA	VIC	WA	ACT	NT	NSW	QLD	TAS
Net operating balance (\$m)	-304	165	409	-171	215	169	-124	10
Net lending (borrowing) (\$m)	-1,541	-3 325	-2 418	-568	-253	-1,587	-4,133	-81
Net debt to revenue (%)	14.8	23.4	3.6	-70.7	27.8	15.1	-41.4	-24.1
Net financial liabilities to revenue (%)	97.1	97.5	50.2	62.2	110.1	84.9	39.0	72.9
Credit rating ^(a)	AAA	AAA	AAA	AAA	Aa1	AAA	AA+	AA+

(a) Credit rating as assigned by Standard & Poor's, other than for the Northern Territory, where the Moody's rating is shown.

Source: Data has been sourced from jurisdictions' 2009-10 Budget Papers (Victoria, Western Australia, Australian Capital Territory, Northern Territory) and 2008-09 MYBRs (those shaded, being New South Wales, Queensland and Tasmania, for which 2009-10 Budget information was not available at the time of publication).

Table 1.5 shows that in 2009-10, all jurisdictions are forecasting net lending deficits. This highlights that most jurisdictions are investing substantial funds into infrastructure projects while suffering from reduced revenues and the resultant impact on net operating balances.

Attachment — Variations in the net operating balance and net lending estimates since the 2008-09 Budget and the 2008-09 MYBR

Table 1.6: Net operating balance — policy and parameter variations since the 2008-09 Budget (\$million)

	2008-09	2009-10	2010-11	2011-12
Estimate at 2008-09 Budget	160	356	434	424
Parameter and other variations				
Revenue — taxation	-48	-96	-85	-32
Revenue — other	221	-56	-143	-52
Operating expenses	-442	-304	-295	-259
Net effect of parameter and other variations	-269	-456	-524	-343
Policy measures				
Revenue — taxation	—	42	73	70
Revenue — other	—	8	8	8
Revenue offsets	7	5	4	3
Operating expenses	-45	-51	94	110
Net effect of policy measures	-38	3	180	191
Use of provisions set aside in the 2008-09 Budget				
Operating expenses	34	16	17	17
Estimate at 2008-09 MYBR	-112	-81	107	288
Parameter and other variations				
Revenue — taxation	-90	-115	-203	-230
Revenue — other	13	823	488	63
Operating expenses	-84	-242	-106	-190
Net effect of parameter and other variations	-161	466	179	-358
Policy measures up to the budget				
Revenue — taxation	—	—	—	—
Revenue — other	—	—	—	—
Revenue offsets	28	14	-8	-8
Operating expenses	-66	-28	-13	-12
Net effect of policy measures up to the 2009-10 Budget	-38	-14	-21	-19
Policy measures in the Budget				
Revenue — taxation	—	-4	-2	-2
Revenue — other	—	8	9	9
Revenue offsets	—	93	8	15
Operating expenses	-185	-1 032	-455	-145
Net effect of policy measures in the 2009-10 Budget	-185	-935	-439	-123
Use of provisions set aside in the 2008-09 Budget and the 2008-09 MYBR				
Operating expenses	231	260	251	308
Estimate at 2009-10 Budget	-265	-304	78	96

Note: Totals may not add due to rounding.

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Table 1.7: Net lending — policy and parameter variations since the 2008-09 Budget (\$million)

	2008-09	2009-10	2010-11	2011-12
Estimate at 2008-09 Budget	-548	-589	-611	-460
Net effect of operating variations to 2008-09 MYBR	-272	-437	-327	-136
Investing variations^(a)				
Parameter variations	-36	222	311	498
Policy variations	37	63	127	109
Total investing variations	2	286	438	606
Estimate at 2008-09 MYBR	-819	-740	-501	10
Net effect of operating variations	-152	-223	-29	-192
Investing variations^(a)				
Parameter variations	56	119	-78	33
Policy variations up to the 2009-10 Budget	-6	-103	-16	-9
Policy variations in the 2009-10 Budget	-52	-594	-701	-326
Total investing variations	-2	-578	-795	-302
Use of provisions set aside in the 2008-09 Budget and the 2008-09 MYBR				
Net capital investment expenditure	43	—	—	—
Estimate at 2009-10 Budget	-932	-1541	-1324	-483

Note: Totals may not add due to rounding.

(a) Investing variations relate to the movements in the net acquisition of non-financial assets.

Table 1.8: Revenue, expense and capital investment expenditure variations (parameter and other) since the 2008-09 MYBR (\$million)

	2008-09	2009-10	2010-11	2011-12
Revenue — Taxation				
Payroll tax	-3	-30	-49	-42
Conveyances	-67	-84	-114	-116
Land tax — private	—	15	-4	-25
Land tax — public	-3	1	-4	-10
Other property tax	-1	0	-2	-6
Insurance taxes	5	9	8	7
Gambling tax	-10	-14	-22	-18
Motor vehicle taxes	-11	-11	-16	-18
Total taxation revenue	-90	-115	-203	-230
Revenue — Other				
GST revenue grants and transitional assistance	-222	-476	-435	-440
partnership grants				
partnership grants				
- Current grants	1	46	8	-6
- Capital grants	155	1074	833	353
Other contributions and grants	15	26	16	17
Dividends and income tax equivalents	-13	39	-40	-15
Fines and penalties	—	1	1	1
Royalties	-15	-44	-23	7
Commonwealth contributions	105	170	114	116
Sales of goods and services	3	9	6	10
Interest income	-51	-24	6	18
Other revenue	36	2	1	1
Total other revenue	13	823	488	63
Operating Expenses				
Superannuation interest cost	—	2	4	5
Interest expense	23	30	-26	-100
Carryovers	18	-36	-1	—
Depreciation	-1	-3	-22	-29
Other variations	-124	-235	-61	-66
Total expenses	-84	-242	-106	-190
Net Capital Investment Expenditure				
Carryovers	87	-83	9	-3
Provision for project slippage	-35	200	—	—
Depreciation	1	3	22	29
Other variations	4	-1	-108	7
Total net capital investment expenditure	56	119	-78	33

Note: Totals may not add due to rounding.

Variations in revenue estimates (parameter and other)

Significant downward revisions to GST revenue grants in 2008-09 and future years largely reflect revisions to the GST pool available for distribution to the state. In the out years, pool revisions are exacerbated by downward revisions to South Australia's estimated share of the pool, having regard to South Australia's declining population share and allowance for anticipated changes in the Commonwealth Grants Commission's relativity assessments, including the 2010 Methodology Review.

Chapter 1: Fiscal strategy and budget priorities

Since the 2008-09 MYBR, taxation revenues have been revised down mainly in respect of property taxes. Downward revisions to property tax revenues reflect an anticipated continued slowing growth in property activity levels and subdued market conditions, impacting on conveyance duty estimates.

Downward revisions to payroll tax revenue reflect weaker economic conditions in 2009-10 impacting on employment and earnings growth.

Commonwealth specific purpose and National Partnership capital grants have been significantly revised up since the MYBR due mainly to funding for infrastructure projects under the Commonwealth Government's Nation Building — Economic Stimulus Plan, and Nation Building for the Future.

Since the MYBR, royalty revenue has been revised down in the years to 2010-11 reflecting downward revisions to oil, copper and uranium prices and also production levels in the Cooper Basin. Upward revisions to royalty revenue from 2011-12 reflect expected increases in commodity prices and production levels.

Commonwealth contributions have been revised up in all years since the MYBR, due mainly to the inclusion of a number of Commonwealth payments which were formerly classified as specific purpose grants, including a number of health programs and funding for the National Water Initiative and River Murray Futures program.

Variations in expense and capital investment expenditure estimates (parameter and other)

The nominal superannuation interest expense in 2008-09 is expected to be \$383 million, consistent with forecasts in the 2008-09 MYBR. In 2009-10 and across the forward estimates, nominal superannuation interest expense is expected to be slightly lower than estimated in the 2008-09 MYBR.

Table 1.9 shows that the net interest expense in all forward years, except the budget year, has increased since the 2008-09 MYBR, reflecting the increased estimates of net debt.

Table 1.9: Net interest expense (\$million)^(a)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate
2008-09 MYBR	13	37	102	71
2009-10 Budget	41	30	122	152
Increase in net interest expense since MYBR	28	-7	20	81

(a) Net interest expense is interest expense less interest income.

Carryover expenditure reflects under expenditure by agencies in 2008-09, which will now be incurred in later years, partially offset by carryovers from 2007-08.

The carryover of capital expenditure in 2008-09 reflects delays in project expenditure. Where appropriate, an estimate of expenditure by agencies for these projects has been carried forward into future years. Investing carryovers from 2008-09 to 2009-10 and future years are \$86.6 million. A \$200 million provision for capital slippage is included in 2009-10, based on the established tendency for projects to slip behind schedule.

CHAPTER 2: EXPENDITURE

Overview

This chapter describes the government's expenditure decisions and trends in aggregate general government expenditure. The decisions reflect the government's overall priorities and have been guided by *South Australia's Strategic Plan*. In partnership with the Commonwealth, the 2009-10 Budget contains additional expenditure of \$3193.9 million (net of operating savings) in the general government sector over the next four years. This includes new operating and investing initiatives totalling \$4024.6 million over the next four years, and operating savings of \$830.7 million. Revenue offsets of \$127.7 million and asset sales of \$34.4 million over the same period are not included in these figures but are shown separately in Tables 2.3–2.15.

The expenditure amounts outlined in the chapter include those funded through revenue from the Commonwealth Government resulting from the new Commonwealth-state funding arrangements introduced on 1 January 2009, the Nation Building — Economic Stimulus Plan and specific measures announced in the Commonwealth budget. The 2008-09 Mid-Year Budget Review (MYBR) established a contingency for the net impact of the new Commonwealth-state funding arrangements. The 2009-10 Budget announces the specific initiatives that will be funded in partnership with the Commonwealth under the arrangements. Chapter 4 provides further details of the new arrangements.

Table 2.1 shows the value of operating and investing initiatives across the forward estimates.

Table 2.1: General government expenditure initiatives (\$million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives ^(a)	-1 033.2	- 606.0	- 396.7	- 316.7
Operating savings	1.2	151.5	251.5	426.5
Revenue offsets	93.2	8.0	15.5	11.0
Net operating balance impact	- 938.8	- 446.5	- 129.7	120.8
Investing initiatives ^(b)	- 593.9	- 693.5	- 335.5	- 49.1
Asset sales	—	- 7.3	10.0	31.7
Net lending impact	-1 532.7	-1 147.4	- 455.2	103.4

Note: Totals may not add due to rounding.

(a) Excludes depreciation on investing initiatives.

(b) Reflects net impact of investing initiatives including those acquired under finance lease.

New expenditure initiatives are concentrated in the portfolios of: Education and Children's Services; Transport, Energy and Infrastructure; Families and Communities; and Health.

The Education and Children's Services portfolio budget contains additional new initiatives in partnership with the Commonwealth of \$1497.7 million (\$777.6 million investing and \$720.1 million operating) over the next four years, partially offset by savings of \$7.6 million. Major initiatives for the government education sector include:

- \$842.0 million over 2009-10 and 2010-11 under the Nation Building — Economic Stimulus Plan. The Primary Schools for the 21st Century program will provide new facilities including libraries, multi-purpose halls and classrooms or upgrade existing facilities in primary schools, R-12 schools and special schools. The National School Pride program will enable small-scale infrastructure and/or minor refurbishment projects in primary and secondary schools. The total also includes an estimate of support that the state may receive under the Science and Language Centres for 21st Century Secondary Schools program.

Chapter 2: Expenditure

- \$107.7 million over four years to improve school management, teaching and learning opportunities within low socioeconomic status schools;
- \$72.5 million over three years to acquire and deploy computers to improve the ratio of computers to students in Years 9 to 12 under the Commonwealth's Digital Education Revolution program;
- \$65.1 million over four years to provide access to an early childhood education program for all children in the year before formal schooling by 2013; and
- \$51.1 million over four years to support mathematics and science teaching within primary schools.

To support non-government schools, the budget includes \$337.3 million over 2009-10 and 2010-11 under the Nation Building — Economic Stimulus Plan. The Commonwealth has also provided \$13.4 million to non-government schools over four years for reforms within low socioeconomic status schools, to attract and retain quality teachers and leaders, and to achieve improvements in literacy and numeracy outcomes.

The Transport, Energy and Infrastructure portfolio will receive an additional \$902.7 million for new initiatives and the acceleration of a number of rail projects (\$803.4 million investing, \$76.3 million operating and revenue forgone of \$23.0 million) over the next four years, partially offset by savings of \$9.5 million.

The 2008-09 Budget announced the commencement of a major 10 year program to redevelop, electrify and extend the state's public transport infrastructure. This budget includes \$771.6 million over four years, in partnership with the Commonwealth, for a further major expansion of rail infrastructure and services to Seaford, the earlier implementation of a number of rail projects and other public transport initiatives, including:

- \$354.2 million over four years to extend the Noarlunga rail line to Seaford, including track and related infrastructure and the purchase of new electric railcars to facilitate the provision of services;
- \$190.3 million over three years commencing in 2010-11, which will bring forward the completion date by two years, for the upgrade and electrification of the Gawler rail line;
- \$77.4 million over four years to bring forward works for electrification of the Noarlunga line;
- \$61.0 million over three years to improve the link between the O-Bahn busway and the central business district;
- \$42.2 million over four years to provide free off-peak travel to Seniors Card holders; and
- \$23.3 million over four years in operational support for public transport services.

The budget also provides \$35.5 million over four years for initiatives in the transport system to enhance road and rail safety, including \$23.0 million to improve rural roads and \$12.5 million under the Nation Building — Economic Stimulus Plan for black spot projects and improved safety at level crossings. A further \$16.5 million is provided in 2008-09 under the Nation Building — Economic Stimulus Plan for road improvement initiatives and maintenance on national highways.

The Families and Communities portfolio will receive \$691.6 million for new initiatives in partnership with the Commonwealth over the next four years, partially offset by savings of \$3.0 million. Major initiatives include:

- \$475.6 million over four years for social housing to construct new houses, maintain existing houses and address housing affordability, including \$457.7 million under the Nation Building — Economic Stimulus Plan;
- \$124.1 million over four years for the construction of new houses and upgrade of existing houses to reduce overcrowding and homelessness in indigenous communities;
- \$65.0 million over four years for social inclusion initiatives to assist homeless people and those at risk of homelessness achieve sustainable housing and social inclusion; and
- \$23.3 million over four years to increase support for disability services.

The Health portfolio budget contains additional new initiatives in partnership with the Commonwealth of \$546.1 million over the next four years, partially offset by savings of \$24.3 million. Major initiatives include:

- \$200.0 million over four years funded by the Commonwealth Government's Health and Hospitals Fund to build a new Health and Medical Research Institute adjacent to the new Royal Adelaide Hospital;
- \$114.2 million over four years for growth in hospital and health service activity;
- \$60.9 million over four years to reform the operations of emergency departments, including measures to improve patient flow and capacity;
- \$53.9 million over four years for indigenous health care initiatives which improve access to health services and promote wellbeing;
- \$51.0 million over four years for additional nurses and midwives to implement career structure changes and improve patient outcomes; and
- \$40.0 million over four years to increase and improve the quality of sub-acute community based rehabilitation and palliative care services.

Portfolio details on operating, investing and savings initiatives of this budget are provided in Tables 2.3–2.15.

In addition to the new budget measures summarised in Table 2.1, a number of measures were approved in the period following the 2008-09 MYBR. These measures are shown as memorandum items in Tables 2.3–2.15 and include:

- \$85.0 million over two years for the construction of the State Aquatic Centre. The Commonwealth and City of Marion have provided contributions of \$23.0 million towards this project in 2008-09;
- \$30.0 million over four years, (including \$5.0 million in 2008-09) in addition to \$149 million provided by the Commonwealth, to support General Motors Holden in the design and manufacture of a new 4-cylinder small vehicle at Elizabeth; and
- \$26.6 million over four years of additional support to the South Australia Police (SAPOL) for the Police Academy redevelopment project, facilitated by land sales receipts and the redirection of operational and capital savings within SAPOL.

Chapter 2: Expenditure

Savings

The 2009-10 Budget continues the government's commitment to finding savings across portfolios. The 2008-09 Budget included a savings target allocated across portfolios of \$25 million in 2009-10, \$75 million in 2010-11 and \$150 million in 2011-12. This savings target remains in the forward estimates.

The 2009-10 Budget includes new operating savings totalling \$830.7 million over the next four years. The new operating savings include:

- an addition of \$75 million in 2012-13 to the 2008-09 Budget savings target, taking the total of this savings target to \$225 million in that year. This saving has been removed from agency budgets in amounts shown in Tables 2.3–2.15; and
- a further savings target of \$750 million that will require the achievement of savings of \$150 million in 2010-11, \$250 million in 2011-12 and \$350 million in 2012-13. This saving will be held centrally by the Department of Treasury and Finance pending the government's consideration of budget improvement measures recommended by the Sustainable Budget Commission.

Other existing savings requirements in the forward estimates include savings associated with the 2008-09 MYBR measure to reduce the public sector workforce by 1600 full-time equivalents (FTEs).

The government's indexation policy provides for standard indexation of supplies and services expenditure in line with projections of the consumer price index. The forward estimates take into account lower estimates for inflation as announced in the 2009-10 Commonwealth budget. Agency budgets will be adjusted for this impact.

As indicated in the 2008-09 Budget, the details of the specific savings measures that will achieve the first tranche of \$25 million from 2009-10 are presented in the 2009-10 Budget. The amounts are shown under "Memorandum Items — initiatives to meet 2008-09 Budget savings target for 2009-10" in Tables 2.3–2.15. Savings measures announced in previous budgets are proceeding. Agency and whole of government savings are regularly monitored and are progressing well.

The New Prisons and Secure Facilities Project has been cancelled. This provides a reduction in net debt of more than \$500 million with the largest impact in 2013-14 when the men's and women's prisons and forensic mental health facility were due to be commissioned. There remains a provision in the budget for \$38.4 million for 232 beds over the next three years. That brings the total increase in the number of prison beds to 606 over the five-year period to 2011-12. In addition, this budget provides contingencies of \$50.0 million in investing expenditure for essential works in existing facilities.

Sustainable Budget Commission

The forward estimates contain a significant savings requirement that needs to be delivered over the next four years.

The government will establish a Sustainable Budget Commission to make recommendations on budget improvement measures. The commission will include representatives from the Economic Development Board, Social Inclusion Board and central government agencies. It will also have access to external expertise. It will make its initial recommendations to the government for the 2010-11 Budget.

As salaries and wages comprise approximately 60 per cent of the state's operating expenditure budget, the government will seek to limit future wage outcomes to 2.5 per cent per annum in an effort to provide a real wage increase to public sector employees, prevent further job losses being required and ensure the sustainability of the state's finances. If future wage outcomes are limited to this outcome the saving in 2012-13 will be \$290 million. Such an outcome would account for a significant amount of the savings requirement over the forward estimates.

Recent experience in other jurisdictions and in the private sector has shown that such wage restraint helps protect jobs. This will continue to deliver real wage increases given inflation forecasts in the Commonwealth budget.

2008-09 MYBR savings measures

The 2008-09 MYBR included a package of measures to improve the state's fiscal outlook in response to the global financial crisis and its impact on the state budget.

The measures included the requirement to reduce the public sector workforce by 1600 FTEs over three years. This is included in the forward estimates, as discussed above.

The 2008-09 MYBR also included measures that will realise the value of selected government assets and reduce net debt, comprising the divestment of: certain rights to the assets of ForestrySA; a number of the government's ownership and/or lease rights to commercial properties in metropolitan Adelaide; and government employee housing assets in areas where viable rental markets exist. The amount included in the forward estimates for these items has not been disclosed so as to avoid prejudicing the divestment process.

All of these measures are proceeding. Government employee housing disposals have commenced in 2008-09.

General government expenditure

Forward estimates of general government expenses by type are shown in Table 2.2.

In 2008-09 general government expenses are estimated to be \$556 million (4.2 per cent) higher than at the 2008-09 Budget. Expenses are estimated to be \$1098 million (8.0 per cent) higher in 2009-10 than the 2008-09 estimated result. These movements reflect the net impact of decisions to increase spending in partnership with the Commonwealth in the Health, Education and Children's Services and Families and Communities portfolios and the effect of economic and financial parameters that influence the budget outlook.

Explanations of trends in expenditure appear later in this chapter.

Purchases of property, plant and equipment are expected to be \$2169 million in 2009-10, which is \$822 million more than in 2008-09. The forward estimates contain a major infrastructure investment program, including Public Private Partnership (PPP) projects, of \$7.0 billion over four years that will see the state's strategic economic and social infrastructure rebuilt and expanded to accommodate future needs whilst stimulating the economy and securing jobs.

During the last 12 months, the South Australian PPP infrastructure program made considerable progress and achieved a number of key project milestones.

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The Education Works — New Schools PPP project, which involves the development of six new schools for the communities of Playford North, Inner North and Inner West areas of Adelaide for over 4600 students, saw three consortia submitting detailed proposals in September 2008. In March 2009, the government announced Pinnacle Education as the preferred bidder. Negotiations on various technical and financial issues with Pinnacle are underway to ensure that the project delivers value for money. Subject to final negotiations, contractual close is expected in mid 2009. The first two schools are expected to open in 2010.

In December 2007, the government announced that a new 800 bed state-of-the-art hospital would be delivered as a PPP project. Project planning and documentation for the new Royal Adelaide Hospital is progressing and expressions of interest will be sought in mid 2009. The new hospital is expected to be completed in 2016.

Table 2.2: General government expenditure — forward estimates (\$million)

	2008-09 Budget	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Employee expenses	5 539	5 684	6 035	5 942	6 052	6 147
Superannuation expenses						
Superannuation interest cost	370	383	444	441	437	433
Other superannuation expenses	577	602	623	630	644	657
Depreciation and amortisation	593	595	601	657	703	770
Interest expenses	234	161	174	328	414	476
Other property expenses	—	—	—	—	—	—
Other operating expenses	3 382	3 501	3 728	3 613	3 792	3 838
Grants	2 400	2 724	3 145	2 709	2 448	2 454
Total expenses	13 094	13 650	14 748	14 319	14 489	14 775
<i>less</i>						
Depreciation expense	- 593	- 595	- 601	- 657	- 703	- 770
<i>plus</i>						
Purchases of property, plant and equipment ^(a)	1 396	1 347	2 169	2 079	1 528	1 132
Assets acquired under finance lease	—	—	11	120	—	—
Total expenditure on net lending basis	13 897	14 401	16 328	15 861	15 314	15 137

Note: Totals may not add due to rounding.

(a) Includes contributed assets.

Budget initiatives by portfolio and agency

This section reports 2009-10 Budget expenditure and savings initiatives by portfolio, that is, classified according to the operational and administrative structure of the government.

Tables 2.3–2.15 detail the 2009-10 Budget initiatives for each portfolio over the forward estimates period. Initiatives are shown on a gross basis, that is including any expenditure of revenues received for the specific purpose. The expenditure amounts outlined in the chapter include those funded through revenue from the Commonwealth Government resulting from the new Commonwealth-state funding arrangements introduced on 1 January 2009, the Nation Building — Economic Stimulus Plan and specific measures announced in the Commonwealth budget. Individual initiatives within the tables are presented as operating or investing initiatives, or both. Where an initiative has components of both it is listed twice, once showing the operating expenditure and once showing the investing expenditure. The tables show the summary budget impacts of all of each portfolio's initiatives on net lending and the net operating balance (not including depreciation).

Expenditures are recorded as negative (-) items while savings and revenues are recorded as positive (+) items.

Revenue offsets in this chapter include revenues received from external parties for the specific purpose of, and incidental to, an expenditure measure contained in this chapter and not elsewhere disclosed in the budget papers. General revenue initiatives and agency revenue measures are detailed in Chapter 3. Details of Commonwealth revenue under the new Commonwealth-state funding arrangements are shown in Chapter 4.

Premier and Cabinet

The government continues to provide support for innovation through the extension of the successful Thinkers in Residence program. It also supports broader community engagement and education in science, technology and innovation by funding the continuation of Bragg Initiative public programs and the launch of Ri Australia. In addition \$20.0 million over two years is provided for the creation of a Renewable Energy Fund to support research and development to attract investment in renewable energy technologies in South Australia. This Fund includes \$800,000 per annum for the next two years for a South Australian Centre of Excellence for Geothermal Research. The budget also provides support for the Global Green Challenge, an event running from Darwin to Adelaide promoting the development of hybrid, electric, solar, low emission and alternative energy vehicles. It also supports the establishment of additional sector agreements under South Australia's climate change legislation.

Additional resources are provided for the supply of electricity to remote off-grid Aboriginal communities. This includes support to conduct a feasibility study of options for future electricity retailing in these communities.

The budget provides \$3.4 million over four years for the harmonisation of national occupational health and safety laws.

The budget provides \$19.2 million over four years to assist disadvantaged members of our community in gaining employment and to improve pathways to learning or earning for young people with disabilities.

The budget maintains the government's commitment to the arts sector with resources for key initiatives including support for the Art Gallery to stage an exhibition from the Bauhaus of Berlin in May 2010 and the provision of additional support to the Adelaide Festival to celebrate the 50th Anniversary of the Adelaide Festival of Arts in 2010. The budget also provides \$2.5 million over four years to upgrade infrastructure at major arts institutions including the Art Gallery of SA. In addition, the budget continues funding for a further four years for the Little Big Book Club initiative.

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The 2008-09 Budget included a savings target of \$1.5 million in 2009-10 for the Department of the Premier and Cabinet. Specific savings measures in the portfolio include administrative efficiencies and reduced outlays to Arts SA. These are shown as memorandum items in the following table. The savings target included \$0.2 million allocated to the Office for Recreation and Sport, which has subsequently transferred to the Attorney-General's Department. In addition there are savings due to the decision not to proceed with the Manitoba Indigenous Arts and Cultural Exchange program and a revised scope for the Lion Arts Centre project.

Table 2.3: Premier and Cabinet — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-27 307	-22 936	-12 005	-11 452
Investing initiatives	399	-1 295	- 323	—
Asset sales	—	—	—	—
Savings initiatives	1 000	—	—	3 900
Revenue offsets	—	—	—	—
Impact on net operating balance	-26 307	-22 936	-12 005	-7 552
Impact on net lending	-25 908	-24 231	-12 328	-7 552
Department of the Premier and Cabinet				
Operating initiatives				
Adelaide Festival — increased support	-1 775	—	—	—
Art Gallery — support for Bauhaus exhibition	- 100	- 450	—	—
Arts heritage infrastructure — additional support	- 140	- 112	- 76	- 95
Bragg Initiative — extension of support	- 650	- 210	—	—
Cabinet office — additional resources	-1 555	—	—	—
Climate change sector agreements — extension	- 200	- 200	—	—
Climate sustainability — additional resources	- 300	—	—	—
Global Green Challenge — support	- 350	- 359	—	—
Indigenous employment partnership — additional resources ^(a)	-1 296	-1 296	-1 296	-1 296
Little Big Book Club — extension	- 250	- 250	- 250	- 250
OH&S Harmonisation — support ^(a)	- 380	-1 004	-1 324	- 684
Public Sector Performance Commission — extension	- 860	—	—	—
Public Sector Workforce Relations — additional resources	-1 006	-1 031	-1 056	-1 081
Remote Aboriginal communities — electricity supply	- 716	- 189	—	—
Remote communities — improved service delivery ^(a)	-1 700	-1 850	-1 850	-1 650
Renewable Energy Fund — establishment	-10 000	-10 000	—	—
Social Inclusion (Economically disadvantaged and disability program) — operational support	-4 529	-4 738	-4 854	-5 049
Thinkers in Residence — extension	- 150	- 656	- 686	- 711
University City Project — securing accommodation	- 600	- 591	- 613	- 636
University City Project — additional support	- 750	—	—	—
Investing initiatives				
Arts heritage infrastructure — upgrade	- 491	-1 295	- 323	—
Lion Arts Centre upgrade — reduced scope	890	—	—	—
Savings initiatives				
Indigenous arts (Manitoba cultural exchange) — withdrawal	1 000	—	—	—
Savings target	—	—	—	3 900

Table 2.3: Premier and Cabinet — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Savings initiatives				
Arts SA — administrative efficiencies	200	200	200	200
Arts SA — grant reductions	130	145	145	145
Departmental operations — administrative efficiencies	660	660	660	660
Safework SA — administrative efficiencies	310	310	310	310

(a) Held under the Administered Items of the Department of Treasury and Finance.

Trade and Economic Development / Defence SA

The 2009-10 financial year will see the completion of the Techport Australia Common User Facility. The facility is a key component of the shipbuilding infrastructure (providing dry berth, wharf and ship lift services) to support the construction and commissioning of the Royal Australian Navy's Air Warfare Destroyers.

The 2009-10 Budget provides additional resources to Defence SA to support the development of strategic industrial land precincts at Osborne North and Moorhouse Road, Port Adelaide. These two precincts will provide serviced industrial allotments with access to national road and rail links and international port facilities and will be sold to market over the next five years.

The Department of Trade and Economic Development (DTED) has been provided with resources to extend the role of the Olympic Dam Taskforce as part of the state's commitment to the expansion of the Olympic Dam project.

Prior to the budget, the government announced the provision of \$30.0 million of assistance (including \$5.0 million in 2008-09) in addition to \$149 million provided by the Commonwealth, to support General Motors Holden in the design and manufacture of a new 4-cylinder small vehicle at Elizabeth.

The 2008-09 Budget included a savings target of \$0.8 million in 2009-10 for DTED and Defence SA. Specific savings measures in the portfolio include administrative efficiencies and a reduction in support over a number of program areas. These are shown as memorandum items in the following table.

Table 2.4: Trade and Economic Development / Defence SA — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	—	-1 351	-1 603	-1 599
Investing initiatives	-7 160	-27 330	-1 483	—
Asset sales	—	-7 335	9 999	31 697
Savings initiatives	—	—	—	2 400
Revenue offsets	—	—	—	—
Impact on net operating balance	—	-1 351	-1 603	801
Impact on net lending	-7 160	-36 016	6 913	32 498
Department of Trade and Economic Development				
Operating Initiatives				
Olympic Dam Taskforce — extension	—	-1 046	-1 068	-1 091
Savings initiatives				
Savings target	—	—	—	2 000

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Table 2.4: Trade and Economic Development / Defence SA — expenditure and savings initiatives (\$000)
continued

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Defence SA				
Operating initiatives				
Moorhouse Road Precinct — operational support	—	- 50	- 162	- 102
Osborne North Industrial Precinct — operational support	—	- 255	- 373	- 406
Investing initiatives				
Moorhouse Road Precinct — development	- 735	-13 851	—	—
Osborne North Industrial Precinct — development	-6 425	-13 479	-1 483	—
Savings initiatives				
Savings target	—	—	—	400
Asset sales				
Moorhouse Road Precinct — land sales	—	—	9 289	13 211
Osborne North Industrial Precinct — land sales ^(a)	—	-7 335	710	18 486
Memorandum Items - measures prior to the 2009-10 Budget				
Department of Trade and Economic Development				
Operating initiatives				
Aboriginal Foundation of South Australia — support ^(b)	- 330	—	—	—
Holden Small Car project — support	-10 000	-10 000	-5 000	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Department of Trade and Economic Development				
Savings initiatives				
Community Builders program — discontinue	112	112	112	112
Manufacturing Consultative Council — reduce support	8	8	8	8
Marketing activities — reduction	213	271	271	271
Mitsubishi Taskforce — reduce support	20	—	—	—
Office of the Economic Development Board — reduce support	36	36	36	36
Small Business Month — reduce support	55	55	55	55
Supply chain logistics program — reduction	25	25	25	25
Technology diffusion program — reduction	50	50	50	50
Various trade programs — reduction	143	143	143	143
Workforce development training programs — reduction	38	—	—	—
Defence SA				
Savings initiatives				
Governance and specialist advice — reduction	100	151	155	160

(a) Also reflects revised timing of land sales.

(b) Includes amounts held under the Administered Items for the Department of Treasury and Finance.

Treasury and Finance

The 2009-10 Budget provides \$3.4 million over the next two years and \$1.0 million in 2008-09 for the establishment of a Market Projects Unit to realise the value of selected government assets.

The 2008-09 Budget included a savings target of \$1.0 million in 2009-10 for the Department of Treasury and Finance. Specific savings measures in the portfolio of \$0.7 million include administrative efficiencies and rationalisation of business support services. These are shown as memorandum items in the following table. The savings target is inclusive of \$0.3 million from additional taxation compliance activities approved as part of the 2008-09 MYBR.

Table 2.5: Treasury and Finance — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-1 700	-1 700	—	—
Investing initiatives	—	—	—	—
Asset sales	—	—	—	—
Savings initiatives	—	—	—	3 000
Revenue offsets	—	—	—	—
Impact on net operating balance	-1 700	-1 700	—	3 000
Impact on net lending	-1 700	-1 700	—	3 000
Department of Treasury and Finance				
Operating initiatives				
Major Projects Unit — operational support	-1 700	-1 700	—	—
Savings initiatives				
Savings target	—	—	—	3 000
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10^(a)				
Department of Treasury and Finance				
Savings initiatives				
Departmental efficiencies	246	246	246	246
Procurement services — efficiencies	409	409	409	409

(a) Budget savings target was partially achieved in the 2008-09 MYBR.

Planning and Local Government

The Department of Planning and Local Government (DPLG) was established on 1 July 2008 as a result of a major review of South Australia's planning and development system. Resources have previously been provided to implement the recommendations of the review, resulting in:

- a streamlined development assessment process;
- improved management of land supply; and
- a closer partnership with local government.

The implementation of planning reforms will achieve faster assessments and approvals for the full range of residential home building matters. New regional plans will be developed for all areas of the state, including a new 30 year Plan for Greater Adelaide.

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The 2008-09 Budget included a savings target of \$1.6 million in 2009-10 for Primary Industries and Resources of which \$150 000 is allocated to DPLG. The savings measure for the portfolio is to be achieved through administrative efficiencies. This is shown as a memorandum item in the following table.

Table 2.6: Planning and Local Government — savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	—	—	—	—
Investing initiatives	—	—	—	—
Asset sales	—	—	—	—
Savings initiatives	—	—	—	565
Revenue offsets	—	—	—	—
Impact on net operating balance	—	—	—	565
Impact on net lending	—	—	—	565
Department of Planning and Local Government				
Savings initiatives				
Savings target	—	—	—	565
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Savings initiatives				
Planning review — administrative efficiencies	150	150	150	150

Primary Industries and Resources

The 2009-10 Budget provides additional resources for the continuation of drought response measures. Initiatives include:

- the Planning for Recovery program to assist farming businesses develop and implement business plans;
- community support grants and farm debt mediation;
- regional drought coordinators;
- health and wellbeing support, including community counsellors; and
- an apprenticeship retention program.

Resources have also been provided to continue the Exceptional Circumstances interest rate subsidies for drought affected areas for a further 12 months. The Commonwealth will provide up to \$93.6 million in total and South Australia will contribute up to \$10.4 million.

The government has facilitated the construction of the \$105.5 million pipeline from Jervois to Langhorne and Currency Creeks to provide irrigation water to those previously dependent on the Lower Lakes.

The 2008-09 Budget included a savings target of \$1.6 million in 2009-10 for Primary Industries and Resources of which \$150 000 was subsequently allocated to DPLG. Specific savings measures in the portfolio include administrative efficiencies and a reduction in support over a number of program areas. These are shown as memorandum items in the following table.

Table 2.7: Primary Industries and Resources — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-111 505	-7 375	—	—
Investing initiatives	—	—	—	—
Asset sales	—	—	—	—
Savings initiatives	—	—	—	4 435
Revenue offsets	90 900	2 700	—	—
Impact on net operating balance	-20 605	-4 675	—	4 435
Impact on net lending	-20 605	-4 675	—	4 435
Department of Primary Industries and Resources				
Operating initiatives				
Drought — Exceptional Circumstances interest rate subsidies	-101 000	-3 000	—	—
Drought — targeted assistance programs	-10 505	-4 375	—	—
Savings initiatives				
Savings target	—	—	—	4 435
Revenue offsets				
Drought — Commonwealth contribution	90 900	2 700	—	—
Memorandum Items - measures prior to the 2009-10 Budget				
Department of Primary Industries and Resources				
Operating initiatives				
Drought response measures — additional support	-4 063	—	—	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Department of Primary Industries and Resources				
Savings initiatives				
Administrative and operational efficiencies	450	450	450	450
Research and development — reduced support	1 715	1 715	1 715	1 715
Revenue offsets				
Research and development — reduced external contributions	- 715	- 715	- 715	- 715

Transport, Energy and Infrastructure

The 2008-09 Budget announced the commencement of a major 10 year program to redevelop, electrify and extend the state's public transport infrastructure. This budget builds on that commitment by announcing a further major expansion of rail infrastructure and services to Seaford, the earlier implementation of a number of rail projects and an improved link between the O-Bahn and the central business district. To facilitate these arrangements the Commonwealth will provide \$618.7 million over four years (in addition to \$27.0 million in 2008-09). Additional state support of \$125.9 million over four years is also provided for new and accelerated rail projects and the operation of the public transport network.

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Initiatives to further expand public transport infrastructure and services in the 2009-10 Budget include:

- \$354.2 million over four years to extend the Noarlunga rail line to Seaford, comprising \$291.2 million for track and related infrastructure and \$63.0 million for the purchase of new electric railcars to facilitate the provision of services;
- \$61.0 million over three years to improve the link between the O-Bahn busway and the central business district, significantly reducing travel times; and
- \$4.5 million per annum indexed from 2011-12 to operate services on the Seaford rail extension.

Rail projects to be accelerated in the 2009-10 Budget include:

- the upgrade and electrification of the Gawler rail line, with an additional \$190.3 million to be spent over three years commencing in 2010-11, enabling the completion date of this project to be brought forward by two years. The total investment in the Gawler line over the next four years is \$335.5 million; and
- the electrification of the Noarlunga line, with an additional \$77.4 million to be spent over four years. The total investment in the Noarlunga line over the next four years is \$327 million.

Other initiatives in this budget for public transport include:

- \$42.2 million over four years to provide free off-peak travel to Seniors Card holders from 1 July 2009;
- \$23.3 million over four years in operational support for public transport services; and
- \$3.3 million over four years for additional security guards on rail services, increased rail track inspections and graffiti removal.

The budget reaffirms the government's commitment to improving road safety, with the provision of an additional \$23.0 million over four years for rural roads. This support will be used to address roadside hazards, improve signage and provide minor junction improvements.

The Commonwealth has provided \$29.0 million over two years for specific initiatives under the Nation Building — Economic Stimulus Plan, including increased maintenance on national highways, additional black spot projects and improved safety at level crossings. Expenditure on these initiatives will total \$16.5 million in 2008-09 and \$12.5 million in 2009-10.

The 2008-09 Budget included a savings target of \$3.2 million in 2009-10 for the Department for Transport, Energy and Infrastructure. Specific savings measures in the department include administrative efficiencies, revenue measures and a reduction in support over a number of program areas. These are shown as memorandum items in the following table.

Table 2.8: Transport, Energy and Infrastructure — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-18 782	-23 320	-24 983	-9 220
Investing initiatives	-81 346	-266 371	-410 806	-44 837
Asset sales	—	—	—	—
Savings initiatives	—	—	—	9 500
Revenue offsets	-5 500	-5 671	-5 847	-6 028
Impact on net operating balance	-24 282	-28 991	-30 830	-5 748
Impact on net lending	-105 628	-295 362	-441 636	-50 585
Department for Transport, Energy and Infrastructure				
Operating initiatives				
Government Radio Network — operational support ^(a)	—	-1 051	-1 615	-2 208
Nation Building - Economic Stimulus Plan — black spot program	-2 600	—	—	—
Nation Building - Economic Stimulus Plan — level crossings	-2 000	—	—	—
National framework for energy efficiency — State contribution	- 531	- 540	- 574	- 585
Office of the Chief Information Officer — ongoing support	—	-3 233	-3 314	-3 397
Public transport — additional resources	- 300	- 308	- 315	- 323
Public transport — additional support	-4 628	-4 744	-4 862	-4 984
Public transport — free travel for seniors	-4 600	-4 716	-4 834	-4 955
Rail Revitalisation — acceleration of Gawler line upgrade	—	-8 092	-4 318	12 500
Rail Revitalisation — Seaford rail services	—	—	-4 500	-4 600
Transport Subsidy Scheme — additional support	- 500	—	—	—
Transport Subsidy Scheme — audit	- 303	—	—	—
Investing initiatives				
Government employee housing — reduction	5 000	5 500	5 800	—
Government Radio Network — upgrade ^(a)	- 828	-46 163	-26 212	-22 540
Government telecommunications equipment — upgrade	-2 374	-1 340	- 424	- 285
Green Triangle Railway — re-profiling	—	—	—	10 000
Nation Building - Economic Stimulus Plan — black spot program	-7 900	—	—	—
Public transport — O-Bahn City Access	-15 000	-40 500	-5 500	—
Rail Revitalisation — acceleration of Gawler line electrification	—	—	-91 000	-91 500
Rail Revitalisation — acceleration of Gawler line upgrade	—	-51 201	14 680	28 722
Rail Revitalisation — acceleration of Noarlunga line electrification	-29 800	-56 000	-117 000	125 399
Rail Revitalisation — acceleration of remaining rail network ^(b)	—	—	-40 000	29 000
Rail Revitalisation — railcars for Seaford extension	-4 000	-16 000	-22 000	-21 000
Rail Revitalisation — Seaford extension	-18 000	-54 300	-123 000	-95 900
Rural road safety — increased investment	-5 250	-5 550	-5 900	-6 250
StateNet infrastructure — upgrade	-3 194	- 817	- 250	- 483
Savings initiatives				
Savings target	—	—	—	9 500
Revenue offsets				
Public transport — free travel for seniors (revenue forgone)	-5 500	-5 671	-5 847	-6 028

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Table 2.8: Transport, Energy and Infrastructure — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
TransAdelaide				
Operating initiatives				
Public transport rail services — increased inspection and maintenance	- 700	—	—	—
Public transport rail services — increased security and graffiti removal	- 620	- 636	- 651	- 668
Public transport rail services — operational support	-2 000	—	—	—
Memorandum Items - measures prior to the 2009-10 Budget				
Department for Transport, Energy and Infrastructure				
Operating initiatives				
Australian Energy Market Operator — reduced support	1 737	1 837	1 874	1 913
Fixed speed cameras — operational support	- 140	- 118	- 122	- 124
Office accommodation — relocation and lease costs	-7 551	-7 527	-7 969	-8 289
Investing initiatives				
Office accommodation — fitout	-8 500	—	—	—
State Aquatic Centre — construction	-83 000	—	—	—
Revenue offsets				
Australian Energy Market Operator — reduced industry levy	-1 756	-1 844	-1 881	-1 873
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Savings initiatives				
Contracted services — cost reductions	704	704	704	704
Departmental operations — administrative efficiencies	2 055	2 055	2 055	2 055
Regional roads — cost reduction	200	200	200	200
Revenue initiatives				
Marine facilities — increased cost recovery	42	97	100	103
Personalised and custom plates — increased sales	200	200	200	200

(a) Held under the Administered Items for the Department of Treasury and Finance.

(b) Includes work on the Tonsley, Grange and Outer Harbor lines.

Justice

The 2009-10 Budget provides essential resources to maintain the government's focus on law and order and the efficient delivery of justice services.

The capacity to investigate serious crime is further enhanced through additional resources for DNA testing services. The budget also provides for additional Special Justices of the Peace to reduce Magistrates Court waiting times and allow magistrates to deal with more serious cases in court. Support is provided for the early commencement of the operations of the additional courtrooms in Sturt Street and the consolidation of the Courts Administration Authority into a single location resulting in ongoing savings from reduced operational overheads.

Resources are provided for a new police complex at Yalata in 2010-11. The complex will include a new police station, holding cells and court facilities designed to meet the long-term service delivery requirements of the South Australia Police (SAPOL).

Prior to the budget SAPOL received additional support for the Police Academy redevelopment project, facilitated by land sales receipts and the redirection of operational and capital savings within SAPOL.

Additional resources are also provided to the Attorney-General's Department to implement legislative changes resulting from a number of Council of Australian Governments (COAG) reforms.

In recognition of the increased demand on residential tenancy services, the budget provides for the extension of education, advocacy and financial counselling services for private rental tenants. This initiative will benefit both tenants and landlords and is funded through the introduction of application fees.

The budget provides support to the Office of Consumer and Business Affairs to implement COAG reforms aimed at reducing the costs of regulation for business and consumers and enhancing productivity.

Additional resources are provided for video conferencing at Yatala Prison and the Adelaide Women's Prison to improve the efficiency of the criminal justice system. The budget also provides for a new community corrections centre in Gawler to meet the growth of activity in northern Adelaide and surrounding regional areas as well as new office accommodation for the Department for Correctional Services.

The Office for Recreation and Sport and the Office for Racing were transferred to the Attorney-General's Department in 2008-09. The budget provides \$1.7 million in 2010-11 for the replacement of the synthetic running track at Santos Stadium to enable the attraction of national events and provide an all year round training facility for both schools and elite athletes. Support is also provided for a case study into the benefits and costs of Community Based Sports Hubs in South Australia's urban and regional areas and to recommend how private and community stakeholders can best develop their facilities.

The budget contributes \$1.1 million to Surf Life Saving SA for the construction of a purpose built training, communications and administration facility at West Beach. This facility will address the increasing demand for surf lifesaving emergency services through the consolidation of existing infrastructure into a single location, leading to greater efficiencies and a more coordinated approach to surf lifesaving.

The 2008-09 Budget included a savings target of \$1.0 million in 2009-10 for the Justice portfolio. A further \$0.2 million allocated to the Office for Recreation and Sport and the Office for Racing was transferred from the Premier and Cabinet portfolio. Specific savings measures in the portfolio include administrative efficiencies. These are shown as memorandum items in the following table.

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Table 2.9: Justice — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-4 563	-3 416	-3 396	-2 927
Investing initiatives	-5 681	-5 285	151 000	—
Asset sales	—	—	—	—
Savings initiatives	172	1 412	1 450	5 004
Revenue offsets	66	- 297	- 307	- 317
Impact on net operating balance	-4 325	-2 301	-2 253	1 760
Impact on net lending	-10 006	-7 586	148 747	1 760
Attorney-General's Department				
Operating initiatives				
Business regulation — reform program	- 397	- 539	- 551	—
Community sporting facilities — support for business case	- 250	—	—	—
DNA testing services — increased support	- 579	- 593	- 608	- 624
Office of the Parliamentary Counsel — additional resources	- 347	- 251	- 143	- 146
Residential tenancy services — increased support	- 200	- 369	- 378	- 387
Investing initiatives				
Office of the Parliamentary Counsel — fitout	- 100	—	—	—
Santos Stadium — track replacement	—	-1 700	—	—
Savings initiatives				
Business regulation — savings	102	983	1 002	1 023
Savings target	—	—	—	2 600
Revenue offsets				
Business regulation — revenue forgone	- 128	- 698	- 720	- 743
Residential tenancy services — application fees	194	401	413	426
Courts Administration Authority				
Operating initiatives				
Office accommodation — consolidation of arrangements	- 171	- 69	- 72	- 74
Special Justices of the Peace — additional sittings	- 111	- 114	- 116	- 118
Sturt Street Courts — early commencement	- 471	—	—	—
Investing initiatives				
Office accommodation — fitout	-2 324	—	—	—
Savings initiatives				
Office accommodation — consolidation of arrangements	70	429	448	481
South Australia Police				
Investing initiatives				
Yalata police station — replacement	—	-3 321	—	—

Table 2.9: Justice — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Administered Items for the South Australian Fire and Emergency Service Commission				
Operating initiatives				
Surf Life Saving SA — capital grant	-1 142	—	—	—
Department for Correctional Services				
Operating initiatives				
Community Corrections Centre (Gawler) — lease costs	- 12	- 162	- 168	- 175
Office accommodation — increased support ^(a)	- 160	- 760	- 790	- 821
Video conferencing facilities — operational support	- 723	- 559	- 570	- 582
Investing initiatives				
Community Corrections Centre (Gawler) — fitout	- 550	—	—	—
New Prisons project — cancellation	1 293	1 036	151 000	—
Office accommodation — fitout ^(a)	-4 000	-1 300	—	—
Savings initiatives				
Savings target	—	—	—	900
Memorandum Items - measures prior to the 2009-10 Budget				
South Australia Police				
Operating initiatives				
Hydroponics Industry Regulation — operational support	- 68	- 35	- 36	- 37
Police — redirection of savings for Police Academy redevelopment	3 400	—	—	—
Investing initiatives				
Police Academy redevelopment — additional support	2 470	-18 570	-11 500	—
Revenue offsets				
Hydroponics Industry Regulation — licence fees	123	43	36	30
Electoral Commission of South Australia				
Operating initiatives				
Electoral Commission of SA — public awareness campaign	- 20	—	—	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Attorney-General's Department				
Savings initiatives				
Departmental efficiencies	900	900	900	900
Department for Correctional Services				
Saving initiatives				
Departmental efficiencies	300	300	300	300

(a) Held under the Administered Items for the Department of Treasury and Finance.

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Health

The 2009-10 Budget provides for substantial new expenditure of \$546.1 million over four years in the Health portfolio.

The budget provides \$200.0 million over four years funded by the Commonwealth Government's Health and Hospitals Fund to build a new Health and Medical Research Institute adjacent to the new Royal Adelaide Hospital. The institute's research will foster innovation and improvements in health services, leading to improved health outcomes for the community.

The budget also provides \$114.2 million over four years to further improve and increase health services across the state. A further \$26.2 million is provided to the Health portfolio in 2008-09 for the same purpose. This support will provide the Health portfolio with the capacity to meet volume growth in health service activity. This is in addition to the \$297.1 million provided over four years in the 2008-09 Budget.

The budget includes resources for implementing emergency department service delivery reforms, to improve access, patient flow and public health awareness campaigns.

The budget also includes a package of health and social change initiatives for indigenous groups including increased access to culturally responsive primary health care and hospital related services, establishing Child and Mental Health Services on the APY lands, increased education programs and access to health promotion services and providing a program aimed at reducing smoking.

Additional resources are also provided for building a valued and sustainable nursing and midwives workforce through additional staff backfill, in order to implement career structure changes and improve hospital ward services and patient outcomes.

The budget provides support for improving and increasing sub-acute care in the community including expanded home based rehabilitation, developing a community pharmacy network and expanded palliative care teams.

The budget includes \$6.0 million in 2010-11 to the Royal Flying Doctor Service to contribute towards the purchase of new aircraft.

The budget also enables SA Ambulance Service to continue enhancing the delivery of ambulance services.

The 2008-09 Budget included a savings target of \$8.1 million in 2009-10 for the Health portfolio, which will be achieved through the reform of the practices and processes used by the portfolio to procure supplies. This is shown as a memorandum item in the following table.

Table 2.10: Health — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-76 384	-99 231	-100 652	-103 085
Investing initiatives	-25 100	-71 058	-70 222	- 379
Asset sales	—	—	—	—
Savings initiatives	—	—	—	24 300
Revenue offsets	3 366	3 625	3 898	4 207
Impact on net operating balance	-73 018	-95 606	-96 754	-74 578
Impact on net lending	-98 118	-166 664	-166 976	-74 957
Department of Health				
Operating initiatives				
Dental health program — operational support	-3 900	-8 200	-8 600	-4 400
Emergency departments — additional resources	-14 777	-14 087	-13 987	-13 488
Health services — additional resources	-27 288	-28 182	-28 960	-29 763
Health services — additional support for nurses and midwives	-12 300	-12 600	-12 900	-13 200
Health services — performance reporting	- 180	- 180	- 90	- 90
Health workforce reform (activity based funding) — contribution to national costing model	- 540	-2 610	-3 580	-4 800
Health workforce reform (sub-acute care) — additional resources	-8 900	-9 300	-10 300	-11 473
Indigenous health services — additional resources	-6 208	-12 280	-16 059	-19 343
Out of hospital services — additional support for older patients	—	-3 300	-3 300	-3 300
Royal Flying Doctor Service — contribution for aircraft purchase	—	-6 000	—	—
Investing initiatives				
Emergency departments — facility re-design	-3 225	- 825	- 500	—
ICT infrastructure program — reduction ^(a)	9 200	10 900	11 300	10 600
Health and Medical Research Institute — construction	-30 000	-80 000	-80 000	-10 000
Savings initiatives				
Savings target	—	—	—	24 300
South Australian Ambulance Service				
Operating initiatives				
South Australian Ambulance Service — operational support	-2 291	-2 492	-2 876	-3 228
Investing initiatives				
South Australian Ambulance Service — equipment replacement	-1 075	-1 133	-1 022	- 979
Revenue offsets				
South Australian Ambulance Service — cost recovery	3 366	3 625	3 898	4 207

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Table 2.10: Health — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Memorandum Items - measures prior to the 2009-10 Budget				
Operating initiatives				
Health and Medical Research Institute — revised arrangements	-3 161	4 333	4 333	4 333
Leukaemia Foundation — land grant	-1 400	—	—	—
Obesity Prevention and Lifestyle program — support	- 190	- 640	-4 185	-6 626
Investing initiatives				
Royal Adelaide Hospital — additional sustainment	-4 946	—	—	—
Health and Medical Research Institute — revised arrangements	2 168	2 168	2 168	2 168
Revenue offsets				
Health and Medical Research Institute — revised arrangements	-6 501	-6 501	-6 501	-6 501
Asset sales				
Hampstead Rehabilitation Centre — land sales	7 200	—	—	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Saving initiatives				
Procurement activities — revised arrangements	8 100	11 000	12 000	13 000

(a) Held under the Administered Items for the Department of Treasury and Finance.

Education and Children's Services

Spending per government school student continues to grow in 2009-10 with, on average, an additional \$1059 for every government student when compared with the 2008-09 Budget, an increase of 9.2 per cent. Spending per student increases from \$7598 in 2001-02 to \$12 627 in 2009-10.

The 2009-10 Budget provides additional resources for the Department of Education and Children's Services (DECS) for the following major initiatives in the government education sector:

- \$107.7 million over four years (in addition to \$1.1 million provided in 2008-09) to deliver reforms, including incentives to attract high quality teachers and principals, more flexibility for school staffing, management and operational arrangements, provision of innovative and tailored learning opportunities, strengthened school accountability, improved partnerships with parents, other schools, businesses and communities, and access to a range of extended services;
- \$72.5 million over three years (in addition to \$4.4 million previously provided) to acquire and deploy computers to improve the ratio of computers to students in Years 9 to 12 under the Commonwealth's Digital Education Revolution program;
- \$65.1 million over four years (in addition to \$0.3 million provided in 2008-09) to provide access to a quality early childhood education program for all children by 2013, delivered by a university trained early childhood teacher, for 15 hours a week, 40 weeks a year, in the year before formal schooling;

- \$51.1 million over four years in additional support for primary school maths and science programs to raise the minimum level of science instruction time for primary school students and provide specialist mathematics and science professional development to all primary school teachers;
- \$4.3 million in 2009-10 (in addition to \$3.8 million provided in 2008-09) to identify and implement evidence based interventions to achieve accelerated and sustained improvements in literacy and numeracy outcomes for all students, particularly those most in need; and
- \$4.2 million over three years (in addition to \$0.3 million provided in 2008-09) to deliver reforms to attract, train, place, develop and retain quality teachers and leaders in schools and classrooms.

The Commonwealth has also provided \$13.4 million over four years (in addition to \$2.1 million in 2008-09) for the non-government schools sector for reforms within low socioeconomic status schools, to attract and retain quality teachers and leaders, and to achieve improvements in literacy and numeracy outcomes.

The Commonwealth will provide additional resources of \$901.7 million for government schools and \$362.7 million for non-government schools (over three years commencing in 2008-09) under the Building the Education Revolution initiative as part of the Nation Building — Economic Stimulus Plan. This comprises:

- the Primary Schools for the 21st Century program, which will provide new infrastructure for primary schools, R-12 schools and special schools, including libraries, multi-purpose halls and classrooms, or to upgrade existing facilities;
- the National School Pride program, which will enable primary and secondary schools to undertake construction of small-scale infrastructure and/or minor refurbishment projects;
- the estimated amount that the state may receive under the Science and Language Centres for 21st Century Secondary Schools program, which will provide science laboratories and language centres for secondary schools that demonstrate the greatest need and the capacity to be able to build the facilities in 2009-10; and
- program administration.

The government's Education Works strategy continues in 2009-10. Construction will commence on the six new schools across the northern and western suburbs of Adelaide. Pinnacle Education has been announced as the preferred proponent for the Education Works — New Schools PPP project. Negotiations on various technical and financial issues with Pinnacle are underway to ensure that the project delivers value for money. Subject to final negotiations, contractual close is expected in mid 2009. The first two schools are expected to open in 2010.

The Education Works strategy also includes public investment of \$82 million that aims to deliver more efficient and effective school buildings and education services. To date, 17 schools have been formally involved in stage 2 of the Education Works strategy. Since its inception, the government has approved \$10.4 million of new investment under this strategy, which will generate savings of \$3.7 million per annum from 2009-10 and receipts from land disposals of \$3.9 million.

The 2008-09 Budget included a savings target of \$2.5 million in 2009-10 for DECS which will be achieved through general administrative efficiencies. This is shown as a memorandum item in the following table.

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Table 2.11: Education and Children's Services — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-334 205	-207 714	-96 565	-81 630
Investing initiatives	-460 629	-316 936	—	—
Asset sales	—	—	—	—
Savings initiatives	—	—	—	7 600
Revenue offsets	—	—	—	—
Impact on net operating balance	-334 205	-207 714	-96 565	-74 030
Impact on net lending	-794 834	-524 650	-96 565	-74 030
Department of Education and Children's Services				
Operating initiatives				
Digital Education Revolution — acquisitions and support ^(a)	-30 900	-20 800	-20 799	—
Early childhood education — additional support for pre-schools	-6 815	-7 505	-20 530	-30 290
Improving teacher quality — additional support	- 618	-1 615	-1 947	—
Literacy and numeracy programs — additional support	-4 330	—	—	—
Low socioeconomic status schools — additional support	-14 929	-20 152	-36 863	-35 756
Nation Building - Economic Stimulus Plan — National School Pride program and administration	-59 718	-4 754	—	—
Primary school maths and science programs — additional support	-15 000	-11 200	-12 300	-12 600
Investing initiatives				
Nation Building - Economic Stimulus Plan — Primary Schools for the 21 st Century	-401 529	-316 936	—	—
Nation Building - Economic Stimulus Plan — Science and Language Centres for 21 st Century Secondary schools ^(b)	-59 100	—	—	—
Savings initiatives				
Savings target	—	—	—	7 600
Administered Items for the Department of Education and Children's Services				
Operating initiatives				
Improving teacher quality — additional support for non-government schools	- 332	- 870	-1 049	—
Literacy and numeracy programs — additional support for non-government schools	-2 130	—	—	—
Low socio-economic status schools — additional support for non-government schools	-1 241	-1 678	-3 077	-2 984
Nation Building - Economic Stimulus Plan — grants to non-government schools	-198 192	-139 140	—	—

Table 2.11: Education and Children's Services — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Memorandum Items - measures prior to the 2009-10 Budget				
Department of Education and Children's Services				
Operating initiatives				
Family day care — additional support	- 700	- 700	- 700	- 700
Revenue offsets				
Family day care — levy increase	700	700	700	700
Administered Items for the Department of Education and Children's Services				
Operating initiatives				
Cora Barclay Centre — additional support	- 203	- 102	—	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Savings initiatives				
Efficiency dividend	2 500	2 500	2 500	2 500

(a) Held under the Administered Items for the Department of Treasury and Finance. In addition to \$4.4 million previously provided to the Department of Education and Children's Services.

(b) These amounts represent an estimate of South Australia's share of the program. The actual amounts are yet to be determined and may vary.

Tourism

The 2009-10 financial year will see the completion of the \$52 million upgrade to the Adelaide Entertainment Centre which includes the construction of a new small live entertainment venue for up to 2500 people, an expansion of patron service areas, development of a Port Road Drop-off/Pick-up point, and street scaping on Port Road.

The budget recognises the importance of the tourism industry in South Australia. Additional resources have been provided for the domestic marketing program to increase South Australia's share of the interstate tourism market. This will assist in securing existing jobs and creating new employment opportunities. Support for tourism marketing activities in 2009-10 will be \$38.8 million. This is an increase of 18.3 per cent compared to the 2008-09 Budget.

The 2008-09 Budget included a savings target of \$0.6 million in 2009-10 for the Tourism portfolio. Specific savings measures of \$1.0 million have been approved for 2009-10 including a reduction in support over a number of program areas. These are shown as memorandum items in the following table.

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Table 2.12: Tourism — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-3 000	-3 000	-3 000	-3 000
Investing initiatives	—	—	—	—
Asset sales	—	—	—	—
Savings initiatives	38	38	38	1 838
Revenue offsets	—	—	—	—
Impact on net operating balance	-2 962	-2 962	-2 962	-1 162
Impact on net lending	-2 962	-2 962	-2 962	-1 162
South Australian Tourism Commission				
Operating initiatives				
Domestic marketing campaign — expansion	-3 000	-3 000	-3 000	-3 000
Savings initiatives				
Savings target	—	—	—	1 800
Adelaide Entertainment Centre				
Savings initiatives				
Operational support — reduction	38	38	38	38
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Savings initiatives				
Adelaide Entertainment Centre — savings contribution	300	—	—	—
Education Adelaide — reduce support	90	90	90	—
Festival of Arts — cease contribution	125	—	125	—
Thoroughbred Summer Racing Carnival — cease support	520	525	530	574

Environment and Conservation and the River Murray

The 2009-10 Budget provides the Department of Water, Land and Biodiversity Conservation (DWLBC) with additional resources for a range of initiatives to minimise the impacts of the current drought and ensure water supply to more than 90 per cent of South Australians who rely on the River Murray. Initiatives include:

- monitoring and scientific investigations of water quality;
- education and compliance programs to ensure the River Murray community are aware of and adhere to current water restrictions;
- community liaison managers;
- acid sulphate soil mitigation strategies; and
- accelerating applications for top-up water allocations.

To ensure the security and quality of South Australia's long-term water supply significant additional resources of \$91.5 million over four years, partially offset by revenue of \$43.2 million, have been provided.

The Department for Environment and Heritage has been provided with additional resources to reduce the impact of bushfires. An additional 10 fire management ranger positions will provide increased firefighting capacity and enhance fuel management strategies.

The 2008-09 Budget included a savings target of \$2.1 million in 2009-10 for the Environment and Conservation and the River Murray portfolio. Specific savings measures in the portfolio include administrative efficiencies, an increase in agency own-source revenue and a reduction in support over a number of program areas. These are shown as memorandum items in the following table.

Table 2.13: Environment and Conservation and the River Murray — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-23 674	-8 949	-21 700	-15 030
Investing initiatives	-4 412	-4 362	-3 704	-3 883
Asset sales	—	—	—	—
Savings initiatives	—	—	—	6 300
Revenue offsets	4 675	7 663	17 751	13 132
Impact on net operating balance	-18 999	-1 286	-3 949	4 402
Impact on net lending	-23 411	-5 648	-7 653	519
Department for Environment and Heritage				
Operating initiatives				
Fire management — increased capacity	-1 137	-1 072	-1 095	-1 119
Investing initiatives				
Fire management — equipment purchases	- 90	—	—	—
Savings initiatives				
Savings target	—	—	—	3 800
Department of Water, Land and Biodiversity Conservation				
Operating initiatives				
Water projects — support ^(a)	-9 350	-15 325	-18 697	-8 894
Water purchases — bring forward ^(b)	2 500	13 000	3 000	—
Water security — drought response measures	-8 214	—	—	—
Water security initiatives	-7 473	-5 552	-4 908	-5 017
Investing initiatives				
Water security — support	-4 322	-4 362	-3 704	-3 883
Savings initiatives				
Savings target	—	—	—	1 900
Revenue offsets				
Water projects — Commonwealth contribution ^(c)	4 675	7 663	9 349	4 447
Water security — cost recovery	—	—	8 402	8 685

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Table 2.13: Environment and Conservation and the River Murray — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Environment Protection Authority				
Savings initiatives				
Savings target	—	—	—	600
Memorandum Items - measures prior to the 2009-10 Budget				
Department for Environment and Heritage				
Investing initiatives				
Annual Program — additional resources from crown land sales	-1 511	—	—	—
Department of Water, Land and Biodiversity Conservation				
Operating initiatives				
Goolwa Channel Water Level Management — water pumping and limedosing	-5 100	—	—	—
Investing initiatives				
Goolwa Channel Water Level Management — construction of regulators	-16 775	—	—	—
Revenue offsets				
Goolwa Channel Water Level Management — Commonwealth contribution	21 875	—	—	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Department for Environment and Heritage				
Savings initiatives				
Departmental efficiencies	800	800	800	800
Revenue measures				
National Parks — increased fees	500	500	500	500
Department of Water, Land and Biodiversity Conservation				
Savings initiatives				
NRM Boards — cost recovery	100	100	100	100
NRM Boards — administrative efficiencies	150	150	150	150
River Murray Water Security — cost recovery	350	350	350	350
Environment Protection Authority				
Savings initiatives				
Departmental efficiencies	200	204	208	212

(a) Held under the Administered Items for the Department of Treasury and Finance.

(b) Water purchases of \$18.5 million occurred in 2008-09, refer Table 2.22.

(c) Reflects the estimate of the Commonwealth contribution for water projects.

Families and Communities

The budget provides a substantial investment in partnership with the Commonwealth of \$691.6 million over four years (in addition to \$93.2 million in 2008-09) primarily for social housing, social inclusion, and disability services.

The budget provides \$475.6 million over four years (in addition to \$34.6 million in 2008-09) for social housing. This includes \$457.7 million (in addition to \$19.5 million in 2008-09) under the Nation Building — Economic Stimulus Plan (\$447.2 million to construct 1500 new houses and \$30.0 million for upgrades and maintenance of existing housing).

A further \$124.1 million is provided over four years (in addition to \$54.5 million in 2008-09) to facilitate the construction of new houses and upgrade of existing houses to reduce overcrowding and homelessness in indigenous communities.

The budget includes support of \$65.0 million over four years (in addition to \$1.8 million in 2008-09) for social inclusion (homelessness) initiatives, to assist homeless people and those at risk of homelessness to achieve sustainable housing and social inclusion.

The budget also provides \$23.3 million over four years (in addition to \$3.0 million in 2008-09) to increase support for disability services.

An additional \$2.3 million will be allocated to extend concessions payments for eligible residents of residential parks for water, sewerage, council rates and energy charges, passed on to residents by park operators.

The portfolio has undertaken a review of its capital program, and reprioritised investing spending to priority areas to enable further spending on the upgrade of ICT systems and the improvement of accommodation arrangements within the portfolio.

The 2008-09 Budget included a savings target of \$1.0 million in 2009-10 for the portfolio. Specific savings measures in the portfolio include administrative efficiencies within employee training and development programs and a reduction in support for a number of community service grant programs. These are shown as memorandum items in the following table.

Table 2.14: Families and Communities — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-390 835	-174 545	-70 226	-56 183
Investing initiatives	1 013	- 836	—	—
Asset sales	—	—	—	—
Savings initiatives	—	—	—	3 000
Revenue offsets	—	—	—	—
Impact on net operating balance	-390 835	-174 545	-70 226	-53 183
Impact on net lending	-389 822	-175 381	-70 226	-53 183
Department for Families and Communities				
Operating initiatives				
Affordable housing — additional support	- 898	- 350	- 701	-1 063
Disability services — additional support	-3 071	-6 162	-5 872	-8 176
Families SA Client and Case Management System — project management	- 752	- 807	—	—
Nation Building - Economic Stimulus Plan — social housing ^(a)	-304 200	-130 214	-23 285	—
Remote indigenous housing — increased investment ^(a)	-52 696	-20 282	-23 257	-27 858
Social housing — increased investment ^(a)	-14 876	—	—	—
Social inclusion (homelessness) — additional support	-13 775	-16 163	-16 544	-18 519

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Table 2.14: Families and Communities — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Investing initiatives				
Disability SA and Domiciliary Care SA — system redevelopment	- 260	- 400	—	—
Disability services — information technology upgrade	- 175	—	—	—
Domiciliary Care SA (Northern Office) — alternative accommodation arrangements	1 712	—	—	—
Families SA Client and Case Management System — increased support	-1 164	- 436	—	—
Independence and Community Connection — alternative accommodation arrangements	1 500	—	—	—
Office accommodation — upgrade	- 600	—	—	—
Savings initiatives				
Savings target	—	—	—	3 000
Administered Items for the Department for Families and Communities				
Operating initiatives				
Concessions (residential parks) — extension	- 567	- 567	- 567	- 567
Memorandum Items - measures prior to the 2009-10 Budget				
Administered Items for the Department for Families and Communities				
Operating initiatives				
Water use charges — increased concessions	- 500	—	—	—
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Savings initiatives				
Community service grants — reduction	700	700	700	700
Staff training and development — reduction in specific programs	300	300	300	300

(a) Reflects the transfer of Commonwealth revenue from the general government sector to the South Australian Housing Trust (SAHT). SAHT's expenditure profile and accounting classification (investing and operating) may differ.

Further Education, Employment, Science and Technology

The 2009-10 Budget provides additional resources to support the government's goal of improving the quality and availability of further education and training for all South Australians.

The budget provides \$155.2 million over four years (in addition to \$1.8 million in 2008-09) to address skills shortages by improving training opportunities for job seekers and encouraging people in the workforce to further their education. Training will be provided to assist job seekers in acquiring skills to gain employment, and support will be made available to existing workers to obtain new skills that will contribute to increased productivity in industries with critical skills shortages.

The Commonwealth will provide \$14.6 million in 2009-10 towards improving infrastructure in TAFE facilities under the Better TAFE Facilities element of the Teaching and Learning Capital Fund for Vocational Education and Training.

The budget also contributes \$2.2 million over four years (in addition to \$0.5 million in 2008-09) for additional support for skills and workforce development programs.

Support of \$294 000 in 2009-10 (in addition to \$294 000 in 2008-09) is provided to remove fees charged to students undertaking early childhood training at TAFE and other government training providers. This will encourage more students to choose early childhood as a career and develop a workforce with a high level of qualifications and skills to provide a good foundation for the health and educational development of children.

Additional resources are also provided to attract international students to South Australian universities through waiving school fees for dependants of all international higher education degree by research students who meet specific criteria.

The budget also provides additional resources to:

- support the establishment of a Materials and Minerals Science Learning and Research Hub at Mawson Lakes to further develop skills and research in advanced manufacturing, sustainable industries, defence, mining and a range of other specialist research areas. The Commonwealth has committed \$40 million for this project; and
- establish a new institute and expand accommodation for Photonics and Advanced Sensing at the University of Adelaide. The Commonwealth has committed \$28.8 million for this project.

The 2008-09 Budget included a savings target of \$1.6 million in 2009-10 for the portfolio. Specific savings measures in the portfolio include administrative efficiencies and the rationalisation of service delivery arrangements. These are shown as memorandum items in the following table.

Table 2.15: Further Education, Employment, Science and Technology — expenditure and savings initiatives (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Operating initiatives	-37 281	-47 476	-57 561	-27 571
Investing initiatives	-10 976	—	—	—
Asset sales	—	—	—	—
Savings initiatives	—	—	—	4 700
Revenue offsets	- 294	—	—	—
Impact on net operating balance	-37 575	-47 476	-57 561	-22 871
Impact on net lending	-48 551	-47 476	-57 561	-22 871
Department of Further Education, Employment, Science and Technology				
Operating initiatives				
International higher degree by research students — additional support	- 105	- 155	- 226	- 314
Nation Building — Better TAFE Facilities	-3 659	—	—	—
Productivity places program for job seekers and existing workers — support	-30 896	-44 820	-54 780	-24 690
Research facilities — support	-2 000	-2 000	-2 000	-2 000
Skills and workforce development — additional resources	- 621	- 501	- 555	- 567
Investing initiatives				
Nation Building — Better TAFE Facilities	-10 976	—	—	—
Savings initiatives				
Savings target	—	—	—	4 500
Revenue offsets				
Childcare qualifications — TAFE fee waiver	- 294	—	—	—

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Table 2.15: Further Education, Employment, Science and Technology — expenditure and savings initiatives (\$000) *continued*

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Bio Innovation SA				
Savings initiatives				
Savings target	—	—	—	200
Memorandum Items - initiatives to meet 2008-09 Budget savings target for 2009-10				
Department of Further Education, Employment, Science and Technology				
Savings initiatives				
Education delivery — efficiencies	715	715	715	715
Head office — efficiencies	570	570	570	570
Revenue measures				
Fee for service — increase	215	215	215	215
Bio Innovation SA				
Savings initiatives				
Grants and operating costs — reduction	100	—	—	—

Key components of expenses

General government expenses by type were shown in Table 2.2. The following section provides further details on the key components of expenses including details of expenses by the Australian Bureau of Statistics' Government Purpose Classification.

Employee expenses

General government sector employee expenses are estimated to be \$351 million (6.2 per cent) higher in 2009-10 than the 2008-09 estimated result. This includes a budgeted once-off cost for payments associated with the 2009 Targeted Voluntary Separation Package (TVSP) Scheme announced as part of the 2008-09 MYBR. Excluding this once-off expense, underlying growth in employee expenses is estimated to be approximately 4 per cent.

In 2008-09 enterprise agreements were finalised for salaried medical officers and clinical academics, South Australian Metropolitan Fire Service firefighters and metal, plumbing and building trade employees.

Proceedings are continuing in the Industrial Relations Commission of South Australia regarding an arbitrated award for teachers and TAFE lecturers and negotiations for new enterprise agreements have begun with visiting medical specialists.

Enterprise bargaining agreements are expected to conclude in 2009-10 for the wages parity group (salaried and weekly paid employees), SA Ambulance Service employees and Parliament House and electoral office employees.

The government will seek to limit future wage outcomes to 2.5 per cent per annum in an effort to provide real wage increases to public sector employees and prevent further job losses being required while ensuring the sustainability of the state's finances.

Public sector employment

Full-time equivalent (FTE) employee number estimates for general government sector agencies are based on FTE caps applied to them. The caps are consistent with the salaries and wages budget for each agency and are adjusted in line with changes to their budgets. Actual FTEs are monitored on a regular basis with agencies required to explain any significant variations from their FTE cap. Other agencies provide estimates of future employment levels.

The estimated aggregate workforce levels in the public sector for the periods ending 30 June 2009 and 30 June 2010 are shown in Table 2.16.

The net impact of 2009-10 Budget measures is an increase of 685 FTEs in the budget year. This mainly reflects expenditure in the portfolios of Health (342 FTEs), Education and Children's Services (189 FTEs), the Environment and Conservation and the River Murray (68 FTEs) and Families and Communities (37 FTEs). The significant expenditure arising from the Nation Building — Economic Stimulus Plan initiatives takes either the form of grants or investing payments and will have minimal impact on the number of general government sector FTEs.

Overall, there is an estimated decrease of 754 FTEs in the general government sector from 30 June 2009 to 30 June 2010. This primarily reflects the FTE reduction measure announced in the 2008-09 MYBR, which is focussed on reducing public sector staff in administrative positions. There is a target reduction of 1200 FTEs in 2009-10, 200 FTEs in 2010-11 and 200 FTEs in 2011-12. Also offsetting the increase from 2009-10 Budget measures is the effect of other savings initiatives announced in previous budgets.

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Table 2.16: Public sector employment numbers

	Full-time equivalent employees	
	30 June 2009	30 June 2010
	Estimate	Estimate
General government sector ^{(a) (b)}	78 370	77 616
Public non-financial corporations sector	4 472	4 499
Financial corporations sector ^(b)	484	529
Estimated total public sector employment	83 326	82 644

Note: Totals may not add due to rounding.

(a) The FTE numbers for the general government sector reflect the FTE cap including the FTE reduction measure as announced in the 2008-09 MYBR.

(b) Fleet SA employees transfer from the Department of Treasury and Finance (general government sector) to the South Australian Government Financing Authority (financial corporations sector) on 1 July 2009.

The estimate of FTEs at 30 June 2009 is 1485 higher than estimated at the time of the 2008-09 Budget (1308 in the general government sector, 175 in the public non-financial corporations sector and 1 in the financial corporations sector). The increase in the general government sector is mainly due to additional health sector employees but also additional staff in the Justice and Environment and Conservation and the River Murray portfolios. The increase in the public non-financial corporations sector is mainly due to increases in SA Water, the South Australian Housing Trust and TransAdelaide.

Table 2.17 provides details of the portfolio allocation of the target 1600 FTE reduction announced in the 2008-09 MYBR. Savings have been allocated to portfolios in accordance with the FTE allocation shown in this table. Portfolio chief executives are expected to deliver savings in accordance with this allocation.

Table 2.17: Portfolio allocation of 2008-09 MYBR FTE reduction

Portfolio	2009-10	2010-11	2011-12	Total
Premier and Cabinet	-64	-11	-11	-86
Trade and Economic Development / Defence SA	-11	-2	-2	-15
Treasury and Finance	-43	-7	-7	-57
Planning and Local Government	-9	-2	-2	-13
Primary Industries and Resources	-75	-13	-13	-101
Transport, Energy and Infrastructure	-160	-27	-27	-214
Justice	-138	-23	-23	-184
Health	-320	-54	-54	-428
Education and Children's Services	-105	-18	-18	-141
Tourism	-9	-2	-2	-13
Environment and Conservation and the River Murray	-99	-17	-17	-133
Families and Communities	-62	-10	-10	-82
Further Education, Employment, Science and Technology	-96	-16	-16	-128
Auditor-General	-6	-1	-1	-8
Total	-1 200	- 200	- 200	-1 600

Note: Totals may not add due to rounding.

Superannuation

The estimated nominal superannuation interest expense represents the increase during the year in the defined benefit superannuation obligations due to them being one year closer to settlement, less the expected earnings on superannuation assets. The nominal superannuation interest expense for each year is calculated based on the unfunded liability at the end of the preceding financial year.

The estimated unfunded superannuation liability at June 2009 has increased by \$454 million since the 2008-09 MYBR. The increase is primarily due to lower than expected returns on investments in 2008-09, and a lower discount rate used to value the unfunded superannuation liability in accordance with Australian Accounting Standards. The change in the unfunded superannuation liability is discussed further in Chapter 5.

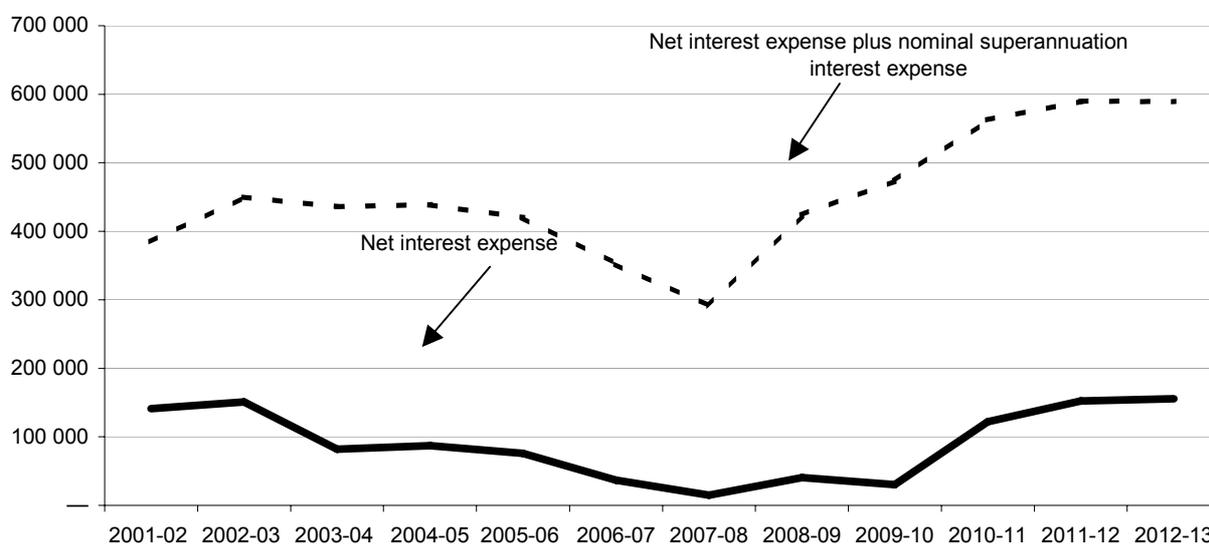
The nominal superannuation interest expense for 2008-09 is \$383 million, consistent with estimates in the 2008-09 MYBR. In 2009-10, and across the forward estimates, nominal superannuation interest expense is expected to be similar to that forecast in the 2008-09 MYBR.

Interest expenses

General government interest expenses are projected to increase across the forward estimates period reflecting higher levels of debt as a consequence of projected net lending deficits that support the government's significant capital expenditure program.

Figure 2.1 presents a time series of actual and forecast net interest expenses. The steady decline in net interest costs evident from 2002-03 to 2007-08 reflects lower levels of debt as a result of a sustained run of net lending surpluses over the period.

Figure 2.1: General government sector net interest expense: 2001-02 to 2012-13 (\$000)



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Grants

Grant expenses from the general government sector include:

- grants to non-government schools;
- grants to local government;
- grants to industry;
- grants to the South Australian Housing Trust; and
- community service obligation payments to SA Water and ForestrySA.

Grant expenses are estimated to be \$421 million higher in 2009-10 than the 2008-09 estimated result. This largely reflects grants to non-government schools and to the South Australian Housing Trust under the Nation Building — Economic Stimulus Plan. Further details of grants are provided in Appendix A.

Other operating (non-employee) expenses

The estimated growth in other operating expenses in 2009-10 (\$227 million) is mainly due to:

- the net effect of decisions taken during 2008-09 and in the 2009-10 Budget; and
- general growth in goods and services expenses in line with standard indexation arrangements.

Purchases of property, plant and equipment

General government purchases of property, plant and equipment (investing expenditure) were \$875 million in 2007-08 and are estimated to be \$1344 million in 2008-09 and \$2167 million in 2009-10. The forward estimates contain a major infrastructure investment program (including Public Private Partnership projects) of \$7.0 billion over four years to rebuild and expand the state's strategic economic and social infrastructure to meet future needs whilst stimulating the economy and securing jobs.

The main general government investing expenditure increases between 2008-09 and 2009-10 are in the following portfolios:

- Transport, Energy and Infrastructure — a number of projects have higher expenditure in 2009-10 than 2008-09 including the Rail Revitalisation, State Aquatic Centre, South Road Upgrade Program and Rail Yards Relocation.
- Education and Children's Services — a number of projects have higher expenditure in 2009-10 than 2008-09 including projects associated with the Nation Building — Economic Stimulus Plan.

Expenses by function (ABS Government Purpose Classifications)

Expenses by function are shown in Table 2.18 according to the Australian Bureau of Statistics' Government Purpose Classification.

Health (28 per cent) and Education (26 per cent) each account for significant components of government expenses.

Expenses in 2009-10 are expected to increase compared to the 2008-09 Budget in Housing and Community Amenities (44.4 per cent), Education (15.6 per cent), Health (8.9 per cent), Social Security and Welfare (8.3 per cent). These increases are primarily the result of the expenditure measures described earlier in the chapter, predicted growth in employee expenses and the effect of economic and financial parameters that influence the budget outlook. In particular, grants to non-government schools and to the South Australian Housing Trust under the Nation Building — Economic Stimulus Plan have significantly boosted the Education and Housing and Community Amenities categories.

Table 2.18: Estimate of expenses by function^(a)

	2007-08 Outcome	2008-09 Budget	2008-09 Estimated result	2009-10 Estimate	2009-10 % change on 2008-09 Budget
	\$m	\$m	\$m	\$m	
General public services	182	230	199	218	-5.2
Defence ^(b)	—	—	—	—	—
Public order and safety	1 154	1 267	1 267	1 332	5.2
Education	3 176	3 316	3 446	3 833	15.6
Health	3 677	3 814	3 896	4 151	8.9
Social security and welfare	826	843	874	912	8.3
Housing and community amenities	1 007	1 147	1 502	1 656	44.4
Recreation and culture	374	295	300	298	1.2
Fuel and energy	38	49	52	49	0.4
Agriculture, forestry, fishing and hunting	206	204	198	203	-0.7
Mining and mineral resources (other than fuels); manufacturing and construction	95	91	92	103	12.4
Transport and communications	802	753	756	842	11.7
Other economic affairs	219	239	289	285	19.2
Other purposes	658	848	780	866	2.1
Total expenses	12 414	13 094	13 650	14 748	12.6

Note: Totals may not add due to rounding.

- (a) Expenses by function data are derived from information submitted by government departments and agencies. The processes for deriving these data are subject to ongoing refinements. Consequently the data may be subject to future revisions. Consistent with the ongoing data improvement policy, refinements have been made to 2008-09 Budget and 2007-08 Outcome data resulting in a number of minor reclassifications between categories. The ABS Government Purpose Classification does not align neatly to the administrative structure of portfolios.
- (b) The Australian Bureau of Statistics defines Defence as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of Defence SA is included in Other Economic Affairs.

Expenditure by portfolio

Tables 2.19–2.21 show, respectively, operating expenses, investing and budget initiatives by portfolio.

Table 2.19: Operating expenses by portfolio

Portfolio	2008-09	2008-09	2009-10	2009-10
	Budget	Estimated result	Budget	% change on 2008-09 Budget
	\$m	\$m	\$m	
The Legislature	- 22	- 22	- 23	2.2
Premier and Cabinet	- 309	- 318	- 299	-3.4
Trade and Economic Development / Defence SA	- 86	- 90	- 100	15.6
Treasury and Finance ^(a)	- 255	- 289	- 203	-20.2
Planning and Local Government ^(b)	- 25	- 25	- 26	2.9
Primary Industries and Resources ^(b)	- 347	- 381	- 376	8.3
Transport, Energy and Infrastructure	-1 152	-1 184	-1 235	7.2
Justice	-1 259	-1 308	-1 381	9.7
Health	-3 634	-3 949	-4 036	11.1
Education and Children's Services	-2 195	-2 244	-2 330	6.1
Tourism	- 59	- 61	- 67	14.7
Environment and Conservation and the River Murray	- 382	- 555	- 402	5.2
Families and Communities	-1 433	-1 502	-1 513	5.5
Further Education, Employment, Science and Technology	- 494	- 514	- 533	7.9
Auditor-General	- 12	- 12	- 14	16.9
Total Portfolio operating expenses	-11 664	-12 456	-12 537	7.5

Note: Totals may not add due to rounding.

(a) Fleet SA to be transferred from the Department of Treasury and Finance to the South Australian Government Financing Authority on 1 July 2009.

(b) Planning and Local Government formerly included as part of Primary Industries and Resources.

Table 2.20: Investing by portfolio (\$million)^(a)

	2008-09 Budget	2008-09 Estimated result	2009-10 Budget
The Legislature	—	-2	—
Premier and Cabinet	-29	-24	-51
Trade and Economic Development / Defence SA	-120	-121	-73
Treasury and Finance	-116	-112	-10
Planning and Local Government	-4	-4	-1
Primary Industries and Resources	-12	-11	-15
Transport, Energy and Infrastructure	-665	-687	-1 097
Justice	-106	-73	-124
Health	-291	-220	-360
Education and Children's Services	-71	-106	-524
Tourism	-3	-3	—
Environment and Conservation and the River Murray	-23	-32	-48
Families and Communities	-17	-12	-8
Further Education, Employment, Science and Technology	-17	-16	-28
Contingencies and Other	-41	-6	-29
Provision for capital slippage	120	85	200
Total investing expenditure general government sector	-1 394	-1 344	-2 167
Total investing expenditure public non-financial corporations	-763	-954	-1 702
Other	3	2	—
Public Private Partnerships	—	—	-11
Total investing	-2 153	-2 296	-3 880

Note: Totals may not add due to rounding.

(a) Table does not include contributed assets, which are included in the 'Purchases of property, plant and equipment' line in Table 2.2.

Table 2.21: Budget initiatives by portfolio (\$million)

Portfolio	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Premier and Cabinet	-25.9	-24.2	-12.3	-7.6
Trade and Economic Development / Defence SA	-7.2	-36.0	6.9	32.5
Treasury and Finance	-1.7	-1.7	—	3.0
Planning and Local Government	—	—	—	0.6
Primary Industries and Resources	-20.6	-4.7	—	4.4
Transport, Energy and Infrastructure	-105.6	-295.4	-441.6	-50.6
Justice	-10.0	-7.6	148.7	1.8
Health	-98.1	-166.7	-167.0	-75.0
Education and Children's Services	-794.8	-524.7	-96.6	-74.0
Tourism	-3.0	-3.0	-3.0	-1.2
Environment and Conservation and the River Murray	-23.4	-5.6	-7.7	0.5
Families and Communities	-389.8	-175.4	-70.2	-53.2
Further Education, Employment, Science and Technology	-48.6	-47.5	-57.6	-22.9
Across government				
Savings reversal	-4.0	-5.0	-5.0	-5.0
Across government savings	—	150.0	250.0	350.0
Total initiatives (net of savings and revenue offsets)	-1532.7	-1147.4	-455.2	103.4

Note: Totals may not add due to rounding.

Expenditure decisions 2008-09

Table 2.22 shows the expenditure decisions of the government made following the 2008-09 MYBR affecting 2008-09. These initiatives include:

- \$59.7 million for government schools under the Nation Building — Economic Stimulus Plan to commence upgrades of facilities, infrastructure maintenance and program administration;
- \$54.5 million to be provided to the South Australian Housing Trust for remote indigenous housing, facilitating the construction of new houses and upgrade of existing houses;
- \$34.4 million, including \$19.5 million under the Nation Building — Economic Stimulus Plan, to be provided to the South Australian Housing Trust for social housing initiatives including construction of new houses and upgrade of existing houses;
- \$26.2 million for growth in hospital and health service activity;
- \$25.4 million for non-government schools under the Nation Building – Economic Stimulus Plan; and
- \$16.0 million for grants and equipment to support natural resource management priorities in the areas of invasive species management, water and salinity management, ecosystem preservation and restoration, coast and marine management, and sustainable production systems.

Table 2.22: Expenditure decisions since the 2008-09 MYBR impacting in 2008-09 (\$000)

	2008-09 Estimated result
Department of the Premier and Cabinet	
Operating initiatives	
Indigenous employment partnership — additional resources ^(a)	- 432
Protocol — additional support	- 70
Remote Aboriginal communities — electricity supply	-1 165
Remote communities — improved service delivery ^(a)	- 800
Department of Trade and Economic Development	
Operating initiatives	
Aboriginal Foundation of South Australia — support ^(a)	- 200
Holden Small Car project — support	-5 000
Department of Treasury and Finance	
Operating initiatives	
Major Projects Unit — operational support	-1 000
Administered Items for the Department of Treasury and Finance	
Operating initiatives	
Cancer Council SA — donation	- 600
Victorian Bushfire Appeal 2009 — donation	-1 000

Table 2.22: Expenditure decisions since the 2008-09 MYBR impacting in 2008-09 (\$000) *continued*

	2008-09 Estimated result
Department of Primary Industries and Resources	
Operating initiatives	
Drought response measures — additional support	-1 946
Department for Transport, Energy and Infrastructure	
Operating initiatives	
Nation Building - Economic Stimulus Plan — black spot program	- 300
Office accommodation — relocation and lease costs	-2 342
Investing initiatives	
Nation Building - Economic Stimulus Plan — black spot program	-1 200
Nation Building - Economic Stimulus Plan — road maintenance	-15 000
Office accommodation — fitout	-2 000
State Aquatic Centre — construction	-2 000
Revenue offsets	
State Aquatic Centre — external contributions	23 000
South Australia Police	
Operating initiatives	
Police — redirection of savings for Police Academy redevelopment	5 900
Police — workforce research	- 50
Investing initiatives	
Police Academy redevelopment — reprofiling	1 000
Department of Health	
Operating initiatives	
Emergency departments — additional resources	- 677
Hampstead Rehabilitation Centre — cost of sales	- 260
Health services — additional resources	-26 183
Ronald McDonald House — grant	- 400
Wheelchair Sports Association — grant	- 200
Investing initiatives	
Ambulance stations (Prospect and Port Adelaide) — additional support	-1 654
Emergency departments — facility re-design	- 180
Revenue offsets	
Leukaemia Foundation — contribution to land transfer costs	260

Chapter 2: Expenditure

Table 2.22: Expenditure decisions since the 2008-09 MYBR impacting in 2008-09 (\$000) *continued*

	2008-09 Estimated result
Department of Education and Children's Services	
Operating initiatives	
Early childhood education — additional support for pre-schools	- 283
Family day care — additional support	- 292
Improving teacher quality — additional support	- 285
Literacy and numeracy programs — additional support	-3 789
Low socioeconomic status schools — additional support	-1 106
Nation Building - Economic Stimulus Plan — National School Pride program and administration	-23 179
Investing initiatives	
Nation Building - Economic Stimulus Plan — Primary Schools for the 21 st Century	-36 485
Revenue offsets	
Family day care — levy increase	292
Administered Items for the Department of Education and Children's Services	
Operating initiatives	
Cora Barclay Centre — additional support	- 216
Improving teacher quality — additional support for non-government schools	- 154
Literacy and numeracy programs — additional support for non-government schools	-1 861
Low socioeconomic status schools — additional support for non-government schools	- 94
Nation Building - Economic Stimulus Plan — grants to non-government schools	-25 409
Department for Environment and Heritage	
Operating initiatives	
Crown Land sales — cost of sales	- 754
Investing initiatives	
Annual Program — additional resources from crown land sales	-1 879
Asset sales	
Crown Land sales — net proceeds	5 569
Department of Water, Land and Biodiversity Conservation	
Operating initiatives	
Goolwa Channel Water Level Management — water pumping	- 100
Water management — water purchases	-24 359
Investing initiatives	
Goolwa Channel Water Level Management — construction of regulators	-4 225
Revenue offsets	
Goolwa Channel Water Level Management — Commonwealth contribution	4 325

Table 2.22: Expenditure decisions since the 2008-09 MYBR impacting in 2008-09 (\$000) *continued*

	2008-09 Estimated result
Administered Items for the Department of Water, Land and Biodiversity Conservation	
Operating initiatives	
Complementary State NRM Program — grants	-15 350
Environmental water — purchase ^(a)	-18 500
Investing initiatives	
Complementary State NRM Program — equipment purchases	- 650
Department for Families and Communities	
Operating initiatives	
Affordable housing — additional support	- 168
Disability services — additional support	-3 000
Remote indigenous housing — increased investment ^(b)	-54 459
Nation Building - Economic stimulus plan — social housing ^(b)	-19 487
Social housing — increased investment ^(b)	-14 954
Social inclusion (homelessness) — additional support	-1 817
Investing initiatives	
Barkuma — site maintenance	- 110
Disability services — information technology upgrade	- 200
Domiciliary Care SA (Northern Office) — alternative accommodation arrangements	- 78
Independence and Community Connection — alternative accommodation arrangements	1 500
Office accommodation — upgrade	- 540
SA Council of Social Service (Children's Facility) — saving	310
Secure Youth Training Centre (Magill) — sustainment works	- 200
Department of Further Education, Employment, Science and Technology	
Operating initiatives	
Productivity places program for job seekers and existing workers — support	-1 844
Skills and workforce development — additional resources	- 464
Revenue offsets	
Childcare qualifications — TAFE fee waiver	- 294
Across government	
Operating initiatives	
Savings reversal	-2 000
Total	-281 088

(a) Held under the Administered Items for the Department of Treasury and Finance.

(b) Reflects the transfer of Commonwealth revenue from the general government sector to the South Australian Housing Trust (SAHT). SAHT's expenditure profile and accounting classification (investing and operating) may differ.

CHAPTER 3: REVENUE

Overview

The 2009-10 Budget is formulated in the face of a significant decline in revenue. Despite the revenue pressure, the 2009-10 Budget contains no new taxes, consolidating the significant tax relief provided in previous budgets. The measures in this budget, in addition to relief measures announced in previous years, will mean the government will have provided tax relief of \$3.3 billion by 2012-13.

Land tax relief will be provided for Commonwealth approved, residential aged care facilities.

Forward projections of revenue reflect the impact of previously announced tax measures that have yet to come into effect. Previously announced measures include an increase in the payroll tax threshold from \$552 000 to \$600 000 and a reduction in the payroll tax rate from 5 per cent to 4.95 per cent from 1 July 2009, and various tax reforms committed to under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements* (IGA).

Total operating revenues are projected to grow, in nominal terms, at an annual average rate of 3.0 per cent over the forward estimates.

Projected growth in revenue is lower than recent experience reflecting the impact of tax measures announced in previous budgets, and the significant slowing in property market conditions experienced in 2008-09 and anticipated to continue into 2009-10. Goods and Services Tax (GST) revenue is projected to grow by less than 0.1 per cent in 2009-10, reflecting Commonwealth budget estimates of just 0.5 per cent growth in the total GST pool and the cessation of GST transitional assistance arrangements in 2009-10. GST grant estimates for South Australia for the forward years are based on Commonwealth Treasury GST pool estimates.

Taxation measures

Taxation measures are summarised in Table 3.1.

Chapter 3: Revenue

Table 3.1: Taxation measures (\$million)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
2009-10 Budget measures				
Land tax — from 1 July 2009				
<i>Relief for residential aged care facilities</i>	- 1.6	- 1.5	- 1.5	- 1.6
Total 2009-10 taxation measures	- 1.6	- 1.5	- 1.5	- 1.6
Taxation impact of 2009-10 agency revenue measures				
Natural Resource Management levy				
<i>Relief for levy payers in River Murray areas for 2009-10 only</i>	- 2.3	—	—	—
Total taxation impact of 2009-10 agency revenue measures	- 2.3	—	—	—
Total 2009-10 taxation measures (including tax impact of agency revenue measures)	- 3.9	- 1.5	- 1.5	- 1.6
Policy measures approved during 2008-09				
Deferred abolition of non-real property transfers and non-quoted marketable securities	15.9	46.5	42.4	—
Tax compliance — additional compliance	14.5	14.5	14.5	14.5
Policy measures announced in prior budgets				
Payroll tax				
From 1 July 2009				
<i>Increase threshold from \$552 000 to \$600 000</i>	- 9.1	- 10.3	- 11.1	- 11.9
<i>Rate reduction from 5.0% to 4.95%</i>	- 8.7	- 9.9	- 10.6	- 11.4
Phasing out stamp duty for:				
<i>Remaining mortgage duty</i>	- 24.3	- 26.3	- 28.5	- 31.1
<i>Rental duty</i>	- 6.0	- 6.8	- 7.2	- 7.7
<i>Non-real property transfers and non-quoted marketable securities</i>	- 15.9	- 46.5	- 42.4	- 45.0
Total policy measures prior to the 2009-10 Budget	- 33.6	- 38.9	- 42.9	- 92.6
Total revenue impact	- 37.5	- 40.4	- 44.4	- 94.2

Note: Totals may not add due to rounding.

Payroll tax — threshold increase and rate reduction

In the 2008-09 Budget, the government announced that the payroll tax rate would be reduced from 5.0 per cent to 4.95 per cent and the payroll tax threshold increased from \$552 000 to \$600 000 from 1 July 2009.

About 6700 employers employing an estimated 370 000 South Australians are expected to benefit from these reforms, including an estimated 180 employers who will no longer be liable for payroll tax when the threshold increases to \$600 000.

Payroll tax — measures to improve inter-jurisdictional consistency

At the March 2007 meeting of the States Only Ministerial Council for Commonwealth-State Financial Relations, all jurisdictions agreed to implement changes to payroll tax legislation and associated administrative arrangements to improve inter-jurisdictional consistency. The changes announced in the 2007-08 Budget came into effect on 1 July 2008, and provided payroll tax alignment between South Australia and New South Wales and Victoria in relation to motor vehicle allowances, accommodation allowances, fringe benefits, work performed outside a jurisdiction, employee share acquisition schemes, superannuation contributions for non-working directors and grouping provisions.

In the 2007-08 Budget, the government also announced a number of exemptions, introduced on 1 July 2008, including for wages paid in respect of maternity and adoption leave, wages paid to bushfire and emergency service workers while performing volunteer activities and for wages paid by charities to employees directly undertaking charitable activities.

Legislation has been passed (to operate from 1 July 2009) which adopts the uniform payroll tax legislative model operating in New South Wales, Victoria and Tasmania. This model harmonises payroll tax provisions as far as possible, including in drafting style and presentation. Queensland has adopted key aspects of these changes. The adoption of the uniform payroll tax legislative model will maximise the degree of harmony across Australia and reduce the regulatory burden for businesses operating in a number of Australian jurisdictions.

The rewritten legislation will take effect from 1 July 2009.

Land tax — residential aged care facilities

Land tax relief will be provided for land that is used for residential aged care facilities approved under the Commonwealth *Aged Care Act 1987*, effective from 2009-10.

Current land tax arrangements provide an exemption to not-for-profit organisations in respect of land used for residential aged care facilities. This measure will ensure that all Commonwealth accredited, residential aged care facilities will not be required to pay land tax, regardless of whether they are run as a not-for-profit or commercial operation.

The estimated cost of this measure is \$6.2 million over the four years from 2009-10 to 2012-13, including \$1.6 million in 2009-10.

Natural resource management levy

Relief from the natural resource management levy will be provided to levy payers in drought affected River Murray areas for 2009-10. This measure extends, for a further year, the relief provided in 2007-08 and 2008-09 to support drought affected communities along the River Murray.

Abolition of IGA taxes

As part of the 2005-06 Budget, the government announced a timetable for the abolition of remaining taxes listed for review in the IGA. In the 2008-09 Mid-Year Budget Review, the government announced a change to the established timetable, with the planned phased abolition of stamp duty on non-quoted marketable securities and non-real property transfers being deferred. The revised timeframe is consistent with the *Intergovernmental Agreement on Federal Financial Relations*, which commenced on 1 January 2009. Measures that will take effect over the forward estimates period are as follows:

- consistent with the government's announcement to phase out remaining mortgage duty and rental duty over a three year period commencing 1 July 2007, mortgage duty and rental duty rates will be fully abolished from 1 July 2009; and
- stamp duty on the transfer of non-quoted marketable securities and non-real property transfers will be abolished from 1 July 2012.

Emergency services levy

There will be no increase in 2009-10 in the effective emergency services levy (ESL) rates paid by property owners. For fixed property (land and buildings), these rates are summarised in the final column of Table 3.2. For mobile property (motor vehicles), the effective rates are provided in the second last column of Table 3.2.

Chapter 3: Revenue

The only factor causing ESL bills to rise in 2009-10 is underlying capital value growth impacting on the value of land and buildings. The increase in the ESL bill for a residential property in metropolitan Adelaide with a capital value of \$360 000 is estimated to be \$1.61. ESL bills for mobile property will not increase.

The ESL is expected to raise \$213.4 million in 2009-10, with private property owners to contribute \$115.5 million (\$121.7 million less pensioner concessions of \$6.2 million) and the remaining \$97.9 million to be contributed by the government. Tax relief is provided to property owners through ESL remissions. The Community Emergency Services Fund is compensated for the loss of this revenue by the government paying into the fund amounts equivalent to the cost of remissions and pensioner concessions in addition to the government's ESL liability on its own property.

Table 3.2: Emergency services levy rates for 2009-10

	Prescribed rate ^(a)	Remission rate	Post-remission rate	Effective levy rate paid in Regional Area 4 ^(b)
	cents per \$ (applied to capital values discounted by land use and area factors)			\$50 plus cents per \$ of non-discounted capital value
Fixed property				
Residential	0.1092	0.0832	0.0260	0.0104
Commercial	0.1092	0.0087	0.1005	0.1005
Industrial	0.1092	0.0000	0.1092	0.1749
Rural and vacant land	0.1092	0.0832	0.0260 ^(c)	0.0078
Special community use	0.1092	0.0667	0.0425	0.0043
Other	0.1092	0.0832	0.0260	0.0130
Mobile property				
	\$	\$	\$	\$
Cars and larger motor cycles	32	8	24	n.a.
Metropolitan primary production goods vehicles	32	20	12	n.a.
Recreational boats	12	12	-	n.a.
Trailers and caravans	8	8	-	n.a.
Historic vehicles	8	2	6	n.a.

(a) The prescribed rate, which is the rate that would apply in the absence of remissions, will be 0.1092 cents in the dollar.

(b) Incorporates the effect of land use weightings applied to capital values. Effective levy rates for each land use category differ depending on the regional location of the property. For ease of exposition, effective levy rates have been calculated only for Regional Area 4.

Regional Area 4 metropolitan Adelaide

Regional Area 1 major country towns

Regional Area 2 incorporated areas outside Regional Areas 1 and 4

Regional Area 3 unincorporated areas of the state

(c) This is the rate that applies in Regional Area 4. In Regional Areas 1, 2 and 3 the remission rate for rural and vacant land is 0.0997 cents in the dollar and the post-remission rate is 0.0095 cents in the dollar.

Agency revenue measures

Agency revenue measures introduced as part of the 2009-10 Budget are expected to benefit the budget by \$33 million over the forward estimate period. The total impact of non-tax measures in 2009-10 (\$7.3 million) is offset by a \$2.3 million reduction in tax revenues from agency measures in 2009-10.

Court fees across all courts will be increased by approximately 25 per cent from 1 July 2009 to more closely reflect the actual cost incurred in providing court services. Environment Protection Agency (EPA) fees will increase, with the intention that EPA will become a full cost recovery agency.

Table 3.3 summarises non-tax impacts of agency revenue measures. Tax revenue impacts are provided in Table 3.1.

Table 3.3: Agency revenue measures — non-taxation impact (\$000)

	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
2009-10 Budget measures				
Justice				
Court fees — increase	5 846	6 045	6 259	6 463
Department for Transport, Energy and Infrastructure				
Taxi licences — increased sales	1 300	1 300	1 400	1 400
Department of Water, Land and Biodiversity Conservation				
Relief for River Murray irrigators from fees incurred to 'top up' water allocations ^(a)	- 825	—	—	—
Environment Protection Authority				
Regulatory fees — increase to full cost recovery	931	1 765	893	246
Total 2009-10 Budget agency revenue measures	7 252	9 110	8 552	8 109

Note: Totals may not add due to rounding.

(a) Natural resource management levy relief provided to the drought affected River Murray region will also impact upon taxation revenue collections. See Table 3.1.

Fees and charges

Table 3.4 sets out the increase in fees and charges in 2009-10 for major government services. These increases will take effect from 1 July 2009.

Table 3.4: 2009-10 increase in selected agency fees and charges

	2008-09 \$	2009-10 \$	Increase %
Public transport			
Single trip tickets — all times and zones	4.20	4.40	4.76%
Multi trip tickets — all times and zones	27.80	29.00	4.32%
Motor vehicle charges			
Registration fee — motor cars:			
Four cylinder or less	95.00	99.00	4.21%
Five or six cylinder	193.00	201.00	4.15%
Seven or more cylinders	280.00	292.00	4.29%
Registration fee — light commercial vehicles:			
Mass between 1001kg and 1500kg	209.00	218.00	4.31%
Mass greater than 1500kg	356.00	371.00	4.21%

continued

Chapter 3: Revenue

Table 3.4: 2009-10 increase in selected agency fees and charges *continued*

	2008-09	2009-10	Increase
	\$	\$	%
Drivers' licence renewals			
Five years	130.00	135.00	3.85%
Ten years	260.00	270.00	3.85%
Speeding fines			
Exceeding the speed limit by:			
Less than 15km/h	182.00	190.00	4.40%
More than 15km/h but less than 30km/h	290.00	302.00	4.14%
More than 30km/h	435.00	453.00	4.14%
Water — residential			
Annual water service availability (supply) charge (\$)	157.40	137.60	-12.58%
Water usage charge per kilolitre supplied:			
Up to and including 120 kilolitres	0.71	0.97	36.62%
In excess of 120 kilolitres but less than 520 kilolitres	1.38	1.88	36.23%
In excess of 520 kilolitres	1.65	2.26	36.97%
Average residential bill ^(a)	340.60	387.50	13.80%
Motor vehicle charges			
Compulsory Third Party premium			
Passenger vehicles (metropolitan postcodes):			
Standard premium	410.00	444.00	8.29%
Input tax credit entitled premium	446.00	483.00	8.30%

(a) Average based on water consumption of 191 kilolitres, which was the average metropolitan residential consumption during 2007-08.

The annual indexation factor for fees and charges has been set at 4.2 per cent for 2009-10 reflecting the average increase in the cost of providing the relevant services. Fees and charges are typically adjusted by the indexation factor and then rounded to an administratively convenient amount. This results in the increase of some fees and charges being smaller or greater than the indexation factor.

Not all fees and charges are increased through the annual adjustment process. Adjustments to certain fees and charges are determined as a consequence of specific policy decisions.

In December 2008, the government announced new water charges to apply from 1 July 2009. Higher water charges are needed to cover depreciation financial capital charge and operating costs of the large water infrastructure investment program as part of the government's strategy to address South Australia's critical water supply security challenges, including Adelaide's desalination plant.

For the average residential water user, water charges will rise by 13.8 per cent from 1 July 2009 and the sewerage charge will increase to cover inflation. When changes across other categories of water user are taken into account, water charges will rise in real terms by an average 17.9 per cent. Water usage charges will increase by an average 36.6 per cent and this is partly offset, particularly for household water users, by a reduction of \$19.80 in the fixed annual water supply charge.

The government's most recent initiatives, such as the decision to double the size of the Adelaide Desalination Plant and its decision to purchase further Murray water to ensure that South Australia's needs are met in the immediate term, will not alter 2009-10 water charges. Water charges for 2010-11 will take account of recent water security measures.

Compulsory third party premiums will increase by an average 7.0 per cent for 2009-10. The 2009-10 increase in compulsory third party premiums has been limited to no more than 8.5 per cent for any

vehicle class. The Class 1 (metropolitan private passenger vehicle) increase will be 8.3 per cent. The increase in compulsory third party premiums is in response to a deterioration in the net assets of the fund, reflecting the impact of a severe fall in investment earnings combined with a reduction in the discount rate used to value the fund liabilities.

General government sector revenue

Total general government sector operating revenues are projected to increase by 7.9 per cent in 2009-10, following higher than expected growth in 2008-09. Revenues are supported by temporary increases in Commonwealth payments, mainly relating to the Commonwealth Government's Nation Building — Economic Stimulus Plan, and Nation Building Plan for the Future capital grants, which are required to be spent on various projects and are not available as general purpose revenue.

Over the forward estimates, operating revenues are expected to grow modestly.

Table 3.5: General government sector revenues (\$million)

	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Taxation revenue	3 615.5	3 477.6	3 525.9	3 623.1	3 831.9	4 046.3
Grant revenue	6 905.7	7 199.2	8 064.1	7 746.8	7 594.7	7 672.1
Sales of goods and services	1 601.4	1 711.3	1 833.8	1 851.9	1 939.6	2 011.2
Interest income	199.8	120.0	143.5	205.9	261.3	320.5
Dividend and ITE ^(a) revenue	441.4	348.0	387.6	449.5	397.9	458.9
Other revenue	491.0	529.1	489.2	519.5	559.7	569.7
Total revenue	13 254.8	13 385.2	14 444.2	14 396.6	14 585.1	15 078.7
% change on previous year						
Nominal terms growth %		3.9	7.9	- 0.3	1.3	3.4
Real terms growth %		0.7	6.2	- 1.8	- 0.5	1.0

Note: Totals may not add due to rounding.

(a) Income tax equivalent (ITE).

Taxation

Taxation revenues have been revised down in 2008-09 mainly due to an estimated reduction in conveyance duty revenue.

The forward outlook for taxation revenue is for moderate nominal growth, with taxation revenue forecast to grow at an annual average rate of 3.9 per cent over the forward estimates. A fall in conveyance duty receipts is projected for 2009-10, reflecting an anticipated continued slowing in property market conditions from that experienced in 2008-09, with stronger growth in subsequent years as activity increases and returns to normal trend levels toward the end of the forward estimate period. Conveyance duty receipts are forecast to remain below the 2007-08 outcome over the forward estimate period.

In policy adjusted terms, taxation revenues are projected to grow by 2.7 per cent in 2009-10 and by an average annual rate of 5.0 per cent per annum from 2009-10 to 2012-13. The lower growth in 2009-10 and 2010-11 reflects the continued softening expected in property market conditions. The policy adjusted series presented in tables shows the underlying growth in taxation revenues by adjusting taxation estimates to be consistent with 2009-10 policy settings.

Tax estimates and associated growth rates are provided in Tables 3.6 and 3.7.

Chapter 3: Revenue

Table 3.6: Taxation (\$million)

	2007-08 Outcome	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Payroll tax	904	888	913	915	955	1 026	1 103
Property taxes							
Conveyance duty ^(a)	913	885	704	695	750	833	894
Land tax — private	222	306	332	365	336	339	365
Land tax — public	154	179	176	184	176	176	182
ESL on fixed property	81	88	90	92	90	91	93
Mortgage duty	48	25	24	—	—	—	—
Natural resource management levy	26	26	28	27	30	31	30
Save the River Murray Levy	22	23	23	24	25	25	26
Guarantee fees	19	18	20	24	26	26	24
Rental duty	13	8	10	1	—	—	—
Share duty	10	8	6	6	7	7	1
Gaming machine surcharge	5	3	1	1	1	2	0
All other ^(b)	11	8	8	8	8	8	8
	1 524	1 577	1 422	1 428	1 449	1 538	1 624
Gambling taxes							
Gaming machines	301	296	291	296	314	339	366
SA Lotteries	81	75	74	76	75	76	77
Casino	20	20	20	21	22	23	24
SA TAB	11	8	6	5	4	4	3
Other ^(c)	2	2	2	2	2	2	2
	415	401	392	400	417	444	472
Insurance taxes							
General insurance	194	201	210	220	228	234	241
CTP renewal certificate	59	61	60	61	62	63	64
CTP insurance	44	47	48	51	52	53	54
Life insurance	5	4	5	5	5	5	6
	302	314	323	338	347	356	364
Motor vehicle taxes							
Motor vehicle registration fees	250	258	262	278	286	297	307
Stamp duty on registration transfers	148	148	136	137	139	142	145
ESL on mobile property	28	29	29	29	30	30	31
	426	435	427	445	455	469	483
Total taxation	3 570	3 615	3 478	3 526	3 623	3 832	4 046
Policy adjusted^(d)	3 424	n.a.	3 430	3 523	3 624	3 834	4 080
% change on previous year							
Total taxation							
Nominal growth			-2.6	1.4	2.8	5.8	5.6
Real growth			-5.6	-0.2	1.2	3.9	3.2
Policy adjusted							
Nominal growth			0.2	2.7	2.9	5.8	6.4
Real growth			-3.0	1.1	1.3	3.9	4.0

Note: Totals may not add due to rounding.

(a) Includes voluntary conveyances.

(b) Includes Agent's Indemnity Fund and Hindmarsh Island levy.

(c) Includes revenue from small lotteries and soccer pools.

(d) For comparability with future years, the policy adjusted figure for 2009-10 assumes a full year impact of 2009-10 policy measures.

Table 3.7: Taxation — Nominal growth (%)

	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Payroll tax	1.0	0.3	4.3	7.4	7.5
Property taxes					
Conveyance duty	-22.9	-1.2	7.8	11.1	7.3
Land tax - Private	49.8	10.0	-8.0	0.9	7.6
Land tax - Public	14.7	4.6	-4.5	0.1	3.5
ESL on fixed property	11.2	2.7	-2.1	0.6	2.6
Mortgage duty	-50.3	-100.0	—	—	—
Natural resource management levy	5.9	-3.1	11.5	1.8	-1.0
Save the River Murray levy	5.4	3.0	2.5	2.9	2.8
Guarantee fees	7.9	18.4	8.3	-0.3	-7.6
Rental duty	-28.2	-94.8	-100.0	—	—
Share duty	-41.4	5.1	4.8	6.2	-91.3
Gaming machine surcharge	-72.2	—	7.7	7.1	-93.3
All other	-24.3	0.6	—	—	—
	-6.7	0.4	1.4	6.1	5.6
Gambling taxes					
Gaming machines	-3.5	1.8	6.1	8.0	8.0
SA Lotteries	-9.2	3.7	-1.7	1.5	1.2
Casino	-1.8	3.0	4.4	6.0	5.7
SA TAB	-41.7	-14.5	-17.0	-11.4	-15.4
Other	-3.5	10.8	1.4	1.7	1.7
	-5.5	2.0	4.2	6.5	6.5
Insurance taxes					
General insurance	8.4	4.8	3.5	2.8	2.9
CTP renewal certificate	1.5	1.5	1.5	1.5	1.6
CTP insurance	8.9	7.0	1.5	1.8	1.8
Life insurance	5.3	1.6	1.5	1.8	1.8
	7.1	4.5	2.8	2.4	2.5
Motor vehicle taxes					
Motor vehicle registration fees	5.1	6.0	2.9	3.6	3.5
Stamp duty on registration transfers	-8.3	1.1	1.7	2.0	2.0
ESL on mobile property	1.5	1.7	1.6	1.7	1.9
	0.2	4.1	2.4	3.0	3.0
Total taxation	-2.6	1.4	2.8	5.8	5.6
Policy adjusted	0.2	2.7	2.9	5.8	6.4

Payroll tax

The outlook for payroll tax revenue is provided in Table 3.8.

Table 3.8: Payroll tax

	2008-09	2009-10	2010-11	2011-12	2012-13
	Estimated	Budget	Estimate	Estimate	Estimate
	Result				
Total payroll tax (\$m)	913.1	915.4	954.9	1 026.1	1 102.9
Nominal growth (%)	1.0	0.3	4.3	7.4	7.5
Real growth (%)	- 2.1	- 1.3	2.7	5.5	5.1
Policy adjusted underlying revenue (\$m)	894.5	913.8	954.9	1 021.2	1 097.9
Nominal growth (%)	8.2	2.2	4.5	6.9	7.5
Real growth (%)	4.8	0.6	2.9	5.0	5.1

Note: Totals may not add due to rounding.

Payroll tax estimates have been revised up since budget in 2008-09. Despite moderating employment growth and the initial impact of the global financial crisis, payroll tax receipts have been supported, in part, by the taxation of severance payments and employers delaying decisions to reduce staffing levels by utilising employees' accrued leave entitlements (annual leave and/or long service leave) in the interim.

Lower growth in payroll tax receipts in 2009-10 compared with the following years reflects an expected contraction in economic growth, combined with the previously foreshadowed increase in the payroll tax threshold from \$552 000 to \$600 000 and reduction in the payroll tax rate from 5.0 per cent to 4.95 per cent effective from 1 July 2009.

In policy adjusted terms, payroll tax revenue is projected to increase solidly from 2010-11 consistent with underlying economic projections.

Property taxes

Property taxes include stamp duties (on the conveyance of property, mortgages, rental arrangements, transfers of non-quoted marketable securities), land tax, the ESL on fixed property, the Save the River Murray Levy, regional natural resource management levies, guarantee fees and other minor taxes.

The revenue outlook for all property taxes is provided in Table 3.9.

Table 3.9: Property taxes

	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Total property taxes (\$m)	1 422.2	1 428.4	1 449.0	1 537.5	1 623.6
Nominal growth (%)	- 6.7	0.4	1.4	6.1	5.6
Real growth (%)	- 9.6	- 1.1	- 0.1	4.2	3.2
Policy adjusted underlying revenue (\$m)	1 396.8	1 427.9	1 449.0	1 542.8	1 660.1
Nominal growth (%)	- 6.1	2.2	1.5	6.5	7.6
Real growth (%)	- 9.1	0.6	- 0.1	4.6	5.2

Note: Totals may not add due to rounding.

Property tax revenues are affected by IGA tax policy reforms that take effect over the forward estimate period. These reforms will depress property tax growth in 2009-10 (final phase of abolition of mortgage and rental duty) and 2012-13 when stamp duty on non-quoted, marketable securities and non-real property transfers is abolished.

The policy adjusted series, on the other hand, assumes a continuation of 2009-10 tax policy settings across the forward period in order to measure the expected underlying growth in tax revenues.

Conveyance duty

Property market activity has slowed significantly in 2008-09.

Residential and non-residential property turnover has been weaker than expected, although an increase in first homebuyer numbers in response to the Commonwealth's First Home Owner Boost grants has moderated the fall in residential property transfers. First homebuyer transactions in 2008-09 represent approximately 28 per cent of total residential transactions, compared with around 19 per cent in 2007-08.

Residential property average duty values recorded small positive growth from 2007-08 levels, while non-residential property average duty fell. Growth in both residential and non-residential average duty was lower than assumed at the time of the 2008-09 Budget. Although Valuer-General data records stronger growth in metropolitan residential property values for calendar year 2008 (4.5 per cent), average duty is affected by compositional changes, as sales in 2008-09 have comprised a higher proportion of lower valued properties, consistent with the increase in first homebuyer activity.

Valuer-General data, based on the average of movements in the median house sale price in 40 metropolitan suburbs, indicates a fall in median values for the first quarter of 2009. Conveyance duty projections for 2009-10 allow for a continuation of subdued property market conditions.

While recent interest rate reductions and fiscal stimulus measures taken by the Commonwealth Government are expected to provide underlying support for the property market, continued uncertainty in global financial markets and a more modest economic outlook are expected to have a dampening influence on turnover levels and property value growth.

Residential turnover is projected to remain relatively flat in 2009-10, with an expected reduction in first homebuyer activity assumed, due to the effect of a large number of purchases being brought forward into 2008-09 in order to access the temporary increase in the First Home Owner Grant. Allowance has been made for a 5 per cent fall in property prices in calendar year 2009 (a 4.4 per cent fall in 2009-10 average conveyance duty).

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The forward estimates assume only modest growth in property prices with more solid growth in turnover as transactions increase to return to long-term trend levels toward the end of the forward estimates period.

Conveyance duty estimates also include additional revenue as a result of compliance activity measures approved in the 2008-09 Mid-Year Budget Review.

The abolition of stamp duty on non-real property component of business transfers in 2012-13 depresses the growth in conveyance duty in that year.

Land tax

Private land owners contribute around 65 per cent of total land tax revenue. Government entities, mainly the South Australian Housing Trust and the Land Management Corporation, contribute the remainder.

Land tax assessments are based on land valuations undertaken by the Valuer-General, which have regard to recent market experience.

Estimated site value increases of 6.9 per cent for residential land, 4 per cent for commercial land and 4.7 per cent for industrial land in calendar year 2008 are driving the underlying estimated growth in land tax receipts in 2009-10.

Land value growth is projected to fall in calendar year 2009 by 5 per cent, affecting 2010-11 land tax assessments, with flat growth in 2010 and return to trend growth in subsequent years.

Emergency services levy — fixed property

ESL on fixed property is levied on the capital value of land and buildings. Growth in levy collections reflects growth in property values and in the number of taxable properties.

The effective ESL rates that apply to fixed property owners have remained unchanged since 2001-02 and will remain unchanged in 2009-10.

Capital values have, however, increased as evidenced in property sales experience. This experience impacts on updated valuations determined by the Valuer-General for use in 2009-10 assessments.

The capital valuations that will be used in 2009-10 ESL assessments are estimated to have increased by 4.4 per cent for residential property, 3.1 per cent for commercial property and 3.0 per cent for industrial property.

Forward projections for years subsequent to 2009-10 assume values impacting on 2010-11 assessments will fall by 5 per cent, remain flat in 2011-12 and then return to modest growth in 2012-13.

Mortgage and rental duty

Consistent with the government's commitment to IGA tax reforms, rental duty and remaining mortgage duty are being progressively phased out over a three year period, which commenced on 1 July 2007.

These stamp duty rates, which were reduced by one-third from 1 July 2007 and a further one-third on 1 July 2008, will be fully abolished on 1 July 2009.

Share duty

Share duty applies to transfers of non-quoted marketable securities but will be abolished in 2012-13, as part of the IGA tax reform commitments.

Share duty receipts in 2008-09 are lower than originally budgeted reflecting lower year to date experience.

Natural resource management levies

Natural resource management (NRM) levies are collected by councils on behalf of eight regional NRM boards in existence in South Australia. The levies are paid by landholders and water users to fund the activities of the boards that are responsible for managing and protecting each region's natural resources.

In 2008-09, revenue from NRM levies is expected to be higher than originally estimated primarily due to an increase in the Adelaide and Mount Lofty Ranges NRM Board Levy.

Revenue from NRM levies is forecast to increase modestly over the forward estimates period. Strong growth in NRM levy revenue projected for 2010-11 reflects a low base in 2009-10 as a result of relief being provided to drought affected levy payers in the River Murray area.

Save the River Murray Levy

Funds raised from the Save the River Murray Levy are used to fund specific measures aimed at improving the long-term security and quality of South Australia's water supply.

Levy rates are indexed annually to movements in the Adelaide Consumer Price Index. SA Water collects the levy.

Revenue growth reflects underlying inflation and growth in SA Water's customer base.

Guarantee fees

Government guarantees on borrowed funds reduce borrowing costs for government authorities. Guarantee fees are charged for this funding cost advantage. The charging of guarantee fees supports transparency and accountability by ensuring agency decisions are made having regard to true borrowing costs, consistent with competitive neutrality principles.

Revenue from guarantee fees is expected to increase moderately through to 2011-12, reflecting expected increases in borrowings and an increase in guarantee fees from 1 July 2009.

Gambling taxes

Gambling taxes include taxes on gaming machines in hotels and clubs, distributions from SA Lotteries (comprising a tax on net gambling revenue together with distributions net of income tax equivalents), casino duty and tax on net wagering revenue of the SA TAB.

The outlook for all forms of gambling tax revenue is provided in Table 3.10.

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Table 3.10: Gambling taxes

	2008-09	2009-10	2010-11	2011-12	2012-13
	Estimated	Budget	Estimate	Estimate	Estimate
	Result				
Total gambling taxes (\$m)	392.2	399.9	416.6	443.7	472.5
Nominal growth (%)	- 5.5	2.0	4.2	6.5	6.5
Real growth (%)	- 8.5	0.4	2.6	4.6	4.1
Policy adjusted underlying revenue (\$m)	388.6	399.1	417.4	445.1	474.5
Nominal growth (%)	1.7	2.7	4.6	6.6	6.6
Real growth (%)	- 1.4	1.1	3.0	4.7	4.2

Note: Totals may not add due to rounding.

Gaming machine revenue has fallen in 2008-09 reflecting the full year effect of smoking bans in gaming venues (including the casino), which came fully into effect on 31 October 2007.

Distributions from SA Lotteries are projected to remain relatively flat over the forward estimates.

Gambling tax revenues from SA TAB are forecast to fall over the forward estimates period reflecting the government's decision to further assist the South Australian racing codes by abolishing the wagering tax on SA TAB race betting operations with a correspondingly higher distribution from the SA TAB to the racing codes. SA TAB wagering tax on racing will be phased out over the next few years with the tax to be eliminated from 1 July 2012. The wagering tax will be retained on sports betting.

Insurance taxes

Taxes on insurance comprise stamp duty on insurance premiums (including life insurance, general insurance and compulsory third party) as well as a flat \$60 stamp duty on renewal notices for motor vehicle registration and compulsory third party (CTP) insurance.

Projected growth rates for insurance tax revenues are provided in Table 3.11.

Table 3.11: Insurance taxes

	2008-09	2009-10	2010-11	2011-12	2012-13
	Estimated	Budget	Estimate	Estimate	Estimate
	Result				
Total insurance taxes (\$m)	323.2	337.6	347.1	355.5	364.3
Nominal growth (%)	7.1	4.5	2.8	2.4	2.5
Real growth (%)	3.7	2.8	1.3	0.6	0.2

Revenue growth in 2009-10 from stamp duty on insurance reflects industry projections of increases in household and commercial insurance premiums in the order of 2.2 per cent to 2.5 per cent respectively and, for CTP, an average premium increase of 7 per cent.

Beyond 2009-10, insurance duty revenue is projected to grow broadly in line with inflation.

The insurance tax line also includes stamp duty on CTP renewal certificates, which is a flat charge of \$60 per vehicle. Revenue from this fee mainly reflects growth in the total stock of registered vehicles.

Motor vehicle taxes

Motor vehicle taxes include registration fees, stamp duty on new registrations and ownership transfers, as well as the ESL on mobile property.

The growth rates for motor vehicle tax revenues are provided in Table 3.12.

Table 3.12: Motor vehicle taxes

	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Total motor vehicle taxes (\$m)	426.9	444.6	455.4	469.1	483.0
Nominal growth (%)	0.2	4.1	2.4	3.0	3.0
Real growth (%)	- 2.9	2.5	0.9	1.1	0.6

Registration fee revenue growth reflects the annual indexation of motor vehicle fees and growth in the stock of registered vehicles.

Stamp duty on new motor vehicle registrations and transfers of used vehicles is expected to be lower than original budget estimates for 2008-09 reflecting a fall in turnover levels and average values for motor vehicles being registered and transferred.

Forward projections assume modest growth in revenue from new motor vehicle registrations and transfers of secondhand vehicles.

Relatively low growth in revenue raised from the ESL on mobile property reflects the growth in the stock of registered vehicles. ESL charges on motor vehicles are flat dollar amounts that have not been altered since 2000-01.

South Australia's relative tax effort

Each year the Commonwealth Grants Commission (CGC) releases an assessment of relative tax effort for all states and territories as part of its annual relativity update. Based on the data published by the CGC in its latest relativity update, South Australia's relative tax effort has reduced from 12.8 per cent above the all states average in 2006-07 to 11.8 per cent above average in 2007-08. However, this assessment does not take into consideration a genuine incomparability between South Australia and other jurisdictions (namely land tax paid by South Australian public sector entities), nor does it include emergency service charges such as the ESL which are classified by the CGC as user charges rather than taxes. It is also yet to reflect the impact of tax measures announced subsequent to 2007-08.

South Australia progressed further than other states and territories in making its government business enterprises liable for the full range of taxes (Commonwealth, state and local) consistent with commitments made under the Competition Principles Agreement. In 1997-98, all South Australian government business enterprises included in the tax equivalent regime (TER) became liable for state taxes, including land tax. This included the South Australian Housing Trust (SAHT). Public housing authorities in other jurisdictions were not, however, liable for land tax. The large size of the SAHT's property holdings has meant that it accounts for approximately one-third of total land tax receipts for the state. There is no net benefit to the budget from these tax payments since additional funding is provided to the SAHT to meet its land tax liability.

To the extent that other states and territories have not expanded the coverage of their TER to include public housing authorities, their land tax receipts will be lower.

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In addition, as mentioned above, the CGC's assessment of total taxation is narrower than South Australia's published taxation numbers (as per the budget papers) in that the CGC does not include revenue collected in respect of the ESL as part of taxation revenue; rather, it is included in the 'Public Safety' user charges category.

After excluding land tax payments made by SAHT and including emergency services levy revenue as a tax rather than a user charge, South Australia's relative tax effort falls from 11.8 per cent to 7.6 per cent above average in 2007-08.

Details of tax effort assessments are provided in Table 3.13.

Table 3.13: Tax effort ratios by jurisdiction

	2006-07		2007-08	
	CGC ^(a)	Adjusted ^(b)	CGC ^(a)	Adjusted ^(b)
New South Wales	104.0	104.4	104.8	105.1
Victoria	102.9	103.2	101.9	102.1
Queensland	84.7	84.9	85.6	85.8
Western Australia	102.5	102.5	102.8	103.1
South Australia	112.8	108.5	111.8	107.6
Tasmania	94.7	94.8	92.7	92.7
Australian Capital Territory	106.9	107.2	107.5	107.8
Northern Territory	101.8	101.9	102.5	102.6

(a) Tax severity ratios consistent with GST based relativities determined by the CGC, as published in the CGC's *Relative Fiscal Capacities of the States 2009* publication.

(b) South Australia adjusted to remove land tax paid by the South Australian Housing Trust. All jurisdictions adjusted to add the CGC's 'public safety' user charges assessment for emergency services.

Tax effort measured by the CGC reflects the use made of available tax bases not their size. South Australia has a small tax base relative to other states. As a result, in terms of tax revenue per capita, South Australia is a relatively low tax jurisdiction (third lowest in 2008-09 based on state and territory estimates published in mid-year budget reviews).

Details are provided in Table 3.14.

Table 3.14: Per capita taxation by jurisdiction (\$)

	2008-09		
	2007-08 ^{(b)(c)}	MYBR ^{(c)(d)}	Latest Est ^{(c)(e)}
Australian Capital Territory	2 942	2 911	2 795
Western Australia	2 962	2 679	2 527
New South Wales	2 675	2 534	n.a
Victoria	2 445	2 404	2 560
Queensland	2 251	2 122	n.a
South Australia^(a)	2 157	2 121	2 066
Northern Territory	1 810	1 816	1 861
Tasmania	1 672	1 658	n.a
All states and territories	2 495	2 381	n.a

Note: n.a. indicates not available at time of publication.

(a) Taxation revenues for South Australia have been adjusted to remove land tax paid by the South Australian Housing Trust.

(b) Based on published outcomes for all states and territories.

(c) Population figures for 2007-08 have been sourced from ABS publications and 2008-09 population estimates have been sourced from Commonwealth Treasury estimates.

(d) Based on taxation revenue estimates published in 2008-09 mid-year budget reviews for all states and territories.

(e) Based on taxation revenue estimates published in 2009-10 Budget publications where available. Not all states and territories had brought down their 2009-10 Budget prior to the preparation of this table.

Grant revenue

Table 3.15: Grant revenue (\$million)

	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Current grant revenue						
Current grants from the Commonwealth						
GST revenue grants	4 169.7	3 782.8	3 819.4	4 013.2	4 245.6	4 500.6
Transitional assistance ^(a)	—	34.2	—	—	—	—
National Partnership grants	—	512.4	519.2	380.8	458.9	419.7
Specific purpose grants	1 515.4	1 489.7	1 327.3	1 372.7	1 423.3	1 473.6
Specific purpose grants for on-passing	740.7	674.6	664.4	682.4	699.1	716.6
Total current grants from the Commonwealth	6 425.8	6 493.7	6 330.4	6 449.1	6 827.0	7 110.5
Other contributions and grants	100.1	116.8	135.2	97.9	100.2	100.3
Total current grant revenue	6 525.8	6 610.5	6 465.6	6 547.0	6 927.2	7 210.8
Capital grant revenue						
Capital grants from the Commonwealth						
National Partnership grants	—	172.8	1 442.6	1 054.9	521.2	312.6
Specific purpose grants	355.7	371.1	113.5	115.3	117.0	118.8
Specific purpose grants for on-passing	14.6	14.5	10.9	11.2	11.5	11.7
Total capital grants from the Commonwealth	370.4	558.4	1 567.1	1 181.3	649.7	443.2
Other capital contributions and grants	9.5	30.3	31.4	18.5	17.8	18.1
Total capital grant revenue	379.9	588.7	1 598.5	1 199.8	667.5	461.3
Total grant revenue	6 905.7	7 199.2	8 064.1	7 746.8	7 594.7	7 672.1
% change on previous year						
GST revenue grants						
Nominal growth %		- 3.5	1.0	5.1	5.8	6.0
Real growth		- 6.5	- 0.6	3.5	3.9	3.6
Current revenue grants (excl GST) from the Commonwealth						
Nominal growth %		19.8	- 6.2	- 3.0	6.0	1.1
Real growth		16.1	- 7.7	- 4.5	4.1	- 1.2
Capital revenue grants from the Commonwealth						
Nominal growth %		84.1	180.6	- 24.6	- 45.0	- 31.8
Real growth		78.4	176.2	- 25.8	- 46.0	- 33.3

Note: Totals may not add due to rounding.

(a) Transitional assistance ceases from 2009-10 under the new *Intergovernmental Agreement on Federal Financial Relations*.

GST revenue grants

GST revenue grants to South Australia are expected to be \$386.9 million lower than the original budget estimate. Reflecting the sharp deterioration in economic conditions as a result of the global financial crisis, the total GST pool is now expected to contract by 3.0 per cent in 2008-09, compared to the Commonwealth's original budget estimate of growth of 6.2 per cent.

Included in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) was a commitment from the Commonwealth Government that the states and territories would receive a Guaranteed Minimum Amount (GMA) sufficient to ensure that they would be no worse off under the move to GST funding. To achieve this, the Commonwealth Government

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agreed that any shortfall between a jurisdiction's share of GST revenues and its GMA would be met by transitional assistance grants.

For the first time since 2002-03, it is anticipated that South Australia's share of GST revenue grants will fall below the GMA. It is estimated that South Australia will require transitional assistance funding of \$34.2 million in 2008-09, taking the net fall in general purpose grants since the original budget estimate to \$352.7 million.

The Commonwealth Government and the states and territories entered into a new *Intergovernmental Agreement on Federal Financial Relations* on 1 January 2009. The new agreement does not extend the GMA provisions beyond 30 June 2009. Consequently, if South Australia's share of GST revenue grants falls below the GMA in future years, as is expected in 2009-10, no transitional funding will be provided.

Estimated GST revenue grants for 2009-10 are significantly lower than estimated at the time of the 2008-09 Mid-Year Budget Review. Latest Commonwealth Budget estimates of the total GST pool forecast growth of only 0.5 per cent in 2009-10.

The improvement in South Australia's relativity weighted population share following the outcome of the 2009 Relativity Update by the Commonwealth Grants Commission, along with the modest growth in the total GST pool, causes South Australia's estimated GST revenue grants to grow by 1.0 per cent in 2009-10. However, the termination of transitional funding from 30 June 2009 means that there will be virtually no increase in total general purpose grants between 2008-09 and 2009-10.

Over the forward estimates period, the Commonwealth is estimating that total GST revenue collections will grow by 5.4 per cent in 2010-11, 6.6 per cent in 2011-12 and 6.3 per cent in 2012-13.

GST revenue grants for South Australia will grow more slowly than the GST pool over the forward estimates. Factors contributing to South Australia's reduced share include a declining population share and allowance for anticipated changes in the Commonwealth Grants Commission's relativity assessments in future years, including the 2010 Methodology Review.

South Australia's GST revenue grants are expected to increase by 5.1 per cent in 2010-11, 5.8 per cent in 2011-12 and 6.0 per cent in 2012-13.

National specific purpose Commonwealth grants (current)

On 1 January 2009, new Federal-state funding arrangements were introduced, following endorsement by the Council of Australian Governments (COAG) in November 2008. The new arrangements aim to improve the quality and effectiveness of government services by reducing Commonwealth prescriptions on service delivery and providing increased flexibility in the way services are delivered. Under the new framework, many existing specific purpose payments are consolidated into five new national specific purpose payments (SPPs) in the areas of healthcare, education, disability services, affordable housing and skills and workforce development. These payments are ongoing and subject to annual indexation.

Payment arrangements have also changed. Previously, the majority of SPPs were paid directly to the agency responsible for service delivery; under the new arrangements these payments are now paid to the Department of Treasury and Finance.

Specific purpose payments are expected to be lower than budgeted in 2008-09 by \$25.7 million, reflecting the reclassification of a number of former SPPs to National Partnership payments under the new funding arrangements, which more than offsets increases in funding for health, education and disability services. Over the forward estimates, SPPs are projected to grow modestly, reflecting the annual indexation of each national SPP.

Grants provided to the state for on-passing to other sectors comprise mainly funding for non-government schools and local government. In 2008-09, on-passed grants are expected to be lower than the original budget estimate reflecting revised arrangements for exceptional circumstances assistance funding, which will now be paid as a National Partnership payment.

National Partnership Commonwealth grants (current)

Under the new Federal-state funding arrangements there is a new form of payment, National Partnership payment (NPP), to fund specific projects and to facilitate and/or reward states that deliver on nationally significant reforms. A number of former SPPs, including Home and Community Care, exceptional circumstances assistance and payments for certain pensioner concessions have become NPPs under the revised arrangements.

As part of the federal finances reform package agreed by COAG in 2008-09, a number of National Partnership agreements were implemented, with additional funding of \$1 010.6 million being provided over five years to support health reform, education, training, indigenous affairs and housing initiatives.

NPPs over the forward estimates reflect the funding profile for projects and reward payments.

Further discussion of the new Federal-state financial arrangements is provided in Chapter 4.

Other current grants

Other contributions and grants mainly take the form of donations, bequests, industrial research and sponsorship grants. In 2008-09, other current grants are expected to be higher than the budget estimate, mainly due to funding received from the Murray–Darling Basin Authority for environmental water flow regulators in the Goolwa Channel.

Other current grants are projected to be higher in 2009-10, reflecting further funding from the Murray–Darling Basin Authority.

Capital grants

Capital grants under the revised Federal-state funding agreement take the form of national specific purpose payments and National Partnership payments from the Commonwealth. Specific purpose grants, consistent with current grants, are categorised either as direct grants or on-passed grants. Smaller levels of capital funding are sourced from the private sector including the revenue recognition of assets donated or transferred to the government free of charge.

National SPPs are expected to decrease significantly in 2009-10, mainly due to the reclassification of AusLink funding to a National Partnership payment (Nation Building Program), and thereafter grow modestly in line with the annual indexation of national SPPs.

National Partnership payments are projected to increase substantially in 2009-10, and remain at high levels to 2011-12, reflecting timing of payments for infrastructure projects under the Commonwealth Government's Nation Building – Economic Stimulus Plan (announced in February 2009) and Nation Building Plan for the Future (announced as part of the Commonwealth budget). Further detail in relation to projects and payments under these plans is provided in Chapter 4.

National specific purpose on-passed grants reflect mainly Commonwealth capital funding for non-government schools.

Sales of goods and services

Sales of goods and services by the general government sector include government fees and charges that are adjusted annually based on the average increase in the cost of services. As discussed earlier in this chapter, most government fees and charges will increase by 4.2 per cent from 1 July 2009.

Table 3.16: Sales of goods and services (\$million)

	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Regulatory fees	367.5	354.7	375.0	393.7	421.0	448.5
Health unit fees	275.1	275.2	292.3	314.3	324.0	333.9
Commonwealth contributions	204.2	305.9	367.8	313.3	316.3	322.0
TAFE fees	88.7	88.5	92.1	94.8	97.6	100.6
Schools revenue	76.2	76.2	78.1	80.0	82.5	85.1
Metroticket sales	78.5	81.0	79.4	82.8	86.4	89.1
Drivers' licence fees	36.0	41.5	38.6	41.9	56.4	61.3
Other user charges	475.2	488.4	510.5	531.0	555.4	570.8
Total sales of goods and services	1 601.4	1 711.3	1 833.8	1 851.9	1 939.6	2 011.2

Note: Totals may not add due to rounding.

Sales revenue is expected to exceed budget estimate by \$109.9 million in 2008-09, largely due to higher Commonwealth contributions, which in turn reflect the reclassification of National Water Initiative funding from specific purpose grant payments and additional funding for the River Murray Futures program for the construction of the Lower Lakes integrated pipeline.

Over the forward estimates period, revenue from sales of goods and services, excluding Commonwealth contributions, is projected to grow at rates ranging from 4.1 per cent to 5.5 per cent per annum, reflecting the annual indexation of fees and underlying volume growth. Total growth rates for sales of goods and services are affected by variability in Commonwealth contributions, largely due to the timing of payments for environmental water initiatives.

Commonwealth contributions are expected to remain higher across the forward estimates compared with previous years, due to the inclusion of a number of Commonwealth payments which were formerly classified as specific purpose grants under the previous Federal-state funding arrangements, including a number of health programs and funding for the National Water Initiative and River Murray Futures program.

Revenue from regulatory fees and other user charges is projected to grow moderately over the forward estimates.

Interest income

Interest income is expected to be lower than budget estimates in 2008-09 largely reflecting lower than previously assumed interest rates applicable to general government cash deposits. The effect of lower interest rates more than offsets the effect of higher cash deposits on the level of interest income in 2008-09. Growth in interest income over the forward estimates period reflects growth in assumed interest rates and in the estimated level of cash balances.

Dividend and income tax equivalent income

Table 3.17: Dividend and income tax equivalent (ITE) income

	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Dividend and ITE income from PNFCs	418.4	321.9	337.9	370.9	361.7	433.5
Dividend and ITE income from PFCs	22.9	26.0	49.6	78.5	36.1	25.2
Other dividend income	0.1	0.1	0.1	0.1	0.1	0.1
Total Dividend and ITE revenue	441.4	348.0	387.6	449.5	397.9	458.9
Dividend and ITE from PFCs comprise						
SAAMC	4.0	4.0	23.5	4.0	8.3	0.0
HomeStart Finance	8.0	11.2	14.5	12.5	15.5	12.5
SAFA	10.9	10.8	11.6	61.9	12.3	12.7
Funds SA	0.0	0.0	0.0	0.0	0.0	0.0
Total	22.9	26.0	49.6	78.5	36.1	25.2

Note: Totals may not add due to rounding.

Dividend and income tax equivalent (ITE) income is expected to be lower than original budget estimates by \$93.4 million in 2008-09 mainly due to downward revisions to distributions from SA Water, Land Management Corporation and Forestry SA. Distributions from public non-financial corporations (PNFCs) are projected to increase over the forward estimates.

Estimated distributions from SAAMC in 2009-10 are significantly higher than in other years. This represents the return of accumulated retained profits that are no longer required by SAAMC, as the contingent liabilities that may have led to a call on the Corporation's capital resources have now been eliminated. Estimated dividend and income tax equivalent income from SAFA is also higher in 2010-11, reflecting a return of projected excess capital.

Other revenue

Table 3.18: Other revenue (\$million)

	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Royalties	163.5	150.8	143.8	170.4	194.8	199.6
Fines and penalties	105.2	101.6	110.0	115.1	120.8	125.0
Schools revenue (fundraising)	62.7	62.7	64.3	65.9	68.0	70.1
Other	159.5	213.9	171.1	168.0	176.1	175.1
Total other revenue	491.0	529.1	489.2	519.5	559.7	569.7

Note: Totals may not add due to rounding.

Royalty estimates are expected to be lower than budget estimates by \$12.7 million in 2008-09, largely due to lower than budgeted oil, copper and uranium prices and downward revisions to production levels in the Cooper Basin. These downward revisions are partially offset by revenue gains from a lower Australian dollar.

In 2009-10 royalty revenue is projected to fall, reflecting the combination of an expected reduction in oil and LPG production volumes and lower price assumptions for oil, copper and uranium. From 2010-11, royalty revenue is expected to grow strongly reflecting increased commodity prices and

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higher production levels from the Olympic Dam mine, partially offset by lower crude oil production due to the depletion of the Cooper Basin oil fields.

Other revenue is higher than the original budget estimate in 2008-09, primarily reflecting contributions from interstate governments for projects forming part of The Living Murray program.

CHAPTER 4: INTERGOVERNMENTAL FINANCES

Overview

Recent developments in financial relations between the Commonwealth and the states and territories (referred to as ‘the states’) and their implications for South Australia are summarised in this chapter, which also includes a section on local government finances.

Recent developments

Intergovernmental Agreement on Federal Financial Relations

From 1 January 2009, the *Intergovernmental Agreement on Federal Financial Relations* (IGA) came into operation following endorsement by the Council of Australian Governments (COAG) at its meeting of 29 November 2008. It replaces the *Intergovernmental Agreement on the Reform of Commonwealth–State Financial Relations* (the previous IGA).

The IGA provides an overarching framework for the Commonwealth’s financial relations with the states and was the culmination of extensive work involving all levels of government.

The new framework aims to improve the quality and effectiveness of government services by reducing Commonwealth prescriptions on service delivery and providing increased flexibility in the way services are delivered. In addition, the new arrangements provide a clearer specification of roles and responsibilities of each level of government and an improved focus on accountability for better outcomes and better service delivery.

Accompanying the reform process was a rationalisation of the Commonwealth–state payment structure. The IGA provides for the following types of payments:

- general revenue assistance — comprised of:
 - Goods and Service Tax (GST) revenue funding — with the distribution to continue to be based on Horizontal Fiscal Equalisation principles and associated administrative arrangements; and
 - other general revenue assistance — some existing specific purpose payments (SPPs) containing no conditions have been reclassified as general revenue assistance. Examples include compensation payments relating to the Snowy Mountain Hydro-electric Scheme, royalty revenue sharing payments and national capital payments to the Australian Capital Territory;
- Commonwealth own-purpose expenditure — incorporate the reclassification of pre-existing SPPs that the Commonwealth made to the states to essentially purchase the delivery of specific services;
- national specific purpose payments — provide ongoing funding to the states for service delivery in core areas. As part of the reform process, the number of pre-existing SPPs was reduced from over 90 to five. Each national SPP is linked to a national agreement that contains objectives, outcomes, outputs and performance indicators, and clarifies roles and responsibilities. COAG agreed to six new national agreements effective from 1 January 2009 (with the exception of the National Healthcare Agreement which will come into effect from 1 July 2009):

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- the National Healthcare Agreement;
 - the National Education Agreement;
 - the National Skills and Workforce Development Agreement;
 - the National Disability Services Agreement;
 - the National Affordable Housing Agreement;
 - the National Indigenous Reform Agreement, and
- National Partnership payments (NPPs) — these fall into two broad categories: to support the delivery of specified outputs or projects; and to facilitate the implementation, or reward the delivery, of national reforms.

Further information on the new funding agreements is contained later in this chapter in the section on Commonwealth payments to the states.

Oversight of the IGA rests with the Ministerial Council for Federal Financial Relations, formerly the Ministerial Council for Commonwealth–State Financial Relations. Heads of Treasuries will support the Ministerial Council in meeting this responsibility.

The IGA also includes a new and expanded role for the COAG Reform Council (CRC). When requested by COAG, the CRC will report to the Prime Minister on the publication of nationally comparable performance information for all jurisdictions in relation to individual national SPPs and the independent assessment of predetermined milestones and performance benchmarks included in National Partnership (NP) agreements.

Council of Australian Governments

In 2008, COAG met four times. In addition to the Prime Minister, Premiers, Chief Ministers and the President of the Australian Local Government Association, these meetings were attended by Commonwealth and state Treasurers.

COAG's main focus was on the reform of federal financial relations, the development of national agreements and associated funding agreements and the development of the IGA. This work was jointly progressed through the seven COAG working groups (established in December 2007), Heads of Treasuries and the Treasurers' Ministerial Council.

In February 2009, COAG held a special meeting to agree upon the process for implementing and monitoring the Commonwealth Government's \$42 billion Nation Building — Economic Stimulus Plan. The plan is designed to stimulate the national economy in response to the global economic downturn and includes \$21.5 billion in funding for the states in the areas of education, social housing and road/rail infrastructure. An additional \$500 million is also being provided to local government for community infrastructure. The funding package is in addition to the funding provided by the Commonwealth under the new financial arrangements agreed by COAG in December 2008.

The arrangements for implementing the Commonwealth's plan were agreed by all Premiers and First Ministers in the National Partnership on the Nation Building and Jobs Plan. This agreement requires states to ensure that there is no substitution of capital expenditure effort in the targeted areas, the appointment of state coordinators to oversee implementation and quarterly reporting of progress, to be overseen by the Treasurers' Ministerial Council.

South Australia supports the Commonwealth's increased investment in core services and the broader reform agenda and is contributing its own funds to ensure that the reform objectives agreed by COAG

are achieved in this state. Table 4.1 summarises the net impact to South Australia from 2008-09 to 2012-13 resulting from the new financial arrangements, including the Nation Building — Economic Stimulus Plan.

Table 4.1: Net impact on South Australia from financial arrangements agreed by COAG in 2008-09 (\$million)

	2008-09	2009-10	2010-11	2011-12	2012-13	Five year total
Specific purpose payments						
Additional revenue	50.2	58.9	51.3	42.7	40.9	243.9
Associated expenditure ^(a)	34.0	59.4	62.2	79.5	102.9	338.0
Net Impact	16.2	-0.5	-10.9	-36.8	-62.0	-94.1
National Partnership payments^(b)						
Additional revenue ^(c)	265.8	163.7	152.0	228.2	200.8	1 010.6
Associated expenditure ^(a)	100.1	252.7	242.2	313.7	273.3	1 182.1
Net Impact	165.7	-89.0	-90.2	-85.5	-72.5	-171.5
Nation Building — Economic Stimulus Plan						
Additional revenue	126.8	1 029.5	591.0	23.3	—	1 770.6
Associated expenditure ^(a)	121.1	1 035.2	591.0	23.3	—	1 770.6
Net Impact	5.7	-5.7	—	—	—	—
Impact on GST revenues from new financial arrangements ^(d)	—	-3.6	24.7	53.2	87.8	162.0
Net impact	187.6	-98.8	-76.4	-69.1	-46.7	-103.5

Note: Totals may not add due to rounding.

(a) Includes all expenditure and state co-contributions necessary to achieve the stated objectives. These amounts will not add to expenditure in Chapter 2 as some expenditure, such as that associated with reward payments, is yet to be allocated to agencies and is being held within Administered Items for the Department of Treasury and Finance.

(b) Includes new National Partnerships agreed in 2008-09.

(c) Assumes that South Australia will satisfy all reward funding requirements and receive full payments.

(d) This reflects the distribution impact on GST revenues from the new financial arrangements.

2009-10 Commonwealth Budget

As part of its 2009-10 Budget, the Commonwealth announced its \$22 billion Nation Building Plan for the Future program. The aim of this plan is to improve the quality, adequacy and efficiency of transport, communications, energy, education and health infrastructure across Australia. Funding for five South Australian specific projects was announced, as follows:

- Gawler rail line modernisation — \$294 million over five years;
- Noarlunga to Seaford rail extension — \$291 million over five years;
- Improved link between the O-Bahn and the CBD — \$61 million over three years;
- Health and Medical Research Institute — \$200 million over four years; and
- Better TAFE facilities — \$14.6 million in 2009-10.

South Australia will also benefit from additional funding to a national broadband network, clean energy infrastructure, education infrastructure and health/hospital infrastructure.

In addition, the Commonwealth will commit a further \$228 million to the Adelaide Desalination Plant to expand its capacity from 50 gegalitres (GL) to 100 GL per year, reducing South Australia's reliance on the Murray River.

Ministerial Council for Federal Financial Relations

The Ministerial Council for Commonwealth–State Financial Relations was established as part of the reforms brought about by the Commonwealth’s introduction of the GST. From 1 January 2009, it was renamed the Ministerial Council for Federal Financial Relations in accordance with the new IGA.

The Ministerial Council met several times in 2008 due to the increased workload created by the reform of Commonwealth–state financial relations. Treasurers were responsible, in particular, for developing proposals to rationalise SPP arrangements, designing a performance reporting framework and establishing new payment arrangement procedures. In addition, the Ministerial Council meeting on 28 November 2008 discussed the Commonwealth’s initial funding offer to the states ahead of the COAG meeting the following day.

At its meeting on 25 March 2009 in Canberra, the Ministerial Council agreed to the establishment of a Heads of Treasuries’ committee to oversee the operation of the IGA. This will involve progressing the implementation of a performance monitoring framework, establishing and maintaining a register of the national minimum data sets required for comparative reporting and monitoring funding arrangements and levels for national agreements and NPPs.

Australian Loan Council

The Australian Loan Council (the Loan Council), comprised of state Treasurers and the Federal Treasurer, also convened on 25 March 2009. The Loan Council coordinates borrowings by the Commonwealth and state governments. Each jurisdiction nominates a Loan Council allocation for the coming financial year which represents their total borrowing program for both their general government sector and the non-financial sector. The allocations nominated by the Commonwealth and each state for 2009-10 were endorsed at the March 2009 meeting.

In addition, due to the global credit crisis, the Loan Council agreed that the Commonwealth would guarantee state issued borrowings until credit markets return to a more normal environment. This action was taken to ensure that states could raise sufficient capital to meet their funding requirements, in particular, infrastructure funding.

Under the agreed arrangements, states are able to secure guarantees on both their existing debt and on new debt. In return for providing this guarantee, the Commonwealth is charging participating jurisdictions a guarantee fee. For triple-A rated states, the fee is 15 basis points for existing debt and 30 points for new debt. For double-A plus rated states, the fee will be 20 basis points for existing debt and 35 points for new debt.

Commonwealth Grants Commission 2009 Update

In March, the Commonwealth Grants Commission (CGC) released its 2009 Update of per capita relativities for the distribution of Commonwealth GST revenue grants to the states in 2009-10. The relativities are based on the principle of Horizontal Fiscal Equalisation (HFE) (see below). This principle is well established and has underpinned the distribution of general purpose grants among the states for decades. The new IGA continues the requirement that GST revenue grants will be allocated among the states in accordance with HFE.

Overall, the 2009 Update relativities redistributed about \$734 million among the states (see Table 4.2), with grants redistributed to New South Wales, Victoria, South Australia and the Australian Capital Territory and away from the other four states. This result was largely driven by data updates and revisions. The changed circumstances in property markets and the mining sector had a significant effect on the CGC’s assessments. The large redistributions away from Queensland and Western

Australia, in particular, reflect the increases in the capacity of these states to generate mining royalties and conveyance revenues.

South Australia's relativity rose to 1.24724 in the 2009 Update, which equates to an increase in GST revenue grants of \$52 million compared to payments received using the previous relativities. The CGC found that a fall in the state's relative capacity to raise revenue (especially mining revenue and payroll tax) was partly offset by the assessment for conveyances reflecting above average growth in the value of property transfers. As well, the CGC introduced new health cost and usage data which also resulted in a higher assessment for South Australia. The update effect on cost disabilities increased for South Australia by \$16 million, mainly in the water supply, roads and inpatient services categories.

After the CGC's recommended distribution is implemented, South Australia will receive approximately \$823 million more than if funding were distributed on a simple population share basis without regard to the fiscal needs and capacities of each state.

Table 4.2: Commonwealth Grants Commission 2009 Update results

	2008 Update ^(a) relativity ^(b)	2009 Update relativity ^(b)	Implied effect on grant share ^(c) (\$m)
New South Wales	0.88779	0.93186	613.3
Victoria	0.91393	0.91875	56.6
Queensland	0.96118	0.91556	-381.8
Western Australia	0.85782	0.78485	-309.7
South Australia	1.23151	1.24724	52.2
Tasmania	1.66332	1.62040	-41.0
Australian Capital Territory	1.25457	1.27051	11.4
Northern Territory	5.25633	5.25073	-0.9
Total redistributed among states			733.5

(a) The 2008 Update relativities presented in this table are the 'rebased' relativities for 2008 that remove the Health Care Grants from the GST pool, consistent with their treatment in the 2009 Update.

(b) The relativities show the per capita funding relative to an Australian average of 1.

(c) Estimated impact of change in relativities on the 2008-09 GST pool included in the CGC's 2009 Update report.

Horizontal Fiscal Equalisation

The IGA includes a specific provision that GST revenue grants will be distributed on an HFE basis. The principle of HFE is based on Australia's commitment to ensuring that each state has the capacity to provide public services at a similar standard and level of efficiency as the other states for a comparable revenue raising effort.

The CGC, an independent statutory body, annually recommends the shares of GST revenue grants that each state should receive, with the CGC's methodology remaining fixed between major assessment reviews. The most recent methodology review occurred in 2004 and the next review is scheduled for 2010.

The CGC was established in 1933 and initially reported on amounts of special revenue assistance to states. In 1976, general revenue sharing arrangements were introduced, under which the total amount of assistance to be made available to the states was to be decided by the Premiers' Conference and allocated among the states using per capita relativities agreed by the conference. The CGC, using the principle of HFE, has since recommended annually what the per capita relativities should be. The use of HFE thus predates the IGA by several decades.

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Equalisation is an important element in ensuring similar standards of service delivery are achievable for taxpayers in different states for similar levels of taxation, regardless of the demographic, economic or geographic circumstances of those states.

History and international practice both support implementation of some form of fiscal equalisation. It is practised explicitly in most federations and implicitly takes place in nations with unitary systems of government. If Australia had a unitary system of government, the national government would seek to provide a broadly comparable level of services to comparable areas of Australia. HFE seeks to achieve a similar outcome in the current federal system.

As part of the 2010 methodology review, the CGC invited submissions on the architecture or structure of HFE and the current assessment category structure used in the CGC's assessments. South Australia has continued to stress the importance of achieving HFE as an overriding objective. South Australia has been actively involved in the review process through participating in working groups, state visits by Commissioners, conducting surveys and preparing submissions on proposed changes to methodology and data.

Commonwealth payments to the states

In 2008-09, funding from the Commonwealth to the states was provided under both the previous financial arrangements and, from 1 January 2009 (except healthcare funding), under the new arrangements prescribed in the IGA.

Estimated levels of Commonwealth financial assistance for South Australia are set out in Table 4.3.

In this table, Commonwealth payments for specific purposes include SPPs in existence prior to 1 January 2009 and the new specific purpose funding arrangements prescribed in the IGA — national SPPs and NPPs. Commonwealth payments for specific purposes include, in some instances, payments to the state for programs delivered by the non-government sector (eg schools).

Table 4.3: Commonwealth payments to South Australia 2008-09 and 2009-10^(a)

	2008-09	2009-10		
	Estimated result \$million	Budget \$million	Change \$million	Change %
GST revenue grants	3 817	3 819	2	0.1
Payments to the state for specific purposes^(b)				
Health	1 077	1 013	-64	-6.0
Education	506	1 154	648	128.1
Community services and housing	446	716	270	60.6
Transport and infrastructure	338	380	42	12.5
Environment	64	10	-54	-84.8
Other	116	130	14	12.3
Total payments for specific purposes ^(c)	2 547	3 403	856	33.7
Total payments to the state	6 364	7 222	858	13.5
Payments for on-passing^(c)	689	675	-14	-2.0
Commonwealth contributions^(d)	306	368	62	20.2

Note: Totals may not add due to rounding.

- (a) Data is compiled from agency estimates.
- (b) Includes all pre-existing SPPs and estimates of SPPs and NPPs under the new arrangements introduced on 1 January 2009.
- (c) Total payments for specific purposes experience significant growth in 2009-10 due to the impact of the Nation Building — Economic Stimulus Plan.
- (d) Contributions are payments to the states to reimburse them for services considered to be Commonwealth own-purpose outlays provided on the Commonwealth's behalf (eg Commonwealth contributions for Veterans' Affairs). From 2009-10 contributions include Commonwealth payments for essential vaccines and highly specialised drugs.

GST revenue grants

The previous IGA agreed in 1999 provided state governments with all of the revenue generated by the GST, in place of the general revenue assistance previously provided by the Commonwealth to the states. In return the states agreed to the abolition or reduction of a number of state taxes, and to take on the additional expenditure responsibilities of the First Home Owners Grant scheme and GST administration costs.

These arrangements were not expected to provide immediate budgetary benefits to the states. As a result, the previous IGA provided for a Guaranteed Minimum Amount (GMA) of funds to be paid to ensure that the states would not be worse off under the new arrangements.

All states required transitional assistance from the Commonwealth in the first two years following the introduction of the GST. South Australia moved off the GMA in 2003-04 due to stronger than expected growth in GST revenues, driven to a large extent by growth in the dwellings sector. However, due to the impact of the global economic crisis on domestic consumer spending, many states, including South Australia, will require budget balancing assistance in 2008-09.

The new IGA does not contain GMA provisions meaning that after 2008-09 states and territories now have no recourse for additional budget assistance from the Commonwealth if GST grants fall and jurisdictions are worse off compared to the financial arrangements that were in place prior to the introduction of the GST.

In relation to the GST, the new IGA reaffirms:

- the distribution of GST revenue on the basis of HFE principles;
- that the list of taxes specified in the previous IGA cannot be reintroduced;
- the requirement for unanimous support of both state and territory governments and the Commonwealth Government to alter the GST rate; and
- the administration and collection arrangements already in place.

South Australia will receive an estimated \$3819 million in GST revenue grants in 2009-10 compared to \$3817 million estimated to be received in 2008-09. This low level of growth reflects the impact of the economic recession on the Commonwealth's estimates for the GST pool and the discontinuation of GMA transitional funding from 1 July 2009.

Commonwealth payments for specific purposes

SPPs are provided under Section 96 of the Constitution for both recurrent and capital expenditure purposes. As discussed earlier in the chapter, the reform of federal financial relations resulted in a significant rationalisation in the number of SPPs, effective from 1 January 2009.

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As 2008-09 is a transitional year, total SPP funding will comprise both payments under the previous financial arrangements (mainly for the first half of 2008-09) and payments under the new arrangements.

Previously, the allocation of Commonwealth payments for specific purposes among the states was based on many approaches including Commonwealth discretion, historical allocation and formula based allocation. However, under the new IGA, allocations will largely be made on a per capita basis, to be phased in over a number of years. The change in the distribution for SPPs will, over time, result in broadly offsetting changes to GST revenue grants.

The IGA has also introduced new payment arrangements for national SPPs and NPPs. All transfers from the Commonwealth will now be made to state treasuries rather than to line agencies. Generally, one-twelfth of the annual payment for an SPP or an NPP will be transferred to states each month with the exception of reward based agreements. These payment arrangements are consistent with the focus of funding agreements now being on the achievement of outcomes rather than how states spend the funds provided.

In 2009-10, South Australia will receive an estimated \$4078 million of funding in this form, an increase of 26.1 per cent from the \$3235 million estimated for 2008-09.

Of the total Commonwealth payments for specific purposes to be received by South Australia in 2009-10, \$675 million (or 16.6 per cent) will be on-passed, predominantly to non-government schools and local government.

Commonwealth payments for specific purposes to the state (for a range of purposes including health, housing and government schools) are forecast to increase by 33.7 per cent to \$3403 million in 2009-10. This strong level of growth largely reflects the increase in funding for national SPPs agreed by COAG and the upfront nature of funding from the Commonwealth's Nation Building — Economic Stimulus Plan.

National SPPs and national agreements

Table 4.4 summarises the objectives of the national agreements and lists the associated NP funding agreements.

Table 4.4: National Agreements and associated national SPPs and NPs

National agreement objective	National SPP funding to SA (2008-09 to 2012-13) (\$m)
National Healthcare Agreement To improve healthcare through prevention, primary and community care, hospital and related care and aged care services. National SPP: National healthcare SPP Associated new NPs: Preventative Health; and Hospitals and Health Workforce Reform	4 786.6
National Affordable Housing Agreement All Australians have access to affordable, safe and sustainable housing that contributes to social and economic participation. National SPP: National Affordable Housing SPP Associated new NPs: Social Housing; and Homelessness	474.1

National agreement objective	National SPP funding to SA (2008-09 to 2012-13) (\$m)
National Education Agreement	
Government schools	1 164.7
Non-government schools	2 696.0
All Australian school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy.	
National SPP: National Schools SPP	
Associated new NPs: Smarter schools — Literacy and Numeracy; Smarter Schools — Improving Teacher Quality; Smarter Schools — Low Socio-Economic Status School Communities; and Digital Education Revolution	
National Agreement for Skills and Workforce Development	
	512.4
All working aged Australians have the opportunity to develop the skills and qualifications needed, including through a responsive training system, to enable them to be effective participants in and contributors to the modern labour market.	
National SPP: National Agreement for Skills and Workforce Development SPP	
Associated new NPs: TAFE Fee Waiver for Childcare Places; and Productivity Places Program	
National Disability Services Agreement	
	494.1
People with disability and their carers have an enhanced quality of life and participate as valued members of the community.	
National SPP: National Disability Services SPP	
Associated new NPs: —	
National Indigenous Reform Agreement	
	— ^(a)
Closing the gap in indigenous disadvantage.	
Associated new NPs: Indigenous Remote Service Delivery; Indigenous Economic Participation; Remote Indigenous Housing; Closing the Gap in Indigenous Health Outcomes; and Indigenous Early Childhood Development	

(a) Funding to meet the requirements of the National Indigenous Reform Agreement is provided through the other national SPPs and NPPs.

National Partnerships

National Partnerships are time limited agreements to fund specific projects and to facilitate and/or reward states that deliver on nationally significant reforms. In 2008 and in early 2009, COAG agreed to NPs across a range of service delivery and reform areas. These are summarised in Table 4.5. Most of these NPs are linked to the achievement of objectives contained in national agreements with a smaller number addressing reform objectives in other areas (eg business regulation and competition).

SPPs in existence prior to 1 January 2009, and not incorporated into national SPPs or discontinued, will generally be converted into new NP agreements with funding levels and performance requirements determined between the Commonwealth and the states.

Under the IGA, the Treasurers' Ministerial Council will assess whether expiring NPs should be converted into existing or new national SPPs or general revenue assistance.

Over the five years to 2012-13, total NPP revenue from initiatives agreed in 2008-09 is projected to be \$1010.6 million. However, a number of NPPs require states to make a corresponding co-investment. For the initiatives agreed in 2008-09, expenditure of \$1182.1 million over the period to 2012-13 will be allocated to ensure that the reform objectives agreed by COAG are achieved in this state.

Table 4.5: Summary of National Partnerships agreed by COAG in 2008-09

Agreement	Maximum funding to South Australia over the period 2008-09 to 2012-13 (\$m)^(a)
Preventative Health	
To address the rising prevalence of lifestyle related chronic diseases.	16.0
Hospitals and Health Workforce Reform	
To reform and improve the efficiency of public hospital services, health workforce capability and supply, the volume and quality of sub-acute services and the functioning of emergency departments to deliver high quality and safe services to patients.	153.7
Social Housing	
To increase the supply of social housing through new construction, provide increased opportunities for persons who are homeless or at risk of homelessness to gain secure long-term accommodation and to develop further options to address supply shortfall.	29.8
Homelessness	
To assist people who are homeless or at risk of homelessness achieve sustainable housing and social inclusion.	40.6
Smarter Schools — Literacy and Numeracy	
To deliver sustained improvement in literacy and numeracy outcomes for all students.	40.4
Smarter Schools — Improving Teacher Quality	
To deliver system-wide reforms to attract, train, place, develop and retain quality teachers and leaders in our schools and classrooms. It also has a specific focus on professional development and support for principals.	32.5
Low Socio-Economic Status School Communities	
To achieve improved educational outcomes in disadvantaged communities.	117.9
TAFE Fee Waiver for Childcare Places	
To develop a child care workforce with high level qualifications to provide a strong foundation for the health and educational development of children.	0.6
Productivity Places Program	
To increase investment in vocational training and ensuring this is targeted to address areas of skills shortages across the Australian economy.	107.3
Indigenous Early Childhood Development	
To reduce the gap in developmental outcomes between indigenous and non-indigenous children.	29.2
Indigenous Remote Service Delivery	
To improve indigenous Australians' access to government services, including early childhood, health, housing and welfare services.	— ^(b)
Indigenous Economic Participation	
To contribute to the aim of halving the gap in employment outcomes between indigenous and non-indigenous Australians within a decade.	— ^(b)
Remote Indigenous Housing	
To address overcrowding, homelessness, poor housing condition and severe housing shortage in remote indigenous communities.	178.6

Table 4.5: Summary of National Partnerships agreed by COAG in 2008-09 *continued*

Agreement	Maximum funding to South Australia over the period 2008-09 to 2012-13 (\$m) ^(a)
Closing the Gap in Indigenous Health Outcomes	
To overcome indigenous health disadvantage.	— ^(b)
Universal access to early childhood education	
To improve the supply and integration of early childhood services, including child care and early learning and development, through the delivery of universal access to quality early childhood education in the year before full time schooling.	65.5
A Seamless National Economy	
To reduce the level of unnecessary regulation and inconsistent regulation across jurisdictions, deliver agreed COAG deregulation and competition priorities, and improve processes for regulation making and review.	40.5
Digital Education Revolution	
A Commonwealth Government election commitment to provide government and non-government school students with better access to information and communication technology.	72.5 ^(c)
Trade training centres	
To re-tool and train the Australian VET workforce to build capacity in emerging skill areas.	85.5
Total new NPs agreed in 2008-09	1 010.6
Nation Building and Jobs Plan	
To ensure that the stimulus from the Nation Building and Jobs Plan is delivered on time and its impact maximised. Funding to states is being directed to the following areas:	
– Building the Education Revolution (government schools)	901.7
– Building the Education Revolution (non-government schools)	362.7
– Blackspots (road safety), regional roads and level crossings	29.0
– Social housing	477.2
Total – Nation Building and Jobs Plan	1 770.6

(a) Includes South Australia's maximum share of reward payments.

(b) Funding is being provided either through existing programs or through Commonwealth own-purpose expenditures.

(c) Reflects funding for government schools only. Funding for the non-government sector is being paid directly to schools.

Monitoring of specific purpose funding

Under the new Commonwealth-state financial arrangements implemented from 1 January 2009, SPPs and NPPs will be reviewed by Treasurers not less than every five years, to ensure that funding is adequate to meet expenditure demands. The reporting of outcomes will also be monitored to identify issues that might trigger earlier consideration of funding adequacy.

Local government finances

This section provides information on the overall financial performance and position of local government in South Australia and the financial relationships local government has with both the Commonwealth and the state government.

Financial performance and position

The financial performance data shown in Table 4.6 is presented using a simplified Australian Bureau of Statistics Government Finance Statistics framework. With the assistance of the South Australian Local Government Grants Commission, the data has been drawn from the annual financial statements of councils that are prepared in compliance with Australian Accounting Standards.

Consistent with an agreement between the Commonwealth, states and territories whereby each jurisdiction presents financial information on a Uniform Presentation Framework (UPF) basis, the General Meeting of the Local Government Association (LGA) in March 2006 resolved that each council's annual budget papers would include a common core of financial information (similar to Table 4.6). This ensures that information on both operating and capital investment activities is made available on a consistent basis and enables more meaningful comparisons of each council's finances.

Table 4.6: Local government operating statement (\$million)

	2003-04	2004-05	2005-06	2006-07	2007-08
Income ^(a)	1 099	1 181	1 263	1 361	1 449
/less Expenses ^(b)	1 148	1 220	1 287	1 369	1 449
Operating surplus(+)/deficit(-)	-49	-39	-24	-8	—
Less: Net outlays on non-financial assets					
Capital investment expenditure on new/upgraded assets and renewal/replacement of existing assets ^(c)	336	342	375	444	447
/less Proceeds from sale of assets	67	56	57	52	49
/less Depreciation	268	280	288	314	322
/less Amounts received specifically for new/upgraded assets ^(c)	53	49	58	57	68
Net outlays on non-financial assets	-52	-43	-28	21	8
Equals: Net lending(+)/borrowing(-)	3	4	4	-29	-8

(a) Income excludes book gains on sale of assets and amounts received specifically for new/upgraded assets.

(b) Expenses include depreciation but exclude book losses on the sale or revaluation of assets.

(c) Excludes the value of non-financial assets donated to councils.

As shown in Table 4.6, the aggregate level of local government's annual operating deficit has reduced steadily since 2003-04 and was eliminated in 2007-08. The break-even operating result in 2007-08 compares with an operating deficit of \$49 million in 2003-04. While the financial performance of local government as a whole has improved significantly since 2003-04, it is emphasised that the current financial condition of individual councils varies substantially.

Local government taxation revenue (from general and other rates on property) was \$954 million in 2007-08 and is estimated to be approximately \$1030 million in 2008-09. Together with other own-source funding (mainly user charges), approximately 84 per cent of local government income is from its own sources. In real terms, income for local government increased by 17.9 per cent over the four-year period from 2003-04 to 2007-08. Expenses increased in real terms by 12.8 per cent over the same period. Capital investment expenditure increased in real terms by 18.9 per cent from 2003-04 to 2007-08 and is explained by a significant increase in expenditure on renewing and replacing infrastructure.

Table 4.7 shows an abridged balance sheet for local government as a whole at the end of the financial years 2003-04 through to 2007-08.

Table 4.7: Local government balance sheet (\$million)

	2003-04	2004-05	2005-06	2006-07	2007-08
Assets					
Financial assets					
Cash and cash equivalents	178	213	263	277	291
Trade and other receivables	80	80	95	107	115
Equity accounted investments in council businesses	24	28	19	30	53
Other financial assets	7	6	2	1	1
Non-financial assets					
Inventories and assets held for sale	28	30	36	42	57
Land, buildings, infrastructure, plant, equipment and other non-financial assets	9 482	10 258	11 553	12 648	14 114
Total assets	9 799	10 615	11 968	13 105	14 631
Liabilities					
Trade and other payables	98	113	159	217	243
Borrowings and finance leases	431	438	456	472	471
Employee entitlements and other provisions	99	107	103	92	109
Total liabilities	628	658	718	781	823
Net worth	9 171	9 957	11 250	12 324	13 808
Net financial liabilities ^(a)	363	359	358	396	416

(a) Net financial liabilities equals total liabilities less financial assets (excluding equity accounted investments in council businesses).

As shown in Table 4.7, the level of local government net financial liabilities at 30 June 2008 was \$416 million, which represents 29 per cent of local government's income in 2007-08. This compares with a figure of 33 per cent in 2003-04.

With assistance in various ways from the state government, the LGA has created a number of financial institutions to manage, on behalf of councils, a range of commercial arrangements. These include the Local Government Finance Authority, the LGA Mutual Liability Scheme, the Local Government Superannuation Scheme, and the LGA Workers Compensation Scheme. These institutions deliver efficient and effective shared service arrangements for local government and have received strong support from individual councils. At 30 June 2008, the institutions were managing assets valued at \$1971 million and had a combined net worth of \$86 million. These amounts are not included in Table 4.7. In addition, the state government and the LGA have established arrangements for the joint tendering and contracting of electricity for those councils on the national electricity grid, resulting in efficiencies and cost savings to councils.

An independent inquiry initiated by the LGA in 2005 into the financial sustainability of local government in South Australia made significant recommendations regarding the need for local government to improve its financial governance. In particular, it expressed concern at the lack of long-term financial and asset management planning. While the inquiry acknowledged an increasing level of capital investment expenditure on renewal and replacement of existing assets, it highlighted that such expenditure remained significantly less than that needed to minimise whole of life cycle costs of assets. The LGA, with the support of councils, subsequently embarked on a comprehensive Financial Sustainability Program to implement the inquiry's recommendations and support improved

Chapter 4: Intergovernmental Finances

council performance. The state government is providing practical help in various ways to support the LGA's program.

In 2006, the LGA initiated a statewide project to help councils develop strategies, policies and tools to achieve sustainable asset management. Councils are custodians of roundly \$14 billion of infrastructure and other assets on behalf of their communities. The LGA entered into an alliance with the Institute of Public Works Engineering Australia to adopt an internationally recognised approach for preparing asset management policies and plans. The Sustainable Asset Management in SA project is likely to be the most important outcome of the LGA's Financial Sustainability Program. Associated projects are being implemented to improve councils' financial governance and include development of long-term financial plans, improvement of external financial reporting and strengthening the internal and external audit regime.

During 2007, an implementation framework for additional shared service arrangements in local government was developed by the LGA. Following endorsement of the framework by councils, the LGA embarked on an ambitious program of pilot projects to explore a wide range of opportunities for increased resource sharing between councils.

Financial relationships with Commonwealth Government and state government

Commonwealth Government

The Commonwealth provides both general and specific purpose payments to local government in South Australia.

The general purpose payments are made to the state and on-passed to councils on the recommendations of the South Australian Local Government Grants Commission. Arrangements for the payment of these untied financial assistance grants to councils are embodied in the Commonwealth's *Local Government (Financial Assistance) Act 1995*. The financial assistance is provided in two parts — general purpose grants and untied local roads grants. For South Australia, these grants are estimated to be \$98.5 million in 2009-10, consisting of \$74.1 million in general purpose funding and \$24.4 million in untied local road funding. These grants would have totalled \$131.3 million (instead of \$98.5 million) but for a decision by the Commonwealth to bring forward, into 2008-09, the payment of \$32.8 million of grants otherwise payable in 2009-10. The Act provides for the allocation of grants to councils within the state on the basis of HFE principles, subject to a minimum grant provision. This provision requires that each council receive, as a minimum, its per capita share of 30 per cent of the general purpose pool of grants.

Commonwealth payments for specific purposes will be received by South Australian councils under a variety of programs in 2009-10. Estimates of grants include \$28.4 million under the Roads to Recovery component of the Nation Building Program, \$4.8 million for community wastewater management systems under the NP on Water for the Future, \$20.5 million for community infrastructure projects under the Nation Building — Economic Stimulus Plan, and an extra allocation of \$14.8 million for local road funding. The supplementary local road funding of \$14.8 million is a continuation of arrangements that recognise the current inequitable share of untied local road grants being received by South Australia under the *Local Government (Financial Assistance) Act 1995*. In addition, depending on the success of applications under a nationally competitive process, South Australian councils are expected to receive grant funding under the National Affordable Housing SPP, the Disaster Resilience Australia Package, the Remote Aviation Infrastructure Fund and the Jobs Fund.

During 2007, COAG discussed a paper prepared by the Australian Local Government Association which outlined the structure of current funding arrangements of local government in Australia and recent trends. COAG noted that nationally the level of reliance on grants varies significantly between individual local governments, with rural and remote councils generally far more reliant. COAG also noted the work under way by the Local Government and Planning Ministers' Council on strengthening

national consistency in the areas of assessing local government financial sustainability, financial planning and reporting, and asset management. The inaugural meeting of the Australian Council of Local Government was held in November 2008 and involved dialogue on a number of issues of concern to both the Commonwealth and local government.

State government

In 2004, a State/Local Government Relations Agreement was established to improve consultation arrangements and communication practices and to build more productive and collaborative working relationships between the state and local government. The agreement is between the state government and the LGA and is signed by the Premier and the President of the LGA. A schedule of priorities for joint action is agreed on an annual basis. The agreement was revised in 2006 to reflect the national tripartite Intergovernmental Agreement on local government matters signed in April 2006.

In 2007, amendments to the *Local Government Act 1999* were brought into effect. Amending provisions aimed at improving the accountability of councils as well as strengthening their financial governance, asset management, rating practices and auditing arrangements.

The changes included the requirement for councils to:

- prepare and adopt long-term financial plans;
- prepare and adopt long-term infrastructure and asset management plans;
- establish audit committees;
- adopt several measures to strengthen the independence of external auditors; and
- adopt a consistent and improved reporting format covering annual financial statements.

These legislative reforms were supported by the LGA and are consistent with the recommendations of the LGA's independent inquiry into the financial sustainability of local government. The reforms support the directions of the LGA's Financial Sustainability Program, which is helping councils to meet these requirements. Additional legislative amendments are planned later in 2009 to further improve the legislative framework for internal and external review of council administration and financial management.

Table 4.8 sets out arrangements by program or purpose under which the state provides grants and subsidies to councils (including for state programs) or payments to councils for local government or joint state-local government programs. Amounts included in the table do not include funding that is provided by the Commonwealth to the state and on-passed to local government or contract payments to councils for the provision of services on behalf of state agencies. Care needs to be taken in any comparison of the level of state government financial support to councils provided in different state jurisdictions. Significant definitional differences exist between the states and the level of information captured within each varies. In addition, certain funding in some states relates to functions that in general are not performed by South Australian councils.

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Table 4.8: Specific purpose payments from the state to local government (\$000)

Program/purpose	2008-09 Estimated result	2009-10 Budget
Premier and Cabinet		
Cultural Facilities Program, Public Art Program and Sundry Grants	148 ^(a)	110 ^(b)
Community Arts Development Program	63 ^(a)	— ^(b)
Out of the Square Program	150	150
Public Library Services	16 776	17 161
Trade and Economic Development		
Community Builders Program	50 ^(a)	— ^(b)
Treasury and Finance		
Community Wastewater Management Systems	3 368	3 453
Local Government Disaster Fund	1 440	1 325
Regional Development Infrastructure Fund	1 650 ^(a)	— ^(b)
Rural Town Development	— ^(a)	— ^(b)
Upper Spencer Gulf and Outback Enterprise Zone Fund	780 ^(a)	—
Planning and Local Government		
European Wasp Program	70	70
Grants for Regional Open Space and the Public Realm	12 152 ^(a)	10 983 ^(a)
Primary Industries and Resources		
Contribution to administration of Municipal Council of Roxby Downs	800	— ^(b)
Transport, Energy and Infrastructure		
Community Road Safety	20	10
Regional Roads Program	700	700
State Bicycle Fund	431	431 ^(a)
State Black Spot Program — Safer Local Roads & Cycling Projects	2 460	2 084
Subsidy of electricity provision at Coober Pedy	2 999	1 742 ^(b)
TravelSmart SA Program	120	120
Justice		
Bushfire Mitigation Program	528	413
Community Recreation and Sport Facilities Program	223 ^(a)	— ^(b)
Crime Prevention and Community Safety Grants Program	100 ^(a)	— ^(b)
Inclusive Recreation and Inclusive Sport Program	15 ^(a)	— ^(b)
Natural Disaster Mitigation Program	1 197 ^(a)	— ^(b)
Statewide Recreation and Sport Enhancement Program	48 ^(a)	— ^(b)
Subsidy to Adelaide City Council — Aquatic Centre	500	500
Volunteer Resource Centres	100	—
Health		
Drug and Alcohol Services Program	482	482
Environment and Conservation and the River Murray		
Adelaide City Parklands grant	1 269	1 315
Assistance to local government for illegal dumping compliance	43	— ^(b)
Coast Protection Board grants (mainly rural councils)	396	330
Environment Protection Fund	50	35
Kerbside Performance Incentives Program	161	995
Local Heritage Reviews	120	120
Metropolitan Council Coast Protection Works	45	— ^(b)
Problematic Waste Initiatives	10	10
Resource Efficiency Assistance Program — Local Government	80	140
Regional Implementation Program	249	1 318
Stormwater Management Fund	4 203	4 308
Families and Communities		
Council rate concessions	32 800	33 200
Family and Community Development Program	938	923
Home and Community Care Program	5 407	5 672
Support for disability services	274	281
Further Education, Employment, Science and Technology		
Adult Community Education Program	196 ^(a)	— ^(b)
Broadband SA Program	— ^(a)	350 ^(a)
CareerStart SA	327	318
National Youth Week and Youth Advisory Committees	310	336
Total	94 248	—^(c)

(a) The portion of funding for the program(s) which was allocated to local government, or which is estimated will be allocated.

(b) Total program funding not yet determined or is dependent on success of applications under a competitive grants process.

(c) When allocations for all programs are finalised, funding of around \$95 million can be expected in 2009-10.

CHAPTER 5: MANAGING THE STATE'S ASSETS AND LIABILITIES

Overview

Changes in the state's balance sheet since the 2008-09 Budget reflect the unprecedented impacts of the global financial crisis. Those impacts, which are largely outside the control of the government, are being felt by all jurisdictions throughout Australia and across the globe.

At the time of last year's budget, strong operating surpluses were expected across the forward estimates as a means of funding significant infrastructure spending and thus limiting borrowings. By the time of the 2008-09 Mid-Year Budget Review (MYBR) the general government sector net operating balance was expected to be in a slight deficit in 2008-09 and 2009-10. Since the 2008-09 MYBR the fiscal outlook has continued to deteriorate.

Revenue losses from the GST and state taxation have caused a deterioration in the debt outlook over the forward estimates.

The government recognises the importance of maintaining a significant capital program over the next decade to meet the infrastructure needs of the state. However, this program has to be delivered while keeping state debt at manageable levels. This is facilitated through budget improvement measures set out in the 2008-09 MYBR and this budget, and which will require state operating expenditures to be very tightly constrained in the future.

One of the biggest impacts on the balance sheet has been an increase in the state's reported unfunded superannuation liability. Although there has been no significant change in the actual expected payments to beneficiaries underlying the liability, the fall in the value of supporting investments, and the requirement to discount the gross liability based on the falling market yield of Commonwealth Government Bonds, has increased the superannuation liability by \$2.8 billion since the 2008-09 Budget.

Over the forward estimates the ratio of net financial liabilities to revenue is forecast to increase, peaking in 2011-12, mainly as a result of the increase in net debt associated with the capital program.

Notwithstanding the increase in reported liabilities, the general government sector net worth increases over the forward estimates mainly due to an increase in the value of non-financial assets held by public non-financial corporations (PNFC) and public financial corporations (PFC).

Non-financial public sector net debt is expected to increase over the forward estimates due to increases in both general government and PNFC sector net debt as a result of the government's significant investment in infrastructure. This has resulted in an increase in the net financial liabilities to revenue ratio up until 30 June 2012, after which it begins to reduce.

General government sector financial position

Table 5.1 summarises key balance sheet indicators for the general government sector.

Table 5.1: Key balance sheet indicators — general government sector

As at 30 June	2008	2009	2010	2011	2012	2013
	Actual	Estimated result	Estimate	Estimate	Estimate	Estimate
Net debt						
\$m	- 276	659	2 142	2 807	3 200	3 114
% of total revenue	-2.1	4.9	14.8	19.5	21.9	20.7
Net financial liabilities						
\$m	8 078	12 456	14 023	14 873	15 423	15 511
% of total revenue	62.7	93.1	97.1	103.3	105.7	102.9
Net financial worth						
\$m	7 580	4 177	3 512	2 785	2 963	3 681
% of total revenue	58.9	31.2	24.3	19.3	20.3	24.4
Net worth						
\$m	23 741	21 120	21 741	22 494	23 295	24 355
% of total revenue	184.3	157.8	150.5	156.2	159.7	161.5

Net debt

General government sector net debt is expected to increase from \$659 million at 30 June 2009 to \$3114 million at 30 June 2013.

It should be noted that Public Private Partnership (PPP) arrangements for hospitals and schools are recognised as finance leases in the balance sheet, and consequently have an impact on net debt and net financial liabilities.

The estimated increase in net debt would have been 40 per cent larger but for the direct debt reduction measures that will be implemented. These measures, most of which were announced at the time of the 2008-09 MYBR, include:

- the divestment of a range of government buildings and government owned employee housing properties;
- the divestment of harvesting rights of ForestrySA plantations;
- Fleet SA to be transferred to the control of the South Australian Government Financing Authority (SAFA); and
- the recent cancellation of the New Prisons and Secure Facilities Project.

Net financial liabilities

In addition to net debt and unfunded superannuation liabilities, net financial liabilities include other financial liabilities and financial assets excluding equity held in public non-financial corporations and public financial corporations.

Net financial liabilities are forecast to increase from \$12.5 billion at 30 June 2009 to \$15.5 billion at 30 June 2013 due mainly to the increase in net debt previously discussed.

The state's unfunded superannuation liability makes up the largest component of net financial liabilities. At 30 June 2009, the unfunded superannuation liability is estimated to be \$9.7 billion, \$2.8 billion higher than forecast in the 2008-09 Budget and \$454 million higher than estimated in the 2008-09 MYBR. These increases are largely a result of lower than expected earnings on

superannuation assets and the use of a lower discount rate. The unfunded superannuation liability is discussed in more detail later in this chapter.

Other employee benefits, including long service leave, are estimated to be \$1.8 billion at 30 June 2009 and are forecast to increase over the forward estimates largely due to the impact of general increases in remuneration levels. The remaining components of net financial liabilities are projected to remain relatively stable from 30 June 2009 to 30 June 2013.

The estimated net financial liabilities to revenue ratio at 30 June 2009 has increased by 5.8 percentage points since the 2008-09 MYBR estimate of 87.3 per cent largely as a result of the increased unfunded superannuation liability. Net financial liabilities as a percentage of revenue are expected to increase over the forward estimates period, reaching 105.7 per cent at 30 June 2012, before reducing to 102.9 per cent at 30 June 2013.

Table 5.2 compares the general government sector net financial liabilities to revenue ratio with that of other state governments. Those states that have tabled their 2009-10 Budgets are also forecasting an increase in their net financial liabilities to revenue ratio as a result of the effect of the global financial crisis on investment returns and other assumptions that result in increases in unfunded superannuation liabilities.

Table 5.2: General government sector net financial liabilities to revenue (%)

As at 30 June	2009	2010	2011	2012	2013
South Australia	93.1	97.1	103.3	105.7	102.9
Victoria	92.1	97.5	106.1	111.2	109.8
Western Australia	36.8	50.2	59.3	69.0	70.7
New South Wales	92.8	84.9	77.6	74.8	n.a.
Queensland	26.4	39.0	47.0	52.3	n.a.
Tasmania	71.7	72.9	73.3	68.5	n.a.

Source: Data has been sourced from jurisdictions' 2009-10 Budget Papers (Victoria, Western Australia) and 2008-09 MYBRs (those shaded, being, New South Wales, Queensland and Tasmania for which 2009-10 Budget information was not available at the time of publication).

Net financial worth

Net financial worth is a broader measure than net financial liabilities as it incorporates equity interests in public non-financial corporations and public financial corporations. General government net financial worth is expected to decrease over the period to 2011 to \$2.8 billion, due to the increase in the unfunded superannuation liability and the debt associated with the infrastructure investment program, but then improve over the remainder of the forward estimates.

Net worth

Net worth is the amount by which the general government sector's total assets (non-financial and financial) exceed its liabilities. General government sector net worth is expected to decrease in 2008-09 due to the large increase in unfunded superannuation, and then increase across the forward estimates period.

Table 5.3 displays movements in net worth attributable to operating transactions and other economic flows.

Chapter 5: Managing the state's assets and liabilities

Table 5.3: General government sector net worth (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Net worth at beginning of year	23 741	21 120	21 741	22 494	23 295
Change in net worth from operating transactions:					
Net operating balance	- 265	- 304	78	96	304
Change in net worth from other economic flows:					
Movement in net assets of PFCs	- 568	90 ^(a)	34	93	154
Movement in net assets of PNFCs ^(b)	1 543	882	662	669	652
Revaluation of unfunded superannuation liability	-3 188 ^(c)	- 5	- 6	- 6	- 6
Revaluation of long service leave liability	- 81	- 46	- 49	- 53	- 57
Revaluation of annual leave liability	- 26	- 9	- 9	- 9	- 10
Other revaluation adjustments	- 35	14	43	11	23
Total other economic flows	-2 356	925	675	705	756
Net worth at year end	21 120	21 741	22 494	23 295	24 355

Note: Totals may not add due to rounding.

(a) Net of \$52 million return of capital from the South Australian Asset Management Corporation.

(b) Net of the impact of the disposal of assets in the PNFC sector and the return of proceeds to the general government sector.

(c) Further details available in Chapter 5, Table 5.6.

General government sector net worth is expected to increase by \$3.2 billion by June 2013 largely as a result of the increase in net assets of both the PNFC and PFC. This increase in net assets is mainly caused by the revaluation of non-financial assets held by the South Australian Housing Trust and SA Water.

Land and other fixed assets

Land and fixed assets held by general government sector agencies include road and rail networks, as well as land and buildings held mainly by education and health related agencies.

Table 5.4 shows the projected holdings of land and fixed assets for the general government sector over the forward estimates period, together with the depreciation expense for each year.

Table 5.4: Land and other fixed assets — general government sector (\$million)

As at 30 June	2008	2009	2010	2011	2012	2013
	Actual	Estimated result	Estimate	Estimate	Estimate	Estimate
Inventories	135	135	48	48	48	49
Land	2 736	2 776	2 767	2 765	2 717	2 661
Buildings and improvements	5 506	5 719	6 663	7 338	7 271	7 128
Water, sewerage & drainage assets	90	94	113	111	108	105
Road networks	4 761	5 069	5 528	5 974	6 249	6 428
Rail & bus networks	344	444	718	1 012	1 464	1 767
Other infrastructure assets	1 714	1 830	1 514	1 582	1 595	1 654
Heritage assets	850	851	852	853	853	854
Self-generating & regenerating assets	3	3	3	3	3	3
Total land and fixed assets (net of provisions for depreciation)	16 138	16 920	18 206	19 687	20 309	20 651
Depreciation expense	525	595	601	657	703	770

Note: Totals may not add due to rounding.

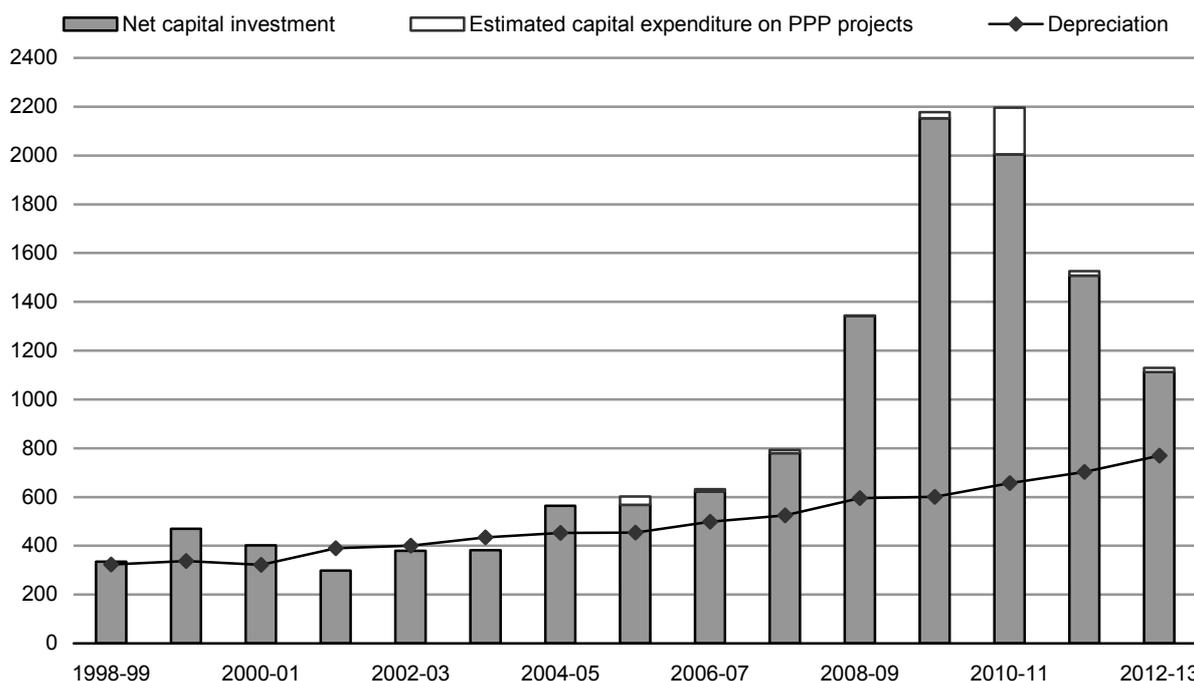
The total value of land and fixed assets held in the general government sector is expected to grow from \$16.9 billion at 30 June 2009 to \$20.7 billion at 30 June 2013. This increase reflects the significant ongoing investment in the state's underlying infrastructure, which is particularly evident for the rail and bus network assets.

\$2.2 billion of non-financial assets will be acquired within the general government sector in 2009-10, mainly in the areas of transport, education and health. Total capital investment is expected to exceed \$7 billion from 2009-10 to 2012-13.

General government sector net infrastructure investment is expected to significantly exceed depreciation over the forward estimates. Depreciation expense reflects the consumption of an asset's service potential. It totals \$601 million in 2009-10 and rises to \$770 million in 2012-13 as a result of the significant increase in the state's asset base over the same period.

Figure 5.1 illustrates the government's high level of capital investment across the forward estimates.

Figure 5.1: General government sector capital investment (\$million)



Note: 1998-99 to 2007-08 are actual outcomes. 2008-09 to 2012-13 are forecasts.

Note: Net capital investment is purchases of assets less contributed assets and asset sale proceeds. In addition, Public Private Partnership (PPP) arrangements have been included as they are recognised as finance leases in the balance sheet.

This investment is increasing the state’s infrastructure base and is a vital response by the state government to the current economic environment, as it both stimulates the state’s economy in the short-term and increases its capacity to grow over the longer-term.

Key general government sector balance sheet indicators — time series

Table 5.5 provides a time series of net debt, unfunded superannuation, net financial worth, net worth and net financial liabilities for the general government sector since 30 June 2003 and projected to 30 June 2013.

Significant volatility in the unfunded superannuation liability is evident between 2003 and 2009 reflecting the inherent short-term fluctuation in some key economic assumptions. The large jump in the ratio of net financial liabilities to revenue largely reflects the increase in the unfunded superannuation liability, and an increase in net debt to support the infrastructure investment program.

The increase in the unfunded superannuation liability from 2007 to 2008 reflects both adverse financial market performance in that period and the effects of the 2007 independent actuarial triennial review. The significant increase from 2008 to 2009 is largely due to the use of a lower discount rate to value the liability and lower than expected investment earnings. All of these factors are largely outside of government control. The state government’s concern is to ensure that the impact of its budget policy is in accord with its medium-term fiscal objectives.

Estimates of the unfunded superannuation liability for the years after 2009 are relatively stable. This reflects the assumed return to the expected long-term earnings rate and an unchanged discount rate.

Despite the significant fluctuation in reported liabilities over the time series, with the exception of 2008-09, net worth has continued to grow. As discussed earlier, this growth is mainly due to increases in PNFC and PFC assets.

Table 5.5: General government sector balance sheet indicators — time series

As at 30 June	Net debt \$m	Unfunded superannuation ^(a) \$m	Net financial worth \$m	Net worth \$m	Net financial liabilities \$m	% of revenue
2003	666	4 445	3 500	15 288	6 974	74.6
2004	224	5 668	3 842	15 760	7 858	78.9
2005	144	7 227	3 853	16 359	9 393	88.7
2006	- 119	6 146	5 846	19 703	8 171	72.7
2007 ^(b)	- 24	5 075	8 110	22 128	7 254	61.7
2008 ^{(c)(d)(e)}	- 276	6 468	7 580	23 741	8 078	62.7
2009	659	9 748	4 177	21 120	12 456	93.1
2010	2 142	9 790	3 512	21 741	14 023	97.1
2011	2 807	9 815	2 785	22 494	14 873	103.3
2012	3 200	9 819	2 963	23 295	15 423	105.7
2013	3 114	9 802	3 681	24 355	15 511	102.9

- (a) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of the Commonwealth Government Bond rate for valuation purposes in line with the accounting standard on employee benefits, resulted in a significant increase in superannuation liabilities.
- (b) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector results in an increase in general government net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.
- (c) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt and net financial liabilities of \$66 million in 2007-08, and a reduction in net financial worth of \$630 million, with no impact on net worth.
- (d) There is a structural break in 2008 reflecting the transfer of assets from the Adelaide Festival Centre Trust to the general government sector. This results in an increase in net debt and net financial liabilities of \$28 million in 2007-08, and a reduction in net financial worth of \$76 million, with no impact on net worth.
- (e) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray–Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million (approximately 5 per cent of revenue) in 2007-08, and increases in net financial worth and net worth of \$615 million.

Source: 2003 to 2008 financial data from South Australia's Final Budget Outcome reports. Financial data from 2009 is estimated data from Appendix A of this budget statement.

Unfunded superannuation liability

Table 5.5 showed that the unfunded superannuation liability is relatively steady across the forward estimates period. This is partly because the annual increase of the defined benefit obligation, as a result of benefits being one year closer, is broadly offset by the annual cash payments made as part of the government's target to fully fund all superannuation liabilities by 2034. The pattern of payments planned to achieve this outcome is such that the unfunded superannuation liability continues to rise marginally until 2012 and then declines to reach zero in 2034. The relative stability across the forward estimates also reflects an assumed return to the expected long-term earnings rate of 7.0 per cent and an unchanged discount rate.

Table 5.6 summarises the change in the unfunded superannuation liability since the 2008-09 Budget.

Chapter 5: Managing the state's assets and liabilities

Table 5.6: Unfunded superannuation liability (\$million)

As at 30 June	2009	2010	2011	2012	2013
Estimate as at 2008-09 Budget	6 992	7 062	7 120	7 164	7 193
Impact of revised discount rate assumptions used to value superannuation liabilities at the 2008-09 MYBR compared with 2008-09 Budget assumptions ^(a)	1 437	1 425	1 409	1 389	1 365
Impact of expected lower returns on superannuation assets in 2007-08 and 2008-09 as at 2008-09 MYBR compared with 2008-09 Budget assumptions ^(b)	1 459	1 477	1 493	1 505	1 515
Independent review of economic assumptions	- 549	- 577	- 603	- 628	- 651
Other actuarial changes	- 45	- 46	- 46	- 47	- 47
Estimate as at 2008-09 MYBR	9 294	9 341	9 372	9 383	9 375
Impact of expected lower returns on superannuation assets in 2008-09 compared with 2008-09 MYBR assumptions ^(c)	242	245	248	250	253
Impact of revised discount rate assumptions used to value superannuation liabilities at the 2009-10 Budget compared with 2008-09 MYBR ^(d)	237	233	228	222	215
Variation between actual and expected experience ^(e)	- 24	- 28	- 32	- 36	- 41
Estimate as at 2009-10 Budget	9 748	9 790	9 815	9 819	9 802

Note: Totals may not add due to rounding.

- (a) The discount rate at the time of the 2008-09 MYBR was 5.4 per cent compared with 6.3 per cent assumed in the 2008-09 Budget.
- (b) The assumed earnings rate for 2008-09 at the time of the 2008-09 MYBR was negative 12 per cent compared with the long-term assumption of 7 per cent.
- (c) The assumed earnings rate for 2008-09 is negative 17 per cent for the 2009-10 Budget compared with the assumption in the 2008-09 MYBR of negative 12 per cent.
- (d) The discount rate at the time of the 2009-10 Budget is 5.2 per cent compared with 5.4 per cent assumed in the 2008-09 MYBR.
- (e) This includes changes resulting from the 2008 triennial independent actuarial review of Police Scheme.

The projected unfunded superannuation liability has increased since the 2008-09 MYBR. This increase is largely due to lower than expected returns achieved by Funds SA in 2008-09 and a lower discount rate used to value the unfunded superannuation liability in accordance with the Australian Accounting Standards.

The estimate of the unfunded superannuation liability as at 30 June 2009 reflects an estimated Funds SA earnings rate of negative 17 per cent for 2008-09. This earnings rate is substantially below the long-term assumed earnings rate of 7 per cent and the negative 12 per cent assumption forecast in the 2008-09 MYBR. The negative returns are due to the significant decline experienced in financial markets during 2008-09 as a result of the global financial crisis. It is assumed that the target earnings rate will be achieved in the future.

The unfunded superannuation liability is estimated at a point in time by discounting future superannuation benefit payments by a relevant discount rate. The discount rate reflects the risk-free interest rate and is set on the basis of the longest dated Commonwealth Government nominal bond (currently May 2021 bond). A discount rate of 5.2 per cent (effective annual rate) has been used for the 2009-10 Budget, compared with 5.4 per cent used for the 2008-09 MYBR.

The discount rate changes in response to the economy and financial market conditions. Small changes in the long-term bond rate have a material impact on the reported liability, with a 1.0 percentage point reduction in the bond rate increasing the liability by approximately \$2 billion.

The unfunded superannuation liability is a long-term liability, which over the course of the past 12 months has increased significantly as a result of volatility in financial markets. While this has had a multi-billion dollar impact on the value of the liability recorded on the balance sheet, there has been no material change in the actual expected payments to beneficiaries underlying the liability.

Despite the significant increase in the liability the government remains committed to fully funding the superannuation liability by 2034.

Table 5.7 shows estimated cash contributions towards the state's unfunded superannuation liability. The cash contributions are forecast to increase over the forward estimates as a result of the increased liability.

Table 5.7: Estimates of past service superannuation liability cash payments (\$million)

	2008-09	2009-10	2010-11	2011-12	2012-13
	291	406	422	439	456

Non-financial public sector financial position

While the general government sector is the focus of the budget, the non-financial public sector financial position is also important. The non-financial public sector comprises the general government sector and the public non-financial corporations sector.

Table 5.8 summarises key balance sheet indicators for the non-financial public sector.

Table 5.8: Key balance sheet indicators — non-financial public sector

As at 30 June	2008 Actual	2009 Estimated result	2010 Estimate	2011 Estimate	2012 Estimate	2013 Estimate
Net debt						
\$m	1 611	3 082	5 230	6 327	6 656	6 571
% of total revenue	11.8	21.9	34.2	40.9	42.7	40.6
Net financial liabilities						
\$m	10 208	15 127	17 682	19 096	19 594	19 665
% of total revenue	74.9	107.3	115.5	123.4	125.6	121.6
Net financial worth						
\$m	-10 487	-15 974	-18 491	-19 871	-20 277	-20 195
% of total revenue	-76.9	-113.3	-120.8	-128.4	-130.0	-124.9
Net worth						
\$m	23 741	21 120	21 741	22 494	23 295	24 355
% of total revenue	174.1	149.8	142.1	145.3	149.3	150.6

Non-financial public sector net debt is projected to increase over the forward estimates period as a result of increases in both general government sector and public non-financial sector net debt. The public non-financial corporation sector component of non-financial public sector net debt is expected to increase from \$2423 million at June 2009 to \$3457 million at June 2013. This increase is mainly due to significant investment in infrastructure projects such as SA Water's desalination plant.

The estimated ratio of net financial liabilities to revenue for the non-financial public sector is expected to increase by 14.1 percentage points over the forward estimates period. The increase is primarily a result of infrastructure investment initiatives, partly offset by operating surpluses over the final three years of the forward estimates.

Chapter 5: Managing the state's assets and liabilities

The forecast negative net financial worth position of the non-financial public sector contrasts with the positive net financial worth of the general government sector, reflecting:

- the exclusion of equity held by the general government sector in the public non-financial corporations sector, which is recognised as a financial asset in the general government sector but is eliminated in the consolidation of the non-financial public sector; and
- the inclusion of the PNFC sector's net debt.

Land and other fixed assets

Table 5.9 shows the projected holdings of land and other fixed assets for the non-financial public sector in 2008-09 and across the forward estimates.

Table 5.9: Land and other fixed assets — non-financial public sector (\$million)

As at 30 June	2008	2009	2010	2011	2012	2013
	Actual	Estimated result	Estimate	Estimate	Estimate	Estimate
Inventories	368	461	433	322	314	316
Land	7 526	8 243	8 354	8 477	8 544	8 606
Buildings and improvements	9 543	10 221	11 427	12 259	12 063	11 910
Water, sewerage & drainage assets	8 130	8 953	10 337	11 402	12 012	12 541
Road networks	4 765	5 073	5 532	5 978	6 253	6 432
Rail & bus networks	344	444	718	1 012	1 464	1 767
Other infrastructure assets	2 052	2 176	1 884	1 957	1 963	2 016
Heritage assets	857	858	859	860	861	861
Self-generating & regenerating assets	617	640	663	74	74	74
Total land and other fixed assets (net of provisions for depreciation)	34 202	37 069	40 207	42 340	43 547	44 524
Depreciation expense	798	877	903	1 018	1 076	1 154

Note: Totals may not add due to rounding.

The total value of land and other fixed assets for the non-financial public sector is projected to rise from \$37.1 billion at 30 June 2009 to \$44.5 billion at 30 June 2013.

The higher level of non-financial assets in the non-financial public sector compared with the general government sector reflects the inclusion of assets held by public non-financial corporations. These include assets held by SA Water (water and wastewater infrastructure such as pipelines, water filtration plants and reservoirs) and the South Australian Housing Trust.

Key non-financial public sector balance sheet indicators — time series

Table 5.10 provides a time series of net debt, unfunded superannuation, net financial worth, net worth and net financial liabilities for the non-financial public sector since 30 June 2003 and projected to 30 June 2013.

Table 5.10: Non-financial public sector balance sheet indicators — time series

As at 30 June	Net debt \$m	Unfunded superannuation^(a) \$m	Net financial worth \$m	Net worth \$m	Net financial liabilities \$m	% of revenue
2003	2 696	4 445	-8 811	15 288	9 096	89.4
2004	2 285	5 668	-9 550	15 760	10 031	93.7
2005	2 126	7 227	-11 004	16 359	11 511	101.5
2006	1 786	6 146	-9 889	19 703	10 451	88.5
2007 ^(b)	1 989	5 075	-8 795	22 128	9 518	77.2
2008 ^{(c)(d)}	1 611	6 468	-10 487	23 741	10 208	74.9
2009	3 082	9 748	-15 974	21 120	15 127	107.3
2010	5 230	9 790	-18 491	21 741	17 682	115.5
2011	6 327	9 815	-19 871	22 494	19 096	123.4
2012	6 656	9 819	-20 277	23 295	19 594	125.6
2013	6 571	9 802	-20 195	24 355	19 665	121.6

Sources: 2003 to 2008 financial data from South Australia's Final Budget Outcome reports. Financial data from 2009 is estimated data from Appendix A to this budget statement.

- (a) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of the Commonwealth Government bond rate for valuation purposes in line with the accounting standard on employee benefits, resulted in a significant increase in superannuation liabilities.
- (b) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector results in an increase in general government net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.
- (c) There is a structural break in 2008 reflecting the amalgamation of the South Australian Community Housing Authority (PFC) with the South Australian Housing Trust (PNFC). This results in an increase in net debt and net financial liabilities and a decrease in net financial worth of \$98 million in 2007-08, with no impact on net worth.
- (d) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray–Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million (approximately 5 per cent of revenue) in 2007-08, and increases in net financial worth and net worth of \$615 million.

As shown in the above table, net debt steadily decreased from 2003 to 2008 before significantly increasing over the forward estimates reflecting the historic capital investment program. Net worth, however, has continued to improve, with the exception of 2008-09, and is now estimated to reach \$24.4 billion at 30 June 2013.

Management of assets and liabilities

Assets

Each agency establishes, implements and maintains its own asset management plan to ensure assets are deployed efficiently and effectively in the delivery of programs.

Debt management

The funding and management of the state's debt is undertaken by the South Australian Government Financing Authority (SAFA).

The state's funding requirements are achieved by SAFA through the issue of securities in the financial markets, including long-term Select Line fixed interest securities issued in Australia and through SAFA's short-term funding facilities.

Chapter 5: Managing the state's assets and liabilities

SAFA's ability to raise funding has been modestly impacted by the global financial crisis. The major impact has been on the cost of funds relative to Commonwealth Government Bonds. The increase in the relative cost reflects a general widening of credit spreads, and a perceived increase in the risk of holding state government bonds as the debt outstandings of the states increase. SAFA's funding activity has also been affected by a decline in the liquidity of state government bonds. Despite an increase in cost of funds relative to the Commonwealth, SAFA's overall cost of funds has fallen through the 2008-09 financial year.

On 25 March 2009, the Commonwealth Government announced that it would guarantee the borrowings of state governments. This decision was taken as a result of threats to the capacity of state governments to deliver critical infrastructure projects and support jobs in the face of the global recession. The guarantee will be available for both existing and new issuances of securities, but will not extend to issuances denominated in foreign currencies. The Commonwealth Government will charge a fee for the use of the guarantee based on the credit rating of the state.

As at 30 June 2008, SAFA had loans to the Treasurer of approximately \$2.7 billion to finance the general government sector and South Australian Housing Trust (via long-term housing agreement debt). These loans are partly offset by deposits the Treasurer has with SAFA. The average interest cost on the Treasurer's debt for 2008-09 is expected to be approximately 6.0 per cent.

In relation to general government debt, the government's debt management objective is to minimise the long-term average interest cost subject to acceptable levels of interest rate risk.

Under the debt management framework, debt is managed within a duration range of 1–1.5 years. There is no discretion to have an interest rate position outside that range. Interest rate risks are also controlled by the use of value at risk limits. The debt management framework is reviewed regularly and such reviews would take into account any significant changes in the state's debt levels.

In addition to debt managed under this framework, the general government sector has CPI indexed and long-term housing agreement debt. This serves to increase the overall duration of general government sector debt.

The framework for managing the debt of public non-financial corporations, such as SA Water, is determined by the individual corporations.

Managing superannuation liabilities and assets

All public sector employees are covered by some form of superannuation scheme. These schemes include member contributory schemes designed to provide employees with pension or defined lump sum benefits upon retirement. These defined benefit schemes are now closed to new members.

As an employer, the Government of South Australia meets the Commonwealth mandated superannuation guarantee arrangements by means of the Southern State Superannuation (Triple S) Scheme.

The Triple S Scheme is an accumulation scheme to which the employer contributes at a rate of 10 per cent if members contribute at least 4.5 per cent of salary. For non-contributory members or members who contribute less than 4.5 per cent of salary, the employer contribution rate is the Guarantee Charge rate of 9.0 per cent.

The provision by the government of defined benefit superannuation schemes for its employees creates a liability for the government to pay future benefits to scheme members in accordance with the terms of the schemes. The South Australian Superannuation Scheme and the Police Superannuation Scheme, which are the main defined benefit schemes, were closed to new members in 1994. A program began in 1994-95 to fully fund all employer superannuation

liabilities. The current funding program aims to have the defined benefit schemes fully funded by 2034.

Superannuation liabilities represent the present value of estimated future benefit payments. The South Australian Superannuation Scheme liabilities (being defined benefit schemes) are calculated assuming general real salary increases of 1.5 per cent per annum and pension increases adjusted by the Consumer Price Index (CPI) assumed to be 2.5 per cent per annum. Commencing with the 2003-04 MYBR, the liabilities have been calculated using a discount rate set with reference to the Commonwealth Government Bond rate. The risk-free discount rate used for the 2009-10 Budget is 5.2 per cent (effective annual rate) but will be adjusted in future years as the risk-free rate moves. An earnings rate of negative 17 per cent for 2008-09 has been assumed based on estimated investment earnings by Funds SA to early May 2009 and using the assumption of 7.0 per cent per annum long term return for the remainder of the year. The long-term earnings rate assumption of 7.0 per cent per annum may be reviewed periodically to reflect movements in the risk-free discount rate.

Table 5.11 sets out for the superannuation schemes operating in the state public sector, the estimated accrued liabilities of those schemes and the assets available to meet those liabilities, as at 30 June 2009.

Table 5.11: Public sector superannuation liabilities as at 30 June 2009 (estimated)

	Accrued liability \$m	Assets \$m	Net liability \$m
Schemes administered by the Government of South Australia ^(a)	19 651	9 956	9 695
Schemes not administered by the Government of South Australia ^(b)	241	188	53
Total schemes	19 892	10 144	9 748

(a) The parts of the liability relating to schemes administered by the Government of South Australia that are defined benefits schemes have been determined by the Department of Treasury and Finance on the basis of the present value of expected future benefits that have arisen from membership of the various schemes. The SA Ambulance Service Superannuation Scheme is valued by an independent actuary.

(b) The value of the liabilities and the assets administered by these organisations is based upon actuarially determined estimates and valuations performed by qualified actuaries appointed by the trustees of the various schemes.

Table 5.12 details the components of the unfunded liability for the South Australian Superannuation Scheme, the scheme with the largest unfunded liability.

Chapter 5: Managing the state's assets and liabilities

Table 5.12: South Australian Superannuation Scheme as at 30 June 2009 (estimated) (\$ million)

Liabilities	
Pension Scheme	
Pensioners	6 186
Contributors	3 806
	<hr/>
	9 992
Lump Sum Scheme	1 711
Gross liability	<hr/>
	11 703
<i>less</i>	
Assets	
SA Superannuation Fund (members' contributions)	1 967
Employer fund (contributions by agencies including past service contributions by the government)	1 729
Total Assets	<hr/>
	3 696
<i>equals</i>	
Unfunded liability	<hr/>
	8 007

Insurance arrangements

From 1 July 2006, SAFA's functions were expanded to include acting as captive insurer of the Crown following amendments to its enabling legislation.

Prior to this date, the government's insurance and risk management arrangements were managed by a subsidiary of the Treasurer, the South Australian Government Captive Insurance Corporation (SAICORP).

SAFA manages the government's insurance and risk management arrangements through a separate insurance division using the trading name SAICORP.

The insurance function of SAFA is operated through two funds specifically established in SAFA's accounts to quarantine the insurance activities from SAFA's finance activities.

Premiums received from agencies for insurance cover provided under the government's insurance and risk management arrangements for incidents occurring from 1 July 1994 are credited to SAICORP Insurance Fund 1, which is used to:

- meet loss and claim payments above agreed levels of agency excesses;
- provide a reserve to cover future losses and claims;
- pay premiums for the government's catastrophe reinsurance program and other insurances deemed necessary and appropriate in connection with the arrangements;
- meet the cost of administering the insurance and risk management program; and
- pay service providers for advice and services as required in connection with the insurance and risk management program.

Claim payments in respect of insurable incidents that occurred prior to 1 July 1994 that survive the *Limitations of Actions Act 1936*, claims under the builders warranty indemnity reinsurance arrangements and SGIC residual claims are met from SAICORP Insurance Fund 2. From 1 July 2008,

non-insurable type liabilities previously met from SAICORP Insurance Fund 2 are managed by the relevant government department and funded separately.

From 1 July 2006, the Treasurer has indemnified SAFA for the financial outcomes of SAICORP Insurance Fund 2. On an annual basis, payments will be made under the Treasurer's indemnity to ensure that SAICORP Insurance Fund 2 is maintained on a break-even basis in SAFA's accounts as at 30 June each year.

All government departments are included in the arrangements, together with all statutory authorities, unless specifically exempted by the Treasurer.

Premium revenue earned by SAFA from client agencies for 2008-09 is estimated to be \$29.4 million (\$29.1 million for 2007-08). SAFA has a policy of accumulating reserves over time to meet the cost of retained risks. Funds not required to meet day to day operational costs or short-term claim costs are invested in the tax exempt multi sector growth product of Funds SA.

At 30 June 2008, SAICORP Insurance Fund 1 had:

- total assets of \$309.5 million;
- total liabilities of \$223.7 million, including outstanding claim liabilities of \$223.1 million. Medical malpractice claims accounted for \$152.2 million of the outstanding claim liabilities; and
- net assets (free reserves) of \$85.8 million.

At 30 June 2008, SAICORP Insurance Fund 2 had:

- total assets of \$60.8 million;
- total liabilities of \$60.8 million, including outstanding claim liabilities of \$55.0 million. Medical malpractice claims accounted for \$36.5 million of the outstanding claim liabilities; and
- no net assets (a break-even position).

In accordance with the Treasurer's indemnity in relation to SAICORP Insurance Fund 2, the Fund's negative asset position as at 30 June 2008 was eliminated by a receivable of \$9.6 million from the Treasurer.

During 2008-09, SAICORP Insurance Fund 1 and SAICORP Insurance Fund 2 have been impacted by the global financial crisis and the value of investments has fallen significantly. The value of liabilities have also increased due to the lower discount rate used, reflecting the fall in the Commonwealth Bond rate.

CHAPTER 6: GOVERNMENT BUSINESSES

Overview

The overall contributions from government businesses are expected to be below budget for 2008-09 due primarily to lower dividend and income tax equivalent payments from SA Water, the Land Management Corporation and ForestrySA.

Some recovery in contributions is forecast from 2010-11 to 2012-13, mainly due to SA Water's additional sales revenue from the increase in water prices and an increase in the Land Management Corporation's land sales. This is partly offset by reduced contributions from ForestrySA, as a result of the planned upfront sale of its harvests.

Proceeds from the sales of ForestrySA's harvests have not been disclosed so as to avoid prejudicing the sales process.

Government businesses are classified according to the Australian Bureau of Statistics (ABS) standards, as either public non-financial corporations (PNFC) or public financial corporations (PFCs) (see Appendix D for agency classification). Only PNFCs are discussed in this chapter, as budget estimates for the PFC sector are not published under the Uniform Presentation Framework.

The business activities of agencies classified as part of the general government sector are not reported in this chapter but are included in the relevant Portfolio Statements (see Budget Paper 4).

More detailed information on PNFCs that have major social policy functions (such as the South Australian Housing Trust) is reported in the relevant Portfolio Statements. Forward estimates for the PNFC sector are presented in Appendix A.

In accordance with ABS classification standards, dividends from SA Lotteries have been excluded from total PNFC dividends, and are recorded as gambling tax in Chapter 3 and taxation revenue in the general government sector operating statement at Appendix A.

The government's primary budget focus is the general government sector. PNFC and PFC revenue, expenditure and profit do not directly affect the general government targets. However, contributions paid by PNFCs and PFCs (dividend and income tax equivalent payments) and subsidies received by them, including grants and community service obligations (CSO) payments, are reflected in the general government results. The subsidies received by government businesses are classified as expenses for the general government sector, and contribution payments made by government businesses are classified as general government revenues.

PNFC borrowings contribute to non-financial public sector (NFPS) net debt. Although the government does not set a specific target for NFPS net debt, the level of NFPS debt is reported as part of the budget process. The government has determined that PNFCs may only borrow where they can demonstrate that their investment programs are consistent with commercial returns (including budget funding). Investing expenditure by PNFCs is reported in the Capital Investment Statement.

Public non-financial corporations: operating performance

Table 6.1: Public non-financial corporations sector budget aggregates (\$million)

	2008-09 Budget	2008-09 Estimated Result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Net operating balance before dividends and income tax equivalents	382.9	312.3	637.8	500.6	363.8	409.4
less Dividends ^(a)	280.7	219.3	222.0	243.4	242.5	291.8
less Income tax equivalents ^(b)	137.7	102.5	115.9	127.5	119.2	141.7
<i>equals</i>						
Net operating balance	- 35.5	- 9.6	299.9	129.7	2.0	- 24.1
<i>less</i>						
Net acquisition of non-financial assets						
Gross fixed capital formation ^(c)	521.0	721.7	1 513.3	593.1	300.1	341.3
less Depreciation	274.5	282.0	302.5	360.9	373.5	384.2
plus Change in inventories ^(d)	- 44.3	93.1	59.3	- 111.2	- 8.6	2.1
<i>equals</i> Total net acquisition of non-financial assets	202.3	532.9	1 270.1	121.0	- 82.0	- 40.8
<i>equals</i>						
Net lending / borrowing	- 237.8	- 542.5	- 970.3	8.7	84.0	16.7

Note: Totals may not add due to rounding.

- (a) In accordance with ABS classification standards, Table 6.1 excludes dividends from SA Lotteries, which are recorded as gambling tax in Table 3.6 and Table 3.10 of Chapter 3 and taxation revenue in the general government sector operating statement at Appendix A.
- (b) The 2008-09 Budget figure in Table 6.1 no longer includes local government rate equivalents, consistent with the following years.
- (c) Gross fixed capital formation comprises purchases of non-financial assets (including contributed assets) less sales of non-financial assets.
- (d) In establishing the operating statement format consistent with the revised 2008 Uniform Presentation Framework, change in inventories has been recorded for the first time in 2008-09. The 2008-09 Budget has been recast to reflect this variation resulting in a \$44 million improvement to the 2008-09 net lending figure reported in the 2008-09 Budget.

Operating performance

In 2008-09 the PNFC sector is estimated to contribute a total of \$321.9 million in dividend and income tax equivalent payments, which represents a \$96.5 million decrease from budget. The decrease is mainly a result of lower sales of land and timber products, by the Land Management Corporation and ForestrySA respectively. SA Water is also contributing to the below budget results for 2008-09, mainly due to reduced sales revenue and higher operating expenditure associated with water security measures.

The revenue sources of a number of major government businesses, including the Land Management Corporation and ForestrySA, are tied to the level of activity in the building and construction sector, particularly residential housing. Dwelling investment declined at a national level in 2008-09. Building approvals, a forward indicator of building intentions, suggest a downturn at the national level in building activity in at least the first half of 2009-10. It is expected, however, that the Nation Building — Economic Stimulus Plan will cushion the building and construction sector from the full impact of the downturn. Both the Land Management Corporation and ForestrySA are estimating that operating performance will start to improve in the second half of 2009-10, which is discussed below.

The net operating balance (before dividend and income tax equivalent payments) for the PNFC sector in 2008-09 of \$312.3 million represents a \$70.6 million decrease from budget. The budgeted 2009-10 net operating balance (before dividends and income tax equivalent payments) of \$637.8 million is significantly higher than 2008-09 mainly as a result of additional revenue in the South Australian Housing Trust, for social housing investment under the Nation Building — Economic Stimulus Plan (\$304.2 million in 2009-10 compared to \$19.5 million in 2008-09).

Under Government Finance Statistics (GFS) reporting conventions, the net operating balance is calculated after dividends and income tax equivalents. Dividends and income tax equivalents contribute to operating revenues of the general government sector.

SA Water

SA Water's 2008-09 estimated contributions to government of \$228.2 million are below budget, reflecting the negative impact on sales revenue of a change in the billing process for water use charges, and increased operating expenses associated with the acceleration and expansion of the Adelaide Desalination Plant and other water security initiatives to guarantee South Australia's water supply. Grant, subsidy and CSO revenue paid to SA Water by the government is estimated to total \$208.0 million in 2008-09, including \$183.0 million in CSO revenue and \$24.4 million for the purchase of water licences on behalf of the Department for Water, Land and Biodiversity Conservation. SA Water's net contribution to government in 2008-09 is estimated to be \$20.2 million.

SA Water's profit before income tax equivalents is expected to increase from \$236.4 million in 2008-09 to \$274.0 million in 2009-10. This is mainly due to additional revenue from the increase in water prices, partly offset by higher depreciation and borrowing costs as a result of the significant increase in the capital program.

The government approved an average 17.9 per cent real increase in water prices in 2009-10. The South Australian government is required under the 2004 National Water Initiative to set water and wastewater prices on the basis of nationally consistent principles. These principles require SA Water to earn an economic rate of return on all new investments in the South Australian metropolitan water and wastewater sector, including the Adelaide Desalination Plant. The resultant prices provide enough revenue to recover all costs including capital and interest over the life of the project, however the pattern of cash flows for revenues and capital and operating costs differs over time and this is reflected in impacts on dividend flows.

The Commonwealth Government has recently announced additional funding of \$228 million to increase the capacity of the Adelaide Desalination Plant to 100 gigalitres. This funding and the pricing impacts of the bigger plant will be taken into account when water prices for 2010-11 are reviewed.

Provision has been made for the continuation of temporary water restrictions into 2009-10 and 2010-11. The continuing Level 3 restrictions are expected to result in SA Water's profit before income tax equivalents in 2009-10 and 2010-11 being lower than it would otherwise be by \$58.9 million and \$69.6 million respectively. This is due to lost water sales revenue and the cost of advertising, water licences and management of restrictions. The actual outcome could vary substantially, depending on water flows into the Mount Lofty Ranges and the Murray-Darling Basin catchments in 2009 and 2010.

SA Lotteries

SA Lotteries' profit before income tax equivalents is expected to be slightly above budget in 2008-09 at \$25.4 million and then decline to \$21.1 million in 2009-10, mainly due to increased operating expenses in 2009-10 associated with the replacement of the Online Lotteries System. SA Lotteries' profit before income tax equivalents is forecast to increase to \$23.4 million in 2010-11 and remain relatively constant over the remaining forward estimates.

Sales revenue is expected to increase from \$356.0 million in 2008-09 to \$358.0 million in 2009-10 and remain relatively flat across the forward estimates.

Chapter 6: Government businesses

Land Management Corporation

The Land Management Corporation's projected contributions to government in 2008-09 of \$62.5 million are significantly below budget. This is mainly due to the deferral of industrial and residential land sales as a result of the decline in demand.

Total revenue is projected to increase from \$128.2 million in 2008-09 to \$165.4 million in 2009-10, mainly due to the increase in land sales for the Playford Alive project. Revenue is then expected to increase further across the remainder of the forward estimate period primarily as a result of the land sales for a range of projects, including the Playford Alive project, the Port Waterfront redevelopment, the Blakeview-Craigmore residential development, the Bowden Village residential development, the Edinburgh Parks development and the Northfield residential development.

Other major projects contributing to the Land Management Corporation's revenue during the forward estimate period include the Hackham Rural residential development, the Seaford Meadows residential development and the Evanston Gardens residential development.

Expenses are also projected to increase from \$77.9 million in 2008-09 to \$115.3 million in 2009-10, mainly due to the related increase in the cost of land sales attributed to the Playford Alive project. Expenditure is then expected to increase further during the remainder of the forward estimate period, mainly related to the land sales primarily attributed to the Playford Alive project, the Port Waterfront redevelopment and the Bowden Village residential development.

Contributions in 2008-09 of \$62.5 million include a dividend adjustment for 2007-08 of \$15.7 million. Excluding the 2007-08 dividend amount results in contributions of \$46.8 million for 2008-09, which are similar to the 2009-10 contributions of \$46.6 million. For the remainder of the forward estimate period, overall contributions are expected to increase.

ForestrySA

ForestrySA's 2008-09 projected contributions to government of \$19.0 million are significantly below budget due to reduced sales.

ForestrySA's sales are primarily dependent on the housing and construction sector. The current economic climate has resulted in weakened trading conditions in 2008-09 and ForestrySA is expecting this trend to continue into at least the first half of 2009-10.

Revenue (excluding timber revaluation movements) is expected to increase from \$107.5 million in 2008-09 to \$112.6 million in 2009-10 mainly due to an increase in the price of timber to reflect updated contract prices and a slight increase in timber volumes as trading conditions are forecast to improve towards the end of 2009-10.

Expenditure is expected to remain at \$82.0 million in both 2008-09 and 2009-10. Harvesting and transport costs have decreased slightly in 2009-10 mainly due to a decrease in fuel price, however, the decrease has been offset mainly by an increase in other expenditure associated with ForestrySA's land acquisition program. Expenditure is then expected to increase slightly in 2010-11 to \$88.9 million due to an increase in timber sales as trading conditions start to return to normal levels.

Contributions are expected to increase from \$19.0 million in 2008-09 to \$28.4 million in 2009-10, mainly as a result of the slight increase in timber sales and a dividend adjustment for 2007-08 reducing contributions in 2008-09.

Investing expenditure

Gross fixed capital formation for the PNFC sector is \$1513.3 million in 2009-10, including investing expenditure of \$1701.8 million and contributed assets of \$26.0 million.

This is mainly due to SA Water, with a capital expenditure budget of \$1251.6 million, including contributed assets of \$26.0 million, and the South Australian Housing Trust, with a \$372.2 million capital expenditure budget. SA Water's capital expenditure (including contributed assets) will increase by \$535.6 million from 2008-09 to 2009-10, and then decline across the forward estimates to a total of \$379.0 million in 2012-13.

Some significant investing initiatives in 2009-10 are:

- \$832.8 million for SA Water towards the 100 GL Adelaide Desalination Plant;
- \$372.2 million for the South Australian Housing Trust towards public housing, construction, redevelopment and capital maintenance, including \$251.6 million as a result of the Commonwealth Government's Nation Building—Economic Stimulus Plan and the new National Partnership agreements for Social Housing and Remote Indigenous Housing;
- \$80.0 million for SA Water towards the upgrade of the Christies Beach Wastewater Treatment Plant;
- \$35.5 million for SA Water towards the Southern Urban Reuse Project;
- \$17.2 million for SA Water towards the Glenelg to Adelaide Parklands Recycled Water Project;
- \$12.7 million for SA Lotteries towards the replacement of the Online Lotteries System; and
- \$12.0 million for ForestrySA for the acquisition of land.

From 2009-10 to 2010-11 there is a large step down, which is mainly due to a reduction in 2010-11 of capital expenditure for the Adelaide Desalination Plant and the completion of the Adelaide Entertainment Centre works in 2010-11.

Grants, subsidies, community service obligations, dividends and income tax equivalents

Table 6.2 summarises financial transactions between government businesses and the general government sector, including grants, subsidies, community service obligations, dividends and income tax equivalents.

Table 6.2: Financial transactions between government businesses and the general government sector (\$million)^(a)

	Grants, Subsidies and CSOs			Dividends			Income Tax Equivalents		
	Actual	Estimate	Budget	Actual	Estimate	Budget	Actual	Estimate	Budget
	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10	2007-08	2008-09	2009-10
PNFC									
Adelaide Convention Centre	4.5	4.5	4.5	0.5	—	—	0.3	—	—
Adelaide Entertainment Centre	51.2	—	—	—	—	—	—	—	—
Adelaide Festival Centre Trust	13.3	13.6	13.6	—	—	—	—	—	—
Electricity Lease Entities	3.8	5.6	5.3	2.8	0.2	—	—	—	—
ForestrySA	3.1	3.2	3.3	22.7	12.4	19.3	10.9	6.5	9.2
Land Management Corporation	7.0	2.0	1.5	61.4	47.4	31.6	36.3	15.1	15.0
SA Lotteries ^(b)	—	—	—	—	—	—	8.1	7.6	6.3
Public Trustee	—	—	—	0.5	0.6	1.7	0.3	0.3	0.8
South Australian Government Employee Residential Properties	5.1	5.2	0.1	—	1.2	1.2	1.4	2.0	2.0
South Australian Housing Trust	261.5	388.9	649.3	—	—	—	5.5	—	—
South Australian Motor Sport Board ^(c)	11.3	14.9	2.8	—	—	—	—	—	—
SA Water	164.6	208.0	162.3	186.1	157.5	168.4	85.8	70.7	81.8
TransAdelaide	2.5	2.0	2.1	—	—	—	—	—	—
West Beach Trust	1.3	0.8	1.2	—	—	—	0.6	0.4	0.8
PNFC Total	529.1	648.7	845.9	273.9	219.3	222.0	149.2	102.5	115.9
PFC									
HomeStart Finance	7.6	4.0	4.2	3.8	7.8	9.4	2.0	3.4	5.0
South Australian Asset Management Corporation	—	—	—	4.0	4.0	23.5	—	—	—
South Australian Government Finance Authority ^(d)	9.6	—	—	—	10.8	11.6	—	—	—
PFC Total	17.2	4.0	4.2	7.8	22.7	44.5	2.0	3.4	5.0
PNFC and PFC Total	546.2	652.7	850.1	281.7	242.0	266.6	151.2	105.9	120.9

Note: Totals may not add due to rounding.

- (a) Table 6.2 is presented on an accrual basis and includes only those PNFCs and PFCs that are expected to impact on general government net lending. The table includes Commonwealth Government subsidies paid through the Government of South Australia (for example, subsidies to the South Australian Housing Trust).
- (b) In accordance with ABS classification standards, Table 6.2 excludes dividends from SA Lotteries, which are recorded as Gambling Tax in Table 3.6 and Table 3.10 of Chapter 3.
- (c) Grants received by the South Australian Motor Sport Board (a not-for-profit organisation) in 2007-08 are presented in accordance with Australian Accounting Standard AASB 1004 Contributions and Treasury and Finance Accounting Policy Framework V Income Framework, consistent with the budget estimates.
- (d) In 2007-08 SAFA recorded \$9.6 million in revenue from the Treasurer under the Treasurer's indemnity of SAICORP Fund 2, following the amalgamation of SAFA and SAICORP on 1 July 2006.

Governance arrangements

Government businesses are structured in three main ways:

- as statutory authorities — most government businesses are of this form. A large number of statutory authorities operate within the public sector for a variety of purposes. Relatively few of these operate primarily as government businesses;
- as Corporations Law companies — this approach is seldom used as it creates difficulties in establishing appropriate accountability arrangements; and
- as administrative units of government departments.

Government businesses are required to operate fairly, efficiently and prudently to maximise benefits flowing to the community from their use of resources. The government is also continuing its commitment to transparency and accountability in all aspects of the financial, risk management and governance arrangements for government businesses.

The Department of Treasury and Finance monitors and reports to the Treasurer and other responsible Ministers on the financial and non-financial performance, risk management and governance arrangements for the major government businesses. The Treasurer and responsible Ministers have also appointed board members and/or board observers to major government businesses, in line with the government's commitment to improve public sector governance.

To support the goal of improving PNFCs' financial performance, the government approved an ownership framework for PNFCs during 2004-05. The policy guidelines in determining the relationship between the government and PNFCs include:

- CSO payments are to be output based under long-term agreements, and subject to periodic review;
- dividend payments are to be based on actual business performance rather than budget forward estimates, and may therefore become more variable; and
- PNFC capital structures are to be based on the same general factors that influence the debt and equity position of publicly listed corporations, primarily business risk and capital intensity.

The framework redistributes risk in a manner comparable with shareholder risk in publicly listed companies. CSO, dividend and income tax equivalent payments are reflected in the performance statement for each PNFC.

To date, this framework has been implemented for SA Water, ForestrySA and the Land Management Corporation. In addition, a significant amount of work has been undertaken in 2008-09 towards implementing a framework for the Public Trustee. It is anticipated that the framework for the Public Trustee will be implemented during 2009-10.

Balance sheet structure

Almost all government businesses are public authorities as defined under the *Public Finance and Audit Act 1987*, which makes them controlled entities for the purposes of the government's accounts. Even where there is no specific legislative provision, the agency's net financial position is included in the general government sector's financial statements. As a result, the general government balance sheet recognises the general government sector's exposure to the net liabilities of its PNFC and PFC businesses.

Chapter 6: Government businesses

The liabilities of government businesses are generally explicitly guaranteed by the enabling legislation for the entity. The *Public Corporations Act 1993* provides that all liabilities of a public corporation are guaranteed by the Treasurer. The *Public Finance and Audit Act 1987* provides for the Treasurer to charge periodic fees in respect of the provision of guarantees or indemnities. In practice, the Treasurer only charges guarantee fees on loan liabilities of government businesses. To date, the Treasurer has not charged guarantee fees on any other government business liabilities (for example employee provisions or accounts payable).

Competitive neutrality policy and principles

South Australia's approach to competitive neutrality is expressed in the *Government Business Enterprises (Competition) Act 1996* and the supporting Competitive Neutrality Policy Statement. The basic competitive neutrality requirements of tax equivalent payments, debt guarantee fees and private sector equivalent regulation can be achieved through corporatisation, commercialisation or cost-reflective pricing, in declining order of cost of implementation. The mechanism chosen to achieve competitive neutrality depends on the extent to which potential benefits justify the costs of implementation.

The Appendices to the Competitive Neutrality Policy Statement list those businesses subject to Competitive Neutrality (CN). The policy statement notes that identifying and listing specific businesses is not intended to exclude other business activities being identified as significant and added to the list as required. Regular assessments are carried out by agencies. Removal of the business from the list would not preclude a complaint being made against the business.

The implementation of CN principles has been completed for identified significant business activities within government. The focus is now on monitoring for ongoing compliance by way of a formal annual review process requiring responsible Ministers to confirm that government businesses continue to operate in accordance with CN principles.

Tax equivalent policy

In accordance with the principles of competitive neutrality, government businesses are required to pay to the Consolidated Account such amounts which represent the value of any direct or indirect taxes that the authority would otherwise have paid to the Commonwealth Government, to any state or territory governments or to any local council if it were not exempt from the taxation laws of the Commonwealth, or any state or territory.

CHAPTER 7: RISK STATEMENT

Overview

This chapter outlines the major financial risks that could affect the fiscal outlook set out in the 2009-10 Budget and identifies measures the government has adopted to manage these risks. The risks are summarised in three main sections — risks to revenue, risks to expenditure, and contingent liabilities and other exposures.

Budget estimates are made on assumptions and judgments formed in the context of information available at the time of their preparation. In practice, both revenues and expenses will be subject to variation from the budget, the size of such variation typically increasing over the forward estimates period.

Financial risks arise from general developments or from specific events that affect the fiscal outlook. They may be positive or negative and they may not necessarily be within the government's control. Examples include fluctuations in economic activity, changes to demand for services and fluctuations in financial markets.

The budget estimates include allowances to help manage potential financial risks. For example, allowances are made for wage and salary outcomes and capital expenditure contingency provisions. In addition, some sources of risk to the fiscal outlook can, to a certain extent, be managed through established risk management practices such as hedging and insurance.

The global financial crisis, the impacts of which have increased since the release of the 2008-09 Mid-Year Budget Review, has led to the most severe downturn in global economic growth since the Great Depression. Forecasting financial outcomes in the present economic environment is particularly difficult. The 2009-10 Budget is based on financial forecasts that reflect specific assumptions about the future path of the global economy and financial markets.

Revenue risks

Taxation, grants, royalties and fines

State taxation revenues are exposed to variations and fluctuations in both the volume and value of activity. Broadly based taxes such as payroll tax are influenced by general economic trends, whereas more narrowly based taxes are subject to influences which are specific to particular segments of economic activity. For example, price and activity trends in the property market have a greater impact on the short-term volatility of state taxation revenues than does the broader economy because of the significant share of revenues derived from property based taxes such as stamp duty and land tax and the large swings which often occur in property market values.

Fluctuations in economic activity within the state heighten the risk of state taxation revenues exceeding or falling short of budget forecasts, particularly at turning points in the economic cycle. The performance of the national economy is also a key driver of South Australian government revenues. The pool of Goods and Services Tax (GST) revenue grants allocated to the states and territories is directly influenced by national trends in consumer spending and housing construction. Furthermore, South Australia's share of GST revenue grants is influenced, in part, by the state's relative taxation revenue capacity.

Chapter 7: Risk Statement

If South Australia's taxation revenues are constrained relative to other states and territories as a result of weaker state economic performance, the Horizontal Fiscal Equalisation (HFE) process will provide South Australia with a higher share of GST revenues. This means that in the medium to longer term, overall South Australian revenues (GST revenue grants and own source revenues) are ultimately driven by national rather than state economic performance. However, the HFE process operates with a lag and therefore fluctuations in state economic activity do have a short-term impact on overall revenues.

Over recent years, strong economic growth both nationally and in South Australia has provided a supportive environment for revenue growth. However, the global financial crisis has resulted in a severe downturn in global economic growth. Budget projections assume that economic growth will weaken in 2009-10 but then return to normal over the remainder of the forward estimates period.

Specific risk factors include:

- more severe and protracted slowing in global economic growth (the forecasts are reliant on stabilisation of the global financial and economic environment from 2010-11 onwards);
- continuing volatility in GST collections (recent growth in total GST collections has been declining faster than growth in the underlying GST base);
- deferral of business investment plans due to uncertainty regarding market conditions and/or financing constraints;
- consumer uncertainty reducing propensity to spend;
- variations in climatic conditions and water security could impact on the volume of South Australian agricultural output and farm incomes with flow-on impacts into other areas of the economy; and
- some manufacturing activities facing structural pressures precipitated by the global financial crisis.

The risks to revenue are currently much greater than those identified in previous state budgets, most notably because the global economic environment deteriorated so rapidly and unpredictably. The infrastructure spending plans of the state and Commonwealth governments will provide a considerable offsetting stimulus to employment but developments in private demand remain a significant risk to the budget.

State taxation revenue is not particularly sensitive to movements in broad based price measures, such as the Consumer Price Index (CPI). Rather, where there are price effects on taxation revenues, they tend to be specific to particular transactions; for example, property values, motor vehicle values and insurance premiums.

Impact: A variance of 1.0 per cent in state taxation revenue, not including GST revenues, equates to about \$35 million per annum.

Conveyance duty

Conveyance duty revenue is exposed to local variations in the property market. Trends in property market values and activity levels have been difficult to predict in recent years. Following a sustained period of strong growth in the property market, property market conditions have changed markedly since mid-2008 and are subject to considerable uncertainty going forward.

While a significant correction has been expected for several years, the extent of the downturn and its impact on property revenues has far exceeded allowances made for a moderate downturn in property revenues in the last budget.

Conveyance activity is currently being boosted by a substantial increase in first home buyer activity, as a result of the temporary increase to the First Home Owner Grant. Underlying residential property turnover has decreased significantly in the first half of 2008-09. It is not clear whether underlying activity, both residential and non-residential, has reached its lowest level.

Residential property average duty values recorded small positive growth from 2007-08 levels, while non-residential property average duty fell. Growth in both residential and non-residential average duty was lower than assumed at the time of the 2008-09 Budget.

A 5 per cent fall in both residential and non-residential property prices is assumed for calendar year 2009.

Notwithstanding recent interest rate reductions and the fiscal stimulus measures undertaken by the Commonwealth Government, reduced consumer confidence and the impact of tighter credit conditions add to uncertainty about the short term outlook for the property market.

Forward projections allow for a fall in both turnover levels and price in 2009-10. The forward estimates assume only modest growth in property prices, with more solid growth in turnover as transactions return to long-term trend levels towards the end of the forward estimates period.

There is a risk that property prices and/or activity levels could weaken by more than has been provided for in the forward estimates if there is a more severe and protracted slowing in economic conditions. Commercial and industrial property values could fall more sharply than expected as a result of balance sheet restructuring.

For residential properties, there is a risk that the lower value end of the property market could be negatively affected as first home buyer demand is removed and if there is any further significant weakening in labour market conditions.

This uncertainty makes forecasting of property taxes difficult, especially conveyance duty receipts. The irregular timing of large commercial transactions also adds to the risk of forecasting error.

Impact: A 1.0 per cent variation in property values or a 1.0 per cent variation in activity each equate to about \$6 million in conveyance duty revenue.

Gaming machine revenue

There are a number of risks to gaming machine tax revenue collections.

Discretionary spending levels are influenced by a range of factors, including debt servicing levels, the cost of essential items and perceived future spending needs.

Regulatory reforms also impact on gaming machine tax revenue collections.

Growth in gaming machine expenditure is expected to moderate in 2009-10, in line with the slowdown in the general economy. Over the forward estimates, growth in underlying gaming machine expenditure is expected to increase as the economy begins to recover. This projection is however vulnerable to the timeframe for a recovery in economic conditions.

Impact: A variance of 1.0 per cent in hotel and club gaming machine expenditure equates to around \$4 million in gambling tax revenue.

Royalties

Mining royalties are exposed to external economic forces such as the global financial crisis. In particular, royalties are affected by changes to international prices for oil, copper, uranium and gold. Royalties can also be affected by unplanned operational incidents, such as plant fires and failures.

Chapter 7: Risk Statement

Negative impacts on royalty revenue as a result of lower than expected commodity prices in 2008-09, particularly for copper and oil, combined with reduced production levels in the Cooper Basin, have been partially offset by revenue gains from a lower Australian dollar.

There is potential for growth in royalty revenue from new mines. The timing of these additional royalty streams is dependent on the timing of discoveries, global economic growth as well as the time required for development approvals and to develop new mine sites to an operational level. Royalty revenue does not flow until commercial production commences.

Variations in royalty revenues are substantially offset over time by consequent variations in the share of Commonwealth GST revenue grants received by South Australia through the Horizontal Fiscal Equalisation (HFE) process.

No additional royalty income from the Olympic Dam expansion is expected to be received in the forward estimates period.

Impact: Excluding HFE impacts, a one cent change in the exchange rate has a direct revenue impact of about \$1.9 million on royalty revenue. A 1.0 per cent change in international prices for copper, uranium, gold, oil and petroleum liquids has a direct revenue impact of about \$1.4 million.

Traffic infringement fines

Revenue collected from traffic infringement fines is sensitive to changes in driver behaviour patterns and the number of speed detection devices (red light/speed cameras) in operation.

Impact: A variance of 1.0 per cent in the number of traffic infringement notices equates to around \$800 000 per annum in fines revenue.

Changes to general purpose payments (GST revenue)

The pool of GST revenue grants allocated to the states and territories is directly influenced by national trends in consumer spending and housing construction. GST collections have been extremely volatile since the beginning of 2008-09 and have fallen considerably more sharply than relevant spending in the economy.

The original *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* included a commitment from the Commonwealth Government that the states and territories would receive a Guaranteed Minimum Amount (GMA) sufficient to ensure that they would be no worse off under the move to GST funding. To achieve this, the Commonwealth agreed that any shortfall between a jurisdiction's share of GST revenues and its GMA would be met by transitional assistance grants. This agreement expires at the end of 2008-09. Consequently, South Australia will become totally reliant on actual GST revenues from 2009-10 and hence will have a greater exposure to variations in national economic activity.

Impact: A 1.0 per cent change in GST revenue growth has a revenue impact for South Australia of about \$38 million per annum.

Changes to Horizontal Fiscal Equalisation methodology

Commonwealth GST revenue grants are the vehicle for HFE. The methodology and data underlying the HFE process are determined by the Commonwealth Grants Commission (CGC). The CGC takes into account submissions from states and territories. While the CGC is an independent body, states and territories compete strongly in submitting arguments in support of their position.

Methodology reviews are conducted every five years. The March 2005 Treasurers' Conference agreed on terms of reference for the CGC's 2010 methodology review which include guidelines for simplification of its assessments. The terms of reference pose risks to the budget outlook because simplified assessments may cause a departure from an accurate assessment of fiscal needs.

Impact: The risk of HFE methodology changes that may impact on the state, either positively or adversely, is significant over the medium-term. The focus on simplification of the CGC's assessments poses added risks.

Changes to data used by the Commonwealth Grants Commission

In each annual update of relativities, the CGC uses the latest available sociodemographic and other data while continuing to use methods established in the last methodology review. While the requirement for the CGC to improve data and data sources wherever possible is appropriate, this can lead to changes in GST relativities.

The CGC has also changed methods used in annual updates where data is no longer available or is now considered unfit for purpose.

An example of how CGC data changes can impact on the budget is the CGC's use of revised estimates of indigenous resident population in the 2009 Update. The CGC used new data from the 2006 Census provided by the Australian Bureau of Statistics incorporating a change in its method of deriving indigenous population. The adoption of the new data resulted in an increase in GST revenue grants to South Australia of about \$18 million.

Impact: A 0.01 change in South Australia's relativity (from the 2009 Update relativity of 1.24724) results in a change in GST revenue grants of about \$28 million.

Specific Purpose Payments

The new federal funding arrangements agreed to by the Council of Australian Governments (COAG) in 2008 provide for a small number of national specific purpose payments (SPPs) covering the major state functions of health, housing, education and disability services. In addition, National Partnership payments (NPPs) will be paid to states to support delivery of specified projects or to facilitate or reward the implementation of reforms of national importance. The new arrangements for SPPs place the focus on outcomes and outputs rather than matching and other input controls but some NPPs require funding co-contributions from the states.

Impact: Payments for specific purposes from the Commonwealth account for about 19 per cent of state government revenues. Variations in their level or the conditions applying to these payments pose a risk to the budget.

Changes in profitability of government businesses

As part of day to day operations, government business enterprises, comprising Public Non Financial Corporations (PNFCs) and Public Financial Corporations (PFCs), manage a range of commercial risks. Risks that adversely impact upon a government business may affect its ability to pay dividends and make tax equivalent payments, thereby impacting on the financial position of the general government sector.

Impact: A 1.0 per cent fall in total contributions in 2009-10 to the general government sector from PNFCs and PFCs would have a \$3.9 million impact on the budget.

Chapter 7: Risk Statement

Water security

The Murray–Darling Basin is continuing to experience the worst drought on record, which has led to a significant reduction in River Murray flows to the state in 2008-09.

There is a risk that the drought and extremely low flows will continue into 2009-10.

Water restrictions cause SA Water to lose revenue from water sales. The budget provides for Enhanced Level 3 water restrictions continuing throughout 2009-10 and 2010-11, reducing SA Water's before tax profit by \$58.9 million and \$69.6 million respectively. Reductions in profit of these amounts would result in lower contributions to the general government sector of \$56.8 million in 2009-10 and \$67.2 million in 2010-11. No provision has been made for a continuation of restrictions into 2011-12.

The actual financial impact of the drought on SA Water's profit in 2009-10 and 2010-11 could vary substantially from that assumed for budget purposes, depending on water flows into the Mount Lofty Ranges and the Murray–Darling Basin catchments in 2009. Strong intakes may allow the government to reduce current restrictions, while low intakes may require the government to introduce additional restrictions.

Expenditure risks

Drought

The government has provided \$62 million over the period 2006-07 to 2010-11 for a range of assistance and support measures for primary producers and regional communities affected by drought. If drought conditions persist beyond 2009-10, additional expenditures will be incurred.

Hospital expenditure growth

Hospital expenditure growth has been significant in recent years. The government is implementing a number of community care, primary care and hospital avoidance strategies to manage the financial impact of activity growth. In addition, Health is implementing a number of administrative and financial management strategies to improve the financial performance of health units. If, despite these strategies, the growth in hospital activity is higher than expected in the medium term, this may result in significant additional future costs.

Impact: A 1.0 per cent growth in hospital activity above the level incorporated in the 2009-10 Budget will increase expenses by approximately \$14 million per annum.

Student enrolment numbers

The government has implemented strategies designed to engage 15–19 year olds in full-time learning or earning. These strategies will affect student enrolment numbers. The 2009-10 Budget includes a best estimate of expected movements in both the number and composition of student enrolments as a result of current government policy settings. To the extent that actual enrolment numbers vary from those estimates there will be an impact on the state's financial position.

Impact: Depending on the mix of students, a 1.0 per cent growth in government school enrolment numbers above the levels incorporated in the 2009-10 Budget would increase expenditure in the range of \$8 million to \$11 million per annum.

Students with additional needs

The budget includes provisions for the resourcing requirements of students with additional needs; this includes Aboriginal students, students with disabilities, new arrivals and students with English as a second language. If the number of students with additional needs increases above budget projections, there will be an impact on the budget.

Impact: Depending on the mix of students, a 1.0 per cent growth in students with additional needs, above the levels incorporated in the 2009-10 Budget, would increase expenditure by approximately \$1 million per annum.

Higher than expected increases in wages and salaries

Enterprise agreements are in place for major workforce groups for the relevant terms of each agreement, with all associated costs included in the 2009-10 Budget.

Proceedings are continuing in the Industrial Relations Commission of South Australia regarding an arbitrated award for teachers and TAFE lecturers.

Wages parity salaried, weekly paid employees, Parliament House and electorate office employees, visiting medical specialists and ambulance officers are expected to be the subject of enterprise bargaining outcomes in 2009-10. Public sector executive salaries are also due for review in 2009-10.

The outcomes of future wage negotiations will be crucial in determining whether expenditure forward estimates in this budget can be achieved and the level of government services that can be delivered, particularly in light of the current challenging economic conditions. The government will seek to limit future wage outcomes to 2.5 per cent per annum in an effort to provide a real wage increase to public sector employees, prevent further job losses being required, and ensure the sustainability of the state's finances.

Allowances in the forward estimates for enterprise bargaining outcomes cover both salary and non-salary outcomes.

Impact: If public sector wide wage outcomes for new enterprise agreements vary by 1.0 per cent per annum from allowances in the forward estimates, the budget impact will be approximately \$250 million in 2012-13.

Capital investment

A number of departments including Transport, Energy and Infrastructure and Health have very large capital investment programs over the forward estimates period. Project estimates include prudent allowances for growth in costs. Historically however there has been cost escalation, compared with original projections, associated with large capital investment projects. As other states embark on significant infrastructure programs over the forward estimates period, this risk increases.

Impact: If cost escalations exceed the amounts included in the capital investment program, there will be a negative impact on annual net lending outcomes. A 1.0 per cent increase in costs for the capital program in the general government sector will increase expenditure by approximately \$22 million in 2009-10.

Interest rates

Higher than expected interest rates could adversely affect the general government and public non-financial corporations (PNFC) sectors' budget position through increased interest payments.

Impact: A 1.0 percentage point increase in the average interest rate applying to general government sector debt would increase net interest expense by approximately \$14 million in 2009-10 rising to \$32 million in 2012-13. A 1.0 percentage point increase in interest rates would increase the PNFC sector's net interest expense by approximately \$28 million in 2009-10. This would affect contributions received by the general government sector from PNFCs.

Increase in Consumer Price Index

Higher inflation may impact on the prices paid by government agencies for goods and services. The government's indexation policy provides for standard indexation of supplies and services expenditure in line with projections in the Consumer Price Index. Agencies are required to absorb a cost increase from within existing budget allocations, unless the specific price increase has resulted in a material effect on the agency budget. The materiality test applied is that the price change experienced has altered agency costs by more than 0.5 percentage points above or below the standard indexation provided for in agency budgets.

Impact: Not quantifiable.

Fluctuation in foreign exchange rates

Treasurer's Instruction 23, Management of Foreign Currency Exposures, requires public authorities to recognise and control foreign exchange risks associated with the purchase of imported goods and services. Public authorities are required to obtain forward cover for the acquisition of goods and services that are expected to give rise to a foreign currency exposure exceeding \$100 000. This limits potential foreign exchange risks faced by the government once acquisition decisions are made.

Impact: Foreign exchange rates could have an impact on the costs of portfolios that source capital equipment, supplies and services from overseas. This includes items such as pharmaceuticals, transport equipment and the operations of overseas offices.

Superannuation liabilities and expenses

For defined benefit scheme superannuation liabilities (ie pension or defined benefit lump sum schemes) the budget is exposed to factors affecting the value of the unfunded liability. These factors include volatility in the expected returns on investment funds and the risk free discount rate, changes in actuarial assumptions relating to future benefit payments, or an increase in long-term inflation assumptions. The unfunded superannuation liability is the state's biggest financial liability. As reported in the 2008-09 Mid-Year Budget Review, the global financial crisis has resulted in a very significant increase in this liability, together with an increase in nominal superannuation expense.

Impact: Further volatility in asset markets poses a risk to the budget. A 1.0 percentage point lower than expected return on superannuation assets invested by Funds SA would increase estimated unfunded superannuation liabilities by around \$52 million. An increase in unfunded superannuation liabilities of this magnitude would increase nominal superannuation interest expenses, decreasing the net operating balance by around \$4 million per annum. A 1.0 percentage point higher than expected return would have the opposite effect by the same amount.

A fall in the Commonwealth Government bond rate between valuation dates will lead to the use of a lower discount rate for valuation purposes, resulting in an increase in the value of the unfunded liability. A 1.0 percentage point reduction in the discount rate would increase unfunded superannuation liabilities by \$2 billion. However the impact on the budget balance is the imputed interest on these unfunded liabilities and the interest rate used to calculate this will also fall by 1.0 percentage point. The net effect on the budget would be an improvement of around \$26 million per annum in the net operating balance. An increase in the discount rate of 1.0 percentage point would decrease unfunded superannuation liabilities by \$1.6 billion and increase the imputed interest by \$16 million.

Change in domestic and overseas share prices

Funds SA, WorkCover, the Motor Accident Commission (MAC) and the insurance related investments of the South Australian Government Financing Authority (SAFA) are exposed to both domestic and international equity markets. Changes in domestic and overseas share prices impact on the investments and obligations of these entities.

Impact: A variation in domestic and overseas share prices will directly impact the budget through a change in earnings on superannuation assets. A change in the value of the financial investments of WorkCover and the Motor Accident Commission will not have a direct impact on the budget.

A change in the value of SAFA's financial investments may have a direct impact on the budget through a variation in SAFA's contribution to the Consolidated Account.

Insurance

Risks associated with insurance liabilities are managed by the insurance division (SAICORP) of SAFA. The operations of SAICORP are described in Chapter 5.

State Government Insurance Commission residual assets and liabilities

The assets and liabilities relating to residual State Government Insurance Commission (SGIC) general policies were transferred to SAICORP on 30 June 2003 by the *Motor Accident Commission (Transfer of Residual Assets and Liabilities) Proclamation 2003* under Section 30 of the *SGIC (Sale) Act 1995*. These were general policies of insurance issued but not transferred to the buyer on the sale of the general insurance business, formerly conducted by SGIC. Specific details of these policies are not available and hence no liability has been recognised by SAICORP in relation to these items. Liabilities will be brought to account if and when individual policy owners make valid claims.

Government motor vehicle fleet — residual value risk

In previous years, reductions in the residual values of vehicles comprising the government's passenger and light commercial motor vehicle fleet managed by Fleet SA, were identified as a risk to the budget.

Following the transfer of Fleet SA operations to SAFA from 1 July 2009, this risk will transfer to and be managed by SAFA. Accordingly, reductions in residual values of vehicles will be met by SAFA and will impact on government agencies over time through changes to the leasing rates charged by SAFA.

In the short-term, pending the possible restructure of leasing rates, reductions in residual values of vehicles will be a risk exposure to SAFA and may impact on the budget through a variation in SAFA's contribution to the Consolidated Account.

Contingent liabilities

Contingent liabilities are defined in accordance with the government's Consolidated Financial Report, which is produced in line with Australian Accounting Standards.

The government's most significant quantifiable contingent liabilities are in the form of guarantees to external parties. Other contingent liabilities include those associated with indemnities, legal claims (other than those covered by SAICORP) and joint venture schemes.

The quantifiable contingent liabilities are summarised in the following table.

Table 7.1: Contingent liabilities of the Government of South Australia to entities external to the public sector at 30 June (\$million)

	2007	2008
Guarantees ^{(a)(b)}	694	657
Other ^(c)	29	18
Total	723	675

(a) Valued at nominal values. No adjustments have been made to take into account the probability of actual liabilities occurring.

(b) Includes the total liabilities of the Local Government Finance Authority (\$423 million) that are guaranteed by the Government of South Australia pursuant to the *Local Government Finance Authority Act 1983*.

(c) Data for 2008 includes minor revisions since publication in the 2007-08 Final Budget Outcome.

Quantifiable contingent liabilities and other exposures

The following commentary sets out the significant contingent liabilities and other specific exposures for the Government of South Australia. Unless stated, all values are as at 30 June 2008.

Guarantee of government businesses' liabilities

The liabilities of government businesses are generally explicitly guaranteed by the Treasurer under the enabling legislation for the entity. The *Public Corporations Act 1993* provides that all liabilities of a public corporation are guaranteed by the Treasurer.

Exposure: Total liabilities of the public financial corporations sector were \$13.2 billion and total liabilities of the public non-financial corporations sector were \$2.9 billion.

Treasurer's guarantee of Local Government Finance Authority loans and other liabilities

Pursuant to the *Local Government Finance Authority Act 1983*, liabilities incurred or assumed by the Local Government Finance Authority (LGFA) are guaranteed by the Treasurer. These liabilities include bank loans, loans provided by the South Australian Government Financing Authority and other liabilities including deposits or loans from councils and prescribed local government bodies.

Exposure: \$423 million

The LGFA has also issued a financial guarantee on behalf of the Workers Compensation Scheme of the Local Government Association of South Australia in favour of WorkCover. The guarantee is fully secured against depositor funds held, the value of which will not be less than the value of any liability that might be incurred.

Exposure: \$16 million

Osborne Arrangements

In 1996, the then ETSA Corporation entered into arrangements with Osborne Cogeneration Pty Ltd (OCPL) for the generation of electricity at the Osborne Generation Plant. As part of these arrangements, ETSA Corporation entered into a Power Purchase Agreement and a Gas Sale Agreement with OCPL requiring ETSA Corporation, in general terms, to purchase prescribed amounts of electricity from OCPL and to sell prescribed amounts of gas to OCPL for the respective terms of those agreements.

Over the life of the Power Purchase Agreement and Gas Sale Agreement (Osborne Arrangements) it was estimated that ETSA Corporation would incur losses representing, in general terms, the difference between:

- the contracted purchase price under the Power Purchase Agreement and forecast pool prices in the electricity market; and
- the contracted sale price under the Gas Sale Agreement and the wholesale price for gas available in the market to ETSA Corporation to comply with its gas supply commitments.

The Osborne Arrangements, and the underlying exposures, were subsequently transferred to Flinders Power Pty Ltd (Flinders Power) as part of the former government's sale of electricity assets. When NRG Energy Inc purchased the operations of Flinders Power as part of the former government's program for privatisation of the state's electricity assets, the Osborne Arrangements (together with the underlying exposures) were transferred to NRG Energy Inc's subsidiary, Flinders Osborne Trading Pty Ltd (FOT).

As part of the privatisation of the operations of Flinders Power (Flinders Operations), the former Treasurer provided a guarantee to OCPL in respect of the obligations of FOT under the Osborne Arrangements (Treasurer's Guarantee). In turn NRG Energy Inc indemnified the Treasurer if the Treasurer's Guarantee was called upon by OCPL (NRG Indemnity).

In August 2006, NRG Energy Inc sold its interests in the Flinders Operations to Babcock & Brown Power (BBP), an infrastructure fund. The sale to BBP included the contracts under the Osborne Arrangements. The NRG Indemnity is now provided by Babcock & Brown International Pty Ltd.

On 15 May 2009, Origin Energy Limited (Origin) announced that it had reached a conditional agreement with BBP to assume the contracts under the Osborne Arrangements currently held by FOT.

Completion of the transaction is expected to occur in June 2009 and is subject to a number of conditions precedent including consents from FOT's commercial partners.

It is proposed that Origin will replace Babcock & Brown International Pty Ltd as the provider of the indemnity under the Osborne Arrangements with respect to liabilities occurring from the completion date of the transfer.

Exposure: \$150 million to \$200 million

Chapter 7: Risk Statement

Financial assistance provided by the Treasurer

Financial obligations under various assistance agreements with the Treasurer including those relating to the Industry Investment Attraction Fund, the Rail Reform Transition Program, the Structural Adjustment Fund for South Australia, the Strategic Industry Support Fund, the Innovation and Investment Fund for South Australia, the Regional Development Infrastructure Fund, the Upper Spencer Gulf & Outback Enterprises Zone Fund and the Rural Towns Development Fund. Payments are subject to performance criteria being met by the entities receiving assistance.

Exposure: \$65 million

Air Warfare Destroyer Project — Common User Facility

The state has entered into an agreement with the Commonwealth for the construction of a Common User Facility (CUF) at Osborne to support ASC Shipbuilding Pty Ltd in the construction of three air warfare destroyers for the Royal Australian Navy. The agreement indemnifies the Commonwealth from any third party losses or damages arising from a failure by the state to complete the CUF in accordance with the agreed design and schedule or meet the agreed performance criteria. The likelihood of non-performance is considered remote, and the state's exposure is capped at \$320 million. Construction of the CUF is expected to be completed by February 2010.

Exposure: \$320 million

South Australian Housing Trust

Under the South Australian Housing Trust's (SAHT) bond guarantee scheme, a guarantee for the bond is given to the landlord. In the event of a claim by a landlord, the Residential Tenancies Branch makes a payment. The SAHT then reimburses the Residential Tenancies Branch and the private rental customer becomes liable to the SAHT for the amount. The SAHT pays interest at an agreed market determined rate to the Residential Tenancies Branch based on the daily outstanding balance of bond guarantees issued.

Exposure: \$14.2 million in bond guarantees. The value of claims made in the 2007-08 financial year was \$2.5 million.

To improve home affordability, the SAHT previously provided opportunities for their tenants to purchase their rental home in stages, under the Progressive Purchase Scheme. As a result of the scheme, SAHT owns portions of properties involved. In some cases, SAHT has agreed with lending institutions to purchase the other party's interest at current market value if the other party defaults on their mortgage.

Approximately 48 of the properties included in the scheme are subject to mortgages with a collective loan balance of \$1.5 million. The tenants' share of the value of the properties subject to mortgage is estimated to be \$5.0 million, based on the Valuer-General's overall capital value.

Exposure: \$1.5 million

The *South Australian Co-operative and Community Housing Act 1991* provides for members of housing co-operatives and tenants of associations to acquire equity in the properties they occupy, by the co-operative or association issuing equity shares to members. The equity shares reflect a proportional interest in the value of a specific co-operative or association property. The SAHT is obliged to repurchase the equity shares from holders who leave relevant co-operatives or associations at a value reflecting their proportion of the current value of the property at the time the equity shares are redeemed.

Exposure: \$7.9 million

Guarantee for Austraining International Pty Ltd

The Minister for Employment, Training and Further Education has provided a guarantee to the Treasurer regarding borrowings provided by SAFA to Austraining International Pty Ltd in relation to the company's short-term working capital requirements for major projects undertaken by the company. Austraining International's principal activity is to secure international contracts for work in vocational education and training.

Exposure: \$3.0 million

Indemnities arising from joint venture land development initiatives

On 10 July 1997, documentation was executed with Delfin Property Group Limited (now Delfin Mawson Lakes Pty Ltd), Lend Lease Corporation Limited (now Lend Lease Development Pty Ltd) and associated entities of those companies to establish a joint venture to develop the Mawson Lakes Economic Development Project at The Levels. This project comprises residential, retail and industrial accommodation to be developed over a 10 to 12 year timeframe. Other parties with commitments to the joint venture arrangements include the City of Salisbury and University of South Australia.

The Land Management Corporation (LMC) has a 50 per cent interest in the joint venture. Under the terms of the agreements for the joint venture, LMC will make available to the joint venture land for development. In addition, the state government has obligations for various infrastructure works associated with the project.

LMC has provided indemnities for bank guarantees and for a letter of guarantee in favour of local and state government authorities in relation to the abovementioned developments.

Exposure: LMC's combined contingent liability in relation to these indemnities is \$3.1 million.

Guarantee given in respect of the Port Waterfront Development Agreement

On 30 November 2004, SAFA provided on behalf of LMC a guarantee to Multiplex Port Adelaide Pty Ltd and UCPA Waterfront Pty Ltd as part of reciprocal arrangements in respect of the Port Waterfront Development Agreement. The guarantee is progressively reduced in \$1 million decrements over the development period proportionate to the remaining precincts to be developed and is due to expire in February 2015.

Exposure: \$5.0 million

Information relating to a crime

As at 30 June 2008 the value of outstanding rewards for unsolved murders was \$5.5 million. No provision has been made for this amount, as there exists considerable doubt as to the amount and timing of rewards that will actually be paid.

Exposure: \$5.5 million

Deed of Guarantee by the Treasurer for South Australian Netball Association's loan in relation to ETSA Park

In 1997, the Government of South Australia entered into formal arrangements with the South Australian Netball Association (SANA) regarding the construction of a netball stadium at Mile End. The arrangements resulted in SANA securing a loan of \$3.5 million from an external banking institution to be applied, along with government funding, toward the stadium's construction.

Chapter 7: Risk Statement

As part of the arrangements, the loan to SANA is underwritten by the government.

Exposure: \$1.7 million

Winding up of the National Electricity Market Management Company Ltd

The National Electricity Market Management Company Ltd (NEMMCO) is a company limited by guarantee and manages the National Electricity Market (NEM) wholesale trading arrangements. The participating jurisdictions in the NEM (New South Wales, Victoria, Queensland, South Australia, Tasmania and the Australian Capital Territory) are the current shareholders of NEMMCO as set out in the NEMMCO Members Agreement dated 9 May 1996 (the Agreement) as amended.

NEMMCO was formed for the purpose of efficiently conducting the NEM in accordance with the National Electricity Rules on a self-funding/break-even basis, with funding provided through market participant fees.

Exposure: Under the terms of the Agreement, South Australia's total contribution towards any NEMMCO related liability is capped at \$1.5 million.

Generation Lessor Corporation

Generation Lessor Corporation (GLC) has entered into a number of leasing arrangements over generation assets located within South Australia with unrelated private sector operators. As part of these arrangements, GLC has provided limited indemnities to these operators.

In the unlikely event that GLC defaults under the Torrens Island Generating Plant Leases, Synergen Generating Unit Lease, Northern and Playford Generating Unit Leases, the Leigh Creek Township Lease and the Leigh Creek Railway Sub Lease, with respect to limited specified undertakings resulting in the termination of any of these leases by the lessees, GLC will be required to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were prepaid by the relevant lessee. The likelihood of these defaults occurring is considered highly remote.

Exposure: Approximately \$513 million.

Distribution Lessor Corporation

In the unlikely event that Distribution Lessor Corporation (DLC) defaults under the Distribution Network Lease with respect to limited specified undertakings resulting in the termination of the lease by the lessor, DLC will be required to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were prepaid by the lessee. The likelihood of these defaults occurring is considered highly remote.

The lessee is also entitled to terminate the Distribution Network Lease, and obtain a partial refund of prepaid rent, where there is the destruction or permanent incapacity of at least 65 per cent of the power lines making up the distribution network as a result of an uninsurable event such as war, terrorism or the release of nuclear ionisation. The likelihood of this occurring is considered highly remote.

Under the terms of the distribution network leases, the lessee can elect to own new assets constructed during the term of the lease which qualify as 'qualifying projects' or 'geographical extensions' as well as land on which those assets are located.

Qualifying projects are a discrete replacement, modification, alteration, addition or renewal to the network which is outside the ordinary course of maintenance, modification, alteration or renewal and, at the time effected, cost greater than a qualifying threshold of \$2 million indexed in accordance with the lease documentation. Geographical extensions are extensions beyond the outer extremities of the distribution network as at the commencement date of the lease. At the expiry of the lease, qualifying projects will be automatically transferred and vested in DLC or a body nominated by DLC for a price equal to the regulatory value of the qualifying projects as at the lease end date. Geographical extensions receive the same treatment if DLC so elects, but not otherwise.

To date, the lessee has not notified DLC of any geographic extensions to the distribution network. The lessee has notified DLC of four qualifying projects which the lessee has elected to own, and which DLC is required to pay for at the expiry of the Distribution Network Lease on 28 January 2200. It is not possible at this time to quantify the regulatory value of these qualifying projects.

Exposure: Approximately \$3.0 billion.

Transmission Lessor Corporation

Transmission Lessor Corporation (TLC) has guaranteed certain payments and other obligations to third parties in relation to a leasing arrangement in respect of the transmission network. As part of these arrangements, TLC has provided limited indemnities to third parties.

In the unlikely event that TLC defaults under the Transmission Network Lease with respect to limited specified undertakings resulting in the termination of the lease by the lessor, TLC will be required to refund the net present value (as at the termination date) of so much of the post termination date rent obligations as were prepaid by the lessee. The likelihood of these defaults occurring is considered highly remote.

Exposure: Approximately \$578 million.

Unquantifiable contingent liabilities and other exposures

Insurance underwriting

Insurance underwriting by its nature has liabilities contingent upon certain events occurring which give rise to a claim under policy of insurance. Details of individual insurance claims are not discussed for legal, commercial and private reasons. Notwithstanding this, listed below are several of the state's potential exposures.

Mullighan Inquiry

- The final report of the Commission of Inquiry (Children in State Care) was tabled in Parliament on 1 April 2008.

Stolen Generation claim

- In 2007-08, the Supreme Court awarded a claimant \$525 000 in damages against the State of South Australia together with \$250 000 in lieu of interest. The government has appealed the decision, which is a significant case that may set a precedent. The appeal has not yet been heard. The government has paid the awarded compensation to the claimant and stated that it will not seek the return of the payments made even if the appeal is successful.

Chapter 7: Risk Statement

Dust diseases regulations amendments

- In July 2008, the government made changes to the law making it easier for sufferers of asbestos related diseases to claim damages. A change to the regulations of the *Dust Diseases Act 2005* will push back the date from which a defendant is presumed to have known of the dangers of asbestos in a prescribed industrial or commercial process from 1 January 1979 to 1 July 1971. Any further changes to the regulations of the Act may impact on future liabilities.
- State government owned enterprises are, and will continue to be, defendants to asbestos litigation. The amendments will open up the benefits of the legislation to a larger number of potential plaintiffs.

Management of asbestos in government owned buildings

Asbestos containing materials are present in government owned residential and commercial properties. The government as owner and landlord acknowledges the risk with regard to its duty of care to tenants, visitors and contractors engaged to maintain the buildings that it owns.

For commercial office buildings, reviews of asbestos registers are undertaken annually to ensure that the condition of asbestos containing materials is managed in such a way as to prevent any potential risk to health.

All residential properties have been inspected and any high-risk materials removed. An ongoing program for the removal of asbestos containing products in residential properties commenced during 2006-07.

Safe removal of asbestos, where required, is a part of the government's management plan and does, on occasion, cause an increase to the expenditure requirements for building works and maintenance programs.

Provision of indemnities and undertakings by TransAdelaide

TransAdelaide has a contingent liability in relation to the warranty of AUSTRICS products sold and provision of annual support of the same. The lives of various elements of the indemnities vary between two and seven years from when AUSTRICS was sold in 2004-05. As at 30 June 2008, this could not be reliably measured.

TransAdelaide has fifty 3000/3100 class railcars subject to a cross border lease which expires in April 2023. Encumbrances exist within this agreement which give rise to financial consequences in the event of loss or destruction of these leased railcar assets. SAFA monitors the obligations of the parties under the transaction. As at 30 June 2008, no event had occurred which would give rise to the encumbrances/consequences.

Minerals and energy

Certain matters such as contaminated land and hazardous materials have been identified and managed in accordance with recognised standards. This includes the environmental liabilities of past mining practices where there is no longer an active lease.

Since 1972, certain rehabilitation associated with extractive industries has been funded from contributions to the Extractive Areas Rehabilitation Fund (EARF) funded from a royalty on production. The government has been liable for rehabilitation of certain extractive mining sites that have operated since 1972 using funds contributed from the royalty.

Following a review of funding arrangements in the extractive industries, amendments to the *Mining Act 1971* were made reducing any liability by clarifying and restricting the type of rehabilitation the EARF will fund and ensuring that EARF funds more adequately match the liability by increasing the royalty rate.

In respect of non-extractive mine operations, it is a lease condition that rehabilitation be undertaken by the leaseholder before a lease is surrendered. The Department of Primary Industries and Resources' responsibility is to ensure that a lease is not surrendered before appropriate rehabilitation has occurred. Rehabilitation bonds lodged as bank guarantees or cash are designed to underwrite any failure by a miner to complete necessary rehabilitation. These are held by the government and together with compliance activity mean the liability risks to government are minimised.

Alice Springs–Darwin Railway

The AustralAsia Railway Corporation (the Corporation), the South Australian and Northern Territory governments and Asia Pacific Transport Pty Ltd entered into a concession arrangement for the design, construction, operation and maintenance of the Alice Springs–Darwin Railway on a build, own, operate, transfer-back basis.

Both the South Australian and Northern Territory governments guarantee the obligations of the Corporation. This guarantee is a joint guarantee, but South Australia and the Northern Territory each accept responsibility for breach of an indemnity that is caused by that jurisdiction's act or omission. Where the event, giving rise to a Corporation obligation is solely caused by one jurisdiction, that jurisdiction accepts sole responsibility. If both South Australia and Northern Territory caused the event, then each accepts responsibility to the extent to which it caused the event.

For other Corporation obligations, South Australia and the Northern Territory accept liability for events occurring within the geographical area of its jurisdiction. Principally, the Corporation has granted indemnities to ensure that title to the railway corridor is secure for the construction and operation of the railway infrastructure. These indemnities cover risks related to native title claims, undisclosed interests in the corridor, environmental contamination, heritage and sacred sites and environmental assessment processes.

The project documents provide for the early termination of the concession arrangement by Asia Pacific Transport Pty Ltd in certain circumstances that would give rise to the payment of an early termination amount. The amount includes all debt and debt break costs for the project, certain agreed break costs for the project, certain agreed break costs for third party contractors and payments to equity. For all these events the remedy is within the control of either the Corporation or the governments.

The prospect of any one of these contingent liabilities arising is considered to be highly remote.

In November 2008, Asia Pacific Transport Pty Ltd went into voluntary administration following a failed sale process. The banks immediately appointed a receiver and manager, who is now conducting a further sale process, the time for which has been extended. In the meantime, the business is operating as usual. The Corporation is monitoring the sale process closely on behalf of the South Australian and Northern Territory governments.

Glenthorne Farm

Glenthorne Farm, at O'Halloran Hill, was purchased by the University of Adelaide from the Commonwealth Scientific and Industrial Research Organisation, with the assistance of a grant from the Government of South Australia in May 2001.

Chapter 7: Risk Statement

A contract signed by the Government of South Australia and the University of Adelaide resulted in the former assuming liability for any possible third party claims resulting from any contamination which may be discovered on the property.

The South Australian and Commonwealth governments agreed by exchange of letters that, in the event of such a claim, the state government reserves its right to seek a contribution from the Commonwealth based on the Commonwealth's previous ownership of the land.

Guarantee of employment for former employees of government electricity businesses

Part 4 of the *Electricity Corporations (Restructuring and Disposal) Act 1999* (the Act) imposes certain obligations on both the state government as a vendor and the private sector parties as buyers of the electricity businesses of the state that occurred throughout 2000. Persons who transferred to the new private sector employers and fit the definition in section 24(13) of the Act are referred to as 'transferred employees'.

Section 24 of the Act provides that after the expiration of two years from the time of a relevant employee's transfer and where a transferred employee's position is considered to be surplus to the private sector employer's requirements, any action taken by the employer with regards the surplus position must also include the offer of a voluntary separation package (VSP). At the same time, an offer of public sector employment must be made to the transferred employee with a rate of pay that is at least equivalent to the rate of pay received from the private sector employer.

The legislation provides that employees who accept an offer of public sector employment may not be retrenched and their rate of pay may not be reduced except for proper cause associated with the employee's conduct or physical or mental capacity.

The rationalisation of the electricity industry private sector resulted in a number of positions being declared surplus to the requirements of the employers of the 'transferred employees'. It is estimated (the private sector employers are not required to advise the government of how many of the relevant employees decide to voluntarily change their jobs) that a significant number of the redundant employees decided to take a VSP. Approximately 60 returned to the public sector since 2002.

There exists an ongoing exposure to the numbers of the government workforce contingent to the private electricity sector's long and short-term decisions of mergers and acquisitions and general restructuring. The contingency is twofold:

- Identifying and placing returning employees in areas that are in their field of expertise and at an appropriate level that would allow future integration within the employing agency. This is a non-financial, short-term issue which is dependent on the number and the quality of the returning employees; and
- Funding requirements. The private sector is required to pay the VSP equivalent for a returning employee to the Treasurer. This is generally but not always sufficient to fund two years of salaries and superannuation contributions in a government position. If the position is not integrated in that period, the employing department, and RESI as the administering entity of the process, would be forced to increase their funding requests. Additionally, the government as a whole would need to increase annual and long service leave provisions as returning employees are considered to have been continuously employed by the state.

CHAPTER 8: SOUTH AUSTRALIAN ECONOMY

Overview

The performance of the South Australian economy has weakened in 2008-09 in response to the rapid and severe deterioration in world economic growth. The adverse impacts of the global financial crisis on economic growth accumulated rapidly through the course of the financial year, particularly after the collapse of the United States investment firm Lehman Brothers in September 2008. In July 2008, a month after the 2008-09 State Budget was released, the International Monetary Fund (IMF) was predicting world output growth of 3.9 per cent in 2009 and as recently as October 2008 was still predicting 3.0 per cent growth. The latest IMF forecast, in April 2009, projects a contraction in world output of 1.3 per cent, the first contraction since World War II stating that, *“By any measure, this downturn represents by far the deepest global recession since the Great Depression.”*

The deterioration in global economic conditions has impacted significantly upon the Australian economy, reducing consumption spending as households look to reduce their debt levels and have become much less confident about financial and job security. Lower commodity prices have also reduced income growth, further dampening economic growth.

The South Australian economy held up better than other states through the first three quarters of calendar year 2008 but the global downturn started to exert a dampening influence on the local economy in late 2008. Reduced business investment and slowing growth in consumer spending, along with the impact of the ongoing drought and water allocation constraints facing agricultural producers, are all contributing towards slower economic growth. Employment growth slowed significantly in 2008-09. Nonetheless, housing construction activity has remained relatively buoyant and business investment, although declining, is still at relatively high levels. South Australia's population is growing at its fastest pace in two and a half decades.

The impacts of the global economic downturn are still unfolding. At the time of the preparation of the 2009-10 State Budget there have been some signs that overseas financial markets have become more settled which is considered a precursor to economic recovery. In Australia, lending for housing has picked up in response to first home owner incentives and lower interest rates. However the economic and financial situation remains fragile. Consequently, the national and South Australian economies are likely to experience ongoing weakness through at least the rest of 2009. South Australia's economy is expected to contract by ½ a per cent in 2009-10 with employment forecast to decline by 1½ per cent through the year to the June quarter 2010.

It is anticipated, however, that the downturn will be concentrated in 2009 and that some recovery in the economy will occur through the course of 2010.

Recent economic performance

The Department of Treasury and Finance estimates that South Australia's Gross State Product (GSP) will grow by around 1 per cent in real terms in 2008-09, down from 3.8 per cent growth in 2007-08.

State Final Demand (SFD), which is a measure of total spending in the South Australian economy by households, business and governments, grew solidly in the first three quarters of calendar 2008. SFD increased by a strong 3.7 per cent in real terms during calendar year 2008, even though it contracted sharply in the December quarter.

Household consumption spending grew by 4.0 per cent in real terms during 2008, supported by continued solid growth in employment and wages for most of the year. Retail spending levels in

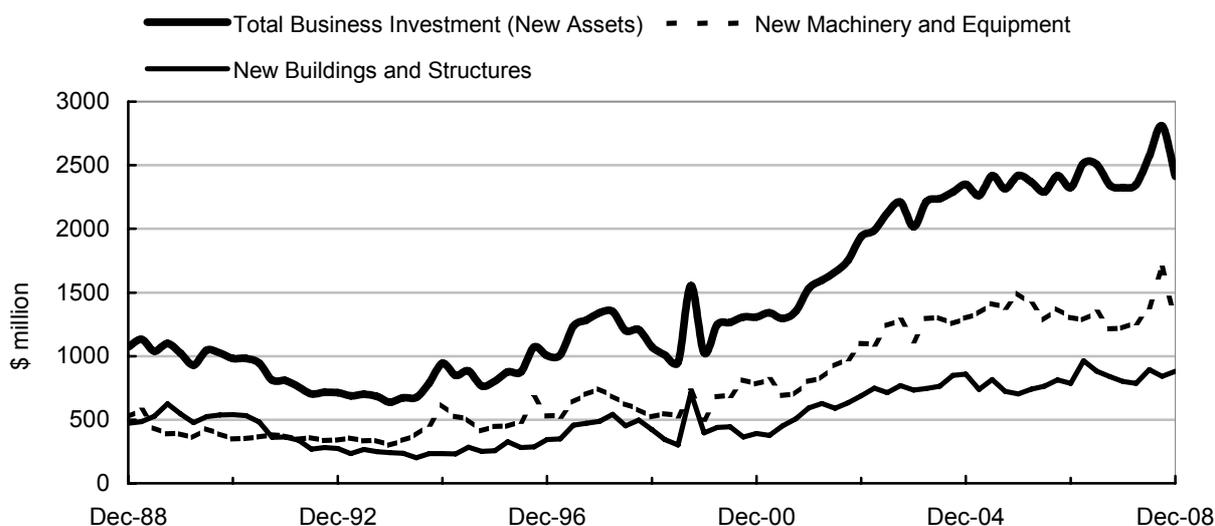
Chapter 8: South Australian economy

South Australia were, however, flat in the first quarter of 2009 as the international economic situation dented consumer confidence.

New motor vehicle sales have fallen consistently in the past 12 months, and by April 2009 were 17 per cent lower than a year earlier. Australian production of motor vehicles has also been falling, with domestic manufacturers losing combined market share in the domestic market.

South Australian business investment in new assets fell in the December quarter of 2008 as businesses reacted to economic and financial market developments internationally and locally. While easing, business investment in new assets remained near historically high levels and is still 84 per cent higher than in 2001.

Figure 8.1: Real business investment in South Australia — seasonally adjusted (\$million per quarter)



Source: ABS, Australian National Accounts: National Income, Expenditure and Product, Catalogue no. 5206.0. Values represent chain volume measures. Reference year for chain volume measures is 2006-07.

After strong growth from 2005 through to 2007, mineral exploration expenditure in South Australia fell to \$318 million in 2008, down 4.2 per cent from 2007. Nonetheless, mineral exploration expenditure remains at historically high levels, with expenditure in 2008 almost 10 times higher than in 2001.

The housing construction sector has remained relatively solid in South Australia, with dwelling commencements reaching their highest calendar year level since 1985. Over the past seven years South Australia has been consistently building in excess of 10 000 new dwellings per annum. While building approvals appear to have stabilised, they remain well below last year's peaks and suggest that dwelling construction activity over the coming year may be modestly lower than in recent years.

According to the Land Services Group (Department of Transport, Energy and Infrastructure), the median price of established houses in Adelaide fell to \$355 000 in the March quarter 2009 and was 2.3 per cent lower than the same time a year earlier. Median sale prices started to fall earlier than this, in late 2008, because there was a significant increase in the proportion of lower value houses sold over the period. Rental vacancy rates remain extremely tight in South Australia reflecting high rates of population growth notwithstanding the increasing levels of housing construction. The residential vacancy rate in Adelaide was just 1.2 per cent in the December quarter 2008. According to the Australian Bureau of Statistics (ABS), average residential rents in Adelaide during the March quarter 2009 were 5.5 per cent higher than at the same time a year earlier.

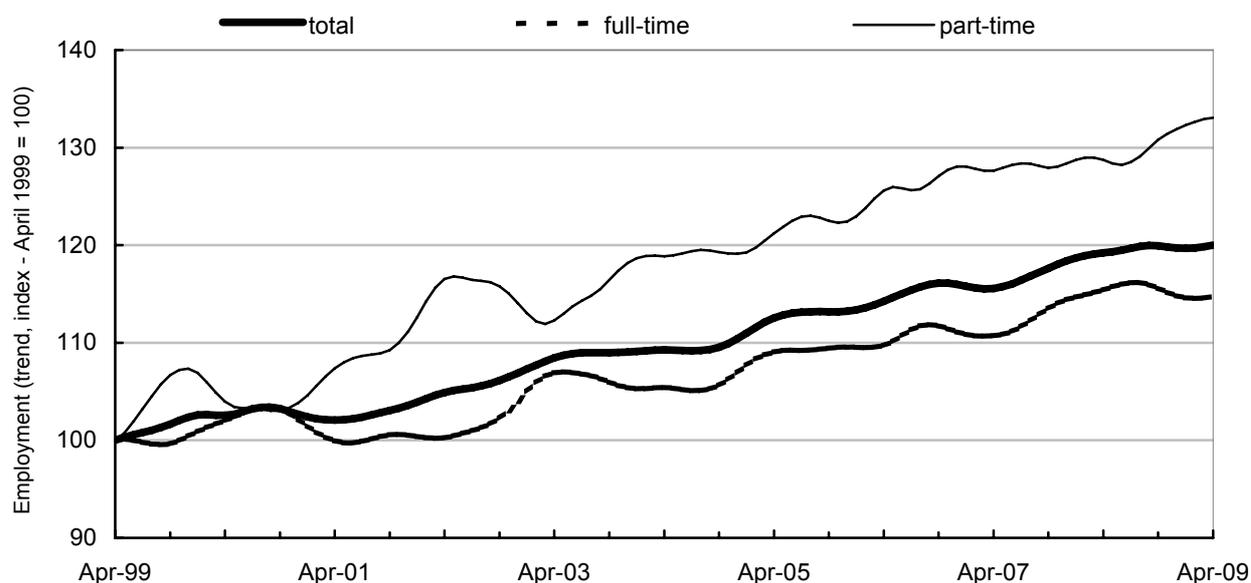
While early season forecasts predicted a strong increase in crop production, poor spring rainfall affected output significantly in South Australia during 2008-09. The Australian Bureau of Agricultural and Resource Economics (ABARE) estimates that South Australia's 2008-09 winter crop will be 4.5 million tonnes, 8.0 per cent lower than the previous financial year and almost 21 per cent below the five-year average. By contrast, national winter crop production for 2008-09 is estimated to rise 46 per cent compared to the previous year.

The value of South Australian overseas goods exports grew by 3.9 per cent to a total of \$10.3 billion in the 12 months to March 2009. The fastest growing export commodities in value terms included wheat, metal ores and metal scrap. Export volumes have also grown, rising by 5.7 per cent during 2008.

South Australia's annual population growth rate is currently at its highest level since the mid 1980s, with the estimated resident population growing by 18 000 during the year to September 2008. Net migration inflows accounted for well over half of the population gain, with net overseas migration inflows outweighing a net loss of population to the rest of Australia. Increases in South Australia's net overseas migration gain have been largely associated with the introduction in 2004 of the Skilled Independent Regional visa. The Commonwealth Government announced in March 2009 that it will reduce Australia's intake of skilled migrants in 2008-09 from 133 500 to 115 000. In the 2009-10 Commonwealth Budget released in May it announced that the 2009-10 intake will be reduced to 108 100.

It is estimated that the impact of the weaker economic climate will be to reduce employment growth in South Australia to around $\frac{3}{4}$ per cent through the year to the June quarter 2009 (down from 2.8 per cent in the previous 12 months). South Australia's trend unemployment rate was 5.8 per cent in April 2009, up 1.1 percentage points from a year earlier. Labour force participation in South Australia is slightly below its October 2008 peak, which was the highest level since monthly labour force surveys commenced in 1978.

Figure 8.2: South Australian employment — trend (index numbers) (April 1999=100)



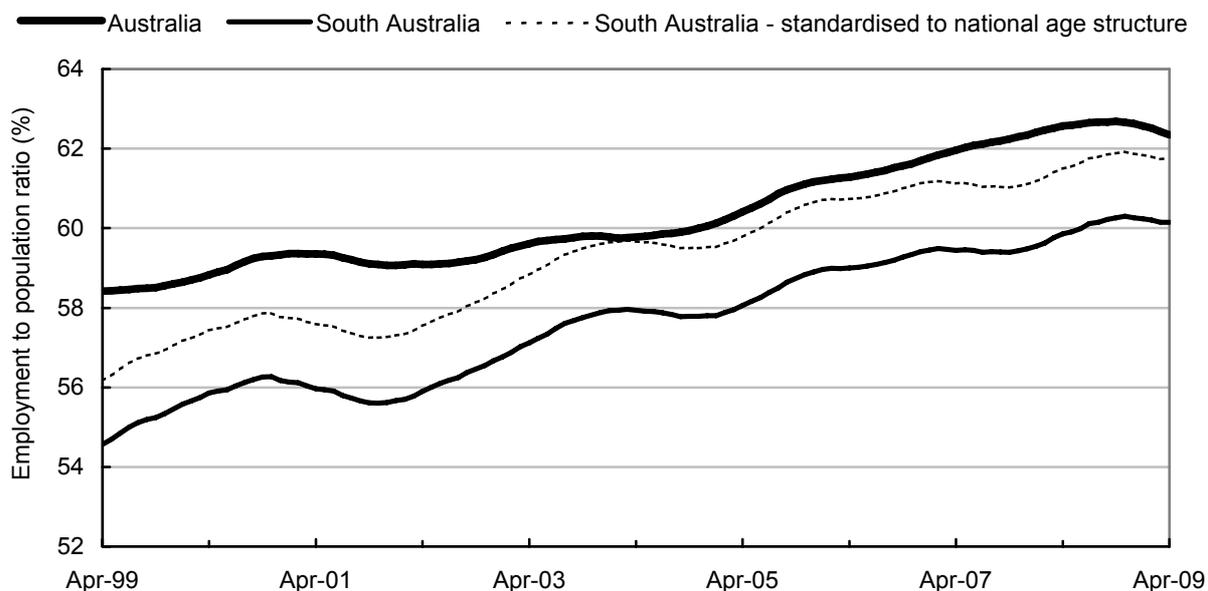
Source: ABS, Labour Force Australia, Catalogue no. 6202.0

In *South Australia's Strategic Plan*, the Government of South Australia has an objective of increasing the employment to population ratio, standardised for age differences, to the Australian average. Figure 8.3 shows the latest trends in this measure, based on annual average data to remove volatility in the monthly estimates. Before adjusting for differences in age structure, South Australia's employment to population ratio is currently around 2.2 percentage points lower than the national

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average, but this gap is smaller than it was a year earlier. The ongoing gap is partly the result of South Australia's older age structure. When adjustment is made to remove this age structure effect the gap between South Australia's employment to population ratio and the national average reduces to around 0.6 of a percentage point. South Australia's employment to population ratio has fallen slightly from its November 2008 peak, which was the highest level since monthly labour force surveys commenced in February 1978.

Figure 8.3: Employment to population ratios — year average per cent



Source: ABS, Labour Force Australia, Catalogue no. 6291.0.55.001

Consumer price inflation in Australia was very high in the first three quarters of 2008, lifting the annual rate of inflation to 5.0 per cent by the September quarter 2008. The CPI fell however in the December quarter and rose by just 0.1 per cent in the March quarter 2009, reducing the headline annual inflation rate to 2.5 per cent. This is in the middle of the 2–3 per cent inflation band targeted by the Reserve Bank of Australia (RBA). Monetary policy has been eased by 4.25 percentage points since September 2008 as the weakening economic climate dramatically reduced expectations of future inflation.

Growth in wage costs has remained reasonably stable through 2008 and early 2009. National wages growth, based on the ABS hourly rates of pay index, was 4.1 per cent during the year to the March quarter 2009. South Australian wages growth was 3.9 per cent over the same period.

Economic outlook

The outlook for the national and state economies remains weak in the short-term but the extent and longevity of the downturn is clouded by uncertainty regarding international economic and financial developments. World economic growth forecasts have been severely downgraded as financial market conditions and economic activity in most advanced economies continue to weaken. In April 2009, the International Monetary Fund (IMF) further downgraded its forecast for world output growth, forecasting a contraction in output of 1.3 per cent in 2009. The IMF forecasts that the United States, European Union and Japanese economies will contract significantly in 2009. Similarly, growth in the emerging and developing nations is also anticipated to slow significantly in 2009. The IMF is predicting a modest recovery in world growth of 1.9 per cent in 2010. At the time of preparation of the state budget there are signs of stabilisation in overseas financial markets, but the situation remains

fragile and highly uncertain. The IMF has stated that, “*recessions associated with financial crises tend to be unusually severe and their recoveries typically slow.*”

The Commonwealth Treasury has forecast that the Australian economy will contract by $\frac{1}{2}$ per cent in 2009-10, before recovering to grow by $2\frac{1}{4}$ per cent in 2010-11. This would represent three consecutive years well below long-term projected underlying growth of 3 per cent per annum in real terms. National employment is forecast to fall by $1\frac{1}{2}$ per cent through the year to the June quarter 2010. Commonwealth Treasury expects wages growth to slow from around the $4\frac{1}{4}$ per cent through the course of 2008-09 to $3\frac{1}{4}$ per cent through 2009-10 and 2010-11.

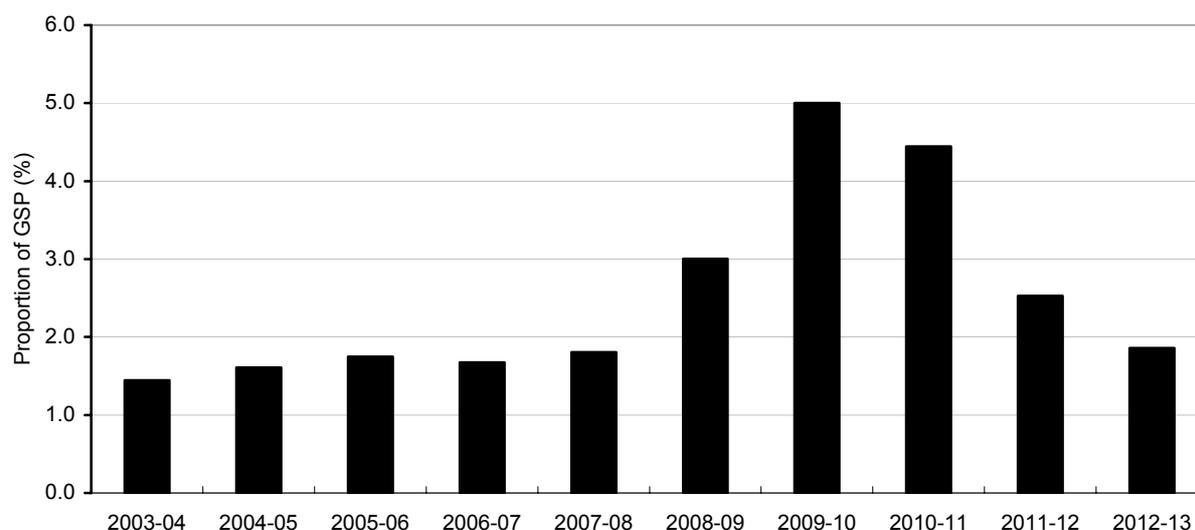
For South Australia, the Department of Treasury and Finance is expecting that economic conditions will follow a similar path to the national economy. GSP is expected to fall by $\frac{1}{2}$ per cent in 2009-10. Consumer spending growth is expected to remain weak, with the Commonwealth Government’s economic stimulus packages and low interest rates offering some support but the weakening labour market, fragile consumer confidence and rising consumer savings are expected to continue to have significant dampening effects.

While a large number of business investment projects remain in the pipeline in South Australia, including a range of mining prospects, current constraints on credit and a weak demand are likely to see some projects put on hold, dampening business investment levels in the short-term. When the international economic recovery gets underway there is potential for a significant expansion in investment in South Australia.

While private demand by consumers and business has weakened considerably, government spending will act to provide support for jobs and incomes. The Commonwealth Government has announced a number of fiscal stimulus measures involving a mix of one-off transfer payments and permanent improvements in pensions for households, and capital spending on areas including schools, housing, energy efficiency, community infrastructure and roads, rails and ports.

Similarly the Government of South Australia is embarking on a major infrastructure program, which will provide maximum support to the local economy when it is required most. South Australian government capital spending is forecast to grow from 1.8 per cent of GSP in 2007-08 to 3.0 per cent in 2008-09 and to 5.0 per cent in 2009-10 (see figure 8.4).

Figure 8.4: South Australian government capital investment as a proportion of GSP^(a)



(a) Non-Financial Public Sector purchase of non-financial assets

Source: South Australian Department of Treasury and Finance; ABS, Australian National Accounts: State Accounts, Catalogue no. 5220.0. Values represent current prices.

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For the farm sector of the economy, recovery in output and incomes for the broadacre sector and irrigated agriculture remains dependent on winter rainfall, and water flows and allocations.

The demand for labour in South Australia has moderated significantly. ANZ Bank data indicates that newspaper job advertisements in South Australia, an indicator of hiring intentions, have fallen 50 per cent in trend terms compared to a year earlier. Employment in South Australia is forecast to fall by 1½ per cent through the year to the June quarter 2010. Unemployment rate forecasts are not published in the state budget. However, it is considered that the outlook for unemployment in South Australia is similar to that of the nation. Commonwealth Treasury predicts that the national unemployment rate will grow to 8¼ per cent by June quarter 2010 and 8½ per cent by June quarter 2011.

Economic conditions are forecast to start to gradually improve through the course of 2010, with GSP growth forecast to recover to 2¼ per cent in 2010-11 and employment growth of ½ a per cent expected through the year to the June quarter 2011. These forecasts are in line with the Commonwealth Treasury forecasts for the Australian economy.

Following the lead of the Commonwealth Treasury, the economic projections for 2011-12 and 2012-13 assume that recovery from the current recession will gather momentum and, as typically occurs during the recovery phase from a sharp downturn, growth rates during the recovery phase will be above the medium-term trend growth rate. This new methodology flows through to revenue estimates contained in the budget, payroll tax in particular.

Table 8.1 shows estimates, forecasts and projections of economic growth for South Australia and Australia. However, no allowance has been made for the impacts of the yet to be approved expansion of the Olympic Dam mine. Projected impacts of the expansion include growth in employment and working age population, although the timing of these impacts remains uncertain.

Table 8.1: Key economic indicators — Australia and South Australia real growth rates (per cent per annum)

	2007-08 Actual	2008-09 Estimate	2009-10 Forecast	2010-11 Forecast	2011-12 Projection	2012-13 Projection
Australia^(a)						
Gross Domestic Product (GDP) ^(b)	3.6	0	-½	2¼	4½	4½
Domestic Final Demand (DFD) ^(b)	5.3	1½	-1¼	2	n.a.	n.a.
Employment ^(c)	2.4	-¼	-1½	½	2½	2½
Unemployment Rate ^(d)	4.2	6	8¼	8½	7½	6½
CPI ^(c)	4.5	1¾	1¾	1½	2	2½
South Australia^(e)						
Gross State Product (GSP) ^(b)	3.8	1	-½	2¼	4¼	4¼
State Final Demand (SFD) ^(b)	2.0	2¼	0	2	4¼	4¼
Employment ^(c)	2.8	¾	-1½	½	2¼	2¼

(a) Australian forecasts from 2009-10 Commonwealth Budget.

(b) Year average

(c) Through the year to the June quarter.

(d) The unemployment rate is the rate in the June quarter.

(e) Forecasts and projections are based largely on underlying national economic and state population trends, climatic conditions impacting on farm sector production and emerging major projects.

Source: South Australian Department of Treasury and Finance. Actuals from Australian Bureau of Statistics.

UNIFORM PRESENTATION FRAMEWORK

Overview

By agreement between the Commonwealth and the states and territories, each jurisdiction presents financial information on a *Uniform Presentation Framework* (UPF) basis presented in their budget papers, mid-year budget update and budget outcome reporting. The tables in this appendix present budget information for South Australia on the UPF basis, reflecting the fiscal measures and scope outlined below.

The primary objective of the UPF is to ensure that Commonwealth, state and territory governments provide a common 'core' of financial information in their budget papers to enable direct comparisons of each government's budget and financial results.

The UPF is based on the reporting standards of the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) framework. ABS formats and standards are in turn derived from international GFS frameworks such as the International Monetary Fund draft manual of *Government Financial Statistics* and the *United Nations System of National Accounts 1993* (SNA93). The ABS publishes annual government financial information for all Australian government jurisdictions on this basis each year.

The ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) requires that provisions for doubtful debts be excluded from the balance sheet. Consistent with the Commonwealth Government's methodology, South Australia has not adopted this treatment in the UPF reports because excluding such provisions would overstate the value of assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

Accrual GFS fiscal measures

The key measures in the GFS accrual framework are: GFS net operating balance, GFS net lending, cash surplus, net debt, net worth, change in net worth, net financial worth and net financial liabilities.

GFS net operating balance

The GFS net operating balance, or operating result, is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation).

Net operating balance can also be defined as the change in net worth less the effects of revaluation of financial assets and liabilities.

GFS net lending

GFS net lending (sometimes referred to as fiscal balance) measures a government's investment-saving balance.

Net lending (which is recorded in the operating statement) differs from the net operating balance in the treatment of capital expenditure. Unlike the net operating balance, net lending includes net capital expenditure, but not the use of capital (that is depreciation).

APPENDIX A

Net lending is the accrual counterpart of the GFS cash surplus in the cash flow statement. However, the two measures are unlikely to coincide because of the differences arising when transactions are recorded in cash and accrual terms.

Cash surplus

The GFS cash surplus/deficit is a flow measure reported in the cash flow statement.

The cash surplus has four components. The first is net cash received from operating activities (comprising tax revenue plus grants and subsidies received plus revenue from sales of goods and services, less payments for goods and services, interest costs, and grants and subsidies paid). The second component is net cash inflow from sales and purchases of non-financial assets. The third component (in the case of public non-financial corporations and public financial corporations) is the level of distributions paid. And the fourth component removes the initial increase in liability accruing at the beginning of finance leases and similar arrangements.

Net debt

Net debt comprises the stock of selected gross financial liabilities less financial assets.

Net debt is reported in the balance sheet and is the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Net worth

Net worth is calculated as total assets (both financial and non-financial) minus total liabilities (including shares and other contributed capital of other sectors of the jurisdiction). Net worth incorporates a government's non-financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

The net worth measure is reported in the balance sheet.

Change in net worth

Change in net worth measures the variation in net worth (as described above), and is the most inclusive measure of the change in a government's financial position over a given period.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets (net financial worth), but excludes equity investments (net worth) in the other sectors of the jurisdiction.

Net financial liabilities is a more accurate indicator than net debt of a jurisdiction's fiscal position as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government from net financial worth results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the public non-financial corporations (PNFC) sector is backed by physical assets.

Scope

The UPF divides the Australian public sector into three institutional subsectors: the general government sector, the public non-financial corporations sector; and the public financial corporations sector.

General government comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production.

Public non-financial corporations are bodies mainly engaged in the production of goods and services of a non-financial nature for sale in the marketplace at prices that aim to recover most of the costs involved. This sector includes some trading enterprises, such as SA Water, ForestrySA and SA Housing Trust. In general, PNFCs are legally distinguishable from the governments that own them.

Public financial corporations are bodies primarily engaged in providing financial intermediation services or auxiliary financial services. Generally, they are able to transact in financial liabilities on their own account.

Budget reporting

Under the UPF agreement, all governments are required to present as part of their budget documentation an operating statement, balance sheet and cash flow statement for the general government sector, public non-financial corporations sector and the non-financial public sector. The non-financial public sector is the consolidation of the general government sector and the public non-financial corporations sectors. In addition, information is also presented on taxes, general government sector expenses by function and Loan Council Allocations.

This information is presented in Tables A.1 through to A.20 in this appendix.

Reporting of outcomes

Outcomes are presented in the Final Budget Outcome document. In addition to the tables presented at budget time, outcome reporting also contains the accrual financial statements for the public financial corporations sector.

Future developments in the presentation of government financial information

Australian Accounting Standard for a single set of government financial statements.

The Government of South Australia and its reporting entities produce general purpose financial statements in accordance with Australian Accounting Standards (known as generally accepted accounting principles).

The government produces budgets and outcome documents in accordance with the Uniform Presentation Framework (UPF), which is based on the Australian Bureau of Statistics Government Finance Statistics framework.

In December 2002 the Financial Reporting Council (FRC) under the jurisdiction of subsection 225(1) of the *Australian Securities and Investments Commission Act 2001*, issued a direction to the Australian Accounting Standards Board (AASB) to harmonise the two reporting frameworks.

The objective of harmonising generally accepted accounting principles and the government finance statistics framework is to achieve a single standard for the production of government budgets and

APPENDIX A

financial statements, that are auditable, comparable between jurisdictions and have financial statements that are directly comparable with the relevant budget statements.

The FRC's direction resulted in the AASB issuing an Australian accounting standard to address the harmonisation of the two frameworks for financial reporting by governments and the general government sector. AASB 1049 *Whole of Government and General Government Sector Financial Reporting* applies for the year ending 30 June 2009.

In January 2009, the AASB issued an exposure draft to address the harmonisation of the two reporting frameworks for entities within the general government sector. The opportunity to provide comments on this ED closed mid-May. It is expected that a standard will be issued by early 2010.

Revised Uniform Presentation Framework

As a result of these developments the UPF was updated to align with AASB 1049.

The Commonwealth, states and territories agreed that an updated framework (rather than replacing the UPF with AASB 1049) would continue to provide a common core of financial information in budget papers and comparable data amongst jurisdictions while maintaining the current level of transparency.

The revised UPF provides jurisdictions with the base statement to add required information to comply with AASB 1049. All jurisdictions have agreed to adopt the revised UPF by no later than 2009-10 budget reports.

UNIFORM PRESENTATION FRAMEWORK TABLES

Table A.1: General government sector operating statement (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Taxation revenue	3 478	3 526	3 623	3 832	4 046
Grants	7 199	8 064	7 747	7 595	7 672
Sales of goods and services	1 711	1 834	1 852	1 940	2 011
Interest income	120	144	206	261	321
Dividend and income tax equivalent income	348	388	450	398	459
Other	529	489	519	560	570
Total revenue	13 385	14 444	14 397	14 585	15 079
<i>less</i>					
Expenses					
Employee expenses	5 684	6 035	5 942	6 052	6 147
Superannuation expenses					
Superannuation interest cost	383	444	441	437	433
Other superannuation expenses	602	623	630	644	657
Depreciation and amortisation	595	601	657	703	770
Interest expenses	161	174	328	414	476
Other property expenses	—	—	—	—	—
Other operating expenses	3 501	3 728	3 613	3 792	3 838
Grants	2 724	3 145	2 709	2 448	2 454
Total expenses	13 650	14 748	14 319	14 489	14 775
<i>equals</i>					
Net operating balance	-265	-304	78	96	304
<i>plus</i>					
Other economic flows	-2 356	925	675	705	756
<i>equals</i>					
Comprehensive result - total change in net worth	-2 621	621	753	801	1 060
<i>equals</i>					
Net operating balance	-265	-304	78	96	304
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 347	2 180	2 199	1 528	1 132
less Sales of non-financial assets	85	343	140	246	75
less Depreciation	595	601	657	703	770
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	667	1 237	1 402	579	287
<i>equals</i>					
Net lending / borrowing	-932	-1 541	-1 324	-483	17

Note: Totals may not add due to rounding.

APPENDIX A

Table A.2: Public non-financial corporations (public trading enterprises) sector operating statement (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Taxation revenue	—	—	—	—	—
Grants	649	848	638	511	486
Sales of goods and services	1 378	1 542	1 775	1 736	1 934
Interest income	26	16	16	17	19
Dividend and income tax equivalent income	13	18	8	7	1
Other	223	234	235	202	175
Total revenue	2 291	2 658	2 671	2 472	2 615
<i>less</i>					
Expenses					
Employee expenses	146	160	157	163	186
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	23	24	24	22	25
Depreciation and amortisation	282	303	361	374	384
Interest expenses	182	192	228	244	273
Other property expenses	332	379	461	419	501
Other operating expenses	1 251	1 242	1 277	1 208	1 225
Grants	83	59	35	39	45
Total expenses	2 300	2 358	2 542	2 470	2 639
<i>equals</i>					
Net operating balance	-10	300	130	2	-24
<i>plus</i>					
Other economic flows	1 552	564	-41	635	676
<i>equals</i>					
Comprehensive result - total change in net worth	1 543	864	89	637	652
<hr/>					
Net operating balance	-10	300	130	2	-24
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	988	1 728	1 424	680	607
less Sales of non-financial assets	266	215	831	380	265
less Depreciation	282	303	361	374	384
plus Change in inventories	93	59	-111	-9	2
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	533	1 270	121	-82	-41
<i>equals</i>					
Net lending / borrowing	-542	-970	9	84	17

Note: Totals may not add due to rounding.

Table A.3: Non-financial public sector operating statement (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Revenue					
Taxation revenue	3 196	3 231	3 335	3 541	3 750
Grants	7 198	8 066	7 750	7 598	7 688
Sales of goods and services	2 852	3 140	3 387	3 415	3 667
Interest income	94	120	182	249	296
Dividend and income tax equivalent income	39	68	86	43	27
Other	716	679	739	757	740
Total revenue	14 096	15 303	15 478	15 603	16 168
<i>less</i>					
Expenses					
Employee expenses	5 830	6 195	6 099	6 215	6 333
Superannuation expenses					
Superannuation interest cost	383	444	441	437	433
Other superannuation expenses	626	646	654	667	682
Depreciation and amortisation	877	903	1 018	1 076	1 154
Interest expenses	290	326	515	629	705
Other property expenses	16	45	95	63	73
Other operating expenses	4 190	4 389	4 341	4 439	4 479
Grants	2 158	2 359	2 108	1 978	2 030
Total expenses	14 370	15 307	15 271	15 505	15 888
<i>equals</i>					
Net operating balance	-275	-4	208	98	280
<i>plus</i>					
Other economic flows	-2 346	625	545	703	780
<i>equals</i>					
Comprehensive result - total change in net worth	-2 621	621	753	801	1 060
<hr/>					
Net operating balance	-275	-4	208	98	280
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	2 332	3 908	3 621	2 208	1 738
less Sales of non-financial assets	349	557	969	626	340
less Depreciation	877	903	1 018	1 076	1 154
plus Change in inventories	93	60	-111	-8	2
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	1 199	2 507	1 523	497	246
<i>equals</i>					
Net lending / borrowing	-1 474	-2 511	-1 316	-399	34

Note: Totals may not add due to rounding.

APPENDIX A

Table A.4: General government sector balance sheet (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Assets					
Financial assets					
Cash and deposits	2 915	3 301	3 604	4 494	5 380
Advances paid	764	691	499	202	58
Investments, loans and placements	145	156	169	182	195
Receivables	516	544	522	536	539
Equity					
Investments in other public sector entities	16 633	17 535	17 658	18 387	19 193
Investments - other	671	673	674	673	671
Other financial assets	36	36	37	36	35
Total financial assets	21 680	22 937	23 163	24 509	26 071
Non-financial assets					
Land and other fixed assets	16 920	18 206	19 687	20 309	20 651
Other non-financial assets	23	23	23	23	23
Total non-financial assets	16 943	18 229	19 709	20 332	20 674
Total assets	38 622	41 166	42 872	44 840	46 744
Liabilities					
Deposits held	463	539	401	361	346
Advances received	656	638	620	619	600
Borrowing	3 365	5 113	6 058	7 097	7 801
Superannuation	9 748	9 790	9 815	9 819	9 802
Other employee benefits	1 777	1 848	1 933	2 034	2 159
Payables	641	645	643	644	646
Other liabilities	853	852	908	970	1 035
Total liabilities	17 503	19 425	20 378	21 545	22 389
Net worth	21 120	21 741	22 494	23 295	24 355
Net financial worth (a)	4 177	3 512	2 785	2 963	3 681
Net financial liabilities	12 456	14 023	14 873	15 423	15 511
Net debt (b)	659	2 142	2 807	3 200	3 114

Note: Totals may not add due to rounding.

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table A.5: Public non-financial corporations (public trading enterprises) sector balance sheet (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Assets					
Financial assets					
Cash and deposits	513	531	396	357	344
Advances paid	62	55	48	40	33
Investments, loans and placements	30	31	33	34	35
Receivables	176	179	175	183	191
Equity					
Investments in other public sector entities	—	—	—	—	—
Investments - other	22	19	16	14	11
Other financial assets	40	21	3	3	3
Total financial assets	843	838	671	630	617
Non-financial assets					
Land and other fixed assets	20 149	22 001	22 654	23 238	23 873
Other non-financial assets	2	2	2	2	3
Total non-financial assets	20 151	22 003	22 656	23 240	23 876
Total assets	20 994	22 840	23 326	23 871	24 492
Liabilities					
Deposits held	—	1	1	2	2
Advances received	741	673	482	185	49
Borrowing	2 286	3 033	3 513	3 700	3 817
Superannuation	—	—	—	—	—
Other employee benefits	74	75	71	73	74
Payables	243	243	239	243	248
Other liabilities	169	472	587	598	580
Total liabilities	3 514	4 497	4 894	4 801	4 771
Net worth	17 479	18 344	18 433	19 070	19 722
Net financial worth (a)	-2 671	-3 659	-4 223	-4 171	-4 154
Net financial liabilities	2 671	3 659	4 223	4 171	4 154
Net debt (b)	2 423	3 088	3 520	3 455	3 457

Note: Totals may not add due to rounding.

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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Table A.6: Non-financial public sector balance sheet (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Assets					
Financial assets					
Cash and deposits	3 159	3 494	3 806	4 702	5 595
Advances paid	84	74	65	57	42
Investments, loans and placements	175	188	202	216	230
Receivables	554	562	542	542	547
Equity					
Investments in other public sector entities	-847	-809	-775	-683	-529
Investments - other	693	692	690	686	682
Other financial assets	75	57	39	38	37
Total financial assets	3 894	4 257	4 569	5 557	6 604
Non-financial assets					
Land and other fixed assets	37 069	40 207	42 340	43 547	44 524
Other non-financial assets	25	25	25	25	26
Total non-financial assets	37 094	40 232	42 365	43 572	44 549
Total assets	40 987	44 489	46 934	49 130	51 153
Liabilities					
Deposits held	195	201	208	214	220
Advances received	656	638	620	619	600
Borrowing	5 650	8 146	9 572	10 797	11 618
Superannuation	9 748	9 790	9 815	9 819	9 802
Other employee benefits	1 851	1 922	2 004	2 107	2 233
Payables	775	781	775	780	785
Other liabilities	994	1 268	1 447	1 499	1 540
Total liabilities	19 868	22 748	24 440	25 835	26 798
Net worth	21 120	21 741	22 494	23 295	24 355
Net financial worth (a)	-15 974	-18 491	-19 871	-20 277	-20 195
Net financial liabilities	15 127	17 682	19 096	19 594	19 665
Net debt (b)	3 082	5 230	6 327	6 656	6 571

Note: Totals may not add due to rounding.

(a) Net financial worth equals total financial assets minus total liabilities.

(b) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Table A.7: General government sector cash flow statement (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash receipts from operating activities					
Taxes received	3 453	3 520	3 630	3 832	4 041
Receipts from sales of goods and services	1 688	1 788	1 835	1 923	1 994
Grants and subsidies received	7 202	8 063	7 745	7 593	7 671
Interest receipts	111	131	194	249	308
Dividends and income tax equivalents	371	360	457	376	454
Other receipts	547	509	545	585	596
Total operating receipts	13 373	14 372	14 407	14 558	15 063
Cash payments for operating activities					
Payments for employees	-6 572	-7 052	-6 972	-7 091	-7 197
Payments for goods and services	-3 188	-3 529	-3 437	-3 614	-3 659
Grants and subsidies paid	-2 789	-3 207	-2 770	-2 510	-2 516
Interest paid	-160	-174	-328	-414	-476
Other payments	-297	-109	-72	-68	-67
Total operating payments	-13 007	-14 071	-13 578	-13 696	-13 915
Net cash flows from operating activities	366	301	828	862	1 147
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	85	341	140	246	75
Purchases of non-financial assets (a)	-1 354	-2 172	-2 078	-1 526	-1 129
Net cash flows from investments in non-financial assets	-1 269	-1 831	-1 938	-1 280	-1 054
Net cash flows from investments in financial assets for policy purposes (b)	12	141	765	330	143
Net cash flows from investments in financial assets for liquidity purposes	-16	-15	-14	-13	-12
Net cash flows from financing activities					
Advances received (net)	11	-17	-18	-1	-19
Borrowing (net)	1 054	1 738	825	1 039	704
Deposits received (net)	88	75	-138	-40	-15
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	1 152	1 796	669	998	670
Net increase / (decrease) in cash held	245	392	310	897	894
Net cash flows from operating activities	366	301	828	862	1 147
Net cash flows from investments in non-financial assets	-1 269	-1 831	-1 938	-1 280	-1 054
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-903	-1 530	-1 110	-418	93

Note: Totals may not add due to rounding.

(a) The ABS disaggregates this item into new and secondhand non-financial assets.

(b) Includes equity acquisitions, disposals and privatisations (net).

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Table A.8: Public non-financial corporations (public trading enterprises) sector cash flow statement (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 356	1 513	1 759	1 709	1 907
Grants and subsidies received	688	1 091	750	508	470
Interest receipts	26	16	16	16	19
Dividends and income tax equivalents	13	18	8	7	1
Other receipts	205	228	222	188	160
Total operating receipts	2 288	2 867	2 754	2 428	2 556
Cash payments for operating activities					
Payments for employees	-186	-202	-205	-205	-232
Payments for goods and services	-783	-702	-597	-640	-655
Grants and subsidies paid	-83	-59	-35	-39	-45
Interest paid	-183	-193	-228	-245	-274
Other payments	-694	-653	-740	-691	-750
Total operating payments	-1 930	-1 811	-1 805	-1 820	-1 956
Net cash flows from operating activities	358	1 056	949	608	600
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	266	215	831	380	265
Purchases of non-financial assets (a)	-954	-1 701	-1 399	-653	-579
Net cash flows from investments in non-financial assets	-688	-1 486	-568	-273	-313
Net cash flows from investments in financial assets for policy purposes (b)	4	7	7	8	8
Net cash flows from investments in financial assets for liquidity purposes	2	2	2	2	2
Net cash flows from financing activities					
Advances received (net)	-21	-86	-764	-329	-136
Borrowing (net)	629	747	480	187	117
Deposits received (net)	—	—	—	—	—
Dividends paid	-219	-221	-243	-242	-292
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	389	441	-526	-384	-310
Net increase / (decrease) in cash held	66	19	-136	-39	-13
Net cash flows from operating activities	358	1 056	949	608	600
Net cash flows from investments in non-financial assets	-688	-1 486	-568	-273	-313
Dividends paid	-219	-221	-243	-242	-292
Cash surplus / (deficit)	-548	-651	138	93	-4

Note: Totals may not add due to rounding.

(a) The ABS disaggregates this item into new and secondhand non-financial assets.

(b) Includes equity acquisitions, disposals and privatisations (net).

Table A.9: Non-financial public sector cash flow statement (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash receipts from operating activities					
Taxes received	3 172	3 223	3 342	3 541	3 745
Receipts from sales of goods and services	2 809	3 068	3 358	3 375	3 626
Grants and subsidies received	7 240	8 308	7 860	7 594	7 671
Interest receipts	84	107	169	237	284
Dividends and income tax equivalents	39	68	86	43	27
Other receipts	711	689	748	765	748
Total operating receipts	14 056	15 463	15 564	15 554	16 100
Cash payments for operating activities					
Payments for employees	-6 740	-7 235	-7 157	-7 275	-7 406
Payments for goods and services	-3 756	-4 015	-3 816	-4 016	-4 059
Grants and subsidies paid	-2 223	-2 421	-2 170	-2 041	-2 092
Interest paid	-291	-327	-516	-630	-706
Other payments	-540	-329	-372	-365	-379
Total operating payments	-13 550	-14 327	-14 030	-14 327	-14 643
Net cash flows from operating activities	506	1 136	1 533	1 228	1 457
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	349	556	969	626	340
Purchases of non-financial assets (a)	-2 305	-3 873	-3 475	-2 179	-1 708
Net cash flows from investments in non-financial assets	-1 957	-3 317	-2 506	-1 553	-1 368
Net cash flows from investments in financial assets for policy purposes (b)	-5	61	9	9	15
Net cash flows from investments in financial assets for liquidity purposes	-14	-13	-12	-11	-10
Net cash flows from financing activities					
Advances received (net)	11	-17	-18	-1	-19
Borrowing (net)	1 682	2 485	1 306	1 226	821
Deposits received (net)	6	6	6	6	6
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	1 700	2 474	1 294	1 231	808
Net increase / (decrease) in cash held	230	342	318	904	902
Net cash flows from operating activities	506	1 136	1 533	1 228	1 457
Net cash flows from investments in non-financial assets	-1 957	-3 317	-2 506	-1 553	-1 368
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-1 451	-2 181	-973	-325	89

Note: Totals may not add due to rounding.

(a) The ABS disaggregates this item into new and secondhand non-financial assets.

(b) Includes equity acquisitions, disposals and privatisations (net).

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Table A.10: General government sector derivation of ABS GFS cash surplus/deficit (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Cash surplus / (deficit)	-903	-1 530	-1 110	-418	93
Acquisitions under finance leases and similar arrangements (a)	—	-11	-120	—	—
ABS GFS Surplus (+) / deficit (-) including finance leases and similar arrangements	-903	-1 540	-1 230	-418	93

**Table A.11: Public non-financial corporations (public trading enterprises) sector
derivation of ABS GFS cash surplus/deficit (\$million)**

Cash surplus / (deficit)	-548	-651	138	93	-4
Acquisitions under finance leases and similar arrangements (a)	—	—	—	—	—
ABS GFS Surplus (+) / deficit (-) including finance leases and similar arrangements	-548	-651	138	93	-4

Table A.12: Non-financial public sector derivation of ABS GFS cash surplus/deficit (\$million)

Cash surplus / (deficit)	-1 451	-2 181	-973	-325	89
Acquisitions under finance leases and similar arrangements (a)	—	-11	-120	—	—
ABS GFS Surplus (+) / deficit (-) including finance leases and similar arrangements	-1 451	-2 192	-1 093	-325	89

Note: Totals may not add due to rounding.

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table A.13: General government sector taxes (\$million) (a)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Taxes on employers' payroll and labour force	913	915	955	1 026	1 103
Taxes on property					
Land taxes	508	550	512	515	547
Stamp duties on financial and capital transactions	765	727	784	867	919
Financial institutions' transaction taxes	—	—	—	—	—
Other	149	152	153	155	158
Total	1 422	1 428	1 449	1 538	1 624
Taxes on the provision of goods and services					
Excises and levies	—	—	—	—	—
Taxes on gambling	392	400	416	444	472
Taxes on insurance	323	338	347	356	364
Total	715	737	763	799	837
Taxes on use of goods and performance of activities					
Motor vehicle taxes	427	445	455	469	483
Total	427	445	456	469	483
Total GFS taxation revenue	3 478	3 526	3 623	3 832	4 046

Note: Totals may not add due to rounding.

(a) Excludes taxes paid by general government entities.

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Table A.14(a): General government sector grant revenue (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Current grant revenue					
Current grants from the Commonwealth					
General purpose grants	3 817	3 819	4 013	4 246	4 501
National partnership grants	512	519	381	459	420
Specific purpose grants	1 490	1 327	1 373	1 423	1 474
Specific purpose grants for on-passing	675	664	682	699	717
Total current grants from the Commonwealth	6 494	6 330	6 449	6 827	7 110
Other contributions and grants	117	135	98	100	100
Total current grant revenue	6 611	6 466	6 547	6 927	7 211
Capital grant revenue					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
National partnership grants	173	1 443	1 055	521	313
Specific purpose grants	371	114	115	117	119
Specific purpose grants for on-passing	15	11	11	11	12
Total capital grants from the Commonwealth	558	1 567	1 181	650	443
Other contributions and grants	30	31	18	18	18
Total capital grant revenue	589	1 599	1 200	667	461
Total grant revenue	7 199	8 064	7 747	7 595	7 672

Table A.14(b): General government sector grant expense (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Current grant expense					
State/territory government	—	—	—	—	—
Local government	55	42	42	44	45
Local government on-passing	106	151	157	161	165
Private and not-for-profit sector	478	651	556	561	568
Private and not-for-profit sector on-passing	569	513	525	538	552
Grants to other sectors of Government	659	545	509	489	474
Other	591	576	516	507	526
Total current grant expense	2 457	2 478	2 305	2 300	2 328
Capital grant expense					
State/territory government	7	8	8	8	8
Local government	—	—	—	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector	195	142	112	102	103
Private and not-for-profit sector on-passing	37	209	150	12	12
Grants to other sectors of Government	19	305	131	23	—
Other	8	3	3	3	3
Total capital grant expense	268	667	403	148	125
Total grant expense	2 724	3 145	2 709	2 448	2 454

Note: Totals may not add due to rounding.

Table A.15: General government sector dividend and income tax equivalent income (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Dividend and income tax equivalent income from PNFC sector	322	338	371	362	434
Dividend and income tax equivalent income from PFC sector	26	50	78	36	25
Other dividend income	—	—	—	—	—
Total dividend and income tax equivalent income	348	388	450	398	459

Note: Totals may not add due to rounding.

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Table A.16: General government sector expenses by function (\$million)^{(a)(b)}

	2008-09 Budget^(c)	2008-09 Estimated Result	2009-10 Budget
General Public Services	230	199	218
Government superannuation benefits	—	—	—
Other general public services	230	199	218
Defence^(d)	—	—	—
Public order and safety	1 267	1 267	1 332
Police and fire protection services	754	751	793
Law courts and legal services	293	292	308
Prisons and corrective services	213	220	223
Other public order and safety	8	3	9
Education	3 316	3 446	3 833
Primary and secondary education	2 663	2 773	3 105
Tertiary education	476	495	530
Pre-school education and education not definable by level	161	163	182
Transportation of students	13	13	13
Education n.e.c.	2	2	2
Health	3 814	3 896	4 151
Acute care institutions	3 098	3 174	3 408
Mental health institutions	n.a.	n.a.	n.a.
Nursing homes for the aged	n.a.	n.a.	n.a.
Community health services	357	366	394
Public health services	345	342	333
Pharmaceuticals, medical aids and appliances	n.a.	n.a.	n.a.
Health research	n.a.	n.a.	3
Health administration n.e.c.	13	15	13
Social security and welfare	843	874	912
Social security	142	142	150
Welfare services	633	663	677
Social security and welfare services n.e.c.	67	69	85
Housing and community amenities	1 147	1 502	1 656
Housing and community development	578	733	1 002
Water supply	188	275	237
Sanitation and protection of the environment	365	474	400
Other community amenities	16	20	18
Recreation and culture	295	300	298
Recreation facilities and services	140	144	134
Cultural facilities and services	142	143	155
Broadcasting and film production	7	7	3
Recreation and culture n.e.c.	6	6	6

Table A.16: General government sector expenses by function (\$million)^{(a)(b)} continued

	2008-09 Budget ^(c)	2008-09 Estimated Result	2009-10 Budget
Fuel and energy	49	52	49
Fuel affairs and services	17	17	20
Electricity and other energy	7	9	2
Fuel and energy n.e.c.	26	26	27
Agriculture, forestry, fishing and hunting	204	198	203
Agriculture	175	169	174
Forestry, fishing and hunting	29	29	28
Mining and mineral resources other than fuels; manufacturing; and construction	91	92	103
Mining and mineral resources other than fuels	23	24	23
Manufacturing	—	—	6
Construction	68	68	74
Transport and communications	753	756	842
Road transport	397	395	420
Water transport	13	13	14
Rail transport	6	5	22
Air transport	2	0	2
Pipelines	n.a.	n.a.	n.a.
Other transport	332	341	381
Communications	4	2	2
Other economic affairs	239	289	285
Storage, saleyards and markets	n.a.	n.a.	n.a.
Tourism and area promotion	43	45	52
Labour and employment affairs	38	53	42
Other economic affairs	158	191	191
Other purposes	848	780	866
Public debt transactions	234	161	174
General purpose inter-government transactions	99	99	99
Natural disaster relief	138	123	127
Nominal superannuation interest expense	370	383	444
Other purposes n.e.c.	7	14	22
Total GFS expenses	13 094	13 650	14 748

Note: Totals may not add due to rounding.

- (a) Expenses by function data are derived from information submitted by government departments and agencies. The processes for deriving these data are subject to ongoing refinements.
- (b) Some functional classifications are not readily distinguishable at agency level. For example in health, mental health cannot be reliably separated from acute care institutions. Similarly nursing homes for the aged, pharmaceuticals and health research cannot be easily separated from the other health categories. Those instances are denoted as not available (n.a.).
- (c) Consistent with the ongoing data improvement policy, refinements have been made to 2008-09 Budget data resulting in a number of minor reclassifications between categories.
- (d) The Australian Bureau of Statistics defines Defence as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of DefenceSA is included in Other Economic Affairs.

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Table A.17: General government sector capital expenditure by function (\$million)^{(a)(b)}

	2008-09 Budget	2008-09 Estimated result	2009-10 Budget
General public services	136	136	60
Defence ^(c)	—	—	—
Public order and safety	112	83	137
Education	103	117	541
Health	272	207	340
Social security and welfare	11	9	5
Housing and community amenities	20	17	31
Recreation and culture	29	39	141
Fuel and energy	—	—	—
Agriculture, forestry, fishing and hunting	11	11	9
Mining and mineral resources other than fuels; manufacturing; and construction	4	3	6
Transport and communications	575	590	832
Other economic affairs	116	121	54
Other purposes	5	12	22
Total capital expenditure	1 394	1 344	2 178

Note: Totals may not add due to rounding.

- (a) Expenses by function data are derived from information submitted by government departments and agencies. The processes for deriving these data are subject to ongoing refinements. Consequently the data may be subject to future revisions.
- (b) Capital expenditure differs from purchases of non-financial assets recorded in the operating statement as it excludes the value of contributed assets.
- (c) The Australian Bureau of Statistics defines Defence as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of DefenceSA is included in Other Economic Affairs.

Table A.18: General government sector net worth (\$million)

	2008-09 Estimated result	2009-10 Budget	2010-11 Estimate	2011-12 Estimate	2012-13 Estimate
Net worth at beginning of year	23 741	21 120	21 741	22 494	23 295
Change in net worth from operating transactions:					
Net operating balance	- 265	- 304	78	96	304
Change in net worth from other economic flows:					
Movement in net assets of PFCs	- 568	90 ^(a)	34	93	154
Movement in net assets of PNFCs ^(b)	1 543	882	662	669	652
Revaluation of unfunded superannuation liability	-3 188 ^(c)	- 5	- 6	- 6	- 6
Revaluation of long service leave liability	- 81	- 46	- 49	- 53	- 57
Revaluation of annual leave liability	- 26	- 9	- 9	- 9	- 10
Other revaluation adjustments	- 35	14	43	11	23
Total other economic flows	-2 356	925	675	705	756
Net worth at year end	21 120	21 741	22 494	23 295	24 355

Note: Totals may not add due to rounding.

- (a) Net of \$52 million return of capital from the South Australian Asset Management Corporation.
- (b) Net of the impact of the disposal of assets in the PNFC sector and the return of proceeds to the general government sector.
- (c) Further details available in Chapter 5, Table 5.6.

Loan Council arrangements

The Australian Loan Council — a ministerial council established in 1927 comprising the Commonwealth, state and territory Treasurers — requires all jurisdictions to nominate a Loan Council Allocation (LCA) for consideration at its annual meeting.

LCA nominations, prepared in March, are intended to provide an indication of each government's probable call on financial markets over the forthcoming financial year. The Loan Council, having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, along with the macroeconomic implications of the aggregate figure, then considers the nominations.

Following the endorsement of LCA nominations, jurisdictions are further required to update their nominated LCAs at budget time for changes in economic parameters and policy decisions, and also provide an LCA outcome at the end of the financial year. A tolerance limit of 2 per cent of total public sector revenue, set at nomination time, applies between both the nomination and budget, and the budget and outcome LCAs. If the tolerance limit is exceeded, the Loan Council must be notified and a report detailing the reasons for change released publicly.

Nominated LCAs for 2009-10, for all jurisdictions and in aggregate, were reviewed and endorsed at the 149th meeting of the Australian Loan Council on 25 March 2009.

South Australia's nomination, budget and estimated outcome LCAs for 2008-09 are shown in Table A.19, with nomination and budget time LCAs for 2009-10 shown in Table A.20. These tables are prepared in accordance with the requirements of the accrual UPF, endorsed by the Loan Council in March 2000 and revised in April 2008 to recognise acquisitions under finance leases and similar arrangements.

As Table A.19 indicates, South Australia is expecting an LCA deficit of \$2 121 million for 2008-09. This is higher than the 2008-09 Budget (June 2008) estimated deficit of \$114 million, reflecting an increase in the general government sector deficit, lower than expected earnings on superannuation assets and a large movement in the net present value of operating leases (a greater number of leases were renewed or created throughout the financial year). On the basis of these estimates, South Australia's 2008-09 LCA outcome will exceed the 2 per cent of total revenue tolerance limit applied to the June 2008 budget time LCA.

South Australia's 2009-10 Budget LCA, detailed in Table A.20, is an estimated \$1 583 million deficit. This is an increase from the \$892 million deficit nominated in March of this year and is likely to exceed the LCA nomination tolerance limit of \$289 million.

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Table A.19: Loan Council allocation 2008-09 (\$million)^(a)

	Nomination (March 2008)	Budget (June 2008)	Estimated result (June 2009)
General government sector cash deficit/surplus	392	530	903
PNFC sector cash deficit/surplus	12	222	548
Non-financial public sector cash deficit/surplus ^(b)	404	752	1 451
Acquisitions under finance leases and similar arrangements	-	-	-
ABS Government Finance Statistics cash surplus	404	752	1 451
Net cash flows from investments in financial assets for policy purposes ^(c)	-6	-5	5
Adjusted total non-financial public sector deficit/surplus	398	747	1 456
Memorandum items ^(d)			
Operating leases ^(e)	-42	-57	243
Recourse asset sales	—	—	—
Superannuation ^(f)	-431	-531	259
Local government	43	43	25
Home finance schemes	-18	-88	139
Total memorandum items	-448	-633	665
LCA deficit/surplus ^{(g)(h)}	-50	114	2 121

Note: Totals may not add due to rounding.

- (a) For the purposes of this table a surplus amount is represented as a negative number while a deficit is shown as a positive number.
- (b) The sum of the deficits of the general government and PNFC sectors may not equal the non-financial public sector deficit due to intersectoral transfers, which are netted out in the calculation of the total figure. The figures exclude statutory marketing authorities.
- (c) This item is the negative of net advances paid under a cash accounting framework.
- (d) Excludes universities.
- (e) Increase/decrease in the net present value (NPV) of operating leases with a NPV of \$5 million or greater.
- (f) Includes both 'payments in excess of emerging costs of superannuation' and 'interest earnings on employer balances'.
- (g) The 2 per cent of total revenue tolerance limit around South Australia's 2008-09 LCA is \$270 million.
- (h) South Australia has no infrastructure projects with private sector involvement that meet the recognition criteria for 2008-09.

Table A.20: Loan Council allocation 2009-10 (\$million)^(a)

	Nomination (March 2009)	Budget (June 2009)
General government sector cash deficit/surplus	729	1 530
PNFC sector cash deficit/surplus	700	651
Total non-financial public sector cash deficit/surplus ^(b)	1 429	2 181
Acquisitions under finance leases and similar arrangements	14	11
ABS Government Finance Statistics cash surplus	1 443	2 192
Net cash flows from investments in financial assets for policy purposes ^(c)	7	-61
Adjusted total non-financial public sector deficit/surplus	1 450	2 131
Memorandum items ^(d)		
Operating leases ^(e)	-54	-71
Recourse asset sales	—	—
Superannuation ^(f)	-580	-601
Local government	24	24
Home finance schemes	52	100
Total memorandum items	-558	-548
LCA deficit/surplus ^{(g)(h)}	892	1 583

Note: Totals may not add due to rounding.

- (a) For the purposes of this table a surplus amount is represented as a negative number while a deficit is shown as a positive number.
- (b) The sum of the deficits of the general government and PNFC sectors may not equal the non-financial public sector deficit due to intersectoral transfers, which are netted out in the calculation of the total figure. The figures exclude statutory marketing authorities.
- (c) This item is the negative of net advances paid under a cash accounting framework.
- (d) Excludes universities.
- (e) Increase/decrease in the net present value (NPV) of operating leases with a NPV of \$5 million or greater.
- (f) Includes both 'payments in excess of emerging costs of superannuation' and 'interest earnings on employer balances'.
- (g) The 2 per cent of total revenue tolerance limit around South Australia's 2009-10 LCA is \$289 million.
- (h) South Australia may have one infrastructure project with private sector involvement that meets the recognition criteria for 2009-10: the construction of six new schools across the northern and western suburbs of Adelaide.

APPENDIX A

GENERAL GOVERNMENT AND NON-FINANCIAL PUBLIC SECTOR FINANCIAL STATISTICS TIME SERIES

General government

The following tables provide historical data on key fiscal aggregates, together with estimates reflected in the 2009-10 Budget. Data provided are sourced for 1998-99 from *Australian Bureau of Statistics Government Finance Statistics 2007-08* (catalogue number 5512.0) and 1999-2000 to 2007-08 from Budget Outcome publications for South Australia. The estimates for 2008-09 onwards are contained in the 2009-10 Budget papers.

Data are provided from 1998-99, the first year for which information is available in the accrual format. Before 1998-99, government finances were measured using a cash-based methodology.

As historical data in this time series has not been back-cast to reflect classification and accounting changes, care must be taken in interpreting the data. These changes include a structural break in the methodology used to value the unfunded superannuation liability between 2002-03 and 2003-04, the amalgamation of the South Australian Government Financing Authority (SAFA) and the South Australian Government Captive Insurance Corporation (SAICORP) on 1 July 2006 and the inclusion of new entities.

Table B.1: General government key operating statement aggregates

	Revenue			Expenses			Net operating balance	Net acquisition of non-financial assets	Net lending
	\$m	% real growth	% GSP	\$m	% real growth	% GSP	\$m	\$m	\$m
1998-99	7 290		16.9	7 505		17.4	- 215	19	- 233
1999-2000	7 644	2.3	16.9	7 974	3.7	17.6	- 330	140	- 471
2000-01	8 108	3.0	16.6	8 406	2.4	17.2	- 297	102	- 399
2001-02	8 538	2.0	16.3	8 713	0.5	16.6	- 174	- 50	- 124
2002-03	9 346	5.2	17.0	8 898	-1.8	16.1	448	34	414
2003-04	9 955	3.4	16.9	9 570	4.4	16.3	385	- 38	424
2004-05	10 592	4.0	17.4	10 368	5.9	17.0	224	105	119
2005-06	11 242	2.9	17.4	11 040	3.2	17.1	202	119	83
2006-07	11 757	1.9	17.2	11 547	2.0	16.9	209	139	71
2007-08	12 879	6.1	17.6	12 414	4.1	16.9	464	242	222
2008-09	13 385	0.7	17.5	13 650	6.5	17.9	- 265	667	- 932
2009-10	14 444	6.2	18.6	14 748	6.4	19.0	- 304	1 237	-1 541
2010-11	14 397	-1.8	17.8	14 319	-4.4	17.7	78	1 402	-1 324
2011-12	14 585	-0.5	16.9	14 489	-0.6	16.8	96	579	- 483
2012-13	15 079	1.0	16.4	14 775	-0.3	16.1	304	287	17

Note: Totals may not add due to rounding

APPENDIX B

Table B.2: General government key balance sheet aggregates (\$million)^(a)

As at 30 June	Net debt ^(b)	Unfunded superannuation ^(c)	Net financial liabilities	Net financial worth	Net worth
1988	859				
1989	694				
1990	854				
1991	1 817				
1992	4 610				
1993	7 884				
1994	7 113				
1995	5 815				
1996	5 512				
1997	4 983				
1998	4 762				
1999	4 779	3 909	9 733	1 894	10 624
2000	1 920	3 543	6 911	2 986	12 445
2001	1 246	3 249	6 093	4 091	14 816
2002	1 303	3 998	6 907	3 559	14 721
2003	666	4 445	6 974	3 500	15 288
2004	224	5 668	7 858	3 842	15 760
2005	144	7 227	9 393	3 853	16 359
2006	- 119	6 146	8 171	5 846	19 703
2007 ^(d)	- 24	5 075	7 254	8 110	22 128
2008 ^{(e)(f)(g)}	- 276	6 468	8 078	7 580	23 741
2009	659	9 748	12 456	4 177	21 120
2010	2 142	9 790	14 023	3 512	21 741
2011	2 807	9 815	14 873	2 785	22 494
2012	3 200	9 819	15 423	2 963	23 295
2013	3 114	9 802	15 511	3 681	24 355

- (a) During the implementation of the 2008 revised Uniform Presentation Framework (UPF) minor variances in some aggregates compared with earlier budget publications were discovered. This table reflects minor revisions resulting from the back-casting of budget aggregates associated with implementing the revised UPF.
- (b) Net debt data for the years before 1999 are sourced from *Australian Bureau of Statistics, Government Financial Estimates 2003-04* (Catalogue number 5501).
- (c) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of Commonwealth Government bond rate for valuation purposes in line with *AASB119, Employee Benefits*, resulted in a significant increase in superannuation liabilities.
- (d) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in general government net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.
- (e) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt and net financial liabilities of \$66 million dollars in 2007-08 and a reduction in net financial worth of \$591 million, with no impact on net worth.
- (f) There is a structural break in 2008 reflecting the transfer of assets from the Adelaide Festival Centre Trust to the general government sector. This results in an increase in net debt and net financial liabilities of \$28 million in 2007-08, and a reduction in net financial worth of \$76 million, with no impact on net worth.
- (g) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

Table B.3: General government sector receipts, payments and surplus (\$million)^(a)

	Receipts	Payments	ABS Cash surplus
1979-80	1 891	1 671	220
1980-81	2 065	1 917	148
1981-82	2 210	2 122	87
1982-83	2 664	2 507	156
1983-84	2 988	2 734	255
1984-85	3 380	3 057	324
1985-86	3 634	3 161	474
1986-87	3 956	3 416	540
1987-88	4 307	3 858	449
1988-89	4 630	3 977	653
1989-90	4 973	4 370	603
1990-91	5 260	4 796	463
1991-92	5 387	5 396	- 10
1992-93	5 967	5 456	512
1993-94	6 087	6 024	63
1994-95	6 155	6 220	- 66
1995-96	6 405	6 164	241
1996-97	6 379	6 282	97
1997-98	6 988	6 724	264
1998-99	7 165	7 041	123
1999-2000	7 676	7 915	- 239
2000-01	8 278	8 387	- 108
2001-02	8 698	8 748	- 50
2002-03	9 522	8 864	658
2003-04	10 023	9 502	522
2004-05	11 252	11 059	193
2005-06	11 480	11 293	187
2006-07	12 090	12 116	- 26
2007-08	12 932	12 552	379
2008-09	13 458	14 361	- 903
2009-10	14 713	16 253	-1 540
2010-11	14 546	15 777	-1 230
2011-12	14 805	15 223	- 418
2012-13	15 138	15 045	93

Note: Totals may not add due to rounding.

- (a) There is a break in the series between 1998-99 and 1999-2000. Data for the years before 1999-2000 are sourced from the Australian Bureau of Statistics (ABS) and are consistent with ABS GFS reporting requirements on a cash basis. Capital receipts and payments, including payments associated with the provision of financial support for state owned financial institutions (which were treated by the ABS as an 'investment in financial assets for policy purposes') are not included in the series before 1999-2000. After 1998-99, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to the associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

APPENDIX B

Table B.4: General government sector operating statement (\$million)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue										
Taxation revenue	2 806	2 941	2 979	3 250	3 570	3 478	3 526	3 623	3 832	4 046
Grants	5 073	5 406	5 766	5 969	6 616	7 199	8 064	7 747	7 595	7 672
Sales of goods and services	1 165	1 244	1 333	1 464	1 572	1 711	1 834	1 852	1 940	2 011
Interest income	172	161	147	167	203	120	144	206	261	321
Dividend and income tax equivalent income	468	455	575	450	429	348	388	450	398	459
Other	272	386	441	456	490	529	489	519	560	570
<i>Total revenue</i>	9 955	10 592	11 242	11 757	12 879	13 385	14 444	14 397	14 585	15 079
<i>less</i>										
Expenses										
Employee expenses	3 903	4 220	4 644	4 933	5 268	5 684	6 035	5 942	6 052	6 147
Superannuation expenses										
Superannuation interest cost	354	351	344	316	276	383	444	441	437	433
Other superannuation expenses	410	429	480	506	546	602	623	630	644	657
Depreciation and amortisation	435	453	454	498	525	595	601	657	703	770
Interest expenses	253	248	223	204	218	161	174	328	414	476
Other property expenses	—	—	—	—	—	—	—	—	—	—
Other operating expenses	2 348	2 742	2 874	3 021	3 246	3 501	3 728	3 613	3 792	3 838
Grants	1 866	1 925	2 021	2 069	2 337	2 724	3 145	2 709	2 448	2 454
<i>Total expenses</i>	9 570	10 368	11 040	11 547	12 414	13 650	14 748	14 319	14 489	14 775
<i>equals</i>										
Net operating balance	385	224	202	209	464	- 265	- 304	78	96	304
<i>plus</i>										
Other economic flows	87	375	3 142	2 215	1 149	-2 356	925	675	705	756
<i>equals</i>										
Comprehensive result - total change in net worth	472	599	3 344	2 424	1 613	-2 621	621	753	801	1 060
Net operating balance	385	224	202	209	464	- 265	- 304	78	96	304
<i>less</i>										
Net acquisition of non-financial assets										
Purchase of non-financial assets	530	695	717	771	875	1 347	2 180	2 199	1 528	1 132
<i>less</i> Sales of non-financial assets	124	119	144	134	108	85	343	140	246	75
<i>less</i> Depreciation	435	453	454	498	525	595	601	657	703	770
<i>plus</i> Change in inventories	- 10	- 18	—	—	—	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	- 38	105	119	139	242	667	1 237	1 402	579	287
<i>equals</i>										
Net lending / borrowing	424	119	83	71	222	- 932	- 1 541	- 1 324	- 483	17

Table B.5: General government sector balance sheet (\$million)

	As at 30 June										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Assets											
Financial assets											
Cash and deposits	2 178	1 960	2 210	2 384	2 760	2 915	3 301	3 604	4 494	5 380	
Advances paid	1 133	959	902	905	782	764	691	499	202	58	
Investments, loans and placements	154	170	180	119	134	145	156	169	182	195	
Receivables	343	374	454	471	498	516	544	522	536	539	
Equity											
Investments in other public sector entities	11 700	13 246	14 017	15 364	15 658	16 633	17 535	17 658	18 387	19 193	
Investments - other	111	145	173	30	668	671	673	674	673	671	
Other financial assets	43	60	44	39	38	36	36	37	36	35	
Total financial assets	15 661	16 915	17 979	19 311	20 539	21 680	22 937	23 163	24 509	26 071	
Non-financial assets											
Land and other fixed assets	11 835	12 411	13 840	14 013	16 138	16 920	18 206	19 687	20 309	20 651	
Other non-financial assets	83	94	17	4	23	23	23	23	23	23	
Total non-financial assets	11 917	12 505	13 857	14 018	16 161	16 943	18 229	19 709	20 332	20 674	
Total assets	27 579	29 420	31 836	33 329	36 700	38 622	41 166	42 872	44 840	46 744	
Liabilities											
Deposits held	309	283	282	331	328	463	539	401	361	346	
Advances received	733	686	682	659	644	656	638	620	619	600	
Borrowing	2 648	2 265	2 209	2 394	2 427	3 365	5 113	6 058	7 097	7 801	
Superannuation	5 668	7 227	6 146	5 075	6 468	9 748	9 790	9 815	9 819	9 802	
Other employee benefits	1 233	1 305	1 393	1 492	1 646	1 777	1 848	1 933	2 034	2 159	
Payables	466	483	616	553	665	641	645	643	644	646	
Other liabilities	763	812	805	699	779	853	852	908	970	1 035	
Total liabilities	11 819	13 061	12 133	11 201	12 959	17 503	19 425	20 378	21 545	22 389	
Net worth^(a)	15 760	16 359	19 703	22 128	23 741	21 120	21 741	22 494	23 295	24 355	
Net financial worth ^{(a)(b)(c)}	3 842	3 853	5 846	8 110	7 580	4 177	3 512	2 785	2 963	3 681	
Net financial liabilities ^{(a)(b)(c)}	7 858	9 393	8 171	7 254	8 078	12 456	14 023	14 873	15 423	15 511	
Net debt ^{(b)(c)(d)}	224	144	- 119	- 24	- 276	659	2 142	2 807	3 200	3 114	

(a) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

(b) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt and net financial liabilities of \$66 million dollars in 2007-08, and a reduction in net financial worth of \$91 million, with no impact on net worth.

(c) There is a structural break in 2008 reflecting the transfer of assets from the Adelaide Festival Centre Trust to the general government sector. This results in an increase in net debt and net financial liabilities of \$28 million in 2007-08, and a reduction in net financial worth of \$76 million, with no impact on net worth.

(d) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in general government net debt of \$99 million at 1 July 2006.

APPENDIX B

Table B.6: General government expenses by function (\$million)^(a)

	2006-07 Outcome	2007-08 Outcome ^(b)	2008-09 Estimated result	2009-10 Budget
General public services	184	182	199	218
Defence ^(c)	—	—	—	—
Public order and safety	1 074	1 154	1 267	1 332
Education	2 940	3 176	3 446	3 833
Health	3 356	3 677	3 896	4 151
Social security and welfare	748	826	874	912
Housing and community amenities	969	1 007	1 502	1 656
Recreation and culture	291	374	300	298
Fuel and energy	40	38	52	49
Agriculture, forestry, fishing and hunting	193	206	198	203
Mining and mineral resources other than fuels; manufacturing; and construction	95	95	92	103
Transport and communications	745	802	756	842
Other economic affairs	178	219	289	285
Other purposes	734	658	780	866
Total expenses	11 547	12 414	13 650	14 748

Note: Totals may not add due to rounding.

- (a) Expenses by function data derived from information submitted by government departments and agencies. The processes for deriving these data are subject to ongoing refinements. Consequently the data may be subjected to future revisions.
- (b) Consistent with the ongoing data improvement policy, refinements have been made to 2007-08 Outcome data resulting in a number of minor reclassifications between categories.
- (c) The Australian Bureau of Statistics defines Defence as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of DefenceSA is included in Other Economic Affairs.

Table B.7: General government sector capital expenditure by function (\$million)^{(a)(b)}

	2006-07 Outcome	2007-08 Outcome	2008-09 Estimated result	2009-10 Budget
General public services	137	105	136	60
Defence ^(c)	—	—	—	—
Public order and safety	65	70	83	137
Education	63	89	117	541
Health	100	141	207	340
Social security and welfare	2	2	9	5
Housing and community amenities	17	14	17	31
Recreation and culture	11	20	39	141
Fuel and energy	—	—	—	—
Agriculture, forestry, fishing and hunting	5	5	11	9
Mining and mineral resources other than fuels; manufacturing; and construction	—	—	3	6
Transport and communications	299	286	590	832
Other economic affairs	50	127	121	54
Other purposes	3	—	12	22
Total capital expenditure	752	860	1 344	2 178

Note: Totals may not add due to rounding.

- (a) Expenses by function data derived from information submitted by government departments and agencies. The processes for deriving these data are subject to ongoing refinements. Consequently the data may be subjected to future revisions.
- (b) Capital Expenditure differs from purchases of non-financial assets recorded in the operating statement as it excludes the value of contributed assets.
- (c) The Australian Bureau of Statistics defines Defence as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of DefenceSA is included in Other Economic Affairs.

Non-financial public sector

Table B.8: Non-financial public sector key operating statement aggregates

	Revenue			Expenses			Net operating balance	Net acquisition of non-financial assets	Net lending
	\$m	% real growth	% GSP	\$m	% real growth	% GSP	\$m	\$m	\$m
	1998-99	9 468		22.0	9 597		22.3	- 129	- 115
1999-2000	9 206	-5.1	20.3	9 552	-2.9	21.1	- 346	-3 508	3 161
2000-01	9 051	-4.5	18.5	9 279	-5.7	19.0	- 228	-1 111	883
2001-02	9 367	0.3	17.8	9 487	-0.9	18.1	- 120	- 124	5
2002-03	10 172	4.4	18.4	9 696	-1.7	17.6	476	72	405
2003-04	10 707	2.2	18.2	10 294	3.1	17.5	413	33	379
2004-05	11 343	3.5	18.6	11 029	4.7	18.1	314	125	189
2005-06	11 807	0.9	18.3	11 634	2.3	18.0	172	53	119
2006-07	12 321	1.7	18.0	12 175	2.0	17.8	147	173	- 26
2007-08	13 634	7.1	18.6	13 065	3.9	17.8	569	303	266
2008-09	14 096	0.2	18.4	14 370	6.6	18.8	- 275	1 199	-1 474
2009-10	15 303	6.9	19.7	15 307	4.9	19.7	- 4	2 507	-2 511
2010-11	15 478	-0.4	19.1	15 271	-1.7	18.9	208	1 523	-1 316
2011-12	15 603	-1.0	18.1	15 505	-0.3	18.0	98	497	- 399
2012-13	16 168	1.3	17.6	15 888	0.2	17.3	280	246	34

Note: Totals may not add due to rounding.

APPENDIX B

Table B.9: Non-financial public sector key balance sheet aggregates (\$million)

As at 30 June	Net debt ^(a)	Unfunded superannuation ^(b)	Net financial liabilities	Net financial worth	Net worth
1988	4 397				
1989	4 197				
1990	4 457				
1991	5 418				
1992	8 142				
1993	11 610				
1994	10 550				
1995	8 844				
1996	8 432				
1997	8 170				
1998	7 927				
1999	7 657	3 909	13 099	-12 256	10 624
2000	4 355	3 543	9 914	-8 986	12 445
2001	3 223	3 249	8 151	-7 109	14 816
2002	3 317	3 998	8 973	-7 902	14 721
2003	2 696	4 445	9 096	-8 811	15 288
2004	2 285	5 668	10 031	-9 550	15 760
2005	2 126	7 227	11 511	-11 004	16 359
2006	1 786	6 146	10 451	-9 889	19 703
2007 ^(c)	1 989	5 075	9 518	-8 795	22 128
2008 ^{(d)(e)}	1 611	6 468	10 208	-10 487	23 741
2009	3 082	9 748	15 127	- 15 974	21 120
2010	5 230	9 790	17 682	- 18 491	21 741
2011	6 327	9 815	19 096	- 19 871	22 494
2012	6 656	9 819	19 594	- 20 277	23 295
2013	6 571	9 802	19 665	- 20 195	24 355

(a) Net debt data for the years before 1999 are sourced from *Australian Bureau of Statistics, Government Financial Estimates 2003-04* (Catalogue number 5501).

(b) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of Commonwealth Government bond rate for valuation purposes in line with *AASB119, Employee Benefits*, resulted in a significant increase in superannuation liabilities.

(c) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in non financial public sector net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.

(d) There is a structural break in 2008 reflecting the amalgamation of the South Australian Community Housing Authority (PFC) with the South Australian Housing Trust (PNFC). This results in an increase in net debt and net financial liabilities and a decrease in net financial worth of \$98 million in 2007-08, with no impact on net worth.

(e) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray–Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

Table B.10: Non-financial public sector receipts, payments and surplus (\$million)^(a)

	Receipts	Payments	ABS Cash surplus
1979-80	2 681	2 388	292
1980-81	2 877	2 649	228
1981-82	3 145	2 963	182
1982-83	3 651	3 356	295
1983-84	4 383	4 014	369
1984-85	4 887	4 356	531
1985-86	5 172	4 415	757
1986-87	5 542	4 790	752
1987-88	6 078	5 299	780
1988-89	6 946	5 784	1 162
1989-90	7 517	6 465	1 052
1990-91	7 830	6 839	991
1991-92	8 352	7 969	383
1992-93	8 939	7 946	993
1993-94	8 761	8 119	642
1994-95	8 570	8 142	428
1995-96	8 985	8 654	331
1996-97	8 908	8 532	375
1997-98	9 426	8 895	532
1998-99	9 301	8 692	609
1999-2000	13 014	9 501	3 513
2000-01	10 572	9 414	1 158
2001-02	9 726	9 722	4
2002-03	10 439	9 805	634
2003-04	10 891	10 403	488
2004-05	12 051	11 786	265
2005-06	12 239	11 868	370
2006-07	12 684	12 809	- 125
2007-08	13 943	13 477	466
2008-09	14 404	15 855	-1 451
2009-10	16 019	18 210	-2 192
2010-11	16 533	17 625	-1 093
2011-12	16 180	16 505	- 325
2012-13	16 440	16 351	89

Note: Totals may not add due to rounding.

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years before 1999-2000 are sourced from the Australian Bureau of Statistics (ABS) and are consistent with ABS GFS reporting requirements on a cash basis. Capital receipts and payments, including payments associated with the provision of financial support for state owned financial institutions (which were treated by the ABS as an 'investment in financial assets for policy purposes') are not included in the series before 1999-2000. After 1998-99, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to the associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

APPENDIX B

Table B.11: Non-financial public sector operating statement (\$million)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Revenue										
Taxation revenue	2 629	2 731	2 749	3 009	3 308	3 196	3 231	3 335	3 541	3 750
Grants	5 078	5 405	5 849	6 039	6 616	7 198	8 066	7 750	7 598	7 688
Sales of goods and services	2 446	2 481	2 494	2 610	2 926	2 852	3 140	3 387	3 415	3 667
Interest income	125	135	113	155	188	94	120	182	249	296
Dividend and income tax equivalent income	103	143	126	42	24	39	68	86	43	27
Other	326	447	476	466	572	716	679	739	757	740
Total revenue	10 707	11 343	11 807	12 321	13 634	14 096	15 303	15 478	15 603	16 168
<i>less</i>										
Expenses										
Employee expenses	4 070	4 382	4 808	5 108	5 450	5 830	6 195	6 099	6 215	6 333
Superannuation expenses										
Superannuation interest cost	354	351	344	316	276	383	444	441	437	433
Other superannuation expenses	426	445	499	525	568	626	646	654	667	682
Depreciation and amortisation	651	682	692	755	798	877	903	1 018	1 076	1 154
Interest expenses	315	333	310	290	322	290	326	515	629	705
Other property expenses	15	23	13	9	74	16	45	95	63	73
Other operating expenses	3 135	3 251	3 313	3 475	3 765	4 190	4 389	4 341	4 439	4 479
Grants	1 328	1 563	1 655	1 698	1 811	2 158	2 359	2 108	1 978	2 030
Total expenses	10 294	11 029	11 634	12 175	13 065	14 370	15 307	15 271	15 505	15 888
<i>equals</i>										
Net operating balance	413	314	172	147	569	- 275	- 4	208	98	280
<i>plus</i>										
Other economic flows	59	286	3 172	2 278	1 044	- 2 346	625	545	703	780
<i>equals</i>										
Comprehensive result - total change in net worth	472	599	3 344	2 424	1 613	- 2 621	621	753	801	1 060
<i>less</i>										
Net operating balance	413	314	172	147	569	- 275	- 4	208	98	280
Net acquisition of non-financial assets										
Purchase of non-financial assets	898	1 040	1 127	1 145	1 399	2 332	3 908	3 621	2 208	1 738
<i>less</i> Sales of non-financial assets	211	234	381	217	298	349	557	969	626	340
<i>less</i> Depreciation	651	682	692	755	798	877	903	1 018	1 076	1 154
<i>plus</i> Change in inventories	- 3	1	—	—	—	93	60	- 111	- 8	2
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	33	125	53	173	303	1 199	2 507	1 523	497	246
<i>equals</i>										
Net lending / borrowing	379	189	119	- 26	266	- 1 474	- 2 511	- 1 316	- 399	34

Note: Totals may not add due to rounding.

Table B.12: Non-financial public sector balance sheet (\$million)

	As at 30 June										
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Assets											
Financial assets											
Cash and deposits	2 250	2 129	2 372	2 566	3 040	3 159	3 494	3 806	4 702	5 595	
Advances paid	186	80	83	34	81	84	74	65	57	42	
Investments, loans and placements	164	180	204	139	163	175	188	202	216	230	
Receivables	314	318	436	522	521	554	562	542	542	547	
Equity											
Investments in other public sector entities	481	507	562	723	- 279	- 847	- 809	- 775	- 683	- 529	
Investments - other	137	177	199	58	693	693	692	690	686	682	
Other financial assets	42	58	46	41	40	75	57	39	38	37	
Total financial assets	3 574	3 450	3 902	4 084	4 259	3 894	4 257	4 569	5 557	6 604	
Non-financial assets											
Land and fixed assets	25 285	27 338	29 564	30 917	34 202	37 069	40 207	42 340	43 547	44 524	
Other non-financial assets	24	25	28	6	25	25	25	25	25	26	
Total non-financial assets	25 309	27 363	29 592	30 922	34 227	37 094	40 232	42 365	43 572	44 549	
Total assets	28 883	30 813	33 494	35 006	38 486	40 987	44 489	46 934	49 130	51 153	
Liabilities											
Deposits held	122	155	147	159	166	195	201	208	214	220	
Advances received	733	719	715	659	644	656	638	620	619	600	
Borrowing	4 030	3 642	3 583	3 910	4 084	5 650	8 146	9 572	10 797	11 618	
Superannuation	5 668	7 227	6 146	5 075	6 468	9 748	9 790	9 815	9 819	9 802	
Other employee benefits	1 310	1 384	1 473	1 560	1 719	1 851	1 922	2 004	2 107	2 233	
Payables	472	492	706	715	801	775	781	775	780	785	
Other liabilities	788	836	1 020	801	862	994	1 268	1 447	1 499	1 540	
Total liabilities	13 124	14 454	13 790	12 878	14 745	19 868	22 748	24 440	25 835	26 798	
Net worth^(a)	15 760	16 359	19 703	22 128	23 741	21 120	21 741	22 494	23 295	24 355	
Net financial worth ^{(a) (b)}	-9 550	-11 004	-9 889	-8 795	-10 487	-15 974	-18 491	-19 871	-20 277	-20 195	
Net financial liabilities ^{(a) (b)}	10 031	11 511	10 451	9 518	10 208	15 127	17 682	19 096	19 594	19 665	
Net debt ^{(b) (c)}	2 285	2 126	1 786	1 989	1 611	3 082	5 230	6 327	6 656	6 571	

Note: Totals may not add due to rounding.

- (a) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.
- (b) There is a structural break in 2008 reflecting the amalgamation of the South Australian Community Housing Authority (PFC) with the South Australian Housing Trust (PNFC). This results in an increase in net debt and net financial liabilities and a decrease in net financial worth of \$98 million in 2007-08, with no impact on net worth.
- (c) There is a structural break in 2007 reflecting on the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporation sector resulted in an increase in non-financial public sector net debt of \$99 million at 1 July 2006.

APPENDIX B

CONSOLIDATED ACCOUNT

Table C.1: Summary of receipts and payments

	2009-10 Budget \$000	2008-09 Estimated result \$000	2008-09 Budget result \$000
Receipts			
Taxation	3 276 876	3 225 362	3 381 931
Commonwealth general purpose grants	3 819 400	3 821 500	4 143 500
Commonwealth specific purpose grants	1 440 823	40 987	—
Commonwealth National Partnership payments	73 443	105 465	35 564
Contributions from state undertakings	366 622	377 250	466 705
Fees and charges	295 054	274 692	300 548
Recoveries	48 397	155 632	57 537
Royalties	143 819	150 772	163 450
Other receipts	268 694	176 532	278 446
Total receipts	9 733 128	8 328 192	8 827 681
Payments			
Appropriation Act	11 578 430	9 262 850	9 313 022
Specific appropriation authorised in various Acts	120 312	133 924	127 072
Total payments	11 698 742	9 396 774	9 440 094
Consolidated Account financing requirement	1 965 614	1 068 582	612 413
Borrowing from (+) repayment to (-) South Australian Government Financing Authority	1 965 614	1 068 582	612 413

APPENDIX C

Table C.2: Estimates of payments

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget result
	\$000	\$000	\$000
Payments from Appropriation Act			
Premier and Cabinet			
Department of the Premier and Cabinet	133 840	180 455	149 901
Administered Items for the Department of the Premier and Cabinet	12 160	19 086	18 780
State Governor's Establishment	2 903	3 181	3 181
Arts SA	146 655	111 275	114 661
Trade and Economic Development			
Department of Trade and Economic Development	61 825	65 815	59 925
Office of the Venture Capital Board	—	—	3 122
Defence SA	84 234	111 813	137 948
Treasury and Finance			
Department of Treasury and Finance	95 703	82 507	102 968
Administered Items for the Department of Treasury and Finance	1 611 729	1 538 115	1 393 139
Independent Gambling Authority	1 568	1 534	1 526
Planning and Local Government ^(a)			
Department of Planning and Local Government	18 002	19 699	—
Administered Items of Planning and Local Government	2 215	768	—
Primary Industries and Resources			
Department of Primary Industries and Resources	135 931	133 091	153 487
Administered Items for the Department of Primary Industries and Resources	3 291	4 189	5 054
Transport, Energy and Infrastructure			
Department for Transport, Energy and Infrastructure	800 605	443 805	552 881
Administered Items for the Department for Transport, Energy and Infrastructure	12 696	12 599	12 399
TransAdelaide	2 079	2 009	2 009
Justice			
Attorney-General's Department	138 279	115 396	95 378
Administered Items for the Attorney-General's Department	70 020	47 013	55 673
Courts Administration Authority	82 102	80 648	80 533
Department for Correctional Services	179 865	173 358	172 455
South Australia Police	599 132	519 826	548 495
Administered Items for South Australia Police	162	159	362
Electoral Commission of South Australia	11 672	4 455	3 973
Health			
Department of Health	3 272 016	2 101 999	2 162 750
Education and Children's Services			
Department of Education and Children's Services	2 038 971	1 746 663	1 755 505
Administered Items for the Department of Education and Children's Services	179 782	166 380	163 546
Tourism			
South Australian Tourism Commission	57 800	52 991	51 963
Minister for Tourism	4 454	4 527	4 527
Environment and Conservation and the River Murray			
Department for Environment and Heritage	128 885	131 967	134 416
Administered Items for the Department for Environment and Heritage	5 014	4 889	4 889
Department of Water, Land and Biodiversity Conservation	88 000	106 353	94 888
Administered Items for the Department of Water, Land and Biodiversity Conservation	10 865	10 535	6 332
Environment Protection Authority	2 957	6 933	6 960

(a) Planning SA, a former administrative unit of the Department of Primary Industries and Resources changed its name to the Department of Planning and Local Government effective from 16 October 2008.

Table C.2: Estimates of payments (continued)

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget
	\$000	\$000	\$000
Families and Communities			
Department for Families and Communities	1 008 395	804 211	794 327
Administered Items for the Department for Families and Communities	143 606	136 881	139 551
Further Education, Employment, Science and Technology			
Department of Further Education, Employment, Science and Technology	394 683	282 413	291 559
Auditor-General			
Auditor-General's Department	13 445	11 371	11 569
Legislature			
House of Assembly	7 881	8 886	7 708
Joint Parliamentary Services	9 894	9 699	9 676
Legislative Council	5 114	5 356	5 006
Total payments appropriated for administrative units, statutory authorities and Ministers	11 578 430	9 262 850	9 313 022
Payments for which specific appropriation is authorised in various Acts	120 312	133 924	127 072
Total Consolidated Account payments	11 698 742	9 396 774	9 440 094

APPENDIX C

Table C.2: Estimates of payments (continued)

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget
	\$000	\$000	\$000
Payments for which specific appropriation is authorised in various Acts			
Salaries and allowances			
Agent-General — <i>Pursuant to Agent-General Act 1901</i>	313	212	212
Auditor-General — <i>Pursuant to Public Finance and Audit Act 1987</i>	269	263	257
Commissioners of the Environment, Resource and Development Court— <i>Pursuant to Remuneration Act 1990</i>	939	912	890
Commissioner of Police — <i>Pursuant to Police Act 1998</i>	271	256	256
State Coroner and Deputy Coroner — <i>Pursuant to Remuneration Act 1990</i>	703	678	679
Electoral Commissioner and Deputy Electoral Commissioner — <i>Pursuant to Electoral Act 1985</i>	311	305	298
Employee Ombudsman — <i>Pursuant to Fair Work Act 1994</i>	131	128	85
Governor — <i>Pursuant to Constitution Act 1934</i>	258	252	224
Judges — <i>Pursuant to Remuneration Act 1990</i>			
Chief Justice	573	554	548
Judges and Masters	19 872	18 477	18 263
Magistrates — <i>Pursuant to Remuneration Act 1990</i>	12 469	12 080	11 815
Members of Various Standing Committees — <i>Pursuant to Parliamentary Remuneration Act 1990 and Parliamentary Committees (Miscellaneous) Act 1991</i>	700	670	737
Ombudsman — <i>Pursuant to Ombudsman Act 1972</i>	267	262	262
Parliamentary Salaries and Electorate Other Allowances — <i>Pursuant to Parliamentary Remuneration Act 1990</i>			
Ministers, Officers and Members of Parliament	12 888	12 642	12 540
Senior Judge and Judges of the Industrial Relations Court and Commission — <i>Pursuant to Remuneration Act 1990</i>	2 566	2 529	1 864
Solicitor-General — <i>Pursuant to Solicitor-General Act 1972</i>	475	464	464
Valuer-General — <i>Pursuant to Valuation of Land Act 1971</i>	117	125	143
Total salaries and allowances	53 122	50 809	49 537
Other			
Compensation for injuries resulting from criminal acts — <i>Pursuant to Criminal Injuries Compensation Act 1978</i>	6 990	6 815	6 815
First Home Owner Grant — <i>Pursuant to First Home Owner Grant Act 2000</i>	60 200	76 300	70 720
Total other	67 190	83 115	77 535
Total payments for which specific appropriation is authorised in various Acts	120 312	133 924	127 072

Table C.3: Estimates of receipts

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget
	\$000	\$000	\$000
Taxation receipts			
Payroll tax	1 096 600	1 087 900	1 061 100
Commonwealth places mirror payroll tax ^(b)	19 200	19 100	18 700
Stamp duties	1 185 835	1 211 030	1 398 130
Commonwealth places mirror stamp duties ^(b)	300	500	500
Land tax	548 200	486 000	476 500
Commonwealth places mirror land tax ^(b)	1 500	1 400	1 400
Other taxes on property	10	180	10
Save the River Murray Levy	23 900	23 200	22 800
Gaming machines tax	295 600	290 500	296 300
Contribution from SA Lotteries	77 675	77 215	76 568
Contribution from casino operations	20 600	20 000	20 300
Contribution from South Australian Totalizator Agency Board	5 300	6 200	7 500
Contribution from on-course totalizators, bookmakers and small lotteries	1 956	1 937	1 923
Recoup from Recreation and Sport Fund	200	200	200
Total taxation receipts	3 276 876	3 225 362	3 381 931
Commonwealth general purpose payments			
GST revenue grants	3 819 400	3 787 300	4 143 500
Transitional Assistance ^(c)	—	34 200	—
Total Commonwealth general purpose payments	3 819 400	3 821 500	4 143 500
Commonwealth specific purpose payments^(d)			
Council of Australian Governments funding arrangements ^(e)	1 440 823	40 987	—
Total Commonwealth specific purpose payments	1 440 823	40 987	—
Commonwealth National Partnership payments^(f)			
Concessions to pensioners and others	22 361	21 728	21 728
First Home Owners Boost	36 900	70 000	—
Legal Aid	14 182	13 737	13 836
Total Commonwealth National Partnership payments	73 443	105 465	35 564

(b) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the state.

(c) Included in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) was a commitment from the Commonwealth Government that the states and territories would receive a Guaranteed Minimum Amount (GMA) of GST funding. To achieve this, the Commonwealth Government agreed that any shortfall between a jurisdiction's share of GST revenues and its GMA would be met by transitional assistance grants.

(d) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account and not those paid directly to agencies.

(e) At its November 2009 meeting, the Council of Australian Governments agreed on new Commonwealth-state funding arrangements that were introduced on 1 January 2009. These arrangements provide for the payment of specific purpose payments to the treasuries of each state and territory rather than to the relevant line agencies as was the case under the previous arrangements.

(f) Concessions to pensioners and others, and legal aid previously classified as specific purpose payments, now classified as National Partnership payments. The Commonwealth pays the remainder of National Partnership payments into a Treasury and Finance special deposit account for subsequent disbursement to the relevant line agencies.

APPENDIX C

Table C.3: Estimates of receipts (continued)

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget
	\$000	\$000	\$000
Contributions from state undertakings			
Arrangements with private electricity entities			
Local government rate equivalent	208	202	199
Attorney-General's Department			
Income tax equivalent	—	—	11
Defence SA			
Local government rate equivalent	168	164	164
Department for Transport, Energy and Infrastructure ^(g)			
Dividend	—	—	19 006
Income tax equivalent	2 952	2 924	2 924
Local government rate equivalent	804	801	748
Department of Treasury and Finance ^(g)			
Income tax equivalent	506	425	112
ForestrySA			
Dividend	19 257	12 430	23 027
Income tax equivalent	8 868	6 219	10 662
Funds SA			
Local government rate equivalent	168	163	160
Generation Lessor Corporation			
Dividend	—	227	—
HomeStart Finance			
Dividend	9 410	7 817	5 503
Income tax equivalent	5 040	3 352	2 371
Land Management Corporation			
Dividend	31 554	47 410	69 418
Income tax equivalent	15 057	21 896	30 884
Local government rate equivalent	375	222	366
SA Lotteries			
Income tax equivalent	6 331	6 913	7 221
Local government rate equivalent	5	5	5
Public Trustee Office			
Dividend	627	541	1 508
Income tax equivalent	83	161	754

(g) The Department for Administrative and Information Services ceased operations on 31 December 2006 with some functions that generated distributions to the Consolidated Account transferred to the Department for Transport, Energy and Infrastructure, the Department of Treasury and Finance, Department of the Premier and Cabinet and the Attorney-General's Department. Further restructuring in the Department for Transport, Energy and Infrastructure, resulted in the cessation of distributions to the Consolidated Account, offset by reduced appropriation paid to the Department for Transport, Energy and Infrastructure.

Table C.3: Estimates of receipts (continued)

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget
	\$000	\$000	\$000
SA Water			
Dividend	168 354	157 493	185 357
Income tax equivalent	56 687	88 417	85 646
Local government rate equivalent	1 250	1 220	2 055
South Australian Asset Management Corporation			
Dividend	23 500	4 000	4 000
South Australian Government Employee Residential Properties			
Dividend	1 156	1 156	1 156
Income tax equivalent	1 956	1 956	1 956
South Australian Government Financing Authority			
Dividend	11 513	10 738	7 728
Income tax equivalent	—	—	3 200
TransAdelaide			
Local government rate equivalent	38	37	90
West Beach Trust			
Income tax equivalent	755	361	474
Total contributions from state undertakings	366 622	377 250	466 705
Fees and charges^(h)			
Auditor-General's Department — fees for audit and other sundry receipts	12 341	10 322	9 423
Court fines	29 138	27 292	29 669
Court regulatory fees ⁽ⁱ⁾	30 876	23 981	24 234
Land Services regulatory fees	116 968	117 599	142 473
Department of Water, Land and Biodiversity Conservation — Natural Resources Management penalties	1 132	1 104	1 104
Guarantee fees	24 928	21 176	19 027
Infringement Notice Schemes — Expiation fees	79 000	72 562	74 063
Small lotteries	643	628	527
Sundry fees	28	28	28
Total fees and charges	295 054	274 692	300 548
Recoveries			
Automotive Assistance Package	1 500	—	—
Child Abuse Protection program — Intra-sector grants received	200	200	200
Contribution to the cost of private plated vehicles	10	10	10
Essential Services Commission of South Australia	5 360	6 942	6 837
Department for Transport, Energy and Infrastructure — Indentured Ports	4 071	3 186	3 986
Department of Water, Land and Biodiversity Conservation — Qualco Sunlands	250	563	250
Helicopter service — recovery of costs and sponsorships	1 050	1 050	1 050
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	1 500	1 500	1 500
Industry Assistance	—	831	—
Metropolitan Drainage Fund	7	22	—
National Tax Equivalent Program	50	50	50
Return of cash to Consolidated Account — Cash Alignment Policy	1 587	103 653	11 030
Return of cash to Consolidated Account — Outer Harbour Headworks	—	4 900	—

(h) Refers to only those fees and charges paid to the Consolidated Account.

(i) Sale of evidence/transcripts was previously shown separately under the Recoveries section. These fees are now under regulatory fees.

APPENDIX C

Table C.3: Estimates of receipts (continued)

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget result
	\$000	\$000	\$000
Return of deposit account balances — Superannuation	30 000	30 000	30 000
Sale of Government Gazette	166	162	162
Sundry recoupment	134	131	131
Unclaimed monies and personal property	1 947	1 908	1 807
United Water	565	524	524
Total recoveries	48 397	155 632	57 537
Royalties			
Department of Primary Industries and Resources	143 819	150 772	163 450
Total royalties	143 819	150 772	163 450
Other receipts			
Interest			
Interest on investments	85 500	61 970	153 149
Interest recoveries from general government entities	5 575	6 590	9 673
Interest recoveries from non commercial public trading enterprises	31 885	47 517	34 760
Interest recoveries from the private sector	61	134	67
Repayment of advances			
Administered Items for the Department for Transport, Energy and Infrastructure	196	184	—
Department of Health	2 162	1 644	1 644
Department of Primary Industries and Resources	1 000	1 000	1 000
Land Management Corporation	205	165	107
Renmark Irrigation Trust	110	205	105
SA Country Arts Trust	20	20	20
South Australian Housing Trust	73 120	20 712	20 712
South Australian Tourism Commission	193	180	180
Other recoveries	4	—	5
Repayment of equity capital contributions			
Defence SA	8 404	10 440	3 730
Department for Transport, Energy and Infrastructure ^(j)	—	—	35 604
South Australian Asset Management Corporation	52 000	—	—

(j) The Department for Administrative and Information Services ceased operations on 31 December 2006 with some functions that generated distributions to the Consolidated Account transferred to the Department for Transport, Energy and Infrastructure, the Department of Treasury and Finance, Department of the Premier and Cabinet and the Attorney-General's Department. Further restructuring in the Department for Transport, Energy and Infrastructure, resulted in the cessation of distributions to the Consolidated Account, offset by reduced appropriation paid to the Department for Transport, Energy and Infrastructure.

Table C.3: Estimates of receipts (continued)

	2009-10 Budget	2008-09 Estimated result	2008-09 Budget
	\$000	\$000	\$000
Other			
Department of Primary Industries and Resources —			
Sale of 4.2 GL Water Licence	—	10 500	—
Other recoveries	1 094	161	161
Sale of land and buildings	7 165	15 110	17 529
Total other receipts	268 694	176 532	278 446
Total Consolidated Account receipts	9 733 128	8 328 192	8 827 681

APPENDIX C

SOUTH AUSTRALIAN STATE PUBLIC SECTOR ORGANISATIONS

	General Govt. Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
Adelaide Cemeteries Authority		*	
Adelaide Convention Centre Corporation		*	
Adelaide Entertainments Corporation (trading as Adelaide Entertainment Centre)		*	
Adelaide Festival Centre Trust		*	
Adelaide Festival Corporation	*		
Adelaide Film Festival	*		
Adelaide and Mount Lofty Ranges Natural Resources Management Board	*		
Alinytjara Wilurara Natural Resources Management Board	*		
Art Gallery Board, The	*		
Attorney-General's Department	*		
Auditor-General's Department	*		
Australian Children's Performing Arts Company (trading as Windmill Performing Arts)	*		
Bio Innovation SA	*		
Carrick Hill Trust	*		
Correctional Services, Department for	*		
Courts Administration Authority	*		
Dairy Authority of South Australia	*		
Defence SA	*		
Distribution Lessor Corporation		*	
Education Adelaide	*		
Education and Children's Services, Department of	*		
Electoral Commission of South Australia	*		
Electricity Supply Industry Planning Council	*		
Environment and Heritage, Department for	*		
Environment Protection Authority	*		
Essential Services Commission of South Australia	*		
Eyre Peninsula Natural Resources Management Board	*		
Families and Communities, Department for	*		
Further Education, Employment, Science and Technology, Department of	*		
Generation Lessor Corporation		*	
Government Schools	*		
Health, Department of	*		

APPENDIX D

	General Govt. Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
History Trust of South Australia	*		
HomeStart Finance			*
House of Assembly	*		
Independent Gambling Authority	*		
Joint Parliamentary Services	*		
Justice, Department of	*		
Kangaroo Island Natural Resources Management Board	*		
Land Management Corporation		*	
Legislative Council	*		
Libraries Board of South Australia	*		
Lotteries Commission of South Australia (trading as SA Lotteries)		*	
Motor Accident Commission			*
Museum Board	*		
Northern and Yorke Natural Resources Management Board	*		
Outback Areas Community Development Trust	*		
Planning and Local Government, Department of	*		
Playford Centre	*		
Premier and Cabinet, Department of the	*		
Primary Industries and Resources, Department of	*		
Public Trustee		*	
RESI Corporation		*	
SACE Board of South Australia	*		
South Australia Police (also known as South Australian Police Department, SAPOL)	*		
South Australian Ambulance Service	*		
South Australian Arid Lands Natural Resources Management Board	*		
South Australian Asset Management Corporation			*
South Australian Centre for Trauma and Injury Recovery Incorporated (trading as TRACsa)	*		
South Australian Country Arts Trust	*		
South Australian Country Fire Service	*		
South Australian Film Corporation	*		
South Australian Fire and Emergency Services Commission (trading as SAFECOM)	*		
South Australian Forestry Corporation (trading as ForestrySA)		*	
South Australian Government Employee Residential Properties		*	
South Australian Government Financing Authority (trading as SAFA)			*
South Australian Housing Trust		*	
South Australian Local Government Grants Commission	*		

APPENDIX D

	General Govt. Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
South Australian Metropolitan Fire Service	*		
South Australian Motor Sport Board		*	
South Australian Murray Darling Basin Natural Resources Management Board.....	*		
South Australian State Emergency Service (trading as SES).....	*		
South Australian Tourism Commission	*		
South Australian Water Corporation (trading as SA Water)		*	
South East Natural Resources Management Board.....	*		
South Eastern Water Conservation and Drainage Board	*		
State Electoral Office.....	*		
State Governor's Establishment	*		
State Opera of South Australia	*		
State Procurement Board	*		
State Theatre Company of South Australia	*		
Superannuation Funds Management Corporation of South Australia (trading as Funds SA)			*
Trade and Economic Development, Department of.....	*		
TransAdelaide		*	
Transmission Lessor Corporation.....		*	
Transport, Energy and Infrastructure, Department for.....	*		
Treasury and Finance, Department of.....	*		
Venture Capital Board, Office of the	*		
Venue Management, Office of.....	*		
Water, Land and Biodiversity Conservation, Department of	*		
West Beach Trust (trading as Adelaide Shores).....		*	
WorkCover Corporation of South Australia.....			*
Zero Waste SA.....	*		

APPENDIX D

	General Govt. Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
<u>Changes since the 2008-09 Budget:</u>			
<u>Dissolved Entities since the previous Budget:</u>			
Administrative and Information Services, Department for Dissolution effective 12 March 2009.	*		
<u>Change of Entity name since previous Budget:</u>			
Electoral Commission of South Australia Previously known as the State Electoral Office, the organisation's name change was effective 27 January 2009.	*		
SACE Board of South Australia..... Previously known as the Senior Secondary Assessment Board of South Australia, change effective 19 June 2008.	*		
Planning and Local Government, Department of Previously titled administrative unit Planning SA is changed to the Department of Planning and Local Government, effective 16 October 2008.	*		

TAX EXPENDITURE STATEMENT

Overview

This statement provides a summary of tax expenditures incurred by the Government of South Australia in 2007-08 and 2008-09.

What are tax expenditures?

The term ‘tax expenditure’ refers to differential tax treatment where the difference constitutes a departure from the tax standard or benchmark.

Examples of tax expenditures can include revenue forgone from:

- tax exemptions;
- reduced rates of taxation;
- tax rebates or deductions; and
- deferral of the payment of tax liabilities.

Thus a tax expenditure is a reduction in tax revenue resulting from ‘preferential’ tax treatment. In practice, differentiating preferential tax treatment from tax differences that are integral to efficient revenue-raising design is not always straightforward.

In the design of expenditure and revenue policy, governments observe various principles of fairness and equity. Such principles apply to decisions on taxation policies as well as decisions that underpin the direction of public expenditure. As a result, a number of differential tax treatments across a broad spectrum of taxpayers and particular activities may arise. Differential treatment afforded to certain taxpayers to achieve social and political objectives rather than tax design objectives constitutes a tax expenditure.

Why measure tax expenditures?

The immediate and direct impact of preferential tax treatment is to reduce the revenue yield from a given tax. In the absence of concessions and exemptions, governments would be able to support a higher level of government spending, or reduce the severity of their tax rates or, if expenditures and revenues remain unchanged, reduce their borrowing requirements.

The provision of preferential tax treatment is indisputably a cost to the budget and may also impose additional costs on non-favoured taxpayers. It is often a hidden cost. By explicitly publishing estimates on the magnitude of this preferential tax treatment, transparency is increased and the community is made more fully aware of the government’s fiscal priorities. The government should also be better placed to ensure that resources, in total, are committed to the areas that clearly reflect policy priorities.

APPENDIX E

Valuation of tax expenditures

Tax expenditures in this appendix are calculated according to the revenue forgone method, which involves applying the general structure of a tax to a tax base (that is, a group of people or activities) that is currently exempt from the tax or subject to concessional treatment.

This static approach does not take into account possible behavioural changes which may result from the removal of a tax concession, that is, the revenue forgone approach assumes that taxpayer behaviour will remain unchanged if concessions are removed. Therefore, tax expenditures measured using this approach are likely to be only a broad indication of actual revenue impacts and, more specifically, this approach is likely to overstate the actual revenue forgone as a result of an individual tax concession.

Some qualifications apply to the estimates contained in this statement. Aside from the absence of assumptions about behavioural responses, the estimates are in many cases approximations, reflecting data limitations and the use of proxy indicators to measure the size of revenue bases relevant to tax concessions.

Benchmark for measuring tax expenditures

Tax expenditures should be quantified by comparing the existing tax structure with a benchmark tax structure based entirely on taxation design principles. In practice deciding on such a structure does involve some judgements. For example, the benchmark structure used for payroll tax is a flat tax at the current rate with no threshold. There is no particular merit in the current rate from the point of view of tax design but it has been adopted because it is the existing rate. Further, a zero threshold would probably not be desirable from a tax design point of view because the administrative costs of collecting revenue from very small employers might well exceed the revenue collected. However, for the sake of simplicity, a zero threshold has been adopted in this exercise.

Summary

The view has been taken that the extent of tax relief provided through the availability of exemptions, concessions, rebates and allowable deductions is sufficiently important to warrant documentation even if (a) the benchmark against which the tax expenditure is assessed could be argued to be imperfectly defined, (b) the measurement of those imperfectly defined expenditures is also subject to qualification and (c) the value of many tax expenditures cannot be quantified.

Many tax expenditures have not been able to be quantified. In particular, there are a large number of exemptions from stamp duties that are not reflected in the estimates due to a lack of information on the size of the affected tax bases. Similarly, a number of exemptions relating to some payroll tax exemptions have not been quantified. As such, the aggregate total of the estimates contained in Table E.1 does not represent the total value of assistance provided by tax expenditures.

The two largest tax expenditures are the payroll and land tax thresholds and the land tax exemptions for the principal place of residence, primary production and a range of other land uses.

The following is a brief summary of the individual tax expenditures quantified.

Payroll tax

Total quantified tax expenditures relating to payroll tax for 2008-09 (\$598 million) represent 66 per cent of payroll tax revenue collections (excluding government). This represents an increase of \$34 million from 2007-08.

The largest payroll tax expenditure relates to the tax-free threshold. Payroll tax is levied on wages paid by employers and was applied at a rate of 5.25 per cent in 2007-08 and 5 per cent in 2008-09 (to be reduced to 4.95 per cent from 1 July 2009) above an annual threshold of \$504 000 in 2007-08 and \$552 000 in 2008-09 (to be increased to \$600 000 from 1 July 2009). The threshold exemption results in a large number of small businesses not being liable for payroll tax. In addition, those businesses that are liable for payroll tax do not have tax liabilities in respect of annual wages below the threshold.

It is estimated that the tax revenue forgone as a result of the existence of the threshold is \$442 million for 2008-09 in respect of private sector employers. This comprises \$325 million in revenue forgone from small businesses that are not liable for payroll tax, and \$118 million in respect of employers who are liable for payroll tax but benefit from not paying tax on annual wages up to the applicable threshold.

Several other groups of taxpayers are exempt from payroll tax liabilities, many of which have not been able to be quantified in terms of tax expenditures. Of those that have been calculated, the largest tax expenditure relates to the exemption for public hospitals, which is estimated to amount to \$84 million in 2008-09. Other expenditures include local government councils (\$23 million), non-profit schools (\$13 million) and non-profit hospitals and providers of health services (\$10 million).

The government also offers schemes whereby businesses can claim payroll tax rebates in respect of trainees (\$10 million) and export activity (\$7 million).

Stamp duties

Stamp duties apply to a range of transactions including conveyances, mortgages, insurance and rental transactions. There are a large number of exemptions contained in stamp duty legislation, many of which cannot be quantified. The total tax expenditure in 2008-09 for stamp duties (\$53 million) is equivalent to 8 per cent of gross stamp duty revenues.

Conveyance duty tax expenditures amount to \$15 million in 2008-09. Prior to 5 June 2008, eligible first homebuyers were entitled to a full stamp duty concession on home purchases valued up to \$80 000. A partial concession applied for first home purchases valued between \$80 000 and \$250 000. The total cost of this exemption in 2007-08 was approximately \$6 million. This scheme has been replaced by the government's \$4000 first home bonus scheme, applying for first home contracts entered into on or after 5 June 2008. The cost of this scheme is reported as an expenditure item and is published in the Department of Treasury and Finance's Portfolio Statement. The stamp duty exemption for family farm transfers is estimated to cost \$10 million in 2008-09. Stamp duty relief for corporate reconstructions is estimated to cost \$5 million in 2008-09 compared to \$23 million in 2007-08. The large amount in 2007-08 primarily relates to one large transaction. General remissions are also expected to cost \$0.3 million in 2008-09.

Mortgage duty relief is estimated to cost \$20 million in 2008-09 reflecting the exemptions available for residential loans for owner occupation, including first homes, and loan refinancing. The cost of these measures reduces between 2007-08 and 2008-09 due to the first two rate reductions as mortgage duty (and rental duty) is phased out with full abolition to take effect from 1 July 2009.

Approximately \$15 million of stamp duty tax expenditures in 2008-09 relate to exemptions given in respect of the \$60 stamp duty fee payable on the combined renewal certificate for vehicle registration and compulsory third party (CTP) insurance. Of this, \$9 million relates to pensioners and state concession cardholders. The balance mainly relates to conditionally registered vehicles (eg historic and left hand drive vehicles, special purpose vehicles such as fork lifts, tractors, self propelled farm implements and mobile cranes), government vehicles registered under the Continuous Government Registration Scheme and vehicles owned by councils.

APPENDIX E

Land tax

Total land tax expenditures are estimated to be \$788 million in 2008-09. This represents 155 per cent of land tax collections (including from government).

Land tax is calculated on the aggregate taxable value of all land held by a person as at 30 June preceding the assessment year. No tax is payable if the total taxable value of all land is less than the threshold level of \$110 000. A marginal tax rate structure applies above this threshold; with increasing marginal tax rates applied as the value of landholdings increases.

The 2008-09 tax expenditures associated with land tax include:

- the tax-free threshold — estimated to cost \$48 million;
- the principal place of residence exemption (provided the land is owned by a natural person as distinct from a corporate body) — estimated to cost \$262 million;
- the primary production exemption (provided it meets certain criteria) — estimated to cost \$363 million; and
- other specific exemptions provided in Sections 4 and 5 of the *Land Tax Act 1936*. Exempt categories include caravan parks, residential parks, supported residential facilities, land used for religious purposes, state-subsidised hospitals, libraries, parklands, conservation of native flora and fauna, sporting activities and so on. The cost of these exemptions amounts to approximately \$114 million in 2008-09.

Gambling taxes

Tax expenditures for gambling taxes arise from the gambling tax threshold and the differential tax treatment of non-profit venues and hotels.

In South Australia, gambling tax is levied on net gambling revenue above an annual threshold of \$75 000. In addition, non-profit venues are subject to a tax structure that is relatively less severe than that applicable to hotels.

In 2008-09, it is estimated that the revenue foregone as a result of the existence of the threshold is \$11 million. The benefit to non-profit venues of the tax differential is estimated to be \$8 million in 2008-09. The combined costs of gambling tax expenditures represent approximately 5 per cent of gambling tax collections in 2008-09.

Emergency services levy

The emergency services levy (ESL) was originally intended to provide a comprehensive method of funding emergency services by raising sufficient funds from property holders to support aggregate expenditure on emergency services. In practice, property owners (fixed and mobile) now collectively contribute just over half of the total levy proceeds. The remaining levy proceeds are provided by government in the form of remissions, pensioner concessions and the levy payable on the government's own property. The tax expenditure costings measure the difference between standard levy rates and post remission levy rates which vary depending on land use code and location (for fixed property) and by class of vehicle (for mobile property).

The ESL is a complex tax with differential rates of levy on land use types and regions. The motivation for the differential levy rates lies in a desire to achieve some alignment with relative risk of property types, the value of the service provided (related to property value) and regional variation in service

levels. The effect of remissions for the variable property value element of the ESL means the ESL for residential property is predominantly a flat amount per property.

Save the River Murray Levy

The Save the River Murray Levy was introduced to fund specific measures aimed at improving the long-term security and quality of South Australia's water supply.

The levy is imposed at a flat rate on SA Water customers and is indexed annually to movements in the Adelaide Consumer Price Index. Consideration of the impact the levy would have on different sections of the community was taken into account before the introduction of the levy. To relieve the burden placed upon low income earners, pensioners who are eligible for a concession on their SA Water rates and charges are exempt from the levy. This exemption amounts to an estimated tax expenditure of almost \$6 million in 2008-09, or 24 per cent of revenue raised from the Save the River Murray Levy.

Primary producers who own land that is not contiguous, but is farmed as a single farming enterprise, are allowed to amalgamate their Save the River Murray Levy liabilities in certain circumstances. This limits their Save the River Murray Levy liability to the non-residential charge applicable on one property. However, it is not possible to quantify expenditure for this exemption.

Growth in tax expenditures

The cost of tax expenditures has increased in 2008-09 mainly in respect of:

- land tax — reflecting growth in land values; and
- payroll tax — reflecting growth in payrolls.

The cost is offset by a lower level of corporate reconstructions in 2008-09 and a reduction in expenditures relating to mortgage duty and rental duty associated with the phased abolition of these taxes.

APPENDIX E

Table E.1: Summary of tax expenditures

Tax expenditures (\$m)	2007-08^(a)	2008-09
PAYROLL TAX		
Threshold exemption	408.2	442.4
<i>of which:</i>		
<i>benefit to existing taxpayers with payrolls above the threshold</i>	104.6	117.7
<i>benefit to employers with payrolls below the threshold</i>	303.6	324.8
Export rebates	6.0	6.5
Trainee rebates ^(b)	12.5	10.2
Firm specific relief	1.7	0.3
Public benevolent institutions and not-for-profit charitable organisations ^(c)	7.7	7.9
Public hospitals exemption	82.0	84.3
Non-profit schools or colleges at or below secondary level	12.7	13.1
Non-profit hospital and health providers exemption	9.7	9.9
Child care centres	0.3	0.3
Local government council exemption	22.5	23.1
Assistance for motion picture production companies	1.5	0.2
General remissions	0.1	0.2
TOTAL FOR PAYROLL TAX	564.8	598.3
STAMP DUTIES		
Conveyance duty		
Family farm exemption	11.3	9.5
First home owner concessions ^(d)	5.8	0.7
Corporate reconstruction relief	22.9	4.6
Inner city housing rebate	0.1	0.1
General remissions	7.1	0.3
Mortgage duty		
First home exemption	5.7	2.9
Exemption for residential loans for owner occupation, refinancing and mortgage discharges	35.5	17.2
Drought relief	0.4	0.2
General remissions	<0.1	0.1
Stamp duty on renewal certificate for motor vehicle registration and compulsory third party insurance (CTP) - exemptions for:		
The Crown and vehicles registered under the Continuous Government Registration Scheme	1.1	1.1
Hire vehicles with more than 12 seats	0.1	0.1
Councils	0.3	0.4
Conditionally registered vehicles	4.0	4.0
Incapacitated ex-servicemen and other persons	0.2	0.2
Pensioner and State concession card holders	9.3	9.4
Share duty		
Corporate reconstruction relief	0.4	—
General remissions	0.8	—
Rental duty		
Differential treatment of hire purchase arrangements	4.1	2.0
General remissions	0.3	—
Stamp duty on motor vehicle registrations		
General remissions	<0.1	<0.1
TOTAL FOR STAMP DUTIES	109.1	52.7

Table E.1: Summary of tax expenditures *continued*

Tax expenditures (\$m)	2007-08 ^(a)	2008-09
LAND TAX		
Threshold exemption	46.3	48.5
Rebates ^(e)	<0.1	—
Principal place of residence exemption	189.1	261.7
Primary production exemption	338.4	363.1
Caravan parks and residential parks exemption	0.7	1.0
Supported residential facilities exemption	0.2	0.3
Other exemptions ^(f)	94.6	113.1
TOTAL FOR LAND TAX	669.3	787.7
GAMBLING TAXES		
Threshold exemption	11.1	10.9
Differential treatment of non-profit businesses	8.3	8.3
General remissions	0.1	0.2
TOTAL FOR GAMBLING TAXES	19.4	19.4
OTHER TAXES ON PROPERTY		
Save the River Murray Levy		
Pensioner concessions	4.6	5.6
Emergency services levy		
Pensioner concessions	6.1	6.0
General remissions		
Fixed property	82.9	84.4
Mobile property	9.9	10.1
TOTAL FOR OTHER TAXES ON PROPERTY	103.5	106.1

Note: Totals may not add due to rounding.

- (a) Costing of specific exemptions for 2007-08 differ from those published in the 2008-09 Budget reflecting new data.
- (b) 2007-08 and 2008-09 costs include prior year adjustments.
- (c) In 2007-08, only public benevolent institutions received this payroll tax exemption. From 1 July 2008, not-for-profit charitable organisations also receive this exemption.
- (d) Relates to first homeowner stamp duty relief scheme which has been replaced with a \$4000 First Home Bonus grant from 5 June 2008, some concessions have carried over into 2008-09. In addition, since July 2000 in accordance with undertakings under the intergovernmental agreement, the state government administers and funds grants under the First Home Owner Grant (FHOG) Scheme. These grants are reported on the expenditure side of the budget.
- (e) As part of the land tax relief package, rebates were paid in respect of 2004-05 land tax assessments. Some rebate payments carried over to 2007-08. No rebates are estimated to be paid in 2008-09.
- (f) Includes a wide range of exemptions provided to land used for a number of specific activities under section four of the *Land Tax Act 1936*. Some of these include land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna, sporting activities and so on.

APPENDIX E

GLOSSARY OF TERMS USED IN THE BUDGET PAPERS

Accrual accounting: The accounting approach by which income, expenses, equity, assets and liabilities are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

Accrual budget: The preparation of a budget based on accrual Government Finance Statistics (GFS) accounting principles.

Accrual GFS principles: Principles based on accrual standards established by the Australian Bureau of Statistics.

Administered items: Resources over which an agency has legal custody, but which the agency does not control because it cannot deploy them to meet its own objectives.

Assets: Resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Australian Equivalents to International Financial Reporting Standards: Accounting Standards issued by the Australian Accounting Standards Board that are equivalent to Standards issued by the International Accounting Standards Board. These standards are binding on South Australian government entities by authority of Treasurer's Instruction 19 Financial Reporting.

Balance sheet: A statement showing the financial position (at a specific time) of a reporting entity in terms of its recognised assets, liabilities and equity at the end of a reporting period.

Capital Investment Program comprises projects and programs that result in the capitalisation of assets on the balance sheet. They include the acquisition and construction of, or addition to non-current assets, including property, plant and equipment and other productive assets. Examples include roads, hospitals, medical equipment and schools.

Cash flow statement: A statement showing the inflows and outflows of cash and cash equivalents of a reporting entity during the reporting period. Cash flows are classified as operating, investing and/or financing activities.

Consolidated Account: The government's main operating account, from which appropriations are paid and revenues of the state are credited, created pursuant to the *Public Finance and Audit Act 1987*.

Consumer Price Index: A general indicator of the rate of change in prices paid by households for consumer goods and services published by the Australian Bureau of Statistics.

Contingent asset: A possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity.

Contingent liability: A possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity; or a liability that does not meet the recognition criteria.

Controlled items: Resources that an agency is able to control and deploy to meet its objectives.

Depreciation: The systematic allocation of the depreciable amount of an asset over its useful life.

Deposit account: An account authorised by the Treasurer under Section 8 (special deposit account) or Section 21 of the *Public Finance and Audit Act 1987*. In 1991-92 the accounting operations of most budget sector agencies were transferred from the Consolidated Account to deposit accounts. These accounts are used by agencies for expenditure and receipts as part of their normal operations.

Equity: The residual interest in the assets of an entity after deducting all liabilities.

Equity contribution: The investment of additional cash in an agency to increase its asset base or reduce its debt.

Expense: A decrease in economic benefits during the accounting period in the form of outflows or depletion of assets or incurrence of liabilities that result in decreases of equity other than those relating to distributions to owners. (Also see *GFS transactions*).

Financial Reports: Under Australian equivalents to International Financial Reporting Standards, there are four financial statements produced by reporting entities, being the income statement, balance sheet, statement of changes in equity and cash flow statement. Financial reports for the various sectors of the public sector are also produced in accordance with the *Uniform Presentation Framework*. These are the operating statement, balance sheet and cash flow statement.

Gains: Part of income. Gains represent items other than revenue items that meet the definition of income and may, or may not, arise in the course of the ordinary activities of an entity.

General government: The sector of government that includes all government agencies that provide services free of charge or at prices significantly below the cost of production or provide regulatory services.

Government Finance Statistics (GFS): Statistics that measure the financial activities of governments and reflect the impact of those activities on other sectors of the economy. GFS is based on international statistical standards.

GFS Transactions: Changes to assets, liabilities and equity that arise from mutually agreed interactions between entities. (Also see *Other economic flows*).

Government Purpose Classification: A system used to classify expenses and net acquisition of non-financial assets of the public sector in terms of the purposes for which the transactions are made.

Gross fixed capital formation: The value of acquisitions less disposals of new and existing produced assets that can be used in production, other than inventories.

Gross State Product: The total market value of goods and services produced in the state within a given period after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

Hedging: Any technique designed to reduce or eliminate financial risk; for example, taking two positions that will offset each other if prices change.

Horizontal Fiscal Equalisation: The principle underlying the Commonwealth Grants Commission's assessment of per capita relativities, which are the basis for the interstate distribution of general revenue grants. Under this principle, grants are distributed so as to give each state and territory the capacity to provide public services at an average standard and level of efficiency, for comparable revenue effort.

Income: Comprised of revenues and gains (refer to these respective definitions). Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contribution by owners.

Income tax equivalent payments: Payments equivalent to income tax that certain public authorities or business units (if a legal entity) would be liable to pay under the Commonwealth's *Income Tax Assessment Act 1997*, were that public authority or business unit (if a legal entity) not an instrumentality of the Crown in right of the State of South Australia.

Investment income: Income received and receivable on financial assets.

Liabilities: Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Modified duration: A measure of the sensitivity of a portfolio of interest bearing securities to changing interest rates. It is derived from the discounted average term to maturity of all cash flows.

National Partnership payments: Commonwealth payments to the states to support the delivery of specified outputs or projects, and to facilitate the implementation, or reward the delivery, of national reforms.

National specific purpose payments: Commonwealth payments to the states providing ongoing funding for service delivery in core areas of health, education, housing, skills and disability services.

Net debt: The sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Net financial liabilities: Total liabilities less financial assets, other than equity in non-financial public corporations and in public financial corporations. This measure is broader than net debt as it includes significant liabilities other than borrowings, such as unfunded superannuation and long service leave entitlements.

Net financial worth: Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. It differs from net financial liabilities in that equity in non-financial public corporations and public financial corporations are included as assets.

Net lending/borrowing position: A GFS measure of the net operating balance, less acquisition of non-financial assets, plus consumption of fixed capital (depreciation). Measures the extent to which accruing operating expenses (less depreciation) and investment expenditures are funded by revenues.

Net operating balance: A GFS measure of the operating result of a sector of government. It is the excess of GFS revenue over GFS expenses.

Net worth: Net worth is calculated as total assets (both financial and non-financial) minus total liabilities, shares and other contributed capital. Net worth incorporates a government's non-financial assets, such as land and other fixed assets, as well as financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

Non-financial public sector: The consolidation of the general government sector and public non-financial corporations sector.

Operating statement: The financial statement disclosing all income and expenses (and their sources) of a reporting entity recognised in the reporting period unless an accounting standard requires otherwise. Also referred to as the income statement.

Other economic flows: Changes to assets, liabilities and equity that are not the result of GFS transactions. (Also see *GFS transactions*).

Public financial corporation (PFC): Government controlled entity that is mainly engaged in financial intermediation or the provision of auxiliary financial services.

Public non-financial corporation (PNFC): Government controlled entity that is mainly engaged in the production of market goods and/or non-financial services, which recovers a significant portion of its costs through user charges.

Put Option: A contract giving the owner the right, but not the obligation, to sell a specified amount of an underlying security at a specified price within a specified time.

Real terms: Estimates of financial aggregates in real terms reflect adjustments made in order to take account of the impact of rising prices on the purchasing power of money. Throughout this budget paper, reference is made to real term aggregates and growth rates. All real terms calculations use the Adelaide Consumer Price Index (CPI), unless specifically stated otherwise.

Revenue: Part of income. The gross inflow of economic benefits during the period arising in the course of the ordinary activities of the entity when those inflows result in an increase in equity, other than increases relating to contributions by owners. (Also see *GFS transactions*).

Sector: An ABS national accounting concept used to group entities with similar economic characteristics. Sectors comprising the public sector are general government, public non-financial corporations and public financial corporations.

Statement of changes in equity: A statement showing the changes in an entity's equity between two reporting dates and reflects the increase or decrease in net assets during the period except for changes resulting from transactions with owners.

Strategic resource allocation: The allocation of resources based on identified policy priorities of government, usually over the medium term.

Unfunded Superannuation Liability: The amount by which the liabilities of a superannuation scheme or schemes, (measured as the present value of expected future superannuation benefits that have accrued to members), at the reporting date exceeds the value of assets held by the superannuation scheme or schemes to meet those benefits.

Uniform Presentation Framework (UPF): The reporting framework agreed by the Commonwealth, state and territory governments, to ensure all governments provide a common 'core' of financial information in their budget papers (refer to Appendix A).

Value at Risk: A technique used to estimate the probability of portfolio losses based on the statistical analysis of historical price trends and volatilities.

ABBREVIATIONS USED IN THE BUDGET PAPERS

7RAR	7 th Royal Australian Regiment
AAS	Australian Accounting Standard
AASB	Australian Accounting Standards Board
ABARE	Australian Bureau of Agricultural and Resource Economics
ABS	Australian Bureau of Statistics
ACAT	Aged Care Assessment Team
ACC	Adelaide Convention Centre
ACCC	Australian Competition and Consumer Commission
ACPFG	Australian Centre for Plant Functional Genomics
AEMC	Australian Energy Market Commission
AFCT	Adelaide Festival Centre Trust
AGL	Australian Gas and Light
AHA	Aboriginal Housing Authority
AHCA	Australian Health Care Agreement
AHIF	Affordable Housing Innovations Fund
AHIU	Affordable Housing Innovations Unit
AIFRS	Australian equivalents to International Financial Reporting Standards
AIS	Australian Institute of Sport
ANCOLD	Australian National Committee On Large Dams
ANCOR	Australian National Child Offender Register
ANTA	Australian National Training Authority
APY	Anangu Pitjantjatjara Yankunytjatjara
AQF	Australian Qualifications Framework
AQTF	Australian Quality Training Framework
ASEAN	Association of South East Asian Nations
ASO	Adelaide Symphony Orchestra
ASX	Australian Stock Exchange

ATE	Australian Tourism Exchange
ATLAS	automated Torrens Lands Title Administration System
ATO	Australian Taxation Office
AWD	Air Warfare Destroyer
BDF	Broadband Development Fund
CAD	Computer Aided Dispatch
CBA	Commonwealth Bank of Australia
CBSA	Community Benefit SA
CCTV	Closed Circuit Television
CESF	Community Emergency Services Fund
CFS	Country Fire Service
CGC	Commonwealth Grants Commission
CHSA	Country Health SA
CIO	Chief Information Officer
CMU	Carnegie Mellon University
CN	competitive neutrality
CNAHS	Central Northern Adelaide Health Service
CNG	Compressed Natural Gas
CNRM	Centre for Natural Resources Management
COAG	Council of Australian Governments
COPEs	Commonwealth Own-Purpose Expenses
CPA	Competition Principles Agreement
CPI	Consumer Price Index
CRC	COAG Reform Council
CRCs	Cooperative Research Centres
CRTs	Community Response Teams
CSHA	Commonwealth–State Housing Agreement
CSIRO	Commonwealth Scientific and Industrial Research Organisation
CSO	community service obligation
CSTDA	Commonwealth-State/Territory Disability Agreement

CTP	compulsory third party
CUF	Common User Facility
CYWHS	Children, Youth and Women's Health Service
DAIS	Department for Administrative and Information Services
DASSA	Drug and Alcohol Services South Australia
DCS	Department for Correctional Services
DDA	Disability Discrimination Act
DECS	Department of Education and Children's Services
DEH	Department for Environment and Heritage
DEST	Department of Education, Science and Training
DEWR	Department of Employment and Workplace Relations
DFC	Department for Families and Communities
DFD	Domestic Final Demand
DFEEST	Department of Further Education, Employment, Science and Technology
DH	Department of Health
DHP	Disability Housing Program
DLC	Distribution Lessor Corporation
DNA	Deoxyribonucleic acid
DPC	Department of the Premier and Cabinet
DPP	Director of Public Prosecutions
DSO	Disability Service Organisations
DSTO	Defence Science and Technology Organisation
DTED	Department of Trade and Economic Development
DTEI	Department for Transport, Energy and Infrastructure
DTF	Department of Treasury and Finance
DWLBC	Department of Water, Land and Biodiversity Conservation
EC	Exceptional Circumstances
EDB	Economic Development Board
EOI	Expression of Interest
EMA	Emergency Management Australia

EOC	Equal Opportunity Commission
EPA	Environment Protection Authority
ERBCC	Expenditure Review and Budget Cabinet Committee
ESCOSA	Essential Services Commission of South Australia
ESL	Emergency Services Levy
FBT	Fringe Benefits Tax
FHOG	First Home Owner Grant
FOI	Freedom of Information
FRC	Financial Reporting Council
FTE	full time equivalent
GAMD	Group Asset Management Division
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GFS	Government Finance Statistics
GL	gigalitre
GLC	Generation Lessor Corporation
GMA	Guaranteed Minimum Amount
GoGO	Greening of Government Operations
GP	General Practitioner
GRF	Gamblers Rehabilitation Fund
GRN	Government Radio Network
GSP	Gross State Product
GST	Goods and Services Tax
HACC	Home and Community Care
HFE	horizontal fiscal equalisation
HoTs	Heads of Treasuries
HOTARAC	Heads of Treasuries Accounting & Reporting Advisory Committee
HPI	hourly paid instructors
IAP	Intelligent Access Program
IAS	International Accounting Standard

ICANs	Innovative Community Action Networks
ICT	Information Communication and Technology
IDSC	Intellectual Disability Services Council
IGA	<i>Intergovernmental Agreement on Federal Financial Relations</i>
ILUA	Indigenous Land Use Agreement
IMF	International Monetary Fund
IMVS	Institute of Medical and Veterinary Science
INRM	Integrated Natural Resource Management
IT	Information Technology
ITAA	Income Tax Assessment Act
ITE	Income Tax equivalent
ITSSSED	Information Technology Services and State Economic Development
KPI	key performance indicator
LCA	Loan Council Allocation
LGA	Local Government Association
LGFA	Local Government Finance Authority of South Australia
LMC	Land Management Corporation
LMH	Lyell McEwin Hospital
LSL	long service leave
LWOP	leave without pay
MAC	Motor Accident Commission
MDC	Metropolitan Domiciliary Care
MFS	Metropolitan Fire Service
MYBR	Mid-Year Budget Review
MYEFO	Mid Year Economic & Fiscal Outlook
NAP	National Action Plan for Salinity and Water Quality
NCC	National Competition Council
NCP	National Competition Policy
NCRIS	National Collaborative Research Infrastructure Strategy
NCVER	National Centre for Vocational Education and Research

NDCA	National Data Collection Agency
NEM	National Electricity Market
NEMMCO	National Electricity Market Management Company Ltd
NEPM	National Environment Protection Measures
NFD	non-Farm deflator
NFL	net financial liabilities
NFPS	non-financial public sector
NGASA	Natural Gas Authority of South Australia
NGOs	Non Government Organisations
NGR	net gambling revenue
NHT	Natural Heritage Trust
NPPs	National Partnerships payments
NPSF	New Prisons and Secure Facilities
NPV	net present value
NQC	National Quality Council
NRA	National Reform Agenda
NRM	National Resources Management
NTER	National Tax Equivalent Regime
NWR	net wagering revenue
OCBA	Office of Consumer and Business Affairs
ODPP	Office of the Director of Public Prosecutions
OFV	Office for Volunteers
OfY	Office for Youth
OHSW	Occupational Health Safety & Welfare
OLGC	Office of the Liquor and Gambling Commissioner
OMPI	Office of Major Projects and Infrastructure
OPA	Office of the Public Advocate
OPC	Office of Parliamentary Counsel
OPE	Office of Public Employment
OVCB	Office of the Venture Capital Board

PAMC	Port Adelaide Maritime Corporation
PFC	public financial corporation
PIRSA	South Australian Department of Primary Industries and Resources
PNFC	public non-financial corporation
PPP	Public Private Partnership
PSM Act	Public Sector Management Act
PSRC	Premier's Science and Research Council
PSRF	Premier's Science and Research Fund
RAAP	Road Accident and Awareness Prevention Program
RAES	Remote Areas Energy Supplies
RAH	Royal Adelaide Hospital
RBA	Reserve Bank of Australia
RCCC	Regional Communities Consultative Council
RDB	Regional Development Board
RDIF	Regional Development Infrastructure Fund
RDNS	Royal District Nursing Service
REC	renewable energy certificate
REES	Residential Energy Efficiency Scheme
REMCO	Retail Market Administrator (gas)
RISTEC	Tax Revenue Management System Project
ROGS	Report on Government Services
SA	South Australia
SAAMC	South Australian Asset Management Corporation
SAAP	Supported Accommodation Assistance Program
SABREnet	South Australian Broadband Research and Education Network.
SACE	South Australian Certificate of Education
SACHA	South Australian Community Housing Authority
SACOSS	South Australian Council of Social Services
SAFA	South Australian Government Financing Authority
SAFE	Secure Australian Facilities Environment

SAFECOM	South Australian Fire and Emergency Services Commission
SAFSA	Structural Adjustment Fund for South Australia
SAGERP	South Australian Government Employee Residential Properties
SAHS	Southern Adelaide Health Service
SAHT	South Australian Housing Trust
SAICORP	South Australian Government Captive Insurance Corporation
SAIPAR	South Australian Independent Pricing and Access Regulator
SAMFS	South Australian Metropolitan Fire Service
SAMIS	Strategic Asset Management Information System
SAPE	South Australian Private Equity
SAPOL	South Australia Police
SARDI	South Australian Research Development Institute
SARI	South Australian Racing Industry
SASI	South Australian Sports Institute
SATC	South Australian Tourism Commission
SATSS	South Australian Transport Subsidy Scheme
SECUF	Secure Electronic Common User Facility
SEO	State Electoral Office
SES	State Emergency Service
SFD	State Final Demand
SFO	Senior Finance Officers
SNA93	United Nations System of National Accounts 1993
S&P	Standard and Poor's
SPP	specific purpose payment
SPSA	Secure Partnerships SA
SRF	Supported Residential Facilities
SSABSA	Senior Secondary Assessment Board of South Australia
SSRO	Shared Services Reform Office
TAFE	Technical and Further Education
TCP	Torrens Corrections Partnership

TER	Tax Equivalent Regime
TLC	Transmission Lessor Corporation
TRACsa	South Australian Centre for Trauma & Injury Management
Triple S	Southern State Superannuation
TRT	Temporary Relieving Teachers
TVSP	targeted voluntary separation package
UPF	Uniform Presentation Framework
VCB	Venture Capital Board
VERIS	Volunteer Emergency Recovery Information System
VET	vocational education and training
VICs	Visitor Information Centres
VSP	voluntary separation package
VTE	Vocational and Technical Education
WCH	Women's and Children's Hospital
WCI	Wage Cost Index



**Government
of South Australia**