STATE BUDGET 2018–19

Budget Statement

BUDGET PAPER 3

SOUTH AUSTRALIA

Government of South Australia

STATE BUDGET 2018–19

BUDGET PAPER 1: BUDGET OVERVIEW

A summary publication capturing all highlights from the 2018–19 Budget.

BUDGET PAPER 2: BUDGET SPEECH

A copy of the Treasurer's speech, delivered to Parliament.

BUDGET PAPER 3: BUDGET STATEMENT

A financial report presenting the state government's current and estimated future economic performance, fiscal strategy, budget priorities, expenditure, revenue, assets, liabilities, risks and government business.

BUDGET PAPER 4:
AGENCY STATEMENTS | VOLUMES 1, 2, 3, 4

Various financial reports presenting the state government's current and estimated revenue, expenses and performance by agency.

BUDGET PAPER 5:
BUDGET MEASURES STATEMENT

A financial report detailing the state government's expenditure, savings and revenue initiatives.

Budget Paper 3

2018–19
Budget Statement

Presented by
The Honourable Rob Lucas MLC
Treasurer of South Australia on
the Occasion of the Budget for
2018–19

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Budget context

The 2018–19 Budget is based on three clear principles — cleaning up the financial mess left by the former government, keeping all the government's election promises and building a foundation for the future.

The 2018–19 Budget delivers on the government's election commitments, including creating more jobs in the state, lowering costs for households and businesses and delivering better services for South Australians.

Funding has been provided, where required, to implement all of the government's election commitments. The government has also funded a number of election commitments by reprioritising existing agency resources to deliver on government priorities. This has meant that some of the former government's priorities, programs or projects have had to be cut.

The 2018–19 Budget delivers operating surpluses in all years from 2018–19, ensuring election commitments have been funded in a sustainable manner. Upward revisions to taxation and GST revenues since the Mid-Year Budget Review (MYBR) of $1.1 billion over the period 2018–19 to 2020–21 have largely offset the cost of the government's election commitments. However, significant savings targets over the forward estimates left by the former government's MYBR still have to be delivered.

An operating deficit is expected for 2017–18 reflecting the unsustainable budget position left by the former government. The deficit reflects significant cost pressures in health, child protection and TAFE SA. The 2017–18 estimated result also includes the impact of the government fully provisioning for estimated costs from the South Australian Government's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse through a dedicated fund with the South Australian Government Financing Authority.

As part of the 2018–19 Budget the government has been required to address the significant agency cost pressures that the former government had not adequately provided for in recent budgets. The budget provides $730 million over the period 2018–19 to 2021–22 (in addition to $70 million in 2017–18) to ensure the health budget is more sustainable over the forward estimates, $24 million in 2017–18 and $7 million in 2018–19 to meet cost pressures and support delivery of appropriate support for children in state care and $90 million over the period 2018–19 to 2021–22 (in addition to $20 million in 2017–18) to ensure the delivery of quality educational services and set more realistic targets for external revenue growth in TAFE SA.

Reported operating surpluses in recent budgets have also been significantly impacted by the one-off proceeds of privatisations such as the Motor Accident Commission.

In order to repair the underlying budget position and ensure it is in a sustainable position over the medium term, it has been necessary for the government to introduce agency savings to offset the impact of these cost pressures. These savings are in addition to ongoing efficiency dividends and the agency savings introduced by the former government as part of the 2017–18 MYBR.

Due to the delay in the introduction of the 2018–19 Budget and the passage of the budget bills, 2018–19 will inevitably have to be a year of transition from the financial mismanagement and incompetence of the past to a sounder foundation for a sustainable financial future. The full year impact of some of the savings measures will not be able to be achieved until 2019–20 and onwards.

Significant estimated expenditure in 2018–19 of $170 million (including a $150 million additional provision in the 2018–19 Budget) on budget funded TVSPs will be an important initiative to support agencies in achieving their savings tasks. However, from 2019–20, agencies will again be responsible for managing costs arising from restructuring their organisations.

New operating and investing savings measures of $232.6 million in 2018–19 increasing to $279.3 million in 2021–22 have been introduced in this budget. The new budget improvement measures are described in more detail in the 2018–19 Budget Measures Statement. While a number of specific agency measures are included in the budget, agency chief executives will continue to have responsibility for delivering agency savings in a manner they consider most appropriate.

The government accepts that if long term savings targets for agencies are to be achieved that it is no longer sustainable to apply small efficiency dividends to all existing expenditure programs.

It is time to reconsider the merit of all projects and programs and decide that some of these will no longer receive government funding or be abolished completely. Some of these budget decisions include:

- discontinuing the Economic Development Board
- discontinuing the Investment Attraction Advisory Board
- discontinuing the Health Industries Advisory Board
- discontinuing the Riverbank Authority
- discontinuing support for the Health Consumers Alliance of SA
- discontinuing support for the Northern and Southern Connections business units
- ceasing the South Australian Early Commercialisation Fund
- winding down TechInSA
- closing the Office of the Commissioner for Kangaroo Island
- closing several TAFE SA campuses with low utilisation rates and the consolidation of service delivery into other sites
- reallocating the Fund My Neighbourhood Program funding for alternative purposes
- ceasing the laptops for students program, with the funding reallocated to other education priorities.

The government has also delivered on the specific savings measures included in its election commitments, including savings in ministerial office budgets and will reduce advertising and consultancy costs.

The non-financial public sector (NFPS) net debt is estimated to have been around $15.5 billion at 30 June 2022 based on the projections in the MYBR and this will now increase to $17.0 billion. The increase in net debt over the forward estimates reflects the government's substantial investment in infrastructure, including:

- upgrading of hospital facilities
- significant investments in roads and public transport
- construction of additional prison beds at the Yatala Labour Prison and the Adelaide Women's Prison

- construction of a new Year 7 to Year 12 public secondary school in Whyalla and two new northern and southern metropolitan schools as public private partnership projects, as well as substantial upgrading of government school infrastructure to facilitate the transition of Year 7 students into high schools.

The government will provide around $773 million to South Australia's regional communities over the five years to 2021–22 for initiatives to grow economic opportunity and security as well as improve community infrastructure. This will include the establishment of a Regional Growth Fund to unlock economic activity in our regions, mobile phone black spots funding to improve digital connectivity in regional areas, and the Regional Roads and Infrastructure Fund to ensure there is a dedicated funding stream to fund road upgrades and other critical infrastructure in the regions.

The government believes that an efficient and focussed public sector, improved community services, targeted industry sector support and structural tax relief will provide support for the future growth of the South Australian economy, creation of additional jobs and ongoing improvement of living standards for South Australians.

Budget overview

Delivering on our election commitments

The new government is delivering on all its election commitments made as part of the March 2018 South Australian election.

Lowering costs of living and doing business in the state

The government is committed to lowering costs for all South Australians. The reintroduction of general remissions for the fixed property Emergency Services Levy (ESL) has seen a median value household in metropolitan Adelaide save more than 50 per cent or around $145 in 2018–19. It is estimated that over 650 000 properties have benefitted from the reintroduction of fixed property remissions, returning $90 million back to the community each year from 2018–19.

This government is committed to supporting businesses in the state. We are introducing significant payroll tax relief for small businesses, which will support businesses to grow and create jobs. From 1 January 2019, businesses with taxable annual wages below $1.5 million will be exempt from payroll tax. In addition, businesses with taxable annual wages between $1.5 million and $1.7 million will pay less payroll tax. For these businesses, the rate of payroll tax increases proportionately from zero per cent at $1.5 million to 4.95 per cent at $1.7 million in taxable annual wages.

Further relief to the community is being provided through a reform to the land tax system from 1 July 2020, when the tax-free threshold will increase to $450 000 up from the current level of $369 000. In addition, the marginal tax rate for ownerships valued between the existing top land tax threshold (currently $1.2 million) and $5 million will be reduced from 3.7 per cent to 2.9 per cent. It is estimated that this measure will benefit over 50 000 ownerships including around 8000 that will no longer have a land tax liability.

Other measures that lower the cost of living for South Australians include:

- council rate capping to prevent rate payers from having to pay excessive increases in council rates
- capping NRM levies at a rate set by an independent body or according to the consumer price index from 1 July 2019
- more affordable hospital car parking
- public transport fare reductions.

The government is implementing a series of comprehensive reforms that will improve the reliability, affordability and security of the state's energy market. These reforms include:

- $100 million over four years to provide means tested grants to deliver battery storage systems in up to 40 000 homes across the state
- $50 million over four years to facilitate development of new storage technologies to address intermittency within the state's electricity system
- $30 million over three years to implement a series of trials that will seek to establish mechanisms to financially reward consumers for demand flexibility and changing their consumption patterns
- $4 million in 2018–19 to enable transmission network operators to commence early works on an interconnector between New South Wales and South Australia such as detailed line route and site selection works, concept design and construction planning, as well as environmental and social impact assessments. The government will also provide a financial guarantee for a further $10 million in 2018–19 for this purpose.

The government has also allocated additional funding and redirected funding to establish a South Australian Productivity Commission. The Commission will have a full year budget of $2.5 million per annum and provide advice on measures to cut red-tape, improve government services, and deliver economic reform, to ensure that the government can more effectively support the vital sectors of our economy to grow and create jobs.

More jobs, better training

The government is investing $202.6 million over four years, in partnership with the Commonwealth Government to increase the number of qualified apprentices and trainees. The Skilling South Australia initiative will enable the state to respond to emerging industry needs through programs such as digital and fast tracked apprenticeships, as well as flexible apprenticeships for year 12 students. It is estimated that the fund will support the creation of up to 20 800 additional apprenticeships and traineeships in South Australia. The Commonwealth Government will contribute $102.6 million towards the cost of the program.

As a complement to the Skilling South Australia initiative, the government is providing $6 million for at least one new technical college in the western suburbs of Adelaide. The college will focus on encouraging students to prepare for work in the defence sector. The government is also investing in the future entrepreneurs in our state by providing $5.6 million over four years to implement entrepreneurial specialist programs in four high schools across South Australia, including two in rural and regional areas with a focus on primary industries.

Industry support

It is the government's intent to have a much more targeted focus on industry financial assistance and to concentrate its efforts on growing the economy by focusing on the economic fundamentals of the state. The government has ceased a number of former government industry grant programs and will focus its industry development support through three key funds:

- Economic and Business Growth Fund — $100 million of new funding has been provided over the period 2018–19 to 2021–22 to support industry sectors and initiatives that will provide a strategic economic development benefit to the State
- Research, Commercialisation and Start-up Fund — comprising $27.9 million across the forward estimates, and has been established through a refocusing of previous grant programs, to support South Australian businesses to collaborate with researchers and universities to solve industrial problems, commercialise new products and services, and attract research infrastructure investment into the state; as well as to encourage establishment and growth of start-ups

The government has implemented a new model to enable entrepreneurship in South Australia through the establishment of an innovation, start-up and growth hub, to be located at Lot Fourteen (the former Royal Adelaide Hospital site) and is establishing the Office of the Chief Entrepreneur

- Regional Growth Fund — this fund has been established to pursue new economic opportunities for regional South Australia, and build and strengthen regional communities. Funded through the redirection of existing resources, an annual allocation of $5 million for competitive funding and $10 million for strategic project funding is available and will be administered by Primary Industries and Regions SA.

Better health services

Our commitment to providing better services is supported with $1.1 billion of new operating and investing initiatives being allocated in this budget over 2018–19 and 2021–22 to our health system (in addition to $70 million in 2017–18).

During 2018–19, we will be establishing the framework to support Local Health Network Boards across Adelaide metropolitan and regional South Australia. Local Health Network Boards will be established to ensure safe, effective and efficient services are provided to their local communities. The establishment of health boards to manage the state's local health networks is a key initiative to drive better health outcomes for patients.

This budget also provides additional funding to deliver better health services to the community, including:

- $70 million in 2017–18, $175 million in 2018–19, $183 million in 2019–20, $191 million in 2020–21 and $181 million in 2021–22 to ensure that the health budget is more sustainable over the forward estimates, and ensure the system continues to provide the necessary services required by the community
- $20 million in each of 2018–19 and 2019–20 to reduce elective surgery waiting lists in South Australia's public hospitals, including targeted prevention of bowel cancer
- $15 million in 2018–19 and $8 million in 2019–20 and 2020–21 to introduce a fully funded Meningococcal B Immunisation Program for South Australian babies and young people
- $3.4 million in 2018–19, increasing to $4.1 million per annum (indexed) from 2019–20 to improve support for people in their final stages of life
- $2.5 million in 2018–19 increasing to $5.1 million per annum (indexed) from 2019–20 as well as $5 million in additional capital works in 2018–19 for the re-establishment and ongoing operating costs associated with a 4-bed high dependency unit at the Modbury Hospital
- $2.4 million per annum to maintain the Queen Elizabeth Hospital as a key cardiac centre with a focus on the common acute cardiac conditions of an aging population
- $2.0 million in 2018–19, increasing to $4.1 million per annum (indexed) from 2019–20 to establish a 12-bed acute medical ward at Noarlunga Hospital.

The government is committed to improved regional health services, with $20 million being provided over the next four years for the redevelopment and implementation of a Rural Health Workforce Plan to address the shortage of health practitioners in rural areas. The government will also invest an additional $14 million per annum for the next ten years to improve country hospital infrastructure. This will significantly improve the amenity of our regional hospital and health infrastructure.

South Australia delivers a quality public health service. However, the sector does not deliver services as efficiently as achieved in other states. It is important that the public health system strive to deliver quality services at levels more in line with national average costs. Health networks will be required to continue to address inefficiencies in the health system over the next four years to reduce the cost of public health services to the national average by the end of the forward estimates. The Local Health Network Boards will be responsible for driving these reforms in future years.

Higher quality education outcomes

South Australia is the only jurisdiction that still has Year 7 in primary school despite the experience of other states showing that year 7s thrive in a high school setting. The government has committed to transitioning year 7s in public schools from primary schools to secondary schools from 2022 and is investing $27.7 million over four years to commence the transition process. The national curriculum to which South Australia is a signatory has a focus on specialist maths, science and English teaching for Year 7 students and these subjects should be taught by specialist teachers in a high school setting. This initiative is intended to improve the long-term educational outcomes for South Australian students.

Two new birth to year 12 schools will be built under public-private partnerships (PPPs) in the Munno Para region and the Aldinga region to meet projected enrolment demand. Accelerating the delivery of the two metropolitan schools will mean the schools will be available for the start of the 2022 school year. A new Year 7 to Year 12 public secondary school for 1 500 students in Whyalla will be built with completion in 2021.

The government is implementing a comprehensive program to improve literacy and numeracy outcomes for all students. A strong foundation in literacy and numeracy is vital for all other levels of education to be successful. This is why the government is investing $3.4 million in 2018–19 rising to $5.7 million in 2021–22 to roll out this program to all South Australian students.

In addition to the comprehensive literacy and numeracy program, an increased focus is being placed on learning a second language with $2.3 million in 2018–19, and $3.3 million per annum from 2019–20 provided to increase the focus on South Australian children learning a second language. This will help develop their intercultural capabilities needed to succeed in an increasingly globalised world.

By 2021–22, the government will increase operating funding for education by $515 million compared to 2017–18. It is also spending $692 million over the six years to 2022–23 on upgrading 91 schools, including 29 regional schools.

Infrastructure in South Australia

The government is establishing an independent body (Infrastructure South Australia) to ensure better infrastructure planning and more transparent decision making. Funding of $2 million per annum indexed from 2018–19 has been provided for the establishment of Infrastructure SA to ensure the government can plan and provide infrastructure for the long term.

The total government investing program is $11.3 billion over the forward estimates, with the general government investing program being $8.6 billion over the forward estimates. In 2018–19, the general government investing program is expected to be $2.2 billion, $358 million higher than the program in 2017–18. The investing program for each year of the forward estimates is significantly higher than the 2017–18 result. Major investing spend over the forward estimates from 2018–19 includes:

- $687.9 million ($692 million over the six years to 2022–23) to upgrade a range of public primary and secondary schools. This will focus on improving school infrastructure, increasing capacity and facilitating the transition of year 7 students into high school
- $578.1 million towards the Gawler line modernisation to continue the electrification of the rail line from Adelaide to Gawler
- $519.1 million towards the North-South corridor upgrade projects; Regency Road to Pym Street ($354.3 million) and Darlington Upgrade ($164.8 million)
- $367.4 million to complete the Northern Connector project

- $314.9 million over four years for a Regional Roads and Infrastructure Fund to ensure adequate funding for our regions. This will be funded through a redirection of 30 per cent of mineral and petroleum royalties that will be paid into the fund. The state government's contribution to the Penola bypass, the Port Wakefield overpass and road widening will be met from the fund
- $272.3 million for stage 3 of The Queen Elizabeth Hospital redevelopment
- $261 million for two new birth to year 12 schools in metropolitan northern and southern suburbs to be delivered via public-private partnerships
- $199.7 million towards the duplication of the Joy Baluch AM Bridge
- $169 million for the construction of 270 high security beds at Yatala Labour Prison and 40 new beds at the Adelaide Women's Prison
- $100 million to establish a new Year 7 to Year 12 public secondary school for 1500 students in Whyalla
- $91.1 million for upgrades and additional services at Modbury Hospital
- $60.0 million over 2020–21 and 2021–22 to commence construction of the National Aboriginal Art and Cultures Gallery
- $54.5 million for the Lyell McEwin Hospital emergency department expansion.

An additional $18.5 million is being provided in 2019–20, building on the $15.0 million provided previously to extend Park 'n' Rides along the O-Bahn network. The priority is to extend the Park 'n' Rides at Golden Grove and Paradise to bring the total capacity of each car park to 400 and 775 respectively. To the extent resources allow, car parks at other sites, Klemzig and Tea Tree Plaza, will be delivered as part of this package of works.

Fiscal targets

Delivering the measures that support the government's priorities while maintaining a sustainable fiscal position requires the government to operate within a well-defined fiscal strategy. The government's fiscal targets are set out in table 1.1 below.

Table 1.1: Fiscal targets

Target 1	Achieve a net operating surplus in the general government sector every year.
Target 2	Limit general government operating expenditure growth to trend growth in household income.
Target 3	Achieve a level of general government net debt that is sustainable over the forward estimates.

Target 3 has been revised to remove the previous cap on net debt levels based on a percentage of revenue. This target has been restated to focus on maintaining a sustainable level of net debt on the basis that there can be variability in debt levels over time as decisions are made to invest in infrastructure or the budget responds to challenging short and medium-term fiscal circumstances. It is noted that triple A rated interstate jurisdictions are forecasting net debt to revenue ratios that range up to 41.8 per cent by 2021–22.

In addition, the government will review its debt target during 2018–19 in light of the implementation of the new accounting standards issued by the Australian Accounting Standards Board which will, among other things, change the treatment of operating leases in agency financial statements, and require the government to consider shifting the basis of budget reporting from the Government Finance Statistics (GFS) Framework to Generally Accepted Accounting Principles (GAAP) at the time the impacts of the new accounting standards are incorporated into the forward estimates.

Underpinning the three main fiscal targets, the government continues the previous commitments that:

- the operations of public corporations that cannot be paid for from their own revenue streams will be funded from the budget (consistent with the government's obligations under the Competition Principles Agreement)
- the defined benefit unfunded superannuation liability will be fully funded by 2034.

Table 1.2 show that the 2018–19 Budget meets the government's fiscal targets over the forward estimates.

Table 1.2: Fiscal targets outcomes — 2018–19 Budget estimates

	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Target 1: net operating balance surplus				
Target	Achieve a net operating surplus every year			
2018–19 Budget estimate ($m)	**48**	**105**	**166**	**211**
Target 2: operating expenditure growth				
Target (%)	Average growth limited to trend growth in household income (4.5% per annum)			
2018–19 Budget estimate (%)				
– Annual (%)	**-0.3%**	**1.5%**	**2.0%**	**3.1%**
– Average (%)	**Average growth of 1.6% per annum**			
Target 3: maintain the net debt to revenue ratio at a sustainable level	**32.1%**	**35.5%**	**38.0%**	**41.1%**

Target 1 reflects the government's commitment to funding operating expenditures from operating revenues. The 2018–19 Budget projects a surplus in 2018–19 and in each year across the forward estimates.

Target 2 limits the growth in operating expenditure in order to maintain a pattern of sustainable growth having regard to trend income growth, irrespective of the annual growth in revenues. The 2018–19 Budget emphasises expenditure restraint whilst meeting the election commitments to maintain the overall fiscal position. Average operating expenditure growth over four years is constrained to 1.6 per cent per annum, well below expected trend household income growth of 4.5 per cent per annum.

Target 3 requires the maintenance of reasonable debt levels that allows for sustainable borrowings for investment in key infrastructure without placing undue burdens on future generations. The general government net debt to revenue ratio increases moderately over the forward estimates to 41.1 per cent at 30 June 2022 reflecting the significant investment in infrastructure over the next few years.

The government is also on target to fully fund the state's defined benefit superannuation liability by 2034. Further information on the state's unfunded superannuation liability can be found in chapter 4.

Summary of key fiscal indicators

Table 1.3 sets out the expected budget outcomes for 2017–18 and across the forward estimates for a number of key fiscal indicators.

Table 1.3: Summary of key budget indicators

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Operating statement					
Net operating balance — GG sector ($m)	- 397	48	105	166	211
Net lending — GG sector ($m)	690	- 866	- 714	- 651	- 928
Revenue and expenses					
Revenue real growth — GG sector (%)	1.6	-0.3	-0.5	-0.2	0.8
Expenses real growth — GG sector (%)	6.2	-2.5	-0.7	-0.5	0.6
Balance sheet					
Net debt — GG sector ($m)	5 331	6 288	7 076	7 749	8 651
Net debt to revenue — GG sector (%)	27.8	32.1	35.5	38.0	41.1
Net debt — NFP sector ($m)	12 889	14 284	15 409	16 020	16 971
Unfunded superannuation ($m)	11 207	10 819	10 399	9 947	9 461

Note: Adelaide Consumer Price Index used for real-terms calculations.

Land Services Commercialisation transaction

The Land Services Commercialisation transaction is treated in the budget as the sale of an intangible asset which results in an investing receipt and improves the net lending result in 2017–18 by $1.605 billion. Net debt is also reduced by that amount. This is consistent with the treatment of the former government in the Mid-Year Budget Review.

Discussions with the Auditor-General following submission of draft 2017–18 financial statements on 13 August 2018 have indicated that this accounting treatment for the transaction may not be correct. There is currently no specific Accounting Standard that covers this type of arrangement and transaction. In most recent discussions at the time of printing the budget papers the Auditor-General has indicated that the transaction may need to be treated as revenue in 2017–18. That would result in the majority of the proceeds (excluding the $80 million Exclusive Right to Negotiate for registries (ERN)) being treated as income in 2017–18 and thus improving the net operating balance position. If that occurs the net operating balance in 2017–18 would be a projected surplus of $1.1 billion rather than a deficit of $397 million.

Further discussions are on-going on this matter and the final treatment will be settled by the Auditor-General with the release of audited financial statements in the coming weeks.

Regardless of the accounting treatment of this transaction in 2017–18, the commencement of the new Service Concession Arrangements: Grantors Accounting Standard (AASB 1059) from 1 July 2019 may result in a different treatment again. Under the new standard it is expected that the proceeds will need to be reflected as revenue when they are earned. This will result in 1/40th of the proceeds, expected to be around $38 million (excluding the $80 million ERN) being recognised as revenue for each year over the 40 year life of the contract, rather than a one-off benefit to the net lending or net operating result in 2017–18. The $80 million ERN will be reflected as revenue in 2019–20 when a final decision is required on whether to progress with that right with Land Services SA (LSSA).

It is important to note that net debt is unchanged for all of these accounting treatments. In all cases net debt reduces by $1.605 billion in 2017–18 as the state has received the cash payment from LSSA.

Operating statement

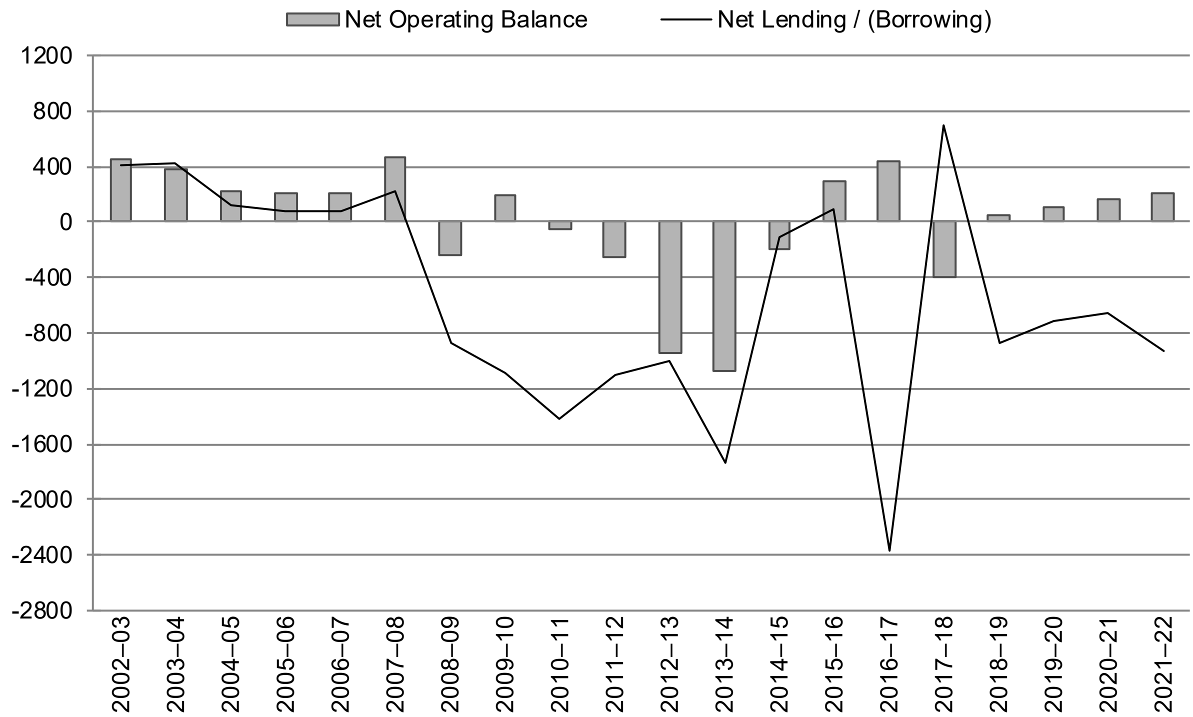
Net operating balance

A net operating deficit is forecast for the general government sector in 2017–18, while net operating surpluses are forecast in 2018–19 and across the forward estimates.

The deficit in 2017–18 reflects significant cost pressures in health, child protection and TAFE SA that the previous government had not adequately addressed in previous budgets as well as the impact of the government fully provisioning for, and establishing, a dedicated fund with the South Australian Government Financing Authority, to meet estimated costs from the South Australian Government's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse.

Figure 1.1 illustrates the general government sector net operating balance and net lending position from 2002–03 to 2021–22.

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



The privatisation of the Motor Accident Commission has resulted in additional returns to government since 2014–15, as shown in Table 1.4. The dividends have significantly impacted the reported net operating balance results as shown in Table 1.5.

Table 1.4: Return to government from the privatisation of the Motor Accident Commission ($million)

	2014–15 Actual	2015–16 Actual	2016–17 Actual	2017–18 Estimated Result	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate	Total
Dividends	459.2	403.5	297.8	341.5	135.9	77.4	10.4	5.4	1 731.1
Return of equity	393.7	45.0	390.4	17.9	7.2	4.1	0.6	0.3	859.1
Return of equity — private insurer approval fee	—	—	259.4	—	—	—	—	—	259.4
Total releases and approval fee	**852.9**	**448.5**	**947.6**	**359.4**	**143.0**	**81.5**	**11.0**	**5.7**	**2 849.6**

Table 1.5: Net Operating Balance — adjusted for dividends from the privatisation of the Motor Accident Commission ($million)

	2014–15 Actual	2015–16 Actual	2016–17 Actual	2017–18 Estimated Result	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Net Operating Balance (NOB)	- 189.3	299.9	443.1	- 397.1	48.2	105.2	165.9	210.9
less MAC dividends	459.2	403.5	297.8	341.5	135.9	77.4	10.4	5.4
NOB excluding MAC dividends	**- 648.5**	**- 103.6**	**145.3**	**- 738.6**	**- 87.7**	**27.8**	**155.5**	**205.5**

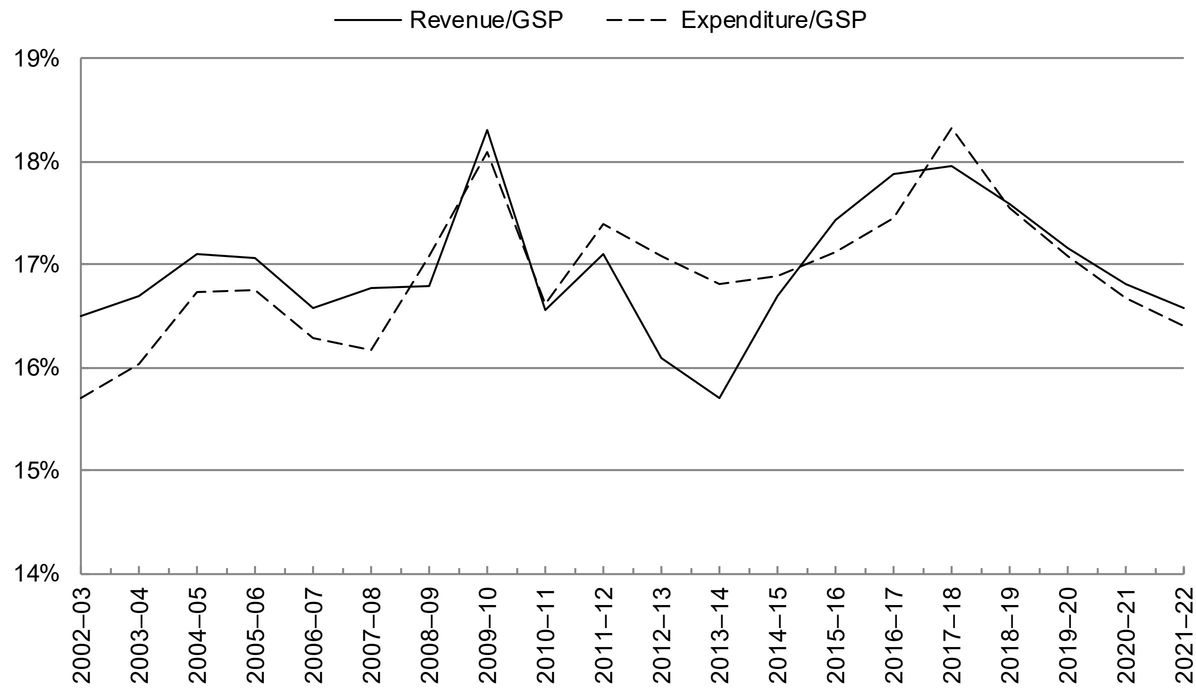
Net lending

A net lending surplus of $690.2 million is expected in 2017–18 due to the recognition of the proceeds of $1.605 billion for the Land Services commercialisation transaction. Net lending deficits are forecast in 2018–19 and across the forward estimates reflecting the government's significant capital expenditure program.

Revenues and expenses

Figure 1.2 illustrates revenue and expenditure as a percentage of gross state product (GSP).

Figure 1.2: General government sector revenue and expenditure as a percentage of GSP



Revenues averaged around 16.6 per cent of GSP prior to 2008–09. In the immediate aftermath of the global financial crisis (GFC), revenues increased substantially due to the payment of large Commonwealth Government stimulus grants between 2008–09 and 2011–12. Following the conclusion of the Commonwealth Government stimulus funding, revenues as a share of the economy were much weaker than prior to the GFC until 2013–14, but have subsequently returned to pre-GFC levels. Total revenue as a share of the economy reduces over the forward estimates mainly due to the significant tax relief provided in recent years and over the forward estimates.

Expenditure as a percentage of GSP is forecast to drop to 16.4 per cent by 2021–22, highlighting the government's commitment to budget sustainability through general operating expenditure restraint.

Balance sheet

Net debt

General government sector net debt is expected to increase over the forward estimates from $5.3 billion as at 30 June 2018 to $8.7 billion at 30 June 2022. Total NFPS net debt is expected to increase over the forward estimates from $12.9 billion as at 30 June 2018. The NFPS net debt is estimated to have been around $15.5 billion at 30 June 2022 based on projections in the MYBR and this will now increase to $17 billion. This increase in government net debt reflects the government's decision to invest in infrastructure to support improved services to the community, create jobs and secure our energy future.

General government sector net debt is expected to increase by $1.3 billion by 30 June 2022 compared to the forecast in the MYBR. Of this, $417 million is due to an increase in net debt at 30 June 2018, primarily due to the South Australian government's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse, the need to address a range of budget pressures that the former government had not adequately provided for in recent budgets and lower special dividend payments from SA Water to maintain its debt to asset ratio at around 45 per cent. The further increase in net debt by 30 June 2022 compared to the MYBR is due to a larger investing program over the forward estimates.

The full suite of accrual statements produced under the uniform presentation framework is provided in Appendix A. Table 1.6 provides operating statement details for the general government sector.

Table 1.6: General government sector operating statement — 2017–18 to 2021–22 ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Revenue						
Taxation revenue	4 629	4 557	4 587	4 756	4 923	5 127
Grants						
GST revenue grants	6 303	6 375	6 887	7 275	7 615	7 827
Other grants	4 358	4 361	4 364	4 120	4 167	4 317
Sales of goods and services	2 568	2 552	2 526	2 583	2 611	2 690
Interest income	25	24	26	27	29	29
Dividend and income tax equivalent income	592	650	451	412	327	329
Other	673	679	740	757	711	736
Total revenue	**19 148**	**19 198**	**19 580**	**19 930**	**20 382**	**21 054**
less						
Expenses						
Employee expenses	8 272	8 420	8 623	8 558	8 571	8 667
Superannuation expenses						
Superannuation interest cost	363	348	319	308	295	282
Other superannuation expenses	850	866	869	871	874	883
Depreciation and amortisation	1 003	1 038	1 073	1 103	1 146	1 153
Interest expenses	426	423	356	379	405	470
Other property expenses	—	—	—	—	—	—
Other operating expenses	5 129	5 214	5 162	5 668	5 923	6 305
Grants	3 033	3 286	3 129	2 938	3 002	3 083
Total expenses	**19 076**	**19 595**	**19 532**	**19 825**	**20 217**	**20 843**
equals						
Net operating balance	72	- 397	48	105	166	211

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
plus						
Other economic flows	348	1 881	626	669	711	759
equals						
Comprehensive result — total change in net worth	420	1 484	674	774	877	970
Net operating balance	72	- 397	48	105	166	211
less						
Net acquisition of non-financial assets						
Purchases of non-financial assets	2 185	1 878	2 236	1 984	2 007	2 330
less Sales of non-financial assets	1 338	1 930	249	62	45	37
less Depreciation	1 003	1 038	1 073	1 103	1 146	1 153
plus Change in inventories	—	3		—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	- 157	-1 087	914	820	816	1 139
equals **Net lending/borrowing**	228	690	- 866	- 714	- 651	- 928

Note: Totals may not add due to rounding.

The attachment to this chapter summarises the variations since the 2017–18 Budget to the general government net operating balance (table 1.7) and net lending estimates (table 1.8).

The attachment also summarises the variations to revenue, expenses and capital investment expenditure since the 2017–18 MYBR (table 1.9), together with some commentary on those variations.

Attachment: Variations since the 2017–18 Budget and the 2017–18 MYBR

Table 1.7: General government sector net operating balance — policy and parameter variations since the 2017–18 Budget ($million)

	2017–18	2018–19	2019–20	2020–21
Estimate at 2017–18 Budget	**72**	**132**	**193**	**462**
Parameter and other variations to 2017–18 MYBR				
Revenue — taxation	- 44	- 49	- 62	- 76
Revenue — other	127	43	61	96
Operating expenses	117	88	3	- 10
Net effect of parameter and other variations	200	82	2	10
Policy measures to 2017–18 MYBR				
Revenue measures — taxation	- 92	- 79	- 79	- 84
Revenue measures — other	—	—	—	—
Revenue offsets — taxation	—	—	—	—
Revenue offsets	35	47	86	58
Operating expenses	- 202	- 168	- 92	- 112
Net effect of policy measures	- 260	- 200	- 85	- 138
Estimate at 2017–18 MYBR	**12**	**14**	**110**	**334**
Parameter and other variations to 2018–19 Budget				
Revenue — taxation	64	40	32	38
Revenue — other	- 44	250	323	189
Operating expenses	- 166	267	56	47
Net effect of parameter and other variations	- 146	557	411	275
Policy measures up to the 2018–19 Budget				
Revenue measures — taxation	—	—	—	—
Revenue measures — other	- 1	- 2	- 3	- 3
Revenue offsets — taxation	—	—	—	—
Revenue offsets	—	116	129	110
Operating expenses	- 159	- 146	- 146	- 125
Net effect of policy measures up to the 2018–19 Budget	- 160	- 32	- 20	- 17
Policy measures in the 2018–19 Budget				
Revenue measures — taxation	—	- 108	- 134	- 184
Revenue measures — other	—	0	4	8
Revenue offsets — taxation	—	—	—	—
Revenue offsets	5	12	6	7
Revenue investing offsets	—	2	10	20
Operating expenses	- 109	- 609	- 529	- 521
Operating savings	1	213	248	244
Net effect of policy measures in the 2018–19 Budget	- 103	- 489	- 395	- 425
Estimate at 2018–19 Budget	**- 397**	**48**	**105**	**166**

Note: Totals may not add due to rounding.

Table 1.8: General government sector net lending — policy and parameter variations since the 2017–18 Budget ($million)

	2017–18	2018–19	2019–20	2020–21
Estimate at 2017–18 Budget	**228**	**- 685**	**- 203**	**72**
Net effect of operating variations to 2017–18 MYBR	**- 59**	**- 118**	**- 83**	**- 128**
Investing variations[(a)]				
Parameter variations	939	- 77	- 75	43
Policy variations	- 42	- 116	- 223	- 377
Total investing variations	896	- 193	- 297	- 334
Estimate at 2017–18 MYBR	**1 065**	**- 996**	**- 583**	**- 390**
Net effect of operating variations to 2018–19 Budget	- 410	35	- 5	- 168
Investing variations[(a)]				
Parameter variations	55	299	142	205
Policy variations up to the 2018–19 Budget				
Investing expenditure	- 2	- 25	- 16	- 18
Asset sales	- 20	—	—	—
Net effect of policy measures up to the 2018–19 Budget	- 22	- 25	- 16	- 18
Policy variations in the 2018–19 Budget				
Investing expenditure	- 1	- 204	- 270	- 299
Investing savings	1	20	16	18
Asset sales	—	6	1	1
Net effect of policy measures in the 2018–19 Budget	1	- 178	- 253	- 279
Total investing variations	34	95	- 126	- 92
Estimate at 2018–19 Budget	**690**	**- 866**	**- 714**	**- 651**

Note: Totals may not add due to rounding.

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

Table 1.9: General government sector revenue, expense and capital investment expenditure variations (parameter and other) since the 2017–18 MYBR ($million)

	2017–18	2018–19	2019–20	2020–21
Revenue — taxation				
Payroll tax	34	38	37	39
Conveyances	13	- 8	- 17	- 27
Land tax — private	- 5	2	11	21
Land tax — public	- 1	5	5	5
Other property tax	4	- 3	- 10	- 9
Insurance taxes	4	1	—	- 1
Gambling taxes	8	7	7	8
Motor vehicle taxes	6	- 2	- 1	3
Total taxation revenue	**64**	**40**	**32**	**38**
Revenue — other				
GST revenue grants	25	272	366	328
Commonwealth specific purpose and national partnership grants				
– SPP grants	61	- 81	- 77	- 70
– NP grants	- 118	66	- 47	- 47
Other contributions and grants	14	14	8	8
Sales of goods and services	- 43	- 93	- 93	- 99
Dividends and income tax equivalents	6	62	128	71
Interest income	—	—	—	—
Royalties	1	11	3	4
Other revenue	11	- 1	35	- 6
Total other revenue	**-44**	**250**	**323**	**189**
Operating expenses				
Nominal superannuation interest expense	—	22	21	21
Interest expense	- 5	- 9	- 12	- 10
Depreciation	- 23	- 23	- 26	- 35
Carryovers (net of provision for slippage)	- 5	43	- 32	- 6
Reallocations	—	52	47	45
Other variations	- 134	183	58	33
Total expenses	**-166**	**267**	**56**	**47**
Net capital investment expenditure				
Depreciation	23	23	26	35
Carryovers (net of provision for slippage)	1	98	- 85	- 9
Reallocations	—	96	98	92
Other variations	31	82	103	87
Total net capital investment expenditure	**55**	**299**	**142**	**205**

Note: Totals may not add due to rounding.

Variations in revenue estimates (parameter and other)

Since the 2017–18 MYBR, taxation revenues have been revised up in all years.

Payroll tax collections were higher than expected in 2017–18. Growth in payroll tax collections was stronger than growth in employment and earnings and appears to largely reflect compositional factors including growth in the number and size of employers liable for payroll tax. The upwards revision to collections in 2017–18 flows through to future years.

Conveyance duty revenue has been revised up in 2017–18 followed by downward revisions from 2018–19 onwards. In 2017–18, revenues were boosted by higher than expected growth in prices (particularly for non-residential property, for which stamp duty was abolished from 1 July 2018) and revenue from large once-off transactions, but lower than expected growth in residential transfer transaction numbers has slightly reduced revenue forecasts from 2018–19 onwards.

Land tax revenue has been revised down in 2017–18 primarily reflecting year to date experience. Upward revisions from 2018–19 reflect the impact of expected property revaluations arising from the Valuer-General's comprehensive review of site values in accordance with the *Valuation of Land Act 1971*.

Other property taxes have been revised up in 2017–18 and down in future years. Underlying downward revisions across all years reflect lower than expected revenue from guarantee fees mainly due to the impact of updated guarantee rates on SA Water and HomeStart. In 2017–18, this is more than offset by upward revisions to revenue from the Emergency Services Levy mainly reflecting the receipt of past year liabilities.

Gambling tax revenue has been revised up in all years, primarily reflecting higher than expected collections from the Betting Operations Tax.

Insurance tax revenue has been revised up in 2017–18 mainly due to higher than expected growth in duty from compulsory third party and general insurance premiums, including the receipt of back payments associated with life insurance premiums. Estimates in future years are largely unchanged.

South Australia's Goods and Services Tax (GST) revenue grants have been revised up in all years. This primarily reflects the impact of the Commonwealth Grants Commission 2018 Update on South Australia's grant share as well as upward revision of national GST pool estimates across all years included in the Commonwealth's 2018–19 Budget.

Government specific purpose payment (SPP) grants have been revised up in 2017–18 and down in all other years. The increase in 2017–18 mainly reflects additional funding received under the National Health Reform Agreement. The downward revisions in future years mainly reflects the removal of funding received under the National Housing SPP due to the signing of a new National Housing and Homelessness Agreement, which is reflected as a specific policy measure. This is presentational only and there is no overall impact on housing funding. This is partially offset by additional Commonwealth funding for government schools in relation to the national school funding agreement (Gonski 2), consistent with the 2018–19 Commonwealth Budget.

Commonwealth Government national partnership (NP) grants have been revised up in 2018–19 and down in all other years. The upward revision in 2018–19 mainly reflects delays in Commonwealth payments for projects now expected in 2018–19. The downward revision in future years mainly reflects better estimates of Commonwealth funding, including confirmation of 50:50 funding for the North–South Corridor Regency Road to Pym Street project.

Sales of goods and services revenue has been revised down in all years. This mainly reflects the cessation of payments from the South Australian Housing Trust to the Department of Human Services for social housing functions (offset by a corresponding reduction in expenditure), which will now be undertaken directly by the new SA Housing Authority. These revisions are partially offset by funding received under the Commonwealth Continuity of Support Programme, which provides specialist disability services to those people who are ineligible for the National Disability Insurance Scheme.

Dividend and income tax equivalent revenue has been revised up in all years. This is mainly due to higher than expected distributions from SAFA arising from treasury, fleet and insurance operations with dividends from the Motor Accident Commission reflecting the performance of assets under management and the release of risk margins held in liability provisions as claims settlements occur. From 2018–19, SA Water distributions have also been revised up reflecting lower than expected operating costs.

Royalties have been revised up in all years mainly due to upward revisions to petroleum estimates due to higher pricing forecasts. Estimates for mineral royalties have also been revised up from 2018–19 primarily reflecting higher production forecasts. The larger upward revision in 2018–19 compared to other years reflects the expected receipt of past year liabilities and recoveries.

Other revenues have been revised up in 2017–18 and 2019–20 with downward revisions in 2018–19 and 2020–21. Underlying upward revisions relate to revised assumptions about land services fees and charges revenue previously expected to be foregone. In 2018–19 and 2020–21, this has been more than offset by lower revenue from fines and penalties due to lower than expected camera detections as well as lower fees and charges revenue resulting from South Australia's transition to the National Disability Insurance Scheme.

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

Operating Expenses

The nominal superannuation interest expense has been revised down by around $21 million per annum since the 2017–18 MYBR due to a lower discount rate used to calculate the expense. The discount rate used to calculate the superannuation interest expense in the 2018–19 Budget is 2.9 per cent compared with 3.3 per cent assumed in the 2017–18 MYBR.

Interest expenses for 2017–18 and across the forward estimates have been revised up since the 2017–18 MYBR as a result of the higher levels of net debt.

Depreciation in 2017–18 is expected to be higher than forecast at the 2017–18 MYBR and across the forward estimates primarily due to revaluations and changes in the predicted useful life of buildings, improvements and track assets in the Department of Planning Transport and Infrastructure and the recognition of depreciation for the Gawler train line electrification from 2019–20.

Carryover expenditure reflects expenditure that was forecast to be undertaken by agencies in 2017–18, which will now be incurred in later years. Operating carryovers from 2017–18 to 2018–19 and future years are $184.7 million. The 2018–19 Budget also includes adjustments to the provision for operating slippage over the forward estimates based on the recent average level of carryovers applied to the revised operating expenditure budget in each year.

Reallocations include previously budgeted expenditures that have been redirected to fund the delivery of the government's election commitments and offset the cost of budget pressures. Significant reallocations include:

- Education — $15 million in 2018–19 and around $20 million per annum from 2019–20.
- Environment and Water — $2.2 million per annum.
- Planning, Transport and Infrastructure — $13 million in 2018–19 and around $1 million per annum from 2019–20.
- Primary Industries and Regions SA — around $19 million per annum.

The movements in the 'other variations' category across the forward estimates includes transactions that have no net budget impact but in which both expenses and revenue vary, and the reclassification of some transactions in accordance with relevant accounting standards and those required under the Uniform Presentation Framework. It also includes the re-profiling of expenditure between budget years, including for timing changes under Commonwealth funded programs as well as changes to expenditures reflecting demand for government services. The impacts in 2017–18 and 2018–19 are largely due to the change in timing in commonwealth funded Financial Assistance Grants for local government with some of the grants for 2018–19 paid by the Commonwealth in 2017–18. The government passes this funding through to the local government sector.

Net Capital Investment Expenditure

The carryover of investing expenditure in 2018–19 reflects delays in project expenditure in 2017–18. Where appropriate, an estimate of expenditure for these projects has been carried forward into future years. Investing carryovers from 2017–18 to 2018–19 and future years are $341.0 million. The 2018–19 Budget also includes a provision for project slippage over the forward estimates based on the recent average level of carryovers applied to the revised investing expenditure budget in each year.

Reallocations include capital investing expenditure that has been redirected toward the delivery of the government's election commitments, including the Regional Roads and Infrastructure Fund.

The movements in the Net Capital Investment Expenditure 'other variations' category are primarily due to re-profiles of capital project expenditure across the forward estimates and revised timing of asset sales, as well as adjustments to the major project contingency provision as it is replaced by specific new investing initiatives.

Chapter 2: Expenditure

This chapter provides an overview of new expenditure and savings initiatives in the 2018–19 Budget and describes the trends in aggregate general government expenditure over the forward estimates period. Full details of all budget initiatives are provided in the 2018–19 Budget Measures Statement. This chapter also provides a summary of the general government capital program and the major capital projects that are being undertaken.

New operating and investing expenditure initiatives in the 2018–19 Budget total $3.3 billion over the next four years, in addition to $109.2 million in new operating and investing expenditure initiatives in 2017–18. They deliver on the commitments made in the lead up to the March 2018 election as well as addressing a range of budget pressures in health and wellbeing, child protection and TAFE SA.

The expenditure initiatives in the 2018–19 Budget are partially offset by $110.5 million over four years of revenue offsets, mainly reflecting initiatives that will be partially funded by the Commonwealth, and the reprioritisation of existing resources within agency budgets of $565 million over the next four years, including for initiatives in Education, Planning, Transport and Infrastructure, and Primary Industries and Regions SA, and investing expenditure towards the Regional Roads and Infrastructure Fund.

New operating and investing savings measures in the 2018–19 Budget total over $1.0 billion over the next four years. These savings offset a range of budget pressures funded in the 2018–19 Budget.

Table 2.1 provides a summary of the new expenditure initiatives and savings measures across the forward estimates.

Table 2.1: General government initiatives ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Operating expenditure initiatives[(a)(b)]	- 108.7	- 609.0	- 529.3	- 521.0	- 526.0
Revenue offsets	4.7	11.9	6.0	7.3	2.9
Operating savings	0.8	212.5	248.0	244.4	259.9
Total operating initiatives	**- 103.2**	**- 384.6**	**- 275.3**	**- 269.3**	**- 263.2**
Investing expenditure initiatives	- 0.5	- 204.0	- 270.4	- 298.5	- 297.2
Revenue offsets	—	2.2	10.2	20.0	50.0
Investing savings	1.3	20.0	15.5	17.7	19.4
Asset sales	—	5.6	1.5	1.5	—
Total investing initiatives	**0.8**	**- 176.1**	**- 243.1**	**- 259.4**	**- 227.9**
Total initiatives	**- 102.4**	**- 560.7**	**- 518.4**	**- 528.6**	**- 491.1**

Note: Totals may not add due to rounding.

(a) Excludes depreciation on investing initiatives.

(b) Includes expenditure associated with implementing revenue measures.

New initiatives

New operating expenditure initiatives in the general government sector total around $2.2 billion over the next four years, in addition to $108.7 million in 2017–18.

The major operating expenditure initiatives over the period 2018–19 to 2021–22 include $730.0 million (in addition to $70.0 million in 2017–18) to support a sustainable, efficient health system, $202.6 million for the Skilling South Australia initiative, $184 million to implement comprehensive reforms to improve the reliability, affordability and security of the state's energy market, $100 million to support the Economic and Business Growth Fund, and $39.5 million (in addition to $5.2 million in 2017–18) for TAFE SA to support improved service delivery, to implement a new quality system and to complete the remediation of qualifications in response to the Australian Skills and Quality Authority audit.

A summary of the operating expenditure initiatives by agency is shown in table 2.2. Full details of all operating expenditure initiatives are provided in the 2018–19 Budget Measures Statement.

Table 2.2: Operating initiatives by agency ($million)[(a)]

Agency	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020-21 Estimate	2021-22 Estimate
Attorney-General	—	- 3.3	- 3.1	- 3.1	- 3.1
Auditor-General	—	—	—	—	—
Child Protection	- 23.6	- 9.3	- 1.4	- 2.9	- 4.4
Correctional Services	—	- 3.5	- 7.7	- 5.8	- 5.9
Courts	—	—	—	—	—
Defence SA	—	- 0.4	- 0.3	- 0.9	- 0.7
Education	- 0.0	- 14.6	- 19.7	- 18.6	- 36.3
Electoral Commission	—	—	—	—	—
Emergency Services — CFS	—	—	—	—	—
Emergency Services — MFS	—	- 0.3	- 1.0	- 0.7	- 0.7
Emergency Services — SAFECOM	—	- 1.4	- 1.0	- 1.0	- 1.0
Emergency Services — SES	—	—	—	—	—
Energy and Mining	—	- 28.1	- 53.4	- 66.5	- 38.2
Environment and Water	—	- 4.8	- 6.7	- 5.1	- 2.7
Environment Protection Authority	—	—	—	—	—
Green Industries SA	—	—	—	—	—
Health and Wellbeing	- 70.0	- 249.8	- 269.6	- 257.9	- 238.8
Human Services	- 0.0	- 0.7	- 0.2	- 0.2	- 0.2
Industry and Skills	—	- 39.4	- 52.8	- 58.3	- 55.4
Legislature	—	—	—	—	—
Planning, Transport and Infrastructure	- 2.1	- 16.8	- 3.8	- 3.2	- 41.4
Police	—	- 4.6	- 6.1	- 5.6	- 5.6
Premier and Cabinet	- 7.7	- 15.2	- 18.4	- 18.9	- 14.1
Primary Industries and Regions	—	- 21.4	- 24.2	- 22.2	- 19.2
South Australian Housing Trust	—	- 0.5	- 0.5	- 0.6	- 0.6
TAFE SA	- 5.2	- 18.4	- 11.3	- 6.0	- 3.8
Tourism	—	- 1.7	- 15.1	- 5.1	- 10.1
Trade, Tourism and Investment	—	- 1.9	- 4.6	- 5.5	- 5.7
Treasury and Finance	—	- 1.5	—	—	—
Urban Renewal Authority	—	- 1.0	- 3.0	- 8.0	- 8.0
Across Government	—	- 170.4	- 25.4	- 25.0	- 30.0
Total operating initiatives	**- 108.7**	**- 609.0**	**- 529.3**	**- 521.0**	**- 526.0**

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

New investing expenditure initiatives in the general government sector total $1.1 billion over the next four years. This builds on the government's decision to continue a range of infrastructure projects, including $687.9 million ($692 million over the six years to 2022–23) to upgrade a range of public primary and secondary schools, $261 million for two new birth to year 12 schools in metropolitan northern and southern suburbs and $578.1 million towards the Gawler Line modernisation.

The major investing expenditure initiatives over the period 2018–19 to 2021–22 include:

- the redirection of 30 per cent of mineral and petroleum royalties into a new Regional Roads and Infrastructure Fund ($314.9 million)
- the construction of 270 high security beds at Yatala Labour Prison ($149.0 million)
- a new Year 7 to Year 12 public secondary school for 1500 students in Whyalla ($100 million)
- construction of an overpass at the intersection of the Copper Coast Highway and Augusta Highway at Port Wakefield and the widening of the Augusta Highway from two lanes to four lanes through Port Wakefield, from the Copper Coast Highway junction to the existing four lane highway south of Port Wakefield ($88.5 million)
- provisions in 2020–21 and 2021–22 to commence the construction of a National Aboriginal Art and Cultures Gallery ($60 million) on Lot Fourteen (the former Royal Adelaide Hospital site)
- provisions in 2020–21 and 2021–22 for an international school of culinary excellence, hospitality and tourism ($30 million) on Lot Fourteen
- a country health capital works renewal strategy ($56 million as part of a program that will provide $14 million per annum for the next ten years)
- construction of a right hand turn for trams at the intersection of King William Street and North Terrace ($37 million)
- expansion of the Adelaide Women's Prison ($20 million)
- supporting Football Federation South Australia to establish a new state centre of football at the state sports park at Gepps Cross ($19 million).

A summary of the investing expenditure initiatives by agency is shown in table 2.3. Full details of all investing expenditure initiatives are provided in the 2018–19 Budget Measures Statement.

Table 2.3: Investing initiatives by agency ($million)[(a)]

Agency	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Attorney-General	—	- 6.5	- 5.9	- 0.6	- 0.4
Auditor-General	—	—	—	—	—
Child Protection	—	- 4.4	—	—	—
Correctional Services	—	- 7.4	- 32.0	- 94.0	- 45.6
Courts	—	—	—	—	—
Defence SA	—	—	—	—	—
Education	—	- 5.0	- 18.0	- 60.0	- 22.0
Electoral Commission	—	—	—	—	—
Emergency Services — CFS	—	- 2.5	- 2.5	—	—
Emergency Services — MFS	—	—	—	- 1.8	—
Emergency Services — SAFECOM	—	- 1.5	—	—	—
Emergency Services — SES	—	—	—	—	—
Energy and Mining	—	—	—	—	—
Environment and Water	—	- 5.1	- 5.2	- 3.2	- 1.6
Environment Protection Authority	—	—	—	—	—
Green Industries SA	—	—	—	—	—
Health and Wellbeing	—	- 28.8	- 29.9	- 16.2	- 14.0
Human Services	—	- 0.2	—	—	—
Industry and Skills	—	—	—	- 5.0	- 25.0
Legislature	—	—	—	—	—
Planning, Transport and Infrastructure	—	- 121.2	- 155.1	- 103.5	- 138.6
Police	—	- 0.5	- 3.6	- 0.2	—
Premier and Cabinet	—	- 19.1	- 18.1	- 14.0	- 50.0
Primary Industries and Regions	—	- 0.0	—	—	—
South Australian Housing Trust	—	—	—	—	—
TAFE SA	—	—	—	—	—
Tourism	—	—	—	—	—
Trade, Tourism and Investment	—	- 0.2	- 0.2	- 0.1	—
Treasury and Finance	—	—	—	—	—
Urban Renewal Authority	—	—	—	—	—
Across Government	- 0.5	- 1.5	—	—	—
Total investing initiatives	**- 0.5**	**- 204.0**	**- 270.4**	**- 298.5**	**- 297.2**

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

Measures approved after the 2017–18 Mid-Year Budget Review

In addition to initiatives approved in the 2018–19 Budget, some initiatives were approved by the former government in the period following the 2017–18 MYBR and in the lead up to the caretaker period and by the current government prior to the 2018–19 Budget. These initiatives are shown as memorandum items in the 2018–19 Budget Measures Statement.

Major initiatives by the current government include:

- $146.4 million in 2017–18 has been quarantined in a special fund in the South Australian Government Financing Authority (SAFA) to support South Australia's participation in the National Redress Scheme for Survivors of Institutional Child Sexual Abuse. The former government had not included any allocation of funding in the forward estimates for this scheme. The cost estimate is based on an actuarial assessment commissioned by the Commonwealth, which estimated 1690 eligible applicants that may have been abused within Government of South Australia institutions.

The National Scheme will be administered by the Commonwealth Department for Social Services. SAFA will manage the administration and payment of the redress claims assessed by the national scheme operator. Funding for the payments has been sourced from the Victims of Crime Fund. At the completion of the scheme, any residual balance will be returned to the Victims of Crime Fund

- Around $118 million per annum for housing and homelessness in accordance with the National Housing and Homelessness Agreement (NHHA) which was entered into in June 2018. The NHHA is intended to improve access to affordable, safe and sustainable housing across the housing spectrum by supporting those in need including vulnerable families, low income households and those facing homelessness. The Commonwealth Government will contribute around $108 million per annum of the funding under the agreement.

Savings

The previous government introduced a range of savings measures for agencies that have previously been set out in past budget papers.

This government has introduced new savings measures but has also provided substantial relief to the Department for Health and Wellbeing. The government considers that the savings targets for health over the forward estimates that it inherited from the former government are not realistic or achievable. It also inherited a system with significant existing financial pressures, in particular in the Central Adelaide Local Health Network (CALHN).

The former government had a consistent history of setting large savings growth targets for SA Health each year in the budget, and then incrementally reversing them in subsequent budgets when they weren't delivered. This is demonstrated in Table 2.4, which outlines that CALHN (the single largest health network in the state) has consistently overspent its budget in recent years.

Table 2.4: Central Adelaide Local Health Network – net overspend compared to budget ($million)[(a)]

	2017–18 (EOY projected at 30 April 2018)	2016–17	2015–16	2014–15	2013–14
Revenue[(b)]	- 31	- 12	22	27	24
Expenditure	- 224	- 74	- 168	- 118	- 81
Net overspend	**- 255**	**- 87**	**- 146**	**- 91**	**- 58**

Note: Totals may not add due to rounding.

(a) As outlined in CALHN's Portfolio Performance Report.

(b) Excluding appropriation.

The additional support provided by this government re-sets the savings programs for SA Health sustainably over the forward estimates. This balances the need to ensure the necessary services required by the community continue to be delivered, but recognises that South Australia is not operating as efficiently as other systems and that sensible reforms should be pursued to ensure SA Health delivers more services at the national efficient price by the end of the forward estimates period.

The new savings that have been applied to SA Health in the 2018–19 Budget of around $45 million per annum are being redirected to new operating initiatives in Health and Wellbeing.

The total value of operating savings that are now reflected in the budget, including the new measures the government has introduced in this budget, are shown in table 2.5.

Table 2.5: General government operating savings ($million)

	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Previous Efficiency Dividends	166.7	319.0	470.1	594.9
2017–18 MYBR efficiency measures	81.1	122.4	118.4	120.1
Savings introduced by the previous government	**247.7**	**441.4**	**588.5**	**715.0**
2018-19 Budget net operating savings measures[(a)]	107.5	135.0	123.4	148.9
Total savings	**355.3**	**576.3**	**711.9**	**863.9**
Commencing in 2018–19	355.3			
Commencing in 2019–20		221.1		
Commencing in 2020–21			135.5	
Commencing in 2021–22				152.0

Note: Totals may not add due to rounding.

(a) Net of savings relief provided to the Department for Health and Wellbeing.

In addition to the new operating savings, the government has included two investing savings in the budget totalling $72.6 million over four years. It will not proceed with the previous government's announced laptops for students program in the Department for Education, with that funding being redirected to other programs. It will also not proceed with budgeted expenditure on further residential care facilities by the Department for Child Protection, consistent with a strategy to focus on growing family based placements and accessing residential care services provided by non-government organisations.

The budget retains the existing efficiency dividend policy of 1.0 per cent of the agency employee expenses budget per annum and a 1.0 per cent reduction in agency net cost of services per annum. The efficiency dividend on net cost of services excludes the judicial areas of courts, police officers (with only 0.5 per cent applied to the remainder of police) and frontline emergency services staff, prison operations, disability services and schools. The policy allows agencies the flexibility to tailor savings to their particular operating structures to ensure more efficient ways of conducting business are pursued, without reducing the quality or level of services provided. Agencies will continue to be required to find expenditure efficiencies to deliver these savings.

New operating savings in the 2018–19 Budget total $964.8 million over the next four years. The government has implemented a number of specific savings measures included in its election commitments, including savings in ministerial office budgets, discontinuing the Investment Attraction Agency, the Economic Development Board and the Riverbank Authority, and the closure of the Office of the Commissioner for Kangaroo Island. The savings associated with the election commitment to reduce advertising and consultancy costs have been allocated to agencies for delivery as part of their efficiency measures.

A summary of the new operating savings by agency is shown in table 2.6. Full details of all savings measures are provided in the 2018–19 Budget Measures Statement.

Table 2.6: Operating savings by agency ($million)

Agency	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Attorney-General	—	3.7	5.8	6.5	6.6
Auditor-General	—	—	—	—	—
Child Protection	—	0.4	4.4	4.5	4.6
Correctional Services	—	8.3	12.1	14.5	16.4
Courts	—	—	1.5	1.8	5.4
Defence SA	—	0.3	0.6	0.6	0.7
Education	—	2.0	2.9	3.1	3.2
Electoral Commission	—	—	—	—	—
Emergency Services — CFS	—	—	—	—	—
Emergency Services — MFS	—	—	—	—	—
Emergency Services — SAFECOM	—	0.5	0.5	0.5	0.5
Emergency Services — SES	—	—	—	—	—
Energy and Mining	—	6.4	3.7	4.1	4.2
Environment and Water	—	1.8	7.9	12.7	16.6
Environment Protection Authority	—	1.2	2.5	2.2	2.3
Green Industries SA	—	0.4	0.4	0.4	0.4
Health and Wellbeing	—	44.6	46.3	46.3	46.3
Human Services	—	3.9	7.2	7.3	7.4
Industry and Skills	—	9.2	11.9	12.9	13.0
Legislature	—	—	—	—	—
Lotteries Commission of SA	—	0.1	0.1	0.1	0.1
Planning, Transport and Infrastructure	—	12.2	32.8	35.6	36.9
Police	—	8.6	10.4	12.2	12.5
Premier and Cabinet	0.8	42.2	12.4	10.2	10.9
Primary Industries and Regions	—	6.9	6.9	6.5	6.7
SA Water	—	18.5	18.6	—	—
South Australian Housing Trust	—	11.5	11.6	12.8	13.0
TAFE SA	—	3.1	10.1	9.5	11.1
Tourism	—	0.7	0.7	0.7	0.7
Trade, Tourism and Investment	—	7.3	7.6	7.5	7.7
Treasury and Finance	—	12.1	22.3	24.8	25.3
Urban Renewal Authority	—	2.4	2.3	2.5	2.6
Across Government	—	4.5	4.7	4.8	4.9
Total operating savings	**0.8**	**212.5**	**248.0**	**244.4**	**259.9**

Note: Totals may not add due to rounding.

To continue to assist agencies in the delivery of their budgetary targets, a targeted voluntary separation package (TVSP) scheme, which has been in operation since November 2010, remains in place. TVSP payouts are calculated as 10 weeks base plus two weeks per year of service up to a maximum of 52 weeks' pay.

TVSPs are available at the discretion of Chief Executives. An offer of a TVSP can be made to an employee who is excess to the requirements of an agency or is to become excess imminently because the substantive position/role or duties they are/were employed in has been, or is to be abolished.

The budget includes $170 million in 2018–19 (including a $150 million additional provision in the 2018–19 Budget) to assist all agencies in meeting the cost of TVSPs and/or separation payments. From 1 July 2019 agencies will again become responsible for managing costs associated with TVSPs and separation payments.

General government operating expenditure

Forward estimates of general government expenses by type are shown in table 2.7.

Table 2.7: General government expenditure ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Employee expenses	8 272	8 420	8 623	8 558	8 571	8 667
Superannuation expenses						
Superannuation interest cost	363	348	319	308	295	282
Other superannuation expenses	850	866	869	871	874	883
Depreciation and amortisation	1 003	1 038	1 073	1 103	1 146	1 153
Interest expenses	426	423	356	379	405	470
Other property expenses	—	—	—	—	—	—
Other operating expenses	5 129	5 214	5 162	5 668	5 923	6 305
Grants	3 033	3 286	3 129	2 938	3 002	3 083
Total expenses	**19 076**	**19 595**	**19 532**	**19 825**	**20 217**	**20 843**
Total expenses % change on previous year						
Total expenses nominal growth (%)		8.6%	-0.3%	1.5%	2.0%	3.1%
Total expenses real growth (%)		6.2%	-2.5%	-0.7%	-0.5%	0.6%

Note: Totals may not add due to rounding.

General government expenses in 2017–18 are estimated to be $519 million higher than published in the 2017–18 Budget, primarily due to additional expenditure measures announced in the 2017–18 MYBR, recognition of significant budget pressures in health, child protection and TAFE SA, and the state’s contribution to the National Redress Scheme for Survivors of Institutional Child Sexual Abuse. The state has established a dedicated fund with SAFA to meet the estimated costs of participating in the National Redress Scheme.

Growth in expenses is expected to remain below trend growth in household income (4.5 per cent per annum) over the forward estimates on average, consistent with the government’s fiscal target.

Operating expenses are projected to decrease by 3.1 per cent in real terms from 2018–19 to 2021–22 as savings measures offset additional spending on new measures and budget pressures over time.

Table 2.8 shows total operating expenses across the forward estimates for selected agencies.

Table 2.8: Operating expenses — selected agencies(a)(b)(c)

Agency	2017–18 Budget $m	2017–18 Estimated Result $m	2018–19 Budget $m	2019–20 Estimate $m	2020–21 Estimate $m	2021–22 Estimate $m
Attorney-General	246	254	211	201	198	198
Auditor-General	17	18	18	18	18	19
Child Protection	480	526	535	549	575	603
Correctional Services	329	334	346	351	350	351
Courts	96	95	101	98	99	93
Defence SA	180	179	21	15	13	9
Education	3 250	3 241	3 437	3 572	3 623	3 756
Electoral Commission	18	22	10	6	6	21
Emergency Services — CFS	76	79	80	78	79	80
Emergency Services — MFS	140	143	148	149	150	152
Emergency Services — SAFECOM	21	18	23	15	15	16
Emergency Services — SES	18	18	19	19	19	19
Energy and Mining	—	—	200	152	159	130
Environment and Water	293	299	291	256	236	239
Environment Protection Authority	66	46	33	32	33	33
Green Industries SA	19	24	43	60	78	63
Health and Wellbeing	6 021	6 330	6 266	6 339	6 384	6 479
Human Services	1 455	1 540	1 245	1 363	1 380	1 412
Industry and Skills	—	—	528	475	473	488
Infrastructure South Australia	—	—	2	2	2	2
Legislature	25	25	26	26	27	27
Planning, Transport and Infrastructure	1 737	1 777	1 776	1 657	1 678	1 726
Police	905	936	911	930	943	959
Premier and Cabinet	397	560	366	336	332	330
Primary Industries and Regions	240	256	232	184	177	172
South Australian Productivity Commission	—	—	1	2	2	3
State Development	799	854	—	—	—	—
TAFE SA	—	—	346	311	305	317
Tourism	115	124	114	119	104	105
Trade, Tourism and Investment	—	—	64	39	34	31
Treasury and Finance	134	201	248	231	228	232
Other(d)	2 000	1 693	1 889	2 240	2 497	2 777
Total operating expenses	**19 076**	**19 595**	**19 532**	**19 825**	**20 217**	**20 843**

Note: Totals may not add due to rounding.

(a) Data in this table reflects total expenses on a GFS basis and therefore will not equal total expenses as presented in the 2018–19 Agency Statements, which are presented on a basis that is consistent with Australian Accounting Standards.

(b) To ensure greater consistency with Agency Statements, intra-government transactions have been included in agency expenses in this table and are eliminated at the whole of government level in the 'Other' line. This is a change in presentation compared to last year's budget papers.

(c) Machinery of Government changes are reflected from 1 July 2018.

(d) Includes other agencies, administered items, and consolidation adjustments to eliminate intra-government transactions.

The major changes in operating expenses between 2017–18 and 2018–19 for a number of agencies are due to machinery of government changes, which result in programs moving between agencies from 1 July 2018. This mainly affects Industry and Skills, Premier and Cabinet, Treasury and Finance and Trade, Tourism and Investment.

The following analysis compares changes in expenses (excluding machinery of government reallocations) from 2018–19 to 2021–22. The main changes in operating expenses over that period are in the following agencies:

- Child Protection — projected to increase by $68 million primarily due to the continuing growth in the number of children and young people in care and the cost associated with providing care services. The department is progressing a strategy to further grow the number of placements in family based care, thereby reducing the cost of providing these care services over the forward estimates
- Education — projected to increase by $319 million primarily due to increased funding for enrolment and providing core services
- Energy and Mining — projected to decrease by $70 million primarily due to the reduction in grants paid from the Renewable Technology Fund and other grant programs including the Energy Productivity Program and PACE Discovery Drilling Program as these funds and programs cease
- Environment and Water — projected to decrease by $52 million primarily due to reduced expenditure relating to projects completed in conjunction with the Commonwealth Government including Sustainable Rural Water Use and Infrastructure programs which end before 2021–22
- Green Industries SA — projected to increase by $20 million, primarily due to increased payments to Energy and Mining to fund the Home Storage Subsidy Scheme and Grid Scale Storage Fund from the Green Industry Fund
- Health and Wellbeing — projected to increase by $213 million, primarily due to the growth in funding for core services
- Human Services — projected to increase by $167 million, reflecting the profile of expenditure associated with the agreed transition to the NDIS, including funding for state government services, and growth in funding for non-disability services
- Industry and Skills — projected to decrease by $40 million primarily due to increased intra-government payments to TAFE SA in 2018–19 which reduce across the forward estimates
- Planning, Transport and Infrastructure — projected to decrease by $50 million primarily due to the additional savings measures included in the 2018–19 Budget
- Police — projected to increase by $48 million primarily due to additional resources associated with the recruitment of additional police officers under the Recruit 313 initiative and to adopt a new staffing model in all metropolitan police stations, as well as extending the opening hours at Norwood, Glenelg and Henley Beach
- Premier and Cabinet — projected to decrease by $36 million, primarily due to the additional savings measures included in the 2018–19 Budget and completion of time-limited grants programs in the Office for Recreation, Sport and Racing
- Primary Industries and Regions — projected to decrease by $60 million primarily due to reduced expenditure under various grant programs including the Commonwealth funded South Australian River Murray Sustainability Program
- TAFE SA — projected to decrease by $29 million primarily due to the additional savings measures included in the 2018–19 Budget, and the implementation of existing efficiency measures as part of additional resources provided to support continued service delivery, to implement a new quality system and to complete the remediation of qualifications in response to the Australian Skills and Quality Authority audit which reduces over the forward estimates
- Trade, Tourism and Investment — projected to decrease by $33 million primarily due to 2018–19 including remaining grant expenditure transferred from Investment Attraction SA which will be discontinued in 2018–19.

The following sections provide further details on the key components of expenses.

Employee expenses

Table 2.9: General government employee expenses

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Employee expenses ($m)	8 420	8 623	8 558	8 571	8 667
Nominal growth (%)	5.1%	2.4%	-0.8%	0.2%	1.1%
Real growth (%)	2.8%	0.2%	-2.9%	-2.3%	-1.4%

Employee expenses decline in real terms by 6.4 per cent from 2018–19 to 2021–22, primarily reflecting estimated reductions in general government sector employment levels, and constraint in public sector wages growth over the forward estimates.

The higher growth rate in 2017–18 is largely due to the impact of budget pressures in Health and Wellbeing and Child Protection included in the 2017–18 MYBR and 2018–19 Budget. Growth in 2018–19 is also boosted by the provisioning of $150 million for Targeted Voluntary Separation packages. This is in addition to $20 million held for TVSPs to facilitate specific government reforms, bringing the total value of TVSPs in 2018–19 to $170 million. These TVSPs support the reduction in employee expenses in 2019–20. Thereafter the accumulated impact of savings measures begins to reduce expenses.

Full-time equivalents (FTEs)

FTE estimates for general government sector agencies are based on their FTE caps. These caps are established to be 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.

The estimated aggregate workforce levels in the general government sector across the forward estimates are shown in table 2.10. The estimated FTE impacts of individual measures are outlined in the 2018–19 Budget Measures Statement.

Table 2.10: General government sector employment

	Full-time equivalent employees as at 30 June					
	2017 Actual	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
As at 2017–18 Budget		82 269	81 815	81 752	81 785	n.a.
As at 2017–18 Mid-Year Budget Review		84 874	83 531	82 540	82 827	n.a.
As at 2018–19 Budget excluding disability service transfers		85 461	84 190	83 144	82 961	83 175
less transfer of disability services to non-government sector		—	- 72	- 788	-1 249	-1 727
As at 2018–19 Budget	83 090	85 461	84 118	82 356	81 712	81 448

For the first time, FTE estimates reflect the full phased transfer of state government disability services to the non-government sector as part of the state’s transition to the National Disability Insurance Scheme (NDIS). By the end of the forward estimates it is estimated that 1727 FTEs will transfer.

Excluding the NDIS related transfer, FTEs in the general government sector are estimated to decrease by 2286 between 30 June 2018 and 30 June 2022. This reflects the net impact of savings measures partially offset by new expenditure initiatives. After the transfer of FTEs delivering disability services to the non-government sector, the reduction over the same period will be 4013 FTEs.

The FTE reductions evident in table 2.10 are notional and are based on current estimates of how the savings across the forward estimates may be delivered. Chief Executives will have the flexibility to deliver the savings in the manner that best suits the needs of their business. As a result the actual level of FTEs over the forward estimates may vary.

Since the 2017–18 MYBR (prior to the transfer of FTEs as a result of the NDIS) FTEs have increased, primarily due to additional expenditure initiatives, including election commitments and budget pressures, exceeding additional savings measures over the forward estimates period. This is shown in table 2.11.

Table 2.11: Estimated full-time equivalent impacts of 2018–19 Budget measures as at 30 June

	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Expenditure initiatives	606	1 026	1 416	1 378	1 644
Savings Measures	—	- 510	- 733	- 862	-1 003
Total FTE impact of policy decisions	**606**	**516**	**682**	**515**	**641**

Note: Totals may not add due to rounding.

Enterprise Agreements

In 2017–18, enterprise agreement negotiations were finalised for the wages parity groups (salaried and weekly paid), firefighters, salaried medical officers and the Rail Commissioner tram operations.

In 2018–19, enterprise bargaining negotiations will occur for school and preschool staff, visiting medical specialists and clinical academics, ambulance officers, SA Police, the Rail Commissioner's infrastructure and maintenance employees, nurses and midwifes, wages parity (trades) employees and assistants to members of parliament.

Expenditure on salaries and wages is the largest expense for the government, representing 44 per cent of general government sector costs in 2018–19. It is essential that wage increases in the public sector are responsible and sustainable and that enterprise bargaining agreements support efficiency and productivity in the delivery of government services.

Superannuation expenses

Table 2.12: General government superannuation expenses

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Superannuation expenses ($m)					
Superannuation interest cost	348	319	308	295	282
Other superannuation expenses	866	869	871	874	883
Nominal growth (%)	9.2%	-2.1%	-0.8%	-0.8%	-0.4%
Real growth (%)	6.8%	-4.3%	-3.0%	-3.2%	-2.8%

The estimated nominal superannuation interest expense represents the increase during the year in the defined benefit superannuation obligations due to it 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 superannuation liability at the end of the preceding financial year and the relevant discount rate used to value the unfunded superannuation liability. Further discussion on that liability can be found in Chapter 4.

The nominal superannuation interest expense for 2017–18 is $348.3 million. Across the forward estimates, the expense has decreased by around $21 million per annum since the 2017–18 MYBR due to a reduction in the discount rate.

Depreciation and amortisation

Table 2.13: General government depreciation and amortisation expenses

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Depreciation ($m)					
Buildings and improvements	411	430	447	462	466
Dwellings	1	1	1	1	1
Plant, equipment and vehicles	124	129	136	157	153
Vehicles	82	82	82	82	82
Road network	225	226	228	229	232
Rail and bus tracks	58	63	66	73	75
Water, sewer and drainage	12	14	16	16	16
Harbour and port facilities	—	—	—	—	—
Total depreciation	**913**	**945**	**976**	**1 020**	**1 025**
Amortisation	125	128	126	125	129
Total depreciation and amortisation	**1 038**	**1 073**	**1 103**	**1 146**	**1 153**
Nominal growth (%)	11.9%	3.4%	2.7%	3.9%	0.7%
Real growth (%)	9.4%	1.1%	0.5%	1.4%	-1.8%

Note: Totals may not add due to rounding.

The main asset types comprising general government depreciation across the forward estimates are building and improvements, plant, equipment and vehicles and road network.

The large increase in depreciation expense in 2017–18 is due to the commencement of amortisation of the finance lease asset for the new Royal Adelaide Hospital.

Growth in depreciation is projected across the forward estimates as projects are completed in line with the program of significant investment in the state's infrastructure. These include additional prison beds, Adelaide Botanic High School, science technology engineering and mathematics facilities in schools as well as other education infrastructure upgrades, Goodwood and Torrens Rail Junctions Upgrade, the extension of the existing tram network and roads.

The growth is largely reflected in higher levels of depreciation expenses for building and improvements and plant and equipment which is consistent with the profile of planned investing spend.

Interest expenses

Table 2.14: General government interest expenses

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Interest expenses ($m)	423	356	379	405	470
Nominal growth (%)	120.7%	-15.8%	6.6%	6.7%	16.2%
Real growth (%)	115.8%	-17.7%	4.2%	4.1%	13.3%

Interest expenses comprise interest paid by the Treasurer to the South Australian Government Financing Authority (SAFA) on government borrowings and interest expenses of agencies related to finance leases. The finance lease agreement for the Royal Adelaide Hospital commenced in 2017–18, and reduces over the forward estimates, in line with expected service payments over the life of the lease. Over the forward estimates, this reduction is offset by higher government borrowings.

Other operating (non-employee) expenses

Table 2.15: General government other operating (non-employee) expenses

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Other operating (non-employee) expenses ($m)	5 214	5 162	5 668	5 923	6 305
Nominal growth (%)	9.3%	-1.0%	9.8%	4.5%	6.5%
Real growth (%)	6.9%	-3.2%	7.4%	2.0%	3.9%

General government other operating (non-employee) expenses for 2018–19 are expected to be $5.2 billion. This is largely made up of:

- supplies and services ($2.6 billion) predominantly within Health and Wellbeing ($1.3 billion), Education ($430.9 million), and Planning, Transport and Infrastructure ($216.6 million)
- consultancies and contractors ($754.4 million) predominantly within Planning, Transport and Infrastructure ($389.4 million) mainly due to bus and road maintenance contracts, Health and Wellbeing ($169.1 million) and Education ($46.9 million)
- repairs and maintenance expenses ($339.8 million) predominantly within Planning, Transport and Infrastructure ($106.3 million), Education ($96.1 million) and Health and Wellbeing ($94.8 million)
- computer and communications charges ($284.0 million) predominantly within Health and Wellbeing ($103.7 million), Education ($23.5 million) and Premier and Cabinet ($16.6 million)
- concessions payments ($207.5 million) predominantly within Human Services
- operating leases ($245.4 million) predominantly within Planning, Transport and Infrastructure ($162.5 million) for office accommodation across government.

The growth in other operating (non-employee) expenses is influenced by the profile of expenditure associated with the transition to the NDIS. Expenditure in Human Services previously recorded as grants and employees expenses is reallocated to NDIS contributions included in other supplies and services. The funding arrangements and timing of the transition to full scheme NDIS in the state is primarily responsible for the reduction in other operating expenses in 2018–19. The substantial increase in 2019–20 results from the subsequent transition.

Overall other operating (non-employee) expenses increase in real terms across the forward estimates mainly reflecting growth in expenditure within:

- Child Protection — mainly due to the continuing growth in the number of children and young people in care and the costs associated with providing care services
- Education — relating to increased enrolments and the growth in providing core services
- Health and Wellbeing — relating to additional resources provided in the 2017–18 MYBR and 2018–19 Budget and growth in funding core services.

Grants

Table 2.16: General government grant expenses

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Grants ($m)	3 286	3 129	2 938	3 002	3 083
Nominal growth (%)	8.6%	-4.8%	-6.1%	2.2%	2.7%
Real growth (%)	6.2%	-6.9%	-8.2%	-0.3%	0.2%

General government sector grant payments are forecast to gradually reduce across the forward estimates in real terms. This is primarily due to lower grant payments during the NDIS transition as contributions to the scheme which increase from 2018–19 are recorded as other operating (non-employee) expenses. This is offset in later years by the growth in payments to non-government schools under the National Education Reform Agreement. Grant expenditure includes payments to:

- non-government schools
- local government
- the South Australian Housing Trust
- community service obligation payments for SA Water and Renewal SA
- other non-government organisations for a range of programs.

General government investing expenditure

The general government investing program is $8.6 billion over the forward estimates, with $2.2 billion to be spent in 2018–19. This is an increase compared to the MYBR, which had a four year program of $7.9 billion over the period 2017–18 to 2020–21.

In 2018–19 there will be a significant increase of $358 million in the investing program compared to 2017–18. In fact, the general government investing program for each year of the forward estimates is significantly higher than the 2017–18 estimated result.

The investing program reflects the delivery of the government’s election commitments including the construction of 270 high security beds at Yatala Labour Prison, a country health capital works renewal strategy, construction of an overpass at the intersection of the Copper Coast Highway and Augusta Highway at Port Wakefield, and provisions to commence the construction of a national Aboriginal art and cultures gallery and international school of culinary excellence, hospitality and tourism at Lot Fourteen.

Table 2.17: General government sector capital investment ($ million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Purchases of non-financial assets ($m)	1 878	2 236	1 984	2 007	2 330

Figure 2.1 shows that general government capital investment across the forward estimates continues to remain well above the level of depreciation. The significant increase in 2021–22 reflects the new northern and southern metropolitan schools ($261 million) which are to be delivered as a public private partnership with the entire expense recorded on completion and the Main South Road duplication from Seaford to Aldinga ($164 million).

Figure 2.1: General government sector purchases of non-financial assets ($million)

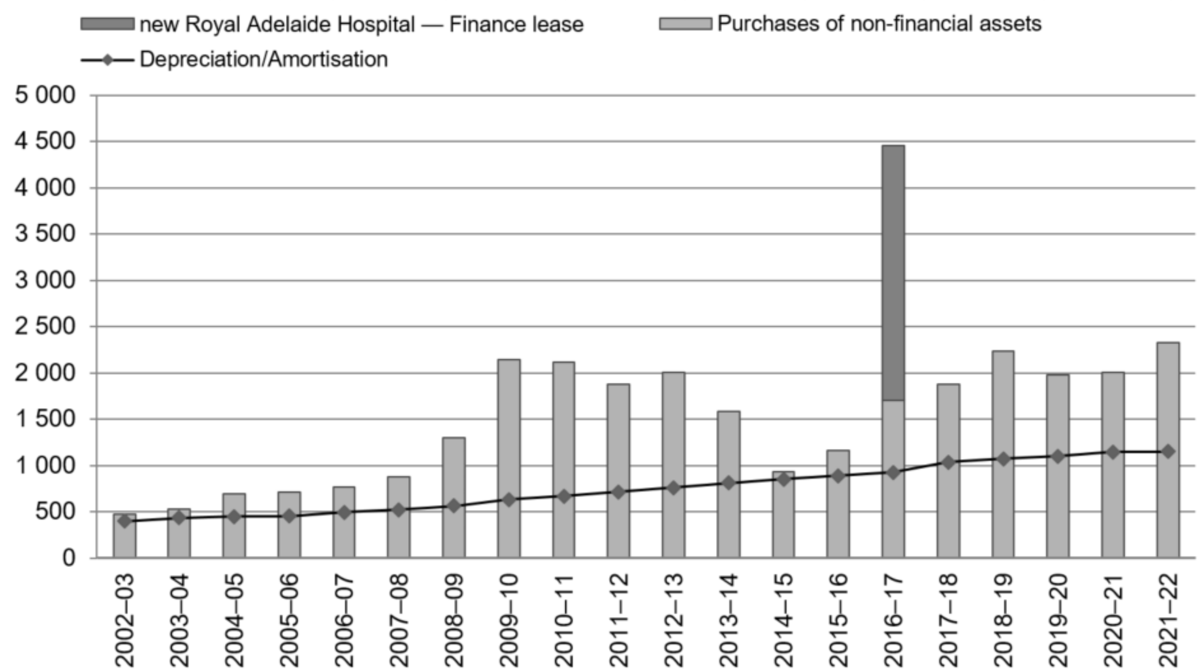


Table 2.18 summarises the investing program for the general government sector by agency. Further detail on agency investing programs is contained in the 2018–19 Agency Statements.

In 2018–19 there will be a significant increase in Planning, Transport and Infrastructure's investing program and over the forward estimates the average investing program for Education will be $87 million higher than the investing program for 2017–18.

Agency investing programs contain budgets for approved major works projects and annual program expenditure. Annual program expenditure is generally provided to agencies to complete minor works or upgrade existing assets.

Typically, the investing program of an agency will decline over the forward estimates as major works are budgeted to be completed. As new projects are approved by the government, the budget of an agency will be increased to include the budgeted cost of those projects.

The general government sector budget holds a contingency provision over the forward estimates to maintain the overall size of the government's investing budget. While agency budgets typically decline over the forward estimates as projects are scheduled to finish, the contingency provision will rise as the unallocated component of the overall general government sector budget increases.

Table 2.18: General government capital investment by agency ($000s)

Agency[a]	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Attorney-General	52 734	35 309	45 430	41 317	1 736	1 779
Auditor-General	221	221	227	233	239	245
Child Protection	6 339	370	7 148	—	—	—
Correctional Services[b]	46 839	60 815	40 841	6 612	3 044	3 120
Courts	23 280	6 389	20 217	25 692	3 476	3 038
Defence SA	133	712	—	—	—	—
Education	245 968	242 218	250 768	138 221	381 772	547 890
Electoral Commission	878	1 414	680	51	52	148
Emergency Services — CFS	16 160	17 471	19 344	19 975	17 912	18 360
Emergency Services — MFS	5 229	5 767	9 703	6 386	9 778	8 229
Emergency Services — SAFECOM	140	1 460	1 642	144	147	14 329
Emergency Services — SES	4 325	4 340	4 421	4 518	4 631	4 747
Energy and Mining	—	—	289 841	18 164	2 148	2 203
Environment and Water	115 997	61 744	97 523	45 190	12 086	10 709
Environment Protection Authority	1 039	290	1 461	1 026	723	639
Health and Wellbeing	195 717	243 947	217 735	247 927	223 070	164 186
Human Services	6 075	7 361	2 498	1 771	1 815	1 860
Industry and Skills	—	—	17 416	15 460	15 776	16 170
Lotteries Commission of SA	10	—	10	10	10	10
Planning, Transport and Infrastructure[c]	1 491 705	1 152 289	1 443 295	832 082	546 265	550 418
Police	19 995	19 919	21 620	16 321	11 278	10 571
Premier and Cabinet	19 493	19 593	45 721	31 707	18 433	11 105
Primary Industries and Regions	5 045	6 579	5 358	4 979	5 375	5 509
State Development	63 743	62 632	—	—	—	—
TAFE SA	—	—	2 912	2 553	2 765	2 834
Tourism	646	1 646	650	649	702	720
Trade, Tourism and Investment	—	—	210	200	100	—
Treasury and Finance	5 939	16 101	7 047	1 971	3 634	2 024
Contingencies and other[d][e]	- 142 480	- 90 790	- 317 547	520 973	739 834	948 915
General government capital investment	**2 185 170**	**1 877 797**	**2 236 171**	**1 984 132**	**2 006 801**	**2 329 758**

Note: Totals may not add due to rounding.

(a) Includes administered items.

(b) Excludes expenditure for the Yatala Labour Prison expansion and Adelaide Women's Prison expansion which is currently held centrally.

(c) Excludes South Australian Government Employee Residential Properties (a public non-financial corporation).

(d) Includes a capital slippage provision to reflect the tendency, on a whole of government basis, for underspending due to some projects slipping from their current budgeted expenditure profile.

(e) Includes consolidation adjustments to eliminate inter-agency transactions and recognise contributed assets.

Chapter 3: Revenue

Overview

This chapter provides an overview of new revenue measures introduced as part of the 2018–19 Budget and summarises movements in government revenues over the forward estimates.

Total general government revenue is estimated to be $19.6 billion in 2018–19 and is projected to remain flat in real terms on average over the period from 2017–18 to 2021–22, reflecting significant tax relief provided by this government including for payroll tax, land tax and the Emergency Services Levy (ESL).

Since the 2017–18 Mid-Year Budget Review, overall revenue collections have been revised up across the forward estimates period. This largely reflects upwards revisions to South Australia's GST revenue grants following revisions to the national GST pool and South Australia's expected share of GST revenue.

In 2017–18, state taxation revenues were stronger than estimated in the 2017–18 Mid-Year Budget Review, supported by higher than expected growth in payroll tax collections. From 2018–19, state taxation revenues are expected to be lower than estimated in the 2017–18 Mid-Year Budget Review, reflecting the tax cuts being introduced by the government to grow economic activity, help create jobs and lower the cost of living.

Details on the government's new revenue measures are provided in the following section.

New initiatives

The 2018–19 Budget introduces a number of new initiatives reflecting the government's focus on lowering the cost of living, growing economic activity and creating more jobs.

Recognising the importance of small and medium sized businesses in South Australia, a new payroll tax measure will be introduced from 1 January 2019. Businesses with annual taxable wages below $1.5 million will be exempt from payroll tax. In addition, businesses with national annual taxable wages between $1.5 million and $1.7 million will pay less payroll tax. It is estimated that around 3200 businesses will become exempt from payroll tax, with a further 400 businesses benefitting from a lower rate of payroll tax.

The government has reduced fixed property ESL bills through the introduction of $90 million of general fixed property remissions from 2018–19. These changes will result in a saving of around $145 in 2018–19 for a median valued metropolitan residential house. There will be no impact from these changes on the level of funding that will be provided to the emergency services agencies to ensure they can continue to provide their vital services to South Australians.

South Australia's land tax regime will be reformed from 1 July 2020, including an increase in the tax-free threshold from the current level of $369 000 to $450 000 as well as the introduction of a new 2.9 per cent marginal tax rate for land holdings with taxable site values between the existing top tax threshold (currently $1.231 million) and $5 million. It is estimated that this measure will benefit over 50 000 ownerships including around 8000 that will no longer have a land tax liability.

Across the forward estimates, these three initiatives reduce state taxation revenues by $613 million.

Table 3.1: Revenue measures in the 2018–19 Budget ($million)

	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Revenue — taxation measures					
Payroll tax relief for small businesses	—	-17.7	-44.4	-46.4	-48.7
Reinstatement of Emergency Services Levy general fixed property remissions	—	-90.0	-90.0	-90.0	-90.0
Reform of land tax thresholds and rates	—	—	—	-47.2	-48.7
Total revenue measures — taxation	**—**	**-107.7**	**-134.4**	**-183.6**	**-187.4**

General government sector revenue

Total general government sector operating revenues are projected to decrease by 0.3 per cent in real terms in 2018–19, following a real-terms increase of 1.6 per cent in 2017–18. Negative real growth from 2018–19 to 2020–21 is largely due to a projected decline in dividend revenue from the Motor Accident Commission, reflecting the run down in liabilities over time and corresponding assets held with the new Compulsory Third Party insurance policies being managed by private insurers.

Total general government sector revenues are provided in table 3.2.

Table 3.2: General government sector revenues ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Taxation revenue	4 629.2	4 557.0	4 586.9	4 755.6	4 922.8	5 126.6
Grant revenue	10 660.6	10 735.9	11 251.3	11 394.9	11 781.5	12 143.9
Sales of goods and services	2 568.5	2 552.3	2 525.5	2 583.3	2 611.2	2 689.5
Interest income	24.6	24.4	25.6	27.1	29.4	29.3
Dividend and ITE[(a)] revenue	592.4	649.6	451.3	412.1	326.8	328.9
Other revenue	672.7	678.7	739.5	757.5	710.6	736.0
Total revenue	**19 147.9**	**19 197.8**	**19 580.1**	**19 930.4**	**20 382.4**	**21 054.2**
% change on previous year						
Nominal-terms growth (%)		3.9	2.0	1.8	2.3	3.3
Real-terms growth (%)		1.6	- 0.3	- 0.5	- 0.2	0.8

Note: Totals may not add due to rounding.

(a) Income tax equivalent (ITE).

Taxation

State taxation revenues have been revised down by $72 million in 2017–18 since the 2017–18 Budget mainly due to the South Australian major bank levy not proceeding and weaker than expected revenue from conveyance duty, partially offset by stronger than expected payroll tax collections.

Taxation revenues are projected to grow in real terms by around 0.6 per cent per annum on average over the period from 2017–18 to 2021–22. This slow growth rate reflects the full abolition of stamp duty on non-residential property (excluding primary production) transfers from 1 July 2018 as well as the impact of the government's payroll tax, land tax and ESL election commitments over the forward estimates. Policy adjusted taxation revenues are projected to grow by around 2.2 per cent on an average annual basis in real terms over the period from 2017–18 to 2021–22. The policy adjusted series indicates the underlying growth in taxation revenues by adjusting estimates to be consistent with 2018–19 tax policy settings.

Tax estimates are provided in table 3.3.

Table 3.3: Taxation ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Payroll tax	**1 156**	**1 204**	**1 242**	**1 270**	**1 328**	**1 391**
Property taxes						
Conveyance duty[(a)]	850	825	811	877	945	1 015
Land tax — private	373	365	383	405	379	390
Land tax — public	230	229	239	244	250	256
ESL on fixed property	215	222	145	146	150	154
Natural resources management levies	61	61	64	65	67	68
Guarantee fees	155	148	155	163	167	167
All other[(b)]	101	4	4	4	4	4
	1 985	**1 853**	**1 801**	**1 904**	**1 962**	**2 054**
Gambling taxes						
Gaming machines	276	267	274	276	278	281
SA Lotteries	71	76	78	79	81	82
Casino	18	17	17	18	20	22
Betting Operations Tax	30	32	37	39	41	43
Other[(c)]	3	3	3	3	3	3
	398	**396**	**409**	**415**	**422**	**431**
Insurance taxes						
General insurance	329	330	341	356	372	389
CTP renewal certificate	70	71	72	73	74	75
CTP insurance	51	53	55	57	60	62
Life insurance	6	6	6	6	7	7
	456	**460**	**474**	**492**	**512**	**533**
Motor vehicle taxes						
Motor vehicle registration fees	408	413	424	431	448	458
Stamp duty on registration transfers	168	173	178	184	190	196
Emergency services levy on mobile property	43	43	44	44	45	46
LSS levy	15	15	15	16	17	17
	634	**644**	**661**	**675**	**699**	**718**
Total taxation	**4 629**	**4 557**	**4 587**	**4 756**	**4 923**	**5 127**
Policy adjusted[(d)]	**n.a.**	**4 358**	**4 562**	**4 767**	**4 994**	**5 213**

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
% change on previous year						
Total taxation						
Nominal growth		2.8	0.7	3.7	3.5	4.1
Real growth		0.6	-1.6	1.4	1.0	1.6
Policy adjusted						
Nominal growth		3.1	4.7	4.5	4.8	4.4
Real growth		0.9	2.4	2.2	2.2	1.8

Note: Totals may not add due to rounding.

(a) Includes voluntary conveyances.

(b) Reflects Agents Indemnity Fund (plus the South Australian major bank levy in the 2017–18 Budget).

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

(d) The policy adjusted series shows the underlying growth in tax revenues by adjusting tax estimates to be consistent with 2018–19 policy settings. For comparability with future years, the policy adjusted figure for 2018–19 assumes a full-year impact of 2018–19 policy measures.

Payroll tax

The outlook for payroll tax revenue is provided in table 3.4.

Table 3.4: Payroll tax

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Total payroll tax ($m)	**1 204.3**	**1 242.5**	**1 269.9**	**1 327.5**	**1 391.1**
Nominal growth (%)	5.9	3.2	2.2	4.5	4.8
Real growth (%)	3.6	0.9	0.0	2.0	2.2
Policy adjusted underlying revenue ($m)	**1 168.9**	**1 217.7**	**1 269.9**	**1 327.5**	**1 391.1**
Nominal growth (%)	6.9	4.2	4.3	4.5	4.8
Real growth (%)	4.6	1.9	2.0	2.0	2.2

Payroll tax receipts for 2017–18 have been revised up by $48 million since the 2017–18 Budget. This represents real growth of 3.6 per cent from collections in 2016–17, which is above underlying growth in employment and earnings. Payroll tax growth has been impacted by compositional factors including growth in the number and size of employers liable for payroll tax.

Growth assumptions for payroll tax are affected by the outlook for employment amongst medium to large employers, the introduction of payroll tax relief for small businesses from 1 January 2019 and the outlook for wages growth.

Annual growth in policy adjusted payroll tax revenue of between 1.9 per cent and 2.2 per cent in real terms is expected from 2018–19, broadly consistent with the outlook for employment and real earnings growth.

Property taxes

Property taxes include stamp duties on the conveyance of property, land tax, the ESL on fixed property, regional natural resources management levies, guarantee fees and other minor taxes.

Growth in property taxes over the forward estimates period is impacted by various policy measures, including reductions in fixed property ESL bills through the introduction of general remissions, the full abolition of conveyance duty on non-residential property (excluding primary production) transfers from 1 July 2018 and the reform of land tax thresholds and rates from 1 July 2020. Excluding the impact of policy measures, underlying real terms growth averaging 3.7 per cent per annum is expected from 2017–18 to 2021–22. This largely reflects expected growth in land values and property market activity.

The outlook for property tax revenue is provided in table 3.5.

Table 3.5: Property taxes

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Total property taxes ($m)	**1 853.4**	**1 800.5**	**1 903.6**	**1 961.8**	**2 054.4**
Nominal growth (%)	0.9	- 2.9	5.7	3.1	4.7
Real growth (%)	- 1.3	- 5.0	3.4	0.5	2.2
Policy adjusted underlying revenue ($m)	**1 687.1**	**1 800.1**	**1 915.3**	**2 033.0**	**2 140.6**
Nominal growth (%)	2.9	6.7	6.4	6.1	5.3
Real growth (%)	0.7	4.4	4.1	3.6	2.7

Conveyance duty

Conveyance duty revenue in 2017–18 has been revised down by around $25 million since the 2017–18 Budget. This is mainly due to lower than expected revenue from residential property transfers as a result of lower activity levels, partially offset by higher than expected revenue from large transactions and stronger than expected growth in the price of non-residential properties subject to conveyance duty.

South Australia has not experienced the significant increases in property values that has occurred in other jurisdictions in recent years, with property values increasing at more moderate levels. This moderate growth is expected to continue, with property values expected to grow by around 3.0 per cent per annum over the forward estimates period. Underlying property transfers are expected to grow moderately over the forward estimates and return to long-term levels over the medium term.

Annual growth in property transfers subject to conveyance duty is impacted by the full abolition of conveyance duty on transfers of non-residential real property from 1 July 2018, reducing the number of transactions subject to duty.

Conveyance duty forecasts also incorporate downward revisions to the Foreign Owner Surcharge in all years reflecting lower than expected collections in 2017–18 and projected lower demand from foreign buyers from 2018–19 compared to original estimates. It is now expected that the surcharge will raise around $12 million per annum indexed from 2018–19 compared to $23 million per annum indexed as assumed in the 2017–18 Mid-Year Budget Review.

Also, family farm transfers to or from companies in addition to individuals and trusts will now be exempt from stamp duty where all other existing criteria are met. This will result in equal treatment for stamp duty on family farm transfers regardless of how the property is held. This will provide greater flexibility for owners of family farms.

Land tax

Land tax revenue in 2017–18 has been revised down by $9 million since the 2017–18 Budget, reflecting updated information on 2017–18 land tax liabilities.

Land tax assessments are based on valuations undertaken by the Valuer-General, which have regard to property market sales experience in the calendar year immediately preceding the relevant financial year. Residential site values are estimated to have increased by around 4.6 per cent and non-residential land values by around 4.7 per cent over calendar year 2017. Movements in land values over calendar year 2017 affect growth in land tax revenue in 2018–19.

The land tax system incorporates a tax-free threshold and marginal rates of tax at various threshold values of aggregate land ownerships. Since 2010–11, the land tax thresholds have been increased in line with average increases in site values as determined by the Valuer-General. This minimises the impact of bracket creep (increasing property values pushing landholders into higher tax brackets). Land tax thresholds will increase in 2018–19 reflecting average growth in site values subject to land tax during calendar year 2017. The land tax thresholds to apply in 2018–19 are outlined in table 3.6.

In the 2016–17 Budget, additional support was provided to the State Valuation Office to undertake improvements in the processes for the Valuer-General's valuations of properties in South Australia. This initiative is expected to improve valuation accuracy through additional data collection and revaluations to inform site and capital value assessments for prioritised property classifications and locations where required.

Underlying site values subject to land tax are expected to grow by around 3–5 per cent per annum over the forward estimates period. This incorporates the expected impact of the property revaluation exercise being undertaken by the Valuer-General, which is estimated to increase underlying land tax revenue by around $19 million by 2021–22.

These estimates were previously provisioned but not reflected in headline land tax estimates. Underlying increases in land tax revenue are now presented in the 2018–19 Budget reflecting updated information resulting from the progress of property revaluations undertaken in accordance with the *Valuation of Land Act 1971*.

Table 3.6: Land tax thresholds and rates ($)

2017–18 land tax structure				2018–19 land tax structure			
Site value	Tax applicable[(a)]			Site value	Tax applicable[(a)]		
0 to 353 000			—	0 to 369 000			—
353 001 to 647 000	0.00	+	0.50%	369 001 to 677 000	0.00	+	0.50%
647 001 to 941 000	1 470.00	+	1.65%	677 001 to 985 000	1 540.00	+	1.65%
941 001 to 1 176 000	6 321.00	+	2.40%	985 001 to 1 231 000	6 622.00	+	2.40%
Over 1 176 000	11 961.00	+	3.70%	Over 1 231 000	12 526.00	+	3.70%

(a) Tax rates apply to the excess above the lower limit of the taxable site value range.

Emergency services levy — fixed property

The fixed property ESL is levied on the capital value of land and buildings.

The fixed property ESL consists of two components, a fixed charge per property and a variable charge based on the value of a property. A prescribed rate, which is used to calculate the variable charge, is determined annually to ensure there are sufficient funds within the Community Emergency Service Fund to cover approved emergency service expenditure in the coming year.

The prescribed rate will increase from 0.1212 to 0.1284 cents in the dollar in 2018–19 due to an increase in the level of emergency service expenditure. In addition to standard growth in base expenditure, additional funding has been provided for new initiatives including for improved aerial firefighting capabilities for the Country Fire Service and the cost of enterprise bargaining agreements. The costs of the government's election commitments which increase emergency services expenditure are being funded outside of the ESL process.

While the prescribed ESL rate is increasing, effective ESL rates paid by private taxpayers will fall reflecting the introduction of an additional $90 million in ESL remissions funded by the government.

The Community Emergency Services Fund will continue to receive all revenues collected from ESL arrangements.

Fixed property ESL rates to apply in 2018–19 are summarised in table 3.7.

Table 3.7: Fixed property ESL rates for 2018–19

	Prescribed rate	Remission rate	Post-remission rate	Effective levy rate paid in Regional Area 4[(a)]
Fixed property	Cents per $ (applied to capital values discounted by land use and area factors)			$50 plus cents per $ of non-discounted capital value
Residential	0.1284	0.0876	0.0408	0.0163
Residential — eligible for concession	0.1284	0.1024	0.0260	0.0104
Commercial	0.1284	0.0167	0.1117	0.1166
Industrial	0.1284	0.0167	0.1117	0.2027
Rural and vacant land	0.1284	0.0533	0.0751[(b)]	0.0225
Special community use	0.1284	0.0447	0.0837	0.0084
Other	0.1284	0.0533	0.0751	0.0376

(a) 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. Effective levy rates are only shown for Regional Area 4.

Regional Area 4: metropolitan Adelaide (prescribed area factor of 1.0)

Regional Area 1: major country towns (prescribed area factor of 0.8)

Regional Area 2: incorporated areas outside Regional Areas 1 and 4 (prescribed area factor of 0.5)

Regional Area 3: unincorporated areas of the state (prescribed area factor of 0.2, effective area factor of 0.1)

(b) Different post-remission rates apply to Regional Area 4 (0.0751) and Regional Area 1, 2 and 3 (0.0666).

Natural resources management levies

Natural resources 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.

Revenue from NRM levies in 2017–18 is expected to be broadly in line with the 2017–18 Budget estimate. Modest growth in revenue from NRM levies is expected from 2018–19. A significant reform program will change the way natural resources are managed from 1 July 2019, including the capping of annual land and water levy rises at a rate set by an independent body or according to the consumer price index.

Guarantee fees

Government guarantees reduce borrowing costs for government authorities. Guarantee fees are charged for this funding cost advantage.

Guarantee fees are determined each year based on estimated credit margins (spreads) between the cost at which government authorities could borrow on a stand-alone basis, and the cost at which they can borrow through the Government of South Australia. Guarantee fees are paid by authorities including SA Water, Renewal SA, and HomeStart.

Revenue from guarantee fees in 2017–18 is expected to be $7 million lower than the 2017–18 Budget estimate mainly due to the impact of updated guarantee rates on SA Water and HomeStart.
From 2018–19, growth in guarantee fees reflects the profile of borrowings by authorities and expected guarantee rates.

Gambling taxes

Gambling taxes include taxes on gaming machines in hotels and clubs, a tax on the net gambling revenue of SA Lotteries, casino duty and the Betting Operations Tax.

The outlook for gambling tax revenue is provided in table 3.8.

Table 3.8: Gambling taxes

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Total gambling taxes ($m)	**395.8**	**409.4**	**414.6**	**422.4**	**430.7**
Nominal growth (%)	10.1	3.5	1.3	1.9	2.0
Real growth (%)	7.7	1.2	- 1.0	- 0.6	- 0.5
Policy adjusted underlying revenue ($m)	**398.7**	**409.4**	**414.6**	**422.4**	**430.7**
Nominal growth (%)	0.9	2.7	1.3	1.9	2.0
Real growth (%)	- 1.4	0.4	- 1.0	- 0.6	- 0.5

In 2017–18, total gambling tax revenue is expected to be $2 million lower than the 2017–18 Budget estimate. Growth in net gaming revenue has been lower than expected for both gaming machines in hotels and clubs and the Adelaide Casino, partially offset by higher than estimated net wagering revenue subject to the Betting Operations Tax. Expected collections from the Betting Operations Tax of around $37 million in 2018–19 will be partially offset by a contribution to the racing industry under a Funding Deed, which is estimated to be around $18 million in 2018–19.

From 2018–19, assumptions for underlying growth in gaming machine net gambling revenue reflect the ongoing trend for households to spend a lower proportion of their disposable income on gaming machines. Real annual growth is also impacted by reforms to gaming machine regulation, which include the implementation of cashless gaming, automated risk monitoring and the introduction of a pre-commitment system.

Relatively stronger growth in gambling tax revenue in 2018–19 reflects expected growth in net gambling revenue by the Lotteries Commission from changes to Powerball matrix operations.

Insurance taxes

Taxes on insurance include stamp duty on insurance premiums (including life insurance, general insurance and compulsory third party (CTP) insurance) and a flat stamp duty charge on renewal notices for CTP insurance.

Projected growth rates for insurance tax revenues are provided in table 3.9.

Table 3.9: Insurance taxes

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Total insurance taxes ($m)	**459.8**	**473.8**	**492.0**	**511.7**	**532.6**
Nominal growth (%)	- 1.1	3.0	3.8	4.0	4.1
Real growth (%)	- 3.2	0.8	1.6	1.5	1.5
Policy adjusted underlying revenue ($m)	**459.8**	**473.8**	**492.0**	**511.7**	**532.6**
Nominal growth (%)	- 1.1	3.0	3.8	4.0	4.1
Real growth (%)	- 3.2	0.8	1.6	1.5	1.5

Revenue from insurance taxes has been revised up by $4 million in 2017–18 compared to the 2017–18 Budget estimate. This is mainly due to higher than expected growth in duty from compulsory third party and general insurance premiums. Negative growth in insurance duty in 2017–18 reflects the impact of a larger amount of back payments associated with life insurance premiums received in 2016–17.

Growth in insurance duty revenue in 2018–19 is expected to be 0.8 per cent in real terms, which is impacted by back payments associated with life insurance premiums received in 2017–18. Real terms growth in stamp duty on insurance premiums from 2019–20 is expected to be around 1.5 per cent per annum, on average, reflecting expected growth in premiums.

Motor vehicle taxes

Motor vehicle taxes include registration fees, stamp duty on new registrations and ownership transfers, the ESL on mobile property and stamp duty on Lifetime Support Scheme (LSS) levy contributions.

The growth rates for motor vehicle tax revenues are provided in table 3.10.

Table 3.10: Motor vehicle taxes

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Total motor vehicle taxes ($m)	**643.7**	**660.7**	**675.5**	**699.4**	**717.7**
Nominal growth (%)	1.7	2.6	2.2	3.5	2.6
Real growth (%)	- 0.5	0.4	0.0	1.0	0.1
Policy adjusted underlying revenue ($m)	**643.7**	**660.7**	**675.5**	**699.4**	**717.7**
Nominal growth (%)	1.7	2.6	2.2	3.5	2.6
Real growth (%)	- 0.5	0.4	—	1.0	0.1

Revenue from motor vehicle taxes in 2017–18 is expected to be around $9 million higher than the 2017–18 Budget estimate mainly due to higher than expected revenue from registration fees and stamp duty on motor vehicle registrations.

Underlying growth from 2018–19 reflects the annual indexation of motor vehicle registration fees, growth in the stock of registered vehicles as well as modest growth in revenue from stamp duty on motor vehicle registration transfers and the LSS levy. Growth across the forward estimates is also impacted by the expected renewal cycle for motor vehicle registrations as well as the Transport and Infrastructure Council's decision to freeze heavy vehicle registration charges at 2017–18 levels for a two year period ending in 2019–20.

South Australia's relative tax effort

In terms of tax revenue per capita, South Australia is a relatively low tax jurisdiction — the third lowest in 2017–18 based on state and territory estimates published in 2018–19 budget publications.

Details are provided in table 3.11.

Table 3.11: Per capita taxation by jurisdiction ($)[(a)]

	2016–17[(b)(c)]	2017–18[(c)(d)]
Australian Capital Territory	4 159	4 312
New South Wales	3 947	4 004
Victoria	3 565	3 621
Western Australia	3 354	3 231
Queensland	2 644	2 726
South Australia	**2 474**	**2 656**
Northern Territory	2 475	2 444
Tasmania	2 122	2 233
All states and territories	**3 372**	**3 423**

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

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

(c) Population figures for 2016–17 and 2017–18 have been sourced from ABS publications.

(d) Based on taxation revenue estimates published in 2018–19 budget publications for all states and territories.

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. The tax effort measure by the CGC provides an indication of how a state's effective level of tax differs to the effective level of all states and territories.

After adjusting for land tax paid by SAHT for consistency with other jurisdictions, South Australia's total tax effort was 1.1 per cent below the average of all jurisdictions in 2016–17.

Details of tax effort assessments are provided in table 3.12.

Table 3.12: Tax effort ratios by jurisdiction

	2015–16		2016–17	
	CGC[(a)]	Adjusted[(b)]	CGC[(a)]	Adjusted[(b)]
New South Wales	108.2	108.4	103.9	104.1
Victoria	99.8	100.1	105.0	105.3
Queensland	85.9	86.1	85.1	85.3
Western Australia	100.0	100.2	102.4	102.6
South Australia	**102.9**	**99.1**	**102.8**	**98.9**
Tasmania	87.8	88.1	89.3	89.6
Australian Capital Territory[(c)]	96.1	96.3	97.3	97.5
Northern Territory	86.6	86.8	84.2	84.4

(a) Tax effort ratios derived from the CGC's *Report on GST Revenue Sharing Relativities — 2018 Update* publication.

(b) Adjusted to remove land tax paid by the SAHT for consistency with other jurisdictions.

(c) The Australian Capital Territory (ACT) is in the process of transitioning more of its tax revenue base to general rates (collected by councils in other jurisdictions) which are not included in the calculation of these effort ratios so the ACT's tax effort will be understated.

Grant revenue

Table 3.13: Grant revenue ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Grant revenue						
Grants from the Commonwealth						
GST revenue grants	6 302.6	6 374.5	6 887.2	7 274.5	7 614.9	7 826.7
National specific purpose grants	2 063.9	2 112.4	2 071.2	2 179.0	2 291.7	2 405.9
National specific purpose grants for on-passing	858.9	871.5	897.0	931.0	969.5	1 008.9
National Partnership grants	1 184.3	1 032.0	1 136.9	705.6	593.8	584.7
National Partnership grants for on-passing	109.8	189.9	104.4	165.8	171.3	177.3
Other Commonwealth grants	7.5	7.7	10.9	4.5	4.6	4.6
Total grants from the Commonwealth	**10 527.0**	**10 587.9**	**11 107.6**	**11 260.4**	**11 645.8**	**12 008.1**
Other contributions and grants	133.6	148.0	143.7	134.5	135.7	135.8
Total grant revenue	**10 660.6**	**10 735.9**	**11 251.3**	**11 394.9**	**11 781.5**	**12 143.9**
% change on previous year						
GST revenue grants						
Nominal growth (%)		6.6	8.0	5.6	4.7	2.8
Real growth (%)		4.3	5.7	3.3	2.1	0.3
Total grants from the Commonwealth						
Nominal growth (%)		7.5	4.9	1.4	3.4	3.1
Real growth (%)		5.2	2.6	- 0.9	0.9	0.6
Total grant revenue						
Nominal growth (%)		7.8	4.8	1.3	3.4	3.1
Real growth (%)		5.4	2.5	- 1.0	0.9	0.6

Note: Totals may not add due to rounding.

GST revenue grants

GST revenue grants to South Australia in 2017–18 are estimated to be $72 million higher than the 2017–18 Budget estimate largely due to an upward revision to the national GST pool estimate, partially offset by a downward revision to South Australia’s population share.

The Commonwealth Government has estimated that the total GST pool will grow by around 6.1 per cent in 2018–19, 3.7 per cent in 2019–20, 5.3 per cent in 2020–21 and 5.1 per cent in 2021–22. Over the same period, South Australia’s GST revenue grants are anticipated to grow by 8.0 per cent, 5.6 per cent, 4.7 per cent and 2.8 per cent respectively.

South Australia’s GST revenue grants are anticipated to grow at rates that vary from growth in the national GST pool reflecting a declining population share and movements in South Australia’s projected share of the pool. Movements in South Australia’s share of the pool are discussed in the next section.

Commonwealth Grants Commission 2018 Update

Under the Intergovernmental Agreement on Federal Financial Relations (the IGA), the Commonwealth Government and all states agreed that GST revenue grants would be distributed in accordance with the principle of horizontal fiscal equalisation (HFE). HFE aims to ensure that each state has the capacity to provide public services at the same standard and level of efficiency as other states for a comparable revenue raising effort. It seeks to ensure that all Australians have access to the same standard of services regardless of which state they live in.

The Commonwealth Grants Commission (CGC), an independent Commonwealth statutory authority, is responsible for recommending how GST revenue should be distributed among the states to achieve HFE. The CGC provides an annual recommendation to the Commonwealth Treasurer on the relative share of GST revenue to be distributed to each state. This recommendation is based on a detailed assessment of the economic, social and demographic factors influencing each state's relative capacity to raise revenue and relative cost of service delivery.

The CGC provides its recommendations in the form of GST distribution relativities, which reflect the relationship between a state's GST entitlement under HFE and its population share of total GST grants. For example, a relativity above 1 indicates that a state requires more than its population share of GST grants, due to a lower capacity to raise revenue compared to other states and/or higher costs of providing services and infrastructure to the same standard as other states.

In March 2018, the CGC released its *Report on GST Revenue Sharing Relativities – 2018 Update*, which contained the recommended relativities for the distribution of GST revenue grants to the states in 2018–19.

The CGC recommended an increase in South Australia's relativity from 1.43997 in 2017–18 to 1.47727 in 2018–19. The CGC estimates that the increase in South Australia's relativity – combined with forecast changes in state populations and the GST pool – will result in South Australia receiving 10.3 per cent of the GST pool in 2018–19, compared to 10.1 per cent in 2017–18.

The main factors that contributed to the increase in South Australia's relativity were:

- below average growth in the state's taxable payrolls, which reduced the relative capacity to raise payroll tax revenue
- a decline in the value of production of minerals produced in South Australia relative to other jurisdictions, which reduced the relative capacity to raise mining revenue
- an increase in South Australia's share of net natural disaster expenses
- below average growth in South Australian property sales, which reduced the state's relative capacity to raise revenue from conveyance duty.

The impact of these factors was partially offset by the effect of an increase in South Australia's share of Commonwealth Government payments, which reduced the need for GST grants.

The Commonwealth Treasurer accepted the CGC's recommended relativities and applied them in the 2018–19 Commonwealth Budget.

Based on the new relativity and current population and GST pool estimates for 2018–19, South Australia will receive around $2 billion more than it would if funding was distributed on a population basis, with no regard to the different fiscal needs and capacities of each state.

Beyond 2018–19, South Australia's GST relativity is expected to be influenced by:

- moderation in the eastern states' property markets
- changes in South Australia's share of Commonwealth Government payments
- below-average population growth in South Australia.

There has been no adjustments made in the budget estimates for the potential impact of the Commonwealth Government's response to the Productivity Commission's (PC's) Inquiry into HFE (discussed in detail later in this chapter), reflecting that negotiations on the proposed changes are ongoing.

Commonwealth Government payments for specific purposes

Commonwealth–state funding arrangements are largely governed by Commonwealth Government legislation or the Intergovernmental Agreement on Federal Financial Relations (the IGA) agreed to by the Council of Australian Governments in December 2008.

The IGA provides for two national specific purpose payments (SPPs) for skills and workforce development and disability services (to be phased out with the introduction of the National Disability Insurance Scheme (NDIS)). Commonwealth Government legislative arrangements prescribe National Health Reform funding, Quality Schools funding and National Housing and Homelessness funding. In addition, National Partnership payments (NPPs) are paid to states to support delivery of specified projects or to facilitate or reward the implementation of reforms of national importance.

Table 3.14 summarises expected SPP and NPP grants to South Australia by category.

Table 3.14: Commonwealth Government payments for specific purposes by category ($million)[(a)]

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Health						
National Health Reform funding	1 292.5	1 338.5	1 349.7	1 409.0	1 471.0	1 535.7
National Partnerships	18.9	19.0	14.3	14.3	14.1	11.5
Education and Early Childhood						
Quality Schools funding (government schools)	463.1	465.7	508.5	554.7	603.3	653.7
Quality Schools funding (non-government schools)[(b)]	858.9	871.5	897.0	931.0	969.5	1 008.9
National Partnerships	37.7	38.6	28.8	28.5	28.0	28.0
Skills and Workforce Development						
Skills and Workforce Development SPP	104.8	104.8	105.6	106.5	107.3	110.0
Skilling Australians Fund	—	19.1	20.3	20.1	23.0	20.1
Community Services						
Disability Services SPP[(c)]	108.2	108.2	—	—	—	—
National Partnerships	124.0	89.8	295.4	72.9	75.2	77.9
Housing						
National Affordable Housing SPP[(d)]	95.3	95.3	—	—	—	—
National Partnerships[(d)]	23.8	17.2	16.6	7.5	7.5	7.5
National Housing and Homelessness funding[(d)]	—	—	107.4	108.7	110.2	106.6
Infrastructure						
National Partnerships	837.8	740.5	654.6	527.8	418.9	416.1
Environment						
National Partnerships	124.7	88.2	84.7	12.8	6.1	2.1
Other						
National Partnerships	20.5	22.8	22.3	21.8	21.0	21.6
Local government financial assistance	106.5	186.6	104.4	165.8	171.3	177.3
Total Commonwealth Government payments for specific purposes	**4 216.9**	**4 205.7**	**4 209.5**	**3 981.4**	**4 026.4**	**4 176.9**

Note: Totals may not add due to rounding.

(a) NP amounts are the maximum amount of funding available thereby assuming that all necessary performance requirements are met in each agreement.

(b) Funding amounts for non-government schools are GST inclusive.

(c) When the NDIS reaches full scheme in a state, Commonwealth Government funding under the National Disability SPP is redirected to the National Disability Insurance Agency (NDIA) which is responsible for administering the NDIS.

(d) From 2018–19 onwards, National Affordable Housing SPP and Homelessness NP funding is combined under the National Housing and Homelessness Agreement.

National specific purpose payments

Revenue from SPPs is forecast to decline slightly in 2018–19 compared to 2017–18 due to the transfer of National Disability SPP funding to the National Disability Insurance Agency (NDIA) as part of the NDIS transition arrangements. SPPs are expected to increase at an average annual rate of 3.5 per cent over the four years to 2021–22.

Over the last twelve months there have been significant changes proposed or agreed in relation to SPP funding arrangements in response to reform processes currently being progressed in the education, housing and health sectors. The government has been working closely with the Commonwealth Government and other states and territories to develop on-going funding agreements that are fair and sustainable.

National health reform

National Health Reform (NHR) funding is based on public hospital activity and an efficient price determined by the Independent Hospital Pricing Authority. From 2017–18 to 2019–20, under an addendum to the National Health Reform Agreement, Commonwealth Government funding growth for public hospitals will be capped at 6.5 per cent per annum nationally. States with growth higher than 6.5 per cent per annum may be eligible to receive a share of remaining national funding, if the national funding cap has not been reached.

In April 2018, the Government of South Australia signed the Commonwealth Government's Health Reform Heads of Agreement (HoA) to continue the current Commonwealth funding arrangements for five years from 2020–21, pending the development of a new National Health Agreement which is expected to be finalised by the end of 2018.

Education

The Commonwealth Government funding model for school education has been based on a Schooling Resource Standard (SRS) that provides recurrent funding, special circumstances funding for government and non-government schools, funding for non-representative bodies and other prescribed purpose funding.

In its 2017–18 Budget, the Commonwealth Government announced a revised needs-based model for education funding (Gonski 2) to apply from 2018, which is still based on the SRS. The revised model includes a 10-year transition period for the Commonwealth Government's funding share of the SRS to reach 20 per cent for government schools and 80 per cent for non-government schools. When announced, the states were only required to maintain their 2017 per-student funding levels for school education.

The Commonwealth Government's Australian Education Amendment Bill 2017 was introduced to align the legislative framework to support the proposed needs-based model. During debate of the legislation in the Commonwealth Parliament, the Senate made amendments to the Bill. Under these amendments, the new funding model now prescribes both Commonwealth Government and states' financial contributions, as transition shares of the SRS, to be achieved over a six year period to 2023. The South Australian Government has commenced bilateral discussions with the Commonwealth Government, with negotiations around how state funding requirements under Gonski 2 can be met in a sustainable way.

Housing and homelessness

In June 2018, the Government of South Australia signed the new National Housing and Homelessness Agreement (NHHA). Funding will commence in 2018–19, and combines funding for the National Affordable Housing SPP with homelessness funding, previously provided through an NPP. NHHA funding is expected to be relatively stable across the forward estimates. Under the NHHA, states are required to match the Commonwealth Government's homelessness funding contribution.

National Disability Insurance Scheme

The NDIS will change the nature of disability care and support in Australia. When a state enters into the NDIS, Commonwealth Government funding under the National Disability SPP is redirected to the National Disability Insurance Agency (NDIA) which will be responsible for administering the NDIS. South Australia entered into the NDIS in June 2018. Consequently, Commonwealth Government funding under the National Disability SPP ceased in 2017-18 and is now redirected to the NDIA.

National Partnerships

NPPs are time limited agreements to fund specific projects and to facilitate and/or reward states that deliver nationally significant reforms. NPP funding can be for both recurrent and capital purposes and may be in the form of direct grants to the state or grants passed on to third parties.

Due to the collaborative and productive relationship with the Commonwealth Government, the Government of South Australia has been negotiating a revised funding profile for three major infrastructure projects. Funding of $395 million out of the $1.8 billion allocation for new South Australian transport infrastructure projects (over the next ten years) has been brought forward in the budget, in accordance with project milestones, for the North–South Corridor Regency Road to Pym Street upgrade ($125 million), the Gawler Rail Electrification project ($170 million), and the duplication of the Joy Baluch AM Bridge ($100 million).

Table 3.15: Revised timing of Commonwealth infrastructure payments ($million)

	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate	2022–23 Onwards Forecast
As announced in 2018–19 Commonwealth Budget					
North–South Corridor — Pym Street	—	10.0	20.0	22.0	125.0
Gawler rail electrification	—	10.0	10.0	30.0	170.0
Duplication of Joy Baluch AM Bridge	—	10.0	10.0	40.0	100.0
North South Corridor — future priorities (River Torrens to Anzac Highway)	—	—	—	—	1 211.0
Total	**—**	**30.0**	**40.0**	**92.0**	**1 606.0**
Revised timing — Commonwealth Government					
North–South Corridor — Pym Street	20.0	19.1	70.6	67.5	—
Gawler rail electrification	116.3	93.8	10.0	—	—
Duplication of Joy Baluch AM Bridge	8.0	108.0	44.0	—	—
North–South Corridor — future priorities (River Torrens to Anzac Highway)	—	—	—	—	1 211.0
New Commonwealth Government funding					
Port Wakefield overpass and road widening	—	0.8	20.0	50.0	—
Penola bypass	2.2	9.4	—	—	—
Total	**146.5**	**231.1**	**144.6**	**117.5**	**1 211.0**

In addition, the Government of South Australia has secured new Commonwealth Government funding for the construction of an overpass at the intersection of the Copper Coast Highway and Augusta Highway at Port Wakefield and for the widening of the Augusta Highway through Port Wakefield. The Commonwealth Government will contribute $70.8 million in funding for this project with a state contribution of $17.7 million.

In 2018–19, South Australia will receive an estimated $1.24 billion in NPP funding. This is an increase of 1.6 per cent compared to the $1.22 billion estimated for 2017–18. This mainly reflects increased DisabilityCare Australia Fund payments as South Australia completes its transition to the NDIS, and includes a once-off payment in 2018–19 equivalent to the balance of withheld annual allocations from previous years. Payments under the Skilling Australians Fund are also expected to increase slightly in 2018–19, while NPs in most other service delivery are expected to decline.

The decline in Housing NPPs is presentational and reflects the Commonwealth's decision to include payments under the Homelessness NP into the new Housing and Homelessness Agreement from 2018–19 onwards.

NPP funding is expected to decrease over the forward estimates period mainly reflecting the expected completion of a number of major infrastructure projects, including the APY Lands transport upgrades, the South Road–Torrens to Torrens upgrades and the Northern Connector project. The decline in NPP funding also reflects the timing of scheduled works for the Northern Adelaide Irrigation Scheme and the discontinuation of payments under the Sustainable Rural Water Use and Infrastructure Program and the SA River Murray Sustainability Program.

Sales of goods and services

Sales of goods and services revenues in the general government sector include government fees and charges that are adjusted by the annual indexation factor. Most government fees and charges will be increased by 2.2 per cent from 1 July 2018.

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

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Regulatory fees	682.9	678.1	705.5	731.9	760.7	796.0
Health unit fees	433.3	398.4	423.4	450.7	451.2	460.3
Commonwealth contributions	460.1	494.4	452.2	436.5	415.1	421.3
TAFE fees	109.5	92.2	101.9	105.7	110.3	114.4
Schools revenue	132.8	132.8	136.9	141.2	144.7	148.3
Metroticket sales	93.2	92.4	90.9	93.6	96.6	99.0
Drivers' licence fees	54.7	54.7	66.8	66.2	64.4	71.2
Other user charges	601.9	609.3	547.9	557.7	568.3	579.1
Total sales of goods and services	**2 568.5**	**2 552.3**	**2 525.5**	**2 583.3**	**2 611.2**	**2 689.5**
% change on previous year						
Nominal-terms growth (%)		- 0.6	- 1.0	2.3	1.1	3.0
Real-terms growth (%)		- 2.8	- 3.2	0.0	- 1.4	0.5

Note: Totals may not add due to rounding.

Revenue from sales of goods and services in 2017–18 is expected to be $16.2 million lower than estimated at the time of the 2017–18 Budget mainly due to downward revisions to health unit and TAFE fees, partially offset by higher than expected revenue from Commonwealth contributions.

Health unit fees in 2017–18 have been revised down by $34.9 million compared to the original 2017–18 Budget estimate, primarily reflecting lower than expected private patient activity in public hospitals. Revenue from health unit fees is expected to increase modestly over the forward estimates due to assumed fee indexation and hospital activity growth, as well as the proposed introduction of a facility fee contribution under clinician rights of private practice arrangements.

Revenue from TAFE fees has been revised down by $17.3 million in 2017–18 against the original budget estimate, primarily reflecting lower than expected Commonwealth revenue associated with the Adult Migrant English Program as well as lower student fee income. Downward revisions to TAFE fees also reflect the impact of lower than expected revenue associated with short courses and international student fees.

Commonwealth Government contributions have been revised up by $34.3 million in 2017–18 compared to the 2017–18 Budget estimate largely due to further Commonwealth funding for the Pharmaceutical Benefits Scheme.

Revenue from sales of goods and services is expected to decline in real terms by 1.0 per cent per annum on average from 2017–18 to 2021–22.

This growth across the forward estimates is primarily impacted by declining Commonwealth contributions, which mainly reflects the transfer of domiciliary care services to the non-government sector. In 2018–19, receipts are also impacted by a decline in revenue from other user charges due to the cessation of payments from the South Australian Housing Trust to the Department of Human Services for social housing functions (offset by a corresponding reduction in expenditure).

The pattern of collections for drivers' licence fees across the forward estimates reflects the expected renewal cycle for these licences.

Interest income

Interest income is generated from agency cash balances held with financial institutions. There is no material change in the expected interest income for 2017–18. The movements in interest income across the forward estimates is the result of fluctuating cash rates applied to deposit balances.

Table 3.17: Interest income ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Total interest income	**24.6**	**24.4**	**25.6**	**27.1**	**29.4**	**29.3**
Nominal-terms growth (%)		- 4.4	5.2	5.7	8.7	- 0.4
Real-terms growth (%)		- 6.5	2.8	3.4	6.0	- 2.9

Dividend and income tax equivalent income

Dividend and income tax equivalent (ITE) revenue is received from public non-financial corporations (PNFCs) and public financial corporations (PFCs).

Table 3.18: Dividend and income tax equivalent income ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Dividend and ITE income from PNFCs	232.2	221.7	244.4	283.5	262.1	272.1
Dividend and ITE income from PFCs	358.9	427.3	205.7	127.5	63.5	55.6
Other dividend income	1.2	0.6	1.2	1.2	1.2	1.2
Total dividend and ITE revenue	**592.4**	**649.6**	**451.3**	**412.1**	**326.8**	**328.9**
Dividend and ITE from PNFCs comprise						
SA Water	201.4	197.7	225.4	263.5	236.0	252.5
Renewal SA	20.4	13.5	10.7	11.1	16.2	8.9
Other	10.5	10.5	8.2	8.8	9.9	10.6
Total	**232.2**	**221.7**	**244.4**	**283.5**	**262.1**	**272.1**
Dividend and ITE from PFCs comprise						
Motor Accident Commission	321.7	341.5	135.9	77.4	10.4	5.4
Return to Work Corporation of South Australia	—	1.0	1.8	—	—	—
HomeStart Finance	11.2	24.6	13.4	15.7	17.0	17.0
SAFA	26.1	60.2	54.7	34.4	36.0	33.2
Total	**358.9**	**427.3**	**205.7**	**127.5**	**63.5**	**55.6**
% change on previous year						
Total dividend and ITE revenue						
Nominal growth (%)		0.8	-30.5	-8.7	-20.7	0.6
Real growth (%)		-1.4	-32.1	-10.7	-22.6	-1.8

Note: Totals may not add due to rounding.

In 2017–18, total dividend and ITE income is expected to be $57.3 million higher than 2017–18 Budget estimates. This is primarily due to higher than expected distributions from PFCs, particularly SAFA and the Motor Accident Commission.

Distributions from SAFA are estimated to be $34.1 million above budget in 2017–18 reflecting higher than budgeted dividends and income tax equivalent payments arising from SAFA's treasury, fleet and insurance operations. Distributions in 2018–19 include a final dividend payment relating to SAFA's 2017–18 operating result for treasury, fleet and insurance operations.

Dividends from the Motor Accident Commission are expected to be $341.5 million in 2017–18, which is $19.8 million higher than estimated in the 2017–18 Budget. Further dividend payments totalling $229.2 million are expected across the forward estimates reflecting the performance of assets under management and the release of risk margins held in liability provisions as claims settlements occur.

Total dividend and ITE income from PNFCs in 2017–18 is estimated to be $10.5 million lower compared to original budget estimates largely due to lower distributions from Renewal SA due to the removal of a donated asset from the Department of Planning, Transport and Infrastructure reflecting that Renewal SA will not be relocating to the Port Adelaide office. The 2020–21 estimated dividends and income tax equivalent payments to government are $5.1 million higher than 2019–20 reflecting the expected timing of sales associated with Renewal SA's major developments.

Further details on dividends and distributions can be found in Chapter 5.

Other revenue

Table 3.19: Other revenue ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Royalties	251.0	236.6	264.4	269.5	259.1	256.7
Fines and penalties	141.1	130.0	140.7	143.5	146.9	149.9
Schools revenue	37.8	37.8	39.0	40.2	41.2	42.3
Other	242.7	274.3	295.4	304.3	263.5	287.2
Total other revenue	**672.7**	**678.7**	**739.5**	**757.5**	**710.6**	**736.0**
% change on previous year						
Nominal-terms growth (%)		- 20.3	9.0	2.4	- 6.2	3.6
Real-terms growth (%)		- 22.1	6.6	0.2	- 8.5	1.0

Note: Totals may not add due to rounding.

Other revenue in 2017–18 is expected to be $6 million higher than the 2017–18 Budget estimate. This reflects higher than estimated other revenue which is partially offset by lower than expected revenue from royalties as well as fines and penalties.

The upward revision to other revenue in 2017–18 is mainly driven by higher contributed assets associated with the transition to arrangements under the National Partnership on Essential Vaccines under which actual vaccines are received from the Commonwealth instead of funding. Stronger growth in 2018–19 is primarily due to the recognition of contributed assets from Mobil associated with the Port Stanvac Wharf and the negative growth in 2020–21 largely reflects the Walker Corporation's expected contribution to the Adelaide Festival Centre Precinct Upgrade in 2019–20.

Royalty revenue in 2017–18 has been revised down by around $14 million compared to the 2017–18 Budget estimates mainly due to reduced production at Olympic Dam as a result of major smelter maintenance works during the first half of the year. Relatively stronger growth in 2018–19 is primarily due to the expected receipt of past year liabilities and recoveries, with the negative growth from 2020–21 reflecting falling petroleum estimates due to reduced exploration spending and natural field decline as well as falling mineral estimates mainly due to the depletion of some economic mineral resources. Royalty revenue forecasts also incorporate the abolition of royalties on extractive minerals for councils on borrow pits from 1 July 2019, delivering on the government's election commitment, and the discontinuing of the new mine rate royalty concession from 1 July 2020.

Fines and penalties revenue is expected to be $11 million below the original budget in 2017–18 primarily reflecting lower than estimated expiation fines. Moderate growth in fines and penalties revenue is expected from 2018–19.

Schools revenue includes fundraising, canteen revenue, excursion fees, out of school-hours care fees and Commonwealth Government grants paid directly to schools.

Annual fee and rate setting

Fees and charges

The annual indexation factor for fees and charges has been set at 2.2 per cent for 2018–19 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.

Water prices for 2018–19 have been prepared on a consistent basis with ESCOSA's Final Revenue Determination of SA Water's water and sewerage retail services for four years from 1 July 2016 to 30 June 2020. The government has announced that the increase in water and sewerage prices will be capped at 1.9 per cent on average. For the average metropolitan residential customer, this will mean a combined water and sewerage bill increase of around $23 in 2018–19.

The Class 1 CTP premium (metropolitan private passenger vehicle) and Class 41 CTP premium (input tax credit entitled metropolitan passenger vehicle) will increase by 2.6 per cent in 2018–19.
The Lifetime Support Scheme levy will increase by 1.8 per cent in 2018–19 to reflect increases in the cost of future medical care and support payments.

Table 3.20 sets out the increases in fees and charges in 2018–19 for major government services. These increases took effect from 1 July 2018.

Table 3.20: 2018–19 changes to selected agency fees and charges

	2017–18 $	2018–19 $	Increase %
Public transport			
Single trip tickets — all times and zones	5.40	5.50	1.9
MetroCard single fare — all times and zones	3.62	3.70	2.2
Regular 28 Day pass	124.50	99.00	-20.5
Motor vehicle charges			
Registration fee — motor vehicles:			
Four cylinders or less	123.00	126.00	2.4
Five or six cylinders	252.00	258.00	2.4
Seven or more cylinders	365.00	373.00	2.2
Registration fee — light commercial vehicles:			
Mass between 1001 kg and 1500 kg	271.00	277.00	2.2
Mass greater than 1500 kg	464.00	474.00	2.2
Drivers' licence renewals			
Five years	215.00	220.00	2.3
Ten years	430.00	440.00	2.3
Speeding fines			
Exceeding the speed limit by:			
Less than 10 km/h	170.00	174.00	2.4
By 10 km/h but less than 20 km/h	371.00	379.00	2.2
By 20 km/h but less than 30 km/h	754.00	771.00	2.3
By 30 km/h but less than 45 km/h	900.00	920.00	2.2
By 45 km/h and above	1014.00	1036.00	2.2

	2017–18 $	2018–19 $	Increase %
Water and sewerage — residential			
Water bill for average residential customer(a)	782.27	796.92	1.9
Sewerage bill for average residential customer(b)	452.19	458.68	1.4
Annual water service availability (supply) charge	292.40	297.80	1.8
Water usage charge per kilolitre supplied:			
Up to and including 120 kilolitres per year	2.32	2.36	1.9
In excess of 120 kilolitres but less than 520 kilolitres per year	3.31	3.37	1.9
In excess of 520 kilolitres per year	3.58	3.65	1.9
Motor vehicle charges(c)			
Compulsory third party premium — passenger vehicles (metropolitan postcodes):			
Standard premium	400.75	411.25	2.6
Input tax credit entitled premium	400.75	411.25	2.6
Lifetime Support Scheme levy — passenger vehicles (metropolitan postcodes):	111.00	113.00	1.8

(a) Metropolitan water bill based on statewide average residential water use of 184kL per annum.

(b) Metropolitan sewerage bill based on average property value of $447,000.

(c) For metropolitan postcodes.

Developments in Commonwealth-state relations

Commonwealth Government Reviews

Productivity Commission's Inquiry into Australia's System of Horizontal Fiscal Equalisation and the Commonwealth Government response

On 30 April 2017, the Commonwealth Treasurer directed the Productivity Commission (PC) to undertake an inquiry into Australia's system of Horizontal Fiscal Equalisation (HFE) (the Inquiry). The focus of the Inquiry was on the national productivity and efficiency impacts of HFE and alternative HFE arrangements.

On 15 May 2018, the PC provided its final inquiry report to the Commonwealth Treasurer and this was publicly released on 5 July 2018 together with the Commonwealth Government's interim response to the final recommendations.

The PC's final Inquiry report recommended that the equalisation objective should be refocused to provide states with the fiscal capacity to provide services and associated infrastructure to a 'reasonable' standard rather than the same standard. This would represent a significant shift from the current system of full fiscal equalisation. Under such an approach, the GST distribution system would no longer seek to ensure that all Australians have access to the same standard of services regardless of which state they happen to live in. If implemented this would have a significant impact on the level of GST revenue received by South Australia.

The Government of South Australia's view is that the PC did not provide evidence that HFE is detrimental to national productivity, restricts the appropriate movement of individuals and capital or acts as a disincentive to economic activity in order to support its recommendation.

In addition, the PC made several other recommendations including:

- the CGC increasing its public visibility through providing a strong, neutral voice in public discussion on HFE to better inform the public
- strengthening formal interactions with the states and the Commonwealth and providing advance provisional rulings on the HFE implications of proposed policy changes
- developing clearer guidelines on the quarantining of Commonwealth payments
- having greater involvement of the Commonwealth Government in the CGC's decision making framework
- making data provided by the states to the CGC publicly accessible
- aggregation of CGC assessments, using more policy-neutral indicators and increasing materiality thresholds
- reform of federal financial relations including a review of Commonwealth payments to the states, both specific and general purpose.

Commonwealth Government's interim response

The Commonwealth Government's interim response supports the PC's main recommendation to adopt equalisation to a reasonable standard. However, the Commonwealth has not accepted the PC's recommendation to transition to an "equalisation to the average" approach. Instead the Commonwealth Government has recommended equalising to the state with the second strongest fiscal capacity (currently New South Wales). This means that the state with the strongest fiscal capacity (currently Western Australia) would see its share of GST revenues increased at the expense of all other jurisdictions.

The Commonwealth Government's proposed approach would be phased in over six years from 2021–22. In addition, the Commonwealth is proposing to increase the size of the GST pool by adding non-GST funding with the stated goal of ensuring that no state is in a worse budget position as a result of the proposed change.

The Commonwealth Government's response also notes the intention to accept the PC's other recommendations. This includes directing the Commonwealth Grants Commission to consider simpler and more aggregated revenue and expenditure assessments and higher materiality thresholds. These changes could have a significant additional impact on GST revenue for South Australia.

The Commonwealth Government has committed to consult with the states on the proposed changes to the distribution of the GST. No provisions have been made in this budget for potential impacts of these changes given negotiations are ongoing. The Government of South Australia has indicated that it will not support any change in policy which disadvantages South Australia.

Commonwealth Grants Commission — 2020 Methodology Review

Approximately every five years, the CGC undertakes a review of the definition of HFE and the methods it uses to determine revenue sharing relativities based on HFE principles.

In December 2016, the Commonwealth Treasurer issued terms of reference for the CGC's 2020 Methodology Review (the Review). The Review will result in a revised assessment methodology. GST distribution relativities based on this new methodology will apply for approximately the next five years with application from the 2020–21 financial year.

This is separate to the review of Horizontal Fiscal Equalisation under taken by the PC, but the final Commonwealth response may impact on the CGC review process.

For the 2020 Review, the terms of reference are broad in nature and will consider all assessment categories. The CGC has already considered the supporting principles that underpin current HFE assessments and has not proposed any significant changes.

In April 2018, the CGC issued draft assessment papers for each revenue and expenditure category. These papers outline the CGC's current draft position on assessment methodologies and proposed changes to assessments. South Australia prepared a submission on the draft assessment papers that was provided to the CGC in August 2018.

CGC Commissioners are currently in the process of visiting each state and territory and will be visiting South Australia shortly. This part of the consultation process provides states and territories with a further opportunity to present information and views on state specific issues relevant to CGC's methodology review.

The CGC has been requested to produce a draft report by the middle of 2019 outlining changes and their proposed assessment framework. States and territories will be able to provide submissions on the draft report prior to completion of the final report in February 2020.

Chapter 4: Managing the state's assets and liabilities

Overview

General government sector net operating surpluses are projected to total a cumulative $530 million across the 2018–19 Budget year and the three-year forward estimates period. Despite significant operating surpluses across the period, net debt will increase as a result of significant investment in infrastructure. Capital investment is estimated to be $11.3 billion across the 2018–19 Budget year and the forward estimates, of which $8.6 billion is in the general government sector.

General government sector net debt is expected to rise from $5.3 billion at 30 June 2018 to $8.7 billion at 30 June 2022. Over the forward estimates the ratio of net debt to revenue is expected to peak at 41.1 per cent in 2022.

The value of land and other fixed assets in the general government sector, including the state's transport, education and health infrastructure, increases from $45.0 billion in 2018 to $48.8 billion in 2022. The net worth of the general government sector, which measures the extent to which the value of its assets exceeds its liabilities, grows over this period to reach $47.2 billion by 2022.

Non-financial public sector (NFPS) net debt reflects the combined debt of the general government and the public non-financial corporations (PNFC) sectors. The NFPS net debt is estimated to have been around $15.5 billion at 30 June 2022 based on projections in the mid-year budget review (MYBR) and this will now increase to $17.0 billion.

The state's unfunded superannuation liability is estimated to be $11.2 billion at 30 June 2018. This is $309 million higher than the estimate at the time of the 2017–18 Budget largely as a result of a lower discount rate used to value the liability which is only partly offset by higher projected earnings on superannuation assets. The government remains on track to fully fund superannuation liabilities by 2034, with the unfunded liability projected to decline to $9.5 billion by 30 June 2022.

General government sector financial position

Table 4.1 summarises key balance sheet indicators for the general government sector.

Table 4.1: Key balance sheet indicators — general government sector

As at 30 June	2017 Actual	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Net debt						
$m	6 110	5 331	6 288	7 076	7 749	8 651
% of total revenue	33.1	27.8	32.1	35.5	38.0	41.1
% of GSP	5.9	5.0	5.7	6.1	6.4	6.8
Net financial liabilities						
$m	21 614	21 013	21 766	22 317	22 772	23 392
% of total revenue	117.0	109.5	111.2	112.0	111.7	111.1
Net financial worth						
$m	-1 990	-1 070	-1 366	-1 441	-1 424	-1 639
% of total revenue	-10.8	-5.6	-7.0	-7.2	-7.0	-7.8
Net worth						
$m	42 433	43 917	44 591	45 366	46 243	47 212
% of total revenue	229.6	228.8	227.7	227.6	226.9	224.2

Net debt

General government sector net debt is forecast to increase across the forward estimates from $5.3 billion at 30 June 2018 to $8.7 billion at 2022. The increase in net debt primarily reflects the projected net lending deficits across the forward estimates, totalling $3.2 billion from 2018–19 to 2021–22. An overview of the operating and investing initiatives forming the net lending deficits is provided in chapter 2.

Table 4.2 provides details of the movement in general government net debt across the forward estimates.

Table 4.2: General government sector net debt ($million)

As at 30 June	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Opening general government net debt	**6 110**	**5 331**	**6 288**	**7 076**	**7 749**
Increase in net debt:					
General government cash surplus (-) / deficit (+)	- 796	902	741	700	772
Net cash from operating activities	*- 749*	*-1 099*	*-1 181*	*-1 262*	*-1 259*
Sales of non-financial assets[(a)]	*-1 902*	*- 199*	*- 38*	*- 20*	*- 12*
Purchases of non-financial assets	*1 855*	*2 200*	*1 960*	*1 982*	*2 043*
Equity contributions granted	40	46	10	7	3
Finance lease arrangements	—	1	—	—	261
Decrease in net debt:					
Return of equity	- 29	- 7	- 4	- 49	- 156
Other variations	6	15	42	16	22
Closing general government net debt	**5 331**	**6 288**	**7 076**	**7 749**	**8 651**

Note: Totals may not add due to rounding.

(a) The 2018 estimated result includes proceeds of $1.6 billion from the Land Services commercialisation transaction.

As a percentage of revenue, net debt is expected to increase from 27.8 per cent at 30 June 2018 to 41.1 per cent at 30 June 2022.

As a percentage of the South Australian economy, general government sector net debt remains relatively modest, at 5.0 per cent of Gross State Product (GSP) as at 30 June 2018, increasing to 6.8 per cent by 30 June 2022.

Unfunded superannuation liability

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.

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 main defined benefit schemes were closed to new members in 1994.

The state's unfunded superannuation liability makes up the largest component of net financial liabilities, and is estimated to be $11.2 billion as at 30 June 2018, reducing to $9.5 billion as at 30 June 2022.

As at 30 June 2018, the unfunded superannuation liability is estimated to be $309 million higher than estimated in the 2017–18 Budget. This increase is due to the impact of a lower discount rate to value the liability, partially offset by higher expected earnings on superannuation assets, since the 2017-18 Budget.

Table 4.3 summarises the change in the unfunded superannuation liability since the 2017–18 Budget.

Table 4.3: Unfunded superannuation liability ($million)

As at 30 June	2018	2019	2020	2021	2022
Estimate as at 2017–18 Budget	**10 898**	**10 547**	**10 164**	**9 748**	**9 296**
Impact of lower than expected returns on superannuation assets in 2016–17 compared with the 2017–18 Budget assumptions relating to the 2016–17 Actuals result[(a)]	6	6	6	6	6
Impact of higher than expected returns on superannuation assets in 2017–18 as at the 2017–18 MYBR compared with 2017–18 Budget assumptions[(b)]	- 131	- 129	- 127	- 124	- 121
Impact of 2016 SA Superannuation Scheme triennial review	-176	-173	-170	-165	-160
Other	- 65	- 62	- 59	- 56	- 53
Estimate as at 2017–18 MYBR	**10 532**	**10 189**	**9 815**	**9 409**	**8 968**
Impact of higher earnings in 2017–18 compared with the 2017–18 MYBR[(c)]	- 192	- 190	- 187	- 183	- 178
Impact of lower discount rate for 2017–18 in the 2018–19 Budget compared with the 2017–18 MYBR[(d)]	902	854	805	755	704
Other	- 35	- 35	- 34	- 33	- 33
Estimate as at 2018–19 Budget	**11 207**	**10 819**	**10 399**	**9 947**	**9 461**

Note: Totals may not add due to rounding.

(a) The actual earnings rate for 2016–17 was 12.4 per cent compared with 12.5 per cent assumed at the time of the 2017–18 Budget.

(b) The estimated earnings at the time of the 2017–18 MYBR was 8.9 per cent compared with 7.0 per cent assumed in the 2017–18 Budget.

(c) The assumed earnings rate for 2017–18 at the time of the 2017–18 MYBR was 8.9 per cent compared with 11.7 per cent assumed in the 2018–19 Budget.

(d) The discount rate at the time of the 2018–19 Budget is 2.9 per cent compared with 3.3 per cent assumed in the 2017–18 MYBR.

Earnings

The estimate of the unfunded superannuation liability as at 30 June 2018 reflects an estimated Funds SA earnings rate of 11.7 per cent for 2017–18. This is greater than the long-term assumed earnings rate of 7.0 per cent and greater than the assumed earnings for 2017–18 at the time of the 2017–18 MYBR of 8.9 per cent. The higher expected returns are due to the gains experienced in financial markets during 2017–18.

Discount rate

The unfunded superannuation liability is estimated at a point in time by discounting projected future superannuation benefit payments. The discount rate reflects the risk-free interest rate and is set on the basis of the Commonwealth Government nominal bond rate that reflects the average maturity of the liability.

A discount rate of 2.9 per cent (effective annual rate) has been used for the 2018–19 Budget, compared with 3.3 per cent used for the 2017–18 Budget and also for the 2017–18 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 change in the bond rate changing the liability by approximately $2.5 billion from its current amount.

Table 4.4 sets out the impact different discount rates have on the unfunded superannuation liability.

Table 4.4: Sensitivity of unfunded superannuation liability to discount rates ($million)

Discount Rate (%)	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
2.9	11 207	10 819	10 399	9 947	9 461
6.0	6 249	5 761	5 640	5 499	5 335
7.5	4 480	4 046	3 997	3 933	3 851

The unfunded superannuation liability is a long-term liability with significant volatility evident over time, reflecting the short-term variability resulting from some key valuation assumptions, in particular the discount rate and actual investment earnings. While volatility in the past has resulted in multi-billion dollar revisions to the value of the liability recorded on the balance sheet, largely outside of government control, there has been no material change in the actual expected payments to beneficiaries underlying the liability.

The state government's concern is to ensure that the impact of its budget policy is in accord with its medium-term fiscal objectives. It therefore focuses on its longer-term commitment to fully fund the unfunded superannuation liability by 2034.

Funding the liability

A program began in 1994–95 to fully fund all employer superannuation liabilities, with the aim to have the defined benefit schemes fully funded by 2034. The government remains committed to achieving this target.

Table 4.5 shows estimated cash contributions towards the state's unfunded superannuation liability to achieve that commitment.

Table 4.5: Estimates of past service superannuation liability cash payments ($million)

	2017–18	2018–19	2019–20	2020–21	2021–22
Past service payments	426	406	423	440	457

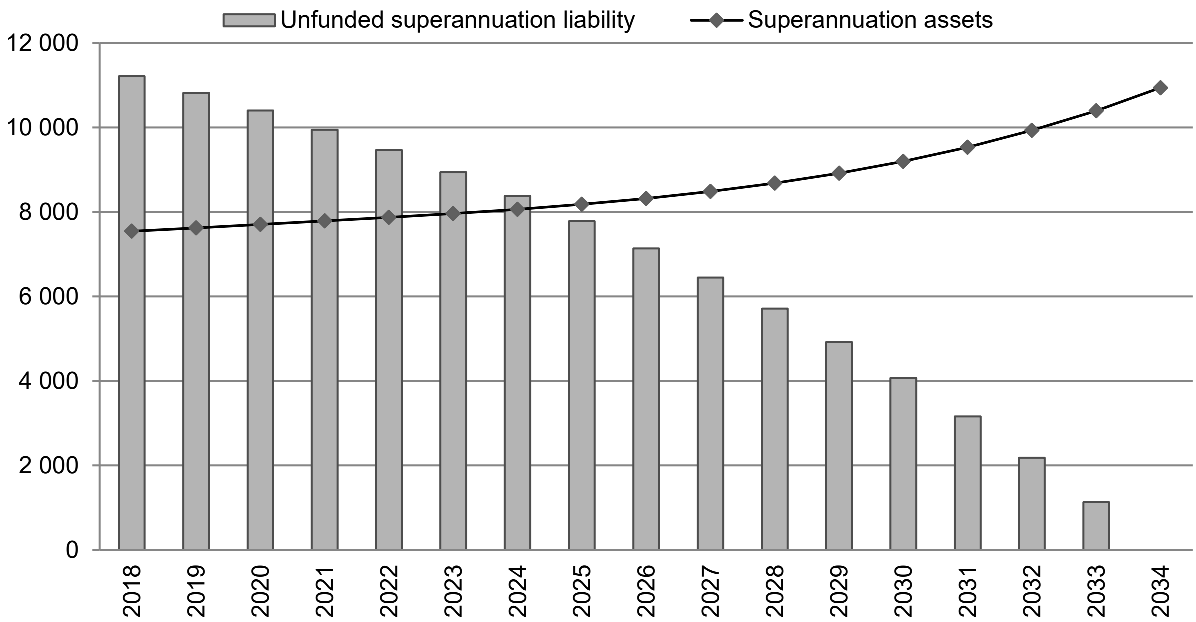
Table 4.3 showed the unfunded superannuation liability is projected to decline across the forward estimates period. This is partly because the annual increase in the defined benefit obligation, as a result of benefits being one year closer, is more than offset by the annual cash payments made as part of the government's target to fully fund all superannuation liabilities by 2034.

Across the forward estimates, the unfunded superannuation liability reflects an assumed return to the expected long-term earnings rate of 7.0 per cent.

Changes in the earnings rate are based the expected return on superannuation assets invested by Funds SA. Small changes in asset values in debt and equity markets, amongst other assets, can have a material impact on the reported liability, with a 1.0 percentage point change in the earnings rate changing the liability by $69 million.

Figure 4.1 shows the reduction in the unfunded superannuation liability together with the increase in superannuation assets over the next 17 years.

Figure 4.1: Unfunded superannuation liability and assets ($million)



Superannuation assets are estimated to be $7.5 billion as at 30 June 2018. By 2034, superannuation assets are projected to reach $10.9 billion, fully offsetting projected superannuation liabilities.

As required by the *Superannuation Act 1988*, a triennial review of the South Australian Superannuation Scheme was conducted by an independent actuary for the scheme as at 30 June 2016. The result of this review was a decrease to the unfunded superannuation liability, the nominal interest expense and the past service payments. The major contributing factor to these movements was investment earnings being higher than assumed over a three year period.

Net financial liabilities

Net financial liabilities is a broader measure than net debt as it includes significant liabilities other than borrowings, such as unfunded superannuation and long service leave entitlements, but excludes equity interests in PNFCs and public financial corporations (PFC).

Net financial liabilities for the general government sector are forecast to increase from $21.0 billion at 30 June 2018 to $23.4 billion at 30 June 2022.

Gross borrowings are forecast to increase from $6.5 billion at 30 June 2018 to $10.0 billion at 30 June 2022 as a result of the forecast net lending deficit in 2018–19 and across the forward estimates. This reflects the government's focus of ongoing investment in the state's infrastructure, particularly in education and transport.

Other employee benefits, including long service leave, are estimated to be $2.9 billion at 30 June 2018 and are forecast to increase to $3.5 billion as at 30 June 2022. This is a result of general increases in remuneration levels and accruing entitlements for long service leave.

The declining unfunded superannuation liability across the forward estimates has an impact on net financial liabilities. As outlined above, the government is contributing additional funds to the pool of superannuation assets in order to meet its target to fully fund the liability by 2034.

It is projected that the remaining components of net financial liabilities will remain relatively stable across the forward estimates period.

Table 4.6 provides details for the general government sector balance sheet.

Table 4.6: General government sector balance sheet ($million)

As at 30 June	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Assets					
Financial assets					
Cash and deposits	1 285	1 274	1 265	1 278	1 296
Advances paid	129	150	169	159	153
Investments, loans and placements	379	391	403	415	427
Receivables	646	639	672	628	579
Equity					
Investments in other public sector entities	19 943	20 400	20 877	21 347	21 753
Investments — other	28	28	28	28	28
Other financial assets	112	111	110	110	111
Total financial assets	22 522	22 994	23 525	23 966	24 348
Non-financial assets					
Land and other fixed assets	44 967	45 937	46 786	47 646	48 830
Other non-financial assets	20	21	21	21	21
Total non-financial assets	44 987	45 957	46 806	47 667	48 851
Total assets	67 509	68 951	70 331	71 634	73 199

As at 30 June	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Liabilities					
Deposits held	354	329	341	353	355
Advances received	231	221	206	197	188
Borrowing	6 539	7 554	8 367	9 052	9 984
Superannuation	11 207	10 819	10 399	9 947	9 461
Other employee benefits	2 932	3 067	3 230	3 360	3 452
Payables	1 230	1 236	1 246	1 254	1 259
Other liabilities	1 099	1 135	1 176	1 228	1 287
Total liabilities	23 591	24 360	24 965	25 391	25 987
Net worth[(a)]	**43 917**	**44 591**	**45 366**	**46 243**	**47 212**
Net financial worth[(b)]	-1 070	-1 366	-1 441	-1 424	-1 639
Net financial liabilities[(c)]	21 013	21 766	22 317	22 772	23 392
Net debt[(d)]	5 331	6 288	7 076	7 749	8 651

Totals may not add due to rounding.

(a) 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.

(b) 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.

(c) Net financial liabilities is calculated as 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.

(d) Net debt is calculated as 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 worth

Net financial worth is a broader measure than net financial liabilities as it also incorporates equity interests in PNFCs and PFCs.

General government net financial worth is expected to change from negative $1.1 billion at 30 June 2018 to negative $1.6 billion at 30 June 2022. This movement in net financial worth reflects the increase in total liabilities offset by the increase in equity investments in other public sector entities, mainly due to the increase in the net assets of SA Water and the South Australian Housing Trust.

Net worth

Net worth is the amount by which the general government sector's total assets (financial and non-financial) exceed total liabilities. General government sector net worth is expected to increase across the forward estimates from $43.9 billion at 30 June 2018 to $47.2 billion at 30 June 2022.

Table 4.7 displays movements in net worth attributable to operating transactions and other economic flows (e.g. revaluations).

Table 4.7: General government sector net worth ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Net worth at beginning of year	**42 433**	**43 917**	**44 591**	**45 366**	**46 243**
Change in net worth from operating transactions					
Net operating balance	- 397	48	105	166	211
Change in net worth from other economic flows					
Movement in net assets of PFCs[(a)]	322	- 49	- 59	2	6
Movement in net assets of PNFCs[(a)]	-14	466	530	511	553
Revaluation of unfunded superannuation liability[(b)]	163	301	305	308	311
Revaluation of long service leave liability	- 94	- 96	- 98	- 99	- 101
Revaluation of annual leave liability	- 15	- 15	- 16	- 16	- 16
Revaluation of workers compensation liability	- 146	- 16	- 17	- 17	- 17
Revaluation of non-financial assets	41	41	41	41	41
Commercialisation of Land Title services[(c)]	1 605	—	—	—	—
Other revaluation adjustments	20	- 6	- 18	- 19	- 19
Total other economic flows	1 881	626	669	711	759
Net worth at year end	**43 917**	**44 591**	**45 366**	**46 243**	**47 212**

Note: Totals may not add due to rounding.

(a) Net of equity injections from, and the return of equity to, the general government sector.

(b) 2017–18 change represents the revaluation difference from 30 June 2017 liability.

(c) First-time recognition of intangible asset in the general government sector and the sale of this asset to Land Services SA (LSSA) for a 40 year concessional period.

The revaluation of unfunded superannuation in 2017–18 is primarily due to a lower discount rate being used to value the liability compared to the beginning of the financial year coupled with higher expected returns on superannuation assets for 2017–18.

Land and other fixed assets

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

Table 4.8 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 4.8: Land and other fixed assets — general government sector ($million)

As at 30 June	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Inventories	77	77	77	77	77
Land	6 805	6 786	6 733	6 712	6 699
Buildings and improvements	11 453	11 443	11 504	11 728	12 096
Water, sewerage and drainage assets	1 004	1 066	1 083	1 069	1 055
Road networks	19 769	20 686	21 197	21 759	22 412
Rail and bus networks	2 408	2 632	2 839	2 842	2 812
Other infrastructure assets	2 178	1 973	2 079	2 185	2 404
Heritage assets	1 269	1 270	1 271	1 272	1 273
Self-generating and regenerating assets	3	3	3	3	3
Total land and other fixed assets (net of provisions for depreciation)	**44 967**	**45 937**	**46 786**	**47 646**	**48 830**
Depreciation expense	**1 038**	**1 073**	**1 103**	**1 146**	**1 153**

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 $45.0 billion at 30 June 2018 to $48.8 billion at 30 June 2022. This increase reflects significant ongoing investment in the state's infrastructure, particularly in the transport network assets.

The increase in road networks across the forward estimates reflects continued investment in the joint State and Commonwealth road infrastructure projects mainly on the North–South Corridor including Torrens Road to River Torrens, Darlington Upgrade, Northern Connector and Regency to Pym St Upgrade and the Duplication of the Joy Baluch AM Bridge.

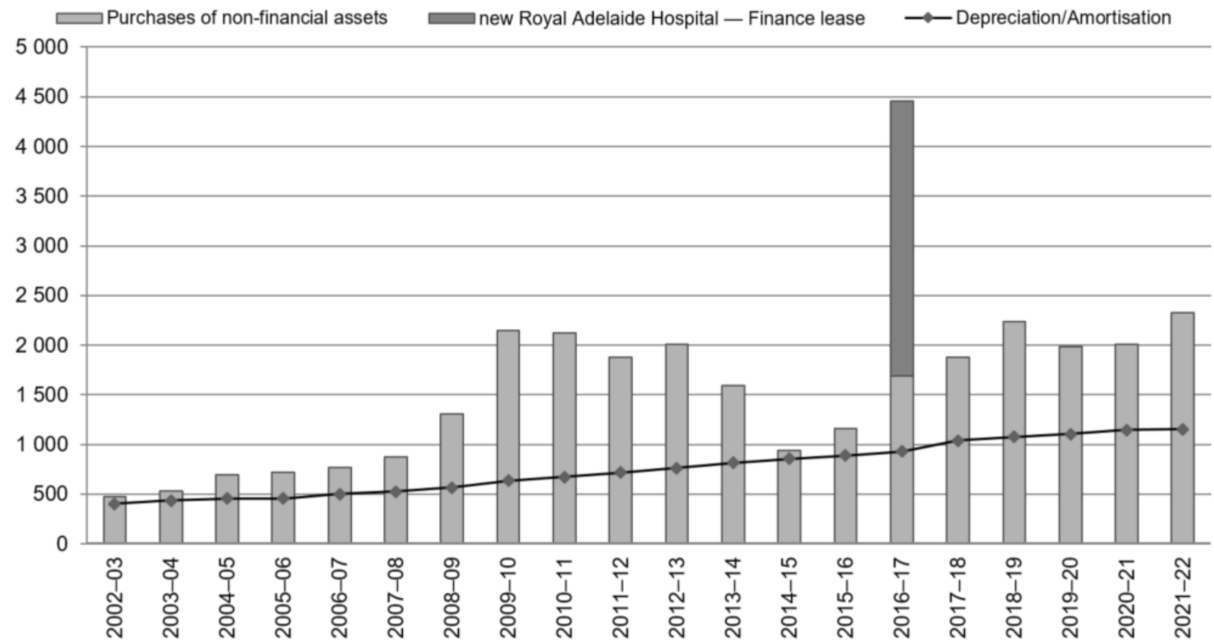
The increase in rail and bus network assets across the forward estimates is driven largely by the investment in the joint State and Commonwealth projects electrifying the Gawler Rail Line and the Oaklands Rail Crossing.

The general government investing program is expected to be $2.2 billion in 2018–19, compared with the 2017–18 estimated result of $1.9 billion. Strong levels of capital investment continue to increase the state's infrastructure base, stimulate the economy in the short-term and increase the state's long-term capacity to grow.

General government infrastructure investment is expected to exceed depreciation in all years over the forward estimates. The depreciation expense reflects the consumption of an asset's service potential. Depreciation totals $1.0 billion in 2017–18 and rises to $1.2 billion by 2021–22 as a result of the significant increase in the state's asset base over the same period.

Figure 4.2 illustrates the general government sector's capital investment across the forward estimates. The significant increase in 2021–22 reflects the new southern and northern schools ($261 million), Main South Road duplication from Seaford to Aldinga ($164 million), and the expected timing for construction of the new Adelaide Women's and Children's Hospital ($130 million).

Figure 4.2: General government sector purchases of non-financial assets ($million)



Non-financial public sector financial position

The NFPS comprises the general government sector and the PNFC sector.

Table 4.9 summarises key balance sheet indicators for the NFPS.

Table 4.9: Key balance sheet indicators — non-financial public sector

As at 30 June	2017 Actual	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Net debt						
$m	13 529	12 889	14 284	15 409	16 020	16 971
% of total revenue	69.6	63.6	69.1	73.3	74.3	76.4
% of GSP	13.1	12.1	12.8	13.3	13.2	13.4
Net financial liabilities						
$m	29 200	28 733	29 916	30 789	31 165	31 821
% of total revenue	150.2	141.8	144.8	146.4	144.6	143.3
Net financial worth						
$m	-28 042	-27 271	-28 510	-29 446	-29 821	-30 471
% of total revenue	-144.2	-134.6	-138.0	-140.0	-138.4	-137.2
Net worth						
$m	42 433	43 917	44 591	45 366	46 243	47 212
% of total revenue	218.2	216.8	215.8	215.7	214.6	212.6

NFPS net debt is projected to increase from $12.9 billion at 30 June 2018 to $17.0 billion at 30 June 2022.

The estimated ratio of net debt to revenue for the NFPS is expected to increase from 63.6 per cent as at 30 June 2018 to 76.4 per cent at 30 June 2022, which is largely due to the increase in net debt in the general government sector.

The net financial worth position of the NFPS mainly differs to the net financial worth of the general government sector due to:

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

Land and other fixed assets

Table 4.10 shows the projected holdings of land and other fixed assets for the NFPS across the forward estimates.

Table 4.10: Land and other fixed assets — non-financial public sector ($million)

As at 30 June	2018 Estimated Result	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Inventories	541	691	772	716	677
Land	12 914	13 026	13 104	13 214	13 331
Buildings and improvements	16 798	16 860	16 920	17 122	17 464
Water, sewerage and drainage assets	14 270	14 933	15 592	15 931	16 308
Road networks	19 770	20 688	21 198	21 760	22 413
Rail and bus networks	2 408	2 632	2 839	2 842	2 812
Other infrastructure assets	3 138	2 922	3 036	3 128	3 326
Heritage assets	1 272	1 271	1 272	1 273	1 274
Self-generating and regenerating assets	55	55	55	55	55
Total land and other fixed assets (net of provisions for depreciation)	**71 166**	**73 078**	**74 788**	**76 040**	**77 660**
Depreciation expense	**1 492**	**1 536**	**1 584**	**1 660**	**1 691**

Note: Totals may not add due to rounding.

The total value of land and other fixed assets for the NFPS is projected to rise from $71.2 billion at 30 June 2018 to $77.7 billion at 30 June 2022, mainly due to investment and revaluations in transport and water-related infrastructure.

The higher level of non-financial assets in the NFPS compared with the general government sector reflects the inclusion of assets held by PNFCs. 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 (SAHT).

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 or floating interest rate securities issued in Australia and through SAFA's short-term issuance programs.

Throughout the 2017–18 financial year, SAFA has had good access to markets and continues to hold adequate levels of liquidity to ensure the state can meet its obligations.

Term interest rates in major world bond markets, including the United States of America and Europe, have continued to move marginally higher from historically low levels over the course of the financial year. At the same time, credit spreads have been moving slightly wider, in line with the global environment.

SAFA's term borrowing rates have remained broadly unchanged over 2017–18. For instance, the interest rate on SAFA's May 2021 Select Line bond is unchanged at 2.25 per cent although this was seen to trade in a 2.1 per cent to 2.45 per cent range over the 2017–18 year. The interest rate on a corresponding Commonwealth Government bond is also unchanged at 2.05 per cent over the same period with an observed 1.9 per cent to 2.3 per cent range. This stability in SAFA bonds versus the same maturity Commonwealth Government bond was consistent across the curve. The government's debt management objective is to minimise the long-term average interest cost subject to acceptable levels of interest rate risk.

Debt is managed within a duration range of one to five years. There is no discretion to have an interest rate position outside that range. Interest rate risks are also controlled by the use of risk limits. These risk limits, based on industry standard measures, serve to limit the exposure of the portfolio to changes in market prices (yields). The debt management framework is reviewed regularly and such reviews 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 long-term housing agreement debt with the Commonwealth Government. This is managed within the duration of the general government sector debt.

The framework for managing the debt of PNFCs, such as SA Water, is determined by the individual corporations.

Insurance arrangements

SAFA manages the government's insurance arrangements through a separate insurance division using the trading name SAicorp.

The insurance function of SAFA is operated through four funds specifically established in the authority'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 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 program
- pay service providers for advice and services as required in connection with the insurance program.

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

Premium revenue earned by SAFA from client agencies for 2017–18 was $43.7 million ($42.4 million for 2016–17). 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 2018, SAicorp Insurance Fund 1 had:

- total assets of $589.9 million
- total liabilities of $353.0 million, including outstanding claim liabilities of $352.5 million, Medical malpractice claims accounted for $280.2 million of the outstanding claim liabilities
- net assets (free reserves) of $236.9 million.

SAicorp aims to maintain its level of free reserves (total assets over total liabilities expressed as a percentage) within a target range of 125 per cent to 165 per cent. At 30 June 2018 the level of free reserves was 167 per cent, which is just above the target range. SAicorp operated within its target level of reserves for most of the year and only exceeded the target range in June 2018.

Two other funds (SAicorp Insurance Fund 2 and SAicorp Insurance Fund 3) are retained for other residual claims, with these being in a break even position and indemnified by the Treasurer.

On 18 June 2018 a new fund (SAicorp Insurance Fund 4) was established to pay claims against the South Australian Government under the National Redress Scheme for Institutional Child Sexual Abuse (the Scheme). The sum of $146.4 million was transferred to this new fund from the Victims of Crime Fund for the purpose of paying claims made under the Scheme.

Chapter 5: Government businesses

Overview

This chapter outlines the major developments and performance of government businesses. Government business is a broad term that captures both public non-financial corporations (government controlled entities that are engaged mainly in the production of marketable goods and/or services) and public financial corporations (government controlled entities engaged mainly in financial intermediation or other financial services). A defining feature of a government business is that a significant proportion of its operational costs are recovered through user charges. A complete list of government businesses is contained in Appendix D.

Key budget aggregates for the state's government businesses are shown in Table 5.1.

Table 5.1: Key budget aggregates for government businesses ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Public non-financial corporations						
Net contribution to/from government[(a)]	- 186.6	- 274.5	- 334.1	- 275.7	- 328.7	- 334.0
Capital investment	817.7	702.4	912.0	827.9	467.6	504.2
Net debt	7 870.0	7 557.0	7 995.5	8 332.6	8 270.2	8 319.6
Public financial corporations						
Net contribution to/from government[(a)]	352.4	420.7	198.8	120.1	55.7	47.4

(a) Net contribution to/from the government comprises income tax equivalents plus dividends less grants, subsidies and community service obligations. Positive indicates net contribution to government while negative indicates net contribution from government.

The net contribution from government to public non-financial corporations (PNFCs) in 2017–18 is $87.9 million higher than budget mainly due to the reinstatement of state grant payments to the South Australian Housing Trust (SAHT) and higher community service obligation (CSO) payments to Renewal SA reflecting budget adjustments associated with the commencement of the redevelopment of Lot Fourteen (the former Royal Adelaide Hospital site).

The net contribution to government from public financial corporations (PFCs) in 2017–18 is $68.3 million higher than budget mainly due to higher than budgeted dividends from the South Australian Government Financing Authority (SAFA), the Motor Accident Commission (MAC) and HomeStart Finance.

There have been a number of changes to government businesses since the 2017–18 Budget.

In September 2017, the former government announced that Renewal SA would project manage the redevelopment of Lot Fourteen. Under this arrangement, ownership of the site transferred to Renewal SA. Renewal SA is responsible for the demolition and remediation of the site, delivery of site infrastructure and services to new development sites and the marketing and leasing of allotments and sale of buildings.

From 1 July 2018, SAHT commenced operating as an independent housing authority under the *South Australian Housing Trust Act 1995*. The previous administrative arrangements between SAHT, Renewal SA and the Department of Human Services (DHS) were dissolved with relevant functions and FTEs transferred to SAHT. In addition, as part of this change, homelessness functions previously undertaken by DHS have transferred to SAHT.

Commencing in 2018–19, the Public Trustee will be receiving CSO payments for its non-commercial activities such as managing the affairs of disadvantaged personal estates, small trusts, regulation of private administrators and guardianship litigation matters. Under previous arrangements, these activities were funded by the Public Trustee resulting in a lower dividend to government. This change is consistent with competitive neutrality principles with respect to the non-commercial operations of government businesses and does not have an overall impact on the budget.

Commencing in 2018–19, SA Water will install solar photovoltaic (PV) generation and energy storage solutions around the state at a cost of up to $390.3 million to achieve zero net electricity costs by 2020–21 (Zero Net Electricity Cost 2020 project). This project aims to provide lower and more stable water and sewerage prices by reducing SA Water’s electricity cost volatility. SA Water will fund the project through additional borrowings which will impact on SA Water’s debt to asset ratio target of 45 per cent, and reduce special dividend payments to the government by around $186 million by 30 June 2022.

Financial arrangements and policy framework

Financial contributions in the form of dividends and income tax equivalent payments which are made by PNFCs and PFCs are recorded as part of the general government sector’s revenue. PNFCs and PFCs also pay guarantee fees to the government to ensure that their borrowing rates are consistent with what an equivalent private enterprise would be subject to. Grants, subsidies and CSO payments made to PNFCs and PFCs are recorded as expenditures of the general government sector.

Competitive neutrality policy

All jurisdictions signed the Competition Principles Agreement, which covers a range of matters including competitive neutrality policy and principles.

Among the requirements of the policy are that jurisdictions will ensure that their government business enterprises are subject to the same government taxes (or tax equivalent systems) and regulations that private sector businesses are normally subject to. In addition, the policy requires the payment of guarantee fees to adjust for the funding cost advantage government businesses have from borrowing through the South Australian Government.

All jurisdictions recommitted to the principles in the Competition Principles Agreement at the Council of Australian Governments (COAG) meeting on 10 February 2006, and signed the Competition and Infrastructure Reform Agreement. The objectives listed under the agreement in relation to competitive neutrality of government business enterprises are:

- that the enterprise has clear commercial objectives
- that any non-commercial objectives or obligations established for the enterprise are clearly specified and publicly reported
- that enterprises do not exercise regulatory or planning approval functions in circumstances in which they compete with private sector enterprises.

Heads of Treasuries monitor and report annually to COAG on the operation of the enhanced competitive neutrality principles in the Competition and Infrastructure Reform Agreement. States are required to complete a competitive neutrality matrix template and self-assess compliance against criteria that reflect obligations under the Competition Principles Agreement and the Competition and

Infrastructure Reform Agreement. Information on the status of significant business activities is published by the Department of the Premier and Cabinet on its website <dpc.sa.gov.au>.

Guarantee fees

Government guarantees on borrowed funds reduce borrowing costs for government businesses. Guarantee fees are charged for this funding cost advantage.

Guarantee fees are determined each year based on estimated credit margins (spreads) between the cost at which lower-rated entities or entities that have no assigned credit rating could borrow on a stand-alone basis and the cost at which they can borrow through the Government of South Australia.

Community service obligations

A CSO arises when the government specifically requires a government business to carry out activities that it would not elect to do on a commercial basis, and which the government does not require other businesses in the public or private sectors to generally undertake, or which it would only do commercially at higher prices.

CSO payments are required to be made for all non-commercial activities that government businesses are required to undertake and must be transparent and clearly reported.

CSO payments are made to SA Water, Renewal SA, ForestrySA, HomeStart Finance and the Public Trustee. The largest CSO payment is to SA Water to ensure that water and sewerage prices are applied uniformly across the state. SA Water also receives CSO payments in relation to exemptions and concessions for certain classes of customers and to provide services to regional aboriginal communities. Renewal SA receives CSO payments for redevelopment projects such as at Lot Fourteen and Tonsley reflecting that aspects of these redevelopments do not make a commercial return.

Grants and subsidies

Grants and subsidies are paid to government business enterprises to achieve social and policy initiatives, where responsibility for the outcomes is shared between different levels of government.

For example, the Commonwealth Government provides grant payments to the state under the National Housing and Homelessness Agreement to support the state's delivery of programs, services and reforms with respect to housing, homelessness and housing affordability. The Commonwealth and the state governments recognise that they have a mutual interest to improve access to affordable, safe and sustainable housing across the housing spectrum, including to prevent and address homelessness. Grant revenue received from the Commonwealth Government is on-passed to SAHT. In addition, the state government provides grant payments to SAHT to contribute to the costs incurred by SAHT to deliver services.

Other grants and subsidies primarily reflect payments made to the Adelaide Venue Management Corporation (AVMC) for interest and guarantee fees paid on its borrowings, and the Adelaide Festival Centre Trust (AFCT) to assist in the maintenance cost of various assets.

Public non-financial corporations

Operating performance

Table 5.2 provides key budget aggregates for the PNFC sector.

Table 5.2: Public non-financial corporation sector budget aggregates ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Net operating balance before dividends and income tax equivalents						
SA Water	213.3	264.4	257.0	300.7	267.7	278.9
Renewal SA	19.8	26.0	23.8	40.4	32.5	57.6
South Australian Housing Trust	- 118.4	- 85.9	- 115.6	- 97.3	- 102.9	- 102.5
Other	- 6.3	- 10.6	- 7.4	- 8.4	- 8.6	- 6.2
Net operating balance before dividends and income tax equivalents	**108.3**	**193.9**	**157.7**	**235.5**	**188.7**	**227.8**
less Dividends	162.3	156.4	169.0	191.2	178.5	187.3
less Income tax equivalents	70.0	65.3	75.4	92.2	83.6	84.8
equals						
Net operating balance	**- 123.9**	**- 27.8**	**- 86.6**	**- 47.9**	**- 73.4**	**- 44.2**
less						
Net acquisition of non-financial assets						
Gross fixed capital formation[(a)]	658.7	558.9	702.5	685.7	377.9	419.3
less Depreciation	454.5	454.0	463.1	482.0	513.9	537.9
plus Change in inventories	- 14.1	- 7.0	149.6	78.4	- 57.5	- 42.9
equals Total net acquisition of non-financial assets	190.1	98.0	389.1	282.2	- 193.6	- 161.5
equals						
Net lending/borrowing[(b)]	**- 314.0**	**- 125.7**	**- 475.7**	**- 330.1**	**120.1**	**117.3**

Note: Totals may not add due to rounding.

(a) Gross fixed capital formation comprises purchases of non-financial assets (including contributed assets) less sales of non-financial assets (including donated assets).

(b) A negative net lending result means that revenues are insufficient to fund operating and investing expenditure, resulting in increased liabilities.

The 2017–18 estimated net operating surplus before dividends and income tax equivalents for the PNFC sector is $85.6 million higher than budget reflecting improved financial performance in SA Water and the reinstatement of state grant payments to SAHT.

The 2018–19 net operating surplus before dividends and income tax equivalents for the PNFC sector is $36.2 million lower than the 2017–18 estimated result. This mainly reflects higher operating expenses and lower net rent revenue for SAHT and higher forecast borrowing and depreciation costs from higher capital expenditure for SA Water.

The 2017–18 estimated gross fixed capital formation is $99.8 million lower than budget primarily reflecting delays in Commonwealth Government funding and capital expenditure on the Northern Adelaide Irrigation Scheme by SA Water and delays in capital expenditure on the Her Majesty's Theatre redevelopment by the AFCT.

The 2018–19 gross fixed capital formation is $143.6 million higher than the 2017–18 estimated result mainly due to SA Water's capital expenditure on the Zero Net Electricity Cost 2020 project and the

Northern Adelaide Irrigation Scheme and the AFCT's capital expenditure on Her Majesty's Theatre. This is partially offset by an increase in SAHT's and Renewal SA's asset sales programs.

Net Contributions

Table 5.3 summarises net contributions to/from the government by PNFC entities, which comprise income tax equivalents, dividends, grants, subsidies and CSOs. While SA Water makes a substantial net contribution to the general government sector each year, overall the PNFC sector is a net recipient of distribution from the general government sector mainly due to SAHT not generating commercial returns.

Table 5.3: Net contributions from public non-financial corporations to/from the government ($million)[a]

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Income tax equivalents						
SA Water	62.6	60.3	70.1	86.6	76.0	79.2
Renewal SA	6.5	4.3	3.4	3.5	5.2	2.8
South Australian Housing Trust	—	—	—	—	—	—
Other	0.8	0.7	1.9	2.1	2.5	2.7
Total income tax equivalents	**70.0**	**65.3**	**75.4**	**92.2**	**83.6**	**84.8**
plus **Dividends**						
SA Water	138.8	137.4	155.3	176.9	160.0	173.3
Renewal SA	13.9	9.2	7.3	7.6	11.0	6.1
South Australian Housing Trust	—	—	—	—	—	—
Other	9.6	9.8	6.3	6.7	7.5	7.9
Total dividends	**162.3**	**156.4**	**169.0**	**191.2**	**178.5**	**187.3**
less **Grants and subsidies[b]**						
SA Water	3.1	5.7	7.8	3.0	3.1	3.2
Renewal SA	0.3	1.3	1.0	0.3	0.3	0.3
South Australian Housing Trust	206.5	257.3	334.5	339.5	346.8	351.3
Other	50.2	55.1	49.1	46.8	48.3	48.7
Total grants and subsidies	**260.1**	**319.4**	**392.4**	**389.7**	**398.5**	**403.5**
less **CSOs**						
SA Water	142.4	144.8	140.2	135.3	136.3	137.3
Renewal SA	11.9	27.6	37.3	25.5	46.8	55.7
South Australian Housing Trust	—	—	—	—	—	—
Other	4.4	4.4	8.4	8.7	9.1	9.6
Total CSOs	**158.7**	**176.8**	**186.0**	**169.5**	**192.3**	**202.5**
equals **Net contribution to/from government[c]**						
SA Water	55.8	47.2	77.4	125.2	96.5	112.1
Renewal SA	8.2	- 15.5	- 27.6	- 14.7	- 31.0	- 47.1
South Australian Housing Trust	- 206.5	- 257.3	- 334.5	- 339.5	- 346.8	- 351.3
Other	- 44.1	- 48.9	- 49.3	- 46.8	- 47.5	- 47.7
Total net contribution to/from government	**- 186.6**	**- 274.5**	**- 334.1**	**- 275.7**	**- 328.7**	**- 334.0**

Note: Totals may not add due to rounding.

(a) Table 5.3 is presented on an accrual basis.

(b) Grants and subsidies are recognised in accordance with ABS classification standards and include Commonwealth Government grants and subsidies paid through the state government.

(c) Positive indicates net contribution to government while negative indicates net contribution from government.

The 2017–18 estimated net contribution from government to the PNFC sector is $87.9 million higher than budget mainly due to the reinstatement of state grant payments to SAHT and higher than budgeted CSO payments to Renewal SA, reflecting budget adjustments associated with the commencement of the redevelopment of Lot Fourteen.

The net contribution from government to other PNFCs primarily reflect grants and subsidies made to the AVMC and the AFCT. Payments to AVMC relate to interest and guarantee fees paid on its borrowings and payments to AFCT are for the promotion of the arts sector and to assist with maintenance costs for various assets, including Her Majesty's Theatre and the Adelaide Festival Centre.

Capital investment

Table 5.4 summarises the overall purchases on non-financial assets by PNFC entities. Purchase of non-financial assets includes investing expenditure and contributed assets.

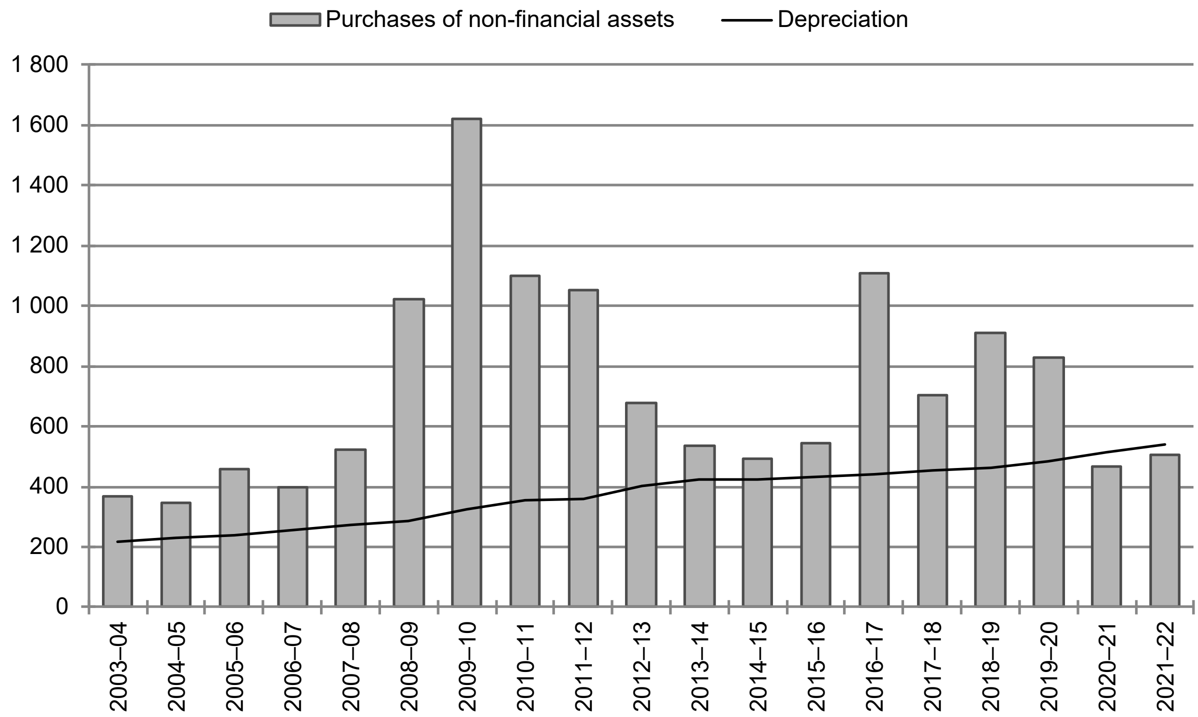
Table 5.4: Public non-financial corporations' purchases of non-financial assets ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Adelaide Cemeteries Authority	1.5	1.5	2.6	2.8	2.1	1.6
Adelaide Venue Management Corporation	23.6	24.0	4.1	4.2	4.3	4.4
Adelaide Festival Centre Trust	43.8	15.8	53.2	6.7	—	—
ForestrySA	0.3	0.7	0.4	0.3	—	—
Public Trustee	0.3	0.2	0.5	0.3	0.8	0.3
Renewal SA	7.6	0.3	—	—	—	—
SA Water	535.8	477.9	634.9	663.9	384.2	429.2
South Australian Government Employee Residential Properties	7.5	6.7	6.8	7.0	7.2	7.4
South Australian Housing Trust	191.4	169.1	207.0	139.7	65.2	58.6
West Beach Trust	6.0	6.2	2.5	2.9	3.9	2.7
Total purchases of non-financial assets	**817.7**	**702.4**	**912.0**	**827.9**	**467.6**	**504.2**
Total sales of non-financial assets	**159.0**	**143.5**	**209.5**	**142.1**	**89.8**	**84.9**
Gross fixed capital formation	**658.7**	**558.9**	**702.5**	**685.7**	**377.9**	**419.3**

Note: Totals may not add due to rounding.

Figure 5.1 shows the actual and estimated purchases of non-financial assets and associated depreciation in the PNFC sector from 2003–04 to the end of the current forward estimates in 2021–22.

Figure 5.1: Public non-financial corporations' purchases of non-financial assets ($million)



Total purchases of non-financial assets by the PNFC sector is budgeted to be $912.0 million in 2018–19, $209.6 million higher than the 2017–18 estimated result primarily due to additional expenditure by SA Water for the Zero Net Electricity Cost 2020 project and the Northern Adelaide Irrigation Scheme and additional expenditure by the AFCT on Her Majesty's Theatre.

Significant capital investment in 2018–19 includes:

- SA Water's investment program of $634.9 million, comprising major projects such as the Zero Net Electricity Cost 2020 project, the Northern Adelaide Irrigation Scheme, Murray Bridge Wastewater Treatment Plant Relocation and the Kangaroo Creek Dam Safety project
- SAHT's investment program of $207.0 million comprising public housing redevelopment and capital maintenance programs
- AFCT's investment program of $53.2 million, primarily the redevelopment of Her Majesty's Theatre.

The projected decrease in capital expenditure from 2018–19 to 2021–22 reflects major projects being finalised including the Zero Net Electricity Cost 2020 project, the Northern Adelaide Irrigation Scheme and Murray Bridge Wastewater Treatment Plant by SA Water, a reduction in SAHT's public housing redevelopment program and the completion of Her Majesty's Theatre by the AFCT.

Total sales of non-financial assets comprises sales of property, plant and equipment. The projected decline in total sales of non-financial assets across the forward estimates mainly reflects a reduction in asset sales by SAHT due to the conclusion of the accelerated Better Neighbourhoods and 1000 houses in 1000 days programs by the end of 2019–20.

The following table provides an expanded summary of the capital programs and the major capital projects that are being undertaken by PNFC entities.

Table 5.5: Capital investment programs ($million)

	Estimated completion quarter	2018–19 Budget	Estimated total cost
SA Water major projects			
Zero Net Electricity Cost 2020	Jun 2020	104.4	390.3
Northern Adelaide Irrigation Scheme	Jun 2022	63.5	155.6
Murray Bridge Wastewater Treatment Plant Relocation	Dec 2021	34.6	52.5
Kangaroo Creek Dam Safety	Mar 2020	32.0	119.9
Orroroo Water Quality Improvement	Jun 2019	10.3	12.3
Other major projects		88.7	n.a.
Total SA Water major projects		**333.6**	**n.a.**
SA Water annual programs			
Structures	n.a.	50.9	n.a.
Mechanical and Electrical Renewal	n.a.	38.4	n.a.
Pipe Network Renewal	n.a.	38.3	n.a.
Network Extension	n.a.	35.9	n.a.
Information Technology	n.a.	34.9	n.a.
Safety	n.a.	30.5	n.a.
Environmental Improvement	n.a.	11.6	n.a.
Water Quality Management	n.a.	10.3	n.a.
Other annual programs		26.6	n.a.
Total SA Water annual programs		**277.4**	**n.a.**
Total SA Water contributed assets		**23.9**	**n.a.**
Total SA Water		**634.9**	**n.a.**
South Australian Housing Trust			
Better Neighbourhoods Program	n.a.	51.8	n.a.
Economic Stimulus — construction of social housing[(a)]	Jun 2020	58.2	121.6
Business Systems Transformation	Dec 2020	14.6	41.1
Remote Indigenous Housing	Jun 2020	14.5	214.1
Other capital investment		67.9	n.a.
Total South Australian Housing Trust		**207.0**	**n.a.**
Adelaide Festival Centre Trust			
Her Majesty's Theatre Redevelopment[(b)]	Dec 2019	50.7	72.8
Other capital investment		2.4	n.a.
Total Adelaide Festival Centre Trust		**53.2**	**n.a.**
Other PNFC entities		**16.9**	**n.a.**
Total capital investment		**912.0**	**n.a.**

Note: Totals may not add due to rounding.

(a) This project relates to the '1000 houses in 1000 days' program.

(b) Includes the purchase of Her Majesty's Theatre from Arts SA.

Net debt

The estimated net debt of the PNFC sector is expected to be $7.6 billion at 30 June 2018. This is $313.0 million lower than budget primarily reflecting SA Water's lower borrowing requirement to maintain its debt to asset ratio at 45 per cent and delays in capital expenditure and associated borrowings for projects including the Northern Adelaide Irrigation Scheme.

The increase in Renewal SA's net debt to 30 June 2020 and subsequent decline reflects redevelopment expenditure and sales revenue primarily associated with Lot Fourteen.

Net debt is forecast to increase to $8.3 billion by 30 June 2022 mainly reflecting SA Water increasing borrowings by $738.7 million to deliver continued capital investment, including the Zero Net Electricity Cost 2020 project and the Northern Adelaide Irrigation Scheme project, and to maintain its debt to asset ratio at 45 per cent.

Table 5.6: Public non-financial corporations sector net debt ($million)[(a)]

	Net debt as at 30 June					
	2018 Budget	**2018 Estimate**	**2019 Budget**	**2020 Estimate**	**2021 Estimate**	**2022 Estimate**
Adelaide Cemeteries Authority	- 2.1	- 2.9	- 1.7	- 0.2	0.5	0.7
Adelaide Festival Centre Trust	9.1	- 2.2	45.8	50.8	50.5	50.3
Adelaide Venue Management Corporation	331.6	347.1	345.5	343.1	340.1	336.1
Electricity Lease Entities	- 4.5	- 4.3	- 4.6	- 4.8	- 5.0	- 5.2
ForestrySA	- 25.6	- 16.0	- 15.9	- 15.4	- 15.2	- 14.9
Public Trustee	- 17.4	- 17.9	- 18.5	- 19.5	- 19.5	- 20.0
Renewal SA	892.4	876.8	987.5	1 036.5	953.5	860.6
SA Water	6 732.1	6 519.4	6 757.2	7 041.6	7 078.5	7 258.1
South Australian Government Employee Residential Properties	34.2	33.3	34.0	34.6	35.3	35.9
South Australian Housing Trust	- 89.1	- 185.6	- 142.3	- 142.5	- 157.2	- 189.4
West Beach Trust	9.3	9.2	8.7	8.3	8.5	7.4
Total PNFC net debt	**7 870.0**	**7 557.0**	**7 995.5**	**8 332.6**	**8 270.2**	**8 319.6**

Note: Totals may not add due to rounding.

(a) Negative net debt implies cash and cash equivalents exceed borrowings and advances received.

SA Water

Table 5.7: Net contributions from SA Water to the government, capital investment and net debt ($million)

	2017–18 Budget	**2017–18 Estimated Result**	**2018–19 Budget**	**2019–20 Estimate**	**2020–21 Estimate**	**2021–22 Estimate**
Income tax equivalents	62.6	60.3	70.1	86.6	76.0	79.2
plus						
Dividends	138.8	137.4	155.3	176.9	160.0	173.3
less						
Grants, subsidies and CSOs	145.5	150.5	148.0	138.3	139.4	140.4
equals						
Net contribution to/from government	**55.8**	**47.2**	**77.4**	**125.2**	**96.5**	**112.1**
Capital investment	**535.8**	**477.9**	**634.9**	**663.9**	**384.2**	**429.2**
Net debt	**6 732.1**	**6 519.4**	**6 757.2**	**7 041.6**	**7 078.5**	**7 258.1**

Note: Totals may not add due to rounding.

The government is estimated to receive a net contribution from SA Water in 2017–18 of $47.2 million, $8.6 million lower than budget. This is mainly due to the write-off of seasonal water allocations held by SA Water that are no longer available, the write-off of sewerage and water mains as part of accelerated capital works on the Pipe Network Renewal, partially offset by lower net electricity, borrowing and other costs.

The government is estimated to receive a net contribution from SA Water in 2018–19 of $77.4 million, $30.2 million higher than the 2017–18 estimated result primarily reflecting 2018–19 Budget savings including net electricity savings expected as a result of the Zero Net Electricity Cost 2020 project. The net contribution to government is expected to increase further in 2019–20 as a result of additional net electricity cost savings from this project and other efficiencies. From 2020–21, it is expected that some of these savings will be passed on to customers reflecting the commencement of SA Water's next regulatory period on 1 July 2020.

In 2018–19, SA Water's capital expenditure is forecast to increase by $157.0 million mainly due to the Zero Net Electricity Cost 2020 project and further expenditure on the Northern Adelaide Irrigation Scheme.

The Zero Net Electricity Cost 2020 project will be funded through additional borrowings which will impact on the ability of SA Water to make special dividend payments to the government to maintain its gearing ratio target of 45 per cent. Maintaining SA Water's gearing level at around 45 per cent will ensure its gearing continues to be in line with its interstate peers.

Renewal SA

Table 5.8: Net contributions from/to Renewal SA to/from the government, capital investment and net debt ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Income tax equivalents	6.5	4.3	3.4	3.5	5.2	2.8
plus						
Dividends	13.9	9.2	7.3	7.6	11.0	6.1
less						
Grants, subsidies and CSOs	12.2	29.0	38.4	25.8	47.2	56.1
equals						
Net contribution to/from government	**8.2**	**- 15.5**	**- 27.6**	**- 14.7**	**- 31.0**	**- 47.1**
Capital investment	**7.6**	**0.3**	**—**	**—**	**—**	**—**
Net debt	**892.4**	**876.8**	**987.5**	**1 036.5**	**953.5**	**860.6**

Note: Totals may not add due to rounding.

Renewal SA's business operations are heavily influenced by the level of activity in the building and construction sector, with major influences over the forward estimates being the demand for new housing within Renewal SA's existing residential development projects and the demand for industrial and commercial land, which is typically sought in proximity to major transport related infrastructure.

Due to these factors, the level of Renewal SA's profit and returns to government varies from year to year. Dividends and income tax equivalent payments to government across the forward estimates reflect the expected timing of sales associated with Renewal SA's major developments.

The 2017–18 estimated dividends and income tax equivalent payments to government is $6.9 million lower than budget due to the removal of a donated asset from the Department of Planning, Transport and Infrastructure reflecting that Renewal SA will not be relocating to Port Adelaide.

The 2017–18 estimated grant, subsidy and CSO payments to Renewal SA is $16.8 million higher than budget due to the commencement of CSO payments for the redevelopment of Lot Fourteen. The profile of CSO payments across the forward estimates primarily reflects activities at Lot Fourteen and Tonsley.

Renewal SA is responsible for project managing the redevelopment of Lot Fourteen, including establishment of the facility for the innovation and commercialisation precinct at the site. Renewal SA's total approved expenditure for Lot Fourteen is estimated at $400 million over the expected nine year life of the project. The $400 million expenditure is to be funded from the sale or lease of buildings and allotments ($133.8 million), other revenue including lease income and recovery of outgoings ($42.6 million) with the balance funded by CSO payments from the government.

Renewal SA's primary revenue streams include land sales and rental revenue from the ownership of the TAFE SA properties. A commercial income stream from the ownership of the TAFE SA properties supports Renewal SA's profitability across the forward estimates.

South Australian Housing Trust

Table 5.9: Net contributions to the South Australian Housing Trust from the government, capital investment and net debt ($million)[(a)]

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Income tax equivalents	—	—	—	—	—	—
plus						
Dividends	—	—	—	—	—	—
less						
Grants, subsidies and CSOs	206.5	257.3	334.5	339.5	346.8	351.3
equals						
Net contribution to/from government	**- 206.5**	**- 257.3**	**- 334.5**	**- 339.5**	**- 346.8**	**- 351.3**
Capital investment	**191.4**	**169.1**	**207.0**	**139.7**	**65.2**	**58.6**
Net debt	**- 89.1**	**- 185.6**	**- 142.3**	**- 142.5**	**- 157.2**	**- 189.4**

Note: Totals may not add due to rounding.

(a) SAHT is subject to the tax equivalent regime, however no income tax equivalent payments are forecast over the forward estimates as SAHT is not projected to make a profit. SAHT is not required to make dividend payments to the government.

SAHT facilitates a range of housing options for South Australians.

While SAHT earns revenue from rents paid by tenants it does not fully recover the cost of providing social housing services and programs to tenants and clients.

SAHT receives funding from the Commonwealth Government and the state government for social housing and homelessness. Grant funding provided to SAHT in 2017–18 is estimated to be $50.8 million higher than budget mainly due to the reinstatement of grant payments from the state government. Grant funding is expected to increase further in 2018–19 as a result of the transfer of responsibility for homelessness services from DHS to SAHT.

From 1 July 2018, SAHT commenced operating as an independent housing authority under the *South Australian Housing Trust Act 1995*. The previous administrative arrangements between SAHT, Renewal SA and DHS were dissolved with relevant functions and FTEs transferred to SAHT.

To revitalise ageing SAHT public housing stock, SAHT (previously through Renewal SA) has been undertaking initiatives such as the Renewing Our Streets and Suburbs program and partnering with other government agencies, not-for-profit providers, industry and the community in relation to the transfer of public housing properties. SAHT's capital expenditure is expected to be $169.1 million in 2017–18 primarily due to the accelerated Better Neighbourhoods and 1000 houses in 1000 days programs. SAHT's capital expenditure is then expected to decline by 2020–21 due to the conclusion of these programs by the end of 2019–20.

Public financial corporations

The public financial corporation (PFC) sector includes HomeStart Finance, the Lifetime Support Authority, Motor Accident Commission (MAC), Return to Work Corporation of South Australia (ReturnToWorkSA), South Australian Government Financing Authority (SAFA) and Superannuation Funds Management Corporation of South Australia (Funds SA).

PFCs that make contributions to the government are shown in table 5.10.

Table 5.10: Net contributions to/from public financial corporations to the government ($million)

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Income tax equivalents						
HomeStart Finance	4.7	5.5	5.6	6.6	7.1	7.1
Motor Accident Commission	—	—	—	—	—	—
Return to Work Corporation of South Australia	—	1.0	1.8	—	—	—
South Australian Government Financing Authority	10.4	33.8	12.0	10.7	10.7	10.7
Total income tax equivalents	**15.0**	**40.3**	**19.4**	**17.3**	**17.8**	**17.8**
plus **Dividends**						
HomeStart Finance	6.5	19.1	7.8	9.2	9.9	9.9
Motor Accident Commission	321.7	341.5	135.9	77.4	10.4	5.4
Return to Work Corporation of South Australia	—	—	—	—	—	—
South Australian Government Financing Authority	15.7	26.4	42.7	23.6	25.3	22.5
Total dividends	**343.9**	**387.0**	**186.4**	**110.2**	**45.7**	**37.8**
less **CSOs**						
HomeStart Finance	6.6	6.6	7.0	7.4	7.8	8.2
Motor Accident Commission	—	—	—	—	—	—
Return to Work Corporation of South Australia	—	—	—	—	—	—
South Australian Government Financing Authority	—	—	—	—	—	—
Total CSOs	**6.6**	**6.6**	**7.0**	**7.4**	**7.8**	**8.2**
equals **Net contribution to/from government**[(a)]						
HomeStart Finance	4.6	18.0	6.4	8.4	9.2	8.8
Motor Accident Commission	321.7	341.5	135.9	77.4	10.4	5.4
Return to Work Corporation of South Australia	—	1.0	1.8	—	—	—
South Australian Government Financing Authority	26.1	60.2	54.7	34.4	36.0	33.2
Total net contribution to/from government	**352.4**	**420.7**	**198.8**	**120.1**	**55.7**	**47.4**

Note: Totals may not add due to rounding.

(a) Net contribution to/from the government comprises income tax equivalents plus dividends less grants, subsidies and CSOs. Positive indicates net contribution to government while negative indicates net contribution from government.

The 2017–18 estimated net contribution from the PFC sector to government is $68.3 million higher than budget mainly due to higher than expected dividends from SAFA, MAC and HomeStart Finance.

Distributions from SAFA in 2017–18 are estimated to be $34.1 million higher than budget reflecting better than expected results arising from SAFA's treasury, fleet and insurance operations.

The 2017–18 estimated net contribution from HomeStart Finance to government is $13.4 million higher than budget primarily reflecting HomeStart Finance making an increased dividend payment to contribute to the broader agency efficiency measure introduced in the 2017–18 Mid-Year Budget Review.

ReturnToWorkSA is forecast to make a modest profit in 2017–18 and 2018–19 reflecting favourable market conditions for investments. While ReturnToWorkSA does not pay a dividend to the government, it is required to make an income tax equivalent payment on profits under the *Public Corporations Act 1993*.

As a result of the reforms to the CTP insurance market in South Australia, the government received a dividend from MAC of $341.5 million in 2017–18. This represents an increase of $19.8 million since the 2017–18 Budget.

It is anticipated that the reform of the CTP insurance market in South Australia will result in over $2.8 billion being paid to government between 2014–15 and 2021–22, comprising dividends of $1.7 billion, a return of equity of almost $0.9 billion and a private insurer approval fee of almost $0.3 billion, as shown in Table 5.11.

Table 5.11: Return to government from the reform of the CTP market in South Australia ($million)

	Actuals to 2016–17	2017–18 Estimated Result	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate	Total
Dividends	1 160.5	341.5	135.9	77.4	10.4	5.4	1 731.1
Return of equity	829.1	17.9	7.2	4.1	0.6	0.3	859.1
Return of equity — private insurer approval fee	259.4	—	—	—	—	—	259.4
Total releases and approval fee	**2 249.0**	**359.4**	**143.0**	**81.5**	**11.0**	**5.7**	**2 849.6**

Note: Totals may not add due to rounding.

Full-time equivalents (FTEs)

Table 5.12: Public non-financial corporations' and public financial corporations' employment

	Full-time equivalent employees as at 30 June				
	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate	2022 Estimate
Public non-financial corporations					
Adelaide Festival Centre Trust	210.0	254.0	254.0	254.0	254.0
Adelaide Venue Management Corporation	375.0	372.0	371.0	368.0	368.0
Public Trustee	184.2	183.8	177.8	174.8	174.8
Renewal SA	196.7	142.3	141.3	136.1	136.1
SA Water	1 570.9	1 564.9	1 545.4	1 532.4	1 527.5
South Australian Housing Trust	879.6	882.7	854.2	769.2	708.2
Other	199.8	199.8	199.8	201.8	201.8
Total public non-financial corporations	**3 616.2**	**3 599.5**	**3 543.5**	**3 436.3**	**3 370.4**
Public financial corporations					
HomeStart Finance	104.1	104.1	104.1	104.1	104.1
Lifetime Support Authority	50.1	61.4	70.0	75.0	80.0
Return to Work Corporation of South Australia	242.0	243.0	246.0	246.0	246.0
South Australian Government Financing Authority	81.5	78.3	78.3	78.3	78.3
Other	70.3	79.7	85.7	88.7	88.7
Total public financial corporations	**548.0**	**566.5**	**584.1**	**592.1**	**597.1**

Note: Totals may not add due to rounding.

The estimated aggregate workforce of the PNFC sector is estimated to be 3616.2 FTEs as at 30 June 2018, over 67 per cent of which relates to positions in SA Water and SAHT.

FTEs in the PNFC sector are estimated to decrease by 245.8 (6.8 per cent) between 30 June 2018 and 30 June 2022 primarily due to staffing reductions for SAHT and SA Water.

SAHT's FTEs are expected to increase slightly to 30 June 2019. This increase reflects the transfer of 50.1 FTEs from Renewal SA to SAHT on 1 July 2018 with the commencement of the independent housing authority, partially offset by staffing reductions due to efficiency measures.

The estimated aggregate workforce of the PFC sector is estimated to be 548.0 FTEs as at 30 June 2018, with a large proportion of positions within ReturnToWorkSA and HomeStart Finance.

FTEs in the PFC sector are estimated to increase by 49.1 FTEs (9.0 per cent) between 30 June 2018 and 30 June 2022 primarily due to the Lifetime Support Authority reflecting the expected increase in new scheme participants over that period (around 50 participants per annum).

Chapter 6: Risk statement

Overview

This chapter outlines the major financial risks that could affect the fiscal outlook set out in the 2018–19 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.

Budget estimates are made on assumptions and judgements 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 estimates contained in the budget, and the size of the potential variation typically increases 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 and financial markets, changes to demand for government services, and changes in Commonwealth Government funding and policy.

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.

Revenue risks

Taxation, grants, royalties and fines

State taxation revenues are exposed to variations and fluctuations in both the volume and value of activities that are subject to taxation. Broad based taxes such as payroll tax are influenced by general economic trends, whereas more narrowly based taxes are impacted by particular segments of economic activity. Price and activity trends in the property market generally have a greater impact on the short-term volatility of state taxation revenues than the broader economy because of the variability of transactional taxes and the share of revenues derived from property-based transactional taxes such as stamp duty.

Fluctuations in economic activity within the state increase 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 state government revenues. The pool of GST revenue grants allocated to the states and territories is directly influenced by national trends in consumer spending and housing construction, as well as population growth in each jurisdiction.

Furthermore, under the current horizontal fiscal equalisation (HFE) system, if South Australia's taxation revenues are constrained relative to other states and territories as a result of economic conditions, the HFE process will provide South Australia with a higher share of GST revenues. This means that in the medium to longer term, total South Australian revenues (the combination of GST revenue grants and own-source revenues) are primarily driven by the national economy. However, the HFE process operates with a lag and therefore fluctuations in state economic activity do have a greater short-term impact on overall revenues.

Specific economic-related risk factors include:

- the global economy. The latest International Monetary Fund World Economic Outlook (July) suggests that while global economic growth remains solid, the risk is that global economic growth could be weaker, including in the short term. Weaker international and national economic environments could reduce the demand for South Australian goods and services, with consequent impacts on investment and activity more broadly. International economic factors that can impact South Australia include:
  - global inflation could pick up more quickly than is currently expected, with implications for monetary policy decisions and financial markets, with a sharp tightening of financial conditions impacting on global demand
  - increasing trade protection, geopolitical tension and diminishing support for global economic integration could all be triggers for a reversal in global market sentiment and confidence, impacting demand for Australian exports. A rise in tariffs and non-tariff trade barriers could negatively affect market sentiment, disrupt global supply chains and slow the spread of new technologies, reducing global productivity and investment
  - there are continued concerns around the transitioning of the Chinese economy away from investment-based growth (largely credit driven) to consumption and services based growth. China is the state's most significant export market
- the performance of the Australian economy — in particular:
  - the Australian economy has seen solid growth in employment but there is uncertainty around whether this will start to flow into wage pressures and inflation
  - continued low growth in household income is a risk to the outlook for household consumption, especially given high levels of household debt
- in the South Australian economy:
  - agricultural output is subject to significant climate variability
  - the state's economy has undergone significant structural change with the recent closure of automotive manufacturing. The continued smooth transition of the state's economy to other industry sectors is fundamental to continued growth.

State taxation

Specific revenue risk areas for state tax collections are discussed below.

Payroll tax

Payroll tax tends to be influenced by broad economic trends, particularly employment, hours worked and wages growth.

There is a risk that employment or wages growth will be lower than forecast which would flow through as a reduction in payroll tax revenue. In addition, there are risks to revenue estimates associated with the composition of employment growth between firms that are subject to payroll tax and those that are not.

Impact: A 1.0 per cent change in taxable payrolls equates to about $14 million in payroll tax revenue.

Property taxes

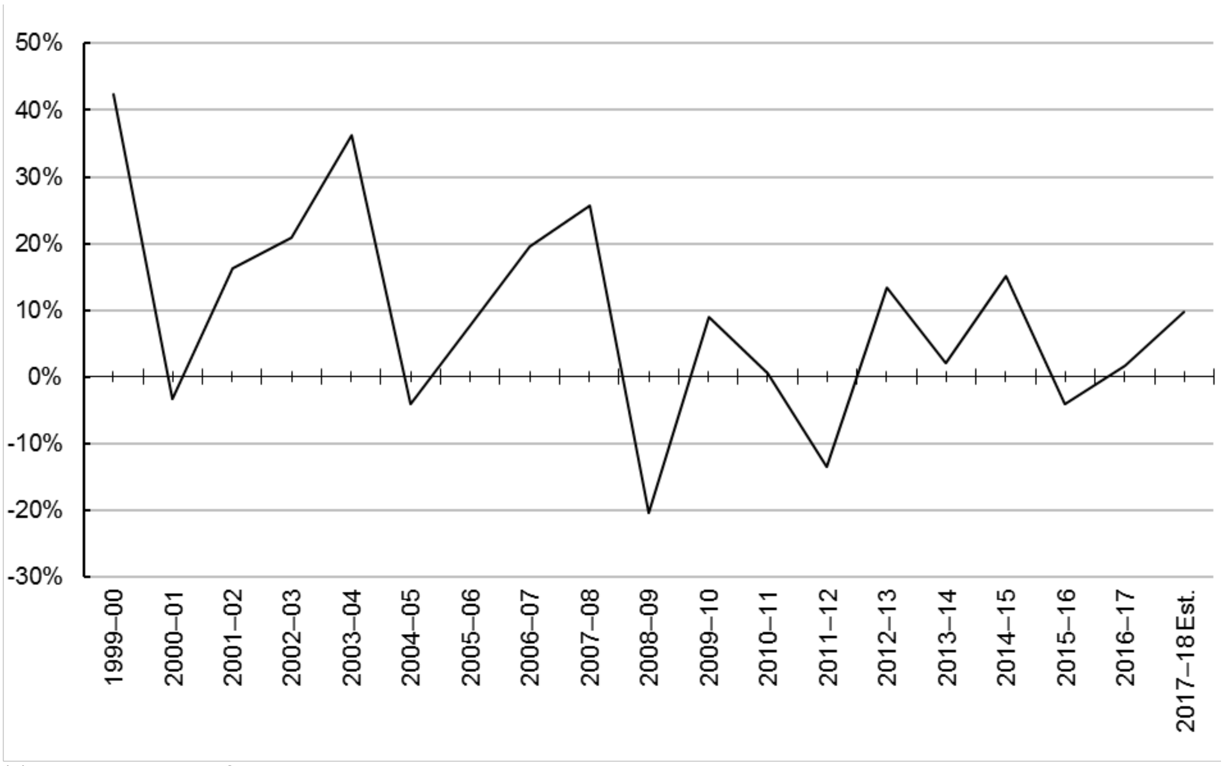
Conveyance duty revenue is exposed to local variations in the property market. Trends in property market values and activity levels can be difficult to predict particularly transaction numbers which can change significantly from one year to the next. Forward projections of conveyance duty revenue assume that underlying residential property market transactions will return to long term levels over the medium term.

There is a risk that property prices and/or activity levels will be lower than estimated, particularly if structural change in the economy causes uncertainty. On the other hand, the property market has experienced strong growth from time to time after periods of downturn.

This uncertainty makes forecasting of property taxes difficult, especially for conveyance duty receipts.

Figure 6.1 shows the annual growth in total conveyance duty revenue since 1999–2000. Over that time, annual growth in total conveyance duty revenue has ranged from around negative 20 per cent to positive 42 per cent.

Figure 6.1: Total conveyance duty — annual growth[(a)]



(a) Includes impact of policy changes

From 1 July 2018 transfers of non-residential property (excluding primary production) are not subject to conveyance duty. This reduces the number of transactions subject to duty over the forward estimates and the forecasting error associated with irregular timing of large commercial transactions.

Land tax receipts can also vary from expectations over the forward estimates period. Indexation of land tax thresholds commenced on 1 July 2011 and avoids the impact of bracket creep when property values are increasing, with growth in land tax revenues broadly in line with growth in land values.

Impact: A 1.0 per cent variation in 2018–19 property values equates to about $10 million in conveyance duty revenue, while a 1.0 per cent variation in transactions in 2018–19 equates to about $8 million in conveyance duty revenue.

A 1.0 per cent variation in land values equates to around $8 million in private land tax revenue in 2018–19 (after indexation of tax brackets for growth in land values).

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 growth in wages and incomes, debt servicing levels, the cost of essential items and perceived future spending needs. Regulatory reforms such as harm minimisation measures can also impact on gaming machine taxation revenue collections. The popularity of gaming machines compared to other forms of gambling and other activities more broadly can also impact on revenue collections.

In recent years growth in net gambling revenue from gaming machines has been low. Accordingly, underlying gaming machine expenditure is expected to grow only modestly over the forward estimates. The growth projection is, however, vulnerable to household budget shocks, for example increases in interest rates and petrol prices as well as increases in key basic living charges.

Impact: A variance of 1.0 per cent in hotel and club gaming machine expenditure equates to around $4 million in gambling tax revenue.

Insurance duty

Insurance premiums can vary significantly over time depending on the capacity of the market and can sometimes be affected by major insurable events around the world. Events such as the natural disasters in Australia and offshore may affect the level and type of insurance taken out by policy holders, as well as the price of insurance premiums. In recent years underlying growth in insurance tax receipts has been largely in line with expectations.

Impact: A variance of 1.0 per cent in premium levels equates to around $4 million in insurance duty.

Royalties

Mining and petroleum royalty revenue is exposed to external economic conditions. In particular, royalties are affected by exchange rates and changes in international prices particularly for oil, copper, iron ore, uranium and gold. Royalties can also be affected by changes to production levels, including the impact from natural occurrences (e.g. floods), unanticipated mine closures, unplanned operational incidents such as plant fires and failures as well as other unforeseen events.

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 conditions 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.

Impact: A 1.0 cent change in the US dollar/Australian dollar exchange rate has a direct revenue impact of about $4 million on royalty revenue. A 1.0 per cent change in international prices for copper, iron ore, uranium, gold, oil and petroleum liquids has a direct revenue impact of about $3 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.

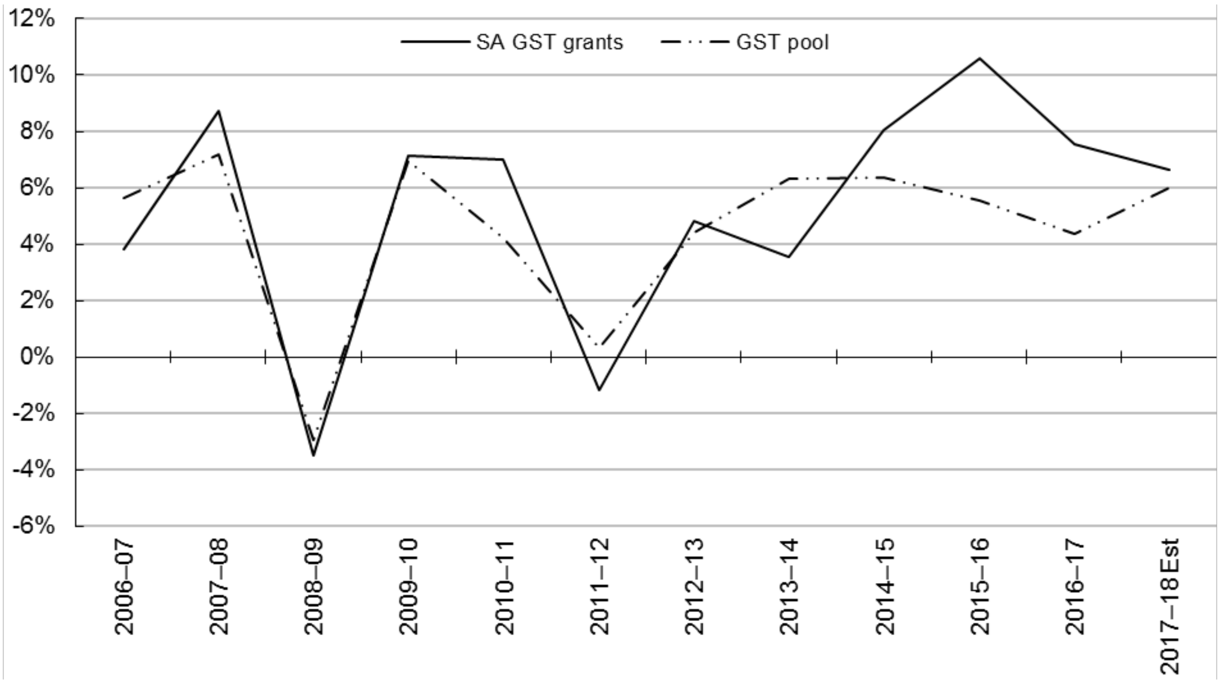
Impact: A variance of 1.0 per cent in the number of traffic infringement notices equates to around $1 million per annum in fines revenue.

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.

South Australia's GST revenue grants are driven by the size of the national GST pool and the state's population share. They are also impacted by changes to the state's share of the pool, which is determined by the Commonwealth Grants Commission (CGC) in accordance with current HFE principles. Figure 6.2 shows that annual growth in the GST pool and South Australia's GST revenue grants has fluctuated over the past 10 years. South Australia's GST revenue grants comprise around 35 per cent of total revenues and therefore the budget is particularly exposed to lower than expected growth in the GST pool.

Figure 6.2: GST pool and South Australia's GST revenue grants — annual growth



Impact: A 1.0 per cent change in GST pool growth has a revenue impact for South Australia of about $69 million per annum.

Changes to horizontal fiscal equalisation methodology and data

HFE currently aims to give each jurisdiction the same (per capita) fiscal capacity to provide an average level of services.

In Australia, GST revenue grants are the vehicle used to achieve HFE. South Australia receives around $2 billion more in GST revenue grants than it would if funding were distributed on a simple population (per capita) basis without consideration of the differing fiscal needs and capacities of each state.

The Commonwealth Government has recently released its interim response to the Productivity Commission's review into HFE.

The Productivity Commission's final report recommended a move away from full equalisation to a 'reasonable' level of equalisation. As part of this change the commission recommended a shift to the equalisation to the average of all states. If implemented, this proposal could see South Australia lose up to $600 million in GST revenue per annum based on information contained in the final report.

The Commonwealth Government's interim response supports a shift in the definition of HFE to providing a reasonable level of equalisation, but does not support a shift to equalising to the average of all jurisdictions recommended by the Productivity Commission. The Commonwealth Government is proposing that the system shift to equalisation to the state with the second strongest fiscal capacity (currently New South Wales). To limit any impacts on jurisdictions the Commonwealth Government is proposing to permanently increase the size of the GST pool by adding non-GST funding with the stated goal of insuring that no state is in a worse budget position as a result of the proposed change. It is proposed by the Commonwealth that this change would be phased in over the six years from 2021–22 to 2026–27.

In addition the Commonwealth have supported the investigation of broader assessments and materiality thresholds used as part of existing HFE formula.

The Commonwealth is consulting with all jurisdictions on the impacts of the proposed changes. The potential impact of these changes are being assessed and will depend on the details of the final Commonwealth Government response. The 2018–19 Budget estimates do not factor in the changes proposed by the Commonwealth reflecting that final arrangements are still to be negotiated.

Separately to the proposed change, changes to the methodology and data underlying the agreed HFE process, determined by the CGC, have the potential to significantly impact (both positively and negatively) on the state's revenue base and budget position.

Approximately every five years the CGC reviews the methodology it uses to distribute GST revenue grants in order to achieve HFE. The last methodology review was conducted in April 2015 and the next methodology review, which has now commenced, will conclude in February 2020.

In each annual update of relativities, the CGC updates its assessment for the latest available social, demographic and economic data. While the CGC's desire to improve data and data sources wherever possible is appropriate, this can lead to changes in annual relativities.

State relativities can vary significantly between annual updates, reflecting factors such as fluctuations in the value of mining output, variations in Commonwealth Government payments between states and differential growth rates in conveyance duty receipts.

Impact: A 0.01 change in South Australia's relativity (from the 2018 update relativity of 1.47727) would result in a change in GST revenue grants of about $42 million.

Specific purpose and National Partnership payments

Commonwealth-state funding arrangements are largely governed by Commonwealth Government legislation or the Intergovernmental Agreement on Federal Financial Relations (the IGA) agreed to by the Council of Australian Governments (COAG) in December 2008. The IGA provides for two national-specific purpose payments (SPPs) for skills and workforce development and disability services (to be phased out with the introduction of the NDIS) and Commonwealth Government legislative arrangements prescribe National Health Reform funding, Quality Schools funding and National Housing and Homelessness funding. In addition, National Partnership payments (NPPs) are paid to states to support delivery of specified projects or to facilitate or reward the implementation of reforms of national importance, including disability services to be funded under the National Partnership on DisabilityCare Australia Fund Payments upon the introduction of the NDIS.

The Commonwealth Government and the states are currently in negotiation over the details of the National School Reform Agreement and the National Health Reform Agreement with future funding arrangements to commence from 2019 and July 2020 respectively.

Impact: SPPs and NPPs from the Commonwealth Government account for about 22 per cent of state government revenues. Variations in their level or the conditions applying to these payments impact the budget.

Changes in profitability of government businesses

As part of their day-to-day operations, government business enterprises — comprising public non-financial corporations (PNFCs) such as SA Water and Renewal SA and public financial corporations (PFCs) such as the South Australian Government Financing Authority (SAFA) — 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 2018–19 to the general government sector from PNFCs and PFCs would have a $4.5 million impact on the budget.

Expenditure risks

Hospital expenditure growth

Hospital expenditure is a significant component of the budget and growth can therefore have a substantial impact on the budget.

The government is implementing a number of strategies to ensure that health services and infrastructure are provided for the South Australian community to deliver quality health outcomes efficiently.

The government has begun the implementation of Local Health Network (LHN) Governing Boards with the appointment of Board Chairs for each LHN. Significant work will be undertaken over the course of 2018–19 to prepare for the LHN Boards to commence full responsibility for overseeing clinical and financial outcomes for their respective networks from 2019–20.

Changes to Commonwealth funding for health also significantly impact on the state government's capacity to provide resources to the health system. The government has signed a Heads of Agreement between the Commonwealth and other signatory jurisdictions that is intended to form the basis of a new National Health Agreement to take effect from July 2020. The Heads of Agreement outlines the Commonwealth's commitment to continue current activity based funding arrangements to the states up to 2025, as well as to pursue reforms across both primary and tertiary care.

Impact: A 1.0 per cent growth in hospital expenditure above the level incorporated in the 2018–19 Budget would increase expenditure by approximately $56 million per annum.

Student enrolment numbers

The budget includes a best estimate of expected movements in the number of student enrolments. To the extent that actual enrolment numbers vary from those estimates there will be an impact on the state's financial position. Enrolments are impacted by growth in the school age population as well as shifts between government and private education.

Impact: A 1.0 per cent growth in government school enrolment numbers above the levels incorporated in the 2018–19 Budget would increase expenditure by approximately $21 million per annum.

Growth in children in care

The budget includes provisions for resourcing requirements of children in state care, including home-based, community residential and emergency care accommodation. The costs associated with children in care can be impacted by both growth in the number of children entering the child protection system as well as the type of care provided to children. Resources required for the residential and emergency care accommodation are significantly higher per child than home-based foster and kinship care.

Impact: Depending on the mix of care types, a 1.0 per cent growth in children in out-of-home care above the levels incorporated in the 2018–19 Budget would increase expenditure by approximately $4.1 million per annum.

Disability

During 2018–19 the state is expected to be in full National Disability Insurance Scheme (NDIS) arrangements with timing on full scheme depending on the transition of clients by the National Disability Insurance Agency to the NDIS. Under this arrangement the state will meet disability support costs through an annual fixed contribution (indexed) to the NDIS. Any growth in costs above this contribution will be met by the Commonwealth Government. In addition, any costs incurred by the state for disability clients that are have not transferred to the NDIS by 1 July 2018 will be offset by a commensurate reduction in the state's fixed NDIS contribution until those clients have been included in the scheme.

Under the NDIS, disability service providers, including government owned providers will need to meet NDIS service requirements and be able to compete at the NDIS price. To achieve this, South Australia has commenced transferring government owned disability services to the non-government sector. This is expected to be complete within the next few years. There are a range of issues that are being resolved as part of this process, including the effective wind down, closure or decommissioning of these services. Costs arising from this will require careful management.

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 2018–19 Budget.

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.

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 is estimated to be around $210 million in 2021–22.

Delivery of savings and revenue measures

Agency budgets include a continuation of the existing efficiency dividend policy of 1.0 per cent of the agency employee expenses budget per annum and a 1.0 per cent reduction in their net cost of services per annum. The policy applies to the majority of general government agencies and allows the flexibility to tailor savings to their particular operating structures to ensure more efficient ways of conducting business are pursued, without reducing the quality or level of services provided. The specific savings measures included in previous budgets have been substantially delivered.

The former government also introduced an additional efficiency measure in the 2017–18 MYBR that required agencies to find efficiency savings over the forward estimates of $370 million.

As part of the 2018–19 Budget the government has introduced new operating and investing savings measures of over $1.0 billion over the next four years. These are outlined in the budget documents.

With the exception of the Department of Health and Wellbeing, agencies have to date managed these efficiency savings requirements and will be required to continue to find expenditure efficiencies to deliver those savings. The Department of Health and Wellbeing has been provided with substantial additional resources as part of the 2018–19 Budget to reduce its savings requirement over the forward estimates but will still be required to identify efficiencies to achieve the national efficient price for hospital services over time.

Interest rates

Changes in interest rates affect the budget position of all sectors through changes in interest payments.

Impact: A 1.0 percentage point move in the average interest rate applying to general government sector net debt would change net interest expense by approximately $63 million in 2018–19 rising to $87 million in 2021–22.

A 1.0 percentage point move in interest rates applying to the PNFC sector would change their net interest expense which would affect contributions received by the general government sector from PNFCs by approximately $80 million in 2018–19.

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 $250 000. 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 agencies that source capital equipment, supplies and services from overseas. This includes items such as pharmaceuticals, transport equipment and the operations of overseas offices.

Capital investment

Project estimates include prudent allowances for cost escalations. Large capital programs increase the risk of additional costs.

Impact: If cost escalations exceed the allowances included in the investment program, there will be a negative impact on annual net lending outcomes. A 1.0 per cent increase in costs for the general government investment program would increase capital expenditure by approximately $22.3 million in 2018−19.

Superannuation liabilities and expenses

For defined benefit scheme superannuation liabilities (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

The unfunded superannuation liability is the state's biggest financial liability.

Impact: 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 $69 million. An increase in unfunded superannuation liabilities of this magnitude would increase nominal superannuation interest expenses, decreasing the net operating balance by around $1.9 million per annum.

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 $2.5 billion. However the impact on the budget net operating 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 $62 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 $2.1 billion and increase the imputed interest and reduce the net operating balance by $28 million.

Change in domestic and overseas share prices

Funds SA, ReturnToWorkSA, MAC and the insurance-related investments of SAFA are exposed to both domestic and international equity markets. Changes in domestic and overseas share prices impact on the investments 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 ReturnToWorkSA can impact the budget through the income tax equivalent payment received from ReturnToWorkSA.

A change in the value of SAFA's financial investments may have a direct impact on the budget through a variation in SAFA's income tax equivalent and dividend contributions.

Insurance

Risks associated with insurance liabilities are managed by SAICORP, the insurance division of SAFA. The operations of SAICORP are described in Chapter 4.

Contingent liabilities

Contingent liabilities are liabilities, or possible liabilities, that have not been recognised in the government's balance sheet because they:

- arise from past events, and will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the government, or
- are a present obligation that arises from past events but is not recognised because:
  - it is not probable that there will be a cost or other financial impact for the government to settle the obligation, or
  - the amount of the obligation cannot be measured with sufficient reliability.

Full details of the state's material quantifiable and non-quantifiable contingent liabilities are included in the Consolidated Financial Report as at 30 June 2017.

The state's quantifiable contingent liabilities are summarised in table 6.1.

Table 6.1: Contingent liabilities of the Government of South Australia to entities external to the public sector at 30 June ($million)

	2016	2017
Guarantees	920	904
Nyrstar indemnity	291	291
Other	109	66
Total	**1 320**	**1 261**

Note: Totals may not add due to rounding.

Final whole of government data for 2017–18 will be published in the Consolidated Financial Report as at 30 June 2018.

The information below provides 30 June 2017 data for the major individual contingent liabilities.

Summary of contingent liabilities and other exposures

Significant contingent liabilities and other specific exposures, both quantifiable and non-quantifiable, for the Government of South Australia include the following.

- 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 are guaranteed by the Treasurer.

  Exposure: $646 million at 30 June 2017 (compared with $665 million at 30 June 2016).

- Osborne Cogeneration arrangements — certain underlying exposures were retained as part of the sale of electricity assets. This contingent liability expires on 7 December 2018 when the Power Purchase Agreement between Osborne and Origin Energy expires.

  Exposure: $150 million to $200 million at 30 June 2017 (unchanged from 30 June 2016).

- Electricity entities — as part of the privatisation of the state's electricity assets, the government provided certain specified undertakings to the lessees. In the extremely remote event that these undertakings are not enforceable and the leasing arrangements are terminated, the state is required to make specified payments to the lessees and would receive the associated electricity infrastructure assets in return.

  Gross exposure: $1.3 billion at 30 June 2017 (compared with $1.4 billion at 30 June 2016).

- Alice Springs–Darwin Railway — both the South Australian and Northern Territory governments guarantee the obligations of the AustralAsia Railway Corporation, the joint statutory authority that looks after the government's interests in relation to the Alice Springs–Darwin Railway. The prospect of these contingent liabilities arising is considered to be highly remote.

  Exposure: Not quantifiable (unchanged from 30 June 2016).

- Port Pirie smelter upgrade — the Treasurer has agreed to indemnify the Export Finance and Insurance Corporation (EFIC), the Commonwealth Government's export finance agency, for a guarantee of up to $291 million to external lenders to the Port Pirie Smelter Transformation Project being undertaken by Nyrstar.

  Exposure: $291 million at 30 June 2017 (unchanged from 30 June 2016).

- Local Government Association (LGA) public liability fund — the Treasurer has indemnified the fund of the LGA Mutual Liability Scheme — a self-managed mutual fund for public liability insurance purposes of the local government sector in South Australia. Any losses that exceed the state government's liability reinsurance program limits and the $50 million limit for liability risks not covered by the reinsurance program will be subject to separate negotiations between the LGA and the state government.

  Exposure: $50 million at 30 June 2017 (unchanged from 30 June 2016).

- Residential bond guarantees — the Bond Guarantee Scheme provides a guarantee to private owners and/or real estate agents in regards to the bond payable by eligible private rental tenants. The South Australian Housing Trust (SAHT) ultimately pays for any bond claims made by owners/agents and the tenant becomes liable to the SAHT for any amount paid. The value of bond guarantees as at 30 June 2016 was $56 million with the value of claims made during 2015–16 at $8 million.

  Exposure: $58 million at 30 June 2017 (compared with $56 million at 30 June 2016).

- Unlocking Capital for Jobs Program — this program involves the Government of South Australia providing a partial guarantee for loans made by participating banks to South Australian small and medium enterprises that have expansion or transformation plans and have satisfied the participating bank's normal lending criteria other than the provision of sufficient collateral as security for the loan. This program is now closed.

  Exposure: $1.9 million at 30 June 2017 out of the $50 million program limit (compared with $3.5 million at 30 June 2016).

- Non–government School Loans Scheme — Pursuant to section 15(1) of the *South Australian Government Financing Authority Act 1982*, liabilities incurred or assumed in performance by the South Australian Government Financing Authority of its functions under the Scheme are guaranteed by the Treasurer.

  Exposure: $80.0 million at 30 June 2018 (compared with $38.5 million at 31 May 2017)

- Electricity Interconnector — to support the delivery of additional interconnection between South Australia and the eastern states' electricity grid Cabinet has approved that the Minister for Energy and Mining provide a financial guarantee of up to $10 million in 2018–19 to enable transmission network operators to commence early works on the project.

  Exposure: $10 million at 1 July 2018

Other, less material, contingent liabilities are reported in individual agency financial statements, as contained in agency annual reports or Part B of the Report of the Auditor-General.

Chapter 7: South Australian economy

Overview

Growth in the global economy remains healthy. World gross domestic product (GDP) growth accelerated to 3.7 per cent in 2017, and is forecast by the International Monetary Fund (IMF) to improve to 3.9 per cent in both 2018 and 2019. However, an escalation in protectionist measures and trade tensions does pose risks to the global growth outlook. China, South Australia's largest trading partner, is expected to resume its transition away from a growth model driven by investment to one based on consumption and services, as credit growth and fiscal stimulus diminish. Concerns around the financial risks posed by the credit-based financing of the expansion remain. The IMF forecasts growth in China will be 6.6 per cent in 2018, following growth of 6.9 per cent in 2017, moderating to 6.4 per cent in 2019.

The Australian economy benefitted from stronger demand and prices for iron ore and coal over the second half of last year and into the first quarter this year — although this has since moderated as supply from low-cost producers enters the market and China's growth eases. The outlook for the national economy remains reliant on the continuing transition to stronger investment by non-mining businesses. Solid domestic growth underpinned strong labour market conditions in 2017–18, while more broadly the economy continued to be supported by low interest rates as well as rising resource exports, particularly for liquefied natural gas, flowing from previous investment.

The South Australian economy is forecast to grow at its trend rate of growth of 2¼ per cent per annum from 2017–18 through to 2021–22. It is anticipated the lower Australian dollar will continue to support economic activity in the trade–exposed sectors of the South Australian economy, including tourism, international education, and premium food and wine. The South Australian economy will also see support from significant public investment projects, such as the continuation of the North-South Corridor road upgrades and the Future Frigates ship building program commencing in 2020.

South Australia's recent economic performance

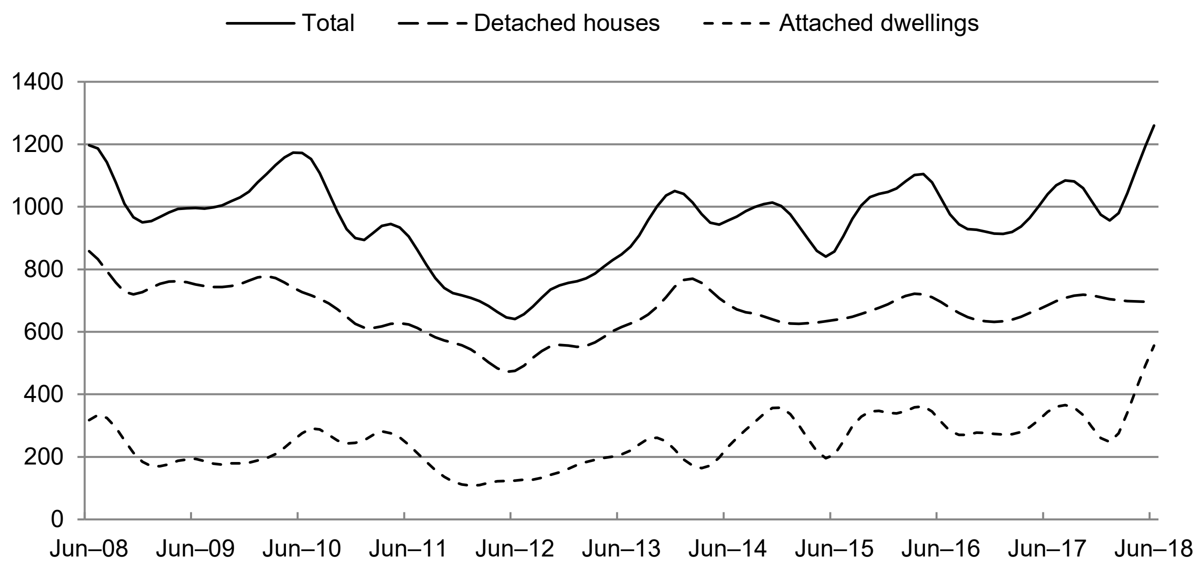
South Australia has seen strong growth in employment over the past twelve months, with the economy being supported by growth in household consumption and public spending. South Australian employment has increased by 18 200 (2.2 per cent) in trend terms in the past twelve months. However, it needs to be noted that employment growth in South Australia over the last year and also over the last three and five year periods has been lower than the national employment growth rate. Despite earlier concerns that unemployment would rise in South Australia following the closure of General Motors Holden in October 2017, this has not eventuated, with the state's trend unemployment rate dropping from 5.9 per cent in October 2017 to 5.6 per cent in July 2018.

State Final Demand (SFD), which is a measure of total spending in the South Australian economy by households, business and governments, is estimated to have grown by 3 per cent in real terms during 2017–18.

Consumer spending has remained relatively strong. Retail turnover has grown by 3.0 per cent in nominal trend terms through the year to June 2018, compared with national growth of 3.1 per cent. In trend volume terms, South Australian consumer spending was up by 2.3 per cent through the year to the June quarter, compared with 2.5 per cent growth nationally.

The housing construction sector has experienced solid levels of activity. High density dwellings (which include maisonettes, town houses, units and apartments) have recently shown strong trends with approvals in this sector up 62 per cent in trend terms through the year to June 2018 — (see Figure 7.1). The residential construction sector will continue to be supported by a strong future pipeline of work, with the latest estimates of the value of construction work yet to be done at a record high.

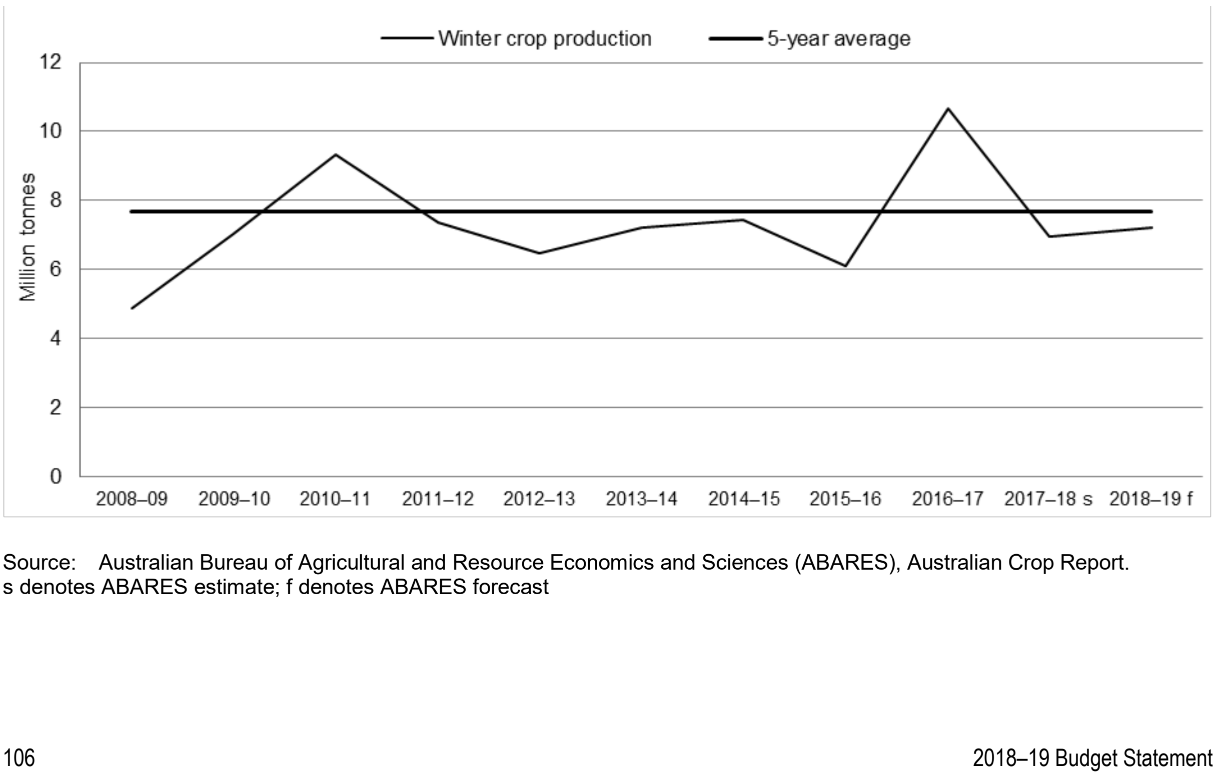
Figure 7.1: Number of dwelling approvals, South Australia, monthly, trend



Source: ABS, Building Approvals, Australia, Catalogue no. 8731.0.

Following a record winter crop production level in 2016–17 South Australia's winter crop is estimated by the Australian Bureau of Agricultural and Resource Economics and Sciences to be 6.9 million tonnes in 2017–18, a drop of 35 per cent (see Figure 7.2). The initial forecast for South Australia's 2018–19 winter crop production is 7.2 million tonnes, 4.1 per cent higher than the 2017–18 estimate, but still 5.8 per cent below the five-year average.

Figure 7.2: South Australia's winter crop production

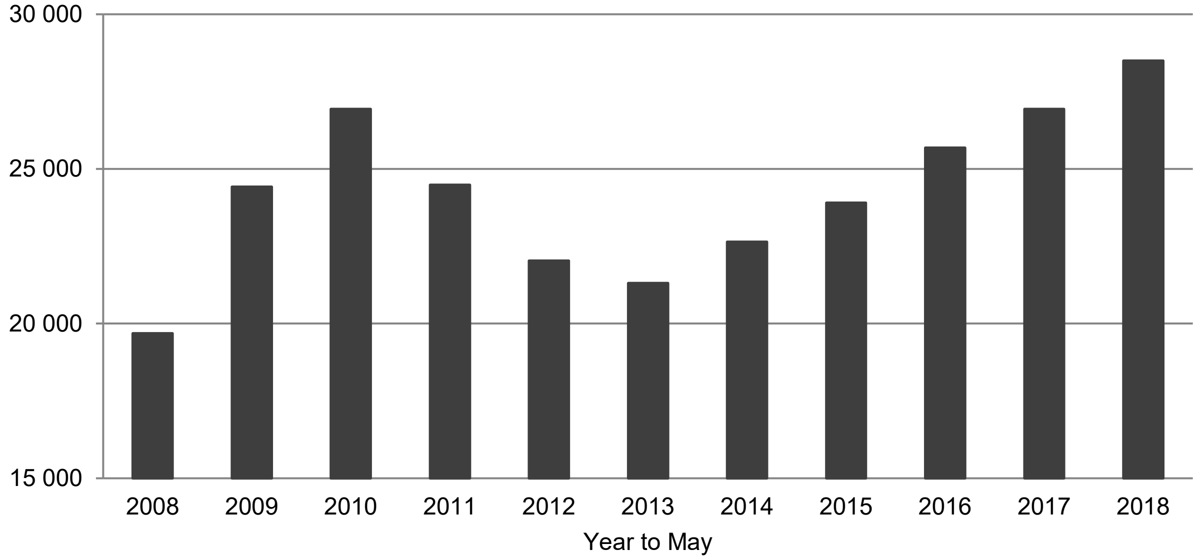


Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Australian Crop Report.
s denotes ABARES estimate; f denotes ABARES forecast

The value of South Australian goods exports was 5.3 per cent higher in 2017–18 than in the previous financial year. There was growth in the value of exports of wine, petroleum and petroleum products, wheat, other/confidential (which includes bulk barley), metal ores and metal scrap, and coal and gas. These gains were partly offset by declines in the value of exports of vegetables and fruit, lead, road vehicles, parts and accessories and meat and meat preparations.

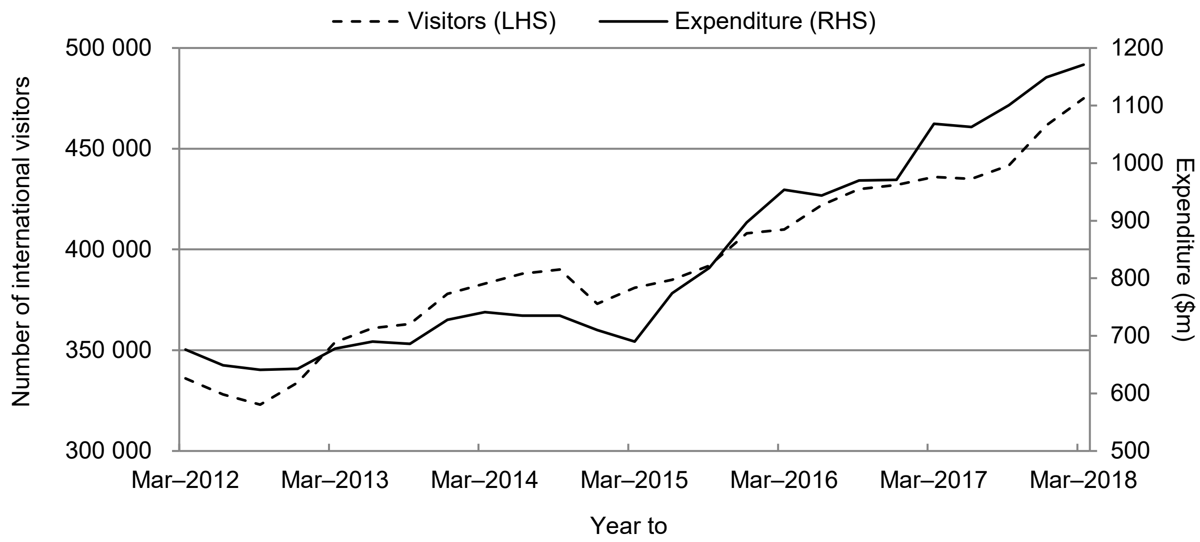
South Australian services exports also continue to grow. International education and tourism present significant opportunities for growth within the state with improved competitiveness due to the lower Australian dollar. Overseas student enrolments in the year to May 2018 were 5.8 per cent higher than at the same time a year earlier (see Figure 7.3). International tourism visitor numbers also continue to grow strongly. There were 475 000 international visitors to South Australia in the year to the March quarter 2018, 8.9 per cent higher than in the previous 12 months. These visitors spent $1171 million, 9.6 per cent higher than in the previous 12 months (see Figure 7.4). Domestic tourism has also grown, with an increase of 3.4 per cent in the number of visitors and a 4.7 per cent rise in expenditure in the year to the March quarter 2018.

Figure 7.3: International student enrolments, South Australia



Source: Department of Education and Training, International Student Data 2018.

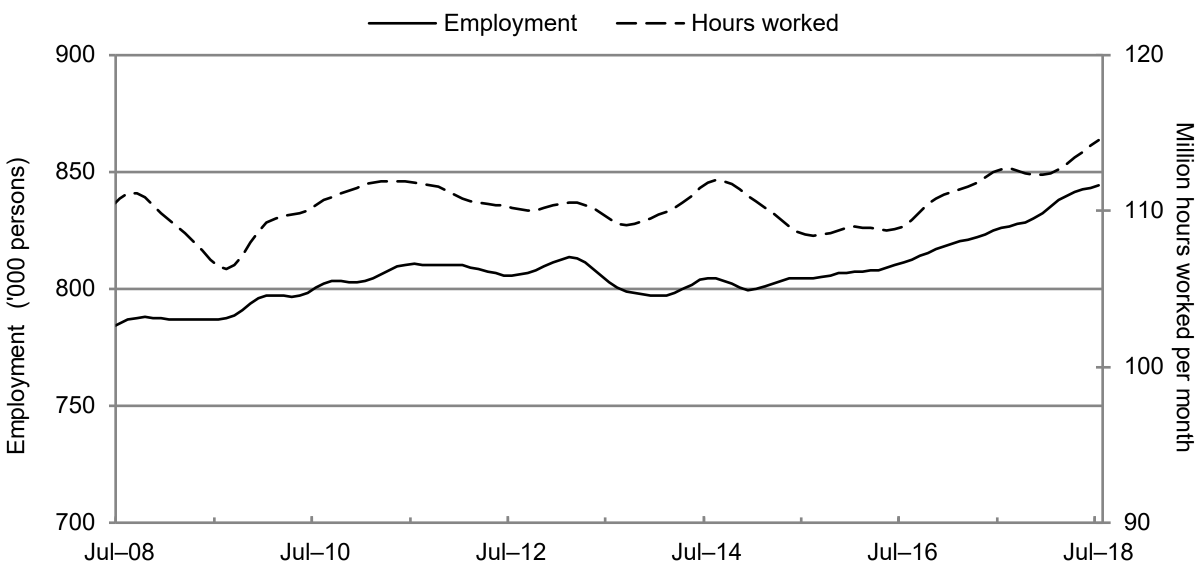
Figure 7.4: International visitors and expenditure, South Australia



Source: International visitors in Australia — March quarter 2018, Tourism Research Australia.

South Australia's estimated resident population grew by 10 700 (0.6 per cent) during 2017, to be 1.7 million persons. This compares to growth nationally of 1.6 per cent. Net overseas migration accounted for the bulk of the state's population gain (11 700) and, to a lesser extent, natural increase (5000). These gains, however, were partially offset by net population outflow interstate (6000).

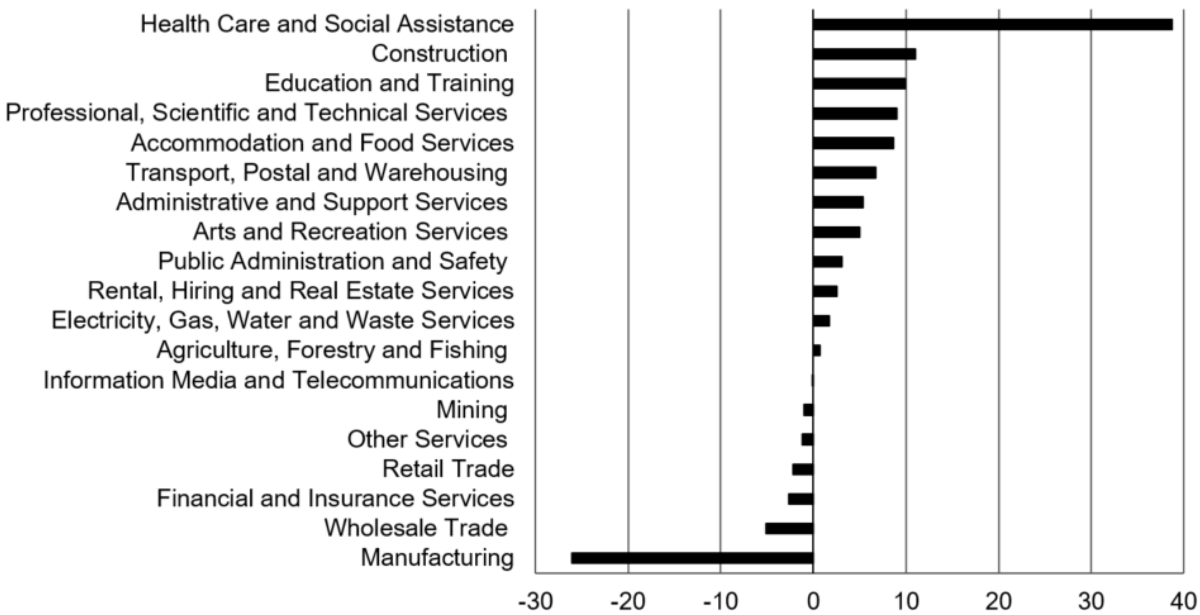
Figure 7.5: South Australian employment and hours worked — trend estimates



Source: ABS, Labour Force Australia, Catalogue no. 6202.0.

Employment in South Australia grew by 2.2 per cent in the year to July 2018 (see Figure 7.5). This was driven by growth in health care and social assistance, agriculture, forestry and fishing, and transport, postal and warehousing. These gains were partially offset by declining employment in manufacturing, administrative and support services and retail trade. Employment growth is transitioning away from mining and manufacturing toward the services industries. In the ten years to May 2018, employment growth has been strongest in health care and social assistance, construction, education and training, professional, scientific and technical services and accommodation and food services (see Figure 7.6).

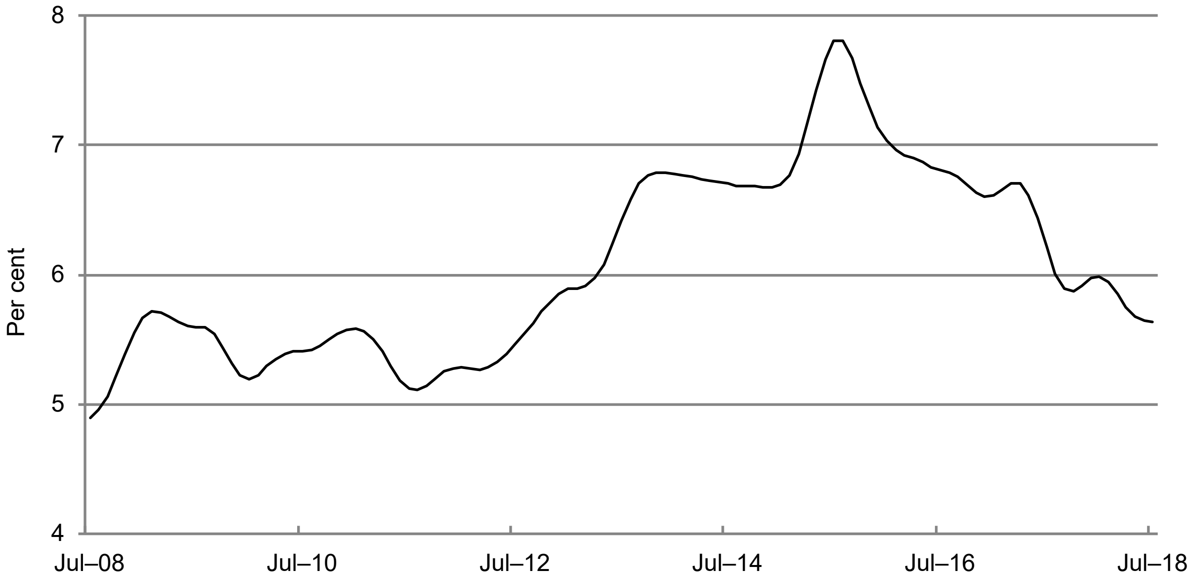
Figure 7.6: South Australian employment by industry — year to May 2018 compared to year to May 2008 (‘000 persons)



Source: ABS, Labour Force, Australia, Detailed, Quarterly, Catalogue no. 6291.0.55.003; Data Cube EQ06.

South Australia’s trend unemployment rate was 5.6 per cent in July 2018, 0.6 of a percentage point lower than a year earlier and below the long term average rate 6.2 per cent (see Figure 7.7).

Figure 7.7: South Australian unemployment rate — trend estimates (per cent)



Source: ABS, Labour Force Australia, Catalogue no. 6202.0.

As is the case nationally, wages growth is at historically low levels. South Australian wages growth, based on the Australian Bureau of Statistics hourly rates of pay index, was 2.1 per cent in the year to the June quarter 2018. Consumer price inflation (CPI) picked up in Adelaide, rising by 0.4 per cent in the quarter to be 2.7 per cent higher in the year to the June quarter 2018. The rise in the CPI during the June quarter reflected the impact of rising prices for automotive fuel, medical and hospital services and international holiday travel and accommodation, being only partially offset by price falls for domestic holiday travel and accommodation, electricity and fruit. The annual increase reflected a substantial contribution from electricity prices, which rose by 20 per cent during the year.

Economic outlook

The economic challenges arising from the cessation of car manufacturing in South Australia have been relatively well accommodated, with continuing overall employment growth and a fall in the unemployment rate. The declines in production and employment in the manufacturing industry have been offset by growth in service based industries, led by health care and social assistance. Employment in South Australia is likely to continue to be supported by public sector investment in transport projects, by private sector investment (including OZ Minerals' Carrapateena project and Senvion's Ceres wind farm project). In the medium term, naval shipbuilding projects (future frigates and submarines) offer the potential for significant job opportunities, including in supply chain firms.

Although retail spending growth has seen gradual declines from its recent peak in late 2014, it is likely that recent strong employment growth, continued sources of inexpensive consumer credit and growing tourist numbers will be supportive of household spending going forward. A number of surveys have confirmed strong business confidence in South Australia in recent months. This bodes well for growth in the state.

Forecasts and projections for South Australia from 2018–19 onwards take into consideration the expected performance of the international, national and state economies over the medium term. Forecasts and projections also depend on key assumptions around population growth rates and the relative performance of the state's economic sectors. Taking into consideration the relevant information on the past trends of the South Australia economy and having allowed for sensitivities in key assumptions, South Australia's GSP is forecast to increase by 2¼ per cent in real terms in 2018–19, following similar growth in 2017–18. South Australian employment is forecast to grow by 1½ per cent in 2018–19, revised up from 1 per cent in the mid-year budget review. South Australia's SFD is forecast to grow by 2½ per cent in 2018–19, revised up from 2¼ per cent since the mid-year budget review as a result of stronger than expected economic conditions.

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

	2016–17 Actual	2017–18 Estimate	2018–19 Forecast	2019–20 Projection	2020–21 Projection	2021–22 Projection
Australia[(a)]						
Gross Domestic Product (GDP)	2.1	2¾	3	3	3	3
Per capita GDP	0.4	1¼	1¼	1¼	1½	1½
South Australia						
Gross State Product (GSP)	2.2	2¼	2¼	2¼	2¼	2¼
Per capita GSP	1.6	1½	1½	1½	1½	1½
State Final Demand (SFD)	3.3	3	2½	2¼	2¼	2¼
Employment	1.3	2.1[(b)]	1½	1	1	1
Adelaide Consumer Price Index (CPI)	1.5	2.2[(b)]	2¼	2¼	2½	2½

(a) Australian forecasts from 2018–19 Australian Government Budget, 2018.

(b) Australian Bureau of Statistics actual outcome 2017–18.

Chapter 8: Regional South Australia

Overview

This chapter provides information about the programs, initiatives and investing expenditure in the 2018–19 Budget for regional South Australia.

The Government of South Australia recognises that South Australia's regions are crucial for the future prosperity of our state as a whole. Regional South Australia contributes around $25.9 billion to the state's economy, over one quarter of our Gross State Product (GSP).

More than 20 per cent of the Government of South Australia's employees (approximately 17 700 full-time equivalents, or FTEs) are based in regional South Australia.

In recognition of the importance of South Australia's regions, the government has developed a range of initiatives to grow economic opportunity and security as well as improve community infrastructure in regional communities. The 2018–19 Budget includes a range of initiatives in regional South Australia totalling around $773 million over the five years to 2021–22. This includes major initiatives such as the establishment of a regional growth fund to unlock new economic activity in our regions, the mobile phone black spots fund to improve digital connectivity in regional areas, and the Regional Roads and Infrastructure fund to ensure there is a dedicated funding stream to fund road upgrades and other critical infrastructure in the regions.

The government is committed to investing in regional infrastructure including hospitals, schools and roads, with expenditure on projects either underway or commencing in 2018–19 totalling over $2 billion.

The government is also taking measures to place greater decision making powers at the local community level for key public services, including through the devolution of governance and responsibility for the delivery of public health services, and through a commitment to build stronger partnerships with land managers on responsibilities for natural resource management systems.

Recharging our Regions

The Government of South Australia is committed to recharging South Australia's regions, to ensure they can continue to contribute to the economic growth and future prosperity of our state as a whole.

Initiatives in this budget which have a specific focus on regional development include:

- Regional Growth Fund
- mobile phone black spots funding
- Regional Roads and Infrastructure Fund
- investing in our country hospitals and health system
- empowering local communities in determining key public services
- GlobeLink masterplan.

Regional Development Programs

Regional growth fund

The Regional Growth Fund has been established to unlock new economic activity in our regions, to deliver critical economic infrastructure to create direct benefit across regional industries, and to strengthen regional communities.

Through the Regional Growth Fund, the state government is committing $150 million over 10 years to support regional South Australia as part of the recharging our regions policy.

The Regional Growth Fund will support innovative, forward thinkers and people who are looking to do business smarter and more effectively and deliver projects that create sustainable benefits to the local region and to the state overall.

The fund will support new activity that would not occur otherwise and assist regions to grow, reduce the cost of doing business, and provide broader economic benefits for the community and multiple entities, including those not directly associated with the project.

Mobile phone black spots funding

This government recognises that digital connectivity is a key enabler to assist development of sustainable regional communities capable of adapting to change and driving healthy economies.

To support this priority, the government has established a $10 million fund to address mobile phone black spots across the state. The aim of the fund is to work with the Commonwealth Government and telecommunication providers to maximise the impact of the state’s investment to fix the worst mobile phone black spots in regional and remote South Australia.

Regional Roads and Infrastructure Fund

Commencing in 2018–19, a Regional Roads and Infrastructure Fund (RRIF), estimated to be $315 million over the forward estimates has been established. This fund will be a dedicated funding stream for projects aimed at improving regional roads and infrastructure, including maintenance critical in supporting regional communities as well as enhancing transport economic productivity and links to relevant industries. Each year, 30 per cent of mineral and petroleum royalty revenues will be paid into the RRIF.

In 2018–19, the Department of Planning, Transport and Infrastructure will utilise the RRIF towards a number of works including $36 million towards critical road maintenance, $18.5 million for improving critical road infrastructure, $9 million for rehabilitation and reseals and $8 million for works on outback roads. These works will be undertaken on roads across a range of South Australian regions.

Investing in our country hospitals and health system

The government is providing a significant investment in improving the quality of health infrastructure and services in our regional areas.

This includes an additional investment of $14 million per annum for the next ten years for a country health capital works renewal strategy, to address the backlog of sustainment works, and significantly improve the amenity of our regional hospital and health infrastructure. Specific additional infrastructure improvements will also occur at the Murray Bridge Soldiers' Memorial Hospital, Strathalbyn Aged Care Facility, Lighthouse Lodge at Kingston, and Yorketown Hospital.

The government is also investing $5.6 million per annum (indexed) to develop and implement a rural health workforce plan to address the shortage of health practitioners in rural areas, and $1.9 million per annum (as well as $5 million investing spend in 2018–19) to deliver additional chemotherapy services in regional areas, enabling more regional patients to be treated closer to home.

Empowering Local Communities

The government is taking measures to place greater decision making powers at the local community level for key public services, including through the establishment of six new regional local health networks that will devolve governance and responsibility for the delivery of public health services to new local boards. Board chairs have been appointed and remaining positions will be progressively filled. The revised governance arrangements for the public health system will be implemented over the course of 2018–19, and it is expected that the boards will be fully operational by the start of 2019–20.

The government is also committed to a significant reform program that will change the way natural resources are managed. A central focus of the reform program is empowering local communities and land managers to sustainably manage their region's natural resources, with an emphasis on soil quality, water management and pest plant and animal control. Decentralising responsibility for decision making will empower and reinvigorate regional communities in their management of natural resources.

The Minister for Environment and Water has issued drafting instructions for the repeal of the *Natural Resources Management Act 2004* with the government to introduce a new Landscape South Australia Bill into parliament in the first quarter of 2019.

GlobeLink masterplan

The government is developing a masterplan for GlobeLink that will investigate improvements to freight export infrastructure to increase access to export markets.

The GlobeLink study will investigate an alternative non-stop corridor connecting the state's south east to Port Adelaide for freight travelling by either rail or road, providing safer and efficient movement of freight, and avoiding the heavily populated areas along existing freight routes for road and rail.

The study will also investigate options for a 24-hour freight only airport near Murray Bridge to increase access to international markets, an intermodal export park near Murray Bridge to attract major logistics business, and other associated freight services.

An initial business case will be undertaken in 2018–19 which will identify timing and delivery of further stages in the planning process. A comprehensive consultation process, including with industry and the community, will take place prior to completing the masterplan.

The government would partner with the Commonwealth Government to deliver the funding required for the project. Securing Commonwealth Government funding will require the submission of the masterplan with a full business case and a successful cost/benefit analysis to Infrastructure Australia.

Regional economic conditions

The economic profile of South Australia's regions

The economic contribution of South Australia's non-metropolitan regions was around $25.9 billion in production value of goods and services in 2016–17. This accounted for 25 per cent of the state's gross state product (GSP). The Murray and Mallee and the Limestone Coast regions were the largest contributing non-metropolitan regions to the state's GSP at 3.7 per cent each.

The Gross Regional Product (GRP) of South Australia's non-metropolitan regions has grown strongly in the five years to 2016–17, rising at an annualised rate of 3.2 per cent per annum in nominal terms.

Table 8.1: Gross Regional Product ($ million) — 2016–17

	Adelaide Metro Area	Adelaide Hills	Barossa, Light and Lower North	Fleurieu and Kangaroo Island	Yorke and Mid-North	Murray and Mallee	Limestone Coast	Eyre & Western	Far-North
Agricultural, forestry and fishing	618	208	379	246	555	788	716	403	75
Mining	1 658	74	32	15	32	13	3	594	1 435
Manufacturing	5 472	228	577	92	281	311	426	224	30
Construction	5 692	251	206	167	248	248	254	204	177
Household services[(a)]	15 969	553	589	419	693	621	644	580	312
Business services[(b)]	25 041	836	799	536	797	794	849	699	354
Goods related services[(c)]	12 328	380	377	250	516	618	558	469	193
Public administration and safety	5 532	141	79	69	139	155	125	118	129
Net Taxes in Final Demand and Ownership	5 045	295	291	205	308	295	270	255	149
Gross Regional Product (GRP)	77 355	2 965	3 328	1 997	3 568	3 842	3 845	3 546	2 855
Regional share of total GRP (2016-17)	74.9%	2.9%	3.2%	1.9%	3.5%	3.7%	3.7%	3.4%	2.8%

Source: REMPLAN, Input Output Tables for South Australia and its Regions, June 2018 update.

Note: Totals may not add due to rounding

(a) Household services includes accommodation and food services, education and training, health care and social assistance, arts and recreation services, and other services.

(b) Business services includes information media and telecommunications, financial and insurance services, rental, hiring and real estate services, professional, scientific and technical services, and administrative and support services.

(c) Goods related services includes electricity, gas, water and waste services, wholesale trade, retail trade, and transport, postal and warehousing.

The structure of the economy in each region is also illustrated by the breakdown of employment by industry in each region. Mining accounted for 29 per cent of total employment in the Far-North region, whereas agriculture, forestry and fishing accounted for a significant share of total employment in the Murray and Mallee (21 per cent), Yorke and Mid-North (19 per cent) and Limestone Coast (18 per cent) regions.

Table 8.2: Employment by industry by region (% share of industry in region) — 2016–17

	Adelaide Metro Area	Adelaide Hills	Barossa, Light and Lower North	Fleurieu and Kangaroo Island	Yorke and Mid-North	Murray and Mallee	Limestone Coast	Eyre and Western	Far-North
Agricultural, forestry and fishing	0.7	6.8	10.6	13.6	19.0	20.6	18.4	14.5	4.9
Mining	0.5	1.5	0.5	0.5	0.6	0.2	0.1	3.7	29.0
Manufacturing	7.9	8.2	16.9	5.2	9.3	9.1	12.0	8.5	1.6
Construction	7.9	9.6	7.0	9.5	7.0	6.5	7.1	7.3	7.7
Household services[(a)]	37.9	37.1	33.6	39.3	34.2	29.9	30.0	33.2	28.4
Business services[(b)]	16.9	13.1	11.1	10.0	7.2	8.3	8.1	8.6	7.2
Goods related services[(c)]	19.9	19.1	17.2	17.5	18.3	19.9	20.2	19.2	12.7
Public administration and safety	8.2	4.6	3.1	4.3	4.4	5.4	4.1	4.9	8.6
Total Share	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total Employment	**557 740**	**21 378**	**24 349**	**14 997**	**27 755**	**28 500**	**29 725**	**23 525**	**14 693**
Regional share of total employment	75.1%	2.9%	3.3%	2.0%	3.7%	3.8%	4.0%	3.2%	2.0%

Source: REMPLAN, Input Output Tables for South Australia and its Regions, June 2018 update.

Note: Totals may not add due to rounding

(a) Household services includes accommodation and food services, education and training, health care and social assistance, arts and recreation services, and other services.

(b) Business services includes information media and telecommunications, financial and insurance services, rental, hiring and real estate services, professional, scientific and technical services, and administrative and support services.

(c) Goods related services includes electricity, gas, water and waste services, wholesale trade, retail trade, and transport, postal and warehousing.

Population and unemployment

The estimated resident population of South Australia's non-metropolitan regions was 499 300 persons as at 30 June 2017. The non-metropolitan population increased by 2300 persons or 0.5 per cent from a year earlier and accounted for 29 per cent of the total state population of 1.7 million. Regional population growth in South Australia has historically been well below that of the metropolitan area and other states. The government will seek to negotiate with the Commonwealth government to achieve preferential migration status for South Australia, focussing in particular on encouraging more skilled migrants to take jobs in regional South Australia.

The population of the Adelaide Hills region and the Barossa, Light and Lower North region recorded the highest percentage growth over the year to 30 June 2017 at 1.2 per cent, followed by the Fleurieu and Kangaroo Island region at 1.0 per cent.

The Adelaide Metropolitan Area had an estimated resident population of 1.2 million, which was 8200 persons or 0.7 per cent higher than a year earlier.

According to the Commonwealth Department of Jobs and Small Business, the unemployment rate for South Australia's non-metropolitan regions averaged 5.4 per cent in the year to March 2018. The Adelaide Metropolitan Area unemployment rate averaged 6.5 per cent. In the year to March 2018, the average unemployment rate was lowest in the Limestone Coast region (3.7 per cent) and highest in the Far North region (8.5 per cent).

Table 8.3: Regional population and labour force data[(a)]

	Estimated Resident Population[(b)] ('000)	Unemployment[(c)] ('000)	Unemployment Rate[(c)] (%)
Adelaide Metro Area	1 224.3	40.9	6.5
Non-metro areas			
Adelaide Hills	74.2	1.8	4.3
Barossa, Light and Lower North	72.3	1.7	4.5
Fleurieu and Kangaroo Island	52.2	1.0	4.4
Yorke and Mid-North	76.8	2.6	7.6
Murray and Mallee	71.7	2.0	5.7
Limestone Coast	66.7	1.3	3.7
Eyre and Western	57.4	1.8	6.5
Far-North	27.9	1.2	8.5
Total non-metro	499.3	13.5	5.4

Source: ABS, Regional Population Growth, Australia, Catalogue no. 3218.0; Commonwealth Department of Jobs and Small Business, Small Area Labour Markets, March quarter 2018.

Note: Totals may not add due to rounding

(a) Regional classifications are in accordance with Government of South Australia common regional boundaries.

(b) Estimated resident population is at the end of June 2017 and is based on preliminary estimates. The population increase between 2016 and 2017 is calculated from the 2016 rebased preliminary estimates published in 2018.

(c) Unemployment and unemployment rate estimates are averages for the year to March 2018.

Agricultural and Mining Commodities

Agriculture and mining are important contributors to both the state's economy and to regional economies, but are subject to fluctuations in international conditions and commodity prices.

A comparison of the change in the value of farmgate production for selected agricultural sectors between 2015–16 and 2016–17 is provided in table 8.4. In 2016–17 there were gains in value across most sectors, with the exception of dairy and seafood, which declined in value.

Table 8.4: Selected agricultural commodities, South Australia, Farmgate Production Value, 2015–16 and 2016–17

	2015–16 $m	2016–17 $m
Field crops	1 182	1 868
Horticulture	920	970
Livestock	1 632	1 827
Seafood	433	428
Wine grapes	581	658
Wool	402	541
Dairy	214	196

Source: Food & Wine ScoreCard 2016–17, Primary Industries and Regions South Australia, Government of South Australia 2017.

According to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) March quarter 2018 edition of *Agricultural Commodities*, average broadacre farm cash income in South Australia declined in 2015–16 but increased in 2016–17 as a result of high grain yields, despite reduced wheat and barley prices. In 2016–17 higher receipts from lentils also contributed to higher average farm cash income for farms in the Murray Lands and Yorke Peninsula region. South Australian broadacre farm cash income is projected to decrease to an average of $199 000 per farm in 2017–18. However, this remains around 13 per cent above the 10-year average to 2016–17.

Agriculture showed significant growth in 2016–17 with the winter crop estimated to have risen by 56 per cent from the 2015–16 season, to levels well above the 10-year average. The 2016–17 winter crop production was the highest on record, and 2016–17 gross food and wine revenue grew 7 per cent on 2015–16 levels to reach record levels of $19.97 billion. The 2017–18 winter crop estimates decreased, and was closer to the 10-year average. This decline is projected to continue into 2018–19, with the forecast for South Australia's 2018–19 winter crop production expected to be below average.

A comparison of the change in the value of production for selected mining commodities between 2015–16 and 2016–17 is provided in table 8.5. The value of petroleum production increased over the year to 2016–17, but the value of mineral production fell.

Table 8.5: Selected mining commodities, South Australia, Gross Value of Production, 2015–16 and 2016–17

	2015–16 $m	2016–17 $m
Minerals	4 468	4 168
Petroleum	1 062	1 108

Source: Minerals and Energy Resources, Department of Energy and Mining.

South Australia's Regional Economic Drivers

Many of South Australia's economic drivers are industries that form the backbone of regional South Australia, including:

- Primary industries
- Energy and mining
- Regional tourism.

The Government of South Australia supports a range of initiatives that aim to strengthen and build these three key sectors, particularly in regional areas.

Primary industries

South Australia's agriculture, aquaculture, food, wine and forestry industries are a vital part of the state's economy, our largest export sector and a major employer. In 2016–17, they generated about $22.5 billion in revenue and accounted for 57 per cent of the state's merchandise exports.

The state government, through Primary Industries and Regions SA (PIRSA) delivers key programs to:

- help primary industries to expand and facilitate access to new and existing markets
- support the long-term health of our aquatic resources and the economic viability of our fisheries and aquaculture industries
- maintain the state's biosecurity system and support pest and disease control programs
- lead the state's emergency management response and recovery phase in regards to animal and plant pests and diseases, and assist other state government agencies and industry bodies in managing the impacts of bushfires, floods and earthquakes on primary producers and livestock
- provide research and development services through the South Australian Research and Development Institute (SARDI).

During 2018–19 the state government will implement a range of programs and initiatives to support the aquaculture and fisheries industries including:

- investigating and progressing key reforms in South Australia's Marine Scalefish Fishery
- establishing a new advisory body for recreational fishers
- investigating re-establishment of the Fisheries Council as a policy forum for the recreational and commercial fishing sectors
- commissioning an independent review of PIRSA's cost recovery policy as it applies to the fishing and aquaculture sectors
- finalising a statutory aquaculture standard lease and licence condition policy to streamline and improve aquaculture sector regulatory practice and encourage aquaculture development
- supporting the implementation of e-Business systems to selected commercial fisheries.

The state government is also taking steps to provide our primary industries with opportunities to expand into new markets, with the establishment of new overseas trade offices, designed to increase South Australia's international export opportunities. As part of its initial work-program, Infrastructure SA will also investigate the establishment of a grain/mineral port on the Eyre Peninsula.

The South Australian Wine Industry Association will be provided with funding of $250 000 in 2018–19 to maximise the growth of the South Australian wine industry by delivering industry development programs across our wine regions, which will further build on Adelaide and South Australia's reputation as a great wine capital.

The state government has committed to providing Food South Australia with $1 million in 2018–19 to support the growth and development of our food processing and manufacturing sectors across the state. Food South Australia will be supported to deliver their programs to grow markets, develop business capability and build relationships within industry.

The state government has also committed to commissioning a high level independent review of the moratorium on the commercial cultivation of genetically modified food crops. The review will quantify the market benefits of South Australia's moratorium and will consider all groups impacted by the moratorium including farmers, food businesses, logistics supply chain, research and development and other interested parties from across all South Australian regions.

Building on the $4 million Almond Centre of Excellence, the government has also committed to the development of a business case and detailed plans for a wine and food centre to be built in the Riverland. The vision is for visitors to experience a taste of the Riverland, as well as promoting local tourism, and cellar door opportunities.

In 2018–19, the improving road transport for primary producers project will conduct an industry-led inventory of transport access issues across all forestry regions in South Australia. This survey will aim to gain a better understanding of the transport requirements of the forest and forest products industry and to identify barriers. Project partners will then work collaboratively to, where appropriate, resolve those barriers.

The state government has committed $3 million per year for four years from 2018–19 to 2021–22 to support South Australia's seven non-metropolitan regional Regional Development Australia (RDA) boards to engage with regional communities as a means of promoting alignment of activities and greater regional input to regional economic matters.

The state government has also committed that the Office of the Small Business Commissioner will administer a mandatory farm debt mediation scheme in South Australia, delivering mediation services between creditors and farmers before a creditor can foreclose on a farming loan.

Family farm transfers to or from companies in addition to individuals and trusts will also now be exempt from stamp duty where all other existing criteria are met. This will result in equal treatment for stamp duty on family farm transfers regardless of how the property is held. This will provide greater flexibility and avoid the need to undertake other processes.

Energy and mining

The Department for Energy and Mining was established on 1 July 2018 as a standalone agency dedicated to the delivery of the government's priorities in the mineral resources and energy sectors.

The department promotes and facilitates the delivery of affordable, reliable and secure energy supplies in a transitioning national energy market while responsibly delivering the value and opportunities of our mineral and energy resources.

A significant proportion of mineral and petroleum activity, along with large-scale wind, solar and energy storage infrastructure projects, occurs in South Australia's regions, where they support jobs and business activities in regional communities.

The state government is committed to leveraging opportunities to grow jobs for all South Australians. Supporting mineral and petroleum resource production in regional South Australia and lowering energy costs for households and businesses aligns with this commitment.

South Australia maintains more than 670 exploration licences and more than 15 major mining projects in various stages of exploration, resource definition and feasibility or assessment. These projects are primarily located in regional areas.

The government is providing $184 million over four years towards implementation of comprehensive reforms to improve the reliability, affordability and security of the State's energy supply, benefiting all South Australians, including regional communities. This includes:

- $100 million over four years to provide means tested grants to deliver battery storage systems in up to 40 000 homes in South Australia
- $50 million over four years to facilitate development of new storage technologies to improve the reliability of the state's electricity system
- $30 million over three years to implement a series of trials to further develop demand response, aggregation and integration of currently disparate generation capacity
- activities to support the delivery of a new interconnector with New South Wales to provide South Australians with access to cheaper energy prices, a more reliable supply and more opportunities to export renewable energy.

A range of other programs and initiatives to be pursued by this government are either linked to or located in regional South Australia, including:

- Steel Task Force — oversees policy initiatives and industry support to underpin the sustainable future of the Whyalla Steelworks, mining and port operations and the South Australian steel industry. The state remains committed to providing $50 million for transformative capital investments at Whyalla that will ensure its long-term future operations. Part of this funding will support feasibility studies on transformation projects. Through the Steel Task Force, the state government works closely with the Commonwealth Government on negotiations required to underpin the investment that forms GFG Alliance's vision for Whyalla's transformation.
- Mining Acts Review — update and modernise mining legislation to attract further investment and reflect current community and industry expectations. The most comprehensive review of South Australia's mineral resources legislation is designed to ensure mining laws support the transition towards a larger role for resources in supporting the state's economy and providing regional employment.

- Royalties for Regions — the government has established a dedicated RRIF using a revenue stream drawn from 30 per cent of total royalty revenue paid by mineral resources and petroleum companies producing in South Australia. Estimated to raise $315 million over the forward estimates, this funding stream will ensure investment in key infrastructure improvements in regional South Australia that enhance safety and productivity for the benefit of all communities.

Important mineral resource projects that will contribute to regional South Australia are:

- expansion of BHPs Olympic Dam operation into the Southern Mine Area at Roxby Downs
- construction of OZ Minerals Carrapateena copper-gold project in the state’s far north
- Iron Road’s Central Eyre Iron Project and the potential for port and rail infrastructure on Eyre Peninsula
- development of SIMEC Mining’s iron ore projects within the Middleback Ranges near Whyalla and other regional areas of South Australia.

South Australian regional visitor economy

Tourism is already a key driver of the South Australian economy and is expected to be one of the state’s great growth opportunities. The contribution of our regions is important to achieving this growth.

Tourism expenditure in South Australia rose to a record $6.7 billion in the 12 months to March 2018, a rise of 6 per cent, with continued growth from international markets (up 10 per cent), as well as strong day trip growth (up 17 per cent). Jobs in the tourism sector have also increased by 5000 in the latest available data for the four years to June 2017.

In May 2018, the regional visitor strategy was released, which outlines opportunities to grow South Australia’s regional visitor economy by $1 billion and create 1000 new jobs. To support this launch, between June and August 2018 forums were conducted in regional areas, covering all of South Australia’s 11 tourism regions. Latest data to March 2018 shows that good progress has already been made in regional expenditure, which grew 4 per cent, or $100 million, to $2.7 billion in 2017–18.

The South Australian Tourism Commission has invested in regional infrastructure, including installing 60 wi-fi hotspots across the state in key areas of interest for our visitors to drive promotion of our regions through social media.

In addition, signage has been installed to support self-drive visitors to South Australia’s regions to experience our six touring routes. This includes start and finish signs for each route, as well as 700 smaller signs marking each journey every 10–20 kilometres.

2018–19 Budget — Initiatives

The 2018–19 Budget includes a number of initiatives that are specific to regional areas as set out in table 8.6. More details on each initiative are provided in the Budget Measures Statement.

Table 8.6: 2018–19 General government regional initiatives ($000s)

	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate	Total
Attorney-General						
Riverland Community Legal Services	—	- 150	- 150	- 150	- 150	- 600
Royal Commission Murray-Darling Basin	-3 175	-5 276	—	—	—	-8 451
Child Protection						
Extending foster care support to young people up to 21 years[(a)]	—	- 45	- 602	-1 271	-1 900	-3 820
Education						
Breakfast program[(a)]	—	- 65	- 65	- 65	- 65	- 260
Changing attitude to skilled careers[(a)]	—	- 295	- 322	- 323	- 324	-1 264
Engagement and wellbeing program[(a)]	—	-1 059	-1 296	-1 391	-1 334	-5 080
Entrepreneurial specialist programs[(a)]	—	- 538	- 821	- 705	- 714	-2 778
Languages in schools[(a)]	—	- 737	-1 084	-1 093	-1 090	-4 004
Literacy guarantee[(a)]	—	-1 107	-2 032	-1 828	-1 866	-6 833
School bus review[(a)]	—	- 82	—	—	—	- 82
Whyalla secondary education renewal	—	-3 000	-15 000	-60 000	-22 000	-100 000
Year 7 into high school[(a)]	—	—	—	—	-5 787	-5 787
Emergency Services — CFS						
Extraordinary bushfire response costs	-2 731	—	—	—	—	-2 731
National Aerial Firefighting Strategy	—	-2 290	-2 347	-2 406	-2 466	-9 509
Station upgrades	—	-2 500	-2 500	—	—	-5 000
Emergency Services — MFS						
Mount Barker emergency services	—	—	- 697	-2 461	- 726	-3 884
Emergency Services — SAFECOM						
Surf life saving club grants[(a)]	—	-35	-35	-35	-35	-140
Energy and Mining						
Bird Lake remediation	—	-3 200	—	—	—	-3 200
Brukunga Mine operating costs	—	- 304	- 313	- 322	- 331	-1 270
Energy solution[(b)]	—	-7 100	-15 600	-19 400	-11 200	-53 300
Environment and Water						
New life for our coastal environment[(a)]	—	—	-1 200	- 400	—	-1 600
Opening South Australia's reservoirs for recreational use[(b)]	—	-300	-1 200	—	—	-1 500
Park rangers	—	-1 680	-1 930	-1 930	-1 930	-7 470
Health and Wellbeing						
Ardrossan Hospital — expansion of services	—	- 180	- 180	- 180	- 180	- 720
Barossa Hospital business case	—	- 100	—	—	—	- 100
Expanding country cancer services	—	-6 212	-1 891	-1 919	-1 948	-11 970
Healthy towns initiative	—	- 250	- 250	- 250	- 250	-1 000
Increase paediatric services at Mount Barker Hospital	—	- 79	- 85	- 86	- 87	- 337
Introduction of local health network governing boards[(a)]	—	-1 084	-1 909	-1 909	-1 918	-6 820
Investing in our country health facilities	—	-14 000	-14 000	-14 000	-14 000	-56 000
Lighthouse Lodge Aged Care Home — safety upgrades	—	-1 000	—	—	—	-1 000
Mount Gambier renal dialysis expansion	—	-1 500	- 600	—	—	-2 100
Permanent dialysis on the APY Lands	—	- 50	—	—	—	- 50

	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate	Total
Rehabilitation in the Riverland	—	- 80	- 80	—	—	- 160
Rural health workforce strategy	—	-2 918	-5 610	-5 703	-5 769	-20 000
Strathalbyn aged care	—	- 500	-7 300	- 700	—	-8 500
Upgrade Murray Bridge Soldiers' Memorial Hospital emergency department	—	-1 500	-4 000	-1 500	—	-7 000
Yorketown surgical services	—	- 300	- 100	- 102	- 103	- 605
Human Services						
Domestic Violence Disclosure Scheme trial[(a)]	—	- 383	—	—	—	- 383
Whalers Peninsula Community Association	- 45	—	—	—	—	- 45
Industry and Skills						
Assisting primary producers to deal with access to their land by resource companies	—	- 189	- 190	- 191	- 193	- 763
Farm debt mediation	—	- 88	- 90	- 92	- 95	- 365
Planning, Transport and Infrastructure						
Barossa Valley dog parks	- 100	—	—	—	—	- 100
Better boating facilities	—	-1 987	-1 987	-1 988	-1 988	-7 950
Birdwood playground upgrade	—	- 30	—	—	—	- 30
Cape Jervis breakwater	—	- 80	-1 920	—	—	-2 000
Closure of the Office of the Commissioner for Kangaroo Island	—	280	769	960	960	2 969
Community football support fund	- 100	—	—	—	—	- 100
Frick Street footpath	—	- 70	—	—	—	- 70
GlobeLink masterplan	—	-1 800	—	—	-18 200	-20 000
Investigation into extending Adelaide Metro services to Murray Bridge	—	- 150	—	—	—	- 150
Kangaroo Island road safety improvements	—	- 20	—	—	—	- 20
Kersbrook Primary School pedestrian crossing	—	- 200	—	—	—	- 200
Lyndoch Road upgrade	—	- 500	—	—	—	- 500
Mount Barker Service SA Centre	—	- 470	- 480	- 480	- 480	-1 910
Mount Compass recreation park	- 300	—	—	—	—	- 300
Regional and remote airstrips	-1 752	—	—	—	—	-1 752
Regional roads and infrastructure fund	—	-79 325	-80 835	-77 724	-76 996	-314 880
Terlinga Road footpath upgrade	—	- 120	—	—	—	- 120
Torrens Street and Crozier Road roundabout	—	-940	—	—	—	-940
Upgrade of Macclesfield Community Centre	—	- 10	—	—	—	- 10
Upgrade to Clare Valley Aerodrome	—	- 396	—	—	—	- 396
Premier and Cabinet						
Extension of Riesling Trail to Auburn	—	-120	—	—	—	-120
Regional theatre sustainment works	—	-1 000	—	—	—	-1 000
Support for Community Sporting Clubs[(a)]	- 70	—	—	—	—	- 70
Primary Industries and Regions						
Efficiencies in Regions SA Head Office	—	1 970	2 585	3 000	3 000	10 555
Funding certainty for Regional Development Australia Boards	—	-3 000	-3 000	-3 000	-3 000	-12 000
Installation of new fruit fly bins	—	- 60	- 20	- 20	- 20	- 120
Mobile phone black spots fund	—	-2 000	-5 000	-3 000	—	-10 000
Regional Growth Fund	—	-15 000	-15 000	-15 000	-15 000	-60 000
Riverland Food and Wine Centre	—	- 200	—	—	—	- 200
Support for Food SA	—	-1 000	-1 000	-1 000	-1 000	-4 000
Wild dog trappers	—	- 150	- 150	- 150	- 150	- 600

	2017–18 Estimate	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate	Total
Tourism						
Great Southern Bike Trail	—	- 100	—	—	—	- 100
Total regional initiatives	**-8 273**	**-166 654**	**-189 518**	**-218 814**	**-189 335**	**-772 594**
New Budget Measures to be funded from the regional roads and infrastructure fund						
Nairne intersection upgrade	—	- 500	-4 500	—	—	-5 000
Penola bypass[c]	—	- 560	-2 360	—	—	-2 920
Port Wakefield overpass and road widening[c]	—	—	- 200	-5 000	-12 500	-17 700

Note: Totals may not add due to rounding

(a) The figures quoted represent the estimated regional component of the overall measure.

(b) The estimated regional component of the overall measure cannot be estimated at this time, therefore the figures quoted represent the total cost of the initiative multiplied by South Australia's regional population share.

(c) The figures represent the state funding for the initiatives only.

Regional Investing Expenditure

The 2018–19 Budget includes a number of capital investment projects that are specific to regional areas. Table 8.7 outlines all new and pre-existing projects with regional expenditure in 2018–19.

Table 8.7: 2018–19 Government regional capital investment program ($000s)

	Expected completion quarter	Proposed expenditure 2018–19	Estimated total cost
General Government			
Child Protection			
Major Projects			
Office Accommodation Lease Fit-out[a]	Jun 2019	1 056	1 056
Total — Child Protection		**1 056**	**1 056**
Correctional Services			
Major Projects			
Mount Gambier Prison — 160 beds	Mar 2019	20 000	57 825
Port Augusta Prison — 128 beds	Mar 2019	5 000	55 751
Total — Correctional Services		**25 000**	**113 576**
Education			
Major Projects			
Capital works program (Building Better Schools)[a]	Jun 2023	3 830	199 700
Children's Centre — Stage 2[a]	Dec 2018	6 046	9 802
Meningie Area School	Dec 2018	4 411	5 750
National Quality Agenda – Compliance[a]	Dec 2018	509	2 737
STEM[a]	Dec 2018	56 945	108 100
Voluntary Amalgamations[a]	n.a.	3 851	5 515
Whyalla secondary education renewal	Dec 2021	3 000	100 000
Total — Education		**78 592**	**431 604**

	Expected completion quarter	Proposed expenditure 2018–19	Estimated total cost
Emergency Services			
Major Projects			
Station upgrades — CFS	Jun 2020	2 500	5000
Annual Programs			
Capital Works and Rescue Equipment — SES[(a)]	n.a.	3 152	n.a.
Capital Works, Vehicles and Equipment — CFS[(a)]	n.a.	15 008	n.a.
Light Vehicle Fleet — SES[(a)]	n.a.	30	n.a.
Replacement of Telecommunications Equipment — CFS	n.a.	1 836	n.a.
Replacement of Telecommunications Equipment — SES[(a)]	n.a.	25	n.a.
Total — Emergency Services		**22 551**	**5 000**
Energy and Mining			
Annual Programs			
Remote Areas Energy Supply	n.a.	3 124	n.a.
Total — Energy and Mining		**3 124**	**—**
Environment and Water			
Major Projects			
Flows for the Future — Securing low flows in the Eastern Mount Lofty Ranges	Jun 2019	1 400	3 000
Naracoorte Caves — Nature Playground	Jun 2019	130	130
Opening South Australia's reservoirs for recreational use[(a)]	Jun 2020	300	1 500
Riverine Recovery	Jun 2020	16 120	45 837
South Australian Riverland Floodplains Integrated Infrastructure Program	Jun 2020	57 465	99 928
South East Flows Restoration Project	Jun 2019	7 379	48 140
Annual Programs			
Fire Management on public land — enhanced capabilities	n.a.	1 028	n.a.
Small Programs — DEW Administered Items	n.a.	4	n.a.
South Eastern Water Conservation and Drainage Board	n.a.	562	n.a.
Total — Environment and Water		**84 388**	**198 535**
Health and Wellbeing			
Major Projects			
Country cancer services	Jun 2019	5 000	5 000
Investing in country health facilities	Jun 2028	14 000	140 000
Lighthouse Lodge Aged Care Home — safety upgrades	Jun 2019	1 000	1 000
Mount Gambier renal dialysis expansion	Jun 2020	1 500	2 100
Murray Bridge Soldiers Memorial Hospital emergency department	Jun 2021	1 500	7 000
Strathalbyn aged care	Jun 2021	500	8 500
Yorketown surgical services	Jun 2019	300	300
Total — Health and Wellbeing		**23 800**	**163 900**
Industry and Skills			
Annual Programs			
TAFE SA campuses[(a)]	n.a.	4 500	n.a.
Total — Industry and Skills		**4 500**	**—**
Planning, Transport and Infrastructure			
Major Projects			
Adelaide Hills priority program	Jun 2019	1 344	8 918
Critical bridge improvements	Jun 2019	1 715	6 400
Duplication of the Joy Baluch AM bridge	Jun 2021	10 000	200 000
Gawler East Collector Link	Jun 2019	10 803	12 310
Improving critical road infrastructure[(a)]	Jun 2019	18 527	66 189
Leigh Creek township upgrade	Jun 2019	715	1 806
Lobethal Freight Access project	Jun 2019	11 693	14 000

	Expected completion quarter	Proposed expenditure 2018–19	Estimated total cost
Managed motorways on the South Eastern Freeway	Jun 2019	7 763	8 890
Nairne intersection upgrade	Jun 2020	500	5 000
North East Road and South Para left turn slip lane	Jun 2020	320	1 300
Penola bypass	Jun 2020	2 800	14 600
Regional road program	Jun 2019	1 475	10 135
Torrens Street and Crozier Road roundabout	Jun 2019	940	940
Upper Yorke Peninsula regional road network upgrade	Jun 2019	1 800	38 930
Annual Programs			
DPTI Annual Programs[(a)]	n.a.	77 040	n.a.
Total — Planning, Transport and Infrastructure		**147 435**	**389 418**
Premier and Cabinet			
Major Projects			
Regional theatre sustainment works	Jun 2019	1 000	1 000
Total — Premier and Cabinet		**1 000**	**1 000**
Primary Industries and Regions			
Major Projects			
Loxton Research Centre redevelopment	Jun 2019	325	5 281
Annual Programs			
Minor Capital Works and Equipment	n.a.	5 033	n.a.
Total — Primary Industries and Regions		**5 358**	**5 281**
Total — Regional investing expenditure general government sector		**396 804**	**1 309 370**
Public non–financial corporations			
ForestrySA			
Annual Programs			
Plant and Equipment, Roadworks	n.a.	212	n.a.
Total — ForestrySA		**212**	**—**
SA Water[(b)]			
Major Projects			
Baroota Dam Safety	Jun 2021	1 341	5 438
Barossa Infrastructure Limited Capacity Increase	Jun 2019	5 660	10 600
Hahndorf Wastewater Treatment Plant Inlet Screen upgrade	Dec 2018	592	3 615
Kangaroo Creek Dam Safety	Mar 2020	32 025	119 935
Mannum Adelaide Pipe Line High Voltage Switchboards upgrade	Jun 2021	1 200	10 427
Morgan Water Treatment Plant Balancing Storage	Mar 2019	5 551	8 500
Mount Barker Development Water Supply Scheme — Stage 1	Jun 2022	100	11 653
Mount Bold Dam Safety	Jun 2022	510	38 399
Murray Bridge Wastewater Treatment Plant Relocation	Dec 2021	34 622	52 541
Myponga Trunk Main	Jun 2019	8 768	11 864
Northern Adelaide Irrigation Scheme[(a)]	Jun 2022	50 800	124 480
Orroroo Water Quality Improvement	Jun 2019	10 349	12 328
Port Lincoln Wastewater Network upgrade	Jun 2019	2 588	4 675
Port Lincoln Wastewater Treatment Plant Sludge Treatment upgrade	Jun 2021	6 800	21 407
Tailem Bend Keith Pipeline Coomandook Tank Additional Storage	Jun 2019	6 050	8 379
Tod River Dam Safety	Jun 2019	95	6 194
Warooka and Point Turton Water Supply upgrade	Jun 2019	1 600	9 503
Total — SA Water		**168 651**	**459 938**

	Expected completion quarter	Proposed expenditure 2018–19	Estimated total cost
South Australian Housing Trust			
Major Projects			
Economic Stimulus — construction of social housing[(a)]	Jun 2020	9 567	21 012
Remote Indigenous Housing	Jun 2020	14 467	214 086
Whyalla Stimulus Package	Dec 2018	500	3 400
Annual Programs			
Aboriginal Housing Capital Program[(a)]	n.a.	1 851	n.a.
Better Neighbourhoods Program[(a)]	n.a.	146	n.a.
Public Housing Capital Maintenance[(a)]	n.a.	7 100	n.a.
Public Housing Construction and Acquisition[(a)]	n.a.	740	n.a.
Total — South Australian Housing Trust		**34 371**	**238 498**
Total regional investing expenditure public non–financial corporations		**203 234**	**698 436**
Total regional investing expenditure non–financial public sector		**600 038**	**2 007 806**

Note: Totals may not add due to rounding

(a) The figures quoted represent the estimated regional component of the overall measure.

(b) Excludes Zero Net Electricity Cost 2020 project regional component, yet to be determined.

Appendix A: Uniform presentation framework

Overview

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods* (GFS), published by the Australian Bureau of Statistics (ABS).

The tables in this section satisfy Uniform Presentation Framework (UPF) requirements applicable for all states, territories, and the Commonwealth Government. The tables 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 the Commonwealth Government and 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 GFS 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 Government Financial Statistics fiscal measures

The key measures in the Government Financial Statistics (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 reflects the sustainability of government operations and is also known as the change in net worth due to transactions.

GFS net lending/borrowing

GFS net lending/borrowing shows the financing requirements of government, indicating the extent to which government is either putting financial resources at the disposal of other sectors in the economy, or utilising the financial resources generated by other sectors in the economy.

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 (depreciation). It is calculated as the GFS Net Operating Balance less the net acquisition of non-financial assets.

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.

A positive result reflects a net lending position and a negative result reflects a net borrowing position.

GFS cash surplus

The GFS cash surplus/deficit is a flow measure reported in the cash flow statement.

The GFS cash surplus has four components:

- 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
- net cash inflow from sales and purchases of non-financial assets
- the level of distributions paid — in the case of public non-financial corporations and public financial corporations
- the recognition of the initial increase in liability accruing at the beginning of finance leases and similar arrangements.

The cash surplus/deficit is a measure of a sector's cash flow requirements and if positive (i.e. a surplus), it reflects cash available to governments to either increase financial assets or decrease liabilities. When this measure is negative (i.e. a deficit), it identifies the extent to which a government needs to run down its financial assets in order to finance the cash shortfall.

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. 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.

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 broader measure than net debt 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 means that net financial liabilities is 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 sector, is backed by physical assets.

Scope

The UPF divides the Australian public sector into three institutional sub-sectors — the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) 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.

PNFCs 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 and the South Australian Housing Trust (SAHT). In general, PNFCs are legally distinguishable from the governments that own them.

PFCs 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.

A listing of government entities within each sector is included in Appendix D.

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, PNFC sector and the non-financial public sector. The non-financial public sector is the consolidation of the general government sector and the PNFC sectors. In addition, information is also presented on taxes and general government sector expenses by function.

This information is presented in tables A.1 through to A.18 in this appendix.

Reporting of outcomes

Outcomes are presented in final budget outcome documents. In addition to the tables presented at budget time, outcome reporting also contains the accrual financial statements for the PFC sector.

Table A.1: General government sector operating statement ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Revenue					
Taxation revenue	4 557	4 587	4 756	4 923	5 127
Grants	10 736	11 251	11 395	11 782	12 144
Sales of goods and services	2 552	2 526	2 583	2 611	2 690
Interest income	24	26	27	29	29
Dividend and income tax equivalent income	650	451	412	327	329
Other	679	740	757	711	736
Total revenue	19 198	19 580	19 930	20 382	21 054
less					
Expenses					
Employee expenses	8 420	8 623	8 558	8 571	8 667
Superannuation expenses					
Superannuation interest cost	348	319	308	295	282
Other superannuation expenses	866	869	871	874	883
Depreciation and amortisation	1 038	1 073	1 103	1 146	1 153
Interest expenses	423	356	379	405	470
Other property expenses	—	—	—	—	—
Other operating expenses	5 214	5 162	5 668	5 923	6 305
Grants	3 286	3 129	2 938	3 002	3 083
Total expenses	19 595	19 532	19 825	20 217	20 843
equals					
Net operating balance	-397	48	105	166	211
plus					
Other economic flows	1 881	626	669	711	759
equals					
Comprehensive result – total change in net worth	1 484	674	774	877	970
Net operating balance	-397	48	105	166	211
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 878	2 236	1 984	2 007	2 330
less Sales of non-financial assets	1 930	249	62	45	37
less Depreciation	1 038	1 073	1 103	1 146	1 153
plus Change in inventories	3	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	-1 087	914	820	816	1 139
equals					
Net lending / borrowing	690	-866	-714	-651	-928

Note: Totals may not add due to rounding.

Table A.2: Public non-financial corporations (public trading enterprises) sector operating statement ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Revenue					
Taxation revenue	—	—	—	—	—
Grants	497	579	560	591	606
Sales of goods and services	1 738	1 755	1 814	1 878	1 884
Interest income	5	4	4	5	6
Dividend and income tax equivalent income	4	3	5	1	1
Other	179	152	160	158	153
Total revenue	2 423	2 492	2 543	2 633	2 650
less					
Expenses					
Employee expenses	208	260	261	261	258
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	26	32	33	34	34
Depreciation and amortisation	454	463	482	514	538
Interest expenses	287	293	308	315	310
Other property expenses	225	250	290	269	279
Other operating expenses	1 207	1 166	1 119	1 214	1 175
Grants	43	114	98	100	100
Total expenses	2 450	2 579	2 591	2 706	2 695
equals					
Net operating balance	-28	-87	-48	-73	-44
plus					
Other economic flows	43	599	588	543	445
equals					
Comprehensive result – total change in net worth	15	513	540	470	400
Net operating balance	-28	-87	-48	-73	-44
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	702	912	828	468	504
less Sales of non-financial assets	143	209	142	90	85
less Depreciation	454	463	482	514	538
plus Change in inventories	-7	150	78	-58	-43
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	98	389	282	-194	-162
equals					
Net lending / borrowing	-126	-476	-330	120	117

Note: Totals may not add due to rounding.

Table A.3: Non-financial public sector operating statement ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Revenue					
Taxation revenue	4 202	4 217	4 373	4 532	4 727
Grants	10 730	11 252	11 395	11 782	12 144
Sales of goods and services	4 023	4 084	4 196	4 286	4 369
Interest income	25	25	27	30	30
Dividend and income tax equivalent income	432	210	134	66	58
Other	848	878	905	856	875
Total revenue	20 261	20 665	21 029	21 552	22 204
less					
Expenses					
Employee expenses	8 629	8 883	8 819	8 832	8 925
Superannuation expenses					
Superannuation interest cost	348	319	308	295	282
Other superannuation expenses	892	901	904	908	917
Depreciation and amortisation	1 492	1 536	1 584	1 660	1 691
Interest expenses	705	645	683	715	776
Other property expenses	—	—	—	—	—
Other operating expenses	5 792	5 755	6 197	6 538	6 869
Grants	2 827	2 665	2 477	2 512	2 577
Total expenses	20 685	20 704	20 972	21 459	22 037
equals					
Net operating balance	-425	-38	57	92	167
plus					
Other economic flows	1 909	712	717	785	803
equals					
Comprehensive result – total change in net worth	1 484	674	774	877	970
Net operating balance	-425	-38	57	92	167
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	2 572	3 148	2 812	2 474	2 834
less Sales of non-financial assets	2 065	459	204	134	122
less Depreciation	1 492	1 536	1 584	1 660	1 691
plus Change in inventories	-4	150	78	-58	-43
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	-989	1 303	1 102	623	977
equals					
Net lending / borrowing	564	-1 342	-1 045	-530	-811

Note: Totals may not add due to rounding.

Table A.4: General government sector balance sheet ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Assets					
Financial assets					
Cash and deposits	1 285	1 274	1 265	1 278	1 296
Advances paid	129	150	169	159	153
Investments, loans and placements	379	391	403	415	427
Receivables	646	639	672	628	579
Equity					
Investments in other public sector entities	19 943	20 400	20 877	21 347	21 753
Investments — other	28	28	28	28	28
Other financial assets	112	111	110	110	111
Total financial assets	22 522	22 994	23 525	23 966	24 348
Non-financial assets					
Land and other fixed assets	44 967	45 937	46 786	47 646	48 830
Other non-financial assets	20	21	21	21	21
Total non-financial assets	44 987	45 957	46 806	47 667	48 851
Total assets	67 509	68 951	70 331	71 634	73 199
Liabilities					
Deposits held	354	329	341	353	355
Advances received	231	221	206	197	188
Borrowing	6 539	7 554	8 367	9 052	9 984
Superannuation	11 207	10 819	10 399	9 947	9 461
Other employee benefits	2 932	3 067	3 230	3 360	3 452
Payables	1 230	1 236	1 246	1 254	1 259
Other liabilities	1 099	1 135	1 176	1 228	1 287
Total liabilities	23 591	24 360	24 965	25 391	25 987
Net Worth	43 917	44 591	45 366	46 243	47 212
Net financial worth (a)	-1 070	-1 366	-1 441	-1 424	-1 639
Net financial liabilities	21 013	21 766	22 317	22 772	23 392
Net debt (b)	5 331	6 288	7 076	7 749	8 651

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)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Assets					
Financial assets					
Cash and deposits	300	228	236	260	291
Advances paid	—	—	—	—	—
Investments, loans and placements	19	18	17	16	16
Receivables	282	280	284	288	296
Equity					
Investments in other public sector entities	—	—	—	—	—
Investments — other	13	13	13	13	13
Other financial assets	15	25	19	14	9
Total financial assets	630	564	569	591	625
Non-financial assets					
Land and other fixed assets	26 199	27 141	28 002	28 393	28 829
Other non-financial assets	4	5	6	6	5
Total non-financial assets	26 204	27 146	28 008	28 399	28 835
Total assets	26 834	27 711	28 577	28 990	29 460
Liabilities					
Deposits held	—	1	1	2	2
Advances received	33	33	33	33	33
Borrowing	7 843	8 207	8 551	8 511	8 592
Superannuation	—	—	—	—	—
Other employee benefits	72	64	65	65	62
Payables	283	296	293	292	291
Other liabilities	121	115	100	84	77
Total liabilities	8 352	8 717	9 043	8 987	9 057
Net Worth	18 481	18 994	19 533	20 003	20 403
Net financial worth (a)	-7 722	-8 153	-8 474	-8 396	-8 432
Net financial liabilities	7 722	8 153	8 474	8 396	8 432
Net debt (b)	7 557	7 996	8 333	8 270	8 320

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.6: Non-financial public sector balance sheet ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Assets					
Financial assets					
Cash and deposits	1 373	1 316	1 303	1 327	1 374
Advances paid	96	117	136	126	120
Investments, loans and placements	398	409	420	431	444
Receivables	900	909	956	927	902
Equity					
Investments in other public sector entities	1 462	1 406	1 343	1 344	1 350
Investments — other	42	42	42	42	42
Other financial assets	122	131	125	119	115
Total financial assets	4 392	4 330	4 325	4 318	4 347
Non-financial assets					
Land and other fixed assets	71 166	73 078	74 788	76 040	77 660
Other non-financial assets	22	23	24	24	24
Total non-financial assets	71 188	73 101	74 811	76 064	77 683
Total assets	75 580	77 431	79 136	80 381	82 030
Liabilities					
Deposits held	143	144	144	144	145
Advances received	231	221	206	197	188
Borrowing	14 383	15 762	16 919	17 564	18 576
Superannuation	11 207	10 819	10 399	9 947	9 461
Other employee benefits	3 004	3 131	3 295	3 425	3 514
Payables	1 471	1 490	1 497	1 503	1 507
Other liabilities	1 224	1 273	1 310	1 357	1 427
Total liabilities	31 663	32 840	33 770	34 138	34 818
Net Worth	43 917	44 591	45 366	46 243	47 212
Net financial worth (a)	-27 271	-28 510	-29 446	-29 821	-30 471
Net financial liabilities	28 733	29 916	30 789	31 165	31 821
Net debt (b)	12 889	14 284	15 409	16 020	16 971

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)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Cash receipts from operating activities					
Taxes received	4 553	4 583	4 744	4 948	5 153
Receipts from sales of goods and services	2 537	2 509	2 568	2 595	2 673
Grants and subsidies received	10 781	11 251	11 395	11 782	12 144
Interest receipts	24	26	27	29	29
Dividends and income tax equivalents	745	469	426	339	345
Other receipts	662	713	718	704	732
Total operating receipts	19 303	19 551	19 876	20 398	21 076
Cash payments for operating activities					
Payments for employees	-9 703	-9 872	-9 794	-9 864	-10 029
Payments for goods and services	-4 617	-4 813	-4 779	-4 986	-5 280
Grants and subsidies paid	-3 396	-3 235	-3 061	-3 129	-3 214
Interest paid	-423	-356	-379	-405	-470
Other payments	-415	-176	-682	-751	-824
Total operating payments	-18 554	-18 452	-18 696	-19 136	-19 817
Net cash flows from operating activities	749	1 099	1 181	1 262	1 259
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	1 902	199	38	20	12
Purchases of non-financial assets (a)	-1 855	-2 200	-1 960	-1 982	-2 043
Net cash flows from investment in non-financial assets	47	-2 001	-1 921	-1 961	-2 031
Net cash flows from investments in financial assets for policy purposes (b)	-77	-60	-24	52	159
Net cash flows from investments in financial assets for liquidity purposes	-9	-12	-12	-12	-12
Net cash flow from financing activities					
Advances received (net)	2	-10	-15	-9	-9
Borrowing (net)	-758	1 020	794	692	673
Deposits received (net)	80	-25	12	12	2
Dividends paid	—	—	—	—	—
Other financing (net)	—	2	1	1	1
Net cash flows from financing activities	-675	987	791	697	667
Net increase/(decrease) in cash held	35	13	14	37	42
Net cash flows from operating activities	749	1 099	1 181	1 262	1 259
Net cash flows from investments in non-financial assets	47	-2 001	-1 921	-1 961	-2 031
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	796	-902	-741	-700	-772

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 and disposals.

Table A.8: Public non-financial corporations (public trading enterprises) sector cash flow statement ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 651	1 679	1 729	1 790	1 795
Grants and subsidies received	497	579	560	591	607
Interest receipts	5	4	4	5	6
Dividends and income tax equivalents	4	3	5	1	1
Other receipts	220	212	201	201	205
Total operating receipts	2 377	2 476	2 498	2 589	2 614
Cash payments for operating activities					
Payments for employees	-247	-313	-307	-309	-311
Payments for goods and services	-804	-896	-781	-733	-698
Grants and subsidies paid	-43	-114	-98	-100	-100
Interest paid	-288	-294	-309	-315	-310
Other payments	-437	-496	-496	-494	-510
Total operating payments	-1 819	-2 114	-1 992	-1 953	-1 930
Net cash flows from operating activities	558	363	507	636	684
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	143	209	142	90	85
Purchases of non-financial assets (a)	-678	-888	-804	-443	-479
Net cash flows from investment in non-financial assets	-534	-679	-662	-353	-394
Net cash flows from investments in financial assets for policy purposes (b)	—	—	—	—	—
Net cash flows from investments in financial assets for liquidity purposes	—	1	1	1	—
Net cash flow from financing activities					
Advances received (net)	30	46	10	-42	-153
Borrowing (net)	97	365	344	-40	80
Deposits received (net)	—	—	—	—	—
Dividends paid	-156	-169	-191	-179	-187
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	-30	242	163	-260	-259
Net increase/(decrease) in cash held	-6	-73	8	24	31
Net cash flows from operating activities	558	363	507	636	684
Net cash flows from investments in non-financial assets	-534	-679	-662	-353	-394
Dividends paid	-156	-169	-191	-179	-187
Cash surplus / (deficit)	-133	-485	-347	104	103

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 and disposals.

Table A.9: Non-financial public sector cash flow statement ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Cash receipts from operating activities					
Taxes received	4 199	4 213	4 360	4 557	4 753
Receipts from sales of goods and services	3 978	4 050	4 156	4 245	4 328
Grants and subsidies received	10 775	11 252	11 395	11 782	12 145
Interest receipts	25	25	27	30	30
Dividends and income tax equivalents	515	209	135	66	58
Other receipts	817	855	846	831	860
Total operating receipts	20 309	20 603	20 920	21 511	22 174
Cash payments for operating activities					
Payments for employees	-9 937	-10 172	-10 088	-10 159	-10 325
Payments for goods and services	-5 182	-5 542	-5 389	-5 546	-5 803
Grants and subsidies paid	-2 937	-2 770	-2 600	-2 639	-2 708
Interest paid	-706	-646	-684	-716	-776
Other payments	-395	-180	-663	-733	-806
Total operating payments	-19 158	-19 310	-19 424	-19 792	-20 418
Net cash flows from operating activities	1 151	1 293	1 496	1 719	1 756
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	2 037	408	180	110	97
Purchases of non-financial assets (a)	-2 524	-3 088	-2 764	-2 425	-2 522
Net cash flows from investment in non-financial assets	-487	-2 679	-2 584	-2 315	-2 425
Net cash flows from investments in financial assets for policy purposes (b)	-48	-13	-15	10	7
Net cash flows from investments in financial assets for liquidity purposes	-9	-11	-11	-11	-12
Net cash flow from financing activities					
Advances received (net)	2	-10	-15	-9	-9
Borrowing (net)	-661	1 384	1 137	652	753
Deposits received (net)	—	—	—	—	—
Dividends paid	—	—	—	—	—
Other financing (net)	—	2	1	1	1
Net cash flows from financing activities	-658	1 377	1 124	645	745
Net increase/(decrease) in cash held	-51	-34	11	49	71
Net cash flows from operating activities	1 151	1 293	1 496	1 719	1 756
Net cash flows from investments in non-financial assets	-487	-2 679	-2 584	-2 315	-2 425
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	663	-1 387	-1 088	-596	-669

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 and disposals.

Table A.10: General government sector derivation of ABS GFS cash surplus/deficit ($million)

	2017-18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Cash surplus / (deficit)	796	-902	-741	-700	-772
Acquisitions under finance leases and similar arrangements (a)	—	-1	—	—	-261
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	796	-903	-741	-700	-1,033

Table A.11: Public non-financial corporations (public trading enterprises) sector derivation of ABS GFS cash surplus/deficit ($million)

Cash surplus / (deficit)	-133	-485	-347	104	103
Acquisitions under finance leases and similar arrangements (a)	—	—	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-133	-485	-347	104	103

Table A.12: Non-financial public sector derivation of ABS cash surplus/deficit ($million)

Cash surplus / (deficit)	663	-1,387	-1,088	-596	-669
Acquisitions under finance leases and similar arrangements (a)	—	-1	—	—	-261
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	663	-1,388	-1,088	-596	-930

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)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Taxes on employers' payroll and labour force	1 204	1 242	1 270	1 328	1 391
Taxes on property					
Land taxes	594	622	649	629	646
Stamp duties on financial and capital transactions	972	966	1 040	1 112	1 182
Financial institutions' transaction taxes	—	—	—	—	—
Other	287	213	215	221	226
Total	1 853	1 801	1 904	1 962	2 054
Taxes on the provision of goods and services					
Excises and levies	—	—	—	—	—
Taxes on gambling	396	409	415	422	431
Taxes on insurance	460	474	492	512	533
Total	856	883	907	934	963
Taxes on use of goods and performance of activities					
Motor vehicle taxes	644	661	675	699	718
Total	644	661	675	699	718
Total GFS taxation revenue	4 557	4 587	4 756	4 923	5 127

Note: Totals may not add due to rounding.
(a) Excludes taxes paid by general government entities.

Table A.14(a): General government sector grant revenue ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Current grant revenue					
Current grants from the Commonwealth					
General purpose grants	6 375	6 887	7 275	7 615	7 827
National partnership grants	316	491	211	209	206
National partnership grants for on-passing	190	104	166	171	177
Specific purpose grants	2 017	1 964	2 070	2 182	2 299
Specific purpose grants for on-passing	871	897	931	970	1 009
Total current grants from the Commonwealth	9 769	10 344	10 653	11 146	11 518
Other contributions and grants	141	137	129	131	131
Total current grant revenue	9 910	10 481	10 782	11 277	11 649
Capital grant revenue					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
National partnership grants	716	645	494	385	378
Specific purpose grants	95	107	109	110	107
Specific purpose grants for on-passing	—	—	—	—	—
Other capital grants	8	11	5	5	5
Total capital grants from the Commonwealth	819	764	607	500	490
Other contributions and grants	7	7	5	5	5
Total capital grant revenue	826	770	612	505	495
Total grant revenue	10 736	11 251	11 395	11 782	12 144

Table A.14(b): General government sector grant expense ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Current grant expense					
State/territory government	3	3	3	3	3
Local government	72	65	61	68	70
Local government on-passing	185	104	164	168	174
Private and not-for-profit sector	1 321	1 123	900	896	917
Private and not-for-profit sector on-passing	877	897	933	973	1 013
Grants to other sectors of government	507	589	573	598	614
Other	241	270	242	234	230
Total current grant expense	3 205	3 051	2 876	2 941	3 020
Capital grant expense					
State/territory government	—	—	—	—	—
Local government	8	4	—	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector	72	73	62	61	62
Private and not-for-profit sector on-passing	—	—	—	—	—
Grants to other sectors of government	—	—	—	—	—
Other	—	—	—	—	—
Total capital grant expense	80	77	62	61	62
Total grant expense	3 286	3 129	2 938	3 002	3 083

Note: Totals may not add due to rounding.

Table A.15: General government sector dividend and income tax equivalent income ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Dividend and income tax equivalent income from PNFC sector	222	244	283	262	272
Dividend and income tax equivalent income from PFC sector	427	206	127	63	56
Other dividend income	1	1	1	1	1
Total dividend and income tax equivalent income	650	451	412	327	329

Note: Totals may not add due to rounding.

Table A.16: General government sector expenses by function ($million)[(a)(b)(c)]

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget
General public services	**1 296**	**1 365**	**1 171**
Executive and legislative organs, financial and fiscal affairs, external affairs	240	216	233
Foreign economic aid	—	—	—
General services	86	114	128
Basic research	—	—	—
Research and development — general public services	—	—	—
Public debt transactions	789	771	675
Transfers of a general character between different levels of government	123	194	80
General public services not elsewhere classified	58	70	54
Defence[(d)]	**—**	**—**	**—**
Public order and safety	**1 873**	**1 945**	**1 950**
Police services	872	875	874
Civil and fire protection services	297	295	317
Law courts	345	409	394
Prisons	339	345	345
Research and development — public order and safety	—	—	—
Public order and safety not elsewhere classified	19	21	20
Economic affairs	**730**	**692**	**747**
General economic, commercial and labour affairs	199	128	192
Agriculture, forestry, fishing and hunting	110	104	116
Fuel and energy	155	165	148
Mining, manufacturing and construction	69	50	54
Communication	16	34	25
Other industries	101	128	131
Research and development — economic affairs	80	82	82
Economic affairs not elsewhere classified	—	1	—
Environmental protection	**390**	**439**	**489**
Waste management	—	1	—
Waste water management	10	12	13
Pollution abatement	42	38	45
Protection of biodiversity and landscape	338	387	431
Research and development — environmental protection	—	1	—
Environmental protection not elsewhere classified	—	—	—
Housing and community amenities	**663**	**662**	**687**
Housing development	359	325	348
Community development	129	145	147
Water supply	176	192	192
Street lighting	—	—	—
Research and development — housing and community amenities	—	—	—
Housing and community amenities not elsewhere classified	—	1	—
Health	**5 939**	**6 036**	**6 202**
Medical products, appliances and equipment	24	51	47
Outpatient services	540	570	572
Hospital services	4 650	4 709	4 836
Mental health institutions	—	—	—
Community health services	390	380	407
Public health services	161	169	191
Research and development — health	11	19	14
Health not elsewhere classified	164	137	135

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget
Recreation, culture and religion	**406**	**373**	**387**
Recreational and sporting services	167	130	125
Cultural services	233	232	256
Broadcasting and publishing services	—	—	—
Religious and other community services	—	1	—
Research and development — recreation, culture and religion	—	—	—
Recreation, culture and religion not elsewhere classified	6	10	6
Education	**4 805**	**4 816**	**4 972**
Pre-primary and primary education	2 555	2 564	2 624
Secondary education	1 589	1 593	1 640
Tertiary education	584	576	615
Education not definable by level	3	3	3
Subsidiary services to education	48	51	51
Research and development — education	—	—	—
Education not elsewhere classified	26	30	38
Social protection	**1 713**	**2 030**	**1 660**
Sickness and disability	757	842	745
Old age	120	121	100
Survivors	99	25	14
Family and children	442	438	490
Unemployment	—	—	—
Housing	87	177	54
Social exclusion not elsewhere classified	181	396	224
Research and development — social protection	—	—	—
Social protection not elsewhere classified	27	31	33
Transport	**1 261**	**1 236**	**1 266**
Road transport	631	587	610
Bus transport	—	—	—
Water transport	31	24	32
Railway transport	57	74	77
Air transport	2	6	6
Multi-mode urban transport	509	512	510
Pipeline and other transport	—	—	—
Research and development — transport	—	2	2
Transport not elsewhere classified	30	31	30
Total GFS expenses	**19 076**	**19 595**	**19 532**

Note: Totals may not add due to rounding.

(a) Expenses by function data is derived from information submitted by government departments and agencies. The processes for deriving this data are subject to ongoing refinements. Consequently the data may be subject to future revisions.

(b) The 2018–19 Budget is the first budget presented using the Classification of the Functions of Government — Australia (COFOG-A) coding system which replaces the former Government Purpose Classification (GPC). The 2017–18 Budget expenditure has been reclassified to COFOG-A for comparison purposes.

(c) Some functional classifications are not readily distinguishable at agency level. Those instances are denoted as ‘not available’ (n.a.).

(d) The ABS 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’.

Table A.17: General government sector capital expenditure by function ($million)[a][b][c]

	2017–18 Budget	2017–18 Estimated Result	2018–19 Budget
General public services	10	23	14
Defence[c]	—	—	—
Public order and safety	108	118	104
Economic affairs	144	68	335
Environmental protection	84	23	79
Housing and community amenities	38	36	13
Health	167	242	168
Recreation, culture and religion	91	66	85
Education	233	243	251
Social protection	10	4	7
Transport	1 298	1 054	1 179
Total capital expenditure	**2 185**	**1 878**	**2 236**

Note: Totals may not add due to rounding.

(a) Expenses by function data is derived from information submitted by government departments and agencies. The processes for deriving this data are subject to ongoing refinements. Consequently the data may be subject to future revisions.

(b) The 2018–19 Budget is the first budget presented using the Classification of the Functions of Government – Australia (COFOG-A) coding system which replaces the former Government Purpose Classification (GPC). The 2017–18 Budget expenditure has been reclassified to COFOG-A for comparison purposes

(c) The ABS 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.

Table A.18: General government sector net worth ($million)

	2017–18 Estimated Result	2018–19 Budget	2019–20 Estimate	2020–21 Estimate	2021–22 Estimate
Net worth at beginning of year	**42 433**	**43 917**	**44 591**	**45 366**	**46 243**
Change in net worth from operating transactions					
Net operating balance	- 397	48	105	166	211
Change in net worth from other economic flows					
Movement in net assets of PFCs[a]	322	- 49	- 59	2	6
Movement in net assets of PNFCs[a]	-14	466	530	511	553
Revaluation of unfunded superannuation liability[b]	163	301	305	308	311
Revaluation of long service leave liability	- 94	- 96	- 98	- 99	- 101
Revaluation of annual leave liability	- 15	- 15	- 16	- 16	- 16
Revaluation of workers compensation liability	- 146	- 16	- 17	- 17	- 17
Revaluation of non-financial assets	41	41	41	41	41
Commercialisation of Land Title services[c]	1 605	—	—	—	—
Other revaluation adjustments	20	- 6	- 18	- 19	- 19
Total other economic flows	1 881	626	669	711	759
Net worth at year end	**43 917**	**44 591**	**45 366**	**46 243**	**47 212**

Note: Totals may not add due to rounding.

(a) Net of equity injections from, and the return of equity to, the general government sector.

(b) 2017–18 change represents the revaluation difference from the 30 June 2017 liability. This difference is mainly due to the movement in the discount rate used to value the liability and expected returns on superannuation assets.

(c) First-time recognition of intangible asset in the general government sector and the sale of this asset to Land Services SA (LSSA) for a 40 year concessional period.

Appendix B: General government and non-financial public sector financial statistics time series

The following tables provide historical data on key fiscal aggregates, together with estimates reflected in the 2018–19 Budget. Data provided is sourced for 1998–99 from the Australian Bureau of Statistics Government Finance Statistics 2007–08 and for 1999–2000 to 2016–17 from budget outcome publications for South Australia. The estimates for 2017–18 onwards are contained in the 2018–19 Budget papers.

Gross State Product (GSP) data up to 2016–17 and Consumer Price Index (for real-growth calculations) data up to 2017–18 is sourced from the latest Australian Bureau of Statistics (ABS) publications. Budget economic forecasts are used for the forward estimates.

Except where specified, historical data in this time series has not been back-cast to reflect classification and accounting changes. As such care must be taken in interpreting the data.

General government

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		16.5	7 505		17.0	- 215	19	- 233
1999–2000	7 644	2.3	16.4	7 974	3.6	17.1	- 330	140	- 471
2000–01	8 108	3.0	16.3	8 406	2.4	16.9	- 297	102	- 399
2001–02	8 538	2.1	15.9	8 713	0.5	16.3	- 174	- 50	- 124
2002–03	9 346	5.2	16.5	8 898	-1.8	15.7	448	34	414
2003–04	9 955	3.4	16.7	9 570	4.4	16.0	385	- 38	424
2004–05	10 592	3.9	17.1	10 368	5.8	16.7	224	105	119
2005–06	11 242	2.9	17.1	11 040	3.3	16.8	202	119	83
2006–07	11 757	1.9	16.6	11 547	1.9	16.3	209	139	71
2007–08	12 879	6.1	16.8	12 414	4.1	16.2	464	242	222
2008–09	13 531	1.9	16.8	13 764	7.5	17.1	- 233	639	- 872
2009–10[(a)]	15 534	12.3	18.3	15 347	9.1	18.1	187	1 279	-1 092
2010–11[(a)]	15 017	-6.3	16.6	15 069	-4.9	16.6	- 53	1 370	-1 422
2011–12	15 905	3.2	17.1	16 164	4.5	17.4	- 258	839	-1 098
2012–13	15 333	-5.5	16.1	16 282	-1.3	17.1	- 948	55	-1 003
2013–14[(b)]	15 343	-2.4	15.7	16 415	-1.7	16.8	-1 071	661	-1 733
2014–15	16 549	6.2	16.7	16 738	0.4	16.9	- 189	- 78	- 111
2015–16	17 362	4.0	17.4	17 062	1.1	17.1	300	204	96
2016–17	18 480	4.8	17.9	18 037	4.1	17.5	443	2 814	-2 371
2017–18	19 198	1.6	18.0	19 595	6.2	18.3	- 397	-1 087	690
2018–19	19 580	-0.3	17.6	19 532	-2.5	17.6	48	914	- 866
2019–20	19 930	-0.5	17.2	19 825	-0.7	17.1	105	820	- 714
2020–21	20 382	-0.2	16.8	20 217	-0.5	16.7	166	816	- 651
2021–22	21 054	0.8	16.6	20 843	0.6	16.4	211	1 139	- 928

Note: Totals may not add due to rounding.

(a) In 2009–10 and 2010–11 revenue, expenses and net acquisition of non-financial assets are impacted by the Commonwealth Government's Nation Building — Economic Stimulus Plan.

(b) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with the South Australian Government Financing Authority (SAFA). This results in a reduction to interest income and interest expense accordingly.

Table B.2: General government key balance sheet aggregates ($million)

	Net debt [(a)]				Net	Net	
As at 30 June	$m	% of revenue	% of GSP	[(b)]Unfunded superannuation $m	Net financial liabilities $m	Net financial worth $m	Net worth $m
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	65.6	10.8	3 909	9 733	1 894	10 624
2000	1 920	25.1	4.1	3 543	6 911	2 986	12 445
2001	1 246	15.4	2.5	3 249	6 093	4 091	14 816
2002	1 303	15.3	2.4	3 998	6 907	3 559	14 721
2003	666	7.1	1.2	4 445	6 974	3 500	15 288
2004	224	2.3	0.4	5 668	7 858	3 842	15 760
2005	144	1.4	0.2	7 227	9 393	3 853	16 359
2006	- 119	-1.1	-0.2	6 146	8 171	5 846	19 703
2007[(c)]	- 24	-0.2	0.0	5 075	7 254	8 110	22 128
2008[(d)(e)(f)]	- 276	-2.1	-0.4	6 468	8 078	7 580	23 741
2009	475	3.5	0.6	8 939	11 562	5 551	24 146
2010	1 402	9.0	1.7	9 478	13 182	6 551	36 231
2011	2 930	19.5	3.2	9 096	14 313	7 299	40 958
2012[(g)]	4 165	26.2	4.5	13 523	20 332	1 413	37 199
2013	5 227	34.1	5.5	11 085	19 079	1 742	39 363
2014[(h)]	7 071	46.1	7.2	10 877	20 761	1 056	39 654
2015[(i)]	3 929	23.7	4.0	11 358	18 296	1 374	40 121
2016[(j)]	4 393	25.3	4.4	14 029	21 372	-2 049	37 741
2017	6 110	33.1	5.9	11 448	21 614	-1 990	42 433
2018	5 331	27.8	5.0	11 207	21 013	-1 070	43 917
2019	6 288	32.1	5.7	10 819	21 766	-1 366	44 591
2020	7 076	35.5	6.1	10 399	22 317	-1 441	45 366
2021	7 749	38.0	6.4	9 947	22 772	-1 424	46 243
2022	8 651	41.1	6.8	9 461	23 392	-1 639	47 212

Note: Totals may not add due to rounding.

(a) Net debt data for the years before 1999 is sourced from ABS, 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'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.

(d) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This resulted in an increase in net debt and net financial liabilities of $66 million in 2007–08 and a reduction in net financial worth of $591 million, with no impact on net worth.

(e) There is a structural break in 2008 reflecting the transfer of assets from the Adelaide Festival Centre Trust to the general government sector. This resulted 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.

(f) 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 had no impact on net debt, however resulted in a reduction in net financial liabilities of $615 million in 2007–08, and an increase in net financial worth and net worth of $615 million.

(g) There is a structural break in 2012 reflecting the transfer of the Rail Commissioner to the general government sector. This resulted in a reduction in net debt of $6 million, an increase in net financial liabilities of $37 million, and a reduction in net financial worth of $144 million in 2011–12, with no impact on net worth.

(h) There is a structural break in 2014 reflecting the transfer of the Lotteries Commission of South Australia (SA Lotteries) to the general government sector. This resulted in a reduction in net debt of $46 million, a reduction in net financial liabilities of $1 million, with no impact on net worth.

(i) There is a structural break in 2015 reflecting the government's decision to reduce its equity in SA Water. This resulted in a once-off $2.7 billion return of capital to the Consolidated Account in 2014–15. The restructure resulted in a reduction in distributions paid to government partially offset by increased guarantee fees payable and lower borrowing costs.

(j) There is a structural break in 2016 reflecting the transfer of the South Australian Motor Sport Board to the general government sector. This resulted in an increase in net financial liabilities of $3 million, and a reduction in net financial worth of $12 million in 2015–16, with no impact on net worth.

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	13 579	14 299	- 721
2009–10	15 837	16 991	-1 154
2010–11	15 331	16 851	-1 520
2011–12	16 556	17 594	-1 038
2012–13	16 489	17 655	-1 166
2013–14	15 434	17 232	-1 797
2014–15	16 768	16 652	116
2015–16	17 144	17 357	- 213
2016–17	19 338	21 566	-2 228
2017–18	21 205	20 409	796
2018–19	19 750	20 653	- 903
2019–20	19 914	20 655	- 741
2020–21	20 418	21 117	- 700
2021–22	21 088	22 121	-1 033

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 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 then as an ‘investment in financial assets for policy purposes’) are not included in the series before 1999–2000. After 1998–99, data is 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 and similar arrangements. 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.

Table B.4: General government sector operating statement ($million)

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Revenue										
Taxation revenue	4 104	4 085	4 376	4 409	4 431	4 557	4 587	4 756	4 923	5 127
Grants	7 669	7 804	8 350	8 997	9 958	10 736	11 251	11 395	11 782	12 144
Sales of goods and services	2 115	2 265	2 329	2 455	2 568	2 552	2 526	2 583	2 611	2 690
Interest income[(a)]	134	40	28	24	25	24	26	27	29	29
Dividend and income tax equivalent income	446	398	791	792	645	650	451	412	327	329
Other	865	752	674	686	852	679	740	757	711	736
Total revenue	15 333	15 343	16 549	17 362	18 480	19 198	19 580	19 930	20 382	21 054
less **Expenses**										
Employee expenses	7 105	7 353	7 493	7 721	8 010	8 420	8 623	8 558	8 571	8 667
Superannuation expenses										
Superannuation interest cost	314	468	438	402	345	348	319	308	295	282
Other superannuation expenses	675	736	738	744	767	866	869	871	874	883
Depreciation and amortisation	762	812	853	890	928	1 038	1 073	1 103	1 146	1 153
Interest expenses[(a)]	386	300	254	210	192	423	356	379	405	470
Other operating expenses	4 313	4 169	4 173	4 398	4 771	5 214	5 162	5 668	5 923	6 305
Grants	2 726	2 577	2 790	2 698	3 025	3 286	3 129	2 938	3 002	3 083
Total expenses	16 282	16 415	16 738	17 062	18 037	19 595	19 532	19 825	20 217	20 843
equals **Net operating balance**	- 948	-1 071	- 189	300	443	- 397	48	105	166	211
plus **Other economic flows**	3 113	1 362	628	-2 621	4 250	1 881	626	669	711	759
equals **Comprehensive result — total change in net worth**	2 164	291	439	-2 321	4 693	1 484	674	774	877	970
Net operating balance	- 948	-1 071	- 189	300	443	- 397	48	105	166	211
less **Net acquisition of non-financial assets**										
Purchases of non-financial assets	2 008	1 590	937	1 162	4 460	1 878	2 236	1 984	2 007	2 330
less Sales of non-financial assets	1 197	117	166	66	722	1 930	249	62	45	37
less Depreciation	762	812	853	890	928	1 038	1 073	1 103	1 146	1 153
plus Change in inventories	7	1	4	- 3	3	3	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	55	661	- 78	204	2 814	-1 087	914	820	816	1 139
equals **Net lending/borrowing**	-1 003	-1 733	- 111	96	-2 371	690	- 866	- 714	- 651	- 928

Note: Totals may not add due to rounding.

(a) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

Table B.5: General government sector balance sheet ($million)

As at 30 June	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assets										
Financial assets										
Cash and deposits	1 113	1 104	1 110	1 088	1 268	1 285	1 274	1 265	1 278	1 296
Advances paid	176	66	57	57	63	129	150	169	159	153
Investments, loans and placements	226	247	271	292	367	379	391	403	415	427
Receivables	730	671	610	896	739	646	639	672	628	579
Equity										
Investments in other public sector entities	20 821	21 816	19 669	19 322	19 624	19 943	20 400	20 877	21 347	21 753
Investments — other	831	836	865	890	32	28	28	28	28	28
Other financial assets	56	39	79	86	105	112	111	110	110	111
Total financial assets	23 954	24 779	22 661	22 632	22 198	22 522	22 994	23 525	23 966	24 348
Non-financial assets										
Land and other fixed assets	37 616	38 593	38 747	39 781	44 402	44 967	45 937	46 786	47 646	48 830
Other non-financial assets	5	5	1	9	21	20	21	21	21	21
Total non-financial assets	37 621	38 599	38 748	39 790	44 423	44 987	45 957	46 806	47 667	48 851
Total assets	61 575	63 378	61 409	62 422	66 621	67 509	68 951	70 331	71 634	73 199
Liabilities										
Deposits held	392	356	377	478	275	354	329	341	353	355
Advances received	232	214	252	234	234	231	221	206	197	188
Borrowing	6 118	7 918	4 737	5 119	7 300	6 539	7 554	8 367	9 052	9 984
Superannuation	11 085	10 877	11 358	14 029	11 448	11 207	10 819	10 399	9 947	9 461
Other employee benefits	2 457	2 452	2 622	2 829	2 772	2 932	3 067	3 230	3 360	3 452
Payables	1 019	936	1 089	1 089	1 245	1 230	1 236	1 246	1 254	1 259
Other liabilities	908	970	852	904	915	1 099	1 135	1 176	1 228	1 287
Total liabilities	22 212	23 723	21 288	24 681	24 188	23 591	24 360	24 965	25 391	25 987
Net worth	39 363	39 654	40 121	37 741	42 433	43 917	44 591	45 366	46 243	47 212
Net financial worth[(c)]	1 742	1 056	1 374	-2 049	-1 990	-1 070	-1 366	-1 441	-1 424	-1 639
Net financial liabilities[(a)(c)]	19 079	20 761	18 296	21 372	21 614	21 013	21 766	22 317	22 772	23 392
Net debt[(a)(b)]	5 227	7 071	3 929	4 393	6 110	5 331	6 288	7 076	7 749	8 651

Note: Totals may not add due to rounding.

(a) There is a structural break in 2014 reflecting the transfer of Lotteries Commission of South Australia (SA Lotteries) to the general government sector. This resulted in a reduction in net debt of $46 million, a reduction in net financial liabilities of $1 million in 2013–14, with no impact on net worth.

(b) There is a structural break in 2015 reflecting the government's decision to reduce its equity in SA Water. This resulted in a once-off $2.7 billion return of capital to the Consolidated Account in 2014–15. The restructure resulted in a reduction in distributions paid to government partially offset by increased guarantee fees payable and lower borrowing costs.

(c) There is a structural break in 2016 reflecting the transfer of the South Australian Motor Sport Board to the general government sector. This resulted in an increase in net financial liabilities of $3 million, and a reduction in net financial worth of $12 million, with no impact on net worth.

Non-financial public sector

Table B.6: Non-financial public sector key operating statement aggregates

	Revenue			Expenses				Net acquisition of non-financial assets	
	$m	% real growth	% GSP	$m	% real growth	% GSP	Net operating balance $m	$m	Net lending $m
1998–99	9 468		21.5	9 597		21.8	- 129	- 115	- 14
1999–2000	9 206	-5.2	19.8	9 552	-2.9	20.5	- 346	-3 508	3 161
2000–01	9 051	-4.5	18.2	9 279	-5.7	18.6	- 228	-1 111	883
2001–02	9 367	0.3	17.5	9 487	-0.9	17.7	- 120	- 124	5
2002–03	10 172	4.4	18.0	9 696	-1.7	17.1	476	72	405
2003–04	10 707	2.2	17.9	10 294	3.1	17.3	413	33	379
2004–05	11 343	3.5	18.3	11 029	4.6	17.8	314	125	189
2005–06	11 807	0.9	17.9	11 634	2.3	17.7	172	53	119
2006–07	12 321	1.7	17.4	12 175	2.0	17.2	147	173	- 26
2007–08	13 634	7.1	17.8	13 065	3.9	17.0	569	303	266
2008–09	14 360	2.1	17.8	14 567	8.1	18.1	- 207	1 249	-1 456
2009–10[a]	16 315	11.2	19.2	15 679	5.3	18.5	636	2 361	-1 725
2010–11[a]	15 960	-5.2	17.6	15 939	-1.5	17.6	21	1 920	-1 898
2011–12	16 866	3.0	18.1	16 908	3.3	18.2	- 41	1 383	-1 424
2012–13	16 494	-4.1	17.3	17 152	-0.6	18.0	- 657	64	- 721
2013–14[b]	16 399	-3.1	16.8	17 627	0.2	18.0	-1 229	715	-1 944
2014–15	17 651	6.0	17.8	17 965	0.4	18.1	- 314	- 198	- 116
2015–16	18 461	3.7	18.5	18 310	1.0	18.4	151	205	- 54
2016–17	19 447	3.8	18.8	19 228	3.4	18.6	219	3 359	-3 140
2017–18	20 261	1.9	18.9	20 685	5.2	19.3	- 425	- 989	564
2018–19	20 665	-0.2	18.6	20 704	-2.1	18.6	- 38	1 303	-1 342
2019–20	21 029	-0.5	18.1	20 972	-0.9	18.1	57	1 102	-1 045
2020–21	21 552	0.0	17.8	21 459	-0.2	17.7	92	623	- 530
2021–22	22 204	0.5	17.5	22 037	0.2	17.4	167	977	- 811

Note: Totals may not add due to rounding.

(a) In 2009–10 and 2010–11 revenue, expenses and net acquisition of non-financial assets are impacted by the Commonwealth Government's Nation Building — Economic Stimulus Plan.

(b) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

Table B.7: Non-financial public sector key balance sheet aggregates ($million)

As at 30 June	Net debt [(a)] $m	% of revenue	% of GSP	[(b)]Unfunded superannuation $m	Net financial liabilities $m	Net financial worth $m	Net worth $m
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	80.9	17.4	3 909	13 099	-12 256	10 624
2000	4 355	47.3	9.4	3 543	9 914	-8 986	12 445
2001	3 223	35.6	6.5	3 249	8 151	-7 109	14 816
2002	3 317	35.4	6.2	3 998	8 973	-7 902	14 721
2003	2 696	26.5	4.8	4 445	9 096	-8 811	15 288
2004	2 285	21.3	3.8	5 668	10 031	-9 550	15 760
2005	2 126	18.7	3.4	7 227	11 511	-11 004	16 359
2006	1 786	15.1	2.7	6 146	10 451	-9 889	19 703
2007[(c)]	1 989	16.1	2.8	5 075	9 518	-8 795	22 128
2008[(d)(e)]	1 611	11.8	2.1	6 468	10 208	-10 487	23 741
2009	2 872	20.0	3.6	8 939	14 302	-14 921	24 146
2010	4 487	27.5	5.3	9 478	16 626	-16 997	36 231
2011	6 541	41.0	7.2	9 096	18 273	-18 402	40 958
2012	7 996	47.4	8.6	13 523	24 500	-25 123	37 199
2013	8 949	54.3	9.4	11 085	23 064	-23 223	39 363
2014	10 964	66.9	11.2	10 877	24 811	-24 080	39 654
2015	10 676	60.5	10.8	11 358	25 167	-23 750	40 121
2016	10 912	59.1	11.0	14 029	28 281	-27 355	37 741
2017	13 529	69.6	13.1	11 448	29 200	-28 042	42 433
2018	12 889	63.6	12.1	11 207	28 733	-27 271	43 917
2019	14 284	69.1	12.8	10 819	29 916	-28 510	44 591
2020	15 409	73.3	13.3	10 399	30 789	-29 446	45 366
2021	16 020	74.3	13.2	9 947	31 165	-29 821	46 243
2022	16 971	76.4	13.4	9 461	31 821	-30 471	47 212

Note: Totals may not add due to rounding.

(a) Net debt data for the years before 1999 is sourced from ABS, *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's 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 public financial corporation, South Australian Community Housing Authority with the public-non financial corporation South Australian Housing Trust. This resulted 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 had no impact on net debt, however resulted 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.8: 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	14 563	15 806	-1 243
2009–10	16 847	18 695	-1 849
2010–11	16 548	18 553	-2 004
2011–12	17 431	18 863	-1 432
2012–13	17 814	19 133	-1 319
2013–14	16 640	18 647	-2 007
2014–15	17 841	17 896	- 55
2015–16	18 485	18 623	- 138
2016–17	19 593	22 779	-3 186
2017–18	22 345	21 682	663
2018–19	21 012	22 399	-1 388
2019–20	21 100	22 188	-1 088
2020–21	21 621	22 217	- 596
2021–22	22 271	23 201	- 930

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 is sourced from the 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 then 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 and similar arrangements. 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.

Table B.9: Non-financial public sector operating statement ($million)

	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21	2021–22
Revenue										
Taxation revenue	3 726	3 805	4 072	4 083	4 072	4 202	4 217	4 373	4 532	4 727
Grants	7 697	7 806	8 350	8 996	9 959	10 730	11 252	11 395	11 782	12 144
Sales of goods and services	3 949	3 844	3 968	4 138	4 062	4 023	4 084	4 196	4 286	4 369
Interest income[(a)]	131	46	34	33	32	25	25	27	30	30
Dividend and income tax equivalent income	56	81	504	466	442	432	210	134	66	58
Other	935	816	724	746	881	848	878	905	856	875
Total revenue	16 494	16 399	17 651	18 461	19 447	20 261	20 665	21 029	21 552	22 204
less **Expenses**										
Employee expenses	7 299	7 544	7 683	7 913	8 208	8 629	8 883	8 819	8 832	8 925
Superannuation expenses										
Superannuation interest cost	314	468	438	402	345	348	319	308	295	282
Other superannuation expenses	700	762	764	771	794	892	901	904	908	917
Depreciation and amortisation	1 166	1 236	1 275	1 321	1 367	1 492	1 536	1 584	1 660	1 691
Interest expenses[(a)]	599	509	519	483	472	705	645	683	715	776
Other operating expenses	4 849	4 892	4 886	5 045	5 358	5 792	5 755	6 197	6 538	6 869
Grants	2 224	2 218	2 401	2 376	2 685	2 827	2 665	2 477	2 512	2 577
Total expenses	17 152	17 627	17 965	18 310	19 228	20 685	20 704	20 972	21 459	22 037
equals **Net operating balance**	- 657	-1 229	- 314	151	219	- 425	- 38	57	92	167
plus **Other economic flows**	2 822	1 520	753	-2 472	4 474	1 909	712	717	785	803
equals **Comprehensive result — total change in net worth**	2 164	291	439	-2 321	4 693	1 484	674	774	877	970
Net operating balance	- 657	-1 229	- 314	151	219	- 425	- 38	57	92	167
less **Net acquisition of non-financial assets**										
Purchases of non-financial assets	2 683	2 126	1 429	1 704	4 947	2 572	3 148	2 812	2 474	2 834
less Sales of non-financial assets	1 428	333	297	195	228	2 065	459	204	134	122
less Depreciation	1 166	1 236	1 275	1 321	1 367	1 492	1 536	1 584	1 660	1 691
plus Change in inventories	- 26	158	- 55	17	7	- 4	150	78	- 58	- 43
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	64	715	- 198	205	3 359	- 989	1 303	1 102	623	977
equals **Net lending/borrowing**	- 721	-1 944	- 116	- 54	-3 140	564	-1 342	-1 045	- 530	- 811

Note: Totals may not add due to rounding.

(a) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

Table B.10: Non-financial public sector balance sheet ($million)

As at 30 June	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Assets										
Financial assets										
Cash and deposits	1 440	1 354	1 326	1 506	1 443	1 373	1 316	1 303	1 327	1 374
Advances paid	62	55	24	24	30	96	117	136	126	120
Investments, loans and placements	270	293	317	340	421	398	409	420	431	444
Receivables	877	803	837	951	975	900	909	956	927	902
Equity										
Investments in other public sector entities	- 159	731	1 416	926	1 158	1 462	1 406	1 343	1 344	1 350
Investments — other	848	853	883	905	45	42	42	42	42	42
Other financial assets	56	39	83	92	118	122	131	125	119	115
Total financial assets	3 394	4 129	4 887	4 743	4 191	4 392	4 330	4 325	4 318	4 347
Non-financial assets										
Land and fixed assets	62 574	63 726	63 868	65 084	70 454	71 166	73 078	74 788	76 040	77 660
Other non-financial assets	12	8	4	13	22	22	23	24	24	24
Total non-financial assets	62 586	63 734	63 872	65 096	70 476	71 188	73 101	74 811	76 064	77 683
Total assets	65 981	67 863	68 759	69 839	74 667	75 580	77 431	79 136	80 381	82 030
Liabilities										
Deposits held	172	183	204	226	143	143	144	144	144	145
Advances received	232	214	252	234	234	231	221	206	197	188
Borrowing	10 318	12 270	11 888	12 322	15 047	14 383	15 762	16 919	17 564	18 576
Superannuation	11 085	10 877	11 358	14 029	11 448	11 207	10 819	10 399	9 947	9 461
Other employee benefits	2 531	2 525	2 695	2 902	2 843	3 004	3 131	3 295	3 425	3 514
Payables	1 215	1 102	1 304	1 320	1 481	1 471	1 490	1 497	1 503	1 507
Other liabilities	1 064	1 038	937	1 066	1 038	1 224	1 273	1 310	1 357	1 427
Total liabilities	26 617	28 209	28 637	32 099	32 234	31 663	32 840	33 770	34 138	34 818
Net worth	39 363	39 654	40 121	37 741	42 433	43 917	44 591	45 366	46 243	47 212
Net financial worth	-23 223	-24 080	-23 750	-27 355	-28 042	-27 271	-28 510	-29 446	-29 821	-30 471
Net financial liabilities	23 064	24 811	25 167	28 281	29 200	28 733	29 916	30 789	31 165	31 821
Net debt	8 949	10 964	10 676	10 912	13 529	12 889	14 284	15 409	16 020	16 971

Note: Totals may not add due to rounding.

Appendix C: Consolidated Account

Table C.1: Summary of receipts and payments

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Receipts			
Taxation	**4 010 691**	3 950 431	3 984 773
Commonwealth general purpose grants	**6 887 200**	6 419 200	6 302 600
Commonwealth specific purpose grants	**212 995**	308 240	308 240
Commonwealth National Partnership payments	**262 992**	50 170	60 835
Contributions from state undertakings	**345 606**	413 642	298 098
Fees and charges	**495 045**	462 986	553 896
Recoveries	**142 745**	452 617	93 143
Royalties	**265 544**	236 858	251 008
Other receipts	**188 699**	2 014 627	477 503
Total receipts	**12 811 517**	14 308 771	12 330 096
Payments			
Appropriation Act	**14 486 285**	14 096 687	13 942 460
Specific appropriation authorised in various Acts	**114 062**	118 124	110 411
Total payments	**14 600 347**	14 214 811	14 052 871
Consolidated Account financing requirement	**1 788 830**	- 93 960	1 722 775
Borrowing from (+) repayment to (-) South Australian Government Financing Authority	**1 788 830**	- 93 960	1 722 775

Table C.2: Estimates of payments

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Payments from Appropriation Act			
Attorney-General's Department	**93 884**	112 520	117 786
Administered items for the Attorney-General's Department	**76 968**	125 937	94 269
Auditor-General's Department	**17 622**	17 219	17 219
Courts Administration Authority	**92 441**	81 089	94 066
Defence SA	**10 516**	18 457	18 478
Department for Child Protection	**533 546**	519 620	479 666
Department for Correctional Services	**339 527**	341 501	341 779
Department for Education	**2 642 198**	2 484 567	2 506 014
Administered items for the Department for Education	**301 007**	260 413	254 385
Department for Energy and Mining	**371 702**	—	—
Department for Environment and Water	**151 819**	155 630	153 209
Administered items for the Department for Environment and Water	**28 157**	22 918	27 551
Department for Health and Wellbeing	**4 046 725**	3 852 776	3 748 814
Department of Human Services	**1 067 165**	1 262 813	1 157 391
Administered Items for the Department of Human Services	**192 286**	195 845	196 289
Department for Industry and Skills	**426 106**	696 805	683 049
Administered Items for the Department for Industry and Skills	**—**	13 905	13 911
Department of Planning, Transport and Infrastructure	**743 934**	877 780	860 537
Administered items for the Department of Planning, Transport and Infrastructure	**9 353**	9 128	9 208
Department of the Premier and Cabinet	**299 804**	305 495	260 146
Administered items for the Department of the Premier and Cabinet	**11 796**	1 976	1 976
Department of Primary Industries and Regions	**100 730**	107 790	108 461
Administered items for the Department of Primary Industries and Regions	**4 521**	4 788	4 788
Department for Trade, Tourism and Investment	**57 889**	—	—
Department of Treasury and Finance	**150 449**	120 044	70 268
Administered items for the Department of Treasury and Finance	**1 748 226**	1 519 616	1 752 379
Electoral Commission of South Australia	**4 676**	20 673	17 332
Administered items for Electoral Commission of South Australia	**461**	6 861	456
House of Assembly	**7 637**	7 485	7 485
Independent Gambling Authority	**1 890**	1 849	1 849
Joint Parliamentary Services	**12 607**	12 396	12 396
Administered items for Joint Parliamentary Services	**2 756**	2 667	2 638
Legislative Council	**5 476**	5 367	5 367
Local Government Grants Commission	**—**	—	407
Minister for Trade, Tourism and Investment	**5 165**	5 039	5 039
South Australian Mental Health Commission	**2 058**	2 011	2 011
South Australia Police	**833 967**	817 287	821 399
Administered items for South Australia Police	**59**	59	59
South Australian Tourism Commission	**87 381**	100 908	89 112
State Governor's Establishment	**3 781**	5 453	5 271
Total payments appropriated for administrative units, statutory authorities and ministers	**14 486 285**	14 096 687	13 942 460
Payments for which specific appropriation is authorised in various Acts	**114 062**	118 124	110 411
Total Consolidated Account payments	**14 600 347**	14 214 811	14 052 871

Table C.2: Estimates of payments (continued)

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Payments for which specific appropriation is authorised in various Acts			
Salaries and allowances			
Agent-General — pursuant to *Agent-General Act 1901*	**374**	157	157
Auditor-General — pursuant to *Public Finance and Audit Act 1987*	**332**	328	326
Commissioners of Environment, Resource and Development Court — pursuant to *Remuneration Act 1990*	**1 231**	1 201	1 188
Commissioner of Police — pursuant to *Police Act 1998*	**474**	465	465
State Coroner and Deputy Coroner — pursuant to *Remuneration Act 1990*	**1 240**	1 200	890
Electoral Commissioner and Deputy Electoral Commissioner — pursuant to *Electoral Act 1985*	**477**	533	446
Electoral District Boundaries Commission — pursuant to *Constitution Act 1934*	**314**	—	—
Governor — pursuant to *Constitution Act 1934*	**362**	355	355
Health and Community Services Complaints Commissioner — pursuant to *Remuneration Act 1990*	**241**	182	128
Judges — pursuant to *Remuneration Act 1990*			
Chief Justice	**751**	733	726
Judges and Masters	**23 806**	23 273	22 724
Magistrates — pursuant to *Remuneration Act 1990*	**16 395**	16 009	15 726
Members of various standing committees — pursuant to *Parliamentary Remuneration Act 1990 and Parliamentary Committees Act 1991*	**258**	253	253
Ombudsman — pursuant to *Ombudsman Act 1972*	**423**	413	408
Parliamentary salaries and electorate other allowances — pursuant to *Parliamentary Remuneration Act 1990*			
Ministers, officers and members of parliament	**18 555**	18 226	18 506
Senior Judge and judges of the Industrial Relations Court and Commission — pursuant to *Remuneration Act 1990*	**2 455**	2 040	2 010
Solicitor-General — pursuant to *Solicitor-General Act 1972*	**689**	673	666
South Australian Civil and Administrative Tribunal — pursuant to *Remuneration Act 1990*	**630**	612	600
Valuer-General — pursuant to *Valuation of Land Act 1971*	**144**	141	141
Total salaries and allowances	**69 151**	66 794	65 715
Other			
Compensation for injuries resulting from criminal acts — pursuant to *Victims of Crime Act 2001*	**8 515**	8 639	8 639
First Home Owner Grant — pursuant to *First Home and Housing Construction Grants Act 2000 (formerly First Home Owner Grant Act 2000)*	**36 396**	42 691	36 057
Total other	**44 911**	51 330	44 696
Total payments for which specific appropriation is authorised in various Acts	**114 062**	118 124	110 411

Table C.3: Estimates of receipts

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Taxation receipts			
Payroll tax	**1 475 692**	1 462 502	1 398 205
Commonwealth places mirror payroll tax[(a)]	**26 200**	25 600	24 500
Stamp duties	**1 477 911**	1 472 288	1 489 005
Commonwealth places mirror stamp duties[(a)]	**269**	268	268
Land tax	**618 276**	591 401	599 199
Commonwealth places mirror land tax[(a)]	**1 400**	1 300	1 500
Gaming machines tax	**274 086**	267 491	275 874
Contribution from SA Lotteries	**79 550**	77 427	72 168
Contribution from casino operations	**17 200**	17 000	18 300
Contribution from on-course totalizators, bookmakers and small lotteries	**2 807**	2 754	2 754
Betting operations tax	**37 300**	32 400	30 000
South Australian major bank levy[(b)]	**—**	—	73 000
Total taxation receipts	**4 010 691**	3 950 431	3 984 773
Commonwealth general purpose payments			
GST revenue grants	**6 887 200**	6 419 200	6 302 600
Total Commonwealth general purpose payments	**6 887 200**	6 419 200	6 302 600
Commonwealth specific purpose payments[(c)]			
Council of Australian Governments funding arrangements	**212 995**	308 240	308 240
Total Commonwealth specific purpose payments	**212 995**	308 240	308 240
Commonwealth National Partnership payments[(d)]			
Council of Australian Governments funding arrangements	**262 992**	50 170	60 835
Total Commonwealth National Partnership payments	**262 992**	50 170	60 835

(a) 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.

(b) A South Australian major bank levy was to be introduced from 1 July 2017 but was not passed by the South Australian Parliament.

(c) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.

(d) Refers only to National Partnership payments that are paid to the Consolidated Account. The remainder of National Partnership payments are paid into the Intergovernmental Agreement on Federal Financial Relations special deposit account for subsequent disbursement to the relevant line agencies.

Table C.3: Estimates of receipts (continued)

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Contributions from state undertakings			
Adelaide Cemeteries Authority			
Income tax equivalent	**92**	69	98
Adelaide Venue Management Corporation			
Dividend	**1 600**	1 600	1 600
Arrangements with private electricity entities			
Local government rate equivalent	**253**	248	248
Department of Planning, Transport and Infrastructure			
Income tax equivalent	**2 614**	2 614	2 614
Local government rate equivalent	**1 067**	1 041	1 041
Flinders Ports			
Payment in lieu of other taxes	**2 707**	2 625	2 625
ForestrySA			
Dividend	**—**	5 962	5 962
Funds SA			
Local government rate equivalent	**239**	233	233
HomeStart Finance			
Dividend	**7 801**	19 104	6 510
Income tax equivalent	**5 572**	2 034	4 650
Public Trustee			
Dividend	**3 017**	550	381
Income tax equivalent	**1 232**	186	251
Renewal SA			
Dividend	**7 305**	9 194	13 853
Income tax equivalent	**3 630**	3 224	3 178
Local government rate equivalent	**4 251**	1 148	3 534
Return to Work Corporation of South Australia			
Income tax equivalent	**1 000**	73 731	—
South Australian Water Corporation			
Dividend	**155 342**	137 374	138 768
Income tax equivalent	**88 563**	74 217	81 636
Local government rate equivalent	**1 856**	1 805	1 979
Scope Global Pty Ltd (formerly Austraining Pty Ltd)			
Income tax equivalent	**600**	600	600
South Australian Government Employee Residential Properties			
Dividend	**1 706**	1 706	1 706
Income tax equivalent	**465**	465	465
South Australian Government Financing Authority			
Dividend	**42 680**	26 400	15 700
Income tax equivalent	**12 000**	47 510	10 380
West Beach Trust			
Income tax equivalent	**14**	2	86
Total contributions from state undertakings	**345 606**	413 642	298 098

Table C.3: Estimates of receipts (continued)

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Fees and charges[(e)]			
Auditor-General's Department — fees for audit and other sundry receipts	**15 452**	15 075	15 075
Court fines	**15 092**	13 114	67 458
Court regulatory fees	**21 441**	20 411	37 471
Guarantee fees	**155 089**	147 998	155 224
Infringement notice schemes — expiation fees	**70 531**	68 814	72 541
Land and business regulations	**—**	—	1 789
Land Services regulatory fees	**217 232**	197 356	204 120
Small lotteries	**171**	181	181
Sundry fees	**37**	37	37
Total fees and charges	**495 045**	462 986	553 896
Recoveries			
Adelaide Oval Sublease Fees	**600**	400	400
Department of Planning, Transport and Infrastructure — indentured ports	**10 339**	10 621	10 621
Department for Environment and Water — Qualco Sunlands	**250**	—	250
Essential Services Commission of South Australia	**13 711**	13 356	13 356
Expiation Notices dob in a litterer	**—**	110	—
Government Banking Contract Rebate	**1 836**	1 136	1 136
Helicopter service — recovery of costs and sponsorships	**1 078**	1 071	1 071
Housing Loan redemption fund	**—**	11 581	—
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	**2 000**	2 000	2 000
Metropolitan Drainage Fund	**7**	7	7
National Tax Equivalent Program	**50**	50	50
NRM Levy — Treasurer's Water Licences	**387**	376	376
Off-course wagering services annual fee	**1 170**	1 150	—
Return of cash by Defence SA to Consolidated Account following the transfer of the Techport Common User Facility to the Commonwealth	**—**	30 377	30 377
Return of cash to Consolidated Account — cash alignment policy	**—**	316 405	—
Return of deposit account balances	**8 000**	—	—
Return of deposit account balances — superannuation	**30 000**	—	30 000
South Australian Murray Darling Basin Natural Resources	**—**	2 000	—
Sale of government publications and subscriptions	**—**	—	212
Sundry recoupment	**2 528**	961	961
Unclaimed monies and personal property	**70 789**	61 016	2 326
Total recoveries	**142 745**	452 617	93 143
Royalties			
Department of the Premier and Cabinet	**—**	236 583	251 008
Department for Energy and Mining	**264 416**	—	—
Land Services data royalties	**1 128**	275	—
Total royalties	**265 544**	236 858	251 008

(e) Refers to only those fees and charges paid to the Consolidated Account.

Table C.3: Estimates of receipts (continued)

	2018-19 Budget $000	2017-18 Estimated Result $000	2017-18 Budget $000
Other receipts			
Interest			
Interest on investments	**152 545**	121 269	120 849
Interest recoveries from general government entities	**1 461**	1 509	1 703
Interest recoveries from the private sector	**5**	160	95
Repayment of advances			
Administered items for the Department of Planning, Transport and Infrastructure	**209**	209	209
Department for Health and Wellbeing	**3 908**	3 546	3 546
Department of Primary Industries and Regions	**1 000**	5 790	1 000
Renmark Irrigation Trust	**83**	79	79
Royal Zoological Society of South Australia	**275**	263	263
Repayment of equity			
Adelaide Festival Centre Trust	**—**	10 697	—
South Australian Water Corporation	**—**	—	63 780
Defence SA(f)	**—**	101 823	101 823
Other			
Other recoveries	**970**	2 002	7 732
Sale of land and buildings(f)	**28 243**	162 280	176 424
Proceeds from appointing exclusive service provider for land services	**—**	1 605 000	—
Total other receipts	**188 699**	2 014 627	477 503
Total Consolidated Account receipts	**12 811 517**	14 308 771	12 330 096

(f) Relates to sale of Techport Common User facility and associated assets to the Commonwealth Government.

Note: Totals may not add due to rounding

Appendix D: South Australian state public sector organisations

The entities listed below are controlled by the government.

The sectors to which these entities belong are based on the date of the release of the 2018–19 State Budget.

The government's interest in each of the public non-financial corporations and public financial corporations listed below is 100 per cent.

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
Adelaide Cemeteries Authority		*	
Adelaide Festival Centre Trust		*	
Adelaide Festival Corporation	*		
Adelaide Film Festival	*		
Adelaide and Mount Lofty Ranges Natural Resources Management Board	*		
Adelaide Venue Management Corporation		*	
Agents Indemnity Fund	*		
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)	*		
Board of Botanic Gardens and State Herbarium	*		
Carrick Hill Trust	*		
Child Protection, Department for	*		
Coast Protection Board	*		
Correctional Services, Department for	*		
Courts Administration Authority	*		
CTP Regulator (trading as CTP Insurance Regulator)	*		
Dairy Authority of South Australia	*		
Defence SA	*		
Distribution Lessor Corporation		*	
Dog and Cat Management Board	*		
Dog Fence Board	*		
Education Adelaide	*		
Education, Department for	*		
Electoral Commission of South Australia	*		
Energy and Mining, Department for	*		
Environment and Water, Department for	*		

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
Environment Protection Authority	*		
Essential Services Commission of South Australia	*		
Eyre Peninsula Natural Resources Management Board	*		
Generation Lessor Corporation		*	
Government Schools	*		
Green Industries SA	*		
Health and Wellbeing, Department for	*		
History Trust of South Australia	*		
HomeStart Finance			*
House of Assembly	*		
Human Services, Department of	*		
Incorporated Hospitals and Health Services	*		
Independent Commissioner Against Corruption (ICAC)	*		
Independent Gambling Authority	*		
Industry and Skills, Department for	*		
Joint Parliamentary Services	*		
Judicial Conduct Commissioner	*		
Kangaroo Island Natural Resources Management Board	*		
Legislative Council	*		
Libraries Board of South Australia	*		
Lifetime Support Authority			*
Lotteries Commission of South Australia (trading as SA Lotteries)	*		
Motor Accident Commission			*
Museum Board	*		
Native Vegetation Fund	*		
Northern and Yorke Natural Resources Management Board	*		
Office for Recreation, Sport and Racing	*		
Office of the Commissioner for Public Sector Employment	*		
Outback Communities Authority	*		
Planning, Transport and Infrastructure, Department of	*		
Premier and Cabinet, Department of the	*		
Primary Industries and Regions, Department of	*		
Professionals Standards Council	*		
Public Trustee		*	
Residential Tenancies Fund	*		
Return to Work Corporation of South Australia (trading as ReturnToWorkSA)			*
Riverbank Authority	*		
SACE Board of South Australia	*		
Second-hand Vehicles Compensation Fund	*		
Small Business Commissioner	*		
South Australia Police (South Australian Police Department, SAPOL)	*		
South Australian Ambulance Service	*		

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
South Australian Arid Lands Natural Resources Management Board	*		
South Australian Country Arts Trust	*		
South Australian Country Fire Service (CFS)	*		
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	*		
South Australian Mental Health Commission	*		
South Australian Metropolitan Fire Service (MFS)	*		
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 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)			*
TAFE SA	*		
TechInSA (formerly trading as Bio Innovation SA)	*		
Trade, Tourism and Investment, Department for	*		
Transmission Lessor Corporation		*	
Treasury and Finance, Department of	*		
Urban Renewal Authority (trading as Renewal SA)		*	
West Beach Trust (trading as Adelaide Shores)		*	

Changes to controlled entities/reporting structures since the 2017–18 Budget

New entities

- Effective 1 July 2018, Office of the Commissioner for Public Sector Employment was established.
- Effective 1 July 2018, Department for Energy and Mining was established.
- Effective 1 July 2018, Office for Recreation, Sport and Racing was established.
- Effective 1 July 2018, Department for Trade, Tourism and Investment was established

Dissolved entities

- Effective 1 July 2018, Investment Attraction South Australia was abolished
- Effective 1 July 2018, Parliamentary Budget Advisory Service was abolished.

Name change

- Effective 17 May 2018, Department for Education and Child Development was renamed to Department for Education.
- Effective 17 May 2018, Department of Environment, Water and Natural Resources was renamed to Department for Environment and Water.
- Effective 17 May 2018, Department for Health and Ageing was renamed to Department for Health and Wellbeing.
- Effective 17 May 2018, Department for Communities and Social Inclusion was renamed to Department of Human Services.
- Effective 1 July 2018, Department of State Development was renamed to Department for Industry and Skills.

Future changes

The government has announced the creation of Infrastructure South Australia and South Australian Productivity Commission. This is not reflected in the above table.

Appendix E: Tax expenditure statement

Overview

This statement provides a summary of tax expenditures incurred by the Government of South Australia in 2016–17 and 2017−18.

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
- 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 remain unchanged, reduce their borrowing requirements.

By explicitly publishing estimates of the magnitude of this preferential tax treatment, transparency is increased and the community is made more 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.

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.

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:

- the benchmark against which the tax expenditure is assessed could be argued to be imperfectly defined
- the measurement of those imperfectly defined expenditures is also subject to qualification
- 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 payroll tax 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 largest tax expenditures are the payroll tax threshold exemption and the land tax exemptions for primary production and the principal place of residence.

The following is a brief summary of the individual tax expenditures that have been quantified.

Payroll tax

Total quantified tax expenditures relating to payroll tax for 2017–18 of $858.9 million represents 71.3 per cent of payroll tax revenue collections (excluding general government collections). This is a $45.9 million increase on the estimated value of payroll tax expenditures in 2016–17 and mainly reflects growth in payrolls, as well as a change to the small business payroll tax concession arrangements.

The largest payroll tax expenditure is the provision of a tax-free threshold. Payroll tax is levied on wages paid by employers and is currently applied at a variable rate between 2.50 per cent and 4.95 per cent above an annual threshold of $600 000. 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 $548.7 million in 2017–18 for private sector employers. This comprises $404.7 million in revenue forgone from small businesses that are not liable for payroll tax and $144.0 million in respect of employers who are liable for payroll tax but benefit from not paying tax on annual wages up to the 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 $136.7 million in 2017–18. Other expenditures include public benevolent institutions ($52.0 million), local government councils ($42.6 million), not-for-profit schools ($23.1 million) and not-for-profit hospital and health providers ($20.1 million).

A payroll tax rebate scheme for small businesses was also in place from 2013–14 to 2016–17. The scheme had a cost of $11.0 million in 2016–17 (relating to 2015–16 payrolls) and is estimated to cost $11.5 million in 2017–18 (relating to 2016–17 payrolls).

In 2017–18 this small business rebate was replaced by a new payroll tax structure, including lower rates for small businesses with taxable payrolls between $600 000 and $1.5 million. For taxable payrolls from $600 000 up to $1.0 million, a rate of 2.5 per cent is applicable compared to the existing rate of 4.95 per cent. The payroll tax rate then incrementally increases to the general rate of 4.95 per cent for businesses with Australian payrolls above $1.5 million. The introduction of a small business rate is estimated to have cost $16.6 million in 2017–18 (relating to 2017–18 payrolls).

Stamp duties

Stamp duties apply to a range of transactions including conveyances, insurance and motor vehicle registration. There are a large number of exemptions contained in stamp duty legislation, many of which cannot be quantified. The total quantifiable tax expenditure on stamp duties in 2017–18 of $253.7 million is equivalent to 17.2 per cent of stamp duty revenues. The total cost of stamp duty tax expenditures has decreased by $4.9 million in 2017–18, mainly due to a decline in the level of corporate reconstruction relief partially offset by an increase in non-residential property stamp duty relief, reflecting the phased abolition of this stamp duty.

Conveyance duty expenditures are estimated to amount to $213.1 million in 2017–18. The stamp duty exemption for non-real property transfers is estimated to cost $40.6 million in 2017–18. The two-third reduction of stamp duty on non-residential real property (excluding primary production) is estimated to cost $133.7 million.

Corporate reconstruction relief is estimated to cost $10.4 million in 2017–18 compared to $107.4 million in 2016–17. The level of corporate reconstruction relief can vary significantly between years reflecting the timing of large transactions. The stamp duty exemption for family farm transfers is estimated to cost $20.4 million in 2017–18.

A stamp duty concession scheme for eligible apartments purchased off-the-plan in the Adelaide City Council Area was introduced from 31 May 2012. A full stamp duty concession was available to 30 June 2014 for eligible apartments valued up to $500 000. A partial concession based on an apartment's stage of completion was available from 1 July 2014 to 30 June 2016 and the eligible area extended to include the inner metropolitan area of Adelaide. For contracts entered into between 20 June 2016 and 30 June 2018 (inclusive), the concession applied to purchases of off-the-plan apartments located anywhere in South Australia. The exemption is recorded at the time of settlement of the new apartment so there can be substantial timing lags between the signing of eligible off-the-plan contracts and the cost of the exemption.

Approximately $40.6 million of stamp duty tax expenditures in 2017–18 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 insurance. Of this, an estimated $13.5 million relates to concessions provided to pensioners and state concession cardholders. The remaining balance mainly relates to conditionally registered vehicles (for example 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 local government councils.

Land tax

Total land tax expenditures are estimated to be $1237.0 million in 2017–18. This represents 208.3 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 tax-free threshold level. The 2017–18 tax-free threshold was set to $353 000. A marginal tax rate structure applies above this threshold, with increasing marginal tax rates applied as the value of landholdings increase.

The major 2017–18 tax expenditures associated with land tax include:

- the primary production exemption (provided it meets certain criteria) — estimated to cost $479.6 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 $328.6 million
- the tax-free threshold — estimated to cost $256.6 million
- 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 $172.2 million in 2017–18.

Total land tax expenditures in 2017–18 are higher than estimated in 2016–17. This is primarily a result of a higher cost of providing the primary production and principal place of residence exemptions due to land value growth in both primary production and residential land. The cost of providing the land tax threshold has also increased, caused by a change in the composition of ownerships, site value growth, as well as the indexation of the threshold itself.

Gambling taxes

Tax expenditures for gambling taxes arise from the gambling tax-free threshold and the differential tax treatments that apply to gaming machine activity in not-for-profit venues and the Adelaide Casino compared with the tax rate structure applying to hotels.

In South Australia, for hotels, gambling tax is levied on net gambling revenue (NGR) above an annual threshold of $75 000. Lower tax structures apply to not-for-profit venues. For the Adelaide Casino the tax rate for non-premium gaming machines is set at the lower of 41 per cent and the average tax rate paid by for-profit venues. The rate of 10.91 per cent of NGR for premium gaming machines was set with regard to tax rates faced by interstate competitors. Total gambling tax expenditure is estimated to be $35.4 million in 2017–18, representing around 8.9 per cent of gambling tax collections.

In 2017–18, it is estimated that the revenue foregone as a result of the existence of the tax-free threshold is $9.9 million. The benefit to not-for-profit venues from lower tax rates is estimated to be $7.5 million in 2017–18. The benefit to the Adelaide Casino of the tax differential is estimated to be $18.0 million in 2017–18.

Total gambling tax expenditures in 2017–18 are in line with estimates for 2016–17.

Emergency services levy

The emergency services levy (ESL) is intended to provide a comprehensive method of funding emergency services by raising sufficient funds from property holders to support aggregate expenditure on emergency services. The government makes contributions through 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 class of vehicle (for mobile property).

The ESL is a structured 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 cost of the fixed property remission is estimated to amount to $24.3 million in 2017–18 and the mobile remission is estimated to cost $3.4 million. Pensioner concessions on the ESL on fixed property are estimated to cost $6.3 million in 2017–18.

The government's election commitment to reintroduce remissions on fixed property to the value of $90 million commence in 2018–19 and will therefore be captured in 2018–19 tax expenditures.

Table E.1: Summary of tax expenditures

Tax expenditures ($m)	2016–17[(a)]	2017–18
Payroll tax		
Threshold exemption[(b)]	531.8	548.7
of which:		
benefit to existing taxpayers with payrolls above the threshold	*142.8*	*144.0*
benefit to employers with payrolls below the threshold	*389.0*	*404.7*
Religious institutions	0.5	0.5
Public benevolent institutions	49.8	52.0
Public hospitals	131.1	136.7
Non-profit hospital and health providers	19.3	20.1
Non-profit schools or colleges at or below secondary level	22.2	23.1
Non-profit kindergartens	5.4	5.7
Child care centres	0.8	0.9
Local government council	40.3	42.6
Assistance for motion picture production companies	0.7	0.4
Small business payroll tax rate	—	16.6
Small business payroll tax rebate	11.0	11.5
Total for payroll tax	**813.0**	**858.9**
Stamp duties		
Conveyance duty		
Family farm exemption	20.0	20.4
Corporate reconstructions[(c)]	107.4	10.4
Off-the-plan stamp duty concession	4.7	8.1
Non-real property stamp duty exemption	38.5	40.6
Non-residential property stamp duty reduction	48.9	133.7
Stamp duty on renewal certificate for motor vehicle registration and compulsory third party insurance (CTP)		
The Crown and vehicles registered under the Continuous Government Registration Scheme	0.9	1.0
Hire vehicles with more than 12 seats	0.1	0.1
Councils	0.2	0.2
Conditionally registered vehicles	24.3	25.7
Incapacitated ex-servicemen and other persons	0.2	0.2
Pensioners and eligible low-income earners	13.5	13.5
Stamp duty on motor vehicle registrations		
General remissions	<0.1	<0.1
Total for stamp duties	**258.6**	**253.7**
Land tax		
Threshold exemption	237.7	256.6
Principal place of residence[(d)]	302.9	328.6
Primary production[(d)]	453.1	479.6
Caravan parks and residential parks[(d)]	1.3	1.4
Supported residential facilities[(d)]	0.4	0.5
For-profit aged care facilities[(d)]	1.7	1.8
Other exemptions[(e)]	159.8	168.5
Total for land tax	**1 156.9**	**1 237.0**

Tax expenditures ($m)	2016–17[(a)]	2017–18
Gambling taxes		
Gaming machines		
Threshold exemption	10.1	9.9
Casino[(f)]	17.5	18.0
Differential treatment of non-profit businesses	7.7	7.5
General remissions	<0.1	<0.1
Total for gambling taxes	**35.4**	**35.4**
Other taxes on property		
Emergency services levy		
Pensioner concessions	6.1	6.3
General remissions		
fixed property	24.6	24.3
mobile property	3.2	3.4
Total for other taxes on property	**33.9**	**34.0**
Total expenditures	**2 297.7**	**2 419.0**

Note: Totals may not add due to rounding.

(a) Costings of specific exemptions for 2016-17 differ from those published in the 2017-18 Budget reflecting new data.

(b) The value of the threshold exemption is based on total taxable wages in the relevant financial year.

(c) As part of the 2015-16 Budget the existing eligibility criteria for corporate reconstructions was extended and legislated. As a result, the majority of corporate reconstructions are no longer recorded through the ex-gratia process.

(d) Consistent with the approach taken for other taxes in this table, the cost of these land tax exemptions has been calculated assuming the land tax rates and thresholds in force in the relevant year apply.

(e) 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 as well as sporting activities.

(f) This has been estimated by applying the gaming machine tax rate structure applicable to for-profit venues.

Glossary of terms used in the budget statement

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.

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.

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 (CPI): 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 (ABS).

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.

Financial reports: 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.

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.

Classification of the functions of government (COFOG-A): The GFS classification used to classify transactions according to their government purpose e.g. health, education, defence.

Gross Domestic Product (GDP): The total market value of all final goods and services produced within a country in 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. It is an indicator of the level of economic activity in the market sector, and percentages changes in it are used as a measure of a country's rate of economic growth.

Gross State Product (GSP): The total market value of goods and services produced within a state in 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.

Horizontal fiscal equalisation (HFE): 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 (revenue): 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 (ITE): Payments equivalent to income tax that certain public authorities or business units (if a legal entity) would be liable to pay under the Commonwealth Government'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 expenditure: 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.

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.

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 expenses: 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.

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.

Other economic flows: Changes to assets, liabilities and equity that are not the result of 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.

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 CPI, unless specifically stated otherwise.

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.

State Final Demand (SFD): A measure of spending in a state economy. The estimate obtained by summing government final consumption expenditure, household final consumption expenditure, private gross fixed capital formation and the gross fixed capital formation of public corporations and general government.

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 Government and state and territory governments, to ensure all governments provide a common ‘core’ of financial information in their budget papers (refer to Appendix A).

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SOUTH AUSTRALIA

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STATE BUDGET 2018–19

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