



2005|06

MID YEAR BUDGET REVIEW

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Deputy Premier and Treasurer of South Australia



Government
of South Australia

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CHAPTER 1: 2005-06 BUDGET POSITION AND FISCAL OUTLOOK

Overview

The overall budget outlook has deteriorated from the 2005-06 Budget presented in May 2005, with upward revisions in taxation and dividends from government businesses offset by significant decreases in GST revenue grants and increased expenditure.

The general government sector net lending position across the forward estimates has worsened reflecting the impact of increased operating and investing expenditure and revised revenue forecasts.

The release of the Strategic Infrastructure Plan for South Australia has increased the focus on developing the State's social and economic infrastructure. Capital expenditure will exceed depreciation by around 36 per cent over the next four years, increasing the State's infrastructure base. This will be financed, in part, by an increase in State debt levels.

Upward revisions to taxation revenue are mainly due to conveyance duty and payroll tax revenues. Conveyance duty collections have been higher than expected in the first half of 2005-06. The number of property sales is trending down but are at a higher level than was estimated at budget time. Payroll tax collections were stronger than expected in 2004-05. The base effect of this increase has been factored into future revenue forecasts. The rate of growth in payroll tax collections has consistently exceeded budget time estimates for some years. This experience is now reflected in higher estimated growth rates for payroll tax revenues across the forward estimates.

Significant downward revisions have been made to GST revenue grants to reflect the Commonwealth's revised GST pool estimate for 2005-06 and anticipated losses from future relativity updates by the Commonwealth Grants Commission. Distributions from PNFCs have been revised upwards to reflect their expected profit outcomes. Overall, revenues are significantly stronger than estimated at budget time.

Since the 2005-06 Budget, increased spending has been approved in a number of key priority areas. Major policy decisions include funding for hospitals, additional needs students, disability accommodation and transport safety and security.

As always, there are risks to the budget and they need to be considered when assessing the fiscal outlook. For example, revenue estimates are exposed to unanticipated changes in economic conditions, both in terms of property market related revenue but also GST grants from the Commonwealth. These risks emphasise the need for continued sound budget management.

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

Net operating balance	2005-06	2006-07	2007-08	2008-09
Budget	51	78	109	75
MYBR	27	9	77	58
Change	-24	-69	-32	-17
Net lending				
Budget	10	-141	-88	-50
MYBR	-35	-204	-146	-127
Change	-45	-63	-58	-77

Table 1.2 provides a summary of the key general government sector budget aggregates for 2005-06 and the forward years. Detailed financial statements presented in accordance with the *Uniform Presentation Framework Agreement* are provided at Appendix A.

Table 1.2 General government sector aggregates (\$ million)

	2005-06	2005-06	2006-07	2007-08	2008-09
	Budget	MYBR	Estimate	Estimate	Estimate
Revenue	10 721	10 862	11 042	11 397	11 653
Expenses	- 10 670	- 10 835	- 11 033	- 11 320	- 11 595
Net operating balance	51	27	9	77	58
Gross fixed capital formation	-497	-518	-681	-702	-673
Depreciation	456	455	469	479	488
Change in inventories	—	—	—	—	—
Net lending	10	-35	-204	-146	-127
<i>Memorandum items:</i>					
Cash surplus	-11	-82	-105	-50	-39
Net debt	127	194	319	383	437
Unfunded superannuation	6 569	6 601	6 667	6 721	6 764
Net financial liabilities to revenue ratio (%)	80.5	80.4	81.1	80.1	79.6

The general government sector operating statement is presented in Table 1.3.

Table 1.3 General government sector operating statement – 2005-06 to 2008-09 (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
GFS Revenue					
Taxation revenue	2 862	2 933	3 037	3 119	3 213
Current grants	5 427	5 432	5 510	5 730	5 892
Capital grants	182	186	211	216	173
Sales of goods and services	1 227	1 248	1 287	1 309	1 334
Interest income	154	155	160	161	167
Other	868	907	837	861	874
<i>Total revenue</i>	10 721	10 862	11 042	11 397	11 653
<i>less</i>					
GFS expenses					
Gross operating expenses					
Employee expenses	4 780	4 894	5 055	5 228	5 379
Depreciation	456	455	469	479	488
Other operating expenses	3 014	2 947	3 029	3 108	3 221
Nominal superannuation interest expense	307	330	317	316	315
Other interest expenses	242	243	229	223	222
Other property expenses	—	—	—	—	—
Current transfers	1 853	1 938	1 915	1 948	1 953
Capital transfers	19	27	20	17	17
<i>Total expenses</i>	10 670	10 835	11 033	11 320	11 595
<i>equals</i>					
GFS net operating balance	51	27	9	77	58
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	636	659	795	796	760
<i>less</i> Sales of non-financial assets	139	141	114	94	87
<i>less</i> Depreciation	456	455	469	479	488
<i>plus</i> Change in inventories	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	41	62	212	223	185
<i>equals</i>					
GFS net lending	10	- 35	- 204	- 146	- 127

Note : Totals may not add due to rounding

Tables 1.4 and 1.5 provide a summary reconciliation between the estimates published in the 2005-06 Budget and those presented in the MYBR. Further details on major parameter and other variations are provided in Table 1.6.

Table 1.4 Net operating balance – policy and parameter variations since the 2005-06 Budget (\$ million)

	2005-06	2006-07	2007-08	2008-09
Estimate at 2005-06 Budget	51	78	109	75
Parameter and other variations				
Revenue - taxation	72	54	63	69
Revenue - other	77	19	40	40
Operating expenses	-108	-74	-75	-77
Net effect of parameter and other variations	41	-2	27	33
Policy measures				
Revenue - taxation	-1	-1	-1	-1
Revenue - other	-7	2	4	-5
Operating expenses	-126	-108	-107	-90
Net effect of policy measures	-134	-107	-104	-95
Use of provisions set aside in the 2005-06 Budget				
Operating expenses	69	40	44	46
Estimate at 2005-06 Mid Year Budget Review	27	9	77	58

Note: Totals may not add due to rounding

Table 1.5 Net lending – policy and parameter variations since the 2005-06 Budget (\$ million)

	2005-06	2006-07	2007-08	2008-09
Estimate at 2005-06 Budget	10	-141	-88	-50
Net effect of operating variations after 2005-06 Budget	-23	-69	-32	-17
Investing variations - net acquisition of non-financial assets				
Net effect of parameter variations	-6	8	-24	-8
Net effect of policy variations ^(a)	-15	-1	-2	-52
Total investing variations	-21	7	-26	-60
Estimate at 2005-06 Mid Year Budget Review	-35	-204	-146	-127

(a) The net lending impact of policy variations for 2006-07 to 2008-09 does not correspond to the total of investing initiatives appearing in Table 1.7. This is due to depreciation expenses being included in the policy variation total above but excluded from the investing initiatives total in Table 1.7.

Note: Totals may not add due to rounding

Table 1.6 Major revenue and expense variations (parameter and other only) since the 2005-06 Budget (\$ million)

	2005-06	2006-07	2007-08	2008-09
Revenue-Taxation				
Payroll tax	14	26	32	38
Property related taxes	70	43	45	46
Insurance taxes	-2	-4	-4	-4
Gambling tax	-8	-9	-8	-8
Motor vehicle taxes	-2	-2	-2	-3
Total taxation revenue	72	54	63	69
Revenue-Other				
GST revenue grants	-26	-65	-56	-56
Commonwealth specific purpose grants	26	17	15	17
State grants	14	8	6	3
Sales of goods and services	21	20	22	27
Distributions from PFCs	0	5	0	0
Distributions from PNFCs	38	38	39	48
Royalties	15	9	5	7
Other variations	-10	-12	9	-5
Total other revenue	77	19	40	40
Operating Expenses				
Nominal superannuation interest expense - variations in earnings rate and valuation of obligations	-24	-8	-7	-7
Disbursement of Commonwealth funding for SA local councils	-14	-15	-16	-17
Revision of depreciation expense	1	2	1	5
Carryovers	-9	-1	0	0
Community Service Obligation payments to SA Water - country investment	-12	-12	-13	-13
Other variations	-50	-40	-40	-44
Total operating expenses	-108	-74	-75	-77
Net capital investment expenditure				
Carryovers	-22	-8	-1	-2
Revision of depreciation expense	-1	-2	-1	-5
Variations to the timing of expenditure	8	19	-23	-1
Other variations	9	-1	1	0
Total net capital investment expenditure	-6	8	-24	-8

Note: Totals may not add due to rounding

Operating Revenue

Since the 2005-06 Budget, operating revenues have been revised up reflecting stronger growth in taxation revenues, specific purpose grants, royalties and various agency-based revenues.

GST revenue grants, on the other hand, have been revised down significantly.

Taxation revenue

Significant upward revisions to taxation revenue are mainly due to conveyance duty and payroll tax revenues.

Conveyance duty collections have been higher than expected in the first half of 2005-06. Consistent with 2005-06 Budget time assumptions, the level of property sales is trending down but is nevertheless higher than expected.

The revised outlook assumes the property market bottoms out a year later than was assumed at the time of the 2005-06 Budget and that the fall in activity levels is shallower than previously predicted. Revised estimates allow for a 7 per cent fall in activity in 2005-06 whereas the Budget allowed for an 11 per cent fall.

Upward revisions to conveyance duty estimates are lower in years subsequent to 2005-06 because only small upward revisions to activity levels have been made in those years.

Average duty raised per transaction has also exceeded expectations in the first half of 2005-06 and appears to be reflecting compositional effects as well as modest price growth. Upward revisions to average duty levels flow through to subsequent years as a base effect.

The size and number of large commercial transactions has also exceeded expectations and has led to conveyance duty estimates from large transactions being revised up.

Payroll tax collections came in stronger than expected in 2004-05 and this flows through as a base effect to subsequent years. Payroll tax collections in recent years have consistently exceeded budget time estimates. In recognition of this experience the full year growth estimates for 2005-06 and subsequent years have been revised up.

Gaming machine tax revenue has been revised down for 2005-06 and this flows through as a base effect to later years. Tax revenue from casino gaming machines has exceeded expectations year-to-date but these gains are more than offset by shortfalls in revenue from clubs and hotels.

GST revenue grants

Significant downward revisions have been made to GST revenue grants to reflect the Commonwealth's revised GST estimate for 2005-06 (as released in the *2005-06 Mid Year Economic and Financial Outlook*) and anticipated losses from future relativity updates by the Commonwealth Grants Commission.

Changes in the data used by the Commission for some of its needs assessments will be detrimental to South Australia, particularly in relation to payroll tax, isolation and regulatory expenses assessments, as will the aggregation of some individual needs assessments into a broader single assessment category.

Specific purpose Commonwealth grants

Upward revisions across the forward estimates to specific purpose Commonwealth grants are mainly due to increased funding for local roads, announced as part of the 2005-06 Commonwealth Budget.

In addition, in 2005-06, funding for education services has been revised up to reflect increased enrolment numbers and confirmation that the Commonwealth will provide the balance of funds for the Telecommunications Project (EduConnect).

State grants

Revised industry grant estimates for primary production-related research activities account for most of the revision to State grants in 2005-06 and the majority of revisions in subsequent years.

In 2005-06 and 2006-07, estimates for the repayment/recovery of industry assistance grants paid in prior years have been revised up following a review of current assistance contracts and a change in administrative arrangements.

Sales of goods and services

Revenue estimates from sales of goods and services have been revised up across the forward estimates, largely to reflect higher hospital fee revenue, revised planning and development fee estimates and the recognition of Victims of Crime levies collected by SAPOL and the Courts Administration Authority. These increases are partly offset by downward revisions to Commonwealth contributions relating to Family Day Care funding.

Distributions from PNFCs and PFCs

Higher dividend estimates relate mainly to stronger profit projections for SA Water (mainly due to revised Community Service Obligation (CSO) funding for the provision of water services in regional South Australia as well as underlying profit growth in 2005-06), Land Management Corporation and Forestry SA.

Royalties

Royalty estimates across the forward estimates period have been revised up mainly to reflect higher oil price assumptions impacting on Cooper Basin royalties. Olympic Dam royalty revenue has been revised up for 2005-06 only to reflect higher estimated copper and uranium prices.

Operating expenses

Superannuation expense variations

The estimated nominal superannuation interest expense has been revised upwards (by around \$24 million in 2005-06 and around \$7 million per annum in the forward estimates) to reflect a number of factors, including:

- the impact of the findings of the triennial superannuation review of the South Australian Superannuation schemes (as discussed in the 2004-05 Final Budget Outcome document);
- the impact of higher than expected earnings on superannuation investments in 2004-05 and so far in 2005-06. Nominal superannuation interest expense is calculated having regard to the superannuation assets held as at 1 July of the relevant financial year and therefore, the higher than expected earnings on superannuation investments in 2005-06 impacts upon the nominal superannuation interest expense from 2006-07, with no impact reflected in the 2005-06 expense. This is the reason for the lower increase in the nominal superannuation interest expense from 2006-07 (around \$7 million) compared with the \$24 million increase estimated in 2005-06;
- an increase in the bond rate used to discount the superannuation liability (5.5 per cent compared with 5.3 per cent at the time of the 2005-06 Budget); and
- other adjustments including updates for actual membership data at 30 June 2005.

Other

A number of parameter and other changes contribute to the variations in projected expenses in 2005-06 and the across the forward estimates, including:

- the carryover of expenditure from 2004-05 to 2005-06 and, to a lesser extent, the forward years (over and above the carryovers already reflected in the 2005-06 Budget estimates);
- timing adjustments associated with a number of projects including the Gilles Plains TAFE, City Central fit-out and the Port Lincoln Airport redevelopment;
- revisions to estimates of net interest expenses to reflect variations in interest rates applicable to financial assets and liabilities, and levels of net debt;

- accounting variations that have no net budget impact but boost both expenses and revenues; and
- the reclassification of some investing expenditure to operating expenditure.

Policy Decisions

Relative to the estimates published in the 2005-06 Budget, forecast operating expenses have been revised upwards in 2005-06 and across the forward estimates. This reflects increased expenditure in a number of priority areas, including health and education, to deliver new initiatives and address a number of cost and demand pressures.

Since the 2005-06 Budget, policy decisions have resulted in upward revisions to expenses across the forward estimates. The Mid-Year Budget Review incorporates policy decisions up to 23 January 2006. Significant measures impacting on operating expenses or distributions from Government Enterprises and their impact over the forward estimates period are:

- \$83.7 million to finalise the new teachers enterprise agreement (over and above the provisions factored into the 2005-06 Budget estimates);
- \$80.8 million to fund increased activity in Metropolitan Hospitals, additional elective surgery and additional dental procedures;
- \$55.6 million to finalise the Salaried Medical Officers enterprise agreement (over and above the provisions factored into the 2005-06 Budget estimates);
- \$24.6 million to meet the needs of disabled students, Aboriginal students and students with English language difficulties;
- \$20.5 million for increased resources to support increased enrolments in government and non government schools;
- \$18.8 million to support the establishment of the Carnegie Mellon University, in South Australia;
- \$17.3 million to support the establishment and operations of the Port Adelaide Maritime Corporation and the Air Warfare Destroyer Systems Centre;
- \$15 million for the Eyre Peninsula Grain Transport project, funded through a Commonwealth contribution received in 2004-05;
- \$10.1 million lower dividend as a result of SA Water entering into an agreement for new 5 star energy rated office accommodation;
- \$9.2 million for security upgrades on transport infrastructure;
- \$7.9 million in 2005-06 to support higher fuel costs across a number of agencies including transport, police and education;
- \$7.9 million for continued support for the Children in State Care Inquiry;

- \$5.6 million to establish and operate a Health Call Centre in conjunction with the Commonwealth; and
- \$4.3 million for grants and recovery support in relation to the flooding of the Adelaide Plains.

Significant investing expenditure measures include:

- \$53.1 million to fund the State expenditure component of the New Northern Access project (extension of Sturt Highway and upgrade of Port Wakefield Road);
- \$12.2 million for the Queen Elizabeth Stage 2 Redevelopment; and
- \$3.6 million in 2005-06 to upgrade the Torrens Building for use by the Carnegie Mellon University.

Table 1.7 lists all policy decisions since the Budget.

Table 1.7 Policy measures since the 2005-06 Budget (\$ million)

Portfolio	2005-06	2006-07	2007-08	2008-09
Premier and Cabinet				
Operating Initiatives				
Bushfire mitigation program — extension	-1.1	-0.4	—	—
Office of the Executive Committee of Cabinet — establishment	-0.5	-0.8	—	—
Social Inclusion — additional resources for aboriginal health	-0.6	-1.0	-0.9	-0.8
Social Inclusion — young offenders action plan	-0.7	-0.9	-0.9	-1.0
Premier's Round Table on Sustainability — additional funding	-0.5	—	—	—
Carnegie Mellon University — operational support	-5.0	-4.9	-4.8	-3.7
Premier's Big Book Club — sponsorship	-0.3	-0.3	-0.3	—
SA Strategic Plan — implementation/monitoring	-1.3	—	—	—
Steamtown rail heritage centre — redevelopment grant	-0.2	—	—	—
Adelaide Airport — solar panels	-1.0	—	—	—
Clipsal 500 — additional promotion associated with the annual V8 race	-0.2	—	—	—
State Protocol events — resources for official functions	-0.6	—	—	—
Minor Grants	-0.2	—	—	—
SA Museum — increased operational support	-0.5	-0.5	-0.5	-0.4
Adelaide Festival Centre — increased operational support	-0.8	—	—	—
Net operating impact	-13.2	-8.7	-7.4	-5.9
Investing Initiatives				
Torrens building — upgrade	-3.5	—	—	—
Net lending impact	-16.7	-8.7	-7.4	-5.9
Trade and Economic Development				
Operating Initiatives				
Port Adelaide Maritime Corporation — establishment and operation	-1.5	-2.7	-2.8	-3.5
Holden — support for labour adjustment package	-1.5	-0.7	-0.4	—
Air Warfare Destroyer Systems Centre — State support	-2.4	-2.4	-1.6	-0.4
Net operating impact	-5.4	-5.7	-4.8	-3.9
Net lending impact	-5.4	-5.7	-4.8	-3.9

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Administered Items for the Department of Treasury and Finance				
Operating Initiatives				
South Australian electorate offices — security measures	-0.6	—	—	—
Revenue Initiatives				
Stamp duty exemption on registration of vehicles used to transport people with disabilities	-0.1	-0.3	-0.3	-0.3
Net operating impact	-0.7	-0.3	-0.3	-0.3
Net lending impact	-0.7	-0.3	-0.3	-0.3
Justice				
Operating Initiatives				
Police — recognition of prior service for incoming staff	-0.1	-1.2	-1.6	-1.9
Golden Grove and Aldinga Police Stations — revised costs and timing	1.0	0.3	0.2	—
Road safety drug-driving package — revised implementation	—	-0.4	-0.4	-0.1
Police — increased fuel expenses	-0.7	—	—	—
Office of the Director of Public Prosecutions — additional staff	-0.7	-0.5	-0.5	-0.5
Kapunda Road Royal Commission	-0.3	—	—	—
Professional Standards Act — national agreement	-0.1	—	—	—
Children in State Care Inquiry — additional support	-1.5	-4.9	-1.5	—
Racing Industry — finalisation of racing industry reform package	0.6	0.6	0.6	0.6
Shark surveillance — increased frequency of aerial operations	-0.2	-0.2	-0.2	-0.2
Eyre Peninsula fires — coronial inquest	-2.9	—	—	—
Country Fire Service — personal protective equipment	-1.5	—	—	—
Community Emergency Services Fund — operating contingency diversion to purchase land at Glen Osmond	1.1	—	—	—
Mount Gambier Prison — revised contractual arrangements	-0.1	-0.3	-0.3	-0.3
Bail supervision and home detention — program expansion	-0.4	-0.7	-0.7	-0.8
APY Lands low security correctional facility — investigation	-0.1	—	—	—
State Electoral Office — roll scanning for 2006 election	-0.1	—	—	—
Local Government general elections — revised arrangements	3.1	-3.1	—	3.2
APY Lands — conduct of council elections every three years	-0.1	—	—	-0.1
Revenue Initiatives				
Racing Industry — finalisation of racing industry reform package	-0.6	-0.5	-0.5	-0.5
Local Government general elections — revenue impact of revised timing of election arrangements	-3.3	3.3	—	-3.5
Net operating impact	-6.8	-7.4	-4.8	-4.0

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Justice				
Investing Initiatives				
Golden Grove and Aldinga Police Stations — revised costs and timing	—	-2.8	0.9	—
Road safety drug-driving package — revised implementation	0.1	—	—	—
Port Augusta Courts development — revised costs	—	-0.3	0.6	—
Glen Osmond — land purchase	-1.1	—	—	—
APY Lands — provision of replacement police stations	-0.3	—	—	—
Net investing initiatives	-1.3	-3.1	1.5	—
Net lending impact	-8.1	-10.5	-3.3	-4.0
Primary Industries and Resources				
Operating Initiatives				
Fisheries — net licences purchased in 2004-05	1.4	—	—	—
Fisheries — establishment of a managed charter boat fishery	-0.1	-0.1	-0.2	-0.2
Commercial Fishing Licences — regulation amendments	-0.3	—	—	—
Citrus Growers Fund — operations	-0.1	-0.2	-0.3	-0.3
Aquaculture Act — operations	-0.7	-0.4	-0.3	-0.3
Mining Amendment Bill — operations	—	-0.5	-0.5	-0.5
Adelaide Plains flood — grants and recovery support	-3.1	-1.2	—	—
Planning and Development Fund — grants	-3.7	—	—	—
Revenue Initiatives				
Fisheries — industry contribution to managed charter boat fishery	0.1	0.1	0.2	0.2
Commercial Fishing Licences — industry contribution	0.3	—	—	—
Citrus Growers Fund — industry contribution	0.1	0.2	0.3	0.3
Aquaculture Act — industry contribution	0.3	0.3	0.3	0.3
Mining Amendment Bill — operations	—	0.5	0.5	0.5
Net operating impact	-5.8	-1.3	—	—
Investing initiatives				
Disposal of land	0.2	—	—	—
Net investing initiatives	0.2	—	—	—
Net lending impact	-5.6	-1.3	—	—

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Transport, Energy and Infrastructure				
Operating Initiatives				
Transport security — implementation of security upgrades	-5.3	-1.3	-1.3	-1.3
Auslink agreement — Eyre Peninsula grain transport project (Commonwealth funded in 2004-05)	-3.0	-6.0	-6.0	—
Port River Expressway — construction	—	-1.0	—	—
Road maintenance — increased fuel expenses	-0.1	—	—	—
Road safety drug-driving package — revised implementation	—	0.1	0.1	0.3
Public Transport rail services — increased fuel expenses	-2.6	—	—	—
Public Transport bus services — patronage incentives	-0.9	-0.9	-1.0	-1.0
Public Transport bus services — increased fuel expenses	-1.8	—	—	—
Hallet Cove Connector — contribution to council	—	-0.7	-3.7	—
Port Pirie Marina and Fisherman's Jetty — transfer to the Port Pirie Regional Council	-0.3	—	—	—
SA Tall Ships — grant	-0.3	—	—	—
City Central Development — revised lease commitment	0.1	0.4	0.1	0.1
Energy Efficiency — extension of program	-0.7	—	—	—
Australian Energy Market Agreement — administration	-0.1	-0.4	-0.4	-0.4
Remote Areas Energy Supply Scheme (RAES) — increased fuel expenses	-2.5	—	—	—
Remote Areas Energy Supply Scheme (RAES) — lower excise payments	—	2.2	2.2	2.2
Revenue Initiatives				
Port River Expressway — contribution from Port Adelaide Enfield Council	—	1.0	—	—
Net operating impact	-17.4	-6.6	-9.9	-0.1
Investing Initiatives				
Transport security — implementation of security upgrades	-0.5	-0.1	-0.4	0.8
Auslink agreement — northern access project	—	-2.1	-4.9	-46.1
Churchill Road — land disposal	-4.7	2.5	—	—
Southern Expressway — land disposal	1.6	—	—	—
Portrush Road — land disposal	0.3	—	—	—
Port Pirie Marina and Fisherman's Jetty — transfer to the Port Pirie Regional Council	0.3	—	—	—
Net investing initiatives	-3.0	0.2	-5.2	-45.3
Net lending impact	-20.4	-6.4	-15.1	-45.4

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Health				
Operating Initiatives				
Increased hospital activity — including additional elective surgery and dental procedures	-30.9	-16.3	-16.6	-17.0
Indigenous Youth Drug and Alcohol Program — additional resources	-0.8	—	—	—
Ambulance Station — Port Pirie	-0.1	—	—	—
SA Ambulance Service — enterprise agreement	-0.8	-1.0	-1.1	-1.1
Salaried Medical Officers — enterprise agreement	-9.0	-15.0	-15.9	-15.7
Clinical Academics — enterprise agreement	-1.1	-1.1	-1.1	-1.1
Health Call Centre — establishment and operation in conjunction with the Commonwealth	-0.2	-0.8	-1.8	-2.8
Revenue Initiatives				
Hospital fees — revised timing of compensable fee adjustment	2.2	-0.1	-0.1	-0.1
Aldinga Community Centre — developer contribution	0.3	0.3	—	—
Net operating impact	-40.4	-34.0	-36.5	-37.8
Investing Initiatives				
Ambulance Station — Port Pirie	-0.6	-0.2	—	—
The Queen Elizabeth Hospital — stage 2 redevelopment	-3.8	-1.4	-0.1	-6.9
Noarlunga Centre — sale of land	2.0	—	—	—
Aldinga Community Centre — construction	-0.7	-0.3	—	—
Flinders Medical Centre — rescheduled construction of the northern car park	4.0	-4.4	—	—
Net investing initiatives	0.8	-6.3	-0.1	-6.9
Net lending impact	-39.6	-40.3	-36.7	-44.7
Environment and Conservation and the River Murray				
Operating Initiatives				
Crown Land — sale process	-0.1	—	—	—
Public boating access to Murray Mouth	-0.4	—	—	—
Office accommodation — revised arrangements	—	0.1	0.1	0.1
Net operating impact	-0.5	0.1	0.1	0.1

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Environment and Conservation and the River Murray				
Investing Initiatives				
Crown Land — sale process	0.1	—	—	—
Office accommodation — revised arrangements	-0.4	—	—	—
Net investing initiatives	-0.3	—	—	—
Net lending impact	-0.8	0.1	0.1	0.1
Families and Communities				
Operating Initiatives				
Strathmont Centre Redevelopment and Community Living Project ^(a)	-7.6	-8.0	-6.4	—
Lower Eyre Peninsula Recovery Centre — operations	-0.7	—	—	—
Child Protection Complaints Unit — establishment	-0.2	-0.4	-0.4	-0.4
Net operating impact	-8.5	-8.4	-6.8	-0.4
Investing Initiatives				
Strathmont Centre Redevelopment and Community Living Project ^(a)	7.8	10.4	1.1	—
Net lending impact	-0.7	2.0	-5.7	-0.4
Further Education, Employment, Science and Technology				
Operating Initiatives				
City Central development — revised lease commitment	-0.7	-0.3	-0.3	-0.3
Florey precinct — development of master plan	-0.2	—	—	—
Investigator Science and Technology Centre — relocation	-0.1	-0.1	-0.1	—
Mt Gambier TAFE — additional support	-0.7	—	—	—
Net operating impact	-1.6	-0.3	-0.4	-0.3
Net lending impact	-1.6	-0.3	-0.4	-0.3

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Administrative and Information Services				
Operating Initiatives				
Building maintenance — procurement process	-0.4	—	—	—
Torrens building — additional expenditure to accommodate Carnegie Mellon University	-0.1	-0.1	-0.1	-0.1
ICT Services SA — establishment and operating costs	-0.2	-0.1	-0.1	-0.1
Road safety drug-driving package — revised implementation	0.1	-0.2	—	0.4
Makybe Diva — contribution to statue	-0.1	—	—	—
State radio communications system — revised timing and reclassification	—	1.7	1.7	1.7
Wakefield House — net rental savings ^(b)	—	1.3	1.3	1.4
Revenue Initiatives				
ICT Services SA — administrative fees	—	—	0.1	0.2
Facilities management — revised fee arrangements	—	0.4	0.4	0.4
Net operating impact	-0.7	3.0	3.3	3.8
Investing Initiatives				
State radio communications system — revised timing and reclassification	-2.3	-2.8	—	—
Torrens building — additional expenditure to accommodate Carnegie Mellon University	-0.1	—	—	—
Wakefield House — purchase ^(b)	-13.5	—	—	—
Net investing initiatives	-15.9	-2.8	—	—
Net lending impact ^(d)	-16.6	0.7	3.9	4.4
Education and Children's Services				
Operating Initiatives				
Education staff — enterprise agreement	-14.2	-19.1	-19.2	-31.2
Additional needs students — increased resources to support high needs students	-5.8	-6.0	-6.3	-6.5
Non-government schools — higher grant payments	-1.8	-0.9	-4.1	-2.1
Transport services — increased fuel expenses	-0.2	—	—	—
Schools — support for increased enrolments	-3.3	-2.7	-2.5	-3.1
Net operating impact	-25.3	-28.9	-32.1	-42.8
Net lending impact	-25.3	-28.9	-32.1	-42.8

Table 1.7 Policy measures since the 2005-06 Budget (\$ million) (continued)

Portfolio	2005-06	2006-07	2007-08	2008-09
Tourism				
Operating Initiatives				
Major event bidding — expansion	—	-0.7	-0.5	—
Marketing — summer events campaign	-0.8	—	—	—
Net operating impact	-0.8	-0.7	-0.5	—
Net lending impact	-0.8	-0.7	-0.5	—
Government Enterprises				
Operating Balance impacts				
Targeted Voluntary Separation — ForestrySA	-0.2	0.6	0.6	0.6
Edinburgh Parks — Wyatt Road construction	-4.5	0.3	0.3	0.4
Port Adelaide waterfront redevelopment — marina development	-0.1	-0.1	0.5	0.6
Hallet Cove Connector — land disposal	—	0.7	—	—
Largs North Marine Precinct — Port Adelaide Sailing Club	0.2	-5.1	0.4	—
Lochiel Park Green Village — development	-0.2	-2.5	-3.1	-0.6
Middle River — upgrade existing treatment plant	—	-0.1	-0.2	-0.2
SA Water Accommodation — revised arrangements	-1.8	-1.8	-2.1	-4.4
Net operating impact (Includes operating and revenue)	-6.7	-8.0	-3.6	-3.6
Total policy measures				
Operating Initiatives ^(c)	-126.4	-108.0	-106.7	-89.7
Revenue Initiatives ^(c)	-7.4	0.8	3.0	-5.4
Net operating impact	-133.8	-107.3	-103.7	-95.1
Investing initiatives	-15.1	-1.7	-2.7	-52.2
Net lending impact ^(d)	-148.9	-108.4	-105.9	-146.8

(a) The Strathmont Centre Redevelopment and Community Living Project has been removed from investing estimates in the Department of Families and Communities and transferred to operating grants to reflect delivery and ownership by the South Australian Housing Trust.

(b) Sale to the Department of Administrative and Information Services by the South Australian Asset Management Corporation (SAAMC) will result in increased dividend of \$4.9 million and capital return of \$8.7 million from SAAMC in 2006-07.

(c) Total operating initiatives and total revenue initiatives are not equal to the sum of the individual portfolio totals for operating and revenue initiatives. This is due to operating balance impacts for Government Enterprises reflecting the net of operating and revenue initiatives.

(d) Net lending impact for 2006-07 to 2008-09 is not equal to the sum of net operating impact and investing initiatives. This is due to depreciation expenses being included in operating initiatives but excluded from the calculation of net lending impact.

Financial position

Table 1.8 summarises the key balance sheet indicators for the general government sector across the forward estimates period.

Table 1.8 Key balance sheet indicators – general government sector

As at 30 June	2006 Budget	2006 MYBR	2007 Estimate	2008 Estimate	2009 Estimate
Net debt					
\$m	127	194	319	383	437
% of total revenue	1.2	1.8	2.9	3.4	3.7
Net debt plus unfunded superannuation					
\$m	6 696	6 795	6 985	7 104	7 201
% of total revenue	62.5	62.6	63.3	62.3	61.8
Net financial liabilities					
\$m	8 629	8 728	8 958	9 124	9 270
% of total revenue	80.5	80.4	81.1	80.1	79.6
Net financial worth					
\$m	4 979	5 328	5 574	5 772	5 995
% of total revenue	46.4	49.1	50.5	50.6	51.4
Net worth					
\$m	17 065	17 818	18 312	18 772	19 223
% of total revenue	159.2	164.0	165.8	164.7	165.0

Movements in non-financial sector balance sheet items largely reflect movements within the general government sector balance sheet. Table 1.9 summarises the key balance sheet indicators for the non-financial public sector.

Table 1.9 Key balance sheet indicators – non-financial public sector

As at 30 June	2006 Budget	2006 MYBR	2007 Estimate	2008 Estimate	2009 Estimate
Net debt					
\$m	2 284	2 319	2 503	2 586	2 622
% of total revenue	20.2	20.3	21.6	21.6	21.4
Net debt plus unfunded superannuation					
\$m	8 854	8 920	9 169	9 307	9 386
% of total revenue	78.3	78.0	79.1	77.8	76.6
Net financial liabilities					
\$m	11 036	11 183	11 465	11 663	11 812
% of total revenue	97.6	97.8	98.8	97.5	96.4
Net financial worth					
\$m	-10 352	-10 399	-10 582	-10 646	-10 649
% of total revenue	-91.6	-90.9	-91.2	-89.0	-86.9
Net worth					
\$m	17 065	17 818	18 312	18 772	19 223
% of total revenue	150.9	155.8	157.9	156.9	156.9

Net debt

General government net debt is forecast to be \$194 million at June 2006. This is a \$67 million increase in the general government net debt position compared with the estimate of \$127 million at the time of the 2005-06 Budget. The forecast increase mainly reflects a deterioration of \$71 million in the estimated cash deficit for 2005-06, partially offset by a better than expected outcome of \$30 million in the level of net debt at June 2005.

The increase in net debt across the forward estimates primarily reflects higher general government cash deficits across the forward years compared with estimates in the 2005-06 Budget. General government sector net debt is still expected to remain at relatively low levels.

The non-financial public sector net debt as at June 2006 is estimated to be \$2319 million. Over the forward estimates period, this is estimated to increase gradually to \$2622 million at June 2009, representing 21.4 per cent of total revenue.

Public non-financial corporations are estimated to contribute \$2126 million to the non-financial public sector net debt at June 2006, which is lower than the forecast in the 2005-06 Budget.

Unfunded superannuation

The estimated general government sector unfunded superannuation liability in 2005-06 and across the forward estimates has increased slightly since the 2005-06 Budget. This increase is due to the impact of the findings of the *South Australian Superannuation Actuarial Report, 2004*, which increased the net present value of the unfunded superannuation liability by \$735 million at 30 June 2005; which has been offset in large part by:

- an increase in the long-term government bond rate used to calculate the present value of future superannuation obligations. A higher government bond rate means an increase in the discount rate applied to future superannuation payments. The higher discount rate results in a decrease in the present value of future superannuation obligations. In early December 2005, the expected Commonwealth Government bond rate at 30 June 2006 was 5.5 per cent, which is 0.2 percentage points higher than the assumed rate reflected in the 2005-06 Budget estimates;
- higher than expected final earnings on assets in 2004-05 of 15.02 per cent compared with an estimated earnings rate on assets for 2004-05 of 11.1 per cent;
- the impact of expected higher returns on superannuation assets in 2005-06 compared with 2005-06 Budget assumptions. An earnings rate of 7.0 per cent per annum for superannuation assets was assumed for 2005-06 and the forward estimates period in the 2005-06 Budget. Earnings for 2005-06 up to early December were running at an annual rate of 21.0 per cent. Assuming the long-term earnings rate of 7.0 per cent per annum is achieved for the remainder of the year, the earnings rate for 2005-06 is projected to be 13.2 per cent. This is 6.2 per cent higher than the assumption included in the 2005-06 Budget estimates; and
- various other actuarial adjustments and revisions to past service payments.

The net result of the variations in actuarial assumptions, earnings and discount rates is an increase in the estimated unfunded superannuation liability at 30 June 2006 of approximately \$32 million.

Net financial liabilities

A broader measure of the Government's financial position is net financial liabilities. In addition to net debt and unfunded superannuation liabilities, this measure includes other non-equity financial assets and financial liabilities, the largest component being provisions for employee entitlements. The provision for employee entitlements, including long service leave, is the second largest component of net financial liabilities after unfunded superannuation.

Achievement of a net financial liabilities to revenue ratio that reduces over time is considered an important fiscal target. A reducing net financial liabilities to revenue ratio demonstrates the State's improved capacity to meet its obligations from revenue streams.

The net financial liabilities to revenue ratio can be affected by both budget decisions and factors outside the Government's control such as parameter (rather than policy) impacts on the net lending outcome, and changes in financial assets and liabilities as a result of revaluations.

Revaluations of net financial assets and liabilities have not significantly affected the net financial liabilities to revenue ratio estimated in the Mid-Year Budget Review compared with estimates in the 2005-06 Budget. The ratio as at 30 June 2006 is however, expected to reduce significantly from the ratio of 90 per cent at 30 June 2005. The reduction in the ratio is largely due to the revaluation of the unfunded superannuation liability as a result of a change in the Commonwealth bond (discount) rate (estimated to be 5.5 per cent at June 2006, compared with 5.2 per cent at June 2005) and higher than forecast earnings on superannuation assets so far in 2005-06.

The general government sector's ratio of net financial liabilities to revenue is estimated to be slightly lower in 2005-06 than forecast in the 2005-06 Budget. However, the ratio is estimated to be higher across the forward estimates than estimated at the time of the budget, largely as a result of the increase in net debt since budget time estimates.

While the net financial liabilities to revenue ratio remains relatively stable over the forward years, the Government does have a target of achieving net lending outcomes over time that ensures the ratio continues to decline towards that of other triple-A rated States.

Risks

Revenue risks

Revenue estimates are exposed to unanticipated changes in economic conditions. The downside risk of a weaker economy would impact adversely both on GST grant revenues and State taxation revenue. In addition, there is the risk that the severity of the current softening in property market conditions may differ from assumptions incorporated into the forward estimates.

The State's share of GST revenue is also affected by unanticipated developments in other States' budgets, particularly own source revenues such as conveyance duties, land tax and mining royalties and other aspects of annual Commonwealth Grants Commission relativity updates. The terms of reference for the Commission's 2010 methodology review also allow for the introduction of simplified assessments before that date.

Special purpose grant revenue can also fluctuate greatly depending on prevailing Commonwealth priorities and the negotiation of inter jurisdictional agreements.

The 2005-06 Budget and forward estimates include a number of items of revenue from the sale of government real property. These budget items are subject to fluctuations in both timing and value, and these factors have the potential to impact future budget outcomes.

Expenditure risks

The outcome of future wage negotiations will be crucial in determining whether the forward estimates of expenditure can be achieved. They will also be an important factor in determining the level of government services that can be delivered. New enterprise agreements have been certified since the 2005-06 Budget for public sector salaried employees, teachers, salaried medical officers, the SA Ambulance Service, and metropolitan fire fighters. The costs arising from these awards are reflected in the 2005-06 Mid-Year Budget Review. If future salary outcomes exceed the forward estimate provisions by 0.5 per cent per annum then the budget impact is estimated to be \$50 million by 2008-09.

Hospital activity levels in recent years have increased approximately 1 per cent per year. Continuing to fund activity growth has been a significant budget task. The Government is implementing a number of community care, primary health care and hospital avoidance strategies. If, despite these strategies, the Government is unable to curb the growth in hospital activity in the medium term this will be a significant future cost.

The Budget and forward estimates contain a number of significant investment projects, which are in the early stages of development. Such projects can be the subject of variations in cost and timing. Whilst projections reflect the best available information there is some risk of variation as projects are finalised.

Higher than expected interest rates could adversely affect the general government and public non-financial sectors' budget position through increased interest payments on net debt.

Unfunded superannuation liabilities can increase as a result of lower than expected returns on investment funds, changes in actuarial assumptions relating to future benefits or changes in the Commonwealth bond rate used to discount the liability. For example, a lower bond (discount) rate or a decrease in expected real returns on investments would result in an increase in the estimated unfunded superannuation liabilities. The imputed interest on the unfunded superannuation liability impacts on the budget outcome.

The revised budget position for the 2005-06 Budget and forward estimates includes no allowance for policy initiatives that may arise as part of the election process. Additional net costs arising as a result of this process will impact directly on the budget bottom lines.

Other

As part of the adoption of Australian equivalent to International Reporting Standards, some public sector entities (those on the National Tax Equivalent Regime) are required to recognise tax obligations applying substantially different accounting rules.

In particular, SA Water and the SA Forestry Corporation are likely to recognise significant deferred tax liabilities that are not currently recognised (together amounting to around \$630 million). These liabilities reflect the requirement to pay tax equivalent amounts to the Treasurer in future years.

The accounting treatment in relation to the potential corresponding tax asset in the general government sector is uncertain. There is the potential that this asset may need to be recognised, and that this would lead to an improvement in net financial liabilities for the general government sector, and in turn a reduction in the net financial liabilities to revenue ratio (of around 6 percentage points).

We understand that the New South Wales Government has recognised these assets in its general government sector. However, we are waiting on a considered uniform approach from all jurisdictions, in consultation with the Australian Bureau of Statistics.

If the method adopted by New South Wales was used, there would also be an effect on the accrual based income tax revenue for the general government sector, with no change to the cash payment received from the entities. However, we are not able to quantify the amount at this stage.

CHAPTER 2: THE ECONOMIC CONTEXT

At the time of the 2005-06 Budget, the economic outlook was for one of moderating but still solid economic growth. Residential construction activity was expected to remain at high levels through the first half of 2005, supported by a backlog of work, and to then decline throughout 2005-06. Consumer spending, which had recorded very strong rates of growth in previous years, was expected to moderate while business investment remained at high levels. It was anticipated that the softening in domestic demand conditions would be offset by an improvement in the external sector.

Since that time, the South Australian economy has continued to grow solidly. However, in line with expectations, there has been a moderation in local demand growth. Growth in consumer spending has continued to ease from the rapid rates of growth in previous years. Household consumption spending grew by 2.0 per cent in real terms through the year to the September quarter 2005, down from the very strong 5.2 per cent growth rate recorded in the previous 12 months. While dwelling construction activity has remained strong due to a large backlog of work, a slight easing in dwelling approvals suggests that activity in this sector will moderate over the course of the next year to be more in line with underlying fundamentals. Business investment remains at strong levels. While uncertainty surrounded farm sector prospects at Budget time, good winter and spring rainfall has allayed these concerns and is likely to contribute to average to above average crop output in 2005-06.

National GDP growth is estimated at 3 per cent for 2005-06 by Commonwealth Treasury in the Mid-Year Economic and Fiscal Outlook, unchanged from Budget time. A lift in export growth is expected to support economic growth, while growth in household consumption expenditure and dwelling investment is expected to be more subdued. Growth in business investment is expected to remain solid in 2005-06. Commonwealth Treasury has revised up its forecast for national CPI growth in 2005-06 from 2¾ per cent to 3 per cent reflecting the impact of higher oil prices. Employment growth in 2005-06 has also been revised up from 1¾ per cent to 2 per cent in year average terms but is expected to slow through the course of 2005-06 in response to slower GDP growth through late 2004 and early 2005.

South Australian employment growth was strong in 2004-05 and the unemployment rate fell to under 5 per cent by the end of the financial year, the lowest rate since the monthly series commenced in the late 1970s. During the first half of 2005-06, employment growth has eased both in South Australia and nationally but has remained healthy. This is consistent with the ANZ Bank job advertisement series which had been pointing to an easing in the growth in the demand for labour since the beginning of the year. South Australia's trend unemployment rate as at December 2005 was 5.0 per cent, below the national average of 5.1 per cent.

South Australian population growth has improved over the past year, reaching 0.6 per cent in the year to June 2005 (up from 0.4 per cent in the previous 12 months). Net overseas migration has been a major driver of population growth in recent quarters and may be reflective of South Australia's newly acquired regional migration status. However, the positive impact of net overseas migration has been partly offset by widening interstate migration losses.

Growth in Gross State Product (GSP) is expected to be $2\frac{3}{4}$ per cent in 2005-06, up slightly from the $2\frac{1}{2}$ per cent forecast at Budget time. This mainly reflects improved prospects for agricultural output following good rainfall through winter and spring. ABARE is now estimating South Australia's winter crop production in 2005-06 to be 35 per cent higher than the previous year. However, growth in State Final Demand is still expected to be around $2\frac{1}{2}$ per cent, as anticipated at Budget time. Estimated South Australian employment growth is expected to be $1\frac{3}{4}$ per cent, up from $1\frac{1}{4}$ per cent at Budget time. The Adelaide Consumer Price Index (CPI) is estimated to be 3 per cent in 2005-06, up from $2\frac{3}{4}$ per cent at Budget time. This reflects the impact of higher petrol prices in the first quarter of 2005-06.

Through the course of 2006 and 2007, it is anticipated that the backlog of housing construction activity will dissipate and a moderation in building work will occur in the sector. Rapid increases in house prices over the past few years had, at least in part, been fuelling consumer spending through its wealth effects. However, house price growth has slowed considerably through the middle of 2005 and is unlikely to contribute significantly to ongoing consumer spending. In 2006-07, South Australia's GSP growth rate is forecast to remain at $2\frac{3}{4}$ per cent while employment growth is expected to ease to 1 per cent in line with longer term trends.

Projections for 2007-08 onwards take into consideration the expected performance of the national economy over the medium term and relative population growth rates, indicating a $2\frac{3}{4}$ per cent per annum economic growth rate for South Australia.

Table 2.1 below provides a summary of key economic forecasts and projections for both South Australia and Australia.

Table 2.1 Key economic assumptions – Australia and South Australia real growth rates (% per annum)

	2004-05 Actual	2005-06 Budget Forecast	2005-06 Revised Forecast	2006-07 Forecast	2007-08 Projection	2008-09 Projection
Australia						
GDP	2.4	3	3	3	$3\frac{1}{2}$	$3\frac{1}{4}$
Domestic Final Demand	4.5	$3\frac{1}{2}$	$3\frac{1}{2}$	n.a.	n.a.	n.a.
Employment	3.0	$1\frac{3}{4}$	2	1	$1\frac{1}{2}$	$1\frac{1}{4}$
CPI	2.4	$2\frac{3}{4}$	3	$2\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$
South Australia						
GSP	2.6	$2\frac{1}{2}$	$2\frac{3}{4}$	$2\frac{3}{4}$	$2\frac{3}{4}$	$2\frac{3}{4}$
State Final Demand	3.7	$2\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{3}{4}$	$2\frac{3}{4}$	$2\frac{3}{4}$
Employment	1.9	$1\frac{1}{4}$	$1\frac{3}{4}$	1	1	1
CPI	2.3	$2\frac{3}{4}$	3	$2\frac{1}{2}$	$2\frac{1}{2}$	$2\frac{1}{2}$

Sources: Australian Bureau of Statistics, South Australian Department of Treasury and Finance, 2005-06 Commonwealth Budget and Commonwealth Mid-Year Economic and Fiscal Outlook.

APPENDIX A: UNIFORM PRESENTATION FRAMEWORK

UNIFORM PRESENTATION FRAMEWORK TABLES

Table A.1 General government sector operating statement (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
GFS revenue					
Taxation revenue	2 862	2 933	3 037	3 119	3 213
Current grants	5 427	5 432	5 510	5 730	5 892
Capital grants	182	186	211	216	173
Sales of goods and services	1 227	1 248	1 287	1 309	1 334
Interest income	154	155	160	161	167
Other	868	907	837	861	874
Total revenue	10 721	10 862	11 042	11 397	11 653
<i>less</i>					
GFS expenses					
Gross operating expenses					
Employee expenses	4 780	4 894	5 055	5 228	5 378
Depreciation	456	455	469	479	488
Other operating expenses	3 014	2 947	3 029	3 109	3 221
Nominal superannuation interest expense	307	330	317	316	315
Other interest expenses	242	243	229	223	222
Other property expenses	—	—	—	—	—
Current transfers	1 853	1 938	1 915	1 948	1 953
Capital transfers	19	27	20	17	17
Total expenses	10 670	10 835	11 033	11 320	11 595
<i>equals</i>					
GFS net operating balance	51	27	9	77	58
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	636	659	795	796	760
less Sales of non-financial assets	139	141	114	94	87
less Depreciation	456	455	469	479	488
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	41	62	212	223	185
<i>equals</i>					
GFS net lending / borrowing	10	-35	-204	-146	-127

Table A.2 Public non-financial corporations (public trading enterprises) sector operating statement (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
GFS revenue					
Taxation revenue	—	—	—	—	—
Current grants	401	420	424	431	426
Capital grants	21	21	14	26	28
Sales of goods and services	1 277	1 332	1 283	1 310	1 339
Interest income	17	19	14	15	15
Other	97	100	139	113	125
Total revenue	1 812	1 892	1 874	1 894	1 933
<i>less</i>					
GFS expenses					
Gross operating expenses					
Employee expenses	216	223	226	232	238
Depreciation	225	230	243	249	255
Other operating expenses	861	893	836	854	882
Nominal superannuation interest expense	—	—	—	—	—
Other interest expenses	152	146	150	151	151
Other property expenses	393	415	446	432	438
Current transfers	-7	4	2	-1	-1
Capital transfers	6	6	5	5	4
Total expenses	1 846	1 917	1 908	1 923	1 966
<i>equals</i>					
GFS net operating balance	-34	-25	-34	-28	-33
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	427	420	403	390	361
less Sales of non-financial assets	122	98	131	131	139
less Depreciation	225	230	243	249	255
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	80	91	29	10	-33
<i>equals</i>					
GFS net lending / borrowing	-114	-116	-63	-38	—

Table A.3 Non-financial public sector operating statement (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
GFS revenue					
Taxation revenue	2 633	2 701	2 798	2 877	2 969
Current grants	5 425	5 428	5 509	5 730	5 892
Capital grants	203	207	225	242	200
Sales of goods and services	2 348	2 392	2 389	2 435	2 485
Interest income	114	116	118	123	131
Other	583	595	560	561	574
Total revenue	11 306	11 438	11 599	11 967	12 252
<i>less</i>					
GFS expenses					
Gross operating expenses					
Employee expenses	4 955	5 064	5 227	5 406	5 560
Depreciation	681	686	712	728	744
Other operating expenses	3 524	3 450	3 477	3 573	3 711
Nominal superannuation interest expense	307	330	317	316	315
Other interest expenses	337	335	326	324	325
Other property expenses	20	11	40	28	22
Current transfers	1 441	1 528	1 502	1 521	1 529
Capital transfers	25	33	25	23	21
Total expenses	11 290	11 436	11 624	11 919	12 227
<i>equals</i>					
GFS net operating balance	16	2	-25	49	25
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 063	1 078	1 199	1 186	1 121
less Sales of non-financial assets	262	239	246	225	226
less Depreciation	681	686	712	728	744
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	121	153	241	233	151
<i>equals</i>					
GFS net lending / borrowing	-104	-151	-266	-184	-127

Table A.4 General government sector balance sheet (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Assets					
Financial assets					
Cash and deposits	2 075	2 151	2 166	2 232	2 382
Advances paid	1 021	905	881	853	836
Investments, loans and placements	161	173	175	177	179
Other non-equity assets	435	543	543	540	534
Equity	13 608	14 056	14 532	14 896	15 265
Total financial assets	17 300	17 829	18 297	18 699	19 197
Non-financial assets					
Land and fixed assets	11 999	12 483	12 731	12 992	13 220
Other non-financial assets	88	7	7	7	7
Total non-financial assets	12 086	12 490	12 739	13 000	13 227
Total assets	29 387	30 319	31 036	31 698	32 424
Liabilities					
Deposits held	330	207	211	244	288
Advances received	676	643	643	613	597
Borrowing	2 378	2 572	2 687	2 789	2 949
Unfunded superannuation liability	6 569	6 601	6 667	6 721	6 764
Other employee entitlements and provisions	1 497	1 619	1 646	1 678	1 710
Other non-equity liabilities	871	859	870	882	893
Total liabilities	12 321	12 501	12 723	12 926	13 201
Net worth	17 065	17 818	18 312	18 772	19 223
Net financial worth (a)	4 979	5 328	5 574	5 772	5 995
Net debt (b)	127	194	319	383	437

(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)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Assets					
Financial assets					
Cash and deposits	218	202	186	214	258
Advances paid	18	20	4	—	-4
Investments, loans and placements	14	12	13	13	14
Other non-equity assets	108	120	127	128	120
Equity	22	30	27	24	21
Total financial assets	379	384	357	379	409
Non-financial assets					
Land and fixed assets	15 410	15 709	16 137	16 400	16 626
Other non-financial assets	37	50	50	50	50
Total non-financial assets	15 446	15 759	16 187	16 450	16 676
Total assets	15 825	16 143	16 544	16 829	17 085
Liabilities					
Deposits held	5	7	7	8	8
Advances received	908	908	881	857	843
Borrowing	1 494	1 446	1 500	1 567	1 603
Unfunded superannuation liability	—	—	—	—	—
Other employee entitlements and provisions	74	76	79	82	84
Other non-equity liabilities	399	404	402	413	423
Total liabilities	2 880	2 841	2 869	2 926	2 961
Net worth	12 945	13 302	13 675	13 903	14 124
Net financial worth (a)	-2 502	-2 457	-2 512	-2 547	-2 552
Net debt (b)	2 158	2 126	2 185	2 204	2 186

(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)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Assets					
Financial assets					
Cash and deposits	2 147	2 294	2 290	2 352	2 501
Advances paid	131	52	38	31	23
Investments, loans and placements	175	185	188	191	193
Other non-equity assets	398	401	405	398	383
Equity	685	784	883	1 017	1 163
Total financial assets	3 534	3 716	3 805	3 988	4 264
Non-financial assets					
Land and fixed assets	27 408	28 192	28 868	29 392	29 846
Other non-financial assets	9	25	26	26	26
Total non-financial assets	27 417	28 217	28 894	29 418	29 871
Total assets	30 951	31 933	32 699	33 406	34 135
Liabilities					
Deposits held	188	156	156	157	158
Advances received	676	676	676	646	630
Borrowing	3 872	4 018	4 187	4 356	4 552
Unfunded superannuation liability	6 569	6 601	6 667	6 721	6 764
Other employee entitlements and provisions	1 591	1 715	1 744	1 780	1 813
Other non-equity liabilities	989	949	957	974	995
Total liabilities	13 886	14 115	14 387	14 634	14 913
Net worth	17 065	17 818	18 312	18 772	19 223
Net financial worth (a)	-10 352	-10 399	-10 582	-10 646	-10 649
Net debt (b)	2 284	2 319	2 503	2 586	2 622

(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)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Cash receipts from operating activities					
Taxes received	2 840	2 900	3 037	3 119	3 213
Receipts from sales of goods and services	1 228	1 233	1 285	1 307	1 332
Grants received	5 606	5 588	5 716	5 942	6 061
Other receipts	1 094	1 067	992	1 019	1 042
Total receipts	10 769	10 788	11 030	11 387	11 647
Cash payments for operating activities					
Payment for goods and services	-7 976	-8 121	-8 281	-8 535	-8 809
Grants and subsidies paid	-1 912	-1 909	-1 892	-1 912	-1 904
Interest paid	-243	-243	-229	-223	-222
Other payments	-154	-75	-56	-67	-82
Total payments	-10 285	-10 348	-10 457	-10 737	-11 016
Net cash flows from operating activities	484	440	574	650	631
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	139	134	114	94	87
Purchases of non-financial assets (a)	-634	-656	-793	-794	-758
Net cash flows from investments in non-financial assets	-494	-522	-679	-700	-671
Net cash flows from investments in financial assets for policy purposes (b)	130	120	33	27	16
Net cash flows from investments in financial assets for liquidity purposes	-23	-23	-11	-10	-10
Net cash flows from financing activities					
Advances received (net)	-43	-43	—	-30	-16
Borrowing (net)	92	330	114	101	160
Deposits received (net)	-55	-76	4	33	44
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	-6	210	118	104	189
Net increase in cash held	90	225	35	71	156
Net cash from operating activities and investments in non-financial assets	-11	-82	-105	-50	-39
Distributions paid	—	—	—	—	—
Finance leases and similar arrangements (c)	—	—	—	—	—
Surplus / deficit	-11	-82	-105	-50	-39

(a) The ABS disaggregates this item into new and secondhand non-financial assets.

(b) Includes equity acquisitions, disposals and privatisations (net).

(c) Finance leases are shown as a negative as they are deducted in compiling the surplus/deficit.

**Table A.8 Public non-financial corporations (public trading enterprises) sector
cash flow statement (\$ million)**

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 335	1 318	1 266	1 299	1 335
Grants received	473	420	424	431	426
Other receipts	67	202	162	138	151
Total receipts	1 876	1 940	1 853	1 867	1 912
Cash payments for operating activities					
Payment for goods and services	-875	-914	-805	-817	-851
Grants and subsidies paid	-14	-14	-5	1	7
Interest paid	-152	-146	-150	-151	-151
Other payments	-233	-254	-287	-280	-276
Total payments	-1 274	-1 329	-1 247	-1 248	-1 270
Net cash flows from operating activities	601	611	606	620	642
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	122	98	131	131	139
Purchases of non-financial assets (a)	-406	-399	-389	-364	-334
Net cash flows from investments in non-financial assets	-284	-301	-258	-233	-195
Net cash flows from investments in financial assets for policy purposes (b)	10	2	17	4	4
Net cash flows from investments in financial assets for liquidity purposes	-2	—	2	2	2
Net cash flows from financing activities					
Advances received (net)	-102	-101	-28	-24	-13
Borrowing (net)	80	61	50	76	50
Deposits received (net)	—	—	—	—	—
Dividends paid	-358	-397	-403	-401	-417
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	-380	-437	-380	-348	-379
Net increase in cash held	-55	-124	-14	45	74
Net cash from operating activities and investments in non-financial assets					
Distributions paid	317	310	348	387	447
Finance leases and similar arrangements (c)	358	-397	-403	-401	-417
Surplus / deficit	-40	-87	-56	-14	31

(a) The ABS disaggregates this item into new and secondhand non-financial assets.

(b) Includes equity acquisitions, disposals and privatisations (net).

(c) Finance leases are shown as a negative as they are deducted in compiling the surplus/deficit.

Table A.9 Non-financial public sector cash flow statement (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Cash receipts from operating activities					
Taxes received	2 611	2 667	2 798	2 878	2 969
Receipts from sales of goods and services	2 395	2 362	2 370	2 423	2 481
Grants received	5 604	5 584	5 715	5 942	6 061
Other receipts	738	716	684	694	715
Total receipts	11 347	11 329	11 568	11 937	12 226
Cash payments for operating activities					
Payment for goods and services	-8 687	-8 741	-8 892	-9 162	-9 470
Grants and subsidies paid	-1 451	-1 501	-1 472	-1 482	-1 476
Interest paid	-338	-335	-326	-324	-325
Other payments	-143	-99	-103	-100	-100
Total payments	-10 619	-10 676	-10 793	-11 068	-11 371
Net cash flows from operating activities	728	653	776	869	856
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	262	232	246	225	226
Purchases of non-financial assets (a)	-1 040	-1 055	-1 182	-1 157	-1 091
Net cash flows from investments in non-financial assets	-779	-823	-936	-932	-865
Net cash flows from investments in financial assets for policy purposes (b)	38	21	22	7	7
Net cash flows from investments in financial assets for liquidity purposes	-25	-23	-10	-8	-8
Net cash flows from financing activities					
Advances received (net)	-43	-43	—	-30	-16
Borrowing (net)	172	390	165	177	211
Deposits received (net)	—	—	1	1	—
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	129	348	165	148	195
Net increase in cash held	90	176	17	84	185
Net cash from operating activities and investments in non-financial assets	-51	-170	-161	-63	-9
Distributions paid	—	—	—	—	—
Finance leases and similar arrangements (c)	—	—	—	—	—
Surplus / deficit	-51	-170	-161	-63	-9

(a) The ABS disaggregates this item into new and secondhand non-financial assets.

(b) Includes equity acquisitions, disposals and privatisations (net).

(c) Finance leases are shown as a negative as they are deducted in compiling the surplus/deficit.

Table A.10 General government sector taxes (\$ million) (a)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Taxes on employers' payroll and labour force	777	791	842	890	940
Taxes on property					
Land taxes	292	295	305	310	318
Stamp duties on financial and capital transactions	563	622	622	640	652
Financial institutions' transaction taxes	5	6	—	—	—
Other	130	137	141	145	146
Total	990	1 060	1 068	1 094	1 116
Taxes on the provision of goods and services					
Excises and levies	5	5	6	6	6
Taxes on gambling	414	405	429	415	411
Taxes on insurance	283	280	287	295	304
Total	702	690	722	716	721
Taxes on use of goods and performance of activities					
Motor vehicle taxes	394	391	406	421	436
Total	394	391	406	421	436
Total GFS taxation revenue	2 862	2 933	3 037	3 119	3 213

(a) Excludes taxes paid by general government units.

Table A.11 Reconciliation of general government net worth (\$ million)

	2005-06 Budget	2005-06 MYBR	2006-07 Estimate	2007-08 Estimate	2008-09 Estimate
Net worth at beginning of year	16 293	16 359	17 818	18 312	18 772
Change in net worth from operating transactions:					
Net operating balance	51	27	9	77	58
Change in net worth from other economic flows:					
Movement in retained earnings of PFCs	75	75	88	124	135
Movement in retained earnings of PNFCs	548	563	373	228	221
Revaluation of unfunded superannuation liability	—	705	5	5	5
SAAMC return of equity	—	—	9	—	—
SA Water return of equity	74	74	—	—	—
Other revaluation adjustments	25	15	10	26	31
<i>Subtotal</i>					
Total other economic flows	722	1 432	486	383	392
Net worth at year end	17 065	17 818	18 312	18 772	19 223

Table A.12 Loan Council Allocation 2005-06 (\$ million) ^(a)

	2005-06 Budget	2005-06 MYBR
General government sector cash deficit/surplus	11	82
PNFC sector cash deficit/surplus	40	87
Total non-financial public sector cash deficit/surplus ^(b)	51	170
Net cash flows from investments in financial assets for policy purposes ^(c)	-38	-21
Adjusted total non-financial public sector cash deficit/surplus	13	149
Memorandum items ^(d)		
Operating leases ^(e)	-40	-10
Recourse asset sales	0	0
Superannuation ^(f)	-293	-517
Local government	26	16
Home finance schemes	5	308
Total memorandum items	-302	-202
LCA deficit/surplus ^{(g)(h)}	-289	-53

(a) For the purposes of this table a surplus is represented as a negative, while a deficit is a positive.

(b) The sum of the general government and PNFC sector may not equal the non-financial public sector deficit due to intersectoral transfers, which are netted out in the calculation of the total figure. These figures exclude statutory marketing authorities.

(c) This item is the negative of net advances paid under a cash accounting framework.

(d) Excludes universities.

(e) Increase/decrease in the net present value (NPV) of operating leases with an NPV of \$5 million or greater.

(f) Includes both 'payments in excess of emerging costs of superannuation' and 'interest earnings on employer balances'.

(g) The 2 per cent of total revenue tolerance limit around South Australia's 2005-06 LCA is \$223 million. The difference of \$235 million between budget and estimated results exceeds that tolerance limit.

(h) South Australia has no infrastructure projects with private sector involvement that meet the LCA recognition criteria for 2005-06.

Note: Totals may not add due to rounding

APPENDIX B: GENERAL GOVERNMENT AND NON-FINANCIAL PUBLIC SECTOR FINANCIAL STATISTICS TIME SERIES

General Government Sector

The following tables provide historical data on key fiscal aggregates. Data (excluding the unfunded superannuation liability) provided is sourced for 1998–99 from Australian Bureau of Statistics Government Financial Estimates 2003–04 (catalogue number 5512.0) and 1999–2000 to 2004–05 from Budget Outcome publications for South Australia.

Data is provided from 1998–99, the first year for which information is available in the accrual format. Prior to 1998–99, government finances were measured using a cash-based methodology.

As historical data in this time series has not been back-cast to reflect classification and accounting changes, care must be taken in interpreting the data. These changes include a structural break in the methodology used to value the unfunded superannuation liability between 2002–03 and 2003–04, and the inclusion of new entities.

From 30 June 2004, the Government adopted a revised discount rate, consistent with a new accounting standard for employee benefits, to value the unfunded superannuation liability from 30 June 2004. The new standard, which is based on International Accounting Standard (IAS) 19, requires superannuation liabilities to be valued using the national government bond rate (or similar rate). Prior to this time, the Government had used a 7.0 per cent (until June 2000) and then a 7.5 per cent discount rate to value its unfunded superannuation liability. The adoption of the bond rate at 30 June 2004 resulted in a significant increase in the reported value of the liability.

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	%Rev
1998-99	7 297		17.4	7 505		17.9	-208	19	-227	-3.1
1999-2000	7 644	2.2	17.4	7 974	3.6	18.2	-330	140	-471	-6.2
2000-01	8 108	3.0	17.1	8 406	2.3	17.7	-297	102	-399	-4.9
2001-02	8 538	2.0	16.8	8 713	0.4	17.1	-174	-50	-124	-1.5
2002-03	9 346	5.2	17.4	8 898	-1.8	16.6	448	34	414	4.4
2003-04	9 955	3.4	17.5	9 570	4.4	16.9	385	-38	424	4.3
2004-05	10 592	3.9	17.7	10 368	5.8	17.3	224	105	119	1.1
2005-06	10 862	-0.4	17.2	10 835	1.5	17.1	27	62	-35	-0.3
2006-07	11 042	-0.9	16.6	11 033	-0.7	16.5	9	212	-204	-1.8
2007-08	11 397	0.7	16.2	11 320	0.1	16.1	77	223	-146	-1.3
2008-09	11 653	-0.3	15.8	11 595	-0.1	15.7	58	185	-127	-1.1

Table B.2 General government key balance sheet aggregates (\$ million) ^(a)

As at 30 June	Net debt ^(b)	Unfunded superannuation	Net financial liabilities	Net financial worth	Net worth
1988	859				
1989	694				
1990	854				
1991	1 817				
1992	4 610				
1993	7 884				
1994	7 113				
1995	5 815				
1996	5 512				
1997	4 983				
1998	4 762				
1999	4 780	3 909	9 769	1 892	10 622
2000	1 920	3 543	6 928	2 986	12 447
2001	1 246	3 249	6 067	4 091	14 788
2002	1 303	3 998	6 895	3 559	14 706
2003	666	4 445	6 980	3 500	15 288
2004	224	5 668	7 969	3 842	15 760
2005	144	7 227	9 538	3 853	16 359
2006	194	6 601	8 728	5 328	17 818
2007	319	6 667	8 958	5 574	18 312
2008	383	6 721	9 124	5 772	18 772
2009	437	6 764	9 270	5 995	19 223

(a) Unfunded superannuation data from 1998-99 data are sourced from the 1998-99 Budget Outcome publication for South Australia.

(b) Net debt data for the years up to and including 1998 are sourced from ABS, Government Financial Estimates 2003-04 (catalogue number 5501).

Table B.3 General government sector receipts, payments and surplus (\$ million) ^(a)

	Receipts	Payments	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	4 356	531
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	10 788	10 348	-82
2006-07	11 030	10 457	-105
2007-08	11 387	10 737	-50
2008-09	11 647	11 016	-39

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are sourced from the ABS and are receipts and payments classified as current under the former cash based GFS methodology. 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 this series. From 1999-2000 onwards data is derived from Budget Outcome publications for South Australia. Receipts and payments include both current (operating) and capital payments. Due to 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)

	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
GFS revenue											
Taxation revenue	2 433	2 748	2 197	2 193	2 431	2 806	2 941	2 933	3 037	3 119	3 213
Current grants	2 914	3 098	3 992	4 485	4 638	4 906	5 206	5 432	5 510	5 730	5 892
Capital grants ^(a)	—	—	—	—	209	191	212	186	211	216	173
Sales of goods and services	733	696	982	902	997	1 165	1 244	1 248	1 287	1 309	1 334
Interest income	143	215	169	131	146	172	161	155	160	161	167
Other	1 074	888	768	827	925	715	829	907	837	861	874
<i>Total revenue</i>	7 297	7 644	8 108	8 538	9 346	9 955	10 592	10 862	11 042	11 397	11 653
<i>less</i>											
GFS expenses											
Gross operating expenses	5 296	5 694	6 216	6 489	6 524	7 053	7 907	8 297	8 553	8 815	9 088
Nominal superannuation interest expense	277	274	248	244	299	354	351	330	317	316	315
Other interest expenses	643	601	353	272	297	253	248	243	229	223	222
Other property expenses	—	—	—	—	—	—	—	—	—	—	—
Current transfers	1 208	1 345	1 545	1 663	1 724	1 894	1 824	1 938	1 915	1 948	1 953
Capital transfers	81	59	43	44	54	16	38	27	20	17	17
<i>Total expenses</i>	7 505	7 974	8 406	8 713	8 898	9 570	10 368	10 835	11 033	11 320	11 595
<i>equals</i>											
GFS net operating balance	-208	-330	-297	-174	448	385	224	27	9	77	58
<i>less</i>											
Net acquisition of non-financial assets											
Gross fixed capital formation	364	478	427	337	433	406	576	518	681	702	673
less Depreciation	323	337	322	390	401	435	453	455	469	479	488
plus Change in inventories	-2	—	-3	3	2	-10	-18	—	—	—	—
plus Other movements in non-financial assets	-21	—	—	—	—	—	—	—	—	—	—
<i>equals Total net acquisition of non-financial assets</i>	19	140	102	-50	34	-38	105	62	212	223	185
<i>equals</i>											
GFS net lending	-227	-471	-399	-124	414	424	119	-35	-204	-146	-127

(a) Prior to 2002-03, capital grants were not reported separately.

Table B.5 General government sector balance sheet (\$ million)

	As at 30 June	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assets												
Financial assets												
Cash and deposits	1 884	3 187	1 806	1 844	2 052	2 178	1 960	2 151	2 166	2 232	2 382	
Advances paid	1 304	—	1 258	1 233	1 167	1 133	959	905	881	853	836	
Investments, loans and placements	12	1 608	127	170	170	154	170	173	175	177	179	
Other non-equity assets	409	360	325	311	289	386	434	543	543	540	534	
Equity	11 661	9 914	10 158	10 454	10 479	11 811	13 391	14 056	14 532	14 896	15 265	
Total financial assets	15 270	15 068	13 673	14 012	14 157	15 661	16 915	17 829	18 297	18 699	19 197	
Non-financial assets												
Land and fixed assets	8 674	9 270	10 636	11 076	11 710	11 835	12 411	12 483	12 731	12 992	13 220	
Other non-financial assets	56	191	62	71	78	83	94	7	7	7	7	
Total non-financial assets	8 730	9 461	10 697	11 146	11 788	11 917	12 505	12 490	12 739	13 000	13 227	
Total assets	24 000	24 529	24 371	25 158	25 945	27 579	29 420	30 319	31 036	31 698	32 424	
Liabilities												
Deposits held	522	639	470	401	329	309	283	207	211	244	288	
Advances received	1 099	935	844	790	780	733	686	643	643	613	597	
Borrowing	6 359	5 140	3 123	3 359	2 947	2 648	2 265	2 572	2 687	2 789	2 949	
Unfunded superannuation liability	3 909	3 543	3 249	3 998	4 445	5 668	7 227	6 601	6 667	6 721	6 764	
Other employee entitlements and provisions	612	840	976	1 057	1 352	1 495	1 599	1 619	1 646	1 678	1 710	
Other non-equity liabilities	877	985	920	847	806	967	1 002	859	870	882	893	
Total liabilities	13 378	12 082	9 583	10 453	10 658	11 819	13 061	12 501	12 723	12 926	13 201	
Net worth	10 622	12 447	14 788	14 706	15 288	15 760	16 359	17 818	18 312	18 772	19 223	
Net financial worth	1 892	2 986	4 091	3 559	3 500	3 842	3 853	5 328	5 574	5 772	5 995	
Net debt	4 780	1 920	1 246	1 303	666	224	144	194	319	383	437	

Table B.6 General government expenses by function (\$ million) ^{(a)(b)}

	2002-03 Outcome	2003-04 Outcome	2004-05 Outcome
General public services	260	329	217
Defence	—	—	—
Public order and safety	882	900	957
Education	2 239	2 420	2 641
Health	2 357	2 563	2 824
Social security and welfare	533	545	714
Housing and community amenities	622	710	839
Recreation and culture	248	255	286
Fuel and energy	35	87	40
Agriculture, forestry, fishing and hunting	161	189	188
Mining and mineral resources (other than fuels); manufacturing and construction	98	87	68
Transport and communication	589	624	661
Other economic affairs	254	219	226
Other purposes	620	642	707
Total expenses	8 898	9 570	10 368

(a) Expenses by function data are derived from information submitted by government departments and agencies. The processes for deriving these data are subjected to ongoing refinements. Consequently the data may be subject to future revisions.

(b) The methodology for compiling functional data changed in 2003-04. Consequently 2002-03 data and 2003-04 data are not directly comparable.

Table B.7 General government capital expenses by function (\$ million)

	2002-03 Outcome	2003-04 Outcome	2004-05 Outcome
General public services	27	122	140
Defence	—	—	—
Public order and safety	53	53	67
Education	42	44	83
Health	135	113	128
Social security and welfare	1	5	5
Housing and community amenities	7	21	16
Recreation and culture	42	18	9
Fuel and energy	—	—	—
Agriculture, forestry, fishing and hunting	5	4	12
Mining and mineral resources (other than fuels); manufacturing; and construction	2	—	—
Transport and communications	158	125	222
Other economic affairs	2	—	1
Other purposes	—	—	—
Total capital	474	506	683

Non-Financial Public Sector

Table B.8 Non-financial public sector key operating statement aggregates

	Revenue			Expenses			Net operating balance	Net acquisition of non-financial assets	Net lending	
	\$m	% real growth	% GSP	\$m	% real growth	% GSP	\$m	\$m	\$m	% Rev
1998-99	9 474		22.5	9 607		22.9	-133	-115	-18	-0.2
1999-2000	9 206	-5.2	21.0	9 552	-3.0	21.8	-346	-3508	3 161	34.3
2000-01	9 051	-4.5	19.1	9 279	-5.7	19.6	-228	-1111	883	9.8
2001-02	9 367	0.3	18.4	9 487	-0.9	18.7	-120	-124	5	0.1
2002-03	10 172	4.4	19.0	9 696	-1.7	18.1	476	72	405	4.0
2003-04	10 707	2.2	18.9	10 294	3.1	18.1	413	33	379	3.5
2004-05	11 343	3.5	19.0	11 029	4.6	18.4	314	125	189	1.7
2005-06	11 438	-2.1	18.1	11 436	0.7	18.1	2	153	-151	-1.3
2006-07	11 599	-1.1	17.4	11 624	-0.9	17.4	-25	241	-266	-2.3
2007-08	11 967	0.6	17.0	11 919	0.0	17.0	49	233	-184	-1.5
2008-09	12 252	-0.2	16.6	12 227	0.0	16.5	25	151	-127	-1.0

Table B.9 Non-financial public sector key balance sheet and aggregates (\$ million) ^(a)

As at 30 June	Net debt ^(b)	Unfunded superannuation	Net financial liabilities	Net financial worth	Net worth
1988	4 397				
1989	4 197				
1990	4 457				
1991	5 418				
1992	8 142				
1993	11 610				
1994	10 550				
1995	8 844				
1996	8 432				
1997	8 170				
1998	7 927				
1999	7 658	3 909	13 152	-12 258	10 622
2000	4 355	3 543	9 952	-8 986	12 445
2001	3 223	3 249	8 185	-7 109	14 816
2002	3 317	3 998	8 999	-7 902	14 721
2003	2 696	4 445	9 120	-8 811	15 288
2004	2 285	5 668	10 617	-9 550	15 760
2005	2 126	7 227	11 688	-11 004	16 359
2006	2 319	6 601	11 183	-10 399	17 818
2007	2 503	6 667	11 465	-10 582	18 312
2008	2 586	6 721	11 663	-10 646	18 772
2009	2 622	6 764	11 812	-10 649	19 223

(a) Unfunded superannuation data from 1998-99 data are sourced from the 1998-99 Budget Outcome publication for South Australia.

(b) Net debt data for the years up to and including 1998 are sourced from ABS, Government Financial Estimates 2003-04 (catalogue number 5501).

Table B.10 Non-financial public sector receipts, payments and surplus (\$ million) ^(a)

	Receipts	Payments	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	11 329	10 676	-170
2006-07	11 568	10 793	-161
2007-08	11 937	11 068	-63
2008-09	12 226	11 371	-9

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years up to and including 1998-99 are sourced from the ABS and are receipts and payments classified as current under the former cash based GFS methodology. 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 this series. From 1999-2000 onwards data is derived from Budget Outcome publications for South Australia. Receipts and payments include both current (operating) and capital payments. Due to 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.11 Non-financial public sector operating statement (\$ million)

	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
GFS revenue											
Taxation revenue	2 237	2 527	2 024	2 027	2 272	2 629	2 731	2 701	2 798	2 877	2 969
Current grants	2 914	3 106	3 995	4 488	4 641	4 909	5 206	5 428	5 509	5 730	5 892
Capital grants ^(a)	—	—	—	—	237	215	257	207	225	242	200
Sales of goods and services	3 606	2 869	2 401	2 107	2 272	2 446	2 481	2 392	2 389	2 435	2 485
Interest income	81	176	121	85	103	125	135	116	118	123	131
Other	637	528	510	660	648	382	533	595	560	561	574
<i>Total revenue</i>	9 474	9 206	9 051	9 367	10 172	10 707	11 343	11 438	11 599	11 967	12 252
<i>less</i>											
GFS expenses											
Gross operating expenses	7 662	7 585	7 461	7 625	7 689	8 219	8 798	9 199	9 415	9 706	10 016
Nominal superannuation interest expense	277	274	248	244	299	354	351	330	317	316	315
Other interest expenses	834	782	447	354	374	315	333	335	326	324	325
Other property expenses	5	3	—	—	3	15	23	11	40	28	22
Current transfers	765	860	1 080	1 220	1 276	1 375	1 486	1 528	1 502	1 521	1 529
Capital transfers	63	48	43	44	54	16	38	33	25	23	21
<i>Total expenses</i>	9 607	9 552	9 279	9 487	9 696	10 294	11 029	11 436	11 624	11 919	12 227
<i>equals</i>											
GFS net operating balance	- 132	- 346	- 228	- 120	476	413	314	2	- 25	49	25
<i>less</i>											
Net acquisition of non-financial assets											
Gross fixed capital formation	670	- 2 280	- 594	479	666	687	805	839	953	961	895
less Depreciation	658	607	512	588	603	651	682	686	712	728	744
plus Change in inventories	- 101	10	- 5	- 15	9	- 3	1	—	—	—	—
plus Other movements in non-financial assets	- 26	- 630	—	—	—	—	—	—	—	—	—
<i>equals Total net acquisition of non-financial assets</i>	- 115	- 3 508	- 1 111	- 124	72	33	125	153	241	233	151
<i>equals</i>											
GFS net lending	- 18	3 161	883	5	405	379	189	- 151	- 266	- 184	- 127

(a) Prior to 2002-03, capital grants were not reported separately.

Table B.12 Non-financial public sector balance sheet (\$ million)

As at 30 June	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assets											
Financial assets											
Cash and deposits	2 016	3 303	1 932	1 915	2 124	2 250	2 129	2 294	2 290	2 352	2 501
Advances paid	198	—	184	189	192	186	80	52	38	31	23
Investments, loans and placements	11	385	143	182	182	164	180	185	188	191	193
Other non-equity assets	610	358	332	337	294	356	376	401	405	398	383
Equity	894	966	1 076	1 098	309	618	684	784	883	1 017	1 163
Total financial assets	3 729	5 012	3 666	3 720	3 100	3 574	3 450	3 716	3 805	3 988	4 264
Non-financial assets											
Land and fixed assets	22 822	21 209	21 914	22 605	24 074	25 285	27 338	28 192	28 868	29 392	29 846
Other non-financial assets	58	222	11	17	24	24	25	25	26	26	26
Total non-financial assets	22 880	21 431	21 925	22 622	24 098	25 309	27 363	28 217	28 894	29 418	29 871
Total assets	26 609	26 444	25 592	26 342	27 199	28 883	30 813	31 933	32 699	33 406	34 135
Liabilities											
Deposits held	407	440	252	190	148	122	155	156	156	157	158
Advances received	1 099	935	844	790	780	733	719	676	676	646	630
Borrowing	8 377	6 668	4 386	4 623	4 267	4 030	3 642	4 018	4 187	4 356	4 552
Unfunded superannuation liability	3 909	3 543	3 249	3 998	4 445	5 668	7 227	6 601	6 667	6 721	6 764
Other employee entitlements and provisions	1 024	987	1 068	1 137	1 419	1 586	1 693	1 715	1 744	1 780	1 813
Other non-equity liabilities	1 171	1 425	977	884	853	984	1 019	949	957	974	995
Total liabilities	15 987	13 998	10 776	11 622	11 911	13 124	14 454	14 115	14 387	14 634	14 913
Net worth	10 622	12 445	14 816	14 721	15 288	15 760	16 359	17 818	18 312	18 772	19 223
Net financial worth	-12 258	-8 986	-7 109	-7 902	-8 811	-9 550	-11 004	-10 399	-10 582	-10 646	-10 649
Net debt	7 658	4 355	3 223	3 317	2 696	2 285	2 126	2 319	2 503	2 586	2 622