



**Government  
of South Australia**

# **MID-YEAR BUDGET REVIEW**

**2007-08**

---

*Presented by the  
Honourable Kevin Foley MP  
Deputy Premier and Treasurer of South Australia*

---



# TABLE OF CONTENTS

<b>CHAPTER 1: 2007-08 BUDGET POSITION AND FISCAL OUTLOOK .....</b>	<b>5</b>
Overview .....	5
Operating revenue .....	9
Expenditure .....	12
Financial position .....	18
Net debt .....	19
Unfunded superannuation .....	19
Net financial liabilities .....	20
Risks .....	20
<b>CHAPTER 2: THE ECONOMIC CONTEXT .....</b>	<b>23</b>
APPENDIX A: UNIFORM PRESENTATION FRAMEWORK .....	25
APPENDIX B: GENERAL GOVERNMENT AND NON-FINANCIAL PUBLIC SECTOR FINANCIAL STATISTICS TIME SERIES .....	37
General government sector .....	37
Non-Financial Public Sector .....	44



# CHAPTER 1: 2007-08 BUDGET POSITION AND FISCAL OUTLOOK

---

## Overview

The 2007-08 Budget continued the government's record of a strong economic and fiscal performance, projecting strong net operating balances across the forward years. Since the 2007-08 Budget, a combination of strong national and local economic performance has driven growth in GST and taxation revenues. The budget position shows even stronger surpluses across the forward estimates. Strong operating surpluses across the forward estimates are important to help fund the significant investment in infrastructure over the same period.

Since the 2007-08 Budget increased spending has been approved in a number of key priority areas. Major policy decisions include drought response measures and new arrangements for water security, measures to address prison accommodation for increased prisoner numbers and measures to strengthen the response to serious and organised crime.

Parameter variations have resulted in upward revisions to expenditure since the 2007-08 Budget. Major items contributing to this variation include operating expenditure carried forward from 2006-07, revisions to the forward estimates for higher than anticipated school enrolments, additional resources for students with special needs, and upward revisions to expenditure including those associated with specific purpose grants from the Commonwealth.

Taxation revenues have been revised up mainly in respect of conveyance duty, land tax and payroll tax and reflect the continued strength of the property market during 2007 and stronger employment growth in South Australia.

Upward revisions to GST grants mainly reflect revised Commonwealth estimates of the GST pool in 2007-08 and future years and revised population estimates.

Whilst estimates of net lending in 2007-08 and 2008-09 are largely unchanged since the 2007-08 Budget, in 2009-10 and in 2010-11 estimated net lending deficits are higher than those reported in the 2007-08 Budget. This reflects the revised accounting treatment for the public-private partnership projects in relation to schools and secure facilities partially offset by the decision to proceed with the Marjorie Jackson-Nelson Hospital as a public-private partnership project (which will defer the impact of the project on net lending until the commencement of payments by the state under the agreement with the private provider, usually at the time the hospital is commissioned for use (2016-17)). Notwithstanding these net lending projections, net debt is expected to remain at prudent levels.

As always, there are risks to the budget that 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)**

<b>Net operating balance</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
Budget	30	205	336	278
<b>MYBR</b>	<b>83</b>	<b>308</b>	<b>517</b>	<b>356</b>
Change	53	103	181	78
<b>Net lending</b>				
Budget	-428	-383	-167	-314
<b>MYBR</b>	<b>-398</b>	<b>-369</b>	<b>-239</b>	<b>-540</b>
Change	30	14	-72	-226

**Table 1.2 General government sector aggregates (\$ million)**

	<b>2007-08</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
	<b>Budget</b>	<b>MYBR</b>	<b>Estimate</b>	<b>Estimate</b>	<b>Estimate</b>
Revenue	12 140	12 392	12 963	13 447	13 823
Expenses	- 12 110	- 12 309	- 12 655	- 12 930	- 13 467
<b>Net operating balance</b>	<b>30</b>	<b>83</b>	<b>308</b>	<b>517</b>	<b>356</b>
Gross fixed capital formation	-955	-976	-1221	-1334	-1 511
Depreciation	497	495	544	578	616
Change in inventories	—	—	—	—	—
<b>Net lending</b>	<b>-428</b>	<b>-398</b>	<b>-369</b>	<b>-239</b>	<b>-540</b>
<i>Memorandum items:</i>					
Cash surplus	-386	-359	-392	-211	-256
Net debt	618	427	819	1 042	1 520
Unfunded superannuation	5 791	5 055	5 086	5 108	5 119
<b>Net financial liabilities to revenue ratio (%)</b>	<b>71.1</b>	<b>62.6</b>	<b>63.4</b>	<b>63.5</b>	<b>66.4</b>

Note: Totals may not add due to rounding

**Table 1.3 General government sector operating statement — 2007-08 to 2010-11 (\$ million)**

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS Revenue</b>					
Taxation revenue	3 243	3 415	3 472	3 589	3 723
Current grants	6 089	6 113	6 465	6 632	6 840
Capital grants	298	315	337	471	419
Sales of goods and services	1 505	1 518	1 573	1 626	1 694
Interest income	170	199	197	205	217
Other	835	832	919	923	929
<i>Total revenue</i>	12 140	12 392	12 963	13 447	13 823
<i>less</i>					
<b>GFS expenses</b>					
Gross operating expenses					
Employee expenses	5 702	5 777	5 972	6 169	6 373
Depreciation	497	495	544	578	616
Other operating expenses	3 107	3 247	3 256	3 361	3 568
Nominal superannuation interest expense	282	276	273	273	273
Other interest expenses	214	226	255	286	315
Other property expenses	—	—	—	—	—
Current transfers	2 216	2 189	2 260	2 167	2 227
Capital transfers	92	100	95	95	95
<i>Total expenses</i>	12 110	12 309	12 655	12 930	13 467
<i>equals</i>					
<b>GFS net operating balance</b>	<b>30</b>	<b>83</b>	<b>308</b>	<b>517</b>	<b>356</b>
<i>less</i>					
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	1 021	1 052	1 335	1 427	1 590
<i>less</i> Sales of non-financial assets	66	76	114	94	79
<i>less</i> Depreciation	497	495	544	578	616
<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	458	481	677	756	896
<i>equals</i>					
<b>GFS net lending</b>	<b>- 428</b>	<b>- 398</b>	<b>- 369</b>	<b>- 239</b>	<b>- 540</b>

Note: Totals may not add due to rounding

**Table 1.4 Net operating balance — policy and parameter variations since the 2007-08 Budget (\$ million)**

	2007-08	2008-09	2009-10	2010-11
<b>Estimate at 2007-08 Budget</b>	<b>30</b>	<b>205</b>	<b>336</b>	<b>278</b>
<b>Parameter and other variations</b>				
Revenue - taxation	173	152	159	170
Revenue - other	79	324	424	418
Operating expenses	-207	-351	-391	-496
<b>Net effect of parameter and other variations</b>	<b>45</b>	<b>126</b>	<b>193</b>	<b>92</b>
<b>Policy measures</b>				
Revenue - taxation	0	-4	-5	-6
Revenue - other	1	1	1	1
Operating expenses	-24	-39	-31	-34
<b>Net effect of policy measures</b>	<b>-23</b>	<b>-41</b>	<b>-35</b>	<b>-39</b>
<b>Use of provisions set aside in the 2007-08 Budget</b>				
Operating expenses	31	19	24	25
<b>Estimate at the 2007-08 Mid-Year Budget Review</b>	<b>83</b>	<b>308</b>	<b>517</b>	<b>356</b>

Note: Totals may not add due to rounding

**Table 1.5 Net lending — policy and parameter variations since the 2007-08 Budget (\$ million)**

	2007-08	2008-09	2009-10	2010-11
<b>Estimate at 2007-08 Budget</b>	<b>-428</b>	<b>-383</b>	<b>-167</b>	<b>-314</b>
<b>Net effect of operating variations after the 2007-08 Budget</b>	<b>53</b>	<b>103</b>	<b>181</b>	<b>78</b>
<b>Investing variations - net acquisition of non-financial assets</b>				
Net effect of parameter variations	-30	-124	-219	-294
Net effect of policy variations	-7	28	-40	-9
Use of provisions set aside in the 2007-08 Budget	15	7	6	0
<b>Total investing variations</b>	<b>-23</b>	<b>-89</b>	<b>-253</b>	<b>-304</b>
<b>Estimate at the 2007-08 Mid-Year Budget Review</b>	<b>-398</b>	<b>-369</b>	<b>-239</b>	<b>-540</b>

Note: Totals may not add due to rounding



**Table 1.6 Major revenue and expense variations (parameter and other only) since the 2007-08 Budget (\$ million)**

	2007-08	2008-09	2009-10	2010-11
<b>Revenue - Taxation</b>				
Payroll tax	18	24	28	32
Conveyances	128	80	86	90
Other property taxes	24	46	43	47
Gambling tax	3	1	1	1
Insurance taxes	0	1	1	1
Motor vehicle taxes	0	0	0	-1
<b>Total taxation revenue</b>	<b>173</b>	<b>152</b>	<b>159</b>	<b>170</b>
<b>Revenue - Other</b>				
GST revenue grants	52	135	151	147
Competition grants	3	0	0	0
Commonwealth specific purpose and other grants				
- Drought relief	-62	0	0	0
- Other specific purpose grants	30	112	212	222
- Other grants	18	3	3	1
Distributions from PNFCs and PFCs	-6	34	23	11
Fines and penalties	-10	-8	-9	-10
Royalties	9	14	9	3
Sales of goods and services	14	9	5	9
Interest income	29	30	31	34
Other revenue	3	-4	0	0
<b>Total other revenue</b>	<b>79</b>	<b>324</b>	<b>424</b>	<b>418</b>
<b>Operating Expenses</b>				
Nominal superannuation interest expense - variations in earnings rate and valuation of obligations	6	10	9	8
Interest Expense	-12	-24	-33	-47
Carryovers	-104	-8	3	-2
Other variations	-97	-328	-369	-455
<b>Total operating expenses</b>	<b>-207</b>	<b>-351</b>	<b>-391</b>	<b>-496</b>
<b>Net capital investment expenditure</b>				
Carryovers	-59	-8	-9	-3
Other variations	29	-116	-210	-291
<b>Total net capital investment expenditure</b>	<b>-30</b>	<b>-124</b>	<b>-219</b>	<b>-294</b>

Note: Totals may not add due to rounding

## Operating revenue

Operating revenues have been revised up since the 2007-08 Budget primarily reflecting stronger than expected growth in taxation revenues, GST grants and Commonwealth specific purpose grants.

## Taxation revenue

The substantial upward revisions to taxation revenue mainly reflect revised estimates for conveyance duty, payroll tax and land tax.

Conveyance duty collections have been higher than expected in the opening months of 2007-08 due to higher than expected property turnover levels and stronger than expected growth in property values.

Most jurisdictions experienced a strong uplift in property turnover levels in mid-2007. This is considered to be due, in part, to once-off Commonwealth superannuation tax incentives that encouraged a shift from real estate to superannuation funds.

Reflecting these once-off factors, upward revisions to conveyance duty are larger in 2007-08 relative to forward years. Turnover assumptions have not been adjusted across the forward estimates.

Payroll tax estimates for the private sector have been revised up mainly reflecting higher employment growth assumptions in 2007-08 and 2008-09 and stronger private sector wages growth across the forward estimates.

Upward revisions to land tax reflect revised land valuation assumptions for residential investment property based on residential sales experience to date in 2007. The Valuer-General's valuations for rating and taxing purposes in 2008-09 will be influenced by market experience during 2007. Upward revisions to Emergency Services Levy estimates also reflect higher capital value growth assumptions impacting on 2008-09 assessments.

Gambling tax revenues have been revised down over the forward estimates reflecting the government's decision to assist the South Australian racing codes by replacing the wagering tax on SA TAB race betting operations with correspondingly higher distributions from the SA TAB to the racing codes. SA TAB wagering tax on racing will be phased out over the next few years with the tax to be eliminated from 1 July 2012. This policy decision is reflected in Table 1.4.

Downward revisions to SA TAB tax are partly offset by small upward revisions to gaming machine tax revenues reflecting stronger than expected revenue in the opening months of 2007-08. Full smoking bans in gaming venues took effect from 31 October 2007. Early indications are that the allowance made for a 15 per cent fall in net gambling expenditure as a result of the complete smoking ban remains appropriate.

## **GST revenue grants**

Significant upward revisions have been made to GST grants to reflect revisions to the GST pool available for distribution to the state in accordance with GST forecasts set out in the Commonwealth Government's 2007-08 Mid-Year Economic and Fiscal Outlook and upward revisions to South Australia's population share (due to revised Australian Bureau of Statistics population estimates).

## **Commonwealth specific purpose and other grants**

Specific purpose grants from the Commonwealth have been revised down in 2007-08 reflecting a lower than anticipated uptake of Exceptional Circumstances funding for drought relief, partially offset by additional Commonwealth funding, mainly for health, education and local government. Capital grants, (shown as 'other grants' in Table 1.6), have been revised up in 2007-08 reflecting the bringing forward of Commonwealth funding through the Australian Submarine Corporation to extend the common user facility at Osborne.

Upward revisions to specific purpose grants from the Commonwealth from 2008-09 mainly reflect additional estimated road funding under the AusLink 2 program. Specific purpose operating grants for education, training, health and local government have also been revised up over the forward estimates. The increases in specific purpose grant funding are largely offset by increases in expenditure over the forward estimates.

## **Sales of goods and services**

Sales revenue has been revised up over the forward estimates mainly as a result of higher than expected revenue from land transfer fees, reflecting the stronger than expected property market. Revenue from a range of departmental user charges has also been revised up. These increases are partially offset by lower levels of Commonwealth contributions.

## **Royalties**

Royalty revenue has been revised up across the forward estimates period mainly reflecting higher copper and uranium price assumptions. Royalty revisions are smaller in 2010-11 reflecting future commodity price assumptions.

## **Fines and penalties**

Revenue from fines and penalties has been revised down across the forward estimates reflecting lower than expected receipts in the opening months of 2007-08 and revised expectations of infringement rates as a result of changes in driver behaviour.

## **Distributions from PNFCs**

Distributions from PNFCs have been revised up from 2008-09. The revision to distributions is larger in 2008-09 than across the forward estimates reflecting upward revisions to land sales by Land Management Corporation in that year, mainly related to the Playford North Redevelopment and Blakeview project.

Land Management Corporation's ownership structure has been revised over the forward estimates with community service obligation funding reduced and smaller downward revisions to dividend payments.

Distributions from SA Water have been revised up but there are offsetting expenditure increases resulting in no net budget impact. Community service obligation funding to SA Water has been increased together with expenditure on water concessions for pensioners and those in financial need.

Forward projections of SA Water's dividend capacity, including in 2008-09, assume normal long-term water consumption trends, ie. that water restrictions do not continue into 2008-09.

## **Interest income**

Higher estimated interest income in 2007-08 and over the forward years compared with the 2007-08 Budget reflects higher than previously assumed interest rates applicable to general government cash deposits.

## **Other revenue**

This residual category includes a variety of revenues in various agencies. In aggregate, this line shows little change from the 2007-08 Budget estimates.

## **Expenditure**

### **Parameter and other variations**

A number of parameter and other changes contribute to the variations in projected expenses and investing payments in 2007-08 and across the forward estimates including:

- the carryover of expenditure from 2006-07 to 2007-08 and to a lesser extent the forward years (over and above the carryovers already reflected in the 2007-08 Budget);
- a downward revision for the Exceptional Circumstances drought relief program in 2007-08 reflecting lower than budgeted program activity, consistent with the Commonwealth forecast of payments to South Australia in the Commonwealth Government's 2007-08 Mid-Year Economic and Fiscal Outlook;
- additional expenditure on education reflecting higher than anticipated enrolment numbers in government schools and additional resources for students with special needs, Aboriginal students and students with English language difficulties;
- upward revisions to provisions for growth in service delivery costs and future expenditures including those associated with specific purpose grants from the Commonwealth such as the AusLink 2 program;
- higher estimated interest expenses in 2007-08 and across the forward estimates mainly reflect higher than previously assumed interest rates applicable to general government borrowings;
- revised timing of expenditure for a range of capital projects, including South Road upgrade and GP Plus Health Centres at Elizabeth and Marion;
- downward revision to nominal superannuation interest expense reflecting the impact of higher than expected earnings on superannuation investments in 2006-07 and so far in 2007-08, and a higher than budgeted bond rate used to discount the superannuation liability;
- an upward revision to estimates of depreciation expense flowing partly from the revaluation of non-financial assets in 2006-07;
- variations to accounting treatment for some transactions that have no net budget impact but vary both expenses and revenue; and
- the reclassification of various transactions in some agencies.

### **Policy measures**

The 2007-08 Mid-Year Budget Review incorporates policy measures up to 26 November 2007. Significant measures and their impact on operating expenses over the forward estimates period are:

- \$28.8 million over three years commencing in 2008-09 to increase water concessions and expand the eligibility criteria in response to the impact of increased water prices;
- \$11.7 million over four years for additional prison accommodation for increased prisoner numbers;
- \$10.9 million over the next two years for additional drought assistance measures including the appointment of regional drought coordinators and additional support for drought recovery plans;

- \$10.3 million for water security measures including \$5.7 million over four years to establish a dedicated team to progress water supply management issues at the state and national level and \$4.6 million in 2007-08 to monitor compliance with water allocations and research water security issues;
- \$9.6 million over three years commencing in 2008-09 to strengthen the response to serious and organised crime; and
- \$1 million per annum for five years commencing in 2008-09 to assist the University of Adelaide establish a veterinary science school in South Australia.

Operating expenses are \$29.3 million higher than previously estimated over four years due to the reversal of 2006-07 savings measures for school management of workers compensation (\$24.1 million) and SSABSA efficiencies (\$5.2 million).

Significant investing expenditure measures over the forward estimates period include:

- \$27.0 million for the redevelopment of Glenside;
- \$9.6 million in 2007-08 for land purchases associated with the Education Works strategy;
- \$8.8 million over three years to construct a new Connected Services Centre in Mt Gambier to provide a range of social services;
- \$6.5 million over the next two years for the purchase and upgrade of the Old Stock Exchange building for use by the Royal Institution of Australia; and
- \$2.2 million in 2007-08 for additional prison accommodation for increased prisoner numbers.

Table 1.7 lists all policy measures since the 2007-08 Budget.

**Table 1.7 Policy measures since the 2007-08 Budget (\$ 000)**

Portfolio	2007-08	2008-09	2009-10	2010-11
<b>The Legislature</b>				
Investing Initiatives				
Joint Parliamentary Services — electrical systems upgrade	- 228	—	—	—
<b>Premier and Cabinet</b>				
Operating Initiatives				
Adelaide Festival Centre Trust — increased support	- 700	- 700	- 700	- 700
Adelaide Festival of Arts — operational support	- 500	—	—	—
Agent-General London residence — cost of sale	- 230	—	—	—
APY Lands — support for inquiry <sup>(1)</sup>	-1 600	—	—	—
City of Port Augusta — grant to purchase former court building	- 144	—	—	—
Employee Management Framework	- 225	—	—	—
Industrial Relations Court — additional resources	- 60	—	—	—
Lieutenant Governor — additional support	- 181	- 222	- 227	- 232
Premier's Awards and Public Sector Week	- 130	- 130	- 130	- 130
Royal Institution of Australia — establishment	- 365	—	—	—
Investing Initiatives				
Agent-General London residence — sale proceeds	3 960	—	—	—
Old stock exchange building — purchase and upgrade for Royal Institution of Australia	-5 000	-1 500	—	—
Revenue				
Racing industry reform	—	-3 500	-5 000	-6 300
<b>Trade and Economic Development</b>				
Operating Initiatives				
Techport Australia Suppliers' Precinct — land development	- 540	- 730	- 400	—
Investing Initiatives				
Techport Australia Suppliers' Precinct — land development	-3 220	—	—	—
Techport Australia Suppliers' Precinct — land sales	3 600	7 285	5 810	—

<sup>(1)</sup> Contribution from the Commonwealth of \$1.6 million was received in 2006-07

**Table 1.7 Policy measures since the 2007-08 Budget (\$ 000) (continued)**

<b>Portfolio</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Justice</b>				
Operating Initiatives				
Bushfire mitigation program — extension	- 425	- 850	- 850	- 850
Community services — additional support for non-government organisations	- 14	- 28	- 42	- 57
Consumer credit reform	—	- 307	- 107	- 109
Legal Services Commission — increased support	-1 800	—	—	—
Prison infrastructure — additional accommodation	-1 728	-3 258	-3 330	-3 405
Rights of victims of crime — additional support	- 78	- 80	- 81	- 83
Serious and organised crime — strengthening response	—	-2 272	-3 623	-3 696
Investing Initiatives				
Prison infrastructure — additional accommodation	-2 228	—	—	—
Serious and organised crime — strengthening response	- 183	—	—	—
Revenue Offsets				
Bushfire mitigation program — Commonwealth contribution	425	425	425	425
Consumer credit reform	—	238	128	132
Revenue				
Financial reporting by associations — red tape reduction	- 49	- 51	- 55	- 58
Level crossing offences — increased expiation fees	7	14	15	15
<b>Primary Industries and Resources</b>				
Operating Initiatives				
Drought response measures	-1 172	-9 751	—	—
Grape Growers Industry Fund — operations	- 440	- 330	- 396	- 475
Planning and Development Fund — change in fee structure	- 64	—	—	—
Revenue Offsets				
Grape Growers Industry Fund — industry contribution	440	330	396	475
Planning and Development Fund — change in fee structure	64	—	—	—

**Table 1.7 Policy measures since the 2007-08 Budget (\$ 000) (continued)**

<b>Portfolio</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Transport, Energy and Infrastructure</b>				
Operating Initiatives				
Bakewell Underpass — transit lane	-2 000	—	—	—
Land Services business reform	- 414	100	103	105
Revenue Offsets				
Land Services business reform	—	39	40	41
<b>Health</b>				
Operating Initiatives				
Hospital hotel services — additional resources	- 142	-1 060	-1 163	-1 611
Mental health reform — reduced lease costs	—	—	—	450
Investing Initiatives				
Mental health reform — Glenside redevelopment	3 370	23 065	-44 190	-9 273
<b>Education and Children's Services</b>				
Operating Initiatives				
Education Works — site survey costs	- 800	—	—	—
School management of workers compensation — reversal of 2006-07 budget savings measure	-2 917	-7 000	-7 000	-7 175
SSABSA efficiencies — reversal of 2006-07 budget savings measure	-1 300	-1 300	-1 300	-1 333
Investing Initiatives				
Education Works — land acquisition	-9 570	—	—	—
<b>Families and Communities</b>				
Operating Initiatives				
Concession administration system	- 300	- 200	- 200	- 200
Water charges concessions — enhanced	—	-8 100	-9 200	-11 500
Investing Initiatives				
Connected Service Centre — Mt Gambier <sup>(2)</sup>	- 415	-3 338	-1 931	—
Land and buildings — sale proceeds	3 935	530	—	—

<sup>(2)</sup> A further \$3.11 million will be contributed from the annual program of DTEI and the SA Housing Trust.



**Table 1.7 Policy measures since the 2007-08 Budget (\$ 000) (continued)**

<b>Portfolio</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>
<b>Environment and Conservation and the River Murray</b>				
Operating Initiatives				
Murray Darling Basin Commission — increased support	- 203	—	—	—
Water security — additional resources	-1 010	-1 517	-1 567	-1 619
Drought response measures	-4 583	—	—	—
Revenue				
Emergency dredging — waiver of fees	- 10	—	—	—
<b>Further Education, Employment, Science and Technology</b>				
Operating Initiatives				
Roseworthy veterinary science school — state contribution	—	-1 000	-1 000	-1 000
Investing Initiatives				
Thebarton Bioscience Precinct — land development	-1 672	- 388	—	—
Thebarton Bioscience Precinct — land sales	616	2 380	—	—
<b>Total policy measures</b>				
Operating Initiatives	-24 065	-38 735	-31 213	-33 620
Revenue Offsets	929	1 032	989	1 073
Revenue	- 52	-3 537	-5 040	-6 343
Net operating impact	-23 188	-41 240	-35 264	-38 890
Investing Initiatives	-7 035	28 034	-40 311	-9 273
Net lending impact	-30 223	-13 206	-75 575	-48 163

## Financial position

Table 1.8 Key balance sheet indicators — general government sector

As at 30 June	2008 Budget	2008 MYBR	2009 Estimate	2010 Estimate	2011 Estimate
<b>Net debt</b>					
\$m	618	427	819	1 042	1 520
% of total revenue	5.1	3.4	6.3	7.8	11.0
<b>Unfunded superannuation</b>					
\$m	5 791	5 055	5 086	5 108	5 119
% of total revenue	47.7	40.8	39.2	38.0	37.0
<b>Net financial liabilities</b>					
\$m	8 636	7 756	8 212	8 543	9 179
% of total revenue	71.1	62.6	63.4	63.5	66.4
<b>Net financial worth</b>					
\$m	6 081	7 637	7 571	7 731	7 604
% of total revenue	50.1	61.6	58.4	57.5	55.0
<b>Net worth</b>					
\$m	21 073	22 703	23 396	24 355	25 165
% of total revenue	173.6	183.2	180.5	181.1	182.1

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

As at 30 June	2008 Budget	2008 MYBR	2009 Estimate	2010 Estimate	2011 Estimate
<b>Net debt</b>					
\$m	2 701	2 487	2 893	3 514	4 519
% of total revenue	21.2	19.1	21.2	24.8	31.0
<b>Unfunded superannuation</b>					
\$m	5 791	5 055	5 086	5 108	5 119
% of total revenue	45.5	38.8	37.3	36.1	35.1
<b>Net financial liabilities</b>					
\$m	11 042	10 049	10 562	11 316	12 498
% of total revenue	86.8	77.2	77.4	80.0	85.6
<b>Net financial worth</b>					
\$m	-10 140	-9 219	-9 612	-10 237	-11 319
% of total revenue	-79.7	-70.8	-70.4	-72.4	-77.5
<b>Net worth</b>					
\$m	21 073	22 703	23 396	24 355	25 165
% of total revenue	165.7	174.3	171.4	172.2	172.4

## Net debt

General government net debt is forecast to be \$427 million at 30 June 2008. This is an improvement of \$191 million in the general government net debt position compared with the estimate of \$618 million at the time of the 2007-08 Budget. The forecast improvement primarily reflects a better than expected net debt position at June 2007.

Net debt across the forward estimates is lower than budgeted, except in 2010-11 where net debt is estimated to increase by \$77 million to \$1 520 million compared with the 2007-08 Budget estimate. The higher than budgeted estimate in 2010-11 reflects policy and parameter variations to net lending previously discussed, including impacts of public-private partnership projects revised accounting treatment, partially offset by the better than expected net debt position at June 2007. General government sector net debt over the forward years is expected to remain at prudent levels.

Non-financial public sector net debt as at 30 June 2008 is estimated to be \$2 487 million. The net debt of the non-financial public sector is projected to increase over the forward estimate period to \$4 519 million at 30 June 2011.

Public non-financial corporations are estimated to contribute \$2 060 million to the non-financial public sector net debt at 30 June 2008, \$23 million lower than forecast in the 2007-08 Budget. This improvement is primarily a result of a better than expected net debt position at June 2007.

## Unfunded superannuation

The estimated unfunded superannuation liability at 30 June 2008 and across the forward years has decreased since the 2007-08 Budget. The decrease is due to:

- an increase in the long-term Commonwealth Government bond rate, which is used as the discount rate to value the unfunded superannuation liability. The higher discount rate results in a decrease in the present value of future superannuation obligations. The discount rate used in the 2007-08 Mid-Year Budget Review is 6.3 per cent, compared with 5.9 per cent at the time of the 2007-08 Budget. Variations in the liability as a result of changes in the bond rate are outside the control of the South Australian Government;
- higher than expected final earnings on assets in 2006-07 of 19.5 per cent compared with an estimated earnings rate on assets of 17.2 per cent at the 2007-08 Budget; and
- the impact of expected higher returns on superannuation assets in 2007-08 compared with 2007-08 Budget assumptions. The long-term earnings rate of 7.0 per cent was assumed for 2007-08 and the forward estimates. Earnings for 2007-08 up to the end of September indicated an annual return of 10.9 per cent. Assuming the long-term earnings rate of 7.0 per cent is achieved for the remainder of the year, the earnings rate for 2007-08 is projected to be 8.0 per cent.

These decreases in the estimated unfunded superannuation liability have been partly offset by the impact of other variations as a result of experience being different from valuation assumptions, which increased the estimated unfunded superannuation liability at June 2008 relative to earlier estimates.

The net result of the variations in actuarial assumptions, earnings and discount rates is a decrease of around \$736 million in the estimated unfunded superannuation liability at 30 June 2008 compared with the estimate in the 2007-08 Budget.

## **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, net financial liabilities include other financial liabilities and financial assets (excluding equity held in public non-financial corporations and public financial corporations). Provision for employee entitlements, including long service leave, is the second largest component of net financial liabilities after unfunded superannuation. Net financial liabilities are lower over the forward estimates period compared with estimates at the time of the 2007-08 Budget. This primarily reflects a decrease in the unfunded superannuation liability.

The government's fiscal targets include delivering net lending outcomes that ensure the ratio of net financial liabilities to revenue continues to decline towards that of other triple-A rated states. The target relates to the profile of this ratio across the forward estimates and not the historical values of the ratio. The value of net financial liabilities can move up and down by significant amounts reflecting interest rate movements and other financial market developments. However the values estimated across the forward estimates assume no change in these financial market parameters. Consequently the main determinant of movements in the ratio of net financial liabilities to revenue over the forward estimates is the projected budget outcomes over those years.

The general government sector's net financial liabilities to revenue ratio at 30 June 2008 and across the forward estimates is estimated to be lower than forecast in the 2007-08 Budget. However, the net financial liabilities to revenue ratio is still projected to increase modestly across the forward estimates.

The increase in the net financial liabilities to revenue ratio across the forward estimates reflects the government's significant capital investment program. Other jurisdictions are also expecting an upward trend in the net financial liabilities to revenue ratio as a consequence of infrastructure spending.

## **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 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.

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

Australia is continuing to experience one of its worst droughts in recorded history. Level 3 water restrictions were introduced for South Australia in October 2006. Water restrictions result in lower revenue from water sales for SA Water. The 2007-08 Budget provided for level 3 water restrictions continuing throughout 2007-08. No provision is made for continuation of restrictions into 2008-09 but

the continuation of current level 3 restrictions throughout 2008-09 would reduce SA Water's profit by around \$25 million (lost revenue plus advertising and enforcement costs less savings in pumping and water treatment costs).

## **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.

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's and the public non-financial sector's 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, variations in actuarial assumptions relating to future benefits or variations 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 higher estimated unfunded superannuation liabilities. The imputed interest on the unfunded superannuation liability impacts on the budget outcome.

Continuing to fund activity growth in health has been a significant budget burden. Following the Generational Health Review 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.



## CHAPTER 2: THE ECONOMIC CONTEXT

---

While the world economy grew strongly in the first half of 2007, financial markets experienced significant turbulence in August and September as the fallout from the deteriorating conditions in the US housing sector spread to international markets. In response to these developments, the outlook for global growth in the medium term has been revised down. Much of this downgrade reflects a reduction in expected growth in the larger developed economies; emerging economies (in particular China and India) are expected to continue to grow strongly. On balance, the international economic environment remains supportive of growth in the Australian economy but there are downside risks particularly should the anticipated slowing in US economic growth be more pronounced than expected.

Growth in the Australian economy remains strong, with broadly based contributions from growth in household consumption spending, business investment and public sector spending. Labour market conditions remain tight with annual employment growth currently running at 2½ per cent and the unemployment rate at a three decade low. While labour costs remain relatively contained, underlying price inflation has been running near the top of the Reserve Bank of Australia's (RBA) 2–3 per cent target band. As a result the RBA in November increased official interest rates by a further 0.25 per centage points to 6.75 per cent. This was the second increase for 2007 following three increases in 2006.

In the Mid-Year Economic and Fiscal Outlook Commonwealth Treasury increased its forecast for national economic (GDP) growth for 2007-08 to 4¼ per cent. The upward revision reflects a broad-based strengthening in growth in the non-farm sector during the first half of 2007, which is expected to be sustained.

At the time of the 2007-08 State Budget it was assumed that a return to more normal seasonal conditions would result in a significant rebound in farm sector production in South Australia. In 2006-07, low levels of growing season rainfall resulted in a 66 per cent reduction in South Australian winter crop production, to its lowest level in 24 years. After a promising start to the 2007-08 season, prospects have been set back by poor rainfall outcomes for broadacre farming through August, September and most of October, and restrictions on irrigation water entitlements. Broadacre crop production is likely to be below average, but still higher than in 2006-07 and thus contributing positively to GSP growth in 2007-08. The impact of lower than expected production levels on farm incomes has been partly offset by higher prices for some commodities, particularly cereals, wine grapes and citrus.

However, in line with expectations, growth in the South Australian economy has remained strong outside of the farm sectors. As a result, worse than expected farm sector conditions have led to only a moderate reduction in the GSP growth forecast for 2007-08 which remains strong at 3¾ per cent (compared with 4 per cent at Budget time). Local demand growth is expected to maintain a solid pace of growth with household consumption spending growing by 3 per cent in real terms through the year to the September quarter 2007, and dwelling construction rising by 8.1 per cent. Public sector capital projects will also stimulate local demand growth in 2007-08. Growth in State Final Demand is forecast to be around 3 per cent in 2007-08, unchanged from the 2007-08 Budget.

South Australian employment growth has been strong through the middle of 2007. The very high level of job advertisements recorded by the ANZ Bank remains suggestive of a positive outlook for new hiring activity in South Australia for the remainder of the year and into 2008. South Australian employment growth is forecast to be 1¾ per cent in 2007-08, revised up from 1 per cent at budget time.

South Australia's population increased by 1.0 per cent in the year to June 2007, the equal highest annual growth rate since the mid 1980s. Net overseas migration has been a major driver of population growth in the past two years. Improvements in South Australia's net overseas migration gain have been largely associated with the introduction in 2004 of the Skilled Independent Regional visa and the active attraction of skilled and business migrants by the South Australian Government. However, the positive impact of net overseas migration has been partly offset by continuing interstate migration losses.

For 2008-09, the Commonwealth Treasury has forecast national GDP growth to be 3½ per cent. Thus, national economic conditions are forecast to remain solid but tempered by moderating international economic growth, reflecting weaker conditions in the United States, and the contractionary impact of recent increases in official interest rates on local demand growth. Similarly, growth in the South Australian economy is forecast to moderate to 3¼ per cent in 2008-09 with employment growth easing slightly to 1½ per cent.

Projections for 2009-10 onwards take into consideration the expected performance of the national economy (as forecast by the Commonwealth Treasury) over the medium term, relative population growth rates and the impact of major known and approved projects. However, no allowance has been made for the impacts of the yet to be approved expansion of the Olympic Dam mine.

**Table 2.1: Key economic indicators — Australia and South Australia real growth rates (% per annum)**

	2006-07 Actual	2007-08 Budget Forecast	2007-08 Revised Forecast	2008-09 Forecast	2009-10 Projection	2010-11 Projection
<b>Australia<sup>(a)</sup></b>						
Gross Domestic Product (GDP)	3.2	3¾	4¼	3½	3	3
Domestic Final Demand (DFD)	4.1	4	5	n.a.	n.a.	n.a.
Employment	2.7	1½	2¼	1¾	1¼	1¼
CPI	2.9	2½	2¾	2¾	2½	2½
<b>South Australia<sup>(b)</sup></b>						
Gross State Product (GSP)	0.8	4	3¾	3¼	3	2¾
State Final Demand (SFD)	2.4	3	3	3	3	2¾
Employment	1.7	1	1¾	1½	1¼	1
CPI	2.6	2½	2¾	2¾	2½	2½

(a) Australian forecasts from Commonwealth Treasury Mid-Year Economic and Fiscal Outlook 2007-08

(b) Forecasts and projections are based largely on underlying national economic and State population trends.



**APPENDIX A: UNIFORM PRESENTATION FRAMEWORK**

---

## UNIFORM PRESENTATION FRAMEWORK TABLES

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

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS revenue</b>					
Taxation revenue	3 243	3 415	3 472	3 589	3 723
Current grants	6 089	6 113	6 465	6 632	6 840
Capital grants	298	315	337	471	419
Sales of goods and services	1 505	1 518	1 573	1 626	1 694
Interest income	170	199	197	205	217
Other	835	832	919	923	929
<b>Total revenue</b>	<b>12 140</b>	<b>12 392</b>	<b>12 963</b>	<b>13 447</b>	<b>13 823</b>
<i>less</i>					
<b>GFS expenses</b>					
Gross operating expenses					
Employee expenses	5 702	5 777	5 972	6 169	6 373
Depreciation	497	495	544	578	616
Other operating expenses	3 107	3 247	3 256	3 361	3 568
Nominal superannuation interest expense	282	276	273	273	273
Other interest expenses	214	226	255	286	315
Other property expenses	—	—	—	—	—
Current transfers	2 216	2 189	2 260	2 167	2 227
Capital transfers	92	100	95	95	95
<b>Total expenses</b>	<b>12 110</b>	<b>12 309</b>	<b>12 655</b>	<b>12 930</b>	<b>13 467</b>
<i>equals</i>					
<b>GFS net operating balance</b>	<b>30</b>	<b>83</b>	<b>308</b>	<b>517</b>	<b>356</b>
<i>less</i>					
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	1 021	1 052	1 335	1 427	1 590
less Sales of non-financial assets	66	76	114	94	79
less Depreciation	497	495	544	578	616
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>458</b>	<b>481</b>	<b>677</b>	<b>756</b>	<b>896</b>
<i>equals</i>					
<b>GFS net lending / borrowing</b>	<b>-428</b>	<b>-398</b>	<b>-369</b>	<b>-239</b>	<b>-540</b>

Note: Totals may not add due to rounding.

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

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS revenue</b>					
Taxation revenue	—	—	—	—	—
Current grants	475	461	494	495	514
Capital grants	42	52	31	31	32
Sales of goods and services	1 336	1 373	1 493	1 495	1 599
Interest income	18	20	16	18	18
Other	136	138	135	136	138
<b>Total revenue</b>	<b>2 007</b>	<b>2 044</b>	<b>2 169</b>	<b>2 177</b>	<b>2 301</b>
<i>less</i>					
<b>GFS expenses</b>					
Gross operating expenses					
Employee expenses	196	150	152	158	162
Depreciation	240	251	257	265	273
Other operating expenses	937	1 026	1 060	1 076	1 110
Nominal superannuation interest expense	—	—	—	—	—
Other interest expenses	147	148	148	173	218
Other property expenses	397	390	482	432	454
Current transfers	96	103	165	99	88
Capital transfers	7	14	7	7	7
<b>Total expenses</b>	<b>2 019</b>	<b>2 082</b>	<b>2 271</b>	<b>2 211</b>	<b>2 312</b>
<i>equals</i>					
<b>GFS net operating balance</b>	<b>-12</b>	<b>-38</b>	<b>-103</b>	<b>-34</b>	<b>-11</b>
<i>less</i>					
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	497	532	515	851	1 099
less Sales of non-financial assets	194	205	269	202	292
less Depreciation	240	251	257	265	273
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>63</b>	<b>76</b>	<b>-10</b>	<b>384</b>	<b>534</b>
<i>equals</i>					
<b>GFS net lending / borrowing</b>	<b>-75</b>	<b>-115</b>	<b>-92</b>	<b>-418</b>	<b>-545</b>

Note: Totals may not add due to rounding.

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

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>GFS revenue</b>					
Taxation revenue	2 984	3 154	3 192	3 304	3 432
Current grants	6 089	6 113	6 465	6 632	6 840
Capital grants	325	353	367	503	451
Sales of goods and services	2 618	2 666	2 862	2 913	3 083
Interest income	120	152	166	174	188
Other	580	584	598	621	607
<b>Total revenue</b>	<b>12 715</b>	<b>13 022</b>	<b>13 651</b>	<b>14 147</b>	<b>14 601</b>
<i>less</i>					
<b>GFS expenses</b>					
Gross operating expenses					
Employee expenses	5 898	5 927	6 125	6 328	6 535
Depreciation	736	746	800	843	889
Other operating expenses	3 530	3 766	3 818	3 928	4 158
Nominal superannuation interest expense	282	276	273	273	273
Other interest expenses	302	317	350	403	476
Other property expenses	39	39	58	25	27
Current transfers	1 816	1 808	1 920	1 762	1 796
Capital transfers	99	114	102	102	103
<b>Total expenses</b>	<b>12 702</b>	<b>12 993</b>	<b>13 445</b>	<b>13 664</b>	<b>14 256</b>
<i>equals</i>					
<b>GFS net operating balance</b>	<b>13</b>	<b>29</b>	<b>206</b>	<b>483</b>	<b>345</b>
<i>less</i>					
<b>Net acquisition of non-financial assets</b>					
Purchases of non-financial assets	1 512	1 565	1 847	2 276	2 688
less Sales of non-financial assets	260	278	380	293	369
less Depreciation	736	746	800	843	889
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
<b>equals Total net acquisition of non-financial assets</b>	<b>516</b>	<b>541</b>	<b>667</b>	<b>1 139</b>	<b>1 429</b>
<i>equals</i>					
<b>GFS net lending / borrowing</b>	<b>-503</b>	<b>-513</b>	<b>-461</b>	<b>-657</b>	<b>-1 085</b>

Note: Totals may not add due to rounding.

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

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Assets</b>					
Financial assets					
Cash and deposits	2 089	2 282	2 346	2 471	2 847
Advances paid	790	816	800	734	540
Investments, loans and placements	115	140	151	162	175
Other non-equity assets	441	492	513	505	494
Equity	14 739	15 424	15 817	16 308	16 817
<b>Total financial assets</b>	<b>18 173</b>	<b>19 154</b>	<b>19 626</b>	<b>20 180</b>	<b>20 873</b>
Non-financial assets					
Land and fixed assets	14 975	15 062	15 820	16 619	17 557
Other non-financial assets	17	4	4	4	5
<b>Total non-financial assets</b>	<b>14 992</b>	<b>15 066</b>	<b>15 825</b>	<b>16 623</b>	<b>17 561</b>
<b>Total assets</b>	<b>33 165</b>	<b>34 220</b>	<b>35 451</b>	<b>36 804</b>	<b>38 434</b>
<b>Liabilities</b>					
Deposits held	281	362	395	359	339
Advances received	667	650	640	624	608
Borrowing	2 663	2 653	3 081	3 427	4 136
Unfunded superannuation liability	5 791	5 055	5 086	5 108	5 119
Other employee entitlements and provisions	1 872	1 910	1 998	2 081	2 182
Other non-equity liabilities	817	887	856	851	885
<b>Total liabilities</b>	<b>12 091</b>	<b>11 518</b>	<b>12 055</b>	<b>12 449</b>	<b>13 269</b>
<b>Net worth</b>	<b>21 073</b>	<b>22 703</b>	<b>23 396</b>	<b>24 355</b>	<b>25 165</b>
Net financial worth (a)	6 081	7 637	7 571	7 731	7 604
Net debt (b)	618	427	819	1 042	1 520

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)**

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Assets</b>					
Financial assets					
Cash and deposits	220	353	395	385	388
Advances paid	82	23	25	22	18
Investments, loans and placements	26	11	12	12	13
Other non-equity assets	161	158	156	145	143
Equity	20	25	22	20	17
Total financial assets	509	570	610	585	579
Non-financial assets					
Land and fixed assets	16 210	16 854	17 181	17 966	18 921
Other non-financial assets	27	1	2	2	2
Total non-financial assets	16 238	16 855	17 183	17 968	18 923
Total assets	16 747	17 425	17 793	18 553	19 502
<b>Liabilities</b>					
Deposits held	10	—	1	1	2
Advances received	792	797	784	720	528
Borrowing	1 609	1 649	1 721	2 170	2 889
Unfunded superannuation liability	—	—	—	—	—
Other employee entitlements and provisions	96	82	83	83	84
Other non-equity liabilities	424	334	370	382	395
Total liabilities	2 932	2 863	2 959	3 357	3 898
<b>Net worth</b>	13 816	14 562	14 834	15 195	15 604
Net financial worth (a)	-2 422	-2 293	-2 349	-2 773	-3 319
Net debt (b)	2 083	2 060	2 075	2 472	2 999

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)

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Assets</b>					
Financial assets					
Cash and deposits	2 201	2 439	2 518	2 675	3 079
Advances paid	101	35	28	21	14
Investments, loans and placements	140	151	163	175	188
Other non-equity assets	478	562	561	547	542
Equity	944	888	1 005	1 133	1 230
<b>Total financial assets</b>	<b>3 864</b>	<b>4 075</b>	<b>4 275</b>	<b>4 550</b>	<b>5 054</b>
Non-financial assets					
Land and fixed assets	31 185	31 915	33 001	34 585	36 477
Other non-financial assets	28	6	6	6	6
<b>Total non-financial assets</b>	<b>31 214</b>	<b>31 921</b>	<b>33 007</b>	<b>34 592</b>	<b>36 484</b>
<b>Total assets</b>	<b>35 078</b>	<b>35 997</b>	<b>37 283</b>	<b>39 142</b>	<b>41 538</b>
<b>Liabilities</b>					
Deposits held	184	166	173	179	185
Advances received	688	643	627	609	591
Borrowing	4 272	4 303	4 802	5 597	7 024
Unfunded superannuation liability	5 791	5 055	5 086	5 108	5 119
Other employee entitlements and provisions	1 968	1 992	2 081	2 164	2 267
Other non-equity liabilities	1 102	1 134	1 119	1 130	1 186
<b>Total liabilities</b>	<b>14 005</b>	<b>13 294</b>	<b>13 887</b>	<b>14 787</b>	<b>16 373</b>
<b>Net worth</b>	<b>21 073</b>	<b>22 703</b>	<b>23 396</b>	<b>24 355</b>	<b>25 165</b>
Net financial worth (a)	-10 140	-9 219	-9 612	-10 237	-11 319
Net debt (b)	2 701	2 487	2 893	3 514	4 519

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)

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	3 259	3 417	3 464	3 586	3 720
Receipts from sales of goods and services	1 475	1 489	1 556	1 604	1 677
Grants received	6 354	6 390	6 722	7 065	7 251
Other receipts	1 020	1 046	1 109	1 145	1 166
<b>Total receipts</b>	<b>12 107</b>	<b>12 342</b>	<b>12 850</b>	<b>13 399</b>	<b>13 814</b>
<b>Cash payments for operating activities</b>					
Payment for goods and services	-8 897	-9 122	-9 312	-9 633	-10 036
Grants and subsidies paid	-2 339	-2 320	-2 373	-2 281	-2 361
Interest paid	-214	-226	-255	-286	-315
Other payments	-90	-60	-84	-93	-76
<b>Total payments</b>	<b>-11 540</b>	<b>-11 728</b>	<b>-12 024</b>	<b>-12 293</b>	<b>-12 787</b>
<b>Net cash flows from operating activities</b>	<b>567</b>	<b>614</b>	<b>826</b>	<b>1 107</b>	<b>1 027</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	66	76	114	94	79
Purchases of non-financial assets (a)	-1 018	-1 050	-1 333	-1 411	-1 362
<b>Net cash flows from investments in non-financial assets</b>	<b>-952</b>	<b>-973</b>	<b>-1 218</b>	<b>-1 318</b>	<b>-1 283</b>
<b>Net cash flows from investments in financial assets for policy purposes (b)</b>	<b>10</b>	<b>8</b>	<b>14</b>	<b>65</b>	<b>194</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-6</b>	<b>-14</b>	<b>-15</b>	<b>-14</b>	<b>-13</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	-24	-9	-10	-16	-17
Borrowing (net)	380	262	428	332	482
Deposits received (net)	48	31	33	-36	-19
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
<b>Net cash flows from financing activities</b>	<b>404</b>	<b>284</b>	<b>451</b>	<b>280</b>	<b>446</b>
<b>Net increase in cash held</b>	<b>22</b>	<b>-81</b>	<b>58</b>	<b>120</b>	<b>372</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-386</b>	<b>-359</b>	<b>-392</b>	<b>-211</b>	<b>-256</b>
Distributions paid	—	—	—	—	—
Finance leases and similar arrangements (c)	—	—	—	-14	-226
<b>Surplus / deficit</b>	<b>-386</b>	<b>-359</b>	<b>-392</b>	<b>-225</b>	<b>-482</b>

Note: Totals may not add due to rounding.

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

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

(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)**

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 314	1 349	1 475	1 475	1 577
Grants received	486	473	494	495	514
Other receipts	170	171	164	179	172
<b>Total receipts</b>	<b>1 970</b>	<b>1 992</b>	<b>2 133</b>	<b>2 149</b>	<b>2 263</b>
<b>Cash payments for operating activities</b>					
Payment for goods and services	-602	-643	-631	-690	-706
Grants and subsidies paid	-62	-75	-136	-71	-61
Interest paid	-148	-149	-149	-174	-219
Other payments	-577	-601	-608	-585	-595
<b>Total payments</b>	<b>-1 388</b>	<b>-1 467</b>	<b>-1 525</b>	<b>-1 519</b>	<b>-1 581</b>
<b>Net cash flows from operating activities</b>	<b>582</b>	<b>525</b>	<b>608</b>	<b>630</b>	<b>682</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	194	205	269	202	292
Purchases of non-financial assets (a)	-469	-495	-485	-819	-1 067
<b>Net cash flows from investments in non-financial assets</b>	<b>-276</b>	<b>-290</b>	<b>-216</b>	<b>-617</b>	<b>-775</b>
<b>Net cash flows from investments in financial assets for policy purposes (b)</b>	<b>-13</b>	<b>-3</b>	<b>-2</b>	<b>3</b>	<b>4</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>2</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	-8	-14	-13	-63	-193
Borrowing (net)	102	132	72	449	719
Deposits received (net)	—	—	—	—	—
Dividends paid	-360	-353	-404	-412	-436
Other financing (net)	—	—	—	—	—
<b>Net cash flows from financing activities</b>	<b>-265</b>	<b>-234</b>	<b>-345</b>	<b>-26</b>	<b>91</b>
<b>Net increase in cash held</b>	<b>30</b>	<b>-1</b>	<b>47</b>	<b>-8</b>	<b>4</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>306</b>	<b>235</b>	<b>392</b>	<b>13</b>	<b>-93</b>
Distributions paid	-360	-353	-404	-412	-436
Finance leases and similar arrangements (c)	—	—	—	—	—
<b>Surplus / deficit</b>	<b>-53</b>	<b>-119</b>	<b>-12</b>	<b>-399</b>	<b>-529</b>

Note: Totals may not add due to rounding.

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

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

(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)

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Cash receipts from operating activities</b>					
Taxes received	2 984	3 144	3 185	3 301	3 429
Receipts from sales of goods and services	2 566	2 615	2 830	2 874	3 047
Grants received	6 354	6 390	6 722	7 065	7 251
Other receipts	727	760	786	827	819
<b>Total receipts</b>	<b>12 631</b>	<b>12 908</b>	<b>13 522</b>	<b>14 066</b>	<b>14 546</b>
<b>Cash payments for operating activities</b>					
Payment for goods and services	-9 281	-9 557	-9 767	-10 142	-10 563
Grants and subsidies paid	-1 925	-1 930	-2 018	-1 861	-1 912
Interest paid	-303	-318	-351	-404	-476
Other payments	-339	-335	-356	-335	-320
<b>Total payments</b>	<b>-11 848</b>	<b>-12 140</b>	<b>-12 492</b>	<b>-12 742</b>	<b>-13 272</b>
<b>Net cash flows from operating activities</b>	<b>783</b>	<b>769</b>	<b>1 030</b>	<b>1 324</b>	<b>1 274</b>
<b>Net cash flows from investments in non-financial assets</b>					
Sales of non-financial assets	260	278	380	293	369
Purchases of non-financial assets (a)	-1 482	-1 525	-1 814	-2 228	-2 427
<b>Net cash flows from investments in non-financial assets</b>	<b>-1 222</b>	<b>-1 247</b>	<b>-1 434</b>	<b>-1 935</b>	<b>-2 058</b>
<b>Net cash flows from investments in financial assets for policy purposes (b)</b>	<b>-4</b>	<b>-2</b>	<b>6</b>	<b>6</b>	<b>7</b>
<b>Net cash flows from investments in financial assets for liquidity purposes</b>	<b>-4</b>	<b>-12</b>	<b>-13</b>	<b>-12</b>	<b>-11</b>
<b>Net cash flows from financing activities</b>					
Advances received (net)	-30	-16	-17	-17	-18
Borrowing (net)	482	395	500	781	1 201
Deposits received (net)	7	7	6	6	6
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
<b>Net cash flows from financing activities</b>	<b>459</b>	<b>386</b>	<b>490</b>	<b>770</b>	<b>1 189</b>
<b>Net increase in cash held</b>	<b>11</b>	<b>-107</b>	<b>79</b>	<b>154</b>	<b>401</b>
<b>Net cash from operating activities and investments in non-financial assets</b>	<b>-439</b>	<b>-478</b>	<b>-404</b>	<b>-610</b>	<b>-784</b>
Distributions paid	—	—	—	—	—
Finance leases and similar arrangements (c)	—	—	—	-14	-226
<b>Surplus / deficit</b>	<b>-439</b>	<b>-478</b>	<b>-404</b>	<b>-624</b>	<b>-1 010</b>

Note: Totals may not add due to rounding.

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

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

(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)

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Taxes on employers' payroll and labour force</b>	853	871	876	925	978
<b>Taxes on property</b>					
Land taxes	378	383	435	452	468
Stamp duties on financial and capital transactions	752	893	868	871	884
Financial institutions' transaction taxes	—	—	—	—	—
Other	150	155	163	167	171
<b>Total</b>	<b>1 280</b>	<b>1 431</b>	<b>1 466</b>	<b>1 490</b>	<b>1 523</b>
<b>Taxes on the provision of goods and services</b>					
Excises and levies	—	—	—	—	—
Taxes on gambling	405	409	400	419	440
Taxes on insurance	296	296	305	314	324
<b>Total</b>	<b>701</b>	<b>705</b>	<b>705</b>	<b>733</b>	<b>764</b>
<b>Taxes on use of goods and performance of activities</b>					
Motor vehicle taxes	409	409	425	441	457
<b>Total</b>	<b>409</b>	<b>409</b>	<b>425</b>	<b>441</b>	<b>457</b>
<b>Total GFS taxation revenue</b>	<b>3 243</b>	<b>3 415</b>	<b>3 472</b>	<b>3 589</b>	<b>3 723</b>

Note: Totals may not add due to rounding.

(a) Excludes taxes paid by general government entities.

Table A.11 Movement in general government net worth (\$ million)

	2007-08 Budget	2007-08 MYBR	2008-09 Estimate	2009-10 Estimate	2010-11 Estimate
<b>Net worth at beginning of year</b>	<b>20 565</b>	<b>22 128</b>	<b>22 703</b>	<b>23 396</b>	<b>24 355</b>
<b>Change in net worth from operating transactions:</b>					
Net operating balance	30	83	308	517	356
<b>Change in net worth from other economic flows:</b>					
Movement in net assets of PFCs	107	107	119	129	100
Movement in net assets of PNFCs	413 <sup>(a)</sup>	375 <sup>(a)</sup>	271	362	409
Revaluation of unfunded superannuation liability	-2	60	-3	-3	-3
Revaluation of long service leave liability	-39	-39	-42	-46	-48
Other revaluation adjustments	-1	-11	40	—	-4
<i>Subtotal</i>					
Total other economic flows	478	492	385	442	454
<b>Net worth at year end</b>	<b>21 073</b>	<b>22 703</b>	<b>23 396</b>	<b>24 355</b>	<b>25 165</b>

(a) Net of impact of transfer of TransAdelaide rail assets to the general government sector.

Table A.12 Loan Council Allocation 2007-08 (\$ million)<sup>(a)</sup>

	2007-08 Budget	2007-08 MYBR
General government sector cash deficit/surplus	386	359
PNFC sector cash deficit/surplus	53	119
<b>Total non-financial public sector cash deficit/surplus <sup>(b)</sup></b>	<b>439</b>	<b>478</b>
Net cash flows from investments in financial assets for policy purposes <sup>(c)</sup>	4	2
<b>Adjusted total non-financial public sector cash deficit/surplus</b>	<b>443</b>	<b>480</b>
Memorandum items <sup>(d)</sup>		
Operating leases <sup>(e)</sup>	-50	-50
Recourse asset sales	-	-
Superannuation <sup>(f)</sup>	-386	-487
Local government	26	36
Home finance schemes	-4	58
<b>Total memorandum items</b>	<b>-414</b>	<b>-442</b>
<b>LCA deficit/surplus <sup>(g)(h)</sup></b>	<b>29</b>	<b>38</b>

(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 2007-08 LCA is \$246 million. The estimated LCA result for 2007-08 is within that tolerance limit.

(h) South Australia has no infrastructure projects with private sector involvement that meet the LCA recognition criteria for 2007-08.

## **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 provided (excluding the unfunded superannuation liability) is sourced for 1998–99 from Australian Bureau of Statistics Government Financial Estimates 2003–04 (catalogue number 5512.0) and 1999–2000 to 2005–06 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. Before 1998–99, government finances were measured using a cash-based methodology.

As historical data in this time series has not been back-cast to reflect classification and accounting changes, care must be taken in interpreting the data.

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
1998-99	7 297		16.9	7 505		17.3	-208	19	- 227
1999-2000	7 644	2.2	16.8	7 974	3.6	17.5	-330	140	- 471
2000-01	8 108	3.0	16.6	8 406	2.3	17.2	-297	102	- 399
2001-02	8 538	2.0	16.2	8 713	0.4	16.5	-174	- 50	- 124
2002-03	9 346	5.2	16.8	8 898	-1.8	16.0	448	34	414
2003-04	9 955	3.4	16.8	9 570	4.4	16.1	385	- 38	424
2004-05	10 592	4.0	17.2	10 368	5.9	16.8	224	105	119
2005-06	11 242	2.9	17.2	11 040	3.2	16.9	202	119	83
2006-07	11 757	1.9	16.9	11 547	2.0	16.6	209	139	71
2007-08	12 392	2.7	16.7	12 309	3.8	16.6	83	481	- 398
2008-09	12 963	1.8	16.5	12 655	0.1	16.1	308	677	- 369
2009-10	13 447	1.2	16.2	12 930	-0.3	15.6	517	756	- 239
2010-11	13 823	0.3	15.8	13 467	1.6	15.4	356	896	- 540

## APPENDIX B

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

As at 30 June	Net debt <sup>(a)</sup>	Unfunded superannuation <sup>(b)</sup>	Net financial liabilities <sup>(c)</sup>	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	9 733	1 892	10 622
2000	1 920	3 543	6 911	2 986	12 447
2001	1 246	3 249	6 094	4 091	14 788
2002	1 303	3 998	6 907	3 559	14 706
2003	666	4 445	6 974	3 500	15 288
2004	224	5 668	7 858	3 842	15 760
2005	144	7 227	9 392	3 853	16 359
2006	- 119	6 146	8 171	5 846	19 703
2007 <sup>(d)</sup>	-24	5 075	7 254	8 110	22 128
2008 <sup>(e)</sup>	427	5 055	7 756	7 637	22 703
2009	819	5 086	8 212	7 571	23 396
2010	1 042	5 108	8 543	7 731	24 355
2011	1 520	5 119	9 179	7 604	25 165

- (a) Net data for the years up to and including 1998 are sourced from *Australian Bureau of Statistics, Government Financial Estimates 2003-04* (Catalogue number 5501)
- (b) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of Commonwealth Government bond rate for valuation purposes in line with *AASB119, Employee Benefits*, resulted in a significant increase in superannuation liabilities.
- (c) From 2005 the methodology for calculating net financial liabilities was revised. Before 2005 equity investments in non-government of South Australia entities were not recorded as financial assets and therefore excluded from net financial liabilities. These assets are now included in the calculation of financial assets.
- (d) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in general government net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.
- (e) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt and net financial liabilities of \$69 million dollars in 2007-08 and a reduction in net financial worth of \$523 million, with no impact on net worth.

## APPENDIX B

**Table B.3 General government sector receipts, payments and surplus (\$ million)<sup>(a)</sup>**

	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	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	12 418	12 777	- 359
2008-09	12 965	13 357	- 392
2009-10	13 493	13 704	- 211
2010-11	13 893	14 149	- 256

(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 Australian Bureau of Statistics (ABS) and are consistent with ABS GFS reporting requirements on a cash basis. Capital receipts and payments, including payments associated with the provision of financial support for State owned financial institutions (which were treated by the ABS as an 'investment in financial assets for policy purposes') are not included in the series before 1999-2000. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to the associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.



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	2009-10	2010-11
<b>GFS revenue</b>													
Taxation revenue	2 433	2 748	2 197	2 193	2 431	2 806	2 941	2 979	3 250	3 415	3 472	3 589	3 723
Current grants	2 914	3 098	3 992	4 485	4 638	4 906	5 206	5 556	5 714	6 113	6 465	6 632	6 840
Capital grants <sup>(a)</sup>	—	—	—	—	209	191	212	221	271	315	337	471	419
Sales of goods and services	733	696	982	902	997	1 165	1 244	1 333	1 464	1 518	1 573	1 626	1 694
Interest income	143	215	169	131	146	172	161	147	167	199	197	205	217
Other	1 074	888	768	827	925	715	829	1 006	889	832	919	923	929
<i>Total revenue</i>	<b>7 297</b>	<b>7 644</b>	<b>8 108</b>	<b>8 538</b>	<b>9 346</b>	<b>9 955</b>	<b>10 592</b>	<b>11 242</b>	<b>11 757</b>	<b>12 392</b>	<b>12 963</b>	<b>13 447</b>	<b>13 823</b>
<i>less</i>													
<b>GFS expenses</b>													
Gross operating expenses	5 296	5 694	6 216	6 489	6 524	7 053	7 907	8 385	8 896	9 519	9 772	10 109	10 557
Nominal superannuation interest expense	277	274	248	244	299	354	351	344	316	276	273	273	273
Other interest expenses	643	601	353	272	297	253	248	223	204	226	255	286	315
Other property expenses	—	—	—	—	—	—	—	—	—	—	—	—	—
Current transfers	1 199	1 345	1 545	1 663	1 724	1 894	1 824	1 975	1 991	2 189	2 260	2 167	2 227
Capital transfers <sup>(b)</sup>	90	59	43	44	54	16	38	112	140	100	95	95	95
<i>Total expenses</i>	<b>7 505</b>	<b>7 974</b>	<b>8 406</b>	<b>8 713</b>	<b>8 898</b>	<b>9 570</b>	<b>10 368</b>	<b>11 040</b>	<b>11 547</b>	<b>12 309</b>	<b>12 655</b>	<b>12 930</b>	<b>13 467</b>
<i>equals</i>													
<b>GFS net operating balance</b>	<b>-208</b>	<b>-330</b>	<b>-297</b>	<b>-174</b>	<b>448</b>	<b>385</b>	<b>224</b>	<b>202</b>	<b>209</b>	<b>83</b>	<b>308</b>	<b>517</b>	<b>356</b>
<i>less</i>													
<b>Net acquisition of non-financial assets</b>													
Gross fixed capital formation	364	478	427	337	433	406	576	573	637	976	1 221	1 334	1 512
<i>less</i> Depreciation	323	337	322	390	401	435	453	454	498	495	544	578	616
<i>plus</i> Change in inventories	-2	—	-3	3	2	-10	-18	—	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	-21	—	—	—	—	—	—	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	<b>19</b>	<b>140</b>	<b>102</b>	<b>-50</b>	<b>34</b>	<b>-38</b>	<b>105</b>	<b>119</b>	<b>139</b>	<b>481</b>	<b>677</b>	<b>756</b>	<b>896</b>
<i>equals</i>													
<b>GFS net lending</b>	<b>-227</b>	<b>-471</b>	<b>-399</b>	<b>-124</b>	<b>414</b>	<b>424</b>	<b>119</b>	<b>83</b>	<b>71</b>	<b>- 398</b>	<b>- 369</b>	<b>- 239</b>	<b>- 540</b>

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

(b) In accordance with ABS requirements the First Home Owner's Grant has been reclassified from current to capital transfers as of 2005-06.

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

	As at 30 June	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
<b>Assets</b>														
Financial assets														
Cash and deposits		1 884	3 187	1 806	1 844	2 052	2 178	1 960	2 210	2 384	2 282	2 346	2 471	2 847
Advances paid		1 304	—	1 258	1 233	1 167	1 133	959	902	905	816	800	734	540
Investments, loans and placements		12	1 608	127	170	170	154	170	180	119	140	151	162	175
Other non-equity assets		409	360	325	311	289	386	434	498	510	492	513	505	494
Equity		11 661	9 914	10 158	10 454	10 479	11 811	13 391	14 190	15 394	15 424	15 817	16 308	16 817
Total financial assets		15 270	15 068	13 673	14 012	14 157	15 661	16 915	17 979	19 311	19 154	19 626	20 180	20 873
Non-financial assets														
Land and fixed assets		8 674	9 270	10 636	11 076	11 710	11 835	12 411	13 840	14 013	15 062	15 820	16 619	17 557
Other non-financial assets		56	191	62	71	78	83	94	17	4	4	4	4	5
Total non-financial assets		8 730	9 461	10 697	11 146	11 788	11 917	12 505	13 857	14 018	15 066	15 825	16 623	17 561
Total assets		24 000	24 529	24 371	25 158	25 945	27 579	29 420	31 836	33 329	34 220	35 451	36 804	38 434
<b>Liabilities</b>														
Deposits held		522	639	470	401	329	309	283	282	331	362	395	359	339
Advances received		1 099	935	844	790	780	733	686	682	659	650	640	624	608
Borrowing		6 359	5 140	3 123	3 359	2 947	2 648	2 265	2 209	2 394	2 653	3 081	3 427	4 136
Unfunded superannuation liability <sup>(a)</sup>		3 909	3 543	3 249	3 998	4 445	5 668	7 227	6 146	5 075	5 055	5 086	5 108	5 119
Other employee entitlements and		612	840	976	1 057	1 352	1 495	1 599	1 701	1 822	1 910	1 998	2 081	2 182
Other non-equity liabilities		877	985	920	847	806	967	1 002	1 113	922	887	856	851	885
Total liabilities		13 378	12 082	9 583	10 453	10 658	11 819	13 061	12 133	11 201	11 518	12 055	12 449	13 269
<b>Net worth</b>		10 622	12 447	14 788	14 706	15 288	15 760	16 359	19 703	22 128	22 703	23 396	24 355	25 165
Net financial worth <sup>(c)</sup>		1 892	2 986	4 091	3 559	3 500	3 842	3 853	5 846	8 110	7 637	7 571	7 731	7 604
Net debt <sup>(b) (c)</sup>		4 780	1 920	1 246	1 303	666	224	144	- 119	- 24	427	819	1 042	1 520

(a) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change which involved the adoption of the Commonwealth Government bond rate for valuation purposes in line with AASB119, *Employee Benefits*, resulted in a significant increase in superannuation liabilities.

(b) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in general government net debt of \$99 million at 1 July 2006.

(c) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt of \$69 million dollars in 2007-08, and a reduction in net financial worth of \$523 million, with no impact on net worth.

## APPENDIX B

**Table B.6 General government expenses by function (\$ million)<sup>(a)</sup>**

	2003-04 Outcome	2004-05 Outcome	2005-06 Outcome	2006-07 Outcome
General public services	329	217	206	184
Defence	—	—	—	—
Public order and safety	900	957	1 036	1074
Education	2 420	2 641	2 846	2940
Health	2 563	2 824	3 064	3356
Social security and welfare	545	714	673	748
Housing and community amenities	710	839	933	969
Recreation and culture	255	286	299	291
Fuel and energy	87	40	44	40
Agriculture, forestry, fishing and hunting	189	188	207	193
Mining and mineral resources (other than fuels); manufacturing	87	68	84	95
Transport and communication	624	661	734	745
Other economic affairs	219	226	176	178
Other purposes	642	707	739	734
<b>Total expenses</b>	<b>9 570</b>	<b>10 368</b>	<b>11 040</b>	<b>11 547</b>

Note: Table may not add due to rounding

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

**Table B.7 General government capital expenditure by function (\$ million)<sup>(a) (b)</sup>**

	2003-04 Outcome	2004-05 Outcome	2005-06 Outcome	2006-07 Outcome
General public services	122	140	171	137
Defence	—	—	—	—
Public order and safety	53	67	67	65
Education	44	83	69	63
Health	113	128	116	100
Social security and welfare	5	5	12	2
Housing and community amenities	21	16	6	17
Recreation and culture	18	9	14	11
Fuel and energy	—	—	—	—
Agriculture, forestry, fishing and hunting	4	12	10	5
Mining and mineral resources (other than fuels); manufacturing; and construction	—	—	1	—
Transport and communications	125	222	237	299
Other economic affairs	—	1	—	50
Other purposes	—	—	1	3
<b>Total capital</b>	<b>506</b>	<b>683</b>	<b>705</b>	<b>752</b>

Note: Table may not add due to rounding

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

(b) Capital Expenditure is equal to the cash payments for purchases of non-financial assets. It differs from purchases of non-financial assets recorded in the operating statement as it excludes the value of contributed assets.

## Non-Financial Public Sector

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

	Revenue			Expenses			Net operating balance \$m	Net acquisition of non-financial assets \$m	Net lending \$m
	\$m	% real growth	% GSP	\$m	% real growth	% GSP			
1998-99	9 474		21.9	9 605		22.2	- 131	- 115	- 16
1999-2000	9 206	-5.2	20.2	9 552	-3.0	21.0	- 346	-3 508	3 161
2000-01	9 051	-4.5	18.5	9 279	-5.7	19.0	- 228	-1 111	883
2001-02	9 367	0.3	17.7	9 487	-0.9	18.0	- 120	- 124	5
2002-03	10 172	4.4	18.3	9 696	-1.7	17.5	476	72	405
2003-04	10 707	2.2	18.1	10 294	3.1	17.4	413	33	379
2004-05	11 343	3.5	18.4	11 029	4.7	17.9	314	125	189
2005-06	11 807	0.9	18.1	11 634	2.3	17.9	172	53	119
2006-07	12 321	1.7	17.7	12 175	2.0	17.5	147	173	- 26
2007-08	13 022	2.9	17.6	12 993	3.9	17.5	29	541	- 513
2008-09	13 651	2.0	17.4	13 445	0.7	17.1	206	667	- 461
2009-10	14 147	1.1	17.1	13 664	-0.9	16.5	483	1 139	- 657
2010-11	14 601	0.7	16.7	14 256	1.8	16.3	345	1 429	-1 085

## APPENDIX B

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

As at 30 June	Net debt <sup>(a)</sup>	Unfunded superannuation <sup>(b)</sup>	Net financial liabilities <sup>(c)</sup>	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	13 099	-12 258	10 622
2000	4 355	3 543	9 914	-8 986	12 445
2001	3 223	3 249	8 152	-7 109	14 816
2002	3 317	3 998	8 973	-7 902	14 721
2003	2 696	4 445	9 096	-8 811	15 288
2004	2 285	5 668	10 031	-9 550	15 760
2005	2 126	7 227	11 511	-11 004	16 359
2006	1 786	6 146	10 451	-9 889	19 703
2007 <sup>(d)</sup>	1 989	5 075	9 518	-8 795	22 128
2008	2 487	5 055	10 049	-9 219	22 703
2009	2 893	5 086	10 562	-9 612	23 396
2010	3 514	5 108	11 316	-10 237	24 355
2011	4 519	5 119	12 498	-11 319	25 165

- (a) Net data for the years up to and including 1998 are sourced from *Australian Bureau of Statistics, Government Financial Estimates 2003-04* (Catalogue number 5501)
- (b) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of Commonwealth Government bond rate for valuation purposes in line with *AASB119, Employee Benefits*, resulted in a significant increase in superannuation liabilities.
- (c) From 2005 the methodology for calculating net financial liabilities was revised. Before 2005 equity investments in non-Government of South Australia entities were not recorded as financial assets and therefore excluded from net financial liabilities. These assets are now included in the calculation of financial assets.
- (d) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in non financial public sector net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.

## APPENDIX B

**Table B.10 Non-financial public sector receipts, payments and surplus (\$ million)<sup>(a)</sup>**

	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	12 239	11 868	370
2006-07	12 684	12 809	-125
2007-08	13 186	13 665	-478
2008-09	13 903	14 307	-404
2009-10	14 360	14 970	-610
2010-11	14 915	15 699	-784

(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 Australian Bureau of Statistics (ABS) and are consistent with ABS GFS reporting requirements on a cash basis. Capital receipts and payments, including payments associated with the provision of financial support for State owned financial institutions (which were treated by the ABS as an 'investment in financial assets for policy purposes') are not included in the series before 1999-2000. From 1999-2000 onwards, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to the associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

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	2009-10	2010-11
<b>GFS revenue</b>													
Taxation revenue	2 237	2 527	2 024	2 027	2 272	2 629	2 731	2 749	3 009	3 154	3 192	3 304	3 432
Current grants	2 914	3 106	3 995	4 488	4 641	4 909	5 206	5 562	5 708	6 113	6 465	6 632	6 840
Capital grants <sup>(a)</sup>	—	—	—	—	237	215	257	287	331	353	367	503	451
Sales of goods and services	3 606	2 869	2 401	2 107	2 272	2 446	2 481	2 494	2 610	2 666	2 862	2 913	3 083
Interest income	81	176	121	85	103	125	135	113	155	152	166	174	188
Other	637	528	510	660	648	382	533	601	508	584	598	621	607
<i>Total revenue</i>	9 474	9 206	9 051	9 367	10 172	10 707	11 343	11 807	12 321	13 022	13 651	14 147	14 601
<i>less</i>													
<b>GFS expenses</b>													
Gross operating expenses	7 661	7 585	7 461	7 625	7 689	8 219	8 798	9 205	9 772	10 440	10 743	11 099	11 582
Nominal superannuation interest expense	277	274	248	244	299	354	351	344	316	276	273	273	273
Other interest expenses	834	782	447	354	374	315	333	310	290	317	350	403	476
Other property expenses	5	3	—	—	3	15	23	13	9	39	58	25	27
Current transfers	756	860	1 080	1 220	1 276	1 375	1 486	1 641	1 646	1 808	1 920	1 762	1 796
Capital transfers <sup>(b)</sup>	72	48	43	44	54	16	38	121	142	114	102	102	103
<i>Total expenses</i>	9 605	9 552	9 279	9 487	9 696	10 294	11 029	11 634	12 175	12 993	13 445	13 664	14 256
<i>equals</i>													
<b>GFS net operating balance</b>	- 131	- 346	- 228	- 120	476	413	314	172	147	29	206	483	345
<i>less</i>													
<b>Net acquisition of non-financial assets</b>													
Gross fixed capital formation	670	-2 280	- 594	479	666	687	806	746	928	1 287	1 467	1 982	2 319
<i>less</i> Depreciation	658	607	512	588	603	651	682	692	755	746	800	843	889
<i>plus</i> Change in inventories	- 101	10	- 5	- 15	9	- 3	1	—	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	- 26	- 630	—	—	—	—	—	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	- 115	-3 508	-1 111	- 124	72	33	125	53	173	541	667	1 139	1 429
<i>equals</i>													
<b>GFS net lending</b>	- 16	3 161	883	5	405	379	189	119	- 26	- 513	- 461	- 657	-1 085

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

(b) In accordance with ABS requirements the First Home Owner's Grant has been reclassified from current to capital transfers as of 2005-06.

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	2010	2011
<b>Assets</b>													
Financial assets													
Cash and deposits	2 016	3 303	1 932	1 915	2 124	2 250	2 129	2 372	2 566	2 439	2 518	2 675	3 079
Advances paid	198	—	184	189	192	186	80	83	34	35	28	21	14
Investments, loans and placements	11	385	143	182	182	164	180	204	139	151	163	175	188
Other non-equity assets	610	358	332	337	294	356	376	482	563	562	561	547	542
Equity	894	966	1 076	1 098	309	618	684	761	781	888	1 005	1 133	1 230
Total financial assets	3 729	5 012	3 666	3 720	3 100	3 574	3 450	3 902	4 084	4 075	4 275	4 550	5 054
Non-financial assets													
Land and fixed assets	22 822	21 209	21 914	22 605	24 074	25 285	27 338	29 564	30 917	31 915	33 001	34 585	36 477
Other non-financial assets	58	222	11	17	24	24	25	28	6	6	6	6	6
Total non-financial assets	22 880	21 431	21 925	22 622	24 098	25 309	27 363	29 592	30 922	31 921	33 007	34 592	36 484
Total assets	26 609	26 444	25 592	26 342	27 199	28 883	30 813	33 494	35 006	35 997	37 283	39 142	41 538
<b>Liabilities</b>													
Deposits held	407	440	252	190	148	122	155	147	159	166	173	179	185
Advances received	1 099	935	844	790	780	733	719	715	659	643	627	609	591
Borrowing	8 377	6 668	4 386	4 623	4 267	4 030	3 642	3 583	3 910	4 303	4 802	5 597	7 024
Unfunded superannuation liability <sup>(a)</sup>	3 909	3 543	3 249	3 998	4 445	5 668	7 227	6 146	5 075	5 055	5 086	5 108	5 119
Other employee entitlements and provisions	1 024	987	1 068	1 137	1 419	1 586	1 693	1 795	1 903	1 992	2 081	2 164	2 267
Other non-equity liabilities	1 171	1 425	977	884	853	984	1 019	1 404	1 172	1 134	1 119	1 130	1 186
Total liabilities	15 987	13 998	10 776	11 622	11 911	13 124	14 454	13 790	12 878	13 294	13 887	14 787	16 373
<b>Net worth</b>	10 622	12 445	14 816	14 721	15 288	15 760	16 359	19 703	22 128	22 703	23 396	24 355	25 165
Net financial worth	-12 258	-8 986	-7 109	-7 902	-8 811	-9 550	-11 004	-9 889	-8 795	-9 219	-9 612	-10 237	-11 319
Net debt <sup>(b)</sup>	7 658	4 355	3 223	3 317	2 696	2 285	2 126	1 786	1 989	2 487	2 893	3 514	4 519

(a) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change which involved the adoption of the Commonwealth Government bond rate for valuation purposes in line with AASB119, *Employee Benefits*, resulted in a significant increase in superannuation liabilities.

(b) There is a structural break in 2007 reflecting on the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporation sector resulted in an increase in non-financial public sector net debt of \$99 million at 1 July 2006.