



2008 | 09

MID YEAR BUDGET REVIEW

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



Government
of South Australia



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CHAPTER 1: 2008-09 BUDGET POSITION AND FISCAL OUTLOOK

Overview

2008-09 Budget

The 2008-09 Budget continued the government's record of responsible fiscal management while providing for historically high levels of infrastructure spending across the forward estimates. Consistent with the circumstances existing at the time, the 2008-09 Budget provided an appropriate balance between meeting the infrastructure needs of the state and ensuring sustainable budget outcomes.

The 2008-09 Budget included significant new operating and investing expenditure initiatives over the forward estimates.

Included in this was an additional \$462 million for health initiatives, \$191 million for child protection and \$87 million for the criminal justice system and to provide additional prison capacity.

The 2008-09 Budget included a significant boost to infrastructure spending.

This government has committed to over \$10 billion in infrastructure expenditure by the public sector over the forward estimates.

The 2008-09 Budget delivered significant operating surpluses across the forward estimates, reducing the need to borrow to fund the record infrastructure spend, and providing a buffer against future economic challenges.

Historical perspective

Historically, since 2002-03 the government has benefited from significant revenue growth. From 2002-03 to the 2008-09 Budget total revenue has grown by over \$3.9 billion.

Over the same period the government has directed these revenues primarily into funding the priority areas of health, education and law and order. Health expenditure has grown by \$1.8 billion, education by \$1.2 billion and law and order by \$400 million.

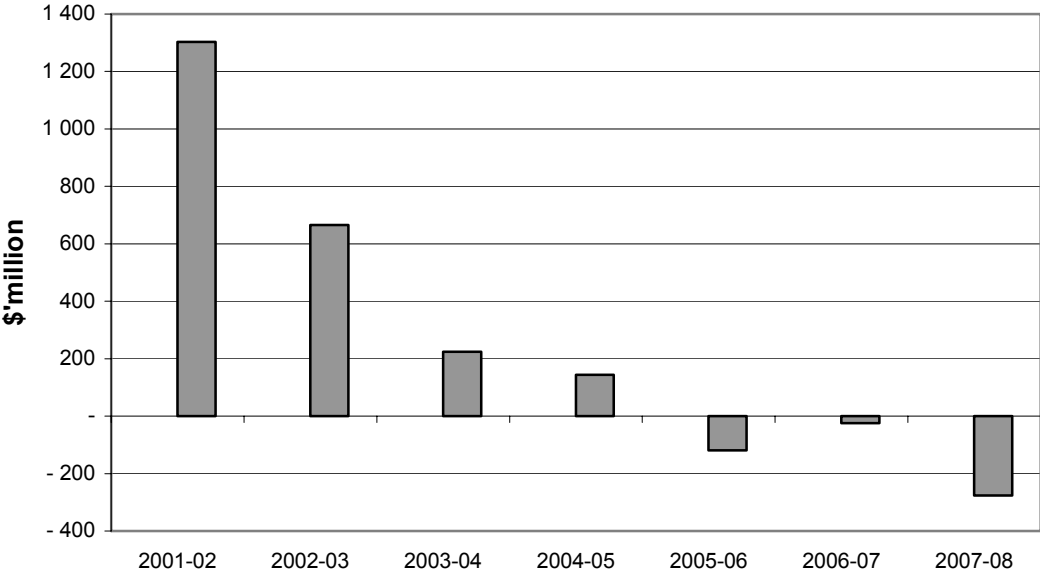
Since coming to office the government has provided substantial increases to frontline services including:

- Over 2800 extra nurses, and over 900 more doctors;
- 600 more teachers; and
- 400 extra police, with a further 200 to be employed over the next two years.

The 2008-09 Budget announced payroll tax relief totalling \$106 million over the forward estimates. In total since 2002-03 the government has introduced tax relief measures that will have an estimated cumulative benefit to taxpayers of nearly \$3 billion by 2011-12.

In 2001-02 general government net debt was \$1.3 billion. Since that time the government has paid down debt to the point that at 30 June 2008 net debt was totally eliminated and the government has net financial assets of \$276 million. Figure 1.1 below shows the change in the net debt position from 2001-02.

Figure 1.1: Net Debt 2001-02 to 2007-08



Global financial crisis

Financially, 2008 has been dominated by the impacts of the global financial crisis. Events, predominantly in the United States and Europe, have precipitated a crisis in confidence for financial institutions worldwide, and an associated reduction in interbank lending which has resulted in reduced availability of credit worldwide.

Share prices have fallen around the world with significant impacts on the economy. Banks have drawn back on business and home lending. General confidence levels have reduced as individuals and businesses assess the impact of a slowing economy and adjust their spending, investment and employment plans accordingly. As businesses and individuals reduce their spending, this contributes to the slowing of the economy.

The resultant economic slowdown impacts the state through reductions in revenues. GST revenue is impacted by the economic slowdown. As spending decreases, the GST revenue associated with that spending also decreases. The result is that the total GST pool collected by the Commonwealth decreases and thus the amount provided to South Australia is less.

Stamp duty is a significant revenue source for the state. Reduced consumer confidence and the impact of tighter credit conditions are also evident in the housing market with a significant reduction in property sales. This reduction in property transactions has a direct impact on the level of stamp duty on property conveyances collected by the state.

A third major impact of the global financial crisis on the state results from its impact on unfunded superannuation liabilities.

The unfunded superannuation liability is the state's biggest financial liability. At the time of the 2008-09 Budget the state had an estimated liability of \$12.8 billion. This amount represents the present day value of pensions and lump sum payments to be paid to public servants under defined benefit superannuation schemes. The payments fall due over many years until beyond 2040. These schemes have been closed to new members since 1994. On top of the annual contribution for scheme members who are still working in government, the government makes an annual cash payment towards the liability designed to ensure that the liability is fully funded by 2034.

The value of assets held to offset the liability as at the time of the 2008-09 Budget was \$5.9 billion. FundsSA invests these funds in investments that include shares and property. The global financial crisis has resulted in a significant loss on those assets. This means that the net liability of the state has increased.

The liability has also increased because of changes to the discount rate applied in calculating the present value of the future payments. The future payments are discounted into present day dollars using the Commonwealth long-term bond rate. The net present value calculated in this way gives the amount of money the state would need to invest today in a risk free asset (Commonwealth bonds) that would fund the payment of future superannuation liabilities as they arise.

Whilst the bond rate has changed, the future payments themselves have not changed. A significant reduction in the rates applying to Commonwealth Bonds has resulted in a significant increase in the calculated value of the liability.

The impact of changes to revenue and the unfunded superannuation liability has resulted in significant revisions to the budget outlook, and without adjustments to spending would result in increases in net debt.

In summary, since the 2008-09 Budget the effects of the global economic crisis on the state include:

- Estimates of GST revenues are down by a cumulative \$846 million over the forward estimates period before the Council of Australian Governments (COAG) outcomes;
- Estimates of state taxation revenues (excluding policy measures and net of revenue related expenditure) are down by \$245 million over the same period;
- Nominal superannuation interest expense is up by \$231 million over the forward estimates; and
- The unfunded superannuation liability has increased by \$2.3 billion.

The state's net operating balance, the net lending balance and the net financial liabilities to revenue ratio have all deteriorated significantly. In line with governments both in Australia and around the world, the Government of South Australia needed to implement measures to address the deterioration.

Responding to the global financial crisis

The changing economic climate means that adjustments to fiscal settings must be made if the government is to continue the work currently underway and budget priorities are to be maintained.

The actions taken serve to protect the ongoing record investment in infrastructure — no project has been cancelled, only adjustments to the timing of some projects.

No new taxes have been introduced, no taxes have been increased and no tax cuts have been cancelled, only variations to the timing of the abolition of some *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Arrangements* (IGA) taxes.

Importantly, to protect service delivery in the priority areas of health, education and law and order, there will be no cuts to frontline services.

Through targeted and carefully considered measures the government can:

- rebuild its surpluses in the forward estimates — providing an essential buffer in case of further pressures;
- strengthen the balance sheet to ensure the capital program is maintained and provide support to the state's future economic growth; and
- maintain a fiscal outlook that is consistent with a triple-A credit rating.

Operating savings of \$250 million will be implemented over the forward estimates as a result of a package of measures, most notably a reduction of 1600 public servants not directly involved in the delivery of frontline services.

Spending on infrastructure will remain at historically high levels, however the timetable for the delivery of some projects will be pushed out to reduce the impact on the balance sheet. The reprofiling of capital projects will provide a benefit of over \$700 million to net debt by 30 June 2012.

Significant further reductions in net debt by 2011-12 will be achieved through a package of measures aimed at securing improvements in the flexibility of the state's balance sheet. These measures include the disposal of a range of government buildings and government owned employee housing properties in regional areas.

The government intends to sell the harvesting rights of ForestrySA plantations for up to three harvesting cycles.

Fleet SA is to be transferred to the control of the South Australian Government Financing Authority (SAFA). This reflects the importance of financing in Fleet SA operations.

The impact of these measures is estimated to reduce net debt by around \$2.4 billion by 30 June 2012. Importantly the measures also improve the operating balance of the budget to ensure the structure of the state's budget is sustainable.

The following sections provide greater detail on the:

- impact of the global financial crisis;
- response measures; and
- resultant fiscal outlook.

Fiscal position before the 2008-09 Mid-Year Budget Review

The impact of the global financial crisis on the finances of the state is set out in Table 1.1. This table reconciles the budget outcomes expected at the time of the 2008-09 Budget with the estimates facing the government just before the Mid-Year Budget Review. Table 1.1 takes into account the increased interest cost arising from the associated increase in net debt. The deterioration in the fiscal outlook is unacceptable. Net operating balances are in deficit each year and net lending deficits are close to \$1 billion per year. The net financial liabilities to revenue ratio is well over 100 per cent by 2011-12. Net debt rises by almost \$2.7 billion by 2011-12. The impacts of the global economic crisis have placed the state in an untenable fiscal position. This scenario has required tough decisions to be made.

Table 1.1 General government fiscal outlook before MYBR (\$ million)

	2008-09	2009-10	2010-11	2011-12
Net operating balance at 2008-09 Budget	160	356	434	424
Cabinet decisions	- 46	- 16	- 8	- 8
Taxation ^(a)	- 67	- 79	- 75	- 24
GST ^(b)	- 131	- 199	- 236	- 280
Nominal superannuation interest expense	- 13	- 75	- 73	- 70
Carryovers from 2007-08	- 112	- 3	- 1	—
Distributions from government businesses	- 23	- 3	- 21	- 21
Net interest	10	- 10	- 43	- 59
Use of provisions	30	15	15	15
Net operating balance before MYBR	- 192	- 12	- 7	- 22
Net lending before MYBR	- 947	- 984	-1 067	- 908
Net debt	637	1 577	2 556	3 309
Net financial liabilities to revenue ratio (%)	91.0	96.3	101.2	104.3

(a) Net of revenue related expenditure.

(b) GST impact does not include variations arising from the COAG process

Response to fiscal position

The 2008-09 Mid-Year Budget Review includes a package of measures to improve the state's fiscal outlook in response to the global economic crisis and its impact on the state Budget. The package includes:

- Operating savings of \$250 million up to 2011-12;
- Deferral of investing expenditure and associated operating expenditure of over \$700 million up to 2011-12; and
- Revenue measures of \$209 million up to 2011-12.

The operating and revenue measures benefit the net operating balance and also flow through to net debt. The reduction in investing expenditure benefits net lending and flows through to net debt.

Further, there is a significant benefit to interest expense associated with the reduction in net debt.

In addition a package of measures that will realise the value tied up long-term in a number of government assets will raise a further \$900 million by 2011-12. These measures directly benefit net debt and thus reduce the state's interest burden.

Table 1.2 sets out the key operating saving and revenue measures designed to return the budget to a sustainable net operating position.

Table 1.2 General government net operating balance after COAG and MYBR measures (\$ million)

	2008-09	2009-10	2010-11	2011-12
Net operating balance before MYBR	- 192	- 12	- 7	- 22
Net impact of COAG agreement	130	- 42	- 53	- 11
Deferral of remaining IGA tax reforms	—	28	59	55
Taxation compliance measures ^(a)	- 1	12	12	12
Victims of crime levy	—	8	8	8
Public sector workforce	—	- 82	97	116
AAMI Stadium redevelopment	- 3	50	20	20
Shared services	5	12	7	7
Interest	9	21	18	117
Other	- 60	- 77	- 54	- 15
MYBR net operating balance	- 112	- 81	107	288

(a) Higher taxation revenue of \$14.5 million and expenditure savings of \$0.5 million from 2009-10 are partially offset by associated costs of \$3 million.

These measures ensure that the net operating balance is back in surplus by 2010-11 and a strong surplus of \$288 million is estimated for 2011-12. In fact the cumulative improvement to the net operating balance over the four years is \$435 million.

Operating savings

Public sector workforce

In successive budgets the government has continued to put significant additional resources into frontline services with significant increases in doctors, nurses, teachers and police. Over the forward estimates (ie by 30 June 2012) the public sector workforce is projected to grow by 4200 full time equivalents (FTEs) compared with 30 June 2006.

Against that background the government has decided to seek a reduction in public sector staff focused on administrative positions.

The government will ask agency Chief Executives to reduce FTEs by 1200 by the end of 2009-10. A further staff reduction of 200 FTEs will be sought in each of 2010-11 and 2011-12. Chief Executives will be able to achieve this reduction by not filling vacancies or by identifying positions that are no longer required.

A Targeted Voluntary Separation Program (TVSP) will be available for a short period.

The strategy will reduce operating expenditure by \$131 million up to 2011-12 and provide ongoing savings in excess of \$100 million per annum.

AAMI Stadium redevelopment

The 2008-09 Budget announced a grant to the South Australian National Football League of \$100 million over three years for the redevelopment of AAMI Stadium. Given the current fiscal position this commitment has been deferred beyond 2011-12. A contribution of \$2.6 million in 2008-09 and \$10.0 million in 2009-10 will be provided to commence the redevelopment of the stadium through development of kiosk, dining and bar facilities and public amenities. The net reduction in expenditure to 2011-12 is \$87.4 million.

Shared services

The government has identified savings in the establishment of the shared services structure. Revised service delivery arrangements will mean that Shared Services SA will no longer require office accommodation at 77 Grenfell Street. This office accommodation can now be made available to other government agencies seeking accommodation, or be sub-let to the private sector. This provides savings of both rental (operating) and fit-out (capital) expenditure.

The assessment of the most appropriate use of this space will be consistent with the broader review of the ownership and use of government office space for optimum accommodation requirements.

Revenue

Deferral of remaining IGA tax reforms

The abolition of stamp duty on non-quoted marketable securities and non-real property transfers will be deferred to 1 July 2012.

The government had previously announced that these taxes would be phased out over a two year period from 1 July 2009, with full abolition from 1 July 2010.

The government remains committed to the abolition of these taxes and the revised timeframe is consistent with the *Intergovernmental Agreement on Federal Financial Relations* (due to commence from 1 January 2009). The taxes will no longer be phased out but rather will be abolished in full from 1 July 2012. The deferral is expected to provide \$142 million over three years from 2009-10.

There is no change to the planned timetable for the phased abolition of mortgage duty and rental duty (which commenced on 1 July 2007). These taxes will be fully abolished from 1 July 2009.

Taxation compliance measures

Additional resources have been provided to enable RevenueSA to increase compliance activity across a range of taxes. This is expected to result in increased taxation revenue of \$14.5 million per annum and expenditure savings of \$0.5 million per annum from 2009-10.

Victims of Crime Levy

The Victims of Crime Levy payable on expiation fines will be increased from \$20 to \$30 from 1 July 2009. This measure is expected to increase levy collections by \$24 million over three years from 2009-10.

Revenue from the levy is paid into the Victims of Crime Fund. Money from the Fund can be used to provide payments to persons to recover from the effects of crime, assist in the prevention of crime or advance the interests of victims of crime.

Council of Australian Governments

On 1 January 2009 new Federal-State funding arrangements will be introduced. These new arrangements are based on the key objectives of providing increased flexibility for resources and reduced administration and compliance costs. In particular, reporting requirements for the new National Specific Purpose Payments (SPPs) are based on outcomes rather than inputs.

The new arrangements consolidate the significant number of SPPs under the old arrangements into broader categories. There will be five National Agreements:

- a National Healthcare Agreement;
- a National Affordable Housing Agreement;
- a National Education Agreement;
- a National Skills and Workforce Development Agreement; and
- a National Disabilities Services Agreement.

Under the new arrangements there will also be a new form of payment — National Partnership (NP) payments — to fund specific projects and to facilitate and/or reward states that deliver on nationally significant reforms. NPs, unlike SPPs, can contain state co-investment requirements. A number of existing SPPs, including Auslink, will become NPs under the revised arrangements.

Over the four years to 2011-12:

- additional SPP revenue under the new arrangements is projected to be \$192 million;
- total NP revenue from new initiatives is projected to be \$438 million; and
- the total NP co-investment required of the state for these new initiatives is \$261 million.

The state will need to spend the additional Commonwealth funding and further state funds to achieve the outputs and outcomes specified in the agreements with the Commonwealth.

For the purposes of the Mid-Year Budget Review an expenditure contingency has been set aside. The net impact of the COAG outcomes, including this contingency is shown in Table 1.2. The specific details and amounts of the extra expenditure will be determined as part of the 2009-10 Budget.

Investing expenditure

The 2008-09 Budget contained historically high levels of spending on infrastructure with an associated build up in net debt over the period. While the government remains committed to all the projects in the current capital program, the timing of projects has been revised in light of the current fiscal position. In addition, given the significant size of the committed capital program, the contingency for possible future projects has been reduced, saving \$150 million by 2011-12.

Figure 1.2 shows that despite the decision to delay the commencement of a number of capital investment projects spending on infrastructure remains at historically high levels over the forward estimates.

Figure 1.2: General government sector purchase of non-financial assets

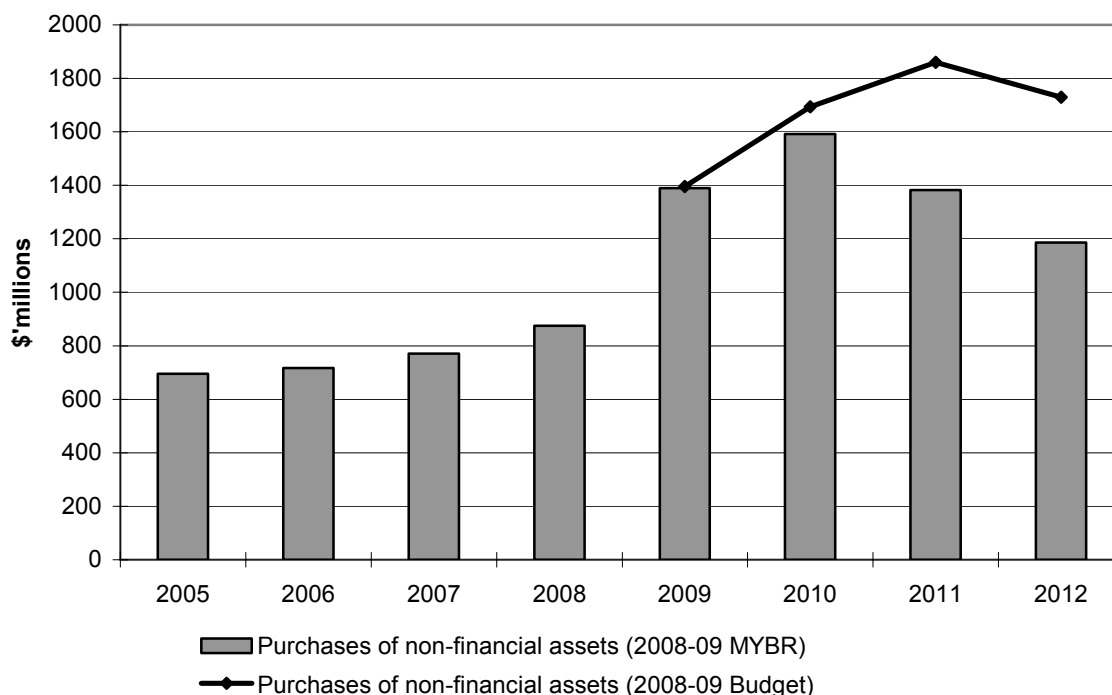


Table 1.3 sets out the changes to investing expenditure targeted at reducing net lending and thus net debt.

Table 1.3 General government net lending after COAG and MYBR measures (\$ million)

	2008-09	2009-10	2010-11	2011-12
Net lending before MYBR	- 947	- 984	-1 067	- 908
Net effect of operating variations	80	- 69	114	310
Investing expenditure				
Transport, Energy and Infrastructure	1	12	117	150
Health	36	62	28	- 33
New prisons and secure facilities	—	—	114	197
Other ^(a)	11	239	193	295
MYBR net lending	- 819	- 740	- 501	10

(a) Includes the net lending impact of some debt reduction measures.

Transport, Energy and Infrastructure

The Mid-Year Budget Review includes a re-prioritisation of the Transport, Energy and Infrastructure capital program that will reduce expenditure by \$279 million up to 2011-12. Associated operating savings of \$2 million will also be achieved by 2011-12. The major changes are:

- retiming of the South Road/Sturt Road Underpass will reduce expenditure by \$62 million up to 2011-12 with completion still scheduled for 2013-14;
- retiming of the electrification of the Noarlunga line project reducing expenditure by \$113.5 million up to 2011-12 with completion still scheduled for 2013-14;

- commencement of the electrification of the Outer Harbor line is delayed by two years (to be completed now in 2014-15 — original completion date 2012-13) will reduce expenditure by \$85 million (including \$2 million operating savings) up to 2011-12;
- the upgrade of the Diagonal Road/Morphett Road intersection is delayed by one year (to be completed now in 2013-14 — original completion date 2012-13), reducing expenditure by \$10.8 million up to 2011-12; and
- the Green Triangle Railway project is delayed to beyond the forward estimates (reducing expenditure by \$10 million up to 2011-12).

Health

The government remains committed to all projects in the current Health capital program. The Mid-Year Budget Review includes a re-prioritisation of the Health capital program that will reduce expenditure by \$93 million up to 2011-12 and will delay the completion of some projects. The major changes are:

- extension of the timeframe for completing Lyell McEwin Stage C (to be completed now in 2014-15 — original completion date 2013-14), Berri Hospital redevelopment (to be completed now in 2013-14 — original completion date 2010-11), Whyalla Hospital redevelopment (to be completed now in 2010-11 — original completion date 2009-10) and Community Mental Health Centres (to be completed now 2013-14 — original completion date 2012-13) reducing expenditure by \$37.9 million up to 2011-12;
- adjustment of the annual expenditure for the GP Plus Centre at Pt Pirie, reducing expenditure by \$5 million up to 2011-12. This change does not delay the completion of the project;
- extension of the completion of the Flinders Medical Centre redevelopment by one year and changes to the annual expenditure profile (to be completed now in 2012-13 — original completion date 2011-12), reducing expenditure by \$9.9 million up to 2011-12;
- delay to the finalisation of the Glenside redevelopment by two years (to be completed now in 2013-14 — original completion date 2011-12), reducing expenditure by \$27.8 million up to 2011-12; and
- delay of \$12.6 million of ICT expenditure to beyond the end of the forward estimates. There has been no change to the expected total cost of the projects.

New prisons and secure facilities

The deferral of the commission dates for the state's new prisons and secure facilities, as previously announced, is also included in the Mid-Year Budget Review. The benefit of the deferral of these projects is that a budget impact of \$311 million is moved beyond 2011-12. The delays result in the need for additional prison capacity in the interim period with \$30 million provided across 2010-11 and 2011-12 to construct two new cell-blocks with additional capacity of 160 beds. The new commission dates are:

- Men's and Women's prison 2013-14 (previously 2011-12);
- Forensic Mental Health Centre 2013-14 (previously 2010-11); and
- Secure Youth Training Centre and Pre-Release Centre 2011-12 (previously 2010-11).

Reducing net debt

Three measures will be adopted that result in debt reduction through changes in the structure of the state's balance sheet.

Table 1.4 sets out the impact on net debt, and the net financial liability to revenue ratio of both the total net lending adjustments as well as these direct debt reduction measures. Table 1.1 showed that the state was facing an increase in net debt of almost \$2.7 billion. As the result of the measures adopted by the government this has been reduced to an increase of only \$400 million. The net financial liabilities to revenue ratio was rising in Table 1.1 and reached 104.3 per cent in 2011-12. In contrast Table 1.4 shows the ratio falling in the later years of the forward estimates and an estimated value of 85.3 per cent in 2011-12. Discussion of the measures follows the table.

The measures identified in Table 1.2 together with the changes to capital expenditure in Table 1.3 and the balance sheet transactions discussed below place the state on a more secure financial footing. This sound position is essential to meet the challenges and further difficult decisions that will arise as the full effects of the global economic crisis unfold.

Table 1.4 General government net debt after COAG and MYBR measures (\$ million)

	2008-09	2009-10	2010-11	2011-12
Net debt before MYBR	637	1 577	2 556	3 309
Effect of net lending variations	- 128	- 372	- 938	-1 857
Debt reduction measures	—	- 17	- 592	- 625
Other	1	33	65	82
MYBR net debt	510	1 221	1 091	909
MYBR net financial liabilities to revenue ratio (%)	87.3	92.1	89.1	85.3

ForestrySA

A number of fund managers and superannuation funds have invested in forestry assets in Australia and overseas. Forest plantations provide a long-term asset that is attractive to such investors. The details of each transaction vary reflecting the future sharing of risks and responsibilities in respect of the forestry assets. The government intends to explore a range of options for the upfront sale of ForestrySA harvests.

Over the next 18 months the government will work with ForestrySA and key stakeholders to further develop this initiative in order to achieve the best outcome for the state. The estimated proceeds of the transaction included in the Mid-Year Budget Review estimates are compatible with ForestrySA continuing on a "business as usual" basis. That is, ForestrySA will remain a public sector corporation, continue to own the land and the Corporation's employees will remain public sector employees. ForestrySA will retain the responsibility for the sale of these timber assets into the marketplace. The amount included in the estimates will not be revealed to avoid prejudicing the sale process.

Government Buildings and Employee Housing

The government owns a number of significant buildings in the central business district, metropolitan Adelaide and in regional South Australia. The sale of these assets can help finance the infrastructure program and reduce pressure on our borrowings. The government has agreed that further work be undertaken with the aim of approaching the market and selling a number of the government's building assets. This will increase flexibility and enable the government to better manage its accommodation requirements.

The sales would occur over the forward estimates period to maximise returns with the timing of sales to be considered in light of property market conditions. The additional lease costs to government would be partially offset by reductions in costs associated with owning infrastructure (eg maintenance, depreciation and financing costs).

The government, through South Australian Government Employee Residential Properties, owns a significant number of houses in and around Adelaide and in major regional centres. The proposal is to dispose of government housing assets in areas where a viable rental market exists. An important consideration in developing the proposal will be to ensure that government employees and their families in regional areas can access good quality accommodation that meets their needs.

Government motor vehicle fleet

Responsibility for the management of the government's motor vehicle fleet will be transferred to the South Australian Government Financing Authority (SAFA) as part of a review of operational and financial arrangements. The transfer of operations to SAFA results in an improvement in net debt for the general government and non-financial public sectors.

Fiscal Outlook

Table 1.5 and Table 1.6 summarise key fiscal measures for the general government sector.

Table 1.5 Fiscal outlook — Budget and Mid-Year Budget Review (\$ million)

Net operating balance	2008-09	2009-10	2010-11	2011-12
Budget	160	356	434	424
MYBR	- 112	- 81	107	288
Change	- 272	- 437	- 327	- 136
Net lending				
Budget	- 548	- 589	- 611	- 460
MYBR	- 819	- 740	- 501	10
Change	- 271	- 151	110	470
Net Debt				
Budget	610	1 154	1 677	1 983
MYBR	510	1 221	1 091	909
Change	- 100	67	- 586	-1 074

Table 1.6 General government sector aggregates (\$ million)

	2007-08 Outcome	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue	12 879	13 255	13 435	13 624	14 103	14 737
Expenses	-12 414	-13 094	-13 547	-13 706	-13 996	-14 449
Net operating balance	464	160	- 112	- 81	107	288
Gross fixed capital formation	- 767	-1 302	-1 301	-1 257	-1 242	- 952
Depreciation	525	593	594	598	635	674
Net lending	222	- 548	- 819	- 740	- 501	10
<i>Memorandum items:</i>						
ABS Cash surplus ^(a)	379	- 530	- 801	- 730	- 445	93
Net debt	- 276	610	510	1 221	1 091	909
Unfunded superannuation	6 468	6 992	9 294	9 341	9 372	9 383
Net financial liabilities to revenue ratio (%)	62.7	70.4	87.3	92.1	89.1	85.3

Note: Totals may not add due to rounding

(a) Includes the net acquisition of assets under finance leases.

Table 1.7 General government sector operating statement — 2008-09 to 2011-12 (\$ million)

	2007-08 Outcome	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue						
Taxation revenue	3 570	3 615	3 567	3 644	3 827	4 063
Grants	6 616	6 906	7 223	7 280	7 317	7 665
Sales of goods and services	1 572	1 601	1 604	1 650	1 726	1 799
Interest income	203	200	171	167	200	243
Dividend and income tax equivalent income	429	441	361	349	489	413
Other	490	491	508	533	544	554
<i>Total revenue</i>	<u>12 879</u>	<u>13 255</u>	<u>13 435</u>	<u>13 624</u>	<u>14 103</u>	<u>14 737</u>
<i>less</i>						
Expenses						
Employee expenses	5 268	5 539	5 636	5 901	5 887	6 029
Superannuation expenses						
Superannuation interest cost	276	370	383	446	445	442
Other superannuation expenses	546	577	590	604	616	630
Depreciation and amortisation	525	593	594	598	635	674
Interest expenses	218	234	184	204	302	314
Other property expenses	—	—	—	—	—	—
Other operating expenses	3 246	3 382	3 575	3 650	3 827	4 062
Grants	2 337	2 400	2 585	2 303	2 284	2 298
<i>Total expenses</i>	<u>12 414</u>	<u>13 094</u>	<u>13 547</u>	<u>13 706</u>	<u>13 996</u>	<u>14 449</u>
<i>equals</i>						
Net operating balance	<u>464</u>	<u>160</u>	<u>- 112</u>	<u>- 81</u>	<u>107</u>	<u>288</u>
<i>plus</i>						
Other economic flows	1 149	583	-2 215	629	540	613
<i>equals</i>						
Comprehensive result - total change in net worth	<u>1 613</u>	<u>743</u>	<u>-2 327</u>	<u>548</u>	<u>647</u>	<u>902</u>
Net operating balance	<u>464</u>	<u>160</u>	<u>- 112</u>	<u>- 81</u>	<u>107</u>	<u>288</u>
<i>less</i>						
Net acquisition of non-financial assets						
Purchases of non-financial assets	875	1 396	1 398	1 592	1 382	1 186
<i>less</i> Sales of non-financial assets	108	94	97	335	140	235
<i>less</i> Depreciation	525	593	594	598	635	674
<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	<u>242</u>	<u>709</u>	<u>707</u>	<u>659</u>	<u>607</u>	<u>278</u>
<i>equals</i>						
Net lending / borrowing	<u>222</u>	<u>- 548</u>	<u>- 819</u>	<u>- 740</u>	<u>- 501</u>	<u>10</u>

Note: Totals may not add due to rounding

The general government operating statement is provided in Table 1.7. Due to revisions in the Uniform Presentation Framework (UPF) approved by the Australian Loan Council in March 2008 the format of this table differs from similar tables provided in previous budget-related publications. The most significant variation to the revised UPF operating statement compared with its predecessor is the inclusion of lines for other economic flows and the total change in net worth (comprehensive result). Further information on this change to presentation requirements is provided in Appendix A.

The major contributors to the variation in net worth are the revaluation of the unfunded superannuation liability, particularly in 2008-09 and the movement in the net assets of public financial corporations and public non-financial corporations. Under the GFS accounting framework these variations are not recorded as operating revenues or expenses, rather they are classified as other economic flows. A more detailed reconciliation of other economic flows appears in Table A.16.

Table 1.8 Net operating balance — policy and parameter variations since the 2008-09 Budget (\$ million)

	2008-09	2009-10	2010-11	2011-12
Estimate at 2008-09 Budget	160	356	434	424
Parameter and other variations				
Revenue - taxation	-48	-96	-85	-32
Revenue - other	221	-56	-143	-52
Operating expenses	-442	-304	-295	-259
Net effect of parameter and other variations	-269	-456	-524	-343
Policy measures				
Revenue - taxation	0	42	73	70
Revenue - other	0	8	8	8
Revenue offsets - other	7	5	4	3
Operating expenses	-45	-51	94	110
Net effect of policy measures	-38	3	180	191
Use of provisions set aside in the 2008-09 Budget				
Operating expenses	34	16	17	17
Estimate at the 2008-09 Mid-Year Budget Review	-112	-81	107	288

Note: Totals may not add due to rounding

Table 1.9 Net lending — policy and parameter variations since the 2008 09 Budget (\$ million)

	2008-09	2009-10	2010-11	2011-12
Estimate at 2008-09 Budget	-548	-589	-611	-460
Net effect of operating variations after the 2008-09 Budget	-272	-437	-327	-136
Investing variations - net acquisition of non-financial assets				
Net effect of parameter variations	-36	222	311	498
Net effect of policy variations	37	63	127	109
Total investing variations	2	286	438	606
Estimate at the 2008-09 Mid-Year Budget Review	-819	-740	-501	10

Note: Totals may not add due to rounding

Table 1.10 Major revenue and expense variations (parameter and other only) since the 2008-09 Budget (\$ million)

	2008-09	2009-10	2010-11	2011-12
Revenue - Taxation				
Payroll tax	28	26	30	35
Conveyances	-115	-156	-119	-79
Land Tax	26	29	-3	2
Other property taxes	5	5	4	7
Gambling tax	1	-4	-1	-2
Insurance taxes	4	5	5	6
Motor vehicle taxes	3	-1	-1	-2
Total taxation revenue	-48	-96	-85	-32
Revenue - Other				
GST revenue grants	-131	-158	-182	-208
Commonwealth specific purpose and national partnership grants				
- Current grants	414	159	128	221
- Capital grants	15	38	-51	-1
Other contributions and grants	14	-3	-7	-7
Dividends and income tax equivalents	-80	-46	-11	-54
Fines and penalties	-3	-2	-2	-2
Royalties	3	4	8	-6
Sales of goods and services	2	-20	-14	-9
Interest income	-29	-31	-17	10
Other revenue	18	4	4	4
Total other revenue	221	-56	-143	-52
Operating Expenses				
Nominal superannuation interest expense - variations in earnings rate and valuation of obligations	-13	-75	-73	-70
Interest expense	50	61	12	68
Carryovers	-115	-2	-1	0
Other variations	-364	-288	-233	-257
Total operating expenses	-442	-304	-295	-259
Net capital investment expenditure				
Carryovers	-68	-20	-7	0
Other variations	32	242	318	498
Total net capital investment expenditure	-36	222	311	498

Note: Totals may not add due to rounding

Operating revenue

Since the 2008-09 Budget, significant changes have been made to Commonwealth-State funding arrangements relating to Specific Purpose grants. Agreements reached at the November 2008 Council of Australian Governments (COAG) meeting have resulted in additional funding under both Specific Purpose and National Partnership funding arrangements. Upward revisions to these revenues are stronger in 2008-09 compared with subsequent years. Further information on these reformed Federal-State funding arrangements is provided in the Council of Australian Governments section earlier in this chapter.

Separate from these arrangements, specific funding from the Commonwealth for its First Home Owner Boost initiative together with Commonwealth funding for the Jervois to Langhorne and Currency Creek irrigation pipeline impact in 2008-09 and, to a lesser extent, 2009-10.

Upward revisions to Commonwealth Specific Purpose funding more than offset downward revisions to taxation revenue, GST revenue and dividend distributions in 2008-09.

In subsequent years, there are net downward revisions to total operating revenues for the general government sector.

Parameter and other variations

Taxation revenue

General government sector taxation revenues have been revised down in 2008-09 and across the forward years mainly due to downward revisions to conveyance duty estimates. These revisions have been partially offset by upward revisions to payroll tax, land tax (in 2008-09 and 2009-10), other property taxes and insurance taxes.

Conveyance duty estimates have been revised down in all years. The 2008-09 Budget allowed for a modest softening in property market conditions in 2008-09 with conveyance duty revenue expected to fall by 5.3 per cent. However, the property market has slowed by more than anticipated.

Downward revisions to conveyance duty estimates in 2008-09 have been moderated by an expected increase in first home buyer numbers in response to First Home Owner Boost grants announced by the Commonwealth Government in October 2008. The time limited availability of these grants is expected to bring forward some first home purchases that would otherwise have occurred in later periods.

Changes in the mix of property sales in conjunction with allowances made for modest property price falls also contribute to the downward revision to conveyance duty revenue in 2008-09 and 2009-10.

Conveyance duty revisions in subsequent years are mainly driven by a lower projected volume of property transfers compared to budget time assumptions. Residential and non-residential property transfers are assumed to return to long-term trend levels in 2012-13.

Payroll tax revenue estimates have been revised up reflecting a higher than budgeted outcome in 2007-08 and stronger than budgeted collections year to date in 2008-09. Both of these flow through as base effects to future years.

Reflecting the revised economic outlook, employment growth in 2009-10 is now expected to be lower than the budget time assumption. As a result, upward revisions to payroll tax revenue due to the base effect are partly offset in 2009-10.

Finalisation by the Valuer-General of whole of state valuations for land use classes as at 30 June 2008 has resulted in land tax estimates for 2008-09 and subsequent years being revised up since budget. Upward revisions are offset from 2010-11 by an assumed modest fall in land values during 2009 that impacts on the valuations that would be used for 2010-11 land tax assessments. Land tax revenue from public corporations has also been revised down from 2010-11 mainly reflecting the impact of lower land values on the land tax liability of the South Australian Housing Trust.

Upward revisions to 'other property taxes' mainly relate to guarantee fees and, to a lesser extent, natural resource management levies (in 2008-09) and the emergency services levy on fixed property (in 2008-09 and 2009-10).

Gambling tax revenue across the forward estimates has been revised slightly since the 2008-09 Budget. Downward revisions across the forward estimates are mainly due to lower gaming machine expenditure levels consistent with the revised economic outlook. Downward revisions to

gaming machine tax revenue are partly offset by higher contributions from the Lotteries Commission in 2010-11 and 2011-12.

Insurance duty estimates have been revised up reflecting revisions to premium growth assumptions having regard to year to date increases.

Downward revisions have been made across the forward estimates to motor vehicle stamp duty revenue, offset in 2008-09 by higher estimated heavy vehicle registration fee revenue.

GST revenue grants

Significant downward revisions have been made to GST grants mainly due to weaker growth in national consumption spending as reflected in revisions to the GST pool available for distribution to the state in accordance with GST forecasts set out in the Commonwealth Government's *2008-09 Mid-Year Economic and Fiscal Outlook* and revisions to South Australia's population share.

South Australia's estimated share of the GST pool has also been revised down in accordance with revised estimates of relative fiscal needs for tax base assessments, including a further allowance for anticipated losses from the Commonwealth Grants Commission's 2010 Methodology Review.

Changes in the distribution of specific purpose funding grants, agreed to by COAG in November 2008, will flow through to the assessment of fiscal needs for GST purposes. In effect, losses to South Australia from shifting to an equal per capita distribution of some specific purpose funding will be offset through a higher share of GST funding grants.

Commonwealth specific purpose grants

Large revisions since budget to Commonwealth Specific Purpose and National Partnership recurrent grants reflect a number of factors, including:

- revised funding arrangements agreed to by COAG in November 2008, with funding now categorised as either Specific Purpose or National Partnership funding; new arrangements apply from 2008-09 with larger impacts in 2008-09 compared with subsequent years;
- additional funding to cover the cost of the Commonwealth's temporary First Home Owner Boost scheme which the states and territories will administer on the Commonwealth's behalf; these funds impact in 2008-09 and 2009-10;
- additional health funding across the forward estimates;
- funding for the Jervois to Langhorne and Currency Creek irrigation pipeline; these funds impact in 2008-09 and 2009-10; and
- a lower than expected uptake of Exceptional Circumstances funding for drought relief; this impacts in 2008-09.

Capital grants have been revised up in 2008-09 and 2009-10 and revised down in 2010-11, mainly as a result of the bringing forward of Commonwealth AusLink funding for the Northern Expressway project from 2010-11 following clarification of the design and construction program of works.

Increases in specific purpose grant funding are expected to be offset by increases in expenditure over the forward estimates.

Other contributions and grants

Downward revisions to this line from 2009-10 are mainly due to reclassifications of some recurrent funds to other revenue lines. Downward revisions in 2008-09 are more than offset by higher than expected donations from charities for the purchase of medical related equipment and services.

Dividends and Income Tax Equivalents

Distributions (dividends and income tax equivalents) from public non-financial corporations have been revised down across the forward estimates.

Distributions from Land Management Corporation have been revised down in 2008-09 reflecting delays in planned land sales, mainly related to the Gillman-East Trunkway and Edinburgh Parks industrial developments, and the Penfield and Evanston South residential projects. Land Management Corporation's distributions have been revised up from 2009-10 reflecting revised estimates of land sales in those years.

Distributions from SA Water have been revised down over the forward estimates reflecting the assumed continuation of Level 3 water restrictions into 2009-10 and an increase in SA Water's operating and capital expenditure in all years, partially offset by an increase in water prices from 2009-10.

The increase in SA Water's expenditure is mostly attributable to water security initiatives, including the acceleration of the Adelaide Desalination Plant and the pre-construction works for the weir below Wellington.

The reduction in SA Water's distributions across the forward estimates period are partly offset on the expenditure side of the budget by a reduction in community service obligation payments.

Dividends and distributions have been adjusted in 2011-12 to reflect the likely impact of changed arrangements for ForestrySA.

Fines and penalties

Revenue from fines and penalties has been revised down across the forward estimates primarily reflecting year to date experience.

Royalties

Royalty revenue has been revised up across the forward estimates to 2010-11, mainly reflecting revenue gains from a lower Australian dollar, partially offset by lower US dollar commodity price assumptions, in particular for oil and copper. The downward revision in 2011-12 reflects revised royalty revenue estimates from new mines.

Sales of goods and services

Revenue from regulatory fees is expected to be lower in 2008-09 and over the forward estimates mainly due to lower than expected revenue from land service fees as a result of softer than expected property market conditions, particularly in 2008-09 and 2009-10. Commonwealth contributions have also been revised down.

These downward revisions are partially offset by upward revisions to revenue from metroticket sales due to increased patronage on public transport, rental income received by the Department of Transport, Energy and Infrastructure from assets that were transferred in 2007-08 from TransAdelaide

and upward revisions to other departmental user charges. Revenue from drivers licence fees has also been revised up for 2008-09.

Interest income

Compared with estimates in the 2008-09 Budget, interest income has been revised down for the three years to 2010-11 and revised up in 2011-12. This reflects the impact of lower than previously assumed interest rates applicable to the government's financial assets. The impact of lower rates is lessened in the later years of the forward estimates period reflecting higher levels of financial assets as a result of the government's fiscal measures in the Mid-Year Budget Review.

Other revenue

This residual category includes a variety of revenues in various agencies. In 2008-09, the upward revision largely relates to payments from local councils and developers for capital works undertaken by the Department of Transport, Energy and Infrastructure and revised revenue estimates in relation to the Techport Australia Commercial Campus.

Expenditure

Policy measures

The 2008-09 Mid-Year Budget Review incorporates policy measures up to 4 December 2008. Significant measures and their impact on operating expenses over the forward estimates period are:

- \$26.0 million over four years for additional resources for disability services, reflecting the state's contribution under the Commonwealth State Territory Disability Agreement;
- \$13.3 million over four years to provide for the growth in the number of children in care;
- \$12.0 million over four years for additional operational and staffing costs associated with the provision of additional prisoner accommodation;
- \$8.9 million over four years is provided for administration of community corrections orders and to address the increase in the number of offenders placed in home detention;
- \$5.8 million over three years commencing in 2009-10 to expand the eligibility criteria for sewerage concessions and to increase water concessions in response to the impact of increased water prices; and
- \$4.6 million over four years to support the establishment of an Adelaide campus of the University College London.

Significant investing expenditure measures over the forward estimates period include:

- \$9.5 million in 2009-10 for the purchase of house and land packages at Roxby Downs to provide accommodation for government employees; and
- \$8.1 million over two years from 2008-09 for the fitout of office accommodation for the Department of Trade and Economic Development and the Department for Transport, Energy and Infrastructure.

Table 1.11 lists all policy measures since the 2008-09 Budget.

Parameter and other variations

A number of parameter and other changes contribute to the variations in projected expenses and investing payments in 2008-09 and across the forward estimates including:

- the carryover of expenditure from 2007-08 to 2008-09 and to a lesser extent the forward years (over and above the carryovers already reflected in the 2008-09 Budget);
- additional expenditure associated with the outcome of the Council of Australian Governments' reform of specific purpose funding arrangements;
- downward revision to interest expense across the forward estimates period, reflecting the impact of lower than previously estimated levels of debt resulting from the government's fiscal measures in the Mid-Year Budget Review, and lower than previously assumed interest rates applicable to the government's borrowings;
- revised timing of expenditure for a range of capital projects. These timing adjustments are in addition to a suite of planned deferrals of projects in the Health, Transport and Justice portfolios discussed above;
- upward revision to nominal superannuation interest expense reflecting the impact of lower than expected earnings on superannuation investments in 2007-08 and so far in 2008-09, and a lower than budgeted bond rate used to discount the superannuation liability;
- upward revisions to provisions for growth in service delivery costs and future expenditures;
- commercial-in-confidence items that cannot be disclosed separately, for example enterprise bargaining provisions and the expected proceeds of debt reduction measures;
- 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.

Table 1.11 Policy measures since the 2008-09 Budget (\$ 000)

Portfolio	2008-09	2009-10	2010-11	2011-12
Department of the Premier and Cabinet				
Operating initiatives				
Adelaide Symphony Orchestra — additional support	- 691	—	—	—
Industrial Relations Court and Workers Compensation Tribunal — additional support	- 47	—	—	—
Inter-governmental agreement on occupational health and safety — establishment and support for new body	- 447	- 687	- 704	- 722
Office of Workcover Ombudsman — establishment	- 672	- 686	- 702	- 717
Premier's Special Appeals Fund — additional support	- 450	—	—	—
SA Film Corporation — support for film production	- 400	—	—	—
University City Project — additional support	—	-1 050	-1 150	- 200
University College London — support to establish Adelaide branch	-1 689	-1 244	-1 018	- 696
University of South Australia Hawke Institute — grant	-3 000	—	—	—
Savings initiatives				
AAMI Stadium redevelopment — revised grant arrangements	-2 627	50 000	20 000	20 000
Revenue offsets				
Agent General's residence — rental revenue	—	232	232	—
Office of Workcover Ombudsman — WorkCover SA contribution	672	686	702	717
Investing initiatives				
Agent General's residence — refurbishment	- 483	—	—	—
Asset sales				
Agent General's residence — sale	—	—	—	5 400
Department of Trade and Economic Development				
Operating initiatives				
Cinet Systems — grant ^(a)	- 500	—	—	—
Office accommodation — additional support	—	- 170	—	- 326
Savings initiatives				
Office of the Venture Capital Board — dissolution	291	464	470	478
Investing initiatives				
Office accommodation — fitout	—	-4 909	—	—
Revenue offsets				
Office accommodation — rental revenue	—	—	—	326
Defence SA				
Operating initiatives				
Defence Systems Innovation Centre — support	-1 000	-1 700	-1 700	—

Table 1.11 Policy measures since the 2008-09 Budget (\$ 000) (continued)

Portfolio	2008-09	2009-10	2010-11	2011-12
Department of Treasury and Finance				
Operating initiatives				
PPP Project Management — additional staffing and accommodation	- 461	- 122	- 130	- 138
SA Innovation and Investment Fund — administrative support	- 95	- 97	- 99	- 101
Tax compliance — additional resources	-1 051	-2 558	-2 686	-2 793
Tax compliance — additional collections offset 2008-09 Budget savings target	—	- 345	-1 400	-2 576
Savings initiatives				
Shared services — accommodation savings	5 340	11 680	6 670	6 960
Investing initiatives				
Shared services — fitout not required	4 540	4 540	—	—
Administered Items for the Department of Treasury and Finance				
Operating initiatives				
Defence Industry — support	- 250	—	—	—
General Sir John Monash Foundation — donation	- 120	—	—	—
South Australia Police				
Operating initiatives				
APY Lands police infrastructure — operating costs	- 175	- 925	-1 130	-1 183
Investing initiatives				
APY Lands police infrastructure — vehicles	—	- 157	—	—
Roxby Downs police station — additional construction costs	—	- 177	-1 436	—
Asset sales				
Roxby Downs police station — sale of existing site	—	—	—	1 570
Attorney-General's Department				
Operating initiatives				
Second hand dealers and pawnbrokers — licensing and compliance program	- 570	-1 298	- 950	- 891
Veteran's Affairs Portfolio — establishment	- 476	- 462	- 472	- 481
Revenue offsets				
Second hand dealers and pawnbrokers — licence fees	—	1 707	940	970
Administered Items for the Attorney-General's Department				
Operating initiatives				
Crown employees — legal cost reimbursement	- 674	- 50	- 50	- 50
Indigenous Land Use Agreement — Narungga	-2 000	—	—	—
Revenue measures				
Gaming machines revenue — late trading restrictions	—	- 400	- 200	- 200
Victims of Crime Levy — increase	—	8 000	8 000	8 000

Table 1.11 Policy measures since the 2008-09 Budget (\$ 000) (continued)

Portfolio	2008-09	2009-10	2010-11	2011-12
Department for Correctional Services				
Operating initiatives				
Community Corrections — additional resources	-1 414	-2 439	-2 493	-2 547
Prison infrastructure — additional operational and staffing costs	-2 289	-1 680	-1 728	-6 277
Investing initiatives				
Prison infrastructure — additional accommodation	—	—	-15 000	-15 000
South Australian Fire and Emergency Services Commission				
Operating initiatives				
Natural disaster mitigation program — extension	-1 802	—	—	—
Revenue offsets				
Natural disaster mitigation program — Commonwealth contribution	1 442	—	—	—
State Electoral Office				
Investing initiatives				
State Electoral Office — accommodation upgrade	- 182	—	—	—
Department of Primary Industries and Resources				
Operating initiatives				
Planning and Development Review — additional resources	- 650	- 670	- 430	- 450
Office of Northern Suburbs — establishment	- 460	- 620	- 633	- 646
Investing initiatives				
Office of Northern Suburbs — office accommodation	- 415	—	—	—
Department for Transport, Energy and Infrastructure				
Operating initiatives				
Outer Harbor electrification — re-profiling	—	—	991	1 075
Remote aerodromes — safety program	-1 642	—	—	—
Roadworks (Bremer Road) — design support	- 250	—	—	—
Tram overpass (South Road) — maintenance of bike and pedestrian facilities	—	- 148	- 152	- 156
Investing initiatives				
Diagonal Road / Morphett Road Intersection — re-profiling	—	—	1 710	9 136
Government Employee Housing — Roxby Downs	—	-9 500	—	—
Green Triangle Railway — re-profiling	1 000	9 000	—	—
Office accommodation — fitout	-3 200	—	—	—
Outer Harbor electrification — re-profiling	—	—	39 000	44 000
Noarlunga line electrification — re-profiling	—	—	69 700	43 800
South Road / Anzac Highway underpass — revised expenditure	4 000	—	—	—
South Road / Sturt Road Intersection — re-profiling	—	2 960	6 080	52 960
Tram overpass (South Road) — construction of bike and pedestrian facilities	-4 000	—	—	—

Table 1.11 Policy measures since the 2008-09 Budget (\$ 000) (continued)

Portfolio	2008-09	2009-10	2010-11	2011-12
Department of Health				
Operating initiatives				
Country health — increased support	—	—	—	- 990
Investing initiatives				
Berri Hospital redevelopment — re-profiling	700	14 300	11 000	-10 000
Community Mental Health Centres — re-profiling	1 000	1 000	3 000	4 000
Flinders Medical Centre redevelopment — re-profiling	19 544	10 000	-4 000	-15 600
Glenside Campus redevelopment — re-profiling	—	26 869	23 567	-22 616
GP Plus Centre redevelopment at Port Pirie — re-profiling	—	—	—	5 000
Hammill House — upgrade of aged care facilities	- 460	- 940	- 970	—
ICT infrastructure — re-profiling ^(b)	2 488	6 794	2 152	1 150
Lyell McEwin Hospital Stage C redevelopment — re-profiling	5 305	2 645	—	5 000
Whyalla Hospital redevelopment — re-profiling	7 200	500	-7 700	—
Revenue offsets				
Hammill House — Commonwealth revenue	460	940	970	990
South Australian Tourism Commission				
Operating initiatives				
Tour Down Under — additional support	-1 506	—	—	—
Department for Families and Communities				
Operating initiatives				
Children in care — support for growth	-3 143	-3 256	-3 373	-3 494
Counselling services and support for the Office of the Guardian for Children and Young People — Children in State Care response	- 430	- 374	- 378	- 202
Disability Services — additional resources	-6 500	-6 500	-6 500	-6 500
Homelessness — Common Ground Light Square	-5 500	—	—	—
Water and sewerage charges — increased concessions	—	-1 200	-1 800	-2 800
Department of Water, Land and Biodiversity Conservation				
Operating initiatives				
Murray Darling Basin Commission — additional support	- 340	- 487	- 783	-1 102
Department of Environment and Heritage				
Operating initiatives				
Firefighting capacity — additional support	- 852	—	—	—
Department of Further Education, Employment, Science and Technology				
Operating initiatives				
Collaborative research and development project with Manitoba — support	- 450	- 450	- 300	—
Productivity places program for existing workers — trial	-7 331	-3 452	-1 907	—
Roseworthy veterinary science school — rescheduling of state contribution ^(c)	1 000	1 000	1 000	1 000
Revenue offsets				
Productivity places program for existing workers — Commonwealth contribution for trial	4 073	1 918	1 059	—

Table 1.11 Policy measures since the 2008-09 Budget (\$ 000) (continued)

Portfolio	2008-09	2009-10	2010-11	2011-12
Across Government				
Savings initiatives				
First Home Owner Grant — increased compliance	—	500	500	500
FTE savings	—	-81 600	96 900	115 700
Revenue measures				
Deferral of remaining IGA tax reforms	—	27 600	58 900	55 300
Tax compliance — additional collections	—	14 500	14 500	14 500
Total policy measures				
Operating initiatives	-48 327	-31 670	-30 677	-33 963
Savings initiatives	3 004	-18 956	124 540	143 638
Revenue offsets	6 647	5 483	3 903	3 003
Revenue measures	—	49 700	81 200	77 600
Net operating impact	-38 676	4 557	178 966	190 278
Investing initiatives	37 037	62 925	127 103	101 830
Asset sales	—	—	—	6 970
Net lending impact	-1 639	67 482	306 069	299 078

- (a) Conversion of loan provided in 2003-04 to a grant due to Cinenet meeting the terms for loan write off.
- (b) Held under the Administered Items for the Department of Treasury and Finance.
- (c) A grant of \$5.0 million was provided in 2007-08.

Financial position

Table 1.12 Key balance sheet indicators — general government sector

As at 30 June	2008 Outcome	2009 Budget	2009 MYBR	2010 Estimate	2011 Estimate	2012 Estimate
Net debt						
\$m	- 276	610	510	1 221	1 091	909
% of total revenue	-2.1	4.6	3.8	9.0	7.7	6.2
Unfunded superannuation						
\$m	6 468	6 992	9 294	9 341	9 372	9 383
% of total revenue	50.2	52.7	69.2	68.6	66.5	63.7
Net financial liabilities						
\$m	8 078	9 330	11 730	12 546	12 572	12 578
% of total revenue	62.7	70.4	87.3	92.1	89.1	85.3
Net financial worth						
\$m	7 580	6 577	4 451	4 292	4 285	4 866
% of total revenue	58.9	49.6	33.1	31.5	30.4	33.0
Net worth						
\$m	23 741	22 425	21 413	21 962	22 609	23 510
% of total revenue	184.3	169.2	159.4	161.2	160.3	159.5

Table 1.13 Key balance sheet indicators — non-financial public sector

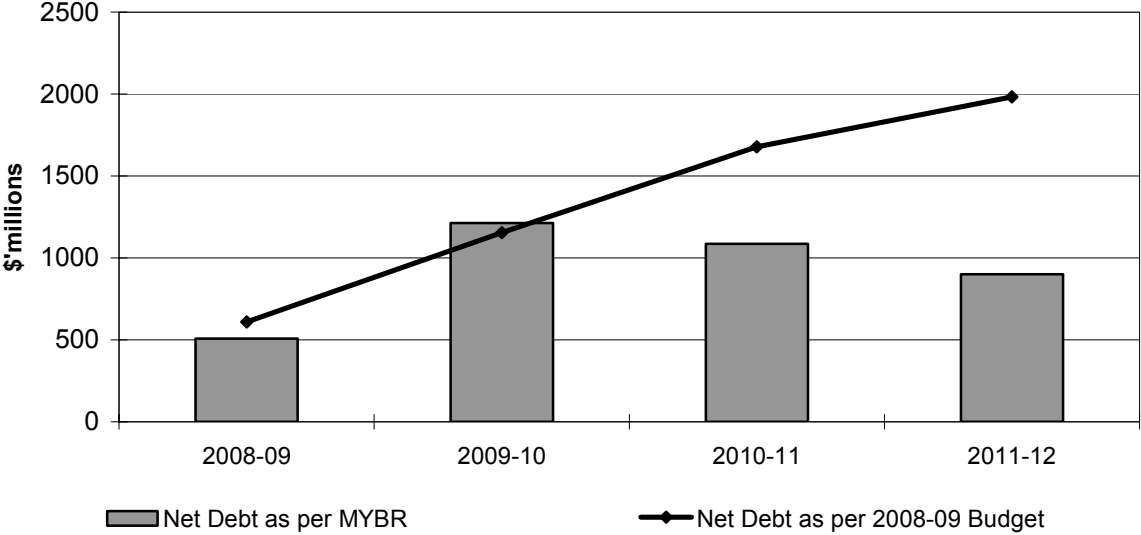
As at 30 June	2008 Outcome	2009 Budget	2009 MYBR	2010 Estimate	2011 Estimate	2012 Estimate
Net debt						
\$m	1 611	2 776	2 924	4 260	4 313	3 988
% of total revenue	11.8	19.8	20.6	29.4	28.6	25.4
Unfunded superannuation						
\$m	6 468	6 992	9 294	9 341	9 372	9 383
% of total revenue	47.4	50.0	65.5	64.5	62.1	59.8
Net financial liabilities						
\$m	10 208	11 761	14 416	16 009	16 263	16 104
% of total revenue	74.9	84.0	101.5	110.5	107.8	102.7
Net financial worth						
\$m	-10 487	-11 969	-14 657	-16 152	-16 433	-16 298
% of total revenue	-76.9	-85.5	-103.2	-111.5	-109.0	-103.9
Net worth						
\$m	23 741	22 425	21 413	21 962	22 609	23 510
% of total revenue	174.1	160.2	150.8	151.6	149.9	149.9

Net Debt

In absolute terms, general government net debt is forecast to be \$510 million at 30 June 2009. This is a decrease of \$100 million in the estimated general government net debt position of \$610 million at the time of the 2008-09 Budget. The forecast improvement primarily reflects a better than expected net debt position at June 2008, offset by the increase in the estimated net lending result for 2008-09 since the 2008-09 Budget. The government has focused on reducing debt as a way of offsetting the adverse impact on the balance sheet of the deterioration in the unfunded superannuation liability. Movements in the unfunded superannuation liability are largely outside the control of the government.

Notwithstanding the significant impact from deteriorating revenues since the tabling of the 2008-09 Budget, net debt has been contained across the forward estimates, as demonstrated in Figure 1.3.

Figure 1.3 General government sector net debt



Deteriorations in GST and tax revenues of \$1.1 billion since the 2008-09 Budget have flowed through to net debt.

This has been offset by re-profiling of the state’s capital program, together with proposed expenditure and revenue policy measures and debt reduction measures as detailed earlier.

After taking all these factors into account, net debt is estimated to be lower than originally budgeted by 2011-12.

Net debt for the non-financial public sector is expected to be \$2.9 billion at 30 June 2009, \$148 million higher than estimated in the 2008-09 Budget.

However, by 2011-12 net debt for this sector is expected to be \$4.0 billion, down \$1.2 billion from that estimated in the 2008-09 Budget.

Unfunded Superannuation

The estimated unfunded superannuation liability at 30 June 2009 and across the forward estimate years has increased since the 2008-09 Budget. The increase is due to:

- the impact of lower returns in 2007-08 than estimated at the time of the 2008-09 Budget which added \$442 million to the unfunded liability at 30 June 2008;
- changed actuarial assumptions, principally inflation assumptions and an increase in the prevailing Commonwealth long-term bond rate contributing to a decrease in the liability of \$885 million at 30 June 2008;

- the impact of lower returns on superannuation assets in 2008-09 compared with 2008-09 Budget assumptions flowing from the current global financial crisis. The estimated return for 2008-09 is negative 12 per cent, compared to the long-term earnings assumption of 7 per cent.

The impact of lower earnings on the estimated liability as at 30 June 2009 is an increase in the liability of \$1.0 billion; and

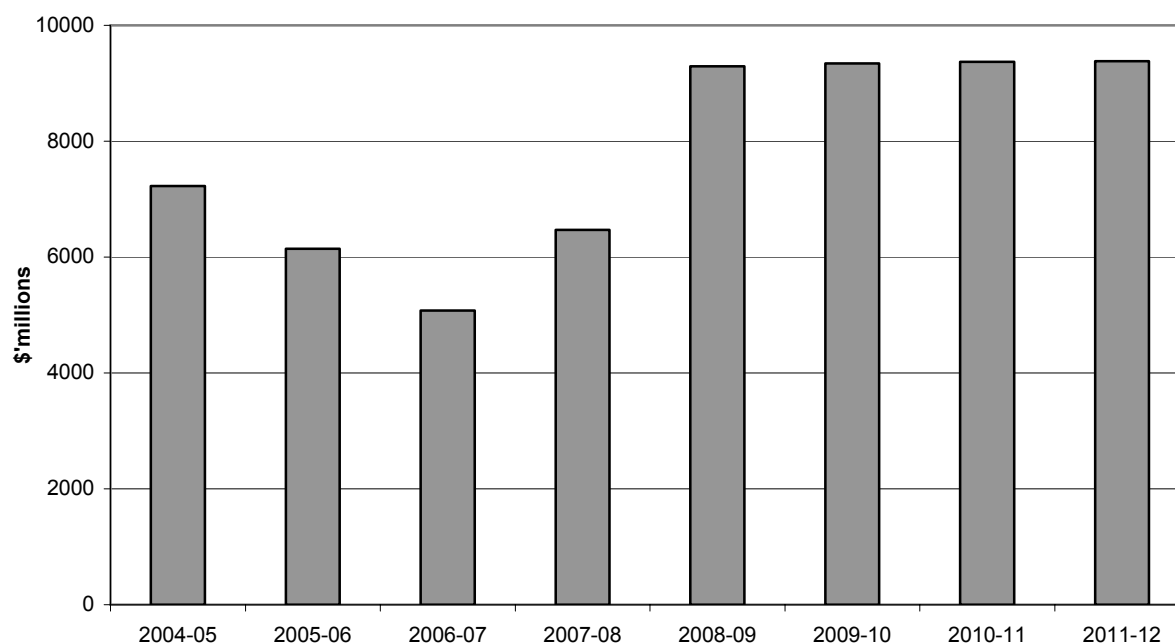
- a decrease in the long-term Commonwealth Government bond rate, which is used as the discount rate to value the unfunded superannuation liability. The discount rate used in the 2008-09 Mid-Year Budget Review is 5.4 per cent compared with 6.5 per cent at the time of the 2007-08 Final Budget Outcome.

The lower discount rate results in a higher estimate of the present value of future superannuation obligations. The estimated liability as at 30 June 2009 is \$1.7 billion higher.

Further discussion on the discount rate is set out later in this section.

The net result of the variations in actuarial assumptions, earnings and discount rates is an increase of \$2.3 billion in the estimated unfunded superannuation liability at 30 June 2009 compared with the estimate in the 2008-09 Budget. Figure 1.4 shows the impact of these factors, all of which are outside the control of the government, on the unfunded superannuation liability.

Figure 1.4 Unfunded superannuation liability



The change in the book value of the liability is reflected in the operating statement under other economic flows (refer Table 1.7 earlier in this chapter).

Discount Rate

The accounting standard for employee benefits requires that superannuation benefits are valued at the net present value of the future obligations, by discounting the gross liability using market yields on government bonds.

Given the long-term nature of the liability, the spot market yield of the longest-term Australian government bond at balance date is used for the purpose of this valuation.

Small changes in the long-term bond rate have a material impact on the reported liability, with a 0.1 per cent change in the bond rate increasing the liability by around \$170 million.

Over the course of the past 12 months volatility in financial markets has seen bond rates fluctuate by more than 2 per cent. This has had a multi-billion dollar impact on the reported value of the liability, notwithstanding there has been no change in the actual expected payments to beneficiaries underlying the liability.

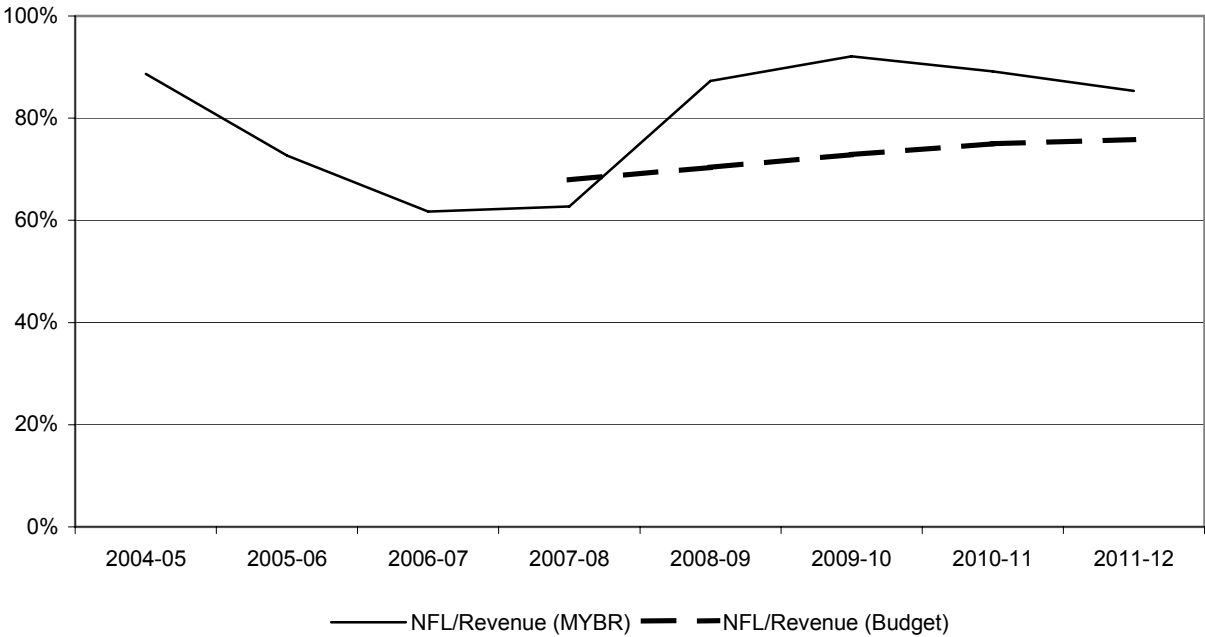
Net Financial Liabilities to Revenue Ratio

Net financial liabilities as a percentage of revenue is a key measure of the strength of the state’s balance sheet and the capacity of the state to meet its obligations from operating revenues.

The government’s fiscal targets continue to include delivering net lending outcomes that support the ratio of net financial liabilities to revenue declining towards that of other triple-A rated states.

Figure 1.5 shows that the general government sector’s net financial liabilities to revenue ratio at 30 June 2009 and across the forward estimates is estimated to be higher than forecast in the 2008-09 Budget. However, the net financial liabilities to revenue ratio is projected to decrease from 2009-10 as a result of the government’s measures announced in this Mid-Year Budget Review.

Figure 1.5: General government sector net financial liabilities to revenue ratio



It is important to recognise that the increase in the net financial liabilities to revenue ratio has been driven primarily by increases in the book value of the unfunded superannuation liability, which are beyond the control of government.

CHAPTER 2: THE ECONOMIC CONTEXT

The 2008-09 Budget was framed against the backdrop of strong economic growth characterised by high commodity prices, strong business investment and solid consumer spending, and a time when rising inflation was the preoccupation of central banks. However, the impacts of the global credit crisis and the economic slowdown in the United States, considered emerging downside risks at the time of Budget, have escalated significantly over the course of 2008, intensifying considerably in September of this year.

The renewed turmoil resulted from the collapse, or near collapse, of a number of major financial institutions in the United States and Europe. In the United States, the largest mortgage institutions were effectively nationalised in early September along with one of the world's major insurance companies, American International Group (AIG). September also saw the demise of large US investment banks, with Lehman Brothers filing for bankruptcy, and other investment banks being taken over or becoming deposit-taking banks.

Global equity prices continue to fall and governments around the world have responded with financial institution bailouts, bank deposit guarantees and economic stimulus packages; and central banks have injected additional liquidity into their financial markets and have cut interest rates aggressively.

As the full extent of the financial market difficulties continues to unfold, there is a considerable degree of uncertainty as to whether these actions have gone deep and far enough to stabilise financial markets.

The disruption in financial markets has had significant impacts on the real economy through banks drawing back on business and home lending and general confidence effects, prompting large downward revisions to expectations of world economic growth by official and private-sector forecasters. The International Monetary Fund (IMF) has revised its growth forecasts downwards considerably, with GDP in advanced economies forecast to contract by $\frac{1}{4}$ of a percentage point in calendar 2009, and growth in the emerging economies expected to slow significantly from the double-digit growth experienced in recent years to 5 per cent.

In the Mid-Year Economic and Fiscal Outlook Commonwealth Treasury revised its forecast for national economic (GDP) growth for 2008-09 to 2 per cent, $\frac{3}{4}$ of a percentage point lower than expected at Budget, and to $2\frac{1}{4}$ per cent in 2009-10.

Spending in the South Australian economy has held up more strongly than nationally through to the first quarter of 2008-09. State Final Demand (SFD) grew by 5.1 per cent in the year to the September quarter 2008, above the 4.1 per cent growth recorded nationally. A surge in business investment in plant and equipment has been a significant contributor to strong demand growth over the year. Housing construction activity in South Australia remains strong, although broader property market trends have weakened significantly flowing through into lower than expected stamp duty revenues.

After a promising start to the 2008-09 season, farm sector production prospects have been set back by poor rainfall outcomes for broadacre farming. Latest Australian Bureau of Agricultural and Resource Economics (ABARE) estimates for South Australian winter crop production indicate a 13 per cent reduction from 2007-08 levels. In addition irrigated agriculture continues to suffer extremely adverse conditions as a result of continuing low flows in the Murray-Darling Basin system, with South Australian irrigation allocations currently at 15 per cent.

South Australian population growth has accelerated over the past three years, increasing by 1.1 per cent in the year to June 2008. Net overseas migration has been a major driver of population growth in the past three years, resulting from 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 impact of net overseas migration has been partly offset by continuing interstate migration losses.

Expected GSP growth for 2008-09 has been revised down to 2 per cent mainly as a result of the weaker farm sector production prospects, but growth in SFD is still expected to be 2¾ per cent due to the strong growth in business and public sector investment.

For 2009-10 GSP growth has been revised down to 2¼ per cent, and SFD growth is expected to slow to 1¾ per cent, notwithstanding the likelihood that the South Australian Government's investment program will offset some of the negative impacts on business and consumer spending from the weakening in general economic conditions around the world.

While South Australian employment growth has moderated it has remained strong through 2008. However, the decline in the level of ANZ job advertisements recorded since late 2007 is suggestive of further softening in new hiring activity in South Australia for the remainder of the year and into 2009. While South Australian employment growth in 2008-09 is forecast to be unchanged from Budget time at 1½ per cent, forecast employment growth in 2009-10 has been revised down to ¾ of a per cent.

Projections for South Australia from 2010-11 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)

	2007-08 Actual	2008-09 Budget Forecast	2008-09 Revised Forecast	2009-10 Forecast	2010-11 Projection	2011-12 Projection
Australia^(a)						
Gross Domestic Product (GDP)	3.7	2¾	2	2¼	3	3
Domestic Final Demand (DFD)	5.3	3¾	2¾	n.a.	n.a.	n.a.
Employment	2.7	1¼	1¼	¾	1¼	1¼
CPI ^(b)	4.5	3¼	3½	3	2½	2½
South Australia^(c)						
Gross State Product (GSP)	3.8	2¾	2	2¼	2¾	2¾
State Final Demand (SFD)	1.9	2¾	2¾	1¾	2¾	2¾
Employment	2.1	1½	1½	¾	1	1

(a) Australian forecasts from Commonwealth Treasury Mid-Year Economic and Fiscal Outlook 2008-09.

(b) Through the year growth rate to the June quarter.

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

APPENDIX A: UNIFORM PRESENTATION FRAMEWORK

Overview

By agreement between the Commonwealth and the states and territories, each jurisdiction presents financial information on a *Uniform Presentation Framework* (UPF) basis in their budget papers, mid-year budget update and budget outcome reporting. The tables in this appendix present information for South Australia on the UPF basis.

The primary objective of the UPF is to ensure that Commonwealth, state and territory governments provide a common ‘core’ of financial information in their budget-related papers to enable direct comparisons of each government’s budget and financial results.

In October 2007, the Australian Accounting Standards Board (AASB) issued a new standard AASB 1049 *Whole of Government and General Government Sector Financial Reporting* applicable from 1 July 2008. Consistent with the disclosure requirements of AASB 1049, the Australian Loan Council approved a revised UPF in March 2008. The tables in this appendix reflect the requirements of the 2008 revision to the UPF. Recasting the UPF tables into the revised formats has resulted in various minor reclassifications between lines in the tables. Any matters of significance that arose during the recasting process have been footnoted in the relevant table.

The most significant variation to the revised UPF compared with its predecessor is the inclusion of a comprehensive operating statement that not only reflects the net operating balance and net lending as before, but also shows the impact of other economic flows on the net assets of the respective sectors.

The ABS GFS publication (*Australian System of Government Finance Statistics: Concepts, Sources and Methods* Cat. No. 5514.0) requires that provisions for doubtful debts be excluded from the balance sheet. Consistent with the Commonwealth Government’s methodology, South Australia has not adopted this treatment in the UPF reports because excluding such provisions would overstate the value of assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

UNIFORM PRESENTATION FRAMEWORK TABLES

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

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue					
Taxation revenue	3 615	3 567	3 644	3 827	4 063
Grants	6 906	7 223	7 280	7 317	7 665
Sales of goods and services	1 601	1 604	1 650	1 726	1 799
Interest income	200	171	167	200	243
Dividend and income tax equivalent income	441	361	349	489	413
Other	491	508	533	544	554
Total revenue	13 255	13 435	13 624	14 103	14 737
<i>less</i>					
Expenses					
Employee expenses	5 539	5 636	5 901	5 887	6 029
Superannuation expenses					
Superannuation interest cost	370	383	446	445	442
Other superannuation expenses	577	590	604	616	630
Depreciation and amortisation	593	594	598	635	674
Interest expenses	234	184	204	302	314
Other property expenses	—	—	—	—	—
Other operating expenses	3 382	3 575	3 650	3 827	4 062
Grants	2 400	2 585	2 303	2 284	2 298
Total expenses	13 094	13 547	13 706	13 996	14 449
<i>equals</i>					
Net operating balance	160	-112	-81	107	288
<i>plus</i>					
Other economic flows	583	-2 215	629	540	613
<i>equals</i>					
Comprehensive result - total change in net worth	743	-2 327	548	647	902
<i>equals</i>					
Net operating balance	160	-112	-81	107	288
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 396	1 398	1 592	1 382	1 186
less Sales of non-financial assets	94	97	335	140	235
less Depreciation	593	594	598	635	674
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	709	707	659	607	278
<i>equals</i>					
Net lending / borrowing	-548	-819	-740	-501	10

Note: Totals may not add due to rounding.

APPENDIX A

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

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue					
Taxation revenue	—	—	—	—	—
Grants	475	497	460	468	456
Sales of goods and services	1 527	1 446	1 561	1 773	1 696
Interest income	16	26	18	17	20
Dividend and income tax equivalent income	18	16	9	8	7
Other	160	170	165	165	158
Total revenue	2 196	2 155	2 212	2 431	2 337
<i>less</i>					
Expenses					
Employee expenses	138	145	152	156	158
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	20	20	21	22	22
Depreciation and amortisation	274	274	286	333	344
Interest expenses	162	161	209	246	250
Other property expenses	475	370	368	457	381
Other operating expenses	1 120	1 187	1 160	1 193	1 166
Grants	42	60	19	22	25
Total expenses	2 232	2 218	2 215	2 429	2 348
<i>equals</i>					
Net operating balance	-36	-62	-2	1	-10
<i>plus</i>					
Other economic flows	547	548	561	46	621
<i>equals</i>					
Comprehensive result - total change in net worth	512	486	558	47	611
<i>equals</i>					
Net operating balance	-36	-62	-2	1	-10
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	788	1 008	1 275	865	523
less Sales of non-financial assets	267	266	215	857	380
less Depreciation	274	274	286	333	344
plus Change in inventories (a)	-44	27	-18	-19	-6
plus Other movements in non-financial assets	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	202	495	757	-344	-207
<i>equals</i>					
Net lending / borrowing	-238	-557	-760	346	197

Note: Totals may not add due to rounding.

(a) In establishing the operating statement format consistent with the revised 2008 Uniform Presentation Framework, 'Change in inventories' has been recorded for the first time in 2008-09. The 2008-09 Budget has been recast to reflect this variation resulting in a \$44 million improvement to the 2008-09 net lending figure reported in the 2008-09 Budget.

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

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Revenue					
Taxation revenue	3 333	3 282	3 354	3 533	3 759
Grants	6 906	7 223	7 282	7 319	7 668
Sales of goods and services	2 895	2 818	2 982	3 264	3 245
Interest income	175	157	142	174	231
Dividend and income tax equivalent income	41	43	34	83	71
Other	647	675	695	706	709
Total revenue	13 997	14 197	14 491	15 080	15 683
<i>less</i>					
Expenses					
Employee expenses	5 677	5 781	6 053	6 043	6 187
Superannuation expenses					
Superannuation interest cost	370	383	446	445	442
Other superannuation expenses	597	610	625	638	653
Depreciation and amortisation	868	868	884	968	1 019
Interest expenses	350	300	363	496	521
Other property expenses	61	41	49	49	38
Other operating expenses	3 983	4 240	4 290	4 492	4 674
Grants	1 967	2 148	1 864	1 841	1 871
Total expenses	13 872	14 372	14 574	14 972	15 405
<i>equals</i>					
Net operating balance	125	-174	-84	108	278
<i>plus</i>					
Other economic flows	618	-2 153	632	539	624
<i>equals</i>					
Comprehensive result - total change in net worth	743	-2 327	548	647	902
<i>equals</i>					
Net operating balance	125	-174	-84	108	278
<i>less</i>					
Net acquisition of non-financial assets					
Purchases of non-financial assets	2 181	2 405	2 867	2 245	1 709
less Sales of non-financial assets	358	361	550	995	614
less Depreciation	868	868	884	968	1 019
plus Change in inventories (a)	-44	27	-17	-19	-5
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	911	1 202	1 416	263	71
<i>equals</i>					
Net lending / borrowing	-786	-1 376	-1 500	-155	207

Note: Totals may not add due to rounding.

(a) In establishing the operating statement format consistent with the revised 2008 Uniform Presentation Framework, 'Change in inventories' has been recorded for the first time in 2008-09. The 2008-09 Budget has been recast to reflect this variation resulting in a \$44 million improvement to the 2008-09 net lending figure reported in the 2008-09 Budget.

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

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Assets					
Financial assets					
Cash and deposits	2 446	2 920	3 301	3 999	5 238
Advances paid	749	767	697	507	211
Investments, loans and placements	140	145	156	169	182
Receivables	475	488	501	503	486
Equity					
Investments in other public sector entities	15 908	16 181	16 838	16 857	17 444
Investments - other	676	672	674	675	673
Other financial assets	39	38	38	40	38
Total financial assets	20 433	21 212	22 205	22 750	24 272
Non-financial assets					
Land and other fixed assets	15 847	16 940	17 647	18 301	18 621
Other non-financial assets	1	23	23	23	23
Total non-financial assets	15 848	16 962	17 670	18 324	18 644
Total assets	36 281	38 174	39 874	41 073	42 916
Liabilities					
Deposits held	472	393	395	410	413
Advances received	641	662	647	630	631
Borrowing	2 832	3 288	4 334	4 725	5 496
Superannuation	6 992	9 294	9 341	9 372	9 383
Other employee benefits	1 653	1 717	1 786	1 871	1 968
Payables	536	634	636	633	631
Other liabilities	730	773	774	824	884
Total liabilities	13 856	16 761	17 913	18 465	19 406
Net worth	22 425	21 413	21 962	22 609	23 510
Net financial worth	6 577	4 451	4 292	4 285	4 866
Net financial liabilities	9 330	11 730	12 546	12 572	12 578
Net debt	610	510	1 221	1 091	909

Note: Totals may not add due to rounding.

Table A.5: Public non-financial corporations (public trading enterprises) sector balance sheet (\$million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Assets					
Financial assets					
Cash and deposits	483	461	424	444	447
Advances paid	56	68	63	58	52
Investments, loans and placements	22	30	30	31	32
Receivables	143	195	200	209	211
Equity					
Investments in other public sector entities	—	—	—	—	—
Investments - other	22	22	20	17	14
Other financial assets	4	48	3	3	3
Total financial assets	731	824	740	762	758
Non-financial assets					
Land and other fixed assets	18 544	19 106	20 441	20 715	21 162
Other non-financial assets	2	2	3	3	3
Total non-financial assets	18 546	19 108	20 444	20 718	21 165
Total assets	19 277	19 932	21 184	21 480	21 923
Liabilities					
Deposits held	1	—	1	1	2
Advances received	724	747	678	488	192
Borrowing	2 004	2 226	2 878	3 266	3 414
Superannuation	—	—	—	—	—
Other employee benefits	70	74	75	77	79
Payables	230	239	249	267	259
Other liabilities	133	224	323	354	338
Total liabilities	3 162	3 510	4 203	4 453	4 285
Net worth	16 116	16 422	16 981	17 027	17 638
Net financial worth	-2 430	-2 686	-3 463	-3 691	-3 526
Net financial liabilities	2 430	2 686	3 463	3 691	3 526
Net debt	2 167	2 415	3 039	3 222	3 078

Note: Totals may not add due to rounding.

Table A.6: Non-financial public sector balance sheet (\$million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Assets					
Financial assets					
Cash and deposits	2 643	3 161	3 508	4 217	5 462
Advances paid	68	83	74	67	59
Investments, loans and placements	163	174	186	199	212
Receivables	524	550	552	551	550
Equity					
Investments in other public sector entities	-208	-241	-143	-170	-195
Investments - other	699	694	694	692	687
Other financial assets	41	85	40	41	40
Total financial assets	3 930	4 506	4 911	5 597	6 816
Non-financial assets					
Land and other fixed assets	34 391	36 046	38 088	39 016	39 783
Other non-financial assets	2	25	25	26	26
Total non-financial assets	34 394	36 071	38 114	39 042	39 809
Total assets	38 324	40 577	43 025	44 639	46 625
Liabilities					
Deposits held	187	173	179	185	192
Advances received	628	656	638	620	619
Borrowing	4 835	5 514	7 211	7 990	8 910
Superannuation	6 992	9 294	9 341	9 372	9 383
Other employee benefits	1 723	1 791	1 861	1 947	2 046
Payables	711	785	803	824	821
Other liabilities	823	952	1 029	1 091	1 143
Total liabilities	15 899	19 163	21 063	22 030	23 114
Net worth					
Net financial worth	-11 969	-14 657	-16 152	-16 433	-16 298
Net financial liabilities	11 761	14 416	16 009	16 263	16 104
Net debt	2 776	2 924	4 260	4 313	3 988

Note: Totals may not add due to rounding.

Table A.7: General government sector cash flow statement (\$million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash receipts from operating activities					
Taxes received	3 605	3 560	3 643	3 832	4 061
Receipts from sales of goods and services	1 586	1 584	1 613	1 702	1 776
Grants and subsidies received	6 831	7 152	7 243	7 311	7 659
Interest receipts	193	162	155	188	231
Dividends and income tax equivalents	441	372	328	476	426
Other receipts	508	524	557	568	578
Total operating receipts	13 164	13 354	13 539	14 076	14 730
Cash payments for operating activities					
Payments for employees	-6 373	-6 496	-6 895	-6 899	-7 056
Payments for goods and services	-3 207	-3 400	-3 461	-3 658	-3 891
Grants and subsidies paid	-2 464	-2 647	-2 364	-2 345	-2 359
Interest paid	-234	-184	-204	-302	-314
Other payments	-116	-124	-90	-76	-67
Total operating payments	-12 394	-12 852	-13 014	-13 281	-13 688
Net cash flows from operating activities	770	503	525	795	1 042
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	94	93	335	140	235
Purchases of non-financial assets (a)	-1 394	-1 396	-1 577	-1 127	-810
Net cash flows from investments in non-financial assets	-1 300	-1 303	-1 241	-987	-576
Net cash flows from investments in financial assets for policy purposes (b)	13	14	87	763	381
Net cash flows from investments in financial assets for liquidity purposes	-16	-29	-27	-26	-25
Net cash flows from financing activities					
Advances received (net)	-10	18	-16	-17	1
Borrowing (net)	621	977	1 032	138	397
Deposits received (net)	21	39	2	16	2
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	632	1 034	1 019	138	400
Net increase / (decrease) in cash held	100	218	363	682	1 223
Net cash flows from operating activities	770	503	525	795	1 042
Net cash flows from investments in non-financial assets	-1 300	-1 303	-1 241	-987	-576
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-530	-801	-716	-193	467

Note: Totals may not add due to rounding.

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

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

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

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 504	1 415	1 532	1 741	1 673
Grants and subsidies received	478	577	529	469	454
Interest receipts	15	26	17	17	20
Dividends and income tax equivalents	18	16	9	8	7
Other receipts	150	156	156	155	147
Total operating receipts	2 165	2 189	2 244	2 390	2 301
Cash payments for operating activities					
Payments for employees	-176	-183	-193	-200	-203
Payments for goods and services	-496	-621	-550	-558	-555
Grants and subsidies paid	-42	-60	-19	-22	-25
Interest paid	-163	-162	-210	-247	-251
Other payments (a)	-734	-660	-728	-722	-745
Total operating payments	-1 611	-1 687	-1 700	-1 748	-1 779
Net cash flows from operating activities	554	503	544	642	522
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	267	266	215	857	380
Purchases of non-financial assets (b)	-763	-981	-1 248	-839	-495
Net cash flows from investments in non-financial assets	-496	-715	-1 033	18	-115
Net cash flows from investments in financial assets for policy purposes (c)	-2	-2	5	6	6
Net cash flows from investments in financial assets for liquidity purposes	2	1	1	1	1
Net cash flows from financing activities					
Advances received (net)	-13	-21	-86	-763	-328
Borrowing (net)	239	570	651	388	149
Deposits received (net)	—	—	—	—	—
Dividends paid (a)	-280	-229	-211	-273	-233
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	-53	321	355	-647	-411
Net increase / (decrease) in cash held	4	107	-128	19	2
Net cash flows from operating activities	554	503	544	642	522
Net cash flows from investments in non-financial assets	-496	-715	-1 033	18	-115
Dividends paid (a)	-280	-229	-211	-273	-233
Cash surplus / (deficit)	-222	-441	-700	387	173

Note: Totals may not add due to rounding.

(a) Under the former Uniform Presentation Framework (UPF) this line was titled 'Distributions paid' and included Dividends and Income Tax Equivalents (ITEs). The 2008 revision to the UPF has renamed this line 'Dividends paid'. Consequently, in the 2008-09 Budget, ITEs of \$133 million have been reclassified from 'Dividends paid' to 'Other payments'.

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

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

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

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash receipts from operating activities					
Taxes received	3 313	3 258	3 350	3 536	3 755
Receipts from sales of goods and services	2 861	2 770	2 920	3 213	3 202
Grants and subsidies received	6 831	7 229	7 312	7 311	7 660
Interest receipts	167	148	130	162	219
Dividends and income tax equivalents	41	43	34	83	71
Other receipts	651	673	706	716	718
Total operating receipts	13 863	14 121	14 451	15 021	15 624
Cash payments for operating activities					
Payments for employees	-6 530	-6 660	-7 066	-7 076	-7 235
Payments for goods and services	-3 520	-3 840	-3 835	-4 041	-4 255
Grants and subsidies paid	-2 031	-2 210	-1 925	-1 902	-1 933
Interest paid	-351	-301	-365	-497	-522
Other payments	-388	-333	-401	-343	-349
Total operating payments	-12 819	-13 344	-13 592	-13 858	-14 293
Net cash flows from operating activities	1 044	777	859	1 163	1 331
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	358	357	550	995	614
Purchases of non-financial assets (a)	-2 153	-2 375	-2 824	-1 965	-1 305
Net cash flows from investments in non-financial assets	-1 795	-2 018	-2 275	-969	-691
Net cash flows from investments in financial assets for policy purposes (b)	5	-2	7	7	61
Net cash flows from investments in financial assets for liquidity purposes	-14	-28	-26	-25	-24
Net cash flows from financing activities					
Advances received (net)	-17	11	-17	-18	-1
Borrowing (net)	859	1 546	1 684	526	546
Deposits received (net)	6	6	6	6	6
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	849	1 564	1 673	515	551
Net increase / (decrease) in cash held	89	292	239	691	1 228
Net cash flows from operating activities	1 044	777	859	1 163	1 331
Net cash flows from investments in non-financial assets	-1 795	-2 018	-2 275	-969	-691
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-752	-1 241	-1 416	194	640

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).

APPENDIX A

Table A.10: General government sector derivation of ABS GFS cash surplus/deficit (\$million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Cash surplus / (deficit)	-530	-801	-716	-193	467
Acquisitions under finance leases and similar arrangements (a)	—	—	-14	-253	-374
ABS GFS Surplus (+) / deficit (-) including finance leases and similar arrangements	-530	-801	-730	-445	93

Table A.11: Public non-financial corporations (public trading enterprises) sector derivation of ABS GFS cash surplus/deficit (\$million)

Cash surplus / (deficit)	-222	-441	-700	387	173
Acquisitions under finance leases and similar arrangements (a)	—	—	—	—	—
ABS GFS Surplus (+) / deficit (-) including finance leases and similar arrangements	-222	-441	-700	387	173

Table A.12: Non-financial public sector derivation of ABS GFS cash surplus/deficit (\$million)

Cash surplus / (deficit)	-752	-1 241	-1 416	194	640
Acquisitions under finance leases and similar arrangements (a)	—	—	-14	-253	-374
ABS GFS Surplus (+) / deficit (-) including finance leases and similar arrangements	-752	-1 241	-1 430	-59	266

Note: Totals may not add due to rounding.

(a) Finance leases are shown with a negative sign as they are deducted in compiling the ABS GFS cash surplus/deficit.

Table A.13: General government sector taxes (\$million) (a)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Taxes on employers' payroll and labour force	888	916	946	1 004	1 068
Taxes on property					
Land taxes	486	511	536	522	552
Stamp duties on financial and capital transactions	928	814	791	875	962
Financial institutions' transaction taxes	—	—	—	—	—
Other	163	168	174	178	184
Total	1 577	1 493	1 501	1 575	1 697
Taxes on the provision of goods and services					
Excises and levies	—	—	—	—	—
Taxes on gambling	401	402	414	438	462
Taxes on insurance	314	318	329	339	349
Total	715	720	742	777	811
Taxes on use of goods and performance of activities					
Motor vehicle taxes	435	438	455	471	487
Total	435	438	455	471	487
Total GFS taxation revenue	3 615	3 567	3 644	3 827	4 063

Note: Totals may not add due to rounding.

(a) Excludes taxes paid by general government entities.

Table A.14 (a) General government sector grant revenue (\$ million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Current grant revenue					
Current grants from the Commonwealth					
General purpose grants	4 170	4 039	4 296	4 448	4 686
Specific purpose grants	1 515	1 950	1 723	1 753	1 898
Specific purpose grants for on-passing	741	726	646	664	680
Total current grants from the Commonwealth	6 426	6 714	6 665	6 865	7 264
Other contributions and grants	100	92	93	91	92
Total current grant revenue	6 526	6 806	6 758	6 956	7 356
Capital grant revenue					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
Specific purpose grants	356	368	480	335	283
Specific purpose grants for on-passing	15	17	13	14	14
Total capital grants from the Commonwealth	370	385	494	349	297
Other contributions and grants	10	31	29	12	12
Total capital grant revenue	380	417	522	361	309
Total grant revenue	6 906	7 223	7 280	7 317	7 665

Note: Totals may not add due to rounding.

Table A.14 (b) General government sector grant expense (\$ million)

	2008-09 Budget ^(a)	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Current grant expense					
State/territory government	150	210	215	193	230
Local government	49	49	42	42	43
Local government on-passing	1	1	—	—	—
Private and not-for-profit sector	461	462	489	489	500
Private and not-for-profit sector on-passing	419	419	430	442	452
Grants to other sectors of Government	480	498	458	467	453
Other	718	723	525	525	492
Total current grant expense	2 278	2 362	2 159	2 158	2 170
Capital grant expense					
State/territory government	7	7	8	8	8
Local government	—	—	—	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector	102	202	122	105	105
Private and not-for-profit sector on-passing	11	11	11	11	12
Grants to other sectors of Government	—	—	—	—	—
Other	3	3	3	3	3
Total capital grant expense	122	223	143	126	127
Total grant expense	2 400	2 585	2 303	2 284	2 298

Note: Totals may not add due to rounding.

(a) Recasting 2008-09 Budget data into the revised Uniform Presentation Framework tables resulted in a reclassification of \$101 million from grant expense to other operating expenses.

APPENDIX A

Table A.15: General government sector dividend and income tax equivalent income (\$ million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Dividend and income tax equivalent income from PNFC sector	418	336	324	414	349
Dividend and income tax equivalent income from PFC sector	23	25	24	75	64
Total dividend and income tax equivalent income	441	361	349	489	413

Table A.16 Movement in general government net worth (\$ million)

	2008-09 Budget	2008-09 MYBR	2009-10 Estimate	2010-11 Estimate	2011-12 Estimate
Net worth at beginning of year	21 682	23 741	21 413	21 962	22 609
Change in net worth from operating transactions:					
Net operating balance	160	- 112	- 81	107	288
Change in net worth from other economic flows:					
Movement in net assets of PFCs	59	38	98	- 27	28
Movement in net assets of PNFCs	512	486	576	620	643
Revaluation of unfunded superannuation liability	- 3	-2 734	- 4	- 5	- 5
Revaluation of long service leave liability	- 42	- 42	- 46	- 48	- 49
Other revaluation adjustments	42	38	5	—	- 5
<i>Subtotal</i>					
Total other economic flows	583	-2 215	629	540	613
Net worth at year end	22 425	21 413	21 962	22 609	23 510

Table A.17 Loan Council Allocation 2008-09 (\$ million)^(a)

	2008-09 Budget	2008-09 MYBR
General government sector cash deficit/surplus	530	801
PNFC sector cash deficit/surplus	222	441
Total non-financial public sector cash deficit/surplus ^(b)	752	1242
Net cash flows from investments in financial assets for policy purposes ^(c)	-5	2
Adjusted total non-financial public sector cash deficit/surplus	747	1244
Memorandum items ^(d)		
Operating leases ^(e)	-57	-58
Recourse asset sales	—	—
Superannuation ^(f)	-531	112
Local government	43	25
Home finance schemes	-88	46
Total memorandum items	-633	126
LCA deficit/surplus ^{(g)(h)}	114	1370

- (a) For the purposes of this table a surplus is represented as a negative, while a deficit is represented as 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.
- (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 2008-09 LCA is \$270 million. The estimated result exceeds that tolerance limit.
- (h) South Australia has no infrastructure projects with private sector involvement that meet the LCA recognition criteria for 2008-09.

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

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 Finance Statistics 2006–07* (catalogue number 5512.0) and for 1999–2000 to 2007–08 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.

General government sector

Table B.1 General government key operating statement aggregates

	Revenue			Expenses			Net Operating Balance	Net acquisition of non-financial assets \$m	Net lending \$m
	\$m	% real growth	% GSP	\$m	% real growth	% GSP			
1998-99	7 290		16.9	7 505		17.4	-215	19	-233
1999-2000	7 644	2.2	16.9	7 947	3.7	17.5	-330	140	-471
2000-01	8 108	3.0	16.6	8 406	2.4	17.2	-297	102	-399
2001-02	8 538	2.0	16.3	8 713	0.5	16.6	-174	- 50	-124
2002-03	9 346	5.2	17.0	8 898	-1.8	16.1	448	34	414
2003-04	9 955	3.4	16.9	9 570	4.4	16.3	385	- 38	424
2004-05	10 592	4.0	17.4	10 368	5.9	17.0	224	105	119
2005-06	11 242	2.9	17.4	11 040	3.2	17.1	202	119	83
2006-07	11 757	1.9	17.2	11 547	2.0	16.9	209	139	71
2007-08	12 879	6.1	17.6	12 414	4.1	16.9	464	242	222
2008-09	13 435	-0.2	17.4	13 547	4.4	17.5	- 112	707	- 819
2009-10	13 624	-1.6	16.7	13 706	-1.8	16.8	- 81	659	- 740
2010-11	14 103	0.8	16.4	13 996	-0.5	16.3	107	607	- 501
2011-12	14 737	2.0	16.3	14 449	0.7	16.0	288	278	10

Note: Table may not add due to rounding

APPENDIX B

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

As at 30 June	Net debt ^(a)	Unfunded superannuation ^(b)	Net financial liabilities	Net financial worth	Net worth
1988	859				
1989	694				
1990	854				
1991	1 817				
1992	4 610				
1993	7 884				
1994	7 113				
1995	5 815				
1996	5 512				
1997	4 983				
1998	4 762				
1999	4 779	3 909	9 733	1 894	10 624
2000	1 920	3 543	6 911	2 986	12 445
2001	1 246	3 249	6 093	4 091	14 816
2002	1 303	3 998	6 907	3 559	14 721
2003	666	4 445	6 974	3 500	15 288
2004	224	5 668	7 858	3 842	15 760
2005	144	7 227	9 393	3 853	16 359
2006	- 119	6 146	8 171	5 846	19 703
2007 ^(c)	- 24	5 075	7 254	8 110	22 128
2008 ^{(d)(e)(f)}	- 276	6 468	8 078	7 580	23 741
2009	510	9 294	11 730	4 451	21 413
2010	1 221	9 341	12 546	4 292	21 962
2011	1 091	9 372	12 572	4 285	22 609
2012	909	9 383	12 578	4 866	23 510

- (a) Net debt data for the years before 1999 are sourced from *Australian Bureau of Statistics, Government Financial Estimates 2003-04* (Catalogue number 5501).
- (b) There is a structural break in the methodology used to calculate superannuation liabilities between June 2003 and June 2004. This accounting change, which involved the adoption of Commonwealth Government bond rate for valuation purposes in line with *AASB119, Employee Benefits*, resulted in a significant increase in superannuation liabilities.
- (c) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in general government net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.
- (d) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt and net financial liabilities of \$66 million dollars in 2007-08 and a reduction in net financial worth of \$591 million, with no impact on net worth.
- (e) There is a structural break in 2008 reflecting the transfer of assets from the Adelaide Festival Centre Trust to the general government sector. This results in an increase in net debt and net financial liabilities of \$28 million in 2007-08, and a reduction in net financial worth of \$76 million, with no impact on net worth.
- (f) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

APPENDIX B

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

	Receipts	Payments	ABS Cash Surplus
1979-80	1 891	1 671	220
1980-81	2 065	1 917	148
1981-82	2 210	2 122	87
1982-83	2 664	2 507	156
1983-84	2 988	2 734	255
1984-85	3 380	3 057	324
1985-86	3 634	3 161	474
1986-87	3 956	3 416	540
1987-88	4 307	3 858	449
1988-89	4 630	3 977	653
1989-90	4 973	4 370	603
1990-91	5 260	4 796	463
1991-92	5 387	5 396	-10
1992-93	5 967	5 456	512
1993-94	6 087	6 024	63
1994-95	6 155	6 220	-66
1995-96	6 405	6 164	241
1996-97	6 379	6 282	97
1997-98	6 988	6 724	264
1998-99	7 165	7 041	123
1999-2000	7 676	7 915	- 239
2000-01	8 278	8 387	-108
2001-02	8 698	8 748	-50
2002-03	9 522	8 864	658
2003-04	10 023	9 502	522
2004-05	11 252	11 059	193
2005-06	11 480	11 293	187
2006-07	12 090	12 116	- 26
2007-08	12 932	12 552	379
2008-09	13 447	14 248	- 801
2009-10	13 874	14 604	- 730
2010-11	14 216	14 661	- 445
2011-12	14 965	14 872	93

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years before 1999-2000 are sourced from the Australian Bureau of Statistics (ABS) and are consistent with ABS GFS reporting requirements on a cash basis. Capital receipts and payments, including payments associated with the provision of financial support for state owned financial institutions (which were treated by the ABS as an 'investment in financial assets for policy purposes') are not included in the series before 1999-2000. After 1998-99, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to the associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

Table B.4 General government sector operating statement (\$ million)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue									
Taxation revenue	2 806	2 941	2 979	3 250	3 570	3 567	3 644	3 827	4 063
Grants	5 073	5 406	5 766	5 969	6 616	7 223	7 280	7 317	7 665
Sales of goods and services	1 165	1 244	1 333	1 464	1 572	1 604	1 650	1 726	1 799
Interest income	172	161	147	167	203	171	167	200	243
Dividend and income tax equivalent income	468	455	575	450	429	361	349	489	413
Other	272	386	441	456	490	508	533	544	554
<i>Total revenue</i>	9 955	10 592	11 242	11 757	12 879	13 435	13 624	14 103	14 737
<i>less</i>									
Expenses									
Employee expenses	3 903	4 220	4 644	4 933	5 268	5 636	5 901	5 887	6 029
Superannuation expenses									
Superannuation interest cost	354	351	344	316	276	383	446	445	442
Other superannuation expenses	410	429	480	506	546	590	604	616	630
Depreciation and amortisation	435	453	454	498	525	594	598	635	674
Interest expenses	253	248	223	204	218	184	204	302	314
Other property expenses	—	—	—	—	—	—	—	—	—
Other operating expenses	2 348	2 742	2 874	3 021	3 246	3 575	3 650	3 827	4 062
Grants	1 866	1 925	2 021	2 069	2 337	2 585	2 303	2 284	2 298
<i>Total expenses</i>	9 570	10 368	11 040	11 547	12 414	13 547	13 706	13 996	14 449
<i>equals</i>									
Net operating balance	385	224	202	209	464	- 112	- 81	107	288
<i>plus</i>									
Other economic flows	87	375	3 142	2 215	1 149	-2 215	629	540	613
<i>equals</i>									
Comprehensive result - total change in net worth	472	599	3 344	2 424	1 613	-2 327	548	647	902
<i>Net operating balance</i>	385	224	202	209	464	- 112	- 81	107	288
<i>less</i>									
Net acquisition of non-financial assets									
Purchase of non-financial assets	530	695	717	771	875	1 398	1 592	1 382	1 186
<i>less</i> Sales of non-financial assets	124	119	144	134	108	97	335	140	235
<i>less</i> Depreciation	435	453	454	498	525	594	598	635	674
<i>plus</i> Change in inventories	- 10	- 18	—	—	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non-financial assets	- 38	105	119	139	242	707	659	607	278
<i>equals</i>									
Net lending / borrowing	424	119	83	71	222	- 819	- 740	- 501	10

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

	As at 30 June	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assets										
Financial assets										
Cash and deposits		2 178	1 960	2 210	2 384	2 760	2 920	3 301	3 999	5 238
Advances paid		1 133	959	902	905	782	767	697	507	211
Investments, loans and placements		154	170	180	119	134	145	156	169	182
Receivables		343	374	454	471	498	488	501	503	486
Equity										
Investments in other public sector entities		11 700	13 246	14 017	15 364	15 658	16 181	16 838	16 857	17 444
Investments - other		111	145	173	30	668	672	674	675	673
Other financial assets		43	60	44	39	38	38	38	40	38
Total financial assets		15 661	16 915	17 979	19 311	20 539	21 212	22 205	22 750	24 272
Non-financial assets										
Land and other fixed assets		11 835	12 411	13 840	14 013	16 138	16 940	17 647	18 301	18 621
Other non-financial assets		83	94	17	4	23	23	23	23	23
Total non-financial assets		11 917	12 505	13 857	14 018	16 161	16 962	17 670	18 324	18 644
Total assets		27 579	29 420	31 836	33 329	36 700	38 174	39 874	41 073	42 916
Liabilities										
Deposits held		309	283	282	331	328	393	395	410	413
Advances received		733	686	682	659	644	662	647	630	631
Borrowing		2 648	2 265	2 209	2 394	2 427	3 288	4 334	4 725	5 496
Superannuation		5 668	7 227	6 146	5 075	6 468	9 294	9 341	9 372	9 383
Other employee benefits		1 233	1 305	1 393	1 492	1 646	1 717	1 786	1 871	1 968
Payables		466	483	616	553	665	634	636	633	631
Other liabilities		763	812	805	699	779	773	774	824	884
Total liabilities		11 819	13 061	12 133	11 201	12 959	16 761	17 913	18 465	19 406
Net worth^(a)		15 760	16 359	19 703	22 128	23 741	21 413	21 962	22 609	23 510
Net financial worth ^{(a)(b)(c)}		3 842	3 853	5 846	8 110	7 580	4 451	4 292	4 285	4 866
Net financial liabilities ^{(a)(b)(c)}		7 858	9 393	8 171	7 254	8 078	11 730	12 546	12 572	12 578
Net debt ^{(b)(c)(d)}		224	144	- 119	- 24	- 276	510	1 221	1 091	909

(a) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

(b) There is a structural break in 2008 reflecting the transfer of rail assets from TransAdelaide to the general government sector. This results in an increase in net debt and net financial liability of \$66 million dollars in 2007-08, and a reduction in net financial worth of \$591 million, with no impact on net worth.

(c) There is a structural break in 2008 reflecting the transfer of assets from the Adelaide Festival Centre Trust to the general government sector. This results in an increase in net debt and net financial liabilities of \$28 million in 2007-08, and a reduction in net financial worth of \$76 million, with no impact on net worth.

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

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

	2003-04 Outcome	2004-05 Outcome	2005-06 Outcome	2006-07 Outcome	2007-08 Outcome
General public services	329	217	206	184	187
Defence	—	—	—	—	—
Public order and safety	900	957	1 036	1 074	1 151
Education	2 420	2 641	2 846	2 940	3 180
Health	2 563	2 824	3 064	3 356	3 687
Social security and welfare	545	714	673	748	812
Housing and community amenities	710	839	933	969	1 021
Recreation and culture	255	286	299	291	371
Fuel and energy	87	40	44	40	43
Agriculture, forestry, fishing and hunting	189	188	207	193	212
Mining, manufacturing and construction	87	68	84	95	100
Transport and communications	624	661	734	745	805
Other economic affairs	219	226	176	178	195
Other purposes	642	707	739	734	650
Total expenses	9 570	10 368	11 040	11 547	12 414

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)^{(a)(b)}

	2003-04 Outcome	2004-05 Outcome	2005-06 Outcome	2006-07 Outcome	2007-08 Outcome
General public services	122	140	171	137	105
Defence	—	—	—	—	—
Public order and safety	53	67	67	65	70
Education	44	83	69	63	89
Health	113	128	116	100	141
Social security and welfare	5	5	12	2	2
Housing and community amenities	21	16	6	17	14
Recreation and culture	18	9	14	11	20
Fuel and energy	—	—	—	—	—
Agriculture, forestry, fishing and hunting	4	12	10	5	5
Mining, manufacturing and construction	—	—	1	—	—
Transport and communications	125	222	237	299	286
Other economic affairs	—	1	—	50	127
Other purposes	—	—	1	3	—
Total capital	506	683	705	752	860

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	Net acquisition of non-financial assets	Net lending
	\$m	% real growth	% GSP	\$m	% real growth	% GSP	\$m	\$m	\$m
1998-99	9 468		22.0	9 597		22.3	- 129	- 115	-14
1999-2000	9 206	-5.2	20.3	9 552	-3.0	21.1	- 346	-3 508	3 161
2000-01	9 051	-4.5	18.5	9 279	-5.7	19.0	- 228	-1 111	883
2001-02	9 367	0.3	17.8	9 487	-0.9	18.1	- 120	- 124	5
2002-03	10 172	4.4	18.4	9 696	-1.7	17.6	476	72	405
2003-04	10 707	2.2	18.2	10 294	3.1	17.5	413	33	379
2004-05	11 343	3.5	18.6	11 029	4.7	18.1	314	125	189
2005-06	11 807	0.9	18.3	11 634	2.3	18.0	172	53	119
2006-07	12 321	1.7	18.0	12 175	2.0	17.8	147	173	- 26
2007-08	13 634	7.1	18.6	13 065	3.9	17.8	569	303	266
2008-09	14 197	-0.3	18.4	14 372	5.3	18.6	- 174	1 202	-1 376
2009-10	14 491	-1.0	17.8	14 574	-1.6	17.9	- 84	1 416	-1 500
2010-11	15 080	1.4	17.5	14 972	0.1	17.4	108	263	- 155
2011-12	15 683	1.5	17.3	15 405	0.4	17.0	278	71	207

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

As at 30 June	Net debt ^(a)	Unfunded superannuation ^(b)	Net financial liabilities	Net financial worth	Net worth
1988	4 397				
1989	4 197				
1990	4 457				
1991	5 418				
1992	8 142				
1993	11 610				
1994	10 550				
1995	8 844				
1996	8 432				
1997	8 170				
1998	7 927				
1999	7 657	3 909	13 099	-12 256	10 624
2000	4 355	3 543	9 914	-8 986	12 445
2001	3 223	3 249	8 151	-7 109	14 816
2002	3 317	3 998	8 973	-7 902	14 721
2003	2 696	4 445	9 096	-8 811	15 288
2004	2 285	5 668	10 031	-9 550	15 760
2005	2 126	7 227	11 511	-11 004	16 359
2006	1 786	6 146	10 451	-9 889	19 703
2007 ^(c)	1 989	5 075	9 518	-8 795	22 128
2008 ^{(d) (e)}	1 611	6 468	10 208	-10 487	23 741
2009	2 924	9 294	14 416	-14 657	21 413
2010	4 260	9 341	16 009	-16 152	21 962
2011	4 313	9 372	16 263	-16 433	22 609
2012	3 988	9 383	16 104	-16 298	23 510

(a) Net debt data for the years before 1999 are sourced from *Australian Bureau of Statistics, Government Financial Estimates 2003-04* (Catalogue number 5501).

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

(c) There is a structural break in 2007 reflecting the amalgamation of SAFA and SAICORP on 1 July 2006. The transfer of SAICORP assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in non financial public sector net debt of \$99 million at 1 July 2006 and an increase in net financial liabilities of \$90 million at 1 July 2006.

(d) There is a structural break in 2008 reflecting the amalgamation of the South Australian Community Housing Authority (PFC) with the South Australian Housing Trust (PNFC). This results in an increase in net debt and net financial liabilities and a decrease in net financial worth of \$98 million in 2007-08, with no impact on net worth.

(e) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

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

	Receipts	Payments	ABS Cash Surplus
1979-80	2 681	2 388	292
1980-81	2 877	2 649	228
1981-82	3 145	2 963	182
1982-83	3 651	3 356	295
1983-84	4 383	4 014	369
1984-85	4 887	4 356	531
1985-86	5 172	4 415	757
1986-87	5 542	4 790	752
1987-88	6 078	5 299	780
1988-89	6 946	5 784	1 162
1989-90	7 517	6 465	1 052
1990-91	7 830	6 839	991
1991-92	8 352	7 969	383
1992-93	8 939	7 946	993
1993-94	8 761	8 119	642
1994-95	8 570	8 142	428
1995-96	8 985	8 654	331
1996-97	8 908	8 532	375
1997-98	9 426	8 895	532
1998-99	9 301	8 692	609
1999-2000	13 014	9 501	3 513
2000-01	10 572	9 414	1 158
2001-02	9 726	9 722	4
2002-03	10 439	9 805	634
2003-04	10 891	10 403	488
2004-05	12 051	11 786	265
2005-06	12 239	11 868	370
2006-07	12 684	12 809	- 125
2007-08	13 943	13 477	466
2008-09	14 478	15 719	-1 241
2009-10	15 001	16 431	-1 430
2010-11	16 017	16 075	- 59
2011-12	16 239	15 973	266

(a) There is a break in the series between 1998-99 and 1999-2000. Data for the years before 1999-2000 are sourced from the Australian Bureau of Statistics (ABS) and are consistent with ABS GFS reporting requirements on a cash basis. Capital receipts and payments, including payments associated with the provision of financial support for state owned financial institutions (which were treated by the ABS as an 'investment in financial assets for policy purposes') are not included in the series before 1999-2000. After 1998-99, data are derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases. Due to the associated methodological and data-source changes, time series data that encompass measures derived under both cash and accrual accounting should be used with caution.

Table B.11 Non-financial public sector operating statement (\$ million)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Revenue									
Taxation revenue	2 629	2 731	2 749	3 009	3 308	3 282	3 354	3 533	3 759
Grants	5 078	5 405	5 849	6 039	6 616	7 223	7 282	7 319	7 668
Sales of goods and services	2 446	2 481	2 494	2 610	2 926	2 818	2 982	3 264	3 245
Interest income	125	135	113	155	188	157	142	174	231
Dividend and income tax equivalent income	103	143	126	42	24	43	34	83	71
Other	326	447	476	466	572	675	695	706	709
Total revenue	10 707	11 343	11 807	12 321	13 634	14 197	14 491	15 080	15 683
<i>less</i>									
Expenses									
Employee expenses	4 070	4 382	4 808	5 108	5 450	5 781	6 053	6 043	6 187
Superannuation expenses									
Superannuation interest cost	354	351	344	316	276	383	446	445	442
Other superannuation expenses	426	445	499	525	568	610	625	638	653
Depreciation and amortisation	651	682	692	755	798	868	884	968	1 019
Interest expenses	315	333	310	290	322	300	363	496	521
Other property expenses	15	23	13	9	74	41	49	49	38
Other operating expenses	3 135	3 251	3 313	3 475	3 765	4 240	4 290	4 492	4 674
Grants	1 328	1 563	1 655	1 698	1 811	2 148	1 864	1 841	1 871
Total expenses	10 294	11 029	11 634	12 175	13 065	14 372	14 574	14 972	15 405
<i>equals</i>									
Net operating balance	413	314	172	147	569	- 174	- 84	108	278
<i>plus</i>									
Other economic flows	59	286	3 172	2 278	1 044	-2 153	632	539	624
<i>equals</i>									
Comprehensive result - total change in net worth	472	599	3 344	2 424	1 613	-2 327	548	647	902
<i>equals</i>									
Net operating balance	413	314	172	147	569	- 174	- 84	108	278
<i>less</i>									
Net acquisition of non-financial assets									
Purchase of non-financial assets	898	1 040	1 127	1 145	1 399	2 405	2 867	2 245	1 709
<i>less</i> Sales of non-financial assets	211	234	381	217	298	361	550	995	614
<i>less</i> Depreciation	651	682	692	755	798	868	884	968	1 019
<i>plus</i> Change in inventories	- 3	1	—	—	—	27	- 17	- 19	- 5
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	33	125	53	173	303	1 202	1 416	263	71
<i>equals</i>									
Net lending / borrowing	379	189	119	- 26	266	-1 376	-1 500	- 155	207

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

	2004	2005	2006	2007	2008	2009	2010	2011	2012
As at 30 June									
Assets									
Financial assets									
Cash and deposits	2 250	2 129	2 372	2 566	3 040	3 161	3 508	4 217	5 462
Advances paid	186	80	83	34	81	83	74	67	59
Investments, loans and placements	164	180	204	139	163	174	186	199	212
Receivables	314	318	436	522	521	550	552	551	550
Equity									
Investments in other public sector entities	481	507	562	723	- 279	- 241	- 143	- 170	- 195
Investments - other	137	177	199	58	693	694	694	692	687
Other financial assets	42	58	46	41	40	85	40	41	40
Total financial assets	3 574	3 450	3 902	4 084	4 259	4 506	4 911	5 597	6 816
Non-financial assets									
Land and fixed assets	25 285	27 338	29 564	30 917	34 202	36 046	38 088	39 016	39 783
Other non-financial assets	24	25	28	6	25	25	25	26	26
Total non-financial assets	25 309	27 363	29 592	30 922	34 227	36 071	38 114	39 042	39 809
Total assets	28 883	30 813	33 494	35 006	38 486	40 577	43 025	44 639	46 625
Liabilities									
Deposits held	122	155	147	159	166	173	179	185	192
Advances received	733	719	715	659	644	656	638	620	619
Borrowing	4 030	3 642	3 583	3 910	4 084	5 514	7 211	7 990	8 910
Superannuation	5 668	7 227	6 146	5 075	6 468	9 294	9 341	9 372	9 383
Other employee benefits	1 310	1 384	1 473	1 560	1 719	1 791	1 861	1 947	2 046
Payables	472	492	706	715	801	785	803	824	821
Other liabilities	788	836	1 020	801	862	952	1 029	1 091	1 143
Total liabilities	13 124	14 454	13 790	12 878	14 745	19 163	21 063	22 030	23 114
Net worth^(a)	15 760	16 359	19 703	22 128	23 741	21 413	21 962	22 609	23 510
Net financial worth ^{(a) (b)}	-9 550	-11 004	-9 889	-8 795	-10 487	-14 657	-16 152	-16 433	-16 298
Net financial liabilities ^{(a) (b)}	10 031	11 511	10 451	9 518	10 208	14 416	16 009	16 263	16 104
Net debt ^{(b) (c)}	2 285	2 126	1 786	1 989	1 611	2 924	4 260	4 313	3 988

(a) There is a structural break in 2008 reflecting the first time recognition on the general government balance sheet of South Australia's share of the net assets of the Murray-Darling Basin Commission. This has no impact on net debt, however results in a reduction in net financial liabilities of \$615 million in 2007-08, and increases in net financial worth and net worth of \$615 million.

(b) There is a structural break in 2008 reflecting the amalgamation of the South Australian Community Housing Authority (PFC) with the South Australian Housing Trust (PNFC). This results in an increase in net debt and net financial liabilities and a decrease in net financial worth of \$98 million in 2007-08, with no impact on net worth.

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



**Government
of South Australia**