2016–17 STATE BUDGET

Budget Paper 3

Budget Statement

SOUTH AUSTRALIA

Government of South Australia

2016–17 Budget Papers

Budget Paper 1 Budget Overview

Budget Paper 2 Budget Speech

Budget Paper 3 Budget Statement

Budget Paper 4 Agency Statements – Volumes 1, 2, 3, 4

Budget Paper 5 Budget Measures Statement

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Budget Paper 3

2016–17
Budget Statement

Presented by
The Honourable Tom Koutsantonis MP
Treasurer of South Australia
on the Occasion of the Budget
for 2016–17

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Chapter 1: Budget context and overview

Budget context

The 2016–17 Budget continues the emphasis on supporting jobs and developing future industries through the government's ten economic priorities and invests in services and infrastructure that will build stronger communities.

In previous budgets, the state government has invested in infrastructure and delivered business tax reforms. This supported South Australia's economy to grow whilst at the same time maintaining a manageable budget position. Now, 2015–16 is on track to deliver the state's first operating surplus since 2009–10 following the fallout from the global financial crisis.

The government delivered the most comprehensive package of tax reforms in South Australia's history in last year's budget. This was targeted to drive investment and create jobs in our economy. These measures are reducing the cost of establishing and doing business, and making South Australia a more attractive place to set up and grow a business. Since last year's budget, 6000 more South Australians have been employed.

However, global pressures on the state's traditional manufacturing industries have continued to impact our economy. The need for economic reform and modernising South Australia's workforce toward a high technology, globally connected and competitive economy is a challenge we now face.

This budget is supporting jobs now by assisting businesses who want to grow and investing in infrastructure, while also investing to modernise the South Australian economy towards the industries and jobs of the future including the defence sector. It also delivers investment in the state's economic and social infrastructure, with new commitments focusing on schools and public transport.

Budget overview

Supporting jobs growth

The 2016–17 Budget introduces a job creation grant scheme ($109 million over three years). This will provide a $10 000 grant for each additional full-time equivalent position created between 1 July 2016 and 30 June 2018 and maintained for two years by businesses liable for payroll tax with a total national payroll of $5 million or less. A $4000 small business and start-up grant will be available for eligible businesses not liable for payroll tax, including due to their total payroll falling below the payroll tax-free threshold of $600 000. It is estimated that the grants will be provided for 14 000 full-time equivalent positions created.

In addition, the 2016–17 Budget extends the following measures to support business in creating jobs in South Australia:

- Extension of the small business payroll tax rebate for four years ($40 million over four years) providing an extension on the current payroll tax concession for employers with taxable payrolls less than or equal to $1.2 million, with a maximum rebate of $9800 and assisting approximately 2300 businesses

- Extension and expansion of the off-the-plan stamp duty concession for one year ($8 million). The concession of up to $15 500 will now be available for eligible off-the-plan apartments purchased across the state.

Further new initiatives to foster growth in South Australian jobs include:

- SA Made campaign ($2 million) to undertake an awareness campaign to support consumers to identify and choose products which support South Australian jobs
- Waste levy reforms, which will support jobs growth in the waste and resource recovery sector
- Additional resources for the Office of the Industry Advocate ($1.4 million) to assist local business in building tendering skills to create more local jobs and support the use of local content for projects.

Developing future industries

The government has continued to lobby for a strong defence and naval ship building industry in South Australia. Recent decisions in relation to Offshore Patrol Vessels, Frigates and Submarines are a significant step towards the transformation of South Australia's economy towards high tech manufacturing.

The Future Submarines build, extending beyond 2040, will provide thousands of job opportunities for children at school today who will benefit from an education infrastructure investment ($500 million in total), including the science, technology, engineering and mathematics program infrastructure across primary and secondary schools in South Australia — see discussion in 'Investment in education, health and transport' below.

The government has also provided $6 million over three years in the budget to attract new defence related industries. Also, $5 million over four years has been provided for a masterplan of the Techport site and an engagement strategy with France to maximise the economic and job opportunities presented by the Commonwealth selection of DCNS for the submarine contract.

The 2016–17 Budget also includes $30 million to support innovation, bringing the government's total commitment to over $83 million over four years, with specific measures including:

- $10 million for the South Australian Early Commercialisation Fund to assist start-ups at the pre-seed and seed stage of development so they are better positioned to attract long-term investment
- $7.5 million for the University of South Australia's Future Industries Institute to encourage innovation, collaboration and new industry
- $4.7 million towards the GigCity project to connect existing innovation spaces within the CBD to ultra-high speed broadband, building an environment for start-ups and existing businesses to compete on a global scale.

The government will also introduce a $50 million South Australian Venture Capital Fund, to partner with private sector financers to support innovation and help build high-growth companies in South Australia.

The 2016–17 Budget also extends the following existing measures to support the development of future industries:

- Extension of the Tourism, Marketing and Major Events Fund ($35 million over two years) extending the 2015–16 Budget measure to 2018–19 to continue to secure new events and market the state's current events and tourism offerings
- Extension of the Economic Investment Fund ($20 million over two years) extending the 2015–16 Budget measure to 2018–19 to continue to support the attraction of business and industry in the state to promote job creation.

Investment in education, health and transport

Our future industries will require a workforce with skills and expertise in science, technology, engineering and mathematics (STEM) disciplines. We need to provide our children and young adults with access to STEM facilities in our schools to lay the groundwork for their future study and career pathways.

The government will release $500 million as part of an education infrastructure investment initiative. This investment will provide 139 STEM facilities in public schools ($250 million over three years) and establish a $250 million loan facility for non-government schools allowing schools to borrow at the same interest rate as government. The construction of these facilities in our schools will provide support for the state's construction sector.

The 2016–17 Budget also provides health funding of $527 million over four years to further address the funding shortfall created by the ongoing impacts of the 2014–15 Commonwealth Budget cuts to health, and to support on-going reforms in the state's health system. The Commonwealth will contribute an additional $187 million over three years to 2019–20 towards this support, returning only 18 per cent of the cuts they made to health in the 2014–15 Commonwealth Budget.

In addition, $44 million over four years will be provided for Indigenous health providing for a range of initiatives to help close the gap in health outcomes for Indigenous South Australians.

The 2016–17 Budget includes funding of $2.8 billion for a number of major road and public transport investments, including the Northern Connector, Torrens Road to River Torrens South Road upgrade, North-South corridor Darlington upgrade, and the Goodwood and Torrens rail junction upgrade.

Additional 2016–17 Budget investments in our state's transport infrastructure include:

- Extension of the tram network along North Terrace to the old Royal Adelaide Hospital site ($50 million) as the first step in the implementation of a new and extended AdeLINK tram network within inner Adelaide
- A railcar upgrade ($48 million) for a major electronic upgrade of 50 diesel railcars including the overhaul of bogies, brakes and traction power systems.

Fiscal targets

Delivering the measures that drive the government's ten economic priorities and this budget's key outcomes requires a disciplined fiscal framework and for the government to operate with a well-defined fiscal strategy.

In the past, a key target has been to achieve a general government sector net operating surplus by the end of the forward estimates. The 2016–17 Budget projects a surplus in 2015–16 and all years across the forward estimates. Based on this surplus outlook, Target 1 has been updated to reflect this new environment. Targets 2 and 3 remain unchanged.

The revised fiscal targets are set out in table 1.1 below.

Table 1.1: Fiscal targets

Target 1	Achieve a net operating surplus in the general government sector in every year.
Target 2	Limit operating expenditure growth to trend growth in household income.
Target 3	Achieve a level of general government net debt that remains affordable over the forward estimates — a maximum ratio of net debt to revenue of 35 per cent

Underpinning the general government debt target the government continues its commitments that:

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

The following fiscal outlook discussion focuses on the general government sector.

Target 1 reflects the government's commitment to funding operating expenditures from operating revenues. The 2016–17 Budget reflects this with a net operating balance surplus estimated for 2015–16 and projected each year across the forward estimates.

Target 2 limits the growth in operating expenditure in order to maintain a pattern of sustainable growth, irrespective of the growth in revenues during the expansionary phase of the cycle. The 2016–17 Budget continues the emphasis on expenditure restraint to restore the overall fiscal position. Trend growth in household income is projected at 4.5 per cent per annum. Although forecast expenditure growth for 2016–17 exceeds that amount, primarily due to a number of one-off factors including the change in timing of expenditure for a number of Commonwealth-funded programs and the commencement of payments for the new Royal Adelaide Hospital and from TAFE SA to Renewal SA, average expenditure growth over five years is constrained to 2.5 per cent per annum, well below household income growth. Refer to Chapter 2 for more details on expenditure.

Target 3 facilitates the maintenance of a reasonable debt level that allows for investment in key infrastructure without the burden being placed on future generations. This target will be met across all years, even with the recognition of the $2.8 billion finance lease liability for the new Royal Adelaide Hospital on the state's balance sheet in 2016–17.

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

Table 1.2 provides the outcome for the fiscal targets based on the 2016–17 Budget estimates.

Table 1.2: Fiscal targets outcomes — 2016–17 Budget estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Target 1: net operating balance surplus					
Target		Achieve a net operating surplus in every year			
2016–17 Budget estimate ($m)	**258**	**254**	**415**	**464**	**466**
Target 2: operating expenditure growth					
Target (%)		Limit to trend growth in household income (4.5% per annum)			
2016–17 Budget estimate:					
– Annual (%)	**1.8%**	**5.7%**	**2.7%**	**0.0%**	**2.2%**
– Average (%)		**Average growth 2.5% per annum**			
Target 3: net debt to revenue ratio					
Target (%)		Less than 35%			
2016–17 Budget estimate (%)	**23.5%**	**34.2%**	**34.7%**	**34.5%**	**33.7%**

Summary of key fiscal indicators

Table 1.3 sets out the expected budget outcomes for 2015–16 and across the forward estimates for a number of key fiscal indicators.

Table 1.3: Summary of key general government sector budget indicators

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Operating statement					
Net operating balance ($m)	258	254	415	464	466
Net lending ($m)	3	-2 436	- 310	44	52
Revenue and expenses					
Revenue real growth (%)	3.7	3.8	1.3	-2.1	-0.3
Expenses real growth (%)	1.0	3.9	0.5	-2.4	-0.3
Balance sheet					
Net debt ($m)	4 071	6 246	6 561	6 541	6 536
Net debt to revenue (%)	23.5	34.2	34.7	34.5	33.7
Unfunded superannuation ($m)	12 483	12 178	11 842	11 471	11 065

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

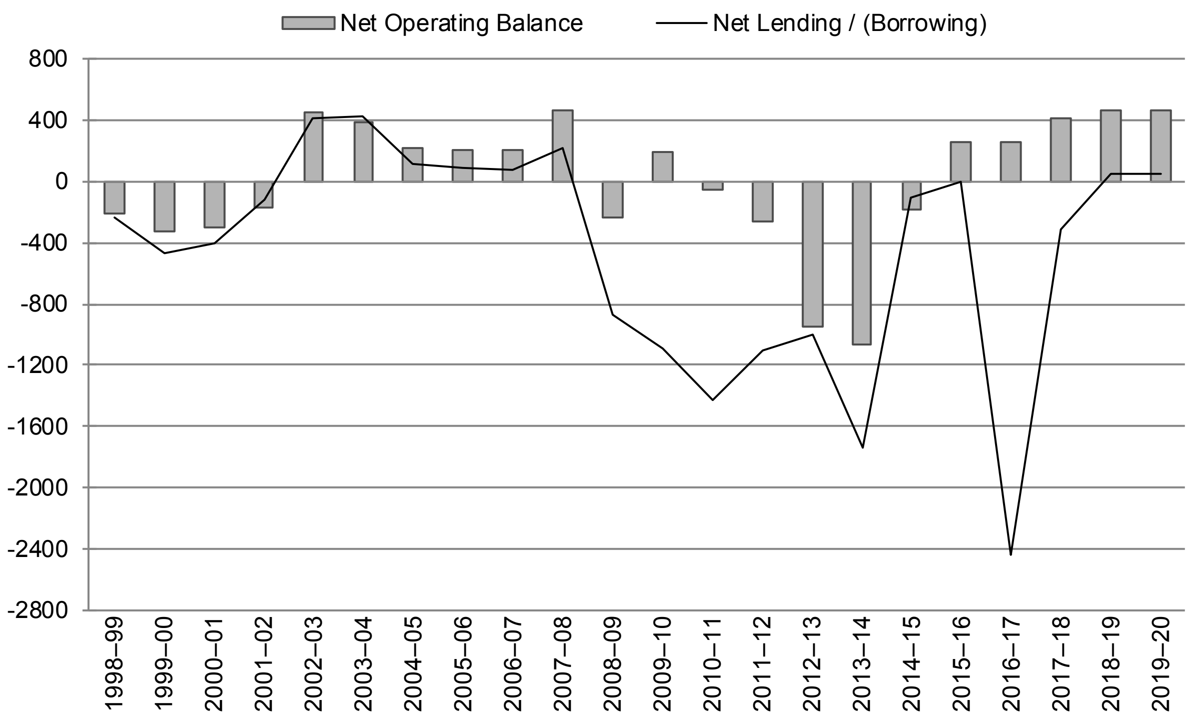
Operating statement

Net operating balance

A net operating surplus is forecast in 2015–16 and each year across the forward estimates with projected cumulative net operating surpluses of over $1.9 billion over the five years.

Figure 1.1 illustrates the general government sector net operating balance and net lending position from 1998–99 to 2019–20.

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



Note: 1998–99 to 2014–15 are actual outcomes; 2015–16 to 2019–20 are forecasts.

Net lending

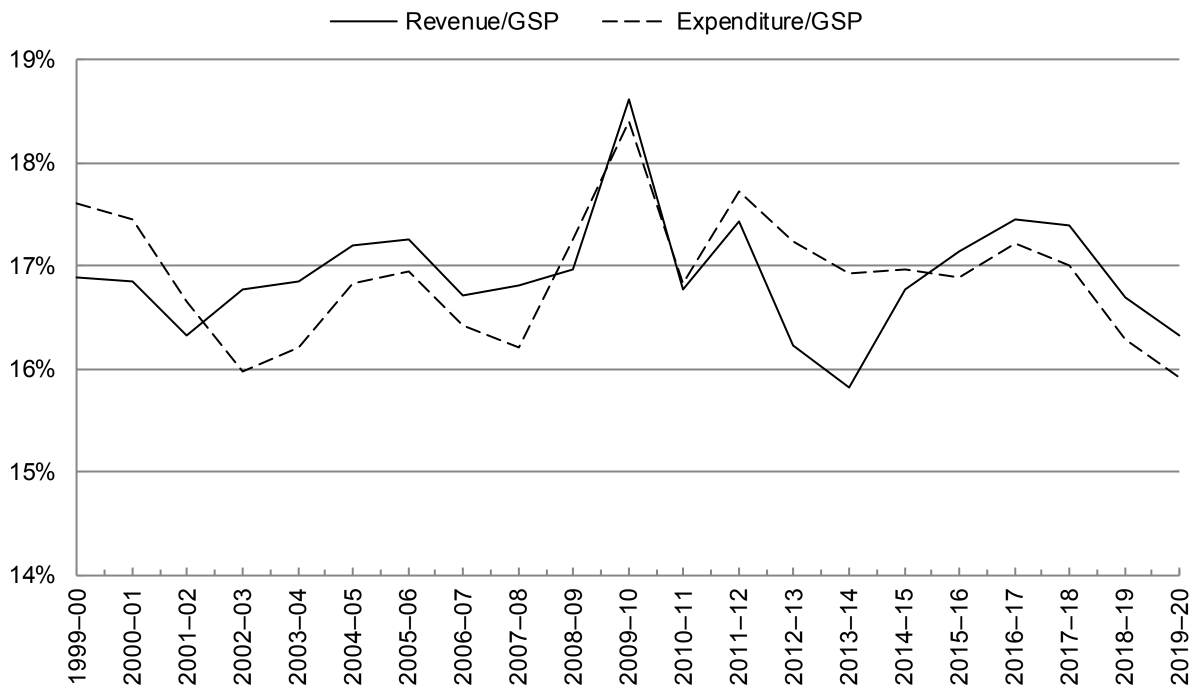
A net lending surplus of $3 million is expected in 2015–16. A deficit peak of $2.4 billion in 2016–17 is the result of the recognition of the new Royal Adelaide Hospital. Following a net lending deficit in 2017–18, surpluses are then projected in 2018–19 and 2019–20.

The net lending deficits in 2016–17 and 2017–18 reflect the government's significant capital expenditure program to both stimulate the economy and to build the state's infrastructure asset base.

Revenues and expenses

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

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



Revenues as a percentage of GSP averaged around 16.9 per cent of GSP prior to 2008–09. In the immediate aftermath of the GFC, revenues increased substantially due to the payment of large Commonwealth Government stimulus grants between 2008–09 and 2011–12. Following the conclusion of the Commonwealth Government stimulus funding, revenues as a share of the economy were much weaker than prior to the GFC until 2013–14, but have subsequently returned to pre-GFC levels. It reduces over the forward estimates including as a result of business tax reforms.

Expenditure as a percentage of GSP is forecast to drop below 16 per cent by 2019–20, highlighting the government's commitment to budget sustainability through its past and current saving measures and general operating expenditure restraint.

Balance sheet

Net debt

Net debt is expected to increase over the forward estimates from $4.1 billion as at 30 June 2016 to a peak of $6.6 billion at 30 June 2018. This increase in net debt is due to the recognition of the $2.8 billion in financial obligations for the new Royal Adelaide Hospital in 2016–17. Net debt is then projected to slightly decline by the end of the forward estimates reflecting net lending surpluses in 2018–19 and 2019–20.

As a percentage of revenue, net debt is expected to increase from 23.5 per cent at 30 June 2016 to a peak of 34.7 per cent at 30 June 2018, before reducing to 33.7 per cent at 30 June 2020, within the government's fiscal target of a maximum ratio of 35 per cent.

The full suite of accrual statements produced under the uniform presentation framework is provided in Appendix A. Table 1.4 provides operating statement details for the general government sector.

Table 1.4: General government sector operating statement — 2015–16 to 2019–20 ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Revenue						
Taxation revenue	4 543	4 406	4 517	4 656	4 799	5 023
Grants						
GST revenue grants	5 518	5 573	6 101	6 424	6 479	6 574
Other grants	3 645	3 478	4 145	4 323	4 095	4 063
Sales of goods and services	2 329	2 416	2 487	2 588	2 644	2 719
Interest income	29	24	24	24	26	25
Dividend and income tax equivalent income	314	775	326	251	265	281
Other	720	622	664	652	665	705
Total revenue	**17 097**	**17 295**	**18 263**	**18 917**	**18 974**	**19 389**
less						
Expenses						
Employee expenses	7 512	7 749	7 899	8 068	8 143	8 285
Superannuation expenses						
Superannuation interest cost	378	402	392	382	371	359
Other superannuation expenses	812	840	859	872	885	904
Depreciation and amortisation	916	889	963	1 020	1 055	1 058
Interest expenses	198	233	346	375	300	297
Other property expenses	—	—	—	—	—	—
Other operating expenses	4 583	4 155	4 613	4 832	4 939	5 178
Grants	2 656	2 768	2 937	2 955	2 818	2 843
Total expenses	**17 055**	**17 036**	**18 009**	**18 502**	**18 509**	**18 923**
equals						
Net operating balance	43	258	254	415	464	466
plus						
Other economic flows	782	-1 185	1 124	487	735	741
equals						
Comprehensive result — total change in net worth	825	- 927	1 378	902	1 200	1 207
Net operating balance	43	258	254	415	464	466
less						
Net acquisition of non-financial assets						
Purchases of non-financial assets	1 327	1 236	4 630	2 134	1 508	1 510
less Sales of non-financial assets	339	91	976	389	34	39
less Depreciation	916	889	963	1 020	1 055	1 058
plus Change in inventories	—	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	72	256	2 690	726	420	413
equals						
Net lending/borrowing	- 29	3	-2 436	- 310	44	52

Note: Totals may not add due to rounding.

The attachment to this chapter summarises the variations since the 2015–16 Budget to the general government net operating balance (table 1.5) and net lending estimates (table 1.6).

The attachment also summarises the variations to revenue, expenses and capital investment expenditure since the 2015–16 Mid-Year Budget Review (MYBR) (table 1.7), together with some commentary on those variations.

Attachment: Variations since the 2015–16 Budget and the 2015–16 MYBR

Table 1.5: General government sector net operating balance — policy and parameter variations since the 2015–16 Budget ($million)

	2015–16	2016–17	2017–18	2018–19
Estimate at 2015–16 Budget	**43**	**654**	**727**	**961**
Parameter and other variations to 2015–16 MYBR				
Revenue — taxation	- 81	- 87	- 97	- 99
Revenue — other	351	83	88	- 93
Operating expenses	75	- 189	- 97	- 83
Net effect of parameter and other variations	345	- 193	- 107	- 274
Policy measures to 2015–16 MYBR				
Revenue measures — taxation	- 15	- 10	—	—
Revenue measures — other	- 7	- 6	- 5	- 5
Revenue offsets	57	115	311	314
Operating expenses	- 68	- 60	- 29	- 18
Net effect of policy measures	- 33	39	277	291
Estimate at 2015–16 MYBR	**355**	**500**	**897**	**978**
Parameter and other variations to 2016–17 Budget				
Revenue — taxation	- 41	- 88	- 123	- 135
Revenue — other	- 72	220	78	- 369
Operating expenses	216	- 13	- 147	94
Net effect of parameter and other variations	103	119	- 191	- 411
Policy measures up to the 2016–17 Budget				
Revenue measures — taxation	—	—	—	—
Revenue measures — other	- 5	2	5	7
Revenue offsets — taxation	—	—	—	—
Revenue offsets	10	11	18	- 3
Operating expenses	- 20	- 77	- 95	- 20
Net effect of policy measures up to the 2016–17 Budget	- 16	- 64	- 72	- 15
Policy measures in the 2016–17 Budget				
Revenue measures — taxation	—	- 11	- 4	- 5
Revenue measures — other	—	7	15	22
Revenue offsets — taxation	—	—	—	—
Revenue offsets	—	—	36	63
Operating expenses	- 184	- 297	- 265	- 168
Net effect of policy measures in the 2016–17 Budget	- 184	- 300	- 218	- 87
Estimate at 2016–17 Budget	**258**	**254**	**415**	**464**

Note: Totals may not add due to rounding.

Table 1.6: General government sector net lending — policy and parameter variations since the 2015–16 Budget ($million)

	2015–16	2016–17	2017–18	2018–19
Estimate at 2015–16 Budget	**- 29**	**-2 556**	**399**	**578**
Net effect of operating variations to 2015–16 MYBR	**312**	**- 154**	**170**	**16**
Investing variations(a)				
Parameter variations	200	- 31	—	307
Policy variations	- 84	- 157	- 375	- 378
Total investing variations	116	- 188	- 375	- 71
Estimate at 2015–16 MYBR	**398**	**-2 898**	**193**	**523**
Net effect of operating variations to 2016–17 Budget	- 96	- 246	- 481	- 513
Investing variations(a)				
Parameter variations	- 286	823	200	188
Policy variations up to the 2016–17 Budget	- 14	- 18	- 28	—
Policy variations in the 2016–17 Budget	—	- 97	- 194	- 154
Total investing variations	- 299	707	- 22	34
Estimate at 2016–17 Budget	**3**	**-2 436**	**- 310**	**44**

Note: Totals may not add due to rounding.

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

Table 1.7: General government sector revenue, expense and capital investment expenditure variations (parameter and other) since the 2015–16 MYBR ($million)

	2015–16	2016–17	2017–18	2018–19
Revenue — taxation				
Payroll tax	- 22	- 33	- 51	- 62
Conveyances	- 17	- 19	- 13	- 7
Land tax — private	—	- 5	- 5	- 5
Land tax — public	- 3	- 6	- 9	- 11
Other property tax	6	4	1	- 1
Insurance taxes	7	- 2	- 1	—
Gambling taxes	- 11	- 17	- 32	- 33
Motor vehicle taxes	—	- 10	- 13	- 15
Total taxation revenue	**-41**	**-88**	**-123**	**-135**
Revenue — other				
GST revenue grants	46	- 31	- 77	- 178
Commonwealth specific purpose and national partnership grants				
— SPP grants	35	18	13	- 106
— NP grants	- 177	133	189	- 58
Other contributions and grants	- 15	- 12	- 20	- 20
Sales of goods and services	36	56	60	35
Dividends and income tax equivalents	47	105	- 22	7
Interest income	- 9	- 7	- 9	- 10
Royalties	- 26	- 24	- 20	- 20
Other revenue	- 10	- 18	- 35	- 19
Total other revenue	**-72**	**220**	**78**	**-369**
Operating expenses				
Nominal superannuation interest expense	—	- 1	—	—
Interest expense	6	91	22	87
Depreciation	17	56	15	- 13
Carryovers (net of provision for slippage)	- 4	29	- 15	- 8
Other variations	197	- 189	- 168	28
Total expenses	**216**	**-13**	**-147**	**94**
Net capital investment expenditure				
Depreciation	- 17	- 56	- 15	13
Carryovers (net of provision for slippage)	- 16	173	- 67	- 116
Other variations	- 252	705	282	292
Total net capital investment expenditure	**-286**	**823**	**200**	**188**

Note: Totals may not add due to rounding.

Variations in revenue estimates (parameter and other)

Since the 2015–16 Mid-Year Budget Review (MYBR), taxation revenues have been revised down in all years mainly reflecting year to date experience that suggests lower than expected revenue from payroll tax, conveyance duty and gambling taxes, in addition to revised growth assumptions, particularly for payroll tax and gambling taxes.

Payroll tax revenues have been revised down from 2015–16 onwards reflecting lower than budgeted collections year to date as a result of softer than expected employment and wages growth amongst payroll tax paying firms. Growth assumptions have also been revised reflecting the low wage environment and the outlook for employment among medium to large employers.

Underlying conveyance duty revenue has been revised down in 2015–16 primarily reflecting lower than expected growth in residential property transfer activity, partially offset by stronger than expected growth in the price of properties subject to conveyance duty. Property transfers are still expected to return to long-term trend levels over the medium term. From 2016–17, average property value growth assumptions are consistent with estimates at the 2015–16 MYBR.

Lower land value growth forecasts relevant to 2016–17 land tax collections result in a downward revision to underlying private sector land tax revenue from 2016–17.

Gambling tax revenue has been revised down in 2015–16 mainly reflecting lower than expected year to date growth in net gaming revenue from gaming machines in hotels and clubs. Underlying growth in net gambling revenue for both gaming machines in hotels and clubs and non-premium gaming machines in the Casino has been revised down from 2016–17 to reflect the ongoing trend for households to spend a lower proportion of their disposable income on gaming machines. Growth in revenue is also impacted by revised timing expectations for the Adelaide Casino expansion and broader redevelopment of the festival plaza and car park.

South Australia’s GST revenue grants have been revised up in 2015–16 and down in all other years since the 2015–16 MYBR reflecting the impact of changes to estimates of the national GST pool, updated population estimates and South Australia’s share of GST revenue grants.

National GST pool estimates were revised up in 2015–16 and down from 2016–17 as part of the 2016–17 Commonwealth Budget. The Commonwealth Grants Commission’s *Report on GST Revenue Sharing Relativities — 2016 Update* also recommended a lower share of the GST pool for South Australia in 2016–17 compared to projections in the 2015–16 MYBR. This has resulted in a downward revision to GST revenue grants from 2016–17. These downward revisions were partially offset by projected increases in South Australia’s relative population share contained in the 2016–17 Commonwealth Budget. Across the forward estimates period, South Australia’s GST share is projected to be lower than expected as at the 2015–16 MYBR, largely as a result of new data used by the Commonwealth Grants Commission to assess differences in wages costs across the states.

Commonwealth Government specific purpose payment (SPP) grants have been revised up from 2015–16 to 2017–18 principally due to growth in activity funding under the National Health Reform Agreement and the reclassification of revenue and payments associated with the transition of responsibility for disability and aged care services to the Commonwealth. There is no net budget impact associated with this reclassification. This is partially offset by reduced funding received under the Students First SPP due to revised enrolment projections, funding distribution across jurisdictions and an update to funding indexation. The downward revision in 2018–19 reflects the redirection of National Disability SPP funding to the National Disability Insurance Agency as South Australia moves to full scheme NDIS. This is offset by a corresponding reduction in state expenditure on disability services.

Commonwealth Government national partnership (NP) grants have been revised down in 2015–16 and 2018–19, and up in 2016–17 and 2017–18. These revisions mainly reflect changes to the profile of grant funding for the Northern Connector road project, the North South Corridor Darlington upgrade and the Goodwood/Torrens rail junction.

Royalties have been revised down in all years mainly due to lower than expected commodity prices for petroleum, iron ore and copper, partially offset by lower Australian dollar forecasts.

Sales of goods and services revenue has been revised up in all years mainly due to increased revenue from health unit fees. These increases are partially offset in 2018–19 by an expected fall in revenue from Commonwealth contributions reflecting funding arrangements for older people in specialised disability services following the signing of the transition to NDIS bilateral agreement with the Commonwealth.

Interest income has been revised down since the 2015–16 MYBR reflecting lower than projected interest rates on cash balances.

Dividend and income tax equivalent revenue has been revised up in 2015–16 and down in 2017–18 mainly due to changes in budgeted dividend and income tax equivalents from SA Water. The increase in 2016–17 is the result of a dividend payment from the Motor Accident Commission.

Other revenues have been revised down in all years largely reflecting a decrease in fines and penalties revenue due to lower detections from fixed and mobile cameras.

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

Operating Expenses

The nominal superannuation interest expense in 2015–16 is expected to be $402 million, consistent with forecasts in the 2015–16 MYBR. The expense from 2015–16 onwards is broadly in line with forecasts in the 2015–16 MYBR.

Interest expenses for 2015–16 is broadly in line with the forecast at the time of the 2015–16 MYBR. Across the forward estimates there is a reduction in interest expenses since the 2015–16 MYBR in 2016–17 largely reflecting reduced costs associated with the delay in the commercial acceptance of the new Royal Adelaide Hospital, and reduced service payments for the new Royal Adelaide Hospital from 2018–19 onwards due to the lower interest rate environment.

Depreciation expenditure has been revised downwards overall largely due to the transfer of assets and corresponding depreciation expenses from TAFE SA to Renewal SA and the realignment of depreciation and amortisation budgets across government. Amortisation has also been revised down in 2016–17, reflecting the expected delay of commercial acceptance of the new Royal Adelaide Hospital.

Carryover expenditure reflects under expenditure by agencies in 2015–16, which will now be incurred in later years. Operating carryovers from 2015–16 to 2016–17 and future years are $55 million. The 2016–17 Budget also includes adjustments to the provision for operating slippage over the forward estimates based on the recent average level of carryovers applied to the revised operating expenditure budget in each year.

The movements in the ‘other variations’ category across the forward estimates includes transactions that have no net budget impact but both expenses and revenue vary, and the reclassification of some transactions in accordance with accounting standards. It also includes the re-profiling of expenditure between budget years, including for timing changes under Commonwealth funded programs.

Net Capital Investment Expenditure

The carryover of investing expenditure in 2015–16 reflects delays in project expenditure. Where appropriate, an estimate of expenditure for these projects has been carried forward into future years. Investing carryovers from 2015–16 to 2016–17 and future years are $183 million. The 2016–17 Budget also includes a provision for project slippage over the forward estimates based on the recent average level of carryovers applied to the revised investing expenditure budget in each year.

The movements in the Net Capital Investment Expenditure 'other variations' category are primarily due to re-profiles of capital project expenditure across the forward estimates and revised timing of asset sales, as well as adjustments to the major project contingency provision as it is replaced by specific new investing initiatives. The impact in 2016–17 is particularly large due to the recognition of the transfer of key TAFE SA campuses to Renewal SA to manage, as the government agency with the best available commercial property management experience and expertise, which results in a $650 million payment from the Public Non-Financial Corporation sector to the General Government sector.

Chapter 2: Expenditure

This chapter provides an overview of new expenditure initiatives in the 2016–17 Budget and describes the trends in aggregate general government expenditure over the forward estimates period. Full details of all budget initiatives are provided in the 2016–17 Budget Measures Statement. It also provides a summary of the general government capital program and the major capital projects that are being undertaken.

New expenditure is focussed on measures designed to support confidence, jobs, innovation and the government's key economic, social and environmental priorities. Significant investment is directed towards building science and technology facilities in schools and further expanding the public transport system as a means to encourage job creation while providing improved facilities to the public.

New operating and investing initiatives in the 2016–17 Budget total $1613.1 million over the next four years (in addition to $184.0 million in 2015–16). These are partially offset by $546.7 million over four years of new savings and revenue offsets.

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

Table 2.1: General government initiatives ($million)

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Operating expenditure initiatives[(a)(b)]	- 184.0	- 310.0	- 322.5	- 285.1	- 244.2
Revenue offsets	—	—	36.0	63.0	91.0
Operating savings	—	13.3	57.1	117.4	168.8
Total net operating initiatives	**- 184.0**	**- 296.6**	**- 229.5**	**- 104.7**	**15.7**
Investing expenditure initiatives	—	- 96.9	- 194.4	- 154.4	- 5.6
Total net initiatives	**- 184.0**	**- 393.6**	**- 423.9**	**- 259.1**	**10.1**

Note: Totals may not add due to rounding.

(a) Excludes depreciation on investing initiatives.

(b) Includes expenditure associated with implementing revenue measures.

New initiatives

New operating initiatives in the general government sector total $1161.8 million over the next four years (in addition to $184.0 million in 2015–16). Major initiatives include:

- $526.8 million over four years (in addition to $144.4 million in 2015–16) for support to the Department for Health and Ageing to further address the funding shortfall created by the ongoing impact of the 2014–15 Commonwealth budget cuts. This incorporates $187.0 million of funding reinstated by the Commonwealth Government as announced at the April 2016 COAG meeting and reflected in its 2016–17 Budget
- $109.2 million over three years for a job creation grant scheme to support businesses to grow and create new employment opportunities. Businesses with a total national payroll of $5 million or less that increase their number of South Australian employees will be eligible to receive a grant for each

additional worker employed by them between 1 July 2016 and 30 June 2018. The grant will be paid at the first and second anniversary date of employment

- $61.3 million over four years (in addition to $4.5 million of investing expenditure) to meet prison demand pressures from the continued growth in prisoner numbers. Expansions at Port Augusta, Mobilong and Mount Gambier prisons will establish 198 additional beds across the prison system
- $53.1 million over four years for tourism, major events and arts related initiatives, comprising:
  - $35.0 million to secure new events and market the state's tourism and events offerings in key international and domestic markets, extending the 2015–16 Budget measure
  - $15.0 million to enable the arts sector to provide a range of quality arts activities, to maximise jobs growth and economic benefits for the state and to enhance the tourism potential of South Australia
  - $3.1 million to enhance the OzAsia Festival
- $52.6 million over four years (in addition to $11.5 million of investing expenditure) for climate change, environmental protection and green industry initiatives which are being funded by an increase to the solid waste levy. The metropolitan levy will increase from $62 currently to $76 on 1 September 2016, $87 in 2017–18, $100 in 2018–19 and $103 in 2019–20
- $50.0 million over two years to support a new owner of the Arrium Whyalla Steelworks to be used to support the operations at Whyalla. The state has also called on the Commonwealth government to contribute $100 million towards the facility, which would bring the total support to a new purchaser to $150 million
- $44.4 million over four years to continue investment in programs that have achieved positive health outcomes for Indigenous South Australians. These programs include Quit Smoking initiatives, Child and Adolescent Mental Health Services in the APY Lands, Aboriginal Well Health Checks and Aboriginal Step Down Services
- $38.5 million over four years (in addition to $6.2 million of investing expenditure) for South Australia's emergency services, including:
  - $16.2 million to improve the state's capacity to respond to bushfire threats
  - $6.2 million to continue funding provided in the 2015–16 Budget for training and support for Country Fire Service and State Emergency Service volunteers as an ongoing program
  - $5.2 million (in addition to $4.2 million of investing expenditure) to retrofit safety systems to existing fire trucks
- $29.8 million over four years to support a series of initiatives designed to encourage industry innovation and growth, including $10.0 million to establish the South Australian Early Commercialisation Fund to assist companies at the pre-seed and seed stage of development, a $7.5 million contribution to the University of South Australia's Future Industries Institute and $4.7 million for Gig City

  Together with existing innovation government programs such as the Premier's Research and Industry Fund, the government's annual commitment to innovation programs will be at least $20 million per annum over the forward estimates period.

  The government will also establish the South Australian Venture Capital Fund which will provide $50 million in venture capital to partner with private sector financiers to help build high growth companies in the state
- $26.0 million over three years for industry attraction including $20 million for the continuation of the Economic Investment Fund to secure new investment in South Australia, extending the 2015–16 Budget measure, and $6.0 million for defence industry attraction
- $25.0 million over two years (in addition to $15.5 million in 2015–16) for people living with a disability to access a range of services including accommodation support, community support, community access and respite services

- $22.1 million over three years for the improvement and enhancement of recreation, sporting and community facilities, comprising:
  - $10.0 million over three years for the establishment of a Women’s Sporting Facilities Fund which will provide grants to community sporting clubs to provide facilities for female participation in sport
  - $7.5 million grant to the City of Charles Sturt in 2016–17 to upgrade the St Clair Recreation facility
  - $4.6 million in 2016–17 to provide land at the former Ross Smith Secondary School site to the City of Port Adelaide Enfield for the construction of a community recreation and sport facility

  This is in addition to $18.8 million provided in 2015–16 comprising:
  - $10.0 million to the Football Federation of South Australia to develop eight artificial pitches and upgrade soccer facilities across the state
  - $5.0 million to the Port Pirie Council for the redevelopment of the Port Pirie Memorial Oval into a multi-use sporting facility
  - $2.0 million to the City of Marion Council for the construction of a regional level BMX facility at the O'Halloran Hill Recreation Reserve
  - $1.1 million to the South Australian Ice Sports Federation Incorporated to meet the estimated cost of the replacement, upgrading and installation of the refrigeration system, ice floors and associated works at the Ice Arena
  - $750 000 to the Modbury Bowling Club towards the upgrade of its facilities including the installation of synthetic grass and shade covers
- $16.1 million over four years for continued support to ensure that SA Police is able to meet the government’s commitment to recruit 313 additional police officers and to support reform initiatives to ensure more sworn police officers are tasked to provide front line services
- $15.6 million over four years to implement supervision and management of offenders subject to new court-ordered home detention and continue to expand the use of the Department for Correctional Services' sentenced home detention program
- $8.7 million over four years to continue the operation of the 10-bed Community Mental Health Rehabilitation Service in Whyalla, which includes a suicide prevention component
- $7.3 million in 2016–17 towards the revitalisation of the Market to Riverbank laneway link to form a vibrant pedestrian connection between the Adelaide Railway Station and the Central Market
- $1.0 million in 2016–17 to establish a Response Unit to address and coordinate the response to the recommendations that will arise from the Child Protection Systems Royal Commission.

A summary of the operating initiatives by agency is shown in table 2.2.

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

Agency	2015–16 Estimate	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Attorney-General	—	- 2.4	- 2.8	- 1.2	- 1.3
Communities and Social Inclusion	- 15.5	- 15.9	- 10.8	- 0.8	- 0.5
Correctional Services	—	- 21.6	- 21.2	- 21.7	- 22.2
Courts	—	—	—	—	—
Defence SA	- 0.4	- 1.9	- 0.5	- 0.5	- 0.5
Education and Child Development[(b)]	—	- 0.4	- 0.6	- 0.7	- 0.8
Electoral Commission	—	—	—	—	—
Emergency Services — CFS	—	- 2.3	- 3.1	- 2.6	- 1.3
Emergency Services — MFS	—	—	—	—	—
Emergency Services — SAFECOM	—	- 1.4	- 1.0	- 1.1	- 1.1
Emergency Services — SES	—	- 1.5	- 2.0	- 2.0	- 2.0
Environment Protection Authority	—	- 2.2	- 2.9	- 4.4	- 4.8
Environment, Water and Natural Resources	—	- 5.3	- 5.3	- 7.5	- 10.3
Green Industries SA	—	- 2.9	- 5.1	- 9.3	- 9.2
Health and Ageing	- 144.4	- 170.0	- 152.3	- 118.2	- 139.7
Legislature	—	- 0.1	- 0.1	- 0.1	- 0.1
Planning, Transport and Infrastructure	- 21.1	- 28.2	- 3.9	- 3.4	- 0.1
Police	—	- 0.4	- 3.7	- 5.5	- 6.5
Premier and Cabinet	—	- 5.3	- 1.1	- 1.0	- 1.0
Primary Industries and Regions	—	- 1.2	- 1.2	- 0.5	- 0.5
State Development	- 0.2	- 17.5	- 26.3	- 28.2	- 14.8
Tourism	—	—	- 17.5	- 17.5	—
Treasury and Finance	—	- 3.6	- 5.3	- 4.3	- 3.9
Across government					
Support for the future of Whyalla steelworks	—	- 25.0	- 25.0	—	—
Job creation grant scheme	—	—	- 30.9	- 54.6	- 23.7
SA Made Campaign	- 2.0	—	—	—	—
Port Adelaide — precinct initiatives	- 0.4	- 0.8	—	—	—
Total operating initiatives	**- 184.0**	**- 310.0**	**- 322.5**	**- 285.1**	**- 244.2**

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

(b) Includes Families SA

New investing initiatives in the general government sector total $451.3 million over the next four years. Major initiatives include:

- $250.0 million over three years to refurbish and redevelop 139 government primary and secondary school facilities for the provision of contemporary science, technology, engineering and mathematics (STEM) programs
- $50.0 million over two years to extend the existing tram network along North Terrace to the existing Royal Adelaide Hospital site
- $48.0 million over two years for a major mechanical upgrade of 50 diesel railcars, including the overhaul of bogies, brakes and traction power systems
- $35.2 million over three years (in addition to $1.1 million of operating expenditure) for the redevelopment of Her Majesty's Theatre

- $19.9 million over four years (in addition to $4.9 million of operating expenditure) for the planning reform implementation, including development of an e-Planning information technology solution to move planning documents and processes online
- $15.0 million over two years for the refurbishment of the former Smithfield Plains High School site to enable the consolidation of existing Families SA offices at Elizabeth, Gawler and Salisbury, to enable Families SA to deliver assessment and support, protective intervention and guardianship services in a more effective manner and improve support for vulnerable children.
- $6.0 million over four years (in addition to $2.4 million of operating expenditure) to enable the modernisation of SACE operations, including the transition from paper-based to online assessments.

In addition, a low interest loan facility of $250 million has been established for capital support for non-government schools. Schools will be able to apply for loans for the construction of new and updated learning facilities, which will support construction jobs and ensure students have access to quality education facilities. All loans will be subject to demonstrated educational merit and appropriate financial assessment criteria.

A summary of the investing initiatives by agency is shown in table 2.3.

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

Agency	2015–16 Estimate	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Attorney-General	—	- 1.1	- 0.4	- 0.4	- 0.4
Communities and Social Inclusion	—	—	—	—	—
Correctional Services	—	- 4.5	—	—	—
Courts	—	—	—	—	—
Defence SA	—	—	—	—	—
Education and Child Development[(b)]	—	- 39.6	- 113.2	- 116.6	- 1.6
Electoral Commission	—	—	—	—	—
Emergency Services — CFS	—	- 1.3	- 0.4	- 1.1	- 1.3
Emergency Services — MFS	—	—	—	—	—
Emergency Services — SAFECOM	—	—	—	—	—
Emergency Services — SES	—	- 0.5	- 0.5	- 0.5	- 0.5
Environment Protection Authority	—	—	- 0.5	- 0.6	- 0.4
Environment, Water and Natural Resources	—	—	—	—	—
Green Industries SA	—	—	—	—	—
Health and Ageing	—	—	—	—	—
Legislature	—	- 1.4	—	—	—
Planning, Transport and Infrastructure	—	- 46.5	- 73.1	- 6.9	- 1.4
Police	—	- 0.3	- 0.8	- 0.1	—
Premier and Cabinet	—	—	—	—	—
Primary Industries and Regions	—	—	—	—	—
State Development	—	- 1.7	- 5.6	- 28.1	—
Tourism	—	—	—	—	—
Treasury and Finance	—	—	—	—	—
Total investing initiatives	**—**	**- 96.9**	**- 194.4**	**- 154.4**	**- 5.6**

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

(b) Includes Families SA

Savings

Since the 2010–11 Budget the government has implemented significant savings measures each year. These savings have been substantially delivered and have largely been responsible for the restrained growth in general government operating expenses evident since 2012–13. Operating expenses declined by 1.3 per cent (in real terms) from 2012–13 to 2014–15. Expenditure continues to be restrained over the forward estimates, with real growth of 1.6 per cent budgeted from 2015–16 to 2019–20.

The majority of future savings for agencies relate to a continuation of the existing efficiency dividend policy.

To continue to assist agencies in the delivery of their budgetary targets, a TVSP scheme, which has been in operation since November 2010, remains in place. Since 1 July 2014 the maximum TVSP payout has been 52 weeks' pay (calculated as 10 weeks base plus two weeks per year of service).

TVSPs are available (at the discretion of Chief Executives) to persons whose positions are abolished as part of savings measures and organisational restructures. Unless otherwise approved by the government, from 1 July 2015 agencies have been responsible for managing costs associated with TVSPs or separation payments.

The government has revised its wages policy to limit wage growth to a maximum of 1.5 per cent per annum over the next three years of each enterprise agreement. This will save $13.3 million in 2016–17 rising to $168.8 million in 2019–20 compared to the previous wage policy of limiting wage growth to 2.5 per cent per annum.

The government will not proceed with the measure to recover the Natural Resources Management (NRM) water levy to co-produced water extracted by the gas and petroleum industry in the Far North Prescribed Wells Area from 2016. The Minister for Mineral Resources and Energy, as holder of the licences, will pay the levy to the South Australian Arid Lands NRM Board, but will not seek to recover this contribution from industry.

Measures approved after the 2015–16 Mid-Year Budget Review

In addition to measures approved in the 2016–17 Budget, several initiatives were approved in the period following the 2015–16 MYBR and are shown as memorandum items in the 2016–17 Budget Measures Statement.

Major initiatives include:

- $44.4 million over four years to develop new arrangements within the Taxi and Chauffeur industry following a review panel's recommendations regarding regulation of competitors, accreditation and inspection standards
- $37.8 million over four years (in addition to $248 000 in 2015–16) to ensure compliance with educator to child ratio requirements for government funded pre-schools
- $24.2 million over three years for a range of initiatives under the Northern Economic Plan including:
  - $10.5 million for the implementation of a Small Business Development Fund
  - $7.0 million for the development of the Northern Adelaide Food Park
  - $4.0 million for the creation of a disability employment hub
- $7.3 million over four years (in addition to $3.3 million in 2015–16) to develop and implement an IT system which will enable the continuous monitoring for screening assessments of people who work or volunteer with children.

General government operating expenditure

Forward estimates of general government expenses by type are shown in table 2.4.

Table 2.4: General government expenditure — forward estimates ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Employee expenses	7 512	7 749	7 899	8 068	8 143	8 285
Superannuation expenses						
Superannuation interest cost	378	402	392	382	371	359
Other superannuation expenses	812	840	859	872	885	904
Depreciation and amortisation	916	889	963	1 020	1 055	1 058
Interest expenses	198	233	346	375	300	297
Other property expenses	—	—	—	—	—	—
Other operating expenses	4 583	4 155	4 613	4 832	4 939	5 178
Grants	2 656	2 768	2 937	2 955	2 818	2 843
Total expenses	**17 055**	**17 036**	**18 009**	**18 502**	**18 509**	**18 923**
Total expenses % change on previous year						
Total expenses nominal growth (%)		1.8%	5.7%	2.7%	0.0%	2.2%
Total expenses real growth (%)		1.0%	3.9%	0.5%	-2.4%	-0.3%

Note: Totals may not add due to rounding.

In 2015–16, general government expenses are estimated to be in line with the 2015–16 Budget.

On average, growth in expenses is estimated to remain below trend growth in household income (4.5 per cent per annum) over the forward estimates, consistent with the government's fiscal target. Growth in operating expenses are projected to increase by 1.6 per cent in real terms from 2015–16 to 2019–20. The constrained growth over the forward estimates is largely driven by the savings measures that the government has introduced in previous budgets, and the announcement in this budget of the government's intention to limit public sector wages growth 1.5 per cent per annum over the next enterprise agreement for public sector workers.

The higher growth in expenses in 2016–17 of 5.7 per cent is a result of a number of one-off factors, including:

- The commencement of service payments (including finance charges) and amortisation associated with the recognition of the new Royal Adelaide Hospital on the State's balance sheet for the first time in 2016–17. As this project is a Public Private Partnership, these payments all commence at commercial acceptance of the new hospital, rather than staged over the life of the project with a traditional building project.
- The timing of expenditure for certain Commonwealth funded programs that has changed since the release of the 2015–16 Budget. This includes the payment of $62.1 million in Commonwealth funding that is on-passed to local government in 2014–15 instead of 2015–16, and a delay of $38.3 million in expenditure for the Coorong, Lower Lakes and Murray Mouth project from 2015–16 into 2016–17.
- Additional expenses in the general government sector as a result of lease payments for TAFE SA assets that have been transferred to Renewal SA. This has no budget impact from a whole of government perspective.

In the absence of the above one-off factors, growth in expenses in 2016–17 would be under 3.5 per cent.

Table 2.5 shows total operating expenses across the forward estimates for selected agencies.

Table 2.5: Operating expenses — selected agencies[(a)(b)(c)]

Agency[(c)]	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Attorney-General	206	211	213	206	208	210
Auditor-General	15	15	15	16	16	17
Communities and Social Inclusion	1 156	1 205	1 253	1 404	1 263	1 303
Correctional Services	257	271	299	301	305	310
Courts	80	82	83	84	85	87
Defence SA	21	21	25	22	22	22
Education and Child Development[(d)]	3 075	3 158	3 234	3 345	3 494	3 652
Electoral Commission	5	4	5	16	9	5
Emergency Services — CFS	56	62	60	65	65	62
Emergency Services — MFS	124	126	129	132	134	135
Emergency Services — SAFECOM	19	17	14	10	9	11
Emergency Services — SES	11	12	13	14	14	14
Environment Protection Authority	25	29	28	29	30	31
Environment, Water and Natural Resources	292	271	266	232	222	225
Green Industries SA	4	7	9	10	13	13
Health and Ageing	5 154	5 428	5 661	5 650	5 629	5 807
Legislature	26	26	24	25	25	26
Planning, Transport and Infrastructure	1 396	1 434	1 484	1 493	1 460	1 451
Police	767	765	800	820	835	862
Premier and Cabinet	242	242	240	236	234	237
Primary Industries and Regions	250	257	263	202	172	163
State Development	665	679	684	635	619	619
Tourism	73	107	106	107	107	91
Treasury and Finance	68	87	90	95	95	96
Total operating expenses — selected agencies	**13 990**	**14 518**	**14 996**	**15 148**	**15 067**	**15 448**

Note: Totals may not add due to rounding.

(a) Data in this table reflects total expenses on a GFS basis and therefore will not equal total expenses as presented in 2016–17 Agency Statements which are presented on a basis that is consistent with Australian Accounting Standards.

(b) All expenditures between general government agencies are eliminated in the consolidated financial statements, and for the first time have also been removed from agency expenses in this table. As a result this information is not directly comparable to the equivalent table presented in previous budget papers.

(c) Excludes administered items of agencies.

(d) Includes Families SA.

The major changes in operating expenses from the 2015–16 estimated result to 2019–20 are in the following agencies:

- Communities and Social Inclusion — projected to increase by $98.3 million primarily due to growth in disability expenditure over the forward estimates. The reduction from 2017–18 to 2018–19 reflects the change in funding arrangements related to the National Disability Insurance Scheme from 2018–19 onwards
- Correctional Services — projected to increase by $39.5 million primarily due to additional funding provided for additional prison beds to be commissioned over the forward estimates
- Education and Child Development — projected to increase by $493.5 million primarily due to increased funding under the National Education Reform Agreement where the state continues to meet its full six year funding commitment
- South Australian Fire and Emergency Services Commission — projected to decrease by $6.9 million primarily due to the budget for the Natural Disaster Resilience Program, funded in part

by the Commonwealth government, being reflected up to 2016–17 only. Actual expenditure levels under this program in future years will depend on the outcome of the renegotiation of the National Partnership Agreement

- Environment, Water and Natural Resources — projected to decrease by $45.9 million primarily due to reduced expenditure relating to projects completed in conjunction with the Commonwealth Government under the Murray Futures program
- Health and Ageing — projected to increase by $379.2 million, primarily due to the finance charges and amortisation expense associated with the new Royal Adelaide Hospital and growth in services
- Police — projected to increase by $97.3 million primarily due to additional resources associated with the recruitment of additional police officers under the Recruit 313 initiative
- Primary Industries and Regions — projected to decrease by $93.5 million primarily due to reduced expenditure under various grant programs including the South Australian River Murray Sustainability Program
- State Development — projected to decrease by $60.2 million primarily due to the completion of some initiatives by the end of the forward estimates, and lower depreciation from 2016–17 as a result of the transfer of TAFE SA facilities to Renewal SA.

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

Employee expenses

Table 2.6: General government employee expenses — forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Employee expenses ($m)	7 749	7 899	8 068	8 143	8 285
Nominal growth (%)	3.4%	1.9%	2.1%	0.9%	1.7%
Real growth (%)	2.6%	0.2%	-0.1%	-1.5%	-0.7%

Employee expenses decline in real terms by 2.2 per cent across the forward estimates, primarily reflecting reductions in general government sector employment numbers, and constraint in public sector wages growth over the forward estimates.

Growth rates in the earlier years are in part influenced by wage outcomes (that exceed the new wage policy) for existing enterprise agreements that expire over the next two years.

Full-time equivalents (FTEs)

FTE estimates for general government sector agencies are based on their FTE caps. These caps are established to be consistent with the salaries and wages budget for each agency and are adjusted in line with changes to their budgets. Actual FTEs are monitored on a regular basis with agencies required to explain any significant variations from their FTE cap.

The estimated aggregate workforce levels in the general government sector across the forward estimates are shown in table 2.7. The FTE impacts of individual measures are outlined in the Budget Measures Statement.

Table 2.7: General government sector employment

	Full-time equivalent employees as at 30 June					
	2015 Actual	2016 Estimate	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
As at 2015–16 Budget		80 146	79 060	79 024	78 694	n.a.
As at 2015–16 Mid-Year Budget Review		80 777	79 673	79 648	79 723	n.a.
As at 2016–17 Budget	81 345	81 759	81 231	81 002	80 776	80 926

FTEs in the general government sector are estimated to decrease by 833 between 30 June 2016 and 30 June 2020. This reflects the cumulative impact of savings measures partially offset by new expenditure measures.

The 2015–16 MYBR outlined that general government sector FTE levels over the forward estimates were higher than those forecast at the time of the 2015–16 Budget. The increase was primarily a result of an adjustment to the mix of expenditure under the National Education Reform Agreement (NERA), reflecting Education and Child Development's expectation that a larger degree of additional funding under NERA will be spent on employee expenditure.

Budgeted FTEs have also increased since the 2015–16 MYBR, primarily as a result of measures announced as part of the 2016–17 Budget including support to Health and Ageing, and Correctional Services.

Following the 2015–16 MYBR, the government also announced additional support for government funded pre-schools to meet new educator to child ratios from 1 January 2016, resulting in 150 additional FTEs by 2019–20.

The net impact of 2016–17 Budget initiatives on general government sector FTEs over the forward estimates period is shown in table 2.8.

Table 2.8: Full-time equivalent impacts of 2016–17 Budget measures as at 30 June

	2015–16 Estimate	2016–17 Estimate	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total FTE impact of expenditure measures	604	979	920	566	481

Note: Totals may not add due to rounding.

Enterprise Agreements

In 2015–16 enterprise agreement negotiations were finalised for Teachers and Preschool Education Staff, Police Officers and the Rail Commissioner Tram Operations employees.

In 2016–17 enterprise bargaining negotiations will occur for the Trades group (building, metal and plumbing trades), TAFE SA Lecturers, Ambulance Officers, Assistants to Members of Parliament, Visiting Medical Specialists, Nurses/Midwives, the Rail Commissioner train drivers, infrastructure and maintenance employees, Wages Parity Groups (salaried and weekly paid), Salaried Medical Officers, Clinical Academics and Firefighters.

Expenditure on salaries and wages is the largest expense for the government, representing 44 per cent of general government sector costs in 2016–17. In the current economic climate it is essential that wage increases in the public sector are responsible and sustainable. Without such restraint the current budget outlook is placed at risk and further budget improvement measures would need to be adopted.

A wage policy of limiting wage growth to 2.5 per cent per annum is well above recent CPI outcomes, and is not sustainable in the current economic climate. Pressures on wage outcomes in the private sector exist in light of these conditions and it is reasonable that public sector wage outcomes are also cognisant of the current economic climate.

As a result the government has revised its wages policy to limit wage growth to 1.5 per cent per annum over the next three years of each enterprise agreement. As was previously the case any increases above this level will need to be offset by productivity improvements or other cost reduction measures.

The revision to the government’s wages policy will save an estimated $357 million over the next four years.

The outcomes of future wage negotiations will be crucial in determining whether expenditure forward estimates in this budget can be achieved and the planned level of government services can be delivered in light of the current challenging economic conditions.

Superannuation expenses

Table 2.9: General government superannuation expenses — forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Superannuation expenses ($m)					
Superannuation interest cost	402	392	382	371	359
Other superannuation expenses	840	859	872	885	904
Nominal growth (%)	5.6%	0.7%	0.2%	0.2%	0.5%
Real growth (%)	4.8%	-1.0%	-2.0%	-2.3%	-1.9%

The estimated nominal superannuation interest expense represents the increase during the year in the defined benefit superannuation obligations due to them being one year closer to settlement, less the expected earnings on superannuation assets. The nominal superannuation interest expense for each year is calculated based on the unfunded superannuation liability at the end of the preceding financial year. Further discussion on that liability can be found in Chapter 4.

The nominal superannuation interest expense for 2015–16 is $401.5 million, consistent with estimates at the 2015–16 MYBR. The expense from 2016–17 is lower, reflecting the impact of a decline in the long-term Commonwealth bond rate, which is a key determinant of the expense.

Depreciation and amortisation

Table 2.10: General government depreciation and amortisation expenses — forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Depreciation ($m)					
Buildings and improvements	352	361	382	412	410
Plant, equipment and vehicles	198	213	214	213	216
Road network	221	222	223	224	224
Rail and bus tracks	45	45	47	51	51
Water, sewer and drainage	7	7	8	10	12
Harbour and port facilities	7	7	8	8	8
Total depreciation	**831**	**855**	**881**	**917**	**921**
Amortisation	59	108	138	138	137
Total depreciation and amortisation	**889**	**963**	**1 020**	**1 055**	**1 058**
Nominal growth (%)	4.3%	8.3%	5.9%	3.5%	0.3%
Real growth (%)	3.5%	6.4%	3.5%	0.9%	-2.2%

Note: Totals may not add due to rounding.

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

Growth in depreciation is projected across the forward estimates as projects are completed in line with the program of significant investment in the state's infrastructure. These include the Adelaide Festival Centre precinct, site works at the new Royal Adelaide Hospital, Flinders Medical Centre Redevelopment, education infrastructure, extension of the existing tram network and prison infrastructure.

The growth is largely reflected in building and improvements, and plant and equipment which is reflective of the profile of planned investing spend. The large increase in amortisation from 2016–17 is due to the commencement of amortisation of the finance lease for the new Royal Adelaide Hospital.

Interest expenses

Table 2.11: General government interest expenses — forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Interest expenses ($m)	233	346	375	300	297
Nominal growth (%)	-7.9%	48.3%	8.2%	-20.0%	-0.9%
Real growth (%)	-8.6%	45.8%	5.8%	-22.0%	-3.3%

Interest expenses comprise interest paid by the Treasurer to the South Australian Government Financing Authority (SAFA) on government borrowings and interest expenses of agencies related to finance leases.

The increase in the interest expense from 2015–16 to 2016–17 is primarily a result of commencing the new Royal Adelaide Hospital finance lease agreement. The finance lease expense reduces over the forward estimates, in line with expected service payments over the life of the lease.

Other operating (non-employee) expenses

Table 2.12: General government other operating (non-employee) expenses forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Other operating (non-employee) expenses ($m)	4 155	4 613	4 832	4 939	5 178
Nominal growth (%)	-0.4%	11.0%	4.7%	2.2%	4.8%
Real growth (%)	-1.2%	9.1%	2.4%	-0.3%	2.3%

General government other operating (non-employee) expenses for 2016–17 are estimated to be $4.6 billion. This is largely made up of:

- supplies and services ($2.6 billion) predominantly within Health and Ageing ($1.1 billion), Education and Child Development ($363.6 million), Communities and Social Inclusion ($204.1 million) and Planning, Transport and Infrastructure ($170.0 million)
- consultancies and contractors ($605.5 million) predominantly within Planning, Transport and Infrastructure ($293.7 million) mainly due to bus and road maintenance contracts, Health and Ageing ($155.1 million) and Education and Child Development ($44.4 million)
- repairs and maintenance expenses ($329.1 million) predominantly within Planning, Transport and Infrastructure ($101.0 million), Education and Child Development ($91.9 million) and Health and Ageing ($89.8 million)
- computer and communications charges ($248.6 million) predominantly within Health and Ageing ($73.7 million), Premier and Cabinet ($43.1 million) and Education and Child Development ($25.7 million)
- operating leases ($209.4 million) predominantly within Planning, Transport and Infrastructure for office accommodation across government
- concessions payments ($197.8 million) predominantly within Communities and Social Inclusion.

There are a number of one-off factors that impact on the growth in expenditure in 2016–17. This includes the announced support for the future of the Whyalla Steelworks, the announced reforms of the taxi and chauffeur industry, as well as expenditure associated with the new Royal Adelaide Hospital.

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

- Communities and Social Inclusion — primarily relating to funding provided across the forward estimates for disability services and for the Equal Remuneration Order for workers in the social and community services sector
- Education and Child Development — relating to the National Education Reform Agreement.

Grants

Table 2.13: General government grant expenses — forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Grants ($m)	2 768	2 937	2 955	2 818	2 843
Nominal growth (%)	-0.8%	6.1%	0.6%	-4.6%	0.9%
Real growth (%)	-1.5%	4.3%	-1.6%	-7.0%	-1.6%

General government sector grant payments in 2016–17 are forecast to be $2.9 billion, which is $169.0 million higher than the estimated result in 2015–16. Grant payments include grants to non-government schools, local government, industry, the South Australian Housing Trust (SAHT) and community service obligation payments to SA Water and Renewal SA.

The increase in grant payments in 2016–17 is largely due to:

- growth in grant payments provided to non-government schools under the National Education Reform Agreement
- the profile of grant payments within the Local Government Grants Commission relating to the Commonwealth providing $62.1 million in grants to be on-passed to local government at the end of 2014–15, instead of in 2015–16 as expected
- an increase in Community Service Obligation payments to Renewal SA to ensure it makes a commercial return on the TAFE SA properties that it will purchase from the Department of State Development in 2016–17. Further detail on this transaction is explained in Chapter 5.

Grant payments decrease from 2017–18 to 2019–20 mainly due to:

- lower grant payments due to the funding arrangements for aged care and disability services under the National Disability Insurance Scheme
- a reduction in the profile of grant payments associated with the South Australian River Murray Sustainability program
- offset by growth in grant payments provided to non-government schools under the National Education Reform Agreement.

General government investing expenditure

The general government investing program is expected to be $1.8 billion in 2016–17 (excluding recognition of the new Royal Adelaide Hospital finance lease), compared with the 2015–16 estimated result of $1.2 billion. The government will maintain an infrastructure investment program of over $1.5 billion per annum in the general government sector across the forward estimates.

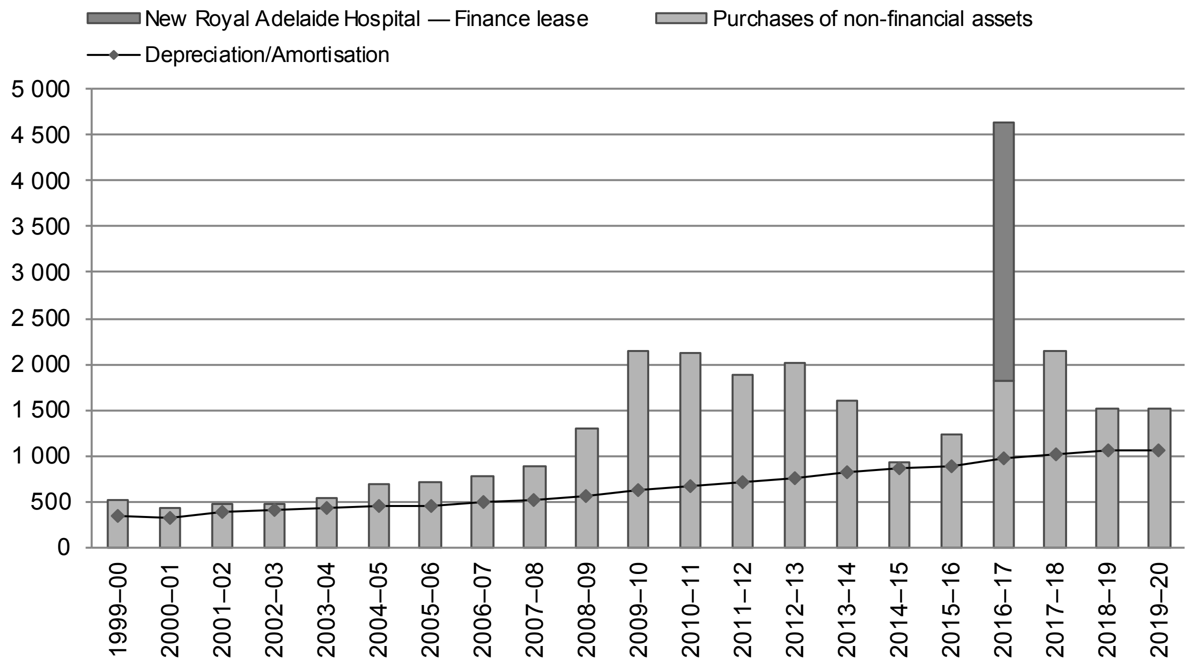
Table 2.14: General government sector capital investment — forward estimates

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Purchases of non-financial assets ($m)	1 236	1 810	2 134	1 508	1 510
New Royal Adelaide Hospital finance lease ($m)	—	2 820	—	—	—
General government capital investment	**1 236**	**4 630**	**2 134**	**1 508**	**1 510**

Figure 1 shows that general government capital investment since 2010–11 reflects continued significant investment by the government in transport, health, and education infrastructure. This includes joint state and Commonwealth Government upgrade to the North–South Road Corridor, major public transport projects including the O-Bahn City Access Project and the extension of the existing tram network, the redevelopment of many metropolitan and country hospitals, and the major redevelopment of the Adelaide Festival Centre precinct. Across the forward estimates, budgeted capital expenditure remains well above the level of depreciation.

The state will recognise the $2.8 billion finance lease liability for the new Royal Adelaide Hospital on its balance sheet in 2016–17.

Figure 1: General government sector purchases of non-financial assets ($million)



Significant investments being undertaken by the government include:

- $3.8 billion ($2.0 billion of which will be spent over the forward estimates) in partnership with the Commonwealth Government for road projects to improve traffic flow along the North–South Road Corridor between Gawler and Old Noarlunga. Significant projects include the South Road Upgrade from Torrens Road to the River Torrens, South Road Superway, Darlington Upgrade and the Northern Connector
- $1.2 billion ($782.6 million of which will be spent over the forward estimates) for major public transport projects, which in the forward estimates period will include the Torrens Rail Junction Upgrade, extension of the O‑Bahn into the city, commencement of electrification of the Gawler Rail Line from the city to Salisbury, extension of the tram network along North Terrace to the old Royal Adelaide Hospital site, the overhaul, maintenance and life extension of rail cars and the purchase of new buses
- $891.4 million ($322.2 million of which will be spent over the forward estimates) for redevelopment of major metropolitan and regional hospitals including works at the new Royal Adelaide Hospital, Lyell McEwin Hospital and the Transforming Health initiative including works at the Flinders Medical Centre, Modbury Hospital, Queen Elizabeth Hospital and the Noarlunga Health Service
- $489.7 million ($441.8 million of which will be spent over the forward estimates) on education projects including refurbishment and redevelopment of primary and secondary schools for the provision of contemporary science, technology, engineering and mathematics (STEM) programs, a new city high school, improving facilities for disadvantaged schools, additional children’s centres and early years facilities as well as the upgrade and relocation of preschools
  - In addition to these investments, the government has also established a $250.0 million low interest loan facility for non-government schools. Schools will be able to apply for loans for the construction of new learning facilities which will support construction jobs and ensure students have access to quality education facilities
- $237.5 million ($222.1 million of which will be spent over the forward estimates) for the upgrade of Her Majesty’s Theatre and the major redevelopment of the Adelaide Festival Centre precinct in partnership with the private sector, including the upgrade of the Festival Plaza, Adelaide Festival Centre and a new car park.

Table 2.15 summarises the investing program for the general government sector by agency. Further detail on agency investing programs is contained in the 2016–17 Agency Statements.

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

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

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

Table 2.15: General government capital investment by agency[(a)]

Agency[(a)]	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Attorney-General	22 801	53 101	19 826	32 101	1 526
Auditor-General	211	216	221	227	233
Communities and Social Inclusion	12 791	9 004	1 686	1 728	1 771
Correctional Services	51 523	72 673	39 307	2 560	2 970
Courts	2 645	10 359	9 039	9 092	6 905
Defence SA	1 433	5 295	316	378	1 333
Education and Child Development[(b)]	64 652	121 608	171 886	149 304	53 118
Electoral Commission	305	725	604	50	51
Emergency Services — CFS	15 287	16 060	15 763	16 844	17 475
Emergency Services — MFS	9 147	9 699	5 054	7 641	6 932
Emergency Services — SAFECOM	1 247	—	—	—	—
Emergency Services — SES	3 580	4 231	4 325	4 421	4 518
Environment Protection Authority	581	565	1 044	1 218	1 018
Environment, Water and Natural Resources	56 603	91 324	68 109	41 480	16 402
Green Industries SA	417	—	—	—	—
Health and Ageing	297 688	367 311	120 957	57 288	58 479
Legislature	—	1 362	—	—	—
Planning, Transport and Infrastructure[(c)]	696 151	1178 445	1440 226	521 681	332 767
Police	19 237	24 526	17 378	15 638	10 638
Premier and Cabinet	9 584	11 313	4 508	6 198	4 736
Primary Industries and Regions	16 466	9 562	5 006	5 131	5 259
SA Lotteries	—	10	10	10	10
State Development	50 127	63 076	29 108	37 629	10 100
Tourism	970	636	651	668	685
Treasury and Finance	20 857	11 071	3 039	1 547	1 494
New Royal Adelaide Hospital finance lease[(d)]	—	2820 000	—	—	—
Contingencies and other[(e)(f)]	-117 982	-252 524	176 187	595 406	971 580
General government capital investment	**1 236 321**	**4 629 648**	**2 134 250**	**1 508 240**	**1 510 000**

(a) Includes administered items, boards and other entities which are not reflected in agency statements.

(b) Includes Families SA

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

(d) Recognition of a $2.8 billion finance lease for the new Royal Adelaide Hospital.

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

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

Chapter 3: Revenue

Overview

This chapter provides an overview of new revenue measures introduced as part of the 2016–17 Budget and summarises movements in government revenues over the forward estimates.

Since the 2015–16 Budget taxation revenue has been negatively impacted by employment in payroll tax paying firms growing more slowly than budgeted, lower wages growth, lower than expected property market activity and lower than expected growth in gambling expenditure. Royalty revenues have been adversely impacted by lower mineral and petroleum prices.

Lower than expected taxation and royalty revenue across the forward estimates has been offset by increased dividend payments from the Motor Accident Commission, Commonwealth Government grants for capital projects such as the Northern Connector road project, and revenue from the sales of goods and services.

Total general government revenues are only projected to grow in real terms by 0.6 per cent per annum on average over the period 2015–16 to 2019–20. This relatively low growth largely reflects the once-off nature of dividend payments from the Motor Accident Commission, expected low growth in GST grants in 2018–19 and 2019–20 and the impact of the 2015–16 State Budget tax cuts being phased in over the coming years.

Recognising the economic challenges currently faced by business, the budget includes a number of initiatives to support businesses to grow and create new jobs. This includes job creation grants for additional positions created and retained by eligible businesses with payrolls of $5 million or less, an extension of the small business payroll tax rebate, and an extension and expansion of the off-the-plan apartment concession.

These measures build upon the government's tax reform package announced in the 2015–16 Budget, which will deliver ongoing tax reductions of more than $268 million per annum from 2018–19. Table 3.1 outlines the tax reforms introduced as part of the government's response to the 2015–16 state tax review.

Table 3.1: State tax reforms introduced in the 2015–16 Budget

Taxes abolished	• Share duty (18 June 2015) • Stamp duty on: – Non-real property (e.g. non fixed plant and equipment, 18 June 2015) – Corporate reconstructions (18 June 2015) • Save the River Murray Levy (1 July 2015) • Hindmarsh Island Bridge Levy (1 July 2015)
Taxes being abolished	• Phased abolition of stamp duty on non-residential real property transfers: – Duty rates reduced by 1/3rd from 7 December 2015 – Reduced by a further 1/3rd from 1 July 2017 – Abolished from 1 July 2018 • Stamp duty on the transfer of units in a unit trust – Abolished from 1 July 2018
Tax relief	• Small business payroll rebate extended to 2015–16 • Concessional stamp duty treatment for mining retention tenements (from 18 June 2015) • Conveyance duty and land tax exemptions on principal place of residence properties transferred into special disability trusts (18 June 2015 and 1 July 2015)
Other changes implemented	• Legislated a number of ex gratia relief schemes, improved anti-avoidance measures and now only require 50 per cent payment of tax for appeals

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

New initiatives

The 2016–17 Budget focusses on supporting job growth. These new initiatives build upon the substantial tax reform measures introduced as part of the 2015–16 Budget and being phased in over the period to 1 July 2018. This includes the progressive abolition of stamp duty on the transfer of real non-residential, non-primary production property. New revenue measures contained in the 2016–17 Budget include:

- extension of the current small business payroll tax rebate. The scheme provides a payroll tax saving for employers with taxable payrolls up to $1.2 million and has provided over $30 million in rebates to small businesses since its introduction. The four year extension of the rebate to 2019–20 will cost around $10 million per annum and provide a benefit of up to $9800 each year to an estimated 2300 businesses.
- extension of the off-the-plan apartment stamp duty concession for a further twelve months to 30 June 2017. The eligibility area has also been extended state wide. The concession offers a reduction in stamp duty of up to $15 500 for purchases of eligible off-the-plan apartments. The extension of the scheme's duration and its eligibility area will provide enhanced support to the construction industry.

In addition to the revenue measures outlined above, job creation grants will be made available for every new employee hired and maintained for two years by businesses with a total national payroll of $5 million or less. For each additional position created between 1 July 2016 and 30 June 2018, the maximum grant will be $10 000 over two years for businesses subject to payroll tax with a total national payroll of $5 million or less, and $4000 over two years for small businesses and start-ups not liable for payroll tax, including due to their total payroll falling below the payroll tax free threshold of $600 000. It is estimated that grants will be provided for 14 000 full time equivalent positions under this scheme. This is discussed further under the expenditure initiatives in Chapter 2.

From 2017–18 the government will introduce a 15 per cent tax on net wagering revenue received from persons located in South Australia by all Australian based wagering operators. A tax-free threshold of $150 000 net wagering revenue will apply for all operators. To help fund services to support and rehabilitate people affected by problem gambling, $500 000 of the tax collected will be paid into the Gamblers Rehabilitation Fund each year.

Other revenue measures being introduced by the government include:

- extending land tax exemptions for facilities owned by sports and racing clubs to include all non-residential and non-vacant land. Currently this exemption only applies to land directly used for sporting or racing purposes.
- an expansion of the principal place of residence land tax exemption to cover instances where, at midnight on 30 June, a home owner is not occupying their home because of major renovations for up to two successive years.
- changes to the solid waste levy. The metropolitan solid waste levy will increase from $62 per tonne to $76 on 1 September 2016, $87 in 2017–18, $100 in 2018–19 and $103 in 2019–20. A fifty per cent reduction in the current solid waste levy will apply to asbestos disposal from 2016–17 to assist in the proper disposal of this highly hazardous material. The net additional revenue from the increase in the solid waste levy will fund expenditure initiatives in the Office of Green Industries SA, the Environment Protection Authority and climate change initiatives.
- a staged development application fee increase and introduction of a Council levy relating to the new e-Planning initiative as the benefits from the reforms are delivered.

Table 3.2 shows the value of taxation and other revenue measures announced since the 2015–16 Mid-Year Budget Review (MYBR) across the forward estimates. Further details on all revenue measures included in the budget are provided in the 2016–17 Budget Measures Statement.

Table 3.2: Revenue measures announced since the 2015–16 MYBR ($million)

	2015–16 Estimate	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Revenue — taxation measures					
Extend the small business payroll tax rebate	—	-9.4	-9.7	-10.2	-10.7
Extend and expand the off-the-plan apartment stamp duty concession	—	-0.8	-3.1	-3.8	—
Wagering tax reforms	—	—	9.7	10.0	10.2
Expand the principal place of residence land tax exemption	—	-0.1	-0.1	-0.1	-0.1
Land tax exemption for sporting and racing clubs	-0.1	-0.1	-0.1	-0.1	-0.1
Co-produced water levy	—	-0.6	-0.7	-0.7	-0.7
Total revenue measures — taxation	**-0.1**	**-11.0**	**-4.0**	**-4.9**	**-1.4**
Revenue — non-taxation					
Solid Waste Levy — increase[(a)]	—	7.3	14.5	20.9	20.8
Planning reform implementation[(b)]	—	—	1.0	1.2	1.5
Total revenue measures — non-taxation	**—**	**7.3**	**15.5**	**22.1**	**22.3**
Total revenue measures in the 2016–17 Budget	**-0.1**	**-3.7**	**11.5**	**17.3**	**20.9**
Memorandum Items — revenue measures prior to the 2016–17 Budget[(c)]					
Introduction of School Fees for Students of Visa (Subclass 457) Holders	—	0.1	2.2	4.7	4.9
Taxi and Chauffeur Vehicle Industry reform	-4.9	1.9	2.4	2.3	2.1
Total revenue measures prior to the 2016–17 Budget	**-4.9**	**2.0**	**4.6**	**7.0**	**7.0**

Note: Totals may not add due to rounding.

(a) This is reflected under EPA in the 2016–17 Budget Measures Statement.

(b) This is reflected under DPTI in the 2016–17 Budget Measures Statement.

(c) Memorandum items are discussed in the Budget Measures Statement.

General government sector revenue

Total general government sector operating revenues are projected to increase by 3.8 per cent in real terms in 2016–17, following a real-terms increase of 3.7 per cent in 2015–16.

Growth in operating revenue in 2016–17 is principally due to an increase in Commonwealth Government capital grant funding and South Australia's share of the national GST pool, partially offset by lower dividend payments following a large payment from the Motor Accident Commission (MAC) in 2015–16. Negative real growth in 2018–19 and 2019–20 largely reflects a decline in South Australia's projected GST grant share and Commonwealth Government capital grant funding.

Total general government sector revenues are provided in table 3.3.

Table 3.3: General government sector revenues ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Taxation revenue	4 542.7	4 406.0	4 517.2	4 655.9	4 799.1	5 022.5
Grant revenue	9 162.3	9 051.1	10 245.8	10 746.9	10 574.2	10 636.7
Sales of goods and services	2 328.8	2 416.1	2 486.5	2 587.7	2 644.2	2 718.9
Interest income	29.3	24.0	23.6	24.2	26.0	25.3
Dividend and ITE(a) revenue	314.2	775.3	326.3	250.5	265.2	281.2
Other revenue	720.0	622.2	663.9	651.8	664.9	704.8
Total revenue	**17 097.3**	**17 294.7**	**18 263.3**	**18 917.1**	**18 973.6**	**19 389.4**
% change on previous year						
Nominal-terms growth (%)		4.5	5.6	3.6	0.3	2.2
Real-terms growth (%)		3.7	3.8	1.3	- 2.1	- 0.3

Note: Totals may not add due to rounding

(a) Income tax equivalent (ITE).

Taxation

State taxation revenues have been revised down by $137 million in 2015–16 since the 2015–16 Budget mainly due to weaker than expected revenue from payroll tax, conveyance duty and gambling taxes.

Taxation revenues are only projected to grow in real terms by around 1.1 per cent per annum on average from 2016–17. This partly reflects the effects of tax cuts delivered as part of the government's 2015–16 Budget tax reform package. Policy adjusted taxation revenues are projected to grow by around 2.1 per cent on an average annual basis in real terms. The policy adjusted series indicates the underlying growth in taxation revenues by adjusting taxation revenue estimates to be consistent with 2016–17 tax policy settings.

Tax estimates are provided in table 3.4.

Table 3.4: Taxation ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Payroll tax	**1 184**	**1 117**	**1 159**	**1 204**	**1 251**	**1 315**
Property taxes						
Conveyance duty(a)	910	875	902	918	939	1 029
Land tax — private	358	356	366	378	389	402
Land tax — public	225	222	227	232	238	243
Emergency services levy on fixed property	207	211	215	217	223	224
Natural resources management levies	48	49	49	49	49	50
Guarantee fees	133	125	139	144	147	152
Share duty	—	7	—	—	—	—
All other(b)	9	5	5	5	5	5
	1 891	**1 851**	**1 902**	**1 944**	**1 991**	**2 105**

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Gambling taxes						
Gaming machines	304	285	288	295	301	302
SA Lotteries	77	76	78	79	81	84
Casino	21	18	19	19	21	24
Wagering tax on place of consumption	—	—	—	10	11	11
UBET[(c)]	4	4	1	—	—	—
Other[(d)]	3	3	3	3	3	3
	408	**386**	**389**	**406**	**417**	**423**
Insurance taxes						
General insurance	315	314	316	330	345	361
CTP renewal certificate	70	68	69	70	71	72
CTP insurance	50	49	51	53	55	57
Life insurance	7	7	7	7	7	7
	441	**438**	**443**	**460**	**479**	**498**
Motor vehicle taxes						
Motor vehicle registration fees	402	402	408	420	432	444
Stamp duty on registration transfers	160	156	160	164	170	177
Emergency services levy on mobile property	42	42	42	43	44	44
LSS levy	14	14	14	15	16	16
	618	**614**	**625**	**642**	**662**	**682**
Total taxation	**4 543**	**4 406**	**4 517**	**4 656**	**4 799**	**5 023**
Policy adjusted[(e)]	**n.a.**	**4 356**	**4 515**	**4 704**	**4 926**	**5 167**
% change on previous year						
Total taxation						
Nominal growth		0.7	2.5	3.1	3.1	4.7
Real growth		-0.1	0.8	0.8	0.6	2.1
Policy adjusted						
Nominal growth		3.2	3.6	4.2	4.7	4.9
Real growth		2.4	1.9	1.9	2.2	2.3

Note: Totals may not add due to rounding.

(a) Includes voluntary conveyances.

(b) Includes Agents Indemnity Fund, gaming machine surcharge (abolished from 18 June 2015) and Hindmarsh Island Levy collections (abolished from 1 July 2015).

(c) From 2017–18, UBET (formerly SA TAB) will be liable to pay the wagering tax on place of consumption and is not expected to continue to pay a separate wagering tax on its sports betting turnover. Contributions are recorded under the wagering tax on place of consumption line.

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

(e) The policy adjusted series shows the underlying growth in tax revenues by adjusting tax estimates to be consistent with 2016–17 policy settings. For comparability with future years, the policy adjusted figure for 2016–17 assumes a full-year impact of 2016–17 policy measures.

Payroll tax

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

Table 3.5: Payroll tax

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total payroll tax ($m)	**1 116.6**	**1 158.6**	**1 204.2**	**1 251.4**	**1 314.8**
Nominal growth (%)	1.9	3.8	3.9	3.9	5.1
Real growth (%)	1.2	2.0	1.6	1.4	2.5
Policy adjusted underlying revenue ($m)	**1 116.6**	**1 158.6**	**1 204.2**	**1 251.4**	**1 314.8**
Nominal growth (%)	2.0	3.8	3.9	3.9	5.1
Real growth (%)	1.3	2.0	1.6	1.4	2.5

Payroll tax receipts for 2015–16 have been revised down by $68 million since the 2015–16 Budget reflecting a lower than budgeted outcome for 2014–15 and softer than expected employment and wages growth amongst payroll tax paying firms. Payroll tax growth has been impacted by compositional factors including the impact of firms moving above and below the payroll tax threshold and differential growth rates of larger employers.

Relatively moderate growth in payroll tax revenue is expected between 2016–17 and 2018–19. Growth assumptions over this period are affected by the low wage growth environment, the outlook for employment amongst medium to large employers, and the cessation of the vehicle manufacturing operations by GM Holden Ltd and flow-on impacts to supplier industries. Real growth averaging 1.7 per cent per annum is expected over this period, below the long term average growth rate, before recovering to 2.5 per cent growth in 2019–20 as wages growth begins to return to more long-term trend levels.

As part of the new initiatives to support businesses the small business payroll tax rebate has been extended for four years to 2019–20 at a cost of around $10 million per annum.

Property taxes

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

Growth in property taxes over the forward estimates period is impacted by the tax reforms introduced in the 2015–16 Budget, particularity the phased abolition of conveyance duty on real non-residential property transfers. Excluding the impact of policy measures, underlying real terms growth averaging 3.5 per cent per annum is expected from 2016–17 to 2019–20. This largely reflects expected growth in land values and property market activity.

The outlook for property tax revenue is provided in table 3.6.

Table 3.6: Property taxes

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total property taxes ($m)	**1 851.0**	**1 902.4**	**1 943.9**	**1 990.9**	**2 104.7**
Nominal growth (%)	- 0.1	2.8	2.2	2.4	5.7
Real growth (%)	- 0.9	1.0	- 0.1	- 0.1	3.1
Policy adjusted underlying revenue ($m)	**1 804.8**	**1 900.0**	**2 005.4**	**2 134.9**	**2 264.6**
Nominal growth (%)	6.1	5.3	5.5	6.5	6.1
Real growth (%)	5.3	3.5	3.2	3.9	3.5

Conveyance duty

Conveyance duty revenue in 2015–16 has been revised down by around $36 million since the 2015–16 Budget. This is mainly due to lower than expected revenue from residential property transfers as a result of lower activity levels, partially offset by stronger than expected growth in the price of properties subject to conveyance duty.

From 2016–17, property values are expected to grow broadly in line with long-term trend growth in per capita nominal household income of around 3.0 per cent per annum. Underlying property transfers are expected to grow moderately over the forward estimates and return to long-term trend levels over the medium term, consistent with projections included in the 2015–16 MYBR.

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

Land tax

Land tax revenue in 2015–16 is expected to be broadly in line with original budget expectations.

Land tax assessments are based on valuations undertaken by the Valuer-General, which have regard to property market sales experience in the calendar year immediately preceding the relevant financial year. Residential site values are estimated to have increased by 2.9 per cent and non-residential land values by around 2.7 per cent over calendar year 2015. Movements in land values over calendar year 2015 affect growth in land tax revenue in 2016–17. Land values relevant to 2017–18 land tax collections are expected to grow by around 3.3 per cent, by 3.0 per cent in 2018–19 and 3.3 per cent in 2019–20.

The land tax system incorporates a tax free threshold and marginal rates of tax at various threshold values of aggregate land ownerships. Since 2010–11, the land tax thresholds have been increased in line with average increases in site values as determined by the Valuer-General. This minimises the impact of bracket creep (increasing property values pushing landholders into higher tax brackets). Land tax thresholds will increase in 2016–17 reflecting average growth in site values subject to land tax during calendar 2015. The land tax thresholds to apply in 2016–17 are outlined in table 3.7.

Table 3.7: Land tax thresholds and rates ($)

2015–16 land tax structure		2016–17 land tax structure	
Site value	**Tax applicable[(a)]**	**Site value**	**Tax applicable[(a)]**
0 to 323 000	—	0 to 332 000	—
323 001 to 593 000	0.00 + 0.50%	332 001 to 609 000	0.00 + 0.50%
593 001 to 862 000	1 350.00 + 1.65%	609 001 to 886 000	1 385.00 + 1.65%
862 001 to 1 078 000	5 788.50 + 2.40%	886 001 to 1 108 000	5 955.50 + 2.40%
Over 1 078 000	10 972.50 + 3.70%	Over 1 108 000	11 283.50 + 3.70%

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

Emergency services levy — fixed property

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

The prescribed levy rate in 2016–17 has decreased as property values have grown at a faster rate than the amount of revenue required to be raised. Total capital values for ESL purposes are estimated to increase by 2.5 per cent in 2016–17, above growth in the total ESL funding requirement of 1.5 per cent.

A typical median valued residential property located in metropolitan Adelaide will experience an increase in their ESL liability of around 1.5 per cent in 2016–17.

Consistent with previous years eligible concession holders will receive a remission on the fixed property prescribed rate. Effective ESL levy rates will remain unchanged for eligible concession holders.

The increase in revenue from the fixed property ESL in 2016–17 will fund new emergency services expenditure, including retrofitting safety systems to fire trucks, enhanced flood response and incident management capabilities for the South Australian State Emergency Service and increased training for volunteers, in addition to the recovery of costs incurred as a result of the Pinery bushfire in late 2015.

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

Fixed property ESL rates to apply in 2016–17 are summarised in table 3.8.

Table 3.8: Fixed property ESL rates for 2016–17

	Prescribed rate	Remission rate	Post-remission rate	Effective levy rate paid in Regional Area 4[(a)]
Fixed property	Cents per $ (applied to capital values discounted by land use and area factors)			$50 plus cents per $ of non-discounted capital value
Residential	0.1266	—	0.1266	0.0506
Residential — eligible for concession	0.1266	0.1006	0.0260	0.0104
Commercial	0.1266	—	0.1266	0.1322
Industrial	0.1266	—	0.1266	0.2298
Rural and vacant land	0.1266	—	0.1266	0.0380
Special community use	0.1266	—	0.1266	0.0127
Other	0.1266	—	0.1266	0.0633

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

Regional Area 4: metropolitan Adelaide (prescribed area factor of 1.0)
Regional Area 1: major country towns (prescribed area factor of 0.8)
Regional Area 2: incorporated areas outside Regional Areas 1 and 4 (prescribed area factor of 0.5)
Regional Area 3: unincorporated areas of the state (prescribed area factor of 0.2, effective area factor of 0.1)

Share duty

Share duty on transfers of non-quoted marketable securities was abolished on 18 June 2015.

Share duty receipts in 2015–16 reflect the payment of liabilities related to prior years.

Natural resources management levies

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

Revenue from NRM levies in 2015–16 is expected to be marginally higher than the 2015–16 Budget estimate and remain relatively flat over the forward estimates.

Guarantee fees

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

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

Guarantee fees grow strongly in 2016–17 mainly due to additional borrowing by Renewal SA. Moderate growth in guarantee fee revenue is expected between 2017–18 and 2019–20.

Gambling taxes

Gambling taxes include taxes on gaming machines in hotels and clubs, a tax on the net gambling revenue of SA Lotteries and casino duty. A tax on the net wagering revenue of all wagering operators will also be introduced from 2017–18.

The outlook for gambling tax revenue is provided in table 3.9.

Table 3.9: Gambling taxes

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total gambling taxes ($m)	**386.2**	**388.5**	**406.3**	**416.7**	**423.2**
Nominal growth (%)	0.8	0.6	4.6	2.6	1.6
Real growth (%)	0.1	- 1.1	2.3	0.1	- 0.9
Policy adjusted underlying revenue ($m)	**382.7**	**388.5**	**392.6**	**399.3**	**407.7**
Nominal growth (%)	0.8	1.5	1.0	1.7	2.1
Real growth (%)	0.1	- 0.2	- 1.2	- 0.8	- 0.4

In 2015–16, total gambling tax revenue is expected to be $22 million lower than the 2015–16 Budget estimate. Growth in net gaming revenue has been lower than expected for both gaming machines in hotels and clubs and the Adelaide Casino.

From 2016–17 growth assumptions for underlying growth in gaming machine net gambling revenue have been revised down reflecting the ongoing trend for households to spend a lesser proportion of their disposable income on gaming machines. Growth is also impacted by reforms to gaming machine regulation, which include the introduction of a $5 maximum bet on gaming machines, the implementation of cashless gaming, automated risk monitoring and the introduction of a pre-commitment system.

Revenue from the Adelaide Casino in 2015–16 has been revised down since the 2015–16 Budget mainly due to lower than expected growth in net gambling revenue. Consistent with the revisions for hotels and clubs, underlying growth in non-premium gaming machine net gambling revenue has been revised down from 2016–17 onwards.

Revenue estimates have also been updated to reflect the revised timing and expected impact of the Adelaide Casino expansion and the broader redevelopment of the festival plaza including the car park, now expected to be completed before 30 June 2019.

From 1 July 2017 the government will introduce a tax of 15 per cent on net wagering revenue received from persons located in South Australia by all Australian-based wagering operators. The tax will apply to all bet types including horse, harness and greyhound racing, bets on sports, as well as bets on other contingencies. A tax-free threshold of $150 000 net wagering revenue per year will apply for all operators. To help fund services to support and rehabilitate people affected by problem gambling, $500 000 of the tax collected will be paid into the Gamblers Rehabilitation Fund each year.

There is not expected to be any net impact on the revenue received by the racing industry under the proposed wagering tax changes.

Gambling tax revenues from UBET (formerly SA TAB) are forecast to fall in 2016–17. Under the terms of the SA TAB duty agreement, UBET will no longer be required to pay a special annual fixed contribution to the government associated with the SA TAB sale process after 2015–16. UBET is expected to continue to pay a wagering tax on its sports betting operations until 2017–18 when the place of consumption wagering tax commences.

Insurance taxes

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

Projected growth rates for insurance tax revenues are provided in table 3.10.

Table 3.10: Insurance taxes

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total insurance taxes ($m)	**437.8**	**443.2**	**460.0**	**478.6**	**498.0**
Nominal growth (%)	- 1.2	1.2	3.8	4.0	4.1
Real growth (%)	- 2.0	- 0.5	1.5	1.5	1.5
Policy adjusted underlying revenue ($m)	**437.8**	**443.2**	**460.0**	**478.6**	**498.0**
Nominal growth (%)	- 1.2	1.2	3.8	4.0	4.1
Real growth (%)	- 2.0	- 0.5	1.5	1.5	1.5

Revenue from insurance taxes has been revised down by $3 million in 2015–16 compared to the 2015–16 Budget estimate. This is mainly due to lower than expected growth in underlying general insurance duty and the flat stamp duty charge on renewal notices for CTP insurance, partially offset by the receipt of additional back payments associated with the treatment of life insurance riders.

Growth in insurance duty revenue in 2016–17 is expected to be only 1.2 per cent, a real decline of 0.5 per cent, which reflects the once-off impact of back payments received in 2015–16. Growth in stamp duty on insurance premiums from 2017–18 is expected to be around 1.5 per cent per annum in real terms, reflecting expected growth in premiums.

Motor vehicle taxes

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

The growth rates for motor vehicle tax revenues are provided in table 3.11.

Table 3.11: Motor vehicle taxes

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total motor vehicle taxes ($m)	**614.4**	**624.5**	**641.6**	**661.5**	**681.8**
Nominal growth (%)	2.3	1.6	2.7	3.1	3.1
Real growth (%)	1.5	- 0.1	0.5	0.6	0.5
Policy adjusted underlying revenue ($m)	**614.4**	**624.5**	**641.6**	**661.5**	**681.8**
Nominal growth (%)	2.0	1.6	2.7	3.1	3.1
Real growth (%)	1.2	- 0.1	0.5	0.6	0.5

Revenue from motor vehicle taxes in 2015–16 is expected to be around $4 million lower than the 2015–16 Budget estimate mainly due to lower than expected revenue from stamp duty on motor vehicles, particularly relating to stamp duty paid on the registration of new vehicles.

Growth in revenue from motor vehicle taxes from 2016–17 reflects the annual indexation of motor vehicle registration fees, growth in the stock of registered vehicles as well as modest growth in revenue from stamp duty on motor vehicle registration transfers and the LSS levy.

South Australia’s relative tax effort

In terms of tax revenue per capita, South Australia is a relatively low tax jurisdiction (second lowest in 2015–16 based on state and territory estimates published in 2016–17 budget publications).

Details are provided in table 3.12.

Table 3.12: Per capita taxation by jurisdiction ($)[(a)]

	2014–15[(b)(c)]	2015–16[(c)(d)]
Australian Capital Territory	3 549	3 922
New South Wales	3 445	3 783
Western Australia	3 451	3 469
Victoria	3 115	3 351
Queensland	2 647	2 634
Northern Territory	2 936	2 506
South Australia	**2 482**	**2 479**
Tasmania	1 957	2 033
All states and territories	**3 098**	**3 269**

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

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

(c) Population figures for 2014–15 have been sourced from ABS publications and 2015–16 population estimates have been sourced from Commonwealth Government Treasury estimates.

(d) Based on taxation revenue estimates published in 2016–17 budget publications.

Each year the Commonwealth Grants Commission (CGC) releases an assessment of relative tax effort for all states and territories as part of its annual relativity update. The tax effort measure by the CGC provides an indication of how a state's effective level of tax differs to the effective level of all states and territories.

After adjusting for land tax paid by the South Australian Housing Trust, South Australia's total tax effort ratio was mid ranking among the states and territories in 2014–15 and was 1.4 per cent above the all states average.

The tax reform measures introduced by the government in the 2015–16 Budget will reduce South Australia's overall tax effort in future years.

Details of tax effort assessments are provided in table 3.13.

Table 3.13: Tax effort ratios by jurisdiction

	2013–14		2014–15	
	CGC[(a)]	Adjusted[(b)]	CGC[(a)]	Adjusted[(b)]
New South Wales	106.1	106.3	103.5	103.7
Victoria	102.6	102.9	103.3	103.6
Queensland	89.0	89.2	89.2	89.5
Western Australia	95.7	95.9	99.0	99.2
South Australia	**104.7**	**100.5**	**105.3**	**101.4**
Tasmania	93.6	94.0	90.6	90.9
Australian Capital Territory[(c)]	98.5	98.8	99.8	100.1
Northern Territory	87.5	87.8	103.5	103.8

(a) Tax effort ratios published as supporting information to the CGC's Report on GST Revenue Sharing Relativities — 2016 Update.

(b) Adjusted to remove land tax paid by the South Australian Housing Trust. The South Australian Housing Trust is liable for land tax in South Australia consistent with the Competition Principles Agreement to make government business enterprises liable for the full range of taxes. There are no net benefits to the budget from these payments. Given the large size of the South Australian Housing Trust's land holdings it accounts for around one-third of total land tax collections. Public housing authorities in other jurisdictions are not liable for land tax and therefore land tax paid by the South Australian Housing Trust distorts interstate comparisons.

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

Grant revenue

Table 3.14: Grant revenue ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Current grant revenue						
Current grants from the Commonwealth						
GST revenue grants	5 517.5	5 573.2	6 100.5	6 424.3	6 479.3	6 573.5
National Partnership grants	310.8	315.8	384.6	280.2	388.3	212.8
National Partnership grants for on-passing	154.0	90.6	162.3	158.0	161.9	166.0
Specific purpose grants	1 768.6	1 822.1	1 893.4	1 997.5	1 990.6	2 078.9
Specific purpose grants for on-passing	815.1	796.9	841.3	873.7	907.5	943.9
Total current grants from the Commonwealth	8 566.0	8 598.7	9 382.0	9 733.6	9 927.7	9 975.1
Other contributions and grants	142.1	125.2	123.7	129.5	124.8	122.3
Total current grant revenue	**8 708.1**	**8 723.9**	**9 505.8**	**9 863.2**	**10 052.5**	**10 097.4**
Capital grant revenue						
Capital grants from the Commonwealth						
National Partnership grants	348.4	207.4	625.0	778.8	416.0	432.6
Specific purpose grants	93.9	93.9	94.7	95.5	96.3	97.2
Specific purpose grants for on-passing	—	—	—	—	—	—
Other Commonwealth grants	4.3	17.0	15.4	4.4	4.5	4.5
Total capital grants from the Commonwealth	446.7	318.3	735.1	878.7	516.7	534.3
Other capital contributions and grants	7.5	8.9	5.0	5.0	5.0	5.0
Total capital grant revenue	**454.2**	**327.2**	**740.1**	**883.7**	**521.7**	**539.3**
Total grant revenue	**9 162.3**	**9 051.1**	**10 245.8**	**10 746.9**	**10 574.2**	**10 636.7**
% change on previous year						
GST revenue grants						
Nominal growth (%)		10.9	9.5	5.3	0.9	1.5
Real growth (%)		10.0	7.6	3.0	- 1.6	- 1.0
Current revenue grants (excl GST) from the Commonwealth						
Nominal growth (%)		1.2	8.5	0.8	4.2	- 1.4
Real growth (%)		0.4	6.6	- 1.4	1.7	- 3.8
Capital revenue grants from the Commonwealth						
Nominal growth (%)		57.9	130.9	19.5	- 41.2	3.4
Real growth (%)		56.8	126.9	16.9	- 42.6	0.9

Note: Totals may not add due to rounding.

GST revenue grants

GST revenue grants to South Australia in 2015–16 are estimated to be $56 million higher than the 2015–16 Budget estimate, largely due to an upward revision to the national GST pool estimate. The Commonwealth Government has revised up its estimate of the 2015–16 GST pool by $400 million since its 2015–16 Budget. The revised 2015–16 GST pool reflects a 5.7 per cent increase on the actual 2014–15 GST pool.

The Commonwealth Government has estimated that the total GST pool will grow by around 5.6 per cent in 2016–17, 5.4 per cent in 2017–18, 5.3 per cent in 2018–19 and 4.5 per cent in 2019–20.

Over the same period, South Australia’s GST revenue grants are anticipated to grow by 9.5 per cent, 5.3 per cent, 0.9 per cent and 1.5 per cent respectively.

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

Commonwealth Grants Commission 2016 Update

The Intergovernmental Agreement on Federal Financial Relations (the IGA) includes a specific provision that GST revenue grants will be distributed in accordance with the principles of horizontal fiscal equalisation (HFE). The principle of HFE is to ensure that each state has the capacity to provide public services at a similar standard and level of efficiency as other states for a comparable revenue raising effort.

It is the responsibility of the Commonwealth Grants Commission (CGC), an independent Commonwealth statutory authority, to recommend an appropriate distribution of GST revenue to achieve this outcome. The CGC provides an annual recommendation to the Commonwealth Treasurer on the share of GST revenue to be distributed to each state. This recommendation is based on a detailed assessment of the economic, social or demographic factors influencing each jurisdiction’s relative ability to raise revenue and the impact of such factors on service delivery costs.

In April 2016, the CGC released its *Report on GST Revenue Sharing Relativities – 2016 Update* (2016 Update) of per capita relativities for the distribution of GST revenue grants to the states in 2016–17.

South Australia’s relativity increased to 1.41695 in the 2016 Update compared with 1.35883 in the 2015 Review. A relativity for a given year reflects the impact of three year average data. In 2016–17, South Australia will receive 10.1 per cent of the GST pool compared to 9.7 per cent in 2015–16.

The main factors that produced the increase in South Australia’s relativity for 2016–17 were:

- A decrease in the share of other Commonwealth Government grant payments to South Australia. This reflects the large payments to South Australia in 2011–12 for the Adelaide Desalination Plant (Water for the Future) and rail infrastructure projects which have now dropped out of the three year averaging period
- Below average growth in South Australian property sales has increased the State’s revenue raising needs
- An increased share of the national population growth in 2014–15 (when compared to 2011–12) has increased South Australia’s relative needs for infrastructure investment.

These increases were partially offset by:

- Reduced transfers to the small mining states, including South Australia, as a result of the decline in the value of mining production in large mining states
- The use of new Australian Bureau of Statistics (ABS) data in the wage cost assessment which has reduced South Australia’s expenditure needs relative to other states.

Based on the new relativity and current GST pool estimates for 2016–17, South Australia will receive $1.8 billion more than it would if funding was distributed on a simple population share basis, without regard to the fiscal needs and capacities of each state.

Beyond 2016–17 South Australia’s GST relativity is expected to be impacted by:

- Increases in South Australia’s projected share of Commonwealth Government payments, particularly increases in infrastructure payments in 2016–17 and 2017–18 for roads and rail related projects including the Northern Connector, North South Corridor Darlington upgrade and the Goodwood/Torrens rail junction

- The decline in mining revenue, particularly in Western Australia, reducing the transfer to states with small mining sectors
- The impact of the incorporation of new data in the wage cost assessment in the 2016 Update, the full impact of which does not occur until 2018–19.

The CGC's wage cost assessment is based on a view that comparable public sector employees in different states are paid different wages, partly due to differences in labour markets beyond the control of state governments. To assess the differences, the CGC uses ABS data on private sector wages adjusted for industry compositional factors as a proxy indicator for differences in public sector wage levels between states. The CGC's assessment assumes that states with low relative wages will be able to provide public sector services at lower cost resulting in a reduced need for HFE transfers.

The data source used in the wage cost assessment for prior updates has ceased to be collected by the ABS requiring the CGC to find alternative ABS data. The new data source is being progressively rolled into the three year average assessment process used by the CGC.

The replacement data has a significant negative impact on South Australia's GST revenue grants. The private sector wages gap between South Australia and other states is larger than before and as a result, the CGC's assessment has reduced the state's share of GST revenue on the basis that this should translate into a wage cost advantage to the South Australian Government. In 2016–17, it reduces South Australia's GST revenue grants by $59 million. This impact will increase in future years and is estimated to have a negative impact of around $180 million by 2018–19 as the new data is progressively rolled into the three year average assessment.

Commonwealth Government payments for specific purposes

There are two broad types of payments for specific purposes.

- National specific purpose payments (SPPs) that provide ongoing funding to the states for service delivery in the areas of housing, skills and workforce development, disability services; National Health Reform funding and Students First (education) funding.
- National Partnerships (NPs) that fall into two broad categories — to support the delivery of specific projects (including infrastructure) and to facilitate the implementation or reward the delivery of national reforms. A further category of NPs has been created called project agreements, which is a vehicle for funding low value or low risk projects.

Table 3.15 summarises expected national SPP and NP grants to South Australia by category.

Table 3.15: Commonwealth Government payments for specific purposes by category ($million)[(a)]

Agreement	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Health						
National Health Reform funding	1 186.1	1 211.0	1 254.3	1 312.6	1 372.5	1 434.8
National Partnerships	28.9	30.4	33.4	38.1	37.9	38.7
Education and Early Childhood						
Students First funding (government schools)	399.6	405.0	429.4	471.1	511.6	536.6
Students First funding (non-government schools)[(b)]	815.1	796.9	841.3	873.7	907.5	943.9
National Partnerships	38.7	41.0	38.8	42.5	28.6	28.7

Agreement	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Skills and Workforce Development						
National Skills and Workforce Development SPP	103.2	103.6	104.5	105.5	106.5	107.6
National Partnerships	27.4	27.4	37.5	—	—	—
Community Services						
Disability Services SPP	79.6	102.5	105.2	108.4	—	—
National Partnerships	12.2	19.2	34.5	65.0	243.2	76.3
Housing						
National Affordable Housing SPP	93.9	93.9	94.7	95.5	96.3	97.2
National Partnerships	27.6	31.8	23.2	21.7	9.6	10.0
Infrastructure and road maintenance[(c)]						
National Partnerships	384.5	242.5	698.7	815.6	452.8	469.4
Environment						
National Partnerships	124.8	110.6	124.3	57.7	13.6	3.6
Other						
National Partnerships	17.5	22.2	20.9	19.9	20.2	20.5
Local government financial assistance	151.7	88.7	160.6	156.4	160.3	164.3
Total National SPPs	**2 677.6**	**2 712.9**	**2 829.4**	**2 966.7**	**2 994.4**	**3 120.0**
Total National Partnerships	**813.2**	**613.8**	**1 171.9**	**1 217.0**	**966.2**	**811.3**
Total Commonwealth Government payments for specific purposes	**3 490.8**	**3 326.7**	**4 001.3**	**4 183.7**	**3 960.6**	**3 931.4**

Note: Totals may not add due to rounding.

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

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

(c) Includes road maintenance funding that is classified as current grant funding.

National specific purpose payments (current)

National SPPs are provided by the Commonwealth Government to support states to achieve the outcomes contained in National Agreements that cover the major service delivery areas agreed by the Council of Australian Governments (COAG). States and territories are required to spend the funding received under each national SPP in the relevant sector but have the flexibility to allocate funds within that sector to meet agreed objectives.

When originally agreed, the IGA provided for five national SPPs covering health, schools, disability, housing, and skills and workforce development. Since the introduction of the IGA, two former national SPPs have been superseded (health and schools) and the disability SPP will be re-directed from 2018–19.

The National Healthcare SPP was replaced by National Health Reform (NHR) funding and from 1 July 2014 Commonwealth Government growth funding has been based on public hospital activity and an efficient price determined by an independent administrator.

In its 2014–15 Budget, the Commonwealth Government announced that these arrangements would not be ongoing and would cease on 30 June 2017. After this date, Commonwealth Government funding for public hospitals would be indexed by the Consumer Price Index (CPI), adjusted for population growth. This decision was not sustainable as growth in health costs is significantly higher than the CPI and demand grows faster than population growth due to ageing demographic impacts.

Following the April 2016 COAG meeting, the Commonwealth Government announced that activity based funding would now continue from 1 July 2017 to 30 June 2020 but at a reduced rate than was agreed before the 2014–15 Commonwealth Budget. For South Australia, this agreement will provide $187.0 million over three years to 2019–20. This only restores 18 per cent of the Commonwealth Government's budget cuts to healthcare over those three years.

States will also be required to take action to improve the quality of care in hospitals and reduce the number of avoidable admissions. The financial risks associated with the interim health funding arrangements will become clearer when the agreement is finalised.

From 1 January 2014, the National Schools SPP was replaced by funding under the Students First program and these arrangements will continue up to and including the 2017 school year. Under these arrangements, the Commonwealth Government will provide recurrent funding, special circumstances funding for non-government schools, funding for non-representative bodies and other prescribed purpose funding.

Between 2018 and 2020, additional Commonwealth Government funding for both government and non-government schools will be provided. Funding will be indexed by 3.56 per cent per year with an allowance for changes in enrolments. This funding will be contingent on reform efforts by states and territories and the non-government schools sector to improve education outcomes.

Although these arrangements do provide growth in funding across the forward estimates, the cuts made by the Commonwealth Government in its 2014–15 Budget will still be significant when compared to funding estimates prior to that budget which were based on delivering full Gonski school funding to the states.

The National Disability Insurance Scheme (NDIS) will change the nature of disability care and support in Australia. When the NDIS reaches full scheme in a state, Commonwealth Government funding under the National Disability SPP will be redirected to the National Disability Insurance Agency (NDIA) which will be responsible for administering the NDIS. South Australia is expected to reach full scheme from 2018–19 and, accordingly, National Disability SPP funding will be redirected to the NDIA from that year onwards.

National Partnerships (current)

NPs are time limited agreements to fund specific projects and to facilitate and/or reward states that deliver nationally significant reforms.

In 2016–17, South Australia will receive an estimated $384.6 million of funding in NPs for recurrent purposes. This is an increase of 21.8 per cent compared to the $315.8 million estimated for 2015–16. This reflects increased payments from the Disability Care Australia Fund (DCAF) in accordance with agreed NDIS transition arrangements, the profile of funding for the sustainable rural water use program and an increase in vocational education and training funding in 2016–17 (prior to funding for this program being discontinued in 2017–18).

Over the forward estimates, NP funding reflects payment profiles agreed with the Commonwealth Government.

The large increase in NP funding in 2018–19 reflects an increased transfer of funds from the DCAF. The timing of payments from DCAF for NDIS related expenses is still being negotiated and it is currently estimated that South Australia will only receive a proportional share of its annual allocation in the lead up to full scheme NDIS in 2018–19. In 2018–19, South Australia is expected to receive its full annual DCAF allocation, as well as a once-off payment equivalent to the balance of withheld annual allocations from previous years.

NPs for on-passing mainly reflects Commonwealth Government financial assistance to local government. The increase in funding in 2016–17 reflects the Commonwealth Government's decision to provide fifty per cent of the 2015–16 local government financial assistance in 2014–15. From 2017–18 funding levels reflect the reinstatement of indexation which was paused for three years in the 2014–15 Commonwealth Budget.

Capital grants

Capital grants include national SPPs and NPs from the Commonwealth Government. Consistent with current grants, capital grants from the Commonwealth Government are also categorised as either direct grants or on-passed grants. Smaller amounts of capital funding are sourced from the private sector including the revenue recognition of assets donated or transferred to the government free of charge.

NP funding for capital purposes will be $625.0 million in 2016–17. The significant increase from 2015–16 largely reflects changes to the profile of Commonwealth Government funding for the Northern Connector road project, North South Corridor Darlington upgrade and the Goodwood/Torrens rail junction.

Over the forward estimates, NP funding for capital purposes increases further in 2017–18 before declining in subsequent years. This largely reflects the timing of funding for road transport projects, including the Darlington upgrade and the timing of funding for the Northern Connector project.

National SPP funding for capital purposes, which reflects funding received under the National Affordable Housing Agreement, will be $94.7 million in 2016–17, with the change from 2015–16 reflecting established funding indexation arrangements.

Sales of goods and services

Sales of goods and services by the general government sector include government fees and charges that are adjusted annually based on the average increase in the cost of services. Most government fees and charges will be increased by 1.7 per cent from 1 July 2016.

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Regulatory fees	536.8	551.5	598.9	635.0	672.8	705.3
Health unit fees	392.9	426.1	422.5	447.5	471.3	493.6
Commonwealth contributions	485.2	502.1	476.4	487.2	435.5	423.8
TAFE fees	92.1	102.9	110.5	120.9	132.0	141.9
Schools revenue	125.8	125.0	128.8	132.8	136.9	141.2
Metroticket sales	93.1	90.4	93.8	97.7	101.7	105.9
Drivers' licence fees	42.6	42.6	44.4	39.1	45.2	45.5
Other user charges	560.3	575.5	611.3	627.7	648.7	661.7
Total sales of goods and services	**2 328.8**	**2 416.1**	**2 486.5**	**2 587.7**	**2 644.2**	**2 718.9**
% change on previous year						
Nominal-terms growth (%)		3.7	2.9	4.1	2.2	2.8
Real-terms growth (%)		3.0	1.1	1.8	- 0.3	0.3

Note: Totals may not add due to rounding.

Revenue from sales of goods and services in 2015–16 is expected to be $87 million higher than estimated at the time of the 2015–16 Budget, mainly due to upward revisions to health unit fees and Commonwealth Government contributions.

Commonwealth Government contributions have been revised up by $17 million in 2015–16 compared to the original budget estimate mainly due to further Commonwealth Government funding for the South Australian Riverland Floodplains Integrated Infrastructure Program. Health unit fees have increased in 2015–16 compared to the original 2015–16 Budget estimate mainly driven by higher revenue under the Child Dental Benefit Scheme and higher interstate patient revenue.

Revenue from sales of goods and services is expected to grow in real terms by 1.1 per cent in 2016–17, 1.8 per cent in 2017–18, decline by 0.3 per cent in 2018–19, and then increase by 0.3 per cent in 2019–20.

The real terms decline in 2018–19 is driven by an expected fall in revenue from Commonwealth contributions reflecting the Commonwealth taking over administrative responsibility for older people in specialised disability services from 2018–19.

Growth in revenue from regulatory fees largely reflects conditions in the property market, the annual indexation of most government fees and charges together with increases in the solid waste levy implemented as part of the Waste Levy Reform.

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

Interest income

Interest income is generated from agency cash balances held with financial institutions. Compared with the estimates in the 2015–16 Budget, interest income has been revised downwards from 2015–16 reflecting lower than forecast interest rates on cash balances.

Table 3.17: Interest income ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Total interest income	**29.3**	**24.0**	**23.6**	**24.2**	**26.0**	**25.3**
Nominal-terms growth (%)		- 14.7	- 1.7	2.9	7.5	- 2.7
Real-terms growth (%)		- 15.4	- 3.4	0.6	4.8	- 5.1

The movements in interest income across the forward estimates is the result of fluctuating cash rates applied to deposit balances.

Dividend and income tax equivalent income

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

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Dividend and ITE income from PNFCs	246.0	311.3	183.8	223.3	237.8	253.0
Dividend and ITE income from PFCs	67.0	462.8	141.3	26.0	26.1	26.9
Other dividend income	1.2	1.2	1.2	1.2	1.2	1.2
Total dividend and ITE revenue	**314.2**	**775.3**	**326.3**	**250.5**	**265.2**	**281.2**
Dividend and ITE from PNFCs comprise						
SA Water	237.8	298.6	176.7	207.9	222.0	241.7
Renewal SA	5.3	7.2	2.7	10.9	11.3	6.6
Other	2.9	5.5	4.5	4.5	4.6	4.7
Total	**246.0**	**311.3**	**183.8**	**223.3**	**237.8**	**253.0**
Dividend and ITE from PFCs comprise						
Motor Accident Commission	—	403.5	105.8	—	—	—
HomeStart Finance	15.5	16.6	11.7	11.8	11.9	12.7
SAFA	51.6	42.7	23.8	14.2	14.2	14.2
Total	**67.0**	**462.8**	**141.3**	**26.0**	**26.1**	**26.9**
% change on previous year						
Total dividend and ITE revenue						
Nominal growth (%)		-2.0	-57.9	-23.2	5.8	6.0
Real growth (%)		-2.8	-58.6	-24.9	3.3	3.4

Note: Totals may not add due to rounding.

In 2015–16, total dividend and ITE income is expected to be around $461 million higher than 2015–16 Budget estimates mainly due to a large dividend payment ($403.5 million) from the Motor Accident Commission (MAC). A further $105.8 million dividend is expected to be paid in 2016–17 following the transition to the new Compulsory Third Party (CTP) arrangements.

Distributions from SAFA are estimated to be $9 million below budget in 2015–16 reflecting decreased revenue associated with its insurance operations. SAFA dividends in 2015–16 include a special dividend payment of $30 million which is a return of excess capital from SAFA's fleet and treasury operations.

SA Water will also return a higher than expected dividend in 2015–16 primarily driven by higher than expected water sales in 2015–16 and unbilled revenue from 2014–15. The decline in distributions from SA Water in 2016–17 is primarily due to lower water and sewerage prices.

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

Other revenue

Table 3.19: Other revenue ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Royalties	289.7	221.9	251.5	260.8	261.2	278.3
Fines and penalties	144.6	122.2	140.8	152.0	154.9	157.5
Schools revenue	35.6	35.6	36.7	37.8	39.0	40.2
Other	250.1	242.6	234.9	201.2	209.8	228.8
Total other revenue	**720.0**	**622.2**	**663.9**	**651.8**	**664.9**	**704.8**
% change on previous year						
Nominal-terms growth (%)		- 7.7	6.7	- 1.8	2.0	6.0
Real-terms growth (%)		- 8.4	4.9	- 4.0	- 0.5	3.4

Note: Totals may not add due to rounding.

Other revenue in 2015–16 is expected to be $98 million lower than 2015–16 Budget estimates mainly due to downward revisions to royalty revenues.

Royalty revenue in 2015–16 is estimated to be $68 million lower than the original 2015–16 Budget estimate largely reflecting continued deterioration in commodity prices for copper, uranium, iron ore and zircon together with slower than previously forecast recovery in the price of crude oil. Royalty revenue is expected to grow moderately over the forward estimates largely reflecting the recovery of commodity prices and anticipated lower foreign exchange rates.

Fines and penalties revenue in 2015–16 have been revised down by $22 million since the 2015–16 Budget estimate largely due to delays in fixed cameras and point to point cameras coming online, as well as lower detections from fixed and mobile cameras. Modest growth in fines and penalties revenue is expected from 2016–17.

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

The decline in the remaining other revenue from 2017–18 relative to 2015–16 and 2016–17 largely reflects a range of once-off transactions including the Walker Corporation’s contribution to the Adelaide Festival Centre Precinct upgrade, capital contributions received from Flinders University, sales revenue for water sold back to the market as part of the South Australian River Murray Sustainability Program (SARMS) and a contribution from MAC towards the construction of the SA Ambulance MedSTAR Facility at Adelaide Airport.

Annual fee and rate setting

Fees and charges

Table 3.20 sets out the increases in fees and charges in 2016–17 for major government services. These increases take effect from 1 July 2016.

Table 3.20: 2016–17 changes to selected agency fees and charges

	2015–16 $	2016–17 $	Increase %
Public transport			
Single trip tickets — all times and zones	5.20	5.30	1.9
MetroCard single fare — all times and zones	3.48	3.54	1.7
Regular 28 Day pass	119.80	121.80	1.7
Motor vehicle charges			
Registration fee — motor vehicles:			
four cylinders or less	118.00	120.00	1.7
five or six cylinders	243.00	247.00	1.6
seven or more cylinders	351.00	357.00	1.7
Registration fee — light commercial vehicles:			
mass between 1001 kg and 1500 kg	261.00	265.00	1.5
mass greater than 1500 kg	446.00	454.00	1.8
Drivers' licence renewals			
Five years	205.00	210.00	2.4
Ten years	410.00	420.00	2.4
Speeding fines			
Exceeding the speed limit by:			
less than 10 km/h	163.00	166.00	1.8
by 10 km/h but less than 20 km/h	357.00	363.00	1.7
by 20 km/h but less than 30 km/h	726.00	738.00	1.7
by 30 km/h but less than 45 km/h	866.00	881.00	1.7
by 45 km/h and above	975.00	992.00	1.7
Water and sewerage — residential			
Average residential water bill[(a)]	783.44	766.16	-2.2
Average residential sewerage bill[(b)]	512.91	442.80	-13.7
Annual water service availability (supply) charge	286.40	286.40	0.0
Water usage charge per kilolitre supplied:			
up to and including 120 kilolitres per year	2.35	2.27	-3.4
in excess of 120 kilolitres but less than 520 kilolitres per year	3.36	3.24	-3.6
in excess of 520 kilolitres per year	3.63	3.51	-3.3
Motor vehicle charges[(c)]			
Compulsory third party premium — passenger vehicles (metropolitan postcodes):			
standard premium	378.00	389.00	2.9
input tax credit entitled premium	378.00	389.00	2.9
Lifetime Support Scheme Levy — passenger vehicles (metropolitan postcodes)	110.00	111.00	0.9

(a) The average metropolitan household uses about 184 kilolitres of water per year.

(b) Based on a metropolitan property value of $410 000.

(c) For metropolitan postcodes.

The annual indexation factor for fees and charges has been set at 1.7 per cent for 2016–17 reflecting the average increase in the cost of providing the relevant services. Fees and charges are typically adjusted by the indexation factor and then rounded to an administratively convenient amount. This results in the increase of some fees and charges being smaller or greater than the indexation factor.

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

Water prices for 2016–17 have been prepared on a consistent basis with ESCOSA's Final Revenue Determination of SA Water's water and sewerage retail services for four years from 1 July 2016 to 30 June 2020. The government has announced that for SA Water customers, residential water supply charges in 2016–17 will remain at the 2015–16 price with an average water usage price reduction of around 3.4 per cent. Metropolitan sewerage charges will fall on average by 13.7 per cent and country sewerage charges will fall on average by 13.2 per cent. For the average metropolitan residential customer, this will mean a combined water and sewerage bill reduction of around $87 in 2016–17.

The government has introduced reforms to the Compulsory Third Party (CTP) Insurance market to create a competitive and sustainable CTP market in South Australia. From 1 July 2016, CTP Insurance will be provided by four private Approved CTP Insurance providers – QBE Insurance (Australia) Limited, AAMI, SGIC and Allianz Australia Limited for the first three years, before transitioning to a fully competitive market. The Class 1 CTP premium (metropolitan private passenger vehicle) and Class 41 CTP premium (input tax credit entitled metropolitan) will increase by 2.9 per cent in 2016–17. On average CTP premiums will increase by 2.5 per cent in 2016–17.

The Lifetime Support Scheme levy will increase by 0.9 per cent in 2016–17 to reflect increases in the costs of future medical and care and support payments.

Developments in Commonwealth-state relations

Commonwealth Government Reviews

Reform of the Federation and Taxation White Papers

In 2013, the Commonwealth Government undertook to develop a White Paper on the Reform of the Federation (Federation White Paper).

The objectives of the Federation White Paper included reducing duplication between different levels of government, achieving a more efficient and effective federation and making interaction with government simpler for citizens.

In April 2016, the Prime Minister announced that the Commonwealth Government was not continuing with the development of a Federation White Paper.

Also in 2013, the Commonwealth Government announced that it would be developing a Tax Reform White Paper to examine the Australian tax system as a whole, and seek to improve tax settings to improve productivity, international competitiveness and growth.

The Commonwealth Government released a discussion paper in March 2015, held a number of public consultation meetings and engaged in discussions with states and territories. States and territories, including South Australia, put forward taxation reform proposals that were aimed at improving the sustainability of revenues to meet the growing expenditure pressures, especially in the health sector.

The Commonwealth Government did not proceed with the Tax Reform White Paper. Instead the Commonwealth Government's position on tax reform was included in the 2016–17 Commonwealth Budget.

In addition to the Commonwealth tax reform measures included in the Commonwealth Budget, COAG leaders agreed to consider proposals to share personal income tax revenue with the states at their meeting on 1 April 2016. The aim of this reform is to provide states with access to a broad-based revenue source to meet their ongoing expenditure needs and which grows in line with the economy. This proposal also has the potential to streamline the volume of Commonwealth Government payments to the states, provide states with greater autonomy and flexibility and reduce the overall administrative burden.

COAG agreed that this reform proposal, along with the work on broader opportunities for tax reform, including state tax reform, will be progressed by the Council for Federal Financial Relations, with a progress report to COAG at its next meeting.

Competition Reform

In March 2015, the final report of the Competition Policy Review, chaired by Professor Ian Harper, was released. In November 2015, the Commonwealth Treasurer released the Commonwealth Government's response to the review supporting or noting the majority of recommendations.

At its April 2016 meeting, COAG agreed that competition and productivity reforms are important to drive Australia's economic performance and living standards. Treasurers have been asked to develop a new competition and productivity enhancing reform agreement, for consideration at the next COAG meeting. The draft agreement will incorporate:

- an updated set of Commonwealth-state competition principles drawing from, and expanding on, those recommended by the Competition Policy Review report
- shared national and state-specific competition and productivity reforms
- independent evaluation and assessment mechanisms
- innovation payments, based on performance, including consideration of recent reforms.

Chapter 4: Managing the state's assets and liabilities

Overview

General government sector net debt is expected to rise from $4.1 billion as at 30 June 2016 to $6.2 billion in 2016–17 as a result of the new Royal Adelaide Hospital. Net debt is projected to peak at $6.6 billion in 2017–18, before declining marginally in the following two years. Over the forward estimates the ratio of net debt to revenue is expected to peak at 34.7 per cent in 2017–18. The fiscal target of a maximum net debt to revenue ratio of 35 per cent has been met across all years and by 30 June 2020, the ratio is expected to fall to 33.7 per cent.

Net operating surplus projections in the general government sector total $1.6 billion across the forward estimates. These surpluses assist to fund investment in general government sector infrastructure.

General government sector capital investment is estimated to be $4.6 billion in 2016–17, which includes $2.8 billion for the new Royal Adelaide Hospital, and $9.8 billion across the four years to 2019–20.

As a result, the value of land and other fixed assets in the general government sector, including the state's transport, education and health infrastructure, increases from $39.0 billion in 2016 to $43.5 billion in 2020. The net worth of the general government sector grows over this period.

Non-financial public sector (NFPS) net debt reflects the combined debt of the general government and the public non-financial corporation (PNFC) sectors. NFPS net debt is expected to increase from an estimated $10.9 billion as at 30 June 2016 and reaching a peak of $14.2 billion at 30 June 2018 before starting to decline in 2019 and 2020. These movements are primarily as a result of the movements in general government sector net debt.

The state's unfunded superannuation liability is estimated to be $12.5 billion at 30 June 2016. This is $392 million higher than the estimate at the time of the 2015–16 Mid-Year Budget Review (MYBR) as a result of changes in the discount rate used to value the liability. The government remains on track to fully fund superannuation liabilities by 2034, with the unfunded liability projected to decline from $12.5 billion as at 30 June 2016 to $11.1 billion by 30 June 2020.

The 2016–17 Budget contains a number of efficiency and reform measures associated with its assets and liabilities. These include:

- A scoping study on the possibility of transferring the commercial elements of HomeStart's current loan book and/or making its database available to the private sector.
- The separation and outsourcing of the transactional/service delivery activities provided by the Land Services Group. The proposed transaction involves an outsourcing contract to the private sector to provide transactional processing services for:
  - land title registry functions, such as processing of mortgage documents
  - property valuation services, such as property valuations for tax and ratings purposes
  - the right to use data and information services related to the above, for commercial purposes, with the permission of the State.

Key protections for this transaction will include:

- retention of key legal and policy functions (of the Registrar-General and the Valuer-General) within government (including guarantee of title, the Assurance Fund, etc.)
- privacy of personal information, government continues to control fees and charges
- maintenance of existing service standards to citizens.

The role and functions of the Surveyor-General will be excluded from the transaction.

General government sector financial position

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

Table 4.1: Key balance sheet indicators — general government sector

As at 30 June	2015 Actual	2016 Estimated Result	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
Net debt						
$m	3 929	4 071	6 246	6 561	6 541	6 536
% of total revenue	23.7	23.5	34.2	34.7	34.5	33.7
% of GSP	4.1	4.0	6.0	6.0	5.8	5.5
Net financial liabilities						
$m	18 296	19 796	21 783	21 951	21 756	21 574
% of total revenue	110.6	114.5	119.3	116.0	114.7	111.3
Net financial worth						
$m	1 374	179	-1 184	-1 062	- 326	424
% of total revenue	8.3	1.0	-6.5	-5.6	-1.7	2.2
Net worth						
$m	40 121	39 195	40 573	41 476	42 675	43 883
% of total revenue	242.4	226.6	222.2	219.2	224.9	226.3

Net debt

Net debt is expected to rise by $2.2 billion in 2016–17 with the recognition of the financial obligations for the new Royal Adelaide Hospital adding $2.8 billion that year, partially offset by a net operating surplus and returns from the Motor Accident Commission (MAC).

The return of excess capital from MAC in the form of dividends and a return of equity reduces net debt by an estimated $449 million in 2015–16 and a further $620 million in 2016–17. An additional $150 million reduction in net debt is projected by the end of the forward estimates period.

General government sector net debt is expected to peak at $6.6 billion at 30 June 2018, when from there on it reduces slightly through to 30 June 2020.

The estimated net debt to revenue ratio as at 30 June 2016 is 23.5 per cent, rising to 34.7 per cent as at 30 June 2018 mainly as a result of the debt impact of the new Royal Adelaide Hospital in 2016–17. The net debt to revenue ratio then declines to 30 June 2020. It remains below the government's fiscal target of 35 per cent in every year.

As a percentage of the South Australian economy, general government sector net debt remains relatively modest, at 4.0 per cent of Gross State Product (GSP) as at 30 June 2016, rising to 6.0 per cent at 30 June 2017 before falling back to 5.5 per cent as at 30 June 2020.

Unfunded superannuation liability

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

The provision by the government of defined benefit superannuation schemes for its employees creates a liability for the government to pay future benefits to scheme members in accordance with the terms of the schemes. The main defined benefit schemes were closed to new members in 1994.

The state's unfunded superannuation liability makes up the largest component of net financial liabilities, and is estimated to be $12.5 billion as at 30 June 2016, reducing to $11.1 billion as at 30 June 2020.

As at 30 June 2016, the unfunded superannuation liability is estimated to be $37 million lower than estimated in the 2015–16 Budget. The reduction is due to the impact of the net higher discount rate used to value the liability, partly offset by lower than expected earnings on superannuation assets since the 2015–16 Budget.

Table 4.2 summarises the change in the unfunded superannuation liability since the 2015–16 Budget.

Table 4.2: Unfunded superannuation liability ($million)

As at 30 June	2016	2017	2018	2019	2020
Estimate as at 2015–16 Budget	**12 520**	**12 196**	**11 841**	**11 453**	**11 031**
Impact of higher discount rate assumptions used to value superannuation liabilities at the 2015–16 MYBR compared with 2015–16 Budget assumptions(a)	- 709	- 675	- 640	- 605	- 569
Impact of lower than expected returns on superannuation assets in 2014–15 compared with 2015–16 Budget assumptions(b)	73	74	74	73	72
Impact of lower than expected returns on superannuation assets in 2015–16 as at 2015–16 MYBR compared with 2015–16 Budget assumptions(c)	271	270	268	264	260
Other	- 65	- 64	- 64	- 63	- 62
Estimate as at 2015–16 MYBR	**12 091**	**11 801**	**11 478**	**11 123**	**10 733**
Impact of slightly lower discount rate assumptions used to value superannuation liabilities at the 2016–17 Budget compared with 2015–16 MYBR(d)	244	233	222	210	198
Impact of expected lower returns on superannuation assets in 2015–16 compared with 2015–16 MYBR assumptions(e)	43	43	43	42	41
Impact of updated member data and other items	104	101	99	95	92
Estimate as at 2016–17 Budget	**12 483**	**12 178**	**11 842**	**11 471**	**11 065**

Note: Totals may not add due to rounding.

(a) The discount rate at the time of the 2015–16 MYBR was 3.3 per cent compared with 3.0 per cent assumed in the 2015–16 Budget.

(b) The actual earnings rate for 2014–15 was 10.0 per cent compared with 11.2 per cent assumed at the time of the 2015–16 Budget.

(c) The assumed earnings rate for 2015–16 at the time of the 2015–16 MYBR was 2.8 per cent compared with 7.0 per cent assumed in the 2015–16 Budget.

(d) The discount rate at the time of the 2016–17 Budget is 3.2 per cent compared with 3.3 per cent assumed in the 2015–16 MYBR.

(e) The assumed earnings rate for 2015–16 is 2.1 per cent for the 2016–17 Budget compared with 2.8 per cent assumed in the 2015–16 MYBR.

Earnings

The estimate of the unfunded superannuation liability as at 30 June 2016 reflects an estimated Funds SA earnings rate of 2.1 per cent for 2015–16. This is less than the long-term assumed earnings rate of 7.0 per cent and less than the assumed earnings for 2015–16 at the time of the 2015–16 MYBR of 2.8 per cent. The lower expected returns are due to the decline experienced in financial markets during 2015–16.

Discount rate

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

A discount rate of 3.2 per cent (effective annual rate) has been used for the 2016–17 Budget, compared with 3.0 per cent used for the 2015–16 Budget and 3.3 per cent for the 2015–16 MYBR.

The discount rate changes in response to the economy and financial market conditions. Small changes in the long-term bond rate have a material impact on the reported liability, with a 1.0 percentage point reduction in the bond rate increasing the liability by approximately $2.7 billion.

Table 4.3 sets out the impact different discount rates have on the unfunded superannuation liability.

Table 4.3: Sensitivity of unfunded superannuation liability to discount rates ($million)

Discount Rate (%)	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
3.2	12 483	12 178	11 842	11 471	11 065
6.0	7 243	7 151	7 038	6 901	6 739
7.5	5 389	5 358	5 313	5 249	5 165

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

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

Funding the liability

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

Table 4.4 shows estimated cash contributions towards the state's unfunded superannuation liability to achieve that commitment.

Table 4.4: Estimates of past service superannuation liability cash payments ($million)

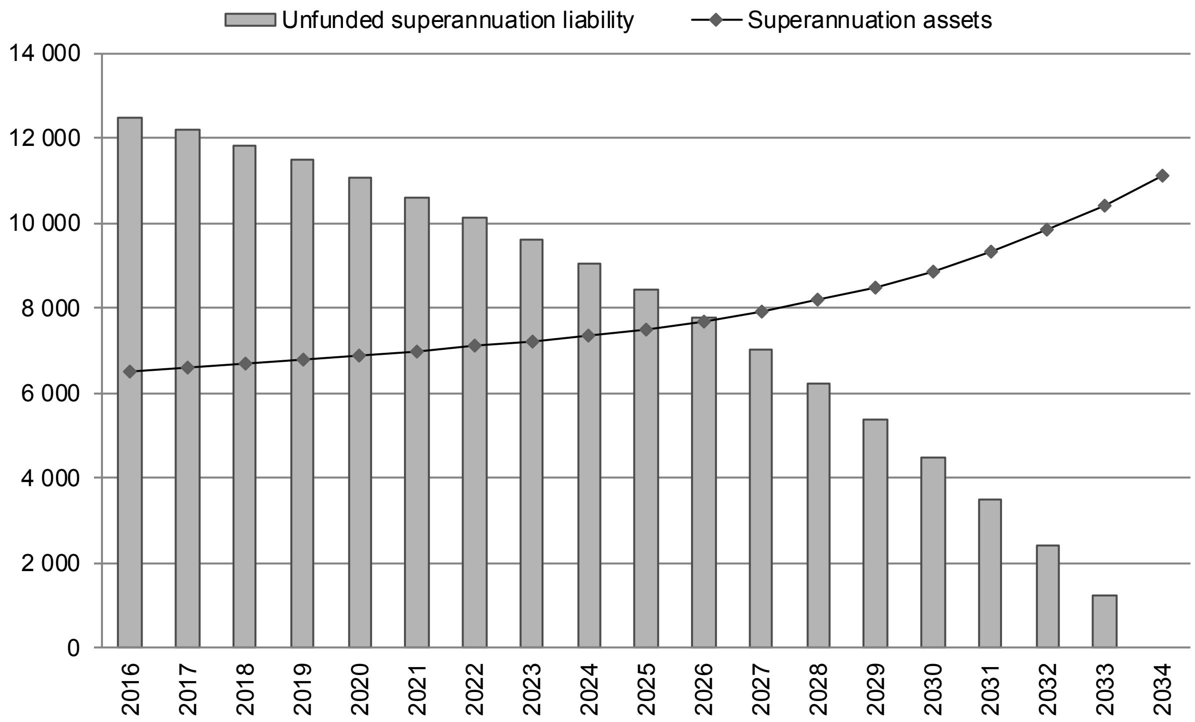
	2015–16	2016–17	2017–18	2018–19	2019–20
Past service payments	414	458	476	495	515

Table 4.2 showed the unfunded superannuation liability is projected to decline across the forward estimates period. This is partly because the annual increase of the defined benefit obligation, as a result of benefits being one year closer, is more than offset by the annual cash payments made as part of the government's target to fully fund all superannuation liabilities by 2034.

The relative stability of the unfunded superannuation liability across the forward estimates also reflects an assumed return to the expected long-term earnings rate of 7.0 per cent.

Figure 4.1 shows the reduction in the unfunded superannuation liability together with the increase in superannuation assets over the next 18 years.

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



Superannuation assets are estimated to be $6.5 billion as at 30 June 2016. By 2034, superannuation assets are projected to reach $11.1 billion, fully offsetting projected superannuation liabilities.

As required by the *Superannuation Act 1988*, a triennial review of the South Australian Superannuation Scheme was undertaken by an independent actuary at 30 June 2013 and tabled in Parliament in July 2014. The next triennial review will be undertaken during 2016–17 for the scheme as at 30 June 2016.

Net financial liabilities

Net financial liabilities are forecast to rise from $19.8 billion as at 30 June 2016 to $22.0 billion at 30 June 2018 before declining slightly to $21.6 billion by 30 June 2020. The changes in the net financial liabilities over the forward estimates are primarily due to the changes in net debt and reductions in unfunded superannuation liabilities over the forward estimates.

Other employee benefits, including long service leave, are estimated to be $2.7 billion as at 30 June 2016 and are forecast to increase to $3.2 billion as at 30 June 2020. This is a result of general increases in remuneration levels and accruing entitlements for long service leave.

It is projected that the remaining components of net financial liabilities will remain relatively stable from 30 June 2016 to 30 June 2020.

Net financial worth

Net financial worth is a broader measure than net financial liabilities as it incorporates equity interests in PNFCs and public financial corporations (PFCs). General government net financial worth is expected to decrease from $179 million as at 30 June 2016 to negative $1.2 billion as at 30 June 2017 before increasing to $424 million by 30 June 2020. The movements in net financial worth are mainly due to the initial recognition of the financial obligations for the new Royal Adelaide Hospital offset over the forward estimates by improvements in the overall budget operating position.

Net worth

Net worth is the amount by which the general government sector's total assets (non-financial and financial) exceed its liabilities. General government sector net worth is expected to increase across the forward estimates.

Table 4.5 displays movements in net worth attributable to operating transactions and other economic flows (e.g. revaluations).

The large revaluation of unfunded superannuation in 2015–16 is primarily due to a lower discount rate being used to value the liability coupled with lower than expected returns on superannuation assets.

Table 4.5: General government sector net worth ($million)

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Net worth at beginning of year	**40 121**	**39 195**	**40 573**	**41 476**	**42 675**
Change in net worth from operating transactions					
Net operating balance	258	254	415	464	466
Change in net worth from other economic flows					
Movement in net assets of PFCs(a)	9	571	- 184	77	57
Movement in net assets of PNFCs(a)	199	409	522	519	546
Revaluation of unfunded superannuation liability(b)	-1 137	239	243	246	250
Revaluation of long service leave liability	- 91	- 92	- 94	- 96	- 98
Revaluation of annual leave liability	- 15	- 15	- 15	- 15	- 16
Revaluation of workers compensation liability	- 181	- 16	- 16	- 16	- 17
Other revaluation adjustments	30	29	32	20	19
Total other economic flows	-1 185	1 124	487	735	741
Net worth at year end	**39 195**	**40 573**	**41 476**	**42 675**	**43 883**

Note: Totals may not add due to rounding.

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

(b) 2015–16 change represents the revaluation difference from the 30 June 2015 liability.

Land and other fixed assets

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

Table 4.6 shows the projected holdings of land and fixed assets for the general government sector over the forward estimates period, together with the depreciation expense for each year.

Table 4.6: Land and other fixed assets — general government sector ($million)

As at 30 June	2015 Actual	2016 Estimated Result	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
Inventories	69	69	69	69	69	69
Land	6 048	5 990	5 922	5 894	5 882	5 841
Buildings and improvements	8 745	8 701	10 463	10 437	10 186	9 810
Water, sewerage and drainage assets	248	258	289	339	364	361
Road networks	18 235	18 650	19 429	20 309	20 796	21 287
Rail and bus networks	2 110	2 179	2 367	2 699	2 707	2 697
Other infrastructure assets	2 151	2 025	2 075	1 645	1 852	2 247
Heritage assets	1 140	1 142	1 141	1 142	1 143	1 144
Self-generating and regenerating assets	2	2	2	2	2	2
Total land and other fixed assets (net of provisions for depreciation)	**38 747**	**39 015**	**41 757**	**42 537**	**43 000**	**43 458**
Depreciation expense	**853**	**889**	**963**	**1 020**	**1 055**	**1 058**

Note: Totals may not add due to rounding.

The total value of land and fixed assets held in the general government sector is expected to grow from $39.0 billion as at 30 June 2016 to $43.5 billion as at 30 June 2020. This increase reflects significant ongoing investment in the state’s infrastructure, particularly in health and transport network assets.

The decline in the value of land assets from 30 June 2016 to 30 June 2020 mainly reflects the disposal of surplus land, including that associated with the South Road Superway, the Northern Expressway and Glenside Hospital.

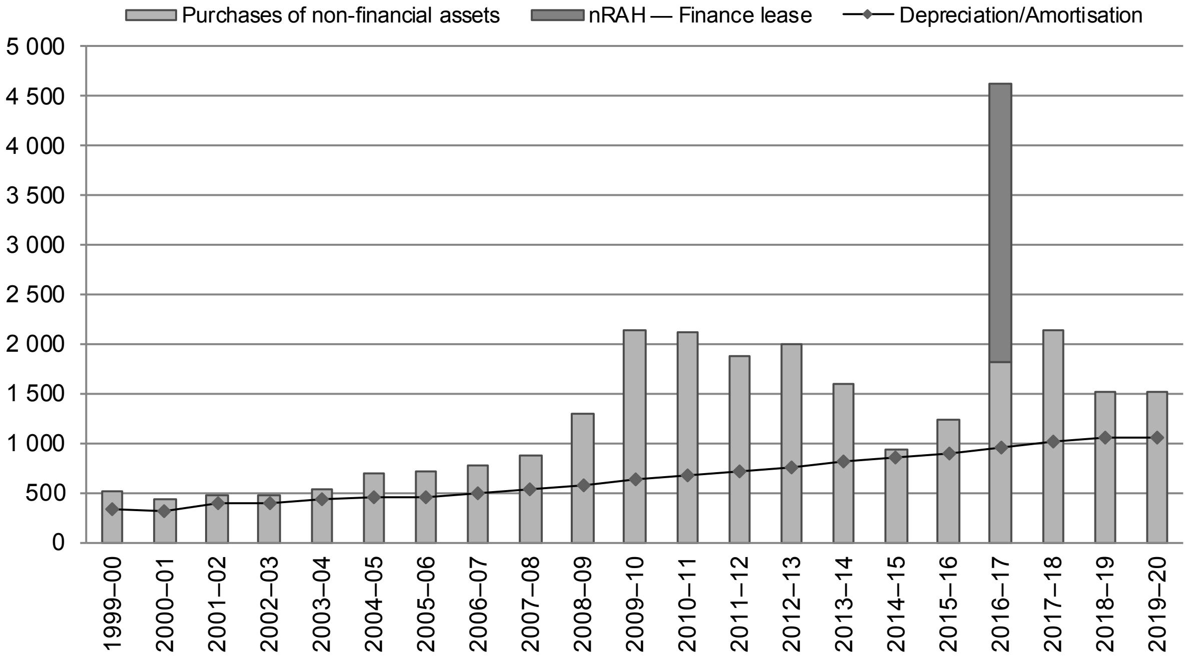
The general government sector will acquire $4.6 billion of non-financial assets in 2016–17, mainly in the areas of health, transport and education. Total general government sector capital investment is expected to be $9.8 billion from 2016–17 to 2019–20.

Strong levels of capital investment continue to increase the state’s infrastructure base, stimulate the economy in the short-term and increase the state’s long-term capacity to grow.

General government infrastructure investment is expected to exceed depreciation in all years over the forward estimates. Depreciation expense reflects the consumption of an asset’s service potential. Depreciation totals $889 million in 2015–16 and rises to $1.1 billion by 2019–20 as a result of the significant increase in the state’s asset base over the same period.

Figure 4.2 illustrates the government’s capital investment across the forward estimates.

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



Non-financial public sector financial position

While the general government sector is the focus of the budget, the financial position of the NFPS is also important. The NFPS comprises the general government sector and the PNFC sector.

Table 4.7 summarises key balance sheet indicators for the NFPS.

Table 4.7: Key balance sheet indicators — non-financial public sector

As at 30 June	2015 Actual	2016 Estimated Result	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
Net debt						
$m	10 676	10 911	13 770	14 179	14 164	14 095
% of total revenue	60.5	59.5	71.2	70.9	70.6	68.8
% of GSP	10.8	10.8	13.2	13.0	12.5	11.9
Net financial liabilities						
$m	25 167	26 744	29 406	29 660	29 459	29 200
% of total revenue	142.6	145.9	152.0	148.3	146.8	142.6
Net financial worth						
$m	-23 750	-25 379	-27 985	-28 482	-28 260	-27 979
% of total revenue	-134.6	-138.4	-144.6	-142.5	-140.9	-136.6
Net worth						
$m	40 121	39 195	40 573	41 476	42 675	43 883
% of total revenue	227.3	213.8	209.7	207.4	212.7	214.3

NFPS net debt is projected to increase from $10.9 billion at 30 June 2016 to $14.1 billion at 30 June 2020.

The estimated ratio of net debt to revenue for the NFPS is expected to increase from 59.5 per cent as at 30 June 2016 to 71.2 per cent at 30 June 2017 before reducing to 68.8 per cent by 30 June 2020. This is largely due to the impact of the new Royal Adelaide Hospital, partly offset by general government sector operating surpluses.

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

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

Land and other fixed assets

Table 4.8 shows the projected holdings of land and other fixed assets for the NFPS as at 30 June 2015 and across the forward estimates.

Table 4.8: Land and other fixed assets — non-financial public sector ($million)

As at 30 June	2015 Actual	2016 Estimated Result	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate
Inventories	577	455	486	465	432	411
Land	12 100	12 173	12 236	12 339	12 456	12 546
Buildings and improvements	13 481	13 497	15 975	16 008	15 771	15 367
Water, sewerage and drainage assets	13 323	13 699	14 110	14 613	15 046	15 430
Road networks	18 238	18 653	19 432	20 312	20 798	21 289
Rail and bus networks	2 110	2 179	2 367	2 699	2 707	2 697
Other infrastructure assets	2 849	2 716	2 746	2 313	2 518	2 913
Heritage assets	1 141	1 148	1 147	1 148	1 147	1 148
Self-generating and regenerating assets	50	50	50	50	50	50
Total land and other fixed assets (net of provisions for depreciation)	**63 868**	**64 570**	**68 548**	**69 948**	**70 925**	**71 850**
Depreciation expense	**1 275**	**1 321**	**1 432**	**1 505**	**1 558**	**1 569**

Note: Totals may not add due to rounding.

The total value of land and other fixed assets for the NFPS is projected to rise from $64.6 billion as at 30 June 2016 to $71.9 billion as at 30 June 2020, mainly due to investment and revaluations in health, transport and water-related infrastructure.

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

Debt Management

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

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

Throughout the 2015–16 financial year, SAFA has had strong access to markets and continues to hold adequate levels of liquidity to ensure the state can meet its obligations.

Term interest rates in major world bond markets, including the United States of America and Europe, have remained at historically low levels over the course of the current financial year. In addition, credit spreads have been broadly stable, in line with the global environment.

SAFA’s term borrowing rates have benefitted from the reduction in interest rates. For instance, the interest rate on SAFA’s August 2019 Select Line bond has decreased to 1.89 per cent as at 30 May 2016 from 2.62 per cent as at 30 June 2015. The interest rate on a corresponding Commonwealth Government bond has fallen from 2.22 per cent to 1.64 per cent in the same time period, reflecting a small outperformance in SAFA bonds.

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

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

In addition to debt managed under this framework, the general government sector has long-term housing agreement debt. This serves to increase the overall duration of general government sector debt. The general government sector also had Consumer Price Indexed debt that matured as of 15 June 2016.

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

Insurance arrangements

SAFA manages the government’s insurance arrangements through a separate insurance division using the trading name SAICORP.

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

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

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

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

Premium revenue earned by SAFA from client agencies for 2015–16 is $40.8 million ($39.8 million for 2014–15). SAFA has a policy of accumulating reserves over time to meet the cost of retained risks. Funds not required to meet day-to-day operational costs or short-term claim costs are invested in the tax exempt multi-sector growth product of Funds SA.

At 30 June 2015, SAICORP Insurance Fund 1 had:

- total assets of $490.6 million
- total liabilities of $322.4 million, including outstanding claim liabilities of $322.2 million — medical malpractice claims accounted for $259.3 million of the outstanding claim liabilities
- net assets (free reserves) of $168.2 million.

SAICORP operated within its target level of reserves throughout the year.

Two other funds are retained for other residual claims, with these being in a break even position, and indemnified by the Treasurer.

Chapter 5: Government businesses

Overview

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

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

Table 5.1: Key budget aggregates for public non-financial corporations and public financial corporations ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Public non-financial corporations						
Net contribution to government	- 121.4	- 57.0	- 235.9	- 274.2	- 276.1	- 270.3
Capital investment	641.0	618.9	1 298.0	675.1	567.7	473.2
Net debt	7 036.2	6 840.6	7 524.3	7 618.2	7 623.3	7 558.5
Public financial corporations						
Net contribution to government	61.0	456.7	135.0	19.4	19.2	19.7

There are a number of significant changes since the 2015–16 Budget. The net contribution to government has improved from budget mainly due to higher dividend and income tax equivalent contributions from SA Water as a result of higher sales revenue and lower depreciation expense.

Essential Services Commission of South Australia (ESCOSA) has released its Final Determination for SA Water's second regulatory period, commencing 1 July 2016. The average metropolitan residential water and sewerage customer will see a decrease of $87 (6.7 per cent) in 2016–17. These reductions are close to double the magnitude of those provided at the start of the first regulatory period on 1 July 2013, where the average metropolitan customer saw reductions of approximately $44 (3.4 per cent). SA Water dividends will drop significantly in 2016–17 as a result of some one-off benefits in 2015–16 and lower water and sewerage prices in 2016–17.

In 2016–17, the ownership of key TAFE SA properties will be transferred from the Department of State Development (DSD) to Renewal SA. The transfer ensures that TAFE SA properties are being placed with the government agency with the best available commercial property management experience and expertise. Renewal SA will purchase the TAFE SA properties for around $650 million and Renewal SA is to receive a commercial income stream from the properties.

In the 2014–15 Budget the state government announced the privatisation of the Motor Accident Commission (MAC) and that it would cease its role as the sole provider of Compulsory Third Party (CTP) insurance. The state government has now endorsed a new market-based model for the private sector provision of CTP insurance. As a result of the reforms, in December 2014 MAC paid $852.9 million from its surplus assets into the state government's Highways Fund to improve the safety of roads in South Australia and a further $448.5 million in June 2016. An additional contribution of $620.4 million (which includes $259.4 million private insurer approval fees) is expected to be paid in 2016–17 following the transition to the new CTP arrangements. Beyond 2016–17, further contributions totalling $150.0 million are anticipated to be paid across the forward estimates.

On 1 August 2015 the Adelaide Entertainment Corporation (AEC) and the Adelaide Convention Centre Corporation (ACC) merged to form the Adelaide Venue Management Corporation (AVMC). The AVMC is responsible for the management of the Adelaide Entertainment Centre, Coopers Stadium and Adelaide Convention Centre. Each of the three venues will continue to trade under their current names. The establishment of the AVMC will allow for increased operational efficiencies and provide for strategic advantages in convention and event management, including the stronger promotion of the state to an international market.

Financial arrangements and policy framework

Financial contributions in the form of dividends and income tax equivalent payments which are made by public non-financial corporations (PNFCs) and public financial corporations (PFCs) are recorded as part of the general government sector's revenue. Some PNFCs also pay guarantee fees to the government to ensure that their borrowing rates are consistent with competitive neutrality principles. Grants, subsidies and payments for community service obligations made to PNFCs and PFCs are recorded as expenditures of the general government sector.

Competitive neutrality policy

All jurisdictions signed the Competition Principles Agreement, which covers a range of matters including competitive neutrality policy and principles (Competition Principles Agreement — 11 April 1995, as amended to 13 April 2007).

Among the requirements of the policy are that jurisdictions will ensure that their government business enterprises are subject to the same government taxes (or tax equivalent systems), debt guarantee fees and regulations that private sector businesses are normally subject to.

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

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

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

As a signatory to the Competition Principles Agreement, the Government of South Australia must also report annually on the competitive neutrality status of all of its significant business activities. Information on the status of category 1 and 2 significant business activities is published by the Department of the Premier and Cabinet on its website <www.dpc.sa.gov.au>.

Guarantee fees

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

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

Governance framework

The PNFCs Ownership Framework Policy Guidelines outline the government's policy framework for community service obligations, dividends and capital structure. The ownership framework has been implemented for SA Water and ForestrySA and elements of the framework have been applied to the Public Trustee. The development of an ownership framework for Renewal SA is progressing and is intended to be completed in 2016–17.

Community service obligations

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

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

SA Water and Renewal SA receive a number of CSO payments. The largest CSO payment is to SA Water to ensure that water and sewerage prices are applied uniformly across the state. SA Water also receives CSO payment in relation to exemptions and concessions for certain classes of customers (such as charities) and to provide services to regional aboriginal communities.

Public non-financial corporations

Operating performance

Table 5.2 provides key budget aggregates for the PNFC sector.

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Net operating balance before dividends and income tax equivalents (excluding SAHT)	175.5	288.2	175.5	211.7	214.7	235.7
plus SAHT net operating balance	- 147.8	- 171.2	- 162.0	- 59.7	- 61.6	- 53.0
equals						
Net operating balance before dividends and income tax equivalents (including SAHT)	**27.6**	**117.0**	**13.5**	**152.1**	**153.1**	**182.7**
less Dividends	171.3	217.8	128.2	155.2	165.3	175.8
less Income tax equivalents	74.7	93.5	55.6	68.0	72.6	77.3
equals						
Net operating balance	**- 218.4**	**- 194.3**	**- 170.4**	**- 71.2**	**- 84.7**	**- 70.3**

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
less						
Net acquisition of non-financial assets						
Gross fixed capital formation[(a)]	480.5	445.4	1 097.5	532.0	445.8	383.3
less Depreciation	455.2	431.5	469.2	485.6	502.9	511.5
plus Change in inventories	6.1	- 126.4	30.3	- 20.4	- 34.1	- 20.8
equals Total net acquisition of non-financial assets	31.4	- 112.5	658.6	26.0	- 91.2	- 149.0
equals						
Net lending/borrowing[(b)]	**- 249.7**	**- 81.8**	**- 828.9**	**- 97.2**	**6.5**	**78.7**

Note: Totals may not add due to rounding.

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

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

The 2015–16 estimated net operating balance before dividends and income tax equivalents for the PNFC sector of $117.0 million is an $89.4 million improvement from budget. This mainly reflects an improvement in SA Water's net operating balance ($79.2 million) primarily due to higher sales revenue and lower depreciation expense.

Net operating balance before dividends and income tax equivalents will then decrease by $103.5 million to $13.5 million in 2016–17 mainly due to a reduction in SA Water's net operating balance of $142.6 million due to lower expected sales revenue including a decrease to water and sewerage prices in line with ESCOSA's final determination.

Gross fixed capital formation is budgeted to be $1.1 billion in 2016–17, $652.1 million higher than the 2015–16 estimated result mainly due Renewal SA's purchase of TAFE SA properties for $650 million.

Inventories in 2015–16 of -$126.4 million is $132.5 million lower than budget due to a $142.5 million write down in the value of Renewal SA's property holdings to net realisable value and fair value.

Contributions

Table 5.3 summarises net contributions to the government by PNFC entities, which comprise income tax equivalents, dividends, grants, subsidies and community service obligations (CSOs). While SA Water makes a significant net contribution to the general government sector, overall the PNFC sector is a net recipient of distribution from the general government sector mainly due to South Australian Housing Trust (SAHT) not generating commercial returns and Renewal SA's commercial property activities being offset by significant non-commercial activities. Renewal SA's non-commercial activities include development projects such as Tonsley Park redevelopment and the implementation of the government's policy functions including social housing and activation projects.

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Income tax equivalents						
SA Water	73.9	92.8	54.9	64.6	69.0	75.2
Renewal SA	—	—	—	2.6	2.7	1.2
South Australian Housing Trust	—	—	—	—	—	—
ForestrySA	—	—	—	—	—	—
Other	0.7	0.7	0.7	0.8	0.9	0.9
Total income tax equivalents	**74.7**	**93.5**	**55.6**	**68.0**	**72.6**	**77.3**
Dividends						
SA Water	163.9	205.9	121.8	143.3	153.0	166.6
Renewal SA	5.3	7.2	2.7	8.3	8.6	5.4
South Australian Housing Trust	—	—	—	—	—	—
ForestrySA	—	0.8	—	—	—	—
Other	2.2	4.0	3.8	3.7	3.7	3.8
Total dividends	**171.3**	**217.8**	**128.2**	**155.2**	**165.3**	**175.8**
Grants and subsidies[(b)]						
SA Water	12.9	13.7	8.2	3.1	3.0	3.0
Renewal SA	0.5	0.8	0.8	0.3	0.3	0.3
South Australian Housing Trust	152.1	154.7	154.7	260.4	274.3	282.4
ForestrySA	3.9	0.4	2.7	0.9	0.4	1.1
Other	55.4	42.5	49.8	49.9	50.0	48.8
Total grants and subsidies	**224.7**	**212.1**	**216.2**	**314.6**	**328.0**	**335.7**
CSOs						
SA Water	129.3	129.3	135.9	133.3	134.2	134.8
Renewal SA	9.6	23.2	64.1	46.1	49.0	49.1
South Australian Housing Trust	—	—	—	—	—	—
ForestrySA	3.7	3.7	3.6	3.5	2.8	3.7
Other	—	—	—	—	—	—
Total CSOs	**142.6**	**156.2**	**203.5**	**182.9**	**186.0**	**187.6**
Net contribution to government[(c)]						
SA Water	95.6	155.6	32.6	71.5	84.8	103.9
Renewal SA	- 4.8	- 16.8	- 62.2	- 35.5	- 38.0	- 42.8
South Australian Housing Trust	- 152.1	- 154.7	- 154.7	- 260.4	- 274.3	- 282.4
ForestrySA	- 7.6	- 3.3	- 6.3	- 4.4	- 3.2	- 4.8
Other	- 52.5	- 37.8	- 45.3	- 45.4	- 45.4	- 44.1
Total net contribution to government	**- 121.4**	**- 57.0**	**- 235.9**	**- 274.2**	**- 276.1**	**- 270.3**

Note: Totals may not add due to rounding.

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

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

(c) Net contribution to the government comprises income tax equivalents plus dividends less grants, subsidies and CSOs. A negative amount indicates grants, subsidies and CSOs exceed dividends and income tax equivalents.

The net contribution from the government to the PNFC sector of $57.0 million in 2015–16 is $64.4 million lower than budget, mainly due to higher dividend and income tax equivalent contributions from SA Water as a result of higher sales revenue and lower depreciation expense.

The budgeted net contribution from the government to the PNFC sector of $235.9 million in 2016–17 is $178.9 million higher than 2015–16. This is mainly the result of lower net contributions to the government from SA Water as a result of lower water and sewerage prices, and the increase in CSO payments to Renewal SA of $40.9 million, primarily to ensure a commercial income stream is generated from TAFE SA properties.

Capital investment

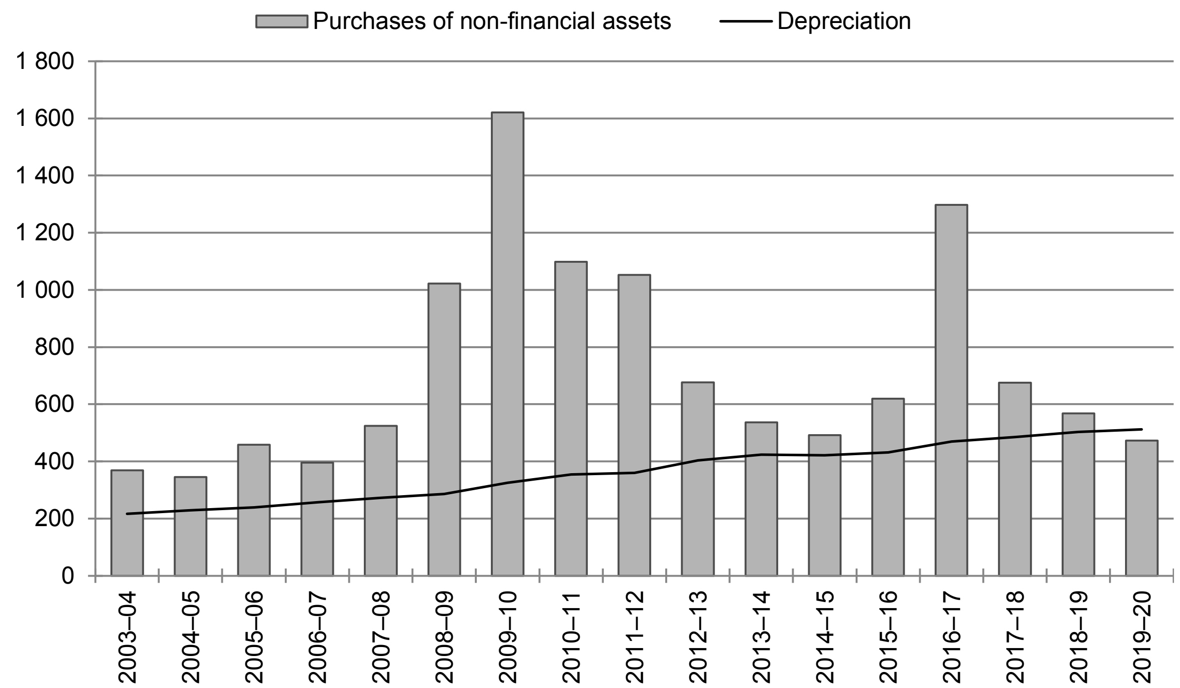
Table 5.4: Public non-financial corporations purchases of non-financial assets — forward estimates ($million)[(a)]

Agency	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Adelaide Cemeteries Authority	2.9	1.3	1.3	1.1	1.0
Adelaide Venue Management Corporation	81.5	77.9	9.9	4.1	4.2
Adelaide Festival Centre Trust	1.2	2.1	—	0.2	—
ForestrySA	1.1	0.4	0.3	0.3	0.3
Public Trustee	0.3	0.7	0.3	0.3	0.3
Renewal SA	16.4	654.9	18.4	11.7	11.7
SA Water	360.2	367.1	440.0	398.7	373.3
South Australian Government Employee Residential Properties	7.1	7.3	7.5	7.7	7.9
South Australian Housing Trust	145.7	180.0	194.9	141.1	71.8
West Beach Trust	2.5	6.3	2.5	2.6	2.7
Total purchases of non-financial assets	**618.9**	**1 298.0**	**675.1**	**567.7**	**473.2**
Total sales of non-financial assets	**173.6**	**200.5**	**143.1**	**121.8**	**89.9**
Gross fixed capital formation	**445.4**	**1 097.5**	**532.0**	**445.8**	**383.3**

Note: Totals may not add due to rounding.

(a) Purchases of non-financial assets comprises capital investing expenditure and contributed assets.

Figure 5.1: Purchases of non-financial assets and depreciation ($million)[(a)]



(a) Purchases of non-financial assets comprises capital investing expenditure and contributed assets.

Capital investment by the PNFC sector is budgeted to be $1.3 billion in 2016–17, $679.1 million higher than the 2015–16 estimated result. This increase mainly reflects the $650.0 million purchase of TAFE SA properties by Renewal SA.

Significant capital investment in 2016–17 includes:

- Renewal SA’s purchase of TAFE SA properties for around $650 million
- SA Water’s investment program of $367.1 million, comprising major projects such as the Kangaroo Creek Dam Safety project
- SAHT’s investment program of $180.0 million comprising public housing redevelopment and capital maintenance programs
- AVMC’s investment program of $77.9 million comprising mainly of the Riverbank Precinct Development.

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

Table 5.5: Capital Investment Program ($million)

Investments	Estimated completion Quarter	2016–17 Budget	Estimated total cost $m
Renewal SA			
TAFE SA properties	n.a.	650.0	650.0
Other capital investment		4.9	n.a.
Total Renewal SA		**654.9**	**n.a.**
SA Water major projects			
Kangaroo Creek Dam Safety	Mar 2018	42.7	94.7
Other major projects		88.1	n.a.
Total SA Water major projects		**130.7**	**n.a.**
SA Water annual programs			
Asset Renewal	n.a.	12.9	n.a.
Information Technology	n.a.	30.5	n.a.
Mechanical and Electrical Renewal	n.a.	19.2	n.a.
Network Extension	n.a.	35.8	n.a.
Pipe Network Renewal	n.a.	32.2	n.a.
Safety	n.a.	25.2	n.a.
Structures	n.a.	31.3	n.a.
Other annual programs	n.a.	23.2	n.a.
Total SA Water annual programs		**210.3**	**n.a.**
Total SA Water contributed assets		**26.0**	**n.a.**
Total SA Water		**367.1**	**n.a.**
South Australian Housing Trust			
Better Neighbourhoods Program	n.a.	47.5	n.a.
Economic Stimulus — construction of social housing	Sep 2018	37.9	118.0
Playford North Urban Renewal	Jun 2020	17.1	149.0
Public Housing Capital Maintenance	n.a.	15.6	n.a.
Remote Indigenous Housing	Jun 2018	19.3	221.0
Other capital investment		42.5	n.a.
Total South Australian Housing Trust		**180.0**	**n.a.**
Adelaide Venue Management Corporation			
Riverbank Precinct Development	Sep 2017	67.3	396.8
Other capital investment		10.6	n.a.
Total Adelaide Venue Management Corporation		**77.9**	**n.a.**
Other PNFC entities		**18.2**	**n.a.**
Total capital investment		**1298.0**	**n.a.**

Note: Totals may not add due to rounding.

Net debt

PNFC sector net debt is expected to be $6.8 billion in 2015–16, a decrease of $0.2 billion compared with original budget estimates. Net debt is then forecast to increase from $6.8 billion in 2015–16 to $7.6 billion by 2019–20. The following table shows that the expected increase in net debt mainly reflects:

- Renewal SA’s borrowings of $400.0 million to purchase TAFE SA properties
- SA Water increasing borrowings by $249.6 million from 2015–16 to 2019–20 primarily to deliver continued capital investment
- AVMC’s financing of the Riverbank Precinct Development.

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Adelaide Cemeteries Authority	- 1.0	- 2.9	- 3.0	- 3.2	- 3.8	- 4.4
Adelaide Festival Centre Trust	- 14.6	- 12.2	- 12.5	- 12.8	- 13.0	- 13.3
Adelaide Venue Management Corporation[(b)]	285.3	279.3	349.3	350.7	345.7	340.2
Electricity Lease Entities	- 4.2	- 4.2	- 4.4	- 4.6	- 4.8	- 5.0
ForestrySA	- 25.0	- 19.4	- 19.9	- 20.7	- 21.2	- 21.8
Public Trustee	- 17.4	- 16.7	- 17.3	- 18.3	- 19.4	- 20.5
Renewal SA	562.5	420.4	906.0	870.9	838.3	820.8
SA Motor Sport Board[(c)]	- 0.1	—	—	—	—	—
SA Water	6 487.6	6 373.2	6 427.5	6 540.6	6 597.8	6 622.7
SAGERP	- 9.3	45.4	46.0	46.5	47.0	47.4
South Australian Housing Trust	- 233.5	- 228.6	- 157.3	- 140.0	- 151.3	- 214.6
West Beach Trust	6.1	6.3	10.0	9.0	8.0	7.0
Total PNFC net debt	**7 036.2**	**6 840.6**	**7 524.3**	**7 618.2**	**7 623.3**	**7 558.5**

Note: Totals may not add due to rounding.

(a) Net debt equals the sum of deposits held, advances received and borrowings, minus the sum of cash and deposits, advances paid and investments, loans and placements. Net debt does not include fixed assets.

(b) Adelaide Entertainment Centre and Adelaide Convention Centre merged to form Adelaide Venue Management Corporation on 1 August 2015.

(c) SA Motor Sport Board merged with the Tourism Commission and is no longer a PNFC entity.

SA Water

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Income tax equivalents	73.9	92.8	54.9	64.6	69.0	75.2
plus						
Dividends	163.9	205.9	121.8	143.3	153.0	166.6
less						
Grants, subsidies and CSOs	142.2	143.0	144.1	136.4	137.2	137.9
equals						
Net contribution to government	**95.6**	**155.6**	**32.6**	**71.5**	**84.8**	**103.9**
Capital investment	**413.4**	**360.2**	**367.1**	**440.0**	**398.7**	**373.3**
Net debt	**6 487.6**	**6 373.2**	**6 427.5**	**6 540.6**	**6 597.8**	**6 622.7**

Note: Totals may not add due to rounding.

The government is estimated to receive a net contribution from SA Water in 2015–16 of $155.6 million.

SA Water's 2015–16 estimated dividends and income tax equivalent payments to the government of $298.7 million are above budget by $60.9 million, primarily due to higher sales revenue ($34.5 million) principally from higher water sales in 2015–16 and unbilled revenue from 2014–15, as well as lower depreciation expense ($22.3 million) resulting from asset revaluations.

In 2016–17, water and sewerage prices will decrease in line with ESCOSA's final determination. The government has announced that for SA Water customers, drinking water usage charges will decrease by 3.4 per cent (nominal) on average in 2016–17, metropolitan sewerage charges will decrease on average by 13.7 per cent (nominal) and country sewerage charges will decrease on average by 13.2 per cent (nominal).

Lower prices will reduce SA Water's dividends and income tax equivalent by $122.0 million in 2016–17.

Renewal SA

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Income tax equivalents	—	—	—	2.6	2.7	1.2
plus						
Dividends	5.3	7.2	2.7	8.3	8.6	5.4
less						
Grants, subsidies and CSOs	10.1	24.0	64.9	46.4	49.3	49.4
equals						
Net contribution to government	**- 4.8**	**- 16.8**	**- 62.2**	**- 35.5**	**- 38.0**	**- 42.8**
Capital investment	**13.4**	**16.4**	**654.9**	**18.4**	**11.7**	**11.7**
Net debt	**562.5**	**420.4**	**906.0**	**870.9**	**838.3**	**820.8**

Note: Totals may not add due to rounding.

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

Renewal SA makes special dividend payments each year associated with the Adelaide Station and Environs Redevelopment site. It is anticipated that Renewal SA will begin making a profit from 2017–18 and will be paying income tax equivalent payments and profit related dividends from that date.

CSO payments to Renewal SA in 2015–16 are above budget by $13.6 million mainly due to increased payments to support companies to establish operations at the Tonsley Park development. CSO payments are forecast to increase by $40.9 million from 2015–16 to 2016–17, mostly relating to the government ensuring that Renewal SA receives a commercial return on the TAFE SA properties.

In 2015–16, Renewal SA undertook a review of its sales program and as a result, anticipated land release program for 2016–17 is expected to increase significantly from 2015–16. Renewal SA's land sales program will remain relatively consistent thereafter across the forward estimates. Major projects impacting on sales revenue across the forward estimates include Lightsview, Playford Alive, Woodville West, Bowden and Tonsley.

In 2016–17 Renewal SA's capital expenditure and net debt increases mainly due to the purchase of TAFE SA properties from DSD for around $650 million. This will be funded from the government providing an equity injection of $250 million to Renewal SA and Renewal SA increasing its debt by $400 million. Renewal SA will receive a commercial rental stream (of around $55 million per annum), comprising of rent paid by TAFE SA (of around $20 million per annum) as well as a CSO payment to Renewal SA (of around $35 million per annum) to ensure Renewal SA makes a commercial return on the TAFE SA properties.

This transaction will result in general government's net debt improving by $251.2 million by 2019–20. Renewal SA's debt to asset ratio will also improve to around 84 per cent in 2016–17 and remain around that level over the forward estimates.

South Australian Housing Trust

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Grants, subsidies and CSOs	152.1	154.7	154.7	260.4	274.3	282.4
Net contribution to government	**- 152.1**	**- 154.7**	**- 154.7**	**- 260.4**	**- 274.3**	**- 282.4**
Capital investment	**118.6**	**145.7**	**180.0**	**194.9**	**141.1**	**71.8**
Net debt	**- 233.5**	**- 228.6**	**- 157.3**	**- 140.0**	**- 151.3**	**- 214.6**

Note: Totals may not add due to rounding.

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

SAHT facilitates a range of housing options for South Australians. In December 2014, the state government announced changes to the management of SAHT assets, aligning them to Renewal SA. Renewal SA, through initiatives such as the Renewing Our Streets and Suburbs program, partners with other government agencies, not-for-profit providers, industry and the community, to revitalise ageing SAHT public housing stock.

SAHT does not fully recover the cost of providing services to its tenants through its own revenue sources from rental payments.

Total state grant funding provided to SAHT is estimated to increase by $105.7 million from 2016–17 to 2017–18, primarily due to the conclusion of the reduction in state grants to SAHT flowing from the Commonwealth Government's balance sheet relief in 2012–13.

Public financial corporations

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

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

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

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Income tax equivalents						
HomeStart Finance	4.6	5.1	4.9	4.9	5.0	5.3
South Australian Government Financing Authority	13.2	4.0	10.7	5.2	5.2	5.2
Total income tax equivalents	**17.8**	**9.1**	**15.6**	**10.1**	**10.1**	**10.5**
Dividends						
HomeStart Finance	10.9	11.5	6.8	6.9	7.0	7.4
Motor Accident Commission	—	403.5	105.8	—	—	—
South Australian Government Financing Authority	38.4	38.7	13.1	9.0	9.0	9.0
Total dividends	**49.2**	**453.7**	**125.7**	**15.9**	**16.0**	**16.5**
CSOs						
HomeStart Finance	6.1	6.1	6.2	6.6	6.9	7.3
Total CSOs	**6.1**	**6.1**	**6.2**	**6.6**	**6.9**	**7.3**
Net contribution to government[(a)]						
HomeStart Finance	9.4	10.5	5.4	5.2	5.0	5.5
Motor Accident Commission	—	403.5	105.8	—	—	—
South Australian Government Financing Authority	51.6	42.7	23.8	14.2	14.2	14.2
Total net contribution to government	**61.0**	**456.7**	**135.0**	**19.4**	**19.2**	**19.7**

Note: Totals may not add due to rounding.

(a) Net contribution to the government from the PFC sector comprises income tax equivalents plus dividends less CSOs.

Distributions from SAFA are estimated to be $8.9 million below budget in 2015–16 reflecting decreased revenue associated with its insurance operations. SAFA dividends in 2015–16 totalling $38.7 million include a special payment of $30 million which is a return of excess capital from SAFA's fleet and treasury operations.

As a result of the privatisation of MAC, the government will receive a dividend of $403.5 million in 2015–16 and $105.8 million in 2016–17. Further distributions from the MAC privatisation process are being provided as a return of capital.

For reporting purposes, return of capital is not classified as dividends and is therefore not reflected within the net contributions as shown in table 5.10.

Table 5.11: Return of capital from public financial corporations to the government ($million)

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Return of capital						
HomeStart Finance	15.6	15.6	—	—	—	—
Motor Accident Commission	—	45.0	514.6	60.0	56.0	34.0
Total return of capital	**15.6**	**60.6**	**514.6**	**60.0**	**56.0**	**34.0**

In table 5.11, capital returns to government totals $60.6 million in 2015–16 mainly from MAC ($45.0 million). An additional capital return of $514.6 million is expected to be paid in 2016–17 by MAC (which includes $255.2 million return of capital and $259.4 million private insurer approval fee) following the transition to the new CTP arrangements.

Table 5.12: Return to government from the privatisation of the Motor Accident Commission ($million)

	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	Total
Dividends and Distributions	459.2	403.5	105.8	—	—	—	968.5
Return of Equity — Private Insurer Approval Fee	—	—	259.4	—	—	—	259.4
Return of Equity	393.7	45.0	255.2	60.0	56.0	34.0	843.9
Total Releases and Approval Fee	**852.9**	**448.5**	**620.4**	**60.0**	**56.0**	**34.0**	**2 071.8**

Note: Totals may not add due to rounding.

It is anticipated that the privatisation of MAC will result in almost $2.1 billion being returned to government between 2014–15 and 2019–20, comprising dividends of $968.5 million, a total return of equity of $843.9 million and a private insurer approval fee of $259.4 million, as shown in Table 5.12.

Full-time equivalents (FTEs)

Table 5.13: Public non-financial corporations' and public financial corporations' employment

	Full-time equivalent employees as at 30 June				
	2016 Estimate	2017 Budget	2018 Estimate	2019 Estimate	2020 Estimate
Public non-financial corporations					
Adelaide Venue Management Corporation	384.2	375.5	375.3	373.4	371.6
Adelaide Festival Centre Trust	254.0	254.0	254.0	254.0	254.0
Public Trustee	167.8	167.8	167.8	167.8	167.8
Renewal SA	182.2	181.7	180.2	179.2	178.2
SA Water	1 535.8	1 544.1	1 525.0	1 509.0	1 499.0
South Australian Housing Trust	881.2	857.7	825.9	821.4	821.4
Other	200.3	191.8	185.2	185.2	185.2
Total public non-financial corporations	**3 605.5**	**3 572.6**	**3 513.4**	**3 490.0**	**3 477.2**
Public financial corporations					
HomeStart Finance	94.4	94.4	94.4	94.4	94.4
ReturnToWorkSA	254.4	256.5	256.5	256.5	256.5
South Australian Government Financing Authority	80.5	80.5	80.5	80.5	80.5
Other	92.5	98.5	103.5	106.5	109.5
Total public financial corporations	**521.8**	**529.9**	**534.9**	**537.9**	**540.9**

The estimated aggregate workforce of the PNFC sector is 3605.5 FTEs as at 30 June 2016, over 67 per cent of which relates to positions in SA Water and SAHT.

Employment in the PFC sector is estimated to be 521.8 FTEs as at 30 June 2016, with a large proportion of positions within ReturnToWorkSA.

FTEs in the PNFC sector are estimated to decrease by 128.3 (3.6 per cent) between 30 June 2016 and 30 June 2020 primarily driven by staffing reductions for SAHT, SA Water and AVMC.

This is due to:

- SAHT meeting its efficiency targets
- SA Water meeting ongoing efficiency targets following a small increase in FTEs 2016–17 to achieve improved customer responsiveness and short-term resourcing related to business technology and efficiency enhancements
- Reductions for AVMC following a review of required resources over the forward estimates.

SA Water's FTE profile has been increased across the forward estimates from the 2015–16 Budget to better conform to the government's Accounting Policy Framework. SA Water's FTEs now includes contractors and other temporary hire personnel as employees for reporting purposes. This change does not reflect additional expenditure by SA Water.

Chapter 6: Risk statement

Overview

This chapter outlines the major financial risks that could affect the fiscal outlook set out in the 2016–17 Budget and identifies measures the government has adopted to manage these risks. The risks are summarised in three main sections — risks to revenue, risks to expenditure, and contingent liabilities.

Budget estimates are made on assumptions and judgements formed in the context of information available at the time of their preparation. In practice, both revenues and expenses will be subject to variation from the estimates contained in the budget, and the size of the potential variation typically increases over the forward estimates period.

Financial risks arise from general developments or from specific events that affect the fiscal outlook. They may be positive or negative, and they may not necessarily be within the government's control. Examples include fluctuations in economic activity and financial markets, changes to demand for government services, and changes in Commonwealth Government funding and policy.

The budget estimates include allowances to help manage potential financial risks. For example, allowances are made for wage and salary outcomes and capital expenditure contingency provisions. In addition, some sources of risk to the fiscal outlook can, to a certain extent, be managed through established risk management practices such as hedging and insurance.

Revenue risks

Taxation, grants, royalties and fines

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

Fluctuations in economic activity within the state increase the risk of state taxation revenues exceeding or falling short of budget forecasts, particularly at turning points in the economic cycle. The performance of the national economy is also a key driver of state government revenues. The pool of GST revenue grants allocated to the states and territories is directly influenced by national trends in consumer spending and housing construction, as well as population growth in each jurisdiction.

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

Specific economic-related risk factors include that:

- the international economic environment could be weaker than expected. China is South Australia's most significant export market and its expected growth rate and the nature of economic growth affects mining operations and investment decisions in South Australia and consequent royalty and taxation revenues. Lower prices for commodities has reduced royalty revenues, has the potential to delay investment decisions and resulted in the loss of employment in mining and associated industries. There is also uncertainty around the extent to which lower oil prices will boost global economic activity, as well as the response of supply to the sharp fall in prices, particularly from unconventional oil production
- there are uncertainties around the transition of the Chinese economy away from investment based growth to consumption and services based growth. This transition could place further pressure on mining activity but open up other opportunities for exports of food and beverages, and services such as tourism
- a weaker international economic environment could reduce the demand for Australian goods and services, with consequent impacts on investment and activity more broadly
- there could be a resurgence of volatility in financial markets
- low inflation could negatively affect consumer and business spending through lower wages growth (impacting on payroll tax revenues) and property price growth (impacting on stamp duty revenues)
- nationally, the longer term sustainability of recent improvements in household spending and residential construction in light of lower wages and income growth, may present a risk to the economic outlook and key revenue sources such as GST revenue grants and stamp duty revenues
- the rate of structural adjustment in South Australia, in light of the pending closure of the automotive manufacturing industry
- South Australian agricultural output and farm incomes are subject to climate risk, with flow-on impacts into other areas of the economy.

State taxation

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

Payroll tax

Payroll tax tends to be influenced by broad economic trends, particularly employment, hours worked and wages growth. Payroll tax is also impacted by compositional factors, including firms moving above and below the payroll tax threshold and differential growth in payrolls of larger employers.

There is a risk that employment or wages growth will be lower than forecast which would flow through as a reduction in payroll tax revenue. In addition, there are risks to revenue estimates associated with the composition of employment growth between firms that are subject to payroll tax and those that are not. Historically these compositional factors have had a positive impact on payroll tax growth, but in recent times they have had negative impacts.

Impact: A 1.0 per cent change in taxable payrolls equates to about $11 million in payroll tax revenue.

Property taxes

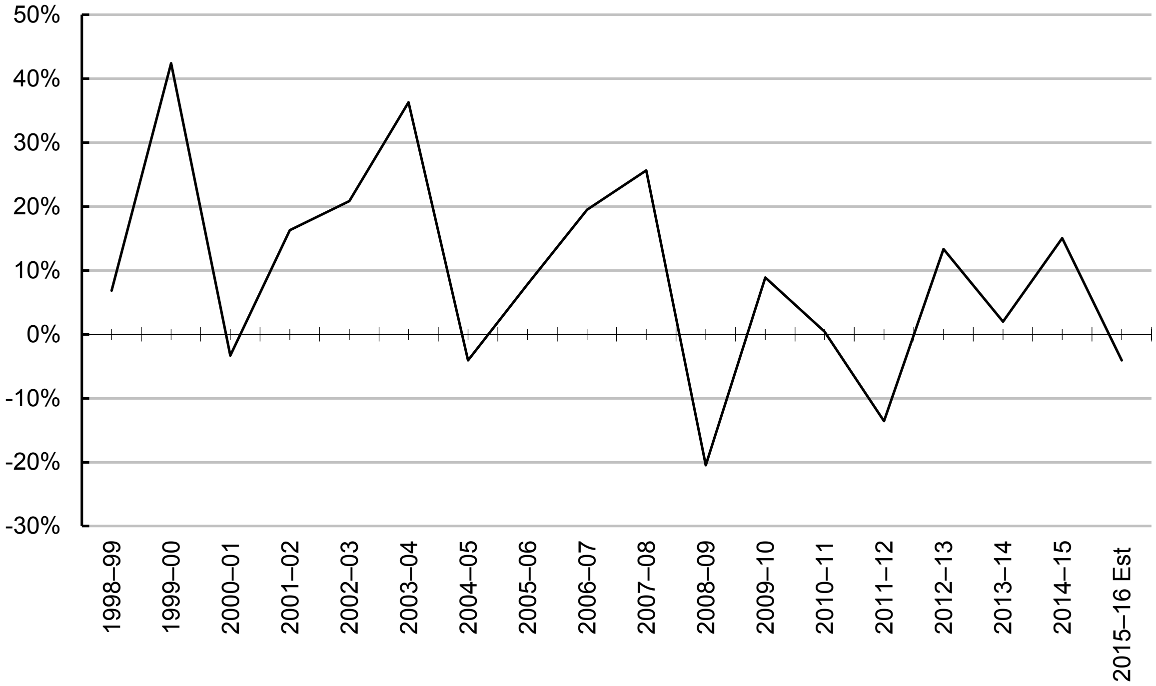
Conveyance duty revenue is exposed to local variations in the property market. Trends in property market values and activity levels can be difficult to predict particularly transaction numbers which can change significantly from one year to the next. Forward projections of conveyance duty revenue assume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

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

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

Figure 6.1 shows the annual growth in total conveyance duty revenue since 1998–99. Over that time, annual growth in total conveyance duty revenue has ranged from around negative 20 per cent to positive 42 per cent. In recent years property price growth has been relatively steady, but growth in residential transactions was lower than expected in 2015–16.

Figure 6.1: Total conveyance duty — annual growth



Source: South Australian Department of Treasury and Finance.

As part of the government's tax reform package announced at the time of the 2015–16 Budget, conveyance duty on non-real property transfers was abolished from 18 June 2015 and duty on real non-residential property transfers will be abolished over the period to 1 July 2018. This will reduce the number of transactions subject to duty over the forward estimates and the forecasting error associated with irregular timing of large commercial transactions.

Land tax receipts can also vary from expectations over the forward estimates period. Indexation of land tax thresholds commenced on 1 July 2011 and avoids the impact of bracket creep when property values are increasing, with growth in land tax revenues broadly in line with growth in land values. Land tax thresholds will not be reduced if land values fall, and as a result, land tax revenues will be additionally impacted.

Impact: A 1.0 per cent variation in 2016–17 property values equates to about $10 million in conveyance duty revenue, while a 1.0 per cent variation in transactions in 2016–17 equates to about $8 million in conveyance duty revenue. A 1.0 per cent variation in land values equates to around $6 million in private land tax revenue in 2016–17 (after indexation of tax brackets for growth in land values).

Gaming machine revenue

There are a number of risks to gaming machine tax revenue collections.

Discretionary spending levels are influenced by a range of factors, including growth in wages and incomes, debt servicing levels, the cost of essential items and perceived future spending needs. Regulatory reforms can also impact on gaming machine taxation revenue collections.

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

Impact: A variance of 1.0 per cent in hotel and club gaming machine expenditure equates to around $3 million in gambling tax revenue.

Insurance duty

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

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

Royalties

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

There is potential for growth in royalty revenue from new mines. The timing of these additional royalty streams is dependent on the timing of discoveries, global economic conditions as well as the time required for development approvals and to develop new mine sites to an operational level. Royalty revenue does not flow until commercial production commences.

Variations in royalty revenues arising from the royalty base (production and price levels) are substantially offset over time by consequent variations in the share of Commonwealth Government GST revenue grants received by South Australia through the HFE process.

Impact: Excluding HFE impacts, a 1.0 cent change in the US dollar/Australian dollar exchange rate has a direct revenue impact of about $3 million on royalty revenue. A 1.0 per cent change in international prices for copper, iron ore, uranium, gold, oil and petroleum liquids has a direct revenue impact of about $2 million.

Traffic infringement fines

Revenue collected from traffic infringement fines is sensitive to changes in driver behaviour patterns and the number of speed detection devices (red light/speed cameras) in operation.

Impact: A variance of 1.0 per cent in the number of traffic infringement notices equates to around $1.4 million per annum in fines revenue.

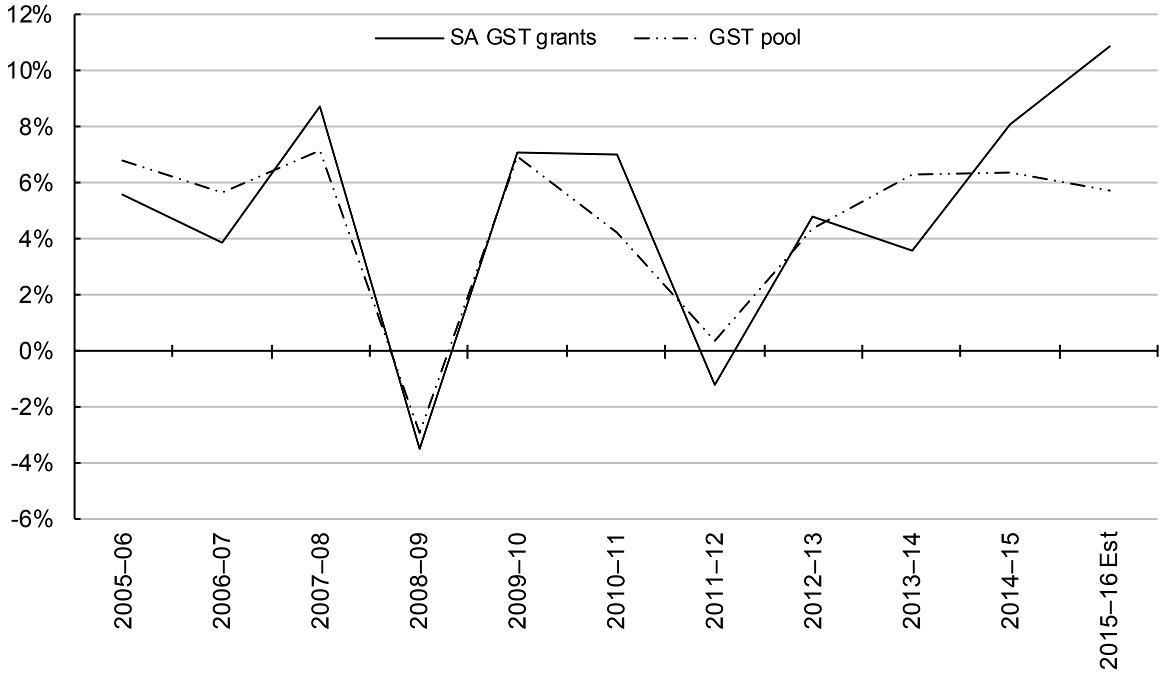
Changes to general purpose payments (GST revenue)

The pool of GST revenue grants allocated to the states and territories is directly influenced by national trends in consumer spending and housing construction.

Households have become more cautious in their spending behaviour in recent years, increasing their savings. Spending patterns have also shifted towards items not subject to GST. These trends have had a significant impact on the growth of the GST pool.

South Australia's GST revenue grants are driven by the size of the national GST pool and the state's population share. They are also impacted by changes to the state's share of the pool, which is determined by the Commonwealth Grants Commission (CGC) in accordance with HFE principles. Figure 6.2 shows that annual growth in the GST pool and South Australia's GST revenue grants has also fluctuated over the past 10 years. South Australia's GST revenue grants comprise over 50 per cent of total grant revenues and therefore the budget is particularly exposed to lower than expected growth in the GST pool.

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



Source: South Australian Department of Treasury and Finance.

Impact: A 1.0 per cent change in GST pool growth has a revenue impact for South Australia of about $61 million per annum.

Changes to horizontal fiscal equalisation methodology and data

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

In Australia, GST revenue grants are the vehicle used to achieve HFE. South Australia receives around $1.8 billion more in GST revenue grants than it would if funding were distributed on a simple population (per capita) basis without consideration of the differing fiscal needs and capacities of each state.

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

Approximately every five years the CGC reviews the methodology it uses to distribute GST revenue grants in order to achieve HFE. The last methodology review was conducted in April 2015 and the next methodology review is expected to commence next year and, following past practice, will conclude in the first half of 2020.

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

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

Although the outcome of the 2015 Methodology Review was positive for South Australia, the CGC flagged certain assessments where new data sources would become available prior to the next review process.

Some of these new data sources were reflected in the CGC's 2016 Update and resulted in material redistributions between the states. Further data driven impacts are expected in future CGC updates.

Impact: A 0.01 change in South Australia's relativity (from the 2016 update relativity of 1.41695) would result in a change in GST revenue grants of about $43 million.

Specific purpose and National Partnership payments

Commonwealth-state funding arrangements are governed by the Intergovernmental Agreement on Federal Financial Relations (the IGA) agreed to by the Council of Australian Governments (COAG) in December 2008. The IGA provides for a small number of ongoing national-specific purpose payments (SPPs) for housing, skills development and disability services; National Health Reform funding and Student First (education) funding. In addition, National Partnership payments (NPPs) are paid to states to support delivery of specified projects or to facilitate or reward the implementation of reforms of national importance.

Some NPPs require funding co-contributions from the states and in some cases penalty provisions apply if performance targets are not met.

In the 2016–17 Commonwealth Government Budget the Commonwealth Government extended National Health Reform funding to 2019–20 and provided additional Student First funding. However, these measures only provided a partial and time-limited offset to the health and education funding cuts made in the 2014–15 Commonwealth Government budget and did not reinstate funding for a number of long-standing national partnerships.

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

Changes in profitability of government businesses

As part of their day-to-day operations, government business enterprises — comprising public non-financial corporations (PNFCs) such as SA Water and Renewal SA and public financial corporations (PFCs) such as the South Australian Government Financing Authority (SAFA) — manage a range of commercial risks. Risks that adversely impact upon a government business may affect its ability to pay dividends and make tax equivalent payments, thereby impacting on the financial position of the general government sector.

Impact: A 1.0 per cent fall in total contributions in 2016–17 to the general government sector from PNFCs and PFCs would have a $3.3 million impact on the budget.

Expenditure risks

Hospital expenditure growth

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

The government is implementing a number of strategies to manage the expenditure growth in hospitals, including ensuring services and infrastructure are provided in the most efficient manner to deliver quality health outcomes and productivity improvements. Changes to Commonwealth funding for health also significantly impact on the State Government’s capacity to provide resources to the health system. In this Budget the State Government is providing significant additional funding for health to offset the impact of previous Commonwealth funding cuts and support the Transforming Health reforms.

Impact: A 1.0 per cent growth in hospital expenditure above the level incorporated in the 2016–17 Budget would increase expenditure by approximately $51 million per annum.

Student enrolment numbers

The budget includes a best estimate of expected movements in the number of student enrolments. To the extent that actual enrolment numbers vary from those estimates there will be an impact on the state’s financial position.

Impact: A 1.0 per cent growth in government school enrolment numbers above the levels incorporated in the 2016–17 Budget would increase expenditure by approximately $19 million per annum.

Growth in children in care

The budget includes provisions for resourcing requirements of children in state care, including home-based, community residential and emergency care accommodation.

Impact: Depending on the mix of care types, a 1.0 per cent growth in children in out-of-home care above the levels incorporated in the 2016–17 Budget would increase expenditure by approximately $3.3 million per annum.

Disability

The cost of state disability support is increasing in real terms. This is due to a number of factors including growth and ageing of the potential client population, medical advances and a general drift from home care to state care in part due to the ageing of carers. If the increase in services is higher than forecast there will be an impact on the budget.

For clients who have transitioned to the National Disability Insurance Scheme (NDIS), above-projected growth in costs under the agreed phasing arrangements will be fully funded by the Commonwealth Government. From 2018–19 the state is scheduled to fully implement NDIS and any growth in costs above the state’s fixed contribution to the scheme will be met by the Commonwealth Government. This is subject to a Productivity Commission review in 2017 and COAG consideration of the findings, with the Commonwealth Government committing to a minimum of 75 per cent of cost risk.

Impact: Depending on the mix of client needs, a 1.0 per cent growth in client costs above the level incorporated in the 2016–17 Budget would increase expenditure by approximately $5.3 million per annum up to 2017–18, noting that the state is scheduled to be in full NDIS from 2018–19.

Higher than expected increases in wages and salaries

Enterprise agreements are in place for major workforce groups for the relevant terms of each agreement, with all associated costs included in the 2016–17 Budget.

In 2016–17 enterprise bargaining negotiations will occur for the trades group (building, metal and plumbing trades), TAFE SA Lecturers, Ambulance Officers, Assistants to Members of Parliament, Visiting Medical Specialists, Nurses/Midwives, the Rail Commissioner train drivers, infrastructure and maintenance employees, Wages Parity Groups (salaried and weekly paid), Salaried Medical Officers, Clinical Academics and Firefighters.

The government has revised its wages policy to limit wage growth to 1.5 per cent per annum over the next three years of each enterprise agreement. The outcomes of future wage negotiations will be crucial in determining whether expenditure forward estimates in this budget can be achieved and the level of government services that can be delivered in light of the current challenging economic conditions.

Allowances in the forward estimates for enterprise bargaining outcomes cover both salary and non-salary outcomes.

Impact: If public sector-wide wage outcomes for new enterprise agreements vary by 1.0 per cent per annum from allowances in the forward estimates, the budget impact is estimated to be around $169 million in 2019–20.

Delivery of savings and revenue measures

Since the 2010–11 Budget the government has implemented significant savings measures each year. These savings have been substantially delivered and have largely been responsible for restrained growth in general government operating expenses in recent years. Consequently there is a lower level of risk surrounding the delivery of savings measures than was the case in previous budgets.

The majority of ongoing savings for agencies relate to a continuation of the existing efficiency dividend policy. Agencies will be required to continue to find expenditure efficiencies to deliver these savings.

Interest rates

Changes in interest rates affect the budget position of the general government and public non-financial corporation (PNFC) sectors through changes in interest payments.

Impact: A 1.0 percentage point move in the average interest rate applying to general government sector net debt would change net interest expense by approximately $62 million in 2016–17 rising to $65 million in 2019–20.

A 1.0 percentage point move in interest rates applying to the PNFC sector would change net interest expense by approximately $75 million in 2016–17. This would affect contributions received by the general government sector from PNFCs.

Increase in Consumer Price Index (CPI)

Higher inflation may impact on the prices paid by government agencies for goods and services. The government's indexation policy provides for standard indexation of supplies and services expenditure in line with projections in the CPI. Agencies are required to absorb a cost increase from within existing budget allocations, unless the specific price increase has resulted in a material effect on the agency budget. The materiality test applied is that the price change experienced has altered agency costs by more than 0.5 percentage points above or below the standard indexation provided for in agency budgets.

Adelaide's CPI outcome in 2015 was significantly lower than standard indexation assumptions in the Budget. Indexation of agency expenditure budgets has been reduced in 2016–17 to reflect the lower CPI result in 2015.

Impact: Not quantifiable.

Fluctuation in foreign exchange rates

Treasurer's Instruction 23 'Management of Foreign Currency Exposures' requires public authorities to recognise and control foreign exchange risks associated with the purchase of imported goods and services. Public authorities are required to obtain forward cover for the acquisition of goods and services that are expected to give rise to a foreign currency exposure exceeding $250 000. This limits potential foreign exchange risks faced by the government once acquisition decisions are made.

Impact: Foreign exchange rates could have an impact on the costs of agencies that source capital equipment, supplies and services from overseas. This includes items such as pharmaceuticals, transport equipment and the operations of overseas offices.

Capital investment

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

Impact: If cost escalations exceed the allowances included in the investment program, there will be a negative impact on annual net lending outcomes. A 1.0 per cent increase in costs for the general government investment program would increase capital expenditure by approximately $18.1 million in 2016−17.

Superannuation liabilities and expenses

For defined benefit scheme superannuation liabilities (pension or defined benefit lump sum schemes), the budget is exposed to factors affecting the value of the unfunded liability. These factors include:

- volatility in the expected returns on investment funds and the risk-free discount rate
- changes in actuarial assumptions relating to future benefit payments

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

Impact: Volatility in asset markets poses a risk to the budget. A 1.0 percentage point lower than expected return on superannuation assets invested by Funds SA would increase estimated unfunded superannuation liabilities by around $65 million. An increase in unfunded superannuation liabilities of this magnitude would increase nominal superannuation interest expenses, decreasing the net operating balance by around $2 million per annum.

A fall in the Commonwealth Government bond rate between valuation dates will lead to the use of a lower discount rate for valuation purposes, resulting in an increase in the value of the unfunded liability. A 1.0 percentage point reduction in the discount rate would increase unfunded superannuation liabilities by $2.7 billion. However the impact on the budget net operating balance is the imputed interest on these unfunded liabilities, and the interest rate used to calculate this will also fall by 1.0 percentage point. The net effect on the budget would be an improvement of around $63 million per annum in the net operating balance. An increase in the discount rate of 1.0 percentage point would decrease unfunded superannuation liabilities by $2.2 billion and increase the imputed interest by $30 million.

Change in domestic and overseas share prices

Funds SA, ReturnToWorkSA, MAC and the insurance-related investments of SAFA are exposed to both domestic and international equity markets. Changes in domestic and overseas share prices impact on the investments of these entities.

Impact: A variation in domestic and overseas share prices will directly impact the budget through a change in earnings on superannuation assets. A change in the value of the financial investments of ReturnToWorkSA will not have a direct impact on the budget as there is no contribution to the budget from the scheme.

A change in the value of SAFA’s financial investments may have a direct impact on the budget through a variation in SAFA’s dividend contributions.

Insurance

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

Government motor vehicle fleet — residual value risk

The state government’s fleet operations transferred to SAFA from 1 July 2009. Accordingly, reductions in residual values of vehicles will be met by SAFA and will impact on government agencies over time through changes to the leasing rates charged by SAFA.

Any reductions in residual values of vehicles will be a risk exposure to SAFA and may impact on the budget through either an increase in lease rates or a reduction in SAFA’s dividend contributions.

Contingent liabilities

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

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

Full details of the state’s material quantifiable and non-quantifiable contingent liabilities are included in the 2014–15 Final Budget Outcome and Consolidated Financial Report as at 30 June 2015.

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

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

	2014	2015
Guarantees	932	943
Nyrstar indemnity	291	291
Other	18	62
Total	**1 241**	**1 296**

Note: Totals may not add due to rounding.

Final whole of government data for 2015–16 will be published in the 2015–16 Final Budget Outcome and Consolidated Financial Report as at 30 June 2016.

The information below provides 30 June 2015 data for the major individual contingent liabilities.

Summary of contingent liabilities and other exposures

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

- Guarantee of Local Government Finance Authority loans and other liabilities — pursuant to the *Local Government Finance Authority Act 1983*, liabilities incurred or assumed by the Local Government Finance Authority are guaranteed by the Treasurer.

  Exposure: $693 million at 30 June 2015 (compared with $679 million at 30 June 2014).

- Osborne Cogeneration arrangements — certain underlying exposures were retained as part of the former government's sale of electricity assets.

  Exposure: $150 million to $200 million at 30 June 2015 (unchanged from 30 June 2014).

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

  Gross exposure: $1.5 billion at 30 June 2015 (compared with $1.7 billion at 30 June 2014).

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

  Exposure: Not quantifiable (unchanged from 30 June 2014).

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

  Exposure: $291 million at 30 June 2015 (unchanged from 30 June 2014).

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

Exposure: $50 million at 30 June 2015 (unchanged from 30 June 2014).

- Residential bond guarantees — the Bond Guarantee Scheme provides a guarantee to private owners and/or real estate agents in regards to the bond payable by eligible private rental tenants. The South Australian Housing Trust (SAHT) ultimately pays for any bond claims made by owners/agents and the tenant becomes liable to the SAHT for any amount paid. The value of bond guarantees as at 30 June 2015 was $50 million with the value of claims made during 2014–15 at $8 million.

  Exposure: $50 million at 30 June 2015 (compared with $44 million at 30 June 2014).

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

  Exposure: $3.5 million at 30 June 2015 out of the $50 million program limit (compared with nil at 30 June 2014).

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

Chapter 7: South Australian economy

Overview

The South Australian economy performed solidly in 2015–16 despite significant economic challenges, including ongoing job losses in manufacturing and reduced mining investment and employment as a result of lower commodity prices. Nevertheless, over the last decade employment growth in industries such as food, health, tourism and services has outweighed job losses in the state's traditional manufacturing and mining industries.

Growth in the global economy moderated to 3.1 per cent in 2015, but is forecast by the International Monetary Fund (IMF) to gradually improve to 3.2 per cent in 2016 and 3.5 per cent in 2017. Nonetheless substantial uncertainty remains around global growth prospects. Growth in emerging and developing economies still accounts for the bulk of projected world growth. China, one of our largest trading partners, has witnessed a slowing in growth following concerted policy efforts to transition away from investment to consumption and services as key drivers of economic growth. IMF forecasts suggest economic growth in China will be 6.5 per cent in 2016, moderating to 6.2 per cent in 2017 — down from 6.9 per cent in 2015.

Within Australia, new resources investment has declined significantly and profitability in the resources sector, particularly for iron ore and metallurgical coal, has been adversely affected by low commodity prices. Past mining investments have however translated into increased exports of Australian minerals. Low interest rates should support business and consumer spending and housing investment. The Australian Government in its 2016–17 Budget sees the Australian economy continuing its transition to broader based growth with household consumption, dwelling investment and exports supporting economic growth.

The lower Australian dollar will support further growth in economic activity in the trade exposed sectors of the South Australian economy, including tourism, international education, and premium food and wine. The new shipbuilding program centred at Techport in Port Adelaide will support the development of advanced manufacturing in South Australia and will contribute to expanded job opportunities from 2017. Nonetheless, headwinds remain from the closure of automotive manufacturing activities over the next 18 months. The State Budget responds to this through a mix of new infrastructure spending, job grants and ongoing assistance to transition the economy through support for innovation.

The South Australian economy is expected to grow by 2 per cent in 2016–17 and 2¼ per cent per annum from 2017–18 onwards.

South Australia's recent economic performance

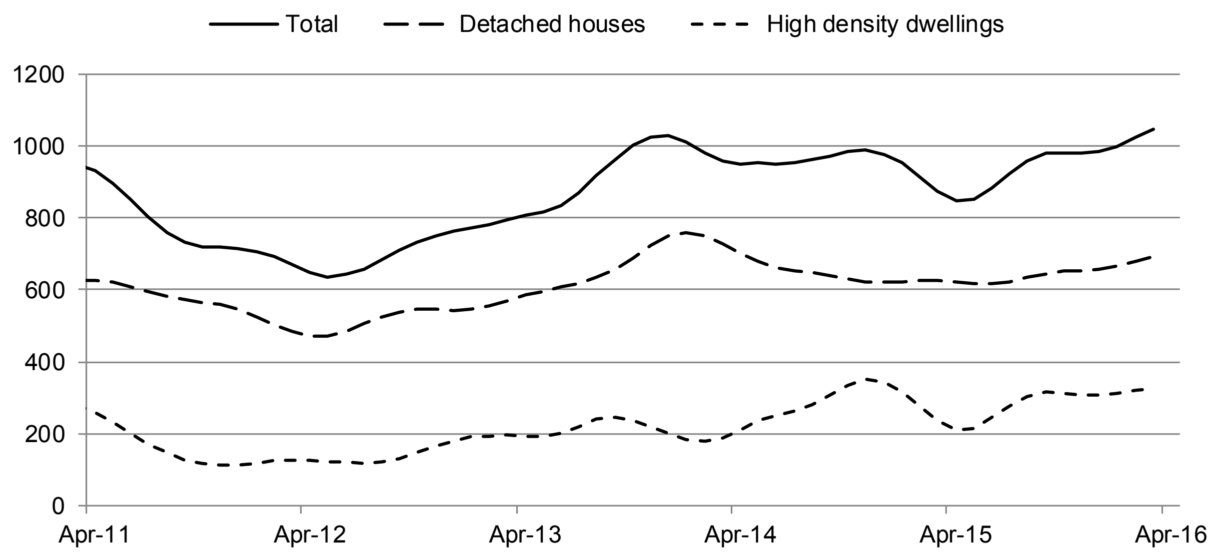
South Australian employment has increased by 6000 (0.7 per cent) in trend terms since the 2015–16 Budget, despite job losses in manufacturing, mining and construction over the past year.

State Final Demand (SFD), which is a measure of total spending in the South Australian economy by households, business and governments, was 1.0 per cent higher in real trend terms in the year to the March quarter 2016, supported by increased consumer spending and public sector consumption and investment.

Consumer spending has remained relatively robust, growing by 2.6 per cent in real trend terms in the year to the March quarter 2016. Retail turnover has grown by 3.3 per cent in nominal trend terms through the year to April 2016, similar to national growth of 3.4 per cent.

The housing construction sector has shown steady levels of activity, with the construction of 10 000 dwellings during 2015. New dwelling approvals rose strongly through 2015 and into 2016, primarily due to rising approvals for high density housing in and around the city, although detached housing approvals have also shown solid growth in the past six months (see figure 7.1). With the value of residential work yet to be done at near recent highs, residential construction will be supported in the near to medium term.

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



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

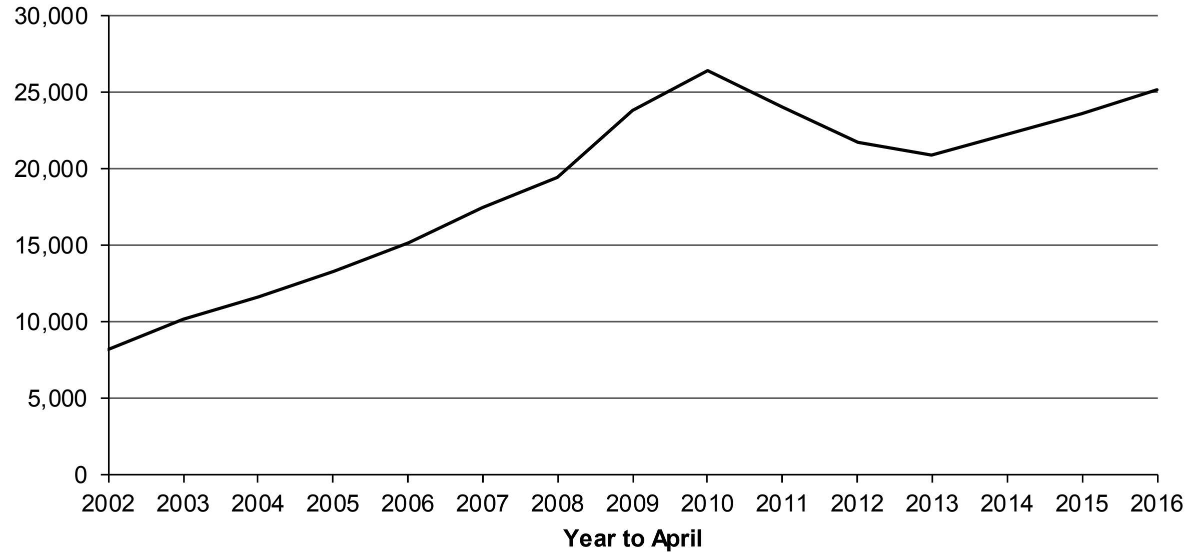
In the current economic climate of low commodity and oil prices, private new business investment remains subdued, both nationally and in South Australia. Private new business investment in South Australia declined by 11 per cent in the year to the March quarter 2016. Similarly, mineral and petroleum exploration spending has declined substantially from recent highs, falling by 73 per cent in nominal terms in the twelve months to the March quarter 2016.

While winter crop production in 2015–16 is estimated to be 3.6 per cent lower than in 2014–15, conditions in the rural sector remain relatively strong. Total winter crop production in 2016–17 is estimated to be 1.6 per cent higher than in the previous year, assisted by average to above average autumn rainfalls across the state’s cropping regions.

Export growth has proved resilient despite falling prices for South Australia’s mineral exports. The value of South Australian overseas goods exports rose by 1.7 per cent to a total of $11.6 billion in the year to April 2016, despite a 15 per cent fall in the value of minerals and energy exports. Food exports have grown strongly, with the value of meat exports growing by 4.9 per cent, and exports of vegetables and fruit rising by 22 per cent. The value of wheat exports has risen by 12 per cent.

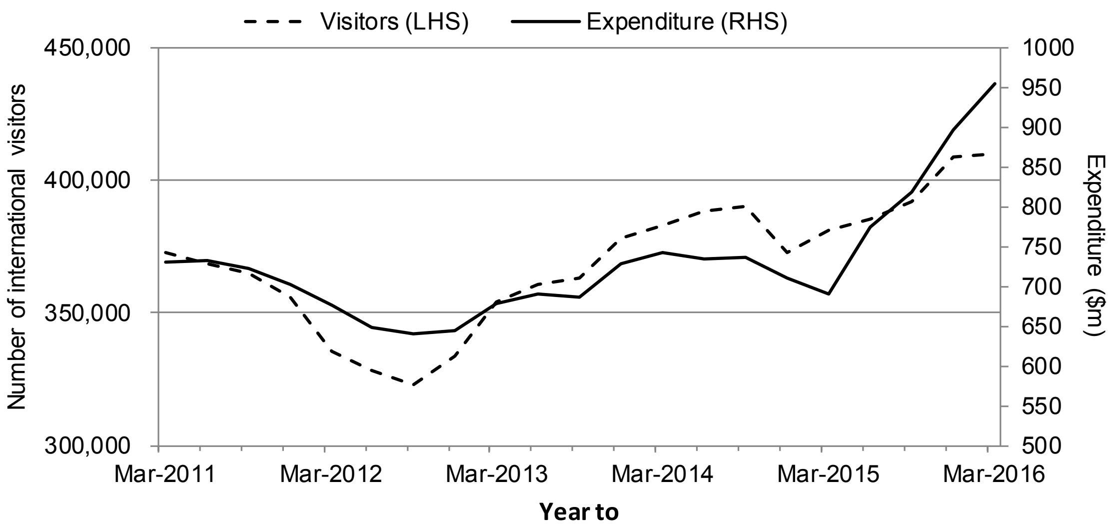
Also, services exports have continued to grow. International education and tourism present opportunities for growth within the state with improved competitiveness due to the depreciation of the Australian dollar. Overseas student enrolments in the year to April 2016 were 6.8 per cent higher than at the same time a year earlier (see figure 7.2). International tourism visitor numbers also continue to grow. There were 410 000 international visitors to South Australia in the year to the March quarter 2016, 7.6 per cent higher than the previous twelve months, spending a total of $954 million — 38 per cent higher than a year earlier (see figure 7.3).

Figure 7.2: International student enrolments, South Australia



Source: Department of Education and Training, International Student Data 2016

Figure 7.3: International visitors and expenditure, South Australia



Source: International visitors in Australia — March 2016, Tourism Research Australia.

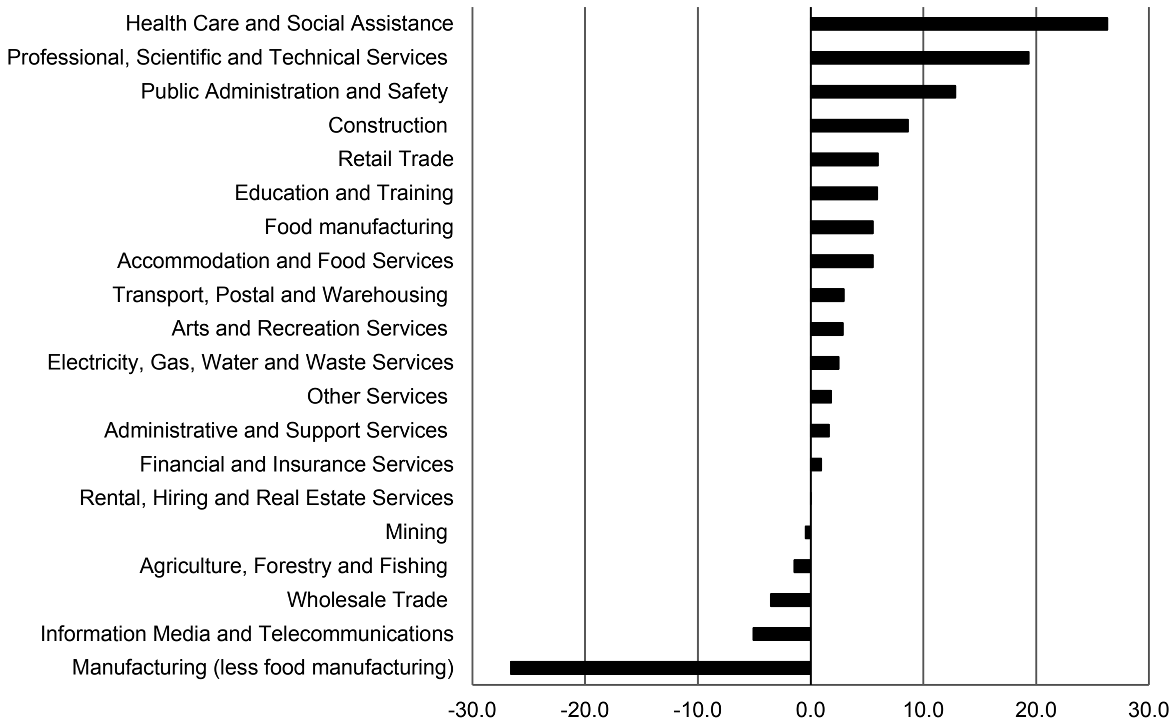
South Australia’s estimated resident population grew by 11 200 during the year to December 2015 to be 1.7 million persons. Net overseas migration accounted for the bulk of the population gain (10 200) and, to a lesser extent, natural increase (5900). These gains, however, were partially offset by net population outflow interstate (5000).

Figure 7.4: South Australian employment and hours worked — trend estimates

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

Stronger employment growth has reduced South Australia's unemployment rate in recent months. Employment in South Australia grew by 0.7 per cent in the year to May 2016 (see figure 7.4). Employment growth is transitioning away from mining and manufacturing toward the services industries. In the ten years to May 2016, employment growth has been strongest in health care and social assistance (up 28 per cent, or 26 300), and professional, scientific and technical services (up 53 per cent, or 19 300). Despite large declines in manufacturing industry employment, food manufacturing has risen over the ten year period (see figure 7.5). More recent employment data show job losses in the state's mining industry has been quite significant following the decline in commodity prices, with 4700 jobs lost in the year to May 2016.

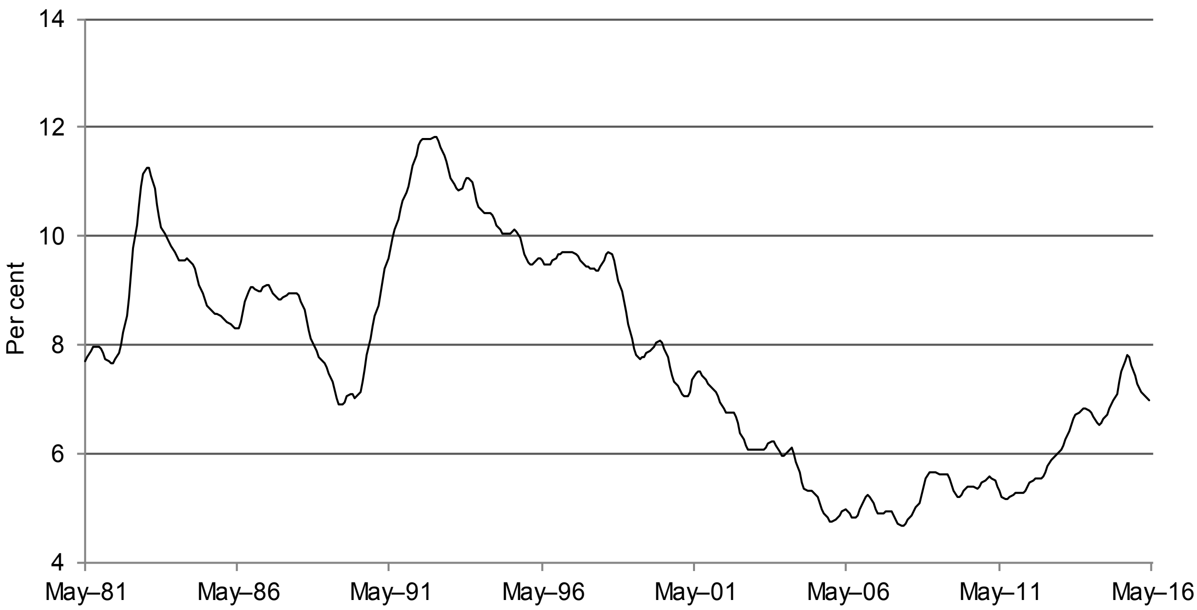
Figure 7.5: South Australian employment by industry — year to May 2016 compared to year to May 2006 ('000 persons)



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

South Australia's trend unemployment rate was 6.9 per cent in May 2016, 0.6 of a percentage point lower than a year earlier (see figure 7.6).

Figure 7.6: South Australian unemployment rate — trend estimates (per cent)



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

Wages growth is at historically low levels. Annual South Australian wages growth, based on the Australian Bureau of Statistics hourly rates of pay index, was 2.2 per cent in the year to the

March quarter 2016. According to national data some sectors have recorded lower wages growth through the year to the March quarter 2016 — rental, hiring and real estate services (1.3 per cent); mining and administrative and support services (both 1.4 per cent); and construction and professional, scientific and technical services (both 1.6 per cent).

Inflation has also been very low — reflecting the impact of falling prices for electricity, telecommunication equipment and services, automotive fuel, fruit and domestic holiday travel and accommodation. Adelaide's consumer price index (CPI) rose by just 0.7 per cent in the year to the March quarter 2016.

Economic outlook

National economic growth is anticipated to gradually transition to non–resource drivers of growth, assisted by a lower Australian dollar, and accommodative monetary policy settings. However, while this transition is apparent in the labour market, the anticipated recovery in non–mining business investment has been slower to eventuate.

In South Australia, GSP is forecast to increase by 2 per cent in real terms in 2016–17, following expected growth of 1½ per cent in 2015–16. The lower Australian dollar and very low interest rates are expected to continue to support consumer spending and emerging industries such as food, tourism and international education. South Australian employment is forecast to grow by ¾ per cent in 2016–17, following estimated growth of ½ per cent in 2015–16.

South Australia will continue to face a range of challenges over the next few years arising from the significant structural adjustment task ahead when car manufacturing ceases in 2017. Further challenges include the lower commodity prices which are affecting resources and related industries in South Australia, as demonstrated by recent events affecting Arrium. The Department of Defence's new continuous shipbuilding program (offshore patrol vessels, submarines and frigates) centred at Techport in Port Adelaide, will however generate increasing job opportunities from 2017. The Government of South Australia's significant infrastructure program will also support construction industry activity and jobs.

Forecasts and projections for South Australia from 2016–17 onwards take into consideration the expected performance of the national economy over the medium term and relative population growth rates. In addition, employment, GSP and SFD forecasts include an allowance for automotive manufacture and related supply chain closures by 2017, State Budget infrastructure spending and the increased activity accruing from the various defence works.

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

	2014–15 Actual	2015–16 Estimate	2016–17 Forecast	2017–18 Projection	2018–19 Projection	2019–20 Projection
Australia[(a)]						
Gross Domestic Product (GDP)	2.2	2½	2½	3	3	3
South Australia						
Gross State Product (GSP)	1.6	1½	2	2¼	2¼	2¼
State Final Demand (SFD)	1.3	1½	2	2¼	2¼	2¼
Employment	0.5	½	¾	1	1	1
Adelaide Consumer Price Index (CPI)	1.6	¾	1¾	2¼	2½	2½

(a) Australian forecasts from Pre-Election Economic and Fiscal Outlook, 2016.

Chapter 8: Regional South Australia

Overview

This chapter provides information about the programs, new initiatives and investing expenditure in the 2016–17 Budget for regional South Australia.

Regions contribute to the economic strength and social fabric of South Australia and are an integral part of the state's identity. Regional South Australia contributes around $25.4 billion to the state's economy, over one quarter of our Gross State Product.

Regional South Australia continues to play a crucial part in meeting the objectives under the government's ten economic priorities, particularly as a producer of premium food and wine, mineral resources, energy and renewable assets, and as a major drawcard for tourism.

Over 21 per cent of the Government of South Australia's employees (18 028 full-time equivalents) are based in regional South Australia.

In recognition of the unique issues faced by regional South Australia, the government has developed a range of initiatives to ensure regional policy is at the forefront of government decision making. These include a Charter for Stronger Regional Policy, the creation of the Regional South Australia Cabinet Committee and establishment of Regions South Australia.

New initiatives included in the 2016–17 Budget will result in additional regional specific expenditure totalling $384 million over the five years to 2019–20.

Regional economic conditions

The economic profile of South Australia's regions

The economic contribution of South Australia's non-metropolitan regions was around $25.4 billion in 2014–15. This accounted for 25.8 per cent of the state's Gross State Product (GSP), which was $98.6 billion.

The Gross Regional Product (GRP) of South Australia's non-metropolitan regions has grown strongly in the eight years to 2014–15, rising at an annualised rate of 5.0 per cent per annum in nominal terms. A significant portion of this growth is attributable to growth in mining production in the Eyre and Western and Far North regions over this period, and growth in agriculture, particularly in the Yorke and Mid North region.

All non-metropolitan regions recorded growth in nominal GRP in the eight years to 2014–15. The Far North region recorded the highest average annual percentage growth in nominal terms over the period, rising by 8.9 per cent per annum, followed by the Eyre and Western region (up 7.8 per cent per annum). Strong annual growth was also recorded in the Yorke and Mid North region (up 5.1 per cent per annum).

Table 8.1: Gross Regional Product ($ million) — 2014–15

	Adelaide Hills Metro	Adelaide Hills	Barossa, Light and Lower North	Fleurieu and Kangaroo Island	Yorke and Mid North	Murray and Mallee	Limestone Coast	Eyre and Western	Far North
Agriculture, forestry and fishing	329	172	408	301	941	1 143	959	764	86
Mining	2 462	115	18	75	81	6	10	1 100	2 510
Manufacturing	5 342	193	511	71	206	229	379	219	94
Construction	5 064	165	127	77	156	123	219	225	378
Household services[(a)]	15 828	416	457	303	550	469	501	587	469
Business services[(b)]	15 746	218	256	151	255	223	254	314	244
Goods related services[(c)]	12 118	380	307	212	502	503	533	514	782
Public administration and safety	5 185	158	58	53	119	114	91	110	140
Net taxes in final demand and ownership of dwellings	11 121	492	472	303	454	425	402	355	238
Gross Regional Product (GRP)	**73 193**	**2 308**	**2 614**	**1 545**	**3 265**	**3 235**	**3 347**	**4 186**	**4 941**
Regional share of total GRP (2014-15)	74.2%	2.3%	2.6%	1.6%	3.3%	3.3%	3.4%	4.2%	5.0%
Eight year average annual growth rate	4.6%	2.9%	2.4%	3.8%	5.1%	3.6%	2.8%	7.8%	8.9%

Source: EconSearch, Input Output Tables for South Australia and its Regions, 2014–15 Update.

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

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

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

Population and unemployment

The estimated resident population of South Australia's non-metropolitan regions was 488 500 as at 30 June 2015. The non-metropolitan population increased by 2300 or 0.5 per cent from a year earlier and accounted for 29 per cent of the total state population of 1.7 million.

The population of the Fleurieu and Kangaroo Island region recorded the highest percentage growth over the year to 30 June 2015 at 1.3 per cent, followed by Barossa, Light and Lower North at 1.2 per cent and Adelaide Hills at 1.1 per cent.

The Adelaide Metropolitan Area had an estimated resident population of 1.2 million, 10 800 persons or 0.9 per cent higher than a year earlier.

According to the Commonwealth Department of Employment, the unemployment rate for South Australia's non-metropolitan regions averaged 6.9 per cent in the year to March 2016. The Adelaide Metropolitan Area unemployment rate averaged 7.6 per cent for this period. In the year to March 2016, the average unemployment rate was lowest in the Barossa, Light and Lower North region (5.4 per cent) and highest in the Yorke and Mid North region (9.5 per cent).

Table 8.2: Regional population and labour force data[(a)]

	Estimated Resident Population[(b)] ('000)	Unemployment[(c)] ('000)	Unemployment rate[(c)] (%)
Adelaide Metro Area	1 210.2	47.5	7.6
Non-metro areas			
Adelaide Hills	72.2	2.6	6.3
Barossa, Light and Lower North	69.3	2.0	5.4
Fleurieu and Kangaroo Island	49.9	1.5	6.6
Yorke and Mid North	75.1	3.3	9.5
Murray and Mallee	69.0	2.9	8.7
Limestone Coast	64.9	2.0	5.8
Eyre and Western	58.7	1.8	6.0
Far North	29.4	1.2	7.7
Total non-metro	488.5	17.2	6.9

Source: ABS, Regional Population Growth, Australia, Catalogue no. 3218.0; Commonwealth Department of Employment, Small Area Labour Markets, March quarter 2016.

(a) Regional classifications are in accordance with SA government common regional boundaries.

(b) Estimated resident population is at the end of June 2015.

(c) Unemployment and unemployment rate estimates are averages for the year to March 2016.

Agricultural and Mining Commodities

Agriculture and mining remain important contributors to regional economies, but are subject to fluctuations in international conditions and commodity prices. While South Australia's GSP grew by 1.6 per cent in 2014–15, the output of the agriculture, forestry and fishing industry sector rose by 4.5 per cent and contributed 0.2 of the 1.6 per cent growth.

A comparison of the change in the value of output for selected agricultural and mineral commodities between 2013–14 and 2014–15 is provided in table 8.3. In 2014–15 there were gains in the gross value of production for livestock and wine grapes. However, there were declines in field crop and dairy production while the value of horticulture remained relatively unchanged over this period. Despite challenges faced by the resource sector in 2014–15, largely driven by the significant decline in global commodity prices, minerals and petroleum production achieved a combined gross value of $6.0 billion in 2014–15.

Table 8.3: South Australian Gross Value of Production (selected commodities) 2013–14 and 2014–15

	2013–14 $m	2014–15 $m
Field crops[(a)]	2 501	2 456
Livestock[(a)]	1 895	2 165
Dairy[(a)]	256	238
Horticulture[(a)]	942	945
Wine grapes[(a)]	349	411
Minerals[(b)]	5 418	4 399
Petroleum[(b)]	1 888	1 559

(a) Source: Australian Bureau of Statistics (ABS) Catalogue 7503.0 'Value of Agricultural Commodities Produced' 2013–14 and 2014–15, Gross Value of Production

(b) Source: Minerals and Energy Resources, Department of State Development

Agriculture has shown further growth in 2015–16 with the winter crop estimated to have risen by 4 per cent from 2014–15, to levels above the 10-year average. It is expected that improvements in agricultural output will result in a significant increase in farm incomes which will flow through into the regional economy.

According to the Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) March quarter 2016 edition of *Agricultural Commodities*, South Australian broad acre farm cash incomes are projected to increase to an average of $220 000 per farm in 2015–16. If achieved, this would be around 65 per cent above its 10-year average to 2014–15.

Average farm cash income is projected to increase in all South Australian regions in 2015–16. This is a result of increased crop production, together with a small increase in beef cattle receipts and sheep, lamb and wool receipts.

South Australia's Economic Priorities

South Australia's ten economic priorities represent an Economic Plan to guide the state's economic transformation. While regional South Australia supports all ten of the priorities, three that build most on the strength of our regions, and will provide significant opportunities for the future, relate to:

- our resources, energy and renewable assets
- our premium food and wine that is produced in our clean environment and exported to the world
- our state being a destination of choice for travellers.

Unlocking the full potential of South Australia's resources, energy and renewable assets

Building a strong, sustainable and globally competitive minerals and energy resources sector is a key priority for the state, which is critical in delivering jobs, business opportunities and long-term growth and prosperity for South Australia's economy.

To sustain growth in mineral and petroleum resource production over the longer term, South Australia maintains more than 700 exploration licences and more than 20 advanced projects in various stages of exploration, resource definition and feasibility or assessment. These projects are primarily located in regional areas.

A significant proportion of mineral and petroleum activity, along with wind energy generation, occurs in the regions, and the government is committed to leveraging opportunities for all South Australians. The following initiatives are linked to this economic priority:

- PACE Copper — collaborative exploration drilling focused on addressing the high investment risk and support needed for bringing forward discoveries in greenfield regions. This strategy also initiated the largest regional geophysical program ever undertaken in our state, consisting of new magnetic, radiometric, gravity and magnetotelluric data to be captured in the next 12 months.
- PACE Supply Chain Development Program — aims to build commercial capability of mining equipment, technology and services companies for local participation and export.
- South Australian Roundtable for Oil and Gas — a collaborative engagement forum for government, industry and the community which aims to facilitate investment opportunities in the oil and gas sector.

- Mining and Petroleum Services Centre of Excellence — supports collaborative projects across the mining and energy value-chain from research to advanced product and service commercialisation, extending to technology transfer and training.
- Low Carbon Energy Investment Plan — to achieve the investment target of $10 billion in low carbon generation by 2025.

Following the announcement by Alinta Energy in July 2015 that the company would close its coal mine at Leigh Creek and power stations at Port Augusta, the Government of South Australia established a taskforce and allocated funding for job creation and transition initiatives. The Upper Spencer Gulf and Outback Taskforce is addressing a range of issues including employment opportunities while also engaging with Port Augusta and Whyalla communities in response to the announcement of the voluntary administration of steel manufacturer Arrium. The Government of South Australia is working closely with affected local governments, regional development organisations, the administrators, financial institutions and the Commonwealth Government to consider options for Arrium and ensure the workers in Whyalla and the affected communities of the Upper Spencer Gulf and Outback area have a viable future.

As part of its support for the region the government has committed $50 million in the 2016–17 Budget to make available a funding facility to support a new owner of the Whyalla steelworks to undertake technological improvements and/or upgrades that increase the productivity of its operations. The 2016–17 Budget also includes $19.4 million over four years for the implementation of a masterplan for the continuation of the Leigh Creek Township as a regional government service centre.

In 2015 the Resources Infrastructure Taskforce delivered its first milestone, a Business Case for Port Solutions on Spencer Gulf, which identified three priority port locations for South Australia to meet the forecast for mining sector export demand.

Nyrstar's Port Pirie lead smelter continues to undergo a $563 million transformation to create an advanced poly-metallic processing and recovery facility, to be commissioned in the second half of 2016. The improved facility will be a cornerstone asset in Nyrstar's global metal processing strategy, securing the long-term commercial viability of the facility and a sustainable future for Port Pirie. To service Nyrstar's transformed facility Air Liquidé is investing $85 million in a new oxygen plant.

The government continues to work with BHP Billiton as it advances plans towards more than doubling Olympic Dam's production by 2025 to 450 thousand tonnes per annum (ktpa) of refined copper, plus associated uranium, gold and silver. It has commenced initial stage works, involving reducing bottlenecks in current operations and expanding into the southern mine area, to enable an initial 30 per cent lift in production to 235 ktpa by 2021.

Other key resource projects under way in 2016 include:

- Expansion of Four Mile Uranium Mine
- First gold production at the Portia Gold Mine
- Resumption of operations and approved extension of the Challenger Gold Mine
- A commitment from OZ Minerals to spend $20 million in 2016 advancing the Carrapateena copper project
- Continued expansion of iron ore mining across the Middleback Ranges
- Assessment of the Central Eyre Iron Project
- Resumption of operations at the White Dam gold mine.

In December 2015, the Premier launched South Australia's Copper Strategy. Developed with industry, research institutions and the community, the Copper Strategy sets a bold target to triple copper production over the next 15 years leading to long-term regional employment and economic growth.

This will ensure South Australia reaps the full potential of its copper resources in a coordinated way that benefits everyone in the community.

The government is focused on transitioning South Australia to a low carbon economy. South Australia has to date attracted $6.6 billion capital investment in renewable energy, with 40 per cent occurring in regional areas. Investment in the renewable energy sector has created over 940 direct jobs.

Premium food and wine produced in our clean environment and exported to the world

This priority highlights the importance of food and wine production and its role as a major export earner for the state. Key outcomes from work undertaken over the past 12 months include:

- establishing the SA Food Innovation Centre
- achieving a 71 per cent increase in the use of the state brand by food and beverage businesses.

The headline objective of this economic priority is to increase international exports of differentiated and processed food and wine from $2.8 billion in 2013–14 to $3.6 billion in 2016–17. This target is ahead of schedule, with exports reaching $3.4 billion in the year to December 2015. Work will continue on key programs to grow international exports and to achieve the additional 2016–17 economic priority objectives. A number of recent and ongoing programs are highlighted below.

New Horizons is a program supporting South Australia's dryland farming regions through innovative trials to improve poor quality soils. New Horizons has the potential to increase the value of broad acre crop and livestock pasture production in South Australia by $800 million a year, with trials showing substantial improvements to grain yields of 75 per cent to 200 per cent. Work will continue during 2016 to gain greater certainty about the potential longer term benefits of this research.

Under the award-winning South Australian River Murray Sustainability (SARMS) Program, $25 million has been allocated for a suite of regional development, research and innovation programs including the $7.5 million redevelopment of the Loxton Research Centre, the $12.5 million Regional Development and Innovation Fund and the $5 million Industry led Research Sub-Program, supporting employment, economic diversification and improving regional productivity.

Construction has begun on the $3.8 million, world-leading National Sterile Insect Technology (SIT) facility at Port Augusta with a contribution of $800 000 from Horticulture Australia. The initiative is supported by a research partnership, known as SITplus, which will spearhead the development of male-only sterile Queensland fruit flies, which will be used to combat fruit fly outbreaks in South Australia and across the nation.

At least $36 million in benefits are estimated to have flowed to the South Australian agricultural sector from a number of reforms delivered as part of the A modern transport system for agriculture: a new partnership approach project and report. Through the 2015–16 Mid-year Budget Review, $19.2 million has been committed to the project over the next two years for last mile road projects that will improve freight access in a range of locations around the state.

Primary Industries and Regions SA (PIRSA), in collaboration with the Economic Development Board, the Department of State Development and Food South Australia has developed the concept of a Northern Adelaide Food Park. The Northern Adelaide Food Park will assist food and beverage manufacturers, processors and other related service providers to co-locate, with improved access to infrastructure and common services, on the one site. Parafield Airport's Cross Keys Precinct has been selected as the site for the Food Park. Parafield Airport Limited and the government are working collaboratively on detailed concept, infrastructure and implementation planning.

In early 2016, Adelaide joined the Great Wine Capitals Global Network — an internationally renowned and prestigious network which will strengthen the state's global reputation for premium food and wine tourism. A program of activities will be delivered collaboratively with Great Wine

Capital founding partners PIRSA, the South Australian Wine Industry Association, the South Australian Tourism Commission and Brand South Australia, to capitalise on opportunities presented by this membership.

South Australia — a growing destination of choice for international and domestic travellers

Tourism is already a key driver of the South Australian economy and is expected to be one of the state's great growth opportunities with the contribution of our regions important to achieving this growth. Tourism expenditure in South Australia rose to a record $5.7 billion in the 12 months to March 2016, a rise of 6.9 per cent, with particularly strong growth from international markets (38 per cent).

Tourism is particularly important in regional South Australia and regions are also reaping the rewards of a growing tourism industry, with $2.4 billion spent outside of Adelaide, a growth of 5.4 per cent in the year to March 2016. This represents 41 per cent of overall visitor expenditure in South Australia.

Tourism's significant economic role as an emerging growth sector has been recognised by the Government of South Australia with $70 million allocated over the four years to 2018–19 (including $35 million in the 2016–17 Budget) to promote South Australia to domestic and key international markets, secure new major leisure events and business conferences and create thousands of tourism related jobs.

Charter for Stronger Regional Policy

Building stronger regions is a key imperative of the Government of South Australia and is encapsulated in the delivery of the series of agreements reached between the Premier and the Independent Member for Frome, the Hon. Geoff Brock, in March 2014.

These agreements detail a number of actions committed to by the government for regional South Australia and includes additional support provided to communities, projects and programs.

The Government of South Australia's regional development package incorporates a number of initiatives to provide opportunities for regional communities to interact with the government. 2015–16 was another successful year with the following initiatives undertaken:

- at least three Country Cabinet meetings in the regions each year — in 2015–16 meetings were held in Barossa Light and Lower North, Limestone Coast, and Port Augusta, Leigh Creek and Flinders Ranges
- the requirement that at least one minister spend a day each week in a regional area
- at least three Senior Management Council meetings in the regions each year — in 2015–16 meetings were held in Eyre Peninsula, Roxby Downs, Riverland, Peterborough and Jamestown
- a dedicated GOVchat program that enables regional South Australians to discuss issues directly with the Premier, ministers and chief executives.

Regional South Australia Cabinet Committee

The Regional South Australia Cabinet Committee was formed in 2014. The objective of this Cabinet Committee is to ensure greater focus on the needs of regional South Australia when making government decisions and improved coordination of government programs and funding arrangements for regional South Australia.

The Cabinet Committee is chaired by the Hon. Geoff Brock, Minister for Regional Development and Minister for Local Government. Other members include:

- the Hon. Kyam Maher, Minister for Employment, Minister for Aboriginal Affairs and Reconciliation, Minister for Manufacturing and Innovation, Minister for Automotive Transformation, Minister for Science and Information Economy
- the Hon. Tom Koutsantonis, Treasurer, Minister for Finance, Minister for State Development, Minister for Mineral Resources and Energy
- the Hon. Leon Bignell (Deputy Chair), Minister for Agriculture, Food and Fisheries, Minister for Tourism, Minister for Forests, Minister for Recreation and Sport, Minister for Racing
- the Hon. Stephen Mullighan, Minister for Transport and Infrastructure, Minister for Housing and Urban Development.

The Cabinet Committee ensures regional development strategies are effectively coordinated across government portfolios and agencies. Additionally, the committee provides input into the identification of priority areas for influencing Commonwealth Government funding programs available to regional areas.

Regions South Australia

Regions South Australia (Regions SA) was established on 1 July 2014 to provide an integrated cross-sector, cross-government and regionally focussed approach to improving economic and social outcomes for regions.

The key role of Regions SA is to improve communities' resilience and ability to respond to regional economic conditions.

Staff work closely with regional communities, businesses and all spheres of government to advance regional priorities. Regions SA staff are a direct line and first point of contact for regional communities, business and industry for the delivery of regional economic development activities such as job creation, investment attraction and improved infrastructure.

Staff work with regional stakeholders to inform the development of government policy and to promote improved regional economic and social outcomes. Regions SA works closely with local organisations such as Regional Development Australia bodies and local councils to identify projects and initiatives to further economic development.

Regions SA also administers the Regional Development Fund and other regional development portfolio programs which assists regional businesses to expand and innovate.

Regional development portfolio programs

Regional Impact Assessment Statements

The Regional Impact Assessment Policy and guidelines have been in place for a number of years as part of a broader commitment to ensuring that regional impacts and issues are considered in government decision making processes.

The Regional Impact Assessment Policy requires government agencies to prepare a Regional Impact Assessment Statement (RIAS) for any significant change proposed in relation to services or infrastructure in regional areas.

The statements are publicly available on PIRSA's website <www.pir.sa.gov.au/rias> along with guides for agencies on how to prepare their RIAS.

Regional Development Fund

The government has committed $15 million per annum to the Regional Development Fund, in recognition of the importance of regional South Australia to the state's economy. This fund supports projects to provide better infrastructure, drive economic growth, create jobs and leverage private sector investment in the regions.

An independent report, prepared by Ernst and Young, assessing the overall economic impact of projects supported through the RDF, identified that with $33 million in grants awarded in Rounds 1 and 2, the RDF has supported 61 projects that will generate economic activity worth $5.6 billion to the South Australian economy from 2014–15 through to 2020–21. A total of 14 389 regional jobs are projected to be generated over the life of the projects, as well as supporting other jobs in metropolitan Adelaide.

According to the report RDF supported projects are estimated to have generated economic activity of $933 million and created 2265 regional jobs in 2015–16 alone.

The report highlights that the main benefit to the state is not the grants themselves but the projects and industries it supports, by:

- accelerating companies' own investment
- enabling additional investment for further value
- allowing projects to progress that otherwise would not have.

Some of the grants awarded for Round 2 include:

- $1 million towards expanding the Adelaide Hills region's Beerenberg Farm manufacturing premises
- $900 000 to support the expansion of Greenwheat Freekeh's processing plant in the Barossa, Light and Lower North region
- $264 913 to support the major redevelopment of the Ceduna Foreshore Hotel's function centre facilities in the Eyre and Western region
- $600 000 for CMV Farms in the Murray and Mallee region to convert 466 hectares of dryland farming into prime irrigated land for almond orchards

- $400 000 towards the development of the Great Northern Lodge, a four and a half star motel and function centre in Quorn in the state's Far North region
- $540 377 to support the Limestone Coast region's DMK Engineering in establishing a new manufacturing facility in Mount Gambier.

Upper Spencer Gulf and Outback assistance

This targeted assistance to create jobs and stimulate economic development aims to address the challenges currently facing the Upper Spencer Gulf and Outback region due to the decrease in mineral prices and changes in the energy sector. Some of the assistance has been allocated as follows:

- $10 million in an interest-free loan scheme to support small businesses experiencing cash-flow challenges as a result of Arrium in Whyalla entering administration (funded in part from the Regional Development Fund)
- A $7 million grant package through the Regional Development Fund and the Upper Spencer Gulf and Outback Futures Program to support projects which will create new jobs, new opportunities, economic diversification, and contribute to the stability and growth of communities
- $5 million towards supporting Port Pirie's Regional Sports Precinct project
- $1 million in job creation grants, including support for Leigh Creek
- financial support to Sundrop Farms in Port Augusta and the underwriting of the Nyrstar smelter transformation in Port Pirie.

Jobs Accelerator Fund

The $10 million Jobs Accelerator Fund complements the package of initiatives that will drive regional economic development.

The Jobs Accelerator Fund is being used to fund the following initiatives:

- $2 million for the regional Youth Traineeship Program to subsidise the employment of 57 young unemployed trainees across regional local governing authorities
- $1.4 million contribution to the North West Indigenous Pastoral Project facilitating the employment of Aboriginal pastoral officers
- an additional $2.6 million for the Regional Development Fund.

The remaining $4 million was redirected towards Upper Spencer Gulf and Outback Assistance programs.

Regional Development Australia

Regional Development Australia was established by the Commonwealth Government during 2009–10 to engage with regional communities as a means of promoting alignment of activities and greater regional input to regional economic matters.

There are eight Regional Development Australia (RDA) associations aligned to government regional boundaries — seven in regional South Australia and one in metropolitan Adelaide.

The seven non-metropolitan RDA associations are funded under separate agreements with the Commonwealth, state and regional local governments.

The Government of South Australia's funding arrangements to RDA associations aim to achieve the best results-driven outcomes for regional South Australia. This provides increased accountability and helps align activity across regional development entities.

Regions in Focus roadshows

The Hon. Geoff Brock, in his capacity as Minister for Regional Development, initiated a series of engagement events designed to identify opportunities for closer partnership between the Government of South Australia and regions. Regions in Focus roadshows were held in mid-2015 and featured involvement from local councils, RDA associations and, business and community leaders. A total of 26 priorities were identified across the regions. This included two state-wide priorities, namely road transport and telecommunications.

2016–17 Budget — New Initiatives

The 2016–17 Budget includes a number of new initiatives that are specific to regional areas as set out in table 8.4. More details on each initiative are provided in the Budget Measures Statement.

A number of other budget initiatives will provide service and employment benefits across the state, including to residents of regional areas. In particular, the budget extends the additional funding of $17.5 million per annum provided in the 2015–16 Budget for tourism marketing and events for a further two years to 2018–19, and provides $10 million over three years for the establishment of a Women's Sporting Facilities Fund for grants to community sporting clubs to provide facilities for female participation in sport.

Table 8.4: 2016–17 General government regional new initiatives ($000s)

	2015–16 Estimate	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Across Government					
Pinery fires — assistance for affected communities					
Operating Expense	-6 988	-1 457	-50	—	—
Support for the future of the Whyalla Steelworks					
Operating Expense	—	-25 000	-25 000	—	—
Correctional Services					
Additional prisoner accommodation — Port Augusta, Mount Gambier, Mobilong					
Operating expense	—	-7 415	-14 370	-14 721	-15 080
Investing expenditure	—	-4 490	—	—	—
Education and Child Development					
Advanced Science and Technology Labs[(a)]					
Investing expenditure	—	-14 910	-42 600	-48 990	—

	2015–16 Estimate	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Emergency Services — Country Fire Service					
Fire truck safety systems					
Operating expense	—	-1 325	-2 040	-1 532	-261
Investing expenditure	—	-1 300	-412	-1 109	-1 346
Volunteer training and support					
Operating expense	—	-1 013	-1 034	-1 056	-1 078
Emergency Service — State Emergency Services					
Volunteer training and support					
Operating expense	—	-479	-489	-499	-509
Environment, Water and Natural Resources					
Cleland Wildlife Park					
Operating expense	—	-500	—	—	—
Enhanced capacity to respond to bushfire threats					
Operating initiatives	—	-4 256	-4 231	-3 791	-3 886
Murray Futures Riverine Recovery					
Operating revenue	3 089	7 200	20 600	—	—
Operating expense	-863	-3 973	-3 000	—	—
Investing expenditure	—	-6 436	-20 049	—	—
Health and Ageing					
Closing the gap in Aboriginal Health outcomes					
Operating expense	—	-10 701	-10 963	-11 231	-11 505
Community mental health rehabilitation services in Whyalla					
Operating expense	—	-2 197	-2 098	-2 151	-2 204
Country patient administration system — planning					
Operating expense	—	-500	—	—	—
Planning, Transport and Infrastructure					
Kangaroo Island Airport					
Operating expense	-1 200	-6 500	-1 300	—	—
Leigh Creek Township Future					
Operating revenue	—	2 987	179	331	339
Operating expense	—	-4 888	-5 034	-5 225	-2 764
Investing expenditure	—	-715	-733	—	—
Investing receipts	—	—	445	456	467
Leigh Creek transition planning					
Operating expense	-239	-761	—	—	—
Port Pirie Memorial Oval redevelopment					
Operating expense	-5 000	—	—	—	—
Remote Airstrip Upgrade Program					
Operating expense	-811	—	—	—	—
Solomontown Boardwalk and Pontoon					
Operating expense	-350	—	—	—	—
Primary Industries and Regions					
Growth in Horticultural production and exports					
Operating expense	—	-452	-463	-473	-484
North West Indigenous Pastoral Program — extension					
Operating expense	—	-743	-747	—	—

	2015–16 Estimate	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
State Development					
Aboriginal Regional Authority					
Operating expense	—	-330	-455	-400	-400
Co-produced water levy — removal					
Operating revenue	—	-638	-653	-670	-686
Foodbank — Whyalla					
Operating expense	-300	—	—	—	—
Mobile Phone Black Spot Program Round 2					
Operating expense	—	-1 000	—	—	—
The Cedars (Hans Heysen Foundation)					
Operating expense	—	-1 000	—	—	—
Total operating revenue	**3 089**	**9 549**	**20 126**	**-339**	**-347**
Total operating expense	**-15 751**	**-74 490**	**-71 274**	**-41 079**	**-38 171**
Total investing expenditure	**—**	**-27 851**	**-63 794**	**-50 099**	**-1 346**
Total investing receipts	**—**	**—**	**445**	**456**	**467**

(a) The figures quoted represent the estimated regional component of the overall measure.

Regional Investing Expenditure

The 2016–17 Budget includes a number of capital investment projects that are specific to regional areas as set out in table 8.5.

Table 8.5: 2016–17 Government regional capital investment program ($000s)

	Expected completion quarter	Proposed expenditure 2016–17	Estimated total cost
General Government			
Correctional Services			
Major Projects			
Port Augusta Prison	Jun 2017	38 275	55 751
Mount Gambier Prison	Jun 2018	20 747	58 164
Mobilong Prison	Dec 2016	6 740	10 740
Additional Prisoner Accommodation — Mount Gambier and Mobilong	Dec 2016	4 490	4 490
Total — Correctional Services		**70 252**	**129 145**
Education and Child Development			
Major Projects			
Advanced Science and Technology Labs[(a)]	Jun 2019	14 910	106 500
Evanston Gardens Primary School	Jun 2017	3 131	6 000
Yalata Anangu School	Jun 2017	821	2 010
Total — Education and Child Development		**18 862**	**114 510**
Emergency Services			
Annual Programs			
Capital Works and Rescue Equipment — SES	n.a.	3 565	n.a.
Capital Works, Vehicles and Equipment — CFS	n.a.	14 313	n.a.
Light Vehicle Fleet — SES	n.a.	269	n.a.
Replacement of Telecommunications Equipment — SES	n.a.	397	n.a.
Replacement of Telecommunications Equipment — CFS	n.a.	1 747	n.a.
Total — Emergency Services		**20 291**	**—**

	Expected completion quarter	Proposed expenditure 2016–17	Estimated total cost
Environment, Water and Natural Resources			
Major Projects			
Riverine Recovery	Jun 2018	8 174	51 377
South Australian Riverland Floodplains Integrated Infrastructure Program	Jun 2020	27 784	117 329
South East Flows Restoration Project	Jun 2017	42 871	43 741
Annual Programs			
Fire Management on Public Land — Enhanced Capabilities	n.a.	1 089	n.a.
Small Programs — DEWNR Administered Items	n.a.	4	n.a.
South Eastern Water Conservation and Drainage Board	n.a.	449	n.a.
Total — Environment, Water and Natural Resources		**80 371**	**212 447**
Health and Ageing			
Major Projects			
Country Health SA Hubs (Mt Gambier & Whyalla)	Jun 2017	2 200	2 200
Regional Cancer Services	Jun 2017	771	16 360
Regional Dialysis Services — Gawler	Dec 2016	500	2 909
Total — Health and Ageing		**3 471**	**21 469**
Planning, Transport and Infrastructure			
Major Projects			
Adelaide to Melbourne Road Corridor	Jun 2017	1 433	100 000
Improving Critical Road Infrastructure	Jun 2019	10 000	70 000
Managed Motorways on the South Eastern Freeway	Jun 2017	7 653	8 890
Port Bonython Jetty Refurbishment	Jun 2017	9 642	28 170
Sturt Highway Upgrade	Jun 2017	340	97 852
South East Freeway — Mount Barker Intersection Upgrade	Jun 2017	6 015	27 000
Strategic Route Reviews — Victor Harbor Road, Main South Road, Port Augusta to Port Wakefield Road	Jun 2017	10 500	28 000
Annual Programs			
Asset Improvement[(a)]	n.a.	45 890	n.a.
Asset Management[(a)]	n.a.	23 717	n.a.
Total — Planning, Transport and Infrastructure		**115 190**	**359 912**
Primary Industries and Regions			
Major Projects			
Clare Regional Office	Jun 2017	1 211	3 819
Loxton Research Centre Redevelopment	Jun 2017	2 595	6 070
Sterile Insect Technology Facility	Dec 2016	872	3 800
Annual Programs			
Minor Capital Works and Equipment	n.a.	4 884	n.a.
Total — Primary Industries and Regions		**9 562**	**13 689**
State Development			
Major Projects			
Brukunga Mine	Jun 2017	7 099	12 900
Regional Arts Theatres — Upgrade Infrastructure	Jun 2017	2 500	4 149
Annual Programs			
Remote Areas Energy Supply	n.a.	346	n.a.
Total — State Development		**9 945**	**17 049**
Total — Regional investing expenditure general government sector		**327 944**	**868 221**
Public non–financial corporations			
ForestrySA			
Annual Programs			
Plant and Equipment, Roadworks	n.a.	362	n.a.
Total — ForestrySA		**362**	**—**

	Expected completion quarter	Proposed expenditure 2016–17	Estimated total cost
SA Water			
Major Projects			
Baroota Dam Safety	Jun 2019	450	6 342
Barossa Water Treatment Plant Filter Refurbishment	Jun 2017	1 037	4 970
Hahndorf Wastewater Treatment Plant Inlet Screen Upgrade	Jun 2018	2 000	4 600
Kangaroo Creek Dam Safety	Mar 2018	42 679	94 656
Mount Barker Development Water Supply Scheme — Stage 1	Dec 2020	2 776	15 637
Murray Bridge Wastewater Treatment Plant Relocation	Dec 2021	3 427	93 918
Myponga Trunk Main Access Track Upgrade	Sep 2018	8 000	11 516
Port Lincoln Wastewater Treatment Plant Sludge Treatment Upgrade	Jun 2019	1 672	16 149
Tailem Bend Keith Pipeline Coomandook Tank Additional Storage	Jun 2018	1 075	4 629
Tod River Dam Safety	Mar 2019	4 410	6 305
Victor Harbor Wastewater Network Upgrade Stage 3	Jun 2020	8 160	9 506
Warooka and Point Turton Water Supply Upgrade	Jun 2020	4 928	15 062
Total — SA Water		**80 614**	**283 290**
South Australian Housing Trust			
Major Projects			
Remote Indigenous Housing	Jun 2018	19 290	221 042
Total — South Australian Housing Trust		**19 290**	**221 042**
Total regional investing expenditure public non–financial corporations		**100 266**	**504 332**
Total regional investing expenditure non–financial public sector		**428 210**	**1 372 553**

(a) The figures quoted represent the estimated regional component of the overall project.

Appendix A: Uniform presentation framework

Overview

By agreement between the Commonwealth Government and the states and territories, each jurisdiction presents financial information on a uniform presentation framework (UPF) basis presented in their budget papers, mid-year budget update and budget outcome reporting. The tables in this appendix present budget information for South Australia on the UPF basis, reflecting the fiscal measures and scope outlined below.

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

The *Australian System of Government Finance Statistics: Concepts, Sources and Methods,* published by the Australian Bureau of Statistics (ABS), requires that provisions for doubtful debts be excluded from the balance sheet. Consistent with the Commonwealth Government's methodology, South Australia has not adopted this treatment in the UPF reports because excluding such provisions would overstate the value of assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

Accrual Government Financial Statistics fiscal measures

The key measures in the Government Financial Statistics (GFS) accrual framework are GFS net operating balance, GFS net lending, cash surplus, net debt, net worth, change in net worth, net financial worth and net financial liabilities.

GFS net operating balance

The GFS net operating balance, or operating result, is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation).

Net operating balance can also be defined as the change in net worth less the effects of revaluation of financial assets and liabilities.

GFS net lending

GFS net lending (sometimes referred to as fiscal balance) measures a government's investment-saving balance.

Net lending (which is recorded in the operating statement) differs from the net operating balance in the treatment of capital expenditure. Unlike the net operating balance, net lending includes net capital expenditure, but not the use of capital (depreciation).

Net lending is the accrual counterpart of the GFS cash surplus in the cash flow statement. However, the two measures are unlikely to coincide because of the differences arising when transactions are recorded in cash and accrual terms.

GFS cash surplus

The GFS cash surplus/deficit is a flow measure reported in the cash flow statement.

The GFS cash surplus has four components:

- net cash received from operating activities — comprising tax revenue plus grants and subsidies received plus revenue from sales of goods and services, less payments for goods and services, interest costs, and grants and subsidies paid
- net cash inflow from sales and purchases of non-financial assets
- the level of distributions paid — in the case of public non-financial corporations and public financial corporations
- the recognition of the initial increase in liability accruing at the beginning of finance leases and similar arrangements.

Net debt

Net debt comprises the stock of selected gross financial liabilities less financial assets.

Net debt is reported in the balance sheet and is the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Net worth

Net worth is calculated as total assets (both financial and non-financial) minus total liabilities. Net worth incorporates a government's non-financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

The net worth measure is reported in the balance sheet.

Change in net worth

Change in net worth measures the variation in net worth (as described above), and is the most inclusive measure of the change in a government's financial position over a given period.

Net financial worth

Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets (net financial worth), but excludes equity investments (net worth) in the other sectors of the jurisdiction.

Net financial liabilities is a broader measure than net debt as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government from net financial worth results in a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the public non-financial corporations sector, is backed by physical assets.

Scope

The UPF divides the Australian public sector into three institutional sub-sectors — the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

General government comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production.

PNFCs are bodies mainly engaged in the production of goods and services of a non-financial nature for sale in the marketplace at prices that aim to recover most of the costs involved. This sector includes some trading enterprises, such as SA Water and the South Australian Housing Trust (SAHT). In general, PNFCs are legally distinguishable from the governments that own them.

PFCs are bodies primarily engaged in providing financial intermediation services or auxiliary financial services. Generally, they are able to transact in financial liabilities on their own account.

A listing of government entities within each sector is included in Appendix D.

Budget reporting

Under the UPF agreement, all governments are required to present as part of their budget documentation an operating statement, balance sheet and cash flow statement for the general government sector, PNFC sector and the non-financial public sector. The non-financial public sector is the consolidation of the general government sector and the PNFC sectors. In addition, information is also presented on taxes, general government sector expenses by function and Loan Council Allocations.

This information is presented in tables A.1 through to A.20 in this appendix.

Reporting of outcomes

Outcomes are presented in final budget outcome documents. In addition to the tables presented at budget time, outcome reporting also contains the accrual financial statements for the PFC sector.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Revenue					
Taxation revenue	4 406	4 517	4 656	4 799	5 023
Grants	9 051	10 246	10 747	10 574	10 637
Sales of goods and services	2 416	2 487	2 588	2 644	2 719
Interest income	24	24	24	26	25
Dividend and income tax equivalent income	775	326	251	265	281
Other	622	664	652	665	705
Total revenue	17 295	18 263	18 917	18 974	19 389
less					
Expenses					
Employee expenses	7 749	7 899	8 068	8 143	8 285
Superannuation expenses					
Superannuation interest cost	402	392	382	371	359
Other superannuation expenses	840	859	872	885	904
Depreciation and amortisation	889	963	1 020	1 055	1 058
Interest expenses	233	346	375	300	297
Other property expenses	—	—	—	—	—
Other operating expenses	4 155	4 613	4 832	4 939	5 178
Grants	2 768	2 937	2 955	2 818	2 843
Total expenses	17 036	18 009	18 502	18 509	18 923
equals					
Net operating balance	258	254	415	464	466
plus					
Other economic flows	-1 185	1 124	487	735	741
equals					
Comprehensive result – total change in net worth	-927	1 378	902	1 200	1 207
Net operating balance	258	254	415	464	466
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 236	4 630	2 134	1 508	1 510
less Sales of non-financial assets	91	976	389	34	39
less Depreciation	889	963	1 020	1 055	1 058
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	256	2 690	726	420	413
equals					
Net lending / borrowing	3	-2 436	-310	44	52

Note: Totals may not add due to rounding.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Revenue					
Taxation revenue	—	—	—	—	—
Grants	369	420	498	515	524
Sales of goods and services	1 726	1 688	1 742	1 784	1 811
Interest income	11	7	6	7	8
Dividend and income tax equivalent income	3	4	4	6	1
Other	151	150	146	135	136
Total revenue	2 259	2 269	2 395	2 446	2 480
less					
Expenses					
Employee expenses	199	197	200	203	207
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	24	26	26	26	27
Depreciation and amortisation	431	469	486	503	512
Interest expenses	284	297	283	281	279
Other property expenses	314	186	226	241	256
Other operating expenses	1 153	1 232	1 217	1 237	1 243
Grants	49	32	30	39	26
Total expenses	2 453	2 440	2 467	2 530	2 550
equals					
Net operating balance	-194	-170	-71	-85	-70
plus					
Other economic flows	551	738	605	604	616
equals					
Comprehensive result – total change in net worth	356	568	534	519	546
Net operating balance	-194	-170	-71	-85	-70
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	619	1 298	675	568	473
less Sales of non-financial assets	174	201	143	122	90
less Depreciation	431	469	486	503	512
plus Change in inventories	-126	30	-20	-34	-21
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	-113	659	26	-91	-149
equals					
Net lending / borrowing	-82	-829	-97	6	79

Note: Totals may not add due to rounding.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Revenue					
Taxation revenue	4 073	4 168	4 297	4 433	4 646
Grants	9 050	10 246	10 746	10 573	10 637
Sales of goods and services	3 946	3 952	4 107	4 202	4 299
Interest income	28	25	25	27	27
Dividend and income tax equivalent income	467	147	31	33	29
Other	770	810	787	794	837
Total revenue	18 334	19 349	19 994	20 062	20 476
less					
Expenses					
Employee expenses	7 948	8 096	8 267	8 346	8 492
Superannuation expenses					
Superannuation interest cost	402	392	382	371	359
Other superannuation expenses	864	884	897	911	930
Depreciation and amortisation	1 321	1 432	1 505	1 558	1 569
Interest expenses	510	638	652	575	570
Other property expenses	—	—	—	—	—
Other operating expenses	4 778	5 274	5 467	5 583	5 814
Grants	2 446	2 549	2 479	2 339	2 346
Total expenses	18 270	19 265	19 650	19 683	20 081
equals					
Net operating balance	64	84	344	380	396
plus					
Other economic flows	-991	1 295	558	820	812
equals					
Comprehensive result – total change in net worth	-927	1 378	902	1 200	1 207
Net operating balance	64	84	344	380	396
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 851	5 275	2 803	2 074	1 983
less Sales of non-financial assets	260	524	526	153	129
less Depreciation	1 321	1 432	1 505	1 558	1 569
plus Change in inventories	-126	30	-20	-34	-21
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	143	3 349	752	329	264
equals					
Net lending / borrowing	-79	-3 265	-407	51	131

Note: Totals may not add due to rounding.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Assets					
Financial assets					
Cash and deposits	1 099	1 110	1 124	1 138	1 152
Advances paid	57	70	68	65	64
Investments, loans and placements	283	295	307	320	332
Receivables	598	589	571	554	536
Equity					
Investments in other public sector entities	19 975	20 599	20 889	21 429	21 998
Investments — other	865	857	857	857	857
Other financial assets	55	54	60	60	59
Total financial assets	22 932	23 574	23 876	24 423	24 997
Non-financial assets					
Land and other fixed assets	39 015	41 757	42 537	43 000	43 458
Other non-financial assets	1	1	1	1	1
Total non-financial assets	39 016	41 758	42 538	43 002	43 459
Total assets	61 948	65 332	66 414	67 424	68 456
Liabilities					
Deposits held	432	344	363	391	425
Advances received	234	227	219	211	202
Borrowing	4 844	7 151	7 478	7 461	7 458
Superannuation	12 483	12 178	11 842	11 471	11 065
Other employee benefits	2 667	2 735	2 869	3 003	3 166
Payables	1 098	1 104	1 109	1 115	1 122
Other liabilities	996	1 020	1 059	1 097	1 137
Total liabilities	22 753	24 759	24 939	24 749	24 573
Net Worth	39 195	40 573	41 476	42 675	43 883
Net financial worth (a)	179	-1 184	-1 062	-326	424
Net financial liabilities	19 796	21 783	21 951	21 756	21 574
Net debt (b)	4 071	6 246	6 561	6 541	6 536

Note: Totals may not add due to rounding.
(a) Net financial worth equals total financial assets minus total liabilities.
(b) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Assets					
Financial assets					
Cash and deposits	433	278	279	315	409
Advances paid	—	—	—	—	—
Investments, loans and placements	47	47	48	49	50
Receivables	266	260	263	267	272
Equity					
Investments in other public sector entities	—	—	—	—	—
Investments — other	18	18	18	18	18
Other financial assets	7	7	7	7	7
Total financial assets	771	610	615	656	756
Non-financial assets					
Land and other fixed assets	25 554	26 792	27 411	27 924	28 392
Other non-financial assets	3	9	9	10	11
Total non-financial assets	25 557	26 800	27 420	27 934	28 402
Total assets	26 328	27 411	28 035	28 590	29 158
Liabilities					
Deposits held	—	1	1	2	2
Advances received	33	33	33	33	33
Borrowing	7 287	7 816	7 911	7 953	7 983
Superannuation	—	—	—	—	—
Other employee benefits	73	73	74	75	76
Payables	257	261	264	268	271
Other liabilities	69	50	40	29	17
Total liabilities	7 719	8 233	8 324	8 359	8 382
Net Worth	18 609	19 177	19 711	20 231	20 777
Net financial worth (a)	-6 948	-7 623	-7 709	-7 703	-7 626
Net financial liabilities	6 948	7 623	7 709	7 703	7 626
Net debt (b)	6 841	7 524	7 618	7 623	7 558

Note: Totals may not add due to rounding.
(a) Net financial worth equals total financial assets minus total liabilities.
(b) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Assets					
Financial assets					
Cash and deposits	1 303	1 247	1 244	1 266	1 340
Advances paid	24	37	35	32	31
Investments, loans and placements	330	343	355	369	382
Receivables	835	839	838	837	838
Equity					
Investments in other public sector entities	1 365	1 422	1 177	1 199	1 221
Investments — other	883	875	875	875	875
Other financial assets	59	58	64	63	62
Total financial assets	4 799	4 821	4 588	4 641	4 750
Non-financial assets					
Land and other fixed assets	64 570	68 548	69 948	70 925	71 850
Other non-financial assets	4	10	10	11	12
Total non-financial assets	64 574	68 558	69 958	70 935	71 861
Total assets	69 373	73 379	74 546	75 576	76 611
Liabilities					
Deposits held	204	204	205	205	206
Advances received	234	227	219	211	202
Borrowing	12 131	14 966	15 389	15 414	15 440
Superannuation	12 483	12 178	11 842	11 471	11 065
Other employee benefits	2 740	2 809	2 943	3 078	3 241
Payables	1 315	1 324	1 332	1 341	1 350
Other liabilities	1 072	1 098	1 141	1 181	1 224
Total liabilities	30 178	32 806	33 071	32 901	32 729
Net Worth	39 195	40 573	41 476	42 675	43 883
Net financial worth (a)	-25 379	-27 985	-28 482	-28 260	-27 979
Net financial liabilities	26 744	29 406	29 660	29 459	29 200
Net debt (b)	10 911	13 770	14 179	14 164	14 095

Note: Totals may not add due to rounding.
(a) Net financial worth equals total financial assets minus total liabilities.
(b) Net debt equals the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Cash receipts from operating activities					
Taxes received	4 403	4 515	4 653	4 797	5 020
Receipts from sales of goods and services	2 387	2 465	2 566	2 622	2 696
Grants and subsidies received	9 040	10 246	10 747	10 574	10 637
Interest receipts	24	24	24	26	25
Dividends and income tax equivalents	789	347	264	279	296
Other receipts	638	667	656	673	715
Total operating receipts	17 281	18 264	18 911	18 970	19 389
Cash payments for operating activities					
Payments for employees	-9 055	-9 271	-9 399	-9 497	-9 647
Payments for goods and services	-3 873	-4 339	-4 522	-4 669	-4 902
Grants and subsidies paid	-2 897	-3 069	-3 061	-2 950	-2 977
Interest paid	-233	-346	-375	-300	-297
Other payments	-94	-114	-150	-107	-110
Total operating payments	-16 153	-17 140	-17 506	-17 522	-17 933
Net cash flows from operating activities	1 128	1 123	1 404	1 448	1 456
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	90	975	365	34	38
Purchases of non-financial assets (a)	-1 223	-1 809	-2 122	-1 506	-1 509
Net cash flows from investment in non-financial assets	-1 133	-833	-1 757	-1 472	-1 471
Net cash flows form investments in financial assets for policy purposes (b)	-97	342	50	59	35
Net cash flows from investments in financial assets for liquidity purposes	-12	-4	-12	-12	-12
Net cash flows from financing activities					
Advances received (net)	-5	-7	-7	-8	-10
Borrowing (net)	64	-507	333	-10	2
Deposits received (net)	55	-88	19	28	34
Dividends paid	—	—	—	—	—
Other financing (net)	1	—	—	1	1
Net cash flows from financing activities	114	-601	345	11	27
Net increase/(decrease) in cash held	1	27	31	33	35
Net cash flows from operating activities	1 128	1 123	1 404	1 448	1 456
Net cash flows from investments in non-financial assets	-1 133	-833	-1 757	-1 472	-1 471
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-4	290	-353	-24	-15

Note: Totals may not add due to rounding.
(a) The ABS disaggregates this item into new and secondhand non-financial assets.
(b) Includes equity acquisitions and disposals.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 693	1 650	1 696	1 737	1 767
Grants and subsidies received	369	420	498	515	524
Interest receipts	11	7	6	7	8
Dividends and income tax equivalents	3	4	4	6	1
Other receipts	128	154	147	144	142
Total operating receipts	2 203	2 236	2 352	2 408	2 441
Cash payments for operating activities					
Payments for employees	-235	-235	-239	-243	-248
Payments for goods and services	-793	-875	-799	-797	-806
Grants and subsidies paid	-43	-32	-30	-37	-26
Interest paid	-285	-299	-284	-282	-280
Other payments	-448	-439	-450	-465	-480
Total operating payments	-1 805	-1 880	-1 802	-1 824	-1 841
Net cash flows from operating activities	399	356	550	584	600
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	168	201	143	120	90
Purchases of non-financial assets (a)	-584	-1 272	-644	-544	-450
Net cash flows from investment in non-financial assets	-416	-1 071	-501	-424	-360
Net cash flows form investments in financial assets for policy purposes (b)	—	—	—	—	—
Net cash flows from investments in financial assets for liquidity purposes	-1	—	-1	-1	-1
Net cash flows from financing activities					
Advances received (net)	158	159	12	—	—
Borrowing (net)	137	529	96	42	30
Deposits received (net)	—	—	—	—	—
Dividends paid	-218	-128	-155	-165	-176
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	78	560	-46	-123	-145
Net increase/(decrease) in cash held	60	-155	2	36	94
Net cash flows from operating activities	399	356	550	584	600
Net cash flows from investments in non-financial assets	-416	-1 071	-501	-424	-360
Dividends paid	-218	-128	-155	-165	-176
Cash surplus / (deficit)	-235	-843	-107	-5	65

Note: Totals may not add due to rounding.
(a) The ABS disaggregates this item into new and secondhand non-financial assets.
(b) Includes equity acquisitions and disposals.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Cash receipts from operating activities					
Taxes received	4 070	4 166	4 294	4 430	4 643
Receipts from sales of goods and services	3 888	3 917	4 063	4 156	4 255
Grants and subsidies received	9 039	10 246	10 746	10 573	10 637
Interest receipts	28	25	25	27	27
Dividends and income tax equivalents	467	147	31	33	29
Other receipts	760	796	777	791	830
Total operating receipts	18 252	19 296	19 937	20 010	20 423
Cash payments for operating activities					
Payments for employees	-9 278	-9 493	-9 624	-9 725	-9 880
Payments for goods and services	-4 486	-5 022	-5 128	-5 271	-5 509
Grants and subsidies paid	-2 571	-2 681	-2 592	-2 471	-2 480
Interest paid	-512	-639	-653	-576	-571
Other payments	-97	-109	-141	-100	-102
Total operating payments	-16 942	-17 945	-18 138	-18 143	-18 542
Net cash flows from operating activities	1 309	1 352	1 799	1 867	1 880
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	254	523	508	153	128
Purchases of non-financial assets (a)	-1 802	-2 428	-2 766	-2 049	-1 959
Net cash flows from investment in non-financial assets	-1 548	-1 905	-2 258	-1 896	-1 830
Net cash flows form investments in financial assets for policy purposes (b)	61	502	63	59	35
Net cash flows from investments in financial assets for liquidity purposes	-13	-5	-13	-13	-13
Net cash flows from financing activities					
Advances received (net)	-5	-7	-7	-8	-10
Borrowing (net)	201	22	429	32	32
Deposits received (net)	—	—	—	—	—
Dividends paid	—	—	—	—	—
Other financing (net)	1	—	—	1	1
Net cash flows from financing activities	197	16	423	25	24
Net increase/(decrease) in cash held	6	-41	14	41	96
Net cash flows from operating activities	1 309	1 352	1 799	1 867	1 880
Net cash flows from investments in non-financial assets	-1 548	-1 905	-2 258	-1 896	-1 830
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-239	-553	-459	-29	50

Note: Totals may not add due to rounding.
(a) The ABS disaggregates this item into new and secondhand non-financial assets.
(b) Includes equity acquisitions and disposals.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Cash surplus / (deficit)	-4	290	-353	-24	-15
Acquisitions under finance leases and similar arrangements (a)	-2	-2,820	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-6	-2,530	-353	-24	-15

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

Cash surplus / (deficit)	-235	-843	-107	-5	65
Acquisitions under finance leases and similar arrangements (a)	—	—	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-235	-843	-107	-5	65

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

Cash surplus / (deficit)	-239	-553	-459	-29	50
Acquisitions under finance leases and similar arrangements (a)	-2	-2,820	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-241	-3,373	-460	-29	50

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)

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Taxes on employers' payroll and labour force	1 117	1 159	1 204	1 251	1 315
Taxes on property					
Land taxes	578	593	610	626	644
Stamp duties on financial and capital transactions	1 007	1 041	1 063	1 087	1 182
Financial institutions' transaction taxes	—	—	—	—	—
Other	266	269	271	278	279
Total	1 851	1 902	1 944	1 991	2 105
Taxes on the provision of goods and services					
Excises and levies	—	—	—	—	—
Taxes on gambling	386	389	406	417	423
Taxes on insurance	438	443	460	479	498
Total	824	832	866	895	921
Taxes on use of goods and performance of activities					
Motor vehicle taxes	614	625	642	662	682
Total	614	625	642	662	682
Total GFS taxation revenue	4 406	4 517	4 656	4 799	5 023

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)

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Current grant revenue					
Current grants from the Commonwealth					
General purpose grants	5 573	6 101	6 424	6 479	6 574
National partnership grants	316	385	280	388	213
National partnership grants for on-passing	91	162	158	162	166
Specific purpose grants	1 822	1 893	1 998	1 991	2 079
Specific purpose grants for on-passing	797	841	874	908	944
Total current grants from the Commonwealth	8 599	9 382	9 734	9 928	9 975
Other contributions and grants	125	124	130	125	122
Total current grant revenue	8 724	9 506	9 863	10 052	10 097
Capital grant revenue					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
National partnership grants	207	625	779	416	433
Specific purpose grants	94	95	95	96	97
Specific purpose grants for on-passing	—	—	—	—	—
Other capital grants	17	15	4	4	5
Total capital grants from the Commonwealth	318	735	879	517	534
Other contributions and grants	9	5	5	5	5
Total capital grant revenue	327	740	884	522	539
Total grant revenue	9 051	10 246	10 747	10 574	10 637

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Current grant expense					
State/territory government	3	2	2	2	2
Local government	60	55	51	54	55
Local government on-passing	88	159	155	159	163
Private and not-for-profit sector	1 179	1 175	1 059	870	881
Private and not-for-profit sector on-passing	799	845	877	911	947
Grants to other sectors of government	371	422	501	518	527
Other	210	215	250	271	234
Total current grant expense	2 710	2 873	2 895	2 784	2 809
Current grant expense					
State/territory government	—	—	—	—	—
Local government	16	23	1	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector	42	40	59	34	34
Private and not-for-profit sector on-passing	—	—	—	—	—
Grants to other sectors of government	—	—	—	—	—
Other	—	—	—	—	—
Total capital grant expense	58	64	60	34	34
Total grant expense	2 768	2 937	2 955	2 818	2 843

Note: Totals may not add due to rounding.

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

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Dividend and Income tax eqivalent income from PNFC sector	311	184	223	238	253
Dividend and Income tax eqivalent income from PFC sector	463	141	26	26	27
Other dividend income	1	1	1	1	1
Total dividend and income tax equivalent income	775	326	251	265	281

Note: Totals may not add due to rounding

Table A.16: General government sector expenses by function ($million)[(a)(b)]

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget
General public services	**386**	**383**	**408**
Government superannuation benefits	—	—	—
Other general public services	386	383	408
Defence[(c)]	**—**	**—**	**—**
Public order and safety	**1 667**	**1 679**	**1 752**
Police and fire protection services	977	962	1 003
Law courts and legal services	308	320	326
Prisons and corrective services	296	307	335
Other public order and safety	87	90	89
Education	**4 274**	**4 263**	**4 364**
Primary and secondary education	3 459	3 441	3 532
Tertiary education	564	565	556
Pre-school education and education not definable by level	217	225	243
Transportation of students	30	27	28
Education n.e.c.	4	5	5
Health	**5 326**	**5 343**	**5 618**
Acute care institutions	4 586	4 597	4 830
Mental health institutions	n.a.	n.a.	n.a.
Nursing homes for the aged	n.a.	n.a.	n.a.
Community health services	428	439	464
Public health services	137	133	144
Pharmaceuticals, medical aids and appliances	16	16	17
Health research	7	7	5
Health administration n.e.c.	150	150	157
Social security and welfare	**1 307**	**1 356**	**1 437**
Social security	113	114	117
Welfare services	1 173	1 222	1 302
Social security and welfare services n.e.c.	20	20	18
Housing and community amenities	**1 160**	**1 144**	**1 275**
Housing and community development	486	487	508
Water supply	249	256	249
Sanitation and protection of the environment	422	396	515
Other community amenities	3	5	3
Recreation and culture	**364**	**404**	**421**
Recreation facilities and services	161	205	202
Cultural facilities and services	188	185	198
Broadcasting and film production	7	7	7
Recreation and culture n.e.c.	7	7	15

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget
Fuel and energy	**70**	**75**	**74**
Fuel affairs and services	17	21	17
Electricity and other energy	30	32	38
Fuel and energy n.e.c.	23	23	19
Agriculture, forestry, fishing and hunting	**210**	**205**	**213**
Agriculture	153	155	156
Forestry, fishing and hunting	57	51	57
Mining and mineral resources other than fuels, manufacturing, and construction	**72**	**95**	**73**
Mining and mineral resources other than fuels	41	55	46
Manufacturing	—	—	—
Construction	31	40	26
Transport and communications	**1 120**	**1 100**	**1 219**
Road transport	463	458	513
Water transport	10	16	15
Rail transport	35	37	39
Air transport	3	6	17
Pipelines	n.a.	n.a.	n.a.
Other transport	523	498	532
Communications	86	86	104
Other economic affairs	**306**	**301**	**390**
Storage, saleyards and markets	n.a.	n.a.	n.a.
Tourism and area promotion	95	89	90
Labour and employment affairs	47	48	53
Other economic affairs	164	164	247
Other purposes	**792**	**687**	**766**
Public debt transactions	198	233	346
General purpose inter-government transactions	17	—	13
Natural disaster relief	5	12	9
Nominal superannuation interest expense	378	402	392
Other purposes n.e.c.	194	40	5
Total GFS expenses	**17 055**	**17 036**	**18 009**

Note: Totals may not add due to rounding.

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

(b) Some functional classifications are not readily distinguishable at agency level. Those instances are denoted as 'not available' (n.a.).

(c) The ABS defines 'defence' as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of Defence SA is included in 'other economic affairs'.

Table A.17: General government sector capital expenditure by function ($million)[(a)]

	2015–16 Budget	2015–16 Estimated Result	2016–17 Budget
General public services	6	13	14
Defence[(b)]	—	—	—
Public order and safety	85	101	110
Education	64	96	85
Health	400	285	3,154
Social security and welfare	4	9	15
Housing and community amenities	9	21	83
Recreation and culture	68	68	89
Fuel and energy	1	2	—
Agriculture, forestry, fishing and hunting	12	25	7
Mining and mineral resources other than fuels, manufacturing, and construction	13	19	6
Transport and communications	664	592	1,057
Other economic affairs	1	4	10
Other purposes	—	—	—
Total capital expenditure	**1 327**	**1 236**	**4 630**

Note: Totals may not add due to rounding.

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

(b) The ABS defines 'defence' as expenditure on military and civil defence affairs, foreign military aid and defence research. The expenditure of Defence SA is included in other economic affairs.

Table A.18: General government sector net worth ($million)

	2015–16 Estimated Result	2016–17 Budget	2017–18 Estimate	2018–19 Estimate	2019–20 Estimate
Net worth at beginning of year	**40 121**	**39 195**	**40 573**	**41 476**	**42 675**
Change in net worth from operating transactions					
Net operating balance	258	254	415	464	466
Change in net worth from other economic flows					
Movement in net assets of PFCs[(a)]	9	571	- 184	77	57
Movement in net assets of PNFCs[(a)]	199	409	522	519	546
Revaluation of unfunded superannuation liability[(b)]	-1 137	239	243	246	250
Revaluation of long service leave liability	- 91	- 92	- 94	- 96	- 98
Revaluation of annual leave liability	- 15	- 15	- 15	- 15	- 16
Revaluation of workers compensation liability	- 181	- 16	- 16	- 16	- 17
Other revaluation adjustments	30	29	32	20	19
Total other economic flows	-1 185	1 124	487	735	741
Net worth at year end	**39 195**	**40 573**	**41 476**	**42 675**	**43 883**

Note: Totals may not add due to rounding.

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

(b) 2015–16 change represents the revaluation difference from the 30 June 2015 liability. This difference is mainly due to the movement in the discount rate used to value the liability and expected returns on superannuation assets.

Loan Council arrangements

The Australian Loan Council (ALC), a ministerial council established in 1927 comprising the Commonwealth, state and territory Treasurers, requires all jurisdictions to nominate a Loan Council Allocation (LCA) for consideration at its annual meeting.

LCA nominations, prepared in February, are intended to provide an indication of each government's probable call on financial markets over the forthcoming financial year. The ALC, having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, along with the macroeconomic implications of the aggregate figure, then considers the nominations.

Following the endorsement of LCA nominations, jurisdictions are further required to update their nominated LCAs at budget time for changes in economic parameters and policy decisions, and also provide an LCA outcome at the end of the financial year. A tolerance limit of 2 per cent of total public sector revenue, set at nomination time, applies between both the nomination and budget, and the budget and outcome LCAs. If the tolerance limit is exceeded, the ALC must be notified and a report detailing the reasons for change released publicly.

Nominated LCAs for 2016–17, for all jurisdictions and in aggregate, were reviewed and endorsed out of session by the ALC in April 2015.

South Australia's nomination, budget and estimated outcome LCAs for 2015–16 are shown in table A.19, with nomination and budget time LCAs for 2016–17 shown in table A.20. These tables are prepared in accordance with the requirements of the accrual Uniform Presentation Framework, endorsed by the ALC in March 2000 and revised in April 2008 to recognise acquisitions under finance leases and similar arrangements.

As table A.19 indicates, South Australia is expecting an LCA surplus of $37 million for 2015–16. This differs from the 2015–16 Budget (June 2015) estimated deficit of $2 million, reflecting the receipt of a large dividend and return of capital from the Motor Accident Commission, combined with an expected decrease in home finance scheme estimated borrowings. This is partially offset by lower than expected earnings on superannuation assets. On the basis of these estimates, South Australia's 2015–16 LCA outcome will not exceed the 2 per cent of total revenue tolerance limit included in the 2015–16 LCA nomination.

South Australia's 2016–17 Budget LCA, detailed in table A.20, is an estimated $2539 million deficit. This deficit is primarily driven by the commercial acceptance of the New Royal Adelaide Hospital. This differs from the $2276 million deficit nominated in February of this year due to a deterioration in the public non-financial sector cash balance and lower expected earnings on superannuation assets. On the basis of these estimates, South Australia's 2015–16 LCA is not likely to exceed the LCA nomination tolerance limit.

Table A.19: Loan Council allocation 2015–16 ($million)[(a)]

	Nomination (January 2015)	Budget (June 2015)	Estimated result (July 2016)
General government sector cash deficit/surplus	-43	124	4
PNFC sector cash deficit/surplus	246	272	235
Non-financial public sector cash deficit/surplus[(b)]	**204**	**396**	**239**
Acquisitions under finance leases and similar arrangements	—	—	2
ABS Government Finance Statistics cash deficit/surplus	**204**	**396**	**241**
Less: Net cash flows from investments in financial assets for policy purposes	-3	6	61
Adjusted total non-financial public sector deficit/surplus	**207**	**390**	**180**
Plus: Memorandum items[(c)]			
Operating leases[(d)]	-114	-116	-117
Recourse asset sales	—	—	—
Superannuation[(e)]	-551	-394	-95
Local government	64	64	18
Home finance schemes	53	59	-22
Total memorandum items	**-548**	**-388**	**-217**
LCA deficit/surplus[(f)(g)]	**-341**	**2**	**-37**

Note: Totals may not add due to rounding.

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

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

(c) Excludes universities.

(d) Increase/decrease in the net present value (NPV) of operating leases with a NPV of $5.0 million or greater.

(e) Includes both ‘payments in excess of emerging costs of superannuation’ and ‘interest earnings on employer balances’.

(f) The 2 per cent of total revenue tolerance limit for South Australia’s 2015–16 LCA is $365 million.

(g) South Australia has one infrastructure project with private sector involvement that may meet the recognition criteria for 2015–16 — the upgrade of the Adelaide Festival Centre Precinct.

Table A.20: Loan Council allocation 2016–17 ($million)[(a)]

	Nomination (February 2016)	Budget (July 2016)
General government sector cash deficit/surplus	184	-290
PNFC sector cash deficit/surplus	124	843
Total non-financial public sector cash deficit/surplus[(b)]	**308**	**553**
Acquisitions under finance leases and similar arrangements[(c)]	2 820	2 820
ABS Government Finance Statistics cash deficit/surplus	**3 128**	**3 373**
Less: Net cash flows from investments in financial assets for policy purposes	305	502
Adjusted total non-financial public sector deficit/surplus	**2 823**	**2 871**
Plus: Memorandum items[(d)]		
Operating leases[(e)]	-100	-110
Recourse asset sales	—	—
Superannuation[(f)]	-453	-267
Local government	29	29
Home finance schemes	-24	15
Total memorandum items	**-547**	**-332**
LCA deficit/surplus[(g)(h)]	**2 276**	**2 539**

Note: Totals may not add due to rounding.

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

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

(c) Primarily reflects the commercial acceptance of the New Royal Adelaide Hospital.

(d) Excludes universities.

(e) Increase/decrease in the net present value (NPV) of operating leases with a NPV of $5.0 million or greater.

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

(g) The two per cent of total revenue tolerance limit for South Australia’s 2016–17 LCA is $384 million.

(h) South Australia does not have any proposed infrastructure projects with private sector involvement that meets the recognition criteria for 2016–17.

Appendix B: General government and non-financial public sector financial statistics time series

The following tables provide historical data on key fiscal aggregates, together with estimates reflected in the 2016–17 Budget. Data provided is sourced for 1998–99 from Australian Bureau of Statistics Government Finance Statistics 2007–08 and 1999–2000 to 2014–15 from budget outcome publications for South Australia. The estimates for 2015–16 onwards are contained in the 2016–17 Budget papers.

Gross State Product (GSP) and Consumer Price Index (for real-growth calculations) data up to 2014–15 is sourced from the latest Australian Bureau of Statistics (ABS) publications. Department of Treasury and Finance forecasts are used for the forward estimates.

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

General government

Table B.1: General government key operating statement aggregates

	Revenue			Expenses			Net operating balance	Net acquisition of non-financial assets	Net lending
	$m	% real growth	% GSP	$m	% real growth	% GSP	$m	$m	$m
1998–99	7 290		17.0	7 505		17.5	- 215	19	- 233
1999–2000	7 644	2.3	16.9	7 974	3.6	17.6	- 330	140	- 471
2000–01	8 108	3.0	16.8	8 406	2.4	17.5	- 297	102	- 399
2001–02	8 538	2.1	16.3	8 713	0.5	16.7	- 174	- 50	- 124
2002–03	9 346	5.2	16.8	8 898	-1.8	16.0	448	34	414
2003–04	9 955	3.4	16.9	9 570	4.4	16.2	385	- 38	424
2004–05	10 592	3.9	17.2	10 368	5.8	16.8	224	105	119
2005–06	11 242	2.9	17.3	11 040	3.3	16.9	202	119	83
2006–07	11 757	1.9	16.7	11 547	1.9	16.4	209	139	71
2007–08	12 879	6.1	16.8	12 414	4.1	16.2	464	242	222
2008–09	13 531	1.9	17.0	13 764	7.5	17.3	- 233	639	- 872
2009–10[(a)]	15 534	12.3	18.6	15 347	9.1	18.4	187	1 279	-1 092
2010–11[(a)]	15 017	-6.3	16.8	15 069	-4.9	16.8	- 53	1 370	-1 422
2011–12	15 905	3.2	17.4	16 164	4.5	17.7	- 258	839	-1 098
2012–13	15 333	-5.5	16.2	16 282	-1.3	17.2	- 948	55	-1 003
2013–14[(b)]	15 343	-2.4	15.8	16 415	-1.7	16.9	-1 071	661	-1 733
2014–15	16 549	6.2	16.8	16 738	0.4	17.0	- 189	- 78	- 111
2015–16	17 295	3.7	17.1	17 036	1.0	16.9	258	256	3
2016–17	18 263	3.8	17.5	18 009	3.9	17.2	254	2 690	-2 436
2017–18	18 917	1.3	17.4	18 502	0.5	17.0	415	726	- 310
2018–19	18 974	-2.1	16.7	18 509	-2.4	16.3	464	420	44
2019–20	19 389	-0.3	16.3	18 923	-0.3	15.9	466	413	52

Note: Totals may not add due to rounding.

(a) In 2009–10 and 2010–11 revenue, expenses and net acquisition of non-financial assets are impacted by the Commonwealth Government's Nation Building — Economic Stimulus Plan.

(b) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with the South Australian Government Financing Authority (SAFA). This results in a reduction to interest income and interest expense accordingly.

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

	Net debt[(a)]			[(b)] Unfunded	Net financial	Net financial	Net
As at 30 June	$m	% of revenue	% of GSP	Superannuation $m	liabilities $m	worth $m	worth $m
1988	859						
1989	694						
1990	854						
1991	1 817						
1992	4 610						
1993	7 884						
1994	7 113						
1995	5 815						
1996	5 512						
1997	4 983						
1998	4 762						
1999	4 779	65.6	11.1	3 909	9 733	1 894	10 624
2000	1 920	25.1	4.2	3 543	6 911	2 986	12 445
2001	1 246	15.4	2.6	3 249	6 093	4 091	14 816
2002	1 303	15.3	2.5	3 998	6 907	3 559	14 721
2003	666	7.1	1.2	4 445	6 974	3 500	15 288
2004	224	2.3	0.4	5 668	7 858	3 842	15 760
2005	144	1.4	0.2	7 227	9 393	3 853	16 359
2006	- 119	-1.1	-0.2	6 146	8 171	5 846	19 703
2007[(c)]	- 24	-0.2	0.0	5 075	7 254	8 110	22 128
2008[(d)(e)(f)]	- 276	-2.1	-0.4	6 468	8 078	7 580	23 741
2009	475	3.5	0.6	8 939	11 562	5 551	24 146
2010	1 402	9.0	1.7	9 478	13 182	6 551	36 231
2011	2 930	19.5	3.3	9 096	14 313	7 299	40 958
2012[(g)]	4 165	26.2	4.6	13 523	20 332	1 413	37 199
2013	5 227	34.1	5.5	11 085	19 079	1 742	39 363
2014[(h)]	7 071	46.1	7.3	10 877	20 761	1 056	39 654
2015[(i)]	3 929	23.7	4.0	11 358	18 296	1 374	40 121
2016[(j)]	4 071	23.5	4.0	12 483	19 796	179	39 195
2017	6 246	34.2	6.0	12 178	21 783	-1 184	40 573
2018	6 561	34.7	6.0	11 842	21 951	-1 062	41 476
2019	6 541	34.5	5.8	11 471	21 756	- 326	42 675
2020	6 536	33.7	5.5	11 065	21 574	424	43 883

(a) Net debt data for the years before 1999 is sourced from ABS, Government Financial Estimates 2003–04 (Cat No. 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 the South Australian Government Financing Authority (SAFA) and South Australian Insurance Corporation (SAICORP) on 1 July 2006. The transfer of SAICORP's assets and liabilities from the general government sector to the public financial corporations sector resulted in an increase in general government net debt of $99 million at 1 July 2006 and an increase in net financial liabilities of $90 million at 1 July 2006.

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

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

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

(g) There is a structural break in 2012 reflecting the transfer of the Rail Commissioner to the general government sector. This resulted in a reduction in net debt of $6 million, an increase in net financial liabilities of $37 million, and a reduction in net financial worth of $144 million in 2011–12, with no impact on net worth.

(h) There is a structural break in 2014 reflecting the transfer of the Lotteries Commission of South Australia (SA Lotteries) to the general government sector. This resulted in a reduction in net debt of $46 million, a reduction in net financial liabilities of $1 million in 2013–14, with no impact on net worth.

(i) There is a structural break in 2015 reflecting the government's decision to reduce its equity in SA Water. This resulted in a once-off $2.7 billion return of capital to the Consolidated Account in 2014–15. The restructure resulted in a reduction in distributions paid to government partially offset by increased guarantee fees payable and lower borrowing costs.

(j) There is a structural break in 2016 reflecting the transfer of the South Australian Motor Sport Board to the general government sector. This resulted in an increase in net financial liabilities of $3 million, and a reduction in net financial worth of $12 million, with no impact on net worth.

Table B.3: General government sector receipts, payments and surplus ($million)[(a)]

	Receipts	Payments	ABS Cash surplus
1979–80	1 891	1 671	220
1980–81	2 065	1 917	148
1981–82	2 210	2 122	87
1982–83	2 664	2 507	156
1983–84	2 988	2 734	255
1984–85	3 380	3 057	324
1985–86	3 634	3 161	474
1986–87	3 956	3 416	540
1987–88	4 307	3 858	449
1988–89	4 630	3 977	653
1989–90	4 973	4 370	603
1990–91	5 260	4 796	463
1991–92	5 387	5 396	- 10
1992–93	5 967	5 456	512
1993–94	6 087	6 024	63
1994–95	6 155	6 220	- 66
1995–96	6 405	6 164	241
1996–97	6 379	6 282	97
1997–98	6 988	6 724	264
1998–99	7 165	7 041	123
1999–2000	7 676	7 915	- 239
2000–01	8 278	8 387	- 108
2001–02	8 698	8 748	- 50
2002–03	9 522	8 864	658
2003–04	10 023	9 502	522
2004–05	11 252	11 059	193
2005–06	11 480	11 293	187
2006–07	12 090	12 116	- 26
2007–08	12 932	12 552	379
2008–09	13 579	14 299	- 721
2009–10	15 837	16 991	-1 154
2010–11	15 331	16 851	-1 520
2011–12	16 556	17 594	-1 038
2012–13	16 489	17 655	-1 166
2013–14	15 434	17 232	-1 797
2014–15	16 768	16 652	116
2015–16	17 372	17 378	- 6
2016–17	19 239	21 769	-2 530
2017–18	19 275	19 628	- 353
2018–19	19 004	19 028	- 24
2019–20	19 427	19 442	- 15

Note: Totals may not add due to rounding.

(a) There is a break in the series between 1998–99 and 1999–2000. Data for the years before 1999–2000 is sourced from the ABS and is consistent with ABS Government Finance Statistics (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 is derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases and similar arrangements. Due to the associated methodological and data-source changes, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

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

	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Revenue										
Taxation revenue	3 831	3 854	4 104	4 085	4 376	4 406	4 517	4 656	4 799	5 023
Grants	8 185	8 668	7 669	7 804	8 350	9 051	10 246	10 747	10 574	10 637
Sales of goods and services	1 879	2 015	2 115	2 265	2 329	2 416	2 487	2 588	2 644	2 719
Interest income[(a)]	168	172	134	40	28	24	24	24	26	25
Dividend and income tax equivalent income	403	385	446	398	791	775	326	251	265	281
Other	550	811	865	752	674	622	664	652	665	705
Total revenue	15 017	15 905	15 333	15 343	16 549	17 295	18 263	18 917	18 974	19 389
less **Expenses**										
Employee expenses	6 400	6 770	7 105	7 353	7 493	7 749	7 899	8 068	8 143	8 285
Superannuation expenses										
Superannuation interest cost	427	407	314	468	438	402	392	382	371	359
Other superannuation expenses	621	666	675	736	738	840	859	872	885	904
Depreciation and amortisation	670	718	762	812	853	889	963	1 020	1 055	1 058
Interest expenses[(a)]	308	427	386	300	254	233	346	375	300	297
Other operating expenses	3 824	3 993	4 313	4 169	4 173	4 155	4 613	4 832	4 939	5 178
Grants	2 819	3 183	2 726	2 577	2 790	2 768	2 937	2 955	2 818	2 843
Total expenses	15 069	16 164	16 282	16 415	16 738	17 036	18 009	18 502	18 509	18 923
equals **Net operating balance**	- 53	- 258	- 948	-1 071	- 189	258	254	415	464	466
plus **Other economic flows**	2 905	-3 556	3 113	1 362	628	-1 185	1 124	487	735	741
equals **Comprehensive result — total change in net worth**	2 852	-3 814	2 164	291	439	- 927	1 378	902	1 200	1 207
Net operating balance	- 53	- 258	- 948	-1 071	- 189	258	254	415	464	466
less **Net acquisition of non-financial assets**										
Purchases of non-financial assets	2 122	1 876	2 008	1 590	937	1 236	4 630	2 134	1 508	1 510
less Sales of non-financial assets	82	322	1 197	117	166	91	976	389	34	39
less Depreciation	670	718	762	812	853	889	963	1 020	1 055	1 058
plus Change in inventories	—	3	7	1	4	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals **Total net acquisition of non-financial assets**	**1 370**	**839**	**55**	**661**	**- 78**	**256**	**2 690**	**726**	**420**	**413**
equals **Net lending/borrowing**	**-1 422**	**-1 098**	**-1 003**	**-1 733**	**- 111**	**3**	**-2 436**	**- 310**	**44**	**52**

Note: Totals may not add due to rounding.

(a) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

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

As at 30 June	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets										
Financial assets										
Cash and deposits[(a)]	3 675	916	1 113	1 104	1 110	1 099	1 110	1 124	1 138	1 152
Advances paid	642	550	176	66	57	57	70	68	65	64
Investments, loans and placements	189	200	226	247	271	283	295	307	320	332
Receivables	575	539	730	671	610	598	589	571	554	536
Equity										
Investments in other public sector entities	21 612	21 745	20 821	21 816	19 669	19 975	20 599	20 889	21 429	21 998
Investments — other	743	836	831	836	865	865	857	857	857	857
Other financial assets	80	125	56	39	79	55	54	60	60	59
Total financial assets	27 516	24 912	23 954	24 779	22 661	22 932	23 574	23 876	24 423	24 997
Non-financial assets										
Land and other fixed assets	33 657	35 779	37 616	38 593	38 747	39 015	41 757	42 537	43 000	43 458
Other non-financial assets	2	6	5	5	1	1	1	1	1	1
Total non-financial assets	33 658	35 785	37 621	38 599	38 748	39 016	41 758	42 538	43 002	43 459
Total assets	61 175	60 698	61 575	63 378	61 409	61 948	65 332	66 414	67 424	68 456
Liabilities										
Deposits held	354	397	392	356	377	432	344	363	391	425
Advances received	592	590	232	214	252	234	227	219	211	202
Borrowing[(a)]	6 491	4 843	6 118	7 918	4 737	4 844	7 151	7 478	7 461	7 458
Superannuation	9 096	13 523	11 085	10 877	11 358	12 483	12 178	11 842	11 471	11 065
Other employee benefits	2 022	2 408	2 457	2 452	2 622	2 667	2 735	2 869	3 003	3 166
Payables	810	898	1 019	936	1 089	1 098	1 104	1 109	1 115	1 122
Other liabilities	853	840	908	970	852	996	1 020	1 059	1 097	1 137
Total liabilities	20 217	23 499	22 212	23 723	21 288	22 753	24 759	24 939	24 749	24 573
Net worth	40 958	37 199	39 363	39 654	40 121	39 195	40 573	41 476	42 675	43 883
Net financial worth[(b)(e)]	7 299	1 413	1 742	1 056	1 374	179	-1 184	-1 062	- 326	424
Net financial liabilities[(b)(c)(e)]	14 313	20 332	19 079	20 761	18 296	19 796	21 783	21 951	21 756	21 574
Net debt[(b)(c)(d)]	2 930	4 165	5 227	7 071	3 929	4 071	6 246	6 561	6 541	6 536

Note: Totals may not add due to rounding.

(a) There is a structural break in 2012 reflecting that cash and deposits held by the Treasurer are offset with borrowings the Treasurer has with SAFA. This resulted in a reduction in cash and deposits, and borrowing of $3.134 billion in 2011–12, with no impact on both net worth and net debt.

(b) There is a structural break in 2012 reflecting the transfer of the Rail Commissioner to the general government sector. This resulted in a reduction in net debt of $6 million, an increase in net financial liabilities of $37 million, and a reduction in net financial worth of $144 million in 2011–12, with no impact on net worth.

(c) There is a structural break in 2014 reflecting the transfer of Lotteries Commission of South Australia (SA Lotteries) to the general government sector. This resulted in a reduction in net debt of $46 million, a reduction in net financial liabilities of $1 million in 2013–14, with no impact on net worth.

(d) There is a structural break in 2015 reflecting the government's decision to reduce its equity in SA Water. This resulted in a once-off $2.7 billion return of capital to the Consolidated Account in 2014–15. The restructure resulted in a reduction in distributions paid to government partially offset by increased guarantee fees payable and lower borrowing costs.

(e) There is a structural break in 2016 reflecting the transfer of the South Australian Motor Sport Board to the general government sector. This resulted in an increase in net financial liabilities of $3 million, and a reduction in net financial worth of $12 million, with no impact on net worth.

Non-financial public sector

Table B.6: Non-financial public sector key operating statement aggregates

	Revenue			Expenses			Net 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		22.1	9 597		22.4	- 129	- 115	- 14
1999–2000	9 206	-5.2	20.3	9 552	-2.9	21.1	- 346	-3 508	3 161
2000–01	9 051	-4.5	18.8	9 279	-5.7	19.3	- 228	-1 111	883
2001–02	9 367	0.3	17.9	9 487	-0.9	18.1	- 120	- 124	5
2002–03	10 172	4.4	18.3	9 696	-1.7	17.4	476	72	405
2003–04	10 707	2.2	18.1	10 294	3.1	17.4	413	33	379
2004–05	11 343	3.5	18.4	11 029	4.6	17.9	314	125	189
2005–06	11 807	0.9	18.1	11 634	2.3	17.9	172	53	119
2006–07	12 321	1.7	17.5	12 175	2.0	17.3	147	173	- 26
2007–08	13 634	7.1	17.8	13 065	3.9	17.1	569	303	266
2008–09	14 360	2.1	18.0	14 567	8.1	18.3	- 207	1 249	-1 456
2009–10[(a)]	16 315	11.2	19.6	15 679	5.3	18.8	636	2 361	-1 725
2010–11[(a)]	15 960	-5.2	17.8	15 939	-1.5	17.8	21	1 920	-1 898
2011–12	16 866	3.0	18.5	16 908	3.3	18.5	- 41	1 383	-1 424
2012–13	16 494	-4.1	17.5	17 152	-0.6	18.2	- 657	64	- 721
2013–14[(b)]	16 399	-3.1	16.9	17 627	0.2	18.2	-1 229	715	-1 944
2014–15	17 651	6.0	17.9	17 965	0.4	18.2	- 314	- 198	- 116
2015–16	18 334	3.1	18.2	18 270	0.9	18.1	64	143	- 79
2016–17	19 349	3.7	18.5	19 265	3.6	18.4	84	3 349	-3 265
2017–18	19 994	1.1	18.4	19 650	-0.2	18.1	344	752	- 407
2018–19	20 062	-2.1	17.6	19 683	-2.3	17.3	380	329	51
2019–20	20 476	-0.4	17.2	20 081	-0.5	16.9	396	264	131

Note: Totals may not add due to rounding.

(a) In 2009–10 and 2010–11 revenue, expenses and net acquisition of non-financial assets are impacted by the Commonwealth Government's Nation Building — Economic Stimulus Plan.

(b) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

Table B.7: Non-financial public sector key balance sheet aggregates ($million)

	Net debt(a)			(b) Unfunded	Net financial	Net financial	Net
As at 30 June	$m	% of revenue	% of GSP	Superannuation $m	liabilities $m	worth $m	worth $m
1988	4 397						
1989	4 197						
1990	4 457						
1991	5 418						
1992	8 142						
1993	11 610						
1994	10 550						
1995	8 844						
1996	8 432						
1997	8 170						
1998	7 927						
1999	7 657	80.9	17.8	3 909	13 099	-12 256	10 624
2000	4 355	47.3	9.6	3 543	9 914	-8 986	12 445
2001	3 223	35.6	6.7	3 249	8 151	-7 109	14 816
2002	3 317	35.4	6.3	3 998	8 973	-7 902	14 721
2003	2 696	26.5	4.8	4 445	9 096	-8 811	15 288
2004	2 285	21.3	3.9	5 668	10 031	-9 550	15 760
2005	2 126	18.7	3.5	7 227	11 511	-11 004	16 359
2006	1 786	15.1	2.7	6 146	10 451	-9 889	19 703
2007(c)	1 989	16.1	2.8	5 075	9 518	-8 795	22 128
2008(d)(e)	1 611	11.8	2.1	6 468	10 208	-10 487	23 741
2009	2 872	20.0	3.6	8 939	14 302	-14 921	24 146
2010	4 487	27.5	5.4	9 478	16 626	-16 997	36 231
2011	6 541	41.0	7.3	9 096	18 273	-18 402	40 958
2012	7 996	47.4	8.8	13 523	24 500	-25 123	37 199
2013	8 949	54.3	9.5	11 085	23 064	-23 223	39 363
2014	10 964	66.9	11.3	10 877	24 811	-24 080	39 654
2015	10 676	60.5	10.8	11 358	25 167	-23 750	40 121
2016	10 911	59.5	10.8	12 483	26 744	-25 379	39 195
2017	13 770	71.2	13.2	12 178	29 406	-27 985	40 573
2018	14 179	70.9	13.0	11 842	29 660	-28 482	41 476
2019	14 164	70.6	12.5	11 471	29 459	-28 260	42 675
2020	14 095	68.8	11.9	11 065	29 200	-27 979	43 883

(a) Net debt data for the years before 1999 is sourced from ABS, Government Financial Estimates 2003–04 (Catalogue no. 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 (public financial corporation) with the South Australian Housing Trust (public non-financial corporation). This resulted in an increase in net debt and net financial liabilities and a decrease in net financial worth of $98 million in 2007–08, with no impact on net worth.

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

Table B.8: Non-financial public sector receipts, payments and surplus ($million)[(a)]

	Receipts	Payments	ABS Cash surplus
1979–80	2 681	2 388	292
1980–81	2 877	2 649	228
1981–82	3 145	2 963	182
1982–83	3 651	3 356	295
1983–84	4 383	4 014	369
1984–85	4 887	4 356	531
1985–86	5 172	4 415	757
1986–87	5 542	4 790	752
1987–88	6 078	5 299	780
1988–89	6 946	5 784	1 162
1989–90	7 517	6 465	1 052
1990–91	7 830	6 839	991
1991–92	8 352	7 969	383
1992–93	8 939	7 946	993
1993–94	8 761	8 119	642
1994–95	8 570	8 142	428
1995–96	8 985	8 654	331
1996–97	8 908	8 532	375
1997–98	9 426	8 895	532
1998–99	9 301	8 692	609
1999–2000	13 014	9 501	3 513
2000–01	10 572	9 414	1 158
2001–02	9 726	9 722	4
2002–03	10 439	9 805	634
2003–04	10 891	10 403	488
2004–05	12 051	11 786	265
2005–06	12 239	11 868	370
2006–07	12 684	12 809	- 125
2007–08	13 943	13 477	466
2008–09	14 563	15 806	-1 243
2009–10	16 847	18 695	-1 849
2010–11	16 548	18 553	-2 004
2011–12	17 431	18 863	-1 432
2012–13	17 814	19 133	-1 319
2013–14	16 640	18 647	-2 007
2014–15	17 841	17 896	- 55
2015–16	18 506	18 746	- 241
2016–17	19 820	23 193	-3 373
2017–18	20 445	20 905	- 460
2018–19	20 163	20 193	- 29
2019–20	20 551	20 501	50

Note: Totals may not add due to rounding.

(a) There is a break in the series between 1998–99 and 1999–2000. Data for the years before 1999–2000 is sourced from the ABS and is 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 is derived from an accrual ABS GFS reporting framework, with receipts proxied by receipts from operating activities and sales of non-financial assets, and payments proxied by payments for operating activities, purchases of non-financial assets and net acquisition of assets under finance leases and similar arrangements. Due to the associated methodological and data-source changes, time series data that encompasses measures derived under both cash and accrual accounting should be used with caution.

Table B.9: Non-financial public sector operating statement ($million)

	2010–11	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20
Revenue										
Taxation revenue	3 467	3 476	3 726	3 805	4 072	4 073	4 168	4 297	4 433	4 646
Grants	8 223	8 705	7 697	7 806	8 350	9 050	10 246	10 746	10 573	10 637
Sales of goods and services	3 366	3 589	3 949	3 844	3 968	3 946	3 952	4 107	4 202	4 299
Interest income[(a)]	163	163	131	46	34	28	25	25	27	27
Dividend and income tax equivalent income	91	51	56	81	504	467	147	31	33	29
Other	651	883	935	816	724	770	810	787	794	837
Total revenue	15 960	16 866	16 494	16 399	17 651	18 334	19 349	19 994	20 062	20 476
less **Expenses**										
Employee expenses	6 625	6 959	7 299	7 544	7 683	7 948	8 096	8 267	8 346	8 492
Superannuation expenses										
Superannuation interest cost	427	407	314	468	438	402	392	382	371	359
Other superannuation expenses	649	692	700	762	764	864	884	897	911	930
Depreciation and amortisation	1 024	1 078	1 166	1 236	1 275	1 321	1 432	1 505	1 558	1 569
Interest expenses[(a)]	493	639	599	509	519	510	638	652	575	570
Other operating expenses	4 472	4 716	4 849	4 892	4 886	4 778	5 274	5 467	5 583	5 814
Grants	2 249	2 417	2 224	2 218	2 401	2 446	2 549	2 479	2 339	2 346
Total expenses	15 939	16 908	17 152	17 627	17 965	18 270	19 265	19 650	19 683	20 081
equals **Net operating balance**	21	- 41	- 657	-1 229	- 314	64	84	344	380	396
plus **Other economic flows**	2 831	-3 772	2 822	1 520	753	- 991	1 295	558	820	812
equals **Comprehensive result — total change in net worth**	2 852	-3 814	2 164	291	439	- 927	1 378	902	1 200	1 207
Net operating balance	21	- 41	- 657	-1 229	- 314	64	84	344	380	396
less **Net acquisition of non-financial assets**										
Purchases of non-financial assets	3 217	2 750	2 683	2 126	1 429	1 851	5 275	2 803	2 074	1 983
less Sales of non-financial assets	281	331	1 428	333	297	260	524	526	153	129
less Depreciation	1 024	1 078	1 166	1 236	1 275	1 321	1 432	1 505	1 558	1 569
plus Change in inventories	7	41	- 26	158	- 55	- 126	30	- 20	- 34	- 21
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	1 920	1 383	64	715	- 198	143	3 349	752	329	264
equals **Net lending/borrowing**	-1 898	-1 424	- 721	-1 944	- 116	- 79	-3 265	- 407	51	131

Note: Totals may not add due to rounding.

(a) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

Table B.10: Non-financial public sector balance sheet ($million)

As at 30 June	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Assets										
Financial assets										
Cash and deposits[(a)]	3 961	1 207	1 440	1 354	1 326	1 303	1 247	1 244	1 266	1 340
Advances paid	99	77	62	55	24	24	37	35	32	31
Investments, loans and placements	228	242	270	293	317	330	343	355	369	382
Receivables	635	662	877	803	837	835	839	838	837	838
Equity										
Investments in other public sector entities	- 128	- 623	- 159	731	1 416	1 365	1 422	1 177	1 199	1 221
Investments — other	761	852	848	853	883	883	875	875	875	875
Other financial assets	83	126	56	39	83	59	58	64	63	62
Total financial assets	5 638	2 543	3 394	4 129	4 887	4 799	4 821	4 588	4 641	4 750
Non-financial assets										
Land and other fixed assets	59 302	62 311	62 574	63 726	63 868	64 570	68 548	69 948	70 925	71 850
Other non-financial assets	57	12	12	8	4	4	10	10	11	12
Total non-financial assets	59 359	62 322	62 586	63 734	63 872	64 574	68 558	69 958	70 935	71 861
Total assets	64 997	64 866	65 981	67 863	68 759	69 373	73 379	74 546	75 576	76 611
Liabilities										
Deposits held	171	177	172	183	204	204	204	205	205	206
Advances received	592	590	232	214	252	234	227	219	211	202
Borrowing[(a)]	10 065	8 755	10 318	12 270	11 888	12 131	14 966	15 389	15 414	15 440
Superannuation	9 096	13 523	11 085	10 877	11 358	12 483	12 178	11 842	11 471	11 065
Other employee benefits	2 106	2 486	2 531	2 525	2 695	2 740	2 809	2 943	3 078	3 241
Payables	1 077	1 204	1 215	1 102	1 304	1 315	1 324	1 332	1 341	1 350
Other liabilities	932	932	1 064	1 038	937	1 072	1 098	1 141	1 181	1 224
Total liabilities	24 040	27 667	26 617	28 209	28 637	30 178	32 806	33 071	32 901	32 729
Net worth	40 958	37 199	39 363	39 654	40 121	39 195	40 573	41 476	42 675	43 883
Net financial worth	-18 402	-25 123	-23 223	-24 080	-23 750	-25 379	-27 985	-28 482	-28 260	-27 979
Net financial liabilities	18 273	24 500	23 064	24 811	25 167	26 744	29 406	29 660	29 459	29 200
Net debt	6 541	7 996	8 949	10 964	10 676	10 911	13 770	14 179	14 164	14 095

Note: Totals may not add due to rounding.

(a) There is a structural break in 2012 reflecting that cash and deposits held by the Treasurer are offset with borrowings the Treasurer has with SAFA. This resulted in a reduction in cash and deposits, and borrowings of $3.134 billion in 2011–12, with no impact on both net worth and net debt.

Appendix C: Consolidated Account

Table C.1: Summary of receipts and payments

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Receipts			
Taxation	**3 918 396**	3 865 369	3 960 661
Commonwealth general purpose grants	**6 100 500**	5 613 900	5 517 500
Commonwealth specific purpose grants	**304 349**	300 526	277 270
Commonwealth National Partnership payments	**58 661**	35 824	24 584
Contributions from state undertakings	**249 911**	394 517	315 859
Fees and charges	**545 137**	490 599	525 551
Recoveries	**709 881**	410 162	53 737
Royalties	**251 538**	221 855	289 734
Other receipts	**152 566**	148 640	141 165
Total receipts	**12 290 939**	11 481 392	11 106 061
Payments			
Appropriation Act	**13 163 633**	12 103 875	12 037 405
Specific appropriation authorised in various Acts	**106 359**	104 042	109 349
Total payments	**13 269 992**	12 207 917	12 146 754
Consolidated Account financing requirement	**979 053**	726 525	1 040 693
Borrowing from (+) repayment to (-) South Australian Government Financing Authority	**979 053**	726 525	1 040 693

Table C.2: Estimates of payments

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Payments from Appropriation Act			
Attorney-General's Department	**118 141**	112 356	109 678
Administered items for the Attorney-General's Department	**101 555**	59 822	98 533
Auditor-General's Department	**16 966**	16 598	16 598
Courts Administration Authority	**93 592**	93 818	94 361
Defence SA	**17 158**	17 791	18 636
Department for Communities and Social Inclusion	**1 090 488**	1 050 235	1 015 896
Administered items for the Department for Communities and Social Inclusion	**195 310**	187 611	190 374
Department for Correctional Services	**358 031**	298 155	280 964
Department for Education and Child Development	**2 778 732**	2 676 164	2 654 287
Administered items for the Department for Education and Child Development	**252 286**	242 372	244 596
Department for Health and Ageing	**3 711 780**	3 204 823	3 184 564
Department of Environment, Water and Natural Resources	**144 698**	160 646	155 185
Administered items for the Department of Environment, Water and Natural Resources	**19 193**	18 861	19 083
Department of Planning, Transport and Infrastructure	**806 024**	683 252	560 412
Administered items for the Department of Planning, Transport and Infrastructure	**9 719**	8 393	7 928
Department of Primary Industries and Regions	**127 885**	105 124	105 085
Administered items for the Department of Primary Industries and Regions	**3 989**	4 099	4 099
Department of the Premier and Cabinet	**78 456**	81 213	75 551
Administered items for the Department of the Premier and Cabinet	**1 930**	1 879	1 879
Department of State Development	**672 950**	637 737	674 320
Administered items for the Department of State Development	**10 448**	8 700	7 629
Department of Treasury and Finance	**56 903**	65 262	55 722
Administered items for the Department of Treasury and Finance	**1 582 470**	1 502 498	1 592 537
Electoral Commission of South Australia	**5 228**	4 800	5 819
Administered items for Electoral Commission of South Australia	**93**	39	45
House of Assembly	**7 321**	8 965	9 103
Independent Gambling Authority	**1 809**	1 769	1 769
Joint Parliamentary Services	**12 070**	11 572	11 572
Administered items for Joint Parliamentary Services	**2 586**	—	—
Legislative Council	**5 504**	5 988	6 102

Table C.2: Estimates of payments (continued)

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Minister for Tourism	**4 916**	4 796	4 796
South Australia Police	**790 854**	755 336	757 567
Administered items for South Australia Police	**189**	177	177
South Australian Tourism Commission	**80 371**	69 495	69 007
State Governor's Establishment	**3 988**	3 529	3 531
Total payments appropriated for administrative units, statutory authorities and ministers	**13 163 633**	12 103 875	12 037 405
Payments for which specific appropriation is authorised in various Acts	**106 359**	104 042	109 349
Total Consolidated Account payments	**13 269 992**	12 207 917	12 146 754
Payments for which specific appropriation is authorised in various Acts			
Salaries and allowances			
Agent-General — pursuant to *Agent-General Act 1901*	**111**	108	108
Auditor-General — pursuant to *Public Finance and Audit Act 1987*	**320**	315	315
Commissioners of Environment, Resource and Development Court — pursuant to *Remuneration Act 1990*	**1 264**	1 245	1 245
Commissioner of Police — pursuant to *Police Act 1998*	**456**	441	441
State Coroner and Deputy Coroner — pursuant to *Remuneration Act 1990*	**895**	881	881
Electoral Commissioner and Deputy Electoral Commissioner — pursuant to *Electoral Act 1985*	**399**	321	391
Electoral District Boundaries Commission — pursuant to *Constitution Act 1934*	**280**	290	570
Governor — pursuant to *Constitution Act 1934*	**347**	339	339
Health and Community Services Complaints Commissioner — pursuant to *Remuneration Act 1990*	**126**	123	123
Judges — pursuant to *Remuneration Act 1990*			
Chief Justice	**717**	706	706
Judges and Masters	**21 936**	21 912	21 856
Magistrates — pursuant to *Remuneration Act 1990*	**15 725**	15 277	15 277
Members of various standing committees — pursuant to *Parliamentary Remuneration Act 1990 and Parliamentary Committees Act 1991*	**248**	565	853
Ombudsman — pursuant to *Ombudsman Act 1972*	**399**	392	392
Parliamentary salaries and electorate other allowances — pursuant to *Parliamentary Remuneration Act 1990*			
Ministers, officers and members of parliament	**18 266**	16 359	14 994
Senior Judge and judges of the Industrial Relations Court and Commission — pursuant to *Remuneration Act 1990*	**1 948**	2 493	2 493
Solicitor-General — pursuant to *Solicitor-General Act 1972*	**652**	639	639
South Australian Civil and Administrative Tribunal — pursuant to *Remuneration Act 1990*	**586**	571	534
Valuer-General — pursuant to *Valuation of Land Act 1971*	**139**	137	137
Total salaries and allowances	**64 814**	63 114	62 294

Table C.2: Estimates of payments (continued)

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Other			
Compensation for injuries resulting from criminal acts — pursuant to *Victims of Crime Act 2001*	**8 428**	8 222	8 222
First Home Owner Grant — pursuant to *First Home and Housing Construction Grants Act 2000 (formerly First Home Owner Grant Act 2000)*	**33 117**	32 706	38 833
Total other	**41 545**	40 928	47 055
Total payments for which specific appropriation is authorised in various Acts	**106 359**	104 042	109 349

Table C.3: Estimates of receipts

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Taxation receipts			
Payroll tax	**1 391 964**	1 346 327	1 418 278
Commonwealth places mirror payroll tax[(a)]	**24 400**	23 600	24 800
Stamp duties	**1 519 517**	1 529 144	1 526 117
Commonwealth places mirror stamp duties[(a)]	**267**	267	300
Land tax	**590 999**	577 118	580 331
Commonwealth places mirror land tax[(a)]	**1 400**	1 400	1 400
Gaming machines tax	**288 230**	284 919	303 641
Contribution from SA Lotteries	**79 522**	77 852	78 502
Contribution from casino operations	**18 800**	18 500	20 750
Contribution from South Australian Totalizator Agency Board	**700**	3 700	3 900
Contribution from on-course totalizators, bookmakers and small lotteries	**2 597**	2 542	2 642
Total taxation receipts	**3 918 396**	3 865 369	3 960 661
Commonwealth general purpose payments			
GST revenue grants	**6 100 500**	5 613 900	5 517 500
Total Commonwealth general purpose payments	**6 100 500**	5 613 900	5 517 500
Commonwealth specific purpose payments[(b)]			
Council of Australian Governments funding arrangements	**304 349**	300 026	276 770
Natural disaster relief and recovery arrangements	**—**	500	500
Total Commonwealth specific purpose payments	**304 349**	300 526	277 270
Commonwealth National Partnership payments[(c)]			
Council of Australian Governments funding arrangements	**58 661**	35 824	24 584
Total Commonwealth National Partnership payments	**58 661**	35 824	24 584

(a) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the state.

(b) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.

(c) Refers only to National Partnership payments that are paid to the Consolidated Account. The remainder of National Partnership payments are paid into the Intergovernmental Agreement on Federal Financial Relations special deposit account for subsequent disbursement to the relevant line agencies.

Table C.3: Estimates of receipts (continued)

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Contributions from state undertakings			
Adelaide Venue Management Corporation			
Dividend	**1 600**	1 580	—
Arrangements with private electricity entities			
Local government rate equivalent	**243**	239	239
Department of Planning, Transport and Infrastructure			
Income tax equivalent	**2 614**	2 614	2 614
Local government rate equivalent	**1 016**	991	991
Flinders Ports			
Payment in lieu of other taxes	**2 561**	2 498	2 498
ForestrySA			
Dividends	**—**	782	—
Funds SA			
Local government rate equivalent	**227**	221	221
HomeStart Finance			
Dividend	**6 801**	11 466	10 862
Income tax equivalent	**4 858**	5 085	4 623
Public Trustee Office			
Dividend	**475**	691	464
Income tax equivalent	**296**	6	6
Renewal SA			
Dividend	**2 650**	7 199	5 272
Local government rate equivalent	**1 078**	1 051	1 312
SA Water Corporation			
Dividend	**121 758**	205 886	163 873
Income tax equivalent	**75 582**	107 139	66 970
Local government rate equivalent	**1 575**	1 564	1 564
Scope Global Pty Ltd (formerly Austraining Pty Ltd)			
Income tax equivalent	**600**	600	600
South Australian Government Employee Residential Properties			
Dividend	**1 706**	1 706	1 706
Income tax equivalent	**465**	465	465
South Australian Government Financing Authority			
Dividend	**13 093**	38 710	38 350
Income tax equivalent	**10 711**	4 024	13 200
West Beach Trust			
Income tax equivalent	**2**	—	29
Total contributions from state undertakings	**249 911**	394 517	315 859

Table C.3: Estimates of receipts (continued)

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Fees and charges(d)			
Auditor-General's Department — fees for audit and other sundry receipts	**14 701**	14 341	14 341
Court fines	**57 795**	49 604	55 211
Court regulatory fees	**36 539**	34 902	38 048
Guarantee fees	**139 158**	125 853	133 191
Infringement notice schemes — expiation fees	**82 088**	71 503	88 227
Land and business regulations	**4 291**	2 377	1 789
Land Services regulatory fees	**210 364**	191 821	194 546
Small lotteries	**165**	163	163
Sundry fees	**36**	35	35
Total fees and charges	**545 137**	490 599	525 551
Recoveries			
Adelaide Oval Sublease Fees	**200**	—	—
Department of Planning, Transport and Infrastructure — indentured ports	**10 432**	11 236	10 266
Department of Environment, Water and Natural Resources — Qualco Sunlands	**250**	—	250
Essential Services Commission of South Australia	**12 917**	7 529	7 529
Helicopter service — recovery of costs and sponsorships	**1 040**	1 034	1 085
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	**2 000**	2 000	2 000
Interest Adjustment from DECD	**—**	1 436	—
Metropolitan Drainage Fund	**7**	7	7
National Tax Equivalent Program	**50**	50	50
NRM Levy - Treasurer's Water Licences	**364**	353	—
Purchase of key TAFE SA properties by Renewal SA from the Department of State Development	**650 000**	—	—
Return of cash to Consolidated Account — cash alignment policy	**—**	353 502	—
Return of deposit account balances	**—**	465	—
Return of deposit account balances — superannuation	**30 000**	30 000	30 000
Sale of government publications and subscriptions	**206**	200	200
Sundry recoupment	**156**	151	151
Unclaimed monies and personal property	**2 259**	2 199	2 199
Total recoveries	**709 881**	410 162	53 737
Royalties			
Department of State Development	**251 538**	221 855	289 734
Total royalties	**251 538**	221 855	289 734

(d) Refers to only those fees and charges paid to the Consolidated Account.

Table C.3: Estimates of receipts (continued)

	2016–17 Budget $000	2015–16 Estimated Result $000	2015–16 Budget $000
Other receipts			
Interest			
Interest on investments	**101 742**	75 487	78 959
Interest recoveries from general government entities	**1 767**	1 662	3 146
Interest recoveries from the private sector	**177**	386	218
Repayment of advances			
Administered items for the Department of Planning, Transport and Infrastructure	**209**	209	209
Department for Health and Ageing	**3 157**	2 681	2 681
Department of Primary Industries and Regions	**3 000**	24 307	3 300
Renmark Irrigation Trust	**79**	147	75
Royal Zoological Society of South Australia	**251**	240	240
Repayment of equity			
HomeStart Finance	—	15 610	15 610
Other			
Other recoveries	**3 359**	10 531	2 587
Sale of land and buildings	**38 825**	17 380	34 140
Total other receipts	**152 566**	148 640	141 165
Total Consolidated Account receipts	**12 290 939**	11 481 392	11 106 061

Appendix D: South Australian state public sector organisations

The entities listed below are controlled by the government.

The sectors to which these entities belong are based on the date of the release of the 2016–17 State Budget.

The government's interest in each of the public non-financial corporations and public financial corporations listed below is 100 per cent.

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
Adelaide Cemeteries Authority		*	
Adelaide Festival Centre Trust		*	
Adelaide Festival Corporation	*		
Adelaide Film Festival	*		
Adelaide and Mount Lofty Ranges Natural Resources Management Board	*		
Adelaide Venue Management Corporation		*	
Alinytjara Wilurara Natural Resources Management Board	*		
Art Gallery Board, The	*		
Attorney-General's Department	*		
Auditor-General's Department	*		
Australian Children's Performing Arts Company (trading as Windmill Performing Arts)	*		
Bio Innovation SA	*		
Botanic Gardens State Herbarium, Board of	*		
Carrick Hill Trust	*		
Coast Protection Board	*		
Communities and Social Inclusion, Department for	*		
Correctional Services, Department for	*		
Courts Administration Authority	*		
CTP Regulator	*		
Dairy Authority of South Australia	*		
Defence SA	*		
Distribution Lessor Corporation		*	
Dog and Cat Management Board	*		
Dog Fence Board	*		
Education Adelaide	*		
Education and Child Development, Department for	*		
Electoral Commission of South Australia	*		
Environment, Water and Natural Resources, Department of	*		
Environment Protection Authority	*		

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
Essential Services Commission of South Australia	*		
Eyre Peninsula Natural Resources Management Board	*		
Generation Lessor Corporation		*	
Government Schools	*		
Green Industries SA, Office of	*		
Health and Ageing, Department for	*		
History Trust of South Australia	*		
HomeStart Finance			*
House of Assembly	*		
Incorporated Hospitals and Health Services	*		
Independent Gambling Authority	*		
Investment Attraction South Australia	*		
Joint Parliamentary Services	*		
Kangaroo Island Natural Resources Management Board	*		
Legislative Council	*		
Libraries Board of South Australia	*		
Lifetime Support Authority			*
Lotteries Commission of South Australia (trading as SA Lotteries)	*		
Motor Accident Commission			*
Museum Board	*		
Native Vegetation Fund	*		
Northern and Yorke Natural Resources Management Board	*		
Nuclear Fuel Cycle Royal Commission Consultation and Response Agency	*		
Outback Communities Authority	*		
Planning, Transport and Infrastructure, Department of	*		
Playford Capital Pty Ltd			*
Premier and Cabinet, Department of the	*		
Primary Industries and Regions, Department of	*		
Public Trustee		*	
Return to Work Corporation of South Australia			*
Riverbank Authority	*		
SACE Board of South Australia	*		
South Australia Police (South Australian Police Department, SAPOL)	*		
South Australian Ambulance Service	*		
South Australian Arid Lands Natural Resources Management Board	*		
South Australian Country Arts Trust	*		
South Australian Country Fire Service (CFS)	*		
South Australian Film Corporation	*		
South Australian Fire and Emergency Services Commission (trading as SAFECOM)	*		

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
South Australian Forestry Corporation (trading as ForestrySA)		*	
South Australian Government Employee Residential Properties		*	
South Australian Government Financing Authority (trading as SAFA)			*
South Australian Housing Trust		*	
South Australian Local Government Grants Commission	*		
South Australian Metropolitan Fire Service (MFS)	*		
South Australian Murray Darling Basin Natural Resources Management Board	*		
South Australian State Emergency Service (trading as SES)	*		
South Australian Tourism Commission	*		
South Australian Water Corporation (trading as SA Water)		*	
South East Natural Resources Management Board	*		
South Eastern Water Conservation and Drainage Board	*		
State Development, Department of	*		
State Governor's Establishment	*		
State Opera of South Australia	*		
State Procurement Board	*		
State Theatre Company of South Australia	*		
Superannuation Funds Management Corporation of South Australia (trading as Funds SA)			*
TAFE SA	*		
Transmission Lessor Corporation		*	
Treasury and Finance, Department of	*		
Urban Renewal Authority (trading as Renewal SA)		*	
West Beach Trust (trading as Adelaide Shores)		*	

Changes to controlled entities/reporting structures since the 2015–16 Budget

New entities

- Effective 1 April 2016, Investment Attraction South Australia was established.
- Effective 12 May 2016, CTP Regulator was established under the Compulsory Third Party Insurance Regulation Act 2016.
- Effective 1 July 2016, Nuclear Fuel Cycle Royal Commission Consultation and Response Agency was established as an attached office to the Department of the Premier and Cabinet.

Merged entities

- Effective 1 August 2015, The Adelaide Entertainments Corporation and Adelaide Convention Centre merged to form the Adelaide Venue Management Corporation.

Dissolved entities

- Effective 1 July 2015, The South Australian Motor Sport Board was abolished and its functions transferred to the South Australian Tourism Commission.

Name change

- Effective 1 July 2015, The Office of Zero Waste SA was renamed to the Office of Green Industries SA.
- Effective 1 July 2015, WorkCover Corporation of South Australia, was renamed to Return to Work Corporation of South Australia.

Accounting Policy Framework change

Due to amendments to Accounting Policy Framework II *General Purpose Financial Statements,* the activities of the following entities are no longer considered an administered item of a government reporting entity and have been reported as separate controlled entities in the 2016–17 State Budget:

- Local Government Grants Commission
- Outback Communities Authority
- Dog Fence Board
- Native Vegetation Fund
- Coast Protection Board
- Board of the Botanic Gardens State Herbarium
- Dog and Cat Management Board.

Future change

The government has announced that a new department will be created for child protection. This is not reflected in the above table.

Appendix E: Tax expenditure statement

Overview

This statement provides a summary of tax expenditures incurred by the Government of South Australia in 2014–15 and 2015−16.

What are tax expenditures?

The term ‘tax expenditure’ refers to differential tax treatment where the difference constitutes a departure from the tax standard or benchmark.

Examples of tax expenditures can include revenue forgone from:

- tax exemptions
- reduced rates of taxation
- tax rebates or deductions
- deferral of the payment of tax liabilities.

Thus a tax expenditure is a reduction in tax revenue resulting from ‘preferential’ tax treatment. In practice, differentiating preferential tax treatment from tax differences that are integral to efficient revenue raising design is not always straightforward.

In the design of expenditure and revenue policy, governments observe various principles of fairness and equity. Such principles apply to decisions on taxation policies as well as decisions that underpin the direction of public expenditure. As a result, a number of differential tax treatments across a broad spectrum of taxpayers and particular activities may arise. Differential treatment afforded to certain taxpayers to achieve social and political objectives rather than tax design objectives constitutes a tax expenditure.

Why measure tax expenditures?

The immediate and direct impact of preferential tax treatment is to reduce the level of revenue received from a given tax. In the absence of concessions and exemptions, governments would be able to support a higher level of government spending, reduce their tax rates, or reduce their borrowing requirements.

By explicitly publishing estimates of the size of the preferential tax treatment, transparency is increased and the community is made more aware of the government’s fiscal priorities. The government should also be better placed to ensure that resources, in total, are committed to the areas that clearly reflect policy priorities.

Valuation of tax expenditures

Tax expenditures in this appendix are calculated according to the revenue forgone method, which involves applying the general structure of a tax to a tax base (that is, a group of people or activities) that is currently exempt from the tax or subject to concessional treatment.

This static approach does not take into account possible behavioural changes which may result from the removal of a tax concession, that is, the revenue forgone approach assumes that taxpayer behaviour will remain unchanged if concessions are removed. Therefore, tax expenditures measured using this approach are likely to be only a broad indication of actual revenue impacts and, more specifically, this approach is likely to overstate the actual revenue forgone as a result of an individual tax concession.

Aside from the absence of assumptions about behavioural responses, the estimates are in many cases approximations, reflecting data limitations and the use of proxy indicators to measure the size of revenue bases relevant to tax concessions.

Benchmark for measuring tax expenditures

Tax expenditures should be quantified by comparing the existing tax structure with a benchmark tax structure based entirely on taxation design principles. In practice, deciding on such a structure does involve some judgements. For example, the benchmark structure used for payroll tax is a flat tax at the current rate with no threshold. There is no particular merit in the current rate from the point of view of tax design but it has been adopted because it is the existing rate. Further, a zero threshold would probably not be desirable from a tax design point of view because the administrative costs of collecting revenue from very small employers might well exceed the revenue collected. However, for the sake of simplicity, a zero threshold has been adopted in this exercise.

Summary

The view has been taken that the extent of tax relief provided through the availability of exemptions, concessions, rebates and allowable deductions is sufficiently important to warrant documentation even if:

- the benchmark against which the tax expenditure is assessed could be argued to be imperfectly defined
- the measurement of those imperfectly defined expenditures is also subject to qualification
- the value of many tax expenditures cannot be quantified.

Many tax expenditures have not been able to be quantified. In particular, there are a large number of exemptions from stamp duties that are not reflected in the estimates due to a lack of information on the size of the affected tax bases. Similarly, a number of exemptions relating to payroll tax have not been quantified. As such, the aggregate total of the estimates contained in table E.1 does not represent the total value of assistance provided by tax expenditures.

The largest tax expenditures are the payroll tax threshold exemption and the land tax exemptions for primary production and the principal place of residence.

The following is a brief summary of the individual tax expenditures that have been quantified.

Payroll tax

Total quantified tax expenditures relating to payroll tax for 2015–16 of $770.0 million represents 69.0 per cent of payroll tax revenue collections (excluding general government collections). This is a $35.7 million increase on the estimated value of payroll tax expenditures in 2014–15 which mainly reflects growth in taxable payrolls.

The largest payroll tax expenditure is the provision of a tax-free threshold. Payroll tax is levied on wages paid by employers and is applied at a rate of 4.95 per cent above an annual threshold of $600 000. The threshold exemption results in a large number of small businesses not being liable for payroll tax. In addition, those businesses that are liable for payroll tax do not have tax liabilities in respect of annual wages below the threshold.

It is estimated that the tax revenue forgone as a result of the existence of the threshold is $549.9 million in 2015–16 for private sector employers. This comprises $411.6 million in revenue forgone from small businesses that are not liable for payroll tax, and $138.2 million in respect of employers who are liable for payroll tax but benefit from not paying tax on annual wages up to the threshold.

Several other groups of taxpayers are exempt from payroll tax liabilities, many of which have not been able to be quantified in terms of tax expenditures. Of those that have been calculated, the largest tax expenditure relates to the exemption for public hospitals, which is estimated to amount to $128.9 million in 2015–16. Other expenditures include local government councils ($35.3 million), not-for-profit schools ($18.6 million) and not-for-profit hospital and health providers ($14.4 million).

In the 2013–14 Budget, the government also introduced a temporary payroll tax concession for small businesses, available in 2013–14 and 2014–15. The small business payroll tax rebate has now been extended to 2019–20. The scheme cost $10.1 million in 2014–15 and is estimated to cost $10.8 million in 2015–16.

Stamp duties

Stamp duties apply to a range of transactions including conveyances, insurance and motor vehicle registration. There are a large number of exemptions contained in stamp duty legislation, many of which cannot be quantified. The total quantifiable tax expenditure on stamp duties in 2015–16 of $107.7 million is equivalent to 7.2 per cent of stamp duty revenues. The total cost of stamp duty tax expenditures has increased by $40.7 million in 2015–16, mainly due the abolition of stamp duty on non-real property and the decision to bring forward the one-third reduction of stamp duty on non-residential real property to take effect from 7 December 2015.

The tax expenditure costings for conveyance duty are based on transfers of all property being subject to duty at standard rates. Under this methodology the recent tax reforms to abolish stamp duty on non-real property and the phased abolition of stamp duty on non-residential real property have been treated as a tax expenditure. Conveyance duty, especially on business transfers, is widely regarded as one of the most inefficient taxes from a tax design perspective. Removing duty on these goods improves the efficiency of the tax base.

Conveyance duty expenditures are estimated to amount to $70.4 million in 2015–16. The stamp duty exemption for non-real property transfers is estimated to cost $30.6 million in 2015–16. The reduction of stamp duty on non-residential property is estimated to cost $25.2 million.

Eligibility for corporate reconstruction relief was expanded and legislated as part of the government's tax reform package. As a result, the majority of corporate reconstructions are no longer recorded through the ex-gratia process. For this reason corporate reconstruction tax expenditure is not quantifiable in 2015–16. Corporate reconstruction expenditure was estimated to cost $18.0 million in 2014–15. The stamp duty exemption for family farm transfers is estimated to cost $7.1 million in 2015–16.

The government introduced a stamp duty concession for eligible apartments purchased off-the-plan in the Adelaide City Council Area from 31 May 2012. A full stamp duty concession was available to 30 June 2014 for eligible apartments valued up to $500 000. A partial concession based on an apartment’s stage of completion was available between 1 July 2014 and 30 June 2016 and the eligible area extended to include the inner metro area of Adelaide. The exemption is recorded at the time of settlement of the new apartment so there can be substantial timing lags between the signing of eligible off-the-plan contracts and the cost of the exemption. Given the timing lags, the cost of the scheme in 2014–15 and 2015–16 is not indicative of the expected cost of the scheme over the next few years. The cost of the exemption is expected to increase as apartment developments with qualifying apartments are completed.

Approximately $37.3 million of stamp duty tax expenditures in 2015−16 relate to exemptions given in respect of the $60 stamp duty fee payable on the combined renewal certificate for vehicle registration and compulsory third party insurance. Of this, an estimated $13.6 million relates to concessions provided to pensioners and state concession cardholders. The remaining balance mainly relates to conditionally registered vehicles (for example historic and left hand drive vehicles, special purpose vehicles such as fork lifts, tractors, self-propelled farm implements and mobile cranes), government vehicles registered under the Continuous Government Registration Scheme and vehicles owned by local government councils.

Land tax

Total land tax expenditures are estimated to be $1110.4 million in 2015–16. This represents 192.1 per cent of land tax collections (including from government).

Land tax is calculated on the aggregate taxable value of all land held by a person as at 30 June preceding the assessment year. No tax is payable if the total taxable value of all land is less than the tax-free threshold level. The tax-free threshold is currently set to $332 000. A marginal tax rate structure applies above this threshold, with increasing marginal tax rates applied as the value of landholdings increase.

The major 2015–16 tax expenditures associated with land tax include:

- the primary production exemption (provided it meets certain criteria) — estimated to cost $447.7 million
- the principal place of residence exemption (provided the land is owned by a natural person as distinct from a corporate body) — estimated to cost $284.7 million
- the tax-free threshold — estimated to cost $222.4 million
- other specific exemptions provided in sections 4 and 5 of the *Land Tax Act 1936*. Exempt categories include caravan parks, residential parks, supported residential facilities, land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna, sporting activities and so on. The cost of these exemptions amounts to approximately $155.6 million in 2015–16.

Total land tax expenditures in 2015–16 are higher than estimated in 2014–15. This is primarily a result of a higher cost of providing the land tax threshold, caused by a change in value composition of ownerships and land value growth of properties under the threshold. The costs of providing the primary production and principal place of residence exemptions have also increased, due to land value growth in both primary production and residential land.

Gambling taxes

Tax expenditures for gambling taxes arise from the gambling tax-free threshold and the differential tax treatments that apply to gaming machine activity in not-for-profit venues and the Adelaide Casino compared with the tax rate structure applying to hotels.

In South Australia, for hotels, gambling tax is levied on net gambling revenue (NGR) above an annual threshold of $75 000. Lower tax structures apply to not-for-profit venues. Total gambling tax expenditure is estimated to be $36.1 million in 2015–16, representing around 9.3 per cent of gambling tax collections.

Prior to 14 February 2014, the Adelaide Casino paid a single, flat tax rate on net gaming revenue from gaming machines of 34.41 per cent — less than the average tax rate for large hotels. Since 14 February 2014, different tax rates have applied to non-premium and premium gaming machines at the Adelaide Casino as part of the new regulatory and tax framework established under the Approved Licensing and the Casino Duty Agreements. The maximum tax rate of 41 per cent of NGR for non-premium gaming machines was set having regard to the average tax rate paid by for profit gaming venues. The rate of 10.91 per cent of NGR for premium gaming machines was set with regard to tax rates faced by interstate competitors.

In 2015–16, it is estimated that the revenue foregone as a result of the existence of the tax-free threshold is $10.4 million. The benefit to not-for-profit venues of the tax differential is estimated to be $7.8 million in 2015–16. The benefit to the Adelaide Casino of the tax differential is estimated to be $17.9 million in 2015–16.

Save the River Murray Levy

The Save the River Murray Levy was introduced to fund specific measures aimed at improving the long-term security and quality of South Australia's water supply. The levy was abolished from 1 July 2015 as part of the government's tax reform package.

The levy was imposed at a flat rate on SA Water customers and indexed annually to movements in the Adelaide Consumer Price Index. Consideration of the impact the levy would have on different sections of the community was taken into account before the introduction of the levy. To relieve the burden of the levy, eligible pensioners and low income earners were exempt from the levy. This exemption provided an estimated tax expenditure of $6.1 million in 2014–15.

Emergency services levy

The emergency services levy (ESL) is intended to provide a comprehensive method of funding emergency services by raising sufficient funds from property holders to support aggregate expenditure on emergency services. The government makes contributions through remissions, pensioner concessions and the levy payable on the government's own property. The tax expenditure costings measure the difference between standard levy rates and post-remission levy rates which vary depending on land use code and location (for fixed property) and class of vehicle (for mobile property).

The ESL is a complex tax with differential rates of levy on land use types and regions. The motivation for the differential levy rates lies in a desire to achieve some alignment with relative risk of property types, the value of the service provided (related to property value) and regional variation in service levels.

The cost of the fixed property remission is estimated to amount to $26.7 million in 2015–16 and the mobile remission is estimated to cost $3.2 million. Pensioner concessions on the ESL on fixed property are estimated to cost $6.4 million in 2015–16.

Table E.1: Summary of tax expenditures

Tax expenditures ($m)	2014–15[(a)]	2015–16
Payroll tax		
Threshold exemption[(b)]	523.5	549.9
of which:		
benefit to existing taxpayers with payrolls above the threshold	*137.4*	*138.2*
benefit to employers with payrolls below the threshold	*386.0*	*411.6*
Public benevolent institutions	10.0	10.6
Public hospitals exemption	123.6	128.9
Non-profit schools or colleges at or below secondary level	17.8	18.6
Non-profit hospital and health providers exemption	13.8	14.4
Child care centres	0.6	0.6
Local government council exemption	33.2	35.3
Assistance for motion picture production companies	0.5	1.0
Small business payroll tax concession	10.1	10.8
Trainee rebates[(c)]	1.2	0.1
Total for payroll tax	**734.3**	**770.0**
Stamp duties		
Conveyance duty		
Family farm exemption	5.9	7.1
Corporate reconstructions[(d)]	18.0	n.a.
Off-the-plan stamp duty concession	6.6	7.5
Non-real property stamp duty exemption	—	30.6
Non-residential property stamp duty reduction	—	25.2
Stamp duty on renewal certificate for motor vehicle registration and compulsory third party insurance (CTP)		
The Crown and vehicles registered under the Continuous Government Registration Scheme	1.0	1.2
Hire vehicles with more than 12 seats	0.1	0.1
Councils	0.2	0.2
Conditionally registered vehicles	21.7	22.1
Incapacitated ex-servicemen and other persons	0.2	0.2
Pensioners and eligible low-income earners	13.4	13.6
Stamp duty on motor vehicle registrations		
General remissions	<0.1	<0.1
Total for stamp duties	**67.0**	**107.7**
Land tax		
Threshold exemption	216.6	222.4
Principal place of residence[(e)]	274.1	284.7
Primary production[(e)]	439.5	447.7
Caravan parks and residential parks[(e)]	1.5	1.5
Supported residential facilities[(e)]	0.5	0.5
For-profit aged care facilities[(e)]	3.0	3.1
Other exemptions[(f)]	147.0	150.5
Total for land tax	**1 082.0**	**1 110.4**

Tax expenditures ($m)	2014–15[(a)]	2015–16
Gambing taxes		
Threshold exemption	10.6	10.4
Casino[(g)]	18.9	17.9
Differential treatment of non-profit businesses	7.8	7.8
General remissions	0.1	<0.1
Total for gambling taxes	**37.4**	**36.1**
Other taxes on property		
Save the River Murray Levy		
Pensioner and low-income earner exemption	6.1	—
Emergency services levy		
Pensioner concessions	6.6	6.4
General remissions[(h)]		
fixed property	20.0	26.7
mobile property	6.1	3.2
Total for other taxes on property	**38.8**	**36.3**
Total expenditures	**1 959.5**	**2 060.5**

Note: Totals may not add due to rounding.

(a) Costing of specific exemptions for 2014–15 may differ from those published in the 2015–16 Budget, reflecting new data.

(b) The value of the threshold exemption is based on total taxable wages in the relevant financial year.

(c) The trainee rebate was abolished from 1 July 2012. Amounts paid in 2014–15 and 2015–16 relate to timing of rebate claims.

(d) As part of the 2015–16 Budget, the existing eligibility criteria for corporate reconstructions was extended and legislated. As a result, the majority of corporate reconstructions are no longer recorded through the ex-gratia process. For this reason corporate reconstruction tax expenditure is not quantifiable in 2015–16.

(e) Consistent with the approach taken for other taxes in this table, the cost of these land tax exemptions has been calculated assuming the current land tax rates and thresholds apply.

(f) Includes a wide range of exemptions provided to land used for a number of specific activities under section four of the *Land Tax Act 1936*. Some of these include land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna, sporting activities and so on.

(g) Rate structure applying to the Casino changed from 14 February 2014. Two rates now apply to gaming machines at the Casino — for non-premium gaming machines 41 per cent of NGR and for premium gaming machines 10.91 per cent of NGR. Prior to 14 February 2014, a flat rate of 34.41 per cent applied to NGR on all gaming machines.

(h) Growth between 2014–15 and 2015–16 includes $2.4 million in remissions relating to the 2014–15 year but paid in 2015–16.

Glossary of terms used in the budget statement

Assets: Resources controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Balance sheet: A statement showing the financial position (at a specific time) of a reporting entity in terms of its recognised assets, liabilities and equity at the end of a reporting period.

Cash flow statement: A statement showing the inflows and outflows of cash and cash equivalents of a reporting entity during the reporting period. Cash flows are classified as operating, investing and/or financing activities.

Consolidated Account: The government's main operating account, from which appropriations are paid and revenues of the state are credited, created pursuant to the *Public Finance and Audit Act 1987*.

Consumer Price Index (CPI): A general indicator of the rate of change in prices paid by households for consumer goods and services published by the Australian Bureau of Statistics (ABS).

Contingent asset: A possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity.

Contingent liability: A possible obligation that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the entity; or a liability that does not meet the recognition criteria.

Financial reports: Financial reports for the various sectors of the public sector are also produced in accordance with the uniform presentation framework. These are the operating statement, balance sheet and cash flow statement.

General government: The sector of government that includes all government agencies that provide services free of charge or at prices significantly below the cost of production or provide regulatory services.

Government Finance Statistics (GFS): Statistics that measure the financial activities of governments and reflect the impact of those activities on other sectors of the economy. GFS is based on international statistical standards.

GFS transactions: Changes to assets, liabilities and equity that arise from mutually agreed interactions between entities.

Government Purpose Classification: A system used to classify expenses and net acquisition of non-financial assets of the public sector in terms of the purposes for which the transactions are made.

Gross Domestic Product (GDP): The total market value of all final goods and services produced within a country in a given period after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital. It is an indicator of the level of economic activity in the market sector, and percentages changes in it are used as a measure of a country's rate of economic growth.

Gross State Product (GSP): The total market value of goods and services produced within a state in a given period after deducting the cost of goods and services used up in the process of production, but before deducting allowances for the consumption of fixed capital.

Horizontal fiscal equalisation (HFE): The principle underlying the Commonwealth Grants Commission's assessment of per capita relativities, which are the basis for the interstate distribution of general revenue grants. Under this principle, grants are distributed so as to give each state and territory the capacity to provide public services at an average standard and level of efficiency, for comparable revenue effort.

Income (revenue): Increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contribution by owners.

Income tax equivalent (ITE): Payments equivalent to income tax that certain public authorities or business units (if a legal entity) would be liable to pay under the Commonwealth Government's *Income Tax Assessment Act 1997*, were that public authority or business unit (if a legal entity) not an instrumentality of the Crown in right of the State of South Australia.

Investment expenditure: Comprises projects and programs that result in the capitalisation of assets on the balance sheet. They include the acquisition and construction of, or addition to non-current assets, including property, plant and equipment and other productive assets. Examples include roads, hospitals, medical equipment and schools.

Liabilities: Present obligations arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.

Net debt: The sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Net financial liabilities: Total liabilities less financial assets, other than equity in non-financial public corporations and in public financial corporations. This measure is broader than net debt as it includes significant liabilities other than borrowings, such as unfunded superannuation and long service leave entitlements.

Net financial worth: Net financial worth measures a government's net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities. It differs from net financial liabilities in that equity in non-financial public corporations and public financial corporations are included as assets.

Net lending/borrowing position: A GFS measure of the net operating balance, less acquisition of non-financial assets, plus consumption of fixed capital (depreciation). Measures the extent to which accruing operating expenses (less depreciation) and investment expenditures are funded by revenues.

Net operating balance: A GFS measure of the operating result of a sector of government. It is the excess of GFS revenue over GFS expenses.

Net worth: Net worth is calculated as total assets (both financial and non-financial) minus total liabilities, shares and other contributed capital. Net worth incorporates a government's non-financial assets, such as land and other fixed assets, as well as financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

Non-financial public sector: The consolidation of the general government sector and public non-financial corporations sector.

Operating expenses: A decrease in economic benefits during the accounting period in the form of outflows or depletion of assets, or incurrence of liabilities that result in decreases of equity other than those relating to distributions to owners.

Operating statement: The financial statement disclosing all income and expenses (and their sources) of a reporting entity recognised in the reporting period unless an accounting standard requires otherwise.

Other economic flows: Changes to assets, liabilities and equity that are not the result of GFS transactions.

Public financial corporation (PFC): Government controlled entity that is mainly engaged in financial intermediation or the provision of auxiliary financial services.

Public non-financial corporation (PNFC): Government controlled entity that is mainly engaged in the production of market goods and/or non-financial services, which recovers a significant portion of its costs through user charges.

Real terms: Estimates of financial aggregates in real terms reflect adjustments made in order to take account of the impact of rising prices on the purchasing power of money. Throughout this budget paper, reference is made to real term aggregates and growth rates. All real terms calculations use the Adelaide CPI, unless specifically stated otherwise.

Sector: An ABS national accounting concept used to group entities with similar economic characteristics. Sectors comprising the public sector are general government, public non-financial corporations and public financial corporations.

State Final Demand (SFD): A measure of spending in a state economy. The estimate obtained by summing government final consumption expenditure, household final consumption expenditure, private gross fixed capital formation and the gross fixed capital formation of public corporations and general government.

Unfunded superannuation liability: The amount by which the liabilities of a superannuation scheme or schemes (measured as the present value of expected future superannuation benefits that have accrued to members) at the reporting date exceeds the value of assets held by the superannuation scheme or schemes to meet those benefits.

Uniform presentation framework (UPF): The reporting framework agreed by the Commonwealth Government and state and territory governments, to ensure all governments provide a common ‘core’ of financial information in their budget papers (refer to Appendix A).

2016-17 State Budget

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