State Budget 2017–18

Budget Statement

Budget Paper 3

SOUTH
AUSTRALIA

Government
of South Australia

STATE BUDGET | 2017–18

Budget Paper 1: Budget Overview

A summary publication capturing all highlights from the 2017–18 Budget.

Budget Paper 2: Budget Speech

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

Budget Paper 3: Budget Statement

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

Budget Paper 4: Agency Statements | Volumes 1, 2, 3, 4

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

Budget Paper 5: Budget Measures Statement

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

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Budget Paper 3

2017–18
Budget Statement

Presented by
The Honourable Tom Koutsantonis MP
Treasurer of South Australia
on the Occasion of the Budget
for 2017–18

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Chapter 1: Budget context and overview

Budget context

The 2017–18 Budget is about putting South Australians first. It focuses on creating jobs for the future, building energy security, modernising our health system and investing in our communities.

It builds on the foundations of the previous budgets which included tax cuts for businesses looking to invest in South Australia, assistance to firms that are looking to hire more people, and targeted support to attract new firms and industries to the state. Businesses will continue to benefit from these measures in 2017–18, with another instalment of stamp duty cuts delivered from 1 July 2017 and businesses who have applied for the Job Accelerator Grants starting to receive their payments on the first anniversary of employing additional workers.

We are building our future sustainable, long term industries. The $50 billion Future Submarines build at Techport will support thousands of jobs over the next three decades. The success of the government's economic plan is being realised in the growth of our tourism and food industries, and the emergence of an invigorated health research industry.

The 2017–18 Budget provides further support for new industries through a $200 million Future Jobs Fund. As our car industry closes in October 2017, the Future Jobs Fund will help secure the jobs of the future in industries such as shipbuilding and defence, renewable energy and mining, tourism, food and wine, health and biomedical research and information technology and advanced manufacturing. The budget also provides additional payroll tax relief for small business, extra support for businesses to take on more apprentices and a record $2.2 billion infrastructure spend in 2017–18, creating construction jobs.

In response to the failure of national energy market policies, the government is investing $550 million to secure our energy future. This includes building a 250 megawatt back-up gas power plant owned by the state, building a 100 megawatt grid-connected battery and establishing a Renewable Technology Fund to facilitate investment in new low carbon energy technologies.

The 2017–18 Budget makes significant investments in our communities through modernising our health infrastructure, building new schools and continuing to invest in improving our transport infrastructure. It also delivers back to South Australians with one of the world's biggest participatory budgeting initiatives, Fund My Neighbourhood, which allows the community to direct how public funds are spent.

These measures are possible because of the flexibility afforded by the sustainable budget position the government has maintained in recent years. The government is expecting to deliver a second successive operating surplus in 2016–17 and maintain operating surpluses across the forward estimates.

Budget overview

Supporting our economy

The government is creating a $200 million Future Jobs Fund to support business and create jobs across the following five sectors:

- shipbuilding and defence
- renewable energy and mining
- tourism, food and wine
- health and biomedical research
- information technology and advanced manufacturing.

The fund includes $100 million in grants and $100 million in loans.

Specific Future Jobs Fund measures announced in the 2017–18 Budget include:

- additional funding to support the attraction of business and industry to the state to promote job creation ($30 million in grants and $30 million in loans)
- additional funding to secure additional major events and conventions for South Australia ($14.5 million over four years)
- funding for the automotive supplier transformation initiative ($5 million over two years) to support automotive supply chain businesses in the transition from motor vehicle parts manufacturing
- extension of the I Choose SA campaign to 30 June 2018 ($2 million in 2017–18) to encourage South Australians to support local products and services to create and sustain jobs.

After funding these specific initiatives, the remainder of the $200 million Future Jobs Fund ($50 million in grants and $70 million in loans) is available for businesses and organisations to bid for grants or low cost loans to create jobs in the target industry sectors. The government will be seeking the Commonwealth Government to match the state's commitment to the Fund to help more businesses build key industries in South Australia.

The government will also increase the Jobs Accelerator Grant by up to $5000 for each eligible new apprentice or trainee employed. This means businesses with payrolls between $600 000 and $5 million will receive up to $15 000 for each new apprentice and trainee, while small businesses with payrolls up to $600 000 will receive up to $9000, providing additional funding for an estimated 2000 apprentice and trainee positions.

Building on the business tax cuts of almost $700 million announced in the state tax reform package included in the 2015–16 Budget, the 2017–18 Budget includes further payroll tax relief ($45 million over four years) for small businesses. The previous small business payroll tax rebate will be replaced by reduced payroll tax rates for small business and the concessional arrangements extended to businesses with an annual payroll of up to $1.5 million. It is estimated that around 1300 employers will benefit by up to $8820 from this initiative each year compared with the prior small business payroll tax rebate.

The government will extend off-the-plan apartment assistance at a cost of $8.4 million over three years with the state-wide stamp duty concession extended for a further year until 30 June 2018. An additional $10 000 pre-construction grant will be available for off-the-plan contracts entered into from budget day to 30 September 2017 for apartment purchases where construction is yet to commence.

The government is contributing towards the $156 million stage 1 Northern Adelaide Irrigation Scheme (NAIS) project, if the Commonwealth contributes $46 million towards the project. NAIS will increase horticultural activity with the expansion of irrigated food production in the Northern Adelaide Plains.

Investing in our health system

The opening of the new Royal Adelaide Hospital represents a milestone in the delivery of a modern health system, and will provide a capacity of 800 beds and provide care for an estimated 85 000 inpatients and 400 000 outpatients each year.

As the new Royal Adelaide Hospital opens, the 2017–18 Budget provides a further $1.1 billion for the health sector including for further investment and modernisation of our health infrastructure through:

- the construction of a new Adelaide Women's Hospital ($528 million in total including $30 million over the forward estimates) adjoining the new Royal Adelaide Hospital, to be completed in 2024
- the redevelopment of the Queen Elizabeth Hospital ($251 million in total including $198 million over the forward estimates) for a new clinical building which includes the emergency department, outpatient services, operating theatres, clinical support and brain and spinal injury rehabilitation
- the expansion of the Lyell McEwin Hospital emergency department ($53 million over four years) to address ongoing patient demand
- $44 million over three years towards a second SAHMRI building within South Australia's world class Health and Biomedical Precinct to house a national centre for proton therapy and research. This includes shifting the existing train operation control centre off the site
- $24 million over the forward estimates for the maintenance and improvement of facilities at the existing Women's and Children's Hospital
- the establishment of an eight-bed emergency extended care unit adjacent the emergency department at Modbury Hospital ($9 million over three years)
- the provision of 24 hour emergency care ($7 million over four years) at the Mount Barker District and Soldiers' Memorial Hospital, providing people living in Mount Barker and surrounding communities, such as Strathalbyn, with access to a fully staffed accident and emergency department
- the fit out of two existing cold shell operating theatres at Flinders Medical Centre ($3.5 million in 2017–18) increasing the number of operating theatres to a total of 12.

This budget also provides $195 million in extra resources for our health system over three years to fund additional hospital services to South Australians.

The creation of the Stop the Hurt Strategy ($8 million over four years) will tackle crystal methamphetamine use through measures to address prevention, early intervention, treatment and law enforcement outcomes for the community.

The government will commit $15 million over two years towards the development of alternative accommodation to relocate patients from the Oakden Older Persons Mental Health Service and to support the development of a contemporary model of care and longer term service planning for older patients who suffer from acute dementia and other mental illness.

Investing in our communities

Last year's budget committed $250 million to build STEM classrooms in 139 of the state's public schools. The 2017–18 Budget announces two new birth to Year 12 schools in the northern and southern regions of Adelaide to be built as public-private partnerships. Each school will accommodate 1400 R–12 students, 100 special school students and a 55-place children's centre.

The government has also dedicated $40 million towards the Fund My Neighbourhood program to allow the community to decide what projects should be funded within their neighbourhood, from small infrastructure upgrades such as playgrounds and parks to initiatives designed to strengthen community cohesion.

Additional new measures that focus on building our communities include:

- grant funding for sporting clubs ($20 million over two years) to upgrade or replace synthetic playing surfaces across South Australia
- marine facility infrastructure ($9 million over two years) to ensure the ongoing safety and longevity of jetties at Henley Beach, Port Noarlunga, Semaphore, Whyalla and Port Bonython
- creation of a Community Infrastructure Investment Fund ($5 million in 2017–18) to provide funding for multicultural and community organisations to purchase or upgrade equipment and infrastructure.

The 2017–18 Budget also provides $14 million for the Women’s Sporting Facilities Fund to support sport and recreation organisations in addressing barriers to female participation and $4.5 million for stage one of the upgrade of Priceline Stadium, the home of Netball SA.

Investing in transport

The 2017–18 Budget includes a record $2.2 billion infrastructure program in 2017–18 and $674 million in new measures as part of South Australia's Transport Plan (which are subject to Commonwealth Government funding contributions):

- the next stage of the North-South Corridor ($415 million over three years) from Regency Road to Pym Street to provide the final part of the continuous motorway from the Northern Expressway to the River Torrens
- Gawler rail line electrification ($243 million over the forward estimates for a total project cost of $463 million) to continue the existing electrification works by extending it from Salisbury to Gawler including replacement of the signalling system, provision of automatic track protection and the acquisition of 15 additional three car electric trains

The government is also providing $174 million over three years (including $95 million from the Commonwealth Government) to upgrade the Oaklands Crossing with a rail underpass under Diagonal Road.

In addition, the government will provide $305 million (with $100 million across the forward estimates) to duplicate Main South Road from Seaford to Aldinga as the first stage of the Main South Road Duplication project. The second stage will continue the duplication works from Aldinga to Sellicks Beach.

Further investments in improving our public transport system include $15 million over two years for the construction of new, multi-level Park 'n' Ride facilities at the Klemzig and Tea Tree Plaza interchanges, and an additional $22 million over four years to increase train service frequency on the Gawler, Outer Harbor, Belair and Seaford lines, including on nights, weekends and public holidays.

Taking charge of our energy future

The government released Our Energy Plan in March 2017 in response to the failure of the national energy market in providing energy security for South Australians.

The government is investing $550 million across five years to secure South Australia's energy supply, which includes the following measures:

- $360 million for a state-owned gas power plant to provide up to 250 megawatts of stand-by generation which can be switched on in times of emergency
- $150 million Renewable Technology Fund which will help build Australia's largest grid-connected battery to provide the state with 100 megawatts of storage, and also provide loans to private companies and entrepreneurs for eligible projects such as large-scale solar thermal, biomass, hydrogen energy and pumped hydro project
- $24 million for Plan for Accelerating Exploration (PACE) for a second round of funding to incentivise companies to increase the supply of South Australian gas into the local energy market.

In addition to Our Energy Plan, the government is announcing in this budget:

- the first stage of the hydrogen roadmap — a hydrogen production facility and vehicle refuelling station ($8 million over four years) supplying a fleet of at least six hydrogen buses
- funding for a mineral drilling program ($5 million over four years) to deliver ground-breaking data and information through new drilling technologies, innovations in geophysics and modelling and the mapping of geochemistry in 3D.

Managing our budget

The 2017–18 Commonwealth Budget introduced a major bank levy imposing a levy at a rate of 0.015 per cent per quarter on certain liabilities of authorised deposit-taking institutions with total liabilities greater than $100 billion.

From 1 July 2017, the government will introduce a South Australian major bank levy.

Authorised deposit-taking institutions that are liable for the Commonwealth Government's major bank levy and operate in South Australia will be liable for the state levy. An identical rate of 0.015 per cent per quarter will be charged on South Australia's share of liabilities subject to the Commonwealth Government's major bank levy. This share will be determined by South Australia's share of the national economy, which currently is around 6 per cent.

This measure is expected to raise $370 million across four years.

The government will also introduce a conveyance duty surcharge on foreign buyers of residential property in South Australia.

From 1 January 2018, a surcharge of 4 per cent will apply to all residential property purchases by foreign buyers and temporary residents. This measure is consistent with similar surcharges levied on foreign buyers of certain property in New South Wales, Victoria and Queensland, and Western Australia has also indicated that it will introduce a surcharge from 2019. This measure is expected to raise $49 million across four years.

Fiscal targets

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

Table 1.1: Fiscal targets

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

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

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

Table 1.2 shows that the 2017–18 Budget meets the government's fiscal targets.

Table 1.2: Fiscal targets outcomes — 2017–18 Budget estimates

	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Target 1: net operating balance surplus				
Target	Achieve a net operating surplus every year			
2017–18 Budget estimate ($m)	**72**	**132**	**193**	**462**
Target 2: operating expenditure growth				
Target (%)	Average growth limited to trend growth in household income (4.5% per annum)			
2017–18 Budget estimate (%)				
– Annual (%)	**5.8%**	**0.5%**	**1.0%**	**1.9%**
– Average (%)	**Average growth of 2.3% per annum**			
Target 3: net debt to revenue ratio				
Target (%)	Less than 35%			
2017–18 Budget estimate (%)	**31.7%**	**34.9%**	**34.8%**	**33.1%**

Target 1 reflects the government's commitment to funding operating expenditures from operating revenues. The 2017–18 Budget projects a surplus in 2017–18 and in each year across the forward estimates. Compared with last year's budget, the surplus outlook reflects the use of fiscal buffers to support the economy and take charge of our energy security.

Target 2 limits the growth in operating expenditure in order to maintain a pattern of sustainable growth having regard to trend income growth, irrespective of the annual growth in revenues, including during the expansionary phase of the cycle. The 2017–18 Budget continues the emphasis on expenditure restraint to maintain the overall fiscal position. Average operating expenditure growth over four years is constrained to 2.3 per cent per annum, well below expected trend household income growth of 4.5 per cent per annum. In 2017–18, operating expenditure growth of 5.8 per cent reflects the impact of one-off items such as the commencement of service payments (including associated interest charges and amortisation) for the new Royal Adelaide Hospital and additional resources provided for child protection in response to the Child Protection Systems Royal Commission. Without these one-off factors, growth in expenses would be 3.2 per cent in 2017–18. Refer to chapter 2 for more details on expenditure.

Target 3 requires the maintenance of reasonable debt levels that allows for sustainable borrowings for investment in key infrastructure without placing undue burdens on future generations. This target is met across all forward estimate years.

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

Summary of key fiscal indicators

Table 1.3 sets out the expected budget outcomes for 2016–17 and across the forward estimates for a number of key fiscal indicators.

Table 1.3: Summary of key general government sector budget indicators

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Operating statement					
Net operating balance ($m)	239	72	132	193	462
Net lending ($m)	-2 595	228	-685	-203	72
Revenue and expenses					
Revenue real growth (%)	3.7	2.8	-1.4	-1.2	0.8
Expenses real growth (%)	4.1	3.7	-1.7	-1.5	-0.5
Balance sheet					
Net debt ($m)	6 297	6 072	6 733	6 808	6 687
Net debt to revenue (%)	34.5	31.7	34.9	34.8	33.1
Unfunded superannuation ($m)	11 217	10 898	10 547	10 164	9 748

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

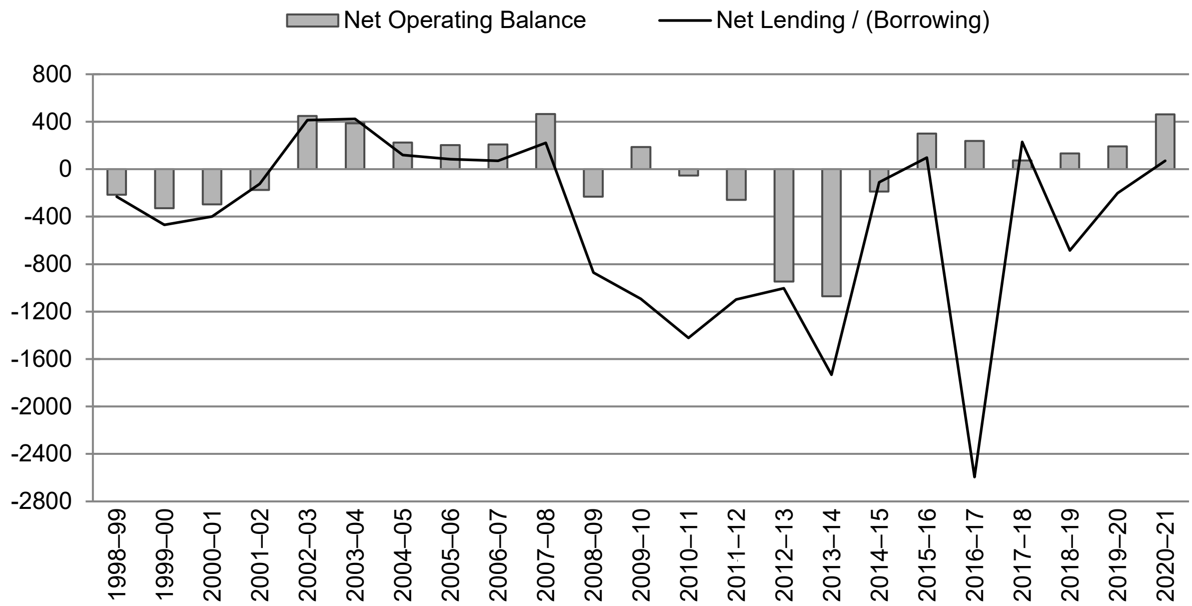
Operating statement

Net operating balance

A net operating surplus is forecast in 2016–17 and each year across the forward estimates with projected cumulative net operating surpluses of $1.1 billion over the five years.

Figure 1.1 illustrates the general government sector net operating balance and net lending position from 1998–99 to 2020–21. The 2016–17 estimated result represents a second successive surplus following five years of deficits post the global financial crisis.

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



Note: 1998–99 to 2015–16 are actual outcomes; 2016–17 to 2020–21 are forecasts.

Net lending

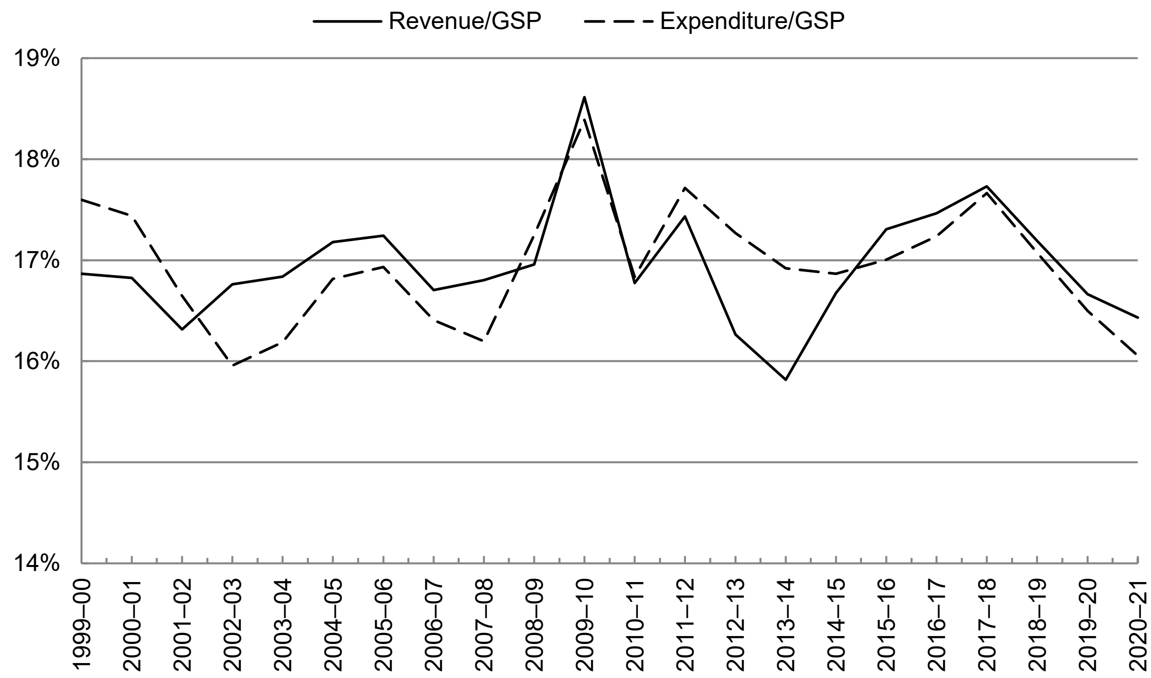
A net lending deficit of $2.6 billion is expected in 2016–17 reflecting the commencement of the finance lease for the new Royal Adelaide Hospital. Following a net lending surplus in 2017–18, deficits are projected before a return to surplus in 2020–21.

The net lending deficits 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 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 global financial crisis (GFC), revenues increased substantially due to the payment of large Commonwealth Government stimulus grants between 2008–09 and 2011–12. Following the conclusion of the Commonwealth Government stimulus funding, revenues as a share of the economy were much weaker than prior to the GFC until 2013–14, but have subsequently returned to pre-GFC levels. It reduces over the forward estimates partly as a result of business tax reforms.

Expenditure as a percentage of GSP is forecast to drop to 16.1 per cent by 2020–21, 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 moderately over the forward estimates from $6.3 billion as at 30 June 2017 to $6.7 billion at 30 June 2021. This increase in net debt reflects the government's decision to invest in infrastructure to support improved services to the community, create jobs and secure our energy future.

As a percentage of revenue, net debt is expected to increase from 31.7 per cent at 30 June 2018 to a peak of 34.9 per cent at 30 June 2019, before reducing to 33.1 per cent by the end of the forward estimates at 30 June 2021, 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 — 2016–17 to 2020–21 ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Revenue						
Taxation revenue	4 517	4 421	4 629	4 783	4 998	5 228
Grants						
GST revenue grants	6 101	5 934	6 303	6 554	6 786	7 171
Other grants	4 145	4 071	4 358	4 216	4 061	4 084
Sales of goods and services	2 487	2 527	2 568	2 634	2 698	2 742
Interest income	24	24	25	26	27	29
Dividend and income tax equivalent income	326	628	592	396	286	258
Other	664	664	673	700	700	691
Total revenue	**18 263**	**18 269**	**19 148**	**19 308**	**19 557**	**20 202**
less **Expenses**						
Employee expenses	7 899	8 009	8 272	8 363	8 505	8 524
Superannuation expenses						
Superannuation interest cost	392	345	363	352	341	328
Other superannuation expenses	859	829	850	858	872	875
Depreciation and amortisation	963	888	1 003	1 034	1 057	1 089
Interest expenses	346	191	426	364	380	392
Other property expenses	—	—	—	—	—	—
Other operating expenses	4 613	4 562	5 129	5 262	5 288	5 536
Grants	2 937	3 206	3 033	2 943	2 921	2 997
Total expenses	**18 009**	**18 030**	**19 076**	**19 176**	**19 364**	**19 741**
equals **Net operating balance**	254	239	72	132	193	462
plus **Other economic flows**	1 124	3 544	348	639	732	723
equals **Comprehensive result — total change in net worth**	1 378	3 782	420	771	925	1 184
Net operating balance	254	239	72	132	193	462
less **Net acquisition of non-financial assets**						
Purchases of non-financial assets	4 630	4 454	2 185	1 908	1 500	1 500
less Sales of non-financial assets	976	733	1 338	57	48	21
less Depreciation	963	888	1 003	1 034	1 057	1 089
plus Change in inventories	—	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	2 690	2 833	-157	817	396	390
equals **Net lending/borrowing**	-2 436	-2 595	228	-685	-203	72

Note: Totals may not add due to rounding.

The attachment to this chapter summarises the variations since the 2016–17 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 2016–17 Mid-Year Budget Review (MYBR) (table 1.7), together with some commentary on those variations.

Attachment: Variations since the 2016–17 Budget and the 2016–17 MYBR

Table 1.5: General government sector net operating balance — policy and parameter variations since the 2016–17 Budget ($million)

	2016–17	2017–18	2018–19	2019-20
Estimate at 2016–17 Budget	**254**	**415**	**464**	**466**
Parameter and other variations to 2016–17 MYBR				
Revenue — taxation	-58	-61	-58	-77
Revenue — other	130	214	245	234
Operating expenses	110	-28	-77	-2
Net effect of parameter and other variations	182	126	110	155
Policy measures to 2016–17 MYBR				
Revenue measures — taxation	—	—	—	—
Revenue measures — other	—	—	—	—
Revenue offsets — taxation	—	—	—	—
Revenue offsets	7	5	4	6
Operating expenses	-143	-164	-154	-171
Net effect of policy measures	-136	-159	-151	-165
Estimate at 2016–17 MYBR	**300**	**382**	**424**	**456**
Parameter and other variations to 2017–18 Budget				
Revenue — taxation	-38	-53	-51	-42
Revenue — other	-38	6	-98	-257
Operating expenses	116	42	-122	-109
Net effect of parameter and other variations	40	-5	-271	-407
Policy measures up to the 2017–18 Budget				
Revenue measures — taxation	—	—	—	—
Revenue measures — other	—	—	—	—
Revenue offsets — taxation	—	—	—	—
Revenue offsets	3	15	5	1
Operating expenses	-17	-158	-79	-30
Net effect of policy measures up to the 2017–18 Budget	-15	-143	-75	-30
Policy measures in the 2017–18 Budget				
Revenue measures — taxation	—	87	93	94
Revenue measures — other	—	—	—	—
Revenue offsets — taxation	—	—	—	—
Revenue offsets	—	19	195	208
Operating expenses	-87	-268	-234	-128
Net effect of policy measures in the 2017–18 Budget	-87	-162	54	174
Estimate at 2017–18 Budget	**239**	**72**	**132**	**193**

Note: Totals may not add due to rounding.

Table 1.6: General government sector net lending — policy and parameter variations since the 2016–17 Budget ($million)

	2016–17	2017–18	2018–19	2019–20
Estimate at 2016–17 Budget	**-2 436**	**-310**	**44**	**52**
Net effect of operating variations to 2016–17 MYBR	**46**	**-33**	**-41**	**-10**
Investing variations[(a)]				
Parameter variations	-31	-32	29	24
Policy variations	-24	-41	-4	-4
Total investing variations	-55	-73	25	20
Estimate at 2016–17 MYBR	**-2 445**	**-416**	**29**	**63**
Net effect of operating variations to 2017–18 Budget	-61	-311	-292	-263
Investing variations[(a)]				
Parameter variations	-87	870	104	489
Policy variations up to the 2017–18 Budget	—	144	-175	-50
Policy variations in the 2017–18 Budget	-1	-60	-351	-442
Total investing variations	-88	955	-422	-3
Estimate at 2017–18 Budget	**-2 595**	**228**	**-685**	**-203**

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 2016–17 MYBR ($million)

	2016–17	2017–18	2018–19	2019–20
Revenue — taxation				
Payroll tax	-26	-29	-35	-44
Conveyances	17	-18	-36	-39
Land tax — private	-9	-4	-4	-5
Land tax — public	-1	2	2	2
Other property tax	-3	7	23	45
Insurance taxes	6	-3	-3	-3
Gambling taxes	-20	-3	2	1
Motor vehicle taxes	-3	-6	2	1
Total taxation revenue	**-38**	**-53**	**-51**	**-42**
Revenue — other				
GST revenue grants	-151	-192	-38	57
Commonwealth specific purpose and national partnership grants				
– SPP grants	32	-44	-52	-42
– NP grants	-99	-87	-118	-233
Other contributions and grants	2	—	-1	1
Sales of goods and services	64	7	—	-10
Dividends and income tax equivalents	94	313	117	-7
Interest income	—	—	—	-1
Royalties	-13	2	1	—
Other revenue	35	8	-6	-21
Total other revenue	**-38**	**6**	**-98**	**-257**
Operating expenses				
Nominal superannuation interest expense	—	-9	-9	-9
Interest expense	35	-65	-71	-80
Depreciation	28	19	30	11
Carryovers (net of provision for slippage)	4	17	-19	-1
Other variations	50	81	-54	-30
Total expenses	**116**	**42**	**-122**	**-109**
Net capital investment expenditure				
Depreciation	-28	-19	-30	-11
Carryovers (net of provision for slippage)	1	69	-72	13
Other variations	-60	821	206	487
Total net capital investment expenditure	**-87**	**870**	**104**	**489**

Note: Totals may not add due to rounding.

Variations in revenue estimates (parameter and other)

Since the 2016–17 Mid-Year Budget Review (MYBR), taxation revenues have been revised down in all years.

Payroll tax revenues have been revised down from 2016–17 onwards reflecting lower than budgeted collections year to date as a result of compositional factors including differential growth rates between small and large employers.

Underlying conveyance duty revenue has been revised down in all years. The upward revision in 2016–17 reflects a once-off large transaction and stronger growth in underlying non-residential real property prices, partially offset by softer than expected transactions levels. The downward revisions from 2017–18 mainly reflect the flow through impact of lower transaction levels in 2016–17, which are only partially offset by higher non-residential real property prices due to the phased abolition of duty on non-residential real property transfers. Underlying real property transactions are still expected to grow over the forward estimates period returning to longer term levels.

Land tax revenue has been revised down in all years primarily reflecting year to date experience, with marginally weaker than expected land tax collections for 2016–17 flowing through to future years.

Other property taxes have been revised up from 2017–18 primarily due to an increase in guarantee fee revenue reflecting changes in market conditions.

Gambling tax revenue has been revised down in 2016–17 primarily reflecting lower than expected year to date growth in net gaming revenue from gaming machines in hotels and clubs, which flows through to future years. Contributions from SA Lotteries have also been revised down across the forward estimates in all years reflecting revised projections for growth in net gambling revenue. Collections under the Betting Operations Tax have been reflected on a gross basis to include amounts collected from UBet SA's wagering revenue related to racing. There is no net impact on the budget position as they are paid onto the racing industry as grants.

Insurance tax revenue has been revised down in all years primarily reflecting year to date experience. This is offset in 2016–17 by the receipt of additional back payments associated with the treatment of life insurance riders.

South Australia's Goods and Services Tax (GST) revenue grants have been revised down from 2016–17 to 2018–19, and up in 2019–20. This primarily reflects the Commonwealth's 2017–18 Budget downward revision of national GST pool estimates from 2016–17 to 2019–20. In addition, South Australia's relative population growth is now expected to be slower than forecast in the 2016–17 MYBR which results in a further deterioration to South Australia's GST grants to 2019–20. In 2019–20, these downward revisions are more than offset by an increase in South Australia's share of GST grants. This reflects the combined impact of the Commonwealth Grants Commission (CGC) 2017 Update, a deterioration in South Australia's relative revenue raising capacity and a lower projected share of Specific Purpose and National Partnership payments.

Commonwealth Government specific purpose payment (SPP) grants have been revised up in 2016–17 primarily due to a payment following the finalisation of National Health Reform funding relating to 2015–16 activity levels. Future years have been revised down primarily due to a decrease in funding expected to be received under the National Health Reform Agreement and the Commonwealth's Quality Schools reforms. The overall decrease in Commonwealth Government funding for schools is primarily the result of proposed changes to the structure of the Commonwealth's education funding model, which will be subject to the passage of Commonwealth legislation.

Commonwealth Government national partnership (NP) grants have been revised down in all years. The downward revisions in 2016–17 and 2017–18 mainly reflect the deferral of funding into later years and are partially offset by an overall increase in local government grant funding through the state. Decreases in 2018–19 and 2019–20 are primarily due to amounts previously provisioned to reflect updated estimates of Commonwealth Government transport funding, which are now shown as specific policy measures that will proceed where the Commonwealth partners with the state government on transport infrastructure. These revisions appear as reductions in tables 1.6 and 1.7 and are now shown as revenue offsets in table 1.5.

Sales of goods and services revenue has been revised up in 2016–17 and 2017–18 but down in 2019–20. The increase in 2016–17 mainly reflects additional Commonwealth Government contributions under the Pharmaceutical Benefits Scheme (PBS). This is partially offset by a change to the timing of Commonwealth Government funding to the Department of Environment, Water and Natural Resources for various projects. From 2017–18, revisions primarily reflect the net impact of higher revenue associated with the Child Dental Benefit Scheme and drivers licence fees as well as lower revenue from Land Titles Office fees and Metroticket sales.

Dividend and income tax equivalent revenue has been revised up from 2016–17 to 2018–19 and revised down in 2019–20. The upward revisions reflect an income tax equivalent payment from ReturnToWorkSA in 2016–17 and additional dividend payments from the Motor Accident Commission (MAC) from 2017–18 following the transition to the new CTP arrangements. The downward revision in 2019–20 mainly reflects lower distributions from SA Water, partially offset by a dividend payment from MAC.

Royalties have been revised down in 2016–17 mainly due to lower minerals production, partially offset by improved production and pricing forecasts for petroleum.

Other revenues have been revised up in 2016–17 and 2017–18 and down from 2018–19. The upward revision in 2016–17 mainly reflects revenue received as part of the National Heavy Vehicle Regulator arrangements as well as a contribution from SA Water associated with the Darlington and Torrens to Torrens South Road projects. The downward revisions from 2018–19 are mainly due to lower fine and penalties revenue due to lower detections from fixed cameras, partially offset by contributed assets revenue associated with the Commonwealth’s Essential Vaccines Program.

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

Operating Expenses

The nominal superannuation interest expense in 2017–18 is expected to be $363 million, $9 million higher than forecasts in the 2016–17 MYBR. Across the forward estimates expenses are also around $9 million higher in each year due to an increase in the interest rate used to calculate the expense since the 2016–17 MYBR, being the long-dated Commonwealth Government bond rate used to value the liability.

Interest expenses for 2016–17 has been revised down since the 2016–17 MYBR by $35 million due to a change in timing of the commencement of the new Royal Adelaide Hospital finance lease agreement. Across the forward estimates there is an increase in interest expenses since the 2016–17 MYBR due to an increase in the finance lease expense for the new Royal Adelaide Hospital.

Depreciation in 2016–17 is lower than forecast at the 2016–17 MYBR due to delays in capital projects resulting in later commencement of associated depreciation. Across the forward estimates depreciation expenditure has been revised down largely due to the sale of land and assets at the Techport site (including the Common User Facility, Shipbuilding Expansion Area and Maritime Skills Centre) to the Commonwealth Government and subsequent removal of associated depreciation expenses, and a revision of the profile of amortisation for the new Royal Adelaide Hospital across the forward estimates.

Carryover expenditure reflects expenditure to be undertaken by agencies in 2016–17, which will now be incurred in later years. Operating carryovers from 2016–17 to 2017–18 and future years are $84 million. The 2017–18 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 in which 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 as well as changes to expenditures reflecting demand for government services. The impact in 2016–17 is largely due to the reduced costs associated with the delay in commercial acceptance of the new Royal Adelaide Hospital.

Net Capital Investment Expenditure

The carryover of investing expenditure in 2016–17 reflects delays in project expenditure. Where appropriate, an estimate of expenditure for these projects has been carried forward into future years. Investing carryovers from 2016–17 to 2017–18 and future years are $231 million. The 2017–18 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 2017–18 is particularly large due to the recognition of returns associated with the separation and outsourcing of the transactional/service delivery activity provided by the land services group and the sale of land and assets at the Techport site to the Commonwealth Government.

Chapter 2: Expenditure

This chapter provides an overview of new expenditure initiatives in the 2017–18 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 2017–18 Budget Measures Statement. This chapter also provides a summary of the general government capital program and the major capital projects that are being undertaken.

New expenditure is focussed on measures designed to build our economy and create jobs, take charge of our energy future, invest in our community and support our core services.

New operating and investing initiatives in the 2017–18 Budget total $2026.2 million over the next four years, in addition to $87.7 million in 2016–17. These are partially offset by $600.4 million over four years of revenue offsets, mainly reflecting initiatives that will proceed on the basis that the Commonwealth Government partners with the state government on infrastructure projects.

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

Table 2.1: General government initiatives ($million)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Operating expenditure initiatives[(a)(b)]	-86.6	-268.3	-234.2	-128.4	-61.2
Revenue offsets	—	11.1	23.6	4.5	4.9
Operating savings	—	—	—	—	—
Total operating initiatives	**-86.6**	**-257.2**	**-210.7**	**-123.9**	**-56.4**
Investing expenditure initiatives	-1.1	-79.1	-351.0	-441.7	-462.2
Revenue offsets	—	7.8	171.5	203.8	173.5
Asset sales	—	18.9	—	—	—
Total investing initiatives	**-1.1**	**-52.4**	**-179.5**	**-238.0**	**-288.7**
Total initiatives	**-87.7**	**-309.6**	**-390.2**	**-361.9**	**-345.1**

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 $692.2 million over the next four years, in addition to $86.6 million in 2016–17. Major initiatives are outlined below.

- $195 million over three years to fund additional hospital services in South Australia. This responds to ongoing growth in the health system and the need to provide more services to support patients and high quality health outcomes for South Australians
- $100 million for Future Jobs Fund measures and grants.

Specific measures included in the 2017–18 Budget as part of the Future Jobs Fund are:

- $30.0 million over two years in grants to further support and secure new investment in South Australia through the attraction of appropriate business projects to the state in key target industries. The investment will promote job creation, capital investment, and increased economic activity
- $14.5 million over four years to secure additional major events and conventions to further drive visitation and economic development of the state
- $5.0 million over two years for the automotive supplier transformation initiative, which continues support for South Australian companies in the automotive supply chain ahead of the cessation of motor vehicle manufacturing activities in Australia
- $2.0 million in 2017–18 to extend the I Choose SA campaign to encourage consumers to actively look for South Australian products and services when buying. The campaign enables the public to identify and purchase local products and services that support the South Australian economy.

In addition to these specific measures, $50 million in grants will be available to support job creation in the five industry focus areas, namely: shipbuilding and defence, renewable energy and mining, tourism, food and wine, health and biomedical research, and information technology and advanced manufacturing.

Low interest loans of $100 million will also be available through the Future Jobs Fund to support job creation. An amount of $30 million will be allocated through the Industry Attraction Agency. The remaining $70 million of low interest loans will be available to support other job creation projects.

The government is inviting the Commonwealth Government to partner with the state and match our $200 million commitment to the Future Jobs Fund.

- $40.0 million over two years for the Fund My Neighbourhood program which allows the community to decide what projects should be funded within their neighbourhood
- $22.4 million over four years to increase the frequency of train services on the Gawler, Outer Harbor, Belair and Seaford lines, including nights and weekends
- $20.0 million over two years for grants to establish or replace artificial playing surfaces that will improve programming for sports like soccer, hockey, tennis and bowls as well as wooden and hardcourt surfaces for sports such as basketball, volleyball, netball and tennis
- $18.9 million over four years for the New Foundations initiative which will provide housing and support services to offenders who are eligible for release from prison or being considered for a community based order but do not have access to suitable housing
- $18.2 million in 2017–18, in addition to $68.3 million in 2016–17 to meet additional costs for children in care. This is in addition to the $432 million provided in the 2016–17 Mid-Year Budget Review to reform the state’s child protection system in response to the Child Protection Systems Royal Commission report
- $17.5 million over four years for the extension of the community wastewater management system funding agreement, which provides funding to councils to support the installation of communal wastewater treatment systems where sewer system are not provided by SA Water or other major water industry authorities
- $14.0 million over two years for the Women's Sporting Facilities Fund to continue to support sport and recreation organisations implementing projects addressing the barriers to female participation. This lifts the fund to $10 million per annum in 2017–18 and 2018–19
- $13.6 million, in addition to $0.6 million in 2016–17 to reflect a greater than anticipated take up of court-ordered home detention, including the cost of electronic monitoring devices

- $8.5 million over four years, in addition to $0.7 million investing expenditure, for the Work Ready, Release Ready program to prepare prisoners for a successful return to the community and reduce the likelihood of reoffending
- $8.1 million over three years, in addition to $0.1 million investing expenditure, to increase the Job Accelerator Grant by up to $5000 for each eligible new apprentice or trainee employed and eligible for an existing Job Accelerator Grant.

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

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

Agency	2016–17 Estimate	2017–18 Budget	2018–19 Estimate	2019-20 Estimate	2020-21 Estimate
Attorney-General	—	-1.4	-2.1	-2.3	-2.2
Child Protection	-68.3	-18.2	—	—	—
Communities and Social Inclusion	-3.7	-6.7	-1.5	-1.5	-1.6
Correctional Services	-0.6	-9.1	-21.7	-23.7	-24.7
Courts	—	-2.4	-1.3	-1.5	-1.6
Defence SA	—	—	-0.5	—	-0.5
Education and Child Development	—	-10.6	-22.0	-2.0	-2.0
Electoral Commission	—	-0.5	—	—	—
Emergency Services — CFS	—	-0.1	-0.0	-0.0	-0.0
Emergency Services — MFS	-0.0	-1.7	-1.4	-1.0	-1.0
Emergency Services — SAFECOM	-0.1	-1.3	-0.2	-0.1	-0.1
Emergency Services — SES	-2.3	-0.4	-0.4	-0.4	-0.4
Environment Protection Authority	—	—	—	—	—
Environment, Water and Natural Resources	-8.3	-9.2	-0.5	-0.0	-0.0
Office of Green Industries SA	—	—	—	—	—
Health and Ageing	—	-86.3	-73.3	-70.6	-5.4
Legislature	—	—	—	—	—
Planning, Transport and Infrastructure	-1.0	-52.1	-47.5	-10.7	-10.7
Police	—	—	—	—	—
Premier and Cabinet	—	-13.3	-6.1	-5.5	-4.7
Primary Industries and Regions	—	—	—	—	—
State Development	-1.1	-21.7	-25.1	-1.3	-1.3
Tourism	—	-3.5	-1.0	-5.0	-5.0
Treasury and Finance	—	-2.3	—	—	—
Across Government					
Future Jobs Fund	—	-25.0	-25.0	—	—
Increase Job Accelerator Grant for apprentices and trainees	—	-2.4	-4.0	-1.7	—
Introduce a pre-construction grant of $10 000 for purchases of off-the-plan apartments	—	—	-0.7	-1.1	—
Metropolitan Drainage Fund	-1.1	—	—	—	—
Total operating initiatives	**-86.6**	**-268.3**	**-234.2**	**-128.4**	**-61.2**

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

New investing initiatives in the general government sector total $1334.0 million over the next four years, in addition to $1.1 million in 2016–17. Major initiatives include:

- $198.0 million over four years ($250.6 million total project cost) for Stage 3 of The Queen Elizabeth Hospital redevelopment which will deliver a new clinical services building which will include the emergency department, outpatient services, operating theatres, clinical support and brain and spinal injury rehabilitation. This will ensure the continued delivery of specialised inpatient and outpatient medical services such as cancer, respiratory and cardiology at the site, and the retention of emergency cardiac services via the decision not to close the catheterisation labs.

- $173.8 million over two years, in addition to $0.5 million in 2016–17 to upgrade the Oaklands crossing to separate rail and road traffic by implementing a rail underpass. The rail underpass will improve the traffic flow along both Morphett Road and Diagonal Road, improve safety of pedestrians and cyclists, improve rail operations and also provide better rail-bus integration
- $100.0 million over two years from 2019–20 ($305.0 million total project cost) to duplicate Main South Road from Seaford to Old Coach Road, Aldinga. This is stage 1 of a project that will duplicate Main South Road from Seaford to Sellicks Beach
- $52.5 million over four years for the expansion of the Lyell McEwin Hospital emergency department to address growing demand. The expansion includes a new build over two levels and the redevelopment of the existing emergency department and other facilities
- $31.3 million over two years, in addition to $0.2 million in 2016–17, to relocate the Train Control Centre from the Adelaide railyard to the Dry Creek Railcar Depot. This is part of a $44.0 million commitment towards the construction of a second South Australian Health and Medical Research Institute (SAHMRI) building within the health and biomedical precinct
- $30.5 million over two years, in addition to $0.5 million in 2016–17, to redevelop the Sir Samuel Way Building to increase the number of jury court rooms from 11 to 13 and refurbish existing Supreme Court buildings
- $24.0 million over two years for the maintenance and improvement of facilities at the existing Women's and Children's Hospital
- $23.0 million over three years, in addition to $7.3 million operating expenditure over four years, for the construction of the Adelaide Women's Hospital (to be completed in 2024 at a total project cost of $528.0 million) next to, and adjoining with the new Royal Adelaide Hospital
- $15.0 million over two years for additional park n ride facilities at the Tea Tree Plaza and Klemzig interchanges
- $13.7 million over two years for the development of appropriate alternative accommodation to support patients relocating from the Oakden Older Person Mental Health Service
- $9.2 million over three years for the establishment of an eight bed emergency extended care unit adjacent to the emergency department at the Modbury Hospital to enable further treatment and evaluation of patients who may benefit from an extended observation period but do not require further emergency department services.

In addition, the state will enter a public private partnership to oversee construction of two additional birth to Year 12 schools, one in the Northern Adelaide region and one in the Southern Adelaide region to meet projected enrolment demand arising from strong population growth in these areas. The facilities will accommodate reception to year 12 students, special school students and a children's centre and offer an integrated approach to the provision of education and care for students with special needs, children from birth to school age and allied health care for young children and families.

The budget also continues the government's support for the redevelopment of Her Majesty's Theatre (HMT). The existing HMT land and building currently owned by Arts SA will be purchased by the Adelaide Festival Centre Trust (AFCT) to enable the Trust to undertake the redevelopment of HMT. The AFCT will incur additional expenditure of $31.0 million for the upgrade as a result of the expansion in the scope of the project and a more complicated build. The revised capital cost of the project is $66.2 million.

The budget includes the following projects on the basis that they will only progress upon a commitment from the Commonwealth Government to partner with the state.

- North South Corridor — $415.0 million over three years to upgrade the section of South Road from Regency Road to Pym Street. This will provide a continuous journey motorway from the Northern Expressway to the River Torrens.
- Gawler Electrification — $242.5 million over two years ($462.5 million total project cost) to continue the electrification of the Gawler rail line from Salisbury to Gawler, replacement of the signalling system, and the acquisition of 15 additional three car electric trains.

The government has committed to fund comprehensive works to improve traffic flows and reduce delays at the Springbank, Daws and Goodwood road intersection. In 2017–18 the Department of Planning, Transport and Infrastructure will commence detailed design to re-align the intersection to create a standard cross intersection, which will create a more efficient intersection and eliminate much of the blocking of through traffic that causes significant congestion.

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

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

Agency	2016–17 Estimate	2017–18 Budget	2018–19 Estimate	2019-20 Estimate	2020-21 Estimate
Attorney-General	—	- 0.5	- 1.4	—	—
Child Protection	—	—	—	—	—
Communities and Social Inclusion	—	—	—	—	—
Correctional Services	—	- 0.7	—	—	—
Courts	- 0.5	- 12.5	- 17.9	—	—
Defence SA	—	—	—	—	—
Education and Child Development	—	—	—	—	—
Electoral Commission	—	—	—	—	—
Emergency Services — CFS	—	- 0.4	—	—	—
Emergency Services — MFS	—	- 0.2	—	—	—
Emergency Services — SAFECOM	—	—	—	—	—
Emergency Services — SES	—	—	—	—	—
Environment Protection Authority	—	—	—	—	—
Environment, Water and Natural Resources	—	- 0.2	—	—	—
Office of Green Industries SA	—	—	—	—	—
Health and Ageing	- 0.2	- 39.8	- 74.1	- 129.2	- 112.2
Legislature	—	—	—	—	—
Planning, Transport and Infrastructure	- 0.5	- 28.3	- 285.6	- 312.5	- 350.0
Police	—	—	—	—	—
Premier and Cabinet	—	—	—	—	—
Primary Industries and Regions	—	—	—	—	—
State Development	—	5.6	28.1	—	—
Tourism	—	—	—	—	—
Treasury and Finance	—	—	—	—	—
Across Government					
Increase Job Accelerator Grant for apprentices and trainees	—	- 0.1	—	—	—
Lower the payroll tax rate for small businesses	—	- 1.9	—	—	—
Total investing initiatives	**- 1.1**	**- 79.1**	**- 351.0**	**- 441.7**	**- 462.2**

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

Measures approved after the 2016–17 Mid-Year Budget Review

In addition to measures approved in the 2017–18 Budget, some initiatives were approved in the period following the 2016–17 MYBR and are shown as memorandum items in the 2017–18 Budget Measures Statement.

Major initiatives include:

- $550.0 million (operating and investing expenditure) over four years for the implementation of Our Energy Plan which includes:
  - $360 million towards building a 250 megawatt gas fired power plant to provide emergency back-up power and system stability services
  - $150 million to a Renewable Technology Fund, part of which will be used to build Australia’s largest battery to store energy from the wind and sun
  - $24 million towards new Plan for Accelerating Exploration grants to incentivise gas production
  - additional funding for the implementation of the energy plan
- The Government of South Australia and the Commonwealth Government have agreed to a strategic consolidation of critical assets of the Osborne Naval Shipyard, to enable the Commonwealth's continuous build programs including the submarine, frigate and patrol vessel programs. Under this agreement the Commonwealth Government will provide consideration of $230 million and the state will transfer the Techport Common User Facility land and assets. The state will also fund infrastructure works at an estimated cost of up to $18.3 million for a Pedestrian Rail Overpass, relocation of a SA Water wastewater pumping station and roadworks at Osborne.

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 0.3 per cent in real terms from 2012–13 to 2015–16. Expenditure continues to be restrained over the forward estimates, with a real decline in spending of 0.1 per cent budgeted from 2016–17 to 2020–21.

While no new savings are included in the 2017–18 Budget, agency budgets include a continuation of the existing efficiency dividend policy as well as some specific measures including efficiencies in the health system as a result of continued improvements in the way services are delivered, which will also help to ensure the financial sustainability of the health services into the future.

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

A summary of the operating savings to be achieved over the forward estimates is shown in table 2.4.

Table 2.4: Operating expenditure savings ($million)

	$million
To commence in 2017–18	161
To commence in 2018–19	167
To commence in 2019–20	141
To commence in 2020–21	197

To continue to assist agencies in the delivery of their budgetary targets, a targeted voluntary separation package (TVSP) scheme, which has been in operation since November 2010, remains in place. 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.

General government operating expenditure

Forward estimates of general government expenses by type are shown in table 2.5.

Table 2.5: General government expenditure — forward estimates ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Employee expenses	7 899	8 009	8 272	8 363	8 505	8 524
Superannuation expenses						
Superannuation interest cost	392	345	363	352	341	328
Other superannuation expenses	859	829	850	858	872	875
Depreciation and amortisation	963	888	1 003	1 034	1 057	1 089
Interest expenses	346	191	426	364	380	392
Other property expenses	—	—	—	—	—	—
Other operating expenses	4 613	4 562	5 129	5 262	5 288	5 536
Grants	2 937	3 206	3 033	2 943	2 921	2 997
Total expenses	**18 009**	**18 030**	**19 076**	**19 176**	**19 364**	**19 741**
Total expenses % change on previous year						
Total expenses nominal growth (%)		5.7%	5.8%	0.5%	1.0%	1.9%
Total expenses real growth (%)		4.1%	3.7%	-1.7%	-1.5%	-0.5%

Note: Totals may not add due to rounding.

General government expenses in 2016–17 are estimated to be in line with the estimates published in the 2016–17 Budget. Lower finance lease charges and amortisation due to the revised timing of the new Royal Adelaide Hospital coming onto the state's balance sheet have been offset by additional resources including to meet child protection costs and the Incentivise Gas Production from South Australian gas fields program announced in the 2016–17 MYBR.

Growth in expenses is estimated to remain below trend growth in household income (4.5 per cent per annum) over the forward estimates on average, consistent with the government's fiscal target. Growth in operating expenses are projected to decrease by 0.1 per cent in real terms from 2016–17 to 2020–21.

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

- additional expenses in the general government sector as a result of lease payments for TAFE SA assets that were transferred to Renewal SA
- the timing of expenditure associated with the on-passing of Commonwealth Government funding to local government in 2014–15 instead of 2015–16 and in 2016–17 instead of 2017–18
- additional resources to address continued reform of the state's child protection systems in response to the Child Protection Systems Royal Commission as announced in the 2016–17 MYBR.

In the absence of the above once-off factors, growth in expenses in 2016–17 would be approximately 4.4 per cent.

The higher growth in 2017–18 expenses of 5.8 per cent is a result of a number of one-off factors, including:

- the commencement of service payments, including associated interest expenditure charges and amortisation associated with the new Royal Adelaide Hospital. 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
- additional resources to address continual reform of the state's child protection system in response to the Child Protection Systems Royal Commission, as announced in the 2016–17 MYBR, which increases significantly from 2016–17 to 2017–18, reflecting the first year of full implementation
- commencing the implementation of Our Energy Plan (including $103 million operating in 2017–18) including building Australia's largest battery storage and gas production incentives.

In the absence of the above once-off factors, growth in expenses in 2017–18 would be approximately 3.2 per cent.

Table 2.6 shows total operating expenses across the forward estimates for selected agencies.

Table 2.6: Operating expenses — selected agencies(a)(b)(c)

Agency	2016–17 Budget $m	2016–17 Estimated Result $m	2017–18 Budget $m	2018–19 Estimate $m	2019–20 Estimate $m	2020–21 Estimate $m
Attorney-General	213	217	212	212	214	213
Auditor-General	15	16	16	16	16	17
Child Protection	—	308	453	452	474	499
Communities and Social Inclusion	1 253	1 279	1 384	1 263	1 299	1 334
Correctional Services	299	299	309	324	331	334
Courts	83	84	87	87	88	88
Defence SA	25	30	20	11	11	10
Education and Child Development(d)	3 234	3 085	3 034	3 171	3 301	3 384
Electoral Commission	5	4	16	9	5	5
Emergency Services — CFS	60	59	63	64	60	60
Emergency Services — MFS	129	130	133	134	135	135
Emergency Services — SAFECOM	14	15	17	12	11	11
Emergency Services — SES	13	15	15	14	15	15

Agency	2016–17 Budget $m	2016–17 Estimated Result $m	2017–18 Budget $m	2018–19 Estimate $m	2019–20 Estimate $m	2020–21 Estimate $m
Environment Protection Authority	28	29	29	30	31	31
Environment, Water and Natural Resources	266	292	271	238	229	223
Green Industries SA	9	7	12	13	13	13
Health and Ageing	5 661	5 619	5 948	5 841	6 001	5 990
Legislature	24	24	25	25	25	26
Planning, Transport and Infrastructure	1 484	1 530	1 576	1 531	1 475	1 493
Police	800	796	832	845	861	876
Premier and Cabinet	240	323	350	298	297	299
Primary Industries and Regions	263	264	216	183	165	165
State Development	684	666	624	609	570	578
Tourism	106	112	113	108	97	94
Treasury and Finance	90	130	111	107	107	105
Total operating expenses — selected agencies	**14 996**	**15 333**	**15 866**	**15 598**	**15 832**	**15 999**

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 2017–18 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 have been removed from agency expenses in this table.

(c) Excludes administered items of agencies.

(d) The 2016–17 Budget and Estimated Result includes funding for Families SA which now forms part of the Department for Child Protection budget.

The major changes in operating expenses from the 2016–17 estimated result to 2020–21 are in the following agencies:

- Child Protection — projected to increase by $190.2 million primarily due to the transfer of expenditure from Education and Child Development from 1 November 2016 as a result of the creation of the new Department for Child Protection. Excluding this transfer, the increase is primarily due to increasing child protection costs and increasing expenditure associated with the implementation of outcomes from the Child Protection Systems Royal Commission
- Communities and Social Inclusion — projected to increase by $55.4 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 $34.7 million primarily due to funding provided for additional prison beds to be commissioned over the forward estimates in addition to funding provided in the 2017–18 Budget for alternatives to custody targeted to reduce reoffending
- Defence SA — projected to decrease by $19.8 million primarily due to a reduction in depreciation and other expenses associated the sale of the Techport and Common User Facility to the Commonwealth Government in 2017–18
- Education and Child Development — projected to increase by $299.3 million, this includes a reduction associated with the transfer of expenditure to Child Protection from 1 November 2016 as a result of the creation of the new Department for Child Protection. Excluding this transfer, the increase is primarily due to increased funding under the National Education Reform Agreement
- Environment, Water and Natural Resources — projected to decrease by $69.2 million primarily due to reduced expenditure relating to projects completed in conjunction with the Commonwealth

Government under the Murray Futures program, as well as one off expenditure in 2016–17 and 2017–18 associated with the September 2016 storm events

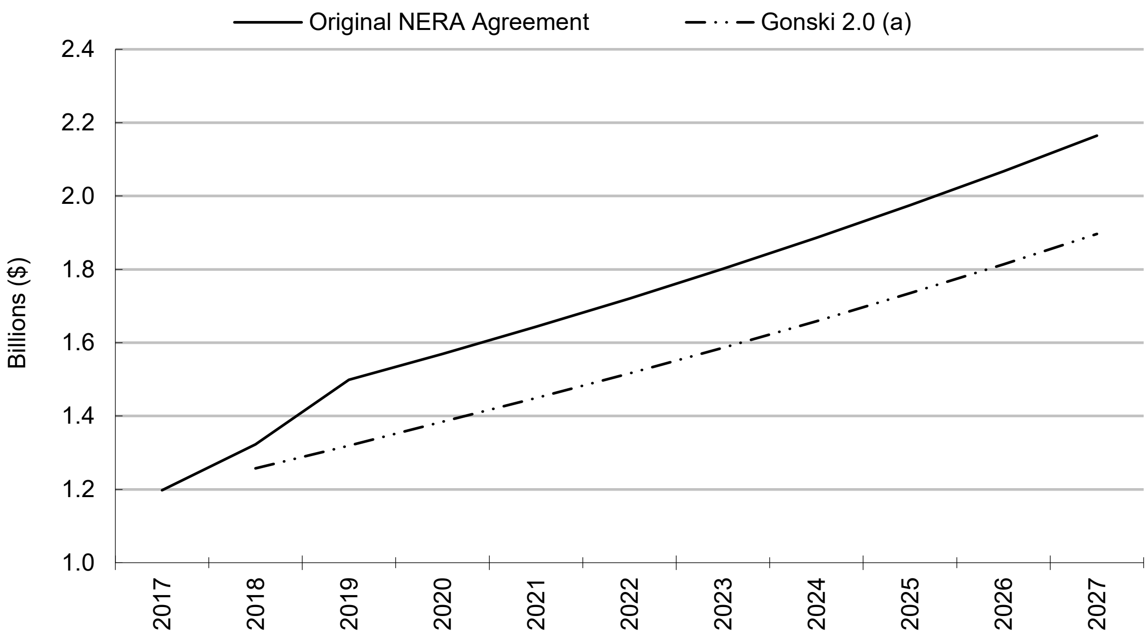
- Health and Ageing — projected to increase by $371.2 million, primarily due to the finance charges and amortisation expense associated with the new Royal Adelaide Hospital and growth in funding for core services
- South Australian Police — projected to increase by $80.1 million primarily due to additional resources associated with the recruitment of additional police officers under the Recruit 313 initiative
- Primary Industries and Regions — projected to decrease by $98.8 million primarily due to reduced expenditure under various grant programs including the South Australian River Murray Sustainability Program which ceases after 2018–19
- State Development — projected to decrease by $88.0 million primarily due the completion of a number of initiatives by the end of the forward estimates such as the Incentivise Gas Production from South Australian gas fields program announced in the 2016–17 MYBR.

As part of its 2017–18 Budget, the Commonwealth Government has announced that from the 2018 school year, it will provide lower funding for South Australian schools under a revised funding model.

The revised funding model does not honour the previous Commonwealth commitments which were made as part of the original Gonski funding agreement signed with the state. Under its new funding model, the Commonwealth will not provide the significant increase in 'additionality payments' in 2018 and 2019, as originally agreed. It is estimated that these and other changes included in the revised model will reduce education funding to South Australian schools by approximately $245 million over the years 2018 and 2019, as well as delivering around $200 million in lower funding in each subsequent year.

Notwithstanding the decision of the Commonwealth, the Government of South Australia will honour its original Gonski funding commitment to our schools.

Figure 2.1: Comparison — school funding under the original National Education Reform Agreement and proposed Gonski 2.0 package



(a) Includes revised funding arrangements for students with disabilities and other parameter changes to the education funding model.

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

Employee expenses

Table 2.7: General government employee expenses — forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Employee expenses ($m)	8 009	8 272	8 363	8 505	8 524
Nominal growth (%)	3.7%	3.3%	1.1%	1.7%	0.2%
Real growth (%)	2.2%	1.3%	-1.1%	-0.8%	-2.2%

Employee expenses decline in real terms by 2.9 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 for existing enterprise agreements that expire over the next two years. Growth is constrained in 2020–21 reflecting an increase in the efficiencies associated with service delivery in the health system.

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 2.8. The FTE impacts of individual measures are outlined in the Budget Measures Statement.

Table 2.8: General government sector employment

	Full-time equivalent employees as at 30 June					
	2016 Actual	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
As at 2016–17 Budget		81 231	81 002	80 776	80 926	n.a.
As at 2016–17 Mid-Year Budget Review		81 623	81 576	81 163	81 236	n.a.
As at 2017–18 Budget	81 388	82 190	82 269	81 815	81 752	81 785

FTEs in the general government sector are estimated to decrease by 405 between 30 June 2017 and 30 June 2021. This reflects the cumulative impact of savings measures partially offset by new expenditure measures.

The 2016–17 MYBR outlined that general government sector FTE levels over the forward estimates were higher than those forecast at the time of the 2016–17 Budget. The increase was primarily a result of the reform of the child protection system and acceleration of the recruitment of cadets to meet the government’s commitment to recruit 313 officers locally by June 2018.

Budgeted FTEs have also increased since the 2016–17 MYBR, primarily due to:

- a revision to Commonwealth and state funding under the National Education Reform Agreement due to updates to enrolments and the funding estimation tool received from the Commonwealth Government

- additional resources under the Child Dental Benefit Scheme in recognition of the continuation of the Commonwealth Government's commitment to provide a benefit cap of $1000 over a two calendar year period for all eligible children
- additional nursing resources to meet requirements under the recent Nursing and Midwifery enterprise bargaining agreement
- new initiatives funded in the 2017–18 Budget.

The net impact of 2017–18 Budget initiatives on general government sector FTEs over the forward estimates period is shown in table 2.9.

Table 2.9: Full-time equivalent impacts of 2017–18 Budget measures as at 30 June

	2017 Estimate	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Total FTE impact of expenditure measures	25	443	444	457	77

Enterprise Agreements

In 2016–17 enterprise agreement negotiations were finalised for nurses, Rail Commissioner (train operation drivers and maintenance employees), assistants to Members of Parliament, wages parity (weekly paid trade), TAFE SA and SA Ambulance employees.

In 2017–18 enterprise bargaining negotiations will continue for the wages parity groups (salaried and weekly paid), Visiting Medical Specialists, Salaried Medical Officers and Clinical Academics, and commence for firefighters, the Rail Commissioner’s tram employees, school and preschool staff.

Expenditure on salaries and wages is the largest expense for the government, representing 43 per cent of general government sector costs in 2017–18. In the current economic climate it is essential that wage increases in the public sector are responsible and sustainable. In the 2016–17 Budget, the government announced it would adopt a 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 over the 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 2.10: General government superannuation expenses — forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Superannuation expenses ($m)					
Superannuation interest cost	345	363	352	341	328
Other superannuation expenses	829	850	858	872	875
Nominal growth (%)	2.4%	3.3%	-0.2%	0.2%	-0.9%
Real growth (%)	0.9%	1.3%	-2.4%	-2.3%	-3.3%

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

The nominal superannuation interest expense for 2016–17 is $345.0 million, consistent with estimates at the 2016–17 MYBR. The expense increases in 2017–18 reflect a higher discount rate used to calculate the expense at the 2017–18 Budget. From 2018–19 onwards, the expense declines in line with the reduction in the unfunded liability, consistent with the government's policy for the defined benefit superannuation schemes to be fully funded by 2034.

Depreciation and amortisation

Table 2.11: General government depreciation and amortisation expenses — forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Depreciation ($m)					
Buildings and improvements	341	382	405	421	434
Plant, equipment and vehicles	194	214	218	221	242
Road network	221	222	223	225	225
Rail and bus tracks	45	47	52	52	52
Water, sewer and drainage	16	7	9	12	12
Harbour and port facilities	8	4	—	—	—
Total depreciation	**824**	**877**	**906**	**931**	**964**
Amortisation	64	127	128	126	125
Total depreciation and amortisation	**888**	**1 003**	**1 034**	**1 056**	**1 089**
Nominal growth (%)	-0.2%	13.0%	3.1%	2.2%	3.1%
Real growth (%)	-1.6%	10.7%	0.8%	-0.3%	0.6%

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 consistent with the profile of planned investing spend. This is partially offset by reductions to depreciation associated with the sale of Techport and the Common User facility to the Commonwealth Government.

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

Interest expenses

Table 2.12: General government interest expenses — forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Interest expenses ($m)	191	426	364	380	392
Nominal growth (%)	-9.0%	122.8%	-14.6%	4.6%	2.9%
Real growth (%)	-10.3%	118.5%	-16.4%	2.1%	0.4%

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 2016–17 to 2017–18 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 2.13: General government other operating (non-employee) expenses forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Other operating (non-employee) expenses ($m)	4 562	5 129	5 262	5 288	5 536
Nominal growth (%)	3.7%	12.4%	2.6%	0.5%	4.7%
Real growth (%)	2.2%	10.2%	0.3%	-2.0%	2.1%

General government other operating (non-employee) expenses for 2017–18 are estimated to be $5.1 billion. This is largely made up of:

- supplies and services ($2.7 billion) predominantly within Health and Ageing ($1.1 billion), Education and Child Development ($373.0 million), and Planning, Transport and Infrastructure ($227.9 million)
- consultancies and contractors ($633.1 million) predominantly within Planning, Transport and Infrastructure ($304.6 million) mainly due to bus and road maintenance contracts, Health and Ageing ($168.1 million) and Education and Child Development ($46.2 million)
- repairs and maintenance expenses ($334.2 million) predominantly within Planning, Transport and Infrastructure ($104.0 million), Education and Child Development ($93.7 million) and Health and Ageing ($92.3 million)
- computer and communications charges ($262.0 million) predominantly within Health and Ageing ($83.8 million), Premier and Cabinet ($27.5 million) and Education and Child Development ($22.7 million)
- concessions payments ($201.8 million) predominantly within Communities and Social Inclusion
- operating leases ($239.5 million) predominantly within Planning, Transport and Infrastructure ($157.8 million) for office accommodation across government.

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

- Child Protection — mainly due to the additional support provided in response to the Child Protection Systems Royal Commission

- 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
- Health and Ageing — relating to operating costs associated with the new Royal Adelaide Hospital
- Implementation of Our Energy Plan — including the creation of a state owned gas power plant, building Australia's largest battery storage and gas production incentives.

Grants

Table 2.14: General government grant expenses — forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Grants ($m)	3 206	3 033	2 943	2 921	2 997
Nominal growth (%)	18.8%	-5.4%	-3.0%	-0.7%	2.6%
Real growth (%)	17.1%	-7.3%	-5.1%	-3.2%	0.1%

General government sector grant payments in 2017–18 are forecast to be $3.0 billion, which is $173 million lower than the estimated result in 2016–17. This is primarily due to:

- the Commonwealth paying 50 per cent ($78.0 million) of the 2017–18 local government Financial Assistance Grant entitlement in 2016–17 that is on-passed to local government
- a one off payment of $24.0 million in 2016–17 relating to incentives for gas production from South Australian gas fields
- a $24.2 million reduction in 2017–18 for grant payments associated with the South Australian River Murray Sustainability program.

General government grant payments remain largely consistent across the forward estimates. Lower payments for revised arrangements under the National Disability Insurance Scheme are partially offset by a growth in payments to non-government schools under the National Education Reform Agreement. Grant expenditure includes payments to:

- non-government schools
- local government
- the South Australian Housing Trust
- community service obligation payments to SA Water and Renewal SA.

General government investing expenditure

The general government investing program is expected to be $2.2 billion in 2017–18, compared with the 2016–17 estimated result of $1.7 billion, excluding recognition of the new Royal Adelaide Hospital finance lease. The government will maintain an infrastructure investment program of at least $1.5 billion per annum in the general government sector across the forward estimates.

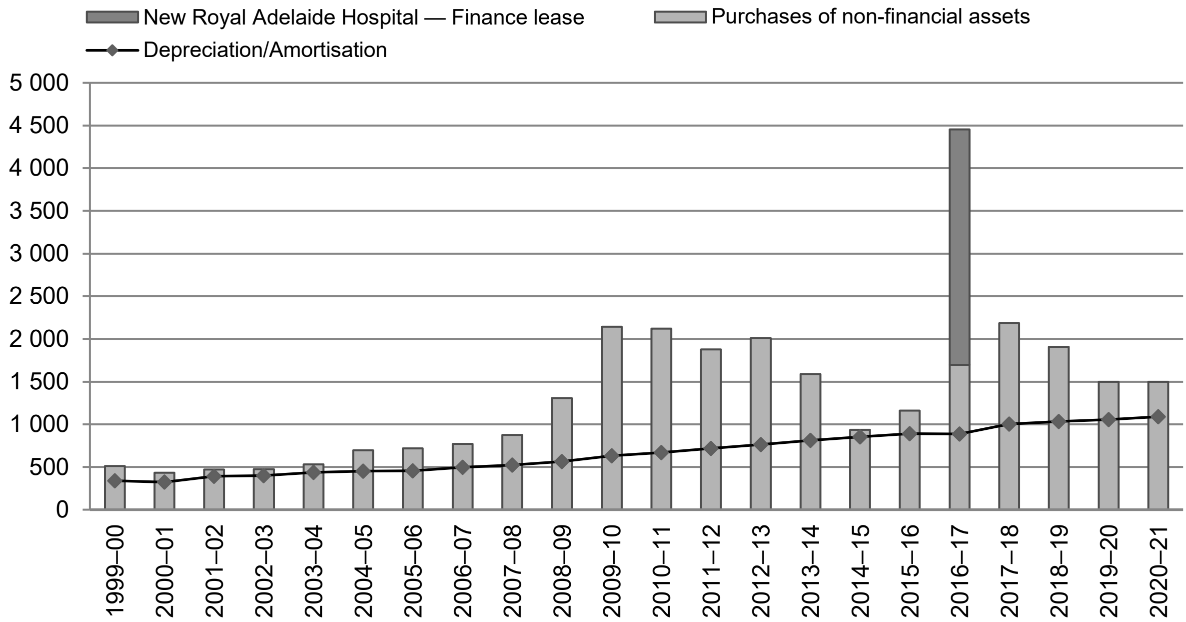
Table 2.15: General government sector capital investment — forward estimates

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Purchases of non-financial assets ($m)	1 695	2 185	1 908	1 500	1 500
New Royal Adelaide Hospital finance lease ($m)	2 758	—	—	—	—
General government capital investment	**4 454**	**2 185**	**1 908**	**1 500**	**1 500**

Figure 2.2 shows that general government capital investment since 2010–11 reflects continued significant investment by the government in transport, health, and education infrastructure. This includes the joint state and Commonwealth Government upgrade to the North–South Road corridor, major public transport projects including the O–Bahn City Access project, Goodwood and Torrens Rail Junction upgrade and the extension of the existing tram network. In addition, the government has progressed facility upgrades of metropolitan and country hospitals, the major redevelopment of the Adelaide Festival Centre precinct and will undertake Our Energy Plan from 2017–18. Across the forward estimates, budgeted capital expenditure remains well above the level of depreciation.

The state will recognise the $2.76 billion finance lease liability for the new Royal Adelaide Hospital on its balance sheet in 2016–17. The estimated recognition value for the finance lease has reduced marginally from the original $2.82 billion estimate, to take account of the delays experienced in Commercial Acceptance and the resultant shorter life of the finance lease. This has been informed by draft independent accounting advice.

Figure 2.2: General government sector purchases of non-financial assets ($million)



Significant investments being undertaken by the government include:

- $4.1 billion, of which $1.9 billion 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. Significant projects include the South Road upgrade from Torrens Road to the River Torrens, South Road Superway, Darlington upgrade, the Northern Connector and the Oaklands Crossing redevelopment. Subject to the Commonwealth Government agreeing to match the state commitment, the Government of South Australia has also committed to funding the next stage of the North–South Road upgrade, being the section of South Road from Regency Road to Pym Street
- $1.5 billion, of which $875.0 million will be spent over the forward estimates, on major public transport projects, which in the forward estimates period will include the Torrens Rail Junction upgrade, O-Bahn City Access project, extension of the Tonsley Train line to Flinders Medical Centre, extension of the tram network along North Terrace to the existing Royal Adelaide Hospital site, the overhaul, maintenance and life extension of rail cars and the purchase of new buses. Subject to the Commonwealth agreeing to match the state commitment, the state government has also committed to funding the electrification of the Gawler Rail Line from Salisbury to Gawler
- $1.5 billion, of which $425.4 million will be spent over the forward estimates, for redevelopment of major metropolitan and regional hospitals including works at the new Royal Adelaide Hospital, The Queen Elizabeth Hospital, Lyell McEwin Hospital, Modbury Hospital and Flinders Medical Centre. Construction of the Adelaide Women's Hospital will commence as well as upgrades to the existing Women's and Children's Hospital to sustain services
- $463.8 million, of which $409.3 million will be spent over the forward estimates, on education projects including continuation of the contemporary science, technology, engineering and mathematics (STEM) initiative, construction of the Botanic High School, addressing the National Quality Agenda compliance, transitioning schools to renewable energy programs and improving facilities for pre-schools and at children's centres. In addition the state will enter into a public private partnership (PPP) to oversee the construction of two new schools in Adelaide's northern and southern metropolitan regions.

Table 2.16 summarises the investing program for the general government sector by agency. Further detail on agency investing programs is contained in the 2017–18 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 2.16: General government capital investment by agency[(a)]

Agency[(a)]	2016–17 Estimated Result $000	2017–18 Budget $000	2018–19 Estimate $000	2019–20 Estimate $000	2020–21 Estimate $000
Attorney-General	41 730	52 734	54 325	3 466	2 317
Auditor-General	216	221	227	233	239
Child Protection	683	6 339	—	—	—
Communities and Social Inclusion	10 972	6 075	1 728	1 771	1 815
Correctional Services	94 972	46 839	12 491	6 612	3 044
Courts	4 341	23 280	27 297	10 109	2 964
Defence SA	8 279	133	—	—	—
Education and Child Development	80 119	245 968	195 189	37 850	49 772
Electoral Commission	473	878	50	51	52
Emergency Services — CFS	15 931	16 160	16 844	17 475	17 912
Emergency Services — MFS	10 941	5 229	7 641	6 932	8 028
Emergency Services — SAFECOM	369	140	—	—	—
Emergency Services — SES	4 181	4 325	4 421	4 518	4 631
Environment Protection Authority	471	1 039	1 202	986	623
Environment, Water and Natural Resources	43 658	115 537	45 866	21 817	8 390
Green Industries SA	—	—	—	—	—
Health and Ageing	414 389	195 717	146 137	182 811	169 986
Legislature	1 362	—	—	—	—
Planning, Transport and Infrastructure[(b)]	1 015 614	1 491 527	756 144	380 167	236 745
Police	22 609	19 995	14 951	11 368	10 478
Premier and Cabinet[(c)]	15 172	18 621	12 181	10 729	11 288
Primary Industries and Regions	13 300	5 045	4 993	4 979	5 375
State Development[(c)]	37 296	63 743	18 280	18 059	18 588
Tourism	1 089	646	650	649	702
Treasury and Finance	18 818	5 939	1 614	1 439	1 348
New Royal Adelaide Hospital finance lease[(d)]	2 758 405	—	—	—	—
Contingencies and other[(e)(f)]	-161 582	-140 960	585 448	777 979	945 703
General government capital investment	**4 453 808**	**2 185 170**	**1 907 679**	**1 500 000**	**1 500 000**

Note: Totals may not add due to rounding.

(a) Includes administered items.

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

(c) State Development includes $1.3 million investing expenditure incurred in the first nine months of 2016–17 for projects that have transferred to Premier and Cabinet.

(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 2017–18 Budget and summarises movements in government revenues over the forward estimates.

Total general government revenues are projected to grow in real terms by 0.2 per cent per annum on average over the period 2016–17 to 2020–21. This relatively low growth largely reflects the profile of dividend payments from the Motor Accident Commission (MAC), expected relatively low growth in GST grants in 2018–19 and 2019–20, a decline in Commonwealth Government National Partnership grants and the impact of the 2015–16 State Budget tax cuts being phased in over the coming years.

In line with the government's commitment to support small businesses, job creation and encourage economic growth in the state, the payroll tax rate for small businesses will be lowered to lock in and expand the assistance currently provided under the small business payroll tax rebate scheme.
In addition, the existing Job Accelerator Grant will be increased by up to $5000 for employers who hire new eligible apprentices and trainees. The 2017–18 Budget also includes an extension to the current off-the-plan apartment stamp duty concession as well as a new $10 000 grant for eligible apartments where construction has not commenced.

These measures build upon the significant tax cuts and related initiatives introduced over the last two budgets. The measures announced in the 2015–16 budget comprised the most comprehensive tax reform package in the state's history and included the abolition of a range of stamp duties and other charges. Some of these changes are being phased in over the next few years including the abolition of duty on transfers of non-residential, non-primary production property. South Australia currently has the lowest duty on transfers of non-residential property following the first one third reduction in duty in December 2015. Duty rates will be reduced by a further third on 1 July 2017, before being fully abolished from 1 July 2018. The 2016–17 Budget also introduced the Job Accelerator Grant program providing grants of up to $10 000 for eligible new positions created between July 2016 and June 2018. Table 3.1outlines the measures introduced since the 2015–16 Budget.

Table 3.1: Major tax reforms and supporting measures from the 2015–16 Budget to 2017–18 Budget

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)
2015–16 Budget Taxes being abolished	• Phased abolition of stamp duty on non-residential real property transfers: – Duty rates reduced by one third from 7 December 2015 – Reduced by a further one third 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.

2016–17 Budget	• Small business payroll tax rebate extended to 2019–20. • Off-the-plan apartment stamp duty concession extended to 30 June 2017 and expanded statewide. • Job Accelerator Grant introduced for businesses that increase their number of employees between 1 July 2016 and 30 June 2018. – a grant of up to $10 000 for each full-time equivalent worker for businesses liable for payroll tax with total Australian wages of $5 million or less – a grant of up to $4000 for each full-time equivalent worker for businesses not liable for payroll tax. • Betting Operations Tax of 15 per cent introduced on net wagering revenue received from persons located in South Australia by all Australian-based wagering operators.
2017–18 Budget	• Lower payroll tax rate for small businesses (replaces small business payroll tax rebate) – Rate of 2.5 per cent for taxable payrolls up to $1 million with rate incrementally increasing to 4.95 per cent for businesses with Australian payrolls above $1.5 million. • Off-the-plan apartment statewide stamp duty concession extended to 30 June 2018. • Land tax exemption for five years for investors who enter into off-the-plan apartments contracts between 22 June 2017 and 30 June 2018. • Pre-construction grant of $10 000 for purchases of off-the-plan apartments where construction of the apartment has not commenced and contract is entered into between 22 June 2017 to 30 September 2017. • Job Accelerator Grant increased by up to $5000 for each eligible new apprentice or trainee employed and eligible for an existing Job Accelerator Grant. • Conveyance duty surcharge of four per cent on purchases of residential property by foreign buyers and temporary residents to apply from 1 January 2018. • South Australian major bank levy to be introduced from 1 July 2017. The levy will apply to all authorised deposit-taking institutions that operate in South Australia and are liable for the Commonwealth Government major bank levy.

(a) The 2015–16 Budget also included a number of other stamp duty and land tax relief measures as well as legislation of ex gratia schemes.

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

New initiatives

The 2017–18 Budget introduces a number of new initiatives including three broad assistance measures to support growth in businesses and jobs as well as two taxation measures.

Recognising the importance of small and medium sized businesses in South Australia, a new lower payroll tax rate will be introduced from 1 July 2017 to replace the existing small business payroll tax rebate scheme. The new rate structure locks in the concessional arrangements that apply as a result of the rebate as a permanent feature of the payroll tax rate structure and extends it to more small businesses.

It is estimated that around 3200 employers will be eligible for a payroll tax rate lower than the standard 4.95 per cent rate. Of these, an estimated 1300 employers will benefit by up to $8820 from this initiative each year compared with the assistance received under the small business payroll tax rebate.

The current stamp duty concession for purchases of off-the-plan apartments, due to expire on 30 June 2017, has been extended for a further 12 months to provide further support to the construction industry and purchasers. Consistent with the existing concession scheme, eligible contracts entered into for the purchase of an off-the-plan apartment within the state will receive a stamp duty concession of up to $15 500. It is estimated that 800 off-the-plan apartment purchases will benefit from the extension of the concession. From 22 June 2017, foreign purchasers will no longer be eligible for the off-the-plan concession.

A $10 000 grant will also be introduced for purchases of off-the-plan apartments where construction of the apartment building has not yet commenced and the sale contract is entered into between 22 June 2017 to 30 September 2017 (both dates inclusive).

Combined with the extension of the off-the-plan stamp duty concession, eligible recipients can receive up to $25 500 in assistance for purchases of off-the-plan apartments. Eligible first home buyers will be able to receive up to $40 500 in assistance. A land tax exemption for a period of five years from the commencement of ownership will also apply for off-the-plan apartment contracts entered into between 22 June 2017 and 30 June 2018.

The Job Accelerator Grant introduced in the 2016–17 Budget will be increased by up to $5000 for each eligible new apprentice or trainee employed and eligible for an existing Job Accelerator Grant. The additional amount will be paid in two equal instalments on the first and second anniversary of employment. It is estimated that around 2000 applications will be eligible for the additional grant.

Businesses with payrolls between $600 000 and $5 million will receive up to $15 000 for each new apprentice and trainee, while small businesses with payrolls up to $600 000 will receive up to $9000.

A South Australian major bank levy will be introduced from 1 July 2017. The levy will apply to all authorised-deposit-taking institutions that operate in South Australian and are liable for the Commonwealth Government major bank levy.

The amount payable under the South Australian major bank levy will be 0.015 per cent of South Australia's estimated share of the total value of bank liabilities subject to the Commonwealth Government major bank levy at the end of each quarter. South Australia's estimated share of relevant bank liabilities will be determined as South Australia's gross state product share of national gross domestic product (currently around 6 per cent).

This measure will effectively double the rate of the Commonwealth Government's major bank levy, but only on the proportion of estimated liabilities in South Australia.

A four per cent conveyance duty surcharge on purchases of residential property by foreign buyers and temporary residents will be introduced from 1 January 2018. This surcharge will be in addition to any other conveyance duty payable on the transfer of residential property. New South Wales, Victoria and Queensland also levy a similar surcharge on foreign buyers of certain property.

As announced in last year's budget, from 1 July 2017, a 15 per cent tax will apply 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.

Table 3.2: Revenue measures in the 2017–18 Budget ($million)

	2016–17 Estimate	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Revenue — taxation measures[(a)]					
South Australian major bank levy	—	97.0	89.0	89.0	95.0
Lower the payroll tax rate for small businesses	—	-15.3	-5.1	-5.5	-19.2
Introduce a conveyance duty surcharge on foreign buyers of residential property	—	6.2	13.3	14.2	15.1
Extend the off-the-plan apartment stamp duty concession	—	-0.8	-4.2	-3.4	—
Introduce a five year land tax exemption for investors who purchase off-the-plan apartments	—	—	-0.1	-0.1	-0.1
Total revenue measures — taxation	**—**	**87.1**	**92.9**	**94.2**	**90.8**

(a) The Pre-construction Grant and Job Accelerator Grant for apprentices and trainees are expenditure measures and are not reflected in this table.

General government sector revenue

Total general government sector operating revenues are projected to increase by 2.8 per cent in real terms in 2017–18, following a real-terms increase of 3.7 per cent in 2016–17. Growth in operating revenue in 2017–18 is principally due to an increase in Commonwealth Government capital grant funding, South Australia's share of the national GST pool and growth in taxation revenues. Negative real growth in 2018–19 and 2019–20 largely reflects a fall in dividend and income tax equivalent revenue.

Total general government sector revenues are provided in table 3.3.

Table 3.3: General government sector revenues ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Taxation revenue	4 517.2	4 421.1	4 629.2	4 782.8	4 998.4	5 228.2
Grant revenue	10 245.8	10 005.1	10 660.6	10 769.8	10 846.9	11 254.2
Sales of goods and services	2 486.5	2 526.9	2 568.5	2 633.7	2 698.1	2 741.7
Interest income	23.6	23.7	24.6	25.6	27.0	29.4
Dividend and ITE[(a)] revenue	326.3	627.6	592.4	395.7	286.3	258.1
Other revenue	663.9	664.2	672.7	700.3	700.3	690.6
Total revenue	**18 263.3**	**18 268.7**	**19 147.9**	**19 307.9**	**19 557.1**	**20 202.3**
% change on previous year						
Nominal-terms growth (%)		5.2	4.8	0.8	1.3	3.3
Real-terms growth (%)		3.7	2.8	-1.4	-1.2	0.8

Note: Totals may not add due to rounding.

(a) Income tax equivalent (ITE).

Taxation

State taxation revenues have been revised down by $96 million in 2016–17 since the 2016–17 Budget mainly due to weaker than expected revenue from payroll tax, conveyance duty and gambling taxes.

Taxation revenues are projected to grow in real terms by around 1.9 per cent per annum on average over the period from 2016–17 to 2020–21. 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 2.2 per cent on an average annual basis in real terms over the period from 2016–17 to 2020–21. The policy adjusted series indicates the underlying growth in taxation revenues by adjusting estimates to be consistent with 2017–18 tax policy settings.

Tax estimates are provided in table 3.4.

Table 3.4: Taxation ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Payroll tax	**1 159**	**1 129**	**1 156**	**1 210**	**1 269**	**1 329**
Property taxes						
Conveyance duty[(a)]	902	853	850	855	939	1 028
Land tax — private	366	357	373	384	397	409
Land tax — public	227	222	230	235	240	245
Emergency services levy on fixed property	215	223	215	227	226	229
Natural resources management levies	49	59	61	64	63	64
Guarantee fees	139	133	155	167	183	188
South Australian major bank levy	—	—	97	89	89	95
All other[(b)]	5	4	4	4	4	4
	1 902	**1 851**	**1 985**	**2 025**	**2 141**	**2 262**
Gambling taxes						
Gaming machines	288	270	276	282	283	285
SA Lotteries	78	72	71	77	78	79
Casino	19	18	18	20	23	25
Betting Operations Tax	—	—	30	31	31	32
SA TAB[(c)]	1	1	—	—	—	—
Other[(d)]	3	3	3	3	3	3
	389	**363**	**398**	**413**	**418**	**425**
Insurance taxes						
General insurance	316	331	329	344	360	376
CTP renewal certificate	69	69	70	71	72	73
CTP insurance	51	49	51	53	55	57
Life insurance	7	6	6	6	7	7
	443	**455**	**456**	**474**	**494**	**514**
Motor vehicle taxes						
Motor vehicle registration fees	408	401	408	426	435	447
Stamp duty on registration transfers	160	164	168	175	182	188
Emergency services levy on mobile property	42	42	43	44	44	45
LSS levy	14	14	15	16	16	17
	625	**622**	**634**	**660**	**677**	**697**
Total taxation	**4 517**	**4 421**	**4 629**	**4 783**	**4 998**	**5 228**
Policy adjusted[(e)]	**n.a.**	**4 474**	**4 642**	**4 868**	**5 098**	**5 343**

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
% change on previous year						
Total taxation						
Nominal growth		0.3	4.7	3.3	4.5	4.6
Real growth		-1.2	2.7	1.0	2.0	2.0
Policy adjusted						
Nominal growth		2.1	3.8	4.9	4.7	4.8
Real growth		0.6	1.7	2.6	2.2	2.2

(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 SA (formerly SA TAB) will be liable to pay the Betting Operations Tax and is not expected to continue to pay a separate wagering tax on its sports betting turnover. Contributions are recorded under the Betting Operations Tax 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 2017–18 policy settings. For comparability with future years, the policy adjusted figure for 2017–18 assumes a full-year impact of 2017–18 policy measures.

Payroll tax

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

Table 3.5: Payroll tax

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total payroll tax ($m)	**1 129.4**	**1 156.1**	**1 210.4**	**1 268.6**	**1 329.5**
Nominal growth (%)	1.7	2.4	4.7	4.8	4.8
Real growth (%)	0.2	0.4	2.4	2.3	2.2
Policy adjusted underlying revenue ($m)	**1 124.8**	**1 166.7**	**1 210.4**	**1 268.6**	**1 329.5**
Nominal growth (%)	1.7	3.7	3.8	4.8	4.8
Real growth (%)	0.2	1.7	1.5	2.3	2.2

Payroll tax receipts for 2016–17 have been revised down by $29 million since the 2016–17 Budget reflecting softer than expected collections year to date. Payroll tax growth has been impacted by compositional factors including differential growth rates between small and large employers.

Growth assumptions for payroll tax 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. Growth in payroll tax revenue from 2017–18 is also impacted by the combined effect of introducing a lower payroll tax rate structure for small businesses and abolishing the small business payroll tax rebate.

Annual growth in policy adjusted payroll tax revenue of between 1.5 per cent and 2.3 per cent in real terms is expected from 2017–18 consistent with the outlook for employment and earnings growth.

Property taxes

Property taxes include stamp duties on the conveyance of property, land tax, the ESL on fixed property, regional natural resources management levies, guarantee fees, other minor taxes and the new South Australian major bank levy from 2017–18.

Growth in property taxes over the forward estimates period is impacted by various policy measures, including the tax reforms announced in the 2015–16 Budget, the introduction of a major bank levy and foreign buyer surcharge on residential property transfers as well as the extension of the off-the-plan concession. Excluding the impact of policy measures, underlying real terms growth averaging 3.7 per cent per annum is expected from 2016–17 to 2020–21. 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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total property taxes ($m)	**1 851.4**	**1 985.2**	**2 025.4**	**2 140.6**	**2 262.3**
Nominal growth (%)	0.9	7.2	2.0	5.7	5.7
Real growth (%)	-0.6	5.1	-0.2	3.1	3.1
Policy adjusted underlying revenue ($m)	**1 878.2**	**1 987.8**	**2 112.4**	**2 240.0**	**2 375.8**
Nominal growth (%)	5.4	5.8	6.3	6.0	6.1
Real growth (%)	3.8	3.8	3.9	3.5	3.5

Conveyance duty

Conveyance duty revenue in 2016–17 has been revised down by around $49 million since the 2016–17 Budget. This is mainly due to lower than expected revenue from residential property transfers as a result of lower activity levels, partially offset by higher than expected revenue from large transactions and stronger than expected growth in the price of non-residential properties subject to conveyance duty.

From 2017–18, 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.

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.

Growth in conveyance duty revenue is also impacted by the introduction of the 4.0 per cent foreign buyer surcharge on residential property transfers from 1 January 2018.

Land tax

Land tax revenue in 2016–17 has been revised down since the 2016–17 Budget, reflecting updated information on 2016–17 land tax liabilities.

Land tax assessments are based on valuations undertaken by the Valuer-General, which have regard to property market sales experience in the calendar year immediately preceding the relevant financial year. Residential site values are estimated to have increased by around 6.3 per cent and non-residential land values by around 4.0 per cent over calendar year 2016. Movements in land values over calendar year 2016 affect growth in land tax revenue in 2017–18. Land values relevant to 2018–19 land tax collections are expected to grow by around 3.0 per cent, by 3.3 per cent in 2019–20 and 3.0 per cent in 2020–21.

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 2017–18 reflecting average growth in site values subject to land tax during calendar year 2016. The land tax thresholds to apply in 2017–18 are outlined in table 3.7.

Table 3.7: Land tax thresholds and rates ($)

2016–17 land tax structure				2017–18 land tax structure			
Site value	Tax applicable[(a)]			Site value	Tax applicable[(a)]		
0 to 332 000			—	0 to 353 000			—
332 001 to 609 000	0.00	+	0.50%	353 001 to 647 000	0.00	+	0.50%
609 001 to 886 000	1 385.00	+	1.65%	647 001 to 941 000	1 470.00	+	1.65%
886 001 to 1 108 000	5 955.50	+	2.40%	941 001 to 1 176 000	6 321.00	+	2.40%
Over 1 108 000	11 283.50	+	3.70%	Over 1 176 000	11 961.00	+	3.70%

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

Emergency services levy — fixed property

The fixed property emergency services levy (ESL) is levied on the capital value of land and buildings.

The prescribed rate will fall by 4.3 per cent in 2017–18, meaning taxpayers not eligible for concessions will only experience an increase in their ESL bill if their capital values grow by more than 4.3 per cent.

Revenue from the fixed property ESL in 2017–18 will fund new emergency services expenditure including enhancing South Australian State Emergency Service and Metropolitan Fire Service 132 500 and 000 call response systems, purchasing new protective clothing for Metropolitan Fire Service firefighters and delivering training to Volunteer Marine Rescue members and South Australian State Emergency Service volunteers.

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

Fixed property ESL rates to apply in 2017–18 are summarised in table 3.8.

Table 3.8: Fixed property ESL rates for 2017–18

Fixed property	Prescribed rate	Remission rate	Post-remission rate	Effective levy rate paid in Regional Area 4[(a)]
	Cents per $ (applied to capital values discounted by land use and area factors)			$50 plus cents per $ of non-discounted capital value
Residential	0.1212	—	0.1212	0.0485
Residential — eligible for concession	0.1212	0.0952	0.0260	0.0104
Commercial	0.1212	—	0.1212	0.1265
Industrial	0.1212	—	0.1212	0.2200
Rural and vacant land	0.1212	—	0.1212	0.0364
Special community use	0.1212	—	0.1212	0.0121
Other	0.1212	—	0.1212	0.0606

(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)

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 2016–17 is expected to be around $10 million higher than the 2016–17 Budget estimate mainly due to the recovery of higher costs associated with water planning and management activities. Revenue from NRM levies remains 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.

Revenue from guarantee fees in 2016–17 is expected to be around $6 million lower than the 2016–17 Budget estimate due to a change in the timing of borrowings by the Renewal SA and updated interest forecasts. Guarantee fees are estimated grow strongly in 2017–18 mainly reflecting changes in market interest rates. Moderate growth in guarantee fee revenue is expected between 2017–18 and 2019–20.

South Australian major bank levy

A South Australian major bank levy will be introduced from 1 July 2017. The levy will apply to all authorised-deposit-taking institutions that operate in South Australian and are liable for the Commonwealth Government major bank levy.

The amount payable under the South Australian major bank levy will be 0.015 per cent of South Australia's estimated share of the total value of bank liabilities subject to the Commonwealth Government major bank levy at the end of each quarter. South Australia's estimated share of relevant bank liabilities will be determined as South Australia's gross state product share of national gross domestic product (currently around 6 per cent).

This measure will effectively double the rate of the Commonwealth Government's major bank levy, but only on the proportion of estimated liabilities in South Australia.

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 state wagering revenue of all wagering operators will also apply from 1 July 2017.

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

Table 3.9: Gambling taxes

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total gambling taxes ($m)	**363.1**	**397.7**	**412.7**	**418.1**	**425.4**
Nominal growth (%)	-5.6	9.5	3.8	1.3	1.7
Real growth (%)	-7.0	7.4	1.5	-1.2	-0.7
Policy adjusted underlying revenue ($m)	**394.4**	**397.7**	**411.1**	**418.6**	**426.6**
Nominal growth (%)	-5.0	0.8	3.4	1.8	1.9
Real growth (%)	-6.4	-1.1	1.1	-0.6	-0.6

In 2016–17, total gambling tax revenue is expected to be $25 million lower than the 2016–17 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 2017–18, assumptions for underlying growth in gaming machine net gambling revenue reflect the ongoing trend for households to spend a lower proportion of their disposable income on gaming machines. Real annual growth is also impacted by reforms to gaming machine regulation, which include the 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.

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

As announced in the 2016–17 Budget, from 1 July 2017 the government will introduce the Betting Operations Tax of 15 per cent 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 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.

UBet SA will continue to pay a wagering tax on its sports betting operations until the Betting Operations Tax commences. From 1 July 2017, UBet SA will be subject to the same taxation arrangements as other wagering operators. Collections under the Betting Operations Tax have been reflected on a gross basis to include amounts to be collected from UBet SA's wagering revenue related to racing. The additional receipts from UBet SA will be passed onto the racing industry to maintain their existing receipts for their racing product fees. The gross impact of the arrangements after grant payments to the racing industry are taken into account is consistent with the net impact shown in the 2016–17 Budget.

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total insurance taxes ($m)	**455.4**	**456.0**	**474.4**	**493.6**	**513.7**
Nominal growth (%)	-1.4	0.1	4.0	4.1	4.1
Real growth (%)	-2.8	-1.8	1.8	1.5	1.5
Policy adjusted underlying revenue ($m)	**455.4**	**456.0**	**474.4**	**493.6**	**513.7**
Nominal growth (%)	-1.4	0.1	4.0	4.1	4.1
Real growth (%)	-2.8	-1.8	1.8	1.5	1.5

Revenue from insurance taxes has been revised up by $12 million in 2016–17 compared to the 2016–17 Budget estimate. This is mainly due to the receipt of additional back payments associated with the treatment of life insurance riders, partially offset by lower than expected growth in CTP premiums.

Growth in insurance duty revenue in 2017–18 is expected to be only 0.1 per cent, a real decline of 1.8 per cent, which reflects the once-off impact of back payments received in 2016–17. Growth in stamp duty on insurance premiums from 2018–19 onwards 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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total motor vehicle taxes ($m)	**621.8**	**634.2**	**659.8**	**677.4**	**697.4**
Nominal growth (%)	0.9	2.0	4.0	2.7	2.9
Real growth (%)	-0.6	0.0	1.7	0.2	0.4
Policy adjusted underlying revenue ($m)	**621.8**	**634.2**	**659.8**	**677.4**	**697.4**
Nominal growth (%)	0.9	2.0	4.0	2.7	2.9
Real growth (%)	-0.6	0.0	1.7	0.2	0.4

Revenue from motor vehicle taxes in 2016–17 is expected to be around $3 million lower than the 2016–17 Budget estimate mainly due to lower motor vehicle registration revenue resulting from changes in National Heavy Vehicle Regulator (NHVR) arrangements. This is partially offset by higher than expected revenue from stamp duty on motor vehicle registrations and transfers.

Growth in revenue from motor vehicle taxes from 2017–18 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. Relatively stronger growth in motor vehicle taxes in 2018–19 reflects the impact of the NHVR arrangements in 2017–18.

South Australia’s relative tax effort

In terms of tax revenue per capita, South Australia is a relatively low tax jurisdiction — the third lowest in 2016–17 based on state and territory estimates published in 2016–17 mid-year review publications.

Details are provided in table 3.12.

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

	2015–16[(b)(c)]	2016–17 MYBR[(c)(d)]
Australian Capital Territory	3 982	4 115
New South Wales	3 789	3 870
Victoria	3 313	3 529
Western Australia	3 482	3 246
Queensland	2 609	2 658
South Australia	**2 483**	**2 496**
Northern Territory	2 487	2 447
Tasmania	2 063	2 113
All states and territories	**3 259**	**3 329**

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

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

(c) Population figures for 2015-16 have been sourced from ABS publications and 2016-17 population estimates have been sourced from Commonwealth Treasury estimates.

(d) Based on taxation revenue estimates published in 2016-17 mid-year review publications for all states and territories.

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

After adjusting for land tax paid by the South Australian Housing Trust for consistency with other jurisdictions, South Australia's total tax effort was 1.3 per cent below the average of all jurisdictions in 2015–16.

Details of tax effort assessments are provided in table 3.13.

Table 3.13: Tax effort ratios by jurisdiction

	2014–15		2015–16	
	CGC[(a)]	Adjusted[(b)]	CGC[(a)]	Adjusted[(b)]
New South Wales	103.3	103.5	105.1	105.3
Victoria	104.0	104.3	101.2	101.5
Queensland	90.3	90.6	87.7	87.9
Western Australia	96.5	96.7	102.2	102.4
South Australia	**104.8**	**100.8**	**102.6**	**98.7**
Tasmania	90.3	90.6	90.2	90.5
Australian Capital Territory	99.4	99.7	101.7	102.0
Northern Territory	102.7	103.0	85.4	85.6

(a) Tax effort ratios derived from the CGC's *Report on GST Revenue Sharing Relativities — 2017 Update* publication.

(b) Adjusted to remove land tax paid by the South Australian Housing Trust for consistency with other jurisdictions.

Grant revenue

Table 3.14: Grant revenue ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Grant revenue						
Grants from the Commonwealth						
GST revenue grants	6 100.5	5 933.9	6 302.6	6 554.2	6 786.1	7 170.7
National specific purpose grants	1 988.0	2 031.3	2 063.9	2 049.4	2 147.9	2 251.9
National specific purpose grants for on-passing	841.3	830.3	858.9	892.6	929.9	968.9
National Partnership grants	1 009.6	817.1	1 184.3	954.0	682.1	561.4
National Partnership grants for on-passing	162.3	242.6	109.8	187.0	170.0	170.3
Other Commonwealth grants	15.4	12.7	7.5	4.6	4.5	4.6
Total grants from the Commonwealth	**10 117.1**	**9 867.9**	**10 527.0**	**10 641.8**	**10 720.5**	**11 127.7**
Other contributions and grants	128.7	137.2	133.6	128.0	126.5	126.5
Total grant revenue	**10 245.8**	**10 005.1**	**10 660.6**	**10 769.8**	**10 846.9**	**11 254.2**
% change on previous year						
GST revenue grants						
Nominal growth (%)		6.7	6.2	4.0	3.5	5.7
Real growth (%)		5.2	4.1	1.7	1.0	3.1

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total grants from the Commonwealth						
Nominal growth (%)		11.0	6.7	1.1	0.7	3.8
Real growth (%)		9.4	4.6	-1.1	-1.7	1.3
Total grant revenue						
Nominal growth (%)		11.2	6.6	1.0	0.7	3.8
Real growth (%)		9.6	4.5	-1.2	-1.7	1.2

Note: Totals may not add due to rounding.

GST revenue grants

GST revenue grants to South Australia in 2016–17 are estimated to be $167 million lower than the 2016–17 Budget estimate, largely due to a downward revision to the national GST pool estimate. The Commonwealth Government has revised down its estimate of the 2016–17 GST pool by $1.4 billion since its 2016–17 Budget. The national GST pool is only expected to increase by 3.3 per cent in 2016–17, which is well below the long-term average growth rate.

Total revenues from the national GST pool have been revised down by around $7.5 billion over the four years to 2019–20 since the 2016–17 Commonwealth Budget. The Commonwealth Government has estimated that the total GST pool will grow by around 5.2 per cent in 2017–18, 5.2 per cent in 2018–19, 3.2 per cent in 2019–20 and 5.7 per cent in 2020–21. Over the same period, South Australia's GST revenue grants are anticipated to grow by 6.2 per cent, 4.0 per cent, 3.5 per cent and 5.7 per cent respectively.

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

Commonwealth Grants Commission 2017 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.

South Australia is, and has historically been, a recipient of HFE transfers largely due to an older demographic profile, a higher proportion of the low socio-economic status population and lower capacity to raise tax revenue compared to the average of other jurisdictions.

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 and demographic factors influencing each jurisdiction's relative ability to raise revenue and the impact of such factors on service delivery costs.

In March 2017, the CGC released its *Report on GST Revenue Sharing Relativities – 2017 Update* (2017 Update) of per capita relativities for the distribution of GST revenue grants to the states in 2017–18.

South Australia's relativity increased to 1.43997 in the 2017 Update compared with 1.41695 in the 2016 Update. A relativity for a given year reflects the impact of three year average data. In 2017–18, South Australia will receive 10.1 per cent of the GST pool compared to 10.0 per cent in 2016–17.

The main factors that produced the increase in South Australia's relativity for 2017–18 were:

- The strong property sales growth in the Eastern states, which reduced South Australia's relative capacity to raise revenue from conveyance duty compared to other states
- An increased share of national population growth in 2015–16 (the new year in the averaging period) when compared with 2012–13 (the year that has moved out of the averaging period)
- A decrease in national natural disaster relief expenditure over the averaging period.

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
- Above average growth in South Australian taxable private sector payrolls over the three year averaging period.

Based on the new relativity and current GST pool estimates for 2017–18, South Australia will receive nearly $2 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 2017–18 South Australia's GST relativity is expected to be impacted by:

- Changes in South Australia's projected share of Commonwealth Government payments, particularly increases in infrastructure payments in 2017–18 for roads and rail related projects including the Northern Connector, North South Corridor Darlington upgrade and the Goodwood/Torrens rail junction.
- Continued strength in eastern states' property markets in 2016–17
- A strengthening in mineral commodity prices and mining revenues in 2016–17 which will increase transfer to states with small mining sectors
- Volatility in the underlying Australian Bureau of Statistics (ABS) data supporting the wage cost 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 and homelessness, skills and workforce development, disability services, health and education.

- 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	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Health						
National Health Reform funding	1 254.3	1 295.3	1 292.5	1 349.7	1 409.0	1 471.0
National Partnerships	33.4	22.0	18.9	18.5	18.5	18.5
Education and Early Childhood						
Quality Schools funding (government schools)	429.4	432.2	463.1	497.9	535.2	573.9
Quality Schools funding (non-government schools)[(b)]	841.3	830.3	858.9	892.6	929.9	968.9
National Partnerships	38.8	39.7	37.7	35.3	29.7	29.7
Skills and Workforce Development						
National Skills and Workforce Development SPP	104.5	104.0	104.8	105.6	106.5	107.3
National Partnerships[(c)]	37.5	37.5	—	—	—	—
Community Services						
Disability Services SPP[(d)]	105.2	105.1	108.2	—	—	—
National Partnerships	34.5	39.1	124.0	243.2	76.3	78.8
Housing						
National Affordable Housing SPP	94.7	94.7	95.3	—	—	—
National Housing and Homelessness funding	—	—	—	96.3	97.2	99.6
National Partnerships[(e)]	23.2	20.9	23.8	9.0	9.2	7.8
Infrastructure						
National Partnerships	698.7	550.8	855.2	601.7	526.0	405.2
Environment						
National Partnerships	124.3	86.1	107.3	27.1	3.6	2.1
Other						
National Partnerships	20.9	24.5	20.5	20.8	20.5	21.0
Local government financial assistance	160.6	239.2	106.5	185.4	168.3	168.6
Total Commonwealth Government payments for specific purposes	**4 001.3**	**3 921.3**	**4 216.9**	**4 083.0**	**3 929.9**	**3 952.4**

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) Funding announced by the Commonwealth Government for its National Partnership on the Skilling Australia Fund has not been recognised as the timing and amount of funding available to South Australia is currently unclear.

(d) 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.

(e) Includes homelessness funding. Once the National Housing and Homelessness Agreement is finalised (for commencement in 2018–19), homelessness funding will be combined with National Affordable Housing SPP funding.

National specific purpose payments

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), while national SPP funding under the National Affordable Housing Agreement will be replaced by a new housing and homelessness agreement from 2018–19. The Disability SPP will also discontinue in 2018–19 with funding re-directed into the National Disability Insurance Scheme (NDIS).

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 the activity-based funding arrangements established in 2014 would not be ongoing and would cease on 30 June 2017, to be replaced by indexation that only accounted for inflation (CPI) and 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 population ageing impacts. Following the April 2016 COAG meeting, the Commonwealth Government announced that activity based funding would continue from 1 July 2017 to 30 June 2020. However, funding growth will remain effectively lower than was agreed before the 2014–15 Commonwealth Budget.

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 provides recurrent funding, special circumstances funding for non-government schools, funding for non-representative bodies and other prescribed purpose funding.

From the 2018 school year, the Commonwealth Government is transitioning all schools to a uniform needs-based funding model under the Quality Schools program. Under this program, the Commonwealth Government will retain the Schooling Resource Standard (SRS) recommended in the 2011 Review of Funding for Schooling (the Gonski Review), including loadings for disadvantaged students. The Commonwealth Government's share of SRS funding will transition to 20 per cent for government schools and 80 per cent for non-government schools by 2027.

The Commonwealth Government will index the base SRS by 3.56 per cent per annum between 2018 and 2020. From 2021 onwards, the base SRS will be indexed by either 3 per cent per annum or a composite of the Wage Price Index (75 per cent weighting) and CPI (25 per cent), whichever is higher.

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.

From 1 July 2018, the Commonwealth have proposed that a new National Housing and Homelessness Agreement (NHHA) will come into operation which will combine the former National Affordable Housing SPP with the Homelessness NP funding. States and territories will continue to be required to match the Commonwealth Government's homelessness funding. The Commonwealth Government has indicated that it wants to renegotiate the terms and scope of the NHHA including a focus on housing supply and land use planning which is not part of the current National Affordable Housing Agreement. It is currently not clear what obligations will be placed on states and territories to secure respective funding allocations.

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 scheduled 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

NPs are time limited agreements to fund specific projects or outputs and to facilitate and/or reward states that deliver nationally significant reforms. NP funding can be for both recurrent and capital purposes and is categorised as either direct grants or grants passed on to third parties.

In 2017–18, South Australia will receive an estimated $1.3 billion in NP funding. This is an increase of 22.1 per cent compared to the $1.1 billion estimated for 2016–17. This largely reflects changes in the timing of a number of road and rail transport infrastructure projects, including funding for the Darlington upgrade, the Goodwood/Torrens rail junction project and the Tonsley rail extension project. The increase in NP payments in 2017–18 also reflects changes in the profile of funding for the sustainable rural water use program and NDIS transition payments.

NPs for on-passing mainly reflect Commonwealth Government financial assistance to local government. The decline in NPs for on-passing in 2017–18 reflects the Commonwealth Government's decision to provide fifty per cent of the 2017–18 local government financial assistance grant in 2016–17.

NP payments (excluding grants for on-passing) are expected to decrease in each of the forward estimates years, driven mainly by the changed profile of infrastructure and sustainable rural water use program payments as indicated above and the expiry of remote housing funding in 2017–18. NP payments will likely decline further following the finalisation of the NHHA, which will roll homelessness funding into the new agreement from 2018–19 onwards. The decline in NP funding is moderated in 2018–19 due to the receipt of payments from the Disability Care Australia Fund (DCAF). 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. The DCAF funding agreement is yet to be signed and as such, South Australia is yet to receive any of its annual allocation of funding.

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 2.2 per cent from 1 July 2017.

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Regulatory fees	598.9	639.1	682.9	706.2	733.0	769.5
Health unit fees	422.5	409.2	433.3	456.6	469.4	471.1
Commonwealth contributions	476.4	508.2	460.1	442.8	431.6	413.7
TAFE fees	110.5	102.5	109.5	117.5	126.9	131.0
Schools revenue	128.8	128.8	132.8	136.9	141.2	144.7
Metroticket sales	93.8	90.3	93.2	95.9	98.9	102.0
Drivers' licence fees	44.4	53.4	54.7	60.2	67.9	68.6
Other user charges	611.3	595.5	601.9	617.6	629.3	641.2
Total sales of goods and services	**2 486.5**	**2 526.9**	**2 568.5**	**2 633.7**	**2 698.1**	**2 741.7**
% change on previous year						
Nominal-terms growth (%)		2.9	1.6	2.5	2.4	1.6
Real-terms growth (%)		1.4	-0.3	0.3	-0.1	-0.9

Note: Totals may not add due to rounding.

Revenue from sales of goods and services in 2016–17 is expected to be $40 million higher than estimated at the time of the 2016–17 Budget mainly due to upward revisions to regulatory fees and Commonwealth Government contributions, partially offset by lower revenue from other user charges and health unit fees.

Regulatory fee revenue has increased in 2016–17 by around $40 million compared to the original 2016–17 Budget estimate due to new functions of the Compulsory Third Party (CTP) Insurance Regulator previously undertaken by MAC following the transition to the new CTP arrangements. This involves the transfer of revenue, which was previously collected by the MAC, to the CTP Insurance Regulator (general government sector).

Commonwealth Government contributions have also been revised up by around $32 million in 2016–17 compared to the original budget estimate mainly due to further Commonwealth Government funding for the Pharmaceutical Benefits Scheme (PBS).

Revenue from sales of goods and services is expected to decline in real terms by 0.3 per cent in 2017–18, increase by 0.3 per cent in 2018–19, decline by 0.1 per cent in 2019–20 and then decline by 0.9 per cent in 2020–21.

The real terms decline in 2017–18 is mainly driven by higher Commonwealth Government contributions in 2016–17 due to further funding for the PBS. The real terms decline in 2020–21 is primarily due to Commonwealth funding for the South Australian Riverland Floodplains Integrated Infrastructure Program concluding in 2019–20.

Growth in revenue from regulatory fees largely reflects conditions in the property market and the annual indexation of most government fees and charges. It also reflects increases in the solid waste levy implemented as part of the Waste Levy Reform and the commencement of the Point to Point Transport Service Transaction Levy from 1 May 2017.

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

Interest income

Interest income is generated from agency cash balances held with financial institutions. There is no significant change in the expected interest income for 2016–17. The movements in interest income across the forward estimates is the result of fluctuating cash rates applied to deposit balances.

Table 3.17: Interest income ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Total interest income	**23.6**	**23.7**	**24.6**	**25.6**	**27.0**	**29.4**
Nominal-terms growth (%)		-2.2	4.0	3.8	5.7	8.9
Real-terms growth (%)		-3.6	1.9	1.5	3.1	6.3

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)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Dividend and ITE income from PNFCs	183.8	190.2	232.2	228.5	211.2	215.5
Dividend and ITE income from PFCs	141.3	436.2	358.9	166.0	73.9	41.4
Other dividend income	1.2	1.2	1.2	1.2	1.2	1.2
Total dividend and ITE revenue	**326.3**	**627.6**	**592.4**	**395.7**	**286.3**	**258.1**
Dividend and ITE from PNFCs comprise						
SA Water	176.7	177.4	201.4	198.8	201.2	197.1
Renewal SA	2.7	2.1	20.4	25.0	5.3	13.7
Other	4.5	10.7	10.5	4.7	4.8	4.8
Total	**183.8**	**190.2**	**232.2**	**228.5**	**211.2**	**215.5**
Dividend and ITE from PFCs comprise						
Motor Accident Commission	105.8	297.8	321.7	128.4	34.2	—
Return to Work Corporation of South Australia	—	86.3	—	—	—	—
HomeStart Finance	11.7	12.2	11.2	13.1	13.8	13.8
SAFA	23.8	39.9	26.1	24.6	25.9	27.6
Total	**141.3**	**436.2**	**358.9**	**166.0**	**73.9**	**41.4**
% change on previous year						
Total dividend and ITE revenue						
Nominal growth (%)		-20.7	-5.6	-33.2	-27.7	-9.8
Real growth (%)		-21.9	-7.5	-34.7	-29.4	-12.0

Note: Totals may not add due to rounding.

In 2016–17, total dividend and ITE income is expected to be around $301 million higher than 2016–17 Budget estimates. This is mainly due to a large dividend payment from MAC of $297.8 million, with a further $484.3 million expected across the forward estimates following the transition to the new CTP arrangements.

While ReturnToWorkSA (RTWSA) does not pay a dividend to the government, it is required to make an income tax equivalent payment on profits under the *Public Corporations Act 1993*. In 2016–17, RTWSA is estimating to make an income tax equivalent payment of $86.3 million. RTWSA has not estimated future income tax equivalent payments at this stage.

Distributions from SAFA are estimated to be $16.1 million above budget in 2016–17 reflecting higher than budgeted dividends and income tax equivalent payments arising from SAFA's treasury, fleet and insurance operations.

Total dividend and ITE income from PNFCs in 2016–17 is estimated to be $6.4 million higher than budget primarily due to higher than expected dividends from ForestrySA. The growth in distributions from RenewalSA in 2017–18 is due to the full year recognition of rent revenue from TAFE SA properties while higher distributions from SA Water in 2017–18 reflect higher forecast water sales.

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

Other revenue

Table 3.19: Other revenue ($million)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Royalties	251.5	226.2	251.0	252.5	266.1	253.0
Fines and penalties	140.8	126.6	141.1	146.1	149.7	152.4
Schools revenue	36.7	36.7	37.8	39.0	40.2	41.2
Other	234.9	274.7	242.7	262.7	244.3	244.1
Total other revenue	**663.9**	**664.2**	**672.7**	**700.3**	**700.3**	**690.6**
% change on previous year						
Nominal-terms growth (%)		-3.2	1.3	4.1	0.0	-1.4
Real-terms growth (%)		-4.6	-0.7	1.8	-2.4	-3.8

Note: Totals may not add due to rounding.

Other revenue in 2016–17 is expected to be broadly in line with the 2016–17 Budget estimate. This reflects higher other revenue which is offset by lower revenue from royalties as well as fines and penalties.

The upward revision to other revenue in 2016–17 is mainly due to a contribution from SA Water associated with the Darlington and Torrens to Torrens South Road projects as well as contributed assets revenue related to the Murray-Darling Basin Authority joint venture operations and the Commonwealth Government's Essential Vaccines Program (all reflected in the 'other' line in table 3.19). Higher growth in other revenue in 2018–19 mainly reflects the Walker Corporation's contribution to the Adelaide Festival Centre Precinct Upgrade.

Royalty revenue in 2016–17 has been revised down by around $25 million primarily due to the impact of lower commodity prices and lower minerals production including the impact of significant unforeseen events. Relatively stronger growth in royalty revenue in 2017–18 reflects a recovery in mineral production volumes following 2016–17 experience. The increase in royalty revenue in 2019–20 is mainly due to the expected commencement of royalties from the Carrapateena mine.

Fines and penalties revenue is also estimated to be lower compared to the 2016–17 Budget estimate largely due to lower detections from fixed cameras and delays associated with these cameras coming online. Modest growth in fines and penalties revenue is expected from 2017–18.

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

Annual fee and rate setting

Fees and charges

The annual indexation factor for fees and charges has been set at 2.2 per cent for 2017–18 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 2017–18 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 proposed that for SA Water customers, residential water supply and usage charges in 2017–18 will increase by 2.1 per cent. Metropolitan sewerage charges will increase on average by 2.1 per cent. For the average residential metropolitan residential customer, this will mean a combined water and sewerage bill increase of around $31 in 2017–18.

The Class 1 CTP premium (metropolitan private passenger vehicle) and Class 41 CTP premium (input tax credit entitled metropolitan passenger vehicle) will increase by 3.0 per cent in 2017–18. The Lifetime Support Scheme (LSS) levy will remain unchanged in 2017–18. On average, the combined CTP premium and LSS levy will increase by 2.4 per cent in 2017–18.

Table 3.20 sets out the increases in fees and charges in 2017–18 for major government services. These increases take effect from 1 July 2017.

Table 3.20: 2017–18 changes to selected agency fees and charges

	2016–17 $	2017–18 $	Increase %
Public transport			
Single trip tickets — all times and zones	5.30	5.40	1.9
MetroCard single fare — all times and zones	3.54	3.62	2.3
Regular 28 Day pass	121.80	124.50	2.2
Motor vehicle charges			
Registration fee — motor vehicles:			
Four cylinders or less	120.00	123.00	2.5
Five or six cylinders	247.00	252.00	2.0
Seven or more cylinders	357.00	365.00	2.2
Registration fee — light commercial vehicles:			
Mass between 1001 kg and 1500 kg	265.00	271.00	2.3
Mass greater than 1500 kg	454.00	464.00	2.2
Drivers’ licence renewals			
Five years	210.00	215.00	2.4
Ten years	420.00	430.00	2.4
Speeding fines			
Exceeding the speed limit by:			
Less than 10 km/h	166.00	170.00	2.4
By 10 km/h but less than 20 km/h	363.00	371.00	2.2
By 20 km/h but less than 30 km/h	738.00	754.00	2.2
By 30 km/h but less than 45 km/h	881.00	900.00	2.2
By 45 km/h and above	992.00	1014.00	2.2

	2016–17 $	2017–18 $	Increase %
Water and sewerage — residential			
Water bill for average residential customer[(a)]	766.16	782.27	2.1
Sewerage bill for average residential customer[(b)]	442.80	452.19	2.1
Annual water service availability (supply) charge	286.40	292.40	2.1
Water usage charge per kilolitre supplied:			
Up to and including 120 kilolitres per year	2.27	2.32	2.1
In excess of 120 kilolitres but less than 520 kilolitres per year	3.24	3.31	2.1
In excess of 520 kilolitres per year	3.51	3.58	2.1
Motor vehicle charges[(c)]			
Compulsory third party premium — passenger vehicles (metropolitan postcodes):			
Standard premium	389.00	400.75	3.0
Input tax credit entitled premium	389.00	400.75	3.0
Lifetime Support Scheme levy — passenger vehicles (metropolitan postcodes)	111.00	111.00	0.0

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

(b) Metropolitan sewerage bill based on average property value of $423,000.

(c) For metropolitan postcodes.

Developments in Commonwealth-state relations

Commonwealth Government Reviews

Productivity Commission's Inquiry into Australia's System of Horizontal Fiscal Equalisation

On 30 April 2017, the Commonwealth Treasurer directed the Productivity Commission to undertake an inquiry into Australia's system of Horizontal Fiscal Equalisation (HFE) (the Inquiry). The Inquiry will examine:

- whether the current HFE aim of equalising state's revenue raising and service delivery capacities is in the best interests of national productivity or whether there may be preferable alternatives
- whether the current HFE arrangements restrict the appropriate movement of capital and labour across state borders to more productive regions in times of high labour demand
- the treatment of revenues generated from energy and resources given the unequal distribution of natural resources
- the contemporaneity of the current assessment arrangements
- whether current HFE arrangements act as a disincentive for a state to develop new industries or exploit natural resources
- whether current HFE arrangements place too great a reliance on broad indicators and insufficient relevance on specific indicators which recognise states' different circumstances.

The Productivity Commission has been asked to produce a final report by 31 January 2018.

The findings of this inquiry may result in changes to current HFE arrangements in Australia that could either have a positive or negative impact on South Australia's GST revenue estimates.

South Australia strongly supports the continuation of the current HFE arrangements as they are a fundamental strength of the Australian federation and have served it well over many years. Proposals to reduce the level of fiscal equalisation in Australia would fundamentally reduce South Australia's capacity to provide its citizens with the same standard of public services and infrastructure as other Australians. HFE is not detrimental to national productivity, does not restrict the appropriate movement of population and capital and does not act as a disincentive to economic activity, including in the natural resources sector.

South Australia will actively participate in the Inquiry and will put forward arguments to defend HFE and ensure that an equitable, efficient and responsive method of fiscal equalisation is maintained in Australia.

Commonwealth Grants Commission — 2020 Methodology Review

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

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

For the 2020 Review, the terms of reference are broad in nature and will consider all assessment categories. There will be considerable focus on the supporting principles that underpin current HFE assessments, the contemporaneity of the current arrangements, mining revenues, Indigenous data, provision of public transport services, health, and interstate wages.

As part of the Review process, the CGC will prepare a number of position papers on assessment categories for comment by the states. The Department of Treasury and Finance will prepare submissions and responses to the CGC's proposed changes to assessments. The CGC has been requested to produce a draft report by the middle of 2019 outlining changes and their proposed assessment framework. States and territories will be provide submissions on the draft report prior to completion of the final report in February 2020.

The review will cover a number of issues that the recently announced Productivity Commission (PC) Inquiry into Australia's System of Horizontal Fiscal Equalisation (discussed above) will consider. It is possible that the findings of the PC inquiry could influence the Review.

Chapter 4: Managing the state's assets and liabilities

Overview

General government sector net debt is expected to rise from $6.3 billion as at 30 June 2017 to $6.7 billion in 2020–21. Over the forward estimates the ratio of net debt to revenue is expected to peak at 34.9 per cent in 2018–19. 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 2021 the ratio is expected to fall to 33.1 per cent.

General government sector net operating surpluses are projected to total $1.1 billion across 2016–17 and the four-year forward estimates.

General government sector capital investment is estimated to be a record $2.2 billion in 2017–18, contributing to a total investment of $7.1 billion across the forward estimates.

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 $43.4 billion in 2017 to $45.0 billion in 2021. The net worth of the general government sector, which measures the extent to which the value of its assets exceeds its liabilities, grows over this period to reach $44.8 billion by 2021.

Non-financial public sector (NFPS) net debt reflects the combined debt of the general government and the public non-financial corporations (PNFC) sectors. NFPS net debt is expected to increase from an estimated $13.8 billion as at 30 June 2017 to $14.9 billion at 30 June 2021. These movements are as a result of net debt movements in both the general government and the PNFC sectors.

The state's unfunded superannuation liability is estimated to be $11.2 billion at 30 June 2017. This is $961 million lower than the estimate at the time of the 2016–17 Budget largely as a result of higher projected earnings on superannuation assets and a marginally higher 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 to $9.7 billion by 30 June 2021.

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	2016 Actual	2017 Estimated Result	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Net debt						
$m	4 393	6 297	6 072	6 733	6 808	6 687
% of total revenue	25.3	34.5	31.7	34.9	34.8	33.1
% of GSP	4.4	6.0	5.6	6.0	5.8	5.4
Net financial liabilities						
$m	21 372	21 850	21 483	21 948	21 882	21 546
% of total revenue	123.1	119.6	112.2	113.7	111.9	106.7
Net financial worth						
$m	-2 049	-1 926	-1 376	-1 453	- 968	- 219
% of total revenue	-11.8	-10.5	-7.2	-7.5	-5.0	-1.1
Net worth						
$m	37 741	41 523	41 943	42 714	43 640	44 824
% of total revenue	217.4	227.3	219.0	221.2	223.1	221.9

Net debt

Net debt is forecast to increase by $1.9 billion in 2017 to a total of $6.3 billion as at 30 June 2017. This is driven by the first time recognition of the $2.8 billion new Royal Adelaide Hospital on the state's balance sheet partially offset by private insurer fees, dividends and return of equity from the Motor Accident Commission (MAC) of $948 million.

Net debt is forecast to decrease by $225 million in 2017–18 to a total of $6.1 billion. This is mainly due to dividends and return of equity from the MAC, estimated to be $339 million in 2017–18.

General government sector net debt is expected to peak at $6.8 billion at 30 June 2020 before declining to $6.7 billion by 30 June 2021.

The estimated net debt to revenue ratio as at 30 June 2017 is 34.5 per cent, peaking at 34.9 per cent by 30 June 2019, before decreasing to 33.1 per cent by 30 June 2021.

As a percentage of the South Australian economy, general government sector net debt remains relatively modest, at 6.0 per cent of Gross State Product (GSP) as at 30 June 2017 before falling back to 5.4 per cent by 30 June 2021.

Unfunded superannuation liability

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

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

The state's unfunded superannuation liability makes up the largest component of net financial liabilities, and is estimated to be $11.2 billion as at 30 June 2017, reducing to $9.7 billion as at 30 June 2021.

As at 30 June 2017, the unfunded superannuation liability is estimated to be $961 million lower than estimated in the 2016–17 Budget. The reduction is due to the impact of higher expected earnings on superannuation assets and a marginally higher discount rate used to value the liability since 2016–17 Budget time.

Table 4.2 summarises the change in the unfunded superannuation liability since the 2016–17 Budget.

Table 4.2: Unfunded superannuation liability ($million)

As at 30 June	2017	2018	2019	2020	2021
Estimate as at 2016–17 Budget	**12 178**	**11 842**	**11 471**	**11 065**	**10 621**
Impact of lower discount rate assumptions used to value superannuation liabilities at the 2016–17 MYBR compared with 2016–17 Budget assumptions(a)	973	925	875	825	773
Impact of higher than expected returns on superannuation assets in 2015–16 compared with 2016–17 Budget assumptions(b)	-112	-111	-110	-108	-106
Impact of lower than expected returns on superannuation assets in 2016–17 as at 2016–17 MYBR compared with 2016–17 Budget assumptions(c)	53	49	46	42	38
Other	-197	-190	-183	-175	-167
Estimate as at 2016–17 MYBR	**12 894**	**12 514**	**12 099**	**11 648**	**11 159**
Impact of higher discount rate assumptions used to value superannuation liabilities at the 2017–18 Budget compared with 2016–17 MYBR(d)	-1 205	-1 146	-1 085	-1 022	-958
Impact of higher expected returns on superannuation assets in 2016–17 compared with 2016–17 MYBR assumptions(e)	-402	-399	-394	-388	-380
Impact of updated member data and other items	-69	-72	-73	-73	-73
Estimate as at 2017–18 Budget	**11 217**	**10 898**	**10 547**	**10 164**	**9 748**

Note: Totals may not add due to rounding.

(a) The discount rate at the time of the 2016–17 MYBR was 2.8 per cent compared with 3.2 per cent assumed in the 2016–17 Budget.

(b) The actual earnings rate for 2015–16 was 3.8 per cent compared with 2.1 per cent assumed at the time of the 2016–17 Budget.

(c) The assumed earnings rate for 2016–17 at the time of the 2016–17 MYBR was 6.2 per cent compared with 7.0 per cent assumed in the 2016–17 Budget.

(d) The discount rate at the time of the 2017–18 Budget is 3.3 per cent compared with 2.8 per cent assumed in the 2016–17 MYBR.

(e) The assumed earnings rate for 2016–17 is 12.5 per cent for the 2017–18 Budget compared with 6.2 per cent assumed in the 2016–17 MYBR.

Earnings

The estimate of the unfunded superannuation liability as at 30 June 2017 reflects an estimated Funds SA earnings rate of 12.5 per cent for 2016–17. This is greater than the long-term assumed earnings rate of 7.0 per cent and greater than the assumed earnings for 2016–17 at the time of the 2016–17 MYBR of 6.2 per cent. The higher expected returns are due to the gains experienced in financial markets during 2016–17.

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 3.3 per cent (effective annual rate) has been used for the 2017–18 Budget, compared with 3.2 per cent used for the 2016–17 Budget and 2.8 per cent for the 2016–17 MYBR.

The discount rate changes in response to the economy and financial market conditions. Small changes in the long-term bond rate have a material impact on the reported liability, with a 1.0 percentage point change in the bond rate changing the liability by approximately $2.5 billion from its current amount.

Table 4.3 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 (%)	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019-20 Estimate	2020-21 Estimate
3.3	11 217	10 898	10 547	10 164	9 748
6.0	6 448	6 340	6 212	6 061	5 885
7.5	4 664	4 624	4 569	4 496	4 404

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)

	2016–17	2017–18	2018–19	2019–20	2020–21
Past service payments	458	426	443	461	479

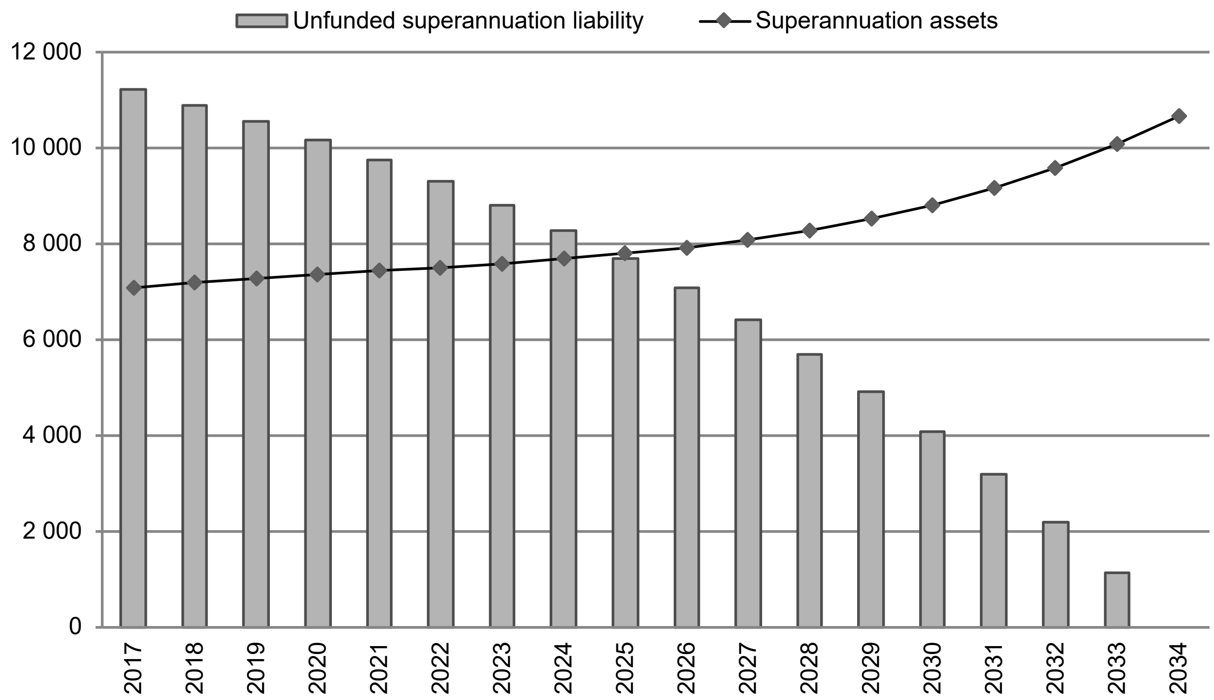
Table 4.2 showed the unfunded superannuation liability is projected to decline across the forward estimates period. This is partly because the annual increase in the defined benefit obligation, as a result of benefits being one year closer, is more than offset by the annual cash payments made as part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

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.

Changes in the earnings rate are based the expected return on superannuation assets invested by Funds SA. Small changes in asset values in debt and equity markets, amongst other assets, can have a material impact on the reported liability, with a 1.0 percentage point change in the earnings rate changing the liability by $64 million.

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 $7.1 billion as at 30 June 2017. By 2034, superannuation assets are projected to reach $10.7 billion, fully offsetting projected superannuation liabilities.

As required by the *Superannuation Act 1988*, a triennial review of the South Australian Superannuation Scheme by an independent actuary is currently underway for the scheme as at 30 June 2016, and is expected to be tabled in Parliament in early 2017–18.

Net financial liabilities

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

Net financial liabilities are forecast to decline from $21.9 billion as at 30 June 2017 to $21.5 billion at 30 June 2021.

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

Gross borrowings are forecast to increase from $7.2 billion as at 30 June 2017 to $7.8 billion as at 30 June 2021 as a result of the forecast net lending deficit positions in some forward years. This reflects the government's focus of ongoing investment in the state's infrastructure, particularly in health, education, transport, and now our energy assets.

Other employee benefits, including long service leave, are estimated to be $2.9 billion as at 30 June 2017 and are forecast to increase to $3.4 billion as at 30 June 2021. 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 across the forward estimates period.

Net financial worth

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

General government net financial worth is expected to improve from negative $1.9 billion as at 30 June 2017 to negative $0.2 million as at 30 June 2021. In addition to those items impacting net financial liabilities described previously, the increase in equity investments in other public sector entities, due to the increase in the net assets of SA Water and the South Australian Housing Trust, is driving the increase over the forward estimate years.

Net worth

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

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

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Net worth at beginning of year	**37 741**	**41 523**	**41 943**	**42 714**	**43 640**
Change in net worth from operating transactions					
Net operating balance	239	72	132	193	462
Change in net worth from other economic flows					
Movement in net assets of PFCs[(a)]	851	-248	-61	23	32
Movement in net assets of PNFCs[(a)]	346	460	545	556	538
Revaluation of unfunded superannuation liability[(b)]	2 699	257	260	262	265
Revaluation of long service leave liability	-97	-94	-96	-98	-99
Revaluation of annual leave liability	-15	-15	-15	-16	-16
Revaluation of workers compensation liability	-159	-16	-16	-17	-17
Revaluation of non-financial assets	-72	41	41	41	41
Other revaluation adjustments	-9	-36	-18	-19	-21
Total other economic flows	3 544	348	639	732	723
Net worth at year end	**41 523**	**41 943**	**42 714**	**43 640**	**44 824**

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) 2016–17 change represents the revaluation difference from 30 June 2016 liability.

The large revaluation of unfunded superannuation in 2016–17 is primarily due to a higher discount rate being used to value the liability compared to the beginning of the financial year coupled with higher expected returns on superannuation assets for 2016–17.

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	2016 Actual	2017 Estimated Result	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Inventories	79	79	79	79	79	79
Land	6 570	6 418	6 363	6 337	6 298	6 285
Buildings and improvements	8 704	10 487	10 419	10 396	10 167	9 917
Water, sewerage and drainage assets	239	973	1 044	1 069	1 073	1 063
Road networks	18 697	19 345	20 199	20 886	21 440	21 852
Rail and bus networks	2 039	2 191	2 534	2 583	2 659	2 763
Other infrastructure assets	2 191	2 686	1 412	1 545	1 618	1 809
Heritage assets	1 260	1 259	1 260	1 261	1 262	1 263
Self-generating and regenerating assets	2	2	2	2	2	2
Total land and other fixed assets (net of provisions for depreciation)	**39 781**	**43 440**	**43 311**	**44 159**	**44 599**	**45 034**
Depreciation expense	**890**	**888**	**1 003**	**1 034**	**1 057**	**1 089**

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 $39.8 billion as at 30 June 2016 to $45.0 billion as at 30 June 2021. This increase reflects significant ongoing investment in the state's infrastructure, particularly in health and transport network assets.

The increase in building and improvements in 2017 is mainly due to the first time recognition of the new Royal Adelaide Hospital on the state's balance sheet.

The increase in water, sewerage and drainage assets in 2017 reflects a $727 million reclassification of the state's interest in the Murray Darling Basin Authority joint venture.

The variations in other infrastructure assets are due to the recognition of $495 million in plant and equipment associated with the new Royal Adelaide Hospital in 2017 and the various sales of government assets in 2017–18 including the Land Services Group, Techport Australia Common User Facility and the State Administration Centre.

The decline in the value of land assets across all years out to 30 June 2021 mainly reflects the disposal of land, including that associated with the transfer of Techport Australia Common User Facility to the Commonwealth Government and the disposal of land associated with the South Road Superway and Northern Expressway.

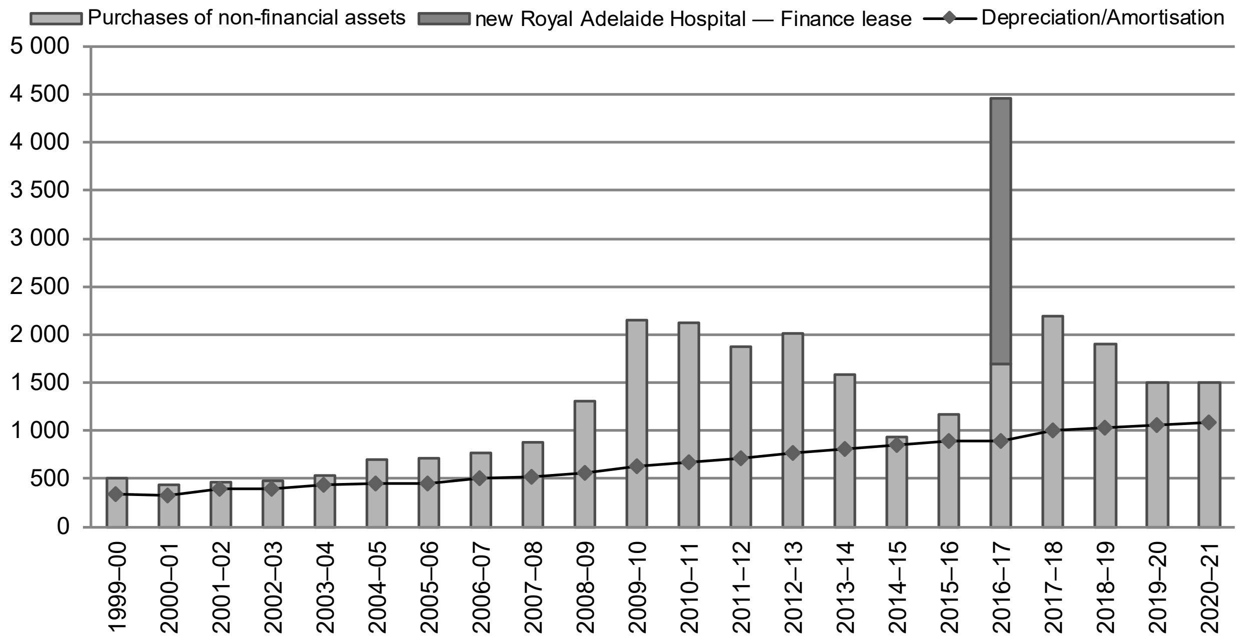
The general government sector investment in non-financial assets is estimated to be $4.5 billion in 2016–17, which includes the recognition of the new Royal Adelaide Hospital finance lease. Total general government sector capital purchases are expected to be a record $2.2 billion in 2017–18.

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

General government infrastructure investment is expected to exceed depreciation in all years over the forward estimates. The depreciation expense reflects the consumption of an asset's service potential. Depreciation totals $888 million in 2016–17 and rises to $1.1 billion by 2020–21 as a result of the significant increase in the state's asset base over the same period.

Figure 4.2 illustrates the general government sector's capital investment across the forward estimates.

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



Non-financial public sector financial position

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

Table 4.7 summarises key balance sheet indicators for the NFPS.

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

As at 30 June	2016 Actual	2017 Estimated Result	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Net debt						
$m	10 912	13 837	13 942	14 801	14 952	14 920
% of total revenue	59.1	71.8	68.9	72.6	72.5	69.9
% of GSP	10.9	13.2	12.9	13.2	12.7	12.1
Net financial liabilities						
$m	28 281	29 549	29 510	30 163	30 156	29 901
% of total revenue	153.2	153.3	145.9	147.9	146.1	140.1
Net financial worth						
$m	-27 355	-28 422	-28 648	-29 369	-29 340	-29 054
% of total revenue	-148.2	-147.5	-141.6	-144.0	-142.2	-136.1

As at 30 June	2016 Actual	2017 Estimated Result	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Net worth						
$m	37 741	41 523	41 943	42 714	43 640	44 824
% of total revenue	204.4	215.4	207.3	209.4	211.5	210.0

NFPS net debt is projected to increase from $13.8 billion at 30 June 2017 to $14.9 billion at 30 June 2021.

The estimated ratio of net debt to revenue for the NFPS is expected to increase from 59.1 per cent as at 30 June 2016 to 71.8 per cent at 30 June 2017, which is largely due to the recognition of the new Royal Adelaide Hospital on the state's balance sheet. The net debt to revenue ratio is forecast to decrease to 69.9 per cent by 30 June 2021.

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 2016 and across the forward estimates.

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

As at 30 June	2016 Actual	2017 Estimated Result	2018 Estimate	2019 Estimate	2020 Estimate	2021 Estimate
Inventories	484	490	476	456	439	372
Land	12 696	12 675	12 745	12 850	12 942	13 059
Buildings and improvements	13 804	15 689	15 743	15 773	15 513	15 269
Water, sewerage and drainage assets	13 422	14 528	15 144	15 665	16 048	16 440
Road networks	18 702	19 348	20 202	20 889	21 443	21 855
Rail and bus networks	2 039	2 191	2 534	2 583	2 659	2 763
Other infrastructure assets	2 621	3 693	2 415	2 535	2 602	2 785
Heritage assets	1 266	1 265	1 266	1 265	1 266	1 267
Self-generating and regenerating assets	48	48	48	48	48	48
Total land and other fixed assets (net of provisions for depreciation)	**65 084**	**69 928**	**70 573**	**72 064**	**72 960**	**73 858**
Depreciation expense	**1 321**	**1 328**	**1 458**	**1 508**	**1 541**	**1 595**

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 $65.1 billion as at 30 June 2016 to $73.9 billion as at 30 June 2021, 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 2016–17 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 moved marginally higher from 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 remained broadly unchanged over 2016–17. For instance, the interest rate on SAFA's May 2021 Select Line bond has moved to 2.03 per cent as at 31 May 2017 from 2.02 per cent as at 30 June 2016. The interest rate on a corresponding Commonwealth Government bond has risen from 1.65 per cent to 1.79 per cent in the same time period, highlighting a 13 basis point relatively better performance in SAFA bonds.

The government's debt management objective is to minimise the long-term average interest cost subject to acceptable levels of interest rate risk.

Debt is managed within a duration range of one to five years. There is no discretion to have an interest rate position outside that range. Interest rate risks are also controlled by the use of risk limits. These risk limits, based on industry standard measures, serve to limit the exposure of the portfolio to changes in market prices (yields). The debt management framework is reviewed regularly and such reviews take into account any significant changes in the state's debt levels.

In addition to debt managed under this framework, the general government sector has long-term housing agreement debt with the Commonwealth Government. This is managed within the duration of the general government sector debt.

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

Insurance arrangements

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

The insurance function of SAFA is operated through 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 2016–17 is estimated to be $42.4 million ($40.5 million for 2015–16). 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 2016, SAICORP Insurance Fund 1 had:

- total assets of $547.3 million
- total liabilities of $386.1 million, including outstanding claim liabilities of $348.8 million — medical malpractice claims accounted for $286.2 million of the outstanding claim liabilities
- net assets (free reserves) of $161.2 million.

SAICORP aims to maintain its level of free reserves (total assets over total liabilities expressed as a percentage) within a target range of 125 per cent to 165 per cent. At 30 June 2016 the level of free reserves was 141 per cent, which is within the target range. SAICORP operated within its target level of reserves throughout the year. As at 30 April 2017 free reserves were at 155 per cent.

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 a government business is that a significant proportion of its operational costs are recovered through user charges. A complete list of government businesses is contained in Appendix D.

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

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Public non-financial corporations						
Net contribution to/from government[(a)]	-235.9	-184.9	-186.6	-243.5	-269.8	-274.9
Capital investment	1 298.0	1 231.4	817.7	697.0	485.0	471.0
Net debt	7 524.3	7 540.3	7 870.0	8 067.2	8 144.6	8 233.6
Public financial corporations						
Net contribution to/from government[(a)]	135.0	429.9	352.4	159.1	66.6	33.8

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

The net contribution from government to public non-financial corporations (PNFCs) in 2016–17 has improved from budget mainly due to a lower community service obligation (CSO) payment to Renewal SA. On 1 March 2017, Renewal SA purchased key TAFE SA properties from the Department of State Development (DSD) for $595 million. In the 2016–17 Budget, Renewal SA was budgeted to receive CSO payments in relation to its purchase of the TAFE SA properties. The finalised structure provides for DSD to pay commercial lease rates on the TAFE SA properties and ongoing CSO payments are therefore not required.

SA Water's contributions to government in 2016–17 are on budget despite water sales being lower than expected throughout the year. This is mainly due to operating savings achieved by SA Water, lower depreciation and additional contributed assets. Commencing July 2017, the gearing level of SA Water will be maintained at a target debt to asset ratio of 45 per cent, ensuring that SA Water's gearing levels are maintained in line with interstate peers.

In the 2014–15 Budget the state government announced the reform of the Compulsory Third Party (CTP) insurance market in South Australia which resulted in the Motor Accident Commission (MAC) ceasing its role as the sole provider of CTP insurance from 1 July 2016. The state government has now implemented a new market-based model for the private sector provision of CTP insurance. As a result of the reforms, from 2014 to June 2016, MAC paid $1.3 billion from its surplus assets into the state government's Highways Fund to improve the safety of roads in South Australia with a further $688.2 million paid in June 2017 following the transition to the new CTP arrangements. In addition, four private insurers paid $259.4 million to the state in 2016–17 at the time of their entry to the South

Australian CTP insurance market. Beyond 2016–17, further contributions totalling $509.8 million are anticipated to be paid across the forward estimates. In total, the reform of the CTP insurance market will return an estimated $2.8 billion to the general government sector.

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. 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 CSOs 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 <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.

Community service obligations

A 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 payments in relation to exemptions and concessions for certain classes of customers (such as charities) and to provide services to regional aboriginal communities. Renewal SA receives CSO payments for non-commercial activities in some development projects such as at the Tonsley Park redevelopment, and the implementation of government social housing policies and activation projects.

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)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Net operating balance before dividends and income tax equivalents (excluding SAHT)	175.5	155.2	226.8	246.1	221.0	203.4
plus SAHT net operating balance	-162.0	-187.0	-118.4	-68.3	-58.9	-58.2
equals						
Net operating balance before dividends and income tax equivalents (including SAHT)	**13.5**	**-31.8**	**108.3**	**177.8**	**162.1**	**145.1**
less Dividends	128.2	133.7	162.3	153.1	143.5	148.2
less Income tax equivalents	55.6	56.5	70.0	75.4	67.8	67.3
equals						
Net operating balance	**-170.4**	**-222.0**	**-123.9**	**-50.7**	**-49.1**	**-70.4**
less						
Net acquisition of non-financial assets						
Gross fixed capital formation[(a)]	1 097.5	1 046.2	658.7	540.4	351.3	426.7
less Depreciation	469.2	439.9	454.5	473.3	484.1	506.1
plus Change in inventories	30.3	9.2	-14.1	-20.0	-17.2	-66.7
equals Total net acquisition of non-financial assets	658.6	615.5	190.1	47.1	-150.0	-146.1
equals						
Net lending/borrowing[(b)]	**-828.9**	**-837.5**	**-314.0**	**-97.8**	**100.9**	**75.7**

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 2016–17 estimated net operating deficit before dividends and income tax equivalents for the PNFC sector of $31.8 million is a $45.3 million deterioration from budget. This mainly reflects a deterioration in Renewal SA's net operating balance ($33.7 million) primarily due to lower rent revenue resulting from the change in timing of the purchase of the TAFE SA properties and a once-off stamp duty cost resulting from that transaction, and a deterioration in the South Australian Housing Trust's (SAHT) net operating balance ($25.0 million) primarily due to higher grant payments which were deferred from 2015–16, reclassification of expenses from capital and increased write-offs of bad debt expenditure.

The PNFC sector net operating surplus before dividends and income tax equivalents is forecast to be $108.3 million in 2017–18, an improvement of $140.1 million from 2016–17. This is mainly due to the transitional increase in state grants in 2017–18 to SAHT (before the full increase of $79 million in 2018–19) as a result of the conclusion of the reduction in state grants to SAHT flowing from the Commonwealth Government's balance sheet relief provided in 2012–13, the full year impact of rent revenue on Renewal SA's operating result from the purchase of the TAFE SA properties and higher expected water sales revenue for SA Water.

In 2017–18, gross fixed capital formation is $387.5 million lower than the 2016–17 estimated result mainly due to the purchase of TAFE SA properties by Renewal SA in the previous year and the Adelaide Convention Centre redevelopment expenditure which will be close to completion at the end of 2016–17. SA Water's higher investing expenditure in 2017–18 partially offsets the reduced capital spend in other entities.

Contributions

Table 5.3 summarises net contributions to the government by PNFC entities, which comprise income tax equivalents, dividends, grants, subsidies and 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 SAHT not generating commercial returns.

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Income tax equivalents						
SA Water	54.9	55.8	62.6	66.4	65.1	62.0
Renewal SA	—	—	6.5	8.0	1.6	4.3
South Australian Housing Trust	—	—	—	—	—	—
ForestrySA	—	—	—	—	—	—
Other	0.7	0.7	0.8	1.0	1.0	1.0
Total income tax equivalents	**55.6**	**56.5**	**70.0**	**75.4**	**67.8**	**67.3**
plus **Dividends**						
SA Water	121.8	121.6	138.8	132.3	136.0	135.1
Renewal SA	2.7	2.1	13.9	17.0	3.6	9.3
South Australian Housing Trust	—	—	—	—	—	—
ForestrySA	—	3.6	6.0	—	—	—
Other	3.8	6.5	3.7	3.7	3.8	3.8
Total dividends	**128.2**	**133.7**	**162.3**	**153.1**	**143.5**	**148.2**
less **Grants and subsidies[(b)]**						
SA Water	8.2	7.4	3.1	3.0	3.0	3.1
Renewal SA	0.8	2.8	0.3	0.3	0.3	0.3
South Australian Housing Trust	154.7	160.8	206.5	269.6	277.5	284.9

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
ForestrySA	2.7	6.7	5.1	0.6	1.2	1.3
Other	49.8	44.8	45.1	47.1	46.3	49.2
Total grants and subsidies	**216.2**	**222.4**	**260.1**	**320.5**	**328.4**	**338.8**
less **CSOs**						
SA Water	135.9	136.1	142.4	135.0	135.1	137.7
Renewal SA	64.1	13.0	11.9	14.4	14.5	10.9
South Australian Housing Trust	—	—	—	—	—	—
ForestrySA	3.6	3.6	4.4	2.1	3.0	3.0
Other	—	—	—	—	—	—
Total CSOs	**203.5**	**152.7**	**158.7**	**151.5**	**152.6**	**151.7**
equals **Net contribution to/from government**(c)						
SA Water	32.6	33.9	55.8	60.7	63.0	56.3
Renewal SA	-62.2	-13.8	8.2	10.3	-9.6	2.4
South Australian Housing Trust	-154.7	-160.8	-206.5	-269.6	-277.5	-284.9
ForestrySA	-6.3	-6.7	-3.5	-2.7	-4.2	-4.3
Other	-45.3	-37.6	-40.6	-42.4	-41.5	-44.4
Total net contribution to/from government	**-235.9**	**-184.9**	**-186.6**	**-243.5**	**-269.8**	**-274.9**

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

The net contribution from the government to the PNFC sector of $184.9 million in 2016–17 is $51.0 million lower than budget, mainly due to a lower CSO payment to Renewal SA. In the 2016–17 Budget, Renewal SA was budgeted to receive a CSO payment in relation to its purchase of the TAFE SA properties. The finalised structure provides for DSD to pay commercial lease rates on the TAFE SA properties and therefore ongoing CSO payments are not required.

The budgeted net contribution from the government to the PNFC sector of $186.6 million in 2017–18 is $1.7 million higher than 2016–17. This reflects higher grant and subsidy payments from the government to SAHT of $45.7 million mainly due to the transitional increase in state grants following the conclusion of the state grant reduction flowing from the Commonwealth Government's balance sheet relief, largely offset by higher net contributions to the government of $22.0 million from Renewal SA due to the full year recognition of rent revenue from the TAFE SA properties, and higher net contributions to the government of $21.9 million from SA Water from higher water sales revenue.

Capital investment

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

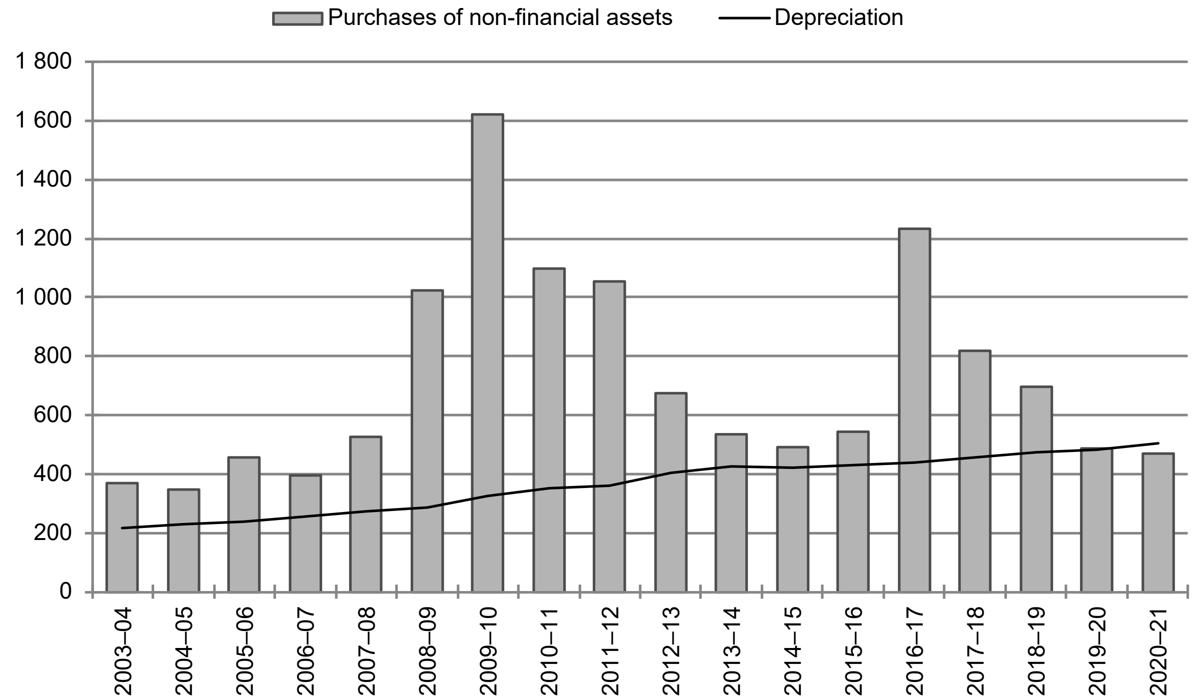
Agency	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Adelaide Cemeteries Authority	1.3	1.5	2.5	1.2	1.0
Adelaide Venue Management Corporation	64.3	23.6	4.1	4.2	4.3
Adelaide Festival Centre Trust	2.5	43.8	33.2	6.7	—
ForestrySA	0.4	0.3	0.3	0.3	—
Public Trustee	0.7	0.3	0.3	0.3	0.8
Renewal SA	619.6	7.6	—	—	—
SA Water	372.6	535.8	488.5	366.6	398.0

Agency	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
South Australian Government Employee Residential Properties	7.3	7.5	7.7	7.9	8.0
South Australian Housing Trust	159.4	191.4	156.5	95.1	55.9
West Beach Trust	3.2	6.0	3.9	2.7	2.9
Total purchases of non-financial assets	**1 231.4**	**817.7**	**697.0**	**485.0**	**471.0**
Total sales of non-financial assets	**185.2**	**159.0**	**156.6**	**133.6**	**44.2**
Gross fixed capital formation	**1 046.2**	**658.7**	**540.4**	**351.3**	**426.7**

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 by the public non-financial corporations ($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 $817.7 million in 2017–18, $413.7 million lower than the 2016–17 estimated result due mostly to the $595 million purchase of TAFE SA properties by Renewal SA in 2016–17.

Significant capital investment in 2017–18 includes:

- SA Water's investment program of $535.8 million, comprising major projects such as the Northern Adelaide Irrigation Scheme (subject to Commonwealth Government funding) and the Kangaroo Creek Dam Safety project
- SAHT's investment program of $191.4 million comprising public housing redevelopment and capital maintenance programs
- Adelaide Festival Centre Trust's (AFCT) investment program of $43.8 million, including the purchase of Her Majesty's Theatre land and building assets from Arts SA and continuation of the redevelopment of Her Majesty's Theatre

- Adelaide Venue Management Corporation's investment program of $23.6 million comprising completion of the Adelaide Convention Centre redevelopment project and upgrade of facilities at Adelaide Entertainment Centre and Coopers Stadium.

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

Table 5.5: Capital Investment Programs ($million)

Investments	Estimated Completion Quarter	2017–18 Budget $m	Estimated total cost $m
SA Water major projects			
Northern Adelaide Irrigation Scheme	Jun 2021	56.7	155.6
Kangaroo Creek Dam Safety	Mar 2020	33.2	94.7
Hope Valley Tank Structure Renewal	Jun 2018	16.7	21.6
Other major projects		87.7	n.a.
Total SA Water major projects		**194.3**	**n.a.**
SA Water annual programs			
Asset Renewal	n.a.	11.4	n.a.
Information Technology	n.a.	32.3	n.a.
Mechanical and Electrical Renewal	n.a.	34.3	n.a.
Network Extension	n.a.	38.7	n.a.
Pipe Network Renewal	n.a.	77.0	n.a.
Safety	n.a.	34.6	n.a.
Structures	n.a.	48.5	n.a.
Other annual programs		36.5	n.a.
Total SA Water annual programs		**313.1**	**n.a.**
Total SA Water contributed assets		**28.3**	**n.a.**
Total SA Water		**535.8**	**n.a.**
South Australian Housing Trust			
Better Neighbourhoods Program	n.a.	42.2	n.a.
Economic Stimulus — construction of social housing[(a)]	Sep 2018	46.4	118.0
Playford North Urban Renewal	Jun 2020	18.7	149.0
Public Housing Capital Maintenance	n.a.	15.6	n.a.
Remote Indigenous Housing	Jun 2019	27.4	213.6
Other capital investment		41.1	n.a.
Total South Australian Housing Trust		**191.4**	**n.a.**
Adelaide Festival Centre Trust			
Her Majesty's Theatre Redevelopment[(b)]	Dec 2019	43.8	83.5
Total Adelaide Festival Centre Trust		**43.8**	**83.5**
Adelaide Venue Management Corporation			
Adelaide Convention Centre Redevelopment	Dec 2017	13.6	396.8
Other capital investment		9.9	n.a.
Total Adelaide Venue Management Corporation		**23.6**	**n.a.**
Other PNFC entities		**23.1**	**n.a.**
Total capital investment		**817.7**	**n.a.**

Note: Totals may not add due to rounding.

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

(b) Includes the purchase of existing assets by the AFCT from Arts SA for the value of $18.9 million.

Net debt

PNFC sector net debt is expected to be $7.5 billion in 2016–17, an increase of $16.0 million compared with original budget estimates. Net debt is forecast to increase from $7.5 billion in 2016–17 to $8.2 billion by 2020–21. The following table shows that the expected increase in net debt mainly reflects SA Water increasing borrowings by $829.8 million from 2016–17 to 2020–21 to deliver continued capital investment, including the Northern Adelaide Irrigation Scheme project and maintaining its debt to asset ratio at a target of 45 per cent.

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Adelaide Cemeteries Authority	-3.0	-2.2	-2.1	-0.9	-1.0	-1.5
Adelaide Festival Centre Trust	-12.5	-14.6	9.1	39.8	46.2	46.0
Adelaide Venue Management Corporation	349.3	316.5	331.6	326.6	321.0	315.1
Electricity Lease Entities	-4.4	-4.3	-4.5	-4.7	-4.9	-5.1
ForestrySA	-19.9	-25.3	-25.6	-26.1	-26.6	-27.5
Public Trustee	-17.3	-16.4	-17.4	-18.5	-19.6	-20.1
Renewal SA	906.0	912.4	892.4	856.7	840.1	785.8
SA Water	6 427.5	6 482.9	6 732.1	6 955.9	7 129.3	7 312.7
South Australian Government Employee Residential Properties	46.0	33.6	34.2	34.8	35.4	36.0
South Australian Housing Trust	-157.3	-148.8	-89.1	-105.9	-183.7	-214.7
West Beach Trust	10.0	6.6	9.3	9.6	8.4	7.1
Total PNFC net debt	**7 524.3**	**7 540.3**	**7 870.0**	**8 067.2**	**8 144.6**	**8 233.6**

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.

SA Water

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Income tax equivalents	54.9	55.8	62.6	66.4	65.1	62.0
plus						
Dividends	121.8	121.6	138.8	132.3	136.0	135.1
less						
Grants, subsidies and CSOs	144.1	143.5	145.5	138.0	138.1	140.8
equals						
Net contribution to/from government	**32.6**	**33.9**	**55.8**	**60.7**	**63.0**	**56.3**
Capital investment	**367.1**	**372.6**	**535.8**	**488.5**	**366.6**	**398.0**
Net debt	**6 427.5**	**6 482.9**	**6 732.1**	**6 955.9**	**7 129.3**	**7 312.7**

Note: Totals may not add due to rounding.

The government is estimated to receive a net contribution from SA Water in 2016–17 of $33.9 million which is consistent with the original budget.

In 2014–15, $2.7 billion of debt was transferred to SA Water to set the debt to asset ratio of SA Water to 45 per cent. The gearing level of SA Water will be maintained across the forward estimates at a target of 45 per cent. This ensures SA Water continues to be in line with its interstate peers and is consistent with the debt to asset ratio determined appropriate at the time of the initial debt transfer.

SA Water's 2017–18 estimated net contribution to the government of $55.8 million is $21.9 million higher than the 2016–17 estimated result, primarily due to higher forecast water sales in 2017–18.

In 2017–18, SA Water's capital expenditure is forecast to increase by $163.2 million mainly due to the commencement of the Northern Adelaide Irrigation Scheme (subject to Commonwealth Government funding).

Renewal SA

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Income tax equivalents	—	—	6.5	8.0	1.6	4.3
plus						
Dividends	2.7	2.1	13.9	17.0	3.6	9.3
less						
Grants, subsidies and CSOs	64.9	15.8	12.2	14.7	14.8	11.2
equals						
Net contribution to/from government	**-62.2**	**-13.8**	**8.2**	**10.3**	**-9.6**	**2.4**
Capital investment	**654.9**	**619.6**	**7.6**	**—**	**—**	**—**
Net debt	**906.0**	**912.4**	**892.4**	**856.7**	**840.1**	**785.8**

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, as well as a rental stream from the ownership of the TAFE SA properties. The major influences on Renewal SA's business operations over the forward estimates are the demand for new housing within Renewal SA's existing residential development projects and the demand for industrial and commercial land, which is typically sought in proximity to major transport related infrastructure. A commercial income stream from the ownership of the TAFE SA properties contributes to the improved longer term financial position of Renewal SA.

Renewal SA makes dividend payments each year associated with the Adelaide Station and Environs Redevelopment site profit, reflecting the net income earned on the site. It is anticipated that Renewal SA will generate annual profits from 2017–18 and will therefore commence paying income tax equivalents and dividends from that date.

Dividends and income tax equivalents will reduce in 2019–20 as a result of the cyclical nature of Renewal SA's land sales programs with the completion of the Lightsview development in 2018–19. They will increase slightly in 2020–21 due to the increase in sales within the Tonsley Park redevelopment. Other major projects impacting on sales revenue across the forward estimates include Playford Alive, Bowden and Woodville West.

Estimated grant, subsidy and CSO payments to Renewal SA in 2016–17 of $15.8 million is $49.1 million below budget mainly due to a reduction to the CSO payment. In the 2016–17 Budget, Renewal SA was budgeted to receive a CSO payment in relation to its purchase of the TAFE SA properties. The finalised structure provides for DSD to pay commercial lease rates on the TAFE SA properties and therefore, ongoing CSO payments are not required. CSO payments are forecast to remain relatively consistent across the forward estimates.

In 2017–18 Renewal SA's capital expenditure decreases mainly due to the purchase of the TAFE SA properties from DSD for $595 million occurring in 2016–17. Renewal SA's debt to asset ratio is forecast to be around 86 per cent in 2017–18.

South Australian Housing Trust

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

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Income tax equivalents	—	—	—	—	—	—
plus						
Dividends	—	—	—	—	—	—
less						
Grants, subsidies and CSOs	154.7	160.8	206.5	269.6	277.5	284.9
equals						
Net contribution to/from government	**-154.7**	**-160.8**	**-206.5**	**-269.6**	**-277.5**	**-284.9**
Capital investment	**180.0**	**159.4**	**191.4**	**156.5**	**95.1**	**55.9**
Net debt	**-157.3**	**-148.8**	**-89.1**	**-105.9**	**-183.7**	**-214.7**

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 social housing services and programs to tenants and clients through its own revenue sources.

Total state grant funding provided to SAHT is estimated to increase by $45.7 million from 2016–17 to 2017–18 and a further $63.1 million in 2018–19, primarily due to the transitional increase in state grants over the next two years as a result of the conclusion of the reduction in state grants to SAHT flowing from the Commonwealth Government's balance sheet relief provided in 2012–13.

Public financial corporations

The public financial corporations (PFC) sector includes HomeStart Finance, South Australian Government Financing Authority (trading as SAFA), Motor Accident Commission (MAC), Return to Work Corporation of South Australia (trading as 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)

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Income tax equivalents						
HomeStart Finance	4.9	5.1	4.7	5.4	5.8	5.8
Motor Accident Commission	—	—	—	—	—	—
Return to Work Corporation of South Australia	—	86.3	—	—	—	—
South Australian Government Financing Authority	10.7	16.9	10.4	10.4	10.4	10.4
Total income tax equivalents	**15.6**	**108.2**	**15.0**	**15.8**	**16.1**	**16.1**
plus **Dividends**						
HomeStart Finance	6.8	7.1	6.5	7.6	8.1	8.1
Motor Accident Commission	105.8	297.8	321.7	128.4	34.2	—
Return to Work Corporation of South Australia	—	—	—	—	—	—
South Australian Government Financing Authority	13.1	23.1	15.7	14.2	15.5	17.2
Total dividends	**125.7**	**328.0**	**343.9**	**150.2**	**57.7**	**25.3**
less **CSOs**						
HomeStart Finance	6.2	6.2	6.6	6.9	7.3	7.6
Motor Accident Commission	—	—	—	—	—	—
Return to Work Corporation of South Australia	—	—	—	—	—	—
South Australian Government Financing Authority	—	—	—	—	—	—
Total CSOs	**6.2**	**6.2**	**6.6**	**6.9**	**7.3**	**7.6**
equals **Net contribution to/from government[(a)]**						
HomeStart Finance	5.4	5.9	4.6	6.1	6.5	6.2
Motor Accident Commission	105.8	297.8	321.7	128.4	34.2	—
Return to Work Corporation of South Australia	—	86.3	—	—	—	—
South Australian Government Financing Authority	23.8	39.9	26.1	24.6	25.9	27.6
Total net contribution to/from government[(a)]	**135.0**	**429.9**	**352.4**	**159.1**	**66.6**	**33.8**

Note: Totals may not add due to rounding.

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

Distributions from SAFA are estimated to be $16.1 million above budget in 2016–17 reflecting higher than budgeted dividends and income tax equivalent payments arising from SAFA's treasury, fleet and insurance operations.

ReturnToWorkSA is forecast to make a profit in 2016–17 and has announced that the average premium rate levied on employers will reduce from 1.95 per cent in 2016–17 to 1.8 per cent in 2017–18, delivering a $40 million per annum benefit to employers through reduced premiums in 2017–18. This follows the reduction from 1 July 2016 which provided a total benefit to employers of $180 million per annum. The two premium rate reductions deliver an ongoing benefit to employers of $220 million per annum. While ReturnToWorkSA does not pay a dividend to the government, it is required to make an income tax equivalent payment on profits under the *Public Corporations Act 1993*. In 2016–17, ReturnToWorkSA is estimating to make an income tax equivalent payment of $86.3 million.

As a result of the reforms to the CTP insurance market in South Australia, the government received a dividend from MAC of $297.8 million in 2016–17, and is forecasting a further dividend return of $484.3 million across the forward estimates.

It is anticipated that the reform of the CTP insurance market in South Australia will result in almost $2.8 billion being paid to government between 2014–15 and 2019–20, comprising dividends of $1.6 billion, a total return of equity of almost $0.9 billion and a private insurer approval fee of almost $0.3 billion, as shown in Table 5.11. This represents an increase of $687 million since the 2016–17 Budget.

Table 5.11: Return to government from the privatisation of the Motor Accident Commission ($million)

	2014–15 Actual	2015–16 Actual	2016-17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	Total
Dividends	459.2	403.5	297.8	321.7	128.4	34.2	1 644.8
Return of Equity	393.7	45.0	390.4	16.9	6.8	1.8	854.6
Return of Equity — Private Insurer Approval Fee	—	—	259.4	—	—	—	259.4
Total Releases and Approval Fee	**852.9**	**448.5**	**947.6**	**338.6**	**135.2**	**36.0**	**2 758.8**

Note: Totals may not add due to rounding.

Full-time equivalents (FTEs)

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

	Full-time equivalent employees as at 30 June				
	2017 Estimate	**2018 Budget**	**2019 Estimate**	**2020 Estimate**	**2021 Estimate**
Public non-financial corporations					
Adelaide Festival Centre Trust	254.0	254.0	254.0	254.0	254.0
Adelaide Venue Management Corporation	345.0	375.0	372.0	371.0	368.0
Public Trustee	169.8	169.8	167.8	167.8	167.8
Renewal SA	186.7	185.2	184.2	183.2	183.2
SA Water	1 570.0	1 553.4	1 536.4	1 526.9	1 521.9
South Australian Housing Trust	878.7	820.4	794.4	789.9	786.9
Other	200.8	188.2	193.2	193.2	193.2
Total public non-financial corporations	**3 605.0**	**3 546.0**	**3 502.0**	**3 486.0**	**3 475.0**
Public financial corporations					
HomeStart Finance	102.1	102.1	102.1	102.1	102.1
Return to Work Corporation of South Australia	256.5	248.0	248.0	248.0	248.0
South Australian Government Financing Authority	80.1	80.1	80.1	80.1	80.1
Other	98.3	108.8	117.8	120.8	123.8
Total public financial corporations	**537.0**	**539.0**	**548.0**	**551.0**	**554.0**

The estimated aggregate workforce of the PNFC sector is 3605.0 FTEs as at 30 June 2017, over 67 per cent of which relates to positions in SA Water and SAHT.

Employment in the PFC sector is estimated to be 537.0 FTEs as at 30 June 2017, with a large proportion of positions within ReturnToWorkSA and HomeStart Finance.

FTEs in the PNFC sector are estimated to decrease by 130 (3.6 per cent) between 30 June 2017 and 30 June 2021 primarily driven by staffing reductions for SAHT and SA Water.

Chapter 6: Risk statement

Overview

This chapter outlines the major financial risks that could affect the fiscal outlook set out in the 2017–18 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 economic conditions, the HFE process will provide South Australia with a higher share of GST revenues. This means that in the medium to longer term, total South Australian revenues (the combination of GST revenue grants and own-source revenues) are primarily driven by the national economy. However, the HFE process operates with a lag and therefore fluctuations in state economic activity do have a greater short-term impact on overall revenues.

Specific economic-related risk factors include that:

- weaker international and national economic environments could reduce the demand for South Australian goods and services, with consequent impacts on investment and activity more broadly. The International Monetary Fund World Economic Outlook (April) suggested that while the immediate global outlook is positive, the risks are weighted to the downside. International economic factors that can impact South Australia include:
  - commodity prices (oil, iron ore and coal) have recovered significantly since bottoming in 2016, supporting an increase in national income tax receipts, but there is risk around the sustainability of the current prices
  - increasing trade protection, geopolitical tension, international debt levels and global financial market instability could all be triggers for a reversal in global market sentiment and confidence impacting demand for Australian exports
  - there are continued concerns around the smoothness of the transition of the Chinese economy away from investment-based growth (largely credit driven) to consumption and services based growth. China is the state's most significant export market
  - faster than expected interest rate rises in the United States of America could result in a more rapid tightening in global financial conditions and a sharp appreciation in the United States dollar, which would subsequently reduce the state's competitiveness in international markets.

Within South Australia:

- the closure of the automotive manufacturing industry in October and uncertainty around the Arrium operation at Whyalla present a risk to consumer and business confidence and levels of investment, consumption and employment
- agricultural output, which has been very strong in recent years, is subject to significant climate variability.

State taxation

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

Payroll tax

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

There is a risk that employment or wages growth will be lower than forecast which would flow through as a reduction in payroll tax revenue. In addition, there are risks to revenue estimates associated with the composition of employment growth between firms that are subject to payroll tax and those that are not. 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 $12 million in payroll tax revenue.

Property taxes

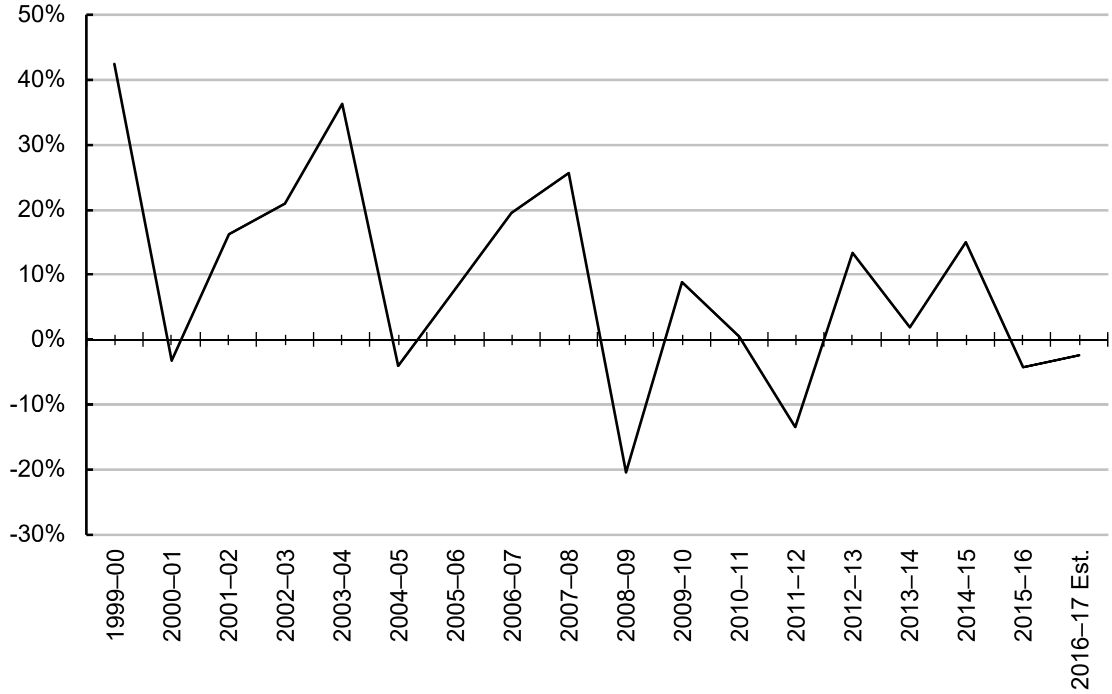
Conveyance duty revenue is exposed to local variations in the property market. Trends in property market values and activity levels can be difficult to predict particularly transaction numbers which can change significantly from one year to the next. Forward projections of conveyance duty revenue assume 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 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 1990–2000. Over that time, annual growth in total conveyance duty revenue has ranged from around negative 20 per cent to positive 42 per cent.

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



(a) Includes impact of policy changes

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 2017–18 property values equates to about $10 million in conveyance duty revenue, while a 1.0 per cent variation in transactions in 2017–18 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 2017–18 (after indexation of tax brackets for growth in land values).

Gaming machine revenue

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

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

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.

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 $3 million.

Traffic infringement fines

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

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

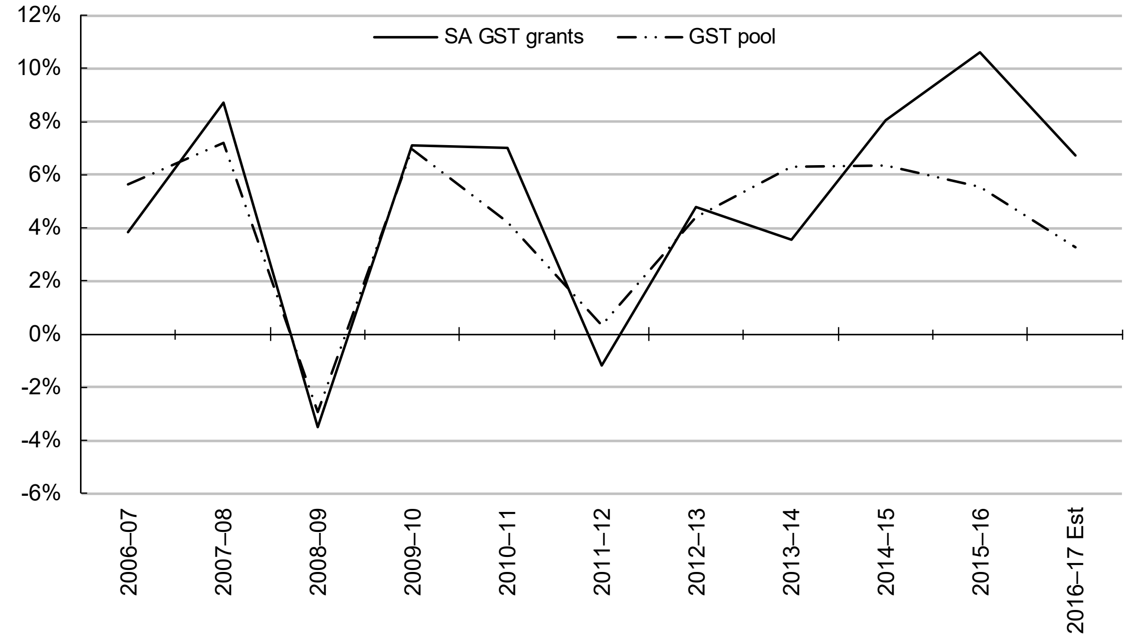
Changes to general purpose payments (GST revenue)

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

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

Annual average growth in the national GST pool over the five years to 2019–20 was around 1 percentage point lower in the Commonwealth's 2017–18 Budget compared to corresponding forecasts in the Commonwealth's 2016–17 Budget. This lower than expected growth in the national GST pool results in lower GST revenue grants to South Australia of around $700 million over that period.

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 $63 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 $2 billion more in GST revenue grants than it would if funding were distributed on a simple population (per capita) basis without consideration of the differing fiscal needs and capacities of each state.

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, which has now commenced, will conclude in February 2020.

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

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

In addition to the CGC's methodology review, the Commonwealth Treasurer has directed the Productivity Commission to undertake an inquiry into Australia's system of HFE (the Inquiry). The Inquiry will examine current HFE arrangements in Australia, consider the economic efficiency impacts of current HFE arrangements, the contemporaneity of the CGC's assessment process and whether HFE creates disincentives for economic development.

The Inquiry may recommend changes to the current HFE arrangements in Australia which, if implemented, could result in either negative or positive impacts on GST revenue grants to South Australia.

South Australia will make submissions to the Inquiry highlighting the importance of maintaining a system of full equalisation in Australia.

The Productivity Commission is required to produce a final report by 31 January 2018.

Impact: A 0.01 change in South Australia's relativity (from the 2017 update relativity of 1.43997) would result in a change in GST revenue grants of about $44 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 Quality Schools 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.

In the 2017–18 Commonwealth Budget the Commonwealth Government announced an extension of the needs-based (Gonski) funding over the period 2018 to 2027. Although this will provide an increase in funding to schools, it does not restore funding to levels in place prior to the 2014–15 Commonwealth Budget.

The Commonwealth Government has also announced that it will combine the existing National Affordable Housing Agreement with the National Partnership on Homelessness to create a new National Affordable Housing and Homelessness Agreement. While the funding levels are expected to be relatively unchanged the Commonwealth Government has indicated that it will seek to change the performance benchmarks for the agreement from 2018–19.

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 2017–18 to the general government sector from PNFCs and PFCs would have a $5.9 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.

The new Royal Adelaide Hospital will open in 2017–18. In other instances interstate where a new facility has opened to the public, there has been an initial period where emergency department presentations increase, as people use their discretion and choose to attend the new hospital in favour of other hospitals. This may lead to pressures on the emergency department and additional activity at the new Royal Adelaide Hospital generally. This would likely represent a diversion of activity from other public hospitals to the new Royal Adelaide Hospital, but there are risks of additional costs to the health system overall should this occur and resources not able to be managed and re-directed appropriately with this activity.

Impact: A 1.0 per cent growth in hospital expenditure above the level incorporated in the 2017–18 Budget would increase expenditure by approximately $53 million per annum.

Student enrolment numbers

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

Impact: A 1.0 per cent growth in government school enrolment numbers above the levels incorporated in the 2017–18 Budget would increase expenditure by approximately $20 million per annum.

Growth in children in care

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

Impact: Depending on the mix of care types, a 1.0 per cent growth in children in out-of-home care above the levels incorporated in the 2017–18 Budget would increase expenditure by approximately $3.6 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 meeting a minimum of 75 per cent of cost risk.

The NDIS is a substantial policy change from how disability services have historically been funded and delivered. Disability service providers, including government owned disability service providers will need to review their business models to ensure services meet NDIS requirements and reform their service offerings as required. There are a range of issues that need to be resolved as part of transition to the full scheme NDIS arrangements, including scope of services provided by the NDIS. Costs arising during the transition period for implementing the significant NDIS reforms will require careful management.

Impact: Depending on the mix of client needs, a 1.0 per cent growth in client costs above the level incorporated in the 2017–18 Budget would increase expenditure by approximately $3.9 million in 2017–18, noting that this takes into account the state's scheduled transition to the NDIS in 2017-18, with the state in full NDIS from 2018–19.

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 2017–18 Budget.

In 2017–18 enterprise bargaining negotiations will occur for Wages Parity Groups (salaried and weekly paid), Visiting Medical Specialists, Salaried Medical Officers, Clinical Academics, Firefighters, the Rail Commissioner's Tram employees and School and Preschool staff.

The government has set 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 $220 million in 2020–21.

Delivery of savings and revenue measures

Since the 2010–11 Budget the government has implemented significant savings measures each year. The large specific savings measures have been substantially delivered and 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 of 1.0 per cent of the agency employee expenses budget per annum and a 1.0 per cent reduction in their net cost of services per annum. The policy applies to the majority of general government agencies and allows the flexibility to tailor savings to their particular operating structures to ensure more efficient ways of conducting business are pursued, without reducing the quality or level of services provided. 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 all sectors through changes in interest payments.

Impact: A 1.0 percentage point move in the average interest rate applying to general government sector net debt would change net interest expense by approximately $61 million in 2017–18 rising to $67 million in 2020–21.

A 1.0 percentage point move in interest rates applying to the PNFC sector would change their net interest expense which would affect contributions received by the general government sector from PNFCs by approximately $79 million in 2017–18.

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.

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 $22.2 million in 2017−18.

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 $64 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 $2.5 billion. However the impact on the budget net operating balance is the imputed interest on these unfunded liabilities, and the interest rate used to calculate this will also fall by 1.0 percentage point. The net effect on the budget would be an improvement of around $52 million per annum in the net operating balance. An increase in the discount rate of 1.0 percentage point would decrease unfunded superannuation liabilities by $2.1 billion and increase the imputed interest and reduce the net operating balance by $22 million.

Change in domestic and overseas share prices

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

Impact: A variation in domestic and overseas share prices will directly impact the budget through a change in earnings on superannuation assets. A change in the value of the financial investments of ReturnToWorkSA can impact the budget through the income tax equivalent payment received from ReturnToWorkSA.

A change in the value of SAFA's financial investments may have a direct impact on the budget through a variation in SAFA's 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 there will be a cost or other financial impact for the government to settle the obligation, or
  - the amount of the obligation cannot be measured with sufficient reliability.

Full details of the state's material quantifiable and non-quantifiable contingent liabilities are included in the Consolidated Financial Report as at 30 June 2016.

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)

	2015	2016
Guarantees	943	920
Nyrstar indemnity	291	291
Other	62	109
Total	**1 296**	**1 320**

Note: Totals may not add due to rounding.

Final whole of government data for 2016–17 will be published in the Consolidated Financial Report as at 30 June 2017.

The information below provides 30 June 2016 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: $665 million at 30 June 2016 (compared with $693 million at 30 June 2015).

- 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 2016 (unchanged from 30 June 2015).

- 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: $1.4 billion at 30 June 2016 (compared with $1.5 billion at 30 June 2015).

- 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 2015).

- 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 2016 (unchanged from 30 June 2015).

- 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 2016 (unchanged from 30 June 2015).

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

  Exposure: $56 million at 30 June 2016 (compared with $50 million at 30 June 2015).

- 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 2016 out of the $50 million program limit (unchanged from 30 June 2015).

- New Royal Adelaide Hospital financing arrangements — the Central Adelaide Local Health Network has a finance lease arrangement in place for the new Royal Adelaide Hospital and has recognised a leased asset and finance lease obligation in 2016–17. The hospital is being delivered under a public-private partnership agreement with SA Health Partnership Nominees Pty Limited which is now known as Celsus. The agreement with Celsus provides a regime that allows Celsus to submit claims for additional time to complete and associated compensation for state induced delays to commercial acceptance, and equally for the state to submit claims for compensation for delays, incurable defects and other related matters where each claim will be assessed independently on its merits. To date, all claims from Celsus have been rejected by the independent assessor, however there are still a number of commercial matters, principally related to delays and incurable defects which the state believes it is entitled to compensation for, that remain outstanding and are currently the subject of an arbitration process.

  Exposure: Not presently quantifiable.

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

  Exposure: $38.5 million at 31 May 2017

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

South Australia's economic outlook remains largely consistent with that presented at the time of the 2016–17 Mid-Year Budget Review, following stronger than expected growth over the past twelve months.

Growth in the global economy moderated to 3.1 per cent in 2016, but is forecast by the International Monetary Fund (IMF) to improve to 3.5 per cent in 2017 and to 3.6 per cent in 2018. While the momentum has improved in advanced economies, growth in emerging and developing economies still accounts for the majority of projected world growth. China, one of South Australia's largest trading partners, has implemented policies designed to provide additional support to its economy as efforts continue to transition away from a growth model driven by investment to one based on consumption and services. Concerns around the financial risks posed by the credit-based financing of the expansion remain. The IMF forecasts growth in China will be 6.6 per cent in 2017, following growth of 6.7 per cent in 2016, moderating further to 6.2 per cent in 2018.

The Australian economy has recently benefitted from stronger demand and prices for iron ore and coal. Although this has boosted the profits of resource firms, higher commodity prices are widely expected to be temporary and as such are not expected to translate into higher investment or employment in the resources sector. Thus the outlook for the national economy remains reliant on an ongoing transition to stronger investment by businesses outside the mining sector, supported by low interest rates as well as rising resource exports, particularly for liquefied natural gas, flowing from previous investment.

The South Australian economy is forecast to grow at around 2¼ per cent per annum from 2017–18 through to 2020–21. It is anticipated the lower Australian dollar will continue to support economic activity in the trade–exposed sectors of the South Australian economy, including tourism, international education, and premium food and wine. The new shipbuilding program centred at Techport near Port Adelaide will support the development of advanced manufacturing in South Australia and will contribute to expanded job opportunities from 2017. Further support will come from public investment projects, including the Torrens to Torrens and Darlington road upgrades and new investment arising from the South Australian Government's Energy Plan. These positive developments are expected to mitigate the impacts of the cessation of automotive manufacturing.

South Australia's recent economic performance

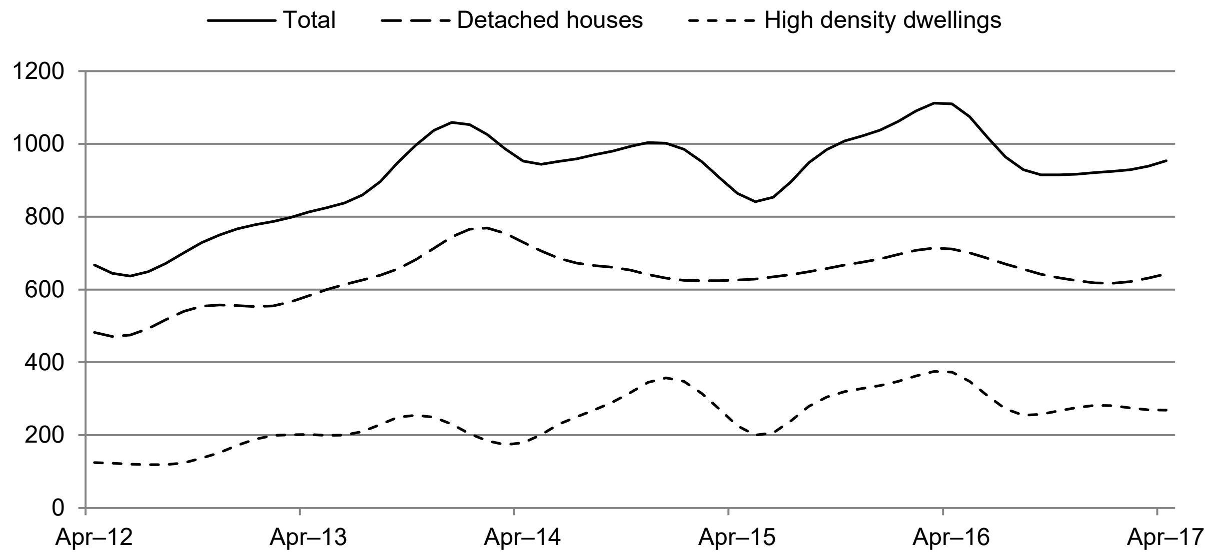
South Australia has seen better than expected growth in employment over the past twelve months, with the economy being supported by growth in household consumption, public investment spending, a record winter crop and growth in tourism. South Australian employment has increased by 6900 (0.9 per cent) in trend terms in the past twelve months. On average for 2016–17 growth in employment is now expected to be 1¼ per cent, above the 2016–17 Budget forecast of ¾ per cent.

State Final Demand (SFD), which is a measure of total spending in the South Australian economy by households, business and governments, grew by 2.7 per cent in real trend terms in the year to the March quarter 2017, largely supported by increased consumer spending and public sector investment.

Consumer spending has remained relatively robust, growing by 2.5 per cent in real trend terms in the year to the March quarter 2017. Retail turnover has grown by 3.9 per cent in nominal trend terms through the year to April 2017, above national growth of 2.7 per cent.

The housing construction sector has experienced solid levels of activity, with the construction of 11 100 dwellings during 2016. While approvals have declined from the recent peak twelve months ago (see figure 7.1), construction activity will be supported by work still in the pipeline, with the value of residential work yet to be done at a record high at the end of 2016.

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

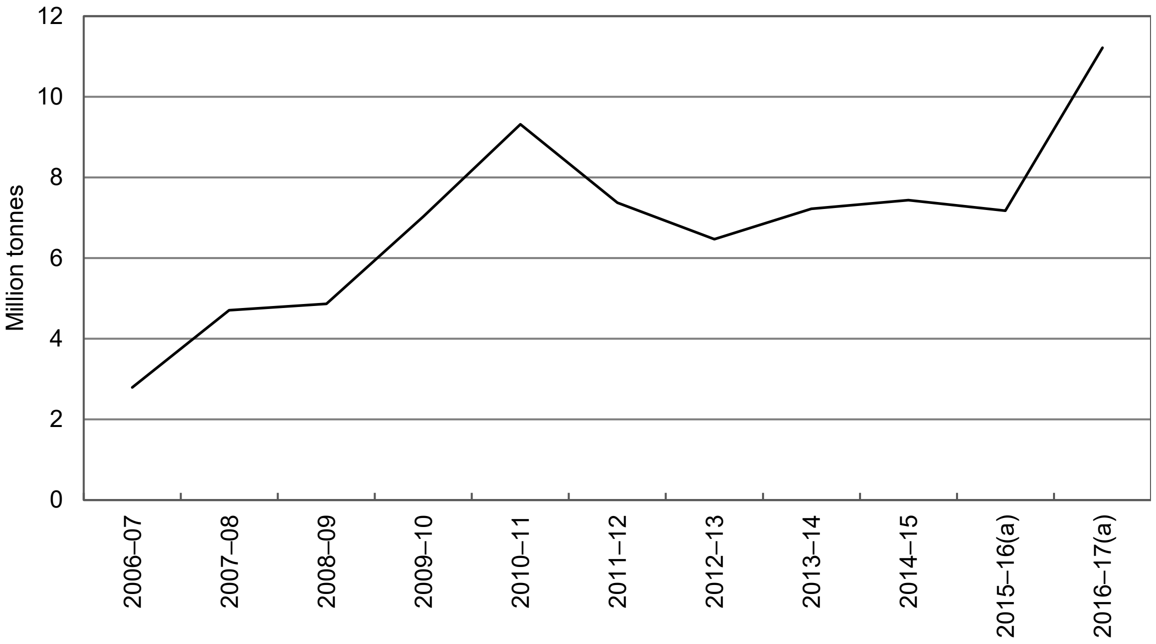


Source: ABS, Building Approvals, Australia, Catalogue no. 8731.0.

Private new business investment remains subdued, not only in South Australia, but also nationally and internationally. There have been some positive trends in recent quarters however. In the year to the March quarter 2017, private new business investment rose by 3.3 per cent — on the back of three consecutive quarters of growth. Similarly, private new capital expenditure in South Australia rose by 6.2 per cent in the March quarter 2017, following growth of 3.4 per cent in the previous quarter. The rise in capital expenditure in the March quarter resulted from growth in expenditure on equipment and machinery, which was up by 12 per cent — also the third consecutive quarter of growth.

Favourable seasonal conditions during crop development have supported high volume winter crop production in 2016–17. South Australia's winter crop production is estimated to be to be 11.2 million tonnes, 56 per cent higher than in 2015–16, and the highest on record (see figure 7.2). The initial forecast for South Australia's 2017–18 winter crop production is 6.7 million tonnes, 16 per cent below the five-year average and down 41 per cent (or 4.5 million tonnes) from the 2016–17 record winter crop.

Figure 7.2: South Australia's winter crop production



Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), Australian Crop Report.

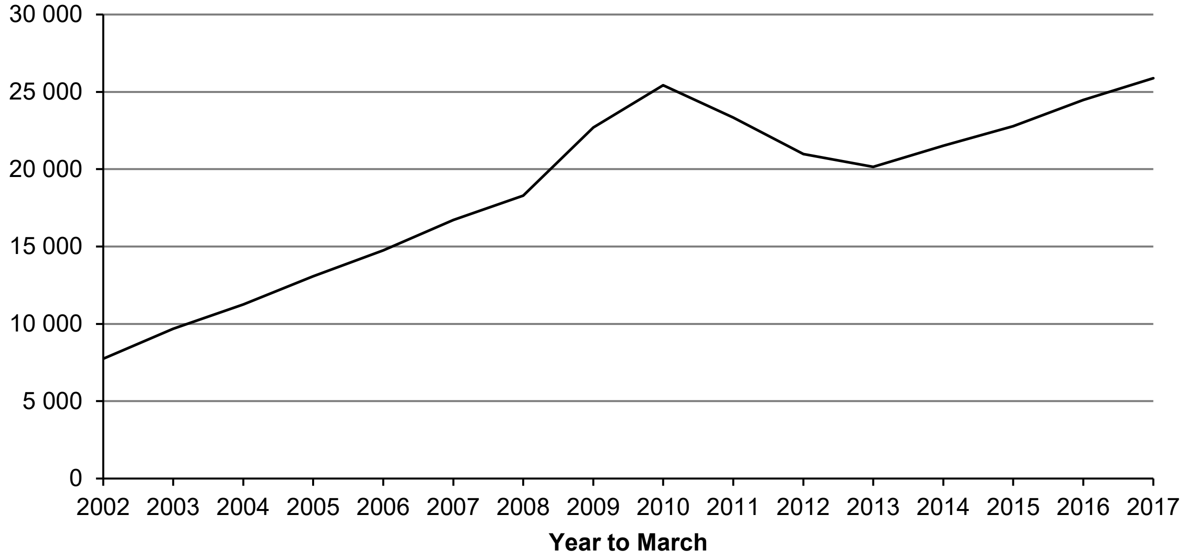
(a) ABARES estimate

The volume of South Australian goods and services exports was 1.6 per cent higher in the year to March 2017 compared with the year to March 2016. Over the same period, the value of South Australian goods and services exports was 2.7 per cent lower.

The volume of goods exports in the year to March 2017 was 0.7 per cent lower than in the previous twelve months. In value terms, goods exports were 6.0 per cent lower over the same period. The fall in the value of exports has thus been largely due to falling prices. Contributing to the decline in the value of exports were wheat, 'other/confidential' (which includes bulk barley), meat, copper, and road vehicles, parts and accessories. The record 2016 winter crop will increase South Australia's exports over the coming year.

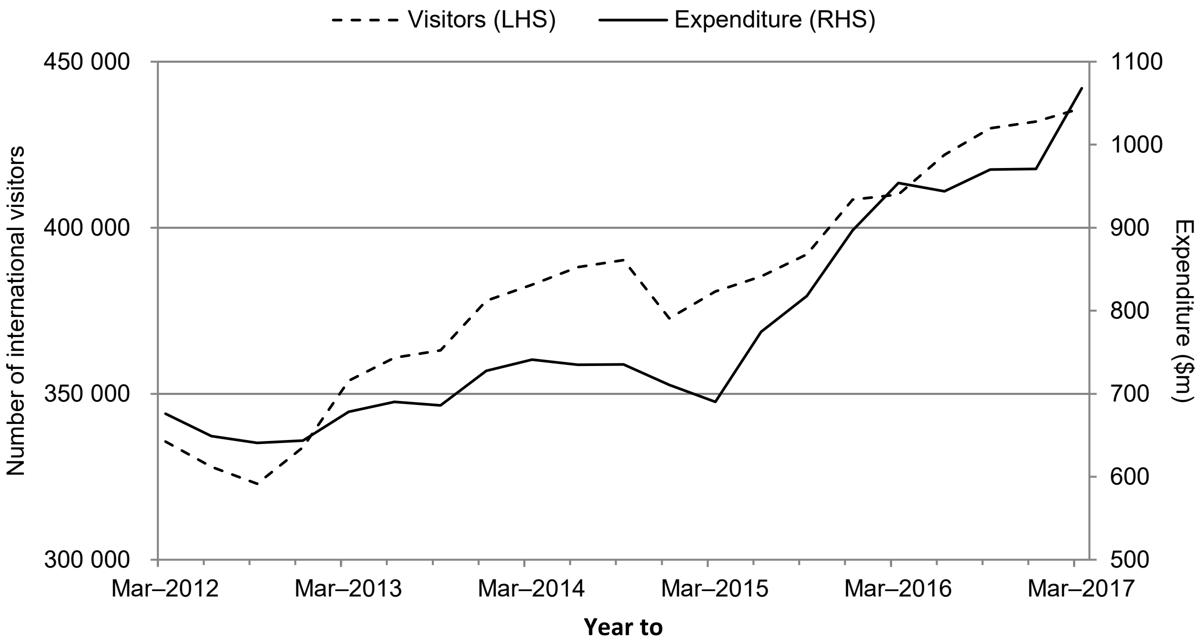
In contrast to the decline recorded in goods exports, both the volume and value of services exports were up in the year to March 2017 compared with the year to March 2016 — rising by 13 per cent and 14 per cent respectively. International education and tourism present significant opportunities for growth within the state with improved competitiveness due to the lower Australian dollar. Overseas student enrolments in the year to March 2017 were 5.8 per cent higher than at the same time a year earlier (see figure 7.3). International tourism visitor numbers also continue to grow. There were 436 000 international visitors to South Australia in the year to the March quarter 2017, 6.5 per cent higher than in the previous twelve months, spending a total of $1068 million — 12 per cent higher than a year earlier (see figure 7.4). Domestic tourism has also grown strongly with an increase of 6.1 per cent in the number of visitors and 14 per cent rise in expenditure in the year to the December quarter 2016.

Figure 7.3: International student enrolments, South Australia



Source: Department of Education and Training, International Student Data 2017

Figure 7.4: International visitors and expenditure, South Australia



Source: International visitors in Australia — March 2017, Tourism Research Australia.

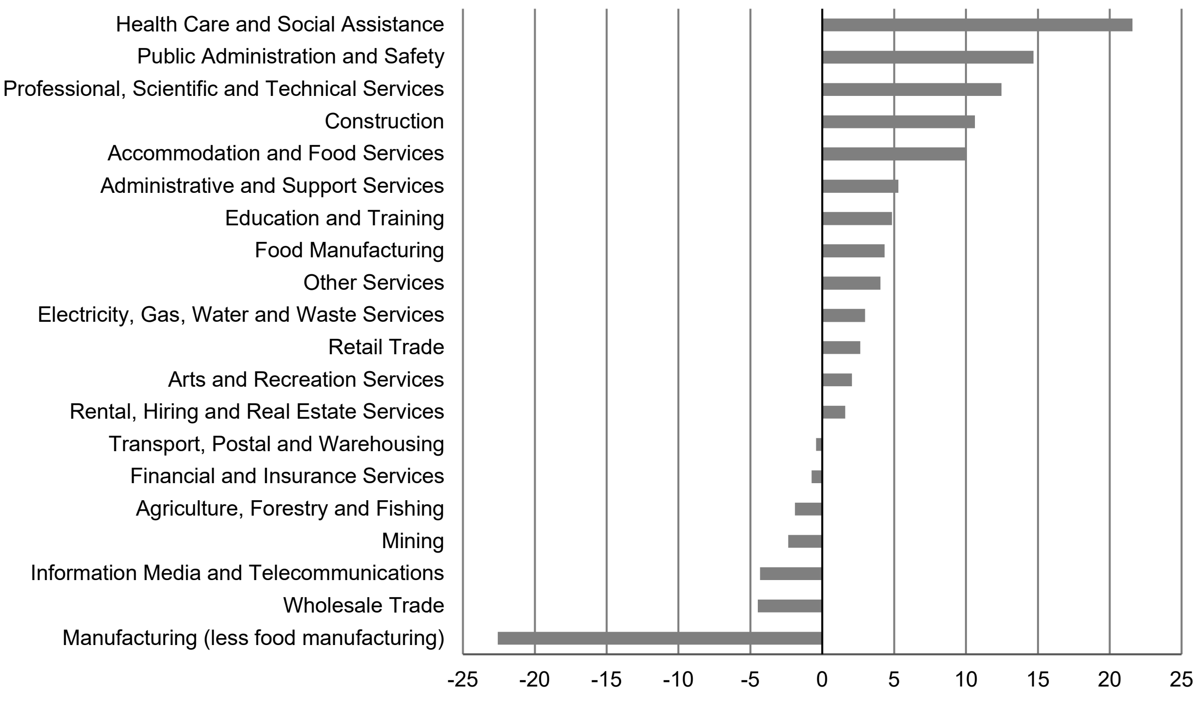
South Australia's estimated resident population grew by 9400 (0.6 per cent) during the year to September 2016, to be 1.7 million persons. This compares to growth nationally of 1.5 per cent. Net overseas migration accounted for the bulk of the state's population gain (9300) and, to a lesser extent, natural increase (6600). These gains, however, were partially offset by net population outflow interstate (6500).

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

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

Employment in South Australia grew by 0.9 per cent in the year to May 2017 (see figure 7.5). Employment growth is transitioning away from mining and manufacturing toward the services industries. In the ten years to February 2017, employment growth has been strongest in health care and social assistance, public administration and safety, professional, scientific and technical services, construction and accommodation and food services. Despite large declines in manufacturing industry employment, food manufacturing has risen over the past decade (see figure 7.6).

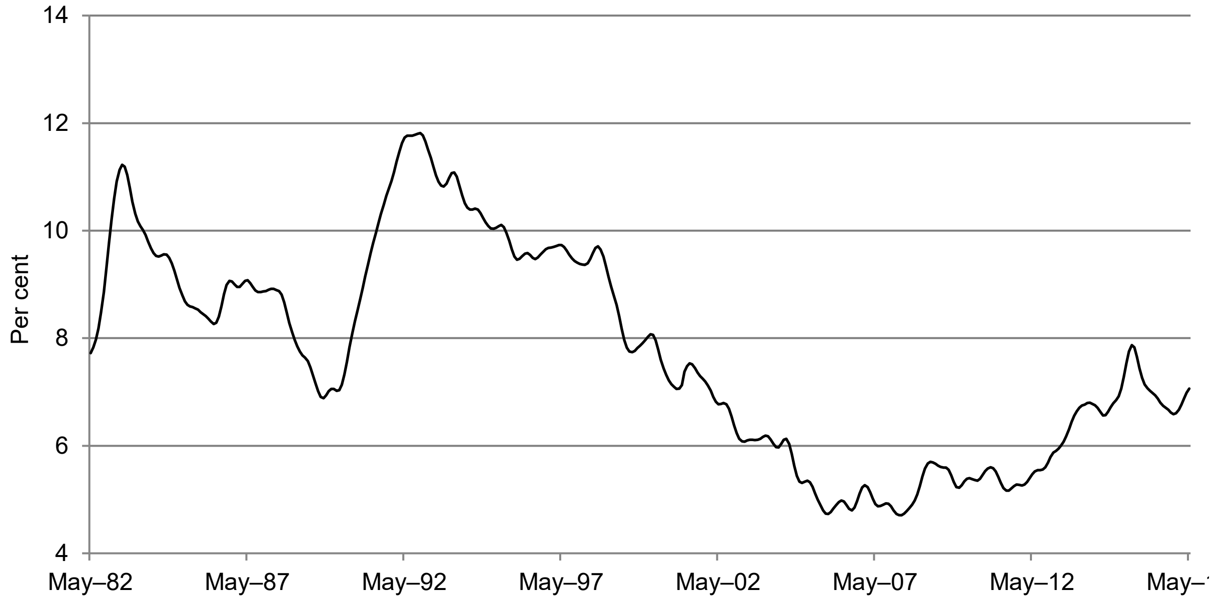
Figure 7.6: South Australian employment by industry — year to February 2017 compared to year to February 2007 ('000 persons)



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

South Australia's trend unemployment rate was 7.1 per cent in May 2017, 0.2 of a percentage point higher than a year earlier but below the July 2015 peak of 7.9 per cent (see figure 7.7).

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



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

As is the case nationally, 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 2017. While picking up a little recently, consumer price inflation remains well contained, rising by 2.0 per cent in the year to the March quarter 2017. Falling prices for telecommunication equipment and services, gas and other household fuels, and water and sewerage, have partially offset the growth in prices of automotive fuel, tobacco, electricity, medical and hospital services, vegetables and insurance.

Economic outlook

It is largely anticipated that the national economy will continue to transition to non–resource drivers of growth, assisted by a lower Australian dollar, and accommodative monetary policy settings. To date this economic transition has mainly been in the form of strong growth in residential construction (primarily in Sydney and Melbourne). While there is a strong pipeline of residential construction work still to be done, this is now showing signs of having peaked, with national building approvals slowing from mid–2016. While it is expected that private business investment will continue to be supported by solid levels of demand and near record low borrowing costs, outside of residential construction on the eastern seaboard, the recovery in non-mining business investment remains subdued.

South Australia will continue to face a range of challenges over the next few years arising from the cessation of car manufacturing later this year. The Department of Defence's new continuous shipbuilding program (offshore patrol vessels, submarines and frigates) centred at Techport near Port Adelaide, will generate increasing job opportunities from 2017 onwards. In addition, the South Australian Government has committed to spending an estimated $550 million to ensure greater energy security for the state by constructing a new gas fired power plant and making funds available for renewable technologies and a new round of Plan for Accelerating Exploration (PACE) grants. It is anticipated the additional spending on the energy plan will support at least 630 jobs. The $550 million allocated to energy is additional to the already significant infrastructure program announced by the

Government, which will further support construction industry activity and jobs. 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. In addition, the government's record spend on capital works in 2017–18 will lend further support to employment and the economy more generally. South Australian employment is forecast to grow by 1 per cent in 2017–18, following estimated growth of 1¼ per cent in 2016–17. In South Australia, GSP is forecast to increase by 2¼ per cent in real terms in 2017–18, following similar growth in 2016–17.

Forecasts and projections for South Australia from 2017–18 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, 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)

	2015–16 Actual	2016–17 Estimate	2017–18 Forecast	2018–19 Projection	2019–20 Projection	2020–21 Projection
Australia[(a)]						
Gross Domestic Product (GDP)	2.6	1¾	2¾	3	3	3
South Australia						
Gross State Product (GSP)	1.9	2¼	2¼	2¼	2¼	2¼
State Final Demand (SFD)	1.1	2¼	2¼	2¼	2¼	2¼
Employment	0.4	1¼	1	1	1	1
Adelaide Consumer Price Index (CPI)	0.9	1½	2	2¼	2½	2½

(a) Australian forecasts from 2017–18 Australian Government Budget, 2017.

Chapter 8: Regional South Australia

Overview

This chapter provides information about the programs, new initiatives and investing expenditure in the 2017–18 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 (GSP).

Regional South Australia continues to play a crucial part in meeting the objectives under the government's 10 economic priorities, particularly as a producer of premium food and wine, mineral resources, energy and renewable assets, and as a major drawcard for tourism.

More than 20 per cent of the Government of South Australia's employees (17 592 full-time equivalents, or FTEs) 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 Regional South Australia Cabinet Committee, and the establishment of Regions South Australia.

The 2017–18 Budget includes a range of initiatives in regional South Australia with expenditure totalling $74 million over the five years to 2020–21. The government continues its commitment to investing in regional infrastructure with expenditure on projects either underway or commencing in 2017–18 totalling over $1.1 billion.

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 2015–16. This accounted for 25.3 per cent of the state's GSP, which was $100.3 billion.

The Gross Regional Product (GRP) of South Australia's non-metropolitan regions has grown strongly in the nine years to 2015–16, rising at an annualised rate of 4.4 per cent per annum in nominal terms.

All non-metropolitan regions recorded growth in nominal GRP in the nine years to 2015–16. The Far North region recorded the highest average annual percentage growth in nominal terms over the period, rising by 8.4 per cent per annum, followed by the Eyre and Western region (up 5.7 per cent per annum). A significant portion of this growth is attributable to growth in mining production in these regions.

Table 8.1: Gross Regional Product ($ million) — 2015–16

	Adelaide 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	323.9	223.4	419.6	398.3	766.5	1166.8	1043.5	665.2	96.5
Mining	1958.5	162.8	15.1	95.5	54.5	17.7	9.5	656.3	2734.4
Manufacturing	5085.6	197.8	522.0	79.7	198.4	216.0	287.2	224.9	73.2
Construction	5291.6	177.2	146.4	90.3	184.7	139.8	125.4	234.0	348.0
Household services[(a)]	16186.4	433.0	475.7	305.6	556.7	481.3	436.1	609.1	476.4
Business services[(b)]	16489.8	242.0	263.9	171.2	289.2	231.2	180.0	339.2	255.5
Goods related services[(c)]	12799.9	441.3	344.2	237.6	566.5	552.6	331.2	584.2	800.8
Public administration and safety	5439.4	165.1	61.4	54.8	124.5	120.4	95.9	115.6	147.1
Net taxes in final demand and ownership of dwellings	11326.0	509.1	480.7	312.5	460.6	437.6	390.6	347.0	230.5
Gross Regional Product (GRP)	**74901.2**	**2551.8**	**2729.0**	**1745.5**	**3201.6**	**3363.4**	**2899.5**	**3775.5**	**5162.4**
Regional share of total GRP (2015–16)	74.7%	2.5%	2.7%	1.7%	3.2%	3.4%	2.9%	3.8%	5.1%
Nine year average annual growth rate	4.3%	3.7%	2.7%	4.8%	4.2%	3.6%	0.9%	5.7%	8.4%

Source: EconSearch, Input Output Tables for South Australia and its Regions, 2015–16 final.

(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 489 600 persons as at 30 June 2016. The non-metropolitan population increased by 1100 persons or 0.2 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 Barossa, Light and Lower North region recorded the highest percentage growth over the year to 30 June 2016 at 1.6 per cent, followed by the Fleurieu and Kangaroo Island at 0.9 per cent and the Adelaide Hills at 0.7 per cent.

The Adelaide Metropolitan Area had an estimated resident population of 1.2 million, 8200 persons or 0.7 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 5.7 per cent in the year to March 2017. The Adelaide Metropolitan Area unemployment rate averaged 7.1 per cent. In the year to March 2017, the average unemployment rate was lowest in the Limestone Coast region (4.3 per cent) and highest in the Far North region (7.5 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	1 218.6	44.6	7.1
Non-metro areas			
Adelaide Hills	72.8	2.3	5.6
Barossa, Light and Lower North	70.4	1.6	4.6
Fleurieu and Kangaroo Island	50.3	1.2	5.1
Yorke and Mid North	75.0	2.1	6.4
Murray and Mallee	68.9	2.3	6.6
Limestone Coast	64.6	1.5	4.3
Eyre and Western	58.5	1.8	6.4
Far North	29.1	1.2	7.5
Total non-metro	489.6	13.9	5.7

(a) Regional classifications are in accordance with Government of South Australia common regional boundaries.

(b) Estimated resident population is at the end of June 2016.

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

Source: ABS, Regional Population Growth, Australia, Catalogue no. 3218.0; Commonwealth Department of Employment, Small Area Labour Markets, March quarter 2017.

Agricultural and Mining Commodities

Agriculture and mining remain important contributors to regional economies, but are subject to fluctuations in international conditions and commodity prices.

A comparison of the change in the value of output for selected agricultural and mineral commodities between 2014–15 and 2015–16 is provided in table 8.3. In 2015–16 there were gains in the gross value of production for livestock and wool. However, there were declines in the value of crop and dairy production. The value of mineral production increased over the year to 2015–16, but the value of petroleum production fell.

Table 8.3: South Australian Gross Value of Production (selected commodities) 2014–15 and 2015–16

	2014–15 $m	2015–16 $m
Principal Crops[a]	1 825	1 352
Livestock slaughtered[a]	1 677	1 926
Wool[a]	419	448
Milk[a]	238	218
Minerals[b]	4 399	4 466
Petroleum[b]	1 559	1 062

(a) Source: Australian Bureau of Statistics (ABS) Catalogue 7501.0 'Value of Agricultural Commodities Produced, Preliminary' 2014–15 and 2015–16, Gross Value of Production

(b) Source: Minerals and Energy Resources, Department of the Premier and Cabinet

Agriculture has shown significant growth in 2016–17 with the winter crop estimated to have risen by 56 per cent from the 2015–16 season, to levels well above the 10-year average. The 2016–17 winter crop production estimate is the highest on record. Improvements in agricultural output are expected to 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 2017 edition of *Agricultural Commodities*, South Australian broad acre farm cash incomes are projected to increase to an average of $258 000 per farm in 2016–17. If achieved, this would be around 80 per cent above the 10-year average to 2015–16.

Average farm cash income is projected to increase in all South Australian regions in 2016–17. This is a result of an increase in crop receipts from record yields and an increase in planted area (despite lower prices for wheat and barley). There are also expected to be increasing receipts from beef cattle, sheep, lambs, and wool.

South Australia's Economic Priorities

South Australia's 10 economic priorities represent an economic plan to guide the state's economic transformation. While regional South Australia supports all 10 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 and is important in delivering jobs, business opportunities and long-term growth and prosperity for South Australia's economy.

Supporting mineral and petroleum resource production over the longer term, South Australia maintains over 700 exploration licences and more than 30 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.

- Copper Strategy — sets out clear pathways to enable South Australia to triple its copper production to 1 million tonnes a year by 2030 and, in doing so, help drive Australia to become the world's third-largest copper producer.
- PACE Copper — is a comprehensive program of regional geoscience investigations including 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, which is currently underway to capture new geoscience data and information to provide new insights into the resource potential of South Australia's under explored regions.
- PACE Gas Program — aims to increase the supply of gas into South Australia's energy market, drive down costs for consumers and reduce carbon emissions. The $48 million, two phase grant program, is designed to offer incentives to recipients most likely to bring gas to South Australia customers soonest.
- PACE Supply Chain Development Program — aims to build the commercial capability of mining equipment, technology and services companies for local participation and export.
- 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 Investment Plan — aims to achieve the investment target of $10 billion in low carbon energy generation by 2025.
- Magnetite Strategy — designed to achieve committed, significant new investment in magnetite mining projects and export of magnetite product.
- Steel Task Force — oversees policy initiatives and industry support to underpin the sustainable future of the South Australian steel industry.
- The Leading Practice Mining Acts Review — is a comprehensive review of mining legislation to facilitate creation of sustainable jobs and maximise economic and social benefits of resource developments to all stakeholders.

The government has committed $50 million to be made available to a new owner of the Whyalla Steelworks, for investment that increases the productivity of its operations. The Government of South Australia is working with the Commonwealth Government and the administrator of Arrium Limited to develop a support package for potential purchasers of Arrium's Whyalla assets, to ensure the best possible sale outcome and sustainable future for the state and the Whyalla community.

The government is focused on transitioning South Australia to a low carbon economy. South Australia has to date attracted over $7 billion in capital investment in renewable energy, with approximately 40 per cent occurring in regional areas. Investment in the renewable energy sector supported over 710 direct jobs across South Australia in 2015–16. The recently announced South Australian Energy Plan, along with the Bioenergy Roadmap; the investigation of opportunities for carbon sequestration; development of a Hydrogen Roadmap and a Low Emissions Vehicle Strategy, all support economic development in regional South Australia.

Other key resource projects under way include:

- Iron Road received a mineral lease and infrastructure development approval for its Central Eyre Iron Project
- OZ Minerals Carrapateena copper-gold project is advancing with opportunities for regional investment including plans for a concentrate treatment plant in Port Augusta
- BHP Billiton's Olympic Dam operations, advancing the development path towards further expansion of its mining and processing operations
- WPG Resources' Tarcoola gold mine commenced production with haulage of ore to Challenger for first gold pour in February 2017
- Nyrstar's Port Pirie $660 million lead smelter transformation to an advanced poly-metallic processing and recovery facility progressed, with commissioning scheduled for late 2017.

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.

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 2015–16.

Work will continue on key programs to grow international exports and to achieve the economic priority objectives. A number of recent and ongoing programs are highlighted below.

Wine regions across the state have benefited from the Department of Primary Industries and Regions, South Australia's (PIRSA's) new $1.8 million South Australian Wine Industry Development Scheme, which commenced in 2016–17, and aims to encourage growth in the wine industry and further promote South Australia as a producer of premium wine. The 2016–17 round saw 56 wineries funded, which will further build on Adelaide and South Australia's reputation as a Great Wine Capital.

At least $56 million in benefits have been estimated by the transport industry and primary producers thanks to the reforms resulting from the Improving Road Transport for the Agricultural Industry 90-day project — a partnership between PIRSA, the Department of Planning, Transport and Infrastructure (DPTI), and Primary Producers SA (PPSA). The project has cut red tape in transport regulations and regulatory approvals while reducing compliance costs and improving productivity.

Twelve regions across South Australia have been allocated funding totalling $412 000 to help them develop sustainable region-specific marketing activities that support the collaboration and development of South Australia's food, wine, and culinary tourism industries. The Supporting Brands of our Key Regions Program has supported the development and implementation of the Riverland Trust Mark, an interactive online hub for Langhorne Creek called 'The Table', and the Branding Yorke Peninsula Project.

PIRSA's Premium Food and Wine Co-Innovation Cluster Program is helping food and wine businesses increase collaboration, explore new opportunities for growth, and develop efficiencies. The $2.7 million Murraylands, Riverland and Limestone Coast program has been piloted to develop greater economic benefits for these areas — leading to sustainable growth, a boost in industry competitiveness and an increase in productivity.

The Building South Australia's Premium Food and Wine Credentials Program co-invests with South Australian food and beverage businesses and/or industry aiming to improve access to target markets and thereby secure price premiums. A key program component is industry co-contribution third-party certification grants that has seen three rounds offered to the food and beverage industry and 23 projects supported.

PIRSA's Advanced Food Manufacturing Grants Program encourages collaboration between food manufacturers and research and development providers, creating partnerships that strengthen our food industry's innovation capabilities, productivity, and export competitiveness. Since commencing, the program has assisted 19 food businesses across the state to develop novel or innovative food products or manufacturing processes through the commercialisation of research. Examples of successful projects under the program include a $100 000 grant to Solar Eggs (Barossa) to support the development of a new range of eggs with enhanced levels of Omega 3, and a $66 500 grant awarded to Pangkarra Foods (Clare) who developed a new range of roasted and ready to serve chickpeas and faba beans, which recently won the New Product Award in the 2016 SA Food Industry Awards.

The SA Food Innovation Centre was established in December 2015 to help food and beverage businesses across South Australia find innovative solutions needed to develop and deliver high-value products. This strategic collaboration has been led by PIRSA — including the South Australian Research and Development Institute (SARDI) — in partnership with Food South Australia, the University of Adelaide, the University of South Australia, the Australian Wine Research Institute, Food Innovation Australia Ltd, CSIRO, the Royal Agricultural and Horticulture Society of SA Inc, Primary Producers SA, and the Economic Development Board. As part of Stage 2, which will be implemented in 2017, the centre will be guided by leaders from South Australia's food and beverage industry, and a dedicated case manager has been appointed to assist businesses with navigating services and to ensure the centre is positioned to respond to industry needs.

The South Australian River Murray Sustainability (SARMS) Program includes $25 million for a suite of regional economic development, research, and innovation programs. Programs include the $12.5 million Regional Development and Innovation Fund and the $5 million Industry-led Research Sub-Program, with grant rounds now completed that have supported growth in regional employment, economic diversification, and productivity, and the $7.5 million redevelopment of the Loxton Research Centre, which was officially opened on 3 February 2017.

New Horizons is a program supporting South Australia's dryland farming regions through investigating and trialling new advances in soil science and management and extending information to South Australian farmers. 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. The research has shown the best soil modification treatments can increase crop yields by 70 to 200 per cent and significantly increase South Australia's agricultural production. PIRSA has developed partnerships to progress and continue the soil improvement program, including with the Commonwealth Research Council (CRC) for High Performance Soils and the Grains Research and Development Corporation (GRDC).

Rural Solutions SA has developed and delivered collaborative projects aimed at addressing soil acidity across the state. Soil acidity has been identified as a significant constraint to production and a major threat to the state's soil resource. PIRSA purchased new machinery that uses precision soil pH mapping technology which enables farmers to better target lime application. The projects have raised awareness and understanding of soil acidity and are reducing the costs of acidity management and maximising production and farm profitability.

In 2016 PIRSA responded to three major emergency events: the Pinery bushfire, the Gawler River Floodplain flood, and the Riverland hail storm. In each event a Recovery Facilitator was quickly deployed and PIRSA worked with the community to identity their recovery needs and implemented a recovery program. Recovery activities included impact assessment, coordination and administration of Natural Disaster Relief and Recovery Assistance grants, land management and agronomic technical advice, coordination of waste clean-up and flood water pumping, coordination of damaged stone fruit clean up to minimise fruit fly risk, and activating a Family and Business (FaB) Scouts program to provide support to affected producers.

The state government is contributing towards the $156 million stage 1 Northern Adelaide Irrigation Scheme (NAIS) project if the Commonwealth contributes $46 million towards the project. NAIS will contribute an additional 12 gigalitres a year of affordable, reliable, recycled water suitable for agricultural use from the Bolivar Waste Water Treatment Plant, an increase of 60 per cent, to help expand the state's irrigated agriculture industry.

PIRSA has evaluated opportunities for the Mid North Forests that provide value for government, create opportunities for employment, and enhance environmental, cultural, heritage, and community values. PIRSA has worked closely with stakeholders in the Mid North to determine a way forward after devastating bushfires in recent years. An open request for proposal process held in 2016 received 38 binding proposals detailing opportunities for future use of the Mid North Forest lands. The state government has completed the task of assessing these proposals against criteria to deliver benefits to the region and the state.

Grain growers are set to benefit from a $50 million five-year bilateral agreement between the GRDC and SARDI. The program is designed to boost research and development and more effectively tailor research to regional needs. It includes the creation of six new research agronomy roles in regional South Australia. The new regional research agronomists will be critical in boosting research targeted to the priorities of the key South Australian cropping regions.

The state government has invested $4 million over four years in the Almond Centre of Excellence in Loxton to establish South Australia as a world leader in the production of high quality almonds. Innovative research leading to more water efficient, higher-yielding almond trees that thrive in the Riverland conditions will be carried out on a 60 hectare experimental property purchased near Loxton to underpin the Almond Centre of Excellence.

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. The contribution of our regions is important to achieving this growth. Tourism expenditure in South Australia rose to a record $6.3 billion in the 12 months to December 2016, a rise of 13 per cent, with continued growth from international markets (up 8 per cent), as well as a strong interstate market (up 14 per cent) and intrastate markets (up 15 per cent). Jobs in the tourism sector have also increased by 4000 in the latest available data for the two years to June 2015.

Tourism is particularly important in regional South Australia, and regions are also reaping the rewards of a growing tourism industry, with $2.6 billion spent outside of Adelaide, a growth of 18 per cent in the year to December 2016. This represents 41 per cent of overall visitor expenditure in South Australia.

In 2015 the state government committed $9 million as part of an $18 million airport upgrade on Kangaroo Island. The works include runway lengthening and strengthening, apron expansion and an upgrade of the existing terminal. Works for the project commenced in January 2017 with an expected completion date of December 2017. As part of an agreement between Qantas, the Government of South Australia, Kangaroo Island Council and Adelaide Airport Limited, Qantas will also begin to offer direct flights to Kangaroo Island from Adelaide and Melbourne from December 2017.

The state government has made a $4 million commitment to expand Mount Gambier Airport subject to approval of funding from the Commonwealth Building Better Regions Fund and agreed funding commitments from the adjacent councils.

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 MP, in March 2014.

The state government's regional development package incorporates a number of initiatives to provide opportunities for regional communities to interact with the government.

2016–17 was another successful year with the following initiatives undertaken.

- Five Country Cabinet meetings were held, in the areas of Mallee South; Whyalla, Coober Pedy and Roxby Downs; Yorke and Mid North; the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands; and Fleurieu and Kangaroo Island, meeting the Charter's requirement for at least three meetings to be held each year in the regions.
- Senior Management Council meetings were held in the Riverland, Murray and Mallee and Fleurieu Peninsula in 2016, meeting the Charter's requirement for at least three meetings to be held each year in the regions.
- Fund My Idea: This program provides up to $50 000 for community-based projects across South Australia. Since its inception, through the nine Country Cabinet Fund My Idea programs, 355 ideas have been voted on with 22 255 votes cast. A total of 18 community-driven projects have received a share of $450 000.

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 MP, Minister for Regional Development and Minister for Local Government. Other members are:

- the Hon. Kyam Maher
- the Hon. Tom Koutsantonis
- the Hon. Leon Bignell (Deputy Chair)
- the Hon. Stephen Mullighan.

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 Australian 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.

Since its establishment, Regions SA has supported economic development in South Australia's regions by:

- helping industry to grow and create jobs through the Regional Development Fund grant rounds
- leveraging private sector investment in projects
- helping to address barriers to employment in regions through funding programs such as the Regional Youth Traineeship Program and the North West Indigenous Pastoral Program
- addressing business constraints in regional areas, such as through solutions to transport issues facing Australian agriculture and through funding for mobile blackspots
- promoting regions within government through the creation of the Regional South Australia Cabinet Committee and better use of Regional Impact Assessment Statements
- collaboration and partnerships with Regional Development Australia associations, councils, and key regional stakeholders, to ensure a cohesive approach to regional development

Building on these achievements, during 2017–18 Regions SA will undertake projects that will:

- provide training and employment opportunities intended to retain young people in our regions
- enable job growth through helping local businesses to expand
- explore opportunities to co-invest in critical infrastructure projects including telecommunications and transport
- drive policy reform to further address barriers to regional growth
- work with regional stakeholders to support their delivery of locally identified priorities.

Regional Development Portfolio Programs

Regional Impact Assessment Statements

The Regional Impact Assessment policy and guidelines are 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 Regions SA's website <pir.sa.gov.au/rias> along with guides for agencies on how to prepare their RIAS.

In total, 36 RIAS have been completed and published on the website. In this term of government, 14 RIAS have been completed.

Regional Development Fund

The government has committed $15 million per annum to the Regional Development Fund (RDF) 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.

More than $60 million has been awarded through RDF grants to over 90 regional economic development projects during this term of government, creating a significant number of new jobs across our state's regions.

Some of the grants awarded in Round 3 include:

- $2.0 million to Inghams Enterprises Feedmill to construct four chicken breeding farms at Yumali (24 jobs)
- $2.5 million to Beston Pure Dairies Pty Ltd for expansion of its Murray Bridge cheese processing facility (61 jobs)
- $1.2 million to Primo Smallgoods for Stage 1 of its expansion of the boning room to increase capacity at Port Wakefield (60 jobs)
- $950 000 to the Premium Adelaide Hills Beverage Experience for a luxury beverage facility and cellar door experience in the Adelaide Hills (35 jobs)
- $400 000 to Solar Eggs to assist in the expansion of its Barossa Valley Farm (12 jobs)
- $438 820 to Gambier Earth Movers towards its Mount Gambier asphalt plant upgrade (5 jobs)
- $397 306 to CU River Mining towards the re-commissioning of the Cairn Hill Mine (61 jobs)
- $900 000 to Mary Mackillop Care SA for innovation in aged care and affordable housing in Berri (47 jobs).

Upper Spencer Gulf and Outback Assistance

Targeted assistance to create jobs and stimulate economic development aims to address the structural adjustment challenges currently being experienced by the Upper Spencer Gulf and Outback areas of the state. The assistance has included $10 million in an interest-free loan scheme (funded in part from the RDF) to support small businesses experiencing cash-flow challenges as a result of Whyalla steelmaker Arrium entering administration.

A $7 million grant package through the RDF and the Upper Spencer Gulf and Outback Futures Program (USGOFP) was announced in November 2015, supporting projects leading to new jobs, and sustainable communities.

Seventeen applicants have accepted a grant offered under the USGOFP, leading to the creation of 71 jobs and generating almost $10 million of investment into the region.

In addition, three projects totalling $3.78 million located in the Upper Spencer Gulf and Outback have accepted a grant offered under the $5 million prioritised within the RDF Round 3.

The government has committed $3.18 million to the Bundaleer Pipeline Scheme, to make water available for agricultural use from the Bundaleer Reservoir in the state's mid north. The scheme will provide an affordable source of water to industry around the Bundaleer Reservoir through a 12 kilometre pipeline network and other related infrastructure. The scheme will deliver up to 275 megalitres per year of water to grow and diversify higher value agricultural production in the Mid North of South Australia.

Once completed, the scheme will create up to 25 direct jobs, and generate estimated annual revenue of around $4.6 million in the region. This commitment to developing water infrastructure relies on a successful application to the Australian Government's National Water Infrastructure Development Fund for an equal contribution of $3.18 million.

Regional Enablers

A number of other projects are being undertaken by the Government to grow and diversify the economic base for strong regions and sustainable communities. They include:

Regional Youth Traineeship Program

A $2 million Regional Youth Traineeships Program (RYTP) was established in September 2015 as part of the state government's commitments to regions. The program provides 57 young people the opportunity to gain a traineeship in regional local government. It offers participating local governing organisations $14 500 per year for two years, per trainee, to provide entry level employment for young people.

The program was established to assist the retention of young people in regional South Australia and to enable young unemployed people to get a start in the labour market in an entry level position.

Given the success of Round 1 of the program which was fully subscribed, a second round of the $2 million RYTP was announced in October 2016 to be funded from the Regional Development Fund.

Round 2 is for a further two years, enabling an additional 57 young people to gain a traineeship in regional local government.

North West Indigenous Pastoral Project

Round 1 of the North West Indigenous Pastoral Project — NWIPP ($1.4 million) was funded under the Jobs Accelerator Fund to facilitate the employment of indigenous pastoral workers.

NWIPP has been very successful in its engagement with indigenous landholders, the business sector — particularly BHP Billiton — and the Indigenous Land Corporation.

Funding for Round 2 of the NWIPP ($1.49 million) was announced in the 2016–17 State Budget.

Since June 2015, when the first indigenous workers were engaged by the project, a total of 46 people have been employed for various periods. This employment occurs on indigenous lands where the majority of job opportunities exist.

Some of these workers have transitioned into independent employment, and it is anticipated that this number will increase over the next 18 months as traineeships are completed.

Additionally, 200 000 hectares of land have already been brought back into pastoral production.

Mobile Black Spots

The state government pledged a co-contribution of up to $2 million to Round 2 of the Australian Government's Mobile Black Spot Program. The program is a Commonwealth initiative to improve and extend mobile phone coverage to regional and remote Australian locations.

The state government submitted a list of priority sites seeking Australian Government funding through Round 2 of this program. The Australian Government subsequently announced funding for 20 sites primarily in remote South Australia, 18 of which were priority sites identified by the state government.

A Modern Transport System for Agriculture Project

At least $56 million in benefits have been estimated by the transport industry and primary producers thanks to the reforms resulting from the Modern Transport System for Agriculture project — a partnership between PIRSA, the Department of Planning Transport and Infrastructure and Primary Producers SA. The project was initiated to find opportunities to improve the productivity and efficiency of road transport for the primary industries sector and to review the requirements for the movement of agricultural machinery on public roads.

The outcomes of this project are significant for the state, and more importantly for regional growth and job creation. Realising efficiencies for logistics in the primary industries sector will deliver immediate gains in productivity, as well as simplifying and modernising regulatory arrangements that support innovation and job creation, specifically in regional South Australia.

In terms of benefits, there is not only potential for significant improvement in direct transport productivity — such as shifting from B-Doubles to road trains — there are also significant economic benefits to the state as a whole.

Based on the success of the first project in delivering benefits through a collaboration of government agencies and PPSA opportunities for further improvements are now being investigated. As part of this, a further survey is seeking to identify and address further route access and machinery movement issues for primary producers, allowing further savings to be realised.

State — Local Government Infrastructure Partnership

The State-Local Government Infrastructure Partnership was announced in October 2016 following agreement at the Premier's State-Local Government Forum. The Partnership is designed to assist councils to bring forward infrastructure projects foreshadowed in their long-term planning.

State government funding will provide 20 per cent of the cost of eligible infrastructure projects. To be eligible, projects had to be brought forward to commence before 31 December 2017, and not otherwise have started before 2019–20. Councils will provide the remaining 80 per cent through their own reserves or borrowings. In addition, the Local Government Financing Authority will provide finance at a discounted rate over ten years for council borrowings on partnership projects.

In total, more than $23 million is being offered to 26 councils across the state, including more than $12 million to 15 regional councils. The initiative will result in a wide range of projects including upgrades to community facilities, such as libraries, airports, roadworks, cycling pathways, and foreshore development, as well as flood mitigation and water recycling improvements.

The Local Government Association will be administering this program. It is anticipated that grants will be payable to councils commencing January 2018.

Regional Development Australia

Regional Development Australia was established by the Australian 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.

RDAs support the economic development of their regions and drive local projects in their communities. They are made up of local leaders from government, business and community groups.

State government funding is contingent upon RDAs working to an agreed three-year plan, which outlines proposed activities, intended outcomes, key performance indicators, and a budget.

The state government committed $3 million per year for three years from 2015–16 to support the seven regional RDAs.

Uniquely in South Australia the seven regional RDAs are funded by all three spheres of government.

2017–18 Budget — New Initiatives

The 2017–18 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.

Table 8.4: 2017–18 General government regional new initiatives ($000s)

	2016–17 Estimate	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate	Total
Communities and Social Inclusion						
Ongoing support for Foodbank SA[a]						
Operating expense	—	—	- 63	- 63	- 63	- 188
Electoral Commission SA						
Additional support for the conduct of elections[a]						
Operating expense	—	- 30	—	—	—	- 30
Emergency Services — Country Fire Service						
Leigh Creek Fire Service						
Operating expense	—	- 92	- 11	- 11	- 11	- 125
Investing expenditure	—	- 397	—	—	—	- 397
Emergency Services — State Emergency Service						
Safer SA Waters[a]						
Operating expense	—	- 302	- 307	- 312	- 317	-1 238

	2016–17 Estimate	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate	Total
Environment, Water and Natural Resources						
September storm events[(a)]						
Operating revenue	—	618	—	—	—	618
Operating expense	-5 027	-3 909	—	—	—	-8 936
Sea wall repairs — Coast Protection Board[(a)]						
Operating expense	—	- 600	—	—	—	- 600
Flows for the Future of the River Murray						
Operating revenue	2 533	5 508	4 098	—	—	12 139
Operating expense	-2 815	-6 120	-4 553	—	—	-13 488
Health and Ageing						
New ambulances on the APY Lands						
Operating expense	- 730	—	—	—	—	- 730
Mt Barker/Strathalbyn 24 hour medical emergency care						
Operating expense	—	- 859	-1 890	-1 949	-2 010	-6 708
Planning, Transport and Infrastructure						
Mount Gambier Airport upgrade						
Operating expense	—	-1 086	—	—	—	-1 086
Extension of the community wastewater management systems funding agreement						
Operating expense	—	-4 207	-4 312	-4 420	-4 530	-17 469
Whyalla City Council City Entrance, Community Amenity Upgrades and Centre for Opportunity						
Operating expense	—	- 407	—	—	—	- 407
Marine facilities improvements (Port Bonython and Whyalla)[(a)]						
Operating expense	—	-2 650	-3 400	—	—	-6 050
Premier and Cabinet						
Securing the future of the Arrium Whyalla Steelworks and the sustainable future of the South Australian Steel Industry						
Operating expense	—	-1 556	—	—	—	-1 556
PACE Discovery Drilling Program						
Operating expense	—	-2 000	-1 000	-1 000	-1 000	-5 000
Primary Industries and Regions						
Riverland Storms Recovery Assistance						
Operating expense	-3 278	—	—	—	—	-3 278
SA Tourism Commission						
The Bend Motor Sport Park in Tailem Bend[(b)]						
Operating expense	—	-1 000	-1 000	-1 000	—	-3 000
SA Water						
Leigh Creek Township — Management of the Aroona Dam						
Operating expense	- 235	- 325	- 835	- 295	- 555	-2 245
Bundaleer Reservoir Upgrade[(c)]						
Operating expense	—	—	—	—	—	—
Northern Adelaide Irrigation Scheme — Stage 1[(d)]						
Operating expense	—	—	—	—	—	—
State Development						
Leigh Creek Outback Resort						
Operating expense	- 150	- 150	—	—	—	- 300
Investing expenditure	- 150	- 150	—	—	—	- 300

	2016–17 Estimate	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate	Total
South Australian Aboriginal Interpreter Service[(a)]						
Operating expense	—	- 276	- 284	- 292	- 299	-1 151
Total operating revenue	**2 533**	**6 126**	**4 098**	**—**	**—**	**12 757**
Total operating expense	**-12 235**	**-25 569**	**-17 655**	**-9 342**	**-8 785**	**-73 585**
Total investing expenditure	**- 150**	**- 547**	**—**	**—**	**—**	**- 697**

(a) The figures quoted represent the estimated regional component of the overall measure.

(b) Funding to contribute to licencing costs of hosting a V8 Supercar event at Tailem Bend.

(c) Includes $3.18 million commitment from Government of South Australia subject to $3.18 million contribution from Commonwealth Government.

(d) The government is contributing towards the $156 million stage 1 NAIS project, if the Commonwealth contributes $46 million towards the project.

Regional Investing Expenditure

The 2017–18 Budget includes a number of capital investment projects that are specific to regional areas as set out in table 8.5.

Table 8.5: 2017–18 Government regional capital investment program ($000s)

	Expected completion quarter	Proposed expenditure 2017–18	Estimated total cost
General Government			
Correctional Services			
Major Projects			
160 Beds Mount Gambier Prison	Jun 2018	39 944	61 760
Total — Correctional Services		**39 944**	**61 760**
Education and Child Development			
Major Projects			
Children's Centre — Stage 2[(a)]	Mar 2018	400	500
Advanced Science and Technology Labs[(a)]	Dec 2018	50 741	106 500
Evanston Gardens Primary School	Sep 2017	1 000	6 000
Meningie Area School	Dec 2018	4 500	4 500
Total — Education and Child Development		**56 641**	**117 500**
Emergency Services			
Annual Programs			
Capital Works and Rescue Equipment — SES	n.a.	3 642	n.a.
Capital Works, Vehicles and Equipment — CFS	n.a.	15 320	n.a.
Light Vehicle Fleet — SES	n.a.	276	n.a.
Replacement of Telecommunications Equipment — SES	n.a.	407	n.a.
Replacement of Telecommunications Equipment — CFS	n.a.	840	n.a.
Total — Emergency Services		**20 485**	**—**
Environment, Water and Natural Resources			
Major Projects			
Riverine Recovery	Jun 2018	29 060	45 837
South Australian Riverland Floodplains Integrated Infrastructure Program	Jun 2020	47 226	107 652
South East Flows Restoration Project	Jun 2019	26 320	48 140

	Expected completion quarter	Proposed expenditure 2017–18	Estimated total cost
Annual Programs			
Fire Management on public land — enhanced capabilities	n.a.	1 116	n.a.
Small Programs — DEWNR Administered Items	n.a.	4	n.a.
South Eastern Water Conservation and Drainage Board	n.a.	460	n.a.
Total — Environment, Water and Natural Resources		**104 186**	**201 629**
Planning, Transport and Infrastructure			
Major Projects			
Gawler East Collector Link	Jun 2019	11 740	12 310
Improving Critical Road Infrastructure	Jun 2019	12 000	30 142
Leigh Creek Township Upgrade	Jun 2019	883	1 806
Managed motorways on the South Eastern Freeway	Jun 2018	7 848	8 890
Port Bonython Jetty Refurbishment	Jun 2019	4 650	33 220
South East Freeway — Mount Barker Intersection Upgrade	Jun 2018	4 651	27 000
Upper Yorke Peninsula Regional Road Network Upgrade	Jun 2018	10 942	36 675
Victor Harbor Road/Main Road McLaren Vale — Overpass	Jun 2018	2 300	18 000
Strategic Route Reviews — Victor Harbor Road, Main South Road, Pt Augusta to Port Wakefield Road	Jun 2018	3 500	24 753
Annual Programs			
DPTI Annual Programs[(a)]	n.a.	67 101	n.a.
Total — Planning, Transport and Infrastructure		**125 615**	**192 796**
Premier and Cabinet			
Major Projects			
Brukunga Mine	Jun 2018	6 623	11 111
Annual Programs			
Remote Areas Energy Supply	n.a.	352	n.a.
Total — Premier and Cabinet		**6 975**	**11 111**
Primary Industries and Regions			
Annual Programs			
Minor Capital Works and Equipment	n.a.	5 045	n.a.
Total — Primary Industries and Regions		**5 045**	**—**
Total — Regional investing expenditure general government sector		**358 891**	**584 796**
Public non–financial corporations			
ForestrySA			
Annual Programs			
Plant and Equipment, Roadworks	n.a.	246	n.a.
Total — ForestrySA		**246**	**—**
SA Water			
Major Projects			
Kangaroo Creek Dam Safety	Mar 2020	33 231	94 656
Morgan Water Treatment Plant Balancing Storage	Mar 2019	9 430	11 343
Warooka and Point Turton Water Supply Upgrade	Jun 2020	6 855	13 255
Port Lincoln Wastewater Treatment Plant Sludge Treatment Upgrade	Jun 2020	5 200	16 101
Myponga Trunk Main Access Track Upgrade	Sep 2018	4 961	11 516
Murray Bridge Wastewater Treatment Plant Relocation	Dec 2021	4 150	96 509
Hahndorf Hydro Energy Project	Jun 2019	4 000	10 148
Port Lincoln Wastewater Network Upgrade Project	Jun 2019	3 250	5 144
Hahndorf Wastewater Treatment Plant Inlet Screen Upgrade	Jun 2018	2 795	4 207

	Expected completion quarter	Proposed expenditure 2017–18	Estimated total cost
Tailem Bend Keith Pipeline Coomandook Tank Additional Storage	Jun 2021	2 679	7 079
Mt Barker Development Water Supply Scheme — Stage 1	Dec 2020	1 500	12 017
Victor Harbor Wastewater Network Upgrade Stage 3	Jun 2018	800	8 000
Baroota Dam Safety Investigation	Jun 2021	305	5 901
Mannum Adelaide Pipe Line High Voltage Switchboards Upgrade	Jun 2021	107	6 907
Tod River Dam Safety	Jun 2019	90	6 303
Total — SA Water		**79 353**	**309 086**
South Australian Housing Trust			
Major Projects			
Public Housing Stimulus	Dec 2017	55	55
Economic Stimulus — Construction of Social Housing	Apr 2018	19 377	20 334
Whyalla Stimulus Package	Jun 2018	2 400	3 400
Remote Indigenous Housing	Jun 2019	27 445	213 648
Annual Programs			
Aboriginal Housing Capital Program	n.a.	1 322	n.a.
Public Housing Construction & Acquisition	n.a.	2 130	n.a.
Public Housing Capital Maintenance	n.a.	8 465	n.a.
Minor Projects	n.a.	101	n.a.
Better Neighbourhoods Program	n.a.	1 032	n.a.
Total — South Australian Housing Trust		**62 327**	**237 437**
Total regional investing expenditure public non–financial corporations		**141 926**	**546 523**
Total regional investing expenditure non–financial public sector		**500 817**	**1131 319**

(a) The figures quoted represent the estimated regional component of the overall measure.

Appendix A: Uniform presentation framework

Overview

This appendix contains detailed financial projections for the various sectors of the total public sector defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods* (GFS), published by the Australian Bureau of Statistics (ABS).

The tables in this section satisfy Uniform Presentation Framework (UPF) requirements applicable for all States, territories, and the Commonwealth Government. The tables present budget information for South Australia on the UPF basis, reflecting the fiscal measures and scope outlined below.

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

The GFS requires that provisions for doubtful debts be excluded from the balance sheet. Consistent with the Commonwealth Government's methodology, South Australia has not adopted this treatment in the UPF reports because excluding such provisions would overstate the value of assets in the balance sheet (and would therefore be inconsistent with the market valuation principle).

Accrual Government Financial Statistics fiscal measures

The key measures in the Government Financial Statistics (GFS) accrual framework are GFS net operating balance, GFS net lending, cash surplus, net debt, net worth, change in net worth, net financial worth and net financial liabilities.

GFS net operating balance

The GFS net operating balance, or operating result, is the excess of revenue from transactions over expenses from transactions. The net operating balance excludes expenditure on the acquisition of capital assets, but includes non-cash costs such as accruing superannuation entitlements and the consumption of capital (depreciation).

Net operating balance reflects the sustainability of government operations and is also known as the change in net worth due to transactions.

GFS net lending/borrowing

GFS net lending/borrowing shows the financing requirements of government, indicating the extent to which government is either putting financial resources at the disposal of other sectors in the economy, or utilising the financial resources generated by other sectors in the economy.

Net lending (which is recorded in the operating statement) differs from the net operating balance in the treatment of capital expenditure. Unlike the net operating balance, net lending includes net capital expenditure, but not the use of capital (depreciation). It is calculated as the GFS Net Operating Balance less the net acquisition of non-financial assets.

Net lending is the accrual counterpart of the GFS cash surplus in the cash flow statement. However, the two measures are unlikely to coincide because of the differences arising when transactions are recorded in cash and accrual terms.

A positive result reflects a net lending position and a negative result reflects a net borrowing position.

GFS cash surplus

The GFS cash surplus/deficit is a flow measure reported in the cash flow statement.

The GFS cash surplus has four components:

- net cash received from operating activities — comprising tax revenue plus grants and subsidies received plus revenue from sales of goods and services, less payments for goods and services, interest costs, and grants and subsidies paid
- net cash inflow from sales and purchases of non-financial assets
- the level of distributions paid — in the case of public non-financial corporations and public financial corporations
- the recognition of the initial increase in liability accruing at the beginning of finance leases and similar arrangements.

The cash surplus/deficit is a measure of a sector's cash flow requirements and if positive (i.e. a surplus), it reflects cash available to governments to either increase financial assets or decrease liabilities. When this measure is negative (i.e. a deficit), it identifies the extent to which a government needs to run down its financial assets in order to finance the cash shortfall.

Net debt

Net debt comprises the stock of selected gross financial liabilities less financial assets.

Net debt is reported in the balance sheet and is the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Net worth

Net worth is calculated as total assets (both financial and non-financial) minus total liabilities. Net worth incorporates a government’s non-financial assets, such as land and other fixed assets, which may be sold and used to repay debt, as well as certain financial assets and liabilities not captured by the net debt measure, most notably accrued employee superannuation liabilities, debtors and creditors.

Change in net worth

Change in net worth measures the variation in net worth (as described above), and is the most inclusive measure of the change in a government’s financial position over a given period.

Net financial worth

Net financial worth measures a government’s net holdings of financial assets. It is calculated from the balance sheet as financial assets minus liabilities.

Net financial liabilities

Net financial liabilities comprises total liabilities less financial assets (net financial worth), but excludes equity investments (net worth) in the other sectors of the jurisdiction.

Net financial liabilities is a broader measure than net debt as it includes substantial non-debt liabilities such as accrued superannuation and long service leave entitlements. Excluding the net worth of other sectors of government from net financial worth means that net financial liabilities is a purer measure of financial worth than net financial worth, as, in general, the net worth of other sectors of government, in particular the public non-financial corporations sector, is backed by physical assets.

Scope

The UPF divides the Australian public sector into three institutional sub-sectors — the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector.

General government comprises all government departments, offices and other bodies engaged in providing services free of charge or at prices significantly below their cost of production.

PNFCs are bodies mainly engaged in the production of goods and services of a non-financial nature for sale in the marketplace at prices that aim to recover most of the costs involved. This sector includes some trading enterprises, such as SA Water and the South Australian Housing Trust (SAHT). In general, PNFCs are legally distinguishable from the governments that own them.

PFCs are bodies primarily engaged in providing financial intermediation services or auxiliary financial services. Generally, they are able to transact in financial liabilities on their own account.

A listing of government entities within each sector is included in Appendix D.

Budget reporting

Under the UPF agreement, all governments are required to present as part of their budget documentation an operating statement, balance sheet and cash flow statement for the general government sector, PNFC sector and the non-financial public sector. The non-financial public sector is the consolidation of the general government sector and the PNFC sectors. In addition, information is also presented on taxes, 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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Revenue					
Taxation revenue	4 421	4 629	4 783	4 998	5 228
Grants	10 005	10 661	10 770	10 847	11 254
Sales of goods and services	2 527	2 568	2 634	2 698	2 742
Interest income	24	25	26	27	29
Dividend and income tax equivalent income	628	592	396	286	258
Other	664	673	700	700	691
Total revenue	18 269	19 148	19 308	19 557	20 202
less					
Expenses					
Employee expenses	8 009	8 272	8 363	8 505	8 524
Superannuation expenses					
Superannuation interest cost	345	363	352	341	328
Other superannuation expenses	829	850	858	872	875
Depreciation and amortisation	888	1 003	1 034	1 057	1 089
Interest expenses	191	426	364	380	392
Other property expenses	—	—	—	—	—
Other operating expenses	4 562	5 129	5 262	5 288	5 536
Grants	3 206	3 033	2 943	2 921	2 997
Total expenses	18 030	19 076	19 176	19 364	19 741
equals					
Net operating balance	239	72	132	193	462
plus					
Other economic flows	3 544	348	639	732	723
equals					
Comprehensive result – total change in net worth	3 782	420	771	925	1 184
Net operating balance	239	72	132	193	462
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	4 454	2 185	1 908	1 500	1 500
less Sales of non-financial assets	733	1 338	57	48	21
less Depreciation	888	1 003	1 034	1 057	1 089
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	2 833	-157	817	396	390
equals					
Net lending / borrowing	-2 595	228	-685	-203	72

Note: Totals may not add due to rounding.

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Revenue					
Taxation revenue	—	—	—	—	—
Grants	375	419	473	482	491
Sales of goods and services	1 638	1 741	1 797	1 815	1 894
Interest income	9	6	7	7	8
Dividend and income tax equivalent income	4	4	6	1	1
Other	170	214	159	147	146
Total revenue	2 196	2 383	2 441	2 451	2 540
less					
Expenses					
Employee expenses	201	204	205	209	212
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	26	26	26	27	27
Depreciation and amortisation	440	454	473	484	506
Interest expenses	287	297	302	311	318
Other property expenses	193	238	234	217	221
Other operating expenses	1 215	1 253	1 215	1 226	1 300
Grants	56	35	36	27	27
Total expenses	2 418	2 507	2 492	2 501	2 610
equals					
Net operating balance	-222	-124	-51	-49	-70
plus					
Other economic flows	623	572	507	447	452
equals					
Comprehensive result – total change in net worth	401	448	456	398	381
Net operating balance	-222	-124	-51	-49	-70
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	1 231	818	697	485	471
less Sales of non-financial assets	185	159	157	134	44
less Depreciation	440	454	473	484	506
plus Change in inventories	9	-14	-20	-17	-67
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	616	190	47	-150	-146
equals					
Net lending / borrowing	-838	-314	-98	101	76

Note: Totals may not add due to rounding.

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Revenue					
Taxation revenue	4 060	4 269	4 410	4 606	4 823
Grants	10 001	10 661	10 770	10 847	11 255
Sales of goods and services	3 939	4 052	4 169	4 245	4 364
Interest income	27	25	27	29	32
Dividend and income tax equivalent income	441	364	173	76	44
Other	808	860	848	835	824
Total revenue	19 276	20 231	20 396	20 638	21 342
less					
Expenses					
Employee expenses	8 210	8 476	8 568	8 714	8 736
Superannuation expenses					
Superannuation interest cost	345	363	352	341	328
Other superannuation expenses	854	876	884	899	902
Depreciation and amortisation	1 328	1 458	1 508	1 541	1 595
Interest expenses	472	717	660	686	704
Other property expenses	—	—	—	—	—
Other operating expenses	5 179	5 756	5 836	5 847	6 153
Grants	2 871	2 637	2 507	2 467	2 533
Total expenses	19 259	20 283	20 315	20 494	20 951
equals					
Net operating balance	17	-52	81	144	391
plus					
Other economic flows	3 766	472	690	782	793
equals					
Comprehensive result – total change in net worth	3 782	420	771	925	1 184
Net operating balance	17	-52	81	144	391
less					
Net acquisition of non-financial assets					
Purchases of non-financial assets	5 052	2 972	2 605	1 985	1 971
less Sales of non-financial assets	284	1 467	213	181	65
less Depreciation	1 328	1 458	1 508	1 541	1 595
plus Change in inventories	9	-14	-20	-17	-67
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	3 449	34	864	246	244
equals					
Net lending / borrowing	-3 432	-86	-783	-102	147

Note: Totals may not add due to rounding.

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Assets					
Financial assets					
Cash and deposits	1 076	1 080	1 095	1 112	1 130
Advances paid	76	76	72	67	61
Investments, loans and placements	304	316	328	341	353
Receivables	600	606	630	611	595
Equity					
Investments in other public sector entities	19 924	20 107	20 495	20 914	21 327
Investments — other	28	24	24	24	24
Other financial assets	85	91	90	89	89
Total financial assets	22 091	22 300	22 734	23 159	23 580
Non-financial assets					
Land and other fixed assets	43 440	43 311	44 159	44 599	45 034
Other non-financial assets	9	9	9	9	9
Total non-financial assets	43 449	43 319	44 167	44 608	45 043
Total assets	65 540	65 619	66 902	67 766	68 622
Liabilities					
Deposits held	310	246	256	266	276
Advances received	234	227	219	209	194
Borrowing	7 209	7 071	7 754	7 853	7 761
Superannuation	11 217	10 898	10 547	10 164	9 748
Other employee benefits	2 867	3 000	3 135	3 298	3 429
Payables	1 144	1 166	1 171	1 181	1 188
Other liabilities	1 037	1 069	1 106	1 156	1 203
Total liabilities	24 017	23 676	24 187	24 127	23 799
Net Worth	41 523	41 943	42 714	43 640	44 824
Net financial worth (a)	-1 926	-1 376	-1 453	-968	-219
Net financial liabilities	21 850	21 483	21 948	21 882	21 546
Net debt (b)	6 297	6 072	6 733	6 808	6 687

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Assets					
Financial assets					
Cash and deposits	302	228	252	337	376
Advances paid	—	—	—	—	—
Investments, loans and placements	49	49	47	48	48
Receivables	268	278	277	281	285
Equity					
Investments in other public sector entities	—	—	—	—	—
Investments — other	14	14	14	14	14
Other financial assets	6	6	6	6	6
Total financial assets	639	575	597	686	729
Non-financial assets					
Land and other fixed assets	26 487	27 262	27 906	28 361	28 824
Other non-financial assets	12	12	13	14	13
Total non-financial assets	26 499	27 274	27 918	28 375	28 837
Total assets	27 138	27 850	28 515	29 060	29 567
Liabilities					
Deposits held	40	40	40	41	41
Advances received	33	33	33	33	33
Borrowing	7 818	8 074	8 293	8 455	8 584
Superannuation	—	—	—	—	—
Other employee benefits	74	75	75	76	77
Payables	293	297	300	303	307
Other liabilities	83	87	72	53	45
Total liabilities	8 341	8 605	8 814	8 962	9 087
Net Worth	18 797	19 245	19 701	20 099	20 480
Net financial worth (a)	-7 702	-8 030	-8 218	-8 276	-8 357
Net financial liabilities	7 702	8 030	8 218	8 276	8 357
Net debt (b)	7 540	7 870	8 067	8 145	8 234

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Assets					
Financial assets					
Cash and deposits	1 254	1 248	1 278	1 371	1 417
Advances paid	43	43	39	34	28
Investments, loans and placements	353	365	376	388	401
Receivables	849	880	913	913	914
Equity					
Investments in other public sector entities	1 127	862	794	815	847
Investments — other	42	39	39	39	39
Other financial assets	90	96	96	95	95
Total financial assets	3 758	3 533	3 534	3 654	3 741
Non-financial assets					
Land and other fixed assets	69 928	70 573	72 064	72 960	73 858
Other non-financial assets	17	18	19	20	20
Total non-financial assets	69 945	70 591	72 083	72 980	73 878
Total assets	73 703	74 124	75 617	76 634	77 618
Liabilities					
Deposits held	226	226	227	227	228
Advances received	234	227	219	209	194
Borrowing	15 027	15 145	16 047	16 308	16 344
Superannuation	11 217	10 898	10 547	10 164	9 748
Other employee benefits	2 941	3 075	3 210	3 374	3 505
Payables	1 378	1 403	1 411	1 424	1 434
Other liabilities	1 158	1 208	1 242	1 288	1 341
Total liabilities	32 180	32 181	32 902	32 995	32 795
Net Worth	41 523	41 943	42 714	43 640	44 824
Net financial worth (a)	-28 422	-28 648	-29 369	-29 340	-29 054
Net financial liabilities	29 549	29 510	30 163	30 156	29 901
Net debt (b)	13 837	13 942	14 801	14 952	14 920

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Cash receipts from operating activities					
Taxes received	4 639	4 601	4 782	4 996	5 223
Receipts from sales of goods and services	2 512	2 552	2 618	2 682	2 725
Grants and subsidies received	9 991	10 661	10 770	10 847	11 254
Interest receipts	24	25	26	27	29
Dividends and income tax equivalents	674	608	406	302	273
Other receipts	674	662	676	710	697
Total operating receipts	18 515	19 108	19 278	19 564	20 202
Cash payments for operating activities					
Payments for employees	-9 369	-9 531	-9 638	-9 781	-9 858
Payments for goods and services	-4 262	-4 766	-4 948	-4 936	-5 208
Grants and subsidies paid	-3 305	-3 131	-3 076	-3 059	-3 140
Interest paid	-191	-426	-364	-381	-392
Other payments	-118	-185	-144	-148	-146
Total operating payments	-17 246	-18 039	-18 171	-18 305	-18 743
Net cash flows from operating activities	1 269	1 070	1 106	1 259	1 459
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	697	1 299	48	39	12
Purchases of non-financial assets (a)	-1 683	-2 165	-1 899	-1 491	-1 491
Net cash flows from investment in non-financial assets	-986	-866	-1 850	-1 452	-1 479
Net cash flows from investments in financial assets for policy purposes (b)	576	28	101	165	162
Net cash flows from investments in financial assets for liquidity purposes	-12	-9	-12	-12	-12
Net cash flow from financing activities					
Advances received (net)	—	-7	-8	-10	-15
Borrowing (net)	-667	-131	689	79	-85
Deposits received (net)	-168	-64	9	10	10
Dividends paid	—	—	—	—	—
Other financing (net)	1	—	1	1	1
Net cash flows from financing activities	-835	-201	692	80	-89
Net increase/(decrease) in cash held	12	22	36	41	42
Net cash flows from operating activities	1 269	1 070	1 106	1 259	1 459
Net cash flows from investments in non-financial assets	-986	-866	-1 850	-1 452	-1 479
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	283	203	-744	-193	-20

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 592	1 654	1 717	1 730	1 808
Grants and subsidies received	375	419	473	482	491
Interest receipts	9	6	7	7	8
Dividends and income tax equivalents	4	4	6	1	1
Other receipts	154	260	199	187	196
Total operating receipts	2 134	2 343	2 401	2 407	2 504
Cash payments for operating activities					
Payments for employees	-238	-243	-243	-248	-253
Payments for goods and services	-808	-838	-783	-776	-790
Grants and subsidies paid	-56	-35	-36	-27	-27
Interest paid	-288	-298	-303	-312	-318
Other payments	-636	-462	-474	-491	-499
Total operating payments	-2 027	-1 875	-1 839	-1 855	-1 886
Net cash flows from operating activities	108	468	562	552	618
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	185	159	157	134	44
Purchases of non-financial assets (a)	-1 190	-782	-673	-461	-446
Net cash flows from investment in non-financial assets	-1 005	-623	-516	-328	-402
Net cash flows from investments in financial assets for policy purposes (b)	—	—	—	—	—
Net cash flows from investments in financial assets for liquidity purposes	—	—	1	—	-1
Net cash flow from financing activities					
Advances received (net)	55	-12	-89	-158	-156
Borrowing (net)	617	256	219	163	128
Deposits received (net)	—	—	—	—	—
Dividends paid	-134	-162	-153	-143	-148
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	538	82	-23	-139	-176
Net increase/(decrease) in cash held	-359	-73	24	85	40
Net cash flows from operating activities	108	468	562	552	618
Net cash flows from investments in non-financial assets	-1 005	-623	-516	-328	-402
Dividends paid	-134	-162	-153	-143	-148
Cash surplus / (deficit)	-1 031	-317	-108	81	68

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Cash receipts from operating activities					
Taxes received	4 131	4 241	4 409	4 603	4 818
Receipts from sales of goods and services	3 898	4 006	4 132	4 204	4 325
Grants and subsidies received	9 987	10 661	10 770	10 847	11 255
Interest receipts	27	25	27	29	32
Dividends and income tax equivalents	438	364	173	76	44
Other receipts	793	851	805	826	819
Total operating receipts	19 275	20 148	20 316	20 585	21 292
Cash payments for operating activities					
Payments for employees	-9 595	-9 761	-9 869	-10 016	-10 096
Payments for goods and services	-4 873	-5 374	-5 498	-5 474	-5 755
Grants and subsidies paid	-2 982	-2 747	-2 640	-2 605	-2 676
Interest paid	-473	-718	-661	-687	-704
Other payments	-110	-173	-132	-135	-132
Total operating payments	-18 032	-18 773	-18 801	-18 918	-19 364
Net cash flows from operating activities	1 243	1 375	1 515	1 667	1 929
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	261	1 439	205	173	56
Purchases of non-financial assets (a)	-2 252	-2 928	-2 572	-1 952	-1 937
Net cash flows from investment in non-financial assets	-1 991	-1 489	-2 367	-1 780	-1 880
Net cash flows from investments in financial assets for policy purposes (b)	630	16	11	7	6
Net cash flows from investments in financial assets for liquidity purposes	-12	-9	-11	-12	-13
Net cash flow from financing activities					
Advances received (net)	—	-7	-8	-10	-15
Borrowing (net)	-51	125	908	242	43
Deposits received (net)	—	—	—	—	—
Dividends paid	—	—	—	—	—
Other financing (net)	1	—	1	1	1
Net cash flows from financing activities	-50	119	902	233	29
Net increase/(decrease) in cash held	-179	13	50	116	71
Net cash flows from operating activities	1 243	1 375	1 515	1 667	1 929
Net cash flows from investments in non-financial assets	-1 991	-1 489	-2 367	-1 780	-1 880
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-748	-114	-852	-112	48

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)

	2016-17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Cash surplus / (deficit)	283	203	-744	-193	-20
Acquisitions under finance leases and similar arrangements (a)	-2,758	—	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-2,475	203	-744	-193	-20

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

Cash surplus / (deficit)	-1,031	-317	-108	81	68
Acquisitions under finance leases and similar arrangements (a)	—	—	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-1,031	-317	-108	81	68

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

Cash surplus / (deficit)	-748	-114	-852	-112	48
Acquisitions under finance leases and similar arrangements (a)	-2,758	—	—	—	—
ABS GFS Surplus (+)/deficit (-)including finance leases and similar arrangements	-3,506	-114	-852	-112	48

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Taxes on employers' payroll and labour force	1 129	1 156	1 210	1 269	1 329
Taxes on property					
Land taxes	579	603	619	637	654
Stamp duties on financial and capital transactions	986	1 005	1 023	1 122	1 216
Financial institutions' transaction taxes	—	—	—	—	—
Other	286	377	384	382	392
Total	1 851	1 985	2 025	2 141	2 262
Taxes on the provision of goods and services					
Excises and levies	—	—	—	—	—
Taxes on gambling	363	398	413	418	425
Taxes on insurance	455	456	474	494	514
Total	819	854	887	912	939
Taxes on use of goods and performance of activities					
Motor vehicle taxes	622	634	660	677	697
Total	622	634	660	677	697
Total GFS taxation revenue	4 421	4 629	4 783	4 998	5 228

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Current grant revenue					
Current grants from the Commonwealth					
General purpose grants	5 934	6 303	6 554	6 786	7 171
National partnership grants	303	384	407	193	193
National partnership grants for on-passing	243	110	187	170	170
Specific purpose grants	1 937	1 969	1 953	2 051	2 152
Specific purpose grants for on-passing	830	859	893	930	969
Total current grants from the Commonwealth	9 247	9 624	9 994	10 129	10 655
Other contributions and grants	130	129	123	121	122
Total current grant revenue	9 377	9 753	10 117	10 251	10 776
Capital grant revenue					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
National partnership grants	514	800	547	489	369
Specific purpose grants	95	95	96	97	100
Specific purpose grants for on-passing	—	—	—	—	—
Other capital grants	13	8	5	5	5
Total capital grants from the Commonwealth	621	903	648	591	473
Other contributions and grants	7	5	5	5	5
Total capital grant revenue	628	908	653	596	478
Total grant revenue	10 005	10 661	10 770	10 847	11 254

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Current grant expense					
State/territory government	3	3	3	3	3
Local government	60	56	57	58	65
Local government on-passing	234	106	182	165	165
Private and not-for-profit sector	1 368	1 267	1 028	1 011	1 045
Private and not-for-profit sector on-passing	837	864	898	935	974
Grants to other sectors of government	391	435	490	499	509
Other	213	220	239	204	190
Total current grant expense	3 108	2 951	2 898	2 875	2 952
Capital grant expense					
State/territory government	—	—	—	—	—
Local government	25	6	—	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector	74	77	45	46	46
Private and not-for-profit sector on-passing	—	—	—	—	—
Grants to other sectors of government	—	—	—	—	—
Other	—	—	—	—	—
Total capital grant expense	98	82	45	46	46
Total grant expense	3 206	3 033	2 943	2 921	2 997

Note: Totals may not add due to rounding.

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

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Dividend and Income tax equivalent income from PNFC sector	190	232	229	211	216
Dividend and Income tax equivalent income from PFC sector	436	359	166	74	41
Other dividend income	1	1	1	1	1
Total dividend and income tax equivalent income	628	592	396	286	258

Note: Totals may not add due to rounding.

Table A.16: General government sector expenses by function ($million)[(a)(b)]

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget
General public services	**408**	**396**	**426**
Government superannuation benefits	—	—	—
Other general public services	408	396	426
Defence[(c)]	**—**	**—**	**—**
Public order and safety	**1 752**	**1 738**	**1 859**
Police and fire protection services	1 003	982	1 053
Law courts and legal services	326	334	345
Prisons and corrective services	335	334	351
Other public order and safety	89	88	111
Education	**4 364**	**4 356**	**4 526**
Primary and secondary education	3 532	3 523	3 688
Tertiary education	556	556	558
Pre-school education and education not definable by level	243	245	248
Transportation of students	28	27	28
Education n.e.c.	5	5	3
Health	**5 618**	**5 597**	**5 942**
Acute care institutions	4 830	4 750	5 086
Mental health institutions	n.a.	n.a.	n.a.
Nursing homes for the aged	n.a.	n.a.	n.a.
Community health services	464	457	478
Public health services	144	149	155
Pharmaceuticals, medical aids and appliances	17	72	21
Health research	5	20	47
Health administration n.e.c.	157	149	155
Social security and welfare	**1 437**	**1 538**	**1 545**
Social security	117	110	117
Welfare services	1 302	1 407	1 411
Social security and welfare services n.e.c.	18	20	17
Housing and community amenities	**1 275**	**1 242**	**1 254**
Housing and community development	508	463	465
Water supply	249	234	249
Sanitation and protection of the environment	515	540	516
Other community amenities	3	4	23
Recreation and culture	**421**	**426**	**469**
Recreation facilities and services	202	183	215
Cultural facilities and services	198	220	238
Broadcasting and film production	7	7	7
Recreation and culture n.e.c.	15	15	8
Fuel and energy	**74**	**120**	**203**
Fuel affairs and services	17	40	13
Electricity and other energy	38	55	55
Fuel and energy n.e.c.	19	26	135
Agriculture, forestry, fishing and hunting	**213**	**230**	**226**
Agriculture	156	165	164
Forestry, fishing and hunting	57	65	62

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget
Mining and mineral resources other than fuels, manufacturing, and construction	**73**	**77**	**76**
Mining and mineral resources other than fuels	46	48	45
Manufacturing	—	—	—
Construction	26	29	31
Transport and communications	**1 219**	**1 329**	**1 276**
Road transport	513	638	546
Water transport	15	16	17
Rail transport	39	41	46
Air transport	17	11	6
Pipelines	n.a.	n.a.	n.a.
Other transport	532	522	551
Communications	104	102	110
Other economic affairs	**390**	**399**	**408**
Storage, saleyards and markets	n.a.	n.a.	n.a.
Tourism and area promotion	90	125	130
Labour and employment affairs	53	50	73
Other economic affairs	247	224	205
Other purposes	**766**	**582**	**866**
Public debt transactions	346	191	426
General purpose inter-government transactions	13	21	16
Natural disaster relief	9	19	4
Nominal superannuation interest expense	392	345	363
Other purposes n.e.c.	5	5	57
Total GFS expenses	**18 009**	**18 030**	**19 076**

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)]

	2016–17 Budget	2016–17 Estimated Result	2017–18 Budget
General public services	14	26	10
Defence[(b)]	—	—	—
Public order and safety	110	151	108
Education	85	73	233
Health	3 154	3 146	168
Social security and welfare	15	4	10
Housing and community amenities	83	38	116
Recreation and culture	89	48	97
Fuel and energy	—	3	92
Agriculture, forestry, fishing and hunting	7	10	—
Mining and mineral resources other than fuels, manufacturing, and construction	6	1	11
Transport and communications	1 057	941	1 340
Other economic affairs	10	13	—
Other purposes	—	—	—
Total capital expenditure	**4 630**	**4 454**	**2 185**

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)

	2016–17 Estimated Result	2017–18 Budget	2018–19 Estimate	2019–20 Estimate	2020–21 Estimate
Net worth at beginning of year	**37 741**	**41 523**	**41 943**	**42 714**	**43 640**
Change in net worth from operating transactions					
Net operating balance	239	72	132	193	462
Change in net worth from other economic flows					
Movement in net assets of PFCs[(a)]	851	-248	-61	23	32
Movement in net assets of PNFCs[(a)]	346	460	545	556	538
Revaluation of unfunded superannuation liability[(b)]	2 699	257	260	262	265
Revaluation of long service leave liability	-97	-94	-96	-98	-99
Revaluation of annual leave liability	-15	-15	-15	-16	-16
Revaluation of workers compensation liability	-159	-16	-16	-17	-17
Revaluation of non-financial assets	-72	41	41	41	41
Other revaluation adjustments	-9	-36	-18	-19	-21
Total other economic flows	3 544	348	639	732	723
Net worth at year end	**41 523**	**41 943**	**42 714**	**43 640**	**44 824**

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) 2016–17 change represents the revaluation difference from the 30 June 2016 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 January, 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 2017–18, for all jurisdictions and in aggregate, were reviewed and endorsed by the ALC in March 2017.

South Australia's nomination, budget and estimated outcome LCAs for 2016–17 are shown in table A.19, with nomination and budget time LCAs for 2017–18 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 deficit of $2291 million for 2016–17, primarily driven by the commercial acceptance of the new Royal Adelaide Hospital. This estimate represents an improvement compared to the $2539 million deficit estimated in the 2016–17 Budget, mainly reflecting higher than expected earnings on superannuation assets, partially offset by a deterioration in the PNFC sector cash balance. On the basis of these estimates, South Australia's 2016–17 LCA outcome will not exceed the 2 per cent of total revenue tolerance limit included in the 2016–17 LCA nomination.

South Australia's 2017–18 Budget LCA, detailed in table A.20, is an estimated $5 million deficit, compared to a $354 million deficit nominated in January this year. The change mainly reflects an expected improvement in the general government sector cash balance, partially offset by an expected deterioration in the PNFC sector cash balance. On the basis of these estimates, South Australia's 2017–18 LCA is not likely to exceed the LCA nomination tolerance limit.

Table A.19: Loan Council allocation 2016–17 ($million)[(a)]

	Nomination (February 2016)	Budget (July 2016)	Estimated result (June 2017)
General government sector cash deficit/surplus	184	-290	-283
PNFC sector cash deficit/surplus	124	843	1 031
Non-financial public sector cash deficit/surplus[(b)]	**308**	**553**	**748**
Acquisitions under finance leases and similar arrangements[(c)]	2 820	2 820	2 758
ABS Government Finance Statistics cash deficit/surplus	**3 128**	**3 373**	**3 506**
Less: Net cash flows from investments in financial assets for policy purposes	305	502	630
Adjusted total non-financial public sector deficit/surplus	**2 823**	**2 871**	**2 876**
Plus: Memorandum items[(d)]			
Operating leases[(e)]	-100	-110	-127
Recourse asset sales	—	—	—
Superannuation[(f)]	-453	-267	-505
Local government	29	29	27
Home finance schemes	-24	15	20
Total memorandum items	**-547**	**-332**	**-585**
LCA deficit/surplus[(g)(h)]	**2 276**	**2 539**	**2 291**

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 2 per cent of total revenue tolerance limit for South Australia’s 2016–17 LCA is $386 million.

(h) South Australia does not have any proposed infrastructure projects with private sector involvement that meets the recognition criteria for 2016–17.

Table A.20: Loan Council allocation 2017–18 ($million)[(a)]

	Nomination (January 2017)	Budget (June 2017)
General government sector cash deficit/surplus	485	-203
PNFC sector cash deficit/surplus	97	317
Total non-financial public sector cash deficit/surplus[(b)]	**582**	**114**
Acquisitions under finance leases and similar arrangements	—	—
ABS Government Finance Statistics cash deficit/surplus	**582**	**114**
Less: Net cash flows from investments in financial assets for policy purposes	162	16
Adjusted total non-financial public sector deficit/surplus	**420**	**98**
Plus: Memorandum items[(c)]		
Operating leases[(d)]	-96	-102
Recourse asset sales	—	—
Superannuation[(e)]	-187	-180
Local government	41	41
Home finance schemes	176	148
Total memorandum items	**-66**	**-93**
LCA deficit/surplus[(f)(g)]	**354**	**5**

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 two per cent of total revenue tolerance limit for South Australia’s 2017–18 LCA is $401 million.

(g) South Australia does not have any proposed infrastructure projects with private sector involvement that meets the recognition criteria for 2017–18.

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 2017–18 Budget. Data provided is sourced for 1998–99 from the Australian Bureau of Statistics Government Finance Statistics 2007–08 and for 1999–2000 to 2015–16 from budget outcome publications for South Australia. The estimates for 2016–17 onwards are contained in the 2017–18 Budget papers.

Gross State Product (GSP) and Consumer Price Index (for real-growth calculations) data up to 2015–16 is sourced from the latest Australian Bureau of Statistics (ABS) publications. Department of the Premier and Cabinet 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	17.4	-297	102	-399
2001–02	8 538	2.1	16.3	8 713	0.5	16.6	-174	-50	-124
2002–03	9 346	5.2	16.8	8 898	-1.8	16.0	448	34	414
2003–04	9 955	3.4	16.8	9 570	4.4	16.2	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	17.2	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	17.2	-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	16.3	16 282	-1.3	17.3	-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	16.7	16 738	0.4	16.9	-189	-78	-111
2015–16	17 362	4.0	17.3	17 062	1.1	17.0	300	204	96
2016–17	18 269	3.7	17.5	18 030	4.1	17.2	239	2 833	-2 595
2017–18	19 148	2.8	17.7	19 076	3.7	17.7	72	-157	228
2018–19	19 308	-1.4	17.2	19 176	-1.7	17.1	132	817	-685
2019–20	19 557	-1.2	16.7	19 364	-1.5	16.5	193	396	-203
2020–21	20 202	0.8	16.4	19 741	-0.5	16.1	462	390	72

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)

As at 30 June	Net debt[a] $m	Net debt[a] % of revenue	Net debt[a] % of GSP	[b] Unfunded superannuation $m	Net financial liabilities $m	Net financial worth $m	Net worth $m
1988	859						
1989	694						
1990	854						
1991	1 817						
1992	4 610						
1993	7 884						
1994	7 113						
1995	5 815						
1996	5 512						
1997	4 983						
1998	4 762						
1999	4 779	65.6	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]	4 393	25.3	4.4	14 029	21 372	-2 049	37 741
2017	6 297	34.5	6.0	11 217	21 850	-1 926	41 523
2018	6 072	31.7	5.6	10 898	21 483	-1 376	41 943
2019	6 733	34.9	6.0	10 547	21 948	-1 453	42 714
2020	6 808	34.8	5.8	10 164	21 882	-968	43 640
2021	6 687	33.1	5.4	9 748	21 546	-219	44 824

Note: Totals may not add due to rounding.

(a) Net debt data for the years before 1999 is sourced from ABS, *Government Financial Estimates 2003–04* (catalogue number 5501).

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

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

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

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

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

(g) There is a structural break in 2012 reflecting the transfer of the Rail Commissioner to the general government sector. This resulted in a reduction in net debt of $6 million, an increase in net financial liabilities of $37 million, and a reduction in net financial worth of $144 million in 2011–12, with no impact on net worth.

(h) There is a structural break in 2014 reflecting the transfer of the Lotteries Commission of South Australia (SA Lotteries) to the general government sector. This resulted in a reduction in net debt of $46 million, a reduction in net financial liabilities of $1 million, with no impact on net worth.

(i) There is a structural break in 2015 reflecting the government's decision to reduce its equity in SA Water. This resulted in a once-off $2.7 billion return of capital to the Consolidated Account in 2014–15. The restructure resulted in a reduction in distributions paid to government partially offset by increased guarantee fees payable and lower borrowing costs.

(j) There is a structural break in 2016 reflecting the transfer of the South Australian Motor Sport Board to the general government sector. This resulted in an increase in net financial liabilities of $3 million, and a reduction in net financial worth of $12 million in 2015–16, with no impact on net worth.

Table B.3: General government sector receipts, payments and surplus ($million)[(a)]

	Receipts	Payments	ABS Cash surplus
1979–80	1 891	1 671	220
1980–81	2 065	1 917	148
1981–82	2 210	2 122	87
1982–83	2 664	2 507	156
1983–84	2 988	2 734	255
1984–85	3 380	3 057	324
1985–86	3 634	3 161	474
1986–87	3 956	3 416	540
1987–88	4 307	3 858	449
1988–89	4 630	3 977	653
1989–90	4 973	4 370	603
1990–91	5 260	4 796	463
1991–92	5 387	5 396	-10
1992–93	5 967	5 456	512
1993–94	6 087	6 024	63
1994–95	6 155	6 220	-66
1995–96	6 405	6 164	241
1996–97	6 379	6 282	97
1997–98	6 988	6 724	264
1998–99	7 165	7 041	123
1999–2000	7 676	7 915	-239
2000–01	8 278	8 387	-108
2001–02	8 698	8 748	-50
2002–03	9 522	8 864	658
2003–04	10 023	9 502	522
2004–05	11 252	11 059	193
2005–06	11 480	11 293	187
2006–07	12 090	12 116	-26
2007–08	12 932	12 552	379
2008–09	13 579	14 299	-721
2009–10	15 837	16 991	-1 154
2010–11	15 331	16 851	-1 520
2011–12	16 556	17 594	-1 038
2012–13	16 489	17 655	-1 166
2013–14	15 434	17 232	-1 797
2014–15	16 768	16 652	116
2015–16	17 144	17 357	-213
2016–17	19 212	21 687	-2 475
2017–18	20 407	20 204	203
2018–19	19 326	20 070	-744
2019–20	19 603	19 796	-193
2020–21	20 214	20 234	-20

Note: Totals may not add due to rounding.

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

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

	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Revenue										
Taxation revenue	3 854	4 104	4 085	4 376	4 409	4 421	4 629	4 783	4 998	5 228
Grants	8 668	7 669	7 804	8 350	8 997	10 005	10 661	10 770	10 847	11 254
Sales of goods and services	2 015	2 115	2 265	2 329	2 455	2 527	2 568	2 634	2 698	2 742
Interest income[(a)]	172	134	40	28	24	24	25	26	27	29
Dividend and income tax equivalent income	385	446	398	791	792	628	592	396	286	258
Other	811	865	752	674	686	664	673	700	700	691
Total revenue	15 905	15 333	15 343	16 549	17 362	18 269	19 148	19 308	19 557	20 202
less **Expenses**										
Employee expenses	6 770	7 105	7 353	7 493	7 721	8 009	8 272	8 363	8 505	8 524
Superannuation expenses										
Superannuation interest cost	407	314	468	438	402	345	363	352	341	328
Other superannuation expenses	666	675	736	738	744	829	850	858	872	875
Depreciation and amortisation	718	762	812	853	890	888	1 003	1 034	1 057	1 089
Interest expenses[(a)]	427	386	300	254	210	191	426	364	380	392
Other operating expenses	3 993	4 313	4 169	4 173	4 398	4 562	5 129	5 262	5 288	5 536
Grants	3 183	2 726	2 577	2 790	2 698	3 206	3 033	2 943	2 921	2 997
Total expenses	16 164	16 282	16 415	16 738	17 062	18 030	19 076	19 176	19 364	19 741
equals **Net operating balance**	-258	-948	-1 071	-189	300	239	72	132	193	462
plus **Other economic flows**	-3 556	3 113	1 362	628	-2 621	3 544	348	639	732	723
equals **Comprehensive result — total change in net worth**	-3 814	2 164	291	439	-2 321	3 782	420	771	925	1 184
Net operating balance	-258	-948	-1 071	-189	300	239	72	132	193	462
less **Net acquisition of non-financial assets**										
Purchases of non-financial assets	1 876	2 008	1 590	937	1 162	4 454	2 185	1 908	1 500	1 500
less Sales of non-financial assets	322	1 197	117	166	66	733	1 338	57	48	21
less Depreciation	718	762	812	853	890	888	1 003	1 034	1 057	1 089
plus Change in inventories	3	7	1	4	-3	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	839	55	661	-78	204	2 833	-157	817	396	390
equals **Net lending/borrowing**	-1 098	-1 003	-1 733	-111	96	-2 595	228	-685	-203	72

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assets										
Financial assets										
Cash and deposits[(a)]	916	1 113	1 104	1 110	1 088	1 076	1 080	1 095	1 112	1 130
Advances paid	550	176	66	57	57	76	76	72	67	61
Investments, loans and placements	200	226	247	271	292	304	316	328	341	353
Receivables	539	730	671	610	896	600	606	630	611	595
Equity										
Investments in other public sector entities	21 745	20 821	21 816	19 669	19 322	19 924	20 107	20 495	20 914	21 327
Investments — other	836	831	836	865	890	28	24	24	24	24
Other financial assets	125	56	39	79	86	85	91	90	89	89
Total financial assets	24 912	23 954	24 779	22 661	22 632	22 091	22 300	22 734	23 159	23 580
Non-financial assets										
Land and other fixed assets	35 779	37 616	38 593	38 747	39 781	43 440	43 311	44 159	44 599	45 034
Other non-financial assets	6	5	5	1	9	9	9	9	9	9
Total non-financial assets	35 785	37 621	38 599	38 748	39 790	43 449	43 319	44 167	44 608	45 043
Total assets	60 698	61 575	63 378	61 409	62 422	65 540	65 619	66 902	67 766	68 622
Liabilities										
Deposits held	397	392	356	377	478	310	246	256	266	276
Advances received	590	232	214	252	234	234	227	219	209	194
Borrowing[(a)]	4 843	6 118	7 918	4 737	5 119	7 209	7 071	7 754	7 853	7 761
Superannuation	13 523	11 085	10 877	11 358	14 029	11 217	10 898	10 547	10 164	9 748
Other employee benefits	2 408	2 457	2 452	2 622	2 829	2 867	3 000	3 135	3 298	3 429
Payables	898	1 019	936	1 089	1 089	1 144	1 166	1 171	1 181	1 188
Other liabilities	840	908	970	852	904	1 037	1 069	1 106	1 156	1 203
Total liabilities	23 499	22 212	23 723	21 288	24 681	24 017	23 676	24 187	24 127	23 799
Net worth	37 199	39 363	39 654	40 121	37 741	41 523	41 943	42 714	43 640	44 824
Net financial worth[(b)(e)]	1 413	1 742	1 056	1 374	-2 049	-1 926	-1 376	-1 453	-968	-219
Net financial liabilities[(b)(c)(e)]	20 332	19 079	20 761	18 296	21 372	21 850	21 483	21 948	21 882	21 546
Net debt[(b)(c)(d)]	4 165	5 227	7 071	3 929	4 393	6 297	6 072	6 733	6 808	6 687

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.

(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		22.0	9 597		22.3	-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	18.2	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	17.8	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	17.0	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	19.5	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	17.8	17 965	0.4	18.1	-314	-198	-116
2015–16	18 461	3.7	18.4	18 310	1.0	18.2	151	205	-54
2016–17	19 276	2.9	18.4	19 259	3.6	18.4	17	3 449	-3 432
2017–18	20 231	2.9	18.7	20 283	3.3	18.8	-52	34	-86
2018–19	20 396	-1.4	18.2	20 315	-2.0	18.1	81	864	-783
2019–20	20 638	-1.3	17.6	20 494	-1.6	17.5	144	246	-102
2020–21	21 342	0.9	17.4	20 951	-0.3	17.0	391	244	147

Note: Totals may not add due to rounding.

(a) In 2009–10 and 2010–11 revenue, expenses and net acquisition of non-financial assets are impacted by the Commonwealth Government's Nation Building — Economic Stimulus Plan.

(b) There is a structural break in 2013–14 in the presentation of interest income and interest expense. Interest income earned on cash and deposits is offset with interest expense on the borrowings the Treasurer has with SAFA. This results in a reduction to interest income and interest expense accordingly.

Table B.7: Non-financial public sector key balance sheet aggregates ($million)

As at 30 June	Net debt[a] $m	Net debt[a] % of revenue	Net debt[a] % of GSP	[b]Unfunded superannuation $m	Net financial liabilities $m	Net financial worth $m	Net worth $m
1988	4 397						
1989	4 197						
1990	4 457						
1991	5 418						
1992	8 142						
1993	11 610						
1994	10 550						
1995	8 844						
1996	8 432						
1997	8 170						
1998	7 927						
1999	7 657	80.9	17.8	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	3.4	7 227	11 511	-11 004	16 359
2006	1 786	15.1	2.7	6 146	10 451	-9 889	19 703
2007[c]	1 989	16.1	2.8	5 075	9 518	-8 795	22 128
2008[d][e]	1 611	11.8	2.1	6 468	10 208	-10 487	23 741
2009	2 872	20.0	3.6	8 939	14 302	-14 921	24 146
2010	4 487	27.5	5.4	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	10 912	59.1	10.9	14 029	28 281	-27 355	37 741
2017	13 837	71.8	13.2	11 217	29 549	-28 422	41 523
2018	13 942	68.9	12.9	10 898	29 510	-28 648	41 943
2019	14 801	72.6	13.2	10 547	30 163	-29 369	42 714
2020	14 952	72.5	12.7	10 164	30 156	-29 340	43 640
2021	14 920	69.9	12.1	9 748	29 901	-29 054	44 824

(a) Net debt data for the years before 1999 is sourced from ABS, *Government Financial Estimates 2003–04* (catalogue number 5501).

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

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

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

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

Table B.8: Non-financial public sector receipts, payments and surplus ($million)[(a)]

	Receipts	Payments	ABS Cash surplus
1979–80	2 681	2 388	292
1980–81	2 877	2 649	228
1981–82	3 145	2 963	182
1982–83	3 651	3 356	295
1983–84	4 383	4 014	369
1984–85	4 887	4 356	531
1985–86	5 172	4 415	757
1986–87	5 542	4 790	752
1987–88	6 078	5 299	780
1988–89	6 946	5 784	1 162
1989–90	7 517	6 465	1 052
1990–91	7 830	6 839	991
1991–92	8 352	7 969	383
1992–93	8 939	7 946	993
1993–94	8 761	8 119	642
1994–95	8 570	8 142	428
1995–96	8 985	8 654	331
1996–97	8 908	8 532	375
1997–98	9 426	8 895	532
1998–99	9 301	8 692	609
1999–2000	13 014	9 501	3 513
2000–01	10 572	9 414	1 158
2001–02	9 726	9 722	4
2002–03	10 439	9 805	634
2003–04	10 891	10 403	488
2004–05	12 051	11 786	265
2005–06	12 239	11 868	370
2006–07	12 684	12 809	-125
2007–08	13 943	13 477	466
2008–09	14 563	15 806	-1 243
2009–10	16 847	18 695	-1 849
2010–11	16 548	18 553	-2 004
2011–12	17 431	18 863	-1 432
2012–13	17 814	19 133	-1 319
2013–14	16 640	18 647	-2 007
2014–15	17 841	17 896	-55
2015–16	18 485	18 623	-138
2016–17	19 536	23 042	-3 506
2017–18	21 587	21 701	-114
2018–19	20 521	21 373	-852
2019–20	20 758	20 870	-112
2020–21	21 349	21 301	48

Note: Totals may not add due to rounding.

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

Table B.9: Non-financial public sector operating statement ($million)

	2011–12	2012–13	2013–14	2014–15	2015–16	2016–17	2017–18	2018–19	2019–20	2020–21
Revenue										
Taxation revenue	3 476	3 726	3 805	4 072	4 083	4 060	4 269	4 410	4 606	4 823
Grants	8 705	7 697	7 806	8 350	8 996	10 001	10 661	10 770	10 847	11 255
Sales of goods and services	3 589	3 949	3 844	3 968	4 138	3 939	4 052	4 169	4 245	4 364
Interest income[(a)]	163	131	46	34	33	27	25	27	29	32
Dividend and income tax equivalent income	51	56	81	504	466	441	364	173	76	44
Other	883	935	816	724	746	808	860	848	835	824
Total revenue	16 866	16 494	16 399	17 651	18 461	19 276	20 231	20 396	20 638	21 342
less **Expenses**										
Employee expenses	6 959	7 299	7 544	7 683	7 913	8 210	8 476	8 568	8 714	8 736
Superannuation expenses										
Superannuation interest cost	407	314	468	438	402	345	363	352	341	328
Other superannuation expenses	692	700	762	764	771	854	876	884	899	902
Depreciation and amortisation	1 078	1 166	1 236	1 275	1 321	1 328	1 458	1 508	1 541	1 595
Interest expenses[(a)]	639	599	509	519	483	472	717	660	686	704
Other operating expenses	4 716	4 849	4 892	4 886	5 045	5 179	5 756	5 836	5 847	6 153
Grants	2 417	2 224	2 218	2 401	2 376	2 871	2 637	2 507	2 467	2 533
Total expenses	16 908	17 152	17 627	17 965	18 310	19 259	20 283	20 315	20 494	20 951
equals **Net operating balance**	-41	-657	-1 229	-314	151	17	-52	81	144	391
plus **Other economic flows**	-3 772	2 822	1 520	753	-2 472	3 766	472	690	782	793
equals **Comprehensive result — total change in net worth**	-3 814	2 164	291	439	-2 321	3 782	420	771	925	1 184
Net operating balance	-41	-657	-1 229	-314	151	17	-52	81	144	391
less **Net acquisition of non-financial assets**										
Purchases of non-financial assets	2 750	2 683	2 126	1 429	1 704	5 052	2 972	2 605	1 985	1 971
less Sales of non-financial assets	331	1 428	333	297	195	284	1 467	213	181	65
less Depreciation	1 078	1 166	1 236	1 275	1 321	1 328	1 458	1 508	1 541	1 595
plus Change in inventories	41	-26	158	-55	17	9	-14	-20	-17	-67
plus Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	1 383	64	715	-198	205	3 449	34	864	246	244
equals **Net lending/borrowing**	-1 424	-721	-1 944	-116	-54	-3 432	-86	-783	-102	147

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	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assets										
Financial assets										
Cash and deposits[(a)]	1 207	1 440	1 354	1 326	1 506	1 254	1 248	1 278	1 371	1 417
Advances paid	77	62	55	24	24	43	43	39	34	28
Investments, loans and placements	242	270	293	317	340	353	365	376	388	401
Receivables	662	877	803	837	951	849	880	913	913	914
Equity										
Investments in other public sector entities	-623	-159	731	1 416	926	1 127	862	794	815	847
Investments — other	852	848	853	883	905	42	39	39	39	39
Other financial assets	126	56	39	83	92	90	96	96	95	95
Total financial assets	2 543	3 394	4 129	4 887	4 743	3 758	3 533	3 534	3 654	3 741
Non-financial assets										
Land and fixed assets	62 311	62 574	63 726	63 868	65 084	69 928	70 573	72 064	72 960	73 858
Other non-financial assets	12	12	8	4	13	17	18	19	20	20
Total non-financial assets	62 322	62 586	63 734	63 872	65 096	69 945	70 591	72 083	72 980	73 878
Total assets	64 866	65 981	67 863	68 759	69 839	73 703	74 124	75 617	76 634	77 618
Liabilities										
Deposits held	177	172	183	204	226	226	226	227	227	228
Advances received	590	232	214	252	234	234	227	219	209	194
Borrowing[(a)]	8 755	10 318	12 270	11 888	12 322	15 027	15 145	16 047	16 308	16 344
Superannuation	13 523	11 085	10 877	11 358	14 029	11 217	10 898	10 547	10 164	9 748
Other employee benefits	2 486	2 531	2 525	2 695	2 902	2 941	3 075	3 210	3 374	3 505
Payables	1 204	1 215	1 102	1 304	1 320	1 378	1 403	1 411	1 424	1 434
Other liabilities	932	1 064	1 038	937	1 066	1 158	1 208	1 242	1 288	1 341
Total liabilities	27 667	26 617	28 209	28 637	32 099	32 180	32 181	32 902	32 995	32 795
Net worth	37 199	39 363	39 654	40 121	37 741	41 523	41 943	42 714	43 640	44 824
Net financial worth	-25 123	-23 223	-24 080	-23 750	-27 355	-28 422	-28 648	-29 369	-29 340	-29 054
Net financial liabilities	24 500	23 064	24 811	25 167	28 281	29 549	29 510	30 163	30 156	29 901
Net debt	7 996	8 949	10 964	10 676	10 912	13 837	13 942	14 801	14 952	14 920

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

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Receipts			
Taxation	**3 984 773**	4 046 260	3 918 396
Commonwealth general purpose grants	**6 302 600**	5 920 200	6 100 500
Commonwealth specific purpose grants	**308 240**	303 744	304 349
Commonwealth National Partnership payments	**60 835**	22 041	58 661
Contributions from state undertakings	**298 098**	385 537	249 911
Fees and charges	**553 896**	501 073	545 137
Recoveries	**93 143**	1 058 399	709 881
Royalties	**251 008**	226 240	251 538
Other receipts	**477 503**	204 163	152 566
Total receipts	**12 330 096**	12 667 657	12 290 939
Payments			
Appropriation Act	**13 942 460**	12 732 239	13 163 633
Specific appropriation authorised in various Acts	**110 411**	108 737	106 359
Total payments	**14 052 871**	12 840 976	13 269 992
Consolidated Account financing requirement	**1 722 775**	173 319	979 053
Borrowing from (+) repayment to (-) South Australian Government Financing Authority	**1 722 775**	173 319	979 053

Table C.2: Estimates of payments

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Payments from Appropriation Act			
Attorney-General's Department	**117 786**	117 390	118 141
Administered items for the Attorney-General's Department	**94 269**	78 803	101 555
Auditor-General's Department	**17 219**	16 961	16 966
Courts Administration Authority	**94 066**	85 533	93 592
Defence SA	**18 478**	21 608	17 158
Department for Child Protection	**479 666**	315 958	—
Department for Communities and Social Inclusion	**1 157 391**	1 125 583	1 090 488
Administered items for the Department for Communities and Social Inclusion	**196 289**	190 688	195 310
Department for Correctional Services	**341 779**	379 541	358 031
Department for Education and Child Development	**2 506 014**	2 524 087	2 778 732
Administered items for the Department for Education and Child Development	**254 385**	250 638	252 286
Department for Health and Ageing	**3 748 814**	3 392 296	3 711 780
Department of Environment, Water and Natural Resources	**153 209**	150 065	144 698
Administered items for the Department of Environment, Water and Natural Resources	**27 551**	18 706	19 193
Department of Planning, Transport and Infrastructure	**860 537**	796 432	806 024
Administered items for the Department of Planning, Transport and Infrastructure	**9 208**	8 779	9 719
Department of Primary Industries and Regions	**108 461**	130 899	127 885
Administered items for the Department of Primary Industries and Regions	**4 788**	3 958	3 989
Department of the Premier and Cabinet	**260 146**	161 078	78 456
Administered items for the Department of the Premier and Cabinet	**1 976**	1 930	1 930
Department of State Development	**683 049**	614 943	672 950
Administered items for the Department of State Development	**13 911**	8 446	10 448
Department of Treasury and Finance	**70 268**	60 827	56 903
Administered items for the Department of Treasury and Finance	**1 752 379**	1 360 017	1 582 470
Electoral Commission of South Australia	**17 332**	4 442	5 228
Administered items for Electoral Commission of South Australia	**456**	93	93
House of Assembly	**7 485**	7 321	7 321
Independent Gambling Authority	**1 849**	1 809	1 809
Joint Parliamentary Services	**12 396**	12 070	12 070
Administered items for Joint Parliamentary Services	**2 638**	2 586	2 586
Legislative Council	**5 367**	5 504	5 504
Local Government Grants Commission	**407**	—	—
Minister for Tourism	**5 039**	4 916	4 916
Nuclear Fuel Cycle Royal Commission Engagement and Response Agency	**—**	7 600	—
South Australian Mental Health Commission	**2 011**	2 547	—
South Australia Police	**821 399**	785 123	790 854
Administered items for South Australia Police	**59**	61	189
South Australian Tourism Commission	**89 112**	79 603	80 371
State Governor's Establishment	**5 271**	3 398	3 988
Total payments appropriated for administrative units, statutory authorities and ministers	**13 942 460**	12 732 239	13 163 633
Payments for which specific appropriation is authorised in various Acts	**110 411**	108 737	106 359
Total Consolidated Account payments	**14 052 871**	12 840 976	13 269 992

Table C.2: Estimates of payments (continued)

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Payments for which specific appropriation is authorised in various Acts			
Salaries and allowances			
Agent-General — pursuant to *Agent-General Act 1901*	**157**	111	111
Auditor-General — pursuant to *Public Finance and Audit Act 1987*	**326**	320	320
Commissioners of Environment, Resource and Development Court — pursuant to *Remuneration Act 1990*	**1 188**	1 169	1 264
Commissioner of Police — pursuant to *Police Act 1998*	**465**	456	456
State Coroner and Deputy Coroner — pursuant to *Remuneration Act 1990*	**890**	878	895
Electoral Commissioner and Deputy Electoral Commissioner — pursuant to *Electoral Act 1985*	**446**	324	399
Electoral District Boundaries Commission — pursuant to *Constitution Act 1934*	**—**	280	280
Governor — pursuant to *Constitution Act 1934*	**355**	347	347
Health and Community Services Complaints Commissioner — pursuant to *Remuneration Act 1990*	**128**	126	126
Judges — pursuant to *Remuneration Act 1990*			
Chief Justice	**726**	715	717
Judges and Masters	**22 724**	22 413	21 936
Magistrates — pursuant to *Remuneration Act 1990*	**15 726**	15 298	15 725
Members of various standing committees — pursuant to *Parliamentary Remuneration Act 1990 and Parliamentary Committees Act 1991*	**253**	248	248
Ombudsman — pursuant to *Ombudsman Act 1972*	**408**	400	399
Parliamentary salaries and electorate other allowances — pursuant to *Parliamentary Remuneration Act 1990*			
Ministers, officers and members of parliament	**18 506**	18 171	18 266
Senior Judge and judges of the Industrial Relations Court and Commission — pursuant to *Remuneration Act 1990*	**2 010**	1 953	1 948
Solicitor-General — pursuant to *Solicitor-General Act 1972*	**666**	653	652
South Australian Civil and Administrative Tribunal — pursuant to *Remuneration Act 1990*	**600**	586	586
Valuer-General — pursuant to *Valuation of Land Act 1971*	**141**	139	139
Total salaries and allowances	**65 715**	64 587	64 814
Other			
Compensation for injuries resulting from criminal acts — pursuant to *Victims of Crime Act 2001*	**8 639**	8 428	8 428
First Home Owner Grant — pursuant to *First Home and Housing Construction Grants Act 2000 (formerly First Home Owner Grant Act 2000)*	**36 057**	35 722	33 117
Total other	**44 696**	44 150	41 545
Total payments for which specific appropriation is authorised in various Acts	**110 411**	108 737	106 359

Table C.3: Estimates of receipts

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Taxation receipts			
Payroll tax	**1 398 205**	1 365 891	1 391 964
Commonwealth places mirror payroll tax[(a)]	**24 500**	23 900	24 400
Stamp duties	**1 489 005**	1 491 873	1 519 517
Commonwealth places mirror stamp duties[(a)]	**268**	267	267
Land tax	**599 199**	798 500	590 999
Commonwealth places mirror land tax[(a)]	**1 500**	1 400	1 400
Gaming machines tax	**275 874**	269 619	288 230
Contribution from SA Lotteries	**72 168**	73 415	79 522
Contribution from casino operations	**18 300**	18 000	18 800
Contribution from South Australian Totalizator Agency Board	**—**	700	700
Contribution from on-course totalizators, bookmakers and small lotteries	**2 754**	2 695	2 597
Betting operations tax[(b)]	**30 000**	—	—
South Australian major bank levy[(c)]	**73 000**	—	—
Total taxation receipts	**3 984 773**	4 046 260	3 918 396
Commonwealth general purpose payments			
GST revenue grants	**6 302 600**	5 920 200	6 100 500
Total Commonwealth general purpose payments	**6 302 600**	5 920 200	6 100 500
Commonwealth specific purpose payments[(d)]			
Council of Australian Governments funding arrangements	**308 240**	303 744	304 349
Natural disaster relief and recovery arrangements	**—**	—	—
Total Commonwealth specific purpose payments	**308 240**	303 744	304 349
Commonwealth National Partnership payments[(e)]			
Council of Australian Governments funding arrangements	**60 835**	22 041	58 661
Total Commonwealth National Partnership payments	**60 835**	22 041	58 661

(a) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the state.

(b) A place of consumption betting operations tax of 15 percent on the net state wagering revenue of all wagering operators offering services to South Australia will apply from 1 July 2017.

(c) A South Australian major bank levy is to be introduced from 1 July 2017 and will apply to all Authorised Deposit Banking Institutions liable for the Commonwealth major bank levy.

(d) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.

(e) 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)

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Contributions from state undertakings			
Adelaide Cemeteries Authority			
Income tax equivalent	**98**	61	—
Adelaide Venue Management Corporation			
Dividend	**1 600**	1 600	1 600
Arrangements with private electricity entities			
Local government rate equivalent	**248**	238	243
Department of Planning, Transport and Infrastructure			
Income tax equivalent	**2 614**	2 614	2 614
Local government rate equivalent	**1 041**	1 016	1 016
Flinders Ports			
Payment in lieu of other taxes	**2 625**	2 561	2 561
ForestrySA			
Dividend	**5 962**	3 575	—
Funds SA			
Local government rate equivalent	**233**	227	227
Generation Lessor Corporation			
Dividend	**—**	2 900	—
HomeStart Finance			
Dividend	**6 510**	7 115	6 801
Income tax equivalent	**4 650**	4 830	4 858
Public Trustee			
Dividend	**381**	260	475
Income tax equivalent	**251**	189	296
Renewal SA			
Dividend	**13 853**	2 059	2 650
Income tax equivalent	**3 178**	941	—
Local government rate equivalent	**3 534**	1 077	1 078
Return to Work Corporation of South Australia			
Income tax equivalent	**—**	86 300	—
South Australian Water Corporation			
Dividend	**138 768**	121 581	121 758
Income tax equivalent	**81 636**	104 638	75 582
Local government rate equivalent	**1 979**	1 931	1 575
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	**15 700**	23 050	13 093
Income tax equivalent	**10 380**	13 996	10 711
West Beach Trust			
Income tax equivalent	**86**	7	2
Total contributions from state undertakings	**298 098**	385 537	249 911

Table C.3: Estimates of receipts (continued)

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Fees and charges[f]			
Auditor-General's Department — fees for audit and other sundry receipts	**15 075**	14 701	14 701
Court fines	**67 458**	57 795	57 795
Court regulatory fees	**37 471**	36 710	36 539
Guarantee fees	**155 224**	133 182	139 158
Infringement notice schemes — expiation fees	**72 541**	67 722	82 088
Land and business regulations	**1 789**	4 291	4 291
Land Services regulatory fees	**204 120**	186 459	210 364
Small lotteries	**181**	177	165
Sundry fees	**37**	36	36
Total fees and charges	**553 896**	501 073	545 137
Recoveries			
Adelaide Oval Sublease Fees	**400**	200	200
Department of Planning, Transport and Infrastructure — indentured ports	**10 621**	10 432	10 432
Department of Environment, Water and Natural Resources — Qualco Sunlands	**250**	—	250
Essential Services Commission of South Australia	**13 356**	12 917	12 917
Fire damage and insurance cost (SAICORP Fund 2)	**—**	7 200	—
Fortified Bank Guarantee — Building sale	**—**	5 000	—
Government Banking Contract Rebate	**1 136**	—	—
Helicopter service — recovery of costs and sponsorships	**1 071**	1 061	1 040
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	**2 000**	2 000	2 000
Metropolitan Drainage Fund	**7**	7	7
National Tax Equivalent Program	**50**	50	50
NRM Levy — Treasurer's Water Licences	**376**	364	364
Return of cash by Defence SA to Consolidated Account following the transfer of the Techport Common User Facility to the Commonwealth	**30 377**	—	—
Purchase of key TAFE SA properties by Renewal SA from the Department of State Development	**—**	610 973	650 000
Return of cash to Consolidated Account — cash alignment policy	**—**	373 945	—
Return of deposit account balances	**—**	—	—
Return of deposit account balances — superannuation	**30 000**	30 000	30 000
Return to public sector employment — ETSA employees	**—**	1 629	—
Sale of government publications and subscriptions	**212**	206	206
Sundry recoupment	**961**	156	156
Unclaimed monies and personal property	**2 326**	2 259	2 259
Total recoveries	**93 143**	1 058 399	709 881
Royalties			
Department of the Premier and Cabinet[g]	**251 008**	77 892	—
Department of State Development[g]	—	148 348	251 538
Total royalties	**251 008**	226 240	251 538

(f) Refers to only those fees and charges paid to the Consolidated Account.

(g) Refers to the transition of the Resources and Energy Group of the Department of State Development to the Department of the Premier and Cabinet, effective as of 1 April 2017.

Table C.3: Estimates of receipts (continued)

	2017–18 Budget $000	2016–17 Estimated Result $000	2016–17 Budget $000
Other receipts			
Interest			
Interest on investments	**120 849**	83 879	101 742
Interest recoveries from general government entities	**1 703**	1 839	1 767
Interest recoveries from the private sector	**95**	206	177
Repayment of advances			
Administered items for the Department of Planning, Transport and Infrastructure	**209**	209	209
Department for Health and Ageing	**3 546**	3 033	3 157
Department of Primary Industries and Regions	**1 000**	17 008	3 000
Renmark Irrigation Trust	**79**	75	79
Royal Zoological Society of South Australia	**263**	251	251
Repayment of equity			
South Australian Water Corporation	**63 780**	71 208	—
Defence SA[(h)]	**101 823**	—	—
Other			
Other recoveries	**7 732**	3 360	3 359
Sale of land and buildings[(h)]	**176 424**	23 095	38 825
Total other receipts	**477 503**	204 163	152 566
Total Consolidated Account receipts	**12 330 096**	12 667 657	12 290 939

(h) Relates to sale of Techport Common User facility and associated assets to the Commonwealth Government.

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 2017–18 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)	*		
Board of Botanic Gardens and State Herbarium	*		
Carrick Hill Trust	*		
Child Protection, Department for	*		
Coast Protection Board	*		
Communities and Social Inclusion, Department for	*		
Correctional Services, Department for	*		
Courts Administration Authority	*		
CTP Regulator (trading as CTP Insurance Regulator)	*		
Dairy Authority of South Australia	*		
Defence SA	*		
Distribution Lessor Corporation		*	
Dog and Cat Management Board	*		
Dog Fence Board	*		
Education Adelaide	*		
Education 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	*		
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	*		
Premier and Cabinet, Department of the	*		
Primary Industries and Regions, Department of	*		
Public Trustee		*	
Return to Work Corporation of South Australia (trading as ReturnToWorkSA)			*
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)	*		
South Australian Forestry Corporation (trading as ForestrySA)		*	

	General Government Sector	Public Non-Financial Corporations Sector	Public Financial Corporations Sector
South Australian Government Employee Residential Properties		*	
South Australian Government Financing Authority (trading as SAFA)			*
South Australian Housing Trust		*	
South Australian Local Government Grants Commission	*		
South Australian Mental Health Commission	*		
South Australian Metropolitan Fire Service (MFS)	*		
South Australian Murray-Darling Basin Natural Resources Management Board	*		
South Australian State Emergency Service (trading as SES)	*		
South Australian Tourism Commission	*		
South Australian Water Corporation (trading as SA Water)		*	
South East Natural Resources Management Board	*		
South Eastern Water Conservation and Drainage Board	*		
State 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	*		
TechInSA (formerly trading as Bio Innovation 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 2016–17 Budget

New entities

- Effective 1 July 2016, Nuclear Fuel Cycle Royal Commission Consultation and Response Agency was established.
- Effective 4 August 2016, Bio Innovation SA established as a subsidiary of the Minister for Innovation under the repealed regulations, continues (without change of its corporate entity) as a subsidiary of the Minister for Science and Information Economy as TechInSA.
- Effective 1 November 2016, Department for Child Protection was established.

Dissolved entities

- Effective 30 June 2017, Nuclear Fuel Cycle Royal Commission Consultation and Response Agency will be abolished.

Name change

- Effective 12 May 2016, CTP Regulator was established under the *Compulsory Insurance Regulation Act 2016*. Operationally, the authority has also become known under its trading name, CTP Insurance Regulator.

Appendix E: Tax expenditure statement

Overview

This statement provides a summary of tax expenditures incurred by the Government of South Australia in 2015–16 and 2016−17.

What are tax expenditures?

The term ‘tax expenditure’ refers to differential tax treatment where the difference constitutes a departure from the tax standard or benchmark.

Examples of tax expenditures can include revenue forgone from:

- tax exemptions
- reduced rates of taxation
- tax rebates or deductions
- deferral of the payment of tax liabilities.

Thus a tax expenditure is a reduction in tax revenue resulting from ‘preferential’ tax treatment. In practice, differentiating preferential tax treatment from tax differences that are integral to efficient revenue raising design is not always straightforward.

In the design of expenditure and revenue policy, governments observe various principles of fairness and equity. Such principles apply to decisions on taxation policies as well as decisions that underpin the direction of public expenditure. As a result, a number of differential tax treatments across a broad spectrum of taxpayers and particular activities may arise. Differential treatment afforded to certain taxpayers to achieve social and political objectives rather than tax design objectives constitutes a tax expenditure.

Why measure tax expenditures?

The immediate and direct impact of preferential tax treatment is to reduce the revenue yield from a given tax. In the absence of concessions and exemptions, governments would be able to support a higher level of government spending, or reduce the severity of their tax rates or, if expenditures remain unchanged, reduce their borrowing requirements.

By explicitly publishing estimates of the magnitude of this preferential tax treatment, transparency is increased and the community is made more aware of the government’s fiscal priorities. The government should also be better placed to ensure that resources, in total, are committed to the areas that clearly reflect policy priorities.

Valuation of tax expenditures

Tax expenditures in this appendix are calculated according to the revenue forgone method, which involves applying the general structure of a tax to a tax base (that is, a group of people or activities) that is currently exempt from the tax or subject to concessional treatment.

This static approach does not take into account possible behavioural changes which may result from the removal of a tax concession, that is, the revenue forgone approach assumes that taxpayer behaviour will remain unchanged if concessions are removed. Therefore, tax expenditures measured using this approach are likely to be only a broad indication of actual revenue impacts and, more specifically, this approach is likely to overstate the actual revenue forgone as a result of an individual tax concession.

Aside from the absence of assumptions about behavioural responses, the estimates are in many cases approximations, reflecting data limitations and the use of proxy indicators to measure the size of revenue bases relevant to tax concessions.

Benchmark for measuring tax expenditures

Tax expenditures should be quantified by comparing the existing tax structure with a benchmark tax structure based entirely on taxation design principles. In practice, deciding on such a structure does involve some judgements. For example, the benchmark structure used for payroll tax is a flat tax at the current rate with no threshold. There is no particular merit in the current rate from the point of view of tax design but it has been adopted because it is the existing rate. Further, a zero threshold would probably not be desirable from a tax design point of view because the administrative costs of collecting revenue from very small employers might well exceed the revenue collected. However, for the sake of simplicity, a zero threshold has been adopted in this exercise.

Summary

The view has been taken that the extent of tax relief provided through the availability of exemptions, concessions, rebates and allowable deductions is sufficiently important to warrant documentation even if:

- the benchmark against which the tax expenditure is assessed could be argued to be imperfectly defined
- the measurement of those imperfectly defined expenditures is also subject to qualification
- the value of many tax expenditures cannot be quantified.

Many tax expenditures have not been able to be quantified. In particular, there are a large number of exemptions from stamp duties that are not reflected in the estimates due to a lack of information on the size of the affected tax bases. Similarly, a number of exemptions relating to payroll tax have not been quantified. As such, the aggregate total of the estimates contained in table E.1 does not represent the total value of assistance provided by tax expenditures.

The largest tax expenditures are the payroll tax threshold exemption and the land tax exemptions for primary production and the principal place of residence.

The following is a brief summary of the individual tax expenditures that have been quantified.

Payroll tax

Total quantified tax expenditures relating to payroll tax for 2016–17 of $817.9 million represents 72.4 per cent of payroll tax revenue collections (excluding general government collections). This is a $41.9 million increase on the estimated value of payroll tax expenditures in 2015–16 and mainly reflects growth in 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 $587.7 million in 2016–17 for private sector employers. This comprises $443.9 million in revenue forgone from small businesses that are not liable for payroll tax and $143.9 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 $134.5 million in 2016–17. Other expenditures include local government councils ($37.4 million), not-for-profit schools ($19.4 million) and not-for-profit hospital and health providers ($15.0 million).

A payroll tax rebate scheme for small businesses has also been in place since 2013–14. The scheme had a cost of $11.2 million in 2015–16 and is estimated to cost $11.5 million in 2016–17.

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 2016–17 of $197.6 million is equivalent to 13.3 per cent of stamp duty revenues. The total cost of stamp duty tax expenditures has decreased by $65.9 million in 2016–17, mainly due to a decline in the level of corporate reconstruction relief.

Conveyance duty expenditures are estimated to amount to $154.1 million in 2016–17. The stamp duty exemption for non-real property transfers is estimated to cost $34.7 million in 2016–17. The one-third reduction of stamp duty on non-residential real property is estimated to cost $64.9 million.

Eligibility for corporate reconstruction relief was expanded and legislated as part of the government's tax reform package. Corporate reconstruction relief is estimated to cost $34.2 million in 2016–17 compared to $164.1 million in 2015–16. The level of corporate reconstruction relief can vary significantly between years reflecting the timing of large transactions. The stamp duty exemption for family farm transfers is estimated to cost $15.0 million in 2016–17.

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 from 1 July 2014 to 30 June 2016 and the eligible area extended to include the inner metropolitan area of Adelaide. For contracts entered into between 20 June 2016 and 30 June 2017 (inclusive), the concession applies to purchases of off-the-plan apartments located anywhere in South Australia. The exemption is recorded at the time of settlement of the new apartment so there can be substantial timing lags between the signing of eligible off-the-plan contracts and the cost of the exemption.

Approximately $43.5 million of stamp duty tax expenditures in 2016−17 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 $14.9 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 $1134.6 million in 2016–17. This represents 195.9 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 2016–17 tax-free threshold was 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 2016–17 tax expenditures associated with land tax include:

- the primary production exemption (provided it meets certain criteria) — estimated to cost $452.6 million
- the principal place of residence exemption (provided the land is owned by a natural person as distinct from a corporate body) — estimated to cost $294.3 million
- the tax-free threshold — estimated to cost $227.6 million
- other specific exemptions provided in sections 4 and 5 of the *Land Tax Act 1936*. Exempt categories include caravan parks, residential parks, supported residential facilities, land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna, sporting activities and so on. The cost of these exemptions amounts to approximately $160.0 million in 2016–17.

Total land tax expenditures in 2016–17 are higher than estimated in 2015–16. This is primarily a result of a higher cost of providing the land tax threshold, caused by a change in the 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. For the Adelaide Casino the tax rate for non-premium gaming machines is set at the lower of 41 per cent and the average tax rate paid by for-profit venues. The rate of 10.91 per cent of NGR for premium gaming machines was set with regard to tax rates faced by interstate competitors. Total gambling tax expenditure is estimated to be $35.5 million in 2016–17, representing around 9.8 per cent of gambling tax collections.

In 2016–17, it is estimated that the revenue foregone as a result of the existence of the tax-free threshold is $10.2 million. The benefit to not-for-profit venues from lower tax rates is estimated to be

$7.8 million in 2016–17. The benefit to the Adelaide Casino of the tax differential is estimated to be $17.5 million in 2016–17.

Total gambling tax expenditures in 2016–17 are lower than estimated in 2015–16. This is primarily due to a fall in NGR in 2016–17 compared to 2015–16.

Emergency services levy

The emergency services levy (ESL) is intended to provide a comprehensive method of funding emergency services by raising sufficient funds from property holders to support aggregate expenditure on emergency services. The government makes contributions through remissions, pensioner concessions and the levy payable on the government's own property. The tax expenditure costings measure the difference between standard levy rates and post-remission levy rates which vary depending on land use code and location (for fixed property) and class of vehicle (for mobile property).

The ESL is a structured tax with differential rates of levy on land use types and regions. The motivation for the differential levy rates lies in a desire to achieve some alignment with relative risk of property types, the value of the service provided (related to property value) and regional variation in service levels.

The cost of the fixed property remission is estimated to amount to $25.0 million in 2016–17 and the mobile remission is estimated to cost $3.3 million. Pensioner concessions on the ESL on fixed property are estimated to cost $6.5 million in 2016–17.

Table E.1: Summary of tax expenditures

Tax expenditures ($m)	2015–16[(a)]	2016–17
Payroll tax		
Threshold exemption[(b)]	555.2	587.7
of which:		
benefit to existing taxpayers with payrolls above the threshold	*140.7*	*143.9*
benefit to employers with payrolls below the threshold	*414.5*	*443.9*
Public benevolent institutions	10.6	11.2
Public hospitals exemption	128.9	134.5
Non-profit schools or colleges at or below secondary level	18.6	19.4
Non-profit hospital and health providers exemption	14.4	15.0
Child care centres	0.6	0.6
Local government council exemption	35.3	37.4
Assistance for motion picture production companies	1.1	0.5
Small business payroll tax concession	11.2	11.5
Trainee rebates[(c)]	0.1	—
Total for payroll tax	**775.9**	**817.9**
Stamp duties		
Conveyance duty		
Family farm exemption	11.2	15.0
Corporate reconstructions	164.1	34.2
Off-the-plan stamp duty concession	9.3	5.3
Non-real property stamp duty exemption	21.3	34.7
Non-residential property stamp duty reduction	18.6	64.9
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

Tax expenditures ($m)	2015–16[(a)]	2016–17
Hire vehicles with more than 12 seats	0.1	0.1
Councils	0.2	0.2
Conditionally registered vehicles	23.9	26.9
Incapacitated ex-servicemen and other persons	0.2	0.2
Pensioners and eligible low-income earners	13.5	14.9
Stamp duty on motor vehicle registrations		
General remissions	<0.1	<0.1
Total for stamp duties	**263.5**	**197.6**
Land tax		
Threshold exemption	223.6	227.6
Principal place of residence[(d)]	284.7	294.3
Primary production[(d)]	447.7	452.6
Caravan parks and residential parks[(d)]	1.5	1.5
Supported residential facilities[(d)]	0.5	0.5
For-profit aged care facilities[(d)]	3.0	3.1
Other exemptions[(e)]	150.6	154.9
Total for land tax	**1 111.6**	**1 134.6**
Gambling taxes		
Threshold exemption	10.4	10.2
Casino[(f)]	18.0	17.5
Differential treatment of non-profit businesses	8.0	7.8
General remissions	<0.1	<0.1
Total for gambling taxes	**36.4**	**35.5**
Other taxes on property		
Emergency services levy		
Pensioner concessions	6.4	6.5
General remissions		
fixed property[(g)]	24.1	25.0
mobile property	3.1	3.3
Total for other taxes on property	**33.6**	**34.8**
Total expenditures	**2 221.0**	**2 220.4**

Note: Totals may not add due to rounding.

(a) Costings of specific exemptions for 2015–16 may differ from those published in the 2016–17 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 2010. Amounts paid in 2015–16 relate to timing of rebate claims.

(d) 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.

(e) Includes a wide range of exemptions provided to land used for a number of specific activities under section four of the Land Tax Act 1936. Some of these include land used for religious purposes, state subsidised hospitals, libraries, parklands, conservation of native flora and fauna as well as sporting activities.

(f) This has been estimated by applying the gaming machine tax rate structure applicable to for-profit venues.

(g) $2.4 million in remissions relating to 2014–15 ESL has been removed from the 2015–16 estimate.

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).

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State Budget 2017–18

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