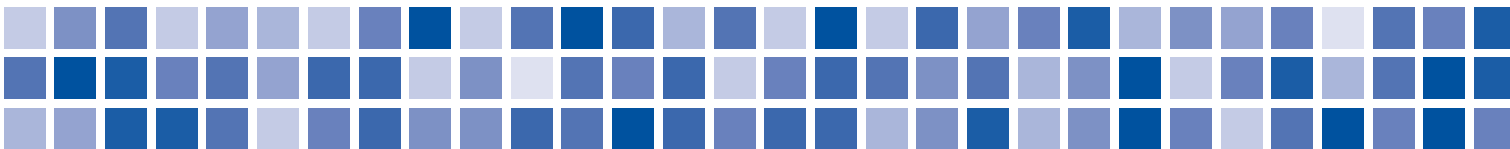


# 2004-05 BUDGET OVERVIEW



moving forward together

BUDGET PAPER 1



Government  
of South Australia

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# 2004-05 Budget at a glance

**The 2004-05 Budget provides substantial extra funding for priority areas, while keeping the budget in surplus. The top priorities are health and families, with record funding for hospitals and a major boost for child protection services. The budget also delivers tax relief for business and individuals.**

The budget will be in surplus again in 2004-05. This is the third consecutive surplus since the Government was elected in 2002.

Significant new funding has been provided to meet a range of needs. This includes funding to address pressures in the hospital system, boost literacy, strengthen child protection services and increase the number of police.

The 2004-05 Budget has benefited from increases in State own source revenues. These revenue gains are being reinvested to deliver better services to the community.

The 2004-05 Budget also delivers tax relief. Payroll tax will be reduced to 5.5 per cent from 1 July 2004, lease duty and cheque duty will be abolished from the same date, and debits tax will be abolished from 1 July 2005.

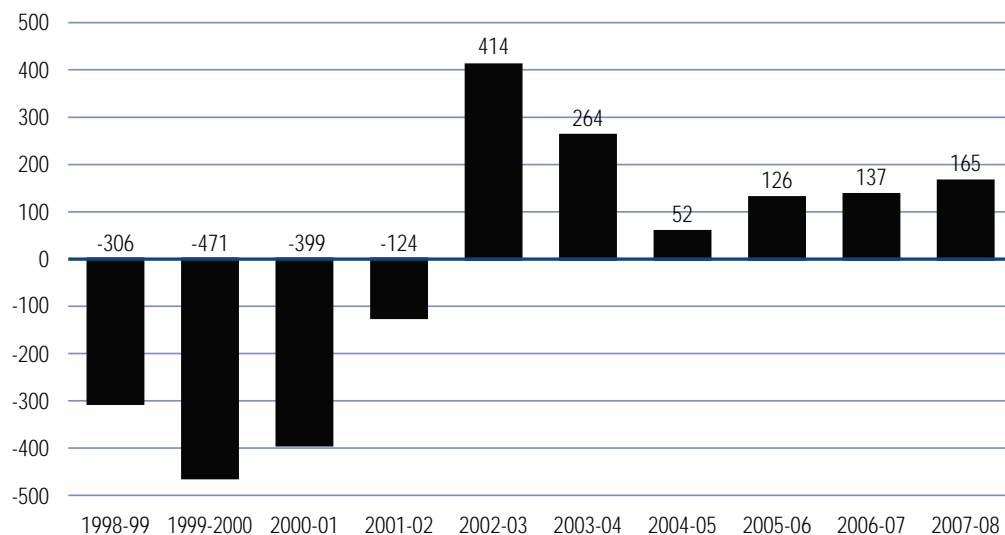
Significant new concessions will be provided to assist first home buyers.

The Government is achieving its objective of delivering balanced budgets.

The budget predicts a modest surplus in 2004-05 and larger surpluses over the following three years.

The larger surpluses in those years are prudent given possible future spending pressures and the uncertainty of revenue estimates.

## GENERAL GOVERNMENT BUDGET SURPLUS/DEFICIT: 1998-99 TO 2007-08 (\$ MILLION)



1998-99 to 2002-03 reflect actual results; 2003-04 to 2007-08 reflect estimates at the 2004-05 Budget

# 2004-05 Budget at a glance

**With the budget in surplus, government debt is decreasing. Net debt is now very low, as South Australia lays the foundations for a triple-A credit rating.**

Budget surpluses are reducing net debt and financial liabilities. Lower financial liabilities means the Government will have greater capacity to provide for an ageing population and other service demands in the future.

General government sector net debt is estimated to fall by \$284 million in 2003-04.

Net debt is also projected to fall in future years, and will be negative at June 2007.

South Australia's general government net debt plus unfunded superannuation liabilities is higher than triple-A rated states. However, the gap is narrowing, and South Australia will be close to matching these states in the next few years.

On current published projections, South Australia will have the largest net lending budget surplus of all Australian States and Territories in 2004-05. General government net financial worth per capita will be higher than Victoria.

The Government's demonstrated track record in achieving budget surpluses; providing an appropriate level of community services in a sustainable manner; and adopting prudent arrangements to manage the State's liabilities maintains progress towards achieving a triple-A credit rating.

A triple-A credit rating will provide a further boost for investor confidence and future economic and employment growth in South Australia.

## GENERAL GOVERNMENT DEBT INDICATORS (\$ MILLION)

	2003-04 Estimated Result	2004-05 Budget	2005-06 Estimate	2006-07 Estimate	2007-08 Estimate
Net debt	382	314	64	-155	-429
Net debt and unfunded superannuation	6 138	6 151	5 975	5 823	5 607

# Economic highlights

**The South Australian economy has performed well in 2003-04, with continued solid growth in domestic demand and a recovery in the farm sector following the previous year's drought.**

Consumer spending continued to grow strongly during 2003-04, supported by relatively cheap credit, lower prices for imported items as a result of a higher Australian dollar and the flow-on demand for household goods from buoyant housing construction.

Business investment was also very strong, growing by 20 per cent in real terms in calendar 2003.

The overall rate of economic growth in South Australia is estimated to be 4 per cent in 2003-04, boosted by the recovery in farm output as well as strong consumer and business spending.

South Australian employment growth is expected to be 1.5 per cent for 2003-04.

Growth in the South Australian economy is expected to slow in 2004-05. Economic growth in 2003-04 was boosted by the farm sector recovery from the drought

and house building activity is expected to decline in line with the national outlook.

However, a recovery in overseas exports is anticipated which will partly offset slower growth in local demand.

Economic growth in South Australia is forecast to be 2.5 per cent in 2004-05 while employment growth is forecast to be 0.75 per cent.

In the years 2005-06 to 2007-08 economic growth is projected to be 2.75 per cent per annum. These projections reflect historical trends. Initiatives outlined in the Government's *State Strategic Plan*, announced by the Premier on 29 March 2004, are designed to improve economic performance relative to these trends.

**KEY ASSUMPTIONS UNDERLYING THE BUDGET AND FORWARD ESTIMATES – SOUTH AUSTRALIA**

	2003-04 Estimated Result	2004-05 Forecast	2005-06 Projection	2006-07 Projection	2007-08 Projection
Gross State Product – real growth (%)	4.00	2.50	2.75	2.75	2.75
Employment – growth (%)	1.50	0.75	1.00	1.00	1.00
CPI (%)	3.00	2.00	2.50	2.50	2.50

# Delivering the Government's social and economic objectives

**The *State Strategic Plan* will guide South Australia's development and growth over the next decade. This budget supports the objectives of that plan.**

The budget reflects the Government's commitment to balancing its social and economic objectives.

Faced with significant cost pressures in the State's hospital system, this budget includes substantial funding to meet these pressures.

Funding has also been provided to improve literacy and provide additional support for police and emergency services. The budget also includes funding for new measures that support the environment and the arts and science.

Capital expenditure initiatives will provide the infrastructure necessary to deliver better services in priority areas.

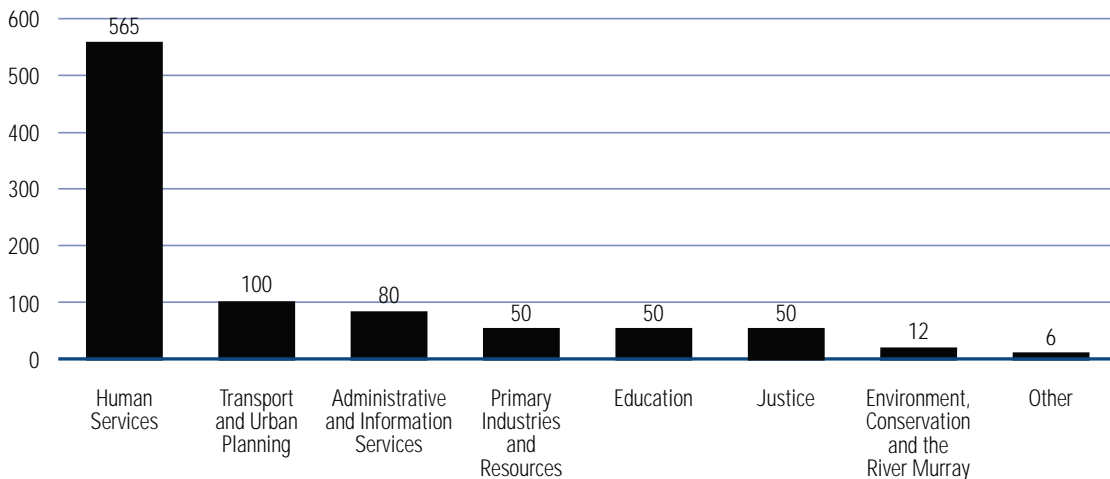
The budget delivers new initiatives to address the key objectives of the *State Strategic Plan*.

The *State Strategic Plan* has six interrelated objectives to guide South Australia's development over the next decade:

- improving wellbeing;
- expanding opportunity;
- growing prosperity;
- attaining sustainability;
- fostering creativity; and
- building communities.

Budget savings, including administrative efficiency savings and industry assistance savings, have been made. The *State Strategic Plan* has a target to lead the nation in efficient government services within five years.

## 2004-05 NEW NET EXPENDITURE BY PORTFOLIO (\$ MILLION OVER FOUR YEARS)



# Improving wellbeing: Sustaining the health system

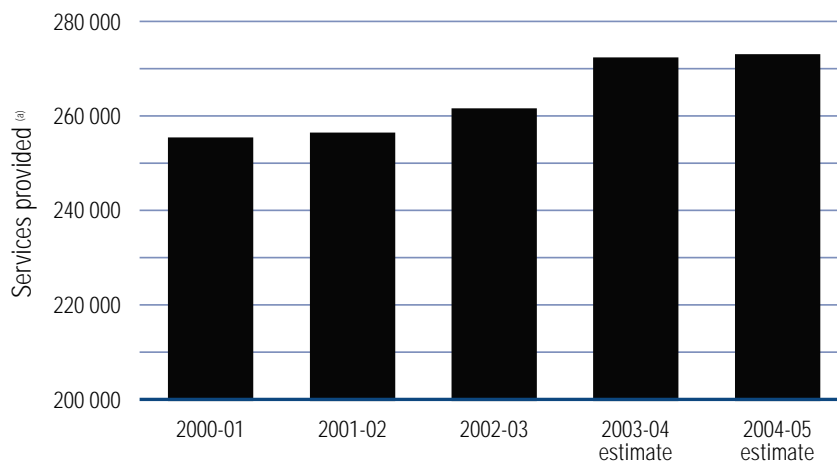
## A major increase in funding has been provided to our hospitals to fix past funding shortfalls and to help manage growing demands for services.

The Government has addressed major funding gaps in the health system, the legacy of many years of poor financial management. The new funding for our hospitals will help better meet the community's growing needs for quality health care.

Over the next four years, more than \$239 million will be spent on helping sustain the metropolitan health system, including:

- \$99.6 million to fund higher activity levels than recognised in previous budgets;
- \$41.2 million to support more intensive use of new drugs and new medical technology;
- \$16.5 million to improve the safety of blood and blood products (eg for Haemophiliacs);
- \$19.0 million to support increasing numbers of long stay patients (more than three months);
- \$10.3 million to support a higher level of exceptional needs patients than recognised in previous budgets;
- \$12.9 million to help hospitals retain critical medical staff;
- \$12.9 million to provide improved services to mental health patients in emergency departments;
- \$12.3 million for hospitals to use agency nurses to ensure safe staffing levels when permanent nurses are unavailable; and
- \$14.8 million for other cost pressures that affect the hospital system.

### PROVIDING MORE HOSPITAL SERVICES



(a) Services are measured as equivalent separations (equiseps), a weighted measure of hospitals' inpatient activity.

# Improving wellbeing: Improving health services

**Substantial funding has been provided for new measures to improve health services. Key priorities of the Generational Health Review are being addressed, with new programs to help people avoid hospitalisation, improve patient safety and implement major mental health reforms.**

In addition to the extra \$239 million of spending on existing operations, more than \$193 million will be spent over the next four years on initiatives and facilities to improve health services, including:

- \$41.5 million to implement major mental health reform that will improve services in mainstream hospitals and in the community (including \$27.7 million for beds in mainstream hospitals and mental health facilities);
- \$30.1 million to improve patient safety and the performance of emergency services at Flinders Medical Centre;
- \$27.8 million to continue the operation of OACIS (Open Architecture Clinical Information System) which provides health professionals with a single point of access to vital patient information across the metropolitan health system;
- \$20.5 million to help people avoid unnecessary hospitalisations through better management of chronic conditions or illnesses in their community, the provision of critical home support services, and in-home nursing services;
- \$18.4 million of Pathways Home funding is being used to provide mental health community rehabilitation facilities, better step-down facilities in Ceduna and Adelaide and improved rehabilitation services;
- an additional \$8.0 million for elective surgery;
- \$4.5 million to help reduce dental waiting lists; and
- \$4.2 million to help transform the health system to a regional model.

## Key priorities to reduce hospital demand

- Home supported discharge from hospital
  - provision of home support services to enable people currently hospitalised to return home safely
- Prevention of admission from hospital emergency departments
  - expansion of services that enable people that would otherwise be admitted to hospital to return home safely
- Prevention of hospital presentation and admission from general practice and nursing homes
  - the provision of services to enable people that a General Practitioner or an aged care service would normally send to a hospital to remain at home or in residential care
- Management of complex clients and self-management strategies
  - a package of services that help people with chronic and complex conditions to manage their conditions without admission to hospitals



# Improving wellbeing: Child protection

**Funding for child protection has increased. More social workers will be recruited, support for children in alternative care will be strengthened, and counselling and therapeutic care services will be expanded.**

**These measures address key recommendations of the Layton Report.**

In addition to the \$58.6 million allocated to child protection in the 2003-04 Budget, substantial resources have been provided in this year's budget to Family and Youth Services (FAYS) to meet growing service demands. This brings the total funding added over the last two budgets and forward estimates to \$244 million. New funding over the next four years includes:

- \$67.9 million to eliminate the funding gap for existing service levels;
- \$36.1 million to further increase staffing to address service level shortfalls identified through the FAYS workload audit and to relocate the Adelaide office; and
- \$2.7 million to improve the FAYS case management computer system.

Additional funding has been provided to significantly improve the protection of children, supported by the recommendations of the Child Protection Review. New funding over the next four years includes:

- \$20.8 million for improvements to alternative care by increasing the capacity to provide emergency placements and assessments prior to placements;
- \$9.4 million to provide additional counselling and therapeutic services for abused and neglected children, the creation of the Child Death and Serious Injury Review Committee and an Office of the Guardian for Children and Young People;
- \$11.2 million for other child protection services, including increased family support services and additional training for school counsellors; and
- \$0.5 million in 2004-05 to participate in the implementation of an Australian National Child Offender Registry.

# Expanding opportunity: New literacy and community programs

**An investment in the future — \$35 million over four years — to be spent on improving literacy. Support has also been provided for other community programs.**

A coordinated package of measures costing \$35 million over four years and employing an extra 125 teachers will improve literacy outcomes for junior primary school students. Resources will be provided:

- for school based class support with one to one interventions available for year 1 students at risk of not achieving year 3 literacy benchmarks;
- to expand the Reading Recovery program; and
- to enable skilled literacy teachers to work alongside classroom teachers.

Funding will also be directed to preschool support for Aboriginal children to improve learning outcomes by further reducing child to staff ratios.

\$12.2 million will be invested over four years in financial and human resources systems within the education sector and to support financial management training for school support staff.

Over the next four years, spending on broader community initiatives include:

- \$8.6 million to expand the Home and Community Care Program;
- \$8.0 million for measures to address homelessness in accordance with the recommendations of the Social Inclusion Board; and
- \$6.2 million from 2006-07 to upgrade public transport to improve access for disabled people.

In addition, \$13.0 million will provide additional services in the Anangu Pitjantjatjara Yankunytjatjara Lands over four years (including \$9.5 million as part of the 2004-05 Budget). This is over and above the \$12.0 million provided in the 2003-04 Budget for Anangu Pitjantjatjara Yankunytjatjara Lands strategies.

## Anangu Pitjantjatjara Yankunytjatjara Lands priorities

- Improve health outcomes
  - establish stronger health education programs
  - develop safe respite care facilities
  - design new training and employment opportunities
- Improve personal and community safety
  - increase police numbers
  - upgrade security infrastructure

# Growing prosperity: Promoting growth

## The 2004-05 Budget delivers new programs to support future economic growth in South Australia. Major new initiatives will assist the future expansion of the mining and energy sector and the further development of the aquaculture industry.

In addition to delivering payroll tax reductions and other tax relief measures, the 2004-05 Budget delivers a number of new initiatives that will support economic growth in South Australia. Major new initiatives over the next four years include:

- \$14.7 million for the expansion of the mining and energy industries as part of the Government's Plan for Accelerating Exploration.

This will enhance the State's geo-scientific information databases, promote South Australia's mineral and energy resources and attract increased investment;

- \$12.9 million for the Marine Innovation SA initiative undertaken in partnership with universities, industry and the CSIRO.

This initiative will support the expansion of ecologically sustainable development of South Australia's fisheries, aquaculture and marine eco-tourism industries.

This initiative will also promote growth in aquaculture and associated supporting industry sectors, providing employment opportunities in regional areas; and

- an extra \$1.2 million to expand the domestic marketing campaign to promote South Australia as a holiday destination.

### Promoting growth

Other initiatives to promote growth in South Australia, discussed in more detail in other sections of the Budget Overview include:

- a payroll tax rate reduction to 5.5%
- rental subsidies for start up companies operating from a new bioscience incubator to be built by the Land Management Corporation
- the establishment of a fund to generate growth and investment in the Upper Spencer Gulf Region
- additional funding for the Farmbis III program to continue the development of farm business and management skills

# Growing prosperity: Developing infrastructure

## Strategic investments will be made in the State's infrastructure, with funding for transport initiatives, roads and major development at Port Adelaide.

Over the next four years, funding for initiatives that develop State infrastructure include:

- \$87.3 million on new road infrastructure projects;
- an additional \$8.0 million on the overtaking lanes program in order to extend the existing program on strategic State arterial roads;
- additional expenditure of \$5.8 million under the State Black Spot program to rectify hazardous locations throughout the State;
- additional funds of \$6.8 million to extend the existing shoulder sealing program on the rural arterial road network;
- over the period 2003-04 to 2007-08 an additional \$14.4 million associated with the purchase of new trams;
- \$10.0 million for headworks infrastructure to facilitate the development of Outer Harbor as the State's key export/import port; and
- a commitment by the State Government to work with the private sector to deepen the Outer Harbor channel to 14.2 metres to accommodate larger container ships.

### New road infrastructure projects (four year totals)

- Replacement of the Bakewell Bridge (\$30.0 million)
- Upgrade of South Road between Port Road and Torrens Road (\$18.1 million)
- Construction of the Mawson Lakes connector (\$6.4 million)
- Construction of overpasses at South Road and Hanson Road as part of the Port River Expressway Project (\$24.0 million)
- Upgrade of the Britannia Roundabout (\$8.8 million)

# Attaining sustainability

## Key environmental measures have been supported in the 2004-05 Budget. A new Living Coasts Strategy will help protect coastal and marine environments.

The 2004-05 Budget supports existing programs and invests new funds in the management of the environment.

Over the next four years, new funding of \$6.8 million will create eight regional Natural Resource Management Boards and a State Natural Resources Management Council.

These new boards will replace existing catchment water management boards, soil boards, animal and plant control boards and interim natural resource management boards.

This will assist in securing the long-term productivity of the State's natural resources and protect native habitats.

In addition:

- new funding of \$5.0 million will support the Living Coasts Strategy;

- \$5.0 million will be provided to help address serious site pollution issues across South Australia;
- around \$2.9 million in funding has been allocated to a new heritage program to substantially increase the number of heritage advisors across the state, strengthen heritage legislation and create a single heritage register; and
- \$0.3 million will allow solar electricity panels to be installed on North Terrace buildings.

In the 2003-04 Budget the Government introduced a broad based levy to fund critical works needed to ensure the health of the River Murray. Spending of \$17.4 million is planned for 2004-05 on a range of measures to improve the River Murray.

### The Living Coasts Strategy

The Living Coasts Strategy provides an integrated approach to address the sustainability of the coastal, marine and estuarine environments of South Australia. Key components include:

- 
- coastal land planning
  - marine plans
  - marine protected areas
  - further development of marine conservation and estuaries policy
- 

The creation of Marine Protected Areas will balance economic use with the need for conservation.

# Fostering creativity

## Creativity in the State is encouraged with additional support for the arts and sciences.

The 2004-05 Budget invests new funding of \$23.5 million over four years for arts events and cultural institutions within South Australia. Support is given to:

- The Adelaide Cabaret Festival;
- Adelaide Festival Centre;
- Adelaide Festival of Arts;
- The Art Gallery;
- South Australian Film Corporation;
- South Australian Museum;
- improved seating at the Dunstan Playhouse; and
- a \$3.0 million grant towards the University of SA Art Museum.

Support has also been provided to maintain heritage and public buildings and for the State's contribution to the National Visual Arts and Craft Strategy.

The budget also delivers further support for science and innovation, including:

- \$8.0 million will be provided over the next four years for the Premier's Science and Research Council; and
- \$2.4 million will be delivered in rental subsidies for startup companies operating from a new \$9 million bioscience incubator to be built by the Land Management Corporation at the Thebarton Bioscience Precinct.

### Objectives of the Premier's Science and Research Council

- ensure South Australia receives further funding from the Commonwealth's Backing Australia's Ability Fund
- build the State's capabilities in science, technology and innovation
- facilitate construction of science and technology infrastructure
- engage with industry to promote research and development
- develop science and technology intensive industry precincts

# Building communities

## The budget reaffirms the Government's commitment to employing additional police officers. It also provides substantial funding for emergency services, including an improved State Helicopter Service.

In the 2003-04 Mid-Year Budget Review, the Government included a major expansion in resources for the SA Police. An additional 200 police officers are to be employed.

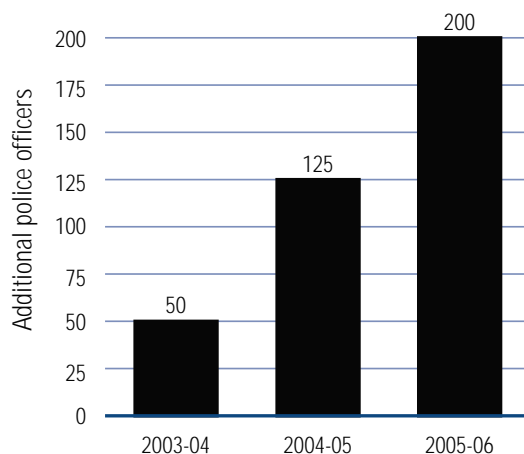
The cost of this initiative when fully implemented is almost \$20 million per annum (\$9.0 million in 2004-05).

Additional funding for police of \$5.4 million over four years will support the restructure of the Police Security Services Branch.

Substantial funding over four years has been provided for other key emergency service priorities including:

- \$4.3 million to improve the State Helicopter Service, including the provision of a third helicopter and improved emergency response service;
- \$2.9 million to accelerate the replacement of ageing fire trucks and water carriers transferred from local government;
- \$2.5 million for protective clothing for the Metropolitan Fire Service;
- \$2.0 million for additional training of the Country Fire Service and Metropolitan Fire Service to meet national requirements;
- \$1.0 million to replace 300 breathing apparatus sets; and
- \$0.6 million to extend the Country Fire Service community bushfire safety awareness program.

### RECRUITMENT SCHEDULE FOR ADDITIONAL 200 POLICE OFFICERS



# Regional initiatives

## The 2004-05 Budget demonstrates the Government's commitment to regional South Australia.

Initiatives that support regional South Australia include:

- \$14.0 million over the next four years under the Farmbis III program to continue the development of farm business and management skills;
- \$9.1 million on new building projects for country schools over the next four years:
  - Cleve Area School
  - Fraser Park Early Years Centre
  - Kingscote Area School
  - Mount Gambier High School
  - Riverland Special School;
- \$4.3 million to address additional nursing costs in country hospitals. A further \$1.7 million will be invested over four years to provide for increased transport assistance for rural patients through the Patient Assistance Transport Scheme;
- \$3.0 million for a fund to generate future growth and investment in the Upper Spencer Gulf region. This initiative will strengthen the foundations for the long-term competitiveness of the region;
- \$3.0 million from 2005-06 for a fund to develop tourism infrastructure, with a focus on nature-based and cultural tourism;
- \$2.0 million in 2004-05 to upgrade the Kangaroo Island power supply; and
- \$2.0 million to continue the upgrade of the State's four regional theatres in Mount Gambier, Renmark, Port Pirie and Whyalla.  
The staged upgrading will ensure the regional theatres can continue to attract touring companies and audience support.

### Road improvement programs

The 2004-05 Budget provides additional funding to extend existing programs to improve the State's road network. These programs include:

- 
- overtaking lanes program (\$8.0 million)
  - shoulder sealing program (\$6.8 million)
-



# Revenue measures: Assistance for first homebuyers

**A partial stamp duty concession for first home purchases valued up to \$250 000 is expected to benefit up to 7 700 first homebuyers. First homebuyers will also benefit from a full exemption from mortgage duty.**

The first homebuyer stamp duty concession will be extended to provide a partial concession for first homes valued between \$80 000 and \$250 000. Currently, the concession ceases above \$130 000.

A full stamp duty concession will continue to be provided up to \$80 000.

The extension of the concession will provide greater stamp duty relief to first homebuyers in recognition of recent increases in housing prices in South Australia.

It is estimated that more than 80 per cent of first homebuyers will receive a stamp duty concession.

Experience in 2003-04 indicates that 50 per cent of first home purchases in South Australia are valued at less than \$175 000.

- The first homebuyer concession will cease above \$250 000 (instead of \$130 000).

- A 100 per cent concession will apply for property values up to \$80 000 reducing to 50 per cent at \$100 000.

- A 50 per cent concession will apply for property values between \$100 000 and \$150 000.

- The concession reduces from \$2 415 at \$150 000 to \$15 at \$250 000.

In addition, loans taken out by first homebuyers will be exempt from mortgage duty.

Conveyance duty concessions will apply to first home contracts entered into on or after 27 May 2004.

Mortgage duty concessions will apply to mortgages taken out in respect of first home contracts entered into on or after 27 May 2004.

The maximum stamp duty saving (conveyance and mortgage) is estimated at \$2 877 for a first home purchase valued at \$150 000 with a \$135 000 loan.

## Stamp duty concessions (\$)

House/land value	Mortgage duty concession <sup>(a)</sup>	Conveyance duty concession	Total value of concession	Current concession	Net benefit
80 000	241	2 130	2 371	2 130	241
100 000	304	1 415	1 719	1 290	429
125 000	383	1 915	2 298	240	2 058
150 000	462	2 415	2 877		2 877
175 000 <sup>(b)</sup>	540	1 815	2 355		2 355
200 000	619	1 215	1 834		1 834
225 000	698	615	1 313		1 313
250 000	777	15	792		792

(a) Based on a loan equal to 90% of the purchase price.

(b) Median house price for South Australian first homebuyers in 2003-04.

# Revenue measures: Assistance to business and individuals

**A package of business tax reforms totalling \$28 million in a full year will be introduced in 2004-05, followed by the abolition of debits tax in 2005-06 at a full year cost of \$61 million. These measures are designed to keep South Australia competitive with other States as a place to live and work.**

A reduction in the payroll tax rate from 5.67 per cent to 5.5 per cent for taxable wages paid or payable from 1 July 2004 will deliver \$22 million in tax relief to business in a full year.

The new rate will help bring South Australia's payroll tax rate, which is already lower than most other jurisdictions, closer to the Victorian rate. South Australia's relative business competitiveness will be enhanced by the rate reduction.

Lease duty will be abolished on all leases of land and buildings executed on or after 1 July 2004. Residential leases are already exempt.

This measure is expected to provide relief to around 2 000 businesses utilising lease arrangements and will cost \$2.3 million in a full year.

Cheque duty will be abolished on cheque forms issued on or after 1 July 2004, at an estimated cost of \$3.2 million in a full year. This will benefit business as well as households using cheque accounts.

The abolition of lease and cheque duty is also consistent with the State's commitment under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* to review business taxes for possible abolition.

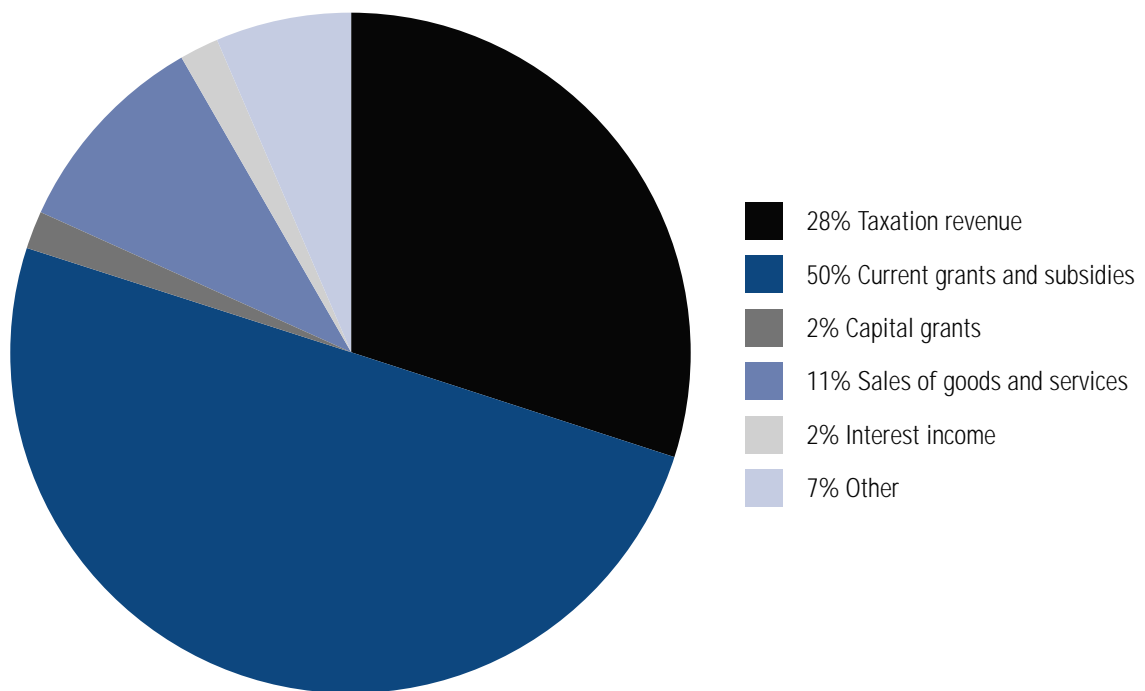
## Summary of tax measures (\$ million)

	2004-05	2005-06	2006-07	2007-08
<b>For introduction in 2004-05</b>				
Payroll tax rate reduction to 5.5%	20.3	23.3	24.5	25.7
First homebuyer stamp duty concession	9.4	10.4	10.4	10.4
Mortgage duty exempted for first homebuyers	5.2	5.8	6.1	6.5
Abolition of lease duty	2.3	2.5	2.6	2.7
Abolition of cheque duty	2.9	3.2	3.2	3.2
<b>For introduction in 2005-06</b>				
Abolition of debits tax	--	55.9	61.6	62.3
<b>Total</b>	<b>40.1</b>	<b>101.1</b>	<b>108.4</b>	<b>110.8</b>

# Revenue by source

**Commonwealth grants continue to be the largest source of government revenue and make up 52 per cent of total revenue in 2004-05. Government own source revenues, for example taxation revenue and sales of goods and services, account for 48 per cent of total revenue.**

## 2004-05 GENERAL GOVERNMENT REVENUE BY SOURCE

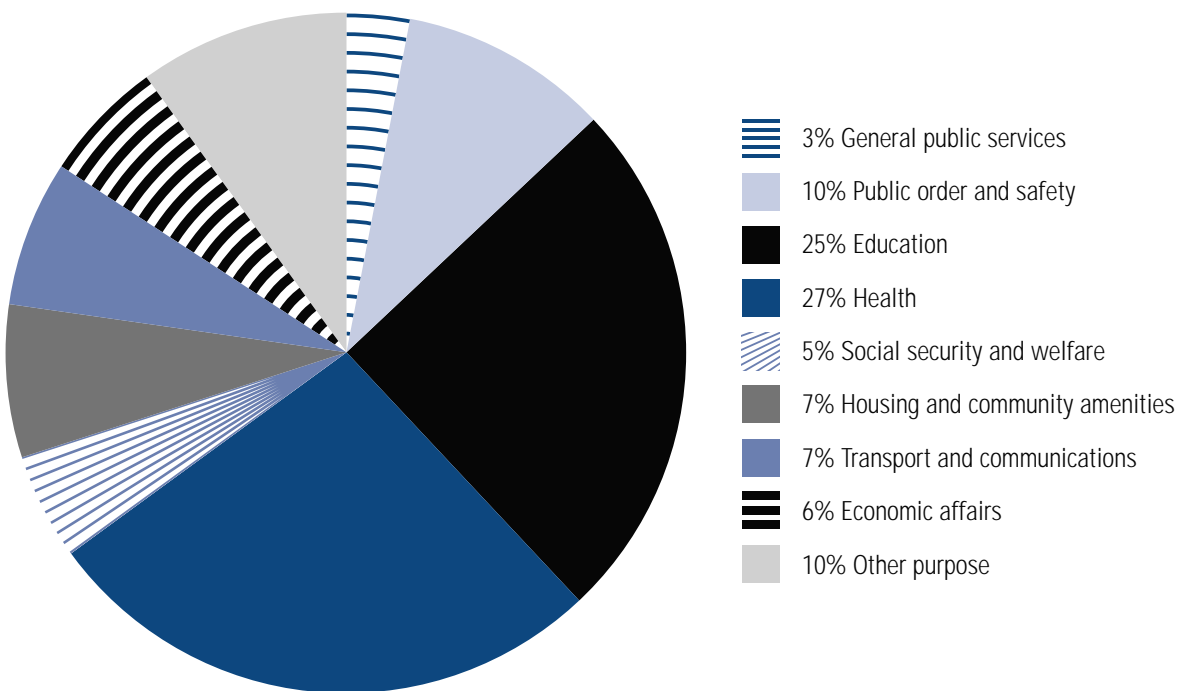


Total general government revenue in 2004-05 is expected to be \$10 billion.

# Expenses by function

**Health and education continue to be the largest areas of government expenses and account for more than half of total expenses in 2004-05.**

## 2004-05 GENERAL GOVERNMENT EXPENSES BY FUNCTION



Total general government expenses in 2004-05 are expected to be \$9.9 billion.

# Managing the Government's liabilities

**General government net debt is now at a very low level. However, unfunded superannuation liabilities will be over \$6 billion in 2007-08. With the budget in surplus, net financial liabilities will fall over the forward estimates period.**

General government net debt is expected to be \$382 million at June 2004 – a fall of \$284 million from June 2003.

Net debt is expected to fall further and, if projected surpluses are delivered, will be eliminated by June 2007.

General government net debt plus unfunded superannuation liabilities are expected to decline over the period to June 2008.

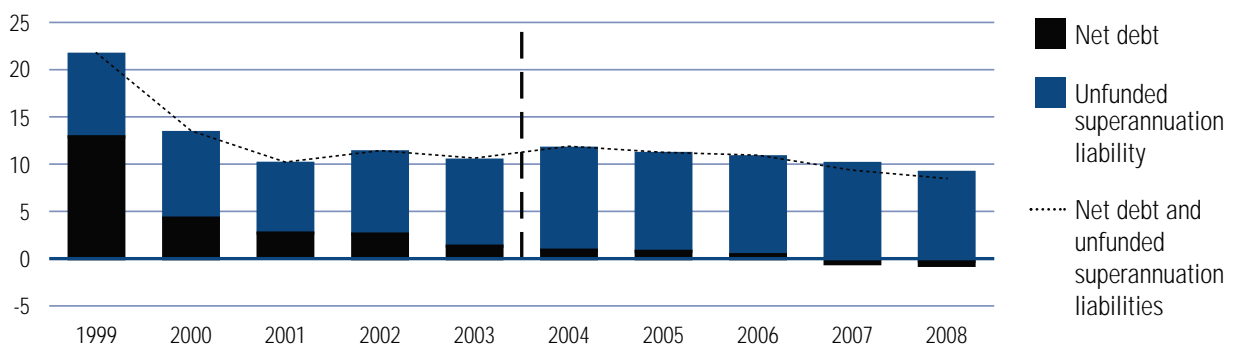
Since June 1999, net debt plus unfunded superannuation has reduced from 22.0 per cent of gross state product (GSP) to an estimated 8.8 per cent at June 2008.

Recent movements reflect the Government's achievement of budget surpluses and its fiscal policies.

Net worth and net financial worth continue to improve as a result.

Unfunded superannuation liabilities are forecast to increase slightly over the forward estimates, but will decrease over the longer term.

## GENERAL GOVERNMENT NET DEBT AND UNFUNDED SUPERANNUATION AS A PERCENTAGE OF GSP (%)<sup>(a)</sup>



(a) During 2003-04, the Government adopted a revised discount rate methodology to value its unfunded superannuation liability, consistent with the proposed new accounting standard for employee benefits. From 30 June 2004, the unfunded superannuation liability will be valued using the national government bond rate. This causes a structural break marked on the figure above.

1999 to 2003 reflect actual results; 2004 to 2008 reflect estimates as at the 2004-05 Budget.

# Managing the Government's superannuation obligations

**The Government is committed to ensuring that its superannuation obligations are fully funded by 2034.**

The unfunded superannuation liability is expected to increase by \$1.3 billion in 2003-04. This is largely due to accounting changes.

A change in the accounting assumptions used to value the unfunded superannuation liability has resulted in the liability increasing by around \$1.4 billion in 2003-04. The underlying liabilities have not changed in substance.

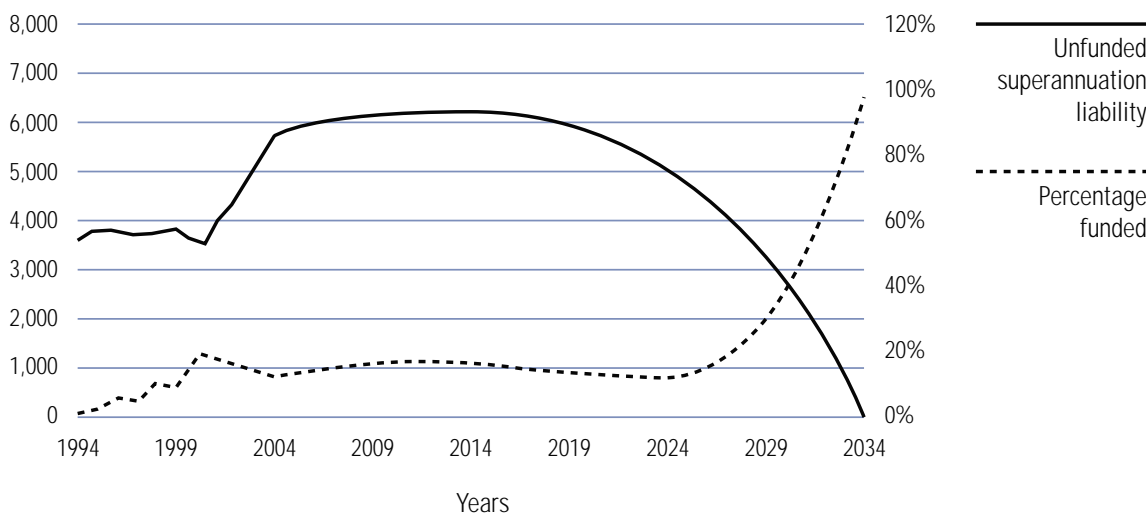
In addition, the Government has revised the long term earnings rate assumption on superannuation assets to 7 per cent per annum from 7.5 per cent per annum. This ensures consistency with Funds SAs target rate of return.

The increase in the unfunded superannuation liability is partially offset by Funds SAs higher than expected earnings in 2003-04.

Funds SA is expected to earn a return of 14.8 per cent per annum for 2003-04. This is substantially higher than the 7 per cent long term earnings rate.

Cash payments to fund the superannuation liability have been increased to ensure that all superannuation obligations are funded by 2034.

## SUPERANNUATION LIABILITIES (\$ MILLION)



# Guide to the 2004-05 Budget papers

**The guide to the budget papers provides an overview of the information contained in the 2004-05 Budget documents and is designed to assist readers readily access information.**

## 1 **Budget Overview 2004-05**

The Budget Overview provides a summary of the 2004-05 Budget. This document highlights the key features of the budget and provides an overview of budget initiatives.

## 2 **Budget Speech**

The Treasurer's budget speech, as delivered by the Hon K Foley in Parliament on 27 May 2004.

## 3 **Budget Statement**

The Budget Statement presents budget and financial information on the Government of South Australia as a whole. It includes an analysis of the Government's fiscal strategy, budget expenditure and revenue initiatives, budget priorities, intergovernmental finances, the management of the Government's assets and liabilities and matters associated with the State's economy. The Budget Statement also includes the budget and forward estimates presented in accordance with the *Uniform Presentation Framework*.

## 4 **Portfolio Statements**

The Portfolio Statements present detailed information on each of the Government's portfolios. They include information on the revenue, expenses and performance of each portfolio as well as information on specific government agencies. The financial statements contained in the Portfolio Statements are prepared on a basis consistent with Australian Accounting Standards.

## 5 **Capital Investment Statement**

The Capital Investment Statement summarises the Government's total capital investment program. It includes information on capital investment by portfolio, with details of planned and current investment projects.

## 6 **Regional Statement**

The Regional Statement provides an overview of new programs and services, which will impact specifically on regional areas.



Government  
of South Australia