

STATE BUDGET 2021-22

Budget Statement

BUDGET PAPER 3



STATE BUDGET 2021-22

BUDGET PAPER 1 : BUDGET OVERVIEW

A summary publication capturing all highlights from the 2021-22 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.

ACKNOWLEDGEMENTS

Content from this publication may be reproduced with appropriate acknowledgement, as permitted under the *Copyright Act 1968*.

©Government of South Australia 2021

Budget Paper 3

2021-22
Budget Statement

Presented by
the Honourable Rob Lucas MLC
Treasurer of South Australia
on the occasion of the Budget for 2021-22

Enquiries regarding budget papers
should be directed to:

The Chief Executive
Department of Treasury and Finance
State Administration Centre
200 Victoria Square
Adelaide SA 5000

Website: www.treasury.sa.gov.au
www.statebudget.sa.gov.au

Published 22 June 2021
ISSN 1440-8589

Contents

Chapter 1: Budget context and overview

Budget context	3
Budget overview	4
Attachment: Variations since the 2020-21 Budget	15

Chapter 2: Expenditure

New initiatives	21
General government operating expenditure	25
General government investing expenditure	32

Chapter 3: Revenue

Overview	35
General government sector revenue	36
Taxation	37
South Australia's relative tax effort	44
Grant revenue	45
Sales of goods and services	51
Interest income	52
Dividend and income tax equivalent income	52
Other revenue	53
Annual fee and rate setting	54

Chapter 4: Managing the state's assets and liabilities

Overview	57
General government sector financial position	57
Non-financial public sector financial position	65
Debt management	66
Insurance arrangements	67

Chapter 5: Government businesses

Overview	69
Financial arrangements and policy framework	70
Public non-financial corporations	71
Public financial corporations	79
Full-time equivalents	81

Chapter 6: Risk statement

Overview	82
Revenue risks	82
Expenditure risks	88
Contingent liabilities	91

Chapter 7: South Australian economy

Context	94
South Australia's economic performance and outlook	94
Economic forecasts	98

Chapter 8: Regional South Australia

Overview	99
Regional development programs	100
Regional economic conditions	102
South Australia's regional economic drivers	105
2021-22 Budget — initiatives	113
Regional investing expenditure	115

Appendices

Appendix A: Uniform presentation framework	120
Appendix B: General government and non-financial public sector financial statistics time series	139
Appendix C: Consolidated Account	158
Appendix D: South Australian state public sector organisations	166
Appendix E: Tax expenditure statement	168
Glossary of terms used in the budget statement	174

Chapter 1: Budget context and overview

Budget context

The 2021-22 Budget continues the government's commitment to supporting the state's economic recovery from the COVID-19 pandemic and growing local jobs while investing in community infrastructure and core government services to ensure South Australia remains a great place to live and do business. The budget is now forecast to return to a modest surplus in 2022-23, one year earlier than estimated in last year's budget.

In the 2020-21 Budget, the government committed to a substantial stimulus package intended to support South Australian businesses, community organisations and households impacted by COVID-19 pandemic restrictions and to assist the state's broader economic recovery. This timely and comprehensive package, together with the government's proactive and careful management of the COVID-19 health response, has contributed to the South Australian economy performing more strongly than expected at the time of the 2020-21 Budget.

The South Australian economy is now expected to grow by 2¼ per cent in 2020-21 compared to a contraction of ¾ per cent forecast in last year's budget. While there are segments of the economy that will continue to face challenges during 2021-22 as a result of the current COVID-19 pandemic restrictions, overall the economy is expected to grow by a further 3½ per cent in 2021-22.

The improved economic outlook has resulted in increases in Goods and Services Tax (GST) and state taxation revenues over the forward estimates. While the state's GST revenue grants over the four years from 2020-21 to 2023-24 are expected to be \$2.5 billion higher than estimated in the 2020-21 Budget, they are still lower than pre-COVID-19 expectations included in the 2019-20 Mid-Year Budget Review (MYBR) by \$374 million in 2020-21, \$364 million in 2021-22 and \$198 million in 2022-23 reflecting South Australia's revised share of the GST pool.

The budget includes a range of measures that support local jobs and longer term economic growth. Additional funding is provided in this budget to continue to pursue targeted investments in projects that support the state's economic growth. The Economic and Business Growth Fund has been renamed the Jobs and Economic Growth Fund and additional funding provided in recognition of the government's commitment to, and focus on, supporting initiatives that create long-term sustainable jobs. There is now \$200 million of available funding to continue to support jobs and economic development in the state. The government will also extend the payroll tax exemption for new apprentices and trainees for a further 12 months, provide further funding to support skills and training, as well as announcing a range of new transport, health, school and other community infrastructure projects.

These measures build on the government's \$4 billion state stimulus package in the 2020-21 Budget and recognises that the stimulus package contained initiatives and infrastructure projects that are intended to be delivered over the next few years, supporting a broad range of industries and local jobs.

The budget recognises the government's commitment to the careful and comprehensive management of the COVID-19 pandemic providing additional resources to:

- further support SA Health and SA Police to implement the state's response measures to the COVID-19 pandemic
- partner with the Commonwealth Government in the rollout of the COVID-19 vaccines across South Australia.

The government will also continue to support South Australian businesses and community organisations impacted by COVID-19 restrictions. With the rollout of the vaccine, the Business and Jobs Support Fund and Community and Jobs Support Fund will be combined to form the COVID-19 Support Fund. This fund has a balance of \$18.2 million available to respond to business and community needs as required.

Significant additional funding has been provided for health and hospital services. A significant new investment is being made into mental health services to address pressures emerging in our system. Additional funding has also been provided to employ an additional 74 ambulance officers in recognition of the increase in demand for

ambulance services. Funding has also been provided to reduce elective surgery waiting lists post-COVID-19 and to continue the Meningococcal B immunisation program.

The government is committed to improving early education outcomes for our children. To support this objective, the budget provides funding to design and commission trials of service models to increase the number of children from birth to age five accessing developmental health checks and at more regular intervals, in partnership with Children and Family Health Services (CaFHS) and non-government partners. This will increase identification of developmentally vulnerable children and enable early intervention and supports to reduce undiagnosed developmental delays in children entering the education system. Preparing children to be able to engage fully in their education is intended to provide both improved social and economic outcomes over the long-term.

While the budget continues to invest in core government services and address the impact that the COVID-19 pandemic has had on the South Australian community, it does so responsibly. The budget is forecast to return to a modest surplus in 2022-23, one year earlier than forecast in the 2020-21 Budget, with debt maintained at sustainable levels. Budget estimates are framed on the basis of the current expected outlook for the economy as the vaccine roll-out continues. However, it is acknowledged that some greater than usual uncertainty remains to the global, national and state economic outlook.

Non-financial public sector (NFPS) net debt levels are forecast to be \$1.1 billion lower at 30 June 2021 than estimated in the 2020-21 Budget mainly reflecting the improved tax and GST grant forecasts. NFPS net debt is projected to increase over the forward estimates, rising to \$33.6 billion in 2024-25. While net debt increases, South Australia's NFPS net debt to revenue ratio is broadly in line with other similar or higher rated jurisdictions over the forward estimates.

The 2021-22 Budget continues to support the government's substantial infrastructure program. The four year NFPS investing program totals \$17.9 billion over the period 2021-22 to 2024-25, compared to the 2020-21 Budget, which had a four year program totalling \$16.7 billion over the period 2020-21 to 2023-24.

Budget overview

Since the 2020-21 Budget, GST grant revenue has been revised up by \$926 million in 2020-21 and by \$1.5 billion over the period 2021-22 to 2023-24. State taxation revenues have also been revised up by \$257 million in 2020-21 and by \$121 million over the period 2021-22 to 2023-24.

The general government net operating balance is predicted to be a \$1.8 billion deficit in 2020-21 (down from \$2.6 billion projected at the time of the 2020-21 Budget) improving across the forward estimates to a \$379 million surplus in 2024-25.

Reflecting the significant \$17.9 billion investment in infrastructure over the period 2021-22 to 2024-25, the NFPS net debt is projected to grow from \$22.0 billion at 30 June 2021 to an estimated \$33.6 billion at 30 June 2025. Compared to the 2020-21 Budget net debt is lower at 30 June 2021 and for each of the years over the forward estimates reflecting improved state tax and GST revenues.

Support for the economy

Continued support is being provided under the 2020-21 stimulus package

Measures contained in this budget, together with those announced in the government's \$4 billion stimulus package introduced in last year's budget, will continue to support the state's economy and jobs during 2021-22. In 2019-20, \$743 million was spent on initiatives announced in the government's stimulus package and to the end of March 2021, a further \$785 million has been spent.

The stimulus package included a number of measures where the estimated cost was determined having regard to forecast demand, including for tax relief initiatives (for example tax deferrals) and concession eligibility. The total value of measures contained in the government's stimulus package are expected to be \$87 million lower than estimated at the time of the 2020-21 Budget due to lower demand for some initiatives. The lower spending has been used to increase support for the Jobs and Economic Growth Fund, providing further stimulus in key growth sectors of the South Australian economy.

In 2021-22 \$1.2 billion of the \$4 billion state stimulus package is budgeted to be spent, including significant expenditure for:

- the JobTrainer National Partnership Agreement
- the Local Government Infrastructure Partnership Program
- the non-government school loans scheme
- a range of infrastructure projects including road, health and sports infrastructure.

Table 1.1 shows the stimulus package at the time of the 2020-21 Budget and the value of those stimulus measures in this budget including the additional support for the Jobs and Economic Growth Fund.

Table 1.1: Stimulus package (\$million)

	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	Total
As at the 2021-22 Budget	743	1 251	1 168	534	242	88	8	4 034
As at the 2020-21 Budget	771	1 525	1 002	446	197	49	7	3 998

Note: Totals may not add due to rounding.

The government has continued to support businesses, jobs and the community as it recovers from the COVID-19 pandemic.

Table 1.2 summarises measures that have been approved to be funded from the COVID-19 Support Fund since the 2020-21 Budget. It also includes those measures where the final costs are lower than originally estimated and where unspent funds have been returned to the Fund and are available to support other assistance measures. The remaining capacity of the COVID-19 Support Fund is \$18.2 million.

Table 1.2: COVID-19 Support Fund (\$million)

	Total funding
Unallocated balance as at 2020-21 Budget	30.0
Measures presented in the 2021-22 Budget Measures Statement	
Across Government	
Apprentice and trainee payroll tax exemption	-4.0
Emergency Services Levy (ESL) — increase in remissions	-1.8
Attorney-General	
Liquor licence fee relief	-0.1
Small Business Commissioner	
Commercial leasing support during COVID-19	-0.2
Education	
Non-government schools — state government funding arrangements — additional support	-2.9
Human Services	
Extension of International Student Support Package — additional administration costs	-0.1
Infrastructure and Transport	
Sustainability payment for country bus services	-4.2
Innovation and Skills	
JobTrainer National Partnership Agreement extension	-34.5
Premier and Cabinet	
City of Adelaide activation grants	-0.5

	Total funding
Primary Industries and Regions	
Mobilisation of seasonal and regional workforce	-6.3
Trade and Investment	
International Students Support Package — additional support for international school students	-0.1
Other initiatives — including changes to previously announced measures	
Local Government Infrastructure Partnership Program — additional support	-6.7
Regional passenger bus support package — additional support	-1.5
Netball SA — additional support	-0.7
Other	-2.7
Underspends in previously funded measures — returned to the Fund	
COVID-19 land tax relief for landlords and commercial owner occupiers	15.5
Additional state investment in skills and training	12.0
Small business grants round 2 — businesses	5.7
Apprentice and trainee payroll tax exemption	3.1
Residential Rent Relief Grant Scheme	2.7
Other	15.4
COVID-19 Support Fund — provision for future initiatives	18.2

New business support measures in the 2021-22 Budget

The economy will be further supported by new measures in the 2021-22 Budget including:

- an additional \$123.6 million to the Jobs and Economic Growth Fund to continue to pursue targeted investments in key sectors that grow jobs and the broader state economy. The Fund has capacity of \$200 million to support future initiatives
- an additional \$34.5 million for the extension of the JobTrainer scheme to match the Commonwealth Government's investment, bringing total additional funding for skills and training to \$69 million
- additional resources for the Post-Production, Digital and Visual Effects Rebate scheme
- a 12 month extension of the apprentice and trainee payroll tax exemption to apply to new training contracts entered into up to 30 June 2022
- as part of the government's commitment to supporting affordable housing, a 50 per cent land tax discount will be introduced for eligible new build-to-rent projects. The discount will reduce the land value for eligible projects for land tax purposes by 50 per cent until the 2039-40 land tax year. The land tax reduction will apply for eligible new projects where construction commences from 1 July 2021
- an additional ten measures totalling \$36.9 million supported through the Jobs and Economic Growth Fund, including:
 - artificial intelligence and health hub
 - continuation of the Defence Innovation Partnership
 - extension of the Defence and Space Landing Pad
 - national test mine and innovation centre
 - plant-based food incubator
 - SASAT1 Space Services Mission Demonstrator

- seaweed — South Australia’s next big marine industry
- spectral geoscience — HyLogger 4 technology
- UniSA Australian Centre for Business Growth
- wine export recovery and expansion
- assisting the mobilisation of a seasonal and regional workforce to support the primary industries sector to address labour shortages facing regional employers in key sectors, including the primary industries sector and the hospitality and tourism sectors, resulting from restrictions on foreign workers imposed due to the COVID-19 pandemic
- \$4 million as a contribution towards the great state voucher scheme for accommodation vouchers during the winter period and to a future round to provide further tourism industry support
- \$800 000 to partner with the Adelaide City Council to deliver programs that will encourage people to return to work, shop and experience the city
- a significant package of fruit fly response activities following outbreaks in metropolitan Adelaide and the Riverland.

Additional resources of \$215.5 million have been provided to TAFE SA in response to lower forecasts for external revenue growth and delays in the identification and achievement of efficiency measures. Funding is also provided to TAFE SA to undertake a program of system and process improvements. This will deliver efficiencies that will support its move towards long term sustainability and a contemporary delivery model.

In addition to the measures announced in the budget, the government has redirected funding of \$14 million per annum previously allocated to the Adelaide 500 to the Leisure Events Bid Fund. The Leisure Events Bid Fund is available to attract events of community significance that add to the cultural and leisure calendar, creating jobs and contributing to economic development. The transfer of the Adelaide 500 funding takes total funding in the Leisure Events Bid Fund to \$90 million over four years. Some of this funding has already been allocated to support upcoming events, with the remainder available to secure new events.

Additional COVID-19 response measures

Additional resources have been provided to support the state’s direct COVID-19 response measures including:

- \$149.2 million over two years to support the public health response to the COVID-19 pandemic including the medi-hotel quarantine and isolation arrangements alongside business as usual health activity up to 31 December 2021
- \$86.1 million over two years for the roll out of COVID-19 vaccines in state operated facilities. Partnering with the Commonwealth Government, this funding will ensure access to COVID-19 vaccines at state government COVID-19 clinics and vaccination centres
- \$47.3 million in 2020-21 for South Australia Police’s (SAPOL) costs in managing the state’s response to the COVID-19 pandemic, including costs relating to border patrols, medi-hotel security, cross border travel authorisations and compliance activities. Given the uncertainty around future quarantine restrictions, additional funding has also been provided to extend the employment of 54 Protective Security Officers employed in 2020-21, recruit an additional 114 Protective Security Officers, and continue the employment of State Emergency Service volunteers on a temporary basis to assist with police COVID-19 operations during 2021 and the early part of 2022.

Together with funding provided in the 2020-21 Budget, the government is providing \$64.4 million for COVID-19 costs in 2020-21, \$25.6 million in 2021-22 and \$8.4 million in 2022-23 to support SAPOL’s COVID-19 response operations.

Additional resources for health

In addition to the resources provided for the COVID-19 response measures, additional resources have also been provided to support the health sector, including:

- \$393 million for additional services in health and to support a transition to a more efficient health system
- \$163.5 million for a package of measures aimed at strengthening the state's mental health system by responding to the immediate need for additional support services, and by investing for the future with the aim of creating a more flexible and resilient system
- \$43.1 million to recruit 74 paramedics to the South Australian Ambulance Service and a further \$2.0 million to purchase six additional ambulances and for fit-out works at ambulance stations to accommodate the additional crews
- \$20 million for additional elective surgery and colonoscopy procedures, building on the government's previous investments in elective surgery and seeking to reduce the COVID-19 affected waiting lists over the course of 2021-22
- \$18.8 million to continue the state funded Meningococcal B immunisation program
- \$2.0 million for the completion of business cases for a new Barossa Hospital and a new centralised laboratory facility for SA Pathology.

Support for education and early learning

Additional resources have been provided to support the education sector, including:

- \$84.4 million to construct a new 1200 place year 7-12 High School on the existing Norwood Morialta High School Rostrevor Campus following the consolidation of the existing middle school onto the Norwood Morialta High School Magill campus from Term 1, 2022
- \$42 million to accelerate capital projects at government schools and preschools
- \$35.1 million over four years to increase the number of children from birth to age five accessing developmental health checks and at more regular intervals, in partnership with CaFHS and non-government partners
- \$12 million over two years for 20 new Adelaide Metro buses and \$497 000 in 2021-22 increasing to \$1.0 million per annum (indexed) from 2022-23 to operate new and expanded bus services to cater for the year 7 transition to high school from 2022
- \$11.8 million to double capital grants to non-government schools in 2021-22, with the additional grants available for school improvement projects that are intended to grow enrolments
- \$2.9 million in 2021-22 to extend support provided in the 2020-21 Budget to eligible non-government schools to assist with the transition to the new Direct Measure of Income funding arrangements in the 2022 school year.

State government payments to non-government schools for the 2021 and 2022 school years will also be brought forward to assist non-government schools as they recover from COVID-19 and transition to the new funding arrangements under the National Education Reform Agreement.

New infrastructure measures

In addition to the education infrastructure investments outlined earlier, resources have also been provided for other significant infrastructure initiatives, including:

- new road transport infrastructure projects including stages 2 and 3 of the Augusta Highway duplication, further works on the Heysen Tunnels, improvements for key Kangaroo Island road corridors, the upgrade of the Marion Road and Sir Donald Bradman Drive intersection, the upgrade of the Nottage Terrace and North

East Road intersection, refurbishment of the old Murray Bridge, additional support for the Port Wakefield Overpass project, extension of the road safety package, additional funding for the Strzelecki Track, and for the construction of the Truro bypass

- \$99 million over ten years to refresh railway stations in the metropolitan rail network
- \$78.9 million up to 2024-25 for the construction of the Riverbank Arena (total cost of \$662.3 million, excluding proceeds from the sale of the Adelaide Entertainment Centre). The Arena will have a capacity of 15 000 to attract the world’s leading contemporary live entertainment and provide additional exhibition facilities that are fully integrated within the Adelaide Convention Centre
- \$48.5 million to construct a new multi-storey car park at Tea Tree Plaza for park ‘n’ ride services
- \$20.8 million for Renewal SA to continue to upgrade existing buildings at Lot Fourteen to enable the expansion of space, digital, hi-tech and cyber companies in a collaborative setting.

The full business case for the North-South Corridor River Torrens to Darlington is still being finalised. Significant work has occurred on the design of the tunnels and road project to inform final costings. The total project cost is now expected to be around \$9.9 billion reflecting an updated road layout which includes wider tunnels to allow for three lanes, informed by updated traffic modelling projecting increased traffic volumes. The final project cost estimate will be settled in finalising the business case. It is still expected that construction of this significant project will be completed by 2030.

The full business case for the New Women’s and Children’s Hospital has also been prepared and will shortly be considered by Infrastructure South Australia. While the costing assumptions and estimates will be reviewed by Infrastructure South Australia, final project costs are currently expected to be around \$1.95 billion.

Other measures

Further detail on all measures included in the 2021-22 Budget can be found in Budget Paper 5: Budget Measures Statement.

Fiscal targets

The government’s fiscal targets are set out in table 1.3.

Table 1.3: 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 net debt that is sustainable over the forward estimates.

While the government is not forecasting the achievement of a budget surplus in 2021-22 given the impact the COVID-19 pandemic has had on the state’s finances, a return to surplus is predicted in 2022-23.

Underpinning the three main fiscal targets, the government continues its previous 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 1.4 shows the government’s fiscal position compared to its targets over the forward estimates.

Table 1.4: Fiscal targets outcomes — 2021-22 Budget estimates

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Target 1: net operating balance surplus					
Target	Achieve a net operating surplus every year				
2021-22 Budget estimate (\$m)	-1 782	-1 397	48	498	379
Target 2: operating expense growth					
Target (%)	Average growth limited to trend growth in household income (4% per annum)				
2021-22 Budget estimate (%)					
– Annual (%)	4.3%	2.5%	-2.3%	3.2%	3.4%
– Average (%)	Average growth 2020-21 to 2024-25 of 1.7% per annum				
Target 3: achieve a level of net debt that is sustainable over the forward estimates					
	68.5%	82.9%	89.4%	95.2%	100.9%
	(GGs net debt to revenue ratio)				
	99.5%	113.2%	120.3%	125.0%	129.6%
	(NFPS net debt to revenue ratio)				

Target 1 reflects the commitment to funding operating expenditures from operating revenues. This target is not currently achievable as the government responds to the effects of the COVID-19 pandemic. The 2021-22 Budget projects that operating deficits will peak at \$1.8 billion in 2020-21, before returning to a surplus from 2022-23.

The improvements in the net operating balance figures compared to the 2020-21 Budget are largely a result of higher GST revenue grants reflecting the stronger national economy as well as increased state taxation revenue mainly due to strong conveyance duty revenue.

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. The average operating expenditure growth over four years is 1.7 per cent.

Target 3 requires the maintenance of sustainable debt levels that allows for sustainable borrowings for investment in key infrastructure without placing undue burden on future generations. As shown in table 1.5, in this budget, interest costs are projected to be in line with the 2019-20 MYBR.

Table 1.5: General government interest expenses (\$million)

	2020-21	2021-22	2022-23	2023-24	2024-25
2019-20 MYBR	486	539	628	n.a.	n.a.
2020-21 Budget	473	548	614	679	n.a.
2021-22 Budget	459	528	645	768	984

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 1.6 sets out the expected budget outcomes for 2020-21 and across the forward estimates for a number of key fiscal indicators.

Table 1.6: Summary of key budget indicators

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Operating statement					
Net operating balance — GG sector (\$m)	-1 782	-1 397	48	498	379
Net lending — GG sector (\$m)	-2 875	-3 238	-1 848	-1 973	-1 663
Operating revenue and expenses					
Revenue nominal growth — GG sector (%)	3.1	4.5	4.2	5.2	2.9
Expenses nominal growth — GG sector (%)	4.3	2.5	-2.3	3.2	3.4
Balance sheet					
Net debt — GG sector (\$m)	14 371	18 168	20 423	22 851	24 923
Net debt to revenue — GG sector (%)	68.5	82.9	89.4	95.2	100.9
Net debt — NFP sector (\$m)	21 952	26 172	28 898	31 494	33 623
Net debt to revenue — NFP sector (%)	99.5	113.2	120.3	125.0	129.6
Unfunded superannuation (\$m)	10 103	9 503	8 879	8 230	7 555

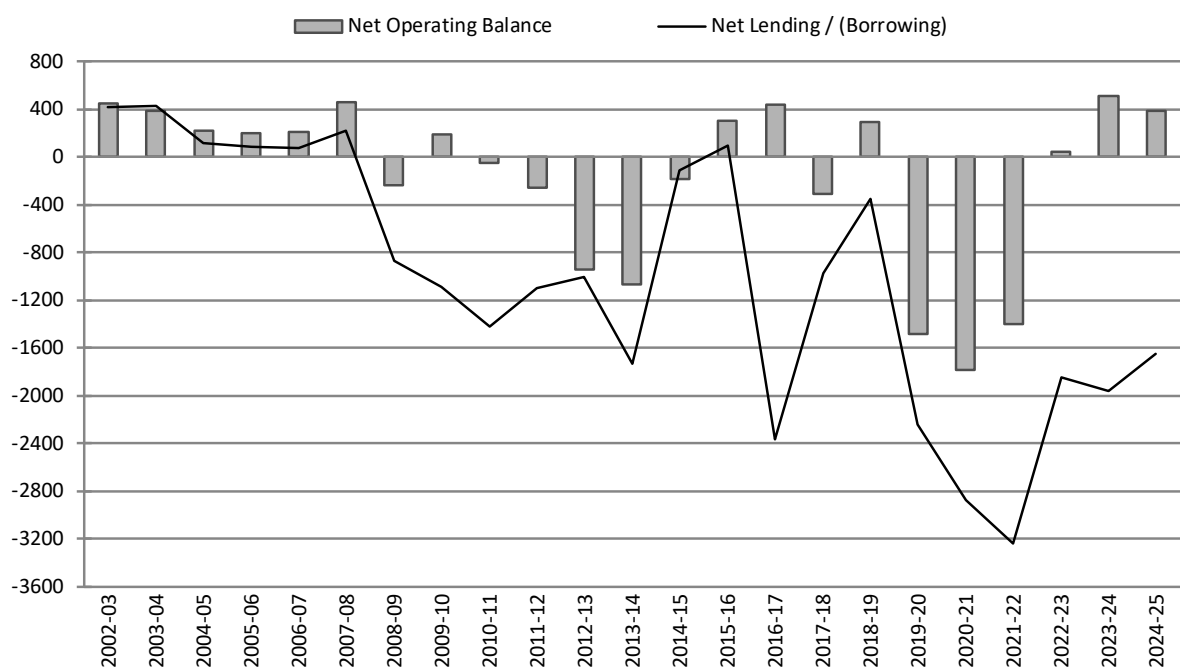
Operating statement

Net operating balance and net lending

Net operating deficits are forecast in 2020-21 and 2021-22 before surpluses are forecast from 2022-23.

Figure 1.1 illustrates the general government sector net operating balance and net lending position from 2002-03 to 2024-25.

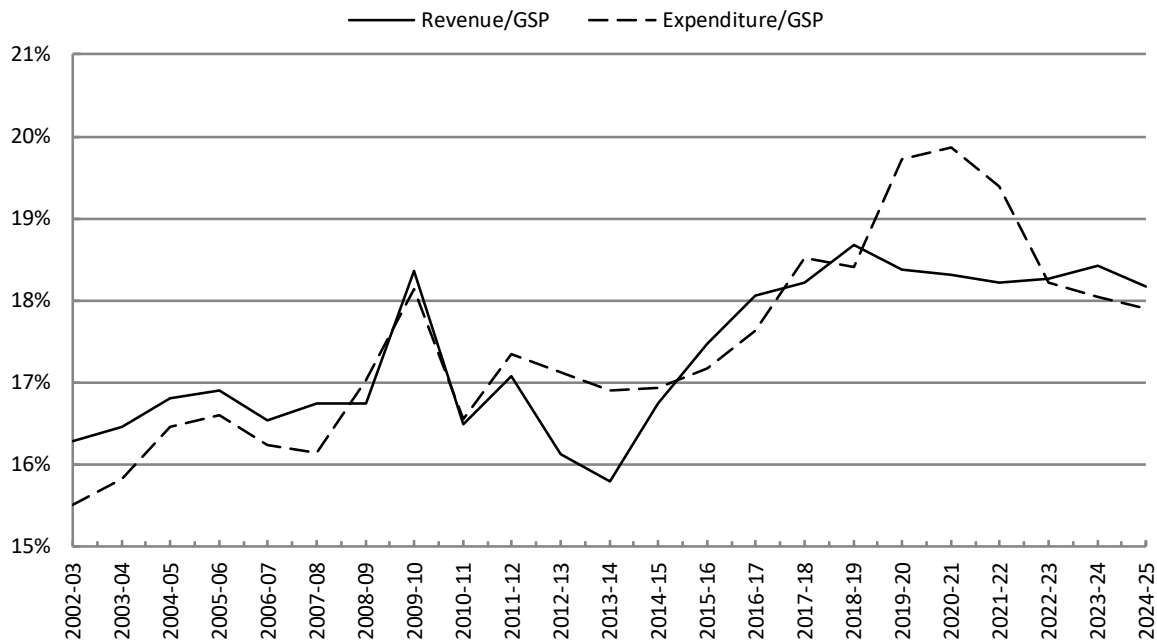
Figure 1.1: General government sector net operating balance and net lending (\$million)



Revenues and expenses

Figure 1.2 illustrates revenue and expenditure as a percentage of gross state product (GSP) from 2002-03 to 2024-25.

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



Total revenue as a share of the economy is projected to average 18.3 per cent over the period 2020-21 to 2024-25. This compares to an average of 17.1 per cent over the period 2002-03 to 2019-20.

Expenditure as a percentage of GSP is forecast to drop to 17.9 per cent by 2024-25 from a high of 19.9 per cent in 2020-21, as the measures that respond to the COVID-19 pandemic and bushfires phase out and expenditures return to sustainable levels.

Table 1.7 provides operating statement details for the general government sector. The full suite of accrual statements produced under the Uniform Presentation Framework is provided in Appendix A.

Table 1.7: General government sector operating statement — 2020-21 to 2024-25 (\$million)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Revenue						
Taxation revenue	4 476	4 733	4 822	4 991	5 182	5 357
Grants						
GST revenue grants	5 606	6 532	6 711	7 180	7 691	7 910
Other grants	5 046	5 183	5 831	6 042	6 374	6 423
Sales of goods and services	2 660	2 714	2 792	2 846	2 900	2 973
Interest income	46	36	32	55	110	206
Dividend and income tax equivalent income	159	195	180	179	205	258
Other	1 575	1 575	1 547	1 540	1 554	1 575
Total revenue	19 567	20 968	21 915	22 834	24 015	24 701
<i>less</i> Expenses						
Employee expenses	8 915	8 939	9 057	9 241	9 414	9 619
Superannuation expenses						
Superannuation interest cost	183	183	188	176	165	152
Other superannuation expenses	870	873	932	960	985	1 001
Depreciation and amortisation	1 406	1 399	1 429	1 489	1 550	1 632
Interest expenses	473	459	528	645	768	984
Other property expenses	—	—	—	—	—	—
Other operating expenses	7 243	7 676	7 700	7 495	7 584	7 735
Grants	3 067	3 221	3 477	2 781	3 053	3 200
Total expenses	22 157	22 750	23 312	22 787	23 518	24 322
<i>equals</i> Net operating balance	-2 590	-1 782	-1 397	48	498	379
Net Operating Result	-2 590	-1 782	-1 397	48	498	379
<i>plus</i> Other economic flows	406	2 376	440	462	598	675
<i>equals</i> Comprehensive result — total change in net worth	-2 184	594	- 957	509	1 096	1 054
Net operating balance	-2 590	-1 782	-1 397	48	498	379
<i>less</i> Net acquisition of non-financial assets						
Purchases of non-financial assets	2 748	2 689	3 382	3 464	4 145	3 747
<i>less</i> Sales of non-financial assets	162	197	112	79	125	73
<i>less</i> Depreciation	1 406	1 399	1 429	1 489	1 550	1 632
<i>plus</i> Change in inventories	—	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—
<i>equals</i> Total net acquisition of non- financial assets	1 181	1 093	1 842	1 896	2 470	2 042
<i>equals</i> Net lending/borrowing	-3 771	-2 875	-3 238	-1 848	-1 973	-1 663

Note: Totals may not add due to rounding.

The attachment to this chapter summarises the variations since the 2020-21 Budget to the general government net operating balance (table 1.8) and net lending estimates (table 1.9).

The attachment also summarises the variations to revenue, expenses and capital investment expenditure since the 2020-21 Budget (table 1.10), together with some commentary on those variations.

Attachment: Variations since the 2020-21 Budget

Table 1.8: General government sector net operating balance — policy and parameter variations since the 2020-21 Budget (\$million)

	2020-21	2021-22	2022-23	2023-24
Estimate at 2020–21 Budget	-2 590	-1 423	- 435	406
Parameter variations to 2021-22 Budget				
Revenue — taxation	257	39	37	45
Revenue — other	1 129	725	417	356
Operating expenses	- 288	- 325	67	- 156
Net effect of parameter and other variations	1 098	439	521	245
Policy measures to 2021-22 Budget				
Revenue measures — taxation	—	- 4	2	2
Revenue measures — other	—	—	—	—
Revenue offsets — taxation	—	—	—	—
Revenue offsets	15	40	1	- 26
Revenue investing offsets	—	113	299	123
Operating expenses	- 305	- 562	- 341	- 252
Operating savings	—	—	—	—
Net effect of policy measures	- 289	- 412	- 39	- 153
Estimate at 2021-22 Budget	-1 782	-1 397	48	498

Note: Totals may not add due to rounding.

Table 1.9: General government sector net lending — policy and parameter variations since the 2020-21 Budget (\$million)

	2020-21	2021-22	2022-23	2023-24
Estimate at 2020–21 Budget	-3 771	-3 465	-2 107	-1 885
Net effect of operating variations to 2021-22 Budget	808	27	482	92
Parameter variations to 2021-22 Budget^(a)				
Investing expenditure	65	526	360	- 20
Asset sales	36	23	2	2
Depreciation	- 7	- 20	- 11	13
Total Parameter Investing Variations	94	530	350	- 5
Policy measures to the 2021-22 Budget				
Investing expenditure	- 6	- 350	- 594	- 194
Investing savings	—	—	—	—
Asset sales	—	20	20	20
Net effect of policy measures to 2021-22 Budget	- 6	- 330	- 574	- 174
Total investing variations	88	200	- 224	- 179
Estimate at 2021-22 Budget	-2 875	-3 238	-1 848	-1 973

Note: Totals may not add due to rounding.

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

Table 1.10: General government sector revenue, expense and capital investment expenditure variations (parameter and other) since the 2020-21 Budget (\$million)

	2020-21	2021-22	2022-23	2023-24
Revenue — taxation				
Payroll tax	8	- 5	- 5	- 5
Conveyances	214	33	29	33
Land tax — private	11	17	17	18
Land tax — public	- 10	- 9	- 8	- 8
Other property tax	- 1	- 10	- 7	- 7
Insurance taxes	-7	-8	-9	-9
Gambling taxes	29	17	18	21
Motor vehicle taxes	13	4	2	3
Total taxation revenue	257	39	37	45
Revenue — other				
GST revenue grants	926	668	474	385
Commonwealth specific purpose and national partnership grants				
SPP grants	- 38	33	42	45
NP grants	129	- 51	- 134	- 123
Other contributions and grants	29	30	10	9
Sales of goods and services	58	45	28	39
Dividends and income tax equivalents	36	5	- 6	- 15
Interest income	- 10	- 15	- 6	14
Royalties	14	17	12	13
Other revenue	- 15	- 8	- 2	- 11
Total other revenue	1129	725	417	356
Operating expenses				
Nominal superannuation interest expense	—	- 15	- 14	- 13
Interest expense	14	20	- 31	- 89
Depreciation	7	20	11	- 13
Carryovers (net of provision for slippage)	1	13	- 9	2
Other variations	- 311	- 362	111	- 44
Total expenses	- 288	- 325	67	- 156
Investing variations				
Depreciation	- 7	- 20	- 11	13
Carryovers (net of provision for slippage)	3	29	- 3	- 30
Other variations	98	521	364	12
Total Investing variations	94	530	350	- 5
Note: Totals may not add due to rounding.				

Variations in revenue estimates (parameter and other)

Since the 2020-21 Budget, taxation revenues have been revised up in all years mainly due to higher conveyance duty collections supported by the strong uptake of the Commonwealth Government's HomeBuilder grant.

Payroll tax collections have been revised up in 2020-21 due to the earlier than expected recovery in employment growth following the easing of COVID-19 health restrictions. Future years have been revised to reflect updated assumptions about growth in taxable payrolls.

Conveyance duty has been revised up in all years. The large increase in collections in 2020-21 reflects heightened residential property market activity due to the Commonwealth Government's HomeBuilder grants. In particular, the number of vacant land transactions have nearly doubled in 2020-21 compared to 2019-20. Lower overall residential activity is expected in 2021-22 following the conclusion of HomeBuilder and the expectation that some activity was bought forward into 2020-21 to qualify for HomeBuilder grants. Despite this moderation in activity from the strong 2020-21 result, overall collections have been revised up since estimates made as part of the 2020-21 Budget reflecting higher than expected non-HomeBuilder related activity.

Private land tax revenue estimates have been revised up in all years reflecting updated information on emerging 2020-21 land tax billing. There has been a further improvement in expected collections from 2021-22 reflecting updated value growth estimates. Public land tax revenue has been revised down in all years reflecting updated billing information for 2020-21. These revisions in 2020-21 flow through to future years as a base effect.

Other property tax is largely unchanged in 2020-21 and has been revised down from 2021-22. This mainly reflects lower Emergency Services Levy fixed property collections in 2021-22 and lower interest revenue on the Agents Indemnity Fund from 2021-22 to 2023-24.

Insurance tax revenue has been revised down across the forward estimates largely reflecting a reduction in general insurance duty in 2020-21 based on year to date collections, which flows through to future years as a base effect.

Gambling tax revenue is higher than forecast in 2020-21 mainly due to higher than expected collections from gaming machines since the reopening of venues, as well as higher distributions from the Lotteries Commission and collections through the betting operations tax. From 2021-22 estimates have been revised up reflecting some flow through from higher 2020-21 activity levels.

Motor vehicle tax revenue has been revised up in all years mainly due to higher than expected stamp duty collections on motor vehicles registration transfers, partially offset by lower registration fee revenue in 2021-22 and 2022-23.

South Australia's GST revenue grants have been revised up by \$926 million in 2020-21 and a further \$1.5 billion over the period from 2021-22 to 2023-24. This largely reflects an upward revision to the national GST pool in the Commonwealth Budget reflecting stronger than expected retail trade and consumer spending. The national GST pool is now expected to grow by around 16 per cent in 2020-21, following a decline of around 8 per cent in 2019-20. Growth in South Australia's GST revenue grants will be lower than growth in the national GST pool in 2020-21 and 2021-22 reflecting a decline in South Australia's share of GST revenue.

Commonwealth Government ongoing tied grants were revised down in 2020-21 and up in other years. The downward revision in 2020-21 mainly reflects lower grant revenue to offset the recovery of unspent Commonwealth private hospital viability payments by private hospitals provided to help manage the impacts of COVID-19. This is partially offset by higher revised estimates for Commonwealth funding for schools under Quality Schools funding, which also impacts future years. From 2021-22 onward upward revisions also reflect revised estimates for Commonwealth funding for health.

Commonwealth Government National Partnership (NP) grants have been revised up in 2020-21 and down in other years. The upward revision in 2020-21 is mainly due to a pull-forward of Commonwealth funding from 2021-22 to 2020-21 for Financial Assistance Grants that are passed on to local government and higher revenue for the HomeBuilder grant. The decrease in 2021-22 is mainly due to the revised funding profiles for a range of infrastructure projects and the Financial Assistance Grants pull forward, partially offset by higher revenue from the HomeBuilder grant. From 2022-23 revisions are mainly due to the infrastructure funding

revisions partially offset by funding received under the Natural Disaster Relief and Recovery Arrangements, which was previously shown in other revenue.

Other contributions and grants have been revised up in all years. This mainly reflects additional Commonwealth revenue received as part of the Pharmaceutical Benefits Scheme, which is offset by a corresponding increase in government expenditure. Revisions in 2020-21 and 2021-22 also reflect the Commonwealth revenue contribution towards the Aged Care Assessment Program.

Sales of goods and services revenue have been revised up in all years. This primarily reflects an increase in gambling revenue from the Lotteries Commission that partially flows through to future years. Collections in 2020-21 are also impacted by higher land services fees reflecting the increase in property market activity, partially offset by lower Metroticket sales as a result of lower than expected patronage. Collections from 2020-21 are also impacted by the loss of revenue from ticket sales and corporate hospitality revenue for the Adelaide 500. The loss in revenue for the Adelaide 500 is offset by corresponding lower expenditure.

Dividend and income tax equivalent revenue has been revised up in 2020-21 primarily reflecting an increase in SA Water's and HomeStart Finance's dividend and income tax equivalent payments. Relatively smaller revisions from 2021-22 are mainly due to higher dividend and income tax equivalent payments from SAFA, more than offset by lower contributions from HomeStart Finance from 2022-23.

Interest revenue has been revised reflecting projected cash rates on deposit balances.

Royalties have been revised up in all years, due to an improved outlook for mineral royalties. This is being driven by improvements in mineral commodity prices, particularly iron ore and copper, as well as higher production volumes. A rebound in the pricing of petroleum is also expected to have a positive effect on royalties from 2021-22, with production levels expected to increase following a period of low pricing.

Other revenue has been revised down in all years due to a range of factors, including changes in the presentation of disaster recovery funding that is now shown in NP grants.

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

Operating Expenses

The nominal superannuation interest expense has been revised up by around an average of \$14 million per annum since the 2020-21 Budget due to an increase in the discount rate.

Interest expenses have decreased in 2020-21 and 2021-22 as a result of lower levels of debt. Interest expenses have increased from 2022-23 as a result of higher interest rates offsetting the lower levels of debt.

Depreciation has been updated to reflect revisions in asset bases and the timing of project completion across a number of agencies.

Carryover expenditure reflects expenditure that was forecast to be undertaken by agencies in 2020-21, which will now be incurred in later years. Operating carryovers from 2020-21 to 2021-22 and future years are \$221 million (which are offset by slippage provisions). The 2021-22 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 significant movements in the 'other variations' category are principally due to revisions to centrally held provisions, and an increase in gambling prizes and agents' commissions (in the order of \$50 million to \$60 million per annum) associated with a forecast increase in net gambling revenue from 2020-21 onward. The improvement in 'other variations' in 2022-23 is primarily due to the bring-forward of state government payments to non-government schools for the 2022 school year from 2022-23 to 2021-22.

Investing

The carryover of investing expenditure in 2021-22 reflects delays in project expenditure in 2020-21. Where appropriate, an estimate of expenditure for these projects has been carried forward into future years. Investing carryovers from 2020-21 to 2021-22 and future years are \$220 million, offset by slippage provisions.

The 2021-22 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' are primarily a result of the re-profile of capital project expenditure across the forward estimates, as well as adjustments to the major project contingency provision as it is replaced by specific new investing initiatives.

Chapter 2: Expenditure

This chapter provides an overview of new expenditure initiatives in the 2021-22 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 2021-22 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 operating and investing expenditure initiatives in the 2021-22 Budget total \$2.6 billion over the next four years, with a further \$310.9 million expenditure on new operating and investing expenditure initiatives occurring in 2020-21. This funding includes measures that continue to support the economy and job creation and address the impact that the COVID-19 pandemic has had on the South Australian community.

The expenditure initiatives in the 2021-22 Budget are partially offset by \$649.6 million over four years of revenue offsets, with a further \$15.4 million of revenue offsets occurring in 2020-21, mainly reflecting initiatives that will be partially funded by the Commonwealth Government.

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

Table 2.1: General government initiatives (\$million)^(a)

	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Operating expenditure initiatives	- 305	- 562	- 341	- 252	- 176
Revenue offsets	15	40	1	- 26	- 26
Operating savings	—	—	—	—	—
Total operating initiatives	- 289	- 521	- 340	- 278	- 202
Investing expenditure initiatives	- 6	- 350	- 594	- 194	- 156
Revenue offsets	—	113	299	123	125
Investing Savings	—	—	—	—	—
Asset sales	—	20	20	20	20
Total investing initiatives	- 6	- 217	- 275	- 51	- 11

Note: Totals may not add due to rounding.

(a) Excludes depreciation on investing initiatives.

New initiatives

New operating expenditure initiatives in the general government sector total \$1.3 billion over the next four years, in addition to \$304.7 million in 2020-21. The operating initiatives include support for:

- the delivery of health services in recognition of SA Health's focus in responding to the requirements of the COVID-19 pandemic including protecting South Australians from the spread of COVID-19 and the roll out of the COVID-19 vaccine as well as additional resources for elective surgery to address the backlog as a result of the pandemic
- South Australia's mental health system, including additional resources to respond to the immediate need for additional support services
- economic stimulus and recovery measures including the additional funding of the Jobs and Economic Growth Fund and the Post Production, Digital and Visual Effects Rebate scheme
- skills and training
- children and young people in care

- TAFE SA
- early childhood and education, including the non-government school sectors.

A summary of the operating expenditure initiatives by agency is shown in table 2.2. Full details of all operating expenditure initiatives can be found in Budget Paper 5: Budget Measures Statement.

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

Agency	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Across Government	—	- 54.6	- 42.4	- 30.0	- 38.2
Attorney-General	- 0.2	- 2.0	- 2.0	- 2.1	- 2.1
Child Protection	- 1.1	- 12.7	- 13.0	- 15.4	- 17.0
Correctional Services	—	- 4.9	- 3.4	- 3.5	- 3.6
Courts	—	- 1.9	—	—	—
Defence SA	- 1.8	- 6.4	- 3.3	- 3.0	- 2.8
Education	—	- 16.9	- 9.3	- 9.6	- 17.8
Electoral Commission	—	- 0.2	—	—	—
Emergency Services — CFS	—	- 0.2	- 0.1	- 0.2	- 0.2
Emergency Services — MFS	—	- 0.2	- 0.2	- 0.2	—
Emergency Services — SAFECOM	—	- 2.0	- 1.8	- 1.9	- 1.9
Emergency Services — SES	- 0.5	- 1.0	- 1.0	- 0.9	- 1.0
Energy and Mining	- 1.2	- 6.0	- 4.0	- 1.6	- 0.5
Environment and Water	—	- 2.7	- 2.3	- 2.3	- 1.8
Environment Protection Authority	—	- 0.0	- 0.0	—	—
Green Industries SA	- 3.0	- 7.5	- 10.5	- 2.0	—
Health and Wellbeing	- 203.3	- 285.2	- 129.5	- 127.5	- 54.3
Human Services	- 1.0	- 5.8	- 5.5	- 4.1	- 3.6
Innovation and Skills	- 2.9	- 46.7	- 36.3	- 8.6	- 8.6
Infrastructure and Transport	—	- 9.6	- 34.7	- 7.0	- 2.4
Police	- 46.1	- 21.3	- 7.3	- 2.3	—
Premier and Cabinet	- 13.8	- 19.9	- 7.1	- 6.2	- 6.2
Primary Industries and Regions	- 27.0	- 20.8	- 2.8	- 2.2	- 1.4
TAFE SA	—	- 21.8	- 22.2	- 19.4	- 10.6
Tourism	—	- 4.0	—	—	—
Trade and Investment	- 0.1	- 2.0	- 2.3	- 2.3	- 2.2
Treasury and Finance	- 2.7	- 1.5	—	—	—
SA Water	—	- 3.8	—	—	—
Total operating initiatives	- 304.7	- 561.6	- 341.1	- 252.0	- 176.2

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

New investing expenditure initiatives in the general government sector total \$1.3 billion over the next four years, in addition to \$6.2 million in 2020-21. The new investing initiatives build key economic and social infrastructure, improve existing government facilities and support job creation over the forward estimates. Key measures include:

- \$202 million over three years to construct a bypass of the Truro township and upgrades to Accommodation Hill on the Sturt Highway
- \$180 million to complete the next stage of the duplication of the Augusta Highway from near Nantawarra to Lochiel
- \$105.0 million in 2022-23 to improve road safety across South Australia, bringing total funding to \$315 million with works to be undertaken from 2020-21 to 2022-23
- \$99 million over 10 years to improve railway stations in the metropolitan rail network, including new shelters, seating and bins, lighting upgrades and other minor works such as painting and landscaping. The first stations to be upgraded include 14 stations along the Gawler rail line, Goodwood railway station, Ovingham railway station, Woodlands Park railway station and Ethelton railway station
- \$84.4 million over three years to construct a new 1200 place year 7-12 high school on the Norwood Morialta High School Rostrevor campus
- \$80.4 million over four years as part of a \$163.5 million mental health package of measures aimed at strengthening the State's mental health system by investing to create more appropriate treatment facilities and additional capacity to treat mental health
- \$80.0 million over two years for the Strzelecki Track upgrade, bringing total funding for the project to \$215 million
- \$60.0 million over two years to undertake further works on the Heysen Tunnels, bringing total funding for the project to \$75 million
- \$48.5 million over two years to construct a new multi-storey car park at Tea Tree Plaza for Park n Ride services
- \$45 million over three years to upgrade the Marion Road and Sir Donald Bradman Drive intersection
- \$42 million over three years to accelerate capital projects at government schools and preschools
- \$40 million over three years (including \$21 million in operating expenditure) for improvements to Kangaroo Island road corridors
- \$36 million over two years to refurbish the old Murray Bridge
- \$34.5 million additional funding for the Port Wakefield Overpass project, bringing total funding for the project to \$124.5 million.

A summary of the investing expenditure initiatives by agency is shown in table 2.3. Full details of all investing expenditure initiatives are provided in Budget Paper 5: Budget Measures Statement.

Table 2.3: Investing initiatives by agency (\$million)^(a)

Agency	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Correctional Services	—	- 9.4	- 14.9	—	—
Education	—	- 27.4	- 63.2	- 8.3	12.0
Emergency Services — SAFECOM	—	—	- 0.6	—	—
Emergency Services — SES	—	- 0.1	—	—	—
Energy and Mining	- 0.6	- 0.2	- 0.2	—	—
Environment and Water	—	- 5.7	—	—	—
Health and Wellbeing	—	- 29.1	- 30.5	- 24.2	- 8.4
Human Services	—	- 0.7	- 0.6	—	—
Infrastructure and Transport	- 4.2	- 250.4	- 471.3	- 161.9	- 159.3
Police	- 1.2	- 12.1	- 10.3	—	—
Premier and Cabinet	—	- 7.2	—	—	—
Primary Industries and Regions	- 0.2	- 2.0	—	—	—
TAFE SA	—	- 5.6	- 2.9	—	—
Total investing initiatives	- 6.2	- 349.9	- 594.4	- 194.4	- 155.7

Note: Totals may not add due to rounding.

(a) Includes administered items of agencies.

Savings

There are no new savings introduced in the 2021-22 Budget.

The total value of existing operating savings that are reflected in the budget are shown in table 2.4. These savings reflect the commencement of previously approved efficiencies and savings measures. Agencies have been developing strategies over time to achieve these savings.

Table 2.4: General government operating savings (\$million)

	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Savings commencing from 2021-22	135.5	263.6	387.6	518.9
Total Savings	135.5	263.6	387.6	518.9

To continue to assist agencies in the delivery of savings and efficiency measures, a targeted voluntary separation package (TVSP) scheme, which has been in operation since November 2010, remains in place. TVSP payouts are calculated as 10 weeks base plus two weeks per year of service up to a maximum of 52 weeks' pay.

TVSPs are available at the discretion of Chief Executives. An offer of a TVSP can be made to an employee who is excess to the requirements of an agency or is to become excess imminently because the substantive position/role or duties they are/were employed in has been, or is to be abolished.

Other than in specific circumstances approved by the government where significant reform activity is underway, agencies are responsible for managing costs associated with TVSPs and separation payments.

A new scheme will be established that provides the opportunity for Chief Executives to rejuvenate their workforce by making available an incentive to employees to separate from government employment. Offers under the scheme could be made to any full-time or part-time employee who has a right to ongoing employment in the South Australian Public Sector. The scheme will not be open to general applications from employees. Any offers made under the scheme would be at the discretion of a Chief Executive. Any decision to accept an offer of a termination payment to separate from the public sector by an employee would be voluntary.

This scheme will work alongside the TVSP scheme, and allow the Chief Executive the flexibility to retain the position or particular duties and either fill or restructure the role in the manner that best supports delivery of an agency's services.

The scheme will operate until 31 December 2021, and provide a termination payment of \$50,000 gross to an employee who has not less than 10 years' service (pro rata for part-time employees), or \$25,000 gross to an employee with less than 10 years' service (pro rata for part-time employees).

General government operating expenditure

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

Table 2.5: General government expenditure (\$million)

	2020-21		2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	2020-21 Budget	Estimated Result				
Employee expenses	8 915	8 939	9 057	9 241	9 414	9 619
Superannuation expenses						
Superannuation interest cost	183	183	188	176	165	152
Other superannuation expenses	870	873	932	960	985	1 001
Depreciation and amortisation	1 406	1 399	1 429	1 489	1 550	1 632
Interest expenses	473	459	528	645	768	984
Other property expenses	—	—	—	—	—	—
Other operating expenses	7 243	7 676	7 700	7 495	7 584	7 735
Grants	3 067	3 221	3 477	2 781	3 053	3 200
Total expenses	22 157	22 750	23 312	22 787	23 518	24 322
Total expenses % change on previous year						
Total expenses nominal growth (%)		4.3%	2.5%	-2.3%	3.2%	3.4%
Total expenses real growth (%)		2.7%	0.7%	-3.9%	1.2%	0.9%

Note: Totals may not add due to rounding.

General government expenses in 2020-21 are estimated to be \$593 million higher than estimated in the 2020-21 Budget, primarily due to new operating initiatives in the 2021-22 Budget which are mainly in response to COVID-19.

Operating expenses are budgeted to decline in 2022-23 following the completion of the targeted and time limited stimulus measures that have been implemented to respond to recent events. The growth rates from 2023-24 reflect in part the higher levels of interest expenses as net debt levels and longer term interest rates increase and depreciation as projects are completed under the government's substantial infrastructure program.

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

Table 2.6: Operating expenses — selected agencies (\$million)^(a)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Attorney-General	357	335	339	328	331	334
Auditor-General	18	18	19	19	19	19
Child Protection	609	609	647	668	687	704
Correctional Services	357	360	361	362	367	370
Courts	102	102	97	94	95	96
Defence SA	22	23	21	14	12	11
Education	3 926	3 858	4 009	4 170	4 298	4 425
Electoral Commission	7	7	29	14	7	8
Emergency Services — CFS	89	88	90	87	89	90
Emergency Services — MFS	163	162	163	164	166	168
Emergency Services — SAFECOM	28	28	24	22	22	21
Emergency Services — SES	22	25	22	22	22	23
Energy and Mining	242	227	153	111	100	107
Environment and Water	328	320	305	252	253	248
Environment Protection Authority	33	33	33	33	34	34
Green Industries SA	83	95	78	55	33	38
Health and Wellbeing	7 193	7 467	7 369	7 193	7 275	7 409
Human Services	1 082	1 110	1 097	1 121	1 087	1 120
Innovation and Skills	488	485	518	413	367	342
Infrastructure and Transport	1 939	2 008	1 836	1 872	1 849	1 860
Legislature	27	27	27	27	28	28
Police	1 000	1 044	1 036	1 033	1 047	1 061
Premier and Cabinet	297	324	300	272	279	274
Primary Industries and Regions	331	290	274	181	173	171
TAFE SA	322	322	324	317	315	307
Tourism	108	96	92	88	75	72
Trade and Investment	71	62	56	46	43	42
Treasury and Finance	269	263	282	265	268	270
Other ^(b)	2 644	2 958	3 711	3 541	4 178	4 669
Total operating expenses	22 157	22 750	23 312	22 787	23 518	24 322

Note: Totals may not add due to rounding.

(a) Agency expenses in this table match to expenses included in net cost of services as shown in the Statements of Comprehensive Income in Agency Statements.

(b) Includes other agencies, administered items (including interest paid on borrowings with SAFA), and consolidation adjustments to eliminate intra-government transactions.

The following analysis compares changes in expenses from 2020-21 to 2024-25. The main changes in operating expenses over that period are in the following agencies:

- Child Protection — projected to increase by \$95 million due to the estimated growth in the number of children and young people in care and the cost associated with providing care services. The government continues to focus on increasing the number of family based care placements and providing resources for early intervention programs to reduce the number of children requiring care

- Education — projected to increase by \$567 million including increased funding for enrolments, growth in students requiring additional support for socio-economic disadvantage and disability needs under the National School Reform Agreement
- Energy and Mining — projected to decrease by \$120 million primarily due to the winding down of expenditure associated with the implementation of the government’s election commitments including support for the accelerated delivery of an electricity interconnector between South Australia and New South Wales and rollout of the Home Battery Scheme
- Environment and Water — projected to decrease by \$72 million primarily reflecting reduced expenditure relating to projects completed in conjunction with the Commonwealth Government including Sustainable Rural Water Use and Infrastructure programs which are expected to be finalised before 2022-23
- Green Industries SA — projected to decrease by \$57 million primarily due to the winding down of the Home Battery Scheme which is supported by the Green Industry Fund
- Health and Wellbeing — projected to decrease by \$58 million, primarily due to time-limited COVID-19 related initiatives in 2020-21 and 2021-22. Thereafter underlying expenditure is expected to modestly increase due to indexation and activity growth as Health transitions towards providing services at the national efficient price by the end of the forward estimates
- Innovation and Skills — projected to decrease by \$143 million primarily due to the completion of the Skilling Australians and JobTrainer National Partnership Agreements
- Infrastructure and Transport — projected to decrease by \$148 million primarily due to the completion of APY Lands Main Access Road Upgrade project and the completion of the Office for Recreation, Sport and Racing’s State Sport and Recreation Infrastructure Plan grant program
- Premier and Cabinet — projected to decrease by \$50 million primarily due to once off expenditure on arts sector job recovery, bushfire recovery, and cyber security enhancements
- Primary Industries and Regions — projected to decrease by \$119 million primarily due to completion of bushfire recovery, drought, marine scalefish reform, fruit fly eradication programs and once off regional growth stimulus expenditure.

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

Employee expenses

Table 2.7: General government employee expenses

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Employee expenses (\$m)	8 939	9 057	9 241	9 414	9 619
Nominal growth (%)	2.1%	1.3%	2.0%	1.9%	2.2%
Real growth (%)	0.6%	-0.4%	0.3%	-0.1%	-0.3%

Employee expenses in 2020-21 are estimated to be \$24 million higher than in the 2020-21 Budget primarily as a result of additional resources for Health and Wellbeing, partially offset by lower than expected FTEs in Education due to lower than expected enrolments in government schools.

Employee expenses decrease in real terms by 0.5 per cent from 2020-21 to 2024-25, primarily reflecting constraint in general government sector FTE levels and public sector wages growth over the forward estimates.

Full-time equivalents (FTEs)

FTE estimates for general government sector agencies are based on 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 agency budgets. Actual FTEs are monitored on a regular basis with agencies required to explain any significant variations from budgeted FTE caps.

The estimated aggregate workforce levels in the general government sector do not change significantly across the forward estimates as shown in table 2.8.

Table 2.8: General government sector employment^(a)

	Full-time equivalent employees as at 30 June					
	2020 Actual	2021 Estimate	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
As at 2020–21 Budget	85 698	86 026	85 492	86 092	85 811	n.a.
As at 2021–22 Budget	85 698	86 133	86 095	86 176	85 901	86 264
FTEs by agency at 2021-22 Budget:						
Health and Wellbeing (excluding SAAS)	31 948	32 041	31 401	31 313	30 912	30 989
South Australian Ambulance Service	1 644	1 699	1 758	1 755	1 750	1 750
Education	24 696	25 279	25 719	26 156	26 206	26 423
Police	5 798	6 004	6 059	5 879	5 878	5 878
Other	21 612	21 110	21 157	21 072	21 154	21 224
Total FTEs as at 2021-22 Budget	85 698	86 133	86 095	86 176	85 901	86 264

Note: Totals may not add due to rounding.

(a) The FTE profiles shown are notional and are based on current funding levels across the forward estimates. Chief Executives have the flexibility to deliver government services in the manner that best suits the needs of the business. As a result, the actual level of FTEs over the forward estimates may vary.

Since the 2020-21 Budget FTE estimates are higher in all years, primarily as a result of additional policy initiatives announced in the 2021-22 Budget, the most significant of which is the provision of additional resources for health services as well as supporting South Australia's mental health system. Additional resources are also provided for TAFE SA in response to a reassessment of what can be achieved through efficiency measures, and Child Protection to meet the estimated growth in the number of children and young people in care.

The estimated FTE impacts of individual measures are outlined in the 2021-22 Budget Measures Statement. The increase in FTEs is partially offset from 2023-24 as TAFE SA delivers a program of system and process improvements which will result in a reduction in FTEs within the organisation, as well as lower additional resources for health services in 2024-25 as Health SA achieves the national average efficient price in the delivery of public hospital services.

Table 2.9: Estimated full-time equivalent impacts of 2021-22 Budget measures as at 30 June (FTEs)

	2021 Estimate	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Expenditure initiatives	612	1 113	898	852	296
Total FTE impact of policy decisions	612	1 113	898	852	296

Enterprise Agreements

In 2020-21, enterprise agreement negotiations were finalised for nursing and midwifery staff, SA Police, the Rail Commissioner's train employees, Adelaide Festival Centre Trust professional/administration employees and technical/production employees, Forestry SA, West Beach Trust and HomeStart Finance.

Negotiations are continuing for South Australian Ambulance Service operational employees, TAFE SA education staff, public sector salaried and weekly paid employees, firefighters, Return to Work SA employees, salaried medical officers. Negotiations for an agreement covering SA Water employees is the subject of a ballot process.

In 2021-22, enterprise bargaining negotiations will commence for assistants to Members of Parliament, clinical academics, visiting medical specialists, nursing and midwifery staff and Adelaide Festival Centre Trust professional and administration employees and technical/production employees.

Expenditure on salaries and wages is the largest expense for the government, representing 39 per cent of general government sector costs in 2021-22. It is essential that wage increases in the public sector are sustainable. The government has budgeted for responsible wage outcomes reflecting the economic circumstances as there is no capacity to meet excessive wage and condition demands. Enterprise bargaining agreements must support efficiency and productivity in the delivery of government services.

Superannuation expenses

Table 2.10: General government superannuation expenses

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Superannuation expenses (\$m)					
Superannuation interest expense	183	188	176	165	152
Other superannuation expenses	873	932	960	985	1 001
Nominal growth (%)	-1.8%	6.0%	1.4%	1.1%	0.4%
Real growth (%)	-3.2%	4.2%	-0.3%	-0.8%	-2.1%

The estimated 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 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 superannuation interest expense for 2020-21 is \$183 million. Compared to estimates at the time of the 2020-21 Budget, from 2021-22 the expense has increased by around \$14 million to \$15 million per annum due to an increase in the discount rate.

Other superannuation expenses increases in 2021-22 to reflect the increase in the superannuation employer contribution rate from 9.5 per cent to 10 per cent from 1 July 2021.

Depreciation and amortisation

Table 2.11: General government depreciation and amortisation expenses

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Depreciation (\$m)					
Buildings and improvements	627	646	675	676	684
Dwellings	7	9	9	9	9
Plant, equipment and vehicles	158	155	164	210	282
Vehicles	100	100	100	101	101
Road network	358	362	390	400	402
Rail and bus tracks	74	76	76	76	76
Water, sewer and drainage	14	14	14	14	14
Other	1	1	2	2	2
Total depreciation	1 338	1 362	1 428	1 487	1 569
Amortisation	61	67	61	63	63
Total depreciation and amortisation	1 399	1 429	1 489	1 550	1 632
Nominal growth (%)	1.5%	2.1%	4.2%	4.1%	5.3%
Real growth (%)	0.0%	0.4%	2.4%	2.0%	2.7%

Note: Totals may not add due to rounding.

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

Growth in depreciation expense from 2020-21 is also projected across the forward estimates as projects are completed in line with the program of significant investment in the state's infrastructure. These include additional prison beds, new schools as well as other education infrastructure upgrades, hospital and health infrastructure upgrades, North-South Corridor road projects, and the Gawler Rail Line electrification.

Interest expenses

Table 2.12: General government interest expenses

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Interest expenses (\$m)	459	528	645	768	984
Nominal growth (%)	-1.2%	15.2%	22.1%	19.1%	28.0%
Real growth (%)	-2.7%	13.2%	20.0%	16.8%	24.9%

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. Over the forward estimates, higher government borrowings and longer term interest rates result in an increase in interest expenses. The increase in borrowings is a result of the necessary measures announced by the government as part of its commitment to support the state's economic recovery from the COVID-19 pandemic. While the additional debt has increased interest expenses across the forward estimates, interest costs are projected to be in line with levels at the time of the 2019-20 Mid-Year Budget Review.

Other operating (non-employee) expenses

Table 2.13: General government other operating (non-employee) expenses

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Other operating (non-employee) expenses (\$m)	7 676	7 700	7 495	7 584	7 735
Nominal growth (%)	13.5%	0.3%	-2.7%	1.2%	2.0%
Real growth (%)	11.9%	-1.4%	-4.3%	-0.8%	-0.5%

General government other operating (non-employee) expenses for 2021-22 are expected to be \$7.7 billion. This is largely made up of:

- supplies and services (\$3.6 billion) predominantly within Health and Wellbeing (\$1.8 billion), Education (\$590.9 million), Attorney-General's (\$145.6 million) and Child Protection (\$134.5 million)
- consultancies and contractors (\$1.0 billion) predominantly within Infrastructure and Transport (\$499.0 million) mainly due to public transport and road maintenance contracts, Child Protection primarily for the delivery of care services (\$227.2 million) and Health and Wellbeing (\$190.5 million)
- NDIS contributions (\$681.5 million), noting that the state's total NDIS contribution is \$840.9 million. This is offset by in-kind contributions, including for supported accommodation
- repairs and maintenance expenses (\$384.4 million) predominantly within Infrastructure and Transport (\$123.1 million), Education (\$122.3 million) and Health and Wellbeing (\$98.5 million)
- computer and communications charges (\$298.6 million) predominantly within Health and Wellbeing (\$103.2 million), Attorney-General's (\$28.3 million) and Education (\$24.7 million).

Overall other operating (non-employee) expenses decrease in real terms across the forward estimates mainly reflecting lower expenditure following the completion of the targeted and time limited stimulus measures that have been implemented to respond to recent events.

Grants

Table 2.14: General government grant expenses

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Grants (\$m)	3 221	3 477	2 781	3 053	3 200
Nominal growth (%)	-4.8%	8.0%	-20.0%	9.8%	4.8%
Real growth (%)	-6.2%	6.1%	-21.4%	7.7%	2.3%

Grant expenses in 2020-21 are \$154 million higher than estimated in the 2020-21 Budget, primarily due to the bring-forward of state government payments to non-government schools for the 2021 school year from 2021-22 to 2020-21. Grant expenses grow in 2021-22 due to measures announced in the 2021-22 Budget, including the extension of the JobTrainer National Partnership Agreement and the increased funding for the Jobs and Economic Growth Fund.

The budget reflects a decline in grant expenditure in 2022-23, mainly due to the phasing out of additional time limited funding support provided as part of the government's economic stimulus program, including measures from the COVID-19 Support Fund, the bring forward of state government payments to non-government schools for the 2022 school year from 2022-23 to 2021-22 to assist non-government schools as they recover from the COVID-19 pandemic and transition to new state government funding arrangements, grants in Energy and Mining, including to support the accelerated delivery of an electricity interconnector, and grants in Innovation

and Skills (Skilling Australians, JobTrainer and TAFE SA) declining as programs reach their conclusion. Grant expenditure includes payments to:

- non-government schools
- local government
- community service obligation payments to SA Water
- concessions to the community, including the cost of living concession and energy concession
- other non-government organisations for a range of programs.

General government investing expenditure

The general government four year investing program is \$14.7 billion over the period 2021-22 to 2024-25, with \$2.7 billion estimated for 2020-21. This is an increase compared to the 2020-21 Budget, which had a four year program of \$13.5 billion over the period 2020-21 to 2023-24.

The increase in investing expenditure compared to previous programs provides an expanded pipeline of projects over the forward estimates. It reflects the delivery of the government's infrastructure program that is focussed on building key economic and social infrastructure, improving existing government facilities and supporting job creation.

Table 2.15: General government sector capital investment (\$million)

	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Purchases of non-financial assets	2 689	3 382	3 464	4 145	3 747

Figure 2.1 shows that general government capital investment across the forward estimates continues to remain well above the level of depreciation.

Figure 2.1: General government sector purchases of non-financial assets (\$million)

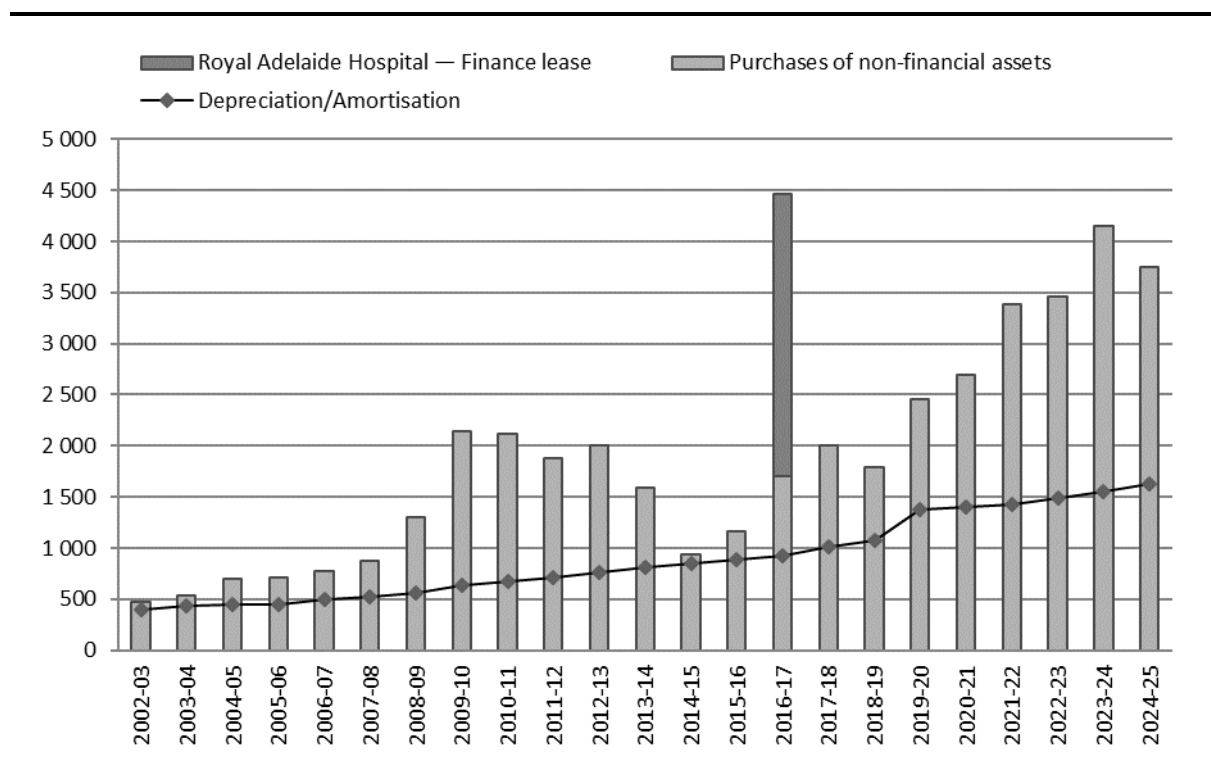


Table 2.16 summarises the investing program for the general government sector by agency. Further detail on agency investing programs is contained in the 2021-22 Agency Statements.

Across the forward estimates (2020-21 to 2024-25) investing expenditure increases as a result of significant major projects including the North-South Corridor (\$3.4 billion up to 2024-25), the New Women's and Children's Hospital (\$1.1 billion up to 2024-25) and the Aboriginal Art and Cultures Centre (\$200 million). The majority of the budgets for the first two projects are currently held in contingency pending finalisation of project costings, at which stage they will be allocated to agency budgets.

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 for an unallocated component 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.

The state and Commonwealth governments have decided not to proceed with the Brighton Road Hove Level Crossing Upgrade project due to the significant cost increase of design options for the crossing identified in the project planning study. The agency investing program for this budget will be returned to the contingency provision for the unallocated component of the government's investing budget.

Table 2.16: General government capital investment by agency (\$000s)^(a)

	2020-21		2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	2020-21 Budget	Estimated Result				
Attorney-General	98 516	58 340	41 489	4 456	3 961	4 043
Auditor-General	283	254	245	251	273	263
Child Protection	8 295	5 570	9 435	2 220	2 728	2 728
Correctional Services	128 198	86 798	116 985	25 250	9 566	9 918
Courts	19 210	19 140	9 257	5 432	3 034	3 094
Defence SA	—	—	—	—	—	—
Education	788 524	773 814	463 240	91 534	48 418	67 136
Electoral Commission	942	962	2 462	50	115	50
Emergency Services — CFS	30 963	30 862	29 183	20 546	19 996	25 696
Emergency Services — MFS	18 920	18 831	9 406	11 784	12 167	12 468
Emergency Services — SAFECOM	1 963	2 530	15 266	1 780	173	200
Emergency Services — SES	6 928	6 772	3 588	5 091	5 037	5 163
Energy and Mining	13 740	12 626	7 964	2 384	1 990	2 550
Environment and Water	81 970	56 453	145 592	44 798	17 170	12 458
Environment Protection Authority	2 191	1 517	2 273	686	764	1 631
Green Industries SA	—	—	—	—	—	—
Health and Wellbeing	378 388	314 202	361 170	291 228	177 773	91 941
Human Services	8 797	9 444	5 510	2 103	2 298	2 312
Infrastructure and Transport	1 620 863	1 590 404	2 103 092	1 461 460	716 769	488 444
Innovation and Skills	9 005	4 095	5 627	7 198	8 112	7 800
Legislature	—	36	—	13	18	18

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Police	44 585	62 167	82 873	46 896	31 803	31 916
Premier and Cabinet	37 537	37 566	99 955	141 892	113 562	11 599
Primary Industries and Regions	16 696	9 588	23 657	6 739	7 420	7 565
TAFE SA	13 377	14 610	21 303	14 633	8 256	8 912
Tourism	794	794	770	749	6 498	825
Trade and Investment	3 855	4 166	100	65	90	—
Treasury and Finance	16 128	13 128	5 967	5 415	3 733	5 608
Other ^{(b)(c)}	- 602 432	- 445 363	- 184 088	1 269 695	2 942 912	2 943 003
General government capital investment	2 748 236	2 689 306	3 382 321	3 464 348	4 144 636	3 747 341

Note: Totals may not add due to rounding.

(a) Includes administered items.

(b) 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.

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

Chapter 3: Revenue

Overview

This chapter summarises movements in government revenues over the forward estimates and provides an overview of new revenue measures introduced as part of the 2021-22 Budget.

Total general government revenue is expected to reach \$21.0 billion in 2020-21, an improvement of \$1.4 billion compared to estimates made at the time of the 2020-21 Budget. This improvement reflects a better than expected recovery from the impacts of COVID-19, particularly in national consumption expenditure and its impact on the GST pool. Property market activity has also been strong in 2020-21, boosted by the impact of the Commonwealth Government's HomeBuilder grant which has led to higher than expected stamp duty revenues.

Total general government revenue is expected to increase to \$21.9 billion in 2021-22 and grow by 4.2 per cent per annum on average over the four years to 2024-25, with GST revenue grants expected to grow by 4.9 per cent per annum on average.

Initiatives

The 2021-22 Budget extends the 12 month payroll tax exemption for wages paid to eligible new apprentices and trainees who commence a relevant training contract for a further year. Wages paid to apprentices and trainees who commence a relevant training contract up to 30 June 2022 will be exempt from payroll tax for the first 12 months. The exemption applies from the relevant training contract commencement date. The measure is designed to encourage the employment of workers retraining as well as supporting young South Australians to enter the workforce.

As part of the government's commitment to supporting affordable housing, a 50 per cent land tax discount will be introduced for eligible new build-to-rent projects. The discount will reduce the land value for eligible projects for land tax purposes by 50 per cent to the 2039-40 land tax year.

The government introduced significant land tax reforms from July 2020. This included changes to aggregation rules and the introduction of higher surcharge rates of land tax on certain trusts, as well as reductions in marginal tax rates and changes to land tax thresholds. Further tax rate and threshold changes commence from 1 July 2022 as part of the reforms. These changes are reducing total land tax collections. A land tax transition fund was also established to assist taxpayers negatively impacted by changes to aggregation rules. The level of relief available under the transition fund will be increased from 30 per cent to 70 per cent of the relevant increase in an eligible taxpayers land tax bill in 2021-22 to assist with the ongoing recovery from the impacts of COVID-19.

Emergency Services Levy (ESL) general remissions will be increased by \$5.4 million in 2021-22, increasing the total level of general remissions funded by government to \$95.4 million. Remissions reduce the effective ESL rates payable by taxpayers, lowering ESL bills.

The annual liquor licence fee for eligible businesses impacted by COVID-19 safety measures will be halved in 2021-22. Licensed businesses that were in receipt of JobKeeper payments in the second extension from January to March 2021 are eligible for the fee relief.

As outlined in last year's budget, the government intends to introduce a road user charge for zero and low emission vehicles. The Victorian Government has recently introduced a road user charge. The government is considering this model and has indicated it will introduce legislation for a road user charge in the coming months.

The legislated payroll tax exemption applicable to wages paid or payable in connection to a feature film produced in South Australia will be abolished from 1 July 2021. In addition, the provision of ex-gratia relief on a case by case basis for wages paid or payable for film production in the state will be abolished from this date. The budget benefit as a result of this measure will be used to fund an increase in the Screen Production Fund administered by the South Australian Film Corporation.

Table 3.1: Revenue measures in the 2021-22 Budget (\$million)

	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Revenue — taxation measures					
Abolition of payroll tax exemption and associated ex-gratia relief for film production	—	1.6	1.6	1.7	1.7
Emergency Services Levy - increase in remissions	—	- 5.4	—	—	—
Land tax reduction for build-to-rent projects	—	—	—	-0.1	-0.1
Total revenue measures — taxation	—	- 3.8	1.6	1.6	1.6
Expenditure — taxation measures					
Apprentice and trainee payroll tax exemption	—	-2.0	-2.0	—	—
Land tax transition fund - increase	—	-10.7	—	—	—
Total expenditure measures — taxation	—	- 12.7	- 2.0	—	—
Total taxation and related expenditure measures in the 2021-22 Budget	—	-16.5	-0.4	1.6	1.6
Revenue — non-taxation					
Attorney-General					
Liquor licence fee relief ^(a)	-0.1	-0.0	—	—	—
Total revenue measures — non-taxation	-0.1	-0.0	—	—	—
(a) The estimated impact in 2021-22 is -\$30 000.					

General government sector revenue

Total general government sector revenues are expected to increase by 4.5 per cent in 2021-22 following growth of 3.1 per cent in 2020-21. Revenue growth is expected to average 4.7 per cent per annum in 2022-23 and 2023-24, with growth of 2.9 per cent forecast in 2024-25. The lower estimate in 2024-25 primarily reflects the expected growth profile for grant revenue, including South Australia's GST revenue grants and National Partnership payments.

Table 3.2: General government sector revenues (\$million)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Taxation revenue	4 475.6	4 732.8	4 821.9	4 991.4	5 182.2	5 356.9
Grant revenue	10 651.8	11 715.2	12 542.4	13 222.5	14 064.8	14 333.5
Sales of goods and services	2 660.2	2 714.0	2 792.3	2 845.7	2 900.2	2 973.4
Interest income	45.9	35.8	31.6	55.1	109.7	205.6
Dividend and ITE ^(a) revenue	158.7	195.1	180.0	179.4	205.0	257.6
Other revenue	1 574.6	1 575.1	1 547.1	1 540.4	1 553.6	1 574.6
Total revenue	19 566.7	20 968.0	21 915.3	22 834.4	24 015.5	24 701.5
% change on previous year						
Nominal-terms growth (%)		3.1	4.5	4.2	5.2	2.9
Real-terms growth (%)		1.6	2.7	2.4	3.1	0.3
Note: Totals may not add due to rounding.						
(a) Income tax equivalent (ITE).						

Taxation

State taxation revenues estimates have been revised up by \$257 million in 2020-21 compared to estimates in the 2020-21 Budget mainly due to higher conveyance duty collections supported by the strong uptake of the Commonwealth Government's HomeBuilder grant.

Taxation revenue is forecast to grow by around 1.9 per cent in 2021-22 which has been constrained by an expected decline in conveyance duty collections following the heightened level of property market activity experienced through 2020-21.

Growth in total taxation revenue is expected to return to more long term rates of growth from 2022-23 with forecast annual average growth of 3.6 per cent over the three years to 2024-25.

Taxation estimates are provided in table 3.3.

Table 3.3: Taxation (\$million)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Payroll tax	1 263	1 271	1 396	1 464	1 529	1 597
Property taxes						
Land tax — private	373	384	407	399	408	420
Land tax — public	171	161	168	172	177	181
Emergency services levy on fixed property	165	166	171	186	189	193
Regional landscape levies	66	67	69	67	69	71
All other	7	4	4	4	5	5
Total property taxes	781	781	819	829	848	870
Stamp duties on financial and capital transactions						
Conveyance duty	740	955	876	919	974	1 012
Total stamp duties on financial and capital transactions	740	955	876	919	974	1 012
Gambling taxes						
Gaming machines	296	308	291	295	299	302
SA Lotteries	86	99	95	98	102	104
Casino	17	14	17	18	18	19
Betting Operations Tax	42	48	44	45	47	48
Other ^(a)	3	3	3	3	3	3
Total gambling taxes	443	472	450	459	468	476
Insurance taxes						
General insurance	393	387	404	423	442	462
CTP renewal certificate	74	74	75	76	77	78
CTP insurance	42	42	42	43	44	45
Life insurance	6	6	6	6	6	7
Total insurance taxes	515	508	527	548	569	592

	2020-21		2021-22	2022-23	2023-24	2024-25
	2020-21 Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
Motor vehicle taxes						
Motor vehicle registration fees	485	485	493	508	527	538
Stamp duty on registration transfers	185	198	198	199	200	205
Emergency services levy on mobile property	45	46	47	47	48	49
LSS levy	17	17	17	18	18	19
Total motor vehicle taxes	732	745	755	772	794	810
Total taxation	4 476	4 733	4 822	4 991	5 182	5 357
Policy adjusted^(b)	n.a.	4 761	4 822	5 017	5 222	5 410
% change on previous year						
Total taxation						
Nominal growth		5.7	1.9	3.5	3.8	3.4
Real growth		4.1	0.1	1.7	1.8	0.8
Policy adjusted						
Nominal growth		8.6	1.3	4.0	4.1	3.6
Real growth		7.0	- 0.5	2.3	2.0	1.1
Note: Totals may not add due to rounding.						
(a) Includes revenue from small lotteries.						
(b) The policy adjusted series shows the underlying growth in tax revenues by adjusting tax estimates to be consistent with 2021-22 policy settings.						

Payroll tax

The outlook for payroll tax revenue is provided in table 3.4.

Table 3.4: Payroll tax

	2020-21	2021-22	2022-23	2023-24	2024-25
	Estimated Result	Budget	Estimate	Estimate	Estimate
Total payroll tax (\$m)	1 271.3	1 395.5	1 464.2	1 529.2	1 597.3
Nominal growth (%)	2.2	9.8	4.9	4.4	4.5
Real growth (%)	0.7	7.9	3.1	2.4	1.9
Policy adjusted underlying revenue (\$m)	1 310.5	1 395.5	1 464.2	1 529.2	1 597.3
Nominal growth (%)	3.2	6.5	4.9	4.4	4.5
Real growth (%)	1.7	4.7	3.1	2.4	1.9

Payroll tax receipts for 2020-21 have been revised up by \$8 million since the 2020-21 Budget primarily due to the earlier than expected recovery in employment growth following the easing of COVID-19 health restrictions.

Payroll tax growth in 2021-22 is impacted by the timing of payroll tax relief measures introduced in response to the COVID-19 pandemic. JobKeeper payments were exempt from payroll tax, lowering collections in 2020-21. Excluding the impact of policy measures, growth in payroll tax receipts of 6.5 per cent is expected in 2021-22 reflecting the expected ongoing recovery in employment and earnings growth as the economy recovers from COVID-19.

Other payroll tax relief measures introduced in the 2020-21 Budget in response to the impacts of the COVID-19 pandemic were provided as ex-gratia relief and treated as an expenditure rather than a reduction in revenue. These measures include a 15 month payroll tax waiver for employers with national grouped wages below \$4 million and a six month payroll waiver for businesses with national grouped wages of \$4 million and over that were eligible for the Commonwealth Government's extended JobKeeper payment.

From 2022-23, growth in payroll tax is expected to return to longer term trend levels with forecast annual average growth of 4.6 per cent over the three years to 2024-25, largely consistent with estimated underlying growth in total hours worked and earnings.

Property taxes

Property taxes include land tax, the ESL on fixed property, regional landscape levies and other minor taxes.

Growth in property taxes is impacted by policy measures, particularly the land tax reforms introduced from 1 July 2020 with a decline of 12.0 per cent in headline collections expected in 2020-21. Excluding the impact of policy measures, underlying growth of 0.9 per cent is expected in 2020-21 followed by annual average growth of around 4.7 per cent over the four years to 2024-25.

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

Table 3.5: Property taxes

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Total property taxes (\$m)	781.3	818.8	829.0	847.5	869.6
Nominal growth (%)	- 12.0	4.8	1.2	2.2	2.6
Real growth (%)	- 13.3	3.0	- 0.5	0.2	0.1
Policy adjusted underlying revenue (\$m)	767.9	818.8	854.8	887.1	923.1
Nominal growth (%)	0.9	6.6	4.4	3.8	4.1
Real growth (%)	- 0.6	4.8	2.6	1.7	1.5

Land tax

Overall land tax revenue estimates remain largely unchanged in 2020-21 since the 2020-21 Budget. This reflects an increase in expected land tax revenue from private taxpayers of \$11 million in 2020-21, largely offset by a reduction in expected land tax collections from public sector entities of \$10 million.

The increase in expected land tax collections from private land taxpayers in 2020-21 since the 2020-21 Budget reflects updated information on 2020-21 land tax liabilities based on emerging billing information. This includes both changes in the composition of the taxable land tax base and the impact of land tax reform measures.

The government introduced significant land tax reforms from July 2020, impacting land tax collections from 2020-21. The reform measures include changes to aggregation rules and the introduction of higher surcharge rates of land tax on certain trusts as well as reductions in marginal tax rates and changes to land tax thresholds from 2020-21. Overall, these measures are lowering land tax bills.

The land tax transition fund, established to provide relief to taxpayers negatively impacted by changes to the aggregation of land, was increased to 100 per cent of the relevant increase in 2020-21 as part of the government's initial response to the impact of the COVID-19 pandemic. The level of relief will be increased from 30 per cent to 70 per cent of the relevant increase in an eligible taxpayers land tax bill in 2021-22 to assist with the ongoing recovery from the impacts of COVID-19. This will deliver further estimated relief of \$10.7 million. This new measure is treated as an ex-gratia expenditure measure and is not shown in the revenue estimates presented in this chapter.

Further land tax relief commences from July 2022 as part of the existing land tax reforms, including changes to land tax threshold and marginal tax rates.

The government has committed to reviewing the overall impact of the land tax reform measures once final land tax billing information is available to ensure that the ongoing level of land tax relief expected as a result of the reforms is achieved.

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. Site value growth estimated for land tax liabilities in 2021-22 also reflect the impact associated with the remaining stages of the revaluation initiative undertaken by the Valuer-General. In 2021-22, residential site values are estimated to increase by around 4.7 per cent and non-residential site values by around 8.6 per cent. Overall site values subject to land tax are expected to grow by around 7 per cent in 2021-22 (including the impact of the revaluation initiative) and around 3 per cent per annum in future years.

The land tax system incorporates a tax-free threshold and marginal rates of tax at various threshold values of aggregate land ownerships. As part of the government's land tax reform package, the tax-free threshold and other brackets have been increased along with a reduction in marginal rates commencing from 2020-21. Relevant land tax thresholds for 2021-22 will also increase by around 7 per cent in line with average increases in site values as determined by the Valuer-General.

The land tax thresholds to apply in 2021-22 are outlined in table 3.6.

Table 3.6: Land tax thresholds and rates (\$)

2020-21 land tax structure general					2021-22 land tax structure general				
Site value		Tax applicable ^(a)			Site value		Tax applicable ^(a)		
0	to 450 000	—	—		0	to 482 000	—	—	
450 001	to 723 000	0.00	+	0.50%	482 001	to 774 000	0.00	+	0.50%
723 001	to 1 052 000	1 365.00	+	1.25%	774 001	to 1 126 000	1 460.00	+	1.25%
1 052 001	to 1 350 000	5 477.50	+	2.00%	1 126 001	to 1 350 000	5 860.00	+	2.00%
Over 1 350 000		11 437.50	+	2.40%	Over 1 350 000		10 340.00	+	2.40%

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

2020-21 land tax structure trust					2021-22 land tax structure trust				
Site value		Tax applicable ^(a)			Site value		Tax applicable ^(a)		
0	to 25 000	—	—		0	to 25 000	—	—	
25 001	to 450 000	125.00	+	0.50%	25 001	to 482 000	125.00	+	0.50%
450 001	to 723 000	2 250.00	+	1.00%	482 001	to 774 000	2 410.00	+	1.00%
723 001	to 1 052 000	4 980.00	+	1.75%	774 001	to 1 126 000	5 330.00	+	1.75%
1 052 001	to 1 350 000	10 737.50	+	2.40%	1 126 001	to 1 350 000	11 490.00	+	2.40%
Over 1 350 000		17 889.50	+	2.40%	Over 1 350 000		16 866.00	+	2.40%

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

Emergency services levy — fixed property

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

The fixed property ESL consists of two components, a fixed charge per property and a variable charge based on the value of a property. A prescribed rate, which is used to calculate the variable charge, is determined annually to ensure there are sufficient funds within the Community Emergency Service Fund to cover approved emergency service expenditure in the coming year. The prescribed rate has been set at 0.1338 cents in the dollar in 2021-22.

The government will provide \$95.4 million in fixed property general remissions in 2021-22. This is an increase from the \$90.0 million in general remission provided in the previous three years since the government reinstated the remissions removed by the previous government in 2014-15. Remissions reduce the effective ESL rates payable by taxpayers, lowering ESL bills. In addition the government provides remissions to eligible concessions holders.

The bill for a median valued metropolitan residential property will be around \$2.80 (2.0 per cent) higher in 2021-22 than in 2020-21 based on the effective rates and growth in capital values.

Fixed property ESL rates applying in 2021-22 are summarised in table 3.7.

Table 3.7: Fixed property ESL rates for 2021-22

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	0.1338	0.0889	0.0449	0.0180
Residential — eligible for concession	0.1338	0.1082	0.0256	0.0102
Commercial	0.1338	0.0015	0.1323	0.1381
Industrial	0.1338	0.0113	0.1225	0.2223
Rural and vacant land	0.1338	0.0534	0.0804 ^(b)	0.0241
Special community use	0.1338	0.0375	0.0963	0.0482
Other	0.1338	0.0474	0.0864	0.0432

(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. Effective levy rates are only shown 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)

(b) Different post-remission rates apply to Regional Area 4 (0.0804) and Regional Area 1, 2 and 3 (0.0693).

Regional landscape levies

Regional landscape levies (formerly natural resource management (NRM) levies) are collected by councils (land levies) and the Department for Environment and Water (water levies) on behalf of eight regional and one metropolitan regional landscape 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 facilitating the sustainable management of the state's landscapes.

Revenue in 2020-21 is expected to be broadly in line with the 2020-21 Budget estimate. Modest growth in revenue from regional landscape levies is expected from 2021-22.

Stamp duties on financial and capital transactions

Stamp duties on financial and capital transactions reflects revenue collected from conveyance duty, which in South Australia only applies to residential and primary production property sales.

The outlook for stamp duties on financial and capital transactions revenue is provided in table 3.8.

Table 3.8: Stamp duties on financial and capital transactions

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Total stamp duties on financial and capital transactions (\$m)	954.6	875.5	919.4	974.3	1 011.9
Nominal growth (%)	16.9	- 8.3	5.0	6.0	3.9
Real growth (%)	15.1	- 9.9	3.2	3.9	1.3
Policy adjusted underlying revenue (\$m)	952.2	875.5	919.4	974.3	1 011.9
Nominal growth (%)	17.1	- 8.1	5.0	6.0	3.9
Real growth (%)	15.4	- 9.6	3.2	3.9	1.3

Conveyance duty

Conveyance duty revenue is expected to grow by 16.9 per cent in 2020-21, with total collections estimated to be \$214 million higher than estimated as part of the 2020-21 Budget. The strong growth in 2020-21 reflects heightened residential property market activity due to the Commonwealth Government's HomeBuilder grants and broader strength in the property market. The number of vacant land transactions have nearly doubled in 2020-21 compared to 2019-20 levels.

Conveyance duty collections are expected to decline by 8.3 per cent in 2021-22 reflecting lower residential activity following the conclusion of the HomeBuilder grant and the expectation that some activity was brought forward into 2020-21 to qualify for the HomeBuilder grants. While moderate growth in property prices is expected from 2021-22, average duty growth is expected to be strong in 2021-22 reflecting compositional impacts associated with a lower level of vacant land activity due to the expected bring forward of transactions into 2020-21.

Overall growth in conveyance duty collections is forecast to return to more normal levels from 2022-23 with annual average growth of 4.9 per cent over the three years to 2024-25, reflecting moderate growth in transaction volumes and property prices.

Gambling taxes

Gambling taxes include taxes on gaming machines in hotels and clubs, a tax on the net gambling revenue of SA Lotteries, casino duty and the betting operations tax.

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

Table 3.9: Gambling taxes

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Total gambling taxes (\$m)	471.9	449.7	458.6	468.0	475.9
Nominal growth (%)	45.8	- 4.7	2.0	2.0	1.7
Real growth (%)	43.7	- 6.4	0.2	0.0	- 0.8
Policy adjusted underlying revenue (\$m)	476.4	449.7	458.6	468.0	475.9
Nominal growth (%)	43.2	- 5.6	2.0	2.0	1.7
Real growth (%)	41.1	- 7.2	0.2	0.0	- 0.8

Revenue from gambling taxes is estimated to be \$29 million higher than forecast in 2020-21 mainly due to higher than expected collections from gaming machines since the reopening of venues following the easing of COVID-19 health related restrictions as well as higher distributions from the Lotteries Commission and collections through the betting operations tax. The strong growth in 2020-21 of 46 per cent reflects that

gaming venues were required to be closed between 23 March 2020 and 29 June 2020, lowering collections in 2019-20.

Growth in revenue from gambling taxes is forecast to decline by 4.7 per cent in 2021-22 mainly reflecting that the strength in gaming machine collections experienced through early 2020-21 when venues initially reopened is not expected to fully flow through to future years.

Annual average growth in gambling taxes over the three years to 2024-25 is expected to be 1.9 per cent.

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

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Total insurance taxes (\$m)	508.4	527.1	547.8	569.4	591.8
Nominal growth (%)	3.1	3.7	3.9	3.9	3.9
Real growth (%)	1.6	1.9	2.1	1.9	1.4
Policy adjusted underlying revenue (\$m)	508.4	527.1	547.8	569.4	591.8
Nominal growth (%)	3.1	3.7	3.9	3.9	3.9
Real growth (%)	1.6	1.9	2.1	1.9	1.4

Revenue from insurance taxes is estimated to be \$7 million lower in 2020-21 compared to the 2020-21 Budget estimate largely reflecting a reduction in general insurance duty due to lower than estimated growth in premiums.

Growth in insurance duty revenue over the four years to 2024-25 is expected to be around 3.9 per cent per annum on average mainly reflecting expected growth in general insurance premiums as well as Compulsory Third Party premiums set by the independent regulator.

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

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Total motor vehicle taxes (\$m)	745.3	755.2	772.3	793.7	810.3
Nominal growth (%)	4.5	1.3	2.3	2.8	2.1
Real growth (%)	3.0	- 0.4	0.5	0.8	- 0.4
Policy adjusted underlying revenue (\$m)	745.3	755.2	772.3	793.7	810.3
Nominal growth (%)	4.5	1.3	2.3	2.8	2.1
Real growth (%)	3.0	- 0.4	0.5	0.8	- 0.4

Revenue from motor vehicles taxes is estimated to be \$13 million higher in 2020-21 compared to the 2020-21 Budget estimate due to higher than expected stamp duty collections on motor vehicles registration transfers.

Growth in motor vehicle taxes in 2021-22 is expected to be around 1.3 per cent reflecting that the higher level of motor vehicle registration transfers experienced through 2020-21 is expected to progressively return to more normal levels. This lowers the estimated growth in 2021-22 relative to future years.

From 2022-23, expected growth in motor vehicle tax revenue reflects the annual indexation of motor vehicle registration fees, growth in the stock of registered vehicles as well as modest growth in revenue from stamp duty on motor vehicle registration transfers and the LSS levy.

South Australia's relative tax effort

In terms of tax revenue per capita, South Australia is a relatively low tax jurisdiction — third lowest in 2020-21 based on state and territory budget publications.

Details are provided in table 3.12.

Table 3.12: Per capita taxation by jurisdiction (\$) ^(a)

	2019-20 ^{(b)(c)}	2020-21 ^{(c)(d)}
Australian Capital Territory ^(e)	4 546	4 609
New South Wales	3 681	3 886
Western Australia	3 431	3 301
Victoria	3 481	3 124
Queensland	2 839	2 759
South Australia	2 420	2 450
Tasmania	2 363	2 254
Northern Territory	2 109	2 081
All states and territories	3 318	3 261

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

(b) Based on published outcomes for all States and Territories.

(c) Population figures have been sourced from ABS publications.

(d) Based on taxation revenue estimates published in 2020-21 Budget publications for all States and Territories.

(e) The Australian Capital Territory (ACT) tax revenue base includes general rates (collected by councils in other jurisdictions) which increases its per capita taxation in comparison to other jurisdictions.

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 South Australian Housing Authority (SAHA) for consistency with other jurisdictions, South Australia's total tax effort was below the average of all jurisdictions in 2019-20. Overall, on an adjusted basis South Australia was assessed as having the third lowest tax effort of all jurisdictions in 2019-20.

Details of tax effort assessments are provided in table 3.13.

Table 3.13: Tax effort ratios by jurisdiction

	2018-19		2019-20	
	CGC ^(a)	Adjusted ^(b)	CGC ^(c)	Adjusted ^(b)
New South Wales	102.8	103.0	102.1	102.5
Victoria	103.1	103.4	99.7	99.9
Queensland	90.7	90.9	93.7	93.9
Western Australia	97.4	97.6	102.5	102.7
South Australia	93.3	89.3	97.5	93.0
Tasmania	92.4	92.7	82.9	83.0
Australian Capital Territory ^(d)	149.0	149.4	157.6	157.8
Northern Territory	81.1	81.3	74.9	75.1

(a) Tax effort ratios derived from the CGC's Report on GST Revenue Sharing Relativities — 2020 Review publication.
(b) Adjusted to remove land tax paid by the South Australian Housing Authority for consistency with other jurisdictions.
(c) Tax effort ratios derived from the CGC's Report on GST Revenue Sharing Relativities — 2021 Update publication.
(d) The Australian Capital Territory (ACT) tax revenue base includes general rates (collected by councils in other jurisdictions) which increases its effort ratios in comparison to other jurisdictions.

Grant revenue

Table 3.14: Grant revenue (\$million)

	2020-21					
	2020-21 Budget	Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Grant revenue						
Grants from the Commonwealth						
GST revenue grants	5 606.2	6 532.5	6 711.0	7 180.4	7 690.5	7 910.4
Ongoing tied grants	2 402.7	2 355.6	2 489.4	2 597.5	2 713.1	2 832.3
Ongoing tied grants for on-passing	867.9	890.4	1 168.8	1 228.2	1 280.0	1 319.4
National Partnership grants	1 026.4	1 077.2	1 374.0	1 380.6	1 560.8	1 445.9
National Partnership grants for on-passing	93.6	175.4	113.4	200.2	183.8	179.9
Other Commonwealth grants	505.4	528.8	538.7	493.4	494.5	503.5
Total grants from the Commonwealth	10 502.1	11 559.8	12 395.3	13 080.3	13 922.8	14 191.4
Other contributions and grants	149.7	155.4	147.1	142.3	142.0	142.1
Total grant revenue	10 651.8	11 715.2	12 542.4	13 222.5	14 064.8	14 333.5
% change on previous year						
GST revenue grants						
Nominal growth (%)		7.2	2.7	7.0	7.1	2.9
Real growth (%)		5.6	1.0	5.2	5.0	0.3

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Total grants from the Commonwealth						
Nominal growth (%)		3.6	7.2	5.5	6.4	1.9
Real growth (%)		2.0	5.4	3.7	4.4	- 0.6
Total grant revenue						
Nominal growth (%)		3.3	7.1	5.4	6.4	1.9
Real growth (%)		1.8	5.2	3.6	4.3	- 0.6
Note: Totals may not add due to rounding.						

GST revenue grants

GST revenue grants are impacted by changes to the national GST pool available for distribution and South Australia's share of the GST pool. Since the 2020-21 Budget, GST revenue grants have been revised up by \$926 million in 2020-21 and a further \$1.5 billion over the period from 2021-22 to 2023-24.

The upward revisions across the forward estimates are largely due to higher forecasts of the national GST pool included in the Commonwealth Government's 2021-22 Budget. The national GST pool is forecast to grow by around 16 per cent in 2020-21 reflecting a strong rebound in consumption subject to GST, following a decline of around 8 per cent in 2019-20 due to the impact of COVID-19 health restrictions.

Growth in the national GST pool is forecast to moderate to around 4 per cent per annum from 2021-22 with a return to long-term average growth of around 5 per cent by 2024-25.

While national GST pool estimates included in the Commonwealth Government's 2021-22 Budget are now higher than pre-COVID-19 forecasts in the Commonwealth Government 2019-20 Mid-Year Economic and Fiscal Outlook, South Australia's GST revenue grants are projected to be lower compared to pre-COVID-19 levels (e.g. 2019-20 Mid-Year Budget Review (MYBR) estimates) across the forward estimates. This mainly reflects that South Australia's share of the GST pool has declined since the 2019-20 MYBR primarily due to the Commonwealth Grants Commission's (CGC) 2020 Review which determined a reduction in the state's grant share from 10.1 per cent in 2019-20 to 9.4 per cent in 2020-21.

The outcome of the CGC's 2021 Update, released in March 2021, resulted in a further reduction in South Australia's grant share from 9.4 per cent in 2020-21 to 9.3 per cent of the national GST pool in 2021-22. A fall in South Australia's share of GST revenue of this magnitude had not been predicted at the time of the 2019-20 MYBR.

Variances in the estimated growth in South Australia's GST revenue grants from 2021-22 are largely due to forecast changes in South Australia's share of the national GST pool. This is discussed in the section below.

South Australia's share of GST revenue

GST revenue grants are distributed between states and territories on the basis of horizontal fiscal equalisation (HFE). The CGC is responsible for providing updated annual GST distribution shares to the Commonwealth Government each year.

The CGC provides its recommendations in the form of GST distribution relativities, which reflect the relationship between a state's GST entitlement under HFE and its population share of total GST grants. For example, a relativity above 1 indicates that a state requires more than its population share of GST grants, due to a lower capacity to raise revenue compared to other states and/or higher costs of providing services and infrastructure to the same standard as other states. The relativities are then adjusted to reflect the new equalisation benchmark and the transition arrangements (discussed further below).

In March 2021, the CGC released its *Report on GST Revenue Sharing Relativities – 2021 Update*, which contained the recommended relativities for the distribution of GST revenue grants to the states in 2021-22.

The CGC recommended a decrease in South Australia's relativity from 1.35765 in 2020-21 to 1.34719 in 2021-22. The decrease in South Australia's relativity, combined with forecast changes in state populations and the GST pool, will result in South Australia receiving 9.3 per cent of the GST pool in 2021-22, compared to 9.4 per cent in 2020-21.

The main factors that contributed to the decline in South Australia's relativity were:

- Above average growth in property sales and taxable private payrolls, which increased the state's assessed capacity to raise revenue and reduced its assessed GST requirement
- Revisions to the Australian Bureau of Statistics (ABS) data used by the CGC to estimate wage costs, which resulted in lower assessed relative wage costs for South Australia and reduced its assessed GST requirement.

The impact of these factors was partially offset by the effect of:

- Stronger growth in the value of mining production in Western Australia compared to South Australia
- Data revisions in the assessment of natural disaster relief expenses
- A decline in South Australia's share of Commonwealth Government payments in 2019-20 compared to 2016-17 (the year that dropped out of the CGC's assessment period for the 2021 Update).

The Commonwealth Treasurer accepted the CGC's recommended relativities and applied them in the 2021-22 Commonwealth Budget.

Based on the new relativity and current population and GST pool estimates for 2021-22, South Australia will receive around \$1.7 billion more than it would if funding was distributed on a population basis, which has no regard to the different fiscal needs and capacities of each state.

Beyond 2021-22, South Australia's GST relativity is expected to be influenced by:

- an expected moderation in royalty revenue growth in other jurisdictions
- changes in South Australia's share of Commonwealth Government payments
- relative population growth in South Australia.

Growth in GST revenue grants in 2024-25 is lower compared to prior years largely reflecting the impact of the expected moderation in royalty revenue growth in other jurisdictions, particularly in Western Australia's mining revenue due to an expected moderation in iron ore prices from the high levels experienced more recently.

Impact of the 2021 Update on other jurisdictions

Overall, the 2021 Update will redistribute around \$1.4 billion among the states as compared to the 2020 Review (see table 3.15).

Table 3.15: Commonwealth Grants Commission's 2021 Update

	2020 Review relativity ^(a)	2021 Update relativity ^(a)	Implied effect on grant share ^(b) \$ million	Implied effect on grant share ^(b) \$ per capita
New South Wales	0.91808	0.95617	978	120
Victoria	0.95992	0.92335	- 507	- 75
Queensland	1.04907	1.05918	243	47
Western Australia ^(c)	0.44970	0.41967	- 846	- 317
South Australia	1.35765	1.34719	- 13	- 8
Tasmania	1.89742	1.96067	100	184

	2020 Review relativity ^(a)	2021 Update relativity ^(a)	Implied effect on grant share ^(b) \$ million	Implied effect on grant share ^(b) \$ per capita
Australian Capital Territory	1.15112	1.16266	22	50
Northern Territory	4.76893	4.79985	23	95
Total redistributed among states			1 366	496

Source: CGC Report on GST Revenue Sharing Relativities – 2021 Update

- (a) The relativities show the per capita funding relativity relative to an Australian average of 1.
- (b) These relativities include the impact of phasing in the Commonwealth-legislated changes to the GST distribution arrangements and have therefore been calculated on a different basis from the 2020 Review relativities.
- (c) Does not include the impact of the GST floor being funded by the Commonwealth outside of the GST pool in 2021-22. After this top up, Western Australia will not be impacted by the revised relativities contained in the CGC 2021 Update.

Impact of new equalisation arrangements and transition arrangements

The 2021-22 financial year represents the first of the six transition years to new GST distribution arrangements legislated by the Commonwealth Parliament in November 2018. The key elements of the new arrangements include:

- a new equalisation benchmark, with states no longer equalised to the same fiscal capacity, but rather to the fiscal capacity of New South Wales or Victoria (whichever has a higher fiscal capacity in a given year). This will be phased in equally from 2021-22 to 2026-27.
- a GST relativity floor of 0.7, initially funded by the Commonwealth Government outside of the GST pool from 2019-20 to 2021-22, and then funded within the GST pool (through reductions to other states' GST grants if required) from 2022-23. The relativity floor will be increased to 0.75 in 2024-25.
- an additional Commonwealth Government boost to the GST pool of \$600 million per annum from 2021-22, with an additional \$250 million from 2024-25. These additional payments will be indexed to growth in the GST pool in subsequent years.
- a guarantee that no state will be worse-off, on a cumulative basis, under the new arrangements compared to the current system, for each year up to 2026-27, with any cumulative shortfall funded by the Commonwealth Government.
- a further Productivity Commission inquiry on HFE, to be completed by December 2026, to examine whether the new GST distribution arrangements are operating efficiently, effectively, and as intended.

The CGC estimates that the transition to the new GST distribution arrangements will redistribute a further \$629 million to Western Australia in 2021-22, at the expense of all other jurisdictions. Western Australia will also receive a separate payment from the Commonwealth Government in 2021-22 to top it up to an effective relativity of 0.70. This payment is estimated at \$2.1 billion based on the recommended relativities and current GST pool estimates. From 2022-23, the payment to Western Australia required to top it up to an effective relativity of 0.70 (0.75 from 2024-25) will be funded within the GST pool through redistributions of GST revenue from other jurisdictions.

Commonwealth Government payments for specific purposes

Commonwealth-state funding arrangements are governed by Commonwealth Government legislation or the Intergovernmental Agreement on Federal Financial Relations (the IGA) agreed to by the Council of Australian Governments in December 2008.

In 2020, National Cabinet approved the creation of five sectoral Federation Funding Agreements (FFAs) under which all National Partnership payments (NPPs) and Project Agreements (PAs) have been allocated. The five sectoral FFAs cover health, education and skills, infrastructure, environment and a residual agreement incorporates affordable housing, community services and other services.

Under these arrangements, payments for specific purposes can either be ongoing tied grants or time-limited NPPs.

- There are now four ongoing tied grants. The IGA governs the Skills and Workforce Development Specific Purpose Payment but a new replacement national Skills Agreement is currently under negotiation. Commonwealth Government legislative arrangements prescribe National Health Reform funding, Quality Schools funding and National Housing and Homelessness funding. Ongoing disability funding for states and territories is now provided directly to the National Disability Insurance Agency (NDIA) following the introduction of the National Disability Insurance Scheme (NDIS).
- NPPs are time-limited payments to the states associated with FFAs. These payments support the delivery of specified projects or to facilitate or reward the implementation of reforms of national importance.

Table 3.16 summarises expected Commonwealth Government payments for specific purposes to South Australia by category.

Table 3.16: Commonwealth Government payments for specific purposes by category (\$million)^(a)

Agreement	2020-21		2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	2020-21 Budget	Estimated Result				
Health						
National Health Reform funding	1 569.1	1 525.9	1 602.7	1 651.3	1 729.8	1 820.5
National Partnerships	65.3	66.0	66.5	18.0	16.9	16.5
Education and Early Childhood						
Quality Schools funding (government schools)	616.5	611.0	665.7	722.9	762.8	789.6
Quality Schools funding (non-government schools) ^(b)	867.9	890.4	1 168.8	1 228.2	1 280.0	1 319.4
National Partnerships	31.2	31.2	36.2	30.8	29.1	31.5
Skills and Workforce Development						
National Skills and Workforce Development SPP	106.2	107.5	108.4	109.5	110.5	111.3
National Partnerships	50.8	57.5	31.6	13.8	—	—
Community Services						
National Partnerships	75.2	75.4	77.9	80.6	83.4	—
Housing						
National Housing and Homelessness funding	110.9	111.3	112.6	113.9	110.0	110.8
National Partnerships	54.0	101.5	164.1	23.8	0.5	0.5
Infrastructure						
National Partnerships	620.3	643.0	918.0	1 108.1	1 368.0	1 363.7
Environment						
National Partnerships	62.3	58.9	27.2	73.4	31.5	1.7
Other						
National Partnerships	68.9	45.3	54.2	31.9	31.5	32.0
Local government financial assistance	91.9	173.8	111.8	200.2	183.8	179.9
Total Commonwealth Government payments for specific purposes	4 390.5	4 498.6	5 145.6	5 406.5	5 737.7	5 777.5

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.

Ongoing tied Commonwealth Government grants

Revenue from ongoing tied Commonwealth Government grants is forecast to grow modestly over the forward estimates reflecting activity and indexation arrangements specified in funding agreements.

National health reform

National Health Reform (NHR) funding is based on public hospital activity and a national efficient price determined by the Independent Hospital Pricing Authority. In May 2020, South Australia signed the 2020-25 addendum to the National Health Reform Agreement, guaranteeing that the Commonwealth Government contributes 45 per cent of the efficient growth in hospital services (based on the national efficient price) with total funding growth for public hospitals capped at 6.5 per cent per annum nationally.

The agreement includes a commitment to progress long-term system-wide health reforms in key areas.

Education

The Commonwealth Government funding model for school education is based on a Schooling Resource Standard that provides recurrent funding to government and non-government schools to meet the educational needs of students and additional funding for capital expenditure, special circumstances and non-government representative bodies. The model prescribes both the Commonwealth Government and state and territory government recurrent funding contributions as shares of the Schooling Resource Standard.

Housing and homelessness

In June 2018, the Government of South Australia signed the National Housing and Homelessness Agreement (NHHA). Funding commenced in 2018-19, and provides funding for social housing and homelessness. NHHA funding is expected to be relatively stable across the forward estimates. Under the NHHA, states are required to match the Commonwealth Government's homelessness funding contribution.

Skills Reform

In July 2020, the Commonwealth Government developed a Heads of Agreement for Skills Reform that sets out the high level parameters for a new National Skills Agreement to replace the National Agreement on Skills and Workforce Development. South Australia signed the Heads of Agreement for Skills Reform in that same month.

The Commonwealth Government and states and territories are currently negotiating the new National Skills Agreement and are seeking agreement on the fundamental principles that will underpin the agreement. The Commonwealth Government intends that the new National Skills Agreement would commence from 1 January 2022 (or when it is signed by the Commonwealth and one other party) and cover the five year period to 2026-27.

National Disability Insurance Scheme

Under the NDIS, both the Commonwealth Government and state government contribute to the National Disability Insurance Agency (NDIA), which is responsible for administering the NDIS. South Australia entered into the full-scheme NDIS in July 2018. South Australia continues to work with the NDIA and Commonwealth Government to ensure the NDIS is as effective as possible in supporting people living with disabilities in South Australia.

On-going tied Commonwealth Government grants for on-passing

On-going tied Commonwealth Government grants for on-passing is solely comprised of funding for non-government schools. As part of the Commonwealth Government's COVID-19 response, non-government schools could elect to receive around 25 per cent of their 2020-21 funding in 2019-20. This pull-forward reduced the amount of funding received in 2020-21 with a return to a full year allocation from 2021-22. Growth in Commonwealth Government funding for non-government schools is expected to be relatively stable over the remaining years of the forward estimates period.

National Partnerships

NPPs are time limited agreements, associated with FFAs, to fund specific projects and to facilitate or reward states that deliver nationally significant reforms. Funding can be for both recurrent and capital purposes and may be in the form of direct grants to the state or grants passed on to third parties.

In 2021-22, South Australia will receive an estimated \$1.4 billion in direct NPP funding. This is an increase of 28 per cent compared to the \$1.1 billion received in 2020-21. This mainly reflects the timing of funding for major infrastructure projects including the Torrens Road (Ovingham) level crossing upgrade, the Augusta Highway duplication, several regional road projects and the Strzelecki Track upgrade. The increase also reflects funding for the Homebuilder grant scheme. The overall increase is partially offset by lower funding for the Job Trainer Fund program and the Skilling Australia Fund program reflecting the timing of training under the time limited program and the conclusion of funding for the Horticultural Netting program, and COVID-19 specific funding for legal assistance and domestic violence support.

Over the forward estimates period, NPP funding largely reflects the timing of funding for infrastructure projects including future North-South Corridor upgrades, Hahndorf traffic improvements, the Fleurieu Connections Improvement package, regional road projects, the Truro bypass and the Strzelecki Track upgrade. The profile of NPP funding also reflects the expiry or winding down of several existing programs in future years including the JobTrainer Fund program, the HomeBuilder grant scheme, proton-beam funding, the expiry of current Disability Care Australia Fund arrangements and Natural Disaster Relief and Recovery Arrangements funding.

Other Commonwealth grants

Payments in respect of the Pharmaceutical Benefits Scheme, River Murray water management/environmental programs and Commonwealth funding to deliver services to clients of Department of Veterans' Affairs comprise the majority of other Commonwealth grants funding. Funding declines in 2022-23 mainly reflecting the conclusion of funding for the Sustaining Riverland Environments Program.

Sales of goods and services

Sales of goods and services revenue in the general government sector includes government fees and charges that are adjusted by the annual indexation factor. Most government fees and charges will be indexed by 1.9 per cent from 1 July 2021.

Table 3.17: Sales of goods and services (\$million)

	2020-21					
	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Regulatory fees	716.4	738.6	741.6	775.0	810.5	838.3
Health unit fees	482.1	473.1	496.5	499.6	503.1	514.1
Guarantee fees	130.2	125.9	124.3	123.2	121.9	117.9
TAFE fees	82.1	75.7	81.8	86.0	90.4	95.1
Schools revenue	144.7	144.7	148.3	152.1	155.9	159.7
Metroticket sales	77.2	62.4	101.9	105.1	107.7	110.3
Drivers' licence fees	66.3	67.0	78.8	78.6	76.4	78.3
Other user charges	961.1	1 026.6	1 019.2	1 026.1	1 034.4	1 059.7
Total sales of goods and services	2 660.2	2 714.0	2 792.3	2 845.7	2 900.2	2 973.4
% change on previous year						
Nominal-terms growth (%)		4.2	2.9	1.9	1.9	2.5
Real-terms growth (%)		2.7	1.1	0.2	- 0.1	0.0

Note: Totals may not add due to rounding.

Revenue from sales of goods and services in 2020-21 is expected to be \$54 million higher than estimated at the time of the 2020-21 Budget. This mainly reflects higher revenue from other user charges and regulatory fees, partially offset by lower revenue from metroticket sales and health unit fees.

Other user charges have been revised up in 2020-21 mainly due to higher than expected gambling revenues from the Lotteries Commission, while revenue from regulatory fees was revised up largely reflecting higher land services fees resulting from strong residential property market activity.

Metroticket sales were revised down in 2020-21 compared to estimates in the 2020-21 Budget to reflect the continued impact of COVID-19 on public transport patronage as well as free public transport for public health workers, while revenue from health unit fees has been revised down due to the continued provision of free car parking to hospital staff during the COVID-19 pandemic.

Growth in sales of goods and services over the four years to 2024-25 is expected to be around 2.3 per cent per annum on average which is largely driven by projected increases in revenue from other user charges, regulatory fees and health unit fees.

Interest income

Interest income is generated from agency cash balances held with financial institutions.

Table 3.18: Interest income (\$million)

	2020-21		2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	2020-21 Budget	Estimated Result				
Total interest income	45.9	35.8	31.6	55.1	109.7	205.6
Nominal-terms growth (%)		- 58.7	- 11.8	74.2	99.1	87.5
Real-terms growth (%)		- 59.3	- 13.3	71.2	95.2	82.9

Note: Interest income is presented on a gross basis, with interest paid on borrowings reflected separately as an expense. This can lead to significant growth between years which is not reflective of underlying movements.

Interest income in 2020-21 is expected to be \$10 million lower than estimated at the time of the 2020-21 Budget, mainly due to lower interest rates on cash deposits.

Interest revenue is forecast to decline by 11.8 per cent in 2021-22 mainly due to an expected fall in interest rates on cash deposits, followed by strong growth in future years reflecting a projected increase in interest rates from 2022-23.

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 3.19: Dividend and income tax equivalent income (\$million)

	2020-21		2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	2020-21 Budget	Estimated Result				
Dividend and ITE income from PNFCs	83.7	102.5	82.7	97.0	125.4	164.5
Dividend and ITE income from PFCs	73.7	91.3	96.0	81.1	78.3	91.8
Other dividend income	1.3	1.3	1.3	1.3	1.3	1.3
Total dividend and ITE revenue	158.7	195.1	180.0	179.4	205.0	257.6
Dividend and ITE from PNFCs comprise						
SA Water	71.1	90.9	71.5	82.9	111.1	149.8
Renewal SA	1.6	1.3	1.6	2.2	2.2	2.2
Other	10.9	10.3	9.6	11.8	12.1	12.5
Subtotal	83.7	102.5	82.7	97.0	125.4	164.5

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Dividend and ITE from PFCs comprise						
Motor Accident Commission	9.3	9.3	9.8	4.1	2.5	1.4
Return to Work Corporation of South Australia	—	—	—	—	—	—
HomeStart Finance	31.3	44.7	39.0	29.9	28.7	34.6
SAFA	33.1	37.3	47.2	47.2	47.2	55.8
Subtotal	73.7	91.3	96.0	81.1	78.3	91.8
% change on previous year						
Total dividend and ITE revenue						
Nominal growth (%)		- 49.5	- 7.7	- 0.4	14.3	25.7
Real growth (%)		-50.3	-9.3	-2.1	12.1	22.6
Note: Totals may not add due to rounding.						

In 2020-21, total dividend and ITE income is estimated to be around \$36 million higher than the 2020-21 Budget estimate.

Distributions from PFCs are expected to be \$19 million above budget in 2020-21 mainly due to higher than expected dividend and ITE payments from SA Water. This is mainly due to higher than budgeted water sales revenue due to drier and hotter weather and higher contributed assets revenue from increased land development activity as a result of the Commonwealth Government's HomeBuilder grants.

While estimates have been revised up since the 2020-21 Budget, total dividends and ITE income is still expected to be almost 50 per cent lower in 2020-21 than in 2019-20. This mainly reflects the SA Water Final Regulatory Determination 2020 which reduced the total revenue that SA Water may recover for drinking water and sewerage retail services during the four-year period commencing 1 July 2020.

The forecast decline in distributions from SA Water in 2021-22 is principally due to lower budgeted water sales revenue based on a return to average sales volume.

Distributions from PFCs are estimated to be \$18 million higher in 2020-21 compared to estimates in the 2020-21 Budget mainly due to a higher than expected distributions from HomeStart Finance. Distributions from HomeStart Finance are expected to decline in future years reflecting the expectation that a higher proportion of its customer base move to fixed rate loans.

The estimated increase in SAFA's distributions from 2021-22 relate to its treasury operations, reflecting a combination of factors impacting SAFA's long term funding program and borrowing costs, including the cost of debt, near term liquidity requirements and prevailing market conditions.

The 2021-22 budgeted dividend from MAC is principally due to expected returns on retained premium investments and the reinsurance arrangement entered into with Berkshire Hathaway from 1 January 2019. MAC's net contributions from 2022-23 onwards reduce following the reinsurance arrangement.

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

Other revenue

Other revenue comprises receipts from a number of sources including mining royalties, various fines and penalties and miscellaneous school related fees.

Table 3.20: Other revenue (\$million)

	2020-21					
	2020-21 Budget	Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Royalties	300.9	314.7	321.7	322.7	317.7	320.2
Fines and penalties	141.8	134.1	149.3	166.9	171.7	172.3
Schools revenue	41.2	41.2	42.3	43.3	44.4	45.5
Other	1 090.7	1 085.1	1 033.8	1 007.5	1 019.9	1 036.6
Total other revenue	1 574.6	1 575.1	1 547.1	1 540.4	1 553.6	1 574.6
% change on previous year						
Nominal-terms growth (%)		9.9	- 1.8	- 0.4	0.9	1.3
Real-terms growth (%)		8.3	- 3.5	- 2.1	- 1.1	- 1.1

Note: Totals may not add due to rounding.

Other revenue in 2020-21 is expected to be largely in line with the 2020-21 Budget estimate, reflecting higher than estimated collections from royalties, offset by lower than expected revenue from fines and penalties as well as other revenue.

Royalty revenue in 2020-21 has been revised up by approximately \$14 million compared to 2020-21 Budget estimates. This is primarily due to an upward revision to mineral royalty estimates reflecting improvements in mineral commodity prices and higher than expected production levels, partially offset by lower petroleum estimates primarily as a result of lower than forecast prices. Royalty revenue is estimated to increase by around \$7 million in 2021-22 compared to 2020-21 largely due to growth in petroleum royalties reflecting expected growth in production and prices, partially offset by lower mineral production levels.

Revenue from fines and penalties in 2020-21 is projected to be around \$8 million lower than forecast in the 2020-21 Budget, mainly due to lower than estimated expiation fines. Over the forward estimates period revenue from fines and penalties is expected to return to longer term levels, with collections from 2022-23 also impacted by the installation of fixed mobile phone detection safety cameras at high risk metropolitan sites.

Schools revenue includes fundraising, canteen revenue, excursion fees, out of school-hours care fees and Commonwealth Government grants paid directly to schools. Schools revenue in 2020-21 is expected to be largely in line with estimates in the 2020-21 Budget and is estimated to grow modestly over the forward estimates.

Other revenue is expected to be \$6 million lower in 2020-21 compared to the 2020-21 Budget estimate, largely reflecting that insurance recoveries budgeted in 2020-21 associated with asset losses in the 2019-20 Kangaroo Island bushfires are now expected to be received in 2021-22. The decline in revenue in 2021-22 mainly reflects budgeted receipts in 2020-21 for the repayment of grants provided to transmission network operators to support the accelerated delivery of an electricity interconnector between South Australia and New South Wales. The further decline in revenue in 2022-23 is mainly due to the expected receipt of insurance recoveries in 2021-22. Other revenue is estimated to grow modestly in 2023-24 and 2024-25.

Annual fee and rate setting

Fees and charges

The annual indexation factor for fees and charges has been set at 1.9 per cent for 2021-22, which takes into account annual public sector wages growth and the Consumer Price Index. Fees and charges are typically adjusted by the applicable 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 applicable 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 2021-22 have been prepared on a consistent basis with ESCOSA's Final Regulatory Determination of SA Water's water and sewerage retail services for four years from 1 July 2020 to 30 June 2024. For the average metropolitan residential customer, this will mean a combined water and sewerage bill increase of around \$12 (1.1 per cent) in 2021-22.

CTP premiums are set independently by private insurers within a range as determined by the CTP Regulator. The range determined by the CTP regulator has decreased in 2021-22.

The Lifetime Support Scheme levy will increase by 4.5 per cent in 2021-22 to reflect increases in the cost of future medical care and support payments under the scheme.

Table 3.21 sets out the increases in fees and charges in 2021-22 for major government services. These increases take effect from 1 July 2021.

Table 3.21: 2021-22 changes to selected agency fees and charges

	2020-21 \$	2021-22 \$	Change %
Public transport			
Single trip tickets — all times and zones	5.70	5.80	1.8
MetroCard single fare — all times and zones	3.84	3.95	2.9
Regular 28 Day pass	103.00	105.00	1.9
Motor vehicle charges			
Registration fee — motor vehicles:			
Four cylinders or less	135.00	138.00	2.2
Five or six cylinders	276.00	281.00	1.8
Seven or more cylinders	399.00	407.00	2.0
Registration fee — light commercial vehicles:			
Mass between 1001 kg and 1500 kg	297.00	303.00	2.0
Mass greater than 1500 kg	507.00	517.00	2.0
Drivers' licence renewals			
Five years	235.00	240.00	2.1
Ten years	470.00	480.00	2.1
Speeding fines			
Exceeding the speed limit by:			
Less than 10 km/h	180.00	183.00	1.7
By 10 km/h but less than 20 km/h	406.00	414.00	2.0
By 20 km/h but less than 30 km/h	825.00	841.00	1.9
By 30 km/h but less than 45 km/h	1500.00	1529.00	1.9
By 45 km/h and above	1690.00	1722.00	1.9
Water and sewerage — residential			
Water bill for average residential customer ^(a)	654.70	661.88	1.1
Sewerage bill for average residential customer ^(b)	400.13	404.49	1.1
Annual water service availability (supply) charge	271.40	274.40	1.1
Water usage charge per kilolitre supplied: ^(c)			
Up to and including 140 kilolitres	1.95	1.97	1.3
In excess of 140 kilolitres but less than 520 kilolitres per year	2.78	2.81	1.3
In excess of 520 kilolitres per year	3.01	3.04	1.1

	2020-21 \$	2021-22 \$	Change %
Motor vehicle charges^(d)			
Compulsory third party premium — passenger vehicles (metropolitan postcodes):			
Standard premium	295.40 - 324.08	288.29 - 322.56	Variable
Input tax credit entitled premium	314.71 - 345.65	306.92 - 343.86	Variable
Lifetime Support Scheme levy — passenger vehicles (metropolitan postcodes)	117.59	122.92	4.5
<p>(a) Metropolitan water bill based on state-wide average residential water use of 180 kilolitres.</p> <p>(b) Metropolitan sewerage bill based on average property value of \$485,000. The 2020-21 sewerage bill for an average residential customer varies to the amount published in the 2020-21 Budget due to updated property value assumptions.</p> <p>(c) From 1 July 2020, the Tier 1 water usage charge applies up to 140 kilolitres (previously 120 kilolitres).</p> <p>(d) For metropolitan postcodes. From 1 July 2019, CTP premiums are set independently by private insurers within a range as determined by the CTP Regulator.</p>			

Chapter 4: Managing the state's assets and liabilities

Overview

While the focus of the 2020-21 Budget was to stimulate the South Australian economy in response to the impact of the COVID-19 pandemic and the 2019-20 bushfires, the focus of the 2021-22 Budget is to ensure the state's economic recovery and job creation continues to be supported, address key budget pressures and fund key strategic priorities whilst maintaining debt at sustainable levels.

Net debt is predicted to be lower than at the time of the 2020-21 Budget, assisted by higher than expected revenues, but is still expected to grow over the forward estimates period reflecting ongoing stimulus and infrastructure investment. General government sector net debt is expected to rise from \$14.4 billion at 30 June 2021 to \$24.9 billion at 30 June 2025. Non-financial public sector (NFPS) net debt reflects the combined debt of the general government and the public non-financial corporations (PNFC) sectors. The NFPS net debt is estimated to increase to \$33.6 billion at 30 June 2025, up from \$22.0 billion at 30 June 2021.

The value of land and other fixed assets in the general government sector, including the state's transport, education and health infrastructure, increases from \$57.2 billion in 2021 to \$65.8 billion in 2025 reflecting the government's significant investment in new infrastructure for the community. The net worth of the general government sector, which measures the extent to which the value of its assets exceeds its liabilities, remains stable over this period to reach \$45.7 billion by 2025.

The state's unfunded superannuation liability is estimated to be \$10.1 billion at 30 June 2021. This is \$1.7 billion lower than the estimate at the time of the 2020-21 Budget, largely as a result of both a higher discount rate to value the liability and a higher earnings rate used to value the superannuation assets. The government remains on track to fully fund superannuation liabilities by 2034, with the unfunded liability projected to decline to \$7.6 billion by 30 June 2025.

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 at 30 June — general government sector

	2020 Actual	2021 Estimated Result	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Net debt						
\$m	10 537	14 371	18 168	20 423	22 851	24 923
% of total revenue	51.8	68.5	82.9	89.4	95.2	100.9
% of GSP	9.5	12.6	15.1	16.3	17.5	18.3
Net financial liabilities						
\$m	29 229	30 349	33 460	35 077	36 903	38 382
% of total revenue	143.8	144.7	152.7	153.6	153.7	155.4
Net financial worth						
\$m	-12 494	-13 296	-16 315	-17 707	-19 122	-20 153
% of total revenue	-61.5	-63.4	-74.4	-77.5	-79.6	-81.6
Net worth						
\$m	43 426	44 020	43 063	43 572	44 668	45 722
% of total revenue	213.6	209.9	196.5	190.8	186.0	185.1

Net debt

Net debt for the general government sector at 30 June 2021 is estimated to be \$14.4 billion, \$900 million lower than the estimate at the time of the 2020-21 Budget. The lower net debt result in the general government sector is due to higher than forecast GST revenue grants (\$926 million) reflecting stronger than expected growth in the national GST pool and higher state taxation revenue (\$257 million), mainly due to stronger conveyance duty revenue. The increase in revenue is partly offset by funding of net budget operating initiatives of \$289 million included in the 2021-22 Budget, including addressing budget pressures in a number of agencies, including Department for Health and Wellbeing, South Australia Police and Department of Primary Industries and Regions SA.

General government sector net debt is forecast to increase across the forward estimates from \$14.4 billion at 30 June 2021 to \$24.9 billion at 30 June 2025. The increase in general government net debt primarily reflects the projected cash deficits in the general government sector across the forward estimates, totalling \$8.7 billion from 2021-22 to 2024-25. The cash deficits across the forward estimates reflect the government's substantial infrastructure spend and the stimulus response to the COVID-19 pandemic.

Table 4.2 provides details of the movement in general government net debt across the forward estimates.

Table 4.2: General government sector net debt (\$million)

	2021 Estimated Result	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Opening general government net debt	10 537	14 371	18 168	20 423	22 851
Increase in net debt					
General government cash surplus (-) / deficit (+)	3 205	3 354	1 908	1 628	1 760
Equity contributions granted	233	157	126	180	154
Finance lease arrangements	454	220	202	629	181
Decrease in net debt					
Return of equity	—	—	—	—	—
Other variations	- 58	67	20	- 8	- 23
Closing general government net debt	14 371	18 168	20 423	22 851	24 923

Note: Totals may not add due to rounding.

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. Since then, cash contributions from the Budget have been made to gradually build up sufficient financial assets to match the future liabilities, with the aim of having a fully funded scheme by 2034. Until that is achieved, the difference between assets and liabilities represents an unfunded liability.

The state's unfunded superannuation liability is estimated to be \$10.1 billion as at 30 June 2021, reducing to \$7.6 billion by 30 June 2025.

As at 30 June 2021, the unfunded superannuation liability was \$1.7 billion lower than estimated in the 2020-21 Budget. This decrease is due to the impact of both a higher discount rate to value the liability and a higher earnings rate used to value the superannuation assets.

Table 4.3 summarises the change in the unfunded superannuation liability since the 2020-21 Budget.

Table 4.3: Unfunded superannuation liability estimate as at 30 June (\$million)

	2021	2022	2023	2024	2025
2020-21 Budget	11 806	11 110	10 386	9 632	8 848
Higher assumed earnings in 2020-21 (18.4% instead of 6.5%) ^(a)	- 824	- 793	- 759	- 720	- 676
Higher discount rate than Budget (1.9% instead of 1.5%) ^(b)	- 902	- 834	- 765	- 697	- 628
Other	24	21	18	15	12
2021-22 Budget	10 103	9 503	8 879	8 230	7 555

Note: Totals may not add due to rounding

(a) At the time of the 2020-21 Budget the expected earnings rate for 2020-21 was 6.5 per cent compared with the estimated earnings rate of 18.4 per cent for 2020-21 at the time of the 2021-22 Budget.

(b) The discount rate at the time of the 2021-22 Budget is 1.9 per cent compared with 1.5 per cent in the 2020-21 Budget.

Earnings

The unfunded superannuation liability as at 30 June 2021 reflects an estimated Funds SA earnings rate of 18.4 per cent for 2020-21. This is a substantial increase from 2019-20, when the rate was negative 1.3 per cent, and is considerably higher than the long-term assumed earnings rate of 6.5 per cent.

Discount rate

The unfunded superannuation liability is estimated at a point in time by discounting projected 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 1.9 per cent (effective annual rate) has been used for the 2021-22 Budget, compared with 1.5 per cent used for the 2020-21 Budget.

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 \$2.4 billion from its current amount.

Table 4.4 sets out the impact different discount rates have on the unfunded superannuation liability.

Table 4.4: Sensitivity of unfunded superannuation liability to discount rates (\$million)

Discount Rate (%)	2020-21	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	Estimated Result				
0.9	12 507	11 722	10 913	10 080	9 221
1.9	10 103	9 503	8 879	8 230	7 555
2.9	8 137	7 682	7 204	6 702	6 174

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 multibillion 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 4.5 shows estimated cash contributions towards the state's unfunded superannuation liability to achieve that commitment.

Table 4.5: Estimates of past service superannuation liability cash payments (\$million)

	2020-21	2021-22	2022-23	2023-24	2024-25
Past service payments	500	422	433	444	455

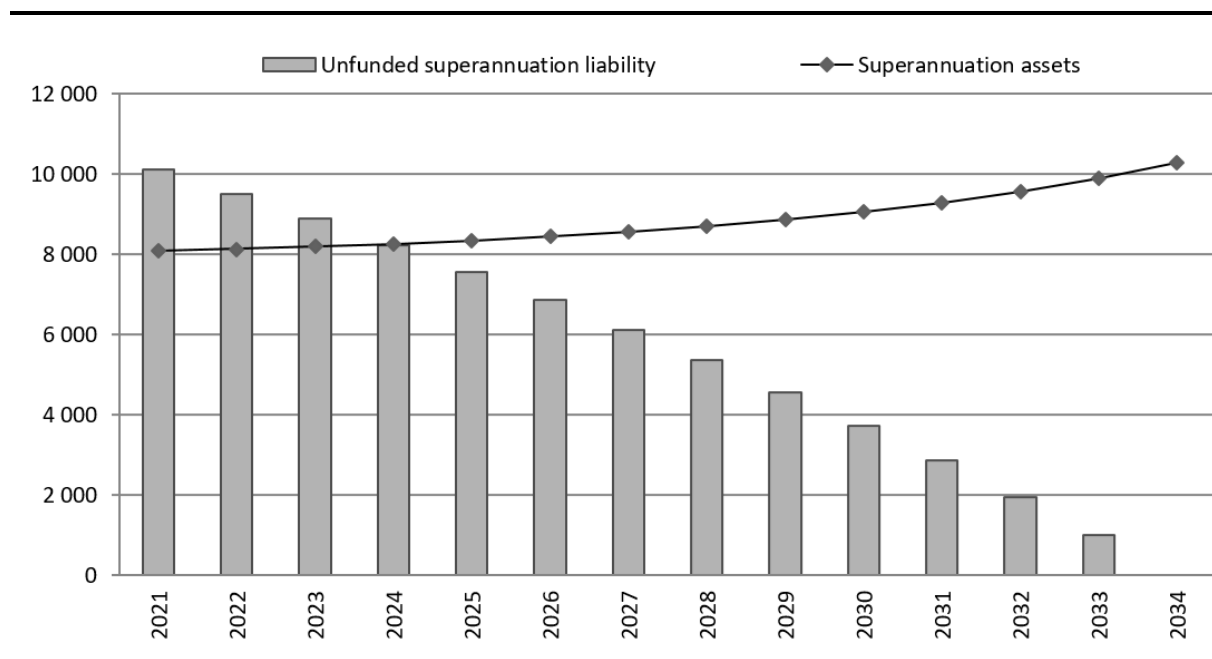
Table 4.3 shows that the unfunded superannuation liability is projected to decline across the forward estimates period. This is partly because the annual increase in the defined benefit obligation, as a result of benefits being one year closer, is more than offset by the annual cash payments made as part of the government's target to fully fund all superannuation liabilities by 2034.

Across the forward estimates, the unfunded superannuation liability reflects an assumed return to the expected long-term earnings rate of 6.5 per cent.

Changes in the earnings rate are based on 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 \$69 million.

Figure 4.1 shows the reduction in the unfunded superannuation liability together with the increase in superannuation assets over the next 14 years.

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



Superannuation assets are expected to be \$8.1 billion as at 30 June 2021. By 2034, superannuation assets are projected to reach \$10.3 billion, fully offsetting projected superannuation liabilities.

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 (PFCs).

Net financial liabilities for the general government sector are forecast to increase from \$30.3 billion at 30 June 2021 to \$38.4 billion at 30 June 2025, primarily as a result of the forecast net lending deficits across the forward estimates in the general government sector.

The declining unfunded superannuation liability across the forward estimates has an 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.

Other employee benefits, including long service leave, are estimated to be \$3.4 billion at 30 June 2021 and are forecast to increase to \$3.9 billion as at 30 June 2025. This is a result of general increases in remuneration levels and accruing entitlements for long service leave.

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 change from negative \$13.3 billion at 30 June 2021 to negative \$20.2 billion at 30 June 2025. The change in net financial worth primarily reflects the increase in total liabilities in the general government sector.

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 from \$44.0 billion at 30 June 2021 to \$45.7 billion at 30 June 2025.

Table 4.6 displays movements in net worth attributable to operating transactions and other economic flows (e.g. revaluations).

Table 4.6: General government sector net worth (\$million)

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Net worth at beginning of year	43 426	44 020	43 063	43 572	44 668
Impact of accounting standards ^(a)	284	—	—	—	—
Restated net worth at beginning of year	43 710	44 020	43 063	43 572	44 668
Change in net worth from operating transactions					
Net operating balance	-1 782	-1 397	48	498	379
Change in net worth from other economic flows					
Movement in net assets of PFCs ^(b)	33	- 5	2	- 6	- 14
Movement in net assets of PNFCs ^{(b)(c)}	159	196	204	344	415
Revaluation of unfunded superannuation liability ^(d)	2 054	366	368	370	372
Revaluation of long service leave liability	- 99	- 101	- 102	- 104	- 105
Revaluation of annual leave liability	- 16	- 16	- 16	- 17	- 17
Revaluation of workers compensation liability	- 17	- 17	- 17	- 17	- 17

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Revaluation of non-financial assets	41	41	41	41	41
Other revaluation adjustments	- 64	- 24	- 18	- 14	—
Total other economic flows	2 376	440	462	598	675
Net worth at year end	44 020	43 063	43 572	44 668	45 722

Note: Totals may not add due to rounding.

- (a) Reflects the first time recognition of an intangible asset, South Australia Integrated Land Information Systems (SAILIS) data as a result of the implementation of AASB 1059 Service Concession Arrangements.
- (b) Net of equity injections from, and the return of equity to, the general government sector. Total also includes the net impact from the principles of tax effect accounting.
- (c) From 2021-22 the South Australian Government Employee Residential Properties (SAGERP) was transferred from the public non-financial sector to the general government sector.
- (d) 2020-21 change represents the revaluation difference from 30 June 2020 liability.

The revaluation of unfunded superannuation in 2020-21 is largely as a result of both a higher discount rate to value the liability and a higher earnings rate used to value the superannuation assets.

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 4.7 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 4.7: Land and other fixed assets at 30 June — general government sector (\$million)

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Inventories	95	95	95	95	95
Land	7 837	7 872	7 856	7 847	7 833
Buildings and improvements	13 938	14 944	15 288	15 388	15 434
Water, sewerage and drainage assets	1 101	1 112	1 103	1 091	1 080
Road networks	27 751	28 960	30 498	32 537	34 502
Rail and bus networks	3 141	3 286	3 223	3 150	3 075
Other infrastructure assets	2 013	1 677	1 820	2 288	2 462
Heritage assets	1 298	1 298	1 298	1 298	1 298
Self-generating and regenerating assets	4	4	4	4	4
Total land and other fixed assets (net of provisions for depreciation)	57 179	59 247	61 185	63 697	65 783
Depreciation expense	1 399	1 429	1 489	1 550	1 632

The total value of land and fixed assets held in the general government sector is expected to grow from \$57.2 billion at 30 June 2021 to \$65.8 billion at 30 June 2025. This increase reflects significant ongoing investment in the state's infrastructure, particularly in the road network assets reflecting continued investment in joint state and Commonwealth road infrastructure projects mainly on the North-South Corridor.

The increase in buildings and improvements from 2020-21 to 2021-22 primarily reflects capital expenditure in Education to transition year 7 into high school and support sustainable enrolment growth and the establishment of new public schools. The increase in buildings and improvements across the forward estimates primarily reflects the provisions for the New Women's and Children's Hospital.

The general government investing program is expected to be \$3.4 billion in 2021-22, compared with the 2020-21 estimated result of \$2.7 billion. 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 \$1.4 billion in 2020-21 and rises to \$1.6 billion by 2024-25 as a result of the 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. The investing expenditure from 2019-20 onwards is impacted by the introduction of the accounting standard for leases, AASB 16 *Leases*. Under the accounting standard AASB 16 *Leases*, entering into a new lease results in the creation of a right of use asset, which is classified as a purchase of a non-financial asset (investing expenditure).

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

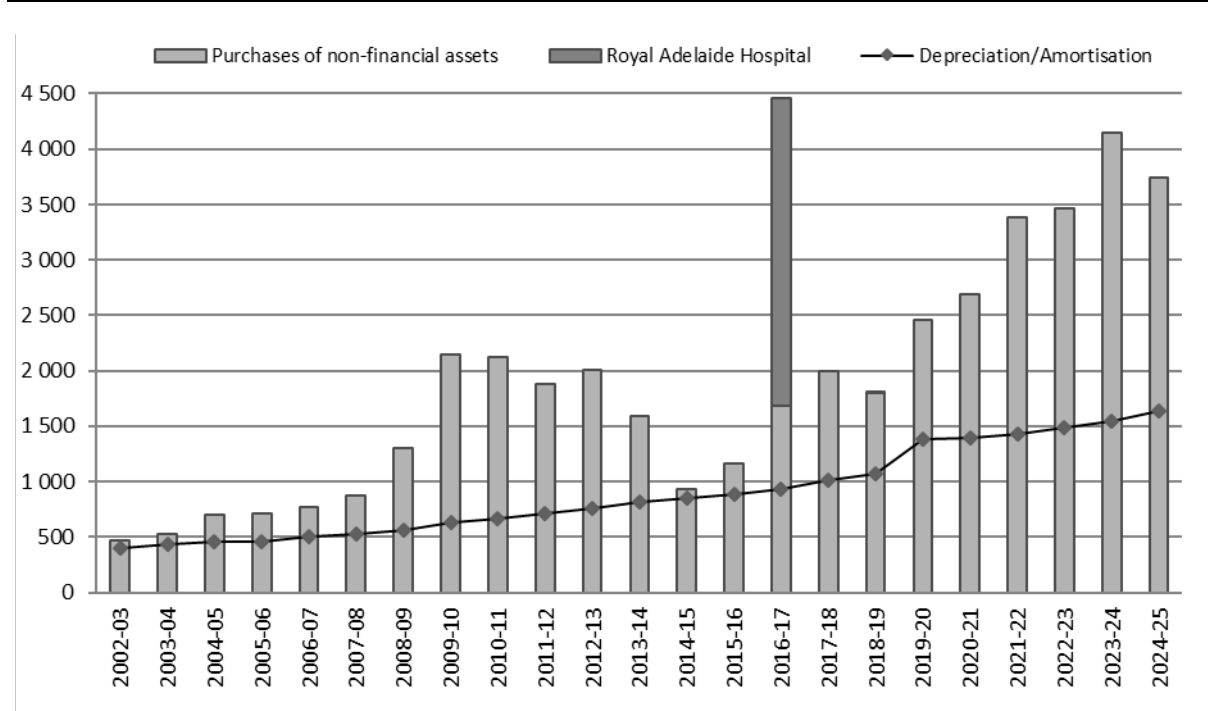


Table 4.8 provides details for the general government sector balance sheet.

Table 4.8: General government sector balance sheet (\$million)

	2021-22 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Assets					
Financial assets					
Cash and deposits	10 439	10 869	11 475	12 699	14 034
Advances paid	208	316	453	459	462
Investments, loans and placements	555	546	571	606	604
Receivables	2 280	2 275	2 357	2 440	2 524
Equity					
Investments in other public sector	17 054	17 145	17 370	17 781	18 229
Investments — other	80	80	79	79	79
Other financial assets	—	—	—	—	—
Total financial assets	30 615	31 231	32 305	34 063	35 931
Non-financial assets					
Land and other fixed assets	57 179	59 247	61 185	63 697	65 783
Other non-financial assets	137	131	94	93	92
Total non-financial assets	57 315	59 378	61 279	63 790	65 876
Total assets	87 931	90 609	93 584	97 853	101 807
Liabilities					
Deposits held	332	332	333	342	350
Advances received	—	—	—	—	—
Borrowing	25 242	29 568	32 589	36 273	39 673
Superannuation	10 103	9 503	8 879	8 230	7 555
Other employee benefits	3 427	3 530	3 617	3 746	3 890
Payables	1 354	1 356	1 362	1 371	1 376
Other liabilities	3 454	3 257	3 230	3 223	3 240
Total liabilities	43 911	47 546	50 011	53 185	56 085
Net worth^(a)	44 020	43 063	43 572	44 668	45 722
Net financial worth ^(b)	-13 296	-16 315	-17 707	-19 122	-20 153
Net financial liabilities ^(c)	30 349	33 460	35 077	36 903	38 382
Net debt ^(d)	14 371	18 168	20 423	22 851	24 923

Note: Totals may not add due to rounding.

- (a) 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.
- (b) 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.
- (c) Net financial liabilities is calculated as 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.
- (d) Net debt is calculated as the sum of deposits held, advances received and borrowing, minus the sum of cash and deposits, advances paid, and investments, loans and placements.

Non-financial public sector financial position

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

Table 4.9 summarises key balance sheet indicators for the NFPS.

Table 4.9: Key balance sheet indicators at 30 June — non-financial public sector

	2020 Actual	2021 Estimated Result	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Net debt						
\$m	17 452	21 952	26 172	28 898	31 494	33 623
% of total revenue	81.7	99.5	113.2	120.3	125.0	129.6
% of GSP	15.8	19.2	21.8	23.1	24.2	24.7
Net financial liabilities						
\$m	37 828	39 464	43 095	45 265	47 340	48 947
% of total revenue	177.0	178.8	186.5	188.5	187.9	188.7
Net financial worth						
\$m	-38 599	-40 202	-43 835	-46 001	-48 079	-49 698
% of total revenue	-180.6	-182.2	-189.7	-191.5	-190.9	-191.6
Net worth						
\$m	43 426	44 027	43 074	43 588	44 687	45 744
% of total revenue	203.2	199.5	186.4	181.5	177.4	176.3

NFPS net debt is projected to increase from \$22.0 billion at 30 June 2021 to \$33.6 billion at 30 June 2025.

The estimated ratio of net debt to revenue for the NFPS is expected to increase from 99.5 per cent as at 30 June 2021 to 129.6 per cent at 30 June 2025, which is largely due to the increase in net debt in the general government sector. PNFC net debt is estimated to be \$7.7 billion at 30 June 2021 and is projected to increase to \$8.8 billion by 30 June 2025.

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 4.10 shows the projected holdings of land and other fixed assets for the NFPS across the forward estimates.

Table 4.10: Land and other fixed assets at 30 June — non-financial public sector (\$million)

	2021 Estimated Result	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Inventories	593	596	637	641	558
Land	15 011	15 120	15 225	15 345	15 462
Buildings and improvements	19 266	20 193	20 538	20 609	20 650
Water, sewerage and drainage assets	14 365	14 985	15 601	16 168	16 724
Road networks	27 750	28 961	30 499	32 538	34 503
Rail and bus networks	3 141	3 286	3 223	3 150	3 075
Other infrastructure assets	2 586	2 251	2 391	2 848	3 009
Heritage assets	1 308	1 308	1 308	1 308	1 308
Self-generating and regenerating assets	58	58	58	58	58
Total land and other fixed assets (net of provisions for depreciation)	84 079	86 758	89 480	92 665	95 347
Depreciation expense	1 901	1 948	2 026	2 107	2 193

The total value of land and other fixed assets for the NFPS is projected to rise from \$84.1 billion at 30 June 2021 to \$95.3 billion at 30 June 2025, mainly due to investment and revaluations in transport and water-related infrastructure. The increase in buildings and improvements across the forward estimates is primarily due to the investing expenditure in the general government sector.

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 Authority (SAHA).

Debt Management

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

SAFA achieves the state's funding requirements through the issue of securities in the financial markets, including long-term Select Line fixed or floating interest rate securities issued in Australia and through SAFA's short-term issuance programs.

Throughout 2020-21, SAFA generally had good access to markets. During March 2021 markets witnessed heightened volatility as longer dated bond rates moved higher on the global concerns of reflation. SAFA was not impacted by this increase in volatility.

In the United States of America, the 10 year bond rate traded to an historical low of 0.50 per cent in August 2020 due to concerns around the global growth outlook as the pandemic worsened and the introduction of large scale bond buying by central banks (quantitative easing). As the economic outlook improved, long term bond rates rose to a high of 1.75 per cent by March 2021. During the year the cash rate adjusted marginally lower from 0.25 per cent to a range of 0-0.25 per cent. In Germany the 10 year rate has risen over the year but remains in negative yield territory at -0.20 per cent.

SAFA's term borrowing rates have fluctuated over 2020-21, consistent with the rates movements seen in global bond markets. For instance, the interest rate on SAFA's three-year Select Line bond fell from 0.50 per cent to 0.15 per cent before lifting moderately to 0.22 per cent while the interest rate on the corresponding Commonwealth Government Bond has fallen from 0.25 per cent to 0.08 per cent, consistent with the target 3 year bond rate set by the Reserve Bank of Australia as it began using unconventional methods to assist the delivery of monetary policy. The SAFA ten-year Select Line bond fell from 1.45 per cent to 0.90 per cent before rising as high as 1.95 per cent, however has settled around 1.70 per cent as at 21 May 2021. The corresponding Commonwealth Government Bond only fell from 0.95 per cent to 0.65 per cent but similarly rose sharply to 1.75 per cent before settling around 1.55 per cent. The general stability in SAFA bonds versus the same

maturity Commonwealth Government bond was consistent across the curve, noting the temporary dislocation in markets experienced in March when SAFA spreads briefly widened in longer dated maturities. The government's debt management objective is to minimise the long-term average interest cost subject to acceptable levels of interest rate risk.

A review of the debt management strategy has seen the debt now managed within a duration range of four to eight years from a previous one to five year duration range. There is no discretion to have an interest rate position outside that range. The use of risk limits also controls interest rate risks. 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 and changing market conditions.

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

The insurance function of SAFA is operated through four 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 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 is budgeted at \$49.4 million in 2020-21 (\$47.2 million for 2019-20). 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 with Funds SA.

At 31 March 2021 Insurance Fund 1 had:

- total assets of \$678 million
- total liabilities of \$502.4 million, including outstanding claim liabilities of \$488.7 million. Medical malpractice claims accounted for \$274.4 million of the outstanding claim liabilities
- net assets (free reserves) of \$176.4 million.

SAFA aims to maintain sufficient assets to meet liabilities at all times. At 30 June 2020 the level of free reserves (total assets over total liabilities expressed as a percentage) was 135.5 per cent for Insurance Fund 1.

Two other funds (Insurance Fund 2 and Insurance Fund 3) are retained for other claims, with these being in a break even position and indemnified by the Treasurer. Insurance Fund 2 accepts claims for incidents occurring prior to 1 July 1994. Insurance Fund 3 is used to manage the premiums and claims for building indemnity insurance.

Insurance Fund 4 was established in 2018 to pay claims against the Government of South Australia under the National Redress Scheme for Institutional Child Sexual Abuse (the Scheme). The sum of \$146.4 million was transferred to this new fund from the Victims of Crime Fund for the purpose of paying claims made under the Scheme. The Scheme formally commenced in South Australia in February 2019. As at 31 March 2021, the balance of Fund 4 (including investment income received) was \$134.4 million.

2019-20 Bushfires and COVID-19

SAFA provides insurance to state government agencies directly impacted by the 2019-20 bushfires. SAFA is continuing to work with loss adjusters and affected agencies to quantify losses and monitor its ongoing estimate for the losses arising from fires on Kangaroo Island, Cudlee Creek and the South East of South Australia.

For Government property and consequential losses (such as loss of revenue and increased costs of working) the estimate of loss is between \$45 and \$50 million for all Agencies across all bushfire affected areas, although the majority of this loss was incurred in the Flinders Chase National Park on Kangaroo Island.

As at 31 March 2021, SAFA has made progress payments to impacted agencies of \$10.59 million. It is expected further payments will be made prior to December 2021 given a large amount of reinstatement work is now being completed at the various sites and particularly on Kangaroo Island.

Property losses incurred by the State are covered for Bushfire under the State's Catastrophe Reinsurance Program up to a limit of \$2 billion. The cover is subject to a self-insured retention (deductible) of \$15 million any one event and in the annual aggregate. Claims exceeding \$1 million contribute to the aggregate deductible.

SAFA also provides business interruption insurance to state government agencies impacted by COVID-19. As at 31 March 2021, SAFA had received sixteen claims for business interruption losses with six claims being finalised. The total estimate of these claims including amounts paid to date is \$91.9 million. This estimate will continue to be reviewed throughout the management of these claims based on the easing of restrictions and forecasts of losses across the period of cover.

Most of the agencies eligible to make a claim were from the arts and recreation sectors, including Adelaide Venue Management Corporation, Adelaide Festival Centre Trust, Zoos SA, West Beach Trust, Country Arts SA and South Australian Museum. Smaller arts agencies such as State Theatre Company, State Opera, Windmill Theatre and the Art Gallery of South Australia also submitted claims after impacts of the pandemic were realised. A panel of accounting firms have been engaged to assist in the assessment of claims. As at 31 March 2021 progress payments totalling \$35.2 million have been made. The remaining open claims are still subject to ongoing assessment and financial data is still being provided by agencies. The majority of claims will be finalised by December 2021. There is no reinsurance cover for these losses.

In 2020, SAFA's combined reinsurance costs for property and liability cover increased from \$8.5 million to \$14.7 million. The increase in reinsurance costs was in response to a hardening of commercial insurance markets globally and the impact of natural catastrophes occurring during the 2019-20 Australian summer.

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 government businesses (\$million)

	2020-21		2021-22	2022-23	2023-24	2024-25
	2020-21 Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
Public non-financial corporations						
Net contribution to/from government ^(a)	- 148.8	- 135.2	- 126.6	- 106.0	- 194.7	- 231.2
Capital investment	882.6	765.6	847.8	875.8	799.1	689.8
Net debt	7 865.7	7 678.5	8 097.0	8 563.4	8 733.8	8 787.1
Public financial corporations						
Net contribution to/from government ^(a)	65.8	83.8	87.9	72.5	69.3	82.6

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

The estimated net contribution from government to public non-financial corporations (PNFCs) in 2020-21 is \$135.2 million which is \$13.6 million lower than budget. This is largely due to a lower net contribution to SA Water (reflecting higher water sales and contributed assets revenue from higher land development activity received by SA Water) partially offset by additional grants paid to Renewal SA to undertake works on behalf of state government agencies (including gas and electricity infrastructure works associated with the Thomas Foods International facility).

Net contributions from government are expected to decrease in 2021-22 by \$8.6 million compared to the 2020-21 estimated result principally due to additional grants paid to the South Australian Housing Authority (SAHA) in 2020-21 for homelessness support during COVID-19 restrictions.

Net contributions from government are projected to increase from 2023-24 due to higher annual grants to SAHA consistent with recapitalisation arrangements that occurred as part of the 2019-20 Budget.

Estimated capital investment is \$117.0 million lower than budget in 2020-21 primarily due to delays in the commencement of SA Water's Eyre Peninsula Desalination Augmentation project and a number of annual capital maintenance and upgrade programs, and timing of capital expenditure for various SAHA housing initiatives.

Significant capital investments in 2021-22 and across the forward estimates include SA Water's Kangaroo Island Desalination Plant, Eyre Peninsula Desalination Augmentation and the Tea Tree Gully Wastewater Works projects, and SAHA's Affordable Housing Initiative to provide over 1000 affordable homes.

Estimated PNFC sector net debt as at 30 June 2021 is \$187.2 million lower than budget mainly due to lower capital expenditure by SA Water and timing of property development expenditure by Renewal SA.

Net debt is projected to increase from 30 June 2021 principally due to higher borrowings by SA Water to deliver various capital projects (including the Kangaroo Island Desalination Plant, Eyre Peninsula Desalination Augmentation, Tea Tree Gully Wastewater Works and Mount Bold Dam upgrade). Net debt is also impacted by

SAHA's delivery of the Affordable Housing Initiative and the transfer of the South Australian Government Employee Residential Properties (SAGERP) to the general government sector from 1 July 2021.

The estimated net contribution to government from public financial corporations (PFCs) in 2020-21 is \$18.0 million higher than budget principally due to higher contributions from HomeStart Finance.

Financial arrangements and policy framework

Dividend and income tax equivalent payments made by government businesses are recorded as revenues of the general government sector. Government businesses also pay guarantee fees to the government to ensure that their borrowing rates are consistent with what an equivalent private enterprise would be subject to.

Community service obligation (CSO) funding provided to government businesses is generally recorded as expenditures of the general government sector. Consistent with competitive neutrality principles, government businesses may also receive funding through an equity contribution for capital related projects or where the business is restructuring its operations over time.

Competitive neutrality policy

All jurisdictions signed the Competition Principles Agreement, which covers a range of matters including competitive neutrality policy and principles.

Among the requirements of the policy are that jurisdictions will ensure that their government businesses are subject to the same government taxes (or tax equivalent systems) and regulations that private sector businesses are subject to. In addition, the policy requires the payment of guarantee fees to adjust for the funding cost advantage government businesses have from borrowing through the Government of South Australia.

All jurisdictions recommitted to the principles in the Competition Principles Agreement through the former Council of Australian Governments (COAG) in February 2006, and signed the Competition and Infrastructure Reform Agreement (Agreement). The objectives listed under the Agreement in relation to competitive neutrality of government businesses are:

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

Under the Agreement, the Commonwealth, states and territories are required to report to Heads of Treasuries annually on the general application of the enhanced competitive neutrality principles in the Agreement. The competitive neutrality matrix, required to be completed by jurisdictions, is agreed by Heads of Treasuries before being published on the federal financial relations website <www.federalfinancialrelations.gov.au>.

Guarantee fees

Government guarantees on borrowed funds reduce borrowing costs for government businesses. Guarantee fees are charged for this funding cost advantage to meet competitive neutrality principles.

Guarantee fees are determined annually based on estimated credit margins (spreads) between the cost at which lower-rated entities or entities that have no assigned credit rating could borrow 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 the government specifically requires a government business to carry out activities that it would not elect to do on a commercial basis, and which the government does not require other businesses to generally undertake, or that it would only do commercially at higher prices.

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

CSO payments are made to SA Water, Renewal SA, ForestrySA, HomeStart Finance and the Public Trustee. The largest CSO payment is to SA Water to ensure that its water and sewerage prices are applied uniformly across the state. SA Water also receives CSO payments to provide exemptions and concessions for certain classes of customers and to provide services to regional Aboriginal communities.

Grants, subsidies and other funding mechanisms

Grants and subsidies are paid to government businesses to achieve social and policy initiatives where responsibility for the outcomes is shared between different levels of government. The government may also provide an equity contribution to a government business as a mechanism to provide the business with the resources necessary to achieve these outcomes.

Funding for capital expenditure is generally provided by way of equity contribution.

Grants and subsidies are also made to the Adelaide Venue Management Corporation (AVMC) for interest and guarantee fees paid on its borrowings, and the Adelaide Festival Centre Trust (AFCT) to assist with the operational costs for the Adelaide Festival Centre and Her Majesty's Theatre and the presentation of a range of festivals, events and programs.

Public non-financial corporations

Operating performance

Table 5.2 provides key budget aggregates for the PNFC sector.

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

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Net operating balance before income tax equivalents						
SA Water	73.3	104.4	75.9	89.2	116.3	146.9
Renewal SA	-23.3	-21.6	-15.2	-19.5	-21.0	-16.4
South Australian Housing Authority	-351.9	-369.6	-375.9	-383.5	-239.4	-162.0
Other	-59.6	-28.3	-25.9	-22.0	-20.3	-18.8
Net operating balance before income tax equivalents	-361.4	-315.1	-341.1	-335.8	-164.4	-50.2
<i>less</i> Income tax equivalents	23.9	29.1	24.4	29.3	37.6	50.8
<i>equals</i> Net operating balance	-385.3	-344.2	-365.5	-365.2	-202.0	-101.0
<i>less</i> Net acquisition of non-financial assets						
Gross fixed capital formation ^(a)	761.3	649.3	689.7	641.1	596.7	590.2
<i>less</i> Depreciation	514.9	510.3	528.5	545.5	564.3	567.8
<i>plus</i> Change in inventories	158.9	94.0	7.5	38.5	-0.1	-86.9
<i>equals</i> Total net acquisition of non-financial assets	405.3	233.0	168.7	134.0	32.2	-64.5
<i>equals</i> Net lending/borrowing^(b)	-790.6	-577.2	-534.2	-499.2	-234.2	-36.5

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 investing expenditure, resulting in increased liabilities.

The 2020-21 estimated net operating deficit before income tax equivalents for the PNFC sector of \$315.1 million represents a \$46.3 million improvement to budget mainly due to higher water sales and contributed assets revenue received by SA Water, and the receipt by AVMC of business interruption insurance proceeds as a result of COVID-19 restrictions.

The 2021-22 budgeted net operating deficit before income tax equivalents of \$341.1 million is \$26.0 million higher than the 2020-21 estimated result. This is mainly due to lower budgeted water sales revenue by SA Water based on an expected return to average sales volume partially offset by lower expenditure associated with the state's temporary electricity generators.

From 2023-24 the net operating deficit before income tax equivalents is expected to decrease principally due to higher annual operating grants to SAHA consistent with arrangements put in place when its balance sheet was recapitalised in 2019-20.

The 2020-21 estimated gross fixed capital formation of \$649.3 million is \$112.0 million lower than budget mainly due to delays in SA Water's Eyre Peninsula Desalination Augmentation project and a number of annual capital maintenance and upgrade programs, and timing of capital expenditure for various SAHA housing initiatives.

The 2021-22 gross fixed capital formation budget is \$40.4 million higher than the 2020-21 estimated result mainly due to the timing of capital expenditure for a number of SA Water's annual capital programs (principally on water quality management and network renewal and structures).

Net contributions

Table 5.3 summarises net contributions to/from the government by PNFC entities, which comprise income tax equivalents, dividends, grants, subsidies and operating CSOs.

Table 5.3: Net contributions to/from public non-financial corporations to/from the government (\$million)

	2020-21		2021-22	2022-23	2023-24	2024-25
	2020-21 Budget	Estimated Result	Budget	Estimate	Estimate	Estimate
Income tax equivalents						
SA Water	21.4	26.9	22.0	26.2	34.3	47.4
Renewal SA	—	—	—	—	—	—
South Australian Housing Authority	—	—	—	—	—	—
Other	2.5	2.2	2.4	3.1	3.3	3.4
Total income tax equivalents	23.9	29.1	24.4	29.3	37.6	50.8
<i>plus Dividends</i>						
SA Water	49.7	64.0	49.5	56.7	76.8	102.5
Renewal SA	1.6	1.3	1.6	2.2	2.2	2.2
South Australian Housing Authority	—	—	—	—	—	—
Other	8.5	8.1	7.2	8.7	8.8	9.0
Total dividends	59.8	73.3	58.3	67.6	87.8	113.7
<i>less Grants and subsidies</i>						
SA Water	2.1	2.9	6.0	2.3	2.3	2.4
Renewal SA	1.8	8.7	—	—	—	—
South Australian Housing Authority	29.3	26.7	12.8	9.1	125.4	198.6
Other	47.4	47.5	36.6	38.4	37.3	38.9
Total grants and subsidies	80.7	85.7	55.4	49.8	165.0	239.8

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
<i>less CSOs</i>						
SA Water	136.5	136.7	138.3	139.6	139.3	140.3
Renewal SA	5.6	5.6	5.5	3.0	4.8	4.2
South Australian Housing Authority	—	—	—	—	—	—
Other	9.7	9.7	10.1	10.5	11.0	11.4
Total CSOs	151.8	152.0	154.0	153.1	155.0	155.9
<i>equals Net contribution to/from government^(a)</i>						
SA Water	- 67.6	- 48.7	- 72.8	- 59.0	- 30.6	7.2
Renewal SA	- 5.8	- 12.9	- 3.9	- 0.7	- 2.6	- 2.0
South Australian Housing Authority	- 29.3	- 26.7	- 12.8	- 9.1	- 125.4	- 198.6
Other	- 46.2	- 46.9	- 37.1	- 37.1	- 36.2	- 37.8
Total net contribution to/from government	- 148.8	- 135.2	- 126.6	- 106.0	- 194.7	- 231.2

Note: Totals may not add due to rounding.
(a) Positive indicates net contribution to government while negative indicates net contribution from government.

The estimated net contribution from government to PNFCs in 2020-21 is \$135.2 million which is \$13.6 million lower than budget. This is mainly due to a lower net contribution to SA Water (reflecting higher water sales and contributed assets revenue received by SA Water), partially offset by higher grants paid to Renewal SA to undertake works on behalf of state government agencies (including gas and electricity infrastructure works associated with the Thomas Foods International facility).

Net contributions from government are expected to decrease in 2021-22 by \$8.6 million compared to the 2020-21 estimated result principally due to additional grants paid to SAHA in 2020-21 for homelessness support during COVID-19 restrictions.

The net contribution from government to other PNFCs primarily reflects grants and subsidies made to the AVMC and the AFCT. Payments to AVMC relate to interest and guarantee fees paid on its borrowings and payments to AFCT are to assist with the operational costs for the Adelaide Festival Centre and Her Majesty's Theatre and presentation of a range of festivals, events and programs.

Capital investment

Table 5.4 summarises the overall purchases of non-financial assets by PNFC entities. Purchase of non-financial assets includes investing expenditure and contributed assets.

Table 5.4: Public non-financial corporations' purchases of non-financial assets (\$million)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Adelaide Cemeteries Authority	7.8	7.8	15.3	8.7	1.6	1.2
Adelaide Festival Centre Trust ^(a)	5.3	5.3	—	—	—	—
Adelaide Venue Management Corporation	13.6	13.6	9.5	23.9	27.3	57.3
ForestrySA	1.3	1.3	2.0	0.3	0.4	0.4
Public Trustee	0.9	0.3	2.1	1.0	0.3	0.8
Renewal SA ^(b)	14.3	14.3	2.8	0.1	—	—
SA Water ^(c)	611.6	528.0	598.4	610.8	618.5	545.8
South Australian Government Employee Residential Properties ^(d)	7.2	7.2	—	—	—	—

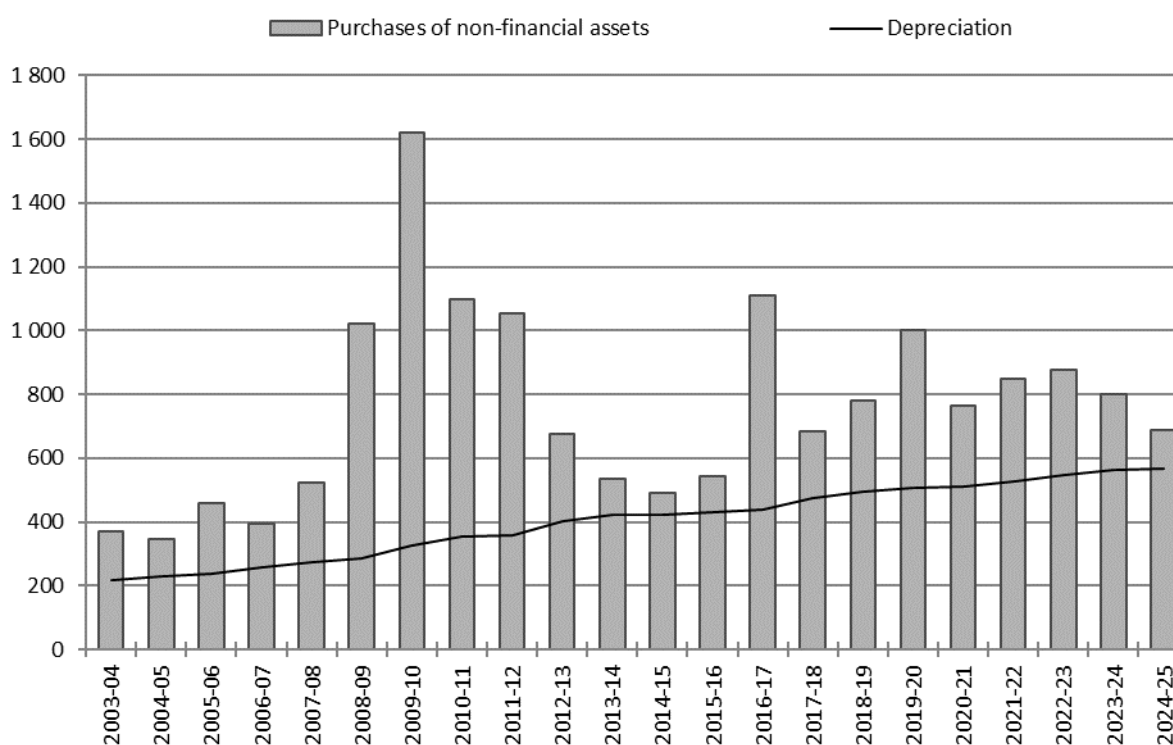
	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
South Australian Housing Authority ^(e)	217.5	184.9	214.7	228.2	148.2	81.5
West Beach Trust	3.1	3.0	3.1	2.7	2.7	2.8
Total purchases of non-financial assets	882.6	765.6	847.8	875.8	799.1	689.8
Total sales of non-financial assets	121.3	116.3	158.1	234.7	202.4	99.6
Gross fixed capital formation	761.3	649.3	689.7	641.1	596.7	590.2

Note: Totals may not add due to rounding.

- (a) AFCT has minimal investing expenditure budgeted from 2021-22 following the completion of the upgrade to Her Majesty's Theatre in 2020.
- (b) Renewal SA's investing expenditure includes works on the Adelaide Station Environs Redevelopment site. Renewal SA's expenditure on property development projects is classified as inventories and therefore not included in capital investment.
- (c) SA Water's current four year regulatory business period concludes on 30 June 2024. SA Water's proposed capital expenditure in 2024-25 is subject to review as part of its next regulatory determination by the Essential Services Commission of South Australia.
- (d) SAGERP will transfer to the general government sector from 1 July 2021.
- (e) The decline in SAHA's purchases of non-financial assets from 2023-24 primarily reflects lower capital expenditure associated with the Affordable Housing Initiative as it nears completion.

Figure 5.1 shows the actual and estimated purchases of non-financial assets and associated depreciation in the PNFC sector from 2003-04 to the end of the current forward estimates in 2024-25.

Figure 5.1: Public non-financial corporations' purchases of non-financial assets (\$million)



Total estimated purchases of non-financial assets by the PNFC sector is \$765.6 million in 2020-21 which is \$117.0 million lower than budget. This is primarily due to delays in SA Water's Eyre Peninsula Desalination Augmentation project and a number of annual capital maintenance and upgrade programs, and timing of capital expenditure for various SAHA housing initiatives.

Total purchases of non-financial assets by the PNFC sector is budgeted to be \$847.8 million in 2021-22, \$82.2 million higher than the 2020-21 estimated result primarily due to the carryover of capital expenditure from 2020-21 for a number of SA Water's annual capital programs and timing of capital expenditure for various SAHA housing initiatives.

Significant capital investment in 2021-22 includes:

- SA Water's investment program of \$598.4 million, comprising major projects such as the Kangaroo Island Desalination Plant, Eyre Peninsula Desalination Augmentation and the Tea Tree Gully Wastewater Works and various other annual capital maintenance and upgrade programs
- SAHA's investment program of \$214.7 million, comprising public housing redevelopment, capital maintenance programs and the Affordable Housing Initiative.

As part of the 2021-22 Budget the government will build a new 15 000 person multipurpose arena in the Adelaide Riverbank precinct to be developed by the AVMC at a total cost of \$662.3 million. The new arena will be capable of hosting concerts, conventions and court sports including basketball, netball and tennis. Planning and preparation works on the arena are due to commence in 2022-23.

The profile of capital investment over the forward estimates reflects the completion of key projects including the Kangaroo Island Desalination Plant, Eyre Peninsula Desalination Augmentation and the Affordable Housing Initiative, continued expenditure on Tea Tree Gully Wastewater Works and the commencement of the Mount Bold Dam upgrade as well as the new multipurpose arena.

Total sales of non-financial assets comprise sales of property, plant and equipment and includes asset sales relating to SAHA's housing initiatives.

The profile of sales of non-financial assets over the forward estimates from 2021-22 reflects the sale of affordable housing built by SAHA under the Affordable Housing Initiative.

The following table provides a summary of the capital investment programs that are being undertaken by PNFC entities in 2021-22.

Table 5.5: Capital investment programs (\$million)

	Estimated completion quarter	2021-22 Budget	Estimated total cost
SA Water major projects			
Eyre Peninsula Desalination Augmentation	Dec 2023	29.8	99.6
Kangaroo Island Desalination Plant ^(a)	Jun 2024	36.4	47.8
Tea Tree Gully Wastewater Works	Jun 2024	16.2	64.1
Zero Cost Energy Future	Dec 2021	3.8	368.2
Other major projects		37.7	n.a.
Total SA Water major projects		124.0	n.a.
SA Water annual programs			
Asset Renewal	n.a.	10.3	n.a.
Environmental Improvement	n.a.	27.7	n.a.
Information Technology	n.a.	37.6	n.a.
Mechanical and Electrical Renewal	n.a.	72.1	n.a.
Network Extension	n.a.	42.2	n.a.
Networks Growth	n.a.	31.9	n.a.
Pipe Network Renewal	n.a.	113.7	n.a.
Safety	n.a.	17.4	n.a.
Structures	n.a.	63.7	n.a.
Water Quality Management	n.a.	10.9	n.a.
Other annual programs		22.2	n.a.
Total SA Water annual programs		449.5	n.a.

	Estimated completion quarter	2021-22 Budget	Estimated total cost
Total SA Water contributed assets		21.0	n.a.
Total SA Water leases		3.9	n.a.
Total SA Water		598.4	n.a.
South Australian Housing Authority			
Affordable Housing Initiative	Jun 2026	106.1	373.4
Better Neighbourhoods Program	n.a.	20.2	n.a.
Neighbourhood Renewal Initiative	Jun 2026	24.2	64.1
Public Housing Capital Maintenance	Jun 2030	6.5	75.0
Remote Indigenous Housing	Jun 2024	12.4	238.2
Other capital investment		45.2	n.a.
Total South Australian Housing Authority		214.7	n.a.
Other PNFC entities^(b)		34.7	n.a.
Total capital investment		847.8	n.a.

Note: Totals may not add due to rounding.

(a) Kangaroo Island Desalination Plant project previously named as Kangaroo Island – security and supply of water.

(b) Renewal SA's expenditure on property development projects (including Lot Fourteen) is classified as inventories and therefore not included in capital investment.

Net debt

The estimated net debt of the PNFC sector is expected to be \$7.7 billion as at 30 June 2021. This represents a \$187.2 million improvement to the 2020-21 Budget projection mainly due to delays in SA Water's Eyre Peninsula Desalination Augmentation project and a number of annual capital maintenance and upgrade programs, and timing of property development expenditure by Renewal SA mainly relating to Lot Fourteen.

Net debt is forecast to increase to \$8.8 billion by 30 June 2025 due to higher borrowings by SA Water to deliver various capital projects (including Kangaroo Island Desalination Plant, Eyre Peninsula Desalination Augmentation, Tea Tree Gully Wastewater Works and the Mount Bold Dam upgrade). Net debt is also impacted by SAHA's delivery of the Affordable Housing Initiative and the transfer of SAGERP to the general government sector from 1 July 2021.

Table 5.6: Public non-financial corporation sector net debt (\$million)^(a)

	Net debt as at 30 June					
	2021 Budget	2021 Estimated Result	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
Adelaide Cemeteries Authority	—	0.2	12.8	18.6	17.1	14.8
Adelaide Festival Centre Trust	148.1	148.1	145.1	141.9	138.5	135.1
Adelaide Venue Management Corporation	355.1	345.5	329.2	335.2	334.3	333.0
Electricity Lease Entities	- 5.0	- 5.0	- 5.2	- 5.4	- 5.6	- 5.8
ForestrySA	- 17.5	- 17.5	- 14.6	- 14.2	- 13.9	- 13.7
Public Trustee	- 16.5	- 17.5	- 19.2	- 21.4	- 23.1	- 24.4
Renewal SA	461.7	402.2	392.2	432.4	437.4	344.5
SA Water	7 381.5	7 279.8	7 509.2	7 747.7	7 987.6	8 191.6
South Australian Government Employee Residential Properties ^(b)	34.1	29.7	—	—	—	—

	Net debt as at 30 June					
	2021 Budget	2021 Estimated Result	2022 Budget	2023 Estimate	2024 Estimate	2025 Estimate
South Australian Housing Authority	- 480.2	- 490.6	- 252.2	- 65.5	- 126.7	- 170.4
State Owned Generators Leasing Co Pty Ltd	- 3.8	- 3.6	- 7.8	- 12.5	- 17.4	- 22.4
West Beach Trust	8.3	7.2	7.5	6.6	5.6	4.6
Total PNFC net debt	7 865.7	7 678.5	8 097.0	8 563.4	8 733.8	8 787.1

Note: Totals may not add due to rounding.
(a) Negative net debt implies cash and cash equivalents exceeds borrowings and advances received.
(b) SAGERP will transfer to the general government sector from 1 July 2021.

SA Water

Table 5.7: Net contributions, capital investment and net debt (\$million)

	2020-21					
	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Income tax equivalents	21.4	26.9	22.0	26.2	34.3	47.4
<i>plus</i> Dividends	49.7	64.0	49.5	56.7	76.8	102.5
<i>less</i> Grants, subsidies and CSOs	138.7	139.6	144.3	141.9	141.6	142.7
equals Net contribution to/from government^(a)	- 67.6	- 48.7	- 72.8	- 59.0	- 30.6	7.2
Equity contribution from government	- 20.2	- 14.8	- 21.9	- 8.0	—	—
Capital investment	611.6	528.0	598.4	610.8	618.5	545.8
Net debt	7 381.5	7 279.8	7 509.2	7 747.7	7 987.6	8 191.6
Debt to asset ratio	51%	51%	50%	50%	49%	49%

Note: Totals may not add due to rounding.
(a) Positive indicates net contribution to government while negative indicates net contribution from government.

SA Water is estimated to receive a net contribution from government in 2020-21 of \$48.7 million which is \$18.9 million lower than budget. This is mainly due to higher than budgeted water sales revenue due to drier and hotter weather and higher contributed assets revenue from increased land development activity following the Commonwealth Government's HomeBuilder program.

SA Water is estimated to receive a net contribution from government in 2021-22 of \$72.8 million, an increase of \$24.1 million compared to the 2020-21 estimated result. This is principally due to lower budgeted water sales revenue based on an expected return to average sales volume and higher grants to SA Water for the remediation of the River Torrens Outlet Regulator at West Beach.

The 2020-21 estimated capital expenditure is \$528.0 million which is \$83.6 million lower than budget mainly due to delays in SA Water's Eyre Peninsula Desalination Augmentation project and a number of annual capital maintenance and upgrade programs.

In 2021-22, SA Water's capital expenditure is forecast to increase by \$70.4 million compared to the 2020-21 estimated result. This is mainly due to the timing of capital expenditure for a number of SA Water's annual capital programs (principally on water quality management and network renewal and structures).

SA Water's current four year regulatory business period concludes on 30 June 2024. The estimated 2024-25 net contribution and estimated capital investment is subject to review as part of SA Water's next regulatory determination by the Essential Services Commission of South Australia.

Renewal SA

Table 5.8: Net contributions, capital investment and net debt (\$million)

	2020-21		2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
	2020-21 Budget	2020-21 Estimated Result				
Income tax equivalents	—	—	—	—	—	—
<i>plus</i> Dividends	1.6	1.3	1.6	2.2	2.2	2.2
<i>less</i> Grants, subsidies and CSOs	7.4	14.2	5.5	3.0	4.8	4.2
<i>equals</i> Net contribution to/from government ^(a)	- 5.8	- 12.9	- 3.9	- 0.7	- 2.6	- 2.0
Equity contribution from government	- 60.2	- 58.7	- 32.0	- 8.5	- 9.1	- 22.5
Capital investment ^(b)	14.3	14.3	2.8	0.1	—	—
Net debt	461.7	402.2	392.2	432.4	437.4	344.5
Debt to asset ratio	92%	93%	90%	92%	94%	90%

Note: Totals may not add due to rounding.

(a) Positive indicates net contribution to government while negative indicates net contribution from government.

(b) Renewal SA's expenditure on property development projects (including Lot Fourteen) is classified as inventories and therefore not included in capital investment.

Renewal SA's business operations are heavily influenced by demand for new housing within its residential development projects and the demand for industrial and commercial land. Renewal SA is also undertaking the redevelopment of Lot Fourteen, which includes the demolition and remediation of the site as well as the redevelopment and leasing of heritage buildings on the site.

Renewal SA is forecast to make losses across the forward estimates from its general business operations and is not expected to make income tax equivalent or standard dividend payments to the government for this period. However, Renewal SA is expected to make a dividend payment across the forward estimates (between \$1.3 million and \$2.2 million per annum) relating to the forecast profit associated with the Adelaide Station Environs Redevelopment site reflecting the specific dividend policy that applies to the net income earned on that site.

Estimated grants, subsidies and CSO payments to Renewal SA in 2020-21 is \$6.8 million higher than budget due to Renewal SA undertaking works on behalf of state government agencies including gas and electricity infrastructure works associated with the Thomas Foods International facility. Across the forward estimates, Renewal SA is expected to receive CSO payments for operating expenditure for Lot Fourteen.

Renewal SA also receives equity contributions from the government for capital expenditure on major projects such as the redevelopment of Lot Fourteen. Equity contributions in 2021-22 include government funding as part of the 2021-22 Budget to enable Renewal SA to continue to refurbish existing buildings at Lot Fourteen at an estimated cost of \$20.8 million. This funding will enable the expansion of space, digital, hi-tech and cyber companies in a collaborative setting at Lot Fourteen.

Estimated capital investment in 2020-21 is \$14.3 million mainly due to the recognition of right-of-use buildings consistent with Australian Accounting Standard *AASB 16 Leases*.

Renewal SA's estimated net debt is \$402.2 million as at 30 June 2021, \$59.5 million lower than budget due to the timing of property development expenditure mainly relating to Lot Fourteen.

Renewal SA's net debt across the forward estimates reflects expectations for property development expenditure and sales revenue associated with its development projects.

Renewal SA's debt to asset ratio is expected to peak in 2023-24 due to the profile of its sales program and the maturity of its development projects.

South Australian Housing Authority

Table 5.9: Net contributions, capital investment and net debt (\$million)^(a)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Income tax equivalents	—	—	—	—	—	—
<i>plus</i> Dividends	—	—	—	—	—	—
<i>less</i> Grants, subsidies and CSOs	29.3	26.7	12.8	9.1	125.4	198.6
<i>equals</i> Net contribution to/from government ^(b)	- 29.3	- 26.7	- 12.8	- 9.1	- 125.4	- 198.6
Equity contribution from government	- 138.1	- 150.3	- 98.3	- 97.6	- 148.0	- 79.7
Capital investment	217.5	184.9	214.7	228.2	148.2	81.5
Net debt ^(c)	- 480.2	- 490.6	- 252.2	- 65.5	- 126.7	- 170.4

Note: Totals may not add due to rounding.

- (a) SAHA is subject to the tax equivalent regime, however no income tax equivalent payments are forecast over the forward estimates. SAHA is not required to make dividend payments to the government.
- (b) Positive indicates net contribution to government while negative indicates net contribution from government.
- (c) Negative net debt implies cash and cash equivalents exceeds borrowings and advances received.

SAHA provides social housing options and homelessness services to South Australians in need. SAHA also leads the government's affordable housing strategy and is developing affordable housing options for South Australians across the state.

While SAHA earns revenue from rents paid by tenants it does not fully recover the cost of providing social housing and associated programs to tenants and clients. SAHA receives resources from the Commonwealth Government and the state government to support its social housing and homelessness objectives.

As part of the 2019-20 Budget, revised funding arrangements were introduced to support SAHA's restructure and viability. Under the revised funding arrangements SAHA received a once-off grant payment of \$602 million in 2018-19 and will receive equity contributions from 2018-19 consistent with SAHA's budgeted capital works. The profile of grants, subsidies and CSOs and equity contributions across the forward estimates reflects this revised funding arrangement.

Grants, subsidies and CSOs is forecast to be lower by \$13.9 million in 2021-22 compared to the 2020-21 estimated result principally due to additional grants paid to SAHA in 2020-21 for homelessness support during COVID-19 restrictions.

Estimated capital expenditure in 2020-21 is \$184.9 million which is \$32.6 million lower than budget due to the timing of capital expenditure for various housing initiatives including the Affordable Housing Initiative and Remote Indigenous Housing program. Capital expenditure is forecast to peak in 2022-23 due to the delivery of the Affordable Housing Initiative.

Estimated net debt as at 30 June 2021 is \$10.4 million lower than budget due to the timing of capital expenditure for various housing initiatives.

Net debt is forecast to increase in 2022-23 to deliver the Affordable Housing Initiative. Net debt is then expected to decrease as SAHA sells affordable housing built under the Affordable Housing Initiative.

Public financial corporations

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

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

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

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Income tax equivalents						
HomeStart Finance	9.4	13.4	11.7	9.0	8.6	10.4
Motor Accident Commission	—	—	—	—	—	—
South Australian Government Financing Authority	9.3	21.0	14.4	14.4	14.4	14.4
Total income tax equivalents	18.6	34.4	26.1	23.4	23.0	24.8
<i>plus Dividends</i>						
HomeStart Finance	21.9	31.3	27.3	20.9	20.1	24.2
Motor Accident Commission	9.3	9.3	9.8	4.1	2.5	1.4
South Australian Government Financing Authority	23.9	16.3	32.8	32.8	32.8	41.4
Total dividends	55.0	56.9	69.9	57.8	55.3	67.0
<i>less CSOs</i>						
HomeStart Finance	7.9	7.6	8.1	8.6	9.0	9.2
Motor Accident Commission	—	—	—	—	—	—
South Australian Government Financing Authority	—	—	—	—	—	—
Total CSOs	7.9	7.6	8.1	8.6	9.0	9.2
<i>equals Net contribution to/from government^(a)</i>						
HomeStart Finance	23.4	37.2	30.9	21.3	19.7	25.4
Motor Accident Commission	9.3	9.3	9.8	4.1	2.5	1.4
South Australian Government Financing Authority	33.1	37.3	47.2	47.2	47.2	55.8
Total net contribution to/from government	65.8	83.8	87.9	72.5	69.3	82.6

Note: Totals may not add due to rounding.
(a) Positive indicates net contribution to government while negative indicates net contribution from government.

The 2020-21 estimated net contribution from the PFC sector to government is expected to be \$83.8 million, an increase of \$18.0 million from budget principally due to higher contributions from HomeStart Finance due to a higher profit forecast, and higher income tax equivalent payments by SAFA from insurance and fleet operations.

Net contributions to government are expected to increase in 2021-22 by \$4.1 million compared to the 2020-21 estimated result. This difference mainly reflects expected outcomes in SAFA's treasury operations, which is reflective of a combination of factors impacting SAFA's long term funding program and borrowing costs, including the cost of debt, near term liquidity requirements and prevailing market conditions. This is partially offset by lower contributions from HomeStart Finance on the expectation that a higher proportion of its customer base will move to fixed rate loans.

The 2021-22 budgeted dividend from MAC is principally due to expected higher returns on retained premium investments and the reinsurance arrangement entered into with Berkshire Hathaway from 1 January 2019. MAC's net contributions from 2022-23 onwards reduce following the reinsurance arrangement.

Full-time equivalents (FTEs)

Table 5.11: Public non-financial corporations' and public financial corporations' employment

	Full-time equivalent employees as at 30 June				
	2021 Estimate	2022 Estimate	2023 Estimate	2024 Estimate	2025 Estimate
Public non-financial corporations					
Adelaide Festival Centre Trust	254.0	254.0	254.0	254.0	254.0
Adelaide Venue Management Corporation	251.0	443.0	443.0	443.0	443.0
Public Trustee	176.0	175.5	175.0	174.5	173.9
Renewal SA	137.8	136.2	133.7	133.2	128.7
SA Water	1 631.2	1 651.0	1 650.3	1 648.0	1 646.7
South Australian Housing Authority	867.0	811.0	795.0	775.5	739.8
Other	197.0	201.0	205.0	206.0	207.0
Total public non-financial corporations	3 514.0	3 671.7	3 656.0	3 634.2	3 593.1
Public financial corporations					
Funds SA	65.9	72.9	80.9	80.9	80.9
HomeStart Finance	122.3	120.0	117.9	113.9	106.9
Lifetime Support Authority	92.7	99.1	102.1	103.7	106.3
Return to Work Corporation of South Australia	252.0	260.0	260.0	260.0	260.0
South Australian Government Financing Authority	81.5	79.5	79.5	79.5	79.5
Total public financial corporations	614.4	631.5	640.4	638.0	633.6

Note: Totals may not add due to rounding.

The estimated aggregate workforce of the PNFC sector as at 30 June 2021 is 3514.0 FTEs, of which around 71.1 per cent relates to positions in SA Water and SAHA.

FTEs in the PNFC sector are estimated to increase by 79.1 (2.3 per cent) between 30 June 2021 and 30 June 2025 primarily due to the AVMC forecasting a return to higher business activity levels following staff reductions in 2020-21 as a result of COVID-19 restrictions. The increase is partially offset by declining FTEs in SAHA reflecting the impact of internal efficiencies and the completion of its property and tenancy management system upgrade.

The estimated aggregate workforce of the PFC sector as at 30 June 2021 is 614.4 FTEs, with a large proportion of positions within ReturnToWorkSA.

FTEs in the PFC sector are estimated to increase by 19.2 FTEs (3.1 per cent) between 30 June 2021 and 30 June 2025 primarily due to an increase in FTEs in Lifetime Support Authority reflecting the expected increase in new scheme participants over that period and Funds SA as part of its medium-term workforce and strategic plan.

Chapter 6: Risk statement

Overview

This chapter outlines the major financial risks that could affect the fiscal outlook set out in the 2021-22 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 in 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.

Forecasting the impact of the COVID-19 pandemic on government revenues and expenses was particularly difficult during the initial phases of the pandemic. With the vaccine roll-out now commencing in Australia it is hoped that restrictions used to minimise the spread of the virus will reduce, thereby reducing the impact on the economy and key government budget parameters. The state government budget has been framed against the expectation that economic conditions will continue to improve as restrictions ease. Nonetheless, some greater than usual uncertainty remains to the global, national and state economic outlook.

Revenue risks

Taxation, grants, royalties and fines

State taxation revenues are exposed to variations in both the volume and value of activities that are subject to taxation. Broad 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. Transactional taxes such as conveyance duty are subject to greater variability, and price and activity trends in the property market can have a larger impact on the short-term volatility of state taxation revenues than the broader economy.

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, under the current 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:

- the effectiveness of vaccines against the COVID-19 virus and its mutations. International economic factors that are likely to affect South Australia include:

- the pace of the vaccination roll out and the effectiveness of vaccines against new COVID-19 strains. This can potentially impact migration numbers, the timing of a return to international travel and the ability to grow exports, including service exports
- disruption to production networks and the effect on productivity growth where international closures impact the availability of intermediate goods and labour supply
- geopolitical, trade, and technology risks — tensions between the United States and China remain elevated on numerous fronts, including international trade, intellectual property and cyber security which may see the emergence of new trade barriers. Risks of protectionist tendencies surrounding technology are also emerging
- the performance of the Australian economy — in particular:
 - the ability to manage COVID-19 in the community and any further restrictions that would negatively affect confidence and weigh on private consumption and investment
 - the pace of recovery in private business investment, particularly given the relatively low interest rate environment
 - any further imposition of tariffs on Australian exports (primarily from China) and Australia’s ability to find alternate markets for export products affected by tariffs
 - continued low growth in household income and its impact on household consumption, especially given high levels of household debt, particularly in the event of a rise in interest rates
 - the pace at which international tourism and education can return to pre-pandemic levels
 - risk that the significant public sector infrastructure investment could be delayed due to capacity constraints
- in the South Australian economy:
 - agricultural output is subject to significant climate variability.
 - the continued transition of the state’s economy from manufacturing to other industry sectors, to generate high value jobs, is fundamental to continued growth

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.

Impact: A 1.0 per cent change in taxable payrolls equates to about \$14 million in payroll tax revenue.

Property taxes

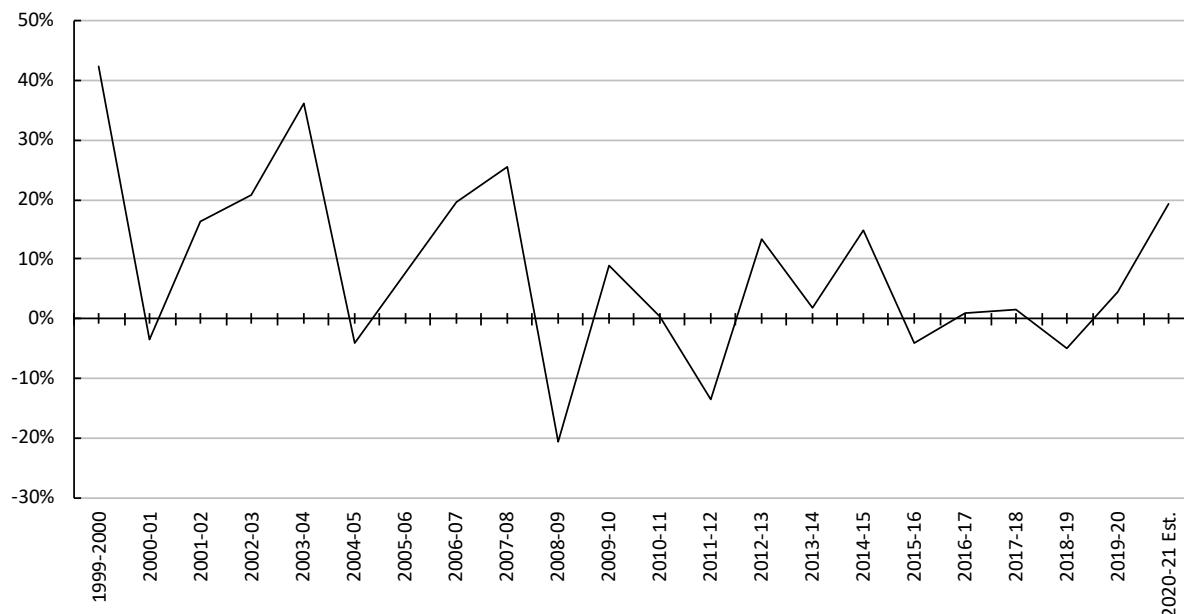
Conveyance duty revenue is affected by variations in the local property market. Trends in property market values and activity levels can be difficult to predict, particularly transaction numbers which can change significantly from one year to the next. Temporary assistance measures, such as the Commonwealth HomeBuilder grants, can also impact both the timing of transactions and the overall level of activity in the short term. Forward projections of conveyance duty revenue assume that underlying residential property market transactions will return to long-term levels.

There is a risk that activity levels and/or property prices will be lower than estimated. On the other hand, the property market has experienced strong growth from time to time, particularly 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 1999-2000. 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) (b)}



(a) Excludes impact of policy changes, particularly the phased abolition of non-residential (non-primary production) conveyance duty

(b) Strong growth projected in 2020-21 includes the estimated impact of HomeBuilder grants on residential conveyance duty

Land tax receipts can also vary from expectations over the forward estimates period. Indexation of land tax thresholds commenced on 1 July 2011 and reduces the impact of bracket creep when property values are increasing, with growth in underlying land tax revenues broadly in line with growth in land values.

Significant reforms to land tax commenced from the 2020-21 land tax year. This includes changes to tax rates and thresholds, a change in the way that land held by an owner is grouped together for land tax assessments and the introduction of different thresholds and surcharge tax rates for certain land held on trust. In the short term these changes present a greater risk that actual collections may vary from those forecast.

Impact: A 1.0 per cent variation in 2021-22 property values equates to about \$10 million in conveyance duty revenue, while a 1.0 per cent variation in transactions in 2021-22 equates to about \$8 million in conveyance duty revenue.

A 1.0 per cent variation in land values equates to around \$4 million in private land tax revenue in 2021-22 (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. The popularity of gaming machines compared to other forms of gambling and other activities more broadly can also impact on revenue collections.

Impact: A variance of 1.0 per cent in hotel and club gaming machine expenditure equates to around \$4 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 COVID-19 pandemic and 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.

Impact: A variance of 1.0 per cent in premium levels equates to around \$5 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.

Impact: A 1.0 cent change in the US dollar/Australian dollar exchange rate has a direct revenue impact of about \$4 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 \$1.5 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 current HFE principles. South Australia's GST revenue grants comprise around 31 per cent of total revenues and therefore the budget is particularly exposed to changes in growth in the GST pool.

Impact: A 1.0 percentage point change in GST pool growth has a revenue impact for South Australia of about \$67 million per annum.

Changes to horizontal fiscal equalisation methodology and data

HFE previously aimed to provide each state with the fiscal capacity to deliver the same standard of services to its residents as other states. This is also known as full equalisation of fiscal capacities.

In Australia, GST revenue grants are the vehicle used in seeking to achieve HFE. South Australia receives around \$1.7 billion more in GST revenue grants than it would if funding were distributed on a simple population (equal per capita) basis without consideration of the differing fiscal needs and capacities of each state.

In November 2018, the Federal Parliament passed the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018*, which gives effect to the Commonwealth Government's response to the Productivity Commission's Inquiry into HFE. The legislation provides for the introduction of a new GST distribution system over a 6-year transitional period commencing in 2021-22. Key provisions of the legislation include:

- a shift from full equalisation to partial equalisation, with states' fiscal capacities equalised to the stronger of New South Wales or Victoria rather than the fiscally strongest state
- introduction of a minimum GST relativity of 0.7 in 2021-22, to be increased to 0.75 in 2024-25
- a permanent Commonwealth top-up to the GST pool, indexed to growth in the GST pool
- a guarantee that states will receive at least the same amount of GST grants as they would have received (in cumulative terms) over the transition period due to the change in the equalisation objective
- a review of the new system to be conducted by the Productivity Commission by December 2026.

The legislated "no worse-off" guarantee provides a level of certainty for the states over the transition period in regard to the change in the new GST distribution arrangements only.

In 2021-22, the new arrangements are expected to deliver an additional \$2.8 billion in GST revenue to Western Australia.

Separate to these new arrangements, changes to the methodology and data used by the CGC in calculating GST distribution relativities may significantly impact (both positively and negatively) the state's budget position.

The CGC released its 2020 Review in February 2020 that reviewed the methodology it uses to calculate the relativities used by the Commonwealth Government to distribute GST revenue grants to achieve HFE. These Methodology reviews are undertaken approximately every five years and can have a large impact on a jurisdiction's share of GST revenue. The outcome of the 2020 Review resulted in a reduction in South Australia's relativity and share of GST revenue. The outcome of the 2020 Review will generally form the basis of methods used by the CGC until the 2025 Review.

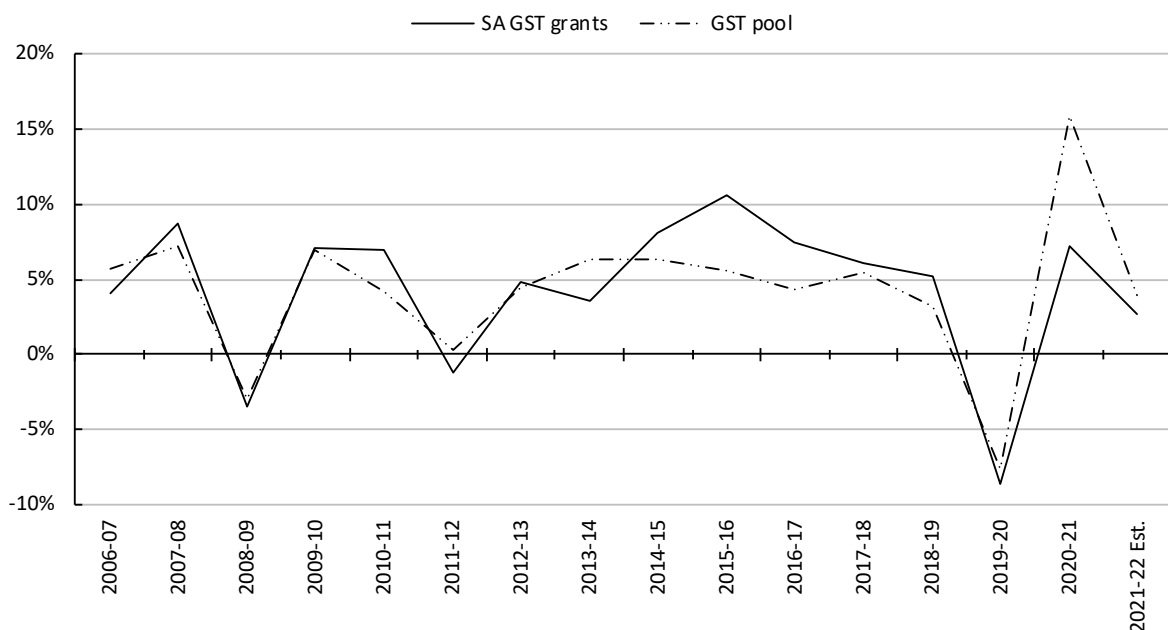
Between methodology reviews, the CGC updates the GST relativities annually to incorporate changes in state circumstances as reflected by the latest available social, demographic and economic data. While the CGC's desire to improve data and data sources wherever possible is appropriate, this can lead to large changes in annual relativities. The relativities are particularly sensitive to fluctuations in the value of mining output, variations in Commonwealth Government payments between states and differential growth rates in conveyance duty receipts.

Figure 6.2 demonstrates the volatility in annual growth for the GST pool and South Australia's GST revenue grants over the past 10 years. In 2019-20, the national GST pool fell by 7.6 per cent reflecting the impact of COVID-19 on the national economy. National GST collections rebounded strongly in 2020-21 reflecting strength in consumer spending and are forecast to increase by 15.8 per cent in this year. South Australia's estimated GST revenue in 2020-21 is expected to vary from growth in the national GST pool reflecting a change in the state's share of the pool. In 2020-21, South Australia's GST grants are estimated to rise by 7.2 per cent compared to an increase of 15.8 per cent in the national GST pool.

While national GST pool estimates included in the Commonwealth's 2021-22 Budget are higher than pre-COVID-19 forecasts in its 2019-20 Mid-Year Economic and Fiscal Outlook, South Australia's GST revenue grants are projected to be lower across the forward estimates compared to pre-COVID-19 levels (e.g. 2019-20 Mid-Year Budget Review (MYBR) estimates). This reflects that South Australia's share of the GST pool has declined since the 2019-20 MYBR primarily due to the CGC's 2020 Review which determined a reduction in the state's grant share from 10.1 per cent in 2019-20 to 9.4 per cent in 2020-21.

In 2021-22, it is expected that South Australia's GST revenue grants will increase more in line with the national GST pool.

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



Impact: A 0.01 change in South Australia's relativity (from the 2021 update relativity of 1.34719) would result in a change in GST revenue grants of about \$45 million in 2021-22.

Commonwealth payments for specific purposes

Commonwealth-state funding arrangements are governed by Commonwealth Government legislation or the Intergovernmental Agreement on Federal Financial Relations (the IGA) agreed to by the former Council of Australian Governments (COAG) in December 2008.

Payments for specific purposes can either be ongoing tied grants or time-limited National Partnership payments (NPPs) and Project Agreements (PAs).

Commonwealth Government legislative arrangements prescribe National Health Reform funding, Quality Schools funding and National Housing and Homelessness funding. Ongoing disability funding for states and territories is now provided directly to the National Disability Insurance Agency (NDIA) following the introduction of the National Disability Insurance Scheme (NDIS). The IGA governs the Skills and Workforce Development Specific Purpose Payment.

NPPs and PAs are time-limited payments to the states to support the delivery of specified projects or to facilitate or reward the implementation of reforms of national importance. NPPs and PAs are allocated to one of five sectoral agreements known as Federation Funding Agreements (FFAs). FFAs cover the areas of health, education and skills, environment, infrastructure and a residual agreement which incorporates affordable housing, community services and all other services. There is an ongoing risk that the Commonwealth Government will cease NPP and PA funding at the expiry of each agreement. States and territories are currently engaging with the Commonwealth Government to improve agreement expiry processes in order to deliver greater funding certainty. State governments are currently negotiating a new National Skills agreement and a Mental Health and Suicide Prevention agreement.

Impact: Commonwealth payments for specific purposes account for about 23 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 change in contributions to the general government sector from PNFCs and PFCs would impact revenue by approximately \$2.0 million per annum.

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.

While the vaccine roll out program is occurring in 2021, there remains significant uncertainty as to the impacts COVID-19 will have on the community and on the public health system.

On 13 March 2020 jurisdictions signed a National Partnership Agreement on COVID-19 Response. Under this agreement the Commonwealth provides a 50 per cent contribution for costs relating to COVID-19 activity undertaken by State public health systems for the management of the outbreak. The Commonwealth has also agreed to specific funding arrangements for the vaccine roll out.

The government continues to implement a number of strategies to ensure that health services and infrastructure are provided for the South Australian community to deliver quality health outcomes efficiently.

Changes to Commonwealth funding for health also significantly affect the state government's capacity to provide resources to the health system. The current National Health Reform Agreement outlines the Commonwealth's commitment to continue current activity based funding arrangements to the states from 1 July 2020 to 30 June 2025, as well as introducing six long-term health reforms.

Impact: A 1.0 per cent growth in hospital expenditure above the level incorporated in the 2021–22 Budget would increase expenditure by approximately \$64 million per annum.

Student enrolment numbers

The budget includes an 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 2021-22 Budget would increase expenditure by approximately \$24 million per annum.

Growth in children and young people in care

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

Impact: Depending on the mix of care types, a 1.0 per cent growth in children and young people in care above the levels incorporated in the 2021-22 Budget would increase expenditure by approximately \$5.4 million per annum.

Disability

The state has been in the full National Disability Insurance Scheme (NDIS) since 2019-20. Under this arrangement the state meets disability support costs through an annual fixed contribution (indexed) to the NDIS. Any growth in costs above this contribution will be met by the Commonwealth Government.

It is important that the National Disability Insurance Agency (NDIA) provides appropriate packages to NDIS clients and that they are able to utilise appropriate services to ensure they receive quality care and support. The State Government is working closely with the NDIA and the Commonwealth Government to ensure the NDIS is as effective as possible.

Under the NDIS, disability service providers, including government run/owned providers need to meet NDIS service requirements and will only receive revenue in line with the NDIS arrangements. To achieve this, South Australia has moved a number of Department of Human Services (DHS) run services to the non-government sector. For DHS-run accommodation services it will be important to continue to realign relevant services to meet the NDIA requirements. Impacts arising from this continue to require careful management.

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 2021-22 Budget.

The outcomes of future wage negotiations will be crucial in determining whether expenditure in the forward estimates in this budget can be achieved and the level of government services that can be delivered.

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 \$371 million in 2024-25.

Delivery of savings and revenue measures

In addition to the new savings measures introduced in recent budgets, agency budgets include 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.

With the exception of the Department of Health and Wellbeing, agencies have to date generally achieved these efficiency savings requirements and will be required to continue to find efficiencies to deliver future savings. The Department of Health and Wellbeing has been provided with substantial additional resources as part of the 2021-22 Budget to reprofile its savings requirement over the forward estimates but will still be required to identify efficiencies to achieve the national efficient price for hospital services by 2024-25.

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 \$182 million in 2021-22 rising to \$249 million in 2024-25.

A 1.0 percentage point move in interest rates applying to the PNFC sector net debt would change its net interest expense by approximately \$80 million in 2021-22. This could affect prices for services delivered to customers as well as contributions provided by the general government sector to PNFCs.

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 their operations. Foreign exchange risks may arise through procurements involving imported goods and services, the sale of goods and services, or any other financial transaction or exchange of obligations and liabilities, actual, potential or contingent, that involves an exposure to foreign currency.

Public authorities are required to make an assessment of their foreign currency exposures, and where the exposure is likely to exceed \$250 000 they are to implement an appropriate hedging strategy, which could include obtaining forward foreign exchange cover.

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 \$34 million in 2021-22.

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 \$69 million. An increase in unfunded superannuation liabilities of this magnitude would increase nominal superannuation interest expenses, reducing the net operating balance by around \$1.3 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 \$2.4 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 \$77 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 \$2.0 billion and increase the imputed interest and reduce the net operating balance by \$42 million.

Change in domestic and overseas share prices

Funds SA, ReturnToWorkSA 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 managed directly or indirectly by Funds SA.

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 income tax equivalent and dividend contributions.

Insurance

Risks associated with insurance liabilities are managed by SAFA and are described in Chapter 4.

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 2020.

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)

	2019	2020
Guarantees	861	920
Nyrstar indemnity	262	—
Other	121	100
Total	1 244	1 020

Note: Totals may not add due to rounding

Final whole of government data for 2020-21 will be published in the Consolidated Financial Report as at 30 June 2021.

The information below provides 30 June 2020 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.

Contingent liabilities

- 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: \$861 million at 30 June 2020 (compared with \$803 million at 30 June 2019).

- 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 remote.

Exposure: Not quantifiable (unchanged from 30 June 2019).

- Port Pirie smelter upgrade — the government had previously indemnified 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.

On 31 July 2019, Nyrstar's capital restructuring was completed with Trafigura Group Private Limited becoming the 98 per cent owner of Nyrstar's operating business. On 28 November 2019, Trafigura repaid the total \$262 million outstanding under the financing arrangement.

Exposure: Nil at 30 June 2020 (compared with \$262 million at 30 June 2019).

- 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 2020 (unchanged from 30 June 2019).

- 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 Authority (SAHA) ultimately pays for any bond claims made by owners/agents and the tenant becomes liable to the SAHA for any amount paid. The value of bond guarantees as at 30 June 2020 was \$59 million with the value of claims made during 2019-20 at \$8 million.

Exposure: \$59 million at 30 June 2020 (compared with \$57 million at 30 June 2019).

- Future Jobs Fund — the previous government of South Australia established a Future Jobs Fund. The Fund provided grants and loans to non-government entities intended to create ongoing jobs in a range of sectors. The Fund is now closed to new applicants. Provision of loans and grants from the Fund has been contingent upon applicants meeting their obligations and performance milestones.

Exposure: \$16.8 million of undrawn loans and grants from the Fund at 31 May 2021 (compared with \$18 million at 30 June 2020).

- Economic Investment Fund — the previous government of South Australia established an Economic Investment Fund that was managed by the Investment Attraction Agency. The functions of the Investment Attraction Agency were incorporated into the Department for Trade and Investment in July 2018. The Fund provided grants and loans to non-government entities intended to support new investment in South Australia to deliver significant strategic and economic benefits for the State through the attraction of projects in key target industries. The Fund is now closed to new applicants. Provision of grants and loans from the Fund has been contingent upon applicants meeting their obligations and performance milestones.

Exposure: \$10.3 million of undrawn grants and loans from the Fund at 31 May 2021 (compared with \$29 million at 30 June 2020).

Other exposures

- Electricity entities — as part of the 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: \$983 million at 30 June 2020 (compared with \$1.1 billion at 30 June 2019).

- 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: \$106.9 million at 31 May 2021 (compared with \$123.5 million at 30 June 2020)

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

Context

The global economic recovery is gaining strength, notwithstanding new variants of the coronavirus and subsequent waves striking some nations. The commencement of the rollout of vaccinations has contributed to an improvement in business and consumer sentiment.

Following a 3.3 per cent contraction in the world economy in 2020, the International Monetary Fund (IMF), in its April 2021 World Economic Outlook, has forecast global economic growth of 6 per cent in 2021. Advanced economies are forecast to grow by 5.1 per cent in 2021, while emerging market and developing economies are expected to grow by 6.7 per cent.

Australia's economic recovery has been stronger and faster than had been originally anticipated. However, sectors such as tourism and international education continue to be affected by Australia's international border restrictions.

South Australia's economic performance and outlook

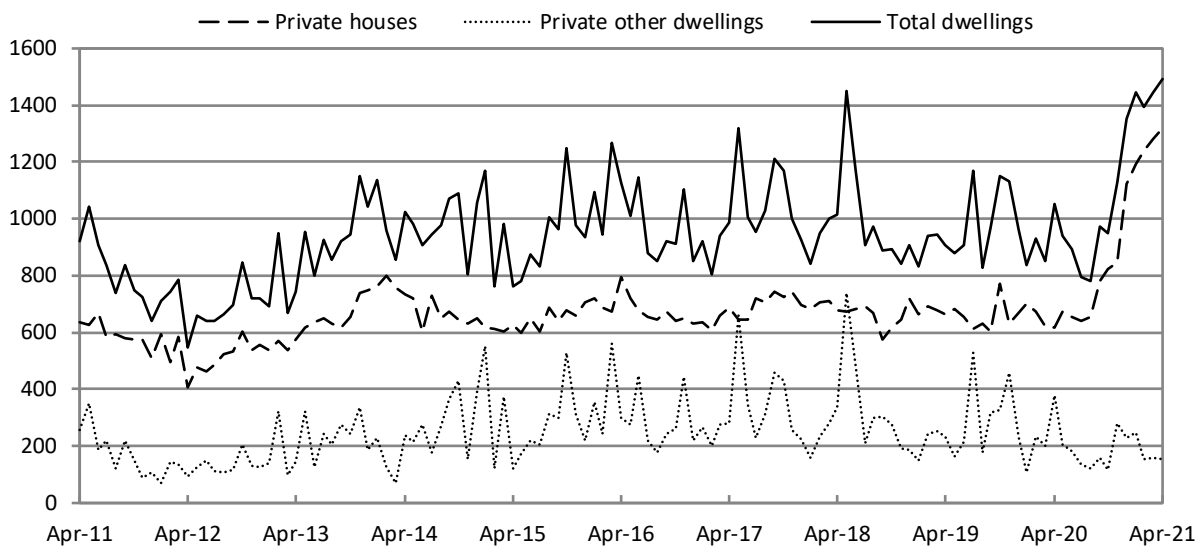
Aided by the easing of restrictions from the end of June 2020, South Australia's economy has rebounded strongly from the COVID-19 induced lows in the first half of 2020, supported by significant federal and state stimulus spending. Following a 1.4 per cent contraction in 2019-20, real GSP is estimated to grow by 2¼ per cent in 2020-21, accelerating to forecast growth of 3½ per cent in 2021-22.

State Final Demand (SFD), a measure of total spending in the South Australian economy by households, business and governments, is estimated to rise by 2¾ per cent in 2020-21, underpinned by growth in public investment and a strong recovery in household consumption. Retail turnover in South Australia has recovered from the COVID-19 induced trough. Real retail turnover was 3.0 per cent higher in the March quarter 2021, compared with the corresponding period in 2020.

The impact of the COVID-19 pandemic has been felt differently across the state economy. While tourism-related sectors such as transport, accommodation and food services were particularly affected by closed international borders and capacity limits in venues, recovery in these industries is expected to be supported by further easing of restrictions and the uptake of the COVID-19 vaccine across Australia and internationally. Current international border restrictions are assumed to ease progressively from June 2022.

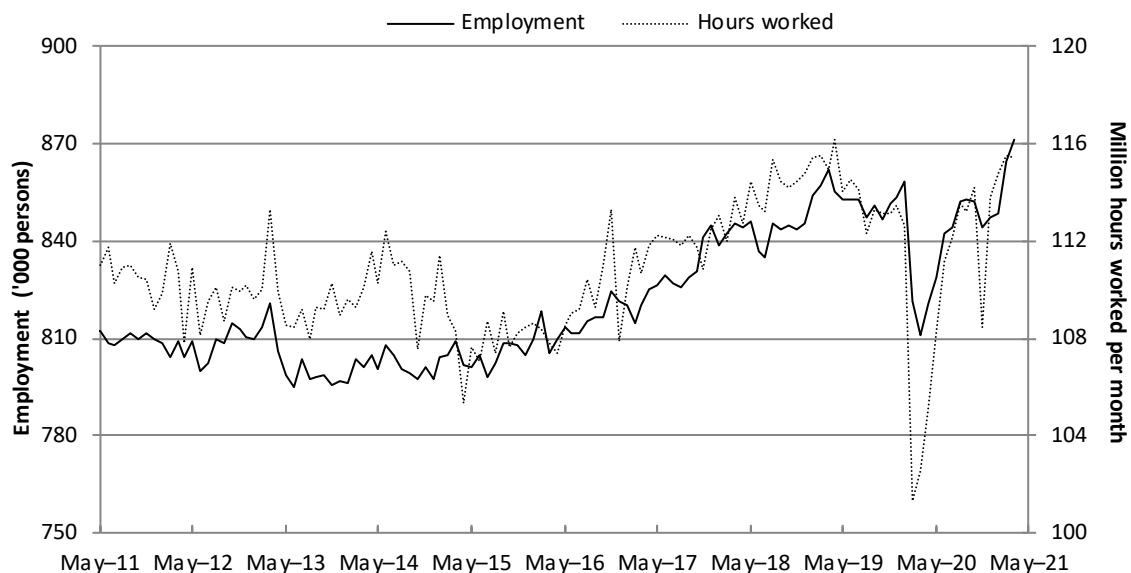
The Reserve Bank of Australia reports in its Statement on Monetary Policy (May 2021) that business investment in machinery and equipment has been "responsive to tax incentives and has begun to recover sooner than earlier expected" and that the improvement in surveyed business conditions, high prices for commodities and low interest rates should all combine to help business investment recover. Encouragingly, private investment has started to pick up. South Australia recorded a 1.8 per cent rise in business machinery and equipment investment in the March quarter, following a 14 per cent rise in the previous quarter. Investment in private non-dwelling construction also recorded growth in the quarter, rising by 6.4 per cent, following two quarters of decline.

The residential construction sector is performing very strongly, supported by the Commonwealth Government's HomeBuilder scheme, as well as South Australian Government programs including the \$400 million Affordable Housing Program. South Australians have submitted 13 923 applications for HomeBuilder grants, the highest per capita rate of all the states and territories. Approvals for private houses in South Australia increased by 113 per cent through the year to April 2021, to be at a record high level (see Figure 7.1). A healthy pipeline of construction work is likely to continue to support the residential construction industry for the short and medium term.

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

Source: ABS Building Approvals, Australia (published 1 June 2021).

Employment in South Australia recovered swiftly after the trough in May 2020. While labour force survey data showed some moderation in employment from January to March 2021, this was offset by significant growth in April and May, bringing employment to its highest level on record. The number of jobs reported through the Australian Tax Office's single touch payroll system also show strong growth over the past year. Consistent with the strength in employment growth, hours worked have risen by 13 per cent in the year to May 2021 (see Figure 7.2). In the May 2021 preliminary data, internet job vacancies across South Australia were 151 per cent higher than in May 2020 (in seasonally adjusted terms), indicating strengthening jobs growth in coming months. Employment is forecast to grow by 1 per cent in 2020-21 and by 2 per cent in 2021-22.

Figure 7.2: South Australian employment and hours worked, monthly, seasonally adjusted

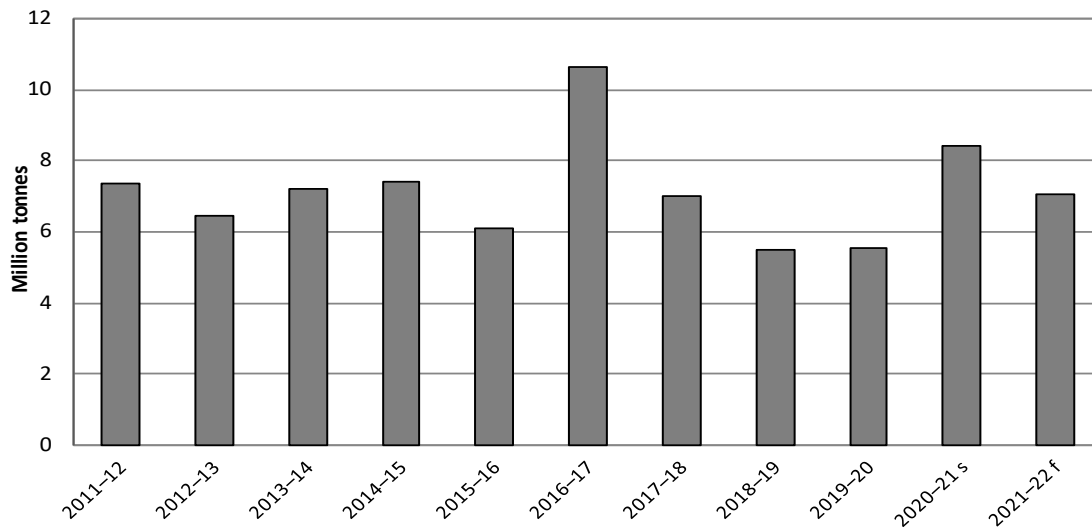
Source: ABS Labour Force, Australia (published 17 June 2021).

South Australia's seasonally adjusted unemployment rate was 5.8 per cent in May 2021, down significantly from the recent high of 8.7 per cent recorded in June 2020.

GSP growth in 2020-21 will also be boosted by a significant increase in the winter grain crop. The Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES) estimate for South Australia's 2020-21 winter crop production is 8.4 million tonnes, 52 per cent higher than the 2019-20 winter crop, reflecting much

improved seasonal conditions (see Figure 7.3). ABARES initial forecast for South Australia's 2021-22 winter crop production is 7.1 million tonnes, 16 per cent lower than the 2020-21 winter crop.

Figure 7.3: South Australia's winter crop production

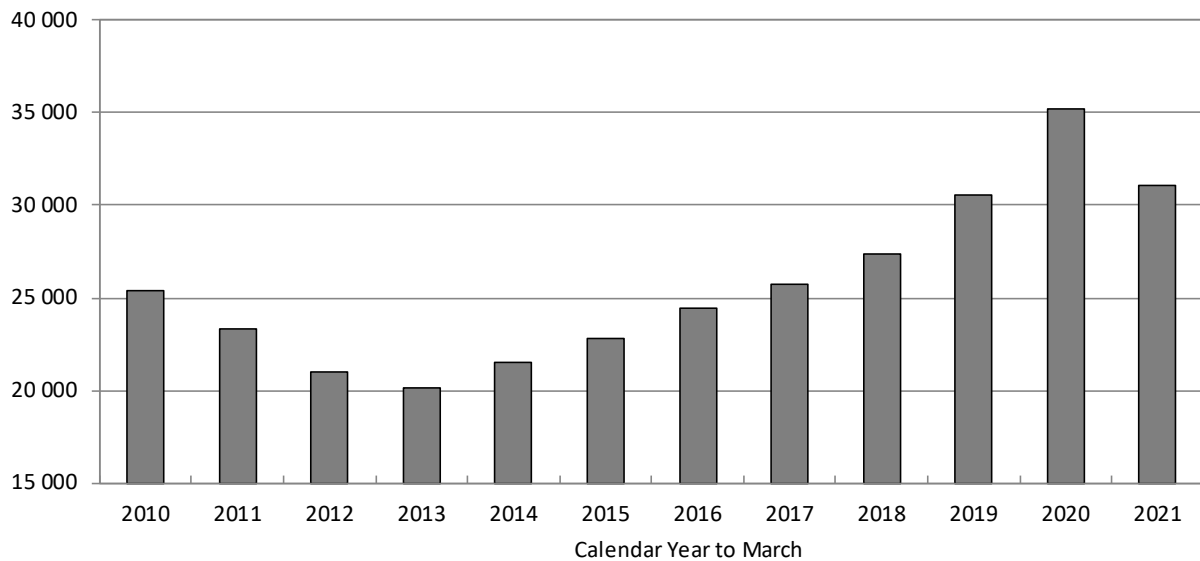


Source: Australian Bureau of Agricultural and Resource Economics and Sciences (ABARES), *Australian Crop Report*, (published 8 June 2021).
s denotes ABARES estimate; f denotes ABARES forecast

The value of South Australia's overseas goods exports was 15 per cent higher in the year to April 2021 than in the previous twelve months. Export commodities recording value growth included iron ore and concentrates, wheat, refined copper and copper products and barley.

While goods exports have been showing improvement, services exports continue to be affected by international border restrictions. International student enrolments in the year to March 2021 were 12 per cent lower than for the same period in the previous year (see Figure 7.4), and international student commencements (i.e. new course enrolments) were down by 33 per cent.

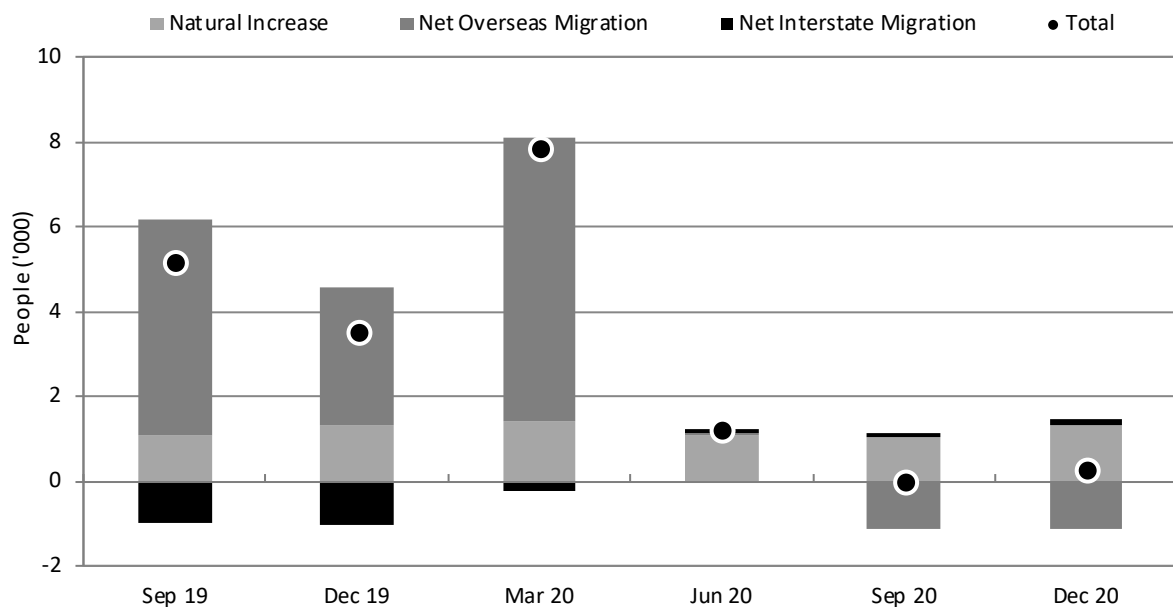
Not surprisingly, with borders largely shut, international tourism data shows a 78 per cent decline in the number of visitors in calendar year 2020 compared with 2019, with international tourism spend down by an estimated \$926 million (77 per cent). With international travel largely restricted, government efforts to support the local tourism industry have seen interstate and intrastate visitor numbers being supported. In March 2021 compared to two years earlier, domestic overnight tourism spend was up by 11 per cent state-wide, and up 70 per cent in regional South Australia. Average monthly room nights demanded in April 2020 were 80 per cent lower than the same month in 2019 (pre-COVID), but by April 2021 had recovered to be just 7 per cent lower than in April 2019.

Figure 7.4: International student enrolments, South Australia

Source: Department of Education, Skills and Employment, *International Student Data* (published May 2021).

Wages in South Australia have continued to grow at subdued rates, as is the case both nationally and internationally. South Australian wages grew by 1.6 per cent through the year to the March quarter 2021, slightly higher than national growth of 1.5 per cent. The Reserve Bank of Australia expects the pace of wage growth across Australia to edge only moderately higher to around 2¼ per cent per annum by June 2023.

In calendar year 2020, South Australia's estimated resident population grew by 9400 (0.5 per cent) — the same as growth nationally — to be 1.8 million persons. Contributing to South Australia's population growth in 2020 were net overseas migration (4400), natural increase (4900) and net interstate migration (100) (see Figure 7.5).

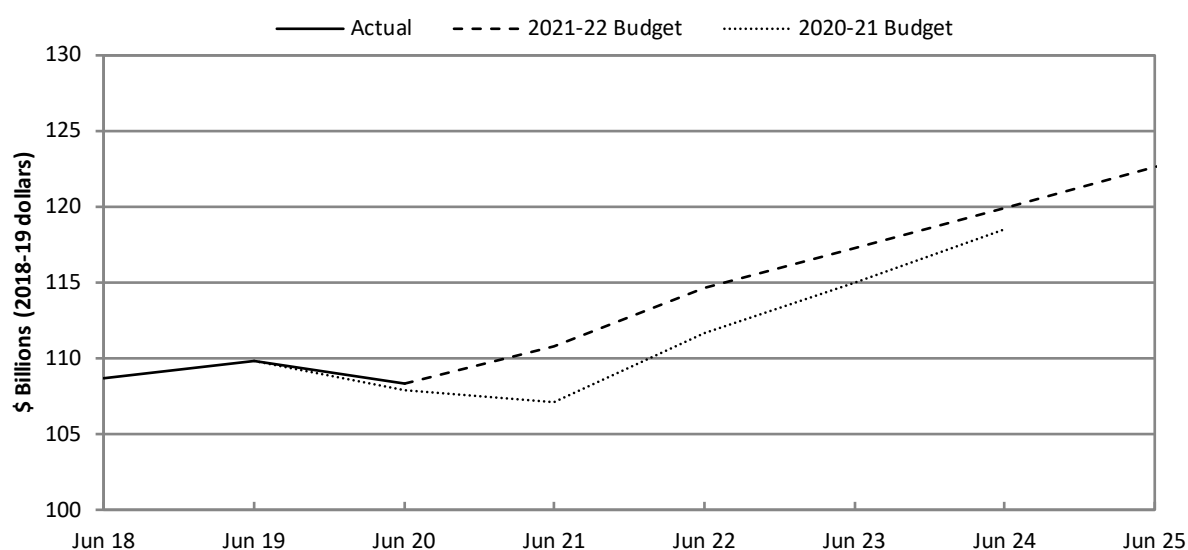
Figure 7.5: Components of South Australian Population Change ('000s)

Source: ABS *National, state and territory population* (published 17 June 2021).

The strong rebound in South Australia's economy following COVID-19 shutdowns has resulted in upward revisions to forecasts since the 2020-21 Budget was released in November 2020. While GSP had been expected to show a ¼ per cent contraction in 2020-21, the expectation now is that GSP will grow by 2¼ per cent in 2020-21 accelerating to 3½ per cent in 2021-22 (see Figure 7.6).

Forecasts and projections for South Australia from 2021-22 onwards take into consideration the expected performance of the international, national and state economies over the short to medium term. Uncertainty remains around the timing and pace of recovery from the COVID-19 pandemic, both in Australia and globally, particularly in light of new variants. In formulating the 2021-22 Budget it has been assumed that there are no further significant domestic COVID-19 outbreaks, and that those that do occur are effectively contained; international students will commence returning in early 2022, and international border restrictions will progressively ease from mid-2022. The South Australian economy will continue to be supported by public sector investment in transport projects, including the remaining sections of the North-South Corridor and the Gawler Line electrification, and by private sector investment (including the redevelopment of the Adelaide Festival Plaza and the Adelaide airport terminal expansion) and in the medium to longer term, by mining and defence naval shipbuilding (future frigates and submarines). South Australia's GSP is forecast to grow by 3½ per cent in 2021-22.

Figure 7.6: Gross State Product (GSP) forecasts, South Australia, chain volume



Source: Department of Treasury and Finance and ABS (2019-20) *Australian National Accounts: State Accounts* (published 20 November 2020).

Economic forecasts

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

	2019-20 Actual	2020-21 Estimate	2021-22 Forecast	2022-23 Projection	2023-24 Projection	2024-25 Projection
Australia^(a)						
Gross Domestic Product (GDP)	-0.2	1¼	4¼	2½	2¼	2½
South Australia						
Gross State Product (GSP)	-1.4	2¼	3½	2¼	2¼	2¼
State Final Demand (SFD)	-2.1	2¾	3½	2¼	2¼	2¼
Employment	-0.5	1	2	1¼	1¼	1¼
Adelaide Consumer Price Index (CPI)	1.8	1½	1¾	1¾	2	2½

(a) Australian forecasts from Commonwealth Government's 2021-22 Budget, Budget Strategy and Outlook, Budget Paper No.1.

Chapter 8: Regional South Australia

Overview

This chapter provides information about the programs, initiatives and investing expenditure in the 2021-22 Budget for regional South Australia.

The Government of South Australia recognises that South Australia's regions are crucial for the future prosperity of our state. Regional South Australia contributes around \$29 billion to the state's economy, just over one quarter of our Gross State Product (GSP). Over 180 000 people are employed in regional South Australia in roles across agriculture, forestry, health, community support services, tourism, retail and construction.

Around 22.7 per cent of the Government of South Australia's employees (approximately 20 366 full-time equivalents or FTEs) are based in regional South Australia, including in the Unincorporated Lands.

South Australia's regions faced unprecedented challenges in 2020, from drought to major bushfires to the global pandemic. The 2020-21 Budget included new measures for our regions totalling \$1.6 billion over the forward estimates to support our regions as they seek to recover socially and economically. The Government of South Australia's stimulus package has provided significant support to the regions and has helped minimise the impact of COVID-19 restrictions where possible. The measures in this budget are intended to continue to support jobs and economic growth in the regions as well as provide key regional and community infrastructure.

The 2021-22 Budget includes \$875.7 million in new measures over the forward estimates supporting South Australia's regions, bringing the total over the last two budgets to \$2.5 billion. Major initiatives in this budget include:

- \$786.4 million over the forward estimates for regional transport improvements, including in partnership with the Commonwealth Government for major upgrades to regional roads and highways. Most significantly, this includes:
 - \$202 million over three years to construct a bypass of the Truro Township and upgrades to Accommodation Hill on the Sturt Highway
 - \$180 million to complete the next stage of the duplication of the Augusta Highway from near Nantawarra to Lochiel which will result in the corridor being fully duplicated from Adelaide through Port Wakefield to Lochiel
 - \$105 million to undertake additional road safety works under the Road Safety Package, bringing the total funding to \$315 million
 - \$80 million additional funding to seal the Strzelecki Track, bringing the total funding to \$215 million
 - \$60 million to undertake further work on the Heysen Tunnels, bringing the total project to \$75 million
 - \$40 million for upgrades to key Kangaroo Island road corridors that will improve tourism routes, enhance bushfire resilience, and improve freight access to ports
 - \$36 million to refurbish the old Murray Bridge
 - \$34.5 million additional funding to complete the Port Wakefield Overpass, bringing the total funding to \$124.5 million
- \$33.3 million over two years (including \$9 million in regions) additional investment for significant fruit fly eradication measures following outbreaks in metropolitan Adelaide and the Riverland, attempting to protect our fruit growing industry in the regions
- \$8.3 million over two years for a range of initiatives to encourage the mobilisation of a seasonal workforce to address labour shortages facing regional employers in key sectors affected by COVID-19, including the \$14.1 billion primary industries sector

- \$7.7 million to support the ongoing management, support and maintenance of the Automatic Vehicle Location System, which provides real-time location information of firefighting and other emergency response vehicles during incidents
- \$6 million to complete the business case, and to acquire land and commence early works on the development of a new public hospital in the Barossa
- \$5.5 million over two years to accelerate capital projects at government schools and preschools, including the replacement of existing learning areas at Eastern Fleurieu R-12 School at the Langhorne Creek campus due to ongoing building condition issues and the relocation of the Elliston RSL Memorial Children’s Centre to the Elliston Area School.

The Regional Growth Fund continues to be supported in this budget with the annual \$15 million that will work with business and the community to support measures to unlock new economic activity and create jobs in our regions.

The Mobile Phone Black Spots Fund launched in 2018-19 continues to leverage Commonwealth Government and telecommunication provider funding to improve digital connectivity in regional areas.

The Regional Roads and Infrastructure Fund continues to ensure there is a dedicated funding stream allocated to finance road upgrades and other critical infrastructure in the regions.

The Government of South Australia is committed to investing in regional infrastructure, with expenditure on projects either underway or commencing in 2021-22 totalling over \$4.1 billion.

In addition to the continuing upgrade of our regional road network, the 2021-21 capital program also includes, most significantly, \$115.7 million in capital upgrades to regional schools and kindergartens, close to \$100 million in environment and water conservation projects in our regions, and \$46.7 million in improvement works in our country hospitals and health services.

Regional Development Programs

Regional Growth Fund

The Regional Growth Fund was established in 2018 with the aim of unlocking new economic activity in our regions, delivering critical economic infrastructure to create direct benefits across regional industries, and strengthening regional communities.

Through the Regional Growth Fund, the Government of South Australia has allocated \$150 million over 10 years to support regional South Australia as part of the Recharging our Regions policy.

The COVID-19 pandemic highlighted the need for strategic assistance to rebuild the South Australian economy. Through a once-off \$15 million Regional Growth Fund Strategic Business Round 2020, the Government of South Australia sought to unlock business investment to jump-start regional economies by supporting shovel ready projects to drive new or enhanced economic activity. This special round was heavily oversubscribed, bearing out the need for investment to assist regional South Australia to rebuild a strong economy, create job opportunities and directly support businesses. Consequently, an additional \$10 million was provided in the last budget, bringing the total Regional Growth Fund Strategic Business Round to a once off \$25 million.

In 2020-21, more than \$27 million has been committed to support projects through the Regional Growth Fund, with total project investment of over \$180 million. Projects include:

- \$2 million to Timberlink Australia for the construction of Australia’s first combined Cross Laminated Timber and Glue Laminated Timber manufacturing plant in Tarpeena to replace imports and support faster adoption of carbon positive renewable mass timber construction, replacing steel and concrete in mid- and high-rise construction
- \$2 million to Beston Pure Dairies to accelerate its lactoferrin plant expansion and establish a bio-protein research cluster at Jervois in the Murraylands

- \$2 million to McMahon Services Australia Pty Ltd for the construction and operation of the Port Pirie Resource Recovery Facility
- \$2 million to Australian Grain Export for the construction of a high-tech cleaning, splitting, sizing and bagging plant in Dublin for value-adding to pulses
- \$2 million to Parilla Premium Potatoes to establish a new potato washing and packing facility in Parilla
- \$1.065 million to Yalumba Wine Company to establish a high-health grapevine germplasm collection and field nursery, primarily based at Cadell in the Riverland with a small part in the Barossa Valley, which will assist in fulfilling ongoing supply of the highest quality and most genetically optimal grapevines to the future Australian viticulture industry
- \$440 000 to SABOR Limited to expand and provide an enhanced biosecurity facility in Clare to house boars, which will enable growth in the Australian pig industry and develop greater commercial productivity and exports
- \$437 795 to Kangaroo Island Free Range Eggs Pty Ltd at Haines on Kangaroo Island for the construction of new production facilities with three temperature-controlled areas, dry storage, packaging area and new transport loading areas
- \$400 000 to Yumbah Hatchery Pty Ltd, located at Point Boston near Port Lincoln on the Eyre Peninsula, to establish a 'spat bank' to future-proof oyster spat supply and selective breeding programs
- \$395 743 to the Woodhouse Activity Centre for the expansion and fire protection as a last resort bushfire refuge of its Centre at Piccadilly in the Adelaide Hills
- \$125 000 to the District Council of Karoonda East Murray to fast-track power and water installation at the Karoonda business industrial park, the Karoonda Business Growth Precinct
- \$88 670 to AJ Forster Pty Ltd (South East Pine Sales) based near Mount Gambier on the Limestone Coast for the installation of an automated biomass steam generation plant for wood drying.

Mobile Phone Black Spot Fund

The Government of South Australia recognises that digital connectivity is a key enabler to assist development of sustainable regional communities and drive healthy economies. To support this priority, the Government of South Australia established a \$10 million Mobile Phone Black Spot Fund to address mobile phone black spots across the state. The aim of the Fund is to work with the Commonwealth Government and telecommunications providers to maximise the impact of the state's investment to address the worst mobile phone black spots in regional and remote South Australia.

The Mobile Phone Black Spot Fund has contributed directly to addressing 42 mobile phone black spot locations in regional South Australia, which are part of the 51 mobile coverage solutions that have been funded with State and Commonwealth Government contributions since March 2018. This outcome represents a total state investment of over \$7.7 million in mobile infrastructure in regional and remote South Australia. In addition, \$1.0 million from the Fund has been committed to the Wudinna Switch Up Project, which has leveraged funding from the Commonwealth Government's Regional Connectivity Program, to upgrade broadband connection to the community. The outcomes of the latest Round 5A of the Commonwealth Government's Mobile Black Spot Program are scheduled to be announced in June 2021.

South Australia will continue to partner with telecommunications providers in an ongoing commitment to improve mobile coverage through future rounds of the Commonwealth Government's Mobile Black Spot Program.

Regional Development Strategy

In April 2021, the Government of South Australia launched its first Regional Development Strategy aimed at shaping the way government engages with our regions in fostering economic development and growth. The Strategy is the result of extensive community and stakeholder consultation, and further consideration following the impact of bushfires, COVID-19 and prolonged drought on regional and rural parts of the state. A new Our Regions Matter website supports the strategy and raises awareness of government investments in regional South Australia.

Implementation of the Regional Development Strategy will be led by a Steering Committee that will meet biannually to seek input, advice and support, as well as identify new priorities and future opportunities over time which can be realised through collaboration between regional communities and government. The Steering Committee will be made up of representatives from government agencies with a regional service remit, Regional Development Australia associations, and South Australian Regional Organisation of Councils.

Regional Roads and Infrastructure Fund

The Regional Roads and Infrastructure Fund (RRIF) was established in 2018-19. An estimated \$385 million is projected to be paid into the Fund over the four years from July 2021 to 30 June 2025, based on 30 per cent of anticipated mineral and petroleum royalty revenue over the same period. The RRIF is primarily for projects aimed at improving regional roads and infrastructure, including maintenance, and is critical in supporting regional communities, as well as enhancing transport economic productivity and links to relevant industries.

In 2021-22, the Department for Infrastructure and Transport will use the RRIF towards a number of projects including \$33 million towards ongoing road maintenance; \$2 million for rehabilitation and reseals; \$16 million for projects on outback roads; \$9 million stimulus projects largely for targeted road safety works; and a \$76 million state contribution towards projects funded in partnership with the Commonwealth Government. These projects will be undertaken on roads across a range of South Australian regions.

Regional economic conditions

The economic profile of South Australia's regions

The economic contribution of South Australia's non-metropolitan regions was around \$28.6 billion in 2019-20. This accounted for 26 per cent of the state's Gross State Product (GSP), which was \$110.6 billion (in current price terms).

The largest non-metropolitan regions in South Australia in terms of Gross Regional Product (GRP) are the Limestone Coast and the Murray and Mallee (both \$4.3 billion), while the smallest region is Fleurieu and Kangaroo Island (\$2.1 billion).

Table 8.1: Gross Regional Product (\$ million) — 2019-20

	Adelaide Metro Area	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	689	229	407	315	833	928	844	517	118
Mining	1 314	141	59	34	78	40	21	255	1 889
Manufacturing	5 133	211	478	98	311	315	423	175	96
Construction	5 769	269	228	183	273	254	283	228	162
Household services ^(a)	25 174	943	1 025	677	1 170	1 120	1 152	958	533
Business services ^(b)	18 639	482	472	282	390	441	472	366	192
Goods related services ^(c)	14 175	455	462	298	652	747	696	556	328

	Adelaide Metro Area	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
Public administration and safety	5 457	118	91	79	152	187	151	140	153
Net taxes in final demand and ownership	5 667	211	239	146	286	299	300	237	258
Gross Regional Product	82 018	3 059	3 462	2 112	4 145	4 332	4 342	3 431	3 729
Regional share of GSP (2019-20)	74.1%	2.8%	3.1%	1.9%	3.7%	3.9%	3.9%	3.1%	3.4%

Source: Based on ABS, Australian National Accounts: State Accounts, 2019-20; Census of Population and Housing, 2016.

Note: Totals may not add due to rounding.

- (a) Household services includes: accommodation and food services; education and training; health care and social assistance; arts and recreation services; ownership of dwellings; 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 508 800 persons as at 30 June 2020. The non-metropolitan population increased by 3 500 persons or 0.7 per cent from a year earlier and accounted for 29 per cent of the total state population of 1.8 million. The Adelaide metropolitan area had an estimated resident population of 1.3 million, which was 14 200 persons or 1.1 per cent higher than a year earlier. Regional population growth in South Australia has historically been below that of the metropolitan area and other states.

The population of the Adelaide Hills region recorded the highest percentage growth over the year to 30 June 2020 at 1.8 per cent followed by Fleurieu and Kangaroo Island at 1.6 per cent.

According to the Commonwealth Department of Education, Skills and Employment, the unemployment rate for South Australia's non-metropolitan regions averaged 6.5 per cent in the year to December 2020. This was below the Adelaide metropolitan area unemployment rate, which averaged 7.1 per cent. In the year to December 2020, the average unemployment rate was lowest in the Barossa, Light and Lower North region (4.8 per cent) and highest in the Far North region (9.0 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	1 261.6	45.9	7.1
Non-metro areas			
Adelaide Hills	77.9	2.7	6.1
Barossa, Light and Lower North	74.9	1.9	4.8
Fleurieu and Kangaroo Island	54.3	1.6	6.9
Yorke and Mid North	77.0	2.5	7.1
Murray and Mallee	73.1	2.9	8.3
Limestone Coast	67.4	1.9	5.4
Eyre and Western	56.9	1.9	6.7
Far North	27.3	1.3	9.0
Total non-metro	508.8	16.7	6.5

Source: ABS, Regional Population Growth, Australia, 2019-20; Commonwealth Department of Education, Skills and Employment, Small Area Labour Markets, December quarter 2020.

Note: Totals may not add due to rounding

	Estimated Resident Population ^(b) ('000)	Unemployment ^(c) ('000)	Unemployment Rate ^(c) (%)
(a)	Regional classifications are in accordance with Government of South Australia common regional boundaries.		
(b)	Estimated resident population is at the end of June 2020.		
(c)	Unemployment and unemployment rate estimates are averages for the year to December 2020.		

Agricultural and Mining Commodities

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

A comparison of the change in the value of production for selected agricultural sectors between 2018-19 and 2019-20 is provided in Table 8.3. In 2019-20, while the overall production value decreased, results across different sectors were mixed. Wool and seafood sectors were impacted by a fall in export demand caused by COVID-19 disruptions.

Table 8.3: Selected agricultural commodities, South Australia, Production Value, 2018-19 and 2019-20

	2018-19 \$m	2019-20 \$m	Change (%)
Field crops	2 446	2 410	-1.5
Horticulture	1 077	1 206	12.0
Livestock	1 986	2 080	4.7
Seafood	481	440	-8.5
Wine grapes	632	557	-11.9
Wool	708	469	-33.6
Dairy	234	262	11.6
Forestry	371	298	-19.7
Totals	7 935	7 722	-2.7

Sources: Primary Industries ScoreCard 2019-20, Department of Primary Industries and Regions, Government of South Australia 2020 and ABARES Forest and wood statistics (2020) at <www.agriculture.gov.au/sites/default/files/documents/afwps_tabular_datasets_2020_v1.0.0.xlsx>

Despite the challenges presented by drought, bushfires and the COVID-19 pandemic, South Australian farmers have shown immense resilience and continued to operate and produce the food and beverage products that ensure we have access to a secure and high-quality food supply. The sector also continues to provide the jobs and economic activity vital to the state's recovery from the COVID-19 pandemic.

In 2020-21, improved seasonal conditions saw a turnaround in farm financial performance from the drought-affected outcomes of recent years. In South Australia farm cash incomes are projected to increase by 1 per cent to \$246 000.

South Australia's 2020-21 crop harvest finished as the second most lucrative on record, reaching \$2.5 billion in farm gate value. The size of the crop harvest was the fourth largest on record, at 9.14 million tonnes. As a result, the financial performance of farms in the wheat and other crops industry in 2020-21 is expected to improve, with farm incomes projected to be \$334 000, around 4 per cent above the 10-year average to 2018-19 of \$322 000 per farm.

A comparison of the change in the sales value of production for South Australia's mineral and petroleum commodities between 2018-19 and 2019-20 is provided in Table 8.4. The sales value of mineral production increased in 2019-20 to reach a ten-year high due to higher commodity prices increasing the sales value of copper, iron ore and uranium, and record high gold sales. The decrease in petroleum value was due to the decline in world oil prices in 2019-20.

Table 8.4: Selected mineral and petroleum commodities, South Australia, Gross Value of Production (\$million), 2018-19 and 2019-20

	2018-19	2019-20
Minerals	4 780	5 390
Petroleum	1 658	1 533

Source: Department for Energy and Mining.

South Australia's Regional Economic Drivers

Many of South Australia's economic drivers are industries that form the backbone of regional South Australia, including:

- Primary industries
- Energy and mining
- Regional tourism

The Government of South Australia supports a range of initiatives that aim to strengthen and build these key sectors, particularly in regional areas.

Primary industries

South Australia's primary industries — agriculture, aquaculture, fisheries, food, wine and forestry industries — and agribusiness are a vital part of the state's economy, one of our largest export sectors and a major employer. In 2019-20, primary industries and agribusiness contributed \$14.1 billion to the state's economy (Gross State Product), supported 70 000 jobs and accounted for 51 per cent of the state's merchandise exports.

As part of the Government of South Australia's Growth State agenda, the Food, Wine and Agribusiness Growth State Sector Plan was released in November 2020. Primary Producers SA, the South Australian Wine Industry Association, and Food South Australia have led development of the sector plan in collaboration with the Government of South Australia. It demonstrates the government's commitment to partnering with industry to set growth targets and identify priorities for action. The plan sets an ambitious growth target of \$23 billion in revenue by 2030 from the baseline of \$15.2 billion in 2018-19. This will contribute to the Government of South Australia's Growth State target of increasing Gross State Product (GSP) to an average annual rate of 3 per cent.

The Government of South Australia, through the Department of Primary Industries and Regions (PIRSA), delivers key programs and initiatives to protect and grow South Australia's primary industries including:

- COVID-19 Response — PIRSA has worked closely with South Australia Police and the Department of Health and Wellbeing to ensure primary industry sectors are considered an essential service and to maintain continuity of the transport and food supply chain despite frequent changes to border closures to states and hotspot areas considered high risk. PIRSA's response to COVID-19 has included frequent email updates to industry and regular industry meetings; responding to industry queries/issues; various industry, government and jurisdictional meetings to address border restrictions issues in particular; COVID-19 website information hub; and an industry toolkit. This has included tailored advice and assistance to the tuna, shearing, forestry, apiculture and meat processing industries. A particular focus has been PIRSA's work with industries to enable them to access the seasonal workforce they need while complying with Commonwealth and State Government border controls. A campaign to attract workforce to the regions was also undertaken through various online and media channels.
 - The Government of South Australia has established a Regional Quarantine Facility in the Riverland for workers under the Commonwealth Seasonal Worker Programme and Pacific Labour Scheme. This facility, managed in accordance with South Australia's existing medi-hotel processes, will enable the quarantine of around 810 low risk arrivals from Pacific Island countries to fill seasonal harvest vacancies that support the \$14.1 billion primary industries sector, including for the upcoming citrus harvest. While

these workers are critical to ensuring the ongoing economic future of the state's primary production sector, protecting the safety of people in the region has been at the forefront of the facility's planning.

- **Fruit Fly Response** — Each year, the Government of South Australia invests significant resources to protect South Australia's susceptible industries, worth around \$1.3 billion annually, from infestation by fruit fly. Five outbreaks of Queensland fruit fly are currently being managed in the Riverland at Renmark West, Monash, Coober Pedy, Berri and Pike River. Over 300 Adelaide suburbs are in quarantine due to Mediterranean and Queensland fruit fly outbreaks in the metropolitan area. More than 450 staff in both outbreak zones are on the front line of the eradication response liaising with the community, baiting and trapping, and managing the release of sterile fruit flies. PIRSA's Family and Business Support (FaBS) mentors have been made available to support affected producers. The estimated cost of the response in 2020-21 is \$27.4 million, with a further \$16 million of costs expected in 2021-22. Additional measures to protect the Riverland from fruit fly include the application of a zero tolerance approach to fruit fly host produce at the Yamba quarantine station, which costs approximately \$1 million per year over normal Yamba operating expenses. This is supported by a Seasonal Random Roadblock Program at a cost of \$240 000 annually, with the majority of the roadblocks conducted at Blanchetown.
- **Drought Response** — The Government of South Australia continues to provide immediate financial relief and extra assistance to South Australia's drought-affected primary producers, as well as regional and rural communities, through the \$21 million Drought Support Program. Some initiatives include:
 - The FaBS Mentors Program, which received increased funding to \$1.69 million under the revised Drought Support Program made available in March 2020, has supported 203 drought-affected clients since program commencement and is currently supporting 45 clients in 2020-21.
 - The Council Rate Rebate Scheme has approved 530 rebate applications to end of May 2021, valued at \$1.9 million.
 - Through the Pastoral Lease Rent Rebate Scheme, 50 per cent rent rebates have been provided to 98.6 per cent of lease holders (217 leases) to end of May 2021, valued at \$792 000.
 - The Government of South Australia is currently formalising arrangements with the Commonwealth Government to participate in an expanded On-Farm Emergency Water Infrastructure Rebate Scheme for 2021-22, which includes upgrades to existing water infrastructure (e.g. repairs to windmills, bores, etc). To end of May 2021, the South Australian Scheme has approved 936 applications valued at \$12.5 million.
 - The \$330 000 Drought Community Events Grants Program provides grants of up to \$10 000 for drought-affected communities to hold activities, events and functions aimed at helping these communities maintain their wellbeing and build resilience. To end of May 2021, 54 grants valued at \$323 819 have been approved.
- **Bushfire Recovery Assistance to Primary Producers** — The bushfires in the summer of 2019-20 had a direct impact of \$187 million on South Australia's primary production, with an estimated 1190 primary production businesses in the livestock, apiary, viticulture, horticulture, grains and forestry (plantation) sectors affected. Nearly \$29 million in Local Economic Recovery funding was announced in February 2021 and PIRSA has worked closely with industry to develop projects that will support ongoing recovery needs and realise economic opportunities for these regions. The Government of South Australia has provided more than \$26.6 million in \$75 000 bushfire recovery grants to assist businesses with immediate recovery activities under jointly funded Commonwealth-State Disaster Recovery Funding Arrangements. The Government of South Australia also committed \$330 000 to a recovery package through the South Australian Wine Industry Development Scheme. PIRSA has provided support to the 2020-21 bushfire-affected areas of Yumali, Blackford and Cherry Gardens, including livestock welfare, ongoing wellbeing support through the FaBS mentors and soil and livestock management advice.
- **South Australian Dog Fence** — Jointly funded by the Commonwealth Government (\$10 million), the Government of South Australia (\$10 million) and industry (\$5 million), the project will rebuild 1600 kilometres of South Australia's 2150 kilometres of the Dog Fence. The first section of the Dog Fence was completed in July 2020 in the north-east pastoral and the second section, the 115 kilometres from Billeroo West to the NSW border, is close to completion. Rebuild of the next two stages is underway to the

north of Marree, covering just over 200 kilometres. With the aim of limiting the impact of wild dogs on our \$4.3 billion livestock industry, the rebuild is estimated to reduce wild dog management costs for pastoralists by up to \$97 million, increase income from sheep sales by up to \$69.7 million and provide economic benefits in the pastoral areas of South Australia of up to \$113 million over a twenty-year period.

- New Water Infrastructure to the Barossa — The Government of South Australia successfully secured \$3.5 million from the Commonwealth Government’s National Water Infrastructure Development Fund to prepare a detailed business case for the development of new infrastructure to deliver recycled water from the Bolivar Wastewater Treatment Plant to meet industry demand in the Barossa and Eden Valleys. The Government of South Australia has already committed around \$1.5 million in funding to identify private sector investment and to undertake technical investigations into water solutions for the region.
- Red Meat and Wool Growth Program — With a Government of South Australia commitment of \$7.5 million, together with in excess of \$1.8 million in leveraged co-investment through Meat and Livestock Australia, SA Sheep and Cattle Industry Funds, Sheep Connect SA and Animal Health Australia, the three-year program is delivering activities focussed on skills development, building resilience and adoption of technology across the value chain. Highlights of activities in 2020-21 include:
 - eight Focus Farms have been engaged and two Focus Farm Field Days were held in September 2020 and March 2021.
 - the Livestock AgTech Adoption Rebate was launched in September 2020 with over 120 applications worth approximately \$825 000 received to May 2021.
 - Tech Expos were delivered at Hawker, Wudinna and Karoonda, with almost 300 producers attending the three events.
- Cultivation of Genetically Modified (GM) Food Crops on Mainland South Australia — *The Genetically Modified Crops Management (Designated Area) Amendment Bill 2020* was passed by Parliament and assented to on 15 May 2020, lifting the moratorium on the cultivation of GM crops on mainland South Australia from 15 November 2020. The changes to the Act also provided a once-off time limited period for local councils to apply to be declared areas where GM food crops are not permitted, based on trade and marketing risks. This process is now complete and no councils were designated as non-GM food crop areas under the Act, resulting in Kangaroo Island being the only area in South Australia where the cultivation of GM food crops is prohibited.
- South Australian Wine Industry Development Scheme (SAWIDS) — The budget for 2020-21 has been fully committed and the key initiatives were:
 - \$905 000 to two regional cellar door development programs: Anvers Wines in the Adelaide Hills and Dandelion Wines in McLaren Vale.
 - \$200 000 for a Unique Wine Experience Fund to help wineries and cellar doors create memorable wine experiences to encourage regional tourism and direct sale.
- Mount Gambier Centre of the National Institute for Forest Products Innovation — The Centre is funded as a partnership between the Government of South Australia (\$2 million through the ForestrySA Community Service Obligations) and the Commonwealth Government for a total of \$4 million over four years until June 2021. The Centre aims to grow Australia’s forestry and forest product industries by supporting research projects in the sector, including plantation forest management, timber processing, wood fibre recovery, value-adding, advanced manufacturing and the bio-economy.
- Fire Surveillance and Prevention across South East Forestry Assets — In November 2020, the Government of South Australia announced a two-year \$1.1 million investment to upgrade fire surveillance and prevention across forestry assets in the South East. The investment will support new fire detection technology and the upgrade of a network of fire-spotting towers.
- Snapper Restocking Program — Part of the Government of South Australia’s snapper fishing and management research program, the Snapper Restocking Program reared and released over 300 000 snapper fingerlings across Gulf St Vincent and Spencer Gulf in 2021.

- **Marine Scalefish Fishery Reform** — In 2020, following extensive consultation with the commercial fishing industry and consistent with the Government of South Australia’s election commitment, \$24.5 million was approved over four years to implement a major reform of the Marine Scalefish Fishery. A major element of the reform includes \$22 million for the voluntary surrender of up to 150 licences from the fishery. Other major elements include splitting South Australian waters into four fishing / management zones; establishing Total Allowable Commercial Catches for four primary species managed by an individual transferable quota system; constituting fishery regulations to establish separate sardine and vongole fisheries; cutting red tape to allow fishers to adopt more efficient fishing practices and increase profitability; and allocating \$2.51 million to support essential management, science and compliance services during the four-year implementation period. Regulatory amendments to implement the new arrangements are due to take effect from 1 July 2021.
- **First Seaweed Aquaculture Licences** — The Government of South Australia has granted approval for the first marine algae aquaculture leases and licences issued for South Australia, marking the start of a new sector for the state’s aquaculture industry. The Narungga Nation Aboriginal Corporation (NNAC) has been granted two production leases and corresponding licences for ten hectares within the eastern Point Pearce intertidal aquaculture zone and thirty hectares within the western zone, which is expected to bring new economic development and employment activity to the Yorke Peninsula region. NNAC is working in partnership with CH4 Global, a company focused on farming marine seaweeds for commercial purposes to boost energy conversion to production growth and reduce greenhouse emissions in the livestock industry. Due to further interest from NNAC, the Eastern Spencer Gulf Aquaculture Zone has also been amended to allow the farming of algae in the Hardwicke Bay area. These latest changes will support the potential expansion of aquaculture in the Yorke Peninsula region, along with associated employment growth and expanding market opportunities for aquaculture operators.
- **Narungga Nation Traditional Fishing Agreement** — On 15 February 2021, the Premier of South Australia and the Minister for Primary Industries and Regional Development, together with representatives of the NNAC, signed an agreement to facilitate and support traditional and cultural fishing access to Narungga traditional waters off the Yorke Peninsula. The historic event, a first for South Australia, represents the formal inclusion of Aboriginal knowledge, including Elders and their communities, in the way fisheries are managed in South Australia. The signing of the Narungga Nation Traditional Fishing Agreement formalises the rights of Narungga people to enjoy, exercise and maintain traditional Aboriginal fishing practices in a sustainable way. It also puts in place a framework to support the Narungga people to manage their traditional fishing activities, taking into consideration traditional lore (law) and customs and laws of the state. Discussions with other First Nations communities to consider similar agreements are planned.
- **Minister’s Recreational Fishing Advisory Council (MRFAC)** — The MRFAC was established to enhance communication between the Government of South Australia and the recreational fishing community. The MRFAC provides advice directly to the Minister for Primary Industries and Regional Development on high-level policy and priority needs. The MRFAC has been tasked with developing a Recreational Fishing Strategy for South Australia, which aims to provide a framework to identify the interests and key strategic needs of the recreational fishing community for the three-year period from 2021 to 2024. To begin this process, the MRFAC ran the largest-ever consultation with recreational fishers in 2020, with over 4 000 participants taking part in an online survey. In March 2021, the draft Recreational Fishing Strategy for South Australia was made available for public consultation through the MRFAC website. The MRFAC will consider and incorporate the feedback received through the consultation to finalise the plan.
- **Accelerating Development and Adoption of AgTech Solutions** — This three-year \$2.4 million initiative aims to establish AgTech demonstration farms to showcase new technology and best practice farm management for producers, and start-up hubs to nurture the regional AgTech start-up community. Building on the success of the Struan and Kybybolite Best Practice Demonstration Farm established in 2020, AgTech demonstration sites have been instigated in Loxton, Nuriootpa, Turretfield and Minnipa. The first of the regional innovation/start-up hubs, ThinLab Loxton — a joint initiative with the University of Adelaide — was launched in mid-2020 at the Loxton Research Centre, and planning for two more innovation hubs, one in the South East and one on Eyre Peninsula, is well underway. The first field day was held at Struan in April 2021.

Key initiatives to be delivered in 2021-22 to support primary industries and regions include:

- through the Local Economic Recovery Program, funding has been obtained for projects to assist bushfire affected regions recover. Projects and programs funded include:
 - Building Back Better Agriculture and Landscape Project — Landholders in Cudlee Creek and on Kangaroo Island will have access to additional funding to support their recovery. This \$8.9 million collaborative package of projects that will support rural landholders recover and build back better includes, among other initiatives:
 - \$3.45 million for a pilot project that aims to eradicate sheep blowfly from Kangaroo Island and further develop Sterile Insect Technology for future management of sheep blowfly on the mainland. The initial funding will be used to set up a sterile fly rearing facility on Kangaroo Island in 2021, to develop large-scale sheep blowfly production and to deliver the first releases for 2022
 - \$375 000 for a Farm Business Program targeted at bushfire-impacted primary producers to build resilience and preparedness for future events
 - \$280 000 for managing the consequences of fire — *Toxoplasma Gondi* and *Sarcocystis* parasite surveillance and pasture / clover management.
 - Apiary Industry Support — \$680 000 to support the South Australian apiary industry through pollinator species revegetation information, honey variety and value awareness, and eco-tourism initiatives
 - Grape, Cherry and Olive Rebuild and Recovery Project — With \$5.9 million to support grape, cherry and olive growers rebuild and recover, this project includes funding for growers to undertake rejuvenation and replanting activities including clean-up, repair or replacement of trees, infrastructure and equipment.
- Kangaroo Island Feral Pig Eradication Project — As a result of the 2019-20 bushfires which burnt 211 000 hectares of land from the western border, most of the feral pigs on Kangaroo Island perished, leaving only a small population remaining. This has created a unique opportunity to eradicate feral pigs from Kangaroo Island, which cost the local economy an estimated \$1 million annually. Removing feral pigs will eliminate these costs and reduce impacts on the recovering biodiversity, including many endangered plants and animals. The three-year program is a partnership between PIRSA, the Kangaroo Island Landscape Board, and Kangaroo Island National Parks and Wildlife Service, with staff based on the Island to provide on-the-ground support for landholders' pig culling activities.
- Pastoral Act Review — In late 2019, a discussion paper was released seeking feedback on the future operation of the Act and, based on the feedback received, a Pastoral Lands Bill was developed and underwent consultation during 2020. As a result of the consultation, stakeholders have sought further clarity on the operation and intent of alternative land uses. To address this, PIRSA and the Pastoral Board will work with targeted stakeholders during 2021 to develop alternative land-use policies, to clarify the Bill's intent before it is lodged in Parliament.
- Biosecurity Act Review — The Government of South Australia is developing a new Biosecurity Act for the state to provide a simpler, modern and more effective legislative framework. The new Act will focus the management of biosecurity under a single set of principles, protecting the parts of the system that work well, while improving and modernising the framework to effectively manage growing threats. The purpose of the new Biosecurity Act will be to protect South Australia from pests and diseases that are economically significant, threaten our terrestrial and aquatic environments, or that may affect public amenities, community activities and infrastructure. Public consultation on the proposed approach to develop a new Biosecurity Act was undertaken in late 2020, with feedback received helping to shape the development of a Biosecurity Bill, expected to be released in late 2021.
- Veterinary Practice Act 2003 Review — The Government of South Australia is undertaking a review of the *Veterinary Practice Act 2003* to ensure the state maintains a contemporary and flexible framework that continues to meet the objectives of protecting animal health, safety and welfare, and the public interest, including users of veterinary services. The legislation provides for the registration of veterinary surgeons (veterinarians) and regulates the provision of veterinary treatment for the purpose of maintaining high

professional standards of competence and conduct. Public consultation on a discussion paper has been undertaken and consideration is currently being given to what legislative changes may be required.

- The Government of South Australia is partnering with the Commonwealth Government to deliver two Future Drought Fund Programs, building key skills across the state in the areas of farm business resilience and future regional drought resilience planning. These include the \$2.2 million Farm Business Resilience Program and the \$1.2 million Regional Resilience Planning Program.
- SA Drought Hub — A South Australian Drought Resilience Adoption and Innovation Hub will be established led by the University of Adelaide, valued at \$8 million over the next four years from the Commonwealth Government's Future Drought Fund, with an additional contribution of \$11.47 million cash and in-kind support from the hub partners. As a major partner, the Government of South Australia will contribute \$2 million cash and \$2.4 million of in-kind support to the Hub over four years, including the use of the Minnipa, Loxton and Struan research centres as hub nodes. PIRSA will use this network to develop programs to improve drought resilience and innovation in regional communities and producers, working together with hub partners to co-design and deliver demand-driven projects to demonstrate and increase adoption of drought resilience practices by South Australian farmers and communities.

Energy and mining

The Department for Energy and Mining is dedicated to delivering the Government of South Australia's priorities in the mineral resources and energy sectors. It promotes and facilitates the delivery of affordable, reliable and secure energy supplies in a transitioning national energy market, while responsibly delivering the value and opportunities of our mineral and energy resources.

A significant proportion of mineral and petroleum activity, along with large-scale wind, solar and energy storage infrastructure projects, occur in South Australia's regions, where they support jobs and business activities in regional communities.

The Government of South Australia is committed to leveraging and growing opportunities to secure jobs for all South Australians. Supporting mineral and petroleum resource production in regional South Australia and lowering energy costs for households and businesses aligns with this commitment.

Exploration and related mineral discovery are essential to deliver the mining operations and jobs of the future. To realise this potential, the Government of South Australia has provided \$10 million over three years to deliver the Accelerated Discovery Initiative (ADI). The ADI is a government / industry co-funding partnership that stimulates innovation and growth, and de-risks investment in the vital exploration sector. The ADI, as a national and international first, also includes the opportunity to support Aboriginal employment within exploration programs and groundwater resource testing across the state. In June 2020, 14 projects were successful in securing a share of the \$3 million from the first funding round, with innovative programs in frontier exploration districts across regional South Australia. After delays due to COVID-19 restrictions, many of the successful applicants are now on the ground in our regions undertaking exploration programs. As part of the Government of South Australia's COVID-19 recovery, the second round of the co-funding grants increased to \$4.5 million for 2020-21, seeking to bolster exploration activity and sector recovery. Round 3, scheduled for 2021-22, will offer \$1.5 million in co-funding.

South Australia maintains more than 750 mineral and energy resource exploration licences and more than 406 mineral and 174 energy resource projects and operations at various stages. These projects are primarily located in regional areas throughout South Australia.

Important mineral and energy resource projects that will contribute to economic growth in regional South Australia include:

- continued production, development and expansion of the state's major mines in the Far North, including OZ Minerals' Prominent Hill and Carrapateena copper-gold projects
- continued production and development of BHP's Olympic Dam operation at Roxby Downs as a significant contributor to the state's economy

- continued production and development of SIMEC Mining’s iron ore operations within the Middleback Ranges that sustain the steelworks in Whyalla
- continued production and development of Iluka Resources’ Jacinth-Ambrosia zircon mine and near field deposits
- resumption of mining and development of Cairn Hill and Peculiar Knob iron ore mines in the Woomera Prohibited Area near Coober Pedy
- exploration and development of several minerals projects including BHP’s Oak Dam West project, Peak Irons’ Hawks Nest project in the Gawler Craton province, Renascor Resources’ Siviour graphite project, Andromeda Metals’ Great White kaolin project and Iron Road’s Central Eyre iron project on Eyre Peninsula. A number of other graphite, gold and base metals projects continue to progress development
- the future development of the recently approved Rex Minerals’ Hillside copper-gold project on Yorke Peninsula
- future exploration and development drilling in the Simpson, Pedirka, Arckaringa, Cooper and Eromanga Basins in the far north of South Australia
- exploration and development drilling in the Otway Basin in the Limestone Coast region including Beach Energy’s Haselgrove 4 and Dombey 1 exploration wells and the Otway Energy (Lakes Blue Energy) and Vintage Energy joint venture’s recent CO₂ discovery at Nangwarry 1. Positive results from recent production testing of Nangwarry 1 in March/April 2021 indicate potential for a stable source of food-grade CO₂.

Combined mineral and petroleum royalties for 2020-21 are forecast to total a record \$314.7 million. This forecast is comprised of \$97.6 million of petroleum royalties and \$217.1 million of mining royalties. The state’s royalty forecasts have been revised upwards by around \$56 million over the period 2020-21 and 2023-24, which is being driven predominantly by improvements in mineral commodity prices, particularly iron ore and copper, as well as strong mineral production growth. Improving crude oil and sales gas pricing is expected to have a positive effect on royalties over the next three to four years, with production levels expected to increase following a period of low crude oil prices.

A range of other programs and initiatives supported by the Government of South Australia are either linked to or located in regional South Australia and include:

- government-initiated programs of \$285 million supporting comprehensive reforms to improve the reliability, affordability and security of the state’s energy supply, benefitting all South Australians, including regional communities. This includes funding of \$65 million provided to support early works for delivery of a new South Australia-New South Wales high-voltage interconnector — Project EnergyConnect — to provide South Australians with access to cheaper, more secure and more reliable energy, and increase opportunities to export renewable energy into the National Energy Market
- the Government’s commitment to providing \$50 million for transformative capital investments at the Whyalla steelworks that will ensure its long-term future operations. Through the Steel Task Force, the Government of South Australia continues to work closely with the Commonwealth Government on negotiations required to underpin the investment that forms GFG Alliance’s vision for Whyalla’s transformation
- the multi-agency Leigh Creek Task Force providing oversight for the delivery of the \$43.6 million Leigh Creek Transformation Program and the Government’s commitment to Leigh Creek becoming a sustainable, open town, and a thriving regional tourist hub and service centre for surrounding northern Flinders Ranges communities
- the Mintabie Oversight Committee providing advice and recommendations regarding key decisions for the appropriate remediation of the Mintabie township area on the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands following closure of the former opal mining town and control passing to the Anangu Pitjantjatjara Yankunytjatjara
- the Renewable Technology Fund supporting a range of technologies and projects, such as grid-scale battery storage, distributed energy storage, bioenergy, pumped hydro energy storage and hydrogen infrastructure.

A total of \$39.9 million in grants and services from the Fund and \$42.5 million in loans are committed across the forward estimates to assist projects across South Australia. Of that, \$37.2 million in grants and services and \$37.5 million in loans directly support projects situated either in regional South Australia or with state-wide benefits

- the Grid Scale Storage Fund aiming to accelerate the roll-out of grid-scale energy storage infrastructure and address the intermittency of South Australia’s electricity supplies. French renewable company, Neoen, has expanded the Hornsdale Power Reserve located near Jamestown in the state’s Mid North after being granted \$15 million for the provision of additional system security services. The Fund is also supporting the expansion of South Australia’s Virtual Power Plant to commence Phase 3 with up to \$10 million, in exchange for providing new grid security benefits to South Australia
- the Department for Energy and Mining (DEM), in partnership with the Australian Institute for Machine Learning (AIML) and the Department for Innovation and Skills, is part of the Smarter Regions Cooperative Research Centre (CRC). This CRC aims to expand artificial intelligence and machine learning opportunities and applications to regional industries, including agriculture and resource sectors. The DEM-AIML project looks to enable application of machine learning to geology, in a bid to facilitate the identification of prospective geological targets and outcrops, and therefore improve future exploration prospects and understanding of the state’s geology
- ExploreSA — The Gawler Challenge, a partnership with Unearthed Solutions, is a global crowd-sourced artificial intelligence and machine learning competition, which has attracted more than 2 200 entrants from across the globe. With winners announced in September 2020, DEM will provide public access to all entries. The competition has advanced the understanding of data cleansing and preparation; tested new ideas and models relating to mineral systems within the copper-gold prospective Gawler Craton; shared new geology and datasets; fostered increased uptake of new science and technology approaches by explorers; and will potentially lead to new businesses and growth for technology service groups. In response to its success, the Government of South Australia has committed a further \$5 million to leverage the results and provide additional information and data to drive the next mineral discoveries. Phase 2 of the Gawler Challenge will provide additional information and certainty, driving further investment in mineral exploration in the regions
- the Remote Area Energy Supply (RAES) scheme providing a safe, reliable, sustainable and cost-effective electricity supply to homes and businesses in very remote South Australian towns and communities that are not connected to the National Electricity Grid. The scheme, which aligns its residential and business tariffs to average market offers available to on-grid customers, provides subsidised electricity to around 3 400 customers across 13 townships and 15 Aboriginal communities across the far west, north and east of the state. The net cost of the RAES scheme is budgeted to be around \$15.3 million in 2020-21, comprising \$9.8 million net cost of the government-owned component of the scheme and \$5.5 million in direct subsidies to the three independent operators
- the Government of South Australia also continues to invest in the reliability and sustainability of the RAES systems, with major projects underway to install smart meters across the entire RAES scheme and to integrate renewable generation at the Central Powerhouse at Umuwa in the APY Lands. The \$3 million roll-out of smart meters will help to improve energy efficiency and service delivery across the network and allow the introduction of more flexible payment options for RAES customers. The \$9.8 million Central Powerhouse upgrade will provide three megawatts of solar panels and one megawatt of battery storage to integrate clean renewable energy into the Central Powerhouse, saving about 700 000 litres of diesel per year.

Regional Tourism

Tourism is a key driver of the South Australian economy and one of the state’s great growth opportunities, with the contribution of our regions important to achieving this growth.

Prior to the effects of COVID-19, the visitor economy in South Australia was growing strongly, with the record-setting year to December 2019 result of \$8.1 billion in visitor expenditure. This was the achievement of some significant tourism targets one year early, including the headline target of \$8 billion, the regional target of \$3.55 billion and the nature-based tourism target of \$1.4 billion. The tourism jobs target of 41 000 was also

very nearly achieved, with employment reaching 40 500. This represented an increase of more than 9000 jobs since 2013, with regional South Australia accounting for approximately one third of these.

As a result of the COVID-19 pandemic, the South Australian visitor economy is experiencing the most severe contraction on record. Total expenditure in the year to December 2020 was \$4.7 billion, down from the year to December 2019 result of \$8.1 billion. Regional visitor expenditure has declined from \$3.55 billion in 2019 to \$2.6 billion in 2020.

However, regional South Australia has fared remarkably well as COVID-19 restrictions have eased. While conditions were undeniably severe in the early stages of the pandemic, regional South Australia has recovered quickly. Data from Smith Travel Research (STR), an accommodation data aggregator, shows that regional accommodation returned to comparable pre-COVID levels by July 2020. More recently, regional accommodation providers have had the strongest March quarter on record. However, accommodation in the Adelaide CBD is still below the levels of occupancy experienced in 2019.

It is important to note that the impact on the regional visitor economy of COVID-19 has not been uniform, and there are many regional tourism operators, particularly those previously reliant on international, interstate or corporate markets, for whom business conditions remain suppressed.

In March 2021, the second Regional Visitor Strategy was released, which outlines opportunities to grow South Australia's regional visitor economy to \$4 billion by December 2025, including recovering from the current COVID-19 conditions and then growing above the record high expenditure set in 2019. This Strategy was developed with extensive consultation, including over 800 stakeholders, with forums conducted in each of South Australia's eleven tourism regions in September 2020.

The Government of South Australia has commenced the implementation of \$20 million over two years for the Tourism Industry Development Fund (TIDF) to stimulate private sector investment in new and improved regional accommodation, and the development of quality tourism products and experiences across regional South Australia. As of 4 May 2021, 42 projects spread across the eleven tourism regions have been approved for grant funding, with a combined total project value of more than \$25 million and grant amount of \$6.6 million. It is estimated that these projects will generate 700 jobs.

2021-22 Budget — Initiatives

The 2021-22 Budget includes a number of new initiatives that are specific to regional areas as set out in table 8.5. More details on each initiative are provided in the *2021-22 Budget Measures Statement*.

Table 8.5: 2021-22 General government expenditure on regional initiatives (\$000s)

	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	Total
Education						
Acceleration of capital projects at government schools and preschools ^(a)	—	-3 100	-2 400	—	—	-5 500
National Motor Museum Main Pavilion air-conditioning	—	-530	—	—	—	-530
Emergency Services — CFS						
CFS Regional Incident Management Facility, Co-ordination Centre and Regional Office	—	-80	—	—	—	-80
Development assessment in high risk bushfire areas	—	-146	-148	-150	-152	-596
Emergency Services — SES						
New Pathways: Volunteering Recruitment and Retention program ^(a)	-290	-610	-570	-560	-570	-2 600
Willaston SES Unit	—	-20	—	—	—	-20

	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	Total
Emergency Services — SAFECOM						
Bushfire Response — Automatic Vehicle Location System	—	-1 547	-2 426	-1 858	-1 917	-7 748
Energy and Mining						
National Test Mine and Innovation Centre	—	-3 400	-3 500	-1 100	—	-8 000
Rural Business Support Landowner Information Service	—	-630	-640	-465	-465	-2 200
Whyalla Transformation Program — additional support	—	-942	—	—	—	-942
Environment and Water						
Greener Neighbourhoods program ^(a)	—	-287	-431	-431	-431	-1 580
Heritage grants ^(a)	—	-333	-333	-333	—	-999
Health and Wellbeing						
Additional support for the SA Ambulance Service ^(a)	—	-2 000	-3 544	-3 600	-3 657	-12 801
New Barossa Hospital — Planning and Land Acquisition	—	-1 000	—	—	-5 000	-6 000
Residential Aged Care Enterprise System — Expansion	—	-4 923	-545	—	—	-5 468
Infrastructure and Transport						
APY Lands — additional funding ^(b)	—	—	-15 000	—	—	-15 000
Augusta Highway Duplication — Stage 2 (Nantawarra to Lochiel) ^(b)	—	-45 000	-64 500	-39 676	-30 824	-180 000
Augusta Highway Duplication — Stage 3 (Port Pirie to Crystal Brook) — Business Case ^(b)	—	-4 000	-1 000	—	—	-5 000
Eyre Highway Widening and Upgrade — Business Case ^(b)	—	-1 000	-1 000	—	—	-2 000
Granite Island Causeway Refurbishment — additional funding	—	-9 000	-2 900	—	—	-11 900
Greater Adelaide Freight Bypass — Business Case ^(b)	—	-2 500	-7 500	—	—	-10 000
Heysen Tunnels Refit and Upgrade — additional resources ^(b)	—	—	-55 000	-5 000	—	-60 000
Kangaroo Island Road Upgrades ^(b)	—	-5 000	-30 000	-5 000	—	-40 000
Murray Bridge to South East Links — Business Case ^(b)	—	-1 000	-4 000	—	—	-5 000
Old Murray Bridge Refurbishment	—	-10 000	-26 000	—	—	-36 000
Port Wakefield Overpass — additional funding ^(b)	—	-23 600	-10 000	-900	—	-34 500
Road Safety Package — extension ^(b)	—	—	-105 000	—	—	-105 000
Strzelecki Track — additional funding ^(b)	—	—	-40 000	-40 000	—	-80 000
Sustainability Payment for Country Bus Services	—	-4 206	—	—	—	-4 206
Truro Bypass ^(b)	—	—	-22 000	-55 000	-125 000	-202 000
Primary Industry and Regions						
AgTech Adoption Program	—	-1 300	-1 300	-1 300	-1 300	-5 200
Drought support measures	—	-733	-737	-741	—	-2 211
Fruit fly and national eradication responses ^(a)	-4 384	-4 581	—	—	—	-8 965

	2020-21 Estimate	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate	Total
Mobilisation of seasonal and regional workforce ^(c)	-7 629	- 631	—	—	—	-8 260
Trade and Investment						
Wine export recovery and expansion	—	-1 391	-1 427	-1 329	-1 231	-5 378
Total regional initiatives	-12 303	-133 490	-401 901	-157 443	-170 547	-875 684

Note: Totals may not add due to rounding

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

(b) The figures represent state and Commonwealth Government funding for the initiative as identified in the *2021-22 Budget Measures Statement*.

(c) Measure jointly managed by PIRSA and the Department for Innovation and Skills. Measure also includes \$2.0 million contribution from industry as identified in the *2021-22 Budget Measures Statement*.

Regional Investing Expenditure

The 2021-22 Budget includes a number of capital investment projects that are specific to regional areas. Table 8.6 outlines all new and pre-existing projects with regional expenditure in 2021-22.

Table 8.6: 2021-22 Government regional capital investment program (\$000s)

	Expected completion quarter	Proposed expenditure 2021-22	Estimated total cost
General Government			
Child Protection			
Major projects			
Leasehold, ICT Equipment and Furniture	Jun 2022	1 800	3 213
Total — Child Protection		1 800	3 213
Education			
Major projects			
Ceduna Area School ^(a)	Sep 2021	1 046	4 000
Clare High School	Sep 2021	910	4 837
Cummins Area School	Dec 2021	1 656	4 000
Eastern Fleurieu R-12 School — Langhorne Creek campus	Jun 2022	2 200	3 000
Elliston RSL Memorial Children's Centre relocation	Dec 2022	600	2 000
Fregon Anangu School	Dec 2022	14 610	15 700
Gawler and District College B-12	Sep 2021	2 615	8 851
Glossop High School ^(a)	Dec 2021	6 424	17 838
Goolwa Secondary College	Dec 2021	6 264	10 000
Grant High School ^(a)	Sep 2021	992	6 293
Heathfield High School	Mar 2022	4 980	13 600
John Pirie Secondary School	Dec 2021	2 788	10 500
Kadina Memorial School	Dec 2021	1 162	4 180
Kapunda High School	Dec 2021	4 013	15 000
Loxton High School	Sep 2021	315	5 000
Mannum Community College	Sep 2022	1 738	2 000
Moonta Area School	Dec 2021	1 279	4 000
Mount Barker High School	Sep 2021	879	5 985

	Expected completion quarter	Proposed expenditure 2021-22	Estimated total cost
Mount Barker Primary School	Dec 2021	4 270	9 394
Mount Compass Area School	Dec 2021	3 432	11 100
Mount Gambier High School ^(a)	Sep 2021	1 153	5 978
Murray Bridge High School	Dec 2021	4 248	20 000
Murray Bridge North School	Dec 2022	3 450	5 000
Naracoorte High School	Dec 2021	1 821	5 200
Nuriootpa High School	Dec 2021	1 994	4 400
Nuriootpa Primary School	Dec 2021	1 570	7 341
Port Augusta Secondary School	Dec 2021	3 366	7 680
Port Lincoln High School	Dec 2021	4 828	15 000
Reidy Park Primary School	Dec 2022	3 453	5 000
Renmark High School	Sep 2021	660	5 173
Roxby Downs Area School	Dec 2021	2 469	6 548
Victor Harbor R-7 School ^(a)	Sep 2021	558	3 679
Voluntary Amalgamations	n.a.	968	1 018
Whyalla Secondary College	Dec 2021	22 655	100 000
Total — Education		115 366	349 295
Emergency Services			
<i>Major projects</i>			
Automatic Vehicle Location System	Jun 2023	1 400	5 625
<i>Annual programs</i>			
Capital works, vehicles and equipment — CFS	n.a.	25 583	n.a.
Capital works, vehicles, vessels and rescue equipment — SES ^(b)	n.a.	1 990	n.a.
Replacement of telecommunications equipment — CFS	n.a.	2 918	n.a.
Total — Emergency Services		31 891	5 625
Energy and Mining			
<i>Major projects</i>			
Remote Areas Energy Supply — Central Power House Solar Upgrade	Dec 2021	1 251	9 751
Remote Areas Energy Supply — Future Sustainability	Dec 2021	832	3 003
Rural Business Support Landowner Information Service	Jun 2023	175	350
<i>Annual programs</i>			
RAES Power Generation and Distribution Equipment ^(b)	n.a.	841	n.a.
Total — Energy and Mining		3 099	13 104
Environment and Water			
<i>Major projects</i>			
East End Kangaroo Island Projects	Jun 2022	600	3 923
Flows for the Future (phase 2)	Jun 2024	3 842	10 998
Kangaroo Island Recovery	Jun 2023	29 420	45 000
Opening Up South Australia's reservoirs	Jun 2022	200	482
Parks 2025	Jun 2023	21 651	30 588
Parks renewal investment	Jun 2025	1 662	7 116
Seal Bay	Jun 2022	2 612	2 612
South Australian Sustaining Riverland Environments Program	Jun 2022	30 764	30 764

	Expected completion quarter	Proposed expenditure 2021-22	Estimated total cost
State Groundwater and Minerals Data Platform	Jun 2023	3 000	5 000
Wild South Coast Way	Jun 2023	3 646	5 991
Annual programs			
Fire Management on Public Land — Enhanced Capabilities	n.a.	2 316	n.a.
Total — Environment and Water		99 713	142 474
Health and Wellbeing			
Major projects			
Country Health SA Sustainment and Compliance	Jun 2028	22 899	145 431
Leigh Creek Health Clinic	Jun 2023	270	1 800
Mount Barker Hospital Emergency Department	Jun 2023	6 800	8 600
Port Augusta Ambulance Station ^(c)	Jun 2023	2 250	4 300
Residential Aged Care Enterprise System	Dec 2022	4 487	4 846
Strathalbyn Aged Care	Sep 2021	9 947	18 853
Total — Health and Wellbeing		46 653	183 830
Infrastructure and Transport			
Major projects			
Adelaide Hills Priority Program	Jun 2022	595	8 762
Augusta Highway Duplication — Stage 1	Jun 2024	35 000	80 000
Augusta Highway Duplication — Stage 2 (Nantawarra to Lochiel)	Jun 2025	45 000	180 000
Augusta Highway Duplication — Stage 3 (Port Pirie to Crystal Brook) — Business Case	Jun 2023	4 000	5 000
Critical Road Bridge Maintenance ^(b)	Jun 2023	3 700	15 000
Dublin Saleyards Access	Jun 2023	300	7 000
Duplication of Joy Baluch AM Bridge	Jun 2024	94 500	200 000
Eyre Highway Widening and Upgrade — Business Case	Jun 2023	1 000	2 000
Fleurieu Connections Improvements Package	Jun 2025	31 000	185 000
Gawler East Link Road	Jun 2023	75	14 060
Greater Adelaide Freight Bypass — Business Case	Jun 2023	2 500	10 000
Granite Island causeway refurbishment	Jun 2023	28 000	43 000
Heysen Tunnel Refit and Safety Upgrade	Jun 2024	13 670	75 000
Horrocks Highway	Jun 2024	28 680	55 000
Kangaroo Island Road Upgrades	Jun 2024	2 000	19 000
Kroemers Crossing Roundabout	Jun 2022	1 100	6 017
Leigh Creek Capital Program	Jun 2022	617	1 682
Marine Package ^(b)	Jun 2023	10 791	15 000
Murray Bridge to South East Links — Business Case	Jun 2023	1 000	5 000
Nairne Intersection Upgrade	Jun 2023	6 800	13 000
Naracoorte Roundabouts	Jun 2023	500	8 000
Old Murray Bridge Refurbishment	Jun 2023	10 000	36 000
Onkaparinga Valley Road/Tiers Road/Nairne Road intersection upgrade	Jun 2022	2 206	2 500
Penneshaw and Cape Jervis Ports	Jun 2023	14 000	22 000
Port Bonython Jetty Refurbishment	Jun 2023	19 000	57 727
Port Wakefield Overpass and Highway Duplication	Jun 2024	40 000	124 500

	Expected completion quarter	Proposed expenditure 2021-22	Estimated total cost
Princes Highway Corridor	Jun 2024	44 000	170 000
Regional North-South Freight Route	Jun 2022	7 168	12 000
Regional Road Network Package	Jun 2023	7 593	52 000
Road Safety Package — Regional	Jun 2023	37 000	143 000
Road Safety Package	Jun 2023	105 375	315 000
Roads Of Strategic Importance — Cockburn to Burra	Jun 2024	22 000	62 500
Roads of Strategic Importance — Eyre Highway — Port Augusta to Perth	Jun 2023	37 500	93 750
Roads Of Strategic Importance — Eyre Peninsula Road Upgrades	Jun 2023	19 500	31 250
Roads Of Strategic Importance — Renmark to Gawler	Jun 2024	21 000	87 500
Strzelecki Track	Jun 2024	60 000	215 000
Targeted Road Safety Works	Jun 2022	28 311	59 500
Victor Harbor Road Duplication	Jun 2024	45 000	92 000
Annual programs			
DIT Annual Programs ^(b)	n.a.	55 030	n.a.
Total — Infrastructure and Transport		885 512	2 523 748
Police			
APY Accommodation projects	Jun 2022	4 789	5 801
Total — Police		4 789	5 801
Primary Industries and Regions			
Major projects			
Upgrade of South Australia's Dog Fence ^(d)	Jun 2024	10 793	25 000
Annual programs			
Minor Capital Works and Equipment ^(b)	n.a.	1 200	n.a.
Total — Primary Industries and Regions		11 993	25 000
Total — Regional investing expenditure general government sector		1 200 815	3 252 090
Public non-financial corporations			
ForestrySA			
Annual programs			
Plant and Equipment, Roadworks	n.a.	1 410	n.a.
Total — ForestrySA		1 410	0
SA Water			
Major projects			
Baroota Dam Safety	Jun 2023	2 000	3 857
Eyre Peninsula Desalination Augmentation	Dec 2023	29 820	99 575
Fleurieu Water Quality Improvement	Jun 2022	2 606	9 011
Kangaroo Island Desalination Plant ^(e)	Jun 2024	36 431	47 800
Leigh Creek Water Main Mine Diversion	Jun 2022	9 450	11 750
Morgan Whyalla Pipeline No1 Replacement	Jun 2024	12 400	61 800
Mount Bold Dam Safety	Jun 2027	4 650	182 180
Myponga Ultraviolet Treatment	Jun 2022	52	4 260

	Expected completion quarter	Proposed expenditure 2021-22	Estimated total cost
Port Lincoln Wastewater Treatment Plant	Dec 2021	259	17 231
Zero Cost Energy Future ^(b)	Dec 2021	2 140	206 192
Total — SA Water		99 808	643 656
South Australian Housing Authority			
Major projects			
Affordable Housing Initiative ^(b)	Jun 2026	300	37 336
Public Housing Capital Maintenance (Housing Strategy) ^(b)	Jun 2030	300	3 399
Remote Indigenous Housing	Jun 2024	12 431	238 206
Annual programs			
Public Housing Capital Maintenance ^(b)	n.a.	4 271	n.a.
Total — South Australian Housing Authority		17 302	278 941
Total regional investing expenditure public non-financial corporations		118 520	922 597
Total regional investing expenditure non-financial public sector		1 319 335	4 174 687

Note: Totals may not add due to rounding

- (a) The total project cost includes operating expenditure incurred in prior years.
- (b) The figures quoted represent the estimated regional component of the overall measure.
- (c) The figure quoted represents the estimated regional component of the 'Improving Our Health Facilities' Budget Measure.
- (d) Project is being delivered by PIRSA in conjunction with the Dog Fence Board.
- (e) Kangaroo Island Desalination Plant project previously named as 'Kangaroo Island — security and supply of water'.

Appendix A: Uniform presentation framework

Introduction

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 2015*, 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.

An updated UPF was released in February 2019 which incorporates revisions to the framework as a result of the 2015 update to the Australian System of Government Financial Statistics (GFS) framework. The update of the Australian GFS aims to better align with the International Monetary Fund's (IMF) GFS 2014 framework and the System of National Accounts 2008.

The format of the aggregates is based on reporting standards set out by the Australian Accounting Standards Board — AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, which adopts a harmonised GFS-GAAP reporting basis.

UPF Reporting

Public sector estimates and outcomes are presented on an accrual accounting basis within three primary statements: the operating statement, including other economic flows; the balance sheet; and the cash flow statement. These statements form the core reporting requirements of the UPF.

Operating statement

The operating statement:

- presents information on transactions (revenue and expenses) and other economic flows (revaluations and adjustments)
- captures the composition of revenues and expenses and the net cost of government activities within a fiscal year
- shows the full cost of services consumed by the government in achieving its objectives and the extent that these costs are met from various revenue sources
- shows information on capital expenditure and asset sales to derive a net lending/borrowing position.

The UPF operating statement fiscal aggregates include net operating balance, total change in net worth (comprehensive result) and net lending (fiscal balance). These are discussed further under Fiscal measures.

Balance Sheet

The balance sheet:

- records the value of financial and non-financial assets and liabilities of governments, at the end of each reporting period
- shows the resources at the government's disposal and the type and valuation of its liabilities

- reveals the make-up of the government's financial assets, its fixed asset holdings, and the extent of liabilities such as borrowings and unfunded superannuation
- allows comparisons of asset and liability levels between jurisdictions and time periods.

The UPF balance sheet fiscal aggregates include net worth, net financial worth, net financial liabilities and net debt. These are discussed further under Fiscal measures.

Cash Flow Statement

The cash flow statement reveals how a government obtains and expends cash. It shows how government cash inflows and outflows are allocated between various activities and their net impact on cash held.

This statement requires cash flows to be categorised into:

- operating activities comprising activities linked to collecting taxes, distributing grants, and providing goods and services
- investing activities comprising activities linked to acquiring and disposing financial and non-financial assets
- financing activities comprising activities linked to changing the size and composition of a government's financial structure.

The sign convention within the cash flow statement is that all inflows carry a positive sign and all outflows carry a negative sign (regardless of whether they are gross or net cash flows).

The UPF cash flow statement fiscal aggregates include net increase in cash and cash/surplus/(deficit). These are discussed further under Fiscal measures.

Fiscal measures

UPF reporting provides a number of measures for evaluating the soundness of a government's fiscal position and the effect of fiscal policy on economic conditions. These include measures on both a stock and flow basis.

Stock measures (including net worth, net debt, net financial worth and net financial liabilities) highlight the fiscal position of a government at a point in time, providing information on the results of past decisions. Stocks reflect holdings of assets and liabilities.

Flow measures (including the net operating balance, net lending/borrowing (fiscal balance), cash surplus/deficit and change in net worth) show changes in the fiscal position during the reporting period, reflecting the impact of government decisions and actions, and re-measurement impacts during that time. Flows represent the creation, transformation, exchange, transfer or extinction of economic value.

The fiscal measures in the UPF framework are:

Net operating balance

The net operating balance 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).

The net operating balance reflects the sustainability of the government's fiscal position over time and provides a good indication of the sustainability of the existing level of government services. The net operating balance can also be defined as the change in net worth arising from economic transactions.

Net lending/borrowing

Net lending/borrowing measures a government's investment/saving balance. A net lending/borrowing surplus indicates that a government is saving more than is required to finance all of its investment spending and is therefore not contributing directly to the current account deficit.

Net lending/borrowing (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/borrowing 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.

Change in net worth

Change in net worth (comprehensive result) measures the variation in a government's accumulated assets and liabilities, and is the most inclusive measure of the change in a government's financial position over a given period.

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, accrued long service leave benefits, debtors and creditors.

Net debt

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

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

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.

Cash surplus/deficit

The cash surplus/deficit has two components. The first is the net cash flows from operating activities (operating receipts less operating payments). The second is the net cash flows from transactions (cash inflows from sales and cash outflows from purchases) in non-financial assets (less dividends paid by the PNFC and PFC sectors).

Recording of cash transactions remains important for cash management purposes. In addition, cash measures provide the most useful indication of a government's need to call on financial markets to meet its budget obligations.

Institutional Sectors

The coverage of the UPF extends to the entire Australian public sector (excluding local government entities and universities) comprising units which are owned and/or controlled by the Commonwealth Government, state and territory governments. These units (such as government departments, authorities and businesses) are grouped into three institutional sub-sectors — the general government sector, the public non-financial corporations (PNFC) sector and the public financial corporations (PFC) sector. In addition, the UPF also includes tables for the consolidated non-financial public sector (NFPS).

The general government sector comprises all government departments, offices and other bodies that fulfil the functions of government as their primary activity. General government services include those which are mainly non-market in nature and are largely for collective consumption by the community, or which involve the transfer or redistribution of income. These services are financed mainly through taxes, other compulsory levies and user charges. 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 Authority (SAHA). In general, PNFCs are legally distinguishable from the governments that own them.

The NFPS represents the consolidated transactions and assets and liabilities of the general government sector and the PNFC sector. In compiling statistics for the NFPS, transactions and debtor-creditor relationships between subsectors are eliminated to avoid double counting as part of a process known as consolidation.

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. In addition, information is also presented on taxes and general government sector expenses by function.

This information is presented in tables A.1 through to A.14 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.

New service concession arrangements standard

AASB 1059 *Service Concession Arrangements — Grantors* is an Australia-only standard that deals with how governments account for the procurement or augmentation of assets through public-private-partnership (PPP) style arrangements. The Standard is effective for SA government entities for the 2020-21 financial year.

Service concession arrangements are used by the public sector to engage an entity to develop and deliver infrastructure and other assets for public services. In exchange for the assets(s) or services, the public sector entity will make payments to the operator or grant the operator the right to charge users of the service concession asset.

AASB 1059 applies to a limited number of arrangements in South Australia and no budget impacts have been identified.

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

	2020–21 Estimated Result	2021–22 Budget	2022–23 Estimate	2023–24 Estimate	2024–25 Estimate
Revenue					
Taxation revenue	4 733	4 822	4 991	5 182	5 357
Grants	11 715	12 542	13 223	14 065	14 333
Sales of goods and services	2 714	2 792	2 846	2 900	2 973
Interest income	36	32	55	110	206
Dividend and income tax equivalent income	195	180	179	205	258
Other	1 575	1 547	1 540	1 554	1 575
Total revenue	20 968	21 915	22 834	24 015	24 701
less Expenses					
Employee expenses	8 939	9 057	9 241	9 414	9 619
Superannuation expenses					
Superannuation interest cost	183	188	176	165	152
Other superannuation expenses	873	932	960	985	1 001
Depreciation and amortisation	1 399	1 429	1 489	1 550	1 632
Interest expenses	459	528	645	768	984
Other property expenses	—	—	—	—	—
Other operating expenses	7 676	7 700	7 495	7 584	7 735
Grants	3 221	3 477	2 781	3 053	3 200
Total expenses	22 750	23 312	22 787	23 518	24 322
equals Net operating balance	-1 782	-1 397	48	498	379
plus Other economic flows	2 376	440	462	598	675
equals Comprehensive result — total change in net worth	594	-957	509	1 096	1 054
Fiscal aggregates					
Net operating balance	-1 782	-1 397	48	498	379
less Net acquisition of non-financial assets					
Purchases of non-financial assets	2 689	3 382	3 464	4 145	3 747
less Sales of non-financial assets	197	112	79	125	73
less Depreciation	1 399	1 429	1 489	1 550	1 632
plus Change in inventories	—	—	—	—	—
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	1 093	1 842	1 896	2 470	2 042
equals Net lending / borrowing	-2 875	-3 238	-1 848	-1 973	-1 663
Note: Totals may not add due to rounding.					

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

	2020–21 Estimated Result	2021–22 Budget	2022–23 Estimate	2023–24 Estimate	2024–25 Estimate
Revenue					
Taxation revenue	—	—	—	—	—
Grants	288	261	256	375	452
Sales of goods and services	1 427	1 508	1 502	1 529	1 631
Interest income	4	5	1	2	1
Dividend and income tax equivalent income	1	1	1	1	1
Other	198	160	180	181	186
Total revenue	1 918	1 934	1 940	2 087	2 271
less Expenses					
Employee expenses	291	286	289	294	296
Superannuation expenses					
Superannuation interest cost	—	—	—	—	—
Other superannuation expenses	28	35	36	37	37
Depreciation and amortisation	510	528	546	564	568
Interest expenses	235	211	213	206	204
Other property expenses	29	24	29	38	51
Other operating expenses	1 060	1 108	1 092	1 051	1 116
Grants	109	107	100	100	100
Total expenses	2 262	2 300	2 305	2 289	2 372
equals Net operating balance	-344	-366	-365	-202	-101
plus Other economic flows	473	363	530	527	522
equals Comprehensive result — total change in net worth	129	-2	165	325	421
Fiscal aggregates					
Net operating balance	-344	-366	-365	-202	-101
less Net acquisition of non-financial assets					
Purchases of non-financial assets	766	848	876	799	690
less Sales of non-financial assets	116	158	235	202	100
less Depreciation	510	528	546	564	568
plus Change in inventories	94	7	38	—	-87
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	233	169	134	32	-64
equals Net lending / borrowing	-577	-534	-499	-234	-36

Note: Totals may not add due to rounding.

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

	2020–21 Estimated Result	2021–22 Budget	2022–23 Estimate	2023–24 Estimate	2024–25 Estimate
Revenue					
Taxation revenue	4 552	4 635	4 799	4 985	5 154
Grants	11 714	12 543	13 222	14 064	14 333
Sales of goods and services	3 914	4 096	4 139	4 220	4 397
Interest income	33	33	53	108	203
Dividend and income tax equivalent income	93	98	83	80	94
Other	1 761	1 706	1 720	1 734	1 760
Total revenue	22 068	23 110	24 017	25 191	25 941
less Expenses					
Employee expenses	9 217	9 329	9 515	9 692	9 900
Superannuation expenses					
Superannuation interest cost	183	188	176	165	152
Other superannuation expenses	901	967	996	1 021	1 038
Depreciation and amortisation	1 901	1 948	2 026	2 107	2 193
Interest expenses	685	733	852	968	1 181
Other property expenses	—	—	—	—	—
Other operating expenses	8 336	8 438	8 209	8 251	8 462
Grants	3 041	3 324	2 625	2 778	2 848
Total expenses	24 263	24 927	24 399	24 981	25 774
equals Net operating balance	-2 195	-1 816	-382	210	167
plus Other economic flows	2 796	864	896	889	891
equals Comprehensive result — total change in net worth	601	-953	514	1 099	1 058
Fiscal aggregates					
Net operating balance	-2 195	-1 816	-382	210	167
less Net acquisition of non-financial assets					
Purchases of non-financial assets	3 441	4 230	4 340	4 902	4 437
less Sales of non-financial assets	260	270	314	291	173
less Depreciation	1 901	1 948	2 026	2 107	2 193
plus Change in inventories	51	7	38	—	-87
plus Other movements in non-financial assets	—	—	—	—	—
equals Total net acquisition of non-financial assets	1 331	2 019	2 039	2 504	1 984
equals Net lending / borrowing	-3 526	-3 836	-2 421	-2 294	-1 817
Note: Totals may not add due to rounding.					

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

	2020–21 Estimated Result	2021–22 Budget	2022–23 Estimate	2023–24 Estimate	2024–25 Estimate
Assets					
Financial assets					
Cash and deposits	10 439	10 869	11 475	12 699	14 034
Advances paid	208	316	453	459	462
Investments, loans and placements	555	546	571	606	604
Receivables	2 280	2 275	2 357	2 440	2 524
Equity					
Investments in other public sector entities	17 054	17 145	17 370	17 781	18 229
Other equity investments	80	80	79	79	79
Other financial assets	—	—	—	—	—
Total financial assets	30 615	31 231	32 305	34 063	35 931
Non-financial assets					
Land and other fixed assets	57 179	59 247	61 185	63 697	65 783
Other non-financial assets	137	131	94	93	92
Total non-financial assets	57 315	59 378	61 279	63 790	65 876
Total assets	87 931	90 609	93 584	97 853	101 807
Liabilities					
Deposits held	332	332	333	342	350
Advances received	—	—	—	—	—
Borrowing	25 242	29 568	32 589	36 273	39 673
Superannuation	10 103	9 503	8 879	8 230	7 555
Other employee benefits	3 427	3 530	3 617	3 746	3 890
Payables	1 354	1 356	1 362	1 371	1 376
Other liabilities	3 454	3 257	3 230	3 223	3 240
Total liabilities	43 911	47 546	50 011	53 185	56 085
Net Worth	44 020	43 063	43 572	44 668	45 722
Fiscal Aggregates					
Net financial worth (a)	-13 296	-16 315	-17 707	-19 122	-20 153
Net financial liabilities	30 349	33 460	35 077	36 903	38 382
Net debt (b)	14 371	18 168	20 423	22 851	24 923

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)

	2020–21 Estimated Result	2021–22 Budget	2022–23 Estimate	2023–24 Estimate	2024–25 Estimate
Assets					
Financial assets					
Cash and deposits	569	329	144	214	269
Advances paid	21	21	21	21	21
Investments, loans and placements	53	49	47	46	47
Receivables	293	290	301	312	322
Equity					
Investments in other public sector entities	—	—	—	—	—
Other equity investments	11	11	11	11	11
Other financial assets	4	4	4	4	4
Total financial assets	950	705	528	609	674
Non-financial assets					
Land and other fixed assets	26 991	27 593	28 368	29 039	29 629
Other non-financial assets	91	99	93	87	81
Total non-financial assets	27 083	27 692	28 461	29 126	29 710
Total assets	28 033	28 397	28 990	29 735	30 384
Liabilities					
Deposits held	5	5	6	6	7
Advances received	—	—	—	—	—
Borrowing	8 316	8 491	8 770	9 009	9 117
Superannuation	—	—	—	—	—
Other employee benefits	103	102	106	109	113
Payables	286	288	286	285	284
Other liabilities	1 532	1 626	1 717	1 805	1 884
Total liabilities	10 242	10 512	10 883	11 214	11 405
Net Worth	17 791	17 885	18 107	18 521	18 980
Fiscal Aggregates					
Net financial worth (a)	-9 291	-9 807	-10 355	-10 606	-10 731
Net financial liabilities	9 291	9 807	10 355	10 606	10 731
Net debt (b)	7 679	8 097	8 563	8 734	8 787

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)

	2020–21 Estimated Result	2021–22 Budget	2022–23 Estimate	2023–24 Estimate	2024–25 Estimate
Assets					
Financial assets					
Cash and deposits	10 864	11 056	11 478	12 765	14 149
Advances paid	196	337	474	480	483
Investments, loans and placements	489	487	518	525	532
Receivables	1 063	978	990	1 001	1 014
Equity					
Investments in other public sector entities	-738	-740	-736	-740	-750
Other equity investments	91	91	90	90	90
Other financial assets	4	4	4	4	4
Total financial assets	11 969	12 214	12 817	14 126	15 521
Non-financial assets					
Land and other fixed assets	84 079	86 758	89 480	92 665	95 347
Other non-financial assets	149	152	109	102	95
Total non-financial assets	84 229	86 909	89 589	92 766	95 442
Total assets	96 198	99 123	102 406	106 892	110 963
Liabilities					
Deposits held	190	191	191	192	192
Advances received	—	—	—	—	—
Borrowing	33 310	37 861	41 177	45 073	48 595
Superannuation	10 103	9 503	8 879	8 230	7 555
Other employee benefits	3 529	3 632	3 723	3 855	4 002
Payables	1 566	1 575	1 580	1 587	1 591
Other liabilities	3 472	3 287	3 268	3 268	3 283
Total liabilities	52 171	56 048	58 818	62 205	65 219
Net Worth	44 027	43 074	43 588	44 687	45 744
Fiscal Aggregates					
Net financial worth (a)	-40 202	-43 835	-46 001	-48 079	-49 698
Net financial liabilities	39 464	43 095	45 265	47 340	48 947
Net debt (b)	21 952	26 172	28 898	31 494	33 623

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)

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Cash receipts from operating activities					
Taxes received	4 932	4 918	4 996	5 177	5 351
Receipts from sales of goods and services	2 623	2 691	2 743	2 801	2 872
Grants and subsidies received	11 094	12 293	13 178	14 039	14 333
Interest receipts	26	19	38	90	186
Dividends and income tax equivalents	218	205	205	231	283
Other receipts	1 573	1 566	1 562	1 580	1 603
Total operating receipts	20 467	21 691	22 721	23 918	24 628
Cash payments for operating activities					
Payments to employees	-10 325	-10 413	-10 660	-10 827	-11 049
Purchases of goods and services	-5 638	-5 681	-5 475	-5 568	-5 663
Grants and subsidies paid	-3 216	-3 472	-2 775	-3 048	-3 194
Interest paid	-444	-491	-611	-758	-973
Other payments	-1 959	-1 943	-1 932	-1 939	-2 003
Total operating payments	-21 582	-21 999	-21 454	-22 140	-22 882
Net cash flows from operating activities	-1 115	-308	1 267	1 777	1 745
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	110	65	44	51	41
Purchases of non-financial assets	-2 200	-3 110	-3 218	-3 456	-3 546
Net cash flows from investment in non-financial assets	-2 090	-3 045	-3 175	-3 405	-3 505
Net cash flows from investments in financial assets for policy purposes (a)	-279	-300	-261	-160	-132
Net cash flows from investments in financial assets for liquidity purposes	-6	-12	-11	-12	-12
Net cash flow from financing activities					
Advances received (net)	—	—	—	—	—
Borrowing (net)	3 554	4 105	2 790	3 018	3 217
Deposits received (net)	-14	—	2	8	8
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	3 541	4 105	2 792	3 026	3 225
Net increase/(decrease) in cash held	51	439	612	1 225	1 321
Fiscal Aggregates					
Net cash flows from operating activities	-1 115	-308	1 267	1 777	1 745
Net cash flows from investments in non-financial assets	-2 090	-3 045	-3 175	-3 405	-3 505
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-3 205	-3 354	-1 908	-1 628	-1 760

Note: Totals may not add due to rounding.

(a) Includes equity acquisitions and disposals.

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

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Cash receipts from operating activities					
Taxes received	—	—	—	—	—
Receipts from sales of goods and services	1 399	1 474	1 469	1 501	1 602
Grants and subsidies received	288	261	256	375	443
Interest receipts	4	5	1	2	1
Dividends and income tax equivalents	1	1	1	1	1
Other receipts	174	162	179	176	181
Total operating receipts	1 865	1 902	1 906	2 053	2 229
Cash payments for operating activities					
Payments to employees	-318	-323	-322	-328	-331
Purchases of goods and services	-845	-825	-834	-750	-726
Grants and subsidies paid	-109	-107	-100	-100	-100
Interest paid	-337	-312	-315	-307	-302
Other payments	-462	-240	-235	-249	-267
Total operating payments	-2 072	-1 806	-1 806	-1 734	-1 726
Net cash flows from operating activities	-206	96	100	320	502
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	115	157	234	202	100
Purchases of non-financial assets	-726	-822	-851	-738	-668
Net cash flows from investment in non-financial assets	-611	-664	-617	-535	-568
Net cash flows from investments in financial assets for policy purposes (a)	-19	1	1	1	1
Net cash flows from investments in financial assets for liquidity purposes	-2	-1	1	-1	-1
Net cash flow from financing activities					
Advances received (net)	233	154	125	177	151
Borrowing (net)	243	224	275	199	86
Deposits received (net)	—	—	—	—	—
Dividends paid	-73	-58	-68	-88	-114
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	403	320	333	288	125
Net increase/(decrease) in cash held	-436	-247	-182	73	59
Fiscal Aggregates					
Net cash flows from operating activities	-206	96	100	320	502
Net cash flows from investments in non-financial assets	-611	-664	-617	-535	-568
Dividends paid	-73	-58	-68	-88	-114
Cash surplus / (deficit)	-891	-626	-584	-303	-179
Note: Totals may not add due to rounding.					
(a) Includes equity acquisitions and disposals.					

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

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Cash receipts from operating activities					
Taxes received	4 536	4 731	4 802	4 980	5 148
Receipts from sales of goods and services	3 803	3 970	4 014	4 100	4 274
Grants and subsidies received	11 093	12 293	13 177	14 039	14 324
Interest receipts	23	20	36	88	183
Dividends and income tax equivalents	95	98	83	80	94
Other receipts	1 727	1 717	1 732	1 748	1 777
Total operating receipts	21 277	22 829	23 843	25 035	25 800
Cash payments for operating activities					
Payments to employees	-10 630	-10 722	-10 967	-11 140	-11 364
Purchases of goods and services	-6 337	-6 421	-6 226	-6 234	-6 303
Grants and subsidies paid	-3 036	-3 318	-2 619	-2 773	-2 842
Interest paid	-670	-695	-818	-957	-1 170
Other payments	-1 959	-1 945	-1 917	-1 926	-1 990
Total operating payments	-22 632	-23 102	-22 549	-23 030	-23 670
Net cash flows from operating activities	-1 355	-273	1 295	2 004	2 130
Net cash flows from investments in non-financial assets					
Sales of non-financial assets	171	222	278	253	140
Purchases of non-financial assets	-2 916	-3 931	-4 070	-4 194	-4 214
Net cash flows from investment in non-financial assets	-2 745	-3 709	-3 792	-3 941	-4 073
Net cash flows from investments in financial assets for policy purposes (a)	-73	-153	-144	8	12
Net cash flows from investments in financial assets for liquidity purposes	-7	-13	-10	-13	-13
Net cash flow from financing activities					
Advances received (net)	—	—	—	—	—
Borrowing (net)	3 811	4 344	3 080	3 231	3 318
Deposits received (net)	—	—	—	—	—
Dividends paid	—	—	—	—	—
Other financing (net)	—	—	—	—	—
Net cash flows from financing activities	3 812	4 344	3 081	3 231	3 319
Net increase/(decrease) in cash held	-369	196	430	1 291	1 374
Fiscal Aggregates					
Net cash flows from operating activities	-1 355	-273	1 295	2 004	2 130
Net cash flows from investments in non-financial assets	-2 745	-3 709	-3 792	-3 941	-4 073
Dividends paid	—	—	—	—	—
Cash surplus / (deficit)	-4 100	-3 982	-2 497	-1 936	-1 943

Note: Totals may not add due to rounding.

(a) Includes equity acquisitions and disposals.

Table A.10: General government sector taxes (\$million)

	2020-21 Estimated Result	2021-22 Budget	2022-23 Estimate	2023-24 Estimate	2024-25 Estimate
Taxes on employers' payroll and labour force	1 271	1 396	1 464	1 529	1 597
Taxes on property					
Land taxes	545	575	571	585	601
Other	237	244	258	263	268
Total	781	819	829	848	870
Taxes on the provision of goods and services					
Excises and levies	—	—	—	—	—
Taxes on gambling	472	450	459	468	476
Taxes on insurance	508	527	548	569	592
Stamp duties on financial and capital transactions	955	876	919	974	1 012
Total	1 935	1 852	1 926	2 012	2 080
Taxes on use of goods and performance of activities					
Motor vehicle taxes	745	755	772	794	810
Other	—	—	—	—	—
Total	745	755	772	794	810
Total taxation revenue	4 733	4 822	4 991	5 182	5 357

Note: Totals may not add due to rounding.

Table A.11(part a): General government sector grant revenue (\$million)

	2020–21	2021–22	2022–23	2023–24	2024–25
	Estimated Result	Budget	Estimate	Estimate	Estimate
Current grant revenue					
Current grants from the Commonwealth					
General purpose grants	6 532	6 711	7 180	7 691	7 910
National partnership grants	400	436	305	225	112
National partnership grants for on-passing	175	113	200	184	180
Specific purpose grants	2 244	2 377	2 484	2 603	2 721
Specific purpose grants for on-passing	890	1 169	1 228	1 280	1 319
Other grants	513	530	487	489	499
Total current grants from the Commonwealth	10 755	11 336	11 885	12 471	12 742
Other contributions and grants	150	142	137	137	137
Total current grant revenue	10 905	11 478	12 022	12 608	12 879
Capital grant revenue					
Capital grants from the Commonwealth					
General purpose grants	—	—	—	—	—
National partnership grants	677	938	1 076	1 336	1 334
Specific purpose grants	111	113	114	110	111
Specific purpose grants for on-passing	—	—	—	—	—
Other capital grants	16	9	6	6	5
Total capital grants from the Commonwealth	805	1 059	1 195	1 452	1 450
Other contributions and grants	6	5	5	5	5
Total capital grant revenue	810	1 064	1 200	1 457	1 455
Total grant revenue	11 715	12 542	13 223	14 065	14 333

Table A.11(part b): General government sector grant expense (\$million)

	2020-21	2021–22	2022–23	2023–24	2024–25
	Estimated Result	Budget	Estimate	Estimate	Estimate
Current grant expense					
State/territory government					
State/territory government	5	4	3	3	4
Local government					
Local government	110	151	65	66	75
Local government on-passing	170	110	197	181	177
Private and not-for-profit sector					
Private and not-for-profit sector	1 011	953	775	736	753
Private and not-for-profit sector on-passing	895	1 172	1 231	1 283	1 323
Grants to other sectors of government	241	213	207	325	400
Other	597	594	226	425	408
Total current grant expense	3 030	3 197	2 706	3 020	3 139
Capital grant expense					
State/territory government					
State/territory government	—	—	—	—	—
Local government					
Local government	—	—	—	—	—
Local government on-passing	—	—	—	—	—
Private and not-for-profit sector					
Private and not-for-profit sector	190	281	75	33	61
Private and not-for-profit sector on-passing	—	—	—	—	—
Total capital grant expense	190	281	75	33	61
Total grant expense	3 221	3 477	2 781	3 053	3 200

Note: Totals may not add due to rounding.

Table A.12: General government sector dividend and income tax equivalent income (\$million)

	2020–21	2021–22	2022–23	2023–24	2024–25
	Estimated Result	Budget	Estimate	Estimate	Estimate
Dividend and income tax equivalent income from PNFC sector	102	83	97	125	165
Dividend and income tax equivalent income from PFC sector	91	96	81	78	92
Other dividend income	1	1	1	1	1
Total dividend and income tax equivalent income	195	180	179	205	258

Note: Totals may not add due to rounding.

Table A.13: General government sector expenses by function (\$million)^(a)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget
General public services			
Executive and legislative organs, financial and fiscal affairs, external affairs	455	444	494
Foreign economic aid	—	—	—
General services	140	141	138
Basic research	—	—	—
Research and development — general public services	—	—	—
Public debt transactions	656	641	716
Transfers of a general character between different levels of government	68	151	77
General public services not elsewhere classified	12	12	12
Total General public services	1 331	1 389	1 437
Defence^(b)	—	—	—
Public order and safety			
Police services	948	1 000	1 002
Civil and fire protection services	328	328	318
Law courts	409	429	424
Prisons	398	400	392
Research and development — public order and safety	—	—	—
Public order and safety not elsewhere classified	20	20	19
Total Public order and safety	2 103	2 177	2 155
Economic affairs			
General economic, commercial and labour affairs	823	629	831
Agriculture, forestry, fishing and hunting	133	149	186
Fuel and energy	192	183	198
Mining, manufacturing and construction	31	31	34
Communication	47	64	76
Other industries	147	139	114
Research and development — economic affairs	78	81	79
Economic affairs not elsewhere classified	—	—	—
Total Economic affairs	1 452	1 276	1 518
Environmental protection			
Waste management	1	1	1
Waste water management	13	13	13
Pollution abatement	51	54	58
Protection of biodiversity and landscape	413	416	407
Research and development — environmental protection	—	—	—
Environmental protection not elsewhere classified	—	—	—
Total Environmental protection	478	485	480

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget
Housing and community amenities			
Housing development	65	113	260
Community development	128	137	131
Water supply	158	155	157
Street lighting	—	—	—
Research and development — housing and community amenities	—	—	—
Housing and community amenities not elsewhere classified	—	—	—
Total Housing and community amenities	350	405	548
Health			
Medical products, appliances and equipment	106	122	135
Outpatient services	579	593	594
Hospital services	4 899	5 031	5 094
Mental health institutions	55	56	56
Community health services	698	724	759
Public health services	222	334	457
Research and development — health	38	35	38
Health not elsewhere classified	144	147	148
Total Health	6 740	7 043	7 281
Recreation, culture and religion			
Recreational and sporting services	666	730	774
Cultural services	250	252	247
Broadcasting and publishing services	—	—	—
Religious and other community services	—	—	—
Research and development — recreation, culture and religion	—	—	—
Recreation, culture and religion not elsewhere classified	6	6	6
Total Recreation, culture and religion	922	989	1 027
Education			
Pre-primary and primary education	2 880	2 966	2 889
Secondary education	1 589	1 664	1 632
Tertiary education	522	527	552
Education not definable by level	4	5	5
Subsidiary services to education	44	44	43
Research and development — education	—	—	—
Education not elsewhere classified	17	17	17
Total Education	5 058	5 224	5 137
Social protection			
Sickness and disability	845	847	827
Old age	119	134	145
Survivors	2	2	1

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget
Family and children	590	590	592
Unemployment	—	—	—
Housing	48	38	55
Social exclusion not elsewhere classified	277	279	273
Research and development — social protection	—	—	—
Social protection not elsewhere classified	98	99	97
Total Social protection	1 978	1 987	1 991
Transport			
Road transport	1 095	1 118	1 088
Bus transport	263	265	264
Water transport	27	27	27
Railway transport	312	318	312
Air transport	—	—	—
Multi-mode urban transport	40	41	40
Pipeline and other transport	—	—	—
Research and development — transport	3	4	3
Transport not elsewhere classified	3	3	3
Total Transport	1 744	1 775	1 737
Total Expenses	22 157	22 750	23 312
(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 'Economic affairs'.			

Table A.14: General government sector capital expenditure by function (\$million)^(a)

	2020-21 Budget	2020-21 Estimated Result	2021-22 Budget
General public services	42	42	33
Defence ^(b)	—	—	—
Public order and safety	266	251	272
Economic affairs	97	39	121
Environmental protection	56	39	107
Housing and community amenities	14	14	11
Health	360	304	408
Recreation, culture and religion	91	99	193
Education	675	702	479
Social protection	14	12	20
Transport	1 132	1 187	1 739
Total capital expenditure	2 748	2 689	3 382
(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 'Economic affairs'.			

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 2021-22 Budget. Data provided is sourced for 1998-99 from the *Australian Bureau of Statistics Government Finance Statistics 2007-08* and for 1999-2000 to 2019-20 from the budget outcome publications for South Australia. The estimates for 2020-21 onwards are contained in the 2021-22 Budget papers.

Gross State Product (GSP) data up to 2019-20 and the Consumer Price Index (for real-growth calculations) data up to 2019-20, are both sourced from the latest Australian Bureau of Statistics (ABS) publications. Budget economic 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. Therefore, care must be taken in interpreting the data below.

General government

Table B.1: General government key operating statement aggregates

	Revenue			Expenses			Net operating balance \$m	Net acquisition of non-financial assets \$m	Net lending \$m
	\$m	% real growth	% GSP	\$m	% real growth	% GSP			
1998-99	7 290		16.5	7 505		17.0	- 215	19	- 233
1999-2000	7 644	2.3	16.4	7 974	3.6	17.1	- 330	140	- 471
2000-01	8 108	3.0	16.3	8 406	2.4	16.9	- 297	102	- 399
2001-02	8 538	2.1	15.8	8 713	0.5	16.1	- 174	- 50	- 124
2002-03	9 346	5.2	16.3	8 898	-1.8	15.5	448	34	414
2003-04	9 955	3.4	16.5	9 570	4.4	15.8	385	- 38	424
2004-05	10 592	3.9	16.8	10 368	5.8	16.5	224	105	119
2005-06	11 242	2.9	16.9	11 040	3.3	16.6	202	119	83
2006-07	11 757	1.9	16.5	11 547	1.9	16.2	209	139	71
2007-08	12 879	6.1	16.7	12 414	4.1	16.1	464	242	222
2008-09	13 531	1.9	16.7	13 764	7.5	17.0	- 233	639	- 872
2009-10 ^(a)	15 534	12.3	18.4	15 347	9.1	18.1	187	1 279	-1 092
2010-11 ^(a)	15 017	-6.3	16.5	15 069	-4.9	16.6	- 53	1 370	-1 422
2011-12	15 905	3.2	17.1	16 164	4.5	17.4	- 258	839	-1 098
2012-13	15 333	-5.5	16.1	16 282	-1.3	17.1	- 948	55	-1 003
2013-14	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	17.5	17 062	1.1	17.2	300	204	96
2016-17	18 480	4.8	18.1	18 037	4.1	17.6	443	2 814	-2 371
2017-18	19 344	2.3	18.2	19 657	6.6	18.5	- 313	665	- 977
2018-19	20 514	4.4	18.7	20 225	1.3	18.4	289	638	- 348
2019-20 ^(b)	20 332	-2.6	18.4	21 817	6.0	19.7	-1 485	759	-2 244
2020-21	20 968	1.6	18.3	22 750	2.7	19.9	-1 782	1 093	-2 875
2021-22	21 915	2.7	18.2	23 312	0.7	19.4	-1 397	1 842	-3 238
2022-23	22 834	2.4	18.3	22 787	-3.9	18.2	48	1 896	-1 848
2023-24	24 015	3.1	18.4	23 518	1.2	18.0	498	2 470	-1 973
2024-25	24 701	0.3	18.2	24 322	0.9	17.9	379	2 042	-1 663

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 2019-20 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

Table B.2: General government key balance sheet aggregates at 30 June (\$million)

	Net debt ^(a)			^(b) Unfunded superannuation \$m	Net financial liabilities \$m	Net financial worth \$m	Net worth \$m
	\$m	% of revenue	% of GSP				
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	10.8	3 909	9 733	1 894	10 624
2000	1 920	25.1	4.1	3 543	6 911	2 986	12 445
2001	1 246	15.4	2.5	3 249	6 093	4 091	14 816
2002	1 303	15.3	2.4	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	3.2	9 096	14 313	7 299	40 958
2012 ^(g)	4 165	26.2	4.5	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	6 110	33.1	6.0	11 448	21 614	-1 990	42 433
2018	5 447	28.2	5.1	11 288	22 816	-2 920	43 085
2019	6 068	29.6	5.5	13 836	26 298	-5 845	41 576
2020 ^(k)	10 537	51.8	9.5	12 474	29 229	-12 494	43 426
2021	14 371	68.5	12.6	10 103	30 349	-13 296	44 020
2022	18 168	82.9	15.1	9 503	33 460	-16 315	43 063
2023	20 423	89.4	16.3	8 879	35 077	-17 707	43 572
2024	22 851	95.2	17.5	8 230	36 903	-19 122	44 668
2025	24 923	100.9	18.3	7 555	38 382	-20 153	45 722

Note: Totals may not add due to rounding.

- (a) Net debt data for the years before 1999 are 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 the Commonwealth Government bond rate for valuation purposes in line with AASB 119, *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, it 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.
 - (k) There is a structural break in 2020 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.
-

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

	Receipts	Payments	Cash surplus
1979-80	1 891	1 671	220
1980-81	2 065	1 917	148
1981-82	2 210	2 122	87
1982-83	2 664	2 507	156
1983-84	2 988	2 734	255
1984-85	3 380	3 057	324
1985-86	3 634	3 161	474
1986-87	3 956	3 416	540
1987-88	4 307	3 858	449
1988-89	4 630	3 977	653
1989-90	4 973	4 370	603
1990-91	5 260	4 796	463
1991-92	5 387	5 396	- 10
1992-93	5 967	5 456	512
1993-94	6 087	6 024	63
1994-95	6 155	6 220	- 66
1995-96	6 405	6 164	241
1996-97	6 379	6 282	97
1997-98	6 988	6 724	264
1998-99	7 165	7 041	123
1999-2000	7 676	7 915	- 239
2000-01	8 278	8 387	- 108
2001-02	8 698	8 748	- 50
2002-03	9 522	8 864	658
2003-04	10 023	9 502	522
2004-05	11 252	11 059	193
2005-06	11 480	11 293	187
2006-07	12 090	12 116	- 26
2007-08	12 932	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	19 338	21 566	-2 228
2017-18	21 384	20 682	702
2018-19	20 570	20 919	- 348
2019-20 ^(b)	20 256	22 842	-2 586
2020-21	20 577	23 783	-3 205
2021-22	21 755	25 109	-3 354
2022-23	22 765	24 672	-1 908

	Receipts	Payments	Cash surplus
2023-24	23 969	25 597	-1 628
2024-25	24 669	26 429	-1 760

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.
- (b) There is a structural break in 2019-20 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue										
Taxation revenue	4 409	4 431	4 558	4 576	4 478	4 733	4 822	4 991	5 182	5 357
Grants	8 997	9 958	10 677	11 883	11 342	11 715	12 542	13 223	14 065	14 333
Sales of goods and services	2 455	2 568	2 637	2 640	2 605	2 714	2 792	2 846	2 900	2 973
Interest income	24	25	23	25	87	36	32	55	110	206
Dividend and income tax equivalent income	792	645	677	535	386	195	180	179	205	258
Other	686	852	771	856	1 433	1 575	1 547	1 540	1 554	1 575
Total revenue	17 362	18 480	19 344	20 514	20 332	20 968	21 915	22 834	24 015	24 701
less Expenses										
Employee expenses	7 721	8 010	8 420	8 714	8 756	8 939	9 057	9 241	9 414	9 619
Superannuation expenses										
Superannuation interest cost	402	345	348	322	231	183	188	176	165	152
Other superannuation expenses	744	767	805	814	844	873	932	960	985	1 001
Depreciation and amortisation	890	928	1 016	1 071	1 379	1 399	1 429	1 489	1 550	1 632
Interest expenses	210	192	443	361	464	459	528	645	768	984
Other property expenses	—	—	—	—	—	—	—	—	—	—
Other operating expenses	4 398	4 771	5 326	5 306	6 760	7 676	7 700	7 495	7 584	7 735
Grants	2 698	3 025	3 299	3 638	3 382	3 221	3 477	2 781	3 053	3 200
Total expenses	17 062	18 037	19 657	20 225	21 817	22 750	23 312	22 787	23 518	24 322
<i>equals</i> Net operating balance	300	443	- 313	289	-1 485	-1 782	-1 397	48	498	379
<i>plus</i> Other economic flows	-2 621	4 250	867	-1 798	4 252	2 376	440	462	598	675
<i>equals</i> Comprehensive result -- total change in net worth ^(b)	-2 321	4 693	554	-1 509	2 767	594	-957	509	1 096	1 054
Net operating balance	300	443	- 313	289	-1 485	-1 782	-1 397	48	498	379
<i>less</i> Net acquisition of non-financial assets										
Purchases of non-financial assets	1 162	4 460	1 999	1 794	2 460	2 689	3 382	3 464	4 145	3 747
<i>less</i> Sales of non-financial assets	66	722	320	88	324	197	112	79	125	73
<i>less</i> Depreciation	890	928	1 016	1 071	1 379	1 399	1 429	1 489	1 550	1 632

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<i>plus</i> Change in inventories	- 3	3	1	3	3	—	—	—	—	—
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	204	2 814	665	638	759	1 093	1 842	1 896	2 470	2 042
equals Net lending/borrowing	96	-2 371	- 977	- 348	-2 244	-2 875	-3 238	-1 848	-1 973	-1 663

Note: Totals may not add due to rounding.

(a) There is a structural break in 2019-20 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

(b) Comprehensive result excludes transactions with owners in their capacity as owners.

Table B.5: General government sector balance sheet at 30 June (\$million)^(a)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assets										
Financial assets										
Cash and deposits	1 088	1 268	1 506	2 114	10 328	10 439	10 869	11 475	12 699	14 034
Advances paid	57	63	69	116	150	208	316	453	459	462
Investments, loans and placements	292	367	408	425	555	555	546	571	606	604
Receivables	896	739	647	739	2 402	2 280	2 275	2 357	2 440	2 524
Equity										
Investments in other public sector entities	19 322	19 624	19 896	20 454	16 735	17 054	17 145	17 370	17 781	18 229
Investments — other	890	32	28	88	86	80	80	79	79	79
Other financial assets	86	105	91	113	—	—	—	—	—	—
Total financial assets	22 632	22 198	22 646	24 048	30 257	30 615	31 231	32 305	34 063	35 931
Non-financial assets										
Land and other fixed assets	39 781	44 402	45 972	47 420	55 754	57 179	59 247	61 185	63 697	65 783
Other non-financial assets	9	21	32	1	167	137	131	94	93	92
Total non-financial assets	39 790	44 423	46 005	47 421	55 920	57 315	59 378	61 279	63 790	65 876
Total assets	62 422	66 621	68 650	71 468	86 177	87 931	90 609	93 584	97 853	101 807
Liabilities										
Deposits held	478	275	399	1 438	345	332	332	333	342	350
Advances received	234	234	231	208	—	—	—	—	—	—
Borrowing	5 119	7 300	6 801	7 077	21 225	25 242	29 568	32 589	36 273	39 673
Superannuation	14 029	11 448	11 288	13 836	12 474	10 103	9 503	8 879	8 230	7 555
Other employee benefits	2 829	2 772	2 907	3 312	3 336	3 427	3 530	3 617	3 746	3 890
Payables	1 089	1 245	1 103	1 250	1 358	1 354	1 356	1 362	1 371	1 376
Other liabilities	904p	915	2 836	2 771	4 012	3 454	3 257	3 230	3 223	3 240
Total liabilities	24 681	24 188	25 565	29 892	42 751	43 911	47 546	50 011	53 185	56 085
Net worth	37 741	42 433	43 085	41 576	43 426	44 020	43 063	43 572	44 668	45 722
Net financial worth	-2 049	-1 990	-2 920	-5 845	-12 494	-13 296	-16 315	-17 707	-19 122	-20 153

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net financial liabilities	21 372	21 614	22 816	26 298	29 229	30 349	33 460	35 077	36 903	38 382
Net debt	4 393	6 110	5 447	6 068	10 537	14 371	18 168	20 423	22 851	24 923

Note: Totals may not add due to rounding.

(a) There is a structural break in 2020 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

Non-financial public sector

Table B.6: Non-financial public sector key operating statement aggregates

	Revenue			Expenses			Net operating balance \$m	Net acquisition of non-financial assets \$m	Net lending \$m
	\$m	% real growth	% GSP	\$m	% real growth	% GSP			
1998-99	9 468		21.4	9 597		21.7	- 129	- 115	- 14
1999-2000	9 206	-5.2	19.8	9 552	-2.9	20.5	- 346	-3 508	3 161
2000-01	9 051	-4.5	18.2	9 279	-5.7	18.7	- 228	-1 111	883
2001-02	9 367	0.3	17.3	9 487	-0.9	17.5	- 120	- 124	5
2002-03	10 172	4.4	17.7	9 696	-1.7	16.9	476	72	405
2003-04	10 707	2.2	17.7	10 294	3.1	17.0	413	33	379
2004-05	11 343	3.5	18.0	11 029	4.6	17.5	314	125	189
2005-06	11 807	0.9	17.8	11 634	2.3	17.5	172	53	119
2006-07	12 321	1.7	17.3	12 175	2.0	17.1	147	173	- 26
2007-08	13 634	7.1	17.7	13 065	3.9	17.0	569	303	266
2008-09	14 360	2.1	17.8	14 567	8.1	18.0	- 207	1 249	-1 456
2009-10 ^(a)	16 315	11.2	19.3	15 679	5.3	18.5	636	2 361	-1 725
2010-11 ^(a)	15 960	-5.2	17.5	15 939	-1.5	17.5	21	1 920	-1 898
2011-12	16 866	3.0	18.1	16 908	3.3	18.1	- 41	1 383	-1 424
2012-13	16 494	-4.1	17.4	17 152	-0.6	18.0	- 657	64	- 721
2013-14	16 399	-3.1	16.9	17 627	0.2	18.2	-1 229	715	-1 944
2014-15	17 651	6.0	17.9	17 965	0.4	18.2	- 314	- 198	- 116
2015-16	18 461	3.7	18.6	18 310	1.0	18.4	151	205	- 54
2016-17	19 447	3.8	19.0	19 228	3.4	18.8	219	3 359	-3 140
2017-18	20 384	2.5	19.2	20 768	5.6	19.6	- 384	728	-1 112
2018-19	21 633	4.5	19.7	21 062	-0.1	19.2	571	830	- 259
2019-20 ^(b)	21 373	-2.9	19.3	23 322	8.8	21.1	-1 949	557	-2 506
2020-21	22 068	1.7	19.3	24 263	2.5	21.2	-2 195	1 331	-3 526
2021-22	23 110	2.9	19.2	24 927	1.0	20.7	-1 816	2 019	-3 836
2022-23	24 017	2.1	19.2	24 399	-3.8	19.5	- 382	2 039	-2 421
2023-24	25 191	2.8	19.3	24 981	0.4	19.2	210	2 504	-2 294
2024-25	25 941	0.5	19.1	25 774	0.7	19.0	167	1 984	-1 817

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 2019-20 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

Table B.7: Non-financial public sector key balance sheet aggregates at 30 June (\$million)

	Net debt ^(a)			^(b) Unfunded superannuation \$m	Net financial liabilities \$m	Net financial worth \$m	Net worth \$m
	\$m	% of revenue	% of GSP				
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	17.3	3 909	13 099	-12 256	10 624
2000	4 355	47.3	9.4	3 543	9 914	-8 986	12 445
2001	3 223	35.6	6.5	3 249	8 151	-7 109	14 816
2002	3 317	35.4	6.1	3 998	8 973	-7 902	14 721
2003	2 696	26.5	4.7	4 445	9 096	-8 811	15 288
2004	2 285	21.3	3.8	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	5.3	9 478	16 626	-16 997	36 231
2011	6 541	41.0	7.2	9 096	18 273	-18 402	40 958
2012	7 996	47.4	8.6	13 523	24 500	-25 123	37 199
2013	8 949	54.3	9.4	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	11.0	14 029	28 281	-27 355	37 741
2017	13 529	69.6	13.2	11 448	29 200	-28 042	42 433
2018	12 950	63.5	12.2	11 288	30 564	-29 523	43 085
2019	13 084	60.5	11.9	13 836	33 744	-32 930	41 576
2020 ^(f)	17 452	81.7	15.8	12 474	37 828	-38 599	43 426
2021	21 952	99.5	19.2	10 103	39 464	-40 202	44 027
2022	26 172	113.2	21.8	9 503	43 095	-43 835	43 074
2023	28 898	120.3	23.1	8 879	45 265	-46 001	43 588
2024	31 494	125.0	24.2	8 230	47 340	-48 079	44 687
2025	33 623	129.6	24.7	7 555	48 947	-49 698	45 744

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 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 Authority. 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, it 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.
 - (f) There is a structural break in 2020 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.
-

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

	Receipts	Payments	Cash surplus
1979-80	2 681	2 388	292
1980-81	2 877	2 649	228
1981-82	3 145	2 963	182
1982-83	3 651	3 356	295
1983-84	4 383	4 014	369
1984-85	4 887	4 356	531
1985-86	5 172	4 415	757
1986-87	5 542	4 790	752
1987-88	6 078	5 299	780
1988-89	6 946	5 784	1 162
1989-90	7 517	6 465	1 052
1990-91	7 830	6 839	991
1991-92	8 352	7 969	383
1992-93	8 939	7 946	993
1993-94	8 761	8 119	642
1994-95	8 570	8 142	428
1995-96	8 985	8 654	331
1996-97	8 908	8 532	375
1997-98	9 426	8 895	532
1998-99	9 301	8 692	609
1999-2000	13 014	9 501	3 513
2000-01	10 572	9 414	1 158
2001-02	9 726	9 722	4
2002-03	10 439	9 805	634
2003-04	10 891	10 403	488
2004-05	12 051	11 786	265
2005-06	12 239	11 868	370
2006-07	12 684	12 809	- 125
2007-08	13 943	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	19 593	22 779	-3 186
2017-18	22 532	21 904	629
2018-19	21 860	21 888	- 28
2019-20 ^(b)	20 969	24 050	-3 081
2020-21	21 448	25 548	-4 100
2021-22	23 051	27 033	-3 982
2022-23	24 121	26 618	-2 497

	Receipts	Payments	Cash surplus
2023-24	25 288	27 224	-1 936
2024-25	25 940	27 883	-1 943

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.
- (b) There is a structural break in 2019-20 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

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

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
Revenue										
Taxation revenue	4 083	4 072	4 198	4 207	4 208	4 552	4 635	4 799	4 985	5 154
Grants	8 996	9 959	10 678	11 883	11 344	11 714	12 543	13 222	14 064	14 333
Sales of goods and services	4 138	4 062	4 208	4 364	4 174	3 914	4 096	4 139	4 220	4 397
Interest income	33	32	24	29	88	33	33	53	108	203
Dividend and income tax equivalent income	466	442	429	241	60	93	98	83	80	94
Other	746	881	847	909	1 498	1 761	1 706	1 720	1 734	1 760
Total revenue	18 461	19 447	20 384	21 633	21 373	22 068	23 110	24 017	25 191	25 941
less Expenses										
Employee expenses	7 913	8 208	8 626	8 993	9 022	9 217	9 329	9 515	9 692	9 900
Superannuation expenses										
Superannuation interest cost	402	345	348	322	231	183	188	176	165	152
Other superannuation expenses	771	794	832	848	879	901	967	996	1 021	1 038
Depreciation and amortisation	1 321	1 367	1 490	1 565	1 881	1 901	1 948	2 026	2 107	2 193
Interest expenses	483	472	720	636	712	685	733	852	968	1 181
Other property expenses	—	—	—	—	—	—	—	—	—	—
Other operating expenses	5 045	5 358	5 917	6 024	7 404	8 336	8 438	8 209	8 251	8 462
Grants	2 376	2 685	2 835	2 674	3 193	3 041	3 324	2 625	2 778	2 848
Total expenses	18 310	19 228	20 768	21 062	23 322	24 263	24 927	24 399	24 981	25 774
<i>equals</i> Net operating balance	151	219	- 384	571	-1 949	-2 195	-1 816	- 382	210	167
<i>plus</i> Other economic flows	-2 472	4 474	938	-2 080	4 716	2 796	864	896	889	891
<i>equals</i> Comprehensive result — total change in net worth ^(b)	-2 321	4 693	554	-1 509	2 767	601	- 953	514	1 099	1 058
Net operating balance	151	219	- 384	571	-1 949	-2 195	-1 816	- 382	210	167
<i>less</i> Net acquisition of non-financial assets										
Purchases of non-financial assets	1 704	4 947	2 682	2 576	2 619	3 441	4 230	4 340	4 902	4 437
<i>less</i> Sales of non-financial assets	195	228	431	211	132	260	270	314	291	173
<i>less</i> Depreciation	1 321	1 367	1 490	1 565	1 881	1 901	1 948	2 026	2 107	2 193

	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
<i>plus</i> Change in inventories	17	7	- 33	30	- 49	51	7	38	—	- 87
<i>plus</i> Other movements in non-financial assets	—	—	—	—	—	—	—	—	—	—
equals Total net acquisition of non-financial assets	205	3 359	728	830	557	1 331	2 019	2 039	2 504	1 984
equals Net lending/borrowing	- 54	- 3 140	- 1 112	- 259	- 2 506	- 3 526	- 3 836	- 2 421	- 2 294	- 1 817

Note: Totals may not add due to rounding.

(a) There is a structural break in 2019-20 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

(b) Comprehensive result excludes transactions with owners in their capacity as owners.

Table B.10: Non-financial public sector balance sheet at 30 June (\$million)^(a)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assets										
Financial assets										
Cash and deposits	1 506	1 443	1 603	2 272	11 172	10 864	11 056	11 478	12 765	14 149
Advances paid	24	30	36	83	117	196	337	474	480	483
Investments, loans and placements	340	421	429	445	485	489	487	518	525	532
Receivables	951	975	801	840	1 045	1 063	978	990	1 001	1 014
Equity										
Investments in other public sector entities	926	1 158	1 040	813	- 771	- 738	- 740	- 736	- 740	- 750
Investments — other	905	45	43	105	97	91	91	90	90	90
Other financial assets	92	118	93	120	4	4	4	4	4	4
Total financial assets	4 743	4 191	4 045	4 677	12 150	11 969	12 214	12 817	14 126	15 521
Non-financial assets										
Land and fixed assets	65 084	70 454	72 564	74 503	81 842	84 079	86 758	89 480	92 665	95 347
Other non-financial assets	13	22	44	3	183	149	152	109	102	95
Total non-financial assets	65 096	70 476	72 608	74 506	82 025	84 229	86 909	89 589	92 766	95 442
Total assets	69 839	74 667	76 654	79 184	94 175	96 198	99 123	102 406	106 892	110 963
Liabilities										
Deposits held	226	143	191	565	190	190	191	191	192	192
Advances received	234	234	231	208	—	—	—	—	—	—
Borrowing	12 322	15 047	14 596	15 110	29 037	33 310	37 861	41 177	45 073	48 595
Superannuation	14 029	11 448	11 288	13 836	12 474	10 103	9 503	8 879	8 230	7 555
Other employee benefits	2 902	2 843	2 980	3 412	3 437	3 529	3 632	3 723	3 855	4 002
Payables	1 320	1 481	1 383	1 477	1 560	1 566	1 575	1 580	1 587	1 591
Other liabilities	1 066	1 038	2 899	2 999	4 050	3 472	3 287	3 268	3 268	3 283
Total liabilities	32 099	32 234	33 569	37 608	50 748	52 171	56 048	58 818	62 205	65 219
Net worth	37 741	42 433	43 085	41 576	43 426	44 027	43 074	43 588	44 687	45 744
Net financial worth	-27 355	-28 042	-29 523	-32 930	-38 599	-40 202	-43 835	-46 001	-48 079	-49 698

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Net financial liabilities	28 281	29 200	30 564	33 744	37 828	39 464	43 095	45 265	47 340	48 947
Net debt	10 912	13 529	12 950	13 084	17 452	21 952	26 172	28 898	31 494	33 623

Note: Totals may not add due to rounding.

(a) There is a structural break in 2020 reflecting the changes to accounting standards for AASB 15, *Revenue from Contracts with Customers*, AASB 1058, *Income of Not-for-Profit Entities*, and AASB 16, *Leases*. Additional presentation changes have also been applied from 2019-20 to achieve full compliance with UPF. These changes do not have a significant impact on the key budget indicators. They largely relate to certain assets no longer being offset by related liabilities, and certain revenues no longer being offset by related expenses.

Appendix C: Consolidated Account

Table C.1: Summary of receipts and payments

	2021-22 Budget \$000	2020-21 Estimated Result \$000	2020-21 Budget \$000
Receipts			
Taxation	4 417 022	4 437 814	4 183 335
Commonwealth general purpose grants	6 711 044	6 036 199	5 109 900
Commonwealth specific purpose grants	221 005	218 734	217 072
Commonwealth National Partnership payments	188 064	102 580	75 252
Contributions from state undertakings	215 019	227 794	192 567
Fees and charges	562 181	565 707	544 271
Recoveries	208 115	1 069 821	1 087 802
Royalties	322 938	315 867	302 060
Other receipts	18 313	58 506	56 576
Total receipts	12 863 701	13 033 022	11 768 835
Payments			
Appropriation Act	17 865 967	16 592 268	17 576 775
Specific appropriation authorised in various Acts	333 522	245 555	186 935
Total payments	18 199 489	16 837 823	17 763 710
Consolidated Account financing requirement	5 335 788	3 804 801	5 994 875
Borrowing from (+) repayment to (-) South Australian Government Financing Authority	5 335 788	3 804 801	5 994 875
Note: Totals may not add due to rounding			

Table C.2: Estimates of payments

	2021-22 Budget	2020-21 Estimated Result	2020-21 Budget
	\$000	\$000	\$000
Payments from Appropriation Act			
Attorney-General's Department	173 516	192 700	182 398
Administered items for the Attorney-General's Department	65 845	67 208	72 300
Auditor-General's Department	18 616	18 443	18 445
Commission on Excellence and Innovation in Health	5 930	5 899	5 962
Courts Administration Authority	96 600	109 193	109 443
Defence SA	11 180	14 878	14 880
Department for Child Protection	648 072	601 448	606 093
Department for Correctional Services	412 822	462 104	462 601
Department for Education	3 287 483	3 293 526	3 353 642
Administered items for the Department for Education	375 932	369 466	171 543
Department for Energy and Mining	54 776	106 837	134 125
Department for Environment and Water	169 429	143 861	155 405
Administered items for the Department for Environment and Water	30 979	30 634	30 730
Department for Health and Wellbeing	5 413 286	4 520 532	5 513 116
Department of Human Services	940 430	908 105	907 939
Administered Items for the Department of Human Services	189 301	182 702	182 700
Department for Infrastructure and Transport	1 071 420	1 141 044	1 083 155
Administered items for the Department for Infrastructure and Transport	4 045	4 870	4 728
Department for Innovation and Skills	402 391	383 199	399 235
Administered Items for the Department for Innovation and Skills	13 096	16 145	16 145
Department of the Premier and Cabinet	351 203	277 343	266 003
Administered items for the Department of the Premier and Cabinet	9 185	9 288	9 289
Department of Primary Industries and Regions	124 636	204 404	201 545
Administered items for the Department of Primary Industries and Regions	4 788	4 672	4 672
Department for Trade and Investment	43 949	40 638	44 811
Administered Items for the Department for Trade and Investment	—	246	—
Department of Treasury and Finance	170 727	150 051	148 367
Administered items for the Department of Treasury and Finance	2 666 366	2 251 972	2 439 548
Electoral Commission of South Australia	29 437	6 640	6 901
Administered items for Electoral Commission of South Australia	502	490	490
Green Industries SA	—	2 000	2 000
House of Assembly	8 094	7 930	7 930
Joint Parliamentary Services	13 013	13 029	13 031
Administered items for Joint Parliamentary Services	3 324	3 064	3 064

	2021-22 Budget \$000	2020-21 Estimated Result \$000	2020-21 Budget \$000
Table C.2: Estimates of payments continued			
Legislative Council	5 803	5 684	5 684
Premiers — other items	5 562	5 426	5 426
South Australia Police	956 986	943 140	897 376
Administered items for South Australia Police	65	63	63
South Australian Tourism Commission	66 288	67 177	69 285
State Governor's Establishment	4 118	5 790	5 790
Wellbeing SA	16 772	20 427	20 915
Total payments appropriated for administrative units, statutory authorities and ministers	17 865 967	16 592 268	17 576 775
Payments for which specific appropriation is authorised in various Acts	333 522	245 555	186 935
Total Consolidated Account payments	18 199 489	16 837 823	17 763 710
Payments for which specific appropriation is authorised in various Acts			
Salaries and allowances			
Agent-General — pursuant to <i>Agent-General Act 1901</i>	394	388	388
Auditor-General — pursuant to <i>Public Finance and Audit Act 1987</i>	348	343	343
Commissioners of Environment, Resource and Development Court — pursuant to <i>Remuneration Act 1990</i>	1 350	1 264	1 264
Commissioner of Police — pursuant to <i>Police Act 1998</i>	497	490	490
State Coroner and Deputy Coroner — pursuant to <i>Remuneration Act 1990</i>	1 340	1 257	1 324
Electoral Commissioner and Deputy Electoral Commissioner — pursuant to <i>Electoral Act 1985</i>	504	497	497
Electoral District Boundaries Commission — pursuant to <i>Constitution Act 1934</i>	170	16	314
Governor — pursuant to <i>Constitution Act 1934</i>	379	374	374
Health and Community Services Complaints Commissioner — pursuant to <i>Remuneration Act 1990</i>	253	250	250
Judges — pursuant to <i>Remuneration Act 1990</i>			
Chief Justice	795	782	782
Judges and Masters	25 701	24 889	24 889
Magistrates — pursuant to <i>Remuneration Act 1990</i>	17 406	17 066	17 066
Members of various standing committees — pursuant to <i>Parliamentary Remuneration Act 1990 and Parliamentary Committees Act 1991</i>	268	268	268
Ombudsman — pursuant to <i>Ombudsman Act 1972</i>	467	461	461
Parliamentary salaries and electorate other allowances — pursuant to <i>Parliamentary Remuneration Act 1990</i> Ministers, officers and members of parliament	18 917	18 853	18 853

	2021-22 Budget \$000	2020-21 Estimated Result \$000	2020-21 Budget \$000
Table C.2: Estimates of payments continued			
Senior Judge and judges of the Industrial Relations Court and Commission — pursuant to <i>Remuneration Act 1990</i>	3 542	3 487	3 487
Solicitor-General — pursuant to <i>Solicitor-General Act 1972</i>	744	734	734
South Australian Civil and Administrative Tribunal — pursuant to <i>Remuneration Act 1990</i>	1 119	1 101	1 101
Valuer-General — pursuant to <i>Valuation of Land Act 1971</i>	256	252	252
Total salaries and allowances	74 450	72 772	73 137
Other			
Victims of Crime Fund — Compensation for injuries resulting from criminal acts — pursuant to <i>Victims of Crime Act 2001</i>	9 536	9 303	9 303
First Home Owner and HomeBuilder Grants — pursuant to <i>First Home and Housing Construction Grants Act 2000</i>	249 536	163 480	104 495
Total other	259 072	172 783	113 798
Total payments for which specific appropriation is authorised in various Acts	333 522	245 555	186 935
Note: Totals may not add due to rounding			

Table C.3: Estimates of receipts

	2021-22 Budget	2020-21 Estimated Result	2020-21 Budget
	\$000	\$000	\$000
Taxation receipts			
Payroll tax	1 742 876	1 492 069	1 484 463
Commonwealth places mirror payroll tax ^(a)	28 900	26 700	26 600
Stamp duties	1 617 821	1 676 974	1 457 448
Commonwealth places mirror stamp duties ^(a)	271	271	271
Land tax	574 080	766 588	768 225
Commonwealth places mirror land tax ^(a)	1 900	1 800	1 800
Gaming machines tax	291 031	307 819	296 119
Contribution from SA Lotteries	96 401	100 776	87 192
Contribution from casino operations	17 200	14 100	16 500
Contribution from on-course totalizators, bookmakers and small lotteries	2 621	2 586	2 586
Betting operations tax	43 921	48 131	42 131
Total taxation receipts	4 417 022	4 437 814	4 183 335
Commonwealth general purpose payments			
GST revenue grants	6 711 044	6 036 199	5 109 900
Total Commonwealth general purpose payments	6 711 044	6 036 199	5 109 900
Commonwealth specific purpose payments^(b)			
Council of Australian Governments funding arrangements	221 005	218 734	217 072
Total Commonwealth specific purpose payments	221 005	218 734	217 072
Commonwealth National Partnership payments^(c)			
Council of Australian Governments funding arrangements	188 064	102 580	75 252
Total Commonwealth National Partnership payments	188 064	102 580	75 252
Contributions from state undertakings			
Adelaide Cemeteries Authority			
Income tax equivalent	56	—	91
Adelaide Venue Management Corporation			
Dividend	1 600	1 600	1 600
Arrangements with private electricity entities			
Local government rate equivalent	145	142	263
Department for Infrastructure and Transport			
Income tax equivalent	2 614	2 614	2 614
Local government rate equivalent	1 149	1 121	1 121
Flinders Ports			
Payment in lieu of other taxes	2 932	2 861	2 861
Funds SA			
Local government rate equivalent	298	288	288

	2021-22 Budget \$000	2020-21 Estimated Result \$000	2020-21 Budget \$000
Table C.3: Estimates of receipts continued			
HomeStart Finance			
Dividend	27 288	32 525	23 089
Income tax equivalent	11 695	13 014	9 379
Motor Accident Commission			
Dividend	9 823	9 294	9 291
Public Trustee			
Dividend	5 296	3 967	4 566
Income tax equivalent	2 212	1 639	1 896
Renewal SA			
Dividend	1 632	1 318	1 613
Local government rate equivalent	1 656	1 040	2 009
South Australian Water Corporation			
Dividend	49 477	63 957	49 738
Income tax equivalent	46 783	48 597	43 084
Local government rate equivalent	2 000	1 951	1 951
Scope Global Pty Ltd			
Dividend	100	100	100
Income tax equivalent	600	600	600
South Australian Government Employee Residential Properties			
Dividend	—	2 505	2 295
Income tax equivalent	—	465	465
South Australian Government Financing Authority			
Dividend	32 800	16 270	23 866
Income tax equivalent	14 400	21 409	9 270
State Owned Generators Leasing Co Pty Ltd			
Dividend	289	—	—
Income tax equivalent	124	—	—
TAFE SA			
Local government rate equivalent	50	49	49
West Beach Trust			
Income tax equivalent	—	468	468
Total contributions from state undertakings	215 019	227 794	192 567
Fees and charges^(d)			
Auditor-General's Department — fees for audit and other sundry receipts	16 641	16 234	16 234
Court fines	68 694	62 346	66 346
Court regulatory fees	43 311	39 057	42 057
Guarantee fees	124 861	126 406	130 761

	2021-22 Budget \$000	2020-21 Estimated Result \$000	2020-21 Budget \$000
Table C.3: Estimates of receipts continued			
Infringement notice schemes — expiation fees	78 972	70 442	74 093
Land Services regulatory fees	229 082	251 033	214 591
Small lotteries	607	175	189
Sundry fees	13	14	—
Total fees and charges	562 181	565 707	544 271
Recoveries			
Adelaide Oval Sublease Fees	1 024	1 000	1 000
Casino Unclaimed Prizes	40	20	—
Department for Infrastructure and Transport — indentured ports	15 673	15 634	15 634
Department for Environment and Water — Qualco Sunlands	250	158	158
Disaster Recovery Funding Arrangements	—	—	32 135
Essential Services Commission of South Australia	13 272	12 578	12 578
Government Banking Contract Rebate	1 837	1 836	1 836
Helicopter service — recovery of costs and sponsorships	1 457	1 422	1 719
Independent Gaming Corporation contribution to Gamblers Rehabilitation Fund	2 000	2 000	2 000
Landscape Levy — Treasurer's Water Licences	419	409	409
Metropolitan Drainage Fund	7	7	7
National Tax Equivalent Program	50	50	50
Off-course wagering services annual fee	1 240	1 220	1 220
On-passing of Innovation Centre Funding	2 000	2 000	2 000
On-Passing of Kangaroo Island Grant	—	4 900	4 900
On-passing of SAHMRI grant	27 280	40 720	40 720
Recoup from the COVID-19 Support Fund ^(e)	87 283	143 360	159 800
Recoup from the Economic Investment Fund	8 700	6 466	7 266
Recoup from the Planning and Development Fund	4 300	2 150	2 150
Recovery from SAFA Insurance Fund No.2	—	6 166	6 166
Remote Self Isolation Facilities	—	131	—
Return of cash to Consolidated Account — cash alignment policy	—	780 157	785 099
Return of deposit account balances — superannuation	30 000	—	—
Return of Hospital Viability payment	—	44 882	—
Return of working capital	8 610	—	8 400
Sundry recoupment	201	196	196
Unclaimed monies and personal property	2 472	2 359	2 359
Total recoveries	208 115	1 069 821	1 087 802
Royalties			
Department for Energy and Mining	321 724	314 682	300 875
Land Services data royalties	1 214	1 185	1 185
Total royalties	322 938	315 867	302 060

	2021-22 Budget \$000	2020-21 Estimated Result \$000	2020-21 Budget \$000
Table C.3: Estimates of receipts continued			
Other receipts			
Interest			
Interest on investments	6 024	10 382	12 560
Interest recoveries from general government entities	389	378	820
Interest recoveries from the private sector	864	1 116	1 116
Repayment of advances			
Flinders Medical Centre	—	4 995	4 995
Department of Primary Industries and Regions	7 281	2 000	2 000
Renmark Irrigation Trust	—	96	96
Royal Zoological Society of SA	315	301	301
Other			
Other recoveries	515	515	515
Sale of land and buildings	2 925	38 723	34 173
Total other receipts	18 313	58 506	56 576
Total Consolidated Account receipts	12 863 701	13 033 022	11 768 835

Note: Totals may not add due to rounding.

- (a) Taxes akin to state taxes are levied on activities conducted on Commonwealth places under the authority of Commonwealth mirror tax legislation. Revenue is retained by the state.
- (b) Refers only to those Commonwealth specific purpose payments paid to the Consolidated Account.
- (c) Refers only to National Partnership payments that are paid to the Consolidated Account. The remainder of National Partnership payments are paid into the Intergovernmental Agreement on Federal Financial Relations special deposit account for subsequent disbursement to the relevant line agencies.
- (d) Refers to only those fees and charges paid to the Consolidated Account.
- (e) The 2020-21 Budget and the 2019-20 Actual was previously presented in the 2020-21 Budget Papers under the title of 'Recoup from the Business and Jobs Support Fund' and 'Recoup from the 'Community and Jobs Support Fund'.

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 2021-22 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	
Adelaide Festival Corporation	Hills and Fleurieu Landscape Board
Adelaide Film Festival	House of Assembly
Agents Indemnity Fund	Human Services, Department of
Alinytjara Wilurara Landscape Board	Incorporated Hospitals and Health Services
Anzac Day Commemoration Fund	Independent Commissioner Against Corruption (ICAC)
Art Gallery Board, The	Independent Gambling Authority
Attorney-General's Department	Infrastructure and Transport, Department for
Auditor-General's Department	Infrastructure SA
Australian Children's Performing Arts Company (trading as Windmill Performing Arts)	Innovation and Skills, Department for
Board of Botanic Gardens and State Herbarium	International Koala Centre of Excellence
Carrick Hill Trust	Joint Parliamentary Services
Child Protection, Department for	Judicial Conduct Commissioner
Coast Protection Board	Kangaroo Island Landscape Board
Commission on Excellence and Innovation in Health	Legislative Council
Correctional Services, Department for	Libraries Board of South Australia
Courts Administration Authority	Limestone Coast Landscape Board
CTP Regulator (trading as CTP Insurance Regulator)	Lotteries Commission of South Australia (trading as SA Lotteries)
Dairy Authority of South Australia	Murraylands and Riverland Landscape Board
Defence SA	Museum Board
Dog and Cat Management Board	Native Vegetation Fund
Dog Fence Board	Northern and Yorke Landscape Board
Education, Department for	Office for Recreation, Sport and Racing
Education and Early Childhood Services Registration and Standards Board of South Australia	Office of the Commissioner for Public Sector Employment
Electoral Commission of South Australia	Office of the Industry Advocate
Energy and Mining, Department for	Office of the South Australian Productivity Commission
Environment and Water, Department for	Outback Communities Authority
Environment Protection Authority	Premier and Cabinet, Department of the
Essential Services Commission of South Australia	Primary Industries and Regions, Department of
Eyre Peninsula Landscape Board	Professionals Standards Council
Government Schools	Residential Tenancies Fund
Green Adelaide Board	Retail shop Leases Fund
Green Industries SA	SACE Board of South Australia
Health and Wellbeing, Department for	Second-hand Vehicles Compensation Fund
History Trust of South Australia	Small Business Commissioner

South Australia Police (South Australian Police Department, SAPOL)

South Australian Ambulance Service

South Australian Arid Lands Landscape 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 Local Government Grants Commission

South Australian Metropolitan Fire Service (MFS)

South Australian Skills Commission

South Australian State Emergency Service (trading as SES)

South Australian Tourism Commission

South Eastern Water Conservation and Drainage Board

State Governor's Establishment

State Opera of South Australia

State Planning Commission

State Procurement Board

State Theatre Company of South Australia

Study Adelaide

TAFE SA

TechInSA (formerly trading as Bio Innovation SA)

Trade and Investment, Department for

Treasury and Finance, Department of

Wellbeing SA

Public Non-Financial Corporations Sector

Adelaide Cemeteries Authority

Adelaide Festival Centre Trust

Adelaide Venue Management Corporation

Distribution Lessor Corporation

Generation Lessor Corporation

Public Trustee

South Australian Forestry Corporation (trading as ForestrySA)

South Australian Government Employee Residential Properties

South Australian Housing Trust (trading as South Australian Housing Authority)

South Australian Water Corporation (trading as SA Water)

State Owned Generators Leasing Co Pty Ltd

Transmission Lessor Corporation

Urban Renewal Authority (trading as Renewal SA)

West Beach Trust (trading as Adelaide Shores)

Public Financial Corporations Sector

HomeStart Finance

Lifetime Support Authority

Motor Accident Commission

Return to Work Corporation of South Australia (trading as ReturnToWorkSA)

South Australian Government Financing Authority (trading as SAFA)

Superannuation Funds Management Corporation of South Australia (trading as Funds SA)

Changes to controlled entities/reporting structures since the 2020-21 Budget

New entities

- Effective 1 July 2021, South Australian Skills Commission.

Future changes

- Effective 1 July 2021, State Procurement Board to be abolished under the *State Procurement Act 2020*.
- Effective 1 July 2021, South Australian Government Employee Residential Properties will transfer from Public Non-Financial Corporations Sector to General Government Sector.

Appendix E: Tax expenditure statement

Overview

This statement provides a summary of tax expenditures incurred by the Government of South Australia in 2019-20 and 2020-21.

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.

A tax expenditure is a reduction in tax revenue or increase in refund and remission expenditure 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 raised 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 level of tax rates or, if expenditures remain unchanged, reduce 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 provide 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 standard rate of 4.95 per cent with no threshold. There is no particular merit in the standard 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, deduction and phase-in rate as well as the land tax exemption for primary production.

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 2020-21 of \$985.4 million represents 85 per cent of payroll tax revenue collections (net of related tax expenditures and excluding general government collections). This is a \$106.5 million increase on the estimated value of payroll tax expenditures in 2019-20 and mainly reflects an increase in the value of the government's payroll tax relief aimed at supporting businesses in response to the COVID-19 pandemic. The COVID-19 related support measures (\$152 million in 2020-21) include a 15 month waiver of payroll tax to June 2021 for businesses with national wages below \$4 million, a six month waiver to June 2021 for businesses that were eligible for the extended JobKeeper payment from 4 January 2021, and an exemption of Commonwealth JobKeeper payments from payroll tax.

The largest payroll tax expenditure is the provision of a tax-free threshold and deduction. Payroll tax is levied on wages paid by employers. From 1 January 2019, employers with annual national wages of up to \$1.5 million are exempt from payroll tax. Businesses with national wages above \$1.5 million receive a deduction of \$600 000. A variable payroll tax rate between zero per cent and 4.95 per cent applies to businesses with national wages between \$1.5 million and \$1.7 million, with a rate of 4.95 per cent applicable to businesses with national wages above \$1.7 million.

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 receive the benefit of a \$600 000 deduction. It is estimated that the tax revenue forgone as a result of the existence of the threshold, deduction and phase-in rate is \$522.4 million in 2020-21 for private sector employers.

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 \$147.9 million in 2020-21. Other expenditures include public benevolent institutions (\$61.1 million), local government councils (\$43.9 million), not-for-profit schools (\$24.6 million) and not-for-profit hospital and health providers (\$22.3 million).

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 2020-21 of \$334.3 million is equivalent to 20 per cent of stamp duty revenues. The total cost of stamp duty tax expenditures has decreased by \$132.3 million in 2020-21, mainly reflecting the estimated lower costs of exempting non-residential (non-primary production) property transfers from stamp duty.

Conveyance duty tax expenditures are estimated to amount to \$291.8 million in 2020-21. The stamp duty exemption for non-real property transfers is estimated to cost \$38.9 million in 2020-21, with the stamp duty exemption for non-residential real property (excluding primary production) estimated to cost \$149.1 million. The cost of the exemption for non-residential real property reduced in 2020-21, largely reflecting that the value of non-residential real property transactions in 2019-20 was high by historical standards and included a couple of very large transactions.

Approximately \$42.4 million of stamp duty tax expenditures in 2020-21 relate to exemptions given in respect of the \$60 stamp duty fee payable on the combined renewal certificate for vehicle registration and compulsory third party insurance. Of this, an estimated \$13.5 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 \$1069 million in 2020-21. This represents 202 per cent of land tax collections (net of related tax expenditures).

Land tax is calculated on the aggregate taxable value of all land held by an owner as at 30 June preceding the assessment year. The government introduced significant land tax reforms from 1 July 2020, including changes to aggregation rules and higher surcharge rates of land tax on certain trusts as well as increases in land tax thresholds and reductions in marginal tax rates. No tax is payable if the total taxable value of all land is less than the tax-free threshold level. The 2020-21 tax-free threshold for general non-trust landholdings was set to \$450 000 with a \$25 000 tax-free threshold for land held in certain trusts. A marginal tax rate structure applies above these thresholds, with increasing marginal tax rates applied as the value of landholdings increase.

The major 2020-21 tax expenditures associated with land tax include:

- the primary production exemption (provided it meets certain criteria) — estimated to cost \$360.6 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 \$263.5 million
- the tax-free threshold — estimated to cost \$306.5 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 \$118.6 million in 2020-21.

Total land tax expenditures in 2020-21 are \$326.7 million lower than in 2019-20. This primarily reflects the estimated lower cost of providing specific land tax exemptions, including for primary production land and principal places of residence as well as other exemptions in sections 4 and 5 of the *Land Tax Act 1936* due to

the reduction in tax rates and increase in thresholds introduced as part of the government's land tax reforms. To estimate tax expenditures in 2020-21, site values of exempt land are subject to the 2020-21 land tax scale that includes lower marginal tax rates and higher land tax thresholds (compared to the land tax scale in 2019-20) delivered under the government's reforms commencing from 2020-21. Given the timing of these reforms, land tax expenditures in 2020-21 have been estimated based on available assessment data and are subject to change.

Gambling taxes

Total gambling tax expenditures are estimated to be \$39.3 million in 2020-21, representing around 8 per cent of gambling tax collections.

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. A lower tax rate of 10.91 per cent of NGR applies for premium gaming machines at the Adelaide Casino having regard to tax rates faced by interstate competitors.

In 2020-21, it is estimated that the revenue forgone as a result of the existence of the tax-free threshold is \$9.4 million. The benefit to not-for-profit venues from lower tax rates is estimated to be \$8.2 million in 2020-21. The benefit to the Adelaide Casino of the differential tax rate for gaming machines is estimated to be \$21.7 million in 2020-21.

Total gambling tax expenditures in 2020-21 were \$11.8 million higher than the 2019-20 financial year which was impacted by the temporary closure of venues due to the COVID-19 pandemic.

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 has 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 \$119.2 million in 2020-21, broadly in line with 2019-20.

Table E.1: Summary of tax expenditures (\$million)

Tax expenditures (\$m)	2019-20	2020-21
Payroll tax		
Threshold related exemption, of which:		
benefit of \$600 000 deduction	450.9	463.8
incremental benefit of \$1.5m threshold	51.7	53.1
incremental benefit of phased rate for payrolls between \$1.5m and \$1.7m	5.4	5.6
COVID-19 Relief		
waiver for businesses with wages <\$4m	34.9	89.9
waiver for businesses with wages >\$4m	—	23.0
exemption for JobKeeper payments	25.8	39.1
Religious institutions	0.6	0.6
Public benevolent institutions	61.3	61.1
Public hospitals exemption	147.9	147.9
Non-profit hospital and health providers exemption	20.5	22.3
Non-profit schools or colleges at or below secondary level	24.6	24.6
Non-profit kindergartens	6.0	6.0
Child care centres	1.5	1.5
Local government council exemption	43.9	43.9
Apprentice and trainee wages exemption	—	0.9
Assistance for motion picture production companies ^(a)	2.7	2.2
Small business payroll tax rate ^(b)	0.8	0.1
Small business payroll tax rebate ^(c)	0.4	0.0
Total for payroll tax	879.0	985.4
Stamp duties		
Conveyance duty		
Family farm exemption	29.2	76.6
Corporate reconstructions	76.4	21.8
Off-the-plan stamp duty concession	5.9	5.4
Non-real property stamp duty - abolition ^(d)	38.0	38.9
Non-residential (non-primary production) property stamp duty - abolition ^(e)	276.0	149.1
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	0.9	0.9
Hire vehicles with more than 12 seats	0.1	0.1
Councils	0.2	0.2
Conditionally registered vehicles	26.0	27.6
Incapacitated ex-servicemen and other persons	0.2	0.1
Pensioners and eligible low-income earners	13.7	13.5
Stamp duty on motor vehicle registrations		
General remissions	<0.1	<0.1
Total for stamp duties	466.6	334.3

Tax expenditures (\$m)	2019-20	2020-21
Land tax		
Threshold exemption	280.3	306.5
Principal place of residence ^(f)	379.9	263.5
Primary production ^(f)	535.4	360.6
Caravan parks and residential parks ^(f)	1.6	1.1
Supported residential facilities ^(f)	0.5	0.3
For-profit aged care facilities ^(f)	3.9	2.6
Other exemptions ^(g)	177.7	118.6
COVID-19 land tax relief for landlords and commercial owner occupiers	16.6	2.9
Transition fund support	—	13.0
Total for land tax	1 395.9	1 069.1
Gambling taxes		
Gaming machines		
Threshold exemption	9.4	9.4
Differential treatment of non-profit businesses	5.3	8.2
Casino ^(h)	12.9	21.7
Total for gambling taxes	27.6	39.3
Other taxes on property		
Emergency services levy		
Pensioner concessions	6.1	6.3
General remissions		
Fixed property	118.5	119.2
Mobile property	3.6	3.0
Total for other taxes on property	128.2	128.6
Total expenditures	2 897.2	2 556.7

Note: Totals may not add due to rounding.

- (a) Includes estimated cost of legislated payroll tax exemption applicable to wages paid or payable in connection to a feature film produced in South Australia as well as associated ex-gratia relief. This varies to the presentation in the 2020-21 Budget for 2019-20 that only included the value of ex-gratia relief.
- (b) The small business payroll tax rate initiative ceased on 31 December 2018, with payments in 2019-20 and 2020-21 related to 2017-18 payrolls.
- (c) The eligibility for the small business payroll tax rebate scheme ceased from 1 July 2017, with payments in 2019-20 and 2020-21 mainly relating to 2016-17 payrolls.
- (d) Stamp duty on non-real property transfers was abolished from 18 June 2015.
- (e) Stamp duty on non-residential (non-primary production) transfers was fully abolished from 1 July 2018.
- (f) Consistent with the approach taken for other taxes in this table, the cost of these land tax exemptions has been calculated assuming the land tax rates and thresholds in force in the relevant year apply.
- (g) 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.
- (h) This has been estimated by applying the gaming machine tax rate structure applicable to for-profit venues.

Glossary of terms used in the budget statement

Term	Definition
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.
Australian Bureau of Statistics Government Finance Statistics (ABS GFS) Manual	The Australian Bureau of Statistics' publication <i>Australian System of Government Finance Statistics: Concepts, Sources and Methods 2015</i> contains a comprehensive and definitive guide to the classification of financial aggregates for National Accounts and the Government Finance Statistics (GFS).
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.
Capital grants	Transactions in which ownership of an asset other than cash and inventories is transferred from one institutional unit to another, in which cash is transferred to enable the recipient to acquire another asset, or in which the funds realised by the disposal of another asset are transferred, for which no economic benefits of equal value are receivable or payable in return.
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.
Cash surplus/deficit	Reported in the cash flow statement, the cash surplus/deficit measures the net impact of cash flows (excluding financing activities) during the period. It equals net cash flows from operating activities plus net cash flows from the acquisition and disposal of non-financial assets less distributions paid. A surplus is generally consistent with declining levels of net debt while a deficit indicates a need for more borrowing.
Comprehensive result — total change in net worth	Measures the variation in a government's accumulated assets and liabilities, and is the most inclusive measure of the change in a government's financial position over a given period. It is calculated as revenue from transactions less expenses from transactions plus other economic flows other than transactions with owners as owners.
Consolidated Account	The government's main operating account, from which appropriations are paid and revenues of the state are credited, created pursuant to the <i>Public Finance and Audit Act 1987</i> .
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.

Term	Definition
Convergence differences	The difference between the amounts recognised in the financial statements (prepared under Australian accounting standards) compared with the amounts determined for Government Finance Statistics purposes as a result of differences in definition, recognition, measurement, classification and consolidation principles and rules.
Current grants	The provision of something in value for no specific return or consideration and includes grants, subsidies and donations.
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.
Classification of the functions of government (COFOG-A)	The method used to classify expenses from transactions and acquisitions of non-financial assets in terms of the purposes for which the transactions are made, for example, health, education.
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 percentage 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, GST revenue 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. From 2021-22 the distribution of GST will begin to transition to new arrangements that aim to ensure each state or territory have the capacity to provide services at the standard of New South Wales or Victoria (whichever is greater).
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 <i>Income Tax Assessment Act 1997</i> , 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.

Term	Definition
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 cash flow from investments in financial assets (liquidity management purposes)	Equals cash receipts from liquidation or repayment of investments in financial assets for liquidity management purposes less cash payments for such investments. Investment for liquidity management purposes means making funds available to others with no policy intent and with the aim of earning a commercial rate of return.
Net cash flow from investments in financial assets (policy purposes)	Equals cash receipts from the repayment and liquidation of investments in financial assets for policy purposes less cash payments for acquiring financial assets for policy purposes. Acquisition of financial assets for policy purposes is distinguished from investments in financial assets (liquidity management purposes) by the underlying government motivation for acquiring the assets. Acquisition of financial assets for policy purposes is motivated by government policies such as encouraging the development of certain industries or assisting citizens affected by natural disaster.
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 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 measure of the operating result of a sector of Government, calculated as revenue from transactions less expenses from transactions. It is a summary measure of the ongoing sustainability of operations and excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.
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.

Term	Definition
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 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.
Superannuation interest cost	Represents the carrying cost of unfunded superannuation liabilities, net of interest revenue on plan assets of defined benefit schemes.
Transactions	Changes to assets, liabilities and equity that arise from mutually agreed interactions between entities.
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).



STATE BUDGET 2021-22

DEPARTMENT OF TREASURY AND FINANCE

State Administration Centre
200 Victoria Square, Adelaide
South Australia, 5000

GPO Box 1045, Adelaide
South Australia, 5001
Telephone: +61 (08) 8226 9500

treasury.sa.gov.au



STATEBUDGET.SA.GOV.AU